

2013

ANNUAL REPORT

STARS SHINING BRIGHTLY



**STARS
STANDS STRONG**



Stars Microelectronics (Thailand) Public Company Limited



Contents

1	Vision, Mission , Strategy, Policy and Direction of Operations
2	Financial Highlights
3	Organization Structure
4	Message from Chairman
5	Message from CEO
6	Board of Directors
8	Management Team
12	Nature of Business
14	Marketing and Distribution
16	Revenue Structure
17	Value Added Structure
18	Shareholding Structure
18	Shareholding Structure in Subsidiary Company
20	Board of Investment Rights and Privileges
22	Investment Policy and Capital Structure
24	Dividend Policy
24	Research and Development
24	Future Projects
25	Corporate Social Responsibilities
27	Human Resources Development and Management
28	Good Corporate Governance
36	Related Party Transactions
37	Risk Management
40	Details of Biography of Board of Directors
46	Management Structure
64	Report of the Audit Committee
66	Report of the Remuneration Committee
67	Report of the Risk Management Committee
68	Report of the Board of Directors' Responsibilities for Financial Statements
69	Management Discussion and Analysis
75	Report of Independent Auditor
76	Financial Statement and Note to Financial Statement
124	Remuneration for the Auditor
125	Corporate Information and Reference Persons



STARS SHINING BRIGHTLY

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."

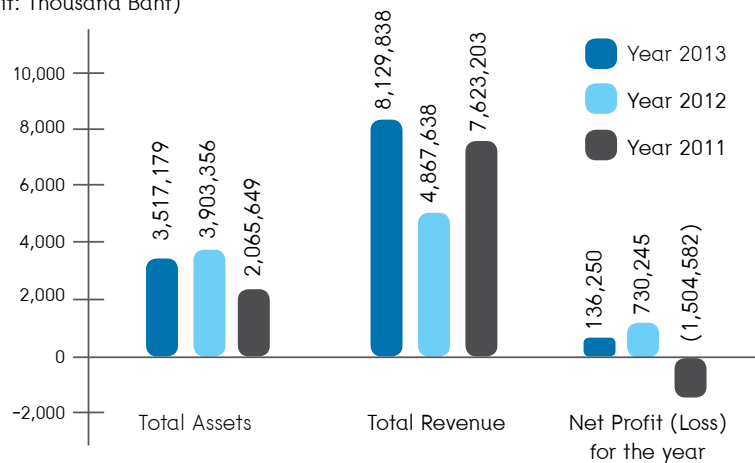
Strategy, Policy and Direction of Operations in order for the company's operations to have a clear direction,

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

FINANCIAL HIGHLIGHTS

(Unit: Thousand Baht)



Consolidated Financial Statements

2013

2012

2011

(Restated)

(Unit: Thousand Baht)

Total Revenue	8,129,838	4,867,638	7,623,203
Sales Revenue	7,651,867	3,537,590	7,583,989
Gross Profit	(89,026)	(359,706)	310,437
Operating Profit	(317,975)	(577,669)	111,914
EBITDA	476,469	972,793	(1,171,024)
Net Profit before Exceptional Items	(298,130)	(562,908)	127,464
Net Profit (Loss) for the year	136,250	730,245	(1,504,582)
Total Assets	3,517,179	3,903,356	2,065,649
Net Fixed Assets	2,401,165	2,421,315	1,416,738
Total Liabilities	1,602,166	2,145,406	1,047,187
Shareholders' Equity	1,915,013	1,757,950	1,018,463

(Unit: Baht)

EPS before Exceptional Items**	(0.71)	(1.35)	0.31
EPS after Exceptional Items**	0.33	1.75	(3.61)
Book Value per share	4.58	4.22	2.44
Dividend per share	-*	-	0.20

(Unit: Time)

Debt to Equity	0.84	1.22	1.03
----------------	------	------	------

(Unit: %)

Net Profit (after tax) % Sales	1.78%	20.64%	(19.84%)
EBITDA Margin	6.23%	27.50%	(15.44%)
Return on Equity	7.42%	52.60%	(96.36%)
Return on Assets	3.67%	24.47%	(46.16%)
Payout Ratio (excl. exceptional items)	-*	-	65%

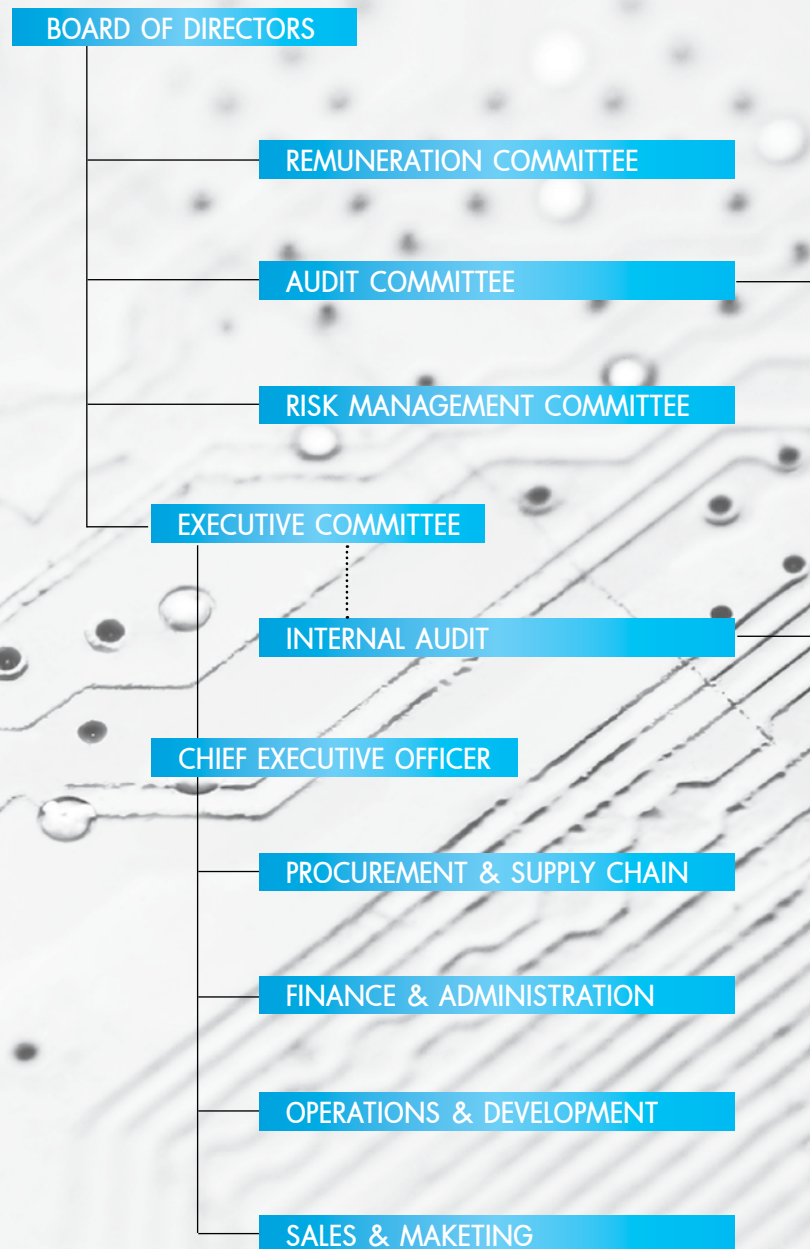
(Unit: Share)

Number of shares outstanding (year end)	418,210,338	416,932,873	416,922,480
---	-------------	-------------	-------------

* Omission of yearly dividend payment will be submitted to Annual General Meeting of Shareholders of 2014 on 28 April 2014 for Approval

** Calculated on number of shares as at year end

Organization Structure



Message from Chairman

Dear Shareholders,

I am delighted and feel honoured to have an opportunity to greet all of you once again through this annual report.

In the past year, the main mission of the company was to recover our business and to get back to normality as quickly as possible.

It was a pleasure that the company received the full compensation from insurance companies. The company has renovated and improved the factories and offices to be able to provide impeccable services to both old and new customers. We made decision to utilize the high-technology machines to reduce labour cost. More importantly, we have established a firm and sustainable relationship with

our customers with strong marketing strategies. This is expected to provide benefits to the company and shareholders on a long-term basis.

I am sure that the company's Board of Directors will follow up on the company's management efficiently and with high levels of transparency, accountability, good corporate governance and protection of all risk.

On behalf of the Board of Directors, I would like to thank all shareholders, investors, stakeholders for your warm and strong support. I would like to thank all our staff for their dedication and tireless effort to make progress for the company.



Mr.Somnuk Chaikul
Chairman

Stars Microelectronics (Thailand) Public Company Limited

Message from CEO

Dear Shareholders,

I am very pleased to inform all of you that in 2013 the company achieved the 2 main objectives. Firstly, we obtained the full compensation from the insurance companies. Secondly, the company has recovered and improved the factories and the Assembly lines so as to be move efficient and effective. As a result, it will be the good foundation for business operations next year and far into the future.

I together with my management team have changed and improved the Assembly lines to be in line with the current economic situation and now we focus on the products and manufacturing services of the product groups which have high gross margin and long product life cycle. We also focus on the high-technology products with little changes in products. Consequently, the customers' business grow continuously and sustainably.

In the past year, there were 3 main missions in our strategic plan as follows-

1. Renovate and improve the offices and factories. Install the machines in the production lines in search of excellence and to differentiate from the competitors to increase the marketing strengths.

2. Attract big customers to return to be business partners by creating the value addition for customers and utilize the automation to reduce the problem of labour intensive.

3. Provide "turnkey services and one stop shop destination" by fulfilling the needs of the customers that have no production lines of their own (Fabless Company) and needs outsourcing.

I and my management team would like to thank the shareholders, all of our members of Board of Directors, stakeholders for their unpararelled supports. We promise that we will work at our utmost effort to make the company's performance better firmly and sustainably far into the future.



Mr.Polsak Lertputipinyo
Chief Executive Officer
Stars Microelectronics (Thailand) Public Co., Ltd.



Board of Directors



1. Mr. Somnuk Chaikul

Chairman of Board and Chairman of Executive Committee

2. Mr. Pitak Sirivanasandha

Vice chairman and Remuneration Committee Member

3. Mr. Polsak Lertputipinyo

Director , Executive Director and Chief Executive Officer

4. Mr. Chong Kwen Sam

Director

5. Mr. Dheerasak Suwannayos

Independent Director and Chairman of the Audit Committee

6. Mr. Prasart Yunibhand

Director



7. Associate Professor Dr. Preecha Jarungidanan

Independent Director, Audit committee Member and
Chairman of Remuneration Committee

8. Mrs. Poonpun Chaikul

Director

9. Mr. Toru Uchino

Director

10. Associate Professor Dr. Aekkachai Nittayagasetwat

Independent Director, Audit Committee Member and
Remuneration Committee Member

11. Associate professor Dr. Kamphol Panyagometh

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

12. Mr. Yunyong Sawasdi

Company's secretary and Executive Director

Management Team



1. Mr. Polsak Lertputipinyo

Chief Executive Officer
Director
Executive Director

2. Dr. Kavee Techapichetvanich, Ph.D.

Chief Operations Officer
Executive Director
Risk Management Committee Member

3. Mr. Kosol Sarapadchoke

Chief Supply Chain Officer
Risk Management Committee Member

4. Mr. Withaya Yotpraphun

Acting Chief Financial Officer
Risk Management Committee Member

5. Mr. Thawatchai Woracheewan

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

6. Mr. Suwapat Chawaphongsakorn

Senior Director (Sales and Marketing)
Risk Management Committee Member



7. Mr.Nimit Hongyim

Senior Director (Captive Operation)

8. Mr.Nattapon Phuenpathom

Director (Human Resources and Administration)
Risk Management Committee Member

9. Mr. Chaiyot Thaveeratitham

Director (Finance and Investor Relations)
Risk Management Committee Member

10.Mr.Sommai Netpu

Director (Operation-IC Assembly & Packaging)

11.Mr. Thaweechai Ngamlertsirichai

Director (Sales and Marketing)

12.Mr. Khemarat Langkarpint

Assistant Director (Production & Material Control)

Management Team



13



14



15



16



17



18

13. Mr. Prompong Chaikul

Assistant Director (Planning & Development)

14. Sqn.Ldr. Wirutch Jeapiyasakul

Assistant Director (Test Engineering)

15. Ms. Passara Opartnipath

Assistant Director (Accounting)

16. Mr. Jirawath Chanyu

Assistant Director (IC packaging & Captive line)

17. Dr. Pichit Saengpongpaew

Assistant Director (Industrial Engineer & Facility & Management Information System)

18. Mrs. Wilailak Unkaew

Assistant Director (Purchasing & Logistics)



NATURE OF BUSINESS

Nature of Business and Samples of Products

The Company offers Electronics Manufacturing Services (EMS) to Original Equipment Manufacturers (OEM) or Original Design Manufacturer 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 Bluetooth Module for Telecommunication System, etc.
- Clear Pad Assemblies for touch screens for smart phones, 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 in 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.

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

	2011		2012 (Restated)		2013	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Market in USA	1,489,676	19.90	288,027	8.17	666,680	8.75
Market in Europe	47,775	0.64	18,605	0.53	5,042	0.07
Domestic market (for export)	5,948,841	79.46	3,220,295	91.30	6,949,671	91.18
Total sales revenue	7,486,292	100.00	3,526,927	100.00	7,621,393	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	2011		2012 (Restated)		2013	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Direct Sales	6,738,043	90.01	3,208,520	90.97	6,938,929	91.05
Stars USA	613,092	8.19	280,189	7.95	623,015	8.17
Smart Electronics	116,911	1.56	20,511	0.58	41,016	0.54
SIIX Corporation	18,246	0.24	17,707	0.50	18,433	0.24
Total	7,486,292	100.00	3,526,927	100.00	7,621,393	100.00



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.

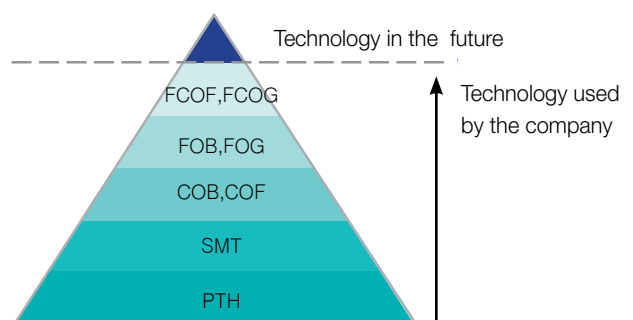
The company has three market representatives as follows:

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

- Smart 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.

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

	2011		2012 (Restated)		2013	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales income						
MMA — Hard Disk	5,803,063	76.12	3,154,368	64.80	6,896,713	84.83
MMA — Others	943,434	12.38	88,787	1.83	59,315	0.73
IC Packaging	739,795	9.70	283,772	5.83	665,365	8.19
Total Sales income	7,486,292	98.20	3,526,927	72.46	7,621,393	93.75
Service income ⁽¹⁾	97,697	1.28	10,663	0.22	30,474	0.37
Other income	39,214	0.51	1,330,048	27.32	477,971	5.88
Total Revenues	7,623,203	100.00	4,867,638	100.00	8,129,838	100.00

⁽¹⁾ income from design product

Value Added Structure

	2011		2012 (Restated)		2013	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Value Added						
MMA — Hard Disk	204,513	18.36	122,521	7.40	264,806	24.71
MMA — Others	353,942	31.77	51,742	3.13	33,713	3.15
IC Packaging	418,753	37.59	140,040	8.46	264,735	24.70
Total Value Added	977,208	87.71	314,303	18.99	563,254	52.56
Service income ⁽¹⁾	97,697	8.77	10,663	0.64	30,474	2.84
Other income	39,214	3.52	1,330,048	80.37	477,971	44.60
Total	1,114,119	100.00	1,655,014	100.00	1,071,699	100.00

⁽¹⁾ income from design product

Value Added (VA) = Sale — Raw Material

Changes and Development

- In 2013, the Company sold its stake in the company SS RFID of 2,500,000 shares (25%) of the share capital of the subsidiary at a price of 25 million baht to the Company one. foreign. To build relationships with potential business partners in the future.
- The Company has received compensation for damage from flooding is complete. Totaling Baht 1,692 million, the company can replace modern machinery. And streamline operations significantly better, for sustainable potential growth in the future.

Annual full production capacity

Products	(Million Pieces)
IC Assembly and Testing	1,800
MMA Production and Assembly of Electronic Components	120
Total	1,920

Shareholding Structure

Shareholders

The Company's shareholding structure as of 31 December 2013 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	8.277
2	Mr. Petch Wailikit	34,164,850	8.169
3	SIIX EMS (THAILAND) CO., LTD.	20,747,981	4.961
4	Mr. Somnuk Chaikul	20,119,822	4.811
5	Miss Oranuj Chaikul	15,160,000	3.625
6	Mr. Saran Chaikul	10,001,900	2.392
7	Mr. Nattapong Chaikul	9,000,000	2.152
8	Mr.Sombat Chalermwutinan	8,700,000	2.080
9	Mrs. Poonpun Chaikul	8,145,993	1.947
10	Mr. Prompong Chaikul	6,208,484	1.485
	Other	251,347,971	60.101
	Total	418,210,338	100.00

Note: The Company's paid-up capital as of 31st December 2013 was Baht 836,420,676



Shareholding Structure in Subsidiary Company

1. Stars Microelectronics USA, Inc.

Registered capital : 20,000 US dollar

Shares : 20 million share

hold 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.

Registered capital : 1,000,000 Baht
(Issued and fully paid : 250,000 baht)
Shares : 100,000 share (Issued : 25,000 shares)

hold the status of subsidiary of the company, with the company holding 99% 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.

Registered capital : 100,000,000 Baht
Shares : 10,000,000 share

hold the status of subsidiary of the company, with the company holding 75% 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.

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

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. 5195(1)/2556 dated 19 November 2013



- 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 28 February 2022.) 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

- 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.

- Product capacity:
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.

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 2013)

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

Paid-up capital : 836,420,676 baht consisting of 418,210,338 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 2013, warrant holders exercised their rights to convert a quantity of 6,157,950 warrants to a total of 6,271,426 common shares. The remaining warrants to be converted are 1,342,050 units and the remaining shares to support the exercise are 1,372,101 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

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.

	2009	2010	2011	2012	2013
	(baht per share)				
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 2014 on 28 April 2014*

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

1. The company focuses on expanding production capacity to support customers' demand as ONE STOP VALUE ADDED SERVICE FOR HIGH GROWTH PRODUCTS for profit rate increase as they require joint research and development between the company and customers. Examples are IC Packaging & Testing and RFID (Radio Frequency Identification) tags.

2. The company prepared for heading to AEC due to Single Market and production base.

3. The company made an investment in SS RFID Co., Ltd. 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.

Corporate Social Responsibilities



1. Children's Day KhunNattaphon P., the Director of Human Resources and Administration, donated bicycles to the municipal clerk of Klongjig and Bang Pa-In sub-district municipalities. All of the bicycles were used as gifts for the children who participated in the Children's Day activities held by the municipality on January 12th 2013.

2. One drop, Million Thanks Project SMT cooperated with the Thammasart Hospital to organize a blood drive encouraging employees to increase their societal contributions as well as offer royal charity to our king. In the past, the company would usually hold this event three times throughout the year, but this year we managed to increase the number of blood drives to four resulting in 376 people donating blood.



3. Songkran Festival SMT continued to organize events during the Songkran Festival upholding Thai traditions such as making merit by offering rice and dried food to a large group of monks and performing water blessings of management, holding a Miss Songkran Pageant and performing other activities to raise funds to renovate the temple hall which was damaged by the fire at the Bot Sompornchai Temple in Ayutthaya.

4. Scholarships to students Stars Microelectronics Ltd. continued its yearly tradition of offering scholarships to students in the Bangpa-In area. This year the company selected the students at the Wat Rat Sattatham School to receive the scholarships.





5. Stars Love Home SMT donated new computers to the community temples and schools in an employee's hometown through the "Stars Love Home" project. This project helps raise the awareness and pride of employees by doing something beneficial for their local communities. June 22, 2013 the employees and company representative travelled to Wat Hua Khao Lan Ka, Nakorn Sawan to make the donations.

6. Buddhist Lent Day SMT arranged to make merit due for Buddhist Lent Day on July 18th 2013 by offering rice and dried food to monks, the lent candle and performing other activities to support the restoration of the temple hall which was damaged by the fire at the Bot Sompornchai temple in Ayutthaya.



7. Reward Stars Microelectronics Co; Ltd. was awarded the "CSR-DIW for Beginner Award 2013." It is the standard of social responsibility which is honored from the Ministry of Industry and Managements of Department of Industrial. Khun Nattaphon P, as a representative of the company, received this honor on September 11, 2013 at the Grand Diamond Ballroom of the IMPACT Convention Center, Muangthong Thani.

In 2013, the company joined Potential Enhancing Project for industrial factories to develop environment and sustainable social responsibility (CSR-DIW for Beginner 2556). For this CSR report, shareholders and interested person can read from our website - www.starsmicroelectronics.com

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.

- **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.

The Company have provident fund for employee. By the employees pay part and the Company contributed. The contribution rate is based on the law, with the aim to promote savings and long-term commitments (Contractual Savings) for the employee. To the cost of disability retirement or when leaving work.

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 quantify and quality for the company with all their effort.

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 2013, the company followed corporate good governance practices as follows:



1. Rights of Shareholders and Shareholders Meeting

The company's 2013 Annual General Meeting was held on Monday, 22 April 2013 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 2013 shareholders' annual general meeting, ten 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 company etc, which are fundamental rights scheduled to 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 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 2013 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 Investor Relations, Tel. No. 035-221777 ext. 313. However, in 2013, 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 2013, 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 2013 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 2013, 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 2013, 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 twelve 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 2013, 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 is Miss Sunan Wongmutthavanich. She is the Senior Manager of Internal Audit Department. In year 2013, the Internal Audit Department performed the audit smoothly and completely according to audit plan which approve 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 train them to know the Code of Business ethics and the company's business in the same time.

Software license

The company had policy about software license and controlled for use, All of employees must realize and not violated any intellectual property.

Board of Directors' Meeting

In 2013, 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 2013 shareholders' annual general meeting on 22 April 2013, the meeting approved the maintenance of the 2013 Board of Directors remuneration as approved by the shareholders' annual general meeting in 2012 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, Audit Committee, 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 2012 and on 31 December 2013, remuneration for directors totaled 4,022,000 baht and 3,977,000 respectively in the form of monthly compensation and attendance fees as detailed below.



(unit:Baht)

Name list	Fiscal year 2012 ending December 31 st , '12	Fiscal year 2013 ending December 31 st , '13
1. Mr. Somnuk Chaikul	457,000	452,000
2. Mr. Pitak Sirivanasandha	318,000	313,000
3. Mr. Polsak Lertputipinyo	313,000	308,000
4. Mr. Chong Kwen Sam	313,000	308,000
5. Mr. Prasart Yunibhand	313,000	308,000
6. Mr. Dheerasak Suwannayos	442,000	452,000
7. Assoc. Prof. Dr. Preecha Jarungidanan	410,000	400,000
8. Mrs. Poonpun Chaikul	313,000	308,000
9. Mr. Toru Uchino	313,000	308,000
10. Assoc. Prof. Dr. Aekkachai Nittayagasetwat	415,000	405,000
11. Assoc. Prof. Dr. Kamphol Panyagometh	415,000	415,000
Total	4,022,000	3,977,000

Mr. Yunyong Sawasdi, secretary of the company, received the remuneration in 2013 totally 240,000 Baht

2. Remuneration for Managements

(unit:Baht)

Remuneration	Fiscal year 2012 ending December 31 st , '12		Fiscal year 2013 ending December 31 st , '13	
	Of recipients	Total Payment	Of recipients	Total Payment
Total Salary	5	14,538,504	6	14,886,012
Total Bonus	5	1,197,027	6	1,278,439
Provident Fund	5	1,604,065	6	1,907,690
Total		17,339,596		18,072,141

Human Resources

As of 31 December 2012 and 31 December 2013, the number of employees (excluding executives) divided according to their major fields of work were as follows:

	(unit :Person)	
	As of December 31 st , '12	As of December 31 st , '13
1. Sales and Marketing	12	11
2. Operations & Development	1,268	1,086
3. Procurement & Supply chain	85	71
4. Finance & Administration	89	52
Total	1,454	1,220

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 attend training programs overseas.

Related Party Transactions

In 2013, 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

In 2013 the company tried extremely hard to get through the economic crisis, natural disaster, financial fluctuation and political uncertainty both domestic and abroad. Although the company could not reach its potential at the time but is now ultimately moving in a much better direction. The company has developed in qualitative ways and promoted the sustainable development. The company has focused on increasing the value addition of the products that need high technology. The company has developed the knowledge and skills of the employees, has reduced the

manufacturing cost and has placed the importance on the products which befriend the environment. Moreover the company has developed the risk management system to a high standard which can be practiced and measured clearly

After the company had set out the policy for risk management, the risk management committee proceeds according to the risk management process. The RMC will analyze the risk factors and set the activities which will be implemented continuously, concretely and successfully in the same direction with the company as follows-



The company held 4 risk management committee meetings in 2013 by using business plan of each year to set the target. After that each development which could hinder the company reaching the target set in the beginning of the year. The company set 4 KPI (Key Performance Indicators)

and analyzed to find the causes and measured the actual results compared with the budget set. The risk Management Committee submitted the report to the Audit Committee Meeting and Board of Directors Meeting.

The Risk Management Committee analyzed the risks as follows-

1. Sales by product groups
2. Net Profit from Operations
3. Important Financial Ratio

After that, the company set the risk factors as follows-

1. Uncertainty of product demand and product variety.
2. Economic uncertainty and political situations.
3. Production capacity management.
4. Foreign Currency Fluctuation.
5. Labour cost and Labour relation management.

The detail is as follows-

1. Uncertainty of product demand and product variety

The change and fast development of electronics products make them have short life cycle. The demand of the product always changes depending on consumer behaviour. The company may be unable to serve the customers demand promptly and control the production cost. In this regard, the company look for the products with long life cycle and high demand for the company to manage the production efficiently and to run business sustainably. To protect or minimize the risk, the company implements the following-

1. Not focusing on fashionable goods with short life cycle, small quantity of products that often needs to adjust the production processes.
2. Expand marketing base by not depending on only one customer in the same product to make the production process flexible and efficient.
3. Coordinate with customers closely to acknowledge the changes in product demand and plan the production process quickly to reduce any loss.



2. Economic uncertainty and political situation

In the second half of 2013, American and the world economy have improved. Many countries in the European Union have passed the lowest point. It was expected that the trend of the electronics industry would be brighter than the previous year. The company adjusted and focused on the production which caused the value addition of the products by using high technology and modern machines, reducing labour cost and production cost to serve the customers demand promptly. Although there is internal political conflict, the company had BCP (Business Continuity Plan) to be able to deliver goods to customers in time.

3. Production Capacity Management

The company invested in the new machines to replace the old one after the big flood two years ago. The new machines are more efficient with more production capacity. As a result, the company has more depreciation cost and maintenance costs. In the beginning, the company could not reach the break-even point. Consequently, the company had the Gross Margin loss last year. To solve the problem, the company adjusted and made the new production line more efficient and more flexible to serve the production process. The company was required to focus on research and development (R&D) of the production techniques to suit the customer demand. Moreover, the company jointly developed the new products with the customers to co-invest in the specific machines. The company always develops the current production to suit the customer demand. The company is highly confident that we can serve the various demands of the customers and utilize the production capacity above the break-even point.



4. Foreign Exchange Fluctuation

The world's economic fluctuation, the change of monetary policy of the FED of the USA and the financial support of the central bank of Japan together with the internal political instability of Thailand made the foreign currency fluctuate.

In 2013 the company used the US dollar in trading. Therefore, the payment and receipt in foreign currency was nearly the same. The company could use "Natural Hedge" to reduce the risk from foreign exchange uncertainty. Moreover the company also opened the foreign currency account with the bank to be able to pay for the goods in foreign currency which can reduce the risk in foreign currency fluctuation.

Beside, the company also bought and sold "Forward Contracts" and utilize "Financial Derivative Instruments" to reduce the risk from foreign currency.

5. Labour Cost and Labour Relation Management

After the government had raised the minimum wage to 300 baht a day in 2013, the price of the consumer products increased considerably. It is expected that the minimum wage will be increased unavoidably in the future. All businesses try to find the methods to reduce the effects. The company focuses on investing in automatic machines to reduce the labour cost. After the company had used the new machines, the company could reduce 5-10 percent of labour cost. At the same time, the company improved the labour relation management policy to reduce the turn-over rate of the employees.

Details of Biography of Board of Directors



Mr. Somnuk Chaikul

Position : Chairman of Board and Chairman of Executive Committee Age 62 years

Percentage of Shareholding as of December 31, 2013

- 4.81 %

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 64 years

Percentage of Shareholding as of December 31, 2013

- 0.78 %

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
- 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 57 years

Percentage of Shareholding as of December 31, 2013

- 0.09 %

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
- 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
- TLCA Leadership Development Program (LDP), Class of 1/2013, Thai Listed Companies Association (TLCA)
- Capital Market Academy Program, Class of 17/2013, The Stock Exchange of Thailand



Mr. Prasart Yunibhand

Position: Director
Age 66 years

Percentage of Shareholding as of December 31, 2013

- 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:
 - Director 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

Training History

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



Mr. Chong Kwen Sam

Position : Director

Age 62 years

Percentage of Shareholding as of December 31, 2013

-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
 - Avon Holding Private Limited
 - Midas Trust Private Limited

Training History

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



Mr. Toru Uchino

Position : Director

Age 63 year

Percentage of Shareholding as of December 31, 2013

- 0.12 %

Educational Background

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

Work Experience

- Present:
 - A Member of the Board Directors of Stars Microelectronics (Thailand) Public Company Limited
 - A Member of the Board Director of SS RFID Company Limited.
 - President of SS RFID Company., Ltd
- 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 market 1989-1992
 - CI TEXMAC (Thailand) CO., LTD (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



Mrs. Poonpun Chaikul

Position : Director

Age 54 year

Percentage of Shareholding as of December 31, 2013

- 1.94 %

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
 - Co - founder of Zonta 9 Association
 - A member of Alumni of Aroonpradit school, Petchaburi province to celebrate the 150th anniversary of the school

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. Dheerasak Suwannayos

Position : Independent Director and Chairman of the Audit Committee Age 61 years

Percentage of Shareholding as of December 31, 2013

-none-

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
- 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)



Associate Professor Dr. Preecha Jarungidanan

Position : Independent Director , Audit committee Member and Chairman of Remuneration Committee Age 67 years

Percentage of Shareholding as of December 31, 2013

- 0.01 %

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 and 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



Associate Professor Dr. Aekkachai Nittayagasetwat

Position : Independent Director ,Audit Committee Member and Remuneration Committee Member Age 50 year

Percentage of Shareholding as of December 31, 2013

- 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 Member 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)
 - 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 41 year

Percentage of Shareholding as of December 31, 2013

- none -

Educational Background

- Ph.D. in Finance, Schulich School of Business, York University, Canada
- M.B.A (Finance Major), National Institute of Development Administration
- B.Sc. (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 and Chairman of Risk Management Committee of Hydrotek Public Company Limited
 - 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
 - Sub-committee of Education, Thai Financial Planners Association (TFPA)
 - Director of University Liaisons, CFA Society of Thailand
 - Research Associate, The Individual Finance and Insurance Decisions Centre, Canada
 - Financial Lecturer, Schulich School of Business, York University, Canada
 - Research Assistant, 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

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
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 and Remuneration Committee Member
11	Associate professor Dr. Kamphol Panyagometh	Independent Director, Audit Committee Member and Chairman of Risk Management Committee

Mr. Yunyong Sawasdi is the Company's Secretary

Scope of Authorities and Duties of 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, the company's, executives, any person and/or outside persons 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 committees such as the Nomination Committee, the

Remuneration Committee as deemed appropriate. It also has the authority to appoint the authorized person to act on behalf of the Board of Directors under its control. It has the authority to terminate, cancel, set the terms of office, correct and change the authority as deemed appropriate. Besides, it has the authority to hire, appoint, transfer, remove, terminate, set the terms of office, fix the salary and fringe benefits for the person in the position of the Chief Executive Officer (CEO) as deemed appropriate or proposed by the Executive Committee or the Nomination Committee.



3. Approve and set goals, policies, annual operational plans and annual budgets 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 goals, 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 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 there of

(e) the increasing or reducing of capital and issuing of debenture bonds

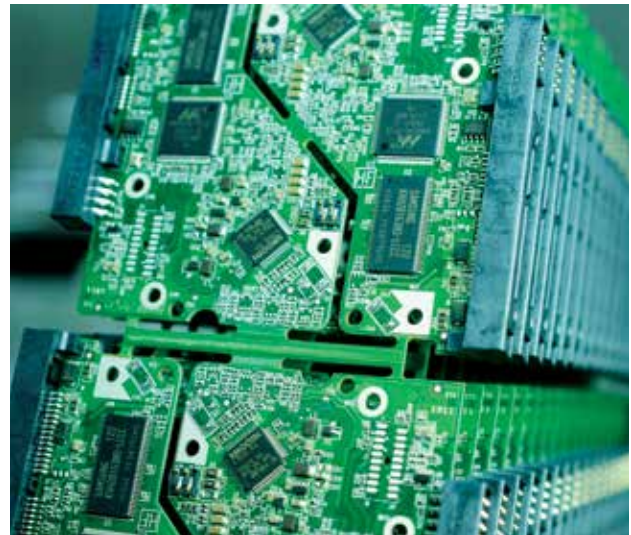
(f) mergers and closures

(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



Executive Committee

Executive Committee comprises 4 Directors

	Name of director	Position
1	Mr. Somnuk Chaikul	Chairman of the Executive Director
2	Mr. Polsak Lertputipinyo	Executive Director
3	Mr. Yunyong Sawasdi	Executive Director
4	Dr. Kavee Techapichetvanich	Executive Director

Role and Authority of Executive Directors

1. Component and Appointment

1. The Board of Directors appoints the Executive Committee.

2. The persons to be appointed can be selected from members of the Board of Directors, members of the top management of the company and/or outside persons. Those persons must be capable and knowledgeable. They must have enough time to dedicate their knowledge and ability to the company.

3. Have qualifications which are not against the Public Limited Company Act and other related law.

4. The Executive Director can not be a partner or a director of other companies which operate the same business and compete with the company either for own interests or other people's interests except that the Executive Director has informed the Board of Directors before being appointed.

2. Terms of office of Executive Director

1. The Executive Director has the terms of office for 2 years from the appointment date. The Board of Directors can change or adjust the terms of office of the Executive Director. The Executive Director who vacates the office can be reappointed. The Board of Directors appoints the Executive Directors to fill the vacancy.

2. Resignation

3 Duties and Responsibilities

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 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.

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 follow according to 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, approve or authorize to hire, appoint, transfer, remove, discharge or terminate, fix the salary for the top management of the company from the level of Chief Executive Officer to department directors. The Chairman of Executive Committee has the authority to take action.

For the CEO position, in case of hiring, appointing, transferring, removing, terminating and fixing the salary, the Chairman of the Executive Committee has authority to submit to the Board of Directors' Meeting to consider and approve.

8. Consider and approve the salary structure and other fringe benefits of the management and employees of the company and submit to the Remuneration Committee to submit further to the Board of Directors for approval.

9. Consider and approve the change and improvement of management structure, rules and regulations and working procedure of each department and submit to the Board of Directors to approve.

10. 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



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

12. 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

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

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

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

16. 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

17. 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

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

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

Executive Committee Meeting

(a) The Executive Committee must hold a meeting at least once a month. The Executive Directors must attend the meeting regularly.

(b) 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.

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

(d) 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, 10, 12, 14 and 15 above, which require no less than three-fourth of votes of the total number of company directors.

(e) 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.

5. Remuneration for Executive Director

The Executive Director who is entitled to receive the remuneration from the company must be the Executive Director from outside only. The Board of Directors sets the remuneration for the Executive Directors.

Remuneration Committee

For corporate good governance and in compliance with the "2012 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 Jarungdanan	Chairman of Remuneration Committee
2	Mr. Pitak Sirivanasandha	Remuneration Committee Member
3	Associate professor Dr. Aekkachai Nittayagasetwat	Remuneration Committee Member

Chairman of The Remuneration Committee is an Independent Director.

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.

1. 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



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 economics and risk management.

The company's audit committee comprises the following four members:

	Name of Audit Committee	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 - 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:

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

Chairman of Risk Management Committee are Independent Director

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 a member 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 benefit of the company and manage the company's operations according to the policies, goals, operational plans, annual budget and related strategies set by the Board of Directors and/or assigned by Executive Committee.

2. 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.

3. Have the authority to hire, appoint, transfer, discharge or terminate, fix the salary and fringe benefits, bonus and increase or adjust the salary for the employees whose positions are from the " Chief" level to the department directors .This must be approved by the Board of Directors or the authorized person by the Board of Directors

4. Have the authority to hire, appoint, transfer, discharge or terminate, fix the salary and fringe benefits, bonus and increase or adjust the salary for the employees whose positions are lower than the department directors.

5. 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.

6. 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.

7. Submit proposed contracts and/or transactions for the company's benefit to the Board of Directors' meeting for approval.

8. 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.

9. 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.

Details of the Board of Directors' meetings, sub-committee meetings, and the 2013 shareholders' annual general meeting

Name list	Attendance in Board of Director Meeting	Attendance in Audit Committee Meeting	Attendance in Remuneration Committee Meeting	Attendance in Shareholders 'Annual General Meeting '2013
1 Mr.Somnuk Chaikul	4/4	-	-	1/1
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 Dheerasak Suwannayos	2/4	2/4	-	0/1
6 Mr. Prasart Yunibhand	4/4	-	-	1/1
7 Associate professor Dr. Preecha Jarungidanan	4/4	3/4	1/1	1/1
8 Mrs. Poonpun Chaikul	4/4	-	-	1/1
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	3/4	4/4	-	1/1

Annual General Meeting year 2013 on 22 April 2013

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.

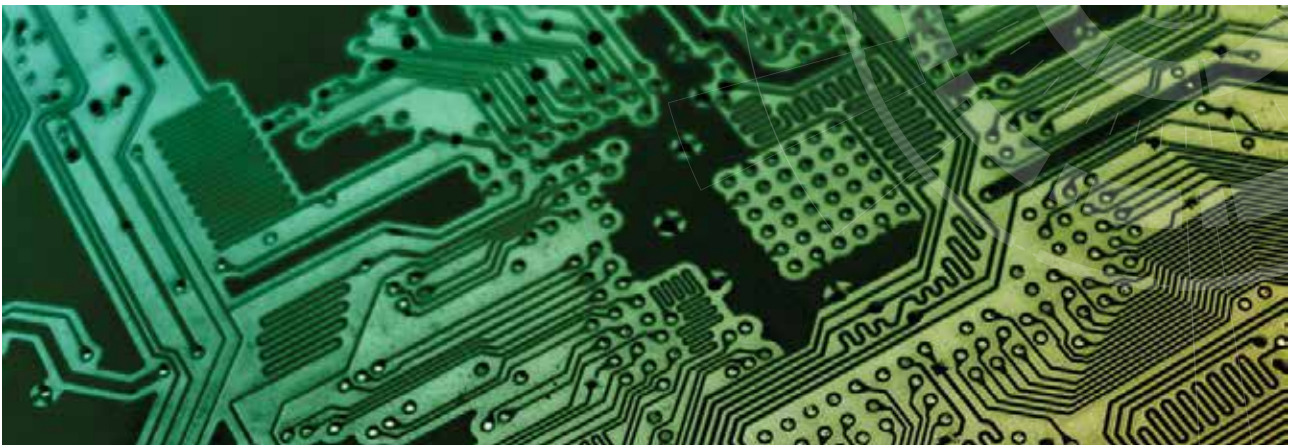
2. Directors' remuneration consists of an annual retainer fee and meeting attendance fee.

Guidelines for high level executives

The Executive Committee will consider remuneration of high level executives including those in Chief 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
- 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

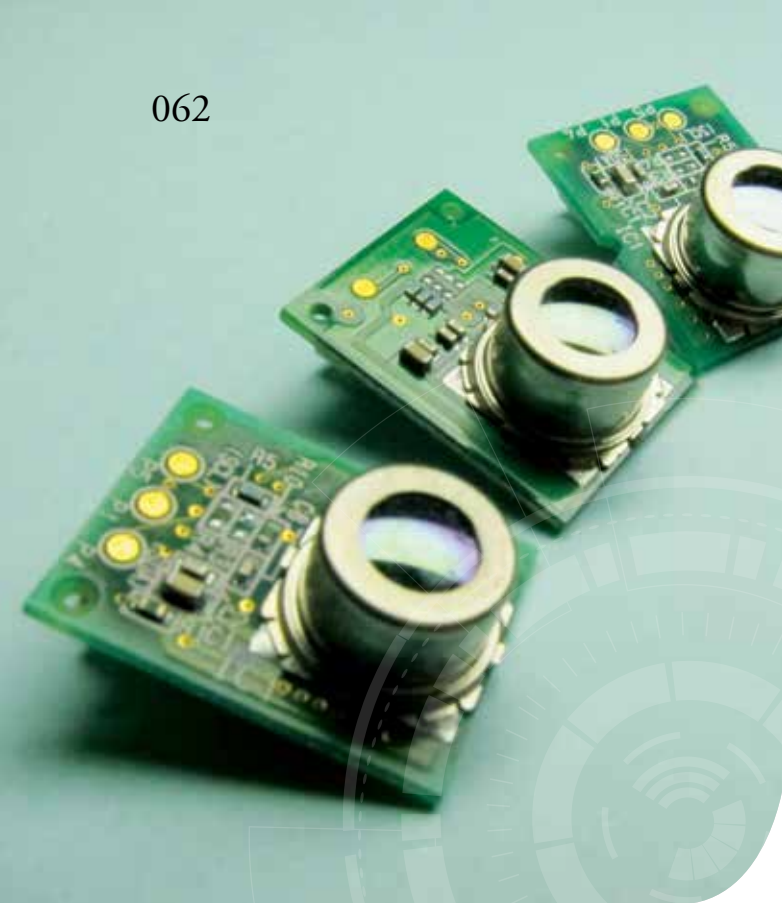
If the number of directors to retire from office is not a multiple of three, then the number of directors closest to one-third shall retire. The directors to retire from office pursuant to the first paragraph in the first and the second years shall be determined by drawing lots. In every subsequent year, 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.

Audit Committee Nomination

Audit Committee must be no less than three independent directors. The selection in the same method of independent directors. Moreover the Audit Committee must have the qualifications stipulated by the law.

Holding a Director Position in Other companies

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

Evaluation of Board of Directors

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

Evaluation of chief Executive Officer

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

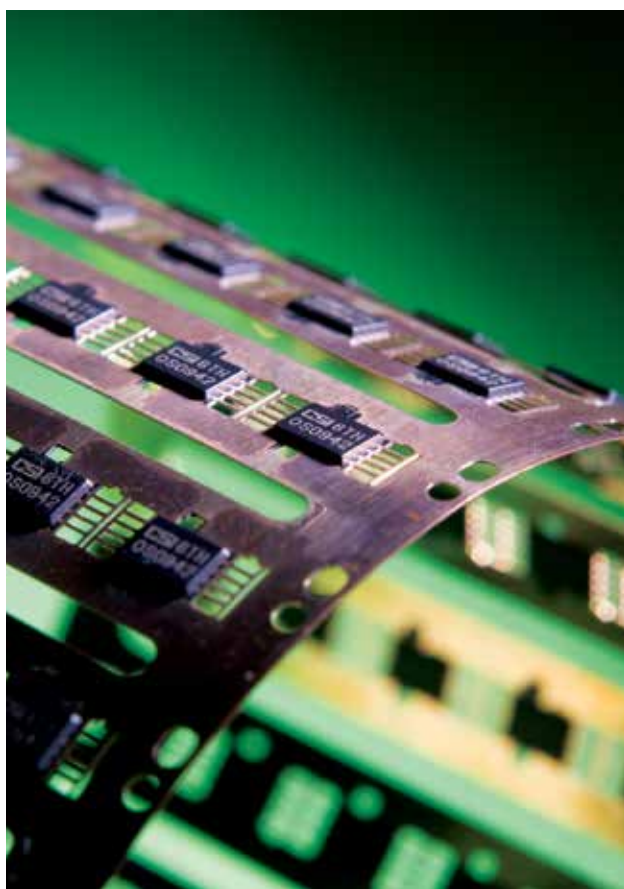
Financial Metrics: e.g. income net profit, net earnings per share, return on fixed assets, return on equity and Economic Value Added – EVA etc.

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



Directors and Executives Development

The company has a policy to develop directors and high-level executives regarding corporate good governance and sustainable management. Directors and executives take part in the training programs organized by the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission (SEC), and the Institute of Directors (IOD). Each director has completed training in the Director Certification Program (DCP) or the Director Accreditation Program (DAP) organized by the IOD. In 2011, an SMT director took part in the training as follows:



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.

Internal Auditor

The Internal Auditor of the Company reports direct to The Audit Committee. They have Independence to comment and perform in accordance with Internal Audit standard by audit, evaluate risk, assess adequacy of Internal Control for the efficiency of audit and achieve the audit plan objective.

Report of the Audit Committee

Dear Shareholders,

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 2013, 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 transaction, 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 2013, 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 and 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 Standard (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 2014 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 Account No. 3930 and/or

Miss Vissuta Jariyathanakorn - No. 3853 and/or

Mr. Termphong Opanaphan - No. 4501

For period ended on 31 December 2013, the auditor who certified the financial statements of the company was Ms. Siraporn Ouannukul

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 2013 performance achieved the objectives set by the Board of Directors.



Mr.Dheerasak Suwannayos
Chairman of the Audit Committee

Report of the Remuneration Committee

Dear Shareholders,

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 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 2013, 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 2013, 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 2012 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

Report of the Risk Management Committee

Dear Shareholders,

Stars Microelectronics (Thailand) Public Company Limited realizes the importance of risk management as it is important to business operations. The company's Board of Directors has appointed a risk management committee to assess and analyze the various risk factors that may affect the company's operations and to set measures to prevent and reduce the risks continuously. The company realizes that the good risk management system will increase the value of business for shareholders and create sustainable growth for the action in the company.

In 2013, the risk management committee carried out its duties as assigned by the Board, having held four meetings in total. The committee's major accomplishment are summarized below.

1. Assessed Risks and define the framework of the risk management for each department to cover the Company's internal and external risks.
2. Followed up the company's compliance with the risk management policy continuously in order for the system to be effective.
3. Reviewed the company's concepts of risk management and procedural guidelines by considering various factors such as society, politics, economy, environment, technology, competitor, etc.
4. Report the risk management to the Audit Committee and Board of Directors for consideration and approval in defining the appropriated risk management plans and apply to action in the company.

From the mentioned above, Risk Management Committee has prudently considered the risk assessment and evaluate the level of risk and define the measures to prevent and manage the risks to manage the risk at acceptable level.

The Risk Management Report was submitted to Audit Committee to set the sufficient internal control system and reported to every Board of Directors meeting. The content of the company's risk management has been put into this annual report.



Associate professor Dr. Kamphol Panyagometh
Chairman of the Risk Management Committee

Report of the Board of Directors' Responsibilities for Financial Statements

Dear Shareholders,

The Board of Directors of Stars Microelectronics (Thailand) Public Company Limited is responsible for the financial statement of the Company and its subsidiaries as well as the financial information appearing in 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 2013 have been prepared in accordance with the accounting standards generally recognized in Thailand. Proper accounting policies have been applied and practiced continuously and with discretion and reasonable estimates. Important supplemental information is sufficiently disclosed in the notes of the financial statements to ensure that the disclosed information rightly reflects the Company's operating result, financial status and cash flow in transparent manner. In regard to this, the financial statements have passed the audit and been approved unconditionally by the certified auditor.

The Board asked the Audit Committee, comprising independent directors, to supervise the quality of financial reports, assesses the internal control system, the internal audit, risk management system, and ensure that the disclosure of information about related party transactions 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 that the financial statement of the Company and its subsidiaries for the year ending 31 December 2013 are accurate and reliable in comply with the general accepted accounting principle.



Mr. Somnuk Chaikul
Chairman of the Board of Directors

Management Discussion and Analysis

Stars Microelectronics (Thailand) Public Company Limited summarized the result of operations in 2013 which was compared to 2012 as follows;

The operating results in 2013 in comparison with 2012

(Unit: Million Baht)

	2013	2012	Different	
			Baht	%
Revenues from Sales and Services	7,652	3,538	4,114	116.28%
Compensation for flood damage	434	1,293	-859	-66.43%
Other Income	44	37	7	19.67%
Total Revenues	8,130	4,868	3,262	67.02%
Total Expenses	7,970	4,115	3,855	93.66%
Profit (Loss) from Operation	160	752	-592	-78.73%
Financial Cost	33	22	11	50.00%
Corporate Income Tax	-9	1	-10	-1600.00%
Profit (Loss) for the year	136	730	-594	-81.36%
Earnings Per Share	0.34	1.76	-1.42	-80.68%

After we recovered from the big flood 2 years ago, the company gradually installed the new machines which we had purchased for the replacement of the old machines which were damaged by flood. In 2013, sales and services income for the company were 4,116 million baht or 116.28 percent higher than last year. As a result, the company's operation has continuously improved. However, the increase of sales and services was not enough to make a profit from the business in 2013 because the production capacity has not yet reached the breakeven point. Therefore, the results of the operation in 2013 was still reported a loss of -298 million baht which was an improvement from the results of -563 million baht the previous year. The profit in 2013 was mainly the income from the compensation for flood damage of 434 million baht. The results in 2013, the company had a net profit of 136 million baht which decreased from the previous year -594 million baht because the income from compensation for flood damage drastically decreased from 2012.



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 which reported sales revenue of 6,897 million baht, 59 million baht and 665 million baht respectively. The company's total sales and service income of 7,652 million baht, when combined with service revenues of 31 million baht, was increased from the previous year

4,114 million baht or 116.28%. This incremental amount could be separated into each product group as following 1. Hard Disk Drive group increased of 118.67% over the previous year, 2. MMA-Others decreased from the previous year of -33.71% and 3. IC Packaging group increased of 134.15% over the previous year. Details are shown in the table as below;

(Unit: Million Baht)

Product Group	2013		2012		Different	
	Baht	%	Baht	%	Baht	%
1. Hard Disk Drive	6,897	90.13%	3,154	89.15%	3,743	118.67%
2. MMA - Others	59	0.77%	89	2.51%	-30	-33.71%
3. IC Packaging	665	8.69%	284	8.03%	381	134.15%
Total Sales Revenue	7,621	99.59%	3,527	99.69%	4,094	116.08%
Service Income	31	0.41%	11	0.31%	20	181.82%
Sales and Service Income	7,652	100.00%	3,538	100.00%	4,114	116.28%

In 2013, sales and service income which were shown in the above table in terms of the Value Added (VA = Sales - Raw material) increased considerably but MMA-Others product group decreased in VA at -19 million baht. Details are shown in the table as below;

(Unit: Million Baht)

	2013	2012	Different	
			Baht	%
1. Hard Disk Drive	265	122	143	117.21%
2. MMA - Others	33	52	-19	-36.54%
3. IC Packaging	265	140	125	89.29%
Total Value Added	563	314	249	79.30%

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

From Profit and Loss Statement in 2013, the company reported the earnings before interest, tax, depreciation and amortization of 31 million baht. When compared with the previous year, earnings before interest, tax, depreciation and amortization in 2012 was loss at -345 million baht. It can be seen that EBITDA of the company greatly improved from negative EBITDA in 2012 to positive EBITDA in 2013.

However, the incremental of EBITDA in 2013 was not high enough to cover depreciation and amortization expenses which were increased in 2013. The rise of depreciation and amortization has resulted from acquiring new machines to replace the old damaged machines and the utilization level of the capacity of the new machines has not reached the break-even point at the beginning stage.

(Unit: Million Baht)

	2013		2012	
	Baht	%	Baht	%
Sales and Service Income	7,652	100.00%	3,538	100.00%
Other Income	33	0.43%	12	0.34%
COGS (exclude Depreciation and Amortization)	7,439	97.22%	3,687	104.21%
Selling and Administrative Expenses (excl. Depre.)	215	2.81%	208	5.88%
EBITDA	31	0.41%	-345	-9.75%
Depreciation and Amortization	316	4.13%	220	6.22%
EBIT	-285	-3.72%	-565	-15.97%

Cost of Sales and Gross Profit

The percentages of cost of goods sold to total sales and service income in 2013 of the company and subsidiaries was improved from 110.15% in 2012 to 101.16%. In 2013, sales volume were doubled from the previous year as shown in the below table.

(Unit: Million Baht)

	2013		2012	
	Baht	%	Baht	%
Sales and Service Income	7,652	100.00%	3,538	100.00%
Cost of Goods Sold	7,741	101.16%	3,897	110.15%
Gross Profit (Loss) Margin	-89	-1.16%	-360	-10.15%

Selling and Administrative Expenses

In 2013, selling and administrative expenses of the company was 229 million baht or equal to 2.99 percent of total sales and service income and selling and administrative expenses of the company in 2012 was 218 million baht or equal to 6.16 percent of total sales and service income. The incremental of 11 million baht from previous year was because the company had to maintain the skill labour and highly capable employees to recover the productions in 2013. The company also included the sales and administrative expenses of a subsidiary which was established in 2013 but there was no income because it was in the period of machine qualification and seeking customers.



Other income and expenses

In 2013, the company had an interest expense totally 33 million baht, which was 0.43% of revenue from sales and services. In 2012, the company had the interest expenses totally 22 million baht, which was 0.62% of revenue from sales and services. The interest expense was on the decreasing trend in the past but in 2012 and 2013 the interest expense increased because the company had to loan from the banks to support the operations and to use as liquidity while waiting for the insurance compensation.

In 2013, the company's income from the waste from production was 33 million baht, higher than that of the previous year because the production capacity increased. On the contrary, the profit from currency exchange in 2013 (11 million baht) dropped 15 million baht from that of 2012 because the company had business transactions with the customers in USD term more, which enabled the company to protect the risk in the form of "Natural Hedge" better. Moreover in 2013 the accounting standard item 12 concerning income tax was enforced. The subsidiary of the company had to reserve corporate tax compensation totally 9 million baht while the corporate tax of the company was only 0.57 million baht in 2012.



Financial status

As of December 31, 2013 the company reported its total assets, total liabilities and shareholders' equity in comparison with the previous year as following

(Unit: Million Baht)

	2013 Dec' 31	2012 Dec' 31	Different	
			Baht	%
Current Assets	1,081	1,456	-375	-25.76%
Non Current Assets	2,436	2,447	-11	-0.45%
Total Assets	3,517	3,903	-386	-9.89%
Current Liabilities	1,465	1,976	-511	-25.86%
Long Term Liabilities	137	169	-32	-18.93%
Shareholders' Equity				
Share Capital and Premium	1,764	1,759	5	0.30%
Retained Earning				
Appropriated - Statutory Reserve	79	75	4	5.33%
Unappropriated	45	-85	130	-152.94%
Other components of shareholders' equity	13	12	1	10.17%
Non-controlling interests of the subsidiaries	14	-2	16	-708.70%
Total Liabilities and Shareholders' equity	3,517	3,903	-386	-9.89%

Total Assets

As of 31 December 2013 the company's total assets were 3,517 million baht comprising current assets of 1,081 million baht and non current assets of 2,436 million baht, 386 million baht lower than those of 2012.

Inventory increased 79 million baht from 395 million baht in 2012 to 474 million baht in 2013. Outstanding of the Account Receivables in 2013 was 548 million baht decreasing 486 million baht from 2012 mainly due to the pending insurance compensation claim which was 471 million baht in 2012 and 75 million baht in 2013. Other current assets decreased 6 million baht.

The important item of non current assets was the investment in fixed assets such as machines and buildings which increased 263 million baht. The depreciation cost of 2013 was 314 million baht. So the land, buildings and tools decreased 20 million baht. Besides, the company set aside the tax of 9 million baht due to the accounting standard enforced this year.



Total liabilities and shareholders' equity

As of 31 December 2013 the company had 1,465 million baht of current liabilities, 137 million baht of non-current liabilities, shareholders' Equity of 1,915 millions baht. So the company's total liabilities and shareholders' equity was 3,517 million baht.

As of 31 December 2013, the account payables decreased 452 million baht. Short-term loan decreased 196 million baht. Long-term loan that was due in one year increased 135 million baht and other current liabilities increased 2 million baht because the company's business increased more.

Long-term loans, net of current portion as of 31 December 2013 decreased 42 million baht from that of 2012.

Combined with long-term loan liabilities which was due in one year, the company loaned a long-term loan 300 million baht to be used in business operations and buying the fixed assets while waiting for the insurance compensation. The company also repaid 207 million baht of long-term loan in 2013.

Shareholders' Equity as of 31 December 2013 was 1,915 million baht, increasing 157 million baht from that of 2012 because the company had the net profit of 136 million baht and part of the equity increased from the ESOP exercise of the employees. From the net profit of 136 million baht, the company could cut 85 million baht of accumulated loss in 2012 and could reserve 5% of the net profit by law. Thus, the company increased 4.2 million baht of the reserve that made the reserve increase to 79 million baht in 2013

Source and Use of Fund

(Unit: Million Baht)

	2013	2012	+ (-)
Net cash from (used in)			
Operating Activities	813	-7	820
Investing Activities	-672	-924	252
Financing Activities	-103	870	-973
Net Increase (Decrease) in Cash and cash equivalents	38	-61	99
Cash and cash equivalents at beginning of year	2	63	-61
Cash and cash equivalents at end of year	40	2	38

The net cash flow from operating activities (813 million baht) came from the net profit before tax (127 million baht) adjusted by cash from profit (-65 million baht), by the increase and decrease of assets and liabilities from operations (-113 million baht), by cash from insurance compensation (900 million baht) and by cash for interest expense (-35 million baht).

The net cash flow from investing activities (-672 million baht) was the investment in machines and fixed assets (-231 million baht), the payment of account payables for machines (-466 million baht) and cash from sales of shares in the company's subsidiary (25 million baht).

The net cash flow from financing activities (103 million baht) came from payment of short-term loan (-201 million baht), receiving from long-term loan (300 million baht), payment of long-term loan (-207 million baht) and cash received from capital increase from ESOP (6 million baht).

From the above cash flow, the company had the net cash flow of 38 million baht. Added by 2 million baht cash from the beginning of the year, the net cash flow of 2013 was 40 million baht.

Report of Independent Auditor

Independent Auditor's Report

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 2013, 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.

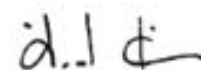
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 5 to the financial statements regarding the changes in accounting policies due to the adoption of Thai Accounting Standard 12 Income Taxes and Thai Accounting Standard 21 (revised 2009) The Effects of changes in Foreign Exchange Rates. The Company has restated the consolidated and separate financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such changes. The Company has also presented the consolidated and separate statements of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policies for income taxes and the effects of changes in foreign exchange rates. My opinion is not qualified in respect of this matter.



Siraporn Ouannunkun
Certified Public Accountant (Thailand)
No. 3844

EY Office Limited
(Formerly known as "Ernst & Young
Office Limited")
Bangkok: 27 February 2014

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2013

	Note	Consolidated financial statements			Separate financial statements		
		31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(Restated)			(Restated)	
Assets							
Current assets							
Cash and cash equivalents	9	40,244,132	1,782,532	62,983,606	4,877,684	978,873	59,884,918
Trade and other receivables	8, 10	548,531,616	1,034,494,735	271,555,762	548,195,126	1,030,275,141	271,102,586
Inventories	11	473,765,218	394,650,684	283,289,271	473,071,103	394,650,684	282,631,083
Other current assets		18,653,436	24,921,137	9,402,980	18,497,465	20,239,116	4,575,934
Total current assets		1,081,194,402	1,455,849,088	627,231,619	1,044,641,378	1,446,143,814	618,194,521
Non-current assets							
Investments in subsidiaries	12	-	-	-	75,676,739	3,176,769	676,779
Property, plant and equipment	13	2,401,165,386	2,421,314,699	1,416,737,717	2,351,559,305	2,373,520,898	1,416,737,717
Intangible assets	14	21,907,808	22,932,032	20,621,601	21,879,337	22,932,032	20,621,601
Deferred tax assets	24	11,665,975	2,194,970	2,855,857	-	-	-
Other non-current assets		1,245,710	1,065,293	883,928	1,244,288	1,065,234	883,914
Total non-current assets		2,435,984,879	2,447,506,994	1,441,099,103	2,450,359,669	2,400,694,933	1,438,920,011
Total assets		3,517,179,281	3,903,356,082	2,068,330,722	3,495,001,047	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 2013

		Consolidated financial statements			Separate financial statements		
	Note	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
			(Restated)			(Restated)	
Liabilities and shareholders' equity							
Current liabilities							
Bank overdrafts and short-term loans							
from financial institutions	15	623,282,111	818,803,782	122,107,234	623,282,111	818,803,782	122,107,234
Trade and other payables	8, 16	592,816,564	1,045,416,649	795,223,397	561,977,567	981,318,208	788,588,869
Current portion of liabilities under finance							
lease agreements		-	-	476,829	-	-	476,829
Current portion of long-term loans	17	240,000,000	105,000,000	91,000,000	240,000,000	105,000,000	91,000,000
Other current liabilities		8,828,074	6,643,812	16,605,306	8,762,160	6,643,812	13,706,948
Total current liabilities		1,464,926,749	1,975,864,243	1,025,412,766	1,434,021,838	1,911,765,802	1,015,879,880
Non-current liabilities							
Long-term loans, net of current portion	17	108,000,000	150,000,000	-	108,000,000	150,000,000	-
Provision for long-term employee benefits	18	26,088,517	15,992,480	21,949,360	25,948,221	15,992,480	21,949,360
Deferred tax liabilities	24	2,942,433	2,942,433	2,942,433	2,942,433	2,942,433	2,942,433
Other non-current liabilities		208,468	607,200	-	208,468	607,200	-
Total non-current liabilities		137,239,418	169,542,113	24,891,793	137,099,122	169,542,113	24,891,793
Total liabilities		1,602,166,167	2,145,406,356	1,050,304,559	1,571,120,960	2,081,307,915	1,040,771,673

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 2013

	Note	Consolidated financial statements			Separate financial statements		
		31 December 2013	31 December 2012 (Restated)	1 January 2012	31 December 2013	31 December 2012 (Restated)	1 January 2012
Shareholders' equity							
Share capital	19						
Registered							
419,582,439 ordinary shares of Baht 2 each (1 January 2012: 421,770,239 ordinary shares of Baht 2 each)		839,164,878	839,164,878	843,540,478	839,164,878	839,164,878	843,540,478
Issued and fully paid							
418,210,338 ordinary shares of Baht 2 each (31 December 2012: 416,932,873 ordinary shares of Baht 2 each) (1 January 2012: 416,922,480 ordinary shares of Baht 2 each)		836,420,676	833,865,746	833,844,960	836,420,676	833,865,746	833,844,960
Share premium	19	927,886,602	924,816,853	919,534,596	927,886,602	924,816,853	919,534,596
Treasury shares	20	-	-	(13,509,687)	-	-	(13,509,687)
Retained earnings							
Appropriated - statutory reserve	22	79,300,000	75,100,000	75,100,000	79,300,000	75,100,000	75,100,000
Appropriated - treasury share reserve		-	-	13,509,687	-	-	13,509,687
Unappropriated (deficit)		45,013,268	(85,207,755)	(823,139,021)	68,503,076	(80,021,500)	(823,906,430)
Other components of shareholders' equity							
Other comprehensive income		11,769,733	11,769,733	11,769,733	11,769,733	11,769,733	11,769,733
Capital surplus from changes in shareholding in subsidiary		671,619	-	-	-	-	-
Equity attributable to owners of the Company		1,901,061,898	1,760,344,577	1,017,110,268	1,923,880,087	1,765,530,832	1,016,342,859
Non-controlling interests of the subsidiaries		13,951,216	(2,394,851)	915,895	-	-	-
Total shareholders' equity		1,915,013,114	1,757,949,726	1,018,026,163	1,923,880,087	1,765,530,832	1,016,342,859
Total liabilities and shareholders' equity		3,517,179,281	3,903,356,082	2,068,330,722	3,495,001,047	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 2013

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(Restated)		
Revenues					
Sales and service income	27	7,651,867,439	3,537,589,539	7,608,550,550	3,511,948,920
Other income					
Compensation for flood damage	2	434,380,429	1,293,152,966	434,380,429	1,293,152,966
Gain on exchange		10,810,861	25,229,850	4,089,077	23,779,616
Revenue from scrap sales		18,388,122	10,721,890	18,388,122	10,721,890
Others		14,390,658	943,980	13,532,999	939,549
Total revenues		8,129,837,509	4,867,638,225	8,078,941,177	4,840,542,941
Expenses					
Cost of sales and services		7,740,893,003	3,897,295,528	7,728,942,330	3,888,305,889
Selling expenses		65,329,866	34,908,976	18,338,889	14,682,230
Administrative expenses		163,619,715	183,054,440	136,065,963	176,486,687
Total expenses		7,969,842,584	4,115,258,944	7,883,347,182	4,079,474,806
Profit before finance cost and income tax expenses		159,994,925	752,379,281	195,593,995	761,068,135
Finance cost		(33,057,806)	(21,558,805)	(33,057,806)	(21,558,805)
Profit before income tax expenses		126,937,119	730,820,476	162,536,189	739,509,330
Tax income (expenses)	24	9,313,173	(575,566)	-	-
Profit for the year		136,250,292	730,244,910	162,536,189	739,509,330
Profit attributable to:					
Equity holders of the Company		144,232,636	733,555,666	162,536,189	739,509,330
Non-controlling interests of the subsidiaries (loss)		(7,982,344)	(3,310,756)		
		136,250,292	730,244,910		
Earnings per share					
Basic earnings per share	26				
Profit attributable to equity holders of the Company		0.345	1.765	0.389	1.780
Diluted earnings per share					
Profit attributable to equity holders of the Company		0.344	1.756	0.388	1.770

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 2013

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
			(Restated)		
Profit for the year		136,250,292	730,244,910	162,536,189	739,509,330
Other comprehensive income:					
Actuarial losses	19	(9,811,613)	-	(9,811,613)	-
Other comprehensive income for the year		(9,811,613)	-	(9,811,613)	-
Total comprehensive income for the year		126,438,679	730,244,910	152,724,576	739,509,330
Total comprehensive income attributable to:					
Equity holders of the Company		134,421,023	733,555,666	152,724,576	739,509,330
Non-controlling interests of the subsidiaries (loss)		(7,982,344)	(3,310,756)	-	-
		126,438,679	730,244,910	152,724,576	739,509,330

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Cash flows statement

For the year ended 31 December 2013

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u> (Restated)	<u>2013</u>	<u>2012</u>
Cash flows from operating activities				
Profit before tax	126,937,119	730,820,476	162,536,189	739,509,330
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Compensation for flood damage	(434,380,429)	(1,293,152,966)	(434,380,429)	(1,293,152,966)
Depreciation and amortisation	316,473,629	220,413,763	311,966,386	220,409,553
Doubtful debts (reversal)	(1,619,061)	18,874,243	(1,619,061)	18,874,243
Bad debts write-offs	1,311,198	4,936,244	1,311,198	4,936,244
Unrealised loss (gain) on exchange	213,663	(9,018,503)	(1,323,406)	(9,650,391)
Loss on sales of machinery and equipment	1,395,917	1,817,784	1,395,917	1,817,784
Decrease of inventories to net realisable value	5,981,268	5,213,676	5,981,268	5,213,676
Write-offs of equipment and intangible assets	10,239,534	22,007,292	10,239,534	22,007,292
Provision for long-term employee benefits	2,243,784	2,993,601	2,103,488	2,993,601
Curtailment loss on employee benefit plans	-	4,929,297	-	4,929,297
Interest expenses	33,057,806	21,558,805	33,057,806	21,558,805
Profit (loss) from operating activities before changes in operating assets and liabilities	61,854,428	(268,606,288)	91,268,890	(260,553,532)
Operating assets (increase) decrease				
Trade and other receivables	42,145,088	(316,332,253)	35,354,657	(312,420,050)
Inventories	(85,095,802)	(116,575,089)	(84,401,687)	(117,233,277)
Other current assets	9,390,812	(7,114,394)	4,864,762	(7,259,418)
Other non-current assets	(180,417)	(181,365)	(179,054)	(181,320)
Operating liabilities increase (decrease)				
Trade and other payables	(79,048,168)	(76,789,981)	(87,261,388)	(88,353,788)
Other current liabilities	1,812,273	(9,975,744)	1,746,359	(7,077,386)
Cash paid for long-term employee benefits	(1,959,360)	(13,879,778)	(1,959,360)	(13,879,778)
Other non-current liabilities	(398,732)	607,200	(398,732)	607,200
Cash used in operating activities	(51,479,878)	(808,847,692)	(40,965,553)	(806,351,349)
Cash received from compensation for flood damage	899,788,564	822,244,830	899,788,564	822,244,830
Cash paid for interest expenses	(35,346,621)	(19,675,715)	(35,346,621)	(19,675,715)
Cash paid for corporate income tax	-	(575,566)	-	-
Net cash from (used in) operating activities	812,962,065	(6,854,143)	823,476,390	(3,782,234)

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Cash flows statement (continued)

For the year ended 31 December 2013

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		
Cash flows from investing activities				
Payments of other payables for purchases of				
machinery and equipment	(465,599,867)	(133,639,715)	(419,524,976)	(133,639,715)
Acquisition of machinery, equipment and intangible assets	(231,434,673)	(838,822,236)	(225,086,678)	(837,099,116)
Proceeds from sales of machinery and equipment	41,707	48,216,648	41,707	48,216,648
Cash receipt from sale of investment in a subsidiary	25,000,000	-	25,000,000	-
Cash paid for investment in a subsidiary	-	-	(97,499,970)	(2,499,990)
Net cash used in investing activities	<u>(671,992,833)</u>	<u>(924,245,303)</u>	<u>(717,069,917)</u>	<u>(925,022,173)</u>
Cash flows from financing activities				
Increase (decrease) in bank overdrafts				
and short-term loans from financial institutions	(201,132,341)	696,696,548	(201,132,341)	696,696,548
Repayment of liabilities under finance lease agreements	-	(476,829)	-	(476,829)
Cash receipt from long-term loans	300,000,000	300,000,000	300,000,000	300,000,000
Repayment of long-term loans	(207,000,000)	(136,000,000)	(207,000,000)	(136,000,000)
Proceeds from increase in share capital	5,624,679	9,678,643	5,624,679	9,678,643
Proceeds from non-controlling interests of a subsidiary				
for its investment	30	10	-	-
Net cash from (used in) financing activities	<u>(102,507,632)</u>	<u>869,898,372</u>	<u>(102,507,662)</u>	<u>869,898,362</u>
Net increase (decrease) in cash and cash equivalents	<u>38,461,600</u>	<u>(61,201,074)</u>	<u>3,898,811</u>	<u>(58,906,045)</u>
Cash and cash equivalents at beginning of year	<u>1,782,532</u>	<u>62,983,606</u>	<u>978,873</u>	<u>59,884,918</u>
Cash and cash equivalents at end of year	<u>40,244,132</u>	<u>1,782,532</u>	<u>4,877,684</u>	<u>978,873</u>
	-		-	
Supplemental cash flows information				
Non-cash items				
Purchases of machinery and equipment for				
which no cash has been paid	75,542,579	460,520,664	75,542,579	414,445,774

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

Statement of changes in shareholders' equity

For the year ended 31 December 2013

	Consolidated financial statements												(Unit: Baht)
	Equity attributable to owners of the Company												
	Other components of shareholders' equity												
	Retained earnings			Other comprehensive income			Capital			Equity			
	Issued and paid-up share capital	Share premium	Treasury shares	Appropriated - statutory reserve	Appropriated - treasury share reserve	Unappropriated (deficit)	Revaluation surplus on land	Exchange differences on translation of financial statements in foreign currency	Capital surplus from changes in shareholding in subsidiary	Total other components of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
Balance as at 31 December 2011 - as previously reported	833,844,960	919,534,596	(13,509,687)	75,100,000	13,509,687	(824,489,054)	14,712,166	(128,537)	-	14,583,629	1,018,574,131	(111,587)	1,018,462,544
Cumulative effect of change in accounting policy for foreign currencies (Note 5)	-	-	-	-	-	(334,923)	-	128,537	-	128,537	(206,386)	(143,419)	(349,805)
Cumulative effect of change in accounting policy for income taxes (Note 5)	-	-	-	-	-	1,684,956	(2,942,433)	-	-	(2,942,433)	(1,257,477)	1,170,901	(86,576)
Balance as at 31 December 2011 - as restated	833,844,960	919,534,596	(13,509,687)	75,100,000	13,509,687	(823,139,021)	11,769,733	-	-	11,769,733	1,017,110,268	915,895	1,018,026,163
Additional investment from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	10	10
Increase in share capital (Note 19)	4,396,386	5,282,257	-	-	-	-	-	-	-	-	9,678,643	-	9,678,643
Decrease in share capital for cancellation of treasury shares (Note 20)	(4,375,600)	-	13,509,687	-	-	(9,134,087)	-	-	-	-	-	-	-
Total comprehensive income for the year - restated	-	-	-	-	-	733,555,666	-	-	-	-	733,555,666	(3,310,756)	730,244,910
Reversal of treasury share reserve (Note 20)	-	-	-	-	(13,509,687)	13,509,687	-	-	-	-	-	-	-
Balance as at 31 December 2012 - as restated	833,865,746	924,816,853	-	75,100,000	-	(85,207,755)	11,769,733	-	-	11,769,733	1,760,344,577	(2,394,851)	1,757,949,726
Balance as at 31 December 2012 - as previously reported	833,865,746	924,816,853	-	75,100,000	-	(85,847,291)	14,712,166	(64,273)	-	14,647,893	1,762,583,201	(2,883,939)	1,759,699,262
Cumulative effect of change in accounting policy for foreign currencies (Note 5)	-	-	-	-	-	(655,496)	-	64,273	-	64,273	(591,223)	(410,850)	(1,002,073)
Cumulative effect of change in accounting policy for income taxes (Note 5)	-	-	-	-	-	1,295,032	(2,942,433)	-	-	(2,942,433)	(1,647,401)	899,938	(747,463)
Balance as at 31 December 2012 - as restated	833,865,746	924,816,853	-	75,100,000	-	(85,207,755)	11,769,733	-	-	11,769,733	1,760,344,577	(2,394,851)	1,757,949,726
Additional investment from non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	25,000,030	25,000,030
Increase in share capital (Note 19)	2,554,930	3,069,749	-	-	-	-	-	-	-	-	5,624,679	-	5,624,679
Capital surplus from changes in shareholding in subsidiary (Note 12)	-	-	-	-	-	-	-	-	671,619	671,619	-	(671,619)	-
Total comprehensive income for the year	-	-	-	-	-	134,421,023	-	-	-	-	134,421,023	(7,982,344)	126,438,679
Unappropriated retained earnings transferred to statutory reserve	-	-	-	4,200,000	-	(4,200,000)	-	-	-	-	-	-	-
Balance as at 31 December 2013	836,420,676	927,886,602	-	79,300,000	-	45,013,268	11,769,733	-	671,619	12,441,352	1,901,061,898	13,951,216	1,915,013,114

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 2013

	Separate financial statements								(Unit: Baht)
	Issued and paid-up share capital	Share premium	Treasury shares	Other components of shareholders' equity					
				Appropriated – statutory reserve	Retained earnings		Total		
					Appropriated – treasury share reserve	Unappropriated (deficit)		Other comprehensive Revaluation surplus on land	
Balance as at 31 December 2011 – as previously reported	833,844,960	919,534,596	(13,509,687)	75,100,000	13,509,687	(823,906,430)	14,712,166	1,019,285,292	
Cumulative effect of change in accounting policy for income taxes (Note 5)	-	-	-	-	-	-	(2,942,433)	(2,942,433)	
Balance as at 31 December 2011 – as restated	833,844,960	919,534,596	(13,509,687)	75,100,000	13,509,687	(823,906,430)	11,769,733	1,016,342,859	
Increase in share capital (Note 19)	4,396,386	5,282,257	-	-	-	-	-	9,678,643	
Decrease in share capital for cancellation of treasury shares (Note 20)	(4,375,600)	-	13,509,687	-	-	(9,134,087)	-	-	
Total comprehensive income for the year	-	-	-	-	-	739,509,330	-	739,509,330	
Reversal of treasury share reserve (Note 20)	-	-	-	-	(13,509,687)	13,509,687	-	-	
Balance as at 31 December 2012 – as restated	833,865,746	924,816,853	-	75,100,000	-	(80,021,500)	11,769,733	1,765,530,832	
Balance as at 31 December 2012 – as previously reported	833,865,746	924,816,853	-	75,100,000	-	(80,021,500)	14,712,166	1,768,473,265	
Cumulative effect of change in accounting policy for income taxes (Note 5)	-	-	-	-	-	-	(2,942,433)	(2,942,433)	
Balance as at 31 December 2012 – as restated	833,865,746	924,816,853	-	75,100,000	-	(80,021,500)	11,769,733	1,765,530,832	
Increase in share capital (Note 19)	2,554,930	3,049,749	-	-	-	-	-	5,624,679	
Total comprehensive income for the year	-	-	-	-	-	152,724,576	-	152,724,576	
Unappropriated retained earnings transferred to statutory reserve	-	-	-	4,200,000	-	(4,200,000)	-	-	
Balance as at 31 December 2013	836,420,676	927,866,602	-	79,300,000	-	66,503,076	11,769,733	1,923,880,087	

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the year ended 31 December 2013

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.

The Company has insurance coverage for property damage caused by the floods, which includes asset insurance and business interruption insurance. The Company claimed compensation from its insurance companies. The insurance companies assessed loss and finalised to pay the compensation totaling Baht 1,692 million to the Company.

In 2012 and 2013, the Company recognised insurance compensation from flooding amounting to Baht 1,293 million and Baht 399 million, respectively, in profit or loss. Of the compensation recognised, Baht 1,294 million was for assets, Baht 390 million was for inventories and Baht 8 million was for business interruption. In addition, the Company recognised insurance compensation from flooding amounting to Baht 35 million for customers' inventories consigned at the Company in profit or loss for the current year, having already recorded the related damages as expenses in 2012.

During 2012, the Company had received compensation payment of Baht 822 million and recorded the amount of Baht 471 million that it had yet to receive as the compensation receivable from flooding in the statement of financial position as at 31 December 2012.

During 2013, the Company had additionally received compensation payment of Baht 900 million and the amount of Baht 5 million that it had yet to receive was presented as a part of the compensation receivable from flooding in the statement of financial position as at 31 December 2013. In January 2014, the Company already received the compensation receivable.

3. Basis of preparation

- 3.1 The financial statements have been prepared in accordance with Thai Financial Reporting 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

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	
			<u>2013</u>	<u>2012</u>
			Percent	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	75	100

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) The Company and subsidiaries determine that the Thai Baht is their functional currency including an overseas subsidiary because the activities of the subsidiary are carried out as an extension of the Company, rather than being carried out with a significant degree of autonomy.

- e) Material balances and transactions between the Company and its subsidiaries 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

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Accounting standards that became effective in the current accounting year

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
--------	--------------------

Accounting Standard Interpretations:

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

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current year and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised

the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 5 to the financial statements.

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

When a reporting entity prepares financial statements, this accounting standard requires each individual entity to determine its functional currency and measure its results and financial position in that functional currency. The accounting standard defines the functional currency as the currency of the primary economic environment in which the entity operates and the presentation currency as the currency in which the financial statements are presented.

The Company and its subsidiaries determine that Thai Baht is the functional currency of their operating entities and the Thai Baht is their presentation currency. The Thai Baht is also the functional currency of an overseas subsidiary because the activities of the subsidiary are carried out as an extension of the Company, rather than being carried out with a significant degree of autonomy.

The Company and its subsidiaries have changed this accounting policy in the current year and restated the prior years' financial statements, presented as comparative information, as though the financial statements of the subsidiary had originally been prepared using Thai Baht functional currency. The cumulative effect of this change in accounting policy has been presented in Note 5 to the financial statements.

(b) Accounting standards that will become effective in the future

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014

		<u>Effective date</u>
Accounting Standard Interpretations:		
TSIC 15	Operating Leases – Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets – Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The management of the Company and its subsidiaries believes that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations will not have any significant impact on the financial statements for the year when they are initially applied.

5. Cumulative effect of the changes in accounting policies due to the adoption of new accounting standards

During the current year, the Company and its subsidiaries made the change described in Note 4 to the financial statements to its significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 *Income Taxes* and Thai Accounting Standard 21 (revised 2009) *The Effects of Changes in Foreign Exchange Rates*. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position, income and comprehensive income are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December	31 December	1 January	31 December	31 December	1 January
	2013	2012	2012	2013	2012	2012
Statements of financial position						
Increase (decrease) in cash and cash equivalents	21	(4)	(7)	-	-	-
Increase (decrease) in trade and other receivables	4,278	(458)	(131)	-	-	-
Decrease in inventories	-	-	(3)	-	-	-
Increase (decrease) in other current assets	-	(22)	(34)	-	-	-
Increase in deferred tax assets	11,666	2,195	2,856	-	-	-
Increase in trade and other payables	6,523	518	163	-	-	-
Increase in other current liabilities	-	-	13	-	-	-
Increase in deferred tax liability	2,942	2,942	2,942	2,942	2,942	2,942
Decrease in other components of shareholders' equity	(2,536)	(2,878)	(2,814)	(2,942)	(2,942)	(2,942)
Increase in non-controlling interests of the subsidiaries	3,871	489	1,027	-	-	-
Increase in unappropriated retained earnings	5,165	640	1,350	-	-	-

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2013	2012	2013	2012
Statements of income				
Decrease in sales and service income	(447)	(1,421)	-	-
Increase in other income	3,579	1,450	-	-
Increase in cost of sales and services	4,938	657	-	-
Decrease in selling expenses	(130)	-	-	-
Decrease in administrative expenses	(32)	-	-	-
Increase (decrease) in tax expenses	(9,313)	576	-	-
Decrease (increase) in loss attributable to non-controlling interests of the subsidiaries	3,144	(494)	-	-
Increase (decrease) in profit attributable to equity holders of the Company	4,525	(710)	-	-
Increase (decrease) in basic earnings per share (Baht)	0.0108	(0.0017)	-	-
Increase (decrease) in diluted earnings per share (Baht)	0.0108	(0.0017)	-	-
Statements of comprehensive income				
Increase (decrease) in exchange differences on translation of financial statements in foreign currency	(580)	109	-	-

6. Significant accounting policies

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 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.

6.6 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.

6.7 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.

6.8 Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and 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.

6.9 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.

6.10 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.

6.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

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.

6.12 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.

6.13 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.

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

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat 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.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

6.15 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.

6.16 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current 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.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

6.17 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.

7. 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.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

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.

8. 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
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	591	257	Cost plus margin
Other income	-	-	3	-	Agreed price
Expenses for management of raw material damaged from flood	-	-	-	9	Agreed price
<u>Transactions with related companies</u>					
Sales and service income	19	18	19	18	Cost plus margin

As at 31 December 2013 and 2012, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables – related parties (Note 10)</u>				
Subsidiaries	-	-	107,377	90,815
Related companies (related by common shareholders)	999	2,560	999	2,560
Total trade receivables – related parties	<u>999</u>	<u>2,560</u>	<u>108,376</u>	<u>93,375</u>
<u>Other receivables – related parties (Note 10)</u>				
Subsidiaries	-	-	905	-
Total other receivables – related parties	<u>-</u>	<u>-</u>	<u>905</u>	<u>-</u>
<u>Other payables – related parties (Note 16)</u>				
Subsidiaries	-	-	24	2
Total other payables – related parties	<u>-</u>	<u>-</u>	<u>24</u>	<u>2</u>

Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company and its subsidiaries had employee benefit expense payable to their directors and management as below.

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Short-term employee benefits	22	28	18	19
Post-employment benefits	2	2	2	2
Total	<u>24</u>	<u>30</u>	<u>20</u>	<u>21</u>

(Unit: Million Baht)

9. Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	122	107	100	100
Bank deposits	40,122	1,676	4,778	879
Total	<u>40,244</u>	<u>1,783</u>	<u>4,878</u>	<u>979</u>

(Unit: Thousand Baht)

As at 31 December 2013, bank deposits in saving accounts carried interests between 0.1% and 0.5% per annum (2012: between 0.125% and 0.625% per annum).

10. Trade and other receivables

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	999	2,560	85,333	67,600
Past due				
Up to 3 months	-	-	21,378	25,362
3 - 6 months	-	-	1,665	1,084
6 - 12 months	-	-	-	29
Total trade receivables - related parties	999	2,560	108,376	94,075
Less: Allowance for doubtful accounts	-	-	-	(700)
Total trade receivables - related parties, net	<u>999</u>	<u>2,560</u>	<u>108,376</u>	<u>93,375</u>

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables – unrelated parties</u>				
Not yet issued invoices	168,019	431,845	168,019	431,845
Aged on the basis of due dates				
Not yet due	291,104	102,123	184,571	11,809
Past due				
Up to 3 months	848	6,461	-	2,174
3 – 6 months	5,778	2,001	4,553	867
6 – 12 months	187	134	187	134
Over 12 months	127	23,092	127	23,092
Total trade receivables – unrelated parties	466,063	565,656	357,457	469,921
Less: Allowance for doubtful accounts	-	(23,702)	-	(23,002)
Total trade receivables – unrelated parties, net	466,063	541,954	357,457	446,919
Total trade receivable – net	467,062	544,514	465,833	540,294
<u>Other receivables</u>				
Compensation receivable from flooding	75,520	470,908	75,520	470,908
Other receivables – related parties	-	-	905	-
Other receivables – unrelated parties	5,950	19,073	5,937	19,073
Total other receivables	81,470	489,981	82,362	489,981
Total trade and other receivables – net	548,532	1,034,495	548,195	1,030,275

11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories – net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	80,801	76,470	(2,535)	(1,412)	78,266	75,058
Work in process	44,013	50,381	(9,057)	(4,301)	34,956	46,080
Raw materials	337,982	250,080	-	-	337,982	250,080
Spare parts and supplies	22,664	23,433	(103)	-	22,561	23,433
Total	485,460	400,364	(11,695)	(5,713)	473,765	394,651

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	80,801	76,470	(2,535)	(1,412)	78,266	75,058
Work in process	43,952	50,381	(9,057)	(4,301)	34,895	46,080
Raw materials	337,349	250,080	-	-	337,349	250,080
Spare parts and supplies	22,664	23,433	(103)	-	22,561	23,433
Total	<u>484,766</u>	<u>400,364</u>	<u>(11,695)</u>	<u>(5,713)</u>	<u>473,071</u>	<u>394,651</u>

12. 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	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(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	100,000,000	25,000,000	75	100	75,000	2,500
	(Baht)					
					<u>75,677</u>	<u>3,177</u>

During 2013 and 2012, the Company did not receive 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.

As at 31 December 2012, SS RFID Company Limited called up its share capital amounting to Baht 25 million (25% of its share capital of Baht 100 million (10,000,000 ordinary shares at a par value of Baht 10 each)). The Company paid for the called-up share capital in January 2013.

SS RFID Company Limited additionally called up its share capital amounting to Baht 25 million (25% of its share capital) and Baht 50 million (50% of its share capital) during the first and second quarters of 2013, respectively. The Company paid for the called-up share capital in January 2013 and June 2013, respectively.

In June 2013, the Company disposed of its investment in 2,500,000 shares of SS RFID Company Limited (25% of the subsidiary's registered share capital) at a price of Baht 25 million to an overseas company. As a result, the Company's shareholding in that subsidiary decreased from 100% to 75%. The Company recognised a difference of approximately Baht 1 million between the cash received from the share disposal and the book value at disposal proportion of its interest in this subsidiary under the caption of "Capital surplus from changes in shareholding in subsidiary" in shareholders' equity.

Under the capital alliance agreement made by the Company and the co-investor for the investment in SS RFID Company Limited and the related business alliance agreement, the Company has to comply with certain conditions, pertaining to restrictions on manufacture, distribution and distribution territory of RFID Tags, manufacture, purchase and sale of related machine and disposal of, pledge of or encumbrance on the shares of SS RFID Company Limited held by the Company.

In addition, under those agreements, SS RFID Company Limited receives technical assistance from the co-investor related to the manufacture of RFID Tags, development and supply of related machine, and is to pay a fee at a rate stipulated in the agreement that are calculated based on sales of the subsidiary for a period of 5 years (ending in 2019).

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

13. Property, plant and equipment

	Consolidated financial statements						(Unit: Thousand Baht)
	Revaluation basis	Cost basis				Total	
		Buildings and building improvement	Machinery and equipment	Motor vehicles	Machinery under installation		
Cost / Revalued amount							
1 January 2012	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-offs	-	-	(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	
Additions	-	99,693	80,373	-	125,011	305,077	
Disposals	-	-	(5,089)	-	-	(5,089)	
Write-offs	-	-	(36,990)	-	-	(36,990)	
Transfers between accounts	-	-	272,478	-	(272,478)	-	
31 December 2013	70,010	801,154	2,663,860	13,423	53,629	3,602,076	
Accumulated depreciation							
1 January 2012	-	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-offs	-	-	(24,598)	-	-	(24,598)	
31 December 2012	-	200,420	709,218	8,125	-	917,763	
Depreciation for the year	-	57,310	254,355	1,885	-	313,550	
Depreciation on disposals	-	-	(3,652)	-	-	(3,652)	
Depreciation on write-offs	-	-	(26,750)	-	-	(26,750)	
31 December 2013	-	257,730	933,171	10,010	-	1,200,911	
Net book value							
31 December 2012	70,010	501,041	1,643,870	5,298	201,096	2,421,315	
31 December 2013	70,010	543,424	1,730,689	3,413	53,629	2,401,165	
Depreciation for the year							
2012 (Baht 211 million included in manufacturing cost, and the balance in administrative expenses)						217,811	
2013 (Baht 301 million included in manufacturing cost, and the balance in administrative expenses)						313,550	

(Unit: Thousand Baht)

	Separate financial statements				
	Revaluation basis	Cost basis			
		Buildings and building improvement	Machinery and equipment	Motor vehicles	Machinery under installation
	Land				Total
Cost / Revalued amount					
1 January 2012	70,010	451,563	1,545,191	14,690	90,234
Additions	-	255,281	106,796	990	883,148
Disposals	-	-	(76,378)	(4,056)	-
Write-offs	-	-	(46,189)	-	-
Transfer between accounts	-	(5,383)	823,452	1,799	(819,868)
31 December 2012	70,010	701,461	2,352,872	13,423	153,514
Additions	-	99,693	74,612	-	124,454
Disposals	-	-	(5,089)	-	-
Write-offs	-	-	(36,990)	-	-
Transfers between accounts	-	-	224,478	-	(224,478)
31 December 2013	70,010	801,154	2,609,883	13,423	53,490
					3,547,960
Accumulated depreciation					
1 January 2012	-	162,945	582,493	9,512	-
Depreciation for the year	-	37,475	177,908	2,424	-
Depreciation on disposals	-	-	(26,589)	(3,811)	-
Depreciation on write-offs	-	-	(24,598)	-	-
31 December 2012	-	200,420	709,214	8,125	-
Depreciation for the year	-	57,310	249,848	1,885	-
Depreciation on disposals	-	-	(3,651)	-	-
Depreciation on write-offs	-	-	(26,750)	-	-
31 December 2013	-	257,730	928,661	10,010	-
					1,196,401
Net book value					
31 December 2012	70,010	501,041	1,643,658	5,298	153,514
31 December 2013	70,010	543,424	1,681,222	3,413	53,490
Depreciation for the year					
2012 (Baht 211 million included in manufacturing cost, and the balance in administrative expenses)					2,373,521
2013 (Baht 301 million included in manufacturing cost, and the balance in administrative expenses)					2,351,559
					217,807
					309,043

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 2013 and 2012 would have been Baht 55 million.

As at 31 December 2013, certain equipment items of the Company have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 106 million (2012: Baht 117 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.

14. Intangible assets

	Consolidated financial statements	(Unit: Thousand Baht) separate financial statements
	Computer software	Computer software
Cost:		
1 January 2012	25,590	25,590
Additions	5,330	5,330
Write-offs	(509)	(509)
31 December 2012	30,411	30,411
Additions	1,900	1,870
31 December 2013	32,311	32,281
Amortisation:		
1 January 2012	4,968	4,968
Amortisation for the year	2,603	2,603
Amortisation on write-offs	(92)	(92)
31 December 2012	7,479	7,479
Amortisation for the year	2,924	2,923
31 December 2013	10,403	10,402
Net book value:		
31 December 2012	22,932	22,932
31 December 2013	21,908	21,879

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

	Interest rate (% per annum)		(Unit: Thousand Baht) Consolidated and separate financial statements	
	2013	2012	2013	2012
Bank overdrafts	MOR	MOR to MOR - 0.50	5,862	4
Packing credits	-	2.98 - 3.75	-	230,000
Promissory notes	2.60 - 2.66	2.99 - 3.42	437,000	588,800
Trust receipts	0.60 - 0.82	-	180,420	-
Total			623,282	818,804

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.

16. Trade and other payables

	Consolidated		(Unit: Thousand Baht) Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Trade payables - unrelated parties	380,190	487,677	350,681	470,887
Other payables - related parties	-	-	24	2
Other payables - unrelated parties	116,093	62,657	116,061	62,657
Other payables for purchases of machinery and equipment	85,889	471,600	85,889	425,352
Accrued expenses	10,645	23,483	9,323	22,420
Total trade and other payables	592,817	1,045,417	561,978	981,318

17. Long-term loans

Loan	Interest rate	Repayment schedule	(Unit: Thousand Baht) Consolidated and separate financial statements	
			2013	2012
1	THBFIX 3M ⁽¹⁾ + 2% per annum	Monthly installments as from July 2012	150,000	255,000
2	THBFIX 1M ⁽²⁾ + 1.8% per annum	Monthly installments as from July 2013	198,000	-
Total			348,000	255,000
Less: Current portion			(240,000)	(105,000)
Long-term loans, net of current portion			108,000	150,000

- (1) THBFIX 3M⁽¹⁾ is Thai Baht Interest Rate Fixing for the period of three months.
 (2) THBFIX 1M⁽²⁾ is Thai Baht Interest Rate Fixing for the period of one month.

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).

In February 2013, the Company entered into an agreement with a local bank to obtain a long-term facility of Baht 300 million (fully drawn down) for its working capital. The loan carries interest at THBFIX 1M rate plus 1.8% per annum and is to be repaid in 36 monthly installments (ending in June 2016).

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.

18. 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		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Provision for long-term employee				
benefits at beginning of year	15,992	21,949	15,992	21,949
Current service cost	1,654	2,320	1,513	2,320
Interest cost	590	674	590	674
Benefits paid during the year	(1,959)	(13,880)	(1,959)	(13,880)
Curtailment loss on employee benefit plans	-	4,929	-	4,929
Actuarial loss	9,812	-	9,812	-
Provision for long-term employee				
benefits at end of year	<u>26,088</u>	<u>15,992</u>	<u>25,948</u>	<u>15,992</u>

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

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Current service cost	1,654	2,320	1,513	2,320
Interest cost	590	674	590	674
Curtailment loss on employee benefit plans	-	4,929	-	4,929
Total expenses recognised in profit or loss	2,244	7,923	2,103	7,923

Line items under which such expenses are included in profit or loss

Cost of sales	1,145	1,143	1,145	1,143
Selling and administrative expenses	1,099	6,780	958	6,780

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries as at 31 December 2013 amounted to Baht 10 million (Separate financial statements: Baht 10 million)

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	4.4	4.2	4.4	4.2
Future salary increase rate	3.5 - 10.0	3.5 - 7.0	3.5 - 10.0	3.5 - 7.0
Staff turnover rate (depending on age)	0.0 - 20.0	0.0 - 25.0	0.0 - 20.0	0.0 - 25.0

Amounts of defined benefit obligation and experience adjustments on the obligation for the current and previous two periods are as follows:

	Defined benefit obligation		(Unit: Thousand Baht)	
			Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2013	26,088	25,948	2,403	2,403
Year 2012	15,992	15,992	-	-
Year 2011	21,949	21,949	-	-

19. Share capital / Warrants

19.1 Share capital

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.

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

19.2 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 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 20)	-	(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	
Exercised in February 2013	(106,600)	217,910	261,819	11 March 2013
Exercised in May 2013	(1,111,656)	2,272,426	2,730,320	5 June 2013
Exercised in August 2013	(27,600)	56,418	67,786	5 September 2013
Exercised in November 2013	(4,000)	8,176	9,824	9 December 2013
Outstanding as at 31 December 2013	<u>1,342,050</u>	<u>836,420,676</u>	<u>927,886,602</u>	

20. 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% 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.

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.

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.

21. Revaluation surplus on land

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

22. 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.

23. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salary, wages and other employee benefits	456,279	345,599	399,152	325,913
Depreciation and amortisation	316,474	220,414	311,966	220,410
Raw materials and consumables used	6,916,450	3,284,810	6,916,450	3,284,810
Changes in inventories of finished goods and work in progress	(2,037)	(68,005)	(2,098)	(68,666)

24. Income tax

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Restated)			
Current income tax:				
Current income tax charge	-	-	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	9,313	(576)	-	-
Tax income (expenses) reported in the statement of income	<u>9,313</u>	<u>(576)</u>	<u>-</u>	<u>-</u>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012.

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2013	2012	2013	2012
		(Restated)		
Accounting profit before tax	126,937	730,820	162,536	739,509
Applicable tax rate	8.84%, 20%, 34%	8.84%, 23%, 34%	20%	23%
Accounting profit before tax multiplied by applicable tax rate	(20,109)	(167,107)	(32,507)	(170,087)
Deferred tax assets for which have not been recognised during the year because future taxable profits may not be sufficient	(55,122)	(126,204)	(52,105)	(122,146)
Deferred tax assets for which have not been recognised in the prior year but utilised in the year - Tax loss	903	876	-	-
Effects of:				
Promotional privileges (Note 25)	84,532	(5,190)	84,532	(5,190)
Exempted-corporate income tax revenues	-	297,425	-	297,425
Non-deductible expenses	(222)	(377)	(20)	(3)
Others	(669)	1	100	1
Total	83,641	291,859	84,612	292,233
Tax income (expenses) reported in the statement of income	9,313	(576)	-	-

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)					
	Statements of financial position					
	Consolidated financial statements			Separate financial statements		
	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012
		(Restated)			(Restated)	
Deferred tax assets						
Allowance for doubtful accounts	-	-	2,456	-	-	-
Accrued expenses	196	366	400	-	-	-
Unused tax losses	11,470	1,829	-	-	-	-
Total	11,666	2,195	2,856	-	-	-
Deferred tax liabilities						
Revaluation surplus on land	2,942	2,942	2,942	2,942	2,942	2,942
Total	2,942	2,942	2,942	2,942	2,942	2,942

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30% to 23% in 2012, and then to 20% from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2011, the decreases in tax rates for 2012 - 2014 were enacted through a royal decree. The Company has reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

As at 31 December 2013 the Company and its subsidiaries has deductible temporary differences and unused tax losses totaling Baht 846 million (2012: Baht 587 million) (Separate financial statements: Baht 829 million (2012: Baht 576 million)), on which deferred tax assets have not been recognised as the Company believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

25. Promotional privileges

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

Details

1.	Certificate No.	2057(4)/2547	1386(4)/2549	2020(1)/2552	1167(1)/2555
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	Manufacture of RFID wafer
3.	The significant privileges are	7 years	7 years	8 years	8 years
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.	Granted	Granted	Granted	Granted
3.2	Exemption of import duty on machinery as approved by the Board.	Granted	Not granted	Not granted	Not 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 in 2012)	Not granted	Not granted	Not granted
4.	Date of first earning promoted operation profit	9 December 2005	1 May 2007	1 June 2010	Under the process of project revision

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Sales						
Domestic sales	6,941,650	3,185,676	2,308	-	6,943,958	3,185,676
Direct export sales	664,482	326,273	110	-	664,592	326,273
Total sales	<u>7,606,132</u>	<u>3,511,949</u>	<u>2,418</u>	<u>-</u>	<u>7,608,550</u>	<u>3,511,949</u>

26. Earnings per share

Basic earnings per share is calculated by dividing profit 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 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 for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
		(Restated)				(Restated)
Basic earnings per share						
Profit attributable to equity holders of the Company	144,233	733,556	417,684	415,528	0.345	1.765
Effect of dilutive potential ordinary shares						
ESOP-Warrants	-	-	1,100	2,264		
Diluted earnings per share						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>144,233</u>	<u>733,556</u>	<u>418,784</u>	<u>417,792</u>	0.344	1.756

Separate financial statements						
Profit for the year		Weighted average number of ordinary shares		Earnings per share		
<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit attributable to equity						
holders of the Company	162,536	739,509	417,684	415,528	0.389	1.780
Effect of dilutive potential						
ordinary shares						
ESOP-Warrants	-	-	1,100	2,264		
Diluted earnings per share						
Profit attributable to						
ordinary shareholders						
assuming the conversion						
of warrants						
to ordinary shares	<u>162,536</u>	<u>739,509</u>	<u>418,784</u>	<u>417,792</u>	0.388	1.770

27. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into 2 business units based on their products: Microelectronics Module Assembly (MMA) and Integrated Circuit Packaging (IC Packaging) and by geographical areas: segment located in Thailand and segment located in United States of America. (SMT Green Energy Company Limited and SS RFID Company Limited have not yet commenced their trading operation.)

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

For the years ended 31 December												(Unit: Million Baht)
	Microelectronics Module Assembly (MMA)				Integrated Circuit Packaging (IC Packaging)				Consolidated financial statements			
	Located in Thailand		Located in United States of America		Located in Thailand		Located in United States of America		Unallocated assets			
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment total assets												(Restated)
Trade receivables	348	443	-	-	10	6	109	96	-	-	467	545
Inventories	354	276	-	-	102	95	-	-	18	24	474	395
Property, plant and equipment	575	640	-	-	902	939	-	-	924	842	2,401	2,421
Others									175	542	175	542
											3,517	3,903
Additions (decreases) to non-current assets other than financial instruments, deferred tax assets, and rights arising under insurance	(36)	353	-	-	(65)	344	-	-	80	310	(21)	1,007
Depreciation and amortisation	78	54	-	-	118	81	-	-	120	85	316	220

(Restated)

Revenue from external customers is based on locations of the customers.

(Unit: Thousand Baht)

	<u>2013</u>	<u>2012</u>
Revenue from external customers		
Thailand	6,943,951	3,185,676
United States	688,142	296,939
Others	19,774	54,975
Total (per consolidated financial statements)	<u>7,651,867</u>	<u>3,537,590</u>

Non-current assets (other than financial instruments and deferred tax assets) are the assets of entities located in Thailand.

Sales and service income of MMA for the years 2013 and 2012 derived from one customer accounted for approximately 91% and 90%, respectively, of total sales and service income of the Company.

28. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company and its subsidiaries and their employees contributed to the fund monthly at the rates of 3 – 15% 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 2013, the Company and its subsidiaries contributed Baht 10 million (2012: Baht 8 million) (Separate financial statements: Baht 9 million (2012: Baht 8 million)) to the fund.

29. Commitments and contingent liabilities

29.1 Litigation

During the third quarter of 2007, legal action was taken against the Company by one of its former directors on the charge of contempt/libel as a result of his employment being terminated. On 30 September 2008, the Court of First Instance ruled that the Company had violated the Penal Code and ordered it to pay a fine of Baht 100,000. The Company already paid the fine on 30 September 2008. The Company filed an appeal against this ruling to the Court of Appeals. On 28 April 2010, the Court of Appeals dismissed the case. However, the director filed a petition to the Supreme Court on 26 May 2010 and the Supreme Court judged on 3 February 2014 that the case was dismissed.

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:

- a) For damage to reputation, a total of Baht 30,000,000.

- b) 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.
- c) 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. As discussed above, the Supreme Court already considered the criminal case and the Company is in the process of filing a statement that requests the Civil Court to start the civil case consideration.

The Court of First Instance reached its decision on the basis of one issue; that "the Court believed that all witnesses testified truthfully and according to facts. It could be admitted that Plaintiff had acted and performed his duties as stated in Exhibit Jor. 2, which could be deemed to be a violation of Clauses 1.12, 2.5, 2.6, 3.4, 5.3.13 of Chapter 7 of the Employees' Working Rules and Regulations - Discipline & Disciplinary Action, which first defendant used as the reason to terminate the employment, per Exhibit Jor. 2." This Criminal Court decision will be beneficial to the Company in the civil suit brought by the same director in which he claimed compensatory damages for a tort causing damage to his reputation, because the civil case is linked to the criminal case, and according to the law on delivering judgment in a civil case, the Civil Court is bound by the facts as found in the judgment of the criminal case. Judgment in the civil case will be made in accordance with the provisions of civil liabilities law, without regard to the conviction or non-conviction of the accused.

Since the Company's wording of the notice of termination of employment was true, its action was therefore not an intentional wrongful civil act against the said director involving an untrue statement.

The ruling of the Court of Appeals for this issue was also in accordance with the ruling of the Court of First Instance.

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

29.2 Capital commitments

As at 31 December 2013, the Company and its subsidiaries had capital commitments of Baht 17 million (2012: USD 1 million and Baht 34 million) (Separate financial statements: Baht 17 million (2012: USD 0.8 million and Baht 34 million)), relating to the acquisition of machinery and building utility system.

In addition, in January 2014, the Company had capital commitments relating to orders of Baht 1 million for building improvements.

29.3 Long-term service commitments

29.3.1 The Company entered into a service agreement with a financial advisor for a period from March 2013 to February 2014. 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 payment.

29.3.2 A subsidiary has commitment in relation to receipt of technical assistance related to manufacture of RFID Tags, and development and supply of related machine, as discussed in Note 12 to the financial statements.

29.4 Guarantees

As at 31 December 2013, there were outstanding bank guarantees of Baht 10 million (2012: Baht 10 million) issued by banks on behalf of the Company to guarantee electricity use.

30. Financial instruments

30.1 Financial risk management

Financial instruments of the Company and its subsidiaries, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade 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 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 2013							
Consolidated 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	-	-	-	40	-	40	0.1 - 0.5
Trade and other receivables	-	-	-	-	549	549	-
	-	-	-	40	549	589	
Financial liabilities							
Bank overdrafts and short-term loans from financial institutions	617	-	-	6	-	623	MOR , 2.60 - 2.66, 0.60 - 0.82
Trade and other payables	-	-	-	-	593	593	-
Long-term loans	-	-	-	348	-	348	THB FIX 3M +2, THB FIX 1M+1.8
	617	-	-	354	593	1,564	

(Unit: Million Baht)

As at 31 December 2012							
Consolidated 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	-	-	-	2	-	2	0.125 - 0.625
Trade and other receivables	-	-	-	-	1,034	1,034	-
	-	-	-	2	1,034	1,036	
Financial liabilities							
Bank overdrafts and short-term loans from financial institutions	819	-	-	-	-	819	MOR to MOR - 0.50, 2.98 - 3.75, 2.99 - 3.42
Trade and other payables	-	-	-	-	1,045	1,045	-
Long-term loans	-	-	-	255	-	255	THB FIX 3M +2
	819	-	-	255	1,045	2,119	

(Unit: Million Baht)

As at 31 December 2013							
Separate financial statements							
Fixed interest rates							
	Within 1 year	1-5 Interest rate	Over 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
Financial assets							
Cash and cash equivalents	-	-	-	5	-	5	0.1 - 0.5
Trade and other receivables	-	-	-	-	548	548	-
	-	-	-	5	548	553	
Financial liabilities							
Bank overdrafts and short-term loans from financial institutions	617	-	-	6	-	623	MOR , 2.60 - 2.66, 0.60 - 0.82
Trade and other payables	-	-	-	-	562	562	-
Long-term loans	-	-	-	348	-	348	THB FIX 3M +2, THB FIX 1M+1.8
	617	-	-	354	562	1,533	

(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	0.125 - 0.625
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, 2.99 - 3.42
Trade and other payables	-	-	-	-	981	981	-
Long-term loans	-	-	-	255	-	255	THB FIX 3M +2
	819	-	-	255	981	2,055	

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	
	2013	2012	2013	2012	2013	2012
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	14.1	4.2	17.5	14.9	32.8136	30.6316
Euro	-	-	-	0.2	-	40.5563
Japanese yen	-	-	155.5	132.7	31.3042	35.4531
					(per 100 Yen)	(per 100 Yen)
Singapore Dollar	-	-	-	0.1	25.8826	25.0340

Foreign exchange contracts outstanding are summarised below.

As at 31 December 2013				
Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate	
			Bought	Sold
			(Baht per 1 foreign currency unit)	
US dollar	3.4	-	31.1580 - 33.0201	-

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

30.2 Fair value 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.

31. 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 2013, the Group's debt-to-equity ratio was 0.84:1 (2012: 1.22:1) and the Company's was 0.82:1 (2012: 1.18:1).

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.

32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2014.

Remuneration for the Auditor

At the 2013 shareholders' annual general meeting, the appointment of the following Auditors from EY Office Co. Ltd. was approved as auditors for the company and its subsidiaries: namely, Mr. Supachai Panyawattano – No. 3930, and/or Miss Siraphorn Euranantkul – No. 3844 and/or Miss Tippawan Nananuwat – No. 3459. The meeting also approved auditing remuneration for 2013 of 1,875,000 baht.

Auditing remuneration for the past three years (2011–2013)

	Year 2011	Year 2012	Year 2013
Audit fee	1,575,000	1,625,000	1,875,000

The Auditor

EY Co., Ltd.

33rd Floor, Lake Ratchada Building

193/136-137 New Patchadapisake road

Klongtoey, Bangkok 10110

Tel : 0-2264-0777

Fax : 0-2264-0789-90



Corporate information

Stars Microelectronics (Thailand) Public Company Limited
Registration No. 0107545000098

Type of Business : Electronic Manufacturing Service
Headquarter : 605-606 Moo 2, Tambol Klongjig, Amphur
Bang Pa-In Ayutthaya 13160 Thailand
Tel: 035-221777
Fax: 035-221778
Website : www.starsmicroelectronics.com



Investors can learn more
information of the Company from
on the Annual Registration
Statement (Form 56-1) on
www.sec.or.th
or the company's website
www.starsmicroelectronics.com

Reference Persons

The Stock Registrar

Thailand Securities Depository Co., Ltd
62 Stock Exchange of Thailand Building
Ratchadapisake Road, Klongtoey,
Bangkok 10110
Tel: 0-2229-2888
Call center 0-2229-2888

Investor Relations Contact

Stars Microelectronics (Thailand) Public Company Limited
Bang Pa-In Industrial Estate (I-EA-T Free Zone)
605-606 Moo 2, Tambol Klongjig, Amphur Bang Pa-In
Ayutthaya 13160
Email: ir@starsmicroelectronics.com
Tel: 035-221-777 ext 313
Fax: 035-221-778



**Stars Microelectronics (Thailand)
Public Company Limited**

Bang Pa-In Industrial Estate (I-EA-T Free Zone)
605-606 Moo 2, Tambol Klongjig, Amphur Bang Pa-In,
Ayutthaya 13160, Thailand.

Tel : +66 (0)35-221-777

Fax : +66 (0)35-221-778

www.starsmicroelectronics.com

