

ANNUAL REPORT 2018

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Vision , Mission, Strategy, Quality Policy and Core Value

The vision, mission and strategies for 2018 have already been considered and reviewed by the Board of Directors.

Vision

"To be a sustainably profitable and growing company by providing five-star customer satisfaction and quality goods through a skilled workforce and world class manufacturing facility."

Mission

"To provide our customers superior quality electronics, medical devices and other technological products through total team commitment, skillful staff, advanced manufacturing processes and world class facility."

Strategy

Cost reduction to maximize profit of current product
Increase volume of current customers for better utilization
Diversify our services, products and customers

Quality Policy

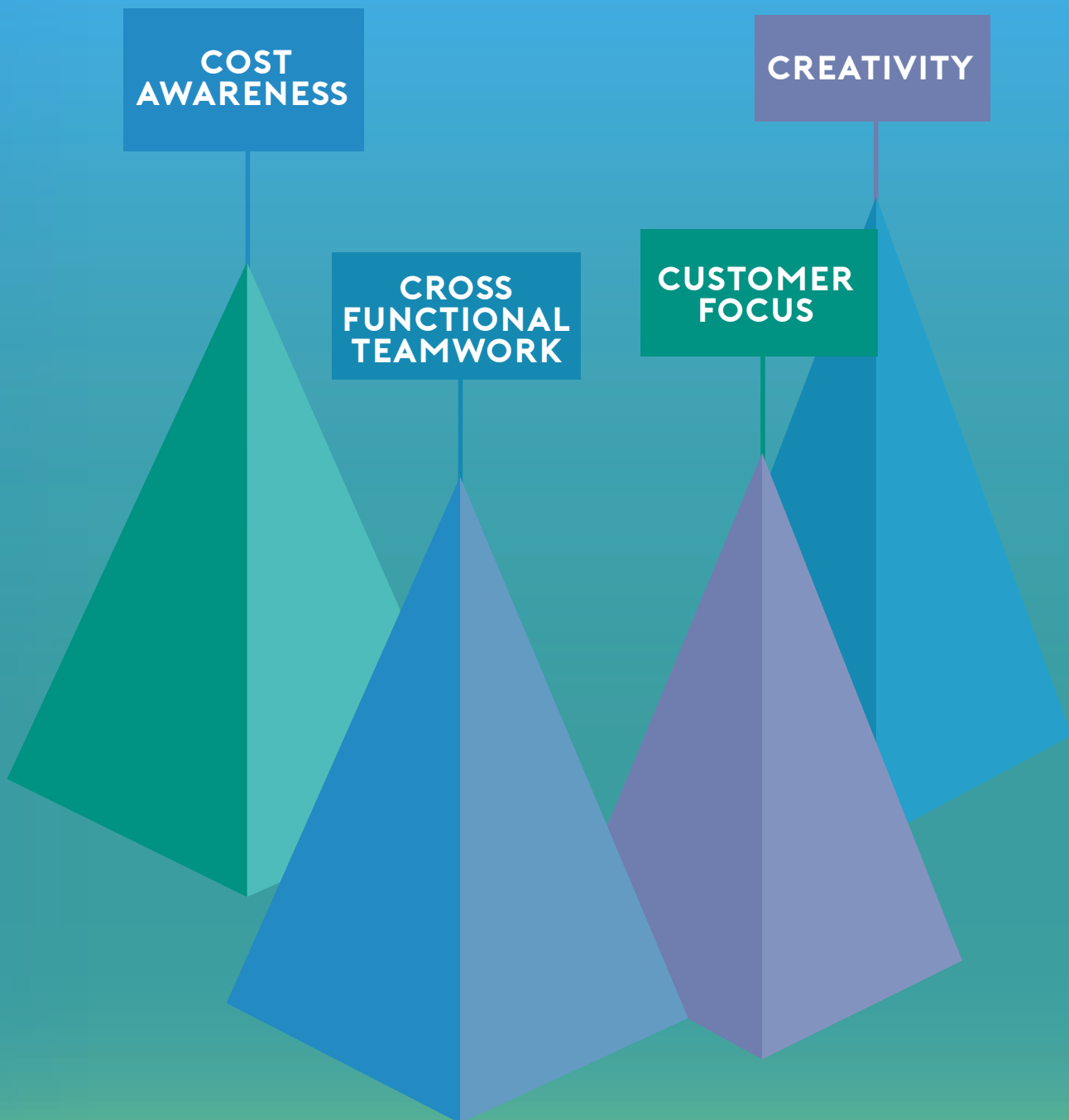
We are committed to achieving total customer satisfaction through;

- Consistently supplying quality products to our valued customers.
- Continually improving the effectiveness of our quality management system.
- Creating an environment for cross-functional teamwork with a positive attitude and innovative approach.

The vision, mission and strategies for 2018 have already been considered and reviewed by the Board of Directors.

CORE VALUE

“DO IT RIGHT & DO IT NOW”



FINANCIAL HIGHLIGHTS

Consolidated financial statements	2018	2017	2016
(Unit: Thousand Baht)			
Total Revenue	1,811,311	1,901,459	3,598,366
Sales Revenue	1,765,659	1,853,763	3,532,850
Gross Profit	329,979	72,290	292,773
Operating Profit	87,082	(527,451)	3,828
EBITDA	387,402	(95,451)	415,606
Net Profit (Loss) for the year	71,936	(546,947)	15,645
Total Assets	2,920,509	2,881,424	3,493,136
Net Fixed Assets	2,207,614	2,257,912	2,354,218
Total Liabilities	1,618,556	1,657,004	1,722,919
Shareholders' Equity	1,301,953	1,224,420	1,770,217
(Unit: Baht)			
Book Value per share	1.56	1.46	2.12
Dividend per share	-*	-	-
(Unit: Time)			
Debt to Equity	1.24	1.35	0.97
(Unit: %)			
Net Profit (after tax) % Sales	4.07%	-29.50%	0.44%
EBITDA Margin	21.94%	-5.15%	11.76%
Return on Assets	2.48%	-17.16%	0.45%
Return on Equity	5.59%	-36.53%	0.74%
Payout ratio (excl. exceptional items)	-*	-	-
(Unit: Share)			
Number of shares outstanding (year end)	836,478,966	836,475,966	836,475,966

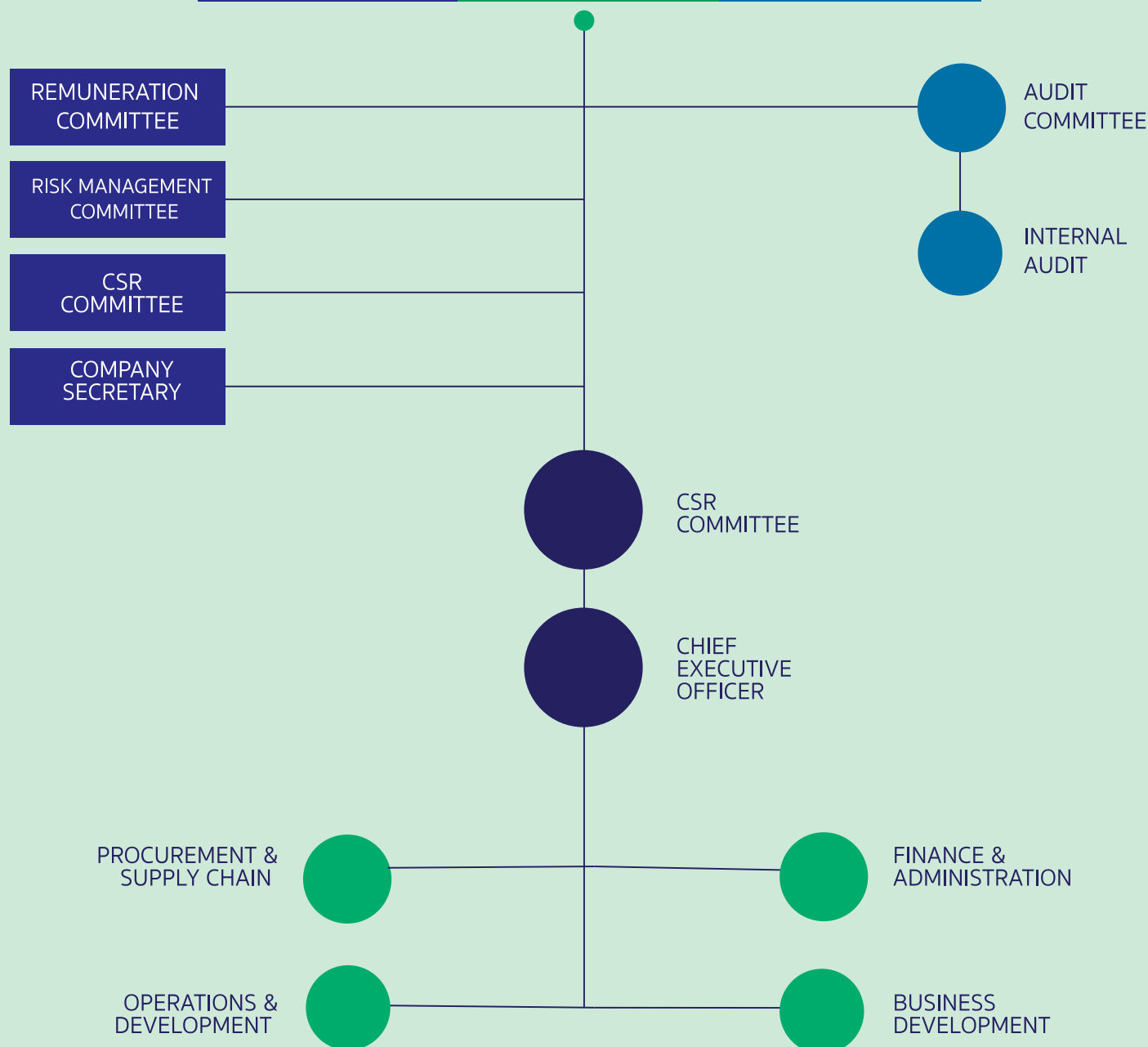
* Omission of yearly dividend payment will be submitted to Annual General Meeting of Shareholders of 2019 on 29 April 2019 for Approval

** Calculated on number of shares as at year end

ORGANIZATION STRUCTURE

Stars Microelectronics (Thailand)
Public Company Limited

BOARD OF DIRECTORS



Message from Chairman

Dear Shareholders,

I am delighted and honored to have the opportunity to greet and discuss with you this annual report.

In 2018, the company had significant developments. Most importantly, the company had a net profit of approximately 72 million baht (the consolidated financial statements) after a big loss due to the allowance for a doubtful 2017.

It clearly shows that SMT has returned to strong performance completely and I am confident of this future profit trend because the management team has expanded the business and the customer bases widely to reduce the income risk. The company has conducted the cost reduction program continuously and extensively. With this efficient management, SMT will continue to move forward strongly. Moreover, the company received the good governance score (CG Score) at the "very good" level. This CG Score is conducted by The Thai Institute of Directors (IOD) supported by the Stock Exchange of Thailand.

I would like to thank all shareholders, investors and stakeholders for their support and interest in SMT over this time. I would like to thank all company's directors for their strong duties to lead the company to the right direction.

Finally, I would like to thank the management team and staff for their dedication and sacrifice to perform their duties for the progress of the company.

On behalf of the company's Board of Directors, I ensure that we will manage and control the company's operations efficiently and transparently. We will protect all risks in line with the good governance to gain high respect and trust from all stakeholders and enhance sustainable benefits and wealth to shareholders.

Yours sincerely,



(Somnuk Chaikul)

Chairman



Message from CEO

Dear Shareholders,

I am truly honored to have this opportunity to greet and inform all shareholders regarding our 2017 performance.

First of all, I am very pleased to inform you that SMT reached a net profit of around 72 million baht (the consolidated financial statements) in 2018. This led the company in a turnaround from the heavy losses due to the allowance for a doubtful 2017. The net profit was due to the following:

1. SMT has expanded the business and customer base widely. We gained more new customers and expanded the business with current customers to protect our income and customer concentration risks.
2. SMT has conducted the cost reduction strategy and reduced the cost by more than 100 million baht in 2018. As a result, the company's gross profit has increased.
3. SMT has developed our management system continuously in production, technology, business development, organization strategy and human resources management. In addition, we bring Six Sigma quality systems to apply in the organization strongly and continuously.

I would like to thank all shareholders and the company's Board of Directors for their magnificent support. I would also like to thank all our management team members and staff for their dedication to their work, which has made the company return to good standing.

I herewith ensure that I will manage the company with great determination and dedication to sustain the shareholders' benefits.

Yours sincerely,



(Peerapol Wilaiwongstien)

CEO



Board of Directors



Mr. Somnuk Chaikul

Chairman of Board and Chairman of Executive Committee



Mr. Prompong Chaikul

Director, Executive Director, Risk Management Committee
Member and Chief Procurement Officer



Mr. Prasart Yunibhand

Director and Remuneration Committee Member



Mrs. Poonpun Chaikul

Director and Chairman of Corporate Social Responsibilities
Committee (CSR)



**Associate Professor
Dr. Preecha Jarungidanan**

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



**Associate professor
Dr. Aekkachai Nittayagasetwat**

Independent Director, Audit Committee Member and
Remuneration Committee Member



**Professor
Dr. Kamphol Panyagometh**

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



Mr. Yunyong Sawasdi

Company's Secretary, Executive Director,
Risk Management Committee Member
and Chief Financial Officer

Management Team



Mr. Peerapol Wilaiwongstien

- Chief Executive Officer
- Executive Director



Mr. Yungong Sawasdi

- Chief Financial Officer
- Company's secretary
- Executive Director
- Risk Management Committee Member



Mr. Chainarong Nimmantevin

- Chief Operations Officer
- Risk Management Committee Member



Mr. Prompong Chaikul

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



Dr. Tattee Khayim

- Chief Business Development Officer
- Executive Director
- Risk Management Committee Member



Mr. Preecha Bootwicha

- Senior Director (Production – IC Packaging)



Mr. Wijaya Klinkesorn

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



Mr. Sommai Netpu

- Director (Engineering -IC Assembly)



Mr. Thaweechai Ngamlertsirichai

- Director (Business Development)
- Risk Management Committee Member



Dr. Pichit Saengpongpaew

- Director (Industrial Engineering & Facility)
- Executive Director
- Risk Management Committee Member



Ms. Siriporn Pakdee

- Director (Supply Chain)
- Risk Management Committee Member



Mr. Thanakorn Pariyaisut

- IT Director



Mr. Koratak Weeradaecha

- Director (Finance)
- Risk Management Committee Member



Mr. Wirutch Jeapiyasakul

- Assistant Director (IC Test Operation)



Ms. Passara Opartnipath

- Assistant Director (Accounting)



Ms. Sunan Wongmutthavanich

- Assistant Director (Internal Audit)
- Risk Management Committee Member
- Audit Committee's secretary.



Mr. Wachira Kerdpin

- Assistant Director (Quality Assurance)



Mr. Khajorn Thammajong

- Assistant Director (Business Development)
- Risk Management Committee Member



Mr. Padth Sreepradid

- Assistant Director (IT)



Dr. Chanabhorn Rurkhamet

- Assistant Director (Human Resources & Administration)

NATURE OF BUSINESS



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, including standard machines that can be bought directly from manufacturers and special machines from joint-venture between the company and manufacturers to get the machines with more efficiency and quality. The company is thus able to manufacture and assemble complex innovative electronic components with high precision and accuracy to serve both the products' specification and 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 PCBA, using PTH, SMT, COB, FOB and FCOF technologies for several types of electronic equipment.
- Medical Devices and Active Medical Devices:

These are medical devices that work by electrical energy. They can be used to stimulate and relax the muscles and can be used in hospitals, personal residence or during travel.

- Produce the Internet of Things (IoT) devices in the form of finished products which are ready for sale. The IoT devices use Zigbee wireless communication signal with low power consumption resulting in long battery life. Therefore, the devices with Zigbee module do not need to recharge batteries like other wireless devices.
- Produce electronic dimensioning instrument with high precision laser contained within a pen, pencil or stylus. It captures dimensions and 3D curves of any object using a proprietary magnetic sensor and gear system to read rotation and revolutions. After rolling the instrument on the object, the measured dimensions will be logged, converted, and shared through the mobile application via Bluetooth smart system. Its battery life is up to 6 months. The company produces, assembles, tests, packs and delivers to individual customers. Moreover, customers can personalize the instrument with their signatures through a precision laser method.

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-Mechanical 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 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.
- Wafer dicing is for manufacturing IC packaging which will be used for electronic devices. Wafer can be the same or different size depending on customers' requirements. There are 2 types of wafer dicing machines: Mechanical Dicing and Stealth Dicing. Few companies in Thailand are able to dice wafer by laser method (Stealth Dicing).

3. Fiber optics devices

Nowadays, fiber-optic communications have played a significant role in telecommunication because of its ability to transfer massive amounts of data over long distances at high bandwidths (data rate). The heart of this communication system is Optical Fibers which are used as a means to transmit data in the form of lights. The company has started to produce and assemble fiber optic devices for industrial operations as follows.

- Data center

This is an industry with high growth because there has been multiply increasing for data storage and online access now and in the future. Recently, the company produced Active Optical Cable (AOC) which replaced Coaxial Line. AOC is used to connect servers and supercomputers in data centers. It converts signal from electrical to optical and from optical to electrical. Moreover, AOC transmits light signal to the connected devices with a bit rate of more than 150 Gbps.

- Telecommunication

The company has started to manufacture an Optical Transmitter. The transmitted light signals can relay along the optical fiber farther than 100 kilometers.

- Broadcasting

The company produces Optical Transceiver for VDO streaming which is widely popular today.

4. Other application of optical device used for light sensor: LiDAR

- Self-driving cars or autonomous vehicles have the potential to reduce deaths and injuries from car crashes, particularly those that result from driver distraction and human error. Currently, autonomous vehicles use a light sensor called LiDAR (Light Detection And Ranging) which is short for light radar. The basic idea of LiDAR is simple: a sensor sends out laser beams in various directions and waits for them to bounce back. Since light travels at a known speed, the round-trip time gives a precise estimate of the distance. Currently, Stars has the manufacturing service capabilities to produce the LiDAR product, including the laser assembly and also the detector assembly part.

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.

Revenue Structure

	2016		2017		2018	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales income						
MMA – Hard Disk	1,692,877	47.05	-	-	-	-
MMA – Others	315,737	8.77	301,602	15.86	538,889	29.75
IC Packaging	1,434,401	39.86	1,521,141	80.00	1,168,999	64.54
Total Sales income	<u>3,443,016</u>	<u>95.68</u>	<u>1,822,743</u>	<u>95.86</u>	<u>1,707,888</u>	<u>94.29</u>
Service income ⁽¹⁾	<u>89,834</u>	<u>2.50</u>	<u>31,020</u>	<u>1.63</u>	<u>57,771</u>	<u>3.19</u>
Other income	<u>65,516</u>	<u>1.82</u>	<u>47,695</u>	<u>2.51</u>	<u>45,653</u>	<u>2.52</u>
Total Revenues	<u>3,598,366</u>	<u>100.00</u>	<u>1,901,458</u>	<u>100.00</u>	<u>1,811,311</u>	<u>100.00</u>

(1) Income from product development

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.

Value Added Structure

	2016		2017		2018	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales income						
MMA – Hard Disk	61,758	4.94	-	-	-	-
MMA – Others	78,094	6.25	30,863	2.59	226,487	19.44
IC Packaging	954,936	76.39	1,081,655	90.80	835,123	71.68
Total Sales income	1,094,789	87.57	1,112,517	93.39	1,061,611	91.12
Service income ⁽¹⁾	89,834	7.19	31,020	2.60	57,771	4.96
Other income	65,516	5.24	47,695	4.00	45,653	3.92
Total Revenues	1,250,138	100.00	1,191,233	100.00	1,165,034	100.00

(1) Income from product development

Value Added (VA) = Sales - Raw Material

Annual full production capacity

Products	(Million Pieces)
IC Assembly and Testing	2,125
MMA Production and Assembly of Electronic Components	51
Total	2,176

Shareholding Structure

Shareholders

The Company's shareholding structure as of 31 December 2018 featuring the Top 10 shareholders can be summarized as below:

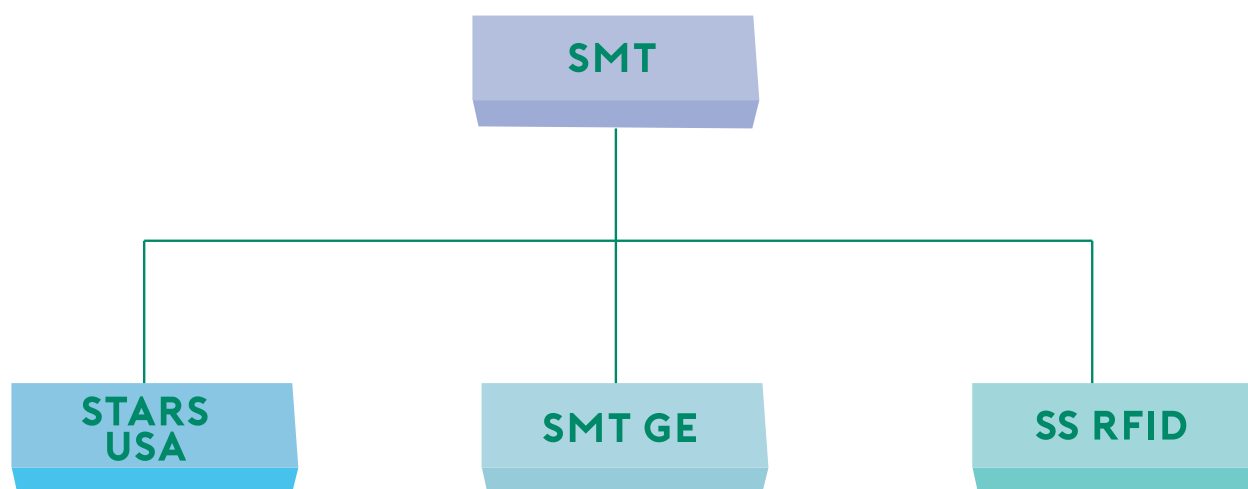
Top Ten Major Shareholders

	Shareholders	Number of Shares	Percentage
1	MORGAN STANLEY & CO. INTERNATIONAL PLC	75,226,674	8.993
2	Mr. Petch Wailikit	71,047,600	8.494
3	Mr. Nattapong Chaikul	46,430,000	5.551
4	SIIX EMS (THAILAND) CO., LTD.	41,495,962	4.961
5	Mr. Somnuk Chaikul	34,035,144	4.069
6	Miss Oranuj Chaikul	30,430,000	3.638
7	Miss Nunticha Chaikul	27,000,000	3.228
8	Miss Lucksika Chaikul	26,000,000	3.108
9	Mr. Saran Chaikul	20,520,000	2.453
10	Thai NVDR Company Limited	15,816,247	1.891
	Other	448,477,339	53.615
	Total	836,478,966	100.000

Note: The Company's paid-up capital as of 31st December 2018 was 836,478,966 baht.

Shareholding Structure In Subsidiary Company

Stars Microelectronics (Thailand) Public Company Limited now has 3 subsidiaries



Name	Registered capital and number of shares			Holding of SMT percent
	Registered capital	Paid-up capital	Number of shares	
STARS USA	20,000 USD	20,000 USD	20,000,000 shares	59%
SMT GE	1,000,000 Baht	500,000 Baht	50,000 shares	99%
SS RFID	100,000,000 Baht	100,000,000 Baht	10,000,000 shares	75%

Stars Microelectronics USA, Inc. (Stars USA)

Location : 2157 O'Toole Avenue, Suite 10 San Jose, California, USA.

Nature of Business: It is a sales representative of the company and was founded in 2005. The company invested 19% of the capital. Later, the company bought the shares from the former shareholders and now holds 59% of the capital. The outstanding point is that the

management team of stars USA has had long experiences in electronic industry. Moreover, they have selling and marketing knowledge and joint-development with customers including dealing in the production and assembly of electronic components for electronic products. The customer base is Silicon Valley, USA.

SMT Green Energy Co.,Ltd (SMT GE)

Location : 605 – 606 Moo. 2,Tambol Klongjig,Amphur Bang Pa-In, Ayutthaya 13160,Thailand

Nature of Business: It is a Thai company and was founded in 2010 with the main purpose of producing and selling the electrical energy from alternative energy including related business such as the production and selling of equipment used in solar energy and all alternative energy.

SS RFID Co., Ltd. (SS RFID)

Location : 605 – 606 Moo. 2,Tambol Klongjig,Amphur Bang Pa-In, Ayutthaya 13160,Thailand

Nature of Business: It is a Thai company and was founded in 2012 with the purpose of producing and selling Radio Frequency Identification (RFID) Tags, which can be applied in many businesses, such as inventory management in modern trade business, checking the passengers' bags at leading airports. The customer base is in USA, Europe and Asia.

Important changes and development

In 2018 there were these important changes and developments with the company:

1. The company received the 2018 Thailand Energy Award for outstanding executive of the controlled factory from the Ministry of Energy.
2. The company received the 2018 Prime Minister's Industrial Award for outstanding industry, energy management from the Ministry of Industry.



บริษัท สตาร์ส ไมโครอิเล็กทรอนิกส์ (ประเทศไทย) จำกัด (มหาชน)

- ได้รับรางวัล Thailand energy award 2018 จากกระทรวงพลังงาน และ
- รางวัล Prime minister's Industrial award 2018 จากกระทรวงอุตสาหกรรม



Board of Investment Rights and Privileges

The company has been granted three 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 5 copy for SMT. The company's tax privileges can be summarized as follows:

The company's tax privileges'

BOI Approval Date

18 March 2013

Board of Investment

Issue No. 5195 (1)/2013 dated 19 November 2013

Type of business granted BOI

Manufacture of electronic components including Semiconductor ,PCBA and 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 corporate income tax for the net profit earned from BOI granted business operations 50 percent for five years from the end date of that period.
- 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 not be less than 831.78 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
Revise BOI Or Kor 0907/004533 dated 4 March 2014

Type of business granted BOI

Manufacture of WAFER GRINDING and WAFER DICING

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. . (This exemption from corporate income tax privilege ends 1 May 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 corporate income tax for the net profit earned from BOI granted business operations 50 percent for five years from the end date of that period.
- 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 not 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)

BOI Approval Date

30 June 2014

Board of Investment

Issue No. 1500(2)2558 dated 21 April 2015

Type of business granted BOI

-Manufacture of PRINTED CIRCUIT BOARD ASSEMBLY (PCBA) , FLEXIBLE PRINTED CIRCUIT ASSEMBLY (FPCA) and Manufacture of electronic , electric appliances such as TV SET TOP BOX , WI-FI BOX , TABLET ,SMART METER ,etc

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 not more than 100 percent of Investment exclude land and working capital for seven years 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 company is exempt from corporate income tax for section 31 first paragraph and third paragraph not be no more than 10.75 million baht. Change by of Investment exclude land and working capital on date open operation from BOI granted.

the net profit earned from BOI granted business operations for a period not more than 100 percent of Investment exclude land and working capital

- The registered capital must not be no less than 839.16 million baht.

Product capacity:

-PRINTED CIRCUIT BOARD ASSEMBLY (PCBA) 500,000 pieces per year

-FLEXIBLE PRINTED CIRCUIT ASSEMBLY (FPCA) 500,000 pieces per year

-TV SET TOP BOX , WI-FI BOX , TABLET and SMART METER 5,000,000 pieces per year

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

BOI Approval Date

2 March 2015

Board of Investment

Issue No. dated 3 December 2015

Type of business granted BOI

-Medical Instrument

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 not be less than 836.40 million baht.

Product capacity:

Medical Instrument 420,000 set per year

(Working hours: 24 hours a day, 300 days a year)

BOI Approval Date

23 January 2017

Board of Investment

Issue No. 60-0458-1-00-1-0 dated 21 April 2017

Type of business granted BOI

Manufacture of Solar Module

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 not more than 100 percent of Investment exclude land and working capital for six years 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 not be less than 836.48 million baht.

Product capacity:

Solar panel 100 Mw 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 2018)

Registered capital: 1,229,890,150 baht consisting of 1,229,890,150 shares with 1.00 baht par value per share

Paid-up capital: 836,478,966 baht consisting of 836,478,966 shares with 1.00 baht par value per share

On June 1, 2018, the company has allotted SMT-W2 to the existing shareholders for totaled of 209,118,803 units. The remaining of 188 units will be discarded according to the resolution.

From the date of the issuance of the warrants to December 31, 2018, warrant holders exercised their rights to convert a quantity of 3,000 warrants to a total of 3,000 common shares. The remaining warrants to be converted are 209,115,803 units and the remaining shares to support the exercise are 209,115,803 units.

Warrant SMT-W2

The Annual General Meeting of Shareholders for the year 2018 of Stars Microelectronics (Thailand) Public Company Limited held on April 30, 2018 passed a resolution of issuance and offering of SMT-W2 in the amount of not exceeding 209,118,991 units to existing shareholders in proportion of shareholdings without charge, at the ratio of 4 to 1 unit of SMT-W2 (fractions will be discarded). Each unit of warrants has the right to purchase 1 ordinary share, unless the exercise ratio is adjusted under the conditions of the rights adjustment and the price to exercise the right was set at 2.10 baht per share.

The exercise date is stipulated on the last business day of March, June, September and December of every year, throughout the entire 2 years life of the SMT-W2 program until the last possible date in May 29, 2020.

Warrant SMT-W1

The Annual General Meeting of Shareholders for the year 2016 of Stars Microelectronics (Thailand) Public Company Limited held on April 26, 2016 passed a resolution of issuance and offering of SMT-W1 in the amount of not exceeding 167,295,193 units to existing shareholders in proportion of shareholdings without charge, at the ratio of 5 to 1 unit of SMT-W1 (fractions will be discarded). Each unit of warrants has the right to purchase 1 ordinary share, unless the exercise ratio is adjusted under the conditions of the rights adjustment and the price to exercise the right was set at 8 baht per share.

The exercise date is stipulated on the last business day of March, June, September and December of every year, throughout the entire 2 years 11 months 30 days life of the SMT-W1 program until the last possible date in June 2019 (June 28, 2019).

On June 30, 2016, the company has allotted SMT-W1 to the existing shareholders for totaled of 167,295,007 units. The remaining of 186 units will be discarded according to the resolution.

From the date of the issuance of the warrants to December 31, 2016, warrant holders exercised their rights to convert a quantity of -0- warrants to a total of -00 common shares. The remaining warrants to be converted are 167,295,007 units and the remaining shares to support the exercise are 167,295,007 units.

ESOP Warrants (SMT-WB)

The Annual General Meeting of Shareholders for the year 2016 of Stars Microelectronics (Thailand) Public Company Limited held on April 26, 2016 passed a resolution of issuance and offering of SMT-WB in the amount of not exceeding 17,000,000 units to the Company's directors and employees without charge. Each unit of warrant has right to purchase 1 ordinary share. Except to change in accordance with the terms and condition of warrant adjustment, the exercise terms and conditions were set as follows:

• The First Year (The first exercise and the second exercise)

Warrant holders could exercise their rights when a closing share price of the Company at someday during 30 days before each of the notification period not lower than Baht 9.00 by set an exercise price to be equal to Baht 7.20. Each warrant holder is entitled to exercise not exceeding 35.00% of the total warrants allotted to each warrant holder by the company

• The Second Year (The third exercise and the forth exercise)

Warrant holders could exercise their rights when a closing share price of the Company at someday during 30 days before each of the notification period not lower than Baht 10.70 by set an exercise price to be equal to Baht 8.00. Each warrant holder is entitled to exercise another 35.00% of the total warrants allotted. The exercise right can be accumulated up to 70.00% of the total warrants.

• The Third Year (The fifth exercise and the sixth exercise)

Warrant holders could exercise their rights when a closing share price of the Company at someday during 30 days before each of the notification period not lower than Baht 12.50 by set an exercise price to be equal to Baht 8.70. Each warrant holder can exercise in all of the remaining warrants. The exercise date is stipulated on the last business day of June and December of every year, throughout the entire 3-year life of the ESOP program until the last business day in June 2019 (June 28, 2019).

On May 31, 2016, the company has fully allotted SMT-WB to the Company's directors and employees for totaled of 17,000,000 units. From the date of the issuance of the warrants to December 31, 2016, warrant holders exercised their rights to convert a quantity of -0- warrants to a total of -0- common shares. The remaining warrants to be converted are 17,000,000 units and the remaining shares to support the exercise are 17,000,000 units.

Debentures No. 1/2561

On 29 March 2018, the Company issued and offered 500,000 units of debentures No. 1/2561 with a face value of Baht 1,000 each, 217,300 units of debentures are sold, totaling Baht 217 million. These are registered, unsubordinated, unsecured debentures with no trustees, and have a term of 2 years from the issue date, maturing on 29 March 2020. The coupon rate is 6.20% per annum (the effective interest rate is 7.15% per annum), with interest payable every 3 months throughout the life of the debentures.

Dividend Policy

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

The details of dividend payment are showed below.

	(baht per share)								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interim Dividend Payment from first half year result	0.20	0.20	-	-	-	-	-	-	-
Dividend Payment from second half year result	0.50	-	-	-	-	-	-	-	-*
Yearly Dividend Payment	0.70	0.20	-	-	-	-	-	-	-*

*Subject to approval of Annual General Meeting of shareholders of 2019 on 29 April 2019

Future Projects

1. The company has set in motion various strategies that are expected to expand business and increase the income and reduce risks. The company is focusing on the expansion of production capacity for customers' products with high value and high growth relying on research & development between the company and customers. The company expects to see results from 2015 onwards. The company focuses on electronic components for 6 product groups such as Semiconductor, Advanced Consumer, Niche & Specialty, Automotive, Medical Devices and optical Components.

2. The company focuses on market expansions in continents such as the USA, Europe, Japan and other countries in Asia by building business partners for efficient customer base expansion.

3. The company has prepared itself to join the AEC (Asian Economic Community) to be a single market and production base. The company has created the global work place to support future employees who will come from different countries. At the same time, the company has promoted cross-functional teamwork in the organization.

4. The company was acquired ISO 13485 (Quality Management Systems for Medical Devices) and ISO 22301 (Business Continuity Management Systems) in 2017 and 2016 respectively, and TL 9000 (Quality Management Systems) is on the process of certification and expects to be approved in 2019.

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.

Corporate Social Responsibility

The company implemented the CSR-DIW 2017 project with the Department of Industrial Works, Ministry of Industry. The company's Corporate Social Responsibility report has been separated from the reports, 56-1 and 56-2. For the policy and the related reports, the shareholders and interested persons can see the details on the company website at www.starsmicro.com, title CSR.

Stars Microelectronics (Thailand) Public Company Limited is committed to conducting its business under good corporate governance and business ethics. The company also cares about the environment and society. It is always conscious of its accountability for the society. The company thinks of its stakeholders, both internal and external, who include shareholders, employees, customers, the communities and the society at large. This will lead to sustainable business development. Concerning the corporate social responsibility or CSR, the company believes that the strength and sustainable development of the surrounding communities are an important factor favorable to its business. BangPa-In District, Ayutthaya Province where the company is located, is home to the company because it is a member of this community and society. Furthermore, the company is dedicated to creating products, beneficial to its business and environmentally friendly to the earth, making it a good citizen of the world. That is, its business can co-exist with our planet. The company has adopted the following CSR policy:

Regarding the communities and society

1. The company will survey and check whether its business and future projects will cause a negative impact on the neighboring communities and the overall society, near and far, and assess the extent of the impact. The company will consider the findings, rectify and improve its operations to prevent such an untoward effect on and damage to the communities and the society, both direct and indirect.
2. The company will support volunteer activities that develop the communities and society.
3. The company will help protect and maintain a pleasant environment in the communities and society.
4. The company will support the society and communities in having adequate basic infrastructure.
5. The company will support and take part in activities benefiting the public.

Regarding the environment

1. The company will create and produce products not harmful to the earth.
 2. The company will adapt to suitable manufacturing processes to minimize the impact on the environment.
 3. The company will promote recycling used materials.
 4. The company will share environmental information and support activities, both within and outside the country, that are beneficial to the environment.
 5. The company will improve the environmental management in a rigorous and continual manner
- Internal training is held to make employees acknowledge the environmental policy and understand the policy and practice against corruption.

7 หลักการความรับผิดชอบต่อ หลักการในการปฏิบัติ



The company has appointed 8 working groups in order for corporate social responsibility to be implemented efficiently as follows:

1. Running business with fairness

The company will treat other companies fairly and create good business relationships by focusing on fair competition. The company will promote social responsibility for business partners and avoid any behavior which adversely affects the sustainable political process.

2. Being against corruption

The company will create confidence by acting as a model for taking a stand against corruption. Moreover, the company will support, monitor, promote and train the employees, representatives, contractors and customers to understand how to identify and report signs of corruption within the system so as to deal with/suppress it efficiently and effectively.

3. Respect of Human Rights

The company will promote and encourage the company directors, the management team and the employees to implement the observance of human rights in line with international practice. The company will provide consultation and inspect the citizen's political, social, economic and cultural rights.

4. Treatment of employees with justice

The company respects working rights without discrimination of birthplace, race, religion, sex and marital status. The company will not have any prejudice in employment. The company will not use child labor, which is defined as children younger than 15 years old, and protect working condition of the employees. The company will pay wages and salaries and provide benefits to guarantee the security of the employees.

The company will pay wages and salaries in line with those in the same industry. The company will provide safe and healthy working places. Every year the company will hold training for engineers and technicians and employee teams to prevent emergencies and to increase the knowledge and skills needed to protect their lives and assets and the company. In 2017 there were 3 minor accidents on production lines.

5. Responsibility for customers

The company will provide consultations and information to customers to protect their health and safety. The company will produce and develop products and services which are useful for society and the environment to create sustainable consumption. In addition, the company will provide knowledge and information necessary for customers to make decisions to buy products and services.

6. Environmental preservation

The company realizes that its business operation may have a negative impact on the environment. Therefore, the company will plan and control production activities to minimize its carbon footprint. The company will use the minimum amount of resources needed by wasting less and reusing more.

7. Community or Social Development

The company will engage with the community by providing information and advice to allow the community to participate in decision making and join activities. The company will allow the community to share and propose their opinions, which are useful for a sustainable community and society.

8. Having and publicizing innovations from operations, which are responsible for society, environment and stakeholders.

The company has directions to reduce using energy, raw materials and focus on producing environmental-friendly products. The company will develop new innovations, which are useful for the company and society responsibly at the individual level, organization level and country level sustainably.



โครงการ CSR-DIW

**Corporate Social Responsibility,
Department of Industrial Works :
CSR-DIW**

ภายใต้การดำเนินงานของ

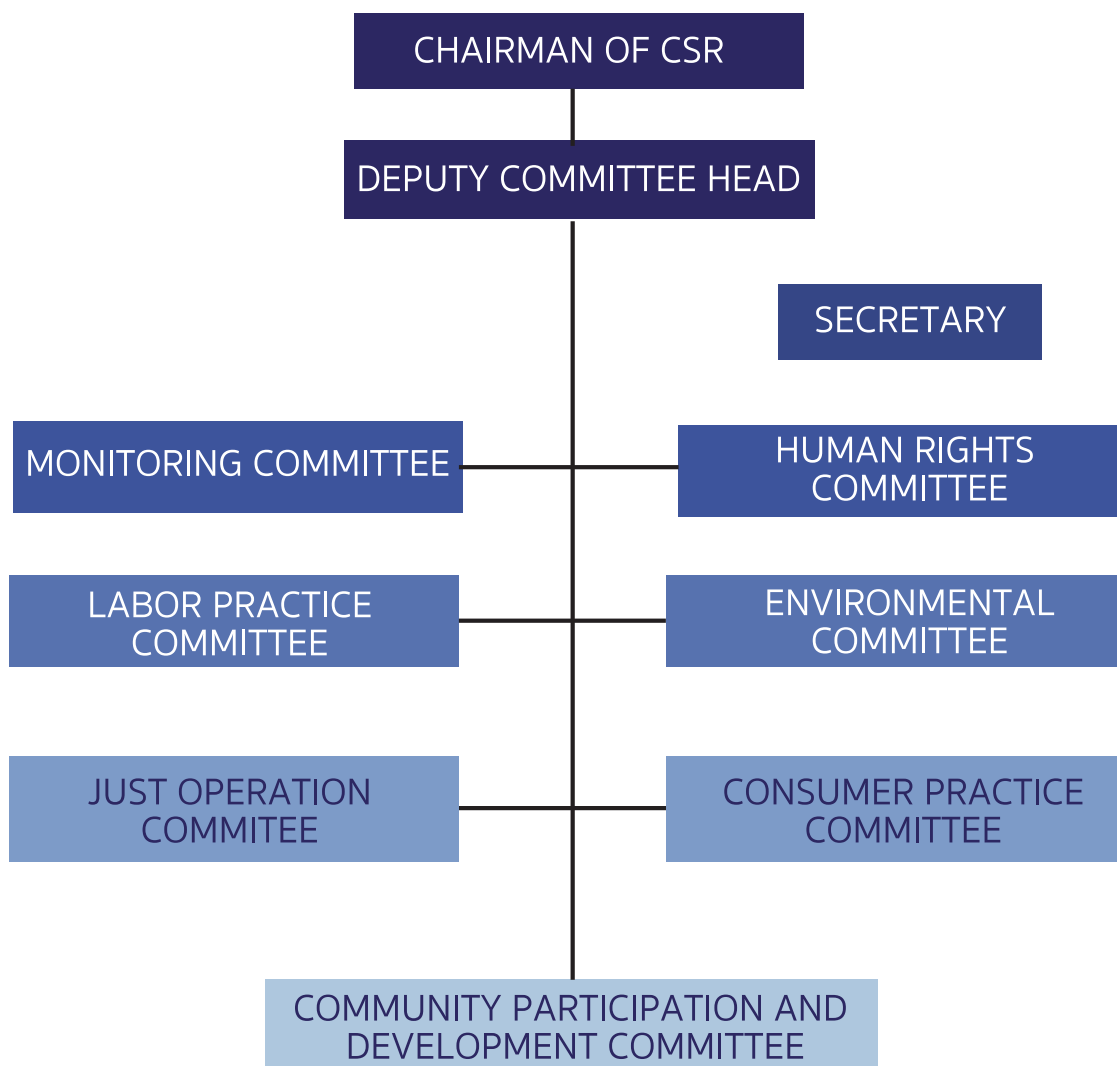
กรมโรงงานอุตสาหกรรม



กรมโรงงานอุตสาหกรรม
Ministry of Industry, Commerce and
Energy



CSR WORKING GROUPS OF STARS MICROELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED



Role and responsibility of the company's CSR

1. Role and responsibility of the Monitoring Committee

1. Manage and monitor the company to reach the target set by considering affected people and being useful to society.
2. Suggest the direction of operations to reach the target set.
3. Prepare documents, follow up and report the progress of activities and coordinate with related parties.
4. Announce the usage of documents and communicate the company's direction to related people in the organization.

2. Role and responsibility of the Human Right Committee.

1. Provide recommendations and investigate citizen's political, social economic and cultural rights, including people who need special care with basic working rights.
2. Suggest the direction of operation to reach the target set.
3. Prepare documents, follow up and report the progress of activities and coordinate with related parties.
4. Announce the usage of documents and communicate the company's direction to related people in the organization.

3. Role and responsibility of the Labour Practice Committee.

1. Provide recommendations and investigate employment relations, conditions, social protection, working safety and human resource development.
2. Suggest the direction of operation to reach the target set.
3. Prepare documents, follow up and report the progress of activities and coordinate with related parties.
4. Announce the usage of documents and communicate the company's directions to related people in the organization.

4. Role and responsibility of Environmental Committee.

1. Provide recommendations and investigate the indication and management of any environmental problems of products and services.
2. Promote consumption, production, utilization of resources and campaign to reduce climate change, including build up the value of ecological services.
3. Suggest the direction of operation to reach the target set.
4. Prepare documents, follow up and report the progress of activities and coordinate with related parties.
5. Announce the usage of documents and communicate the company's directions to related people in the organization.

5. Role and responsibility of Just Operation Committee.

1. Provide recommendations and investigate against corruption as well as fraud. To be responsible and fair with regards to political participation and competition. Promote social responsibility and the respect of asset rights.
2. Suggest the direction of operation to reach the target set.
3. Prepare documents, follow up and report the progress of activities and coordinate with related parties.
4. Announce the usage of documents and communicate the company's direction to related people in the organization.

6. Role and responsibility of Consumer Practice.

1. Provide recommendations and investigate market information for health protection practices and consumer safety. To procure and develop useful products and services for sustainable consumption.
2. Suggest the direction of operation to reach the target set.
3. Prepare documents, follow up and report the progress of activities and coordinate with related parties.
4. Announce the usage of documents and communicate the company's direction to related people in the organization.

7. Role and responsibility of Committee of Community Participation and Development.

1. Provide recommendations and investigate participation in development of society, economy of community.
2. Suggest the direction of operation to reach the target set.
3. Prepare documents, follow up and report the progress of activities and coordinate with related parties.

4. Announce the usage of documents and communicate the company's direction to related people in the organization.

8. Role and responsibility of the CSR system secretary

1. Make announcements to appoint the committee and working groups for the company's CSR under the consideration of CSR committee.
2. Hold meetings to follow up the progress, cooperate with related parties, take minutes of the meetings, make reports of activities progress to present to the CSR Committee and working groups.
3. Gather information and make reports on the company and community according to the report of social responsibility manual.
4. Communicate information of the CSR system to related parties in the company.

Implementation and Reporting

The company sets practice direction and communicates with all of the employees to acknowledge. In order for the operation of Stars Microelectronics (Thailand) Public Company Limited to be in line with good governance and ethics of the Responsible Business Alliance - RBA and to be in line with international standards against corruption, the company has set the policy against fraud and corruption. The company has announced the policy as the guideline of practice for management team and employees .

Mechanism/procedure of receiving recommendations or information for top management and employees.

The company provides opportunities for stakeholders to suggest their opinions through discussion, a suggestion box, E-mail via the Human Resources Department, Welfare Committee meeting and Safety Committee meeting.

Business operations that affect the social responsibility.

In 2018 the company and its subsidiaries were not investigated or broke the laws in terms of social responsibility.

Activities for social contributions and environment (AFTER PROCESS)

In 2018 the company performed activities that benefited society, community and environment (CSR-after process) as follows.

In 2018, the company conducted the following CSR activities:

1. Blood Donation:

the company joined with Thammasat University hospital, Rangsit Center to organize blood donations from the employees. The company organizes this activity every quarter.



2. Giving drinking water:

in 2018, the company gave drinking water to public and private organizations such as Ananda Mahidol hospital for patients; a running activity in Nonthaburi province; running for charity at Bowornivet Viharn temple; and Tzu-Chi Thailand foundation, giving 1,100 bottles of drinking water.



Prevention of involving in corruption.

The company assigns the Risk Management Committee to take responsibility for evaluating risk of corruption constantly. The RCM evaluates, reviews and improves the measures against corruption and report to the company's Board of Directors to acknowledge.

In order for the operation of Stars Microelectronics (Thailand) Public Company Limited to be in line with good governance and ethics of the Responsible Business Alliance - RBA and to be in line with international standards against corruption, the company has set the policy against fraud and corruption. The company has announced the policy as the guideline of practice for management team and employees as follows.

1. The company never accepts gifts, fraud or any benefit, which aims to persuade any action unlawfully.
2. The company has ethics and determination to prevent any fraud and set the guidelines for practice against corruption. The company investigates and reviews the guideline on a regular basis.
3. The management team and employees are responsible for preventing any fraud. If any inappropriate conduct is found, they must report to the supervisor by letter via suggestion boxes in the company's canteen.
4. External persons, who find that there may be any fraud or any acts that may lead to illegal matters, can inform the company via email : complainbox@starsmicro.com
5. The company guarantees the safety for anyone who reports any misconduct and will assign an officer to investigate every matter. The company will treat each matter as highly confidential.

Direction of evaluation in line with the direction of corruption prevention.

1. The company has set the direction as follows:

Executives and employees must act and evaluate themselves according to the direction of the business ethic of the company, code of conduct and code of conduct of Responsible Business Alliance - RBA announced by the company and international standard of corruption prevention.

2. The Risk Management Committee must evaluate the risk of corruption and gathers important issues to present to the Audit Committee and the Board of Directors.

3. The Audit Committee and the Board of Directors must investigate, order to correct and assign the Risk Management Committee to follow up and report continuously. Notably, in 2016 the company was not informed about human rights violations from employees, business partner and communities close to the company. The company encourages the executives and employees to act in line with international human rights principle sustainably.

In 2018, the company had no penalties nor was any fraud found. Due to the company's good governance, no non-executive company directors resigned. In addition, the company directors' monitoring and follow-up resulted in no acts which have damaged the company's reputation.

In 2018, the company did not appoint any new directors since the nine directors of the company are knowledgeable and perform their duty well. Above all, the company's structure and number of directors are suitable for the company's business direction.

Human Resource Development and Management

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

1. Short-term Plan of Human Resources Management.

The company is determined to support the multi-skill development of the employees. Therefore, employees are able to produce quality with quantity at a higher standard to meet the expectation of the customers.

2. Long-term Plan of Human Resources 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 ASEAN Economic Community (AEC) in the near future, the company encourages its employees to develop multiple language skills, especially in English, including understanding cultural differences, for creating 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 has a provident fund for employee. The employees pay a part and the company contributes as well. The contribution rate is based on the law, with the aim to promote savings and long-term commitments (Contractual Savings) for the employee to supplement 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 work environment to motivate the staff to work happily. This will cheer up the staff to cooperate and produce work with quantity and quality for the company with all their effort.

- **Talent Management.**

The company realizes the importance of high performing staff (Talent) and realizes that they will be the strong force that drives the company forward amid high competition. Therefore, the company implements the talent management project systematically.

- **Succession Planning and Career Development.**

The company realizes the importance of succession planning of the top-level executives in order for the company to operate continuously and career development of employees to motivate and prepare the employees for the company's growth. Therefore, the company has implemented a succession planning and career development project.

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 2018, the company followed corporate good governance practices as follows:

1. Rights of Shareholders and Shareholders Meeting

The company's 2018 Annual General Meeting was held on Monday, 30 April 2018 at 14.00 p.m. (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 2018 shareholders' annual general meeting, 7 out of 8 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 meeting venue selected by the company was accessible by public transport in order for the shareholders and the institution investors to commute to the company meeting place conveniently. In addition, 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 or 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 2018 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@starsmicro.com or by fax no. 035-258-914. Details were also available at the Investor Relations, Tel. No. 035-258-555 ext. 313. However, in 2018, 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 2018, 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.

1. Shareholders : The company has a policy to treat all shareholders equally and fairly and does not take any actions that may violate or reduce the rights of shareholders.

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

3. Trading partners and creditors : The company has a policy to treat trading partners and creditors fairly according to trade conditions and/or joint agreements. If there is the case that is not in line with the agreed conditions, the company will inform the creditor in advance to resolve the situation together.

4. Customers : The company provides quality service and responds to customers' needs while also considering safety by setting the criteria to select the customers and consider the credit limit of the old and new customers who must have a good financial status and good payment record.

5. Competitors : The company has a policy to play by the rules of competition and avoids dishonest means to gain advantage over competitors.

6. Society and environment : The company has a policy to always support the useful activities and support the quality of society and environment in general.

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

The company set the policy of social responsibility to ensure that the company's business operations realize the social and environmental factors needed for sustainable development.

The company will act in line with the related laws, rules and regulations to justly protect the right of the stakeholders. The Board of Directors have the channels for receiving complaints from all of

the stakeholders which can cause problems with the Board of Directors.

Contact the Board , Independent Director pass the Company's Secretary

e-mail: yunyong-s@starsmicro.com

Fax: 035-258-914

Or by closed letter to Company's Secretary

Address: Stars Microelectronics (Thailand) Company Limited.

605-606 Bang Pa-In Industrial , Moo 2 , Tambol Klongjig, Amphur Bang Pa-In, Ayutthaya 13160.

4. Disclosure and Transparency

The Board of Directors have examine and support 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 2018 performance, the company arranged investor and analyst

- 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
- Analyst Meeting on three 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 2018, 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 2018, the company's Board consists of seven directors, three of them are independent directors two management's directors and two non-independent directors.

The company has no directors who are the director of more than 5 companies. The company has no policy to allow it's executive directors to be the company directors of other companies more than 2 companies exclusive of the company's subsidiary companies, which the company has to control and monitor to protect the company's interests. The company has more than one non-executive director who has experience about the company's business.

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.

The company has the policy to limit the serving period of the independent directors for no longer than 9 years. There were no independent directors who had served the company longer than 9 years in 2018.

Board Diversity

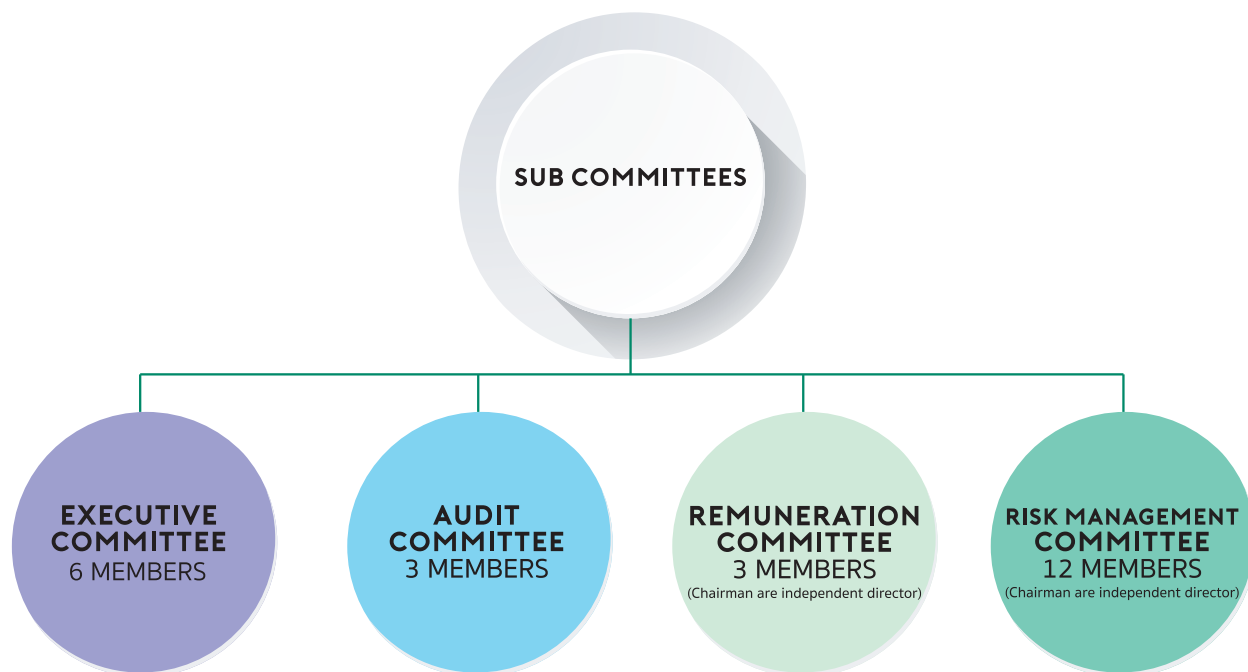
The Board of Directors have set the qualifications of the new company directors by considering the skills lacking with the current Board of Directors to fulfill the knowledge, skills and professions.

In order to enhance the effectiveness of the policies, the decision of the Board of Directors, the Board's composition and structure appropriate to the business operations and have Directors who are eligible according to good corporate governance.

In 2018, the company did not appoint any new directors since the seven directors of the company are knowledgeable and perform their duty well. Above all, the company's structure and number of directors are suitable for the company's business direction.

Committees

In addition to the Board of Directors, the company has four sub committees:



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 2018, the Audit Committee and the Board of Directors evaluated the company's internal control and opined that the internal control is sufficient. In the Board of Directors' meeting No. 1/2562 on 21 February 2019, the Board of Directors evaluated the company's internal audit system from the report of the Audit Committee and concluded that the company has enough internal control in 5 factors: control environment, risk assessment, control activities, information and communication monitoring.

Currently, the head of internal audit team is Miss Sunan Wongmutthavanich. She is the Assistant Director of Internal Audit Department. In year 2018, 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.starsmicro.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.

The practice not to violate the intellectual property.

The company has set the policy to use and control licensed software to make the employees aware and not violate intellectual property and make the announcement to all levels of employees. The IT department of the company inspects the software programs of the employees once a year to prevent the violation of the licensed software.

Board of Directors' Meeting

In 2018, the company held five 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 2018 shareholders' annual general meeting on 30 April 2018, the meeting approved the maintenance of the 2018 Board of Directors remuneration as approved by the shareholders' annual general meeting in 2017 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

*Other benefit **-Not receive-**

Monetary and Non-monetary Remuneration

1. Remuneration for the Board of Directors

At fiscal year end on 31 December 2017 and on 31 December 2018, remuneration for directors 2,971,000 baht and 2,783,000 baht respectively in the form of monthly compensation and attendance fees as detailed below.

(unit:Baht)

Director Name	Fiscal year 2017 ending December 31 st , '17		Fiscal year 2018 ending December 31 st , '18	
	Attendance fee (baht/year)	Meeting fee (baht/ year)	Attendance fee (baht/year)	Meeting fee (baht/ year)
1. Mr. Somnuk Chaikul	432,000	20,000	432,000	15,000
2. Mr. Prompong Chaikul	288,000	15,000	288,000	20,000
3. Mr. Chong Kwen Sam***	288,000	-	120,000	-
4. Mr. Prasart Yunibhand	288,000	30,000	288,000	25,000
5. Assoc. Prof. Dr. Preecha Jarungidanan	432,000	40,000	432,000	40,000
6. Mrs. Poonpun Chaikul	288,000	20,000	288,000	10,000
7. Assoc. Prof. Dr. Aekkachai Nittayagasetwat	360,000	45,000	360,000	45,000
8. Prof. Dr. Kamphol Panyagometh	360,000	65,000	360,000	60,000
Total	2,736,000	235,000	2,568,000	215,000

Mr. Chong Kwen Sam*** requested to resign from the Company's director effective from Jun 1, 2018 onwards.

Remuneration- Other

Non-monetary Remuneration

2. Remuneration for Managements

(unit:Baht)

Remuneration	Fiscal year 2017 ending December 31st,'17		Fiscal year 2018 ending December 31st,'18	
	Of recipients	Total Payment	Of recipients	Total Payment
Total Salary	6	19,728,435	5	18,514,560
Total Bonus	6	1,542,880	5	1,542,880
Provident Fund	6	1,188,644	5	1,366,716
Total		22,459,959		21,424,156

Human Resources

As of 31 December 2017 and 31 December 2018, the number of employees (excluding executives) divided according to their major fields of work were as follows:

(unit :Person)

	As of December 31st,'17	As of December 31st,'18
Operations & Development	971	1,004
Procurement & Supply chain	107	86
Finance & Administration	72	68
Business Development	70	64
Total	1,220	1,222

The company has set the policy to fix compensation for the employees in line with the performance of the company for both short-term and long-term. The company reviews the compensation policy for employees to be in line with the same levels as other companies in the same industry and within proximity.

The company has a policy to provide fringe benefits, which are useful for employees such as the provident fund and annual physical check-up. Besides this, the company encourages the employees to play sports and to read. In order for the employees to exercise and relax after work, the company provides badminton courts, tables for playing table tennis and a library in the building.

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.

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.

In 2018, the company set target for training average 20 hour per person, actual in year average 20 hour per person. For development in any course such as Six Sigma, ISO 14001:2015 &OHSAS , 18001:2007, ISO 13485:2016 , The good Presentation , Technique for develop listening skills.

In 2018, the company organized training courses to develop executives and employees. The company invited guest lecturers from outside. In 2018, the company organized approximately 100 training hours, 30 hours for executives and 70 hours for employees. The example of training courses are as follows –

Course	Level	Totals
Six Sigma	Officer Level-Management Level	21 hours
ISO 14001:2015 &OHSAS	Officer Level-Management Level	7 hours
18001:2007, ISO 13485:2016	Officer Level-Management Level	7 hours
The good Presentation	Officer Level-Management Level	7 hours
Technique for develop listening skills.	Officer Level-Management Level	7 hours

Related Party Transactions

In 2018, 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 (Fair and at arm's length).

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 and propose to the Board for approve. 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 and present in Annual Report and form 56-1.

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.

Enterprise Risk Management

Stars Microelectronics (Thailand) Public Company Limited understands the importance of the company's risk management. The company's Board of Directors appointed the Risk Management Committee (RMC) under good corporate governance, who, every year reviews and sets risk management policies and then assigns each related department to implement. Thus, the company's risk management is systematic and moving in the same direction. The RMC sets rules, regulations and procedures for the company's risk management and sets auditing, evaluating, and reporting to the Board of Directors and reveals the important information to related parties on a regular basis.

The company aims to drive the organization and improves risk management continuously to increase the company's efficiency by considering internal and external risk factors which change simultaneously.

In 2017, the RMC held 4 meetings and reported the progress and obstacles to the Audit Committee meetings and the Board of Directors' meetings. In 2017, the company analyzed the risks within the framework of risk management set by the RMC and also set the following risk factors.

1. Strategic Risk Management
2. Operational Risk Management
3. Technological Risk management
4. Financial Risk Management
5. Compliance Risk Management



The important factors affecting the company's performance are concluded as follows.

1. Strategic Risk Management

The company has established a process for strategic risk management. The process is starting from risk identification, analysis, evaluation, treatment, and monitoring plans. In setting of the company strategic plan and annual budget, the company takes into consideration all risk factors such as the world economy situation, outlook & trend of related industries, etc., in order to gain confidence that the strategic plan reflects the company's true potential operations plan correctly to targets. The strategic plan is prepared transparently within the framework of good governance and can be audited.

2. Operational Risk Management

2.1 Risk of customer concentration

The company had revenues from sales and services for a customer more than a half of total sales and services. However, the company has gross profit distribution by customer appropriately. In this regard, the company has expanded the customer base by acquiring new customers and new products to reform revenue structure resulting in balanced dispersion and do not rely on any one customer.

2.2 Risk of demand uncertainty

Fast changing environment of electronic goods make them have a short life cycle. Product demands change constantly following the change of consumer behavior. As a result, the company may be faced with a tough environment as great responsiveness is required to satisfy customer needs. Concurrently, there would be a challenge to control production cost within the targets.

The company has developed strategic policies to emphasize specific electronic product groups where they have a long-life cycles, are less volatile, and have a high enough demand so that the company could be able to manage cost effectively.

2.3 Labor shortage risk

Labor shortage is one of the most important issues that the company is always aware of and tries to minimize the impact as much as possible. In this regard, two strategies have been adopted. Firstly, the company is focusing on an investment in automated machines to resolve the labor shortage concern and to ensure production continuity. Secondly, the company is constantly developing labor relationship management programs with the ambition to strengthen employee loyalty. The company missions are to minimize employee turnover rate, improve recruitment systems to acquire new talent, and provide training system to develop high quality staffs to meet with the company needs.

2.4 Risk from material shortage and price fluctuation.

The cost of materials is a large part of the overall production costs. Therefore, a great material sourcing management and price control are a crucial part to the company's operations. Prices of some raw materials are fluctuating overtime, along with evolving trends in the world market. In some cases, there may be such a shortage of materials that the company cannot produce and deliver finished goods on time.

In this regard, the company manages to have strict control over raw material sourcing processes by closely tracking delivery procedures of each vendor (or customer's in the case of raw material consignment). This is to ensure that there should not be any obstacles to company production processes, and to the plan of finished goods delivery.

3. Technological Risk Management

The company has invested continually in new machines, with more advanced and efficient technology, for both current capacity expansion and new production line installments. Regarding the complication of production line arrangements, the company is focusing on effectiveness and flexibility of production processes which should be able to satisfy various customized demands from customers and also should be able to apply for the variety of new product developments. The company put focus on R&D for new production techniques and new product developments. The aim is to improve production effectiveness and enrich innovation to satisfy customer needs constantly. Moreover, the company jointly with its customer to develop new products, and also jointly invests in new specialized machines. The company develops the production process to fit with the current demands continuously and is highly confident that the company can serve greater various demands of its customers.

4. Financial Risk Management

4.1 Customer Credit Risk

The company is exposed to customers' credit risk. If a customer experiences financial difficulties, it could make debt collection prolong and, in the end, result in an adverse effect to the company profitability and financial position.

In this regard, the company closely monitors the credit quality of its customers and also puts focus on customer credit risk reviewing. In addition, the company has a policy to expand business targeting by acquire new various customer groups in order to diversify revenue sources and also customer credit risks. The goal is to avoid relying on any particular group of customers.

4.2 Foreign Exchange Fluctuation Risk

The company is an exporter which uses US dollars in a major currency for selling goods. The US dollars is the proportion of sales. Nevertheless, the company sources raw materials and imports numbers of machine & equipment in US dollars. This makes collection and payment in US dollars match each other and allow the company to do natural hedging to reduce risk of currency exchange fluctuation. The company has opened FCD accounts for oversea debt collection and oversea payments to reduce risk exposure of currency exchange rate fluctuation. In addition, the company's financial department has a policy to use financial tools e.g. forward contract, financial derivative instruments, to hedge against short-term currency fluctuation.

4.3 Interest Rate Risk

At present, the company obtains short-term debts, less than one year, for working capital and long-term debts, less than three years, for supporting machines and equipment. There are partly floating interest rates which might be increase or decrease following to market interest rate fluctuation. The company has a policy to manage sources and costs of funds with prudence to achieve the best possible financing costs at acceptable risk. Moreover, the company follows the interest rate policy of the public sector and the international markets closely to use the information for effective risk management.

4.4 Liquidity Risk

The company realizes the importance of working capital management and prepares for working capital to support future growth of the company. In addition, the company also plans for cash flow management in advance to manage cash flow efficiently, reducing risk and having a low financial cost.

5. Compliance Risk Management

The company strongly desires to be acknowledged for high compliance with regulations. The company recognizes the risk that may arise as a result of evolution in modern and covering laws, rules and regulations including those for environment safety and health of employees. Therefore, the company simultaneously keeps up-to-date to the changes of those regulations. The company evaluates both the immediate and future impact, that may arise and adapts strategies to reduce any damage that may arise.

DETAILS OF BIOGRAPHY OF DIRECTORS



Mr. Somnuk Chaikul

Position : Chairman of Board and Chairman of Executive Committee

Age 67 years

Percentage of Shareholding as of December 31, 2018

4.07 %

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 Cheeva Rice Company Limited
- Advisory Chairman of Key Stars Property Company Limited
- Chairman of Srisukhothai Real Estate Company Limited
- Chairman of SMT Biomass Company Limited



Training History

- Director Accreditation Program (DAP), Class of 26/2004, Thai Institute of Directors
- Ultra Wealth Program (Investment Management for Top Businessman) by Economics Association, Chulalongkorn University
- Thammasat for Society Program Class 7, Thammasat University
- Advanced Security Management Program (ASMP) Class 6, Association National Defence College of Thailand under the Royal Patronage of His Majesty the King

Mr. Prompong Chaikul

Position : Director , Executive Director , Risk Management Committee Member and

Chief Procurement Officer

Age 32 years

Percentage of Shareholding as of December 31, 2018

1.63 %

Educational Background

- Master of Business Administration (Executive) (M.B.A.), Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Master of Engineering, Major in Electrical and Electronics Engineering (with Management), Imperial College London, United Kingdom (First class honors)

Work Experience

Present:

- Director, Executive Director, Risk Management Committee Member and Chief Procurement Officer of Stars Microelectronics (Thailand) Public Company Limited
- Director of SS RFID Company Limited
- Director of SMT Green Energy Company Limited

Past:

- Assistant Director (Planning & Development) of Stars Microelectronics (Thailand) Public Company Limited
- Senior Engineer (Project & Development) of Stars Microelectronics (Thailand) Public Company Limited
- Project Manager of Borei Corp., USA



Training History

- Six Sigma (Brown Belt)
- Director Accreditation Program (DAP), Class of 116/2015, Thai Institute of Directors
- EN ISO 13485:2012 –Requirement and Internal Audit for Medical Device (TUV SUD PSB) Thailand
- Strategic Planning
- Change Management for Success
- Work and Safety Training (Management level), Safety Training Institute
- Coaching Skill , Bangkok Business Training
- Mini Master in HR Management
- Cost Management , Management and Psychology Institute
- Business Analysis, Executive Financial Management, Marketing Strategy, Risk Management
- EICC Code of Conduct



Mr. Prasart Yunibhand

Position: Director and Remuneration Committee Member

Age 71 years

Percentage of Shareholding as of December 31, 2018

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 and Remuneration Committee Member of Stars Microelectronics (Thailand) 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

Mrs. Poonpun Chaikul

Position : Director and Chairman of Corporate Social Responsibilities Committee (CSR)

Age 59 years

Percentage of Shareholding as of December 31, 2018

0.78 %

Educational Background

- Bachelor Degree, Faculty of Business Administration, Bangkok University

Work Experience

Present:

- Director and Chairman of Corporate Social Responsibilities Committee (CSR) of Stars Microelectronics (Thailand) Public Company Limited
- Chairman of Key Stars Property Company Limited
- Chairman of Kullapassorn Company Limited
- Vice Chairman of Cheeva Rice Company Limited
- Vice Chairman of SMT Biomass Co.,Ltd
- Co-founder of Zonta Club of Bangkok 9 .
- Club President of Zonta Club of Bangkok 9 year 2018-2020.
- A member of Alumni of Aroonpradit school , Petchaburi province
- Outstanding Mother Awards year 2018 from The Association of Outstanding of Mother under the Royal Patronage of His Majesty the King.



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
- Certificate of Medical Ethics for Top Management Program Class 5, King Prajadhipok's Institute
- Top Management Program, Capital Market Academy Class 20
- Advanced Security Management Program (ASMP) Class 7, Association National Defence College of Thailand under the Royal Patronage of His Majesty the King
- High-level Insurance course class 3 from OIC Advanced Insurance Institute (OIC All)
- Mini - M.B.A., Faculty of Commerce and Accountancy, Chulalongkorn University
- The Boss (Class 7)
- RECU course class 43 , Faculty of Architecture , Chulalongkorn University

Associate Professor Dr. Preecha Jarungidanan

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

Age 72 years

Percentage of Shareholding as of December 31, 2018

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 Chairman of Audit Committee and Chairman of Remuneration Committee of Stars Microelectronics (Thailand) Public Company Limited
- Independent Director and Audit Committee Member of Thai German Product
- Director and Audit Committee Member of Lam Soon (Thailand) Public Company Limited



Past:

- President of University, The National Institute of Development Administration
- Vice President for Administration, The National Institute of Development Administration
- President of Administration, The National Institute of Development Administration
- Academic Specialist, The National Institute of Development Administration
- 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

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 55 years

Percentage of Shareholding as of December 31, 2018

- 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
- Chairman of Audit Committee 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 Euopartmer 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

Professor Dr. Kamphol Panyagometh

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

Age 46 years

Percentage of Shareholding as of December 31, 2018

- 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 of Hydrotek Public Company Limited
- Sub-Committee for Take-over Panel, Securities and Exchange Commission
- President, National Institute of Development Administration
- Associate Professor in Finance, National Institute of Development Administration



Past:

- Vice President for Research and Consulting Services
- Director of MSc in Financial Investment and Risk Management, 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
- Regional Director in Thailand, Global Association of Risk Professionals
- CFA Society of Thailand Board of Directors
- 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

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 7 members (at part have 8 members , Mr. Chong Kwen Sam requested to resign from the Company's director effective from Jun 1, 2018 onward), 2 of whom are executives, 3 independent directors, and 2 non-executives.

The company has no directors who are the director of more than 5 companies. The company has no policy to allow it's executive directors to be the company directors of other companies more than 2 companies exclusive of the company's subsidiary companies, which the company has to control and monitor to protect the company's interests. The company has more than one non-executive director who has experience about the company's business.

	Name of director	Position
1	Mr. Somnuk Chaikul	Chairman and Chairman of Executive Committee
2	Mr. Prompong Chaikul	Director, Executive Director and Risk Management Committee Member
3	Mr. Prasart Yunibhand	Director and Remuneration Committee Member
4	Mrs. Poonpun Chaikul	Director and Corporate Social Responsibilities Committee (CSR)
5	Associate professor Dr. Preecha Jarungidanan	Independent Director, Chairman of the Audit Committee and Chairman of Remuneration Committee
6	Associate professor Dr. Aekkachai Nittayagasetwat	Independent Director ,Audit Committee Member and Remuneration Committee Member
7	Professor Dr. Kamphol Panyagometh	Independent Director, Audit Committee Member and Chairman of Risk Management Committee

Mr. Yunyong Sawasdi is the Company's Secretary

The seven members of the Board of Directors have no forbidden qualification as follows:

1. Never dishonestly committed an offence against property.
2. Never entered into any transaction which may cause conflict of interest against Stars Microelectronics (Thailand) Plc., during the year.

Notes:

- Independent directors that meet all the requirements specified in the Company's list of qualifications of an independent director are number 5, 6 and 7

Scope of Authorities and Duties of the Board of Directors

1. Manage and operate the company's business according to law, company objectives, rules and regulations, as well as shareholders' meeting resolutions with honesty and in keeping with the company's interests.
2. Assume the authority to appoint a specified number of directors, 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 thereof
- (e) the increasing or reducing of capital and issuing of debenture bonds
- (f) mergers and closures
- (g) other actions stipulated by the laws, rules and regulations of the

Securities Exchange of Thailand to gain approval of the Board and the shareholders' meeting with the votes as stated above.

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

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

The Executive Committee

The Audit Committee

The Remuneration Committee

The Risk Management Committee

The Executive Committee

Executive Committee comprises 6 Directors

	Name of Director	Position
1	Mr. Somnuk Chaikul	Chairman of the Executive Director
2	Mr. Peerapol Wilaiwongstien	Executive Director
3	Mr. Yungong Sawasdi	Executive Director
4	Mr. Prompong Chaikul	Executive Director
5	Dr. Tattee Khayim	Executive Director
6	Dr. Pichit Saengpongpaew	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

4. 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 Jarungidanan	Chairman of Remuneration Committee
2	Mr. Prasart Yunibhand	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.

2. 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.

3. 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

4. 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.

5. Reporting

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

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

The Audit Committee

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

The Company's audit committee comprises the following 3 members:

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

Two out of three member of the Audit Committee - Associate professor Dr. Aekkachai Nittayagasetwat and 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 Assistant Director-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, Including termination of external audit 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 Board of Directors has set the risk management policy stressing that the company manages the risks all over the organization to reach the targets of risk management. The Risk Management Committee sets the targets and indicators of risk measurement. They have an improvement plan and report the risk management to the Audit Committee and the Board of Directors to acknowledge in every meeting.

The Risk Management Committee:

Name of Risk Management Committee		Position
1	Professor Dr.Kamphol Panyagometh	Chairman of the Risk Management Committee
2	Mr. Yunyong Sawasdi	Risk Management Committee Member
3	Mr. Chainarong Nimantevin	Risk Management Committee Member
4	Mr. Prompong Chaikul	Risk Management Committee Member
5	Dr. Tattee Khayim	Risk Management Committee Member
6	Mr.Thaweechai Ngamlertsirichai	Risk Management Committee Member
7	Mr. Wijaya Klinkesorn	Risk Management Committee Member
8	Dr. Pichit Saengpongpaew	Risk Management Committee Member
9	Miss. Siriporn Pakdee	Risk Management Committee Member
10	Mr. Koratak Weeradaecha	Risk Management Committee Member
11	Miss. Sunan Wongmutthavanich	Risk Management Committee Member
12	Mr. Khajorn Thammajong	Risk Management Committee Member

Chairman of Risk Management Committee are Independent Director

Components

- The company's Board of Directors consider and appoints the Risk Management Committee.
- The Risk Management Committee comprises independent directors and no less than five top level executives from major division of the company.
- 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 Meeting

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 valued at no more than 10 million baht or equivalent per transaction per month.

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 2018 shareholders' annual general meeting

No.	Name list	Attendance in Board of Director Meeting	Attendance in Audit Committee Meeting	Attendance in Remuneration Committee Meeting	Attendance in Risk Management Committee Meeting	Attendance in Shareholders' Annual General Meeting '2018
1	Mr.Somnuk Chaikul	4/5	-	-	-	1/1
2	Mr. Prompong Chaikul	5/5	-	-	4/4	1/1
3	Mr. Prasart Yunibhand	5/5	-	1/1	-	1/1
4	Mrs. Poonpun Chaikul	3/5	-	-	-	1/1
5	Associate professor Dr. Preecha Jarungidanan	5/5	4/4	1/1	-	1/1
6	Associate professor Dr. Aekkachai Nittayagasetwat	5/5	4/4	1/1	-	1/1
7	Professor Dr. Kamphol Panyagometh	5/5	4/4	-	4/4	1/1

**Annual General Meeting year 2018 on 30 April 2018

Board of Directors' meetings

The company has already set the dates for the Board of Directors' meeting and the Audit Committee's meetings for 2019 and has already informed all related directors.

The company plans to hold Board of Directors' meetings 6 times a year. The company secretary will send the invitation letters with agendas 7 days in advance in order for all directors to become familiar with the meetings in advance.

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. Guidelines for Director

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

2. 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

The new directors recruited must possess knowledge, ability and experience related to the company's business and are in line with the company's business strategies now and in the future.

Principles in appointment and removal of directors are as follows:

1. The Company's Board

Comprises at least 5 directors and no more than 12 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.

The orientation for the new company directors

The Board of Directors has set the policy to provide an orientation to all new company directors due to the realized importance of providing them with the knowledge and understanding of the company's business and procedures needed prior to attending their first Board of Directors' meeting. The company secretary prepares useful and necessary documents for new company directors such as: the company's rules and regulations, business model, company director's manual, authority and responsibility of company directors, business ethic and employee's code of conduct, information disclosure, compensation and benefits of company directors and the directors of subcommittee, general information and information of the management team. All new company directors are invited to visit the company

All new directors will be required to attend the training course of "Company director of listed companies" organized by the Institute of Directors Association at the company's expense.

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.

Top Management Nomination

Executive Committee has 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.

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.

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 three members as following:

1	Associate Professor Dr. Preecha Jarungidanan	Chairman of the Audit Committee
2	Associate Professor Dr. Aekkachai Nittayagasetwat	Audit committee Member
3	Professor Kampol Panyagometh	Audit committee Member

And all of them are experts in accounting, finance, economics and risk management.

In 2018, 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 2018, 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).

Report of the meeting of the Audit Committee

The report was submitted to the Board of Directors to acknowledge and was set as the agenda in every meeting of the Board of Directors. The report gave useful recommendations to the company's management team to be in line with the good governance practice and the rules and regulations of the Stock Exchange of Thailand.

Performance Evaluation

The Audit Committee performed completely according to the charter. The Audit Committee performed in line with the good practice, which supported the company's good governance.

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 EY Office Limited to be the company's auditor for year 2018 and also considered the auditing remuneration submitted to Annual General Meeting of Shareholders for approval. The auditor names are as follow.

Mr. Termphong Opanaphan	Certified Public Account No. No. 4501 and/or
Miss Vissuta Jariyathanakorn	No. 3853 and/or
Miss Manee Rattanabunnakit	No. 5313

For period ended on 31 December 2018, the auditor who certified the financial statements of the company was Mr. Termphong Opanaphan

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 2018 performance achieved the objectives set by the Board of Directors.



(Associate Professor Dr. Preecha Jarungidanan)
Chairman of the Audit Committee

Report of the Risk Management Committee

Dear Shareholders,

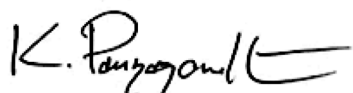
Stars Microelectronics (Thailand) Public Company Limited realizes the importance of risk management as it is important to business operations. The company's Board of Directors has appointed a risk management committee to assess and analyze the various risk factors that may affect the company's operations 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 company.

In 2018, 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.



(Professor Dr. Kamphol Panyagometh
Chairman of the Risk Management 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.Prasart Yunibhand 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 2018, the Remuneration Committee held two meeting with full attendance of the three Remuneration Committee members to consider and determine the annual retainer fee and the meeting attendance fee. Also in 2018, the Remuneration Committee reviewed The Evaluation Form of CEO and considered the salary and benefits of the new Chief Executive Officer before submitting to the Board of Directors to consider and approve. 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 2018, 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 2017 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 responsibility for financial statements of the Board of Directors

The company's Board of Directors are responsible for the company's and its subsidiaries' financial statements and a separate financial statement of the company for the annual report. The said financial statements were prepared according to the accounting standard generally approved in Thailand. The company uses the appropriate accounting policy and implements the policy on a regular basis. The company considers carefully and forecasts appropriately and reveals enough information in the notes of the financial statements.

The company's Board of Directors set the efficient and effective internal system to be confident that accounting records are correct, complete, and timely and protect against fraud and abnormal operations.

The company's Board of Directors assigns the Audit Committee comprised of the independent directors to take responsibility for the quality of the financial statements and the internal control. The opinion of the Audit Committee is in this annual report.

The company's Board of Directors feels that the company's internal control system and the internal audit of the company is sufficient and believes reasonably that the company's and its subsidiaries' financial statements as of 31st December 2018 are correct and believable according to the generally accepted accounting standard.



Mr. Somnuk Chaikul
Chairman

Management Discussion and Analysis

The 2018 operating results, as compared to 2017, for Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries ("Group Company") have been summarized in the table below;

• The operating results in 2018 in comparison with 2017

	2018		2017		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales and service income						
- Sales from MMA (Other)	538,889	30.52	301,602	16.27	237,288	78.68
- Sales from IC	1,168,999	66.21	1,521,141	82.06	(352,143)	(23.15)
- Service income	57,771	3.27	31,020	1.67	26,751	86.24
Total sales and service income	1,765,659	100.00	1,853,763	100.00	(88,104)	(4.75)
Cost of sales and services	1,435,680	81.31	1,781,473	96.10	(345,793)	(19.41)
Gross profit (loss)	329,979	18.69	72,290	3.90	257,689	356.47
Selling expenses	66,461	3.76	66,531	3.59	(70)	(0.10)
Administrative expenses	176,436	9.99	516,088	27.84	(339,652)	(65.81)
Operating profit (loss)	87,082	4.93	(510,329)	(27.53)	597,411	117.06
Other income	-	-	-	-	-	-
Compensation for flood damage	-	-	-	-	-	n.a.
Gain on exchange	4,345	0.25	-	-	4,345	n.a.
Revenue from scrap sales	15,900	0.90	22,069	1.19	(6,169)	(27.95)
Others	25,407	1.44	25,626	1.38	(219)	(0.85)
Other expense	-	-	-	-	-	-
Loss on impairment of equipment	-	-	17,122	0.92	(17,122)	(100.00)
Gain (loss) before finance cost and income tax expenses	132,734	7.52	(479,756)	(25.88)	612,490	127.67
Finance cost	(59,567)	(3.37)	(59,246)	(3.20)	(322)	0.54
Gain (loss) before income tax expenses	73,167	4.14	(539,001)	(29.08)	612,168	113.57
Income tax benefits (expenses)	(1,231)	(0.07)	(7,946)	(0.43)	6,715	84.51
Gain (loss) for the year	71,936	4.07	(546,947)	(29.50)	618,883	113.15
Depreciation and amortization	254,668	14.42	384,304	20.73	(129,637)	(33.73)
EBITDA	387,402	21.94	(95,451)	(5.15)	482,853	505.86

The above operating results for 2018 and 2017 derived from the following factors:

Sales and Service income

In 2018, the company and its subsidiaries reported revenues from sales and services of 1,765.66 million Baht which was lower by 88.10 million Baht, or -4.75%, from the previous year. This decrease was mainly a result of sales dropping in IC products, which decreased 352.14 million Baht or -23.15% from the previous year caused by the delay of orders related to industry trends and shortage of capacitors in the market.

Cost of Sales and Gross Profit

In 2018, the company and its subsidiaries reported cost of sales of 1,435.68 million Baht, decreased 345.79 million Baht from the previous year or -19.41%. The main reason was that the company reserved inventories as losses on impairment in the amount of 184.00 million Baht in 2017.

Gross profit was 329.98 million Baht, which increased by 257.69 million Baht or 356.47% from the previous year. The increase was mainly due to cost management efficiency of production.

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

The company and its subsidiaries reported EBITDA of 387.40 million Baht, increased 482.85 million Baht or 505.86% from the previous year. This was mainly due to improving operational efficiency. While the company and its subsidiaries had provisions on inventories, account receivables and the impairment of the subsidiary's equipment in 2017.

Selling and Administrative Expenses

Selling and administrative expenses were 242.90 million Baht, which is a decrease of 356.84 million Baht or -59.50% from the previous year. This was mainly due to the decrease of administrative expenses of 41.89 million Baht or -19.60% from the previous year because there were more efficient management of administrative expenses to be appropriate with current revenues structure. By this time last year, doubtful debts and bad debts were 302.39 million Baht and loss on impairment of equipment was 17.12 million Baht. The Company and its subsidiaries gave priority to debt classification and trade credit insurance to verify financial status including protect and reduce default payment risks consecutively.

Other incomes and expenses

In 2018, The company and its subsidiaries reported income in other areas of 45.65 million Baht, decreasing 2.05 million Baht or -4.3% from the previous year. This was mainly due to the reduced revenue from scrap sales. Nevertheless, the company and its subsidiaries reported gains on exchange of 4.35 million Baht.

The company and its subsidiaries reported financial costs of 59.57 million Baht, which increased by 0.32 million Baht, 0.54%, from the previous year. Although the interest rate increased and there were costs for debenture issuances during the year, the company and its subsidiaries still kept costs low by maintaining financial ratios efficiently.

Financial Position

As of 31st December 2018, the Company and its subsidiaries' assets, Liabilities and Shareholders' equity compared with 31st December 2017 were as follows:

	2018		2017		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Cash and cash equivalents	27,941	0.96	75,038	2.60	(47,097)	(62.76)
Trade and other receivables	271,095	9.28	243,088	8.44	28,008	11.52
Inventories	345,569	11.83	246,178	8.54	99,391	40.37
Total current assets	675,200	23.12	585,922	20.33	89,278	15.24
Property, plant and equipment	2,207,614	75.59	2,257,912	78.36	(50,298)	(2.23)
Total non-current assets	2,245,310	76.88	2,295,502	79.67	(50,193)	(2.19)
Total assets	2,920,509	100.00	2,881,424	100.00	39,085	1.36
Bank overdrafts and short-term loans from financial institutions	353,851	12.12	167,449	5.81	186,402	111.32
Trade and other payables	310,941	10.65	201,495	6.99	109,446	54.32
Total current liabilities	981,119	33.59	1,287,411	44.68	(306,292)	(23.79)
Long-term loans, net of current portion	204,320	7.00	174,900	6.07	29,420	16.82
Bonds	214,862	7.36	0	0.00	214,862	#DIV/0!
Total non-current liabilities	637,437	21.83	369,593	12.83	267,844	72.5
Total liabilities	1,618,556	55.42	1,657,004	57.51	(38,448)	(2.32)
Total shareholders' equity	1,301,953	44.58	1,224,420	42.49	77,533	6.33

Assets

As of 31st December 2018, the company reported assets of 2,920.51 million Baht, which is an increase of 39.09 million Baht or 1.36% from the 31st December 2017. The increase was due to the increase of current assets by 89.28 million Baht and the decrease of non-current assets

50.19 million Baht.

The current assets' increase was because of the increase of account receivables and inventories of 11.52% and 40.37% respectively related to the quantity of transactions and customer orders.

Liabilities and shareholders' equity

As of 31st December 2018, the company and its subsidiaries reported liabilities of 1,618.56 million Baht, a decrease of 38.45 million Baht or -2.32% from 31st December 2017. This was due to debt repayment increasing including a proportion adjustment of short term debts and long term debts to be appropriate to the financial market.

As of 31st December 2018, the Company and its subsidiaries reported shareholders' equities of 1,301.95 million Baht, which increased by 77.53 million Baht or 6.33% from 31st December 2017. The increase was due to the operating income of the year 2018.

Sources and Uses of Fund

	2018	2017	Increase (Decrease)	
	Thousand Baht	Thousand Baht	Thousand Baht	%
Net cash flows from (used in) operating activities	270,002	406,505	(136,504)	(33.58)
Net cash flows from (used in) investing activities	(174,424)	(469,833)	295,409	62.88
Net cash flows from (used in) financing activities	(142,675)	127,472	(270,147)	(211.93)
Net increase (decrease) in cash and cash equivalents	(47,097)	64,144	(111,241)	(173.42)
Cash and cash equivalents at beginning of year	75,038	10,894	64,144	588.77
Cash and cash equivalents at end of year	27,941	75,038	(47,097)	(62.76)

The Company and its subsidiaries reported net cash in the year 2018 of decreased 47.10, decreased by 111.24 million Baht or -173.42% from the previous year.

The Company and its subsidiaries reported net cash flows from operating activities of 270 million Baht, decreased by 136.50 million Baht or -33.58%. This was mainly due to utilization in ordering materials for production to support customer needs increasingly. Additionally, the Company and its subsidiaries reported net cash flows from investing activities of 174.42 million Baht, decreased by 295.41 million Baht or -62.88%. This was mainly because the capacity of production was adequate to the current needs. The Company and its subsidiaries reported net cash flows used in financing activities of 142.68 million Baht, increased by 270.15 million Baht or -211.93% due to debenture redemption of 500 million Baht to debt holders.

Financial Ratio

Financial Ratio	2018	2017	Unit
1. Current Ratio	0.69	0.46	time
2. Quick Ratio	0.30	0.25	time
3. Number of Days Receivables	53.15	86.84	day
4. Numbr of Days Inventory	75.22	68.08	day
5. Number of Days Payables	65.14	68.50	day
6. Cash cycle	63.23	86.42	day
7. Gross profit margin	18.69	3.90	%
8. EBITDA margin	21.94	(5.15)	%
9. Net profit margin	4.07	(29.50)	%
10. Debt-to-Equity ratio	1.24	1.35	time
11. Interest Coverage ratio	2.23	(8.10)	time
12. Return on Assets	2.48	(17.16)	time
13. Return on Equity (1)	5.59	(36.53)	%
14. Earnin per share(2)	0.08	(0.65)	%
15. Book value per share	1.55	1.46	baht per share

The company and its subsidiaries reported current ratio of 0.69 in 2018, increasing from 0.46 in 2017 or by 0.23.

Cash cycle was 63.23 days in the year 2018, decreased from 86.42 days in 2017 or decreased 23.19 days. This was mainly due to efficiencies of faster collection and production processes.

Gross profit margin was 18.69% in 2018, increasing from 3.90% in 2017 because the product mix of the company was changed to higher gross margin.

Net income before depreciation, tax, and interest in 2018 was 21.94%, increasing from 2017 of -5.15% because there was more income and expenses were managed more efficiently.

Debt to equity ratio in the year 2018 was 1.24, decreasing from 2017 of 1.35 due to more debt repayment.

Interest coverage ratio in 2018 was 2.23, increasing from 2017 of -8.10 due to more earnings before interest and tax.

Return on asset in 2018 of 2.48%, increased from 2017 of -17.16% because the company and its subsidiaries changed from net losses in 2017 to net gains in 2018.

Return on equity in 2018 of 5.59%, increased from 2017 of -36.53% because the company and its subsidiaries changed from net losses in 2017 to net gains in 2018.

Independent Auditor's Report

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

Opinion

I have audited the accompanying consolidated financial statements of Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Stars Microelectronics (Thailand) Public Company Limited for the same period.

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 2018, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matter below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matter and how audit procedures respond for this matter are described below.

Revenue recognition

Sales and service income is a material transaction of the financial statements and the sales and service income amount recorded in the accounts has a direct impact on the income statements of the Group. In addition, the Group has a large number of customers with different commercial terms including the competition in the electronics manufacturing services industry. There are therefore risks with respect to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select sales and service transactions to assess whether revenue recognition was fair and appropriate and consistent with the conditions agreed upon between the Group and customers, and whether it was in compliance with the Group's policy.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.
- Reviewing credit notes that the Group issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions recognised throughout the period, particularly for accounting entries made through journal vouchers.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.



Termphong Opanaphan
Certified Public Accountant (Thailand) No. 4501

EY Office Limited
Bangkok: 21 February 2019

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Assets					
Current assets					
Cash and cash equivalents	7	27,940,908	75,038,271	13,648,026	64,205,946
Trade and other receivables	8	271,095,437	243,087,809	270,324,531	239,472,181
Inventories	9	345,569,152	246,178,287	345,569,152	246,178,287
Short-term loan to subsidiary	6	-	-	350,000	-
Other current assets		30,594,249	21,617,668	30,594,249	21,533,146
Total current assets		<u>675,199,746</u>	<u>585,922,035</u>	<u>660,485,958</u>	<u>571,389,560</u>
Non-current assets					
Investments in subsidiaries	10	-	-	924,238	924,238
Property, plant and equipment	11	2,207,613,617	2,257,911,932	2,207,613,617	2,257,911,932
Intangible assets	12	31,996,404	31,750,117	31,996,404	31,750,117
Deferred tax assets	24	96,854	32,515	-	-
• Other non-current assets		<u>5,602,852</u>	<u>5,807,742</u>	<u>5,595,500</u>	<u>5,800,396</u>
Total non-current assets		<u>2,245,309,727</u>	<u>2,295,502,306</u>	<u>2,246,129,759</u>	<u>2,296,386,683</u>
Total assets		<u><u>2,920,509,473</u></u>	<u><u>2,881,424,341</u></u>	<u><u>2,906,615,717</u></u>	<u><u>2,867,776,243</u></u>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	13	353,851,469	167,449,048	353,851,469	167,449,048
Trade and other payables	14	310,941,277	201,494,947	307,316,621	197,660,863
Current portion of installment payables for purchases of machinery	15	6,237,717	21,066,551	6,237,717	21,066,551
Current portion of liabilities under finance lease agreements	16	162,592,207	84,472,487	162,592,207	84,472,487
Current portion of long-term loans	17	136,580,000	299,080,000	136,580,000	299,080,000
Current portion of debentures	18	-	499,224,732	-	499,224,732
Income tax payable		1,428,185	3,852,597	-	-
Other current liabilities		9,488,123	10,770,894	9,485,360	10,324,706
Total current liabilities		981,118,978	1,287,411,256	976,063,374	1,279,278,387
Non-current liabilities					
Installment payables for purchases of machinery, net of current portion	15	-	6,282,164	-	6,282,164
Liabilities under finance lease agreements, net of current portion	16	166,289,633	132,368,296	166,289,633	132,368,296
Long-term loans, net of current portion	17	204,320,000	174,900,000	204,320,000	174,900,000
Debentures, net of current portion	18	214,862,222	-	214,862,222	-
Provision for long-term employee benefits	19	44,280,920	48,357,845	44,280,920	47,984,129
Deferred tax liabilities	24	7,143,033	7,143,033	7,143,033	7,143,033
Other non-current liabilities		541,648	541,648	541,648	541,648
Total non-current liabilities		637,437,456	369,592,986	637,437,456	369,219,270
Total liabilities		1,618,556,434	1,657,004,242	1,613,500,830	1,648,497,657

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Shareholders' equity					
Share capital	20				
Registered					
1,229,890,150 ordinary shares of Baht 1 each (2017: 1,020,771,159 ordinary shares of Baht 1 each)		<u>1,229,890,150</u>	<u>1,020,771,159</u>	<u>1,229,890,150</u>	<u>1,020,771,159</u>
Issued and fully paid					
836,478,966 ordinary shares of Baht 1 each (2017: 836,475,966 ordinary shares of Baht 1 each)	21	836,478,966	836,475,966	836,478,966	836,475,966
Share premium	21	927,956,333	927,953,033	927,956,333	927,953,033
Capital reserve for share-based payments	21	14,716,319	13,187,243	14,716,319	13,187,243
Retained earnings					
Appropriated - statutory reserve	22	79,300,000	79,300,000	79,300,000	79,300,000
Unappropriated (deficit)		(589,817,579)	(664,302,716)	(593,908,864)	(666,209,789)
Other components of shareholders' equity					
Other comprehensive income		28,572,133	28,572,133	28,572,133	28,572,133
Capital surplus from changes in shareholding in subsidiary		<u>671,619</u>	<u>671,619</u>	-	-
Equity attributable to owners of the Company		<u>1,297,877,791</u>	<u>1,221,857,278</u>	<u>1,293,114,887</u>	<u>1,219,278,586</u>
Non-controlling interests of the subsidiaries		<u>4,075,248</u>	<u>2,562,821</u>	-	-
Total shareholders' equity		<u>1,301,953,039</u>	<u>1,224,420,099</u>	<u>1,293,114,887</u>	<u>1,219,278,586</u>
Total liabilities and shareholders' equity		<u>2,920,509,473</u>	<u>2,881,424,341</u>	<u>2,906,615,717</u>	<u>2,867,776,243</u>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Revenues					
Sales and service income		1,765,658,600	1,853,763,037	1,718,363,429	1,790,489,387
Gains on exchange		4,345,152	-	4,706,762	-
Revenue from scrap sales		15,900,340	22,069,214	15,900,340	22,069,214
Other income		25,407,385	25,626,353	24,744,944	25,543,925
Total revenues		<u>1,811,311,477</u>	<u>1,901,458,604</u>	<u>1,763,715,475</u>	<u>1,838,102,526</u>
Expenses					
Cost of sales and services		1,435,679,881	1,781,473,120	1,435,535,026	1,780,768,306
Selling and distribution expenses		66,461,549	66,531,096	34,690,515	32,493,569
Administrative expenses		171,805,582	213,693,269	161,052,964	197,054,826
Doubtful debts and bad debts		4,630,047	302,394,706	4,630,047	302,394,706
Loss on impairment of equipment		-	17,121,973	-	-
Loss on impairment of investment		-	-	-	39,281,250
Total expenses		<u>1,678,577,059</u>	<u>2,381,214,164</u>	<u>1,635,908,552</u>	<u>2,351,992,657</u>
Profit (loss) before finance cost and income tax expenses		132,734,418	(479,755,560)	127,806,923	(513,890,131)
Finance cost		(59,567,354)	(59,245,519)	(59,567,354)	(59,245,519)
Profit (loss) before income tax expenses		73,167,064	(539,001,079)	68,239,569	(573,135,650)
Income tax expenses	24	(1,230,856)	(7,945,955)	-	-
Profit (loss) for the year		<u>71,936,208</u>	<u>(546,947,034)</u>	<u>68,239,569</u>	<u>(573,135,650)</u>
Profit (loss) attributable to:					
Equity holders of the Company		70,423,781	(545,889,304)	68,239,569	(573,135,650)
Non-controlling interests of the subsidiaries		1,512,427	(1,057,730)		
		<u>71,936,208</u>	<u>(546,947,034)</u>		
Earnings per share	26				
Basic earnings (loss) per share					
Profit (loss) attributable to equity holders of the Company		<u>0.084</u>	<u>(0.653)</u>	<u>0.082</u>	<u>(0.685)</u>
Diluted earnings (loss) per share					
Profit (loss) attributable to equity holders of the Company		<u>0.083</u>	<u>(0.653)</u>	<u>0.081</u>	<u>(0.685)</u>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Profit (loss) for the year		71,936,208	(546,947,034)	68,239,569	(573,135,650)
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gains (losses)	19	4,061,356	(3,242,797)	4,061,356	(3,227,148)
Other comprehensive income for the year		4,061,356	(3,242,797)	4,061,356	(3,227,148)
Total comprehensive income for the year		<u>75,997,564</u>	<u>(550,189,831)</u>	<u>72,300,925</u>	<u>(576,362,798)</u>
Total comprehensive income attributable to:					
Equity holders of the Company		74,485,137	(549,128,188)	<u>72,300,925</u>	<u>(576,362,798)</u>
Non-controlling interests of the subsidiaries		<u>1,512,427</u>	<u>(1,061,643)</u>		
		<u>75,997,564</u>	<u>(550,189,831)</u>		

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 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit (loss) before tax	73,167,064	(539,001,079)	68,239,569	(573,135,650)
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	254,667,787	384,304,324	254,667,787	380,221,028
Doubtful debts and bad debts	4,630,047	302,394,706	4,630,047	302,394,706
Write-offs of withholding tax deducted at sources	278,068	501,494	278,068	501,494
Unrealised loss on exchange	348,752	9,546,233	259,223	9,763,526
Gain on sales of machinery and equipment	(578,142)	(2,517,253)	(578,142)	(2,517,253)
Loss on impairment of investments	-	-	-	39,281,250
Decrease of inventories to net realisable value (reversal)	(10,356,962)	184,022,968	(10,356,962)	182,832,526
Loss on impairment of equipment	-	17,121,973	-	-
Write-offs of machinery and equipment	13,470	38,037	13,470	38,037
Damages of assets in excess of insurance compensation	-	1,903,117	-	1,903,117
Loss on diminution in value of other current assets	-	8,256,631	-	8,256,631
Write-offs of current assets	-	1,319,555	-	1,319,555
Provision for long-term employee benefits	4,699,911	8,380,512	5,073,627	8,290,695
Capital reserve for share-based payments	1,529,076	4,392,818	1,529,076	4,392,818
Amortisation of deferred debenture issuing cost	2,171,188	1,628,680	2,171,188	1,628,680
Interest expenses	57,396,166	55,066,839	57,396,166	55,066,839
Profit from operating activities before changes in operating assets and liabilities	387,966,425	437,359,555	383,323,117	420,237,999
Operating assets (increase) decrease				
Trade and other receivables	(35,031,107)	85,276,381	(37,825,643)	78,864,960
Inventories	(95,645,494)	(29,578,704)	(95,645,494)	(29,809,287)
Other current assets	(8,976,581)	(4,875,747)	(9,061,104)	(4,925,282)
Other non-current assets	194,698	250,634	194,699	250,634
Operating liabilities increase (decrease)				
Trade and other payables	90,503,743	(38,395,941)	90,752,514	(14,184,032)
Other current liabilities	(1,807,259)	4,321,296	(1,363,439)	5,342,388
Other non-current liabilities	-	333,180	-	333,180
Cash paid for long-term employee benefits	(4,715,479)	(2,808,667)	(4,715,479)	(2,808,667)
Cash from operating activities	332,488,946	451,881,987	325,659,171	453,301,893
Cash received from insurance compensation for assets damaged	-	9,861,159	-	9,861,159
Cash paid for interest expenses	(58,500,282)	(54,905,772)	(58,500,282)	(54,905,772)
Cash paid for income tax	(3,987,089)	(332,086)	(267,871)	(128,643)
Net cash flows from operating activities	270,001,575	406,505,288	266,891,018	408,128,637

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 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Cash flows from investing activities					
Payments of payables for purchases of machinery and equipment		(26,961,968)	(193,477,519)	(26,961,968)	(193,477,519)
Acquisition of machinery, equipment and intangible assets		(153,426,293)	(366,448,339)	(153,426,293)	(369,108,410)
Proceeds from sales of machinery and equipment		5,964,516	90,092,738	5,964,516	90,092,738
Cash paid for short-term loan to subsidiary		-	-	(350,000)	-
Net cash flows used in investing activities		(174,423,745)	(469,833,120)	(174,773,745)	(472,493,191)
Cash flows from financing activities					
Increase (decrease) in short-term loans from financial institutions		186,402,421	(16,888,344)	186,402,421	(16,888,344)
Net cash receipt from liabilities under finance lease agreements		219,413,084	246,273,507	219,413,084	246,273,507
Repayment of liabilities under finance lease agreements		(107,816,749)	(49,577,384)	(107,816,749)	(49,577,384)
Repayment of installment payables for purchase of machinery		(21,066,551)	(25,716,166)	(21,066,551)	(25,716,166)
Cash received from long-term loans		180,000,000	300,000,000	180,000,000	300,000,000
Repayment of long-term loans		(313,080,000)	(326,620,000)	(313,080,000)	(326,620,000)
Net cash receipt from debenture issuing		213,466,302	-	213,466,302	-
Repayment of debentures		(500,000,000)	-	(500,000,000)	-
Cash receipt from share subscription as warrants exercised		6,300	-	6,300	-
Net cash flows from (used in) financing activities		(142,675,193)	127,471,613	(142,675,193)	127,471,613
Net increase (decrease) in cash and cash equivalents		(47,097,363)	64,143,781	(50,557,920)	63,107,059
Cash and cash equivalents at beginning of year		75,038,271	10,894,490	64,205,946	1,098,887
Cash and cash equivalents at end of year		27,940,908	75,038,271	13,648,026	64,205,946
Supplemental cash flows information					
Non-cash transactions:					
Purchases of machinery and equipment for which no cash has been paid		49,532,996	33,764,487	49,532,996	33,764,487
Machinery and equipment acquired under finance lease agreements		444,722	-	444,722	-
Inventory for which was transferred to equipment		6,611,591	7,961,204	6,611,591	7,961,204
Payables for purchases of machinery for which was transferred to installment payables for purchases of machinery		-	55,691,997	-	55,691,997

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2018

Consolidated financial statements											(Unit: Baht)
Equity attributable to owners of the Company											
	Issued and paid-up share capital	Share premium	Capital reserve for share-based payments	Retained earnings		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
				Appropriated - statutory reserve	Unappropriated (deficit)	Other comprehensive income	Capital surplus from changes in shareholding in subsidiary	Total other components of shareholders' equity			
Balance as at 1 January 2017	836,475,966	927,953,033	8,794,425	79,300,000	(115,174,528)	28,572,133	671,619	29,243,752	1,766,592,648	3,624,464	1,770,217,112
Loss for the year	-	-	-	-	(545,889,304)	-	-	-	(545,889,304)	(1,057,730)	(546,947,034)
Other comprehensive income for the year	-	-	-	-	(3,238,884)	-	-	-	(3,238,884)	(3,913)	(3,242,797)
Total comprehensive income for the year	-	-	-	-	(549,128,188)	-	-	-	(549,128,188)	(1,061,643)	(550,189,831)
Share-based payments (Note 21)	-	-	4,392,818	-	-	-	-	-	4,392,818	-	4,392,818
Balance as at 31 December 2017	836,475,966	927,953,033	13,187,243	79,300,000	(664,302,716)	28,572,133	671,619	29,243,752	1,221,857,278	2,562,821	1,224,420,099
Balance as at 1 January 2018	836,475,966	927,953,033	13,187,243	79,300,000	(664,302,716)	28,572,133	671,619	29,243,752	1,221,857,278	2,562,821	1,224,420,099
Profit for the year	-	-	-	-	70,423,781	-	-	-	70,423,781	1,512,427	71,936,208
Other comprehensive income for the year	-	-	-	-	4,061,356	-	-	-	4,061,356	-	4,061,356
Total comprehensive income for the year	-	-	-	-	74,485,137	-	-	-	74,485,137	1,512,427	75,997,564
Increase in share capital from warrant exercise (Note 21)	3,000	3,300	-	-	-	-	-	-	6,300	-	6,300
Share-based payments (Note 21)	-	-	1,529,076	-	-	-	-	-	1,529,076	-	1,529,076
Balance as at 31 December 2018	836,478,966	927,956,333	14,716,319	79,300,000	(589,817,579)	28,572,133	671,619	29,243,752	1,297,877,791	4,075,248	1,301,953,039

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 2018

(Unit: Baht)

Separate financial statements							
	Issued and paid-up share capital	Share premium	Capital reserve for share-based payments	Retained earnings		Other components of shareholders' equity	
				Appropriated - statutory reserve	Unappropriated (deficit)	Other comprehensive income	Total components of other shareholders' equity
						Revaluation surplus on land	Total shareholders' equity
Balance as at 1 January 2017	836,475,966	927,953,033	8,794,425	79,300,000	(89,846,991)	28,572,133	1,791,248,566
Loss for the year	-	-	-	-	(573,135,650)	-	(573,135,650)
Other comprehensive income for the year	-	-	-	-	(3,227,148)	-	(3,227,148)
Total comprehensive income for the year	-	-	-	-	(576,362,798)	-	(576,362,798)
Share-based payments (Note 21)	-	-	4,392,818	-	-	-	4,392,818
Balance as at 31 December 2017	836,475,966	927,953,033	13,187,243	79,300,000	(666,209,789)	28,572,133	1,219,278,586
Balance as at 1 January 2018	836,475,966	927,953,033	13,187,243	79,300,000	(666,209,789)	28,572,133	1,219,278,586
Profit for the year	-	-	-	-	68,239,569	-	68,239,569
Other comprehensive income for the year	-	-	-	-	4,061,356	-	4,061,356
Total comprehensive income for the year	-	-	-	-	72,300,925	-	72,300,925
Increase in share capital from warrant exercise (Note 21)	3,000	3,300	-	-	-	-	6,300
Share-based payments (Note 21)	-	-	1,529,076	-	-	-	1,529,076
Balance as at 31 December 2018	836,478,966	927,956,333	14,716,319	79,300,000	(593,908,864)	28,572,133	1,293,114,887

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 2018

1. Corporate information

1.1 Basis of preparation

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.

1.2 Going concern

As at 31 December 2018, the Group’s current liabilities exceeded its current assets by Baht 306 million (the Company only: Baht 316 million) (2017: Baht 701 million (the Company only: Baht 708 million)), and had deficit of Baht 590 million (the Company only: Baht 594 million) (2017: Baht 664 million (the Company only: Baht 666 million)). However, the Group has a clear future business plan and is confident that it will make profit in the near future. In addition, the Group has a certain amount of credit facilities that has not been drawn down which sufficient to cover current liabilities, and continually has cash inflows from operations. For these reasons, these financial statements have been prepared on the going concern basis.

2. Basis of preparation

2.1 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 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2018	2017
			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	75

- b) The Company is deemed to have control over the investees or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investees, and it has the ability to direct the activities that affect the amount of its returns.
- c) 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.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) 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.
- f) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- g) 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 income statement and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

(a) Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards disclosures in the notes to the financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018), which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries believe that this standard will not have any significant impact on the financial statements when it is initially applied.

(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued the set of IFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:	
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments
Accounting standard:	
TAS 32	Financial Instruments: Presentation
Financial Reporting Standard Interpretations:	
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These IFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the entity's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the IFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Rendering of services

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

Interest income

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

4.2 Cash and cash equivalents

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

4.3 Trade and other receivables

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

4.4 Inventories

Finished goods and work in process are valued at the lower of cost and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual costs and includes all production costs and attributable factory overheads.

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

4.5 Investments

Investments in subsidiaries are accounted for in the separate financial statements using the cost method and net of allowance for impairment loss of investments.

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 the income statement.

4.6 Property, plant and equipment/Depreciation

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

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 in the income statement.

- When a land's carrying amount is decreased as a result of a revaluation of the Company's land, the decrease is recognised in the income statement. 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 estimated useful lives. In 2018, the Company reviewed the useful lives of the plant and equipment, which resulted in a change in the estimated useful lives of the assets as shown in the table below. The change has the effect of increasing net profit for the year 2018 by approximately Baht 133 million (Baht 0.16 per share).

	Previous estimated useful lives		Revised estimated useful lives	
Buildings	20	years	40	years
Building improvement	10	years	15	years
Machinery and equipment	5 and 10	years	5 and 15	years
Motor vehicles	5	years	5	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction and 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 the income statement when the asset is derecognised.

4.7 Borrowing costs

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

4.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and allowance for loss on impairment.

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 the income statement.

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

4.9 Related party transactions

Related parties comprise individuals or enterprises 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 or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.10 Long-term leases

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

The Company recognises the assets from sale and lease back under finance lease as assets and liabilities as mentioned above.

Lease of property, plant or 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 the income statement on a straight line basis over the lease term.

4.11 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.

4.12 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform 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 the income statement. However in case where land was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

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

4.13 Employee benefits

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 defined benefit plans are recognised immediately in other comprehensive income.

4.14 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.

4.15 Equity-settled share-based payment transactions

The Company recognises share-based payment transactions when service is provided by its employees, based on the fair value of the share options on the grant date. The expenses are recorded over the vesting period, in accordance with the conditions regarding length of service rendered by employees stipulated in the share-based payment plan, together with a corresponding increase in "capital reserve for share-based payments" in shareholders' equity.

Estimating fair value for the share-based payment transactions requires management to exercise judgement, and to apply assumptions, including as to the expected life of the share options, share price volatility, dividend yield and risk-free interest rate.

4.16 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.

4.17 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.

4.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements 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 judgements and estimates are as follows:

Allowance for doubtful accounts

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

Net realisable value of inventories

The management uses judgement 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, the prevailing economic condition and the industry circumstances.

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 the 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 amounts are determined by the independent valuer. The valuation involves certain assumptions and estimates as described in Note 11.

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 judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Impairment of investments

The Company treats investments in subsidiaries as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement of the management.

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.

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	2018	2017	2018	2017	
Transactions with subsidiaries					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	888	1,180	Cost plus margin
Sales of equipment	-	-	-	3	Agreed price
Other income	-	-	2	17	Agreed price
Commission expense	-	-	10	11	Agreed price
Transactions with related companies					
Sales and service income	25	15	25	15	Cost plus margin

As at 31 December 2018 and 2017, the balances of the accounts between the Company, its subsidiaries and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Trade receivables - related parties (Note 8)				
Subsidiaries	-	-	130,487	143,682
Related companies (related by common shareholders)	1,519	2,115	1,519	2,115
Total trade receivables - related parties	1,519	2,115	132,006	145,797
Other receivables - related parties (Note 8)				
Subsidiaries	-	-	11	693
Total other receivables - related parties	-	-	11	693

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Short-term loan - related party				
Subsidiary	-	-	350	-
Total short-term loan - related party	-	-	350	-
Other payables - related party (Note 14)				
Subsidiary	-	-	808	800
Total other payables - related party	-	-	808	800

During the current year, the Company has a short-term loan to its subsidiary which carried interest rate at 7.2% per annum, repayable within 1 year.

Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expense payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Short-term employee benefits	29	31	22	23
Post-employment benefits	3	2	3	2
Termination benefits	-	1	-	1
Share-based payments (Note 21)	1	3	1	3
Total	33	37	26	29

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash	97	97	75	75
Bank deposits	27,844	74,941	13,573	64,131
Total cash and cash equivalents	27,941	75,038	13,648	64,206

As at 31 December 2018 and 2017, bank deposits in saving accounts carried interests between 0.050% and 0.375% per annum.

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Trade receivables - related parties				
Aged on the basis of due dates				
Not yet due	1,519	2,115	75,446	131,041
Past due				
Up to 3 months	-	-	56,560	14,756
Total trade receivables - related parties	1,519	2,115	132,006	145,797
Trade receivables - unrelated parties				
Aged on the basis of due dates				
Not yet due	196,301	202,862	85,354	69,005
Past due				
Up to 3 months	64,449	30,558	44,128	17,089
3 - 6 months	2,411	5,081	2,411	5,075
6 - 12 months	94	59,213	94	59,195
Over 12 months	362,178	298,654	362,178	298,616
Total trade receivables - unrelated parties	625,433	596,368	494,165	448,980
Less: Allowance for doubtful accounts	(362,072)	(357,442)	(362,072)	(357,442)
Total trade receivables - unrelated parties, net	263,361	238,926	132,093	91,538
Total trade receivables - net	264,880	241,041	264,099	237,335
Other receivables				
Other receivables - related parties	-	-	11	693
Other receivables - unrelated parties	6,215	2,047	6,215	1,444
Total other receivables	6,215	2,047	6,226	2,137
Total trade and other receivables - net	271,095	243,088	270,325	239,472

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	117,973	122,862	(89,731)	(90,491)	28,242	32,371
Work in process	143,144	112,322	(35,468)	(41,946)	107,676	70,376
Raw materials	294,975	235,055	(113,965)	(116,697)	181,010	118,358
Spare parts and supplies	28,724	25,544	(83)	(471)	28,641	25,073
Total	<u>584,816</u>	<u>495,783</u>	<u>(239,247)</u>	<u>(249,605)</u>	<u>345,569</u>	<u>246,178</u>

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	117,457	122,346	(89,215)	(89,975)	28,242	32,371
Work in process	141,949	111,127	(34,273)	(40,751)	107,676	70,376
Raw materials	294,391	234,471	(113,381)	(116,113)	181,010	118,358
Spare parts and supplies	28,724	25,544	(83)	(471)	28,641	25,073
Total	<u>582,521</u>	<u>493,488</u>	<u>(236,952)</u>	<u>(247,310)</u>	<u>345,569</u>	<u>246,178</u>

During the current year, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 10 million (the Company only: Baht 10 million) and reduced the amount of inventories recognised as expenses during the year.

During 2017, the Company and its subsidiaries reduced cost of inventories by Baht 184 million (the Company only: Baht 183 million), to reflect the net realisable value. This was included in cost of sales.

10. 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	
	2018	2017	2018	2017	2018	2017
			(%)	(%)	(Thousand Baht)	(Thousand Baht)
Stars Microelectronics USA, Inc.	20,000	20,000	59	59	429	429
	(US Dollar)					
SMT Green Energy Company Limited	500,000	500,000	99	99	495	495
	(Baht)					
SS RFID Company Limited	100,000,000	100,000,000	75	75	75,000	75,000
	(Baht)					
Total					75,924	75,924
Less: Allowance for impairment loss of investments					(75,000)	(75,000)
Investments in subsidiaries - net					924	924

As at 31 December 2018, the Company had commitments of approximately Baht 0.5 million in respect of the uncalled portion of its investment in SMT Green Energy Company Limited (2017: Baht 0.5 million).

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. The agreement terminated on 1 April 2018.

11. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements						
	Revaluation basis	Cost basis				
	Land	Buildings and building improvement	Machinery and equipment	Motor vehicles	Assets under construction and installation	Total
Cost / Revalued amount						
1 January 2017	91,013	911,205	2,889,573	23,646	241,689	4,157,126
Additions	-	3,108	71,857	75	332,455	407,495
Disposals	-	-	(109,806)	(4,655)	-	(114,461)
Write-offs	-	(202)	(419)	-	(16,625)	(17,246)
Transfers between accounts	-	25,657	290,909	-	(316,566)	-
31 December 2017	91,013	939,768	3,142,114	19,066	240,953	4,432,914
Additions	-	3,100	55,100	516	145,265	203,981
Disposals	-	(2,089)	(22,500)	-	-	(24,589)
Write-offs	-	-	(2,370)	-	-	(2,370)
Transfers between accounts	-	37,281	237,918	-	(275,199)	-
31 December 2018	91,013	978,060	3,410,262	19,582	111,019	4,609,936
Accumulated depreciation						
1 January 2017	-	463,131	1,314,780	14,613	-	1,792,524
Depreciation for the year	-	73,833	302,510	2,360	-	378,703
Depreciation on disposals	-	-	(18,312)	(4,655)	-	(22,967)
Depreciation on write-offs	-	(165)	(381)	-	-	(546)
31 December 2017	-	536,799	1,598,597	12,318	-	2,147,714
Depreciation for the year	-	40,501	206,310	2,069	-	248,880
Depreciation on disposals	-	(1,275)	(17,928)	-	-	(19,203)
Depreciation on write-offs	-	-	(2,357)	-	-	(2,357)
31 December 2018	-	576,025	1,784,622	14,387	-	2,375,034
Allowance for impairment:						
1 January 2017	-	-	10,384	-	-	10,384
Reversal	-	-	(203)	-	-	(203)
Increase during the year	-	-	17,107	-	-	17,107
31 December 2017	-	-	27,288	-	-	27,288
31 December 2018	-	-	27,288	-	-	27,288
Net book value						
31 December 2017	91,013	402,969	1,516,229	6,748	240,953	2,257,912
31 December 2018	91,013	402,035	1,598,352	5,195	111,019	2,207,614
Depreciation for the year						
2017 (Baht 368 million included in manufacturing cost, and the balance in administrative expenses)						378,703
2018 (Baht 244 million included in manufacturing cost, and the balance in administrative expenses)						248,880

(Unit: Thousand Baht)

Separate financial statements						
	Revaluation basis	Cost basis				Total
	Land	Buildings and building improvement	Machinery and equipment	Motor vehicles	Assets under construction and installation	
Cost / Revalued amount						
1 January 2017	91,013	911,205	2,834,877	23,646	241,689	4,102,430
Additions	-	3,108	71,777	75	332,455	407,415
Disposals	-	-	(104,250)	(4,655)	-	(108,905)
Write-offs	-	(202)	(419)	-	(16,625)	(17,246)
Transfers between accounts	-	25,657	290,909	-	(316,566)	-
31 December 2017	91,013	939,768	3,092,894	19,066	240,953	4,383,694
Additions	-	3,100	55,100	516	145,265	203,981
Disposals	-	(2,089)	(22,500)	-	-	(24,589)
Write-offs	-	-	(2,370)	-	-	(2,370)
Transfers between accounts	-	37,281	237,918	-	(275,199)	-
31 December 2018	91,013	978,060	3,361,042	19,582	111,019	4,560,716
Accumulated depreciation						
1 January 2017	-	463,131	1,294,307	14,613	-	1,772,051
Depreciation for the year	-	73,833	298,438	2,360	-	374,631
Depreciation on disposals	-	-	(15,699)	(4,655)	-	(20,354)
Depreciation on write-offs	-	(165)	(381)	-	-	(546)
31 December 2017	-	536,799	1,576,665	12,318	-	2,125,782
Depreciation for the year	-	40,501	206,310	2,069	-	248,880
Depreciation on disposals	-	(1,275)	(17,928)	-	-	(19,203)
Depreciation on write-offs	-	-	(2,357)	-	-	(2,357)
31 December 2018	-	576,025	1,762,690	14,387	-	2,353,102
Net book value						
31 December 2017	91,013	402,969	1,516,229	6,748	240,953	2,257,912
31 December 2018	91,013	402,035	1,598,352	5,195	111,019	2,207,614
Depreciation for the year						
2017 (Baht 368 million included in manufacturing cost, and the balance in administrative expenses)						374,631
2018 (Baht 244 million included in manufacturing cost, and the balance in administrative expenses)						248,880

The Company arranged for an independent professional valuer to appraise the value of its land in order to state the land at revalued amount. The appraisal had the effect of increasing the Company's revaluation surplus on land, which was recognised as equity in the statements of financial position. The Company arranged for an independent professional valuer to appraise the value of its land using the market approach in 2015.

Had the land been carried in the financial statements on a historical cost basis, its net book value as of 31 December 2018 and 2017 would have been Baht 55 million.

As at 31 December 2018, the net book value of the Company's machinery, for which installment payments have not been completed, amounted to Baht 41 million (2017: Baht 82 million).

As at 31 December 2018, the Company had machinery and vehicles with net book value of Baht 554 million (2017: Baht 303 million) which were acquired under finance lease agreements.

As at 31 December 2018, certain items of machinery and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 594 million (2017: Baht 499 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.

12. Intangible assets

(Unit: Thousand Baht)

	Computer software	
	Consolidated financial statements	Separate financial statements
Cost:		
1 January 2017	56,188	56,133
Additions	3,419	3,419
31 December 2017	59,607	59,552
Additions	6,034	6,034
31 December 2018	65,641	65,586
Amortisation:		
1 January 2017	22,241	22,212
Amortisation for the year	5,601	5,590
31 December 2017	27,842	27,802
Amortisation for the year	5,788	5,788
31 December 2018	33,630	33,590
Allowance for impairment:		
1 January 2017	-	-
Increase during the year	15	-
31 December 2017	15	-
31 December 2018	15	-
Net book value:		
31 December 2017	31,750	31,750
31 December 2018	31,996	31,996

13. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2018	2017
Promissory notes	30,000	-
Trust receipts	137,251	167,449
Packing credit	186,600	-
Total short-term loans from financial institutions	353,851	167,449

As at 31 December 2018, short-term loans from financial institutions are trust receipts which carried interest rates between 2.10% and 2.90% per annum (2017: between 2.10% and 2.52% per annum).

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.

14. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Trade payables - unrelated parties	198,092	100,153	193,865	100,119
Other payables - related parties	-	-	808	800
Other payables - unrelated parties	49,651	51,112	49,647	46,863
Payables for purchases of machinery	50,959	28,942	50,959	28,942
Accrued expenses	12,239	21,288	12,038	20,937
Total trade and other payables	310,941	201,495	307,317	197,661

15. Installment payables for purchases of machinery

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2018	2017
Installment payables for purchases of machinery	6,292	28,048
Less: Deferred interest expenses	(54)	(699)
Total	6,238	27,349
Less: Current portion	(6,238)	(21,067)
Installment payables for purchases of machinery - net of current portion	-	6,282

The Company agreed with 2 companies (2017: 3 companies) to settle payables for purchases of machinery by monthly installments for the terms between 23 and 24 months (2017: between 4 and 24 months). The effective interest rate of the installment payables for purchases of machinery is 4% per annum (2017: between 3% and 4% per annum).

Installment payments for the payables settlement relating to the purchases of machinery are as follows:

(Unit: Thousand Baht)

	As of 31 December 2018		
	Within 1 year	1 - 2 years	Total
Future minimum installment payments	6,292	-	6,292
Deferred interest expenses	(54)	-	(54)
Present value of future minimum installment payments	<u>6,238</u>	<u>-</u>	<u>6,238</u>

(Unit: Thousand Baht)

	As of 31 December 2017		
	Within 1 year	1 - 2 years	Total
Future minimum installment payments	21,711	6,337	28,048
Deferred interest expenses	(644)	(55)	(699)
Present value of future minimum installment payments	<u>21,067</u>	<u>6,282</u>	<u>27,349</u>

16. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2018	2017
Liabilities under finance lease agreements	347,390	232,471
Less: Deferred interest expenses	(18,508)	(15,631)
Total	328,882	216,840
Less: Current portion	(162,592)	(84,472)
Liabilities under finance lease agreements - net of current portion	<u>166,290</u>	<u>132,368</u>

The Company has entered into the finance lease agreements with leasing companies and a company for rental of machinery, motor vehicles and equipment for use in its operation, whereby it committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 6 years (2017: between 2 and 6 years) and the effective interest rates are between 4.50% and 6.20% per annum (2017: between 4.89% and 9.45% per annum).

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

	As of 31 December 2018		
	Within 1 year	1 - 4 years	Total
Future minimum lease payments	175,298	172,092	347,390
Deferred interest expenses	(12,706)	(5,802)	(18,508)
Present value of future minimum lease payments	<u>162,592</u>	<u>166,290</u>	<u>328,882</u>

(Unit: Thousand Baht)

	As of 31 December 2017		
	Within 1 year	1 - 5 years	Total
Future minimum lease payments	94,194	138,277	232,471
Deferred interest expenses	(9,722)	(5,909)	(15,631)
Present value of future minimum lease payments	<u>84,472</u>	<u>132,368</u>	<u>216,840</u>

17. Long-term loans

(Unit: Thousand Baht)				
Loan	Interest rate	Repayment schedule	Consolidated and Separate financial statements	
			2018	2017
1	Closed to THBFIX 1M ⁽¹⁾	Monthly installments as from July 2015	-	64,000
2	Closed to THBFIX 1M ⁽¹⁾	Monthly installments as from December 2015	-	60,000
3	Closed to THBFIX 1M ⁽¹⁾	Quarterly installments as from October 2016	-	75,000
4	Closed to MLR ⁽²⁾	Monthly installments as from October 2017	174,900	274,980
5	Closed to THBFIX 6M ⁽³⁾	Monthly installments as from November 2018	166,000	-
Total			340,900	473,980
Less: Current portion			(136,580)	(299,080)
Long-term loans, net of current portion			204,320	174,900

(1) THBFIX 1M is Thai Baht Interest Rate Fixing for the year of 1 month.

(2) MLR is Minimum Loan Rate.

(3) THBFIX 6M is Thai Baht Interest Rate Fixing for the year of 6 month.

Movement of the long - term loan account during the year ended 31 December 2018 are summarised below:

(Unit: Thousand Baht)	
	Consolidated and Separate financial statements
Balance as at 1 January 2018	473,980
Add: Additional borrowings	180,000
Less: Repayment	(313,080)
Balance as at 31 December 2018	340,900

In November 2018, the Company entered into an agreement with a local bank to obtain a long-term facility of Baht 180 million (fully drawn down). The loan carries interest closed to THBFIX 6M. The loan is to be repaid in monthly installments within 36 months (ending in October 2021).

The Company entered into an interest rate swap agreement to manage the risk associated with long-term loan carrying interest at a fixed rate. The agreement relates to interest on principal amounts of Baht 10 million, which mature in October 2021, and under the agreement, from November 2018 the Company is required to pay interest to the financial institution at a rate of the THBFIX 6M plus fixed rate, while the financial institution is required to pay interest to the Company at a rate of 3.45% per annum.

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, current 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.

As at 31 December 2018, the Company was unable to maintain financial ratios stipulated in an agreement. Under the agreement, this means the lender has the right to call the loan immediately, however the Company received a letter from the lender, granting a waiver for such non-compliance subject. The Company has therefore classified the loan as per original repayment schedule as at 31 December 2018.

18. Debentures

On 26 April 2016, the Annual General Meeting of the Company's shareholders approved the issue and offer of up to Baht 1,500 million of debentures with tenor of not more than 10 years. Subsequently, on 16 June 2016, the Company issued and offered 500,000 units of debentures No. 1/2559 with a face value of Baht 1,000 each, totaling Baht 500 million. These are registered, unsubordinated, unsecured debentures with no trustees, and have a term of 2 years from the issue date, maturing on 16 June 2018. The coupon rate is 5.10% per annum (the effective interest rate is 5.44% per annum), with interest payable every 3 months throughout the life of the debentures.

On 29 March 2018, the Company issued and offered 500,000 units of debentures No. 1/2561 with a face value of Baht 1,000 each, 217,300 units of debentures are sold, totaling Baht 217 million. These are registered, unsubordinated, unsecured debentures with no trustees, and have a term of 2 years from the issue date, maturing on 29 March 2020. The coupon rate is 6.20% per annum (the effective interest rate is 7.15% per annum), with interest payable every 3 months throughout the life of the debentures.

Under the terms and conditions of the rights and obligations of the debenture issuer and holders, the Company has to comply with certain restrictions, such as limitations on the use of assets and the maintenance of a certain debt-to-equity ratio.

As at 31 December 2018 and 2017, the details of debentures are summarised below.

	(Unit: Thousand Baht)	
	Consolidated and Separate financial statements	
	2018	2017
Debentures	217,300	500,000
Less: Deferred debenture issuing costs	(2,438)	(775)
Total	214,862	499,225
Less: Current portion	-	(499,225)
Debentures - net of current portion	214,862	-

19. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Provision for long-term employee benefits at beginning of year	48,358	39,543	47,984	39,275
Included in the income statement:				
Current service cost	3,679	7,044	4,053	6,963
Interest cost	1,020	1,337	1,020	1,328
Included in other comprehensive income:				
Actuarial (gain)/loss arising from				
Demographic assumptions changes	(2,369)	1,002	(2,369)	995
Financial assumptions changes	-	2,241	-	2,232
Experience adjustments	(1,692)	-	(1,692)	-
Benefits paid during the year	(4,715)	(2,809)	(4,715)	(2,809)
Provision for long-term employee benefits at end of year	44,281	48,358	44,281	47,984

As at 31 December 2018, the Company and its subsidiaries do not expect to pay for long-term employee benefits during the next year.

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit of the Company and its subsidiaries is 18 years (the Company only: 18 years) (2017: 18 years (the Company only: 18 years)).

Significant actuarial assumptions are summarised below.

(Unit: % per annum)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Discount rate	2.9	2.9	2.9	2.9
Salary increase rate	3.5 - 10.0	3.5 - 10.0	3.5 - 10.0	3.5 - 10.0
Staff turnover rate	0.0 - 25.0	0.0 - 25.0	0.0 - 25.0	0.0 - 25.0

The result of sensitivity analysis for significant assumption that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below.

(Unit: Million Baht)

	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(5)	6	(5)	6
Salary increase rate	6	(5)	6	(5)
Staff turnover rate	(5)	2	(5)	2

(Unit: Million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(6)	7	(6)	7
Salary increase rate	7	(6)	7	(6)
Staff turnover rate	(7)	3	(7)	3

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 9 million (The Company only: Baht 9 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

20. Share capital

On 30 April 2018, the Annual General Meeting of the Company's shareholders approved the increase in the Company's registered share capital from Baht 1,020,771,159 (1,020,771,159 ordinary shares with the par value of Baht 1 each) to Baht 1,229,890,150 (1,229,890,150 ordinary shares with the par value of Baht 1 each) by issuing 209,118,991 new ordinary shares with the par value of Baht 1 each to reserve for the exercise of the 209,118,991 warrants to purchase the Company's ordinary shares No.2 issued to the existing shareholders (SMT-W2) in proportion of their shareholdings. The Company registered the increase in its registered share capital with the Ministry of Commerce on 21 May 2018.

21. Warrant

On 26 April 2016, the Annual General Meeting of the Company's shareholders approved the following resolutions:

a) Issue and offer 167,295,193 warrants to purchase the Company's ordinary shares No. 1 issued to the existing shareholders (SMT-W1) in proportion of their shareholdings without charge, at the ratio of 5 existing shares to 1 warrant.

The details of the SMT-W1 warrants are presented below.

Term of warrants	- 3 years from the date of issuance and offering
Exercise ratio	- 1 warrant per 1 ordinary share, unless there is any exercise adjustment in accordance with the conditions for adjustment
Exercise price	- Baht 8 per share, unless there is any exercise adjustment in accordance with the conditions for adjustment
Exercise period	- Every last business day of March, June, September and December of each year through the term of the warrants and the last exercise date is the maturity date

On 30 June 2016, the Company allotted the 167,295,007 SMT-W1 warrants. The first exercise date of the warrants is 31 December 2016 and the last exercise date is 28 June 2019. The Company will cancel the remaining 186 SMT-W1 warrants.

During 2018, 2017 and 2016, the SMT-W1 warrants were not exercised.

b) Issue and offer 17,000,000 warrants to purchase the Company's ordinary shares No. 2 issued to directors and/or employees of the Company (SMT-WB). The allotment of the warrants is not offered through intermediary and is offered to persons who must be directors and/or employees of the Company on the date of the allotment. The Remuneration Committee of the Company has considered the allotment of the warrants to each directors and/or employees by considering their working period, position, experience, and important to the organisation including working efficiency and ability as appropriate and proposed to the Company's Board of Directors for approval.

The warrants are name-specified and non-transferable type, unless by hereditary transfer. The term of the warrants is 3 years from the date of issuance and offering (30 June 2016). The warrants are exercisable 2 times for each year on last business day of June and December through the term of the warrants and the last exercise date is the maturity date (28 June 2019).

The exercise ratio, price and restrictions, and the estimated fair value as at the grant date of the SMT-WB warrants are presented below.

	Exercise period		
	Year 1 (the first and the second)	Year 2 (the third and the fourth)	Year 3 (the fifth and the sixth)
Exercise ratio*	1 warrant per 1 ordinary share	1 warrant per 1 ordinary share	1 warrant per 1 ordinary share
Exercise price*	Baht 7.20 when a closing share price of the Company at someday during 30 days before each of the notification period not lower than Baht 9	Baht 8 when a closing share price of the Company at someday during 30 days before each of the notification period not lower than Baht 10.70	Baht 8.70 when a closing share price of the Company at someday during 30 days before each of the notification period not lower than Baht 12.50
Exercise restrictions	Not exceeding 35% of the total warrants allotted to each warrant holder	Not exceeding 35% of the total warrants allotted to each warrant holder (the exercise can be accumulated up to 70% of the total warrants)	Can exercise in all of the remaining warrants (the exercise can be accumulated up to 100% of the total warrants)
Estimated fair value of each warrant as at the grant date	Baht 0.971	Baht 0.809	Baht 0.809

*They are subject to change in accordance with the conditions for adjustment.

The estimated fair value of each warrant as at the grant date was calculated by applying the Black Scholes model. The model inputs were the Company's ordinary share price as at the grant date of Baht 6.75 per share, the exercise prices of Baht 7.20 - 8.70 per share, the Company's ordinary share prices per the exercise conditions (knock-in price) of Baht 9.00 - 12.50 per share, an expected share price volatility of 42.90% per year, an expected dividend yield of 40% of net profit, the term of the warrants of 3 years and 2 months and risk-free interest rates of 1.37 - 1.42% per year.

During 2018, the Company recorded expense of Baht 2 million (2017: Baht 4 million) in relation to the warrant scheme, as employee expenses, and recognised an equal amount as "Capital reserve for share-based payments" in shareholders' equity.

During 2018, 2017 and 2016, the SMT-WB warrants were not exercised.

c) On 30 April 2018, the Annual General Meeting of the Company's shareholders approved issue and offer 209,118,991 warrants to purchase the Company's ordinary shares No. 2 issued to the existing shareholders (SMT-W2) in proportion of their shareholdings without charge, at the ratio of 4 existing shares to 1 warrant.

The details of the SMT-W2 warrants are presented below.

Term of warrants	-	2 years from the date of issuance and offering (1 June 2018)
Exercise ratio	-	1 warrant per 1 ordinary share, unless there is any exercise adjustment in accordance with the conditions for adjustment
Exercise price	-	Baht 2.10 per share, unless there is any exercise adjustment in accordance with the conditions for adjustment
Exercise period	-	Every last business day of March, June, September and December of each year through the term of the warrants and the last exercise date is the maturity date

A reconciliations of number of warrants for the period as from 1 June 2018 to 31 December 2018 is provided below.

(Unit: Thousand Units)

Number of warrants as at 1 June 2018	209,119
Exercised during the period	(3)
Number of warrants as at 31 December 2018	209,116

During the period as from 1 June 2018 to 31 December 2018, warrants were exercised to purchase new ordinary shares as follows:

	Consolidated and Separate financial statements		
	Increase in paid up share capital from warrant exercise	Increase in share premium - ordinary shares from warrant exercise	Date of registration of additional shares from warrant exercise with the Ministry of Commerce
	(Thousand Baht)	(Thousand Baht)	
As at 1 June 2018	-	-	
Exercised during September 2018	3,000	3,300	4 October 2018
Accumulative exercise as of 31 December 2018	3,000	3,300	

The Company registered the increase in its paid-up share capital from warrant exercise with the Ministry of Commerce on 4 October 2018.

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 classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Salaries, wages and other employee benefits	544,555	582,448	494,983	526,144
Depreciation and amortisation	254,668	384,304	254,668	380,221
Raw materials and consumables used	686,623	698,651	686,623	698,326
Changes in inventories of finished goods and work in progress	(31,363)	(41,810)	(31,363)	(41,975)

24. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current income tax:				
Current income tax charge	1,295	4,056	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(64)	3,890	-	-
Tax expenses reported in the income statement	<u>1,231</u>	<u>7,946</u>	-	-

The reconciliation between accounting profit and income tax expenses is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accounting profit (loss) before tax	73,167	539,001	68,240	(573,136)
Applicable tax rates	8.84%, 20%, 21%	8.84%, 20%, 34%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	15,110	(111,878)	13,648	(114,627)
Adjust in respect of income tax of previous year	(131)	-	-	-
Utilisation of previous unrecognised tax benefit of unused tax loss	(28)	-	-	-
Deferred tax assets for which have not been recognised during the year because future taxable profits may not be sufficient	5,190	113,574	5,180	108,399
Effects of:				
Promotional privileges (Note 25)	(18,630)	3,901	(18,630)	3,901
Non-deductible expenses	355	2,331	353	2,327
Additional expense deduction allowed	(615)	-	(551)	-
Others	(20)	18	-	-
Total	<u>(18,910)</u>	<u>6,250</u>	<u>(18,828)</u>	<u>6,228</u>
Tax expenses reported in the income statement	<u>1,231</u>	<u>7,946</u>	-	-

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	
	2018	2017	2018	2017
Deferred tax assets				
Unused tax credit	97	33	-	-
Total	97	33	-	-
Deferred tax liabilities				
Revaluation surplus on land	7,143	7,143	7,143	7,143
Total	7,143	7,143	7,143	7,143

As at 31 December 2018, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 1,763 million (the Company only: Baht 1,665 million) (2017: Baht 1,741 million (the Company only: Baht 1,642 million)), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

Details of expiry date of unused tax losses are summarised as below:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
31 December 2018	15	15	-	-
31 December 2019	755	755	735	735
31 December 2020	16	16	-	-
31 December 2021	63	63	55	55
31 December 2022	41	-	32	-
31 December 2027	125	125	125	125
	1,015	974	947	915

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:

1. Certificate No.	Details of certificates			
	58-2578-0-00-2-0	1500(2)/2558	5195(1)/2556	1167(1)/2555
2. Promotional privileges for	Manufacture of medical tools	Manufacture of printed circuit board assembly (PCBA), flexible printed circuit assembly (FPCA), electronic products and electrical equipment	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				
3.1 Exemption of corporate income tax on profit derived from the promoted operations, in accordance with conditions stipulated in the certificates, and exemption of income tax on dividends paid to the shareholders from the profit of promoted operations during the corporate income tax exemption period.	8 years	7 years (Exemption of corporate income tax cannot exceed Baht 107.5 million, but it can be adjusted later according to actual investment amount, excluding land cost and working capital)	8 years	8 years
3.2 50% reduction of corporate income tax on profit derived from the promoted operations for a period of 5 years after the tax-exemption period ends.	Not granted	Not granted	Granted	Granted
3.3 Exemption of import duty on machinery as approved by the Board.	Granted	Granted	Granted	Granted
4. Date of first earning promoted operation profit	Not yet utilised the privileges	24 February 2017	1 March 2014	2 May 2014

The Company's operating revenues for the years divided between promoted and non-promoted operations, are summarised below.

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations		Total	
	2018	2017	2018	2017	2018	2017
Sales						
Domestic sales	283,969	269,242	11	731	282,979	269,973
Direct export sales	1,414,296	1,497,143	20,088	23,373	1,434,384	1,520,516
Total sales	<u>1,698,265</u>	<u>1,766,385</u>	<u>20,099</u>	<u>24,104</u>	<u>1,718,363</u>	<u>1,790,489</u>

26. Earnings per share

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

Diluted earnings (loss) per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares 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 period or on the date the potential ordinary shares were issued.

The following tables set forth the computations of basic and diluted earnings (loss) per share:

	Consolidated financial statements					
	For the year ended 31 December					
	Profit (loss) for the year		Weighted average number of ordinary shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings (loss) per share						
Profit (loss) attributable to equity holders of the Company	70,424	(545,889)	836,477	836,476	0.084	(0.653)
Effect of dilutive potential ordinary shares						
Warrants	-	-	9,296	-		
Diluted earnings (loss) per share						
Profit (loss) attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>70,424</u>	<u>(545,889)</u>	<u>845,773</u>	<u>836,476</u>	<u>0.083</u>	<u>(0.653)</u>

	Separate financial statements					
	For the year ended 31 December					
	Profit (loss) for the year		Weighted average number of ordinary shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings (loss) per share						
Profit (loss) attributable to equity holders of the Company	68,240	(573,136)	836,477	836,476	0.082	(0.685)
Effect of dilutive potential ordinary shares						
Warrants	-	-	9,296	-		
Diluted earnings (loss) per share						
Profit (loss) attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	68,240	(573,136)	845,773	836,476	0.081	(0.685)

The calculation of diluted earnings (loss) per share in the financial statements for the years ended 31 December 2018 and 2017 was only impacted of dilutive potential ordinary shares from the warrants to purchase the Company's ordinary shares issued to the existing shareholders No. 2 (SMT-W2) due to the following:

There was no impact of dilutive potential ordinary shares from the warrants to purchase the Company's ordinary shares issued to the existing shareholders No. 1 (SMT-W1) because the exercise price of the warrants exceeded the fair value of the Company's ordinary shares.

There was no impact of dilutive potential ordinary shares from the warrants to purchase the Company's ordinary shares issued to directors and/or employees of the Company (SMT-WB) because the closing price of the Company's shares did not meet the stipulated exercise conditions.

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 has not yet commenced its 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.

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

(Unit: Thousand Baht)		
	2018	2017
Revenue from external customers		
Thailand	304,056	270,227
United States of America	1,362,253	1,500,750
Others	99,350	82,786
Total (per consolidated financial statements)	1,765,659	1,853,763

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

For the year 2018, the Company and its subsidiaries have revenue from three major customers in amount of Baht 591 million, Baht 340 million and Baht 301 million, arising from sales of MMA and IC packaging (2017: Baht 809 million, Baht 389 million and Baht 230 million derived from three major customers, arising from sales of MMA and IC packaging).

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 - 10% of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 12 million (the Company only: Baht 12 million) (2017: Baht 11 million (the Company only: Baht 11 million)) were recognised as expenses.

29. Commitments and contingent liabilities

29.1 Operating leases and service commitments

The Company entered into operating leases and related service agreements in respect of the lease of vehicles, land and buildings. The terms of the agreements are generally 1 - 3 years.

As of 31 December 2018 and 2017, the Company has the future minimum payments required under these agreements as follows.

(Unit: Million Baht)		
	2018	2017
Payable:		
In up to 1 year	6	6
In over 1 and up to 3 years	-	5

29.2 Long-term service commitments

29.2.1 The Company entered into a service agreement with a financial advisor for a period from March 2018 to February 2019. 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. The service fee for the year ended 31 December 2018, amounting to approximately Baht 0.8 million (2017: Baht 0.8 million) was recognised as expenses.

29.2.2 The Company entered into technical and sale consultant agreements. Under the conditions of the agreements, the Company is to pay consultant fees on a monthly basis at rate stipulated in the agreements. In addition, the Company is to pay monthly commission fees as stipulated in the agreements. The fees for the year ended 31 December 2018 amounting to approximately Baht 8.4 million (2017: Baht 7.7 million) were recognised as expenses.

29.3 Capital commitments

As at 31 December 2018, the Company had capital commitments of Baht 9 million, USD 0.1 million and JPY 30 million (2017: Baht 2 million and JPY 64 million), relating to the acquisition of machinery, software and building utility system.

29.4 Electricity Purchase Agreement

The Company entered into an agreement with a company to purchase electricity in a specified quantity and at a stipulated price as defined in the agreement. The agreement period is 15 years and will expire in September 2029.

29.5 Guarantees

As at 31 December 2018, there were outstanding bank guarantees of Baht 4 million (2017: Baht 3 million) issued by a bank on behalf of the Company. These included letters of guarantee amounting to Baht 2 million (2017: Baht 2 million) to guarantee electricity use and Baht 2 million (2017: Baht 1 million) to guarantee contractual performance.

30. Fair value hierarchy

As at 31 December 2018 and 2017, the Company had the land which is stated at the revalued amount of Baht 91 million and the fair value hierarchy is level 3.

During the current year, there were no transfers within the fair value hierarchy.

31. Financial instruments

31.1 Financial risk management

Financial instruments of the Company and its subsidiaries, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, loan, trade and other payables, installment payables for purchase of machinery, liabilities under finance lease agreements, debenture 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 and loan 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 the 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, loan, installment payables for purchase of machinery, liabilities under finance lease agreements, debenture, 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 2018						
	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	-	-	-	28	-	28	0.050 - 0.375
Trade and other receivables	-	-	-	-	271	271	-
	-	-	-	28	271	299	
Financial liabilities							
Short-term loans from financial institutions	354	-	-	-	-	354	2.10 - 2.90
Trade and other payables	-	-	-	-	311	311	-
Installment payables for purchases of machinery	6	-	-	-	-	6	4.00
Liabilities under finance lease agreements	162	166	-	-	-	328	4.50 - 6.20
Long-term loans	-	-	-	341	-	341	Closed to THBFIX 1M
							Closed to THBFIX 6M and Closed to MLR
Debentures	-	215	-	-	-	215	7.15
	522	381	-	341	311	1,555	

(Unit: Million Baht)

	As at 31 December 2017						
	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	-	-	-	75	-	75	0.050 - 0.375
Trade and other receivables	-	-	-	-	243	243	-
	-	-	-	75	243	318	
Financial liabilities							
Short-term loans from financial institutions	167	-	-	-	-	167	2.10 - 2.52
Trade and other payables	-	-	-	-	201	201	-
Installment payables for purchases of machinery	21	6	-	-	-	27	3.00 - 4.00
Liabilities under finance lease agreements	84	132	-	-	-	216	4.89 - 9.45
Long-term loans	-	-	-	474	-	474	Closed to THBFIX 1M
							and Closed to MLR
Debentures	499	-	-	-	-	499	5.44
	771	138	-	474	201	1,584	

(Unit: Million Baht)

	As at 31 December 2017						
	Separate financial statements						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	64	-	64	0.050 - 0.375
Trade and other receivables	-	-	-	-	239	239	-
	-	-	-	64	239	303	
Financial liabilities							
Short-term loans from financial institutions	167	-	-	-	-	167	2.10 - 2.52
Trade and other payables	-	-	-	-	198	198	-
Installment payables for purchases of machinery	21	6	-	-	-	27	3.00 - 4.00
Liabilities under finance lease agreements	84	132	-	-	-	216	4.89 - 9.45
Long-term loans	-	-	-	474	-	474	Closed to THBFIX 1M and Closed to MLR
Debentures	499	-	-	-	-	499	5.44
	771	138	-	474	198	1,581	

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.

As at 31 December 2018 and 2017, 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	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	10.8	10.5	7.0	3.4	32.4498	32.6809
Japanese yen	-	-	12.5	6.9	29.3089	28.9806
					(per 100 Yen)	(per 100 Yen)

As at 31 December 2018 and 2017, foreign exchange contracts outstanding are summarised below.

As at 31 December 2018						
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date	
			Bought	Sold	Bought	Sold
	(Million)	(Million)	(Baht per 1 foreign currency unit)			
US dollar	0.9	0.5	32.3800 - 32.5400	32.5320 - 32.5380	February - June 2019	January 2019
Yen	27.0	-	29.3500 (per 100 Yen)	-	June 2019	-

As at 31 December 2017						
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date	
			Bought	Sold	Bought	Sold
			(Baht per 1 foreign currency unit)			
US dollar	0.5	0.8	32.5800 - 32.8980	32.5280 - 32.7250	April - May 2018	February - March 2018

As at 31 December 2018, the Company has outstanding option agreements with a local bank under which the Company has obligations to sell foreign currencies of USD 0.2 million at Baht 32.55 - 32.57 per USD 1.

31.2 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 carry interest at rates close to the market interest rate, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

32. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2018, the Group's debt-to-equity ratio was 1.24:1 (2017: 1.35:1) and the Company's was 1.25:1 (2017: 1.35:1).

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

33. Events after the reporting period

On 21 February 2019, the Company's Board of Directors Meeting No. 1/2562 passed a resolution to transfer statutory reserve of Baht 79,300,000 and share premium of Baht 514,608,864 to compensate for the Company's deficit as at 31 December 2018 of Baht 593,908,864. This resolution will be proposed for approval by the Annual General Meeting of the Company's Shareholders.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2019.

Remuneration for the Auditor

At the 2018 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, Ms. Vissuta Jariyathanakorn (Certified Public Accountant License No. 3853) and/or ;Mr. Termphong Opanaphan (Certified Public Accountant License No. 4501); and/or Ms.Manee Rattanabunnakit (Certified Public Accountant License No. 5313). The meeting also approved auditing remuneration for 2018 of 2,250,000 baht.

Auditing remuneration for the past three years (2016-2018)

Unit : Baht

	Year 2016	Year 2017	Year 2018
Audit fee	1,880,000	2,280,000	2,250,000

The Auditor

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Corporate information

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Reference Persons

The Stock Registrar

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

www.starsmicro.com



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