



ANNUAL REPORT 2019

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VISION , MISSION, STRATEGY AND QUALITY POLICY

The vision, mission and strategies for 2019 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.”

STRATEGY

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

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.

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.

**CORE
VALUE**

**4C
DO IT RIGHT &
DO IT NOW**

CUSTOMER FOCUS

**COST FUNCTIONAL
TEAMWORK**

COST AWARENESS

CREATIVITY



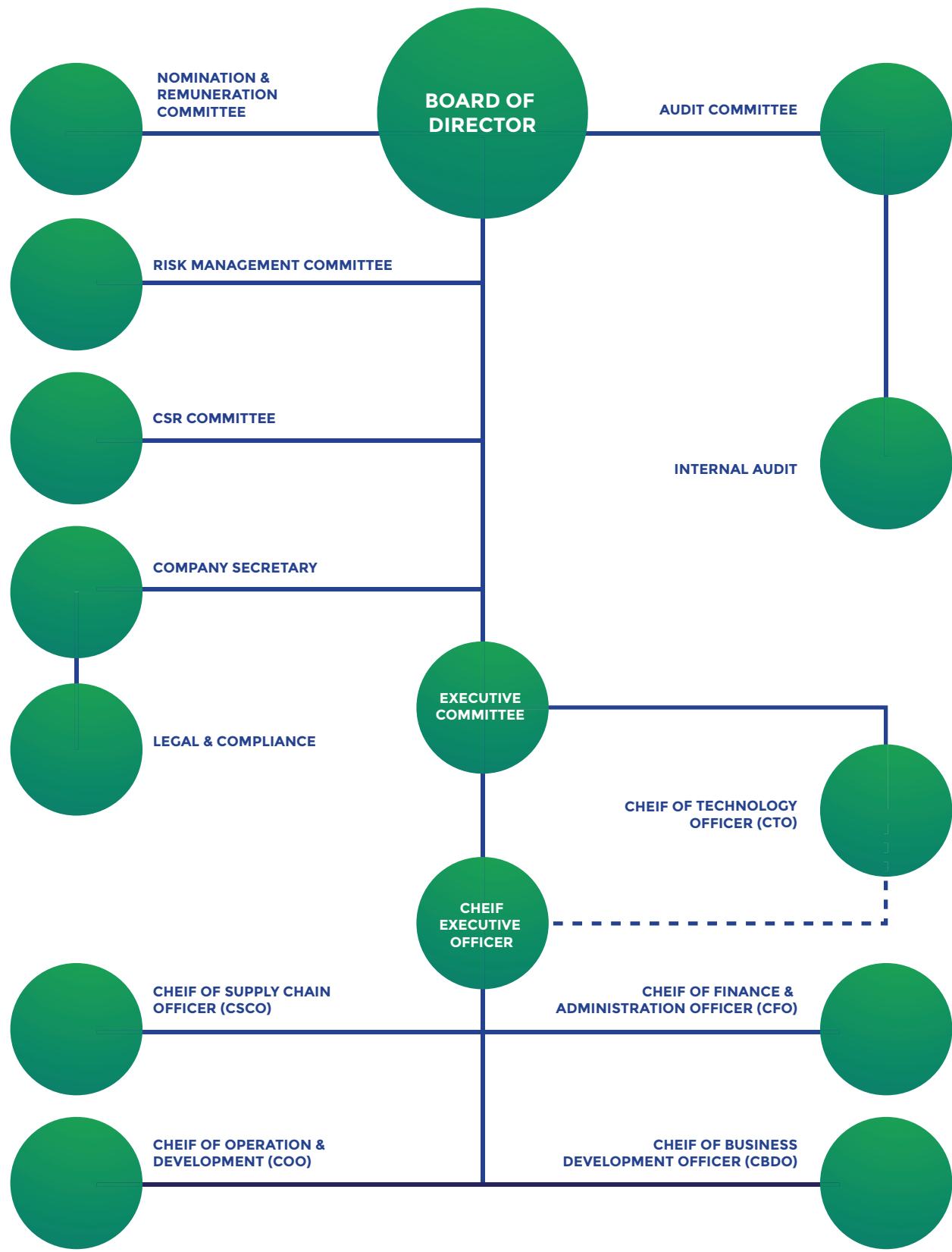
FINANCIAL HIGHLIGHTS

Consolidated financial statements	2019	2018	2017
(Unit: Thousand Baht)			
Total Revenue	1,819,344	1,811,311	1,901,459
Sales Revenue	1,783,143	1,765,659	1,853,763
Gross Profit	239,776	329,979	72,290
Operating Profit	(26,617)	87,082	(527,451)
EBITDA	280,476	387,402	-95,451
Net Profit (Loss) for the year	(41,885)	71,936	(546,947)
Total Assets	2,795,824	2,920,509	2,881,424
Net Fixed Assets	2,061,034	2,207,614	2,257,912
Total Liabilities	1,550,657	1,618,556	1,657,004
Shareholders' Equity	1,245,167	1,301,953	1,224,420
(Unit: Baht)			
Book Value per share**	1.49	1.56	1.46
Dividend per share	-*	-	-
(Unit: Time)			
Debt to Equity	1.25	1.24	1.35
(Unit: %)			
Net Profit (after tax) % Sales	-2.35%	4.07%	-29.50%
EBITDA Margin	15.73%	21.94%	-5.15%
Return on Assets	-1.47%	2.48%	-17.16%
Return on Equity	-3.29%	5.59%	-36.53%
Payout ratio (excl. exceptional items)	-*	-	-
(Unit: Share)			
Number of shares outstanding (year end)	836,479,231	836,478,966	836,475,966

* Omission of yearly dividend payment will be submitted to Annual General Meeting of Shareholders of 2020

** Calculated on number of shares as at year end

Organization Structure





MESSAGE FROM THE CHAIRMAN

I am extremely pleased and honored to have the opportunity to greet all shareholders on the occasion of the Annual General Meeting of Shareholders for 2020.

In the past year, the Company has experienced losses as shown in the financial statements. Although in the first and the second quarter, the Company witnessed continuous profits, but in the third quarter it was negatively impacted by the trade war between the United States and China causing significant decrease in revenue and losses. Nonetheless, the Company's performance has improved in the fourth quarter and it is expected that performance will continue to improve every quarter for the following year.

Although the Company has suffered losses in 2019, the Management has not been discouraged and has pursued new opportunities as a result of the trade war crisis – that is – to persuade customers from China to relocate their production bases to Thailand which met with success resulting in the Company having more customers. In addition, the Company has also pursuing the expansion of its customer-base both in the United States, Europe, Japan and China which will increase its future revenue.

In the name of the Board of Directors, I would like to assure that the Board will continue to closely monitor, control and advise the Management with determination and strength, while at the same time, maintain transparency and accountability in accordance with good corporate governance guidelines in order to achieve maximum benefits for shareholders. I would like to take this opportunity to thank the management team for the hard work, dedication and sacrifice towards improving Company's performance. Finally and most importantly, I would like to extend my most sincere thanks to each and every stakeholder who has endlessly given support to the Company's operation.

Yours sincerely,



(Prasart Yunibhand)
Acting Chairman



MESSAGE FROM CEO

It is my greatest pleasure to share with all our investors the company's performance as outlined in the 2019 Annual Report.

In 2019, the company posted a net profit in quarter 1 and quarter 2, however, the company experienced significant losses in quarter 3 as a result of the impact felt from the trade war between USA and China. Despite the losses, quarter 4 saw progress made to ensure long term success and growth.

In crises, there are always opportunities.

The trade war compelled prospective customers to move their production base from China to Thailand. As a result, we've received more customers that are expected to help the company grow into the future.

The company will also implement similar strategies to look for additional customers, expanding the customer base to Europe, Japan and other countries, as well as implement serious cost and expenses reduction. Consequently, I truly anticipate the company's performance to improve exponentially throughout the future.

I would like to thank all Shareholders and the Board of Directors for their unwavering support. I would like to thank all management members and staff for their diligent work. And I would like to thank all stakeholders for their good support.

Your support brings up morale for all staff including myself, which is a great boon assisting us to persevere through difficult times and come out ahead where we can all share in the projected sustainable success.

Yours sincerely,



(Peerapol Wilaiwongstien)
CEO

Board of Directors



Mr. Prompong Chaikul

Vice Chairman, Chairman of Executive Committee, Risk Management Committee Member and Chief Supply Chain Officer



Mr. Prasart Yunibhand

Acting Chairman and Nomination & Remuneration Committee Member



Associate Professor Dr. Preecha Jarungidanan

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



Associate Professor Dr. Aekkachai Nittayagasetwat

Independent Director, Audit Committee Member and Nomination & Remuneration Committee Member



Professor Dr. Kamphol Panyagometh

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



Mr. Nattapong Chaikul

Director and Executive Director



Mr. Yunyong Sawasdi

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

Management Team



Mr. Peerapol Wilaiwongstien
• Chief Executive Officer
• Executive Director



Mr. Prompong Chaikul
• Vice Chairman
• Chairman of Executive Committee
• Chief Supply Chain Officer
• Risk Management Committee Member



Mr. Yunyong Sawasdi
• Chief Financial Officer
• Executive Director
• Risk Management Committee Member
• Company's secretary



Dr. Tattee Khayim
• Chief Business Development Officer
• Executive Director
• Risk Management Committee Member



Mr. Chainarong Nimmantevin
• Chief Operations Officer
• Executive Director
• Risk Management Committee Member



Dr. Bodin Kasemset
• Chief Technology Officer
• Executive Director
• Risk Management Committee Member



Mr. Wijaya Klinkesorn
• Senior Director (Finance & Accounting)
• Executive Director
• Risk Management Committee Member



Mr. Preecha Bootwicha
• Senior Director (IC Operations)



Mr. Sommai Netpu
• Director (Engineering NPI & Qual Lot IC Packaging)



Dr. Pichit Saengpongpaew
• Director (Facility & Industrial Engineering)
• Risk Management Committee Member



Ms. Siriporn Pakdee

- Director (Supply Chain)
- Risk Management Committee Member



Mr. Koratak Weeradaecha

- Director (Finance)
- Risk Management Committee Member



Ms. Sunan Wongmutthavanich

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



Mr. Khajorn Thammajong

- Director (Business Development)
- Risk Management Committee Member



Mr. Somchai Binlae

- Director (Human Resources)
- Risk Management Committee Member



Mr. Wirutch Jeapiyasakul

- Assistant Director (IC-Test Operations)



Mr. Padth Sreepradid

- Assistant Director (IT Medical Solution)



Mr. Bonjong Sookprasarn

- Assistant Director (Quality Assurance)



Mr. Chatchai Ratcharun

- Assistant Director (Advance Packaging)



Mr. Thanai Juchim

- Assistant Director (Optical Operation BU)



Mr. Joseph Darroca Caliston

- Assistant Director (Business Development)



Mr. Marut Rodneam

- Assistant Director (Engineering (NPI))



Mr. Prasert Ajchariyawat

- Assistant Director (Information Technology)



Mr. Witaya Srisuwan

- Assistant Director (Operation)



Mr. Khaninwat Wichetnalinwong

- Assistant Director (Cost & Budget Control)

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. 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.

- System-in-Package (SIP): the company, 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 Processing is one of the key services for the company in the way that it provides a complete service for pre-assembly processes for both IC packaging and electronic device assembly, namely wafer probing, wafer back-grinding, wafer dicing and die delivery. Wafer can be in 6-inch, 8-inch and upcoming 12-inch form depending on customers' requirements. Wafer back-grinding service offers a mirror-like, ultra-strong wafers in different wafer thicknesses. For wafer dicing, there are 2 types of wafer dicing technologies offered: Mechanical Dicing and Stealth Dicing. The company is considered one of the top global service providers for laser dicing method (Stealth Dicing) to be able to achieve a few hundred thousand IC chips on one single wafer.

- Testing is a crucial process step in semiconductor and electronic manufacturing in which it ensures that the delivered products will be fully functional as expected. The company can provide both wafer-level testing and final testing on package- or module-level. A variety of testing equipment and handlers are available to offer full of flexibility for customers for their product testing and verification.

2. 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.

- Produce the Internet of Things (IoT) devices in the form of finished products which are ready for sale. The IoT devices use wireless signal.

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.

	Y 2017		Y 2018		Y 2019	
	Mil. Baht	%	Mil. Baht	Mil. Baht	%	Mil. Baht
Business Unit 1	1,557	84.0%	1,210	68.5%	899	50.4%
Manufacturing and Assembly for IC Packaging						
Business Unit 2	85	4.6%	155	8.8%	234	13.1%
Manufacturing and Assembly for PCBA&BOXBUILD						
Business Unit 3 & 4	211	11.4%	400	22.7%	650	36.5%
Manufacturing of Optical Communication Devices and Other Optical Devices with Similar Assembly Technologies						
Total sales revenue	1,854	100%	1,766	100%	1,783	100%

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, business allies and the company's market representatives.

Revenue Structure

	2017		2018		2019	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales and Service Income						
IC PACKAGING	1,557,308	81.90%	1,210,130	66.81%	899,243	49.43%
PCBA AND BOXBUILD	84,980	4.47%	155,449	8.58%	233,943	12.86%
OPTICS	211,475	11.12%	400,079	22.09%	649,957	35.72%
Total sales and Service Income	1,853,763	97.49%	1,765,659	97.48%	1,783,143	98.01%
Other Income	47,696	2.51%	45,653	2.52%	36,201	1.99%
Total Revenues	1,901,459	100.00%	1,811,311	100.00%	1,819,344	100.00%

Value Added Structure

	2017		2018		2019	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Value Added						
IC PACKAGING	1,019,057	91.60%	853,402	80.39%	635,457	64.39%
PCBA AND BOXBUILD	31,968	2.87%	65,595	6.18%	82,151	8.32%
OPTICS	61,492	5.53%	142,614	13.43%	269,221	27.28%
Total Value Added	1,112,517	100.00%	1,061,611	100.00%	986,829	100.00%

Value Added (VA) = Sales - Raw Material

Annual full production capacity

Products	Capacity per year (Million Units)
IC	2,125
PCBA & BOXBUILD	54
OPTICS Device	0.374
Total	2,179

Shareholding Structure

Shareholders

The Company's shareholding structure as of 31 December 2019 featuring the Top 10 shareholders can be summarized as below:

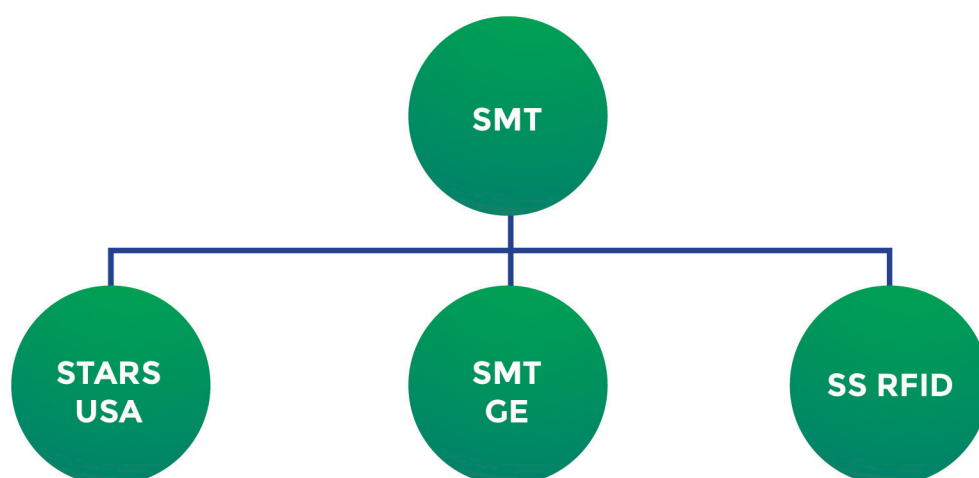
Top Ten Major Shareholders

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	48,313,000	5.776
4	SIIX EMS (THAILAND) CO., LTD.	41,495,962	4.961
5	Mr. Somnuk Chaikul	34,402,644	4.113
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	20,521,000	2.453
10	Thai NVDR Company Limited	16,503,257	1.973
	Other	445,539,094	53.263
	Total	836,479,231	100.000

Note: The Company's paid-up capital as of 31st December 2019 was 836,479,231 baht.

Shareholding Structure

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 2019, there were the following important changes and developments in the company:

- 1) The company received the 2019 Thailand Energy Award for outstanding executive of the controlled factory from the Ministry of Energy.
- 2) The company received the 2019 Prime Minister's Industrial Award for outstanding industry and energy management from the Ministry of Industry.
- 3) The company received a "very good" score of CG Score of Thai listed companies.
- 4) The company received "CSR-DIW" from the Department of Industry Works, Ministry of Industry. The Company has received this award continuously

for many years. This reward is given to the companies that are responsible for society consistently and sustainably.

- 5) The company has established the technology department to prepare for the company's future growth
- 6) The Board of Directors has appointed the nomination committee by assigning the current remuneration committee to act as the nomination committee and change the name of the committee to be the "Nomination and Remuneration Committee".

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

Revise BOI Nor Ror 1307/025304 dated 12 October 2016

Type of business granted BOI

Manufacture of electronic components including Semiconductor and PCBA

Summary of requirements, rights and privileges, and conditions

- The company is exempt from corporate income tax for section not be no more than 3,291,400,400 baht and not more than 150 percent business operation.

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

Issue No. Nor Ror 1307/007613 date 30 March 2015

Issue No. Nor Ror 1307/016362 date 12 July 2016

- 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:**

WAFER GRINDING and WAFER DICING 172,572 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 2019)

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: 836,479,231 baht consisting of 836,479,231 shares with 1.00 baht par value per share

• 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.

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, 2019, 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.

• 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	2019
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 2020

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

As one of the key competitive advantages for business players in semiconductor outsourcing and electronic manufacturing services, the company recently promoted new R&D activities across the company such as technology roadmapping, advance technology and application survey, invention disclosure, patents, etc. Beyond manufacturing processes and equipment technologies, we expand our R&D areas into advance semiconductor materials, system-in-package, as well as breakthrough form functions of our products.

Not only running R&D activities internally, but SMT also work closely with external partners and research institutes including our customers, both national and international to acquire new technologies and knowhow to bring into our products and services.

Abovementioned R&D activities will ensure our competitive advantages in the market, strong collaboration with our customers and research institutes, quality best-in-class and customer's satisfaction for our long-term business sustainability.

Corporate Social Responsibility

The company implemented the CSR-DIW 2019 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.

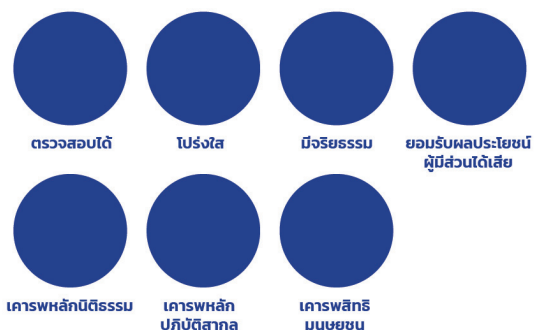
Regarding the environment

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.

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

หลักการความรับผิดชอบต่อ 7 หลักในการปฏิบัติ



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.

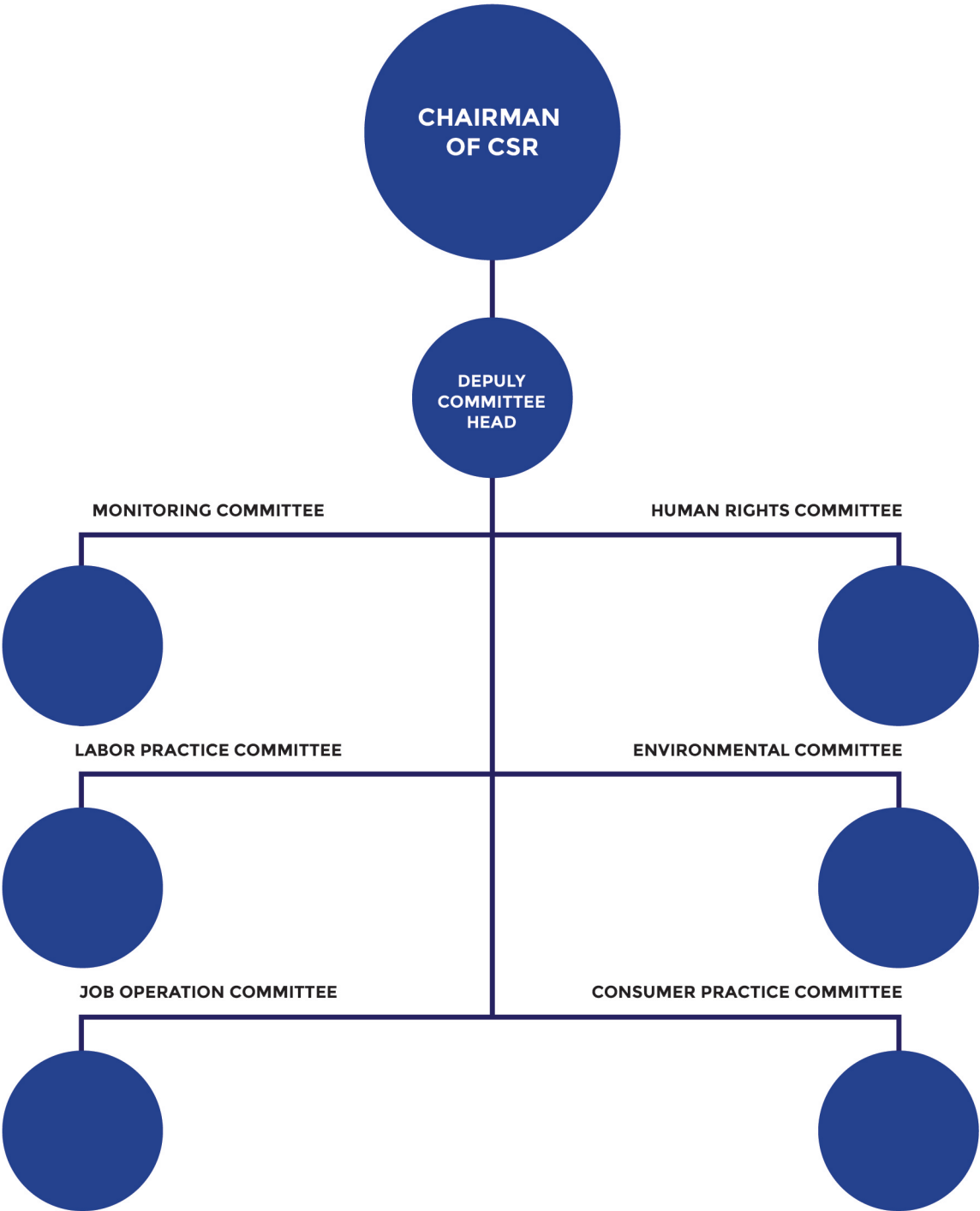
The company has directions to reduce using energy, raw materials and focus on producing environmental-friendly products. The company will develop new innovations, which are useful for the company and society responsibly at the individual level, organization level and country level sustainably.

โครงการ CSR-DIW

Corporate Social Responsibility,
Department of Industrial Works :
CRS-DIW

ภายใต้การดำเนินงานของ
กรมโรงงานอุตสาหกรรม

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 Committee.

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 2019 the company performed activities that benefited society, community and environment (CSR-after process) as follows.

In 2019, the company conducted the following CSR activities:

1. Blood donation activity

In order for the employees to provide benefits for the public, the company and Ayutthaya hospital jointly organized blood donation activities for the management members and staff every three months.

2. Community development and donation of drinking water

From 2018-2019 the company donated drinking water to activities organized by public and private organizations. Sometimes the company's volunteers joined the activities such follows:

1. Donating drinking water to charity running activity, HRH Princess Maha Chakri Sirindhorn Medical Center.
2. Donating drinking water to people affected by the flood in Ubolrachathanee province
3. Donating the blood pressure monitors to Bang Pa-In hospital, Ayutthaya province.



4. Donating water purifiers to Tanyaburi Home For Protect (Women), Patumthanee province.
5. Donating drinking water to charity running activity, Chonprathan hospital, Nonthaburee province.
6. Donating drinking water to the disabled people who can't help themselves at Community Development Work, Subdistrict Administration organization, Phaipra subdistrict, Bang-sai, Ayutthaya province.
7. Donating drinking water to travellers during Songkran festival to Department of Disaster Prevention and Mitigation, Ayutthaya province.
8. Improving Watkampaeng School's Children's playground.
9. Repairing and donating playing facilities for Watkampaeng school's children's playground.

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

In order for the operation of Stars Microelectronics (Thailand) Public Company Limited to be in line with good governance and ethics of the Electronics Industry Citizenship Coalition (EICC) 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@stars-micro.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.

The company has set the direction as follows:

1. 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 EICC (ELECTRONIC INDUSTRY CODE OF CONDUCT) 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 2019 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 2019, 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 2019, 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



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 2019, the company followed corporate good governance practices as follows:

1. Rights of Shareholders and Shareholders Meeting

<p>The company's 2019 Annual General Meeting was held on Monday, 29 April 2019 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.</p>	<p>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.</p> <p>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.</p>
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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 2019 shareholders' annual general meeting, 6 out of 7 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 of Fax to the Investor Relation of the company. The company takes minutes detailing completely and accurately the meeting agenda, meeting content, voting results for each agenda item, shareholders meeting's resolutions, issues raised, opinions, and directors and executives' clarifications. The report of the shareholders' meeting are completed within seven days of the shareholders' meeting and kept properly for shareholders' review and investigation.

In addition to the rights to vote at the meeting of shareholders, The shareholders still are entitled fundamental rights more, including a share of the earnings/Dividends are equally, the rights to be

treated equally in the purchase of shares by the company etc, which are fundamental rights scheduled to law already.

2. Equitable Treatment of Shareholders

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

(1) The company always conducts the shareholders' meeting according to the agenda detailed in the invitation letter. No item shall be added without advance notice unless it is totally necessary. This is especially true in cases regarding important agenda items where shareholders need time to study the information before making decisions.

(2) At least one independent director is nominated as a proxy alternative for shareholders. Shareholders are also informed of the interests each director has in a particular agenda item, for example, the appointment of directors to replace those who have completed their term.

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

(4) The chairperson of the meeting allocates time for shareholders to express their opinions. In the 2019 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 2019, 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.

The company set the policy that the Board of Director must report buy-sell share's of the company every times (include wife & underage children) within 7 days after buy-sell date. Must send the report to the company's secretary for report the Board.

3. Rights of Stakeholders

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

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

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

Trading partners and creditors : The company has a policy to treats 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.

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.

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

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

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

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 2019 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 2019, 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 2019, the company's Board consists of six directors, three of them are independent directors two management's directors and 1 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 six committees: the Board of Directors, Executive Committee, Audit Committee, Nomination & Remuneration Committee, Risk Management Committee and CSR 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 2019.

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 2019, the company had change Board of Directors as:

1. Mr. Somnuk Chaikul , resignation from Chairman and Chairman of the executive committee due to his health problems, which was effective since November 1, 2019.

2. Mrs. Poonpun Chaikul , resignation from Director due to her health problems, which was effective since November 1, 2019.

3. To appoint new Director Mr. Nattapong Chaikul to be director replacing Mrs. Poonpun Chaikul, which was effective since November 7, 2019. The term of his position is 2 years 5 months.

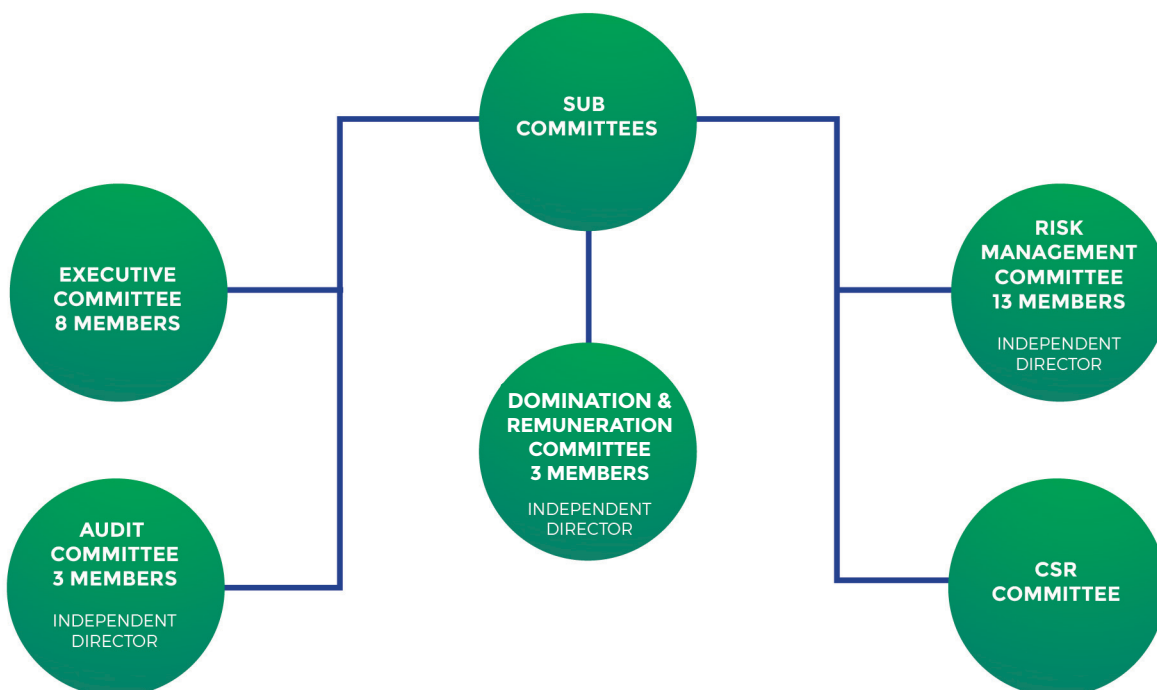
4. To appoint Mr. Prasart Yunibhand to be acting Chairman, which was effective since November 7, 2019.

5. To appoint Mr. Prompong Chaikul to be Vice Chairman, which was effective since November 7, 2019.

The 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.

In year 2019, the Board of Director had approve to appoint The Nomination & Remuneration Committee which had duties to Nominated new director and the top management (Chief level up).

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 2019, 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. 1/2563 on 20 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 Director of Internal Audit Department. In year 2019, 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 2019, 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 2019 shareholders' annual general meeting on 29 April 2019, the meeting approved the maintenance of the 2019 Board of Directors remuneration as approved by the shareholders' annual general meeting in 2018 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 2018 and on 31 December 2019, remuneration for directors baht 2,783,000 and 2,877,800 baht respectively in the form of monthly compensation and attendance fees as detailed below.

(unit:Baht)

Director Name	Fiscal year 2018 ending December 31 st , 18		Fiscal year 2019 ending December 31 st , 19	
	Attendance fee (baht/year)	Meeting fee (baht/year)	Attendance fee (baht/year)	Meeting fee (baht/year)
1. Mr. Somnuk Chaikul	432,000	15,000	360,000	15,000
2. Mr. Prompong Chaikul	288,000	20,000	288,000	20,000
3. Mr. Chong Kwen Sam***	120,000	-	-	-
4. Mr. Prasart Yunibhand	288,000	25,000	309,600	25,000
5. Assoc. Prof. Dr. Preecha Jarungidanan	432,000	40,000	432,000	45,000
6. Mrs. Poonpun Chaikul	288,000	10,000	240,000	15,000
7. Assoc. Prof. Dr. Aekkachai Nittayagasetwat	360,000	45,000	360,000	45,000
8. Prof. Dr. Kamphol Panyagometh	360,000	60,000	360,000	60,000
9. Mr. Nattapong Chaikul	-	-	43,200	-
Total	2,568,000	215,000	2,652,800	225,000

2018 & 2019 Change of Board as:

1. Mr. Chong Kwen Sam requested to resign from the Company's director effective from Jun 1, 2018 onwards.
2. Mr. Somnuk Chaikul and Mrs. Poonpun Chaikul requested to resign from the Company's director effective from Nov 1, 2019 onwards.
3. Mr. Nattapong Chaikul to be director effective from Nov 7, 2019 onwards

Remuneration- Other

Non-monetary Remuneration

2. Remuneration for Managements

(unit:Baht)

Remuneration	Fiscal year 2018 ending December 31st, 18		Fiscal year 2019 ending December 31st, 19	
	Of recipients	Total Payment	Of recipients	Total Payment
Total Salary	5	18,514,560	6	22,317,799
Total Bonus	5	1,542,880	6	1,917,641
Provident Fund	5	1,366,716	6	1,548,113
Total		21,424,156		25,783,553

Human Resources

As of 31 December 2018 and 31 December 2019, the number of employees (excluding executives) divided according to their major fields of work were as follows:

(unit: Person)

	As of December 31st, 18	As of December 31st, 19
1. Operations & Development	1,004	977
2. Supply chain	86	62
3. Finance & Administration	68	41
4. Business Development	64	27
5. Technology	-	5
Total	1,222	1,112

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 2019, 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, Six Sigma, RBA Risk Assessment, ISO 14001:2015 & OHSAS, ISO 13485:2016 Requirements & Internal Audit , ISO 13485 Process Validation , Requirements of ISO 14001, ISO 45001 and Internal Auditor of 14001:2015 and 45001:2018

In 2019, the company organized training courses to develop executives and employees. The company invited guest lecturers from outside. In 2019, 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	40 hours
RBA Risk Assessment	Officer Level-Management Level	7 hours
ISO 14001:2015 & OHSAS	Officer Level-Management Level	7 hours
ISO 13485:2016 Requirements & Internal Audit	Officer Level-Management Level	20 hours
ISO 13485 Process Validation	Officer Level-Management Level	12 hours
Requirements of ISO 14001, ISO 45001	Officer Level-Management Level	12 hours
Internal Auditor of 14001:2015 and 45001:2018	Officer Level-Management Level	6 hours

Related Party Transactions

In 2019, 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



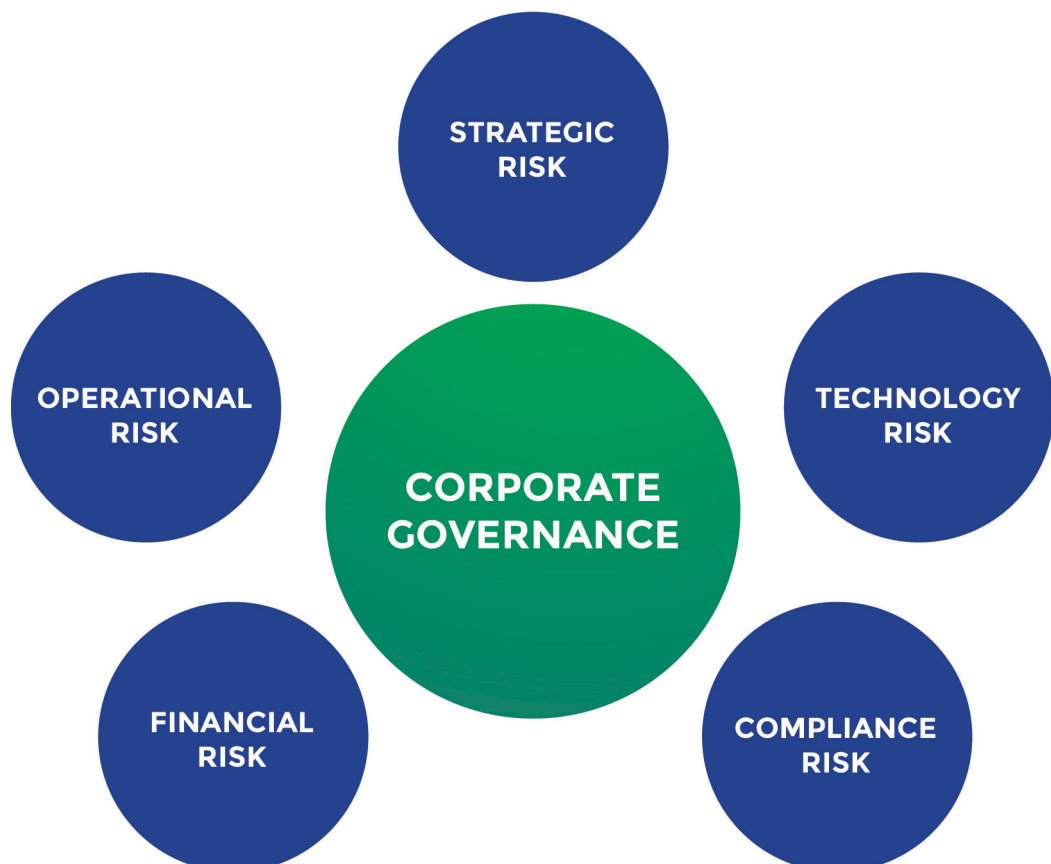
Enterprise Risk Management

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 2019, the RMC held 4 meetings and reported the progress and obstacles to the Audit Committee meetings and the Board of Directors' meetings. In 2019, 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 develops 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 Board of Directors





Mr. Prompong Chaikul

Position : Vice Chairman , Chairman of Executive Committee , Risk Management Committee Member and Chief Supply Chain Officer

Age 33 years

Percentage of Shareholding as of December 31, 2019

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:

- Vice Chairman, Chairman of Executive Committee , Risk Management Committee Member and Chief Supply Chain 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: Acting Chairman and Nomination & Remuneration Committee Member

Age 72 years

Percentage of Shareholding as of December 31, 2019

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:

- Acting Chairman and Nomination & 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

Associate Professor

Dr. Preecha Jarungidanan

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

Age 72 years

Percentage of Shareholding as of December 31, 2019

- none -

Educational Background

- Doctor of Philosophy (Ph.D.) in Economics, Major in Monetary Theory,

University of Missouri (Columbia) USA.

- Master of Economics, Major in Public Finance, California State University,

Long Beach, USA.

- Bachelor of Economics, Major in Finance and Banking, Thammasat University

Work Experience

Present:

- Independent Director and Chairman of Audit Committee and Chairman of Nomination & 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 Nomination & Remuneration Committee Member

Age 57 years

Percentage of Shareholding as of December 31, 2019

- 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 Nomination & 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



Past:

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

Training History

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



Professor Dr. Kamphol Panyagometh

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

Age 47 years

Percentage of Shareholding as of December 31, 2019

- 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
- Independent Director, Audit Committee Member of Prime Road Power 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



Mr. Nattapong Chaikul

Position: Director and Executive Director

Age 24 years

Percentage of Shareholding as of December 31, 2019

5.78 %

Educational Background

- Master Degree in Management (Distinction), University College London, United Kingdom
- Bachelor of Chemical Engineering (Upper Second-Class Honours), University College London, United Kingdom

Work Experience

Present:

- Director and Executive Director of Stars Microelectronics (Thailand) Public Company Limited
- Director and Executive Director of SMT Biomass Co.,Ltd
- Director and Executive Director of Key Stars Property Company Limited
- Director and Executive Director of Cheeva Rice Company Limited
- Director and Executive Director of Kullapassorn Company Limited

Training History

- Director Accreditation Program (DAP), Class of 167/2019, Thai Institute of Directors
- Business Analysis Course, Chulalongkorn University

Management Structure



Management Structure

Board of Directors

At present, the company's Board of Directors comprises 6 members (at part have 7 members , Mr. Somnuk Chaikul and Mrs. Poonpun Chaikul requested to resign from the Company's director effective from November 1, 2019 onward), Mr. Nattapong Chaikul to be director effective from November 7, 2019 onwards,

2 of whom are executives, 3 independent directors, and 1 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. Prasart Yunibhand	Acting Chairman and Nomination & Remuneration Committee Member
2	Mr. Prompong Chaikul	Vice Chairman, Chairman of Executive Committee and Risk Management Committee Member
3	Associate professor Dr. Preecha Jarungidanan	Independent Director, Chairman of the Audit Committee and Chairman of Nomination & Remuneration Committee
4	Associate professor Dr. Aekkachai Nittayagasetwat	Independent Director ,Audit Committee Member and Nomination & Remuneration Committee Member
5	Professor Dr. Kamphol Panyagometh	Independent Director, Audit Committee Member and Chairman of Risk Management Committee
6	Mr. Nattapong Chaikul	Director and Executive Director

Mr. Yunyong Sawasdi is the Company's Secretary

The six 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 3, 4 and 5

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 Nomination & Remuneration Committee
- The Risk Management Committee

The Executive Committee

Executive Committee comprises 8 Directors

	Name of Director	Position
1	Mr. Prompong Chaikul	Chairman of the Executive Director
2	Mr. Peerapol Wilaiwongstien	Executive Director
3	Mr. Yunyong Sawasdi	Executive Director
4	Dr. Tattee Khayim	Executive Director
5	Mr.Chainarong Nimmantevin	Executive Director
6	Dr.Bodin Kasemset	Executive Director
7	Mr. Wijaya Klinkesorn	Executive Director
8	Mr. Nattapong Chaikul	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 subcommittee, 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.

Nomination & 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 Nomination & 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 nomination & remuneration of the Chief Executive Officer.
- The Board of Directors proposes the nomination & remuneration of Directors at the shareholders' meeting for approval.

The Company's Nomination & Remuneration Committee comprises the following three members:

	Name of remuneration director	Position
1	Associate Professor Dr. Preecha Jarungidanan	Chairman of Nomination & Remuneration Committee
2	Mr. Prasart Yunibhand	Nomination & Remuneration Committee Member
3	Associate professor Dr. Aekkachai Nittayagasetwat	Nomination & Remuneration Committee Member

Chairman of The Nomination & Remuneration Committee is an Independent Director.

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

Organization and appointment

- The Board of Directors considers the appointment of the Nomination & Remuneration Committee.
- The Nomination & Remuneration Committee comprises at least three members with the majority being independent directors.

- The chairman of the Nomination & Remuneration Committee to be appointed must be an independent director.

- The company's secretary shall be the Nomination & Remuneration Committee's secretary with the duty to provide support to ensure the Nomination & Remuneration Committee's operations run smoothly.

Term of Office

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

Duties and responsibilities

The Nomination & 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

Duties and responsibilities of Nomination Committee

- 1) Consider the structure of the company's Board of Directors in terms of numbers of directors that are suitable for the company's size, type and complexity of business, qualifications of each director in skills, experiences, specific capabilities related to the business and the main industry in which the company operates.
- 2) Consider the qualifications of the candidates who will be the company's independent directors to be suitable for the company. The independence must comply with the rules and regulations of the Securities and Exchange Commission (SEC).
- 3) Set the principles and methods of recruitment of candidates to be appointed the company's directors to be suitable for the company such as the principle to consider the current directors to continue their terms, principle to announce in public to recruit the directors, principle to allow the shareholders to propose the directors, principle to hire the head hunters to recruit the directors, principle to consider the professional directors or principle to allow each director to propose the suitable candidates.
- 4) Conduct the plan to develop the directors to train current directors and new directors on the company's business which includes the roles and duties of directors and important developments such as industry situations and rules and laws related to company's business.
- 5) Conduct the company's succession plan and conduct the plan to develop the Chairman of the Executive Committee, Chief Executive Officer (CEO), Chiefs and members of the top management continuously to have the successors in case the above mentioned positions retire or cannot perform their duties to ensure the company runs continuously.
- 6) Propose the principle to recruit the company's directors, independent directors, directors of sub-committees, top management members, CEO, Chiefs and top management members of Finance & Accounting department.

7) Recruit, select and propose the qualified candidates to hold the top management positions to the Board of Directors to consider appointing and fixing the remuneration.

8) Propose the principles, methods and steps to evaluate the performance of top management members.

9) Evaluate the performance of the company's directors, sub-committee's directors and top management members.

10) Others related to nomination and assigned by the Board of Directors.

Meetings

1. The Nomination & Remuneration Committee shall hold a meeting at least once a year as necessary and appropriate.

2. The Nomination & 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 Nomination & Remuneration Committee in advance prior to the meeting.

4. To form a quorum, no less than half of the Nomination & Remuneration Committee members must be present.

5. The Nomination & Remuneration Committee's meeting resolutions are reached according to the majority of votes of the committee members attending the meeting. Members with interests in any matter shall not consider or pass a resolution therein.

Reporting

The Nomination & 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 Nomination & Remuneration Committee

2. the number of meetings held

3. the number of times each Nomination & 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 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	Dr.Bodin Kasemset	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
13	Mr.Somchai Binlae	Risk Management Committee Member

Chairman of Risk Management Committee are Independent Director

Components

1. The company's Board of Directors consider and appoints the Risk Management Committee.

2. The Risk Management Committee comprises independent directors and no less than five top level executives from major division of the company.

3. The term of office is of two types:

- For independent directors, the term of office for the position is three years. Pertaining to this, the director whose term has been completed may be chosen to resume the position in the committee. In the case where a committee member resigns of a position becomes vacant before the term is over, the Board of Directors may appoint another independent director to hold the position for the rest of the term of office of the committee member replaced.

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

Duties and responsibilities

1. Set risk management policies and plans, prepare risk reports for submission to the Board of Directors for consideration and approval in determining appropriate risk management plans and implementation within the company.

2. Study, evaluate and follow up on the risks that may emerge as well as set policies and an Integrated Risk Management framework to cover major risks both from internal and external factors including the following:

2.1 internal factor

- Business risk
- Financial risk
- Operation risk

2.2 external factor

- Economic risk
- Regulatory / Political risk etc.

3. Supervise and follow up regularly on the implementation of risk management policies to ensure efficient and continuous risk management practices.

4. Review and check risk management reports regularly to follow up on significant risk and to see to that the risks are management adequately and properly.

5. Provide regular reports to the Board of Directors regarding risks, risk management, as well as the risk situations the company faces, and improvements or corrections needed to be in accordance with the set risk management policies

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

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

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

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

The Risk Management Committee 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 2019 shareholders' annual general meeting

	Name list	Attendance in Board of Director Meeting	Attendance in Audit Committee Meeting	Attendance in Nomination & Remuneration Committee Meeting	Attendance in Risk Management Committee Meeting	Attendance in Shareholders' Annual General Meeting '2018
1	Mr.Somnuk Chaikul	3/4	-	-	-	0/1
2	Mr. Prompong Chaikul	4/4	-	-	3/4	1/1
3	Mr. Prasart Yunibhand	4/4	-	1/1	-	1/1
4	Mrs. Poonpun Chaikul	3/4	-	-	-	1/1
5	Associate professor Dr. Preecha Jarungidanan	4/4	4/4	1/1	-	1/1
6	Associate professor Dr. Aekkachai Nittayagasetwat	4/4	4/4	1/1	-	1/1
7	Professor Dr. Kamphol Panyagometh	4/4	4/4	-	4/4	1/1
8	Mr. Nattapong Chaikul	1/1	-	-	-	-

**Annual General Meeting year 2019 on 29 April 2019

***Mr. Somnuk Chaikul and Mrs. Poonpun Chaikul requested to resign from the Company's director effective from November 1, 2019 onward), Mr. Nattapong Chaikul to be director effective from Nov 7, 2019 onwards,

Board of Directors' meetings

The company has already set the dates for the Board of Directors' meeting and the Audit Committee's meetings for 2020 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 Nomination & 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

The Nomination & Remuneration Committee will responsibility 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.

In the Year 2019, Mr. Nattapong Chaikul , new Director had Orientation by the Company's secretary and pass take cause of DAP 167/2019 from IOD at 11 November 2019.

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 2019, 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 2019, 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 2019 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 2019, 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 2019 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 2019, 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 Nomination & Remuneration Committee

Dear Shareholders,

The Nomination & 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 Nomination & Remuneration Committee is appointed from the independent directors.

1	Associate Professor Dr. Preecha Jarungidanan	Chairman of Nomination & Remuneration Committee
2	Mr. Prasart Yunibhand	Nomination & Remuneration Committee Member
3	Associate Professor Dr. Aekkachai Nittayagasetwat	Nomination & Remuneration Committee Member

The Nomination & Remuneration Committee has performed its duties and responsibilities independently as prescribed in the Nomination & 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 2019, the Nomination & Remuneration Committee held two meeting with full attendance of the three Nomination & Remuneration Committee members to consider and determine the annual retainer fee and the meeting attendance fee. Also in 2019, the Nomination & 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 Nomination & Remuneration Committee considered both fees for 2019, 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 2018 Annual General shareholders' meeting. The details of the Nomination & Remuneration for the members of the company's Board of Directors and the sub-committees' members are shown in the part of the Nomination & Remuneration for the members of the Board of Directors of this annual report.



(Associate Professor Dr. Preecha Jarungidanan)
Chairman of the Nomination & 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 2019 are correct and believable according to the generally accepted accounting standard.



Mr. Prasart Yunibhand
Acting Chairman

Management Discussion and Analysis

The 2019 operating results, as compared to 2018, for Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries ("Group Company") have been summarized in the table below;

The operating results in 2019 in comparison with 2018

	2019		2018		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Sales and service income						
- Sales from IC	899,243	50.43	1,210,130	68.54	(310,887)	(25.69)
- Sales from PCBA and BOXBUILD	233,943	13.12	155,449	8.80	78,493	50.49
- Sales from OPTICS	649,957	36.45	400,079	22.66	249,878	62.46
Total sales and service income	1,783,143	100.00	1,765,659	100.00	17,484	0.99
Cost of sales and services	1,543,367	86.55	1,435,680	81.31	107,687	7.50
Gross profit (loss)	239,776	13.45	329,979	18.69	(90,203)	(27.34)
Selling expenses	72,322	4.06	66,462	3.76	5,861	8.82
Administrative expenses	194,071	10.88	176,436	9.99	17,635	10.00
Operating profit (loss)	(26,617)	(1.49)	87,082	4.93	(113,699)	n.a.
Other income						
Gain on exchange	8,904	0.50	4,345	0.25	4,558	104.91
Revenue from scrap sales	16,550	0.93	15,900	0.90	650	4.09
Others	10,747	0.60	25,407	1.44	(14,660)	(57.70)
Gain (loss) before finance cost and income tax expenses	9,584	0.54	132,734	7.52	(123,151)	(0.93)
Finance cost	53,524	3.00	59,567	3.37	(6,044)	(10.15)
Gain (loss) before income tax expenses	(43,940)	(2.46)	73,167	4.14	(117,107)	n.a.
Income tax benefits (expenses)	2,055	0.12	(1,231)	(0.07)	3,286	n.a.
Gain (loss) for the year	(41,885)	(2.35)	71,936	4.07	(113,821)	n.a.
Depreciation and amortization	270,892	15.19	254,668	14.42	16,224	6.37
EBITDA	280,476	15.73	387,402	21.94	(106,927)	(27.60)

The above performance results for 2019 and 2018 derived from the following factors:

Sales and Service income

The Company reported revenue from sales and services of 1,783.14 million Baht which increased by 17.49 million Baht, or 0.99%, from the previous year. The decreasing of IC sales were pressured by the trade war policy between USA and China while OPTICS sale continues to grow.

Cost of Sales and Gross Profit

Total cost of sales and services was 1,543.37 million Baht, increased by 107.69 million Baht, or 7.50% from the same period of previous year due to extra expenses from the staff reduction program according to the decrease in production and additional long-term employee benefit liabilities from operation. Meanwhile, gross profit was 239.78 million Baht, decreased by 90.20 million Baht, or 27.34% from the same period of previous year.

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

The Company reported EBITDA of 280.48 million Baht, decreased by 106.93 million Baht or 27.60%.

Selling and Administrative Expenses

Selling and administration expenses was 266.39 million Baht, increased by 23.50 million Baht or 9.67% from the same period of previous year due to extra expenses from the staff reduction program according to the decrease in production and additional long-term employee benefit liabilities from administration.

Other incomes and expenses

The Company reported other incomes of 36.20 million Baht, decreased 9.45 million Baht or 20.70% from the previous year.

The Company reported finance costs of 53.52 million Baht, decreased by 6.04 million Baht, or 10.15% from the previous year.

Financial Position

At the end of 31 December 2019, the Company and subsidiary reported assets, liabilities and shareholder's equity compared to 31 December 2018 as below.

	2019		2018		Increase (Decrease)	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Cash and cash equivalents	126,651	4.53	27,941	0.96	98,710	353.28
Trade and other receivables	254,320	9.10	271,095	9.28	(16,776)	(6.19)
Inventories	294,428	10.53	345,569	11.83	(51,142)	(14.80)
Total current assets	697,211	24.94	675,200	23.12	22,011	3.26
Property, plant and equipment	2,061,034	73.72	2,207,614	75.59	(146,579)	(6.64)
Total non-current assets	2,098,613	75.06	2,245,310	76.88	(146,697)	(6.53)
Total assets	2,795,824	100.00	2,920,509	100.00	(124,686)	(4.27)
Bank overdrafts and short-term loans from financial institutions	489,719	17.52	353,851	12.12	135,868	38.40
Trade and other payables	239,952	8.58	310,941	10.65	(70,989)	(22.83)
Current portion of long-term loans	145,820	5.22	136,580	4.68	9,240	6.77
Total current liabilities	1,267,472	45.33	981,119	33.59	286,353	29.19
Long-term loans, net of current portion	63,250	2.26	204,320	7.00	(141,070)	(69.04)
Bonds	0	0.00	214,862	7.36	(214,862)	(100.00)
Total non-current liabilities	283,185	10.13	637,437	21.83	(354,253)	(55.6)
Total liabilities	1,550,657	55.46	1,618,556	55.42	(67,900)	(4.20)
Total shareholders' equity	1,245,167	44.54	1,301,953	44.58	(56,786)	(4.36)

Assets

At the end of 2019, the Company reported assets of 2,795.82 million Baht, decreased by 124.69 million Baht or 4.27% from the end of 2018.

Liabilities and shareholders' equity

At the end of 2019, the Company reported liabilities of 1,550.66 million Baht, decreased by 67.90 million Baht or 4.20% from the end of 2018.

At the end of 2019, the Company reported shareholder's equities of 1,245.17 million Baht, decreased by 56.79 million Baht or 4.36% from the end of 2018.

Sources and Uses of Fund

	2019	2018	Increase (Decrease)
	Thousand Baht	Thousand Baht	Thousand Baht
Net cash flows from (used in) operating activities	258,797	270,002	(11,204)
Net cash flows from (used in) investing activities	(133,493)	(174,424)	(40,930)
Net cash flows from (used in) financing activities	(26,594)	(142,675)	(116,082)
Net increase (decrease) in cash and cash equivalents	98,710	(47,097)	145,808
Cash and cash equivalents at beginning of year	27,941	75,038	(47,097)
Cash and cash equivalents at end of year	126,651	27,941	98,710

The Company and its subsidiaries reported net cash in the year 2019 of 98.71 million Baht, increased by 145.81 million Baht from the previous year.

The Company and its subsidiaries reported net cash flows from operating activities of 258.80 million Baht, decreased by 11.20 million Baht while net cash flows from investing activities of 133.49 million Baht, decreased by 40.93 million Baht. This was mainly from the capacity of production was adequate to the current needs. The Company and its subsidiaries reported net cash flows used in financing activities of 26.59 million Baht, decreased by 116.08 million Baht due to no debenture redemption and less maturity of long term debt compared to previous year.

Financial Ratio

Financial Ratio	2019	2018	Unit
1. Current Ratio	0.55	0.69	time
2. Quick Ratio	0.30	0.30	time
3. Number of Days Receivables	53.77	53.15	day
4. Numbr of Days Inventory	75.68	75.22	day
5. Number of Days Payables	65.14	65.14	day
6. Cash cycle	64.31	63.23	day
7. Gross profit margin	13.45	18.69	%
8. EBITDA margin	15.73	21.94	%
9. Net profit margin	(2.35)	4.07	%
10. Debt-to-Equity ratio	1.25	1.24	time
11. Interest Coverage ratio	0.18	2.23	time
12. Return on Assets	(1.47)	2.48	%
13. Return on Equity (1)	(3.29)	5.69	%
14. Earnin per share(2)	(0.05)	0.08	baht
15. Book value per share	1.49	1.55	baht

Remark :

(1) Return on Equity = Profit (loss) for the year / average total shareholders' equity

(2) Earning per share = net profit (loss) attributable to equity holders of the company / number of issued and fully paid share

The company and its subsidiaries reported current ratio of 0.55 in 2019, decreased from 0.69 in 2018.

Cash cycle was 64.31 days in the year 2019, increased from 63.23 days in 2018.

Gross profit margin was 13.45% in 2019, decreased from 18.69% in 2018 due to the decreasing in IC sales which contribute high margin compared to other products.

Debt to equity ratio in the year 2019 was 1.25, increased from 2018 of 1.24.

Interest coverage ratio in 2019 was 0.18, decreased from 2018 of 2.23

Return on asset in 2019 of -1.47%, decreased from 2018 of 2.48% due to the company and its subsidiaries has net losses in in 2019.

Return on equity in 2019 of -3.29%, decreased from 2018 of 5.69% due to the company and its subsidiaries has net losses in in 2019.

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 2019, 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 2019, 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 and service 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: 20 February 2020

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	7	126,651,321	27,940,908	123,156,608	13,648,026
Trade and other receivables	8	254,319,784	271,095,437	249,601,654	270,324,531
Inventories	9	294,427,586	345,569,152	294,427,586	345,569,152
Short-term loan to subsidiary	6	-	-	510,000	350,000
Other current assets		21,812,117	30,594,249	21,812,117	30,594,249
Total current assets		<u>697,210,808</u>	<u>675,199,746</u>	<u>689,507,965</u>	<u>660,485,958</u>
Non-current assets					
Investments in subsidiaries	10	-	-	924,238	924,238
Property, plant and equipment	11	2,061,034,328	2,207,613,617	2,061,034,328	2,207,613,617
Intangible assets	12	29,491,130	31,996,404	29,491,130	31,996,404
Deferred tax assets	25	2,098,369	96,854	-	-
Other non-current assets		5,989,124	5,602,852	5,981,770	5,595,500
Total non-current assets		<u>2,098,612,951</u>	<u>2,245,309,727</u>	<u>2,097,431,466</u>	<u>2,246,129,759</u>
Total assets		<u><u>2,795,823,759</u></u>	<u><u>2,920,509,473</u></u>	<u><u>2,786,939,431</u></u>	<u><u>2,906,615,717</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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	13	489,719,436	353,851,469	489,719,436	353,851,469
Trade and other payables	14	239,952,454	310,941,277	233,689,722	307,316,621
Current portion of installment payables					
for purchases of machinery		-	6,237,717	-	6,237,717
Current portion of liabilities under finance					
lease agreements	15	166,735,176	162,592,207	166,735,176	162,592,207
Current portion of long-term loans	16	145,820,000	136,580,000	145,820,000	136,580,000
Current portion of debentures	17	216,813,871	-	216,813,871	-
Income tax payable		24,265	1,428,185	-	-
Other current liabilities		8,406,714	9,488,123	8,406,714	9,485,360
Total current liabilities		1,267,471,916	981,118,978	1,261,184,919	976,063,374
Non-current liabilities					
Liabilities under finance lease agreements,					
net of current portion	15	137,750,895	166,289,633	137,750,895	166,289,633
Long-term loans, net of current portion	16	63,250,000	204,320,000	63,250,000	204,320,000
Debentures, net of current portion	17	-	214,862,222	-	214,862,222
Provision for long-term employee benefits	18	74,499,067	44,280,920	74,499,067	44,280,920
Deferred tax liabilities	25	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		283,184,643	637,437,456	283,184,643	637,437,456
Total liabilities		1,550,656,559	1,618,556,434	1,544,369,562	1,613,500,830

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Shareholders' equity					
Share capital					
Registered					
1,229,890,150 ordinary shares of Baht 1 each	19	<u>1,229,890,150</u>	<u>1,229,890,150</u>	<u>1,229,890,150</u>	<u>1,229,890,150</u>
Issued and fully paid					
836,479,231 ordinary shares of Baht 1 each					
(2018: 836,475,966 ordinary shares of Baht 1 each)	21	836,479,231	836,478,966	836,479,231	836,478,966
Share premium	20, 21	413,349,181	927,956,333	413,349,181	927,956,333
Capital reserve for share-based payments	21	14,716,319	14,716,319	14,716,319	14,716,319
Retained earnings					
Appropriated - statutory reserve	20, 23	-	79,300,000	-	79,300,000
Unappropriated (deficit)	20	(50,179,503)	(589,817,579)	(50,546,995)	(593,908,864)
Other components of shareholders' equity					
Other comprehensive income	22	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>	<u>-</u>	<u>-</u>
Equity attributable to owners of the Company		<u>1,243,608,980</u>	<u>1,297,877,791</u>	<u>1,242,569,869</u>	<u>1,293,114,887</u>
Non-controlling interests of the subsidiaries		<u>1,558,220</u>	<u>4,075,248</u>	<u>-</u>	<u>-</u>
Total shareholders' equity		<u>1,245,167,200</u>	<u>1,301,953,039</u>	<u>1,242,569,869</u>	<u>1,293,114,887</u>
Total liabilities and shareholders' equity		<u>2,795,823,759</u>	<u>2,920,509,473</u>	<u>2,786,939,431</u>	<u>2,906,615,717</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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Revenues					
Sales and service income		1,783,143,098	1,765,658,600	1,747,241,012	1,718,363,429
Gains on exchange		8,903,552	4,345,152	8,653,380	4,706,762
Revenue from scrap sales		16,549,992	15,900,340	16,549,992	15,900,340
Other income		10,747,174	25,407,385	10,607,683	24,744,944
Total revenues		<u>1,819,343,816</u>	<u>1,811,311,477</u>	<u>1,783,052,067</u>	<u>1,763,715,475</u>
Expenses					
Cost of sales and services		1,543,367,122	1,435,679,881	1,542,731,320	1,435,535,026
Selling and distribution expenses		72,322,146	66,461,549	38,893,191	34,690,515
Administrative expenses		194,070,913	176,435,629	183,547,735	165,683,011
Total expenses		<u>1,809,760,181</u>	<u>1,678,577,059</u>	<u>1,765,172,246</u>	<u>1,635,908,552</u>
Profit before finance cost and income tax expenses		<u>9,583,635</u>	<u>132,734,418</u>	<u>17,879,821</u>	<u>127,806,923</u>
Finance cost		(53,523,761)	(59,567,354)	(53,523,761)	(59,567,354)
Profit (loss) before income tax expenses		<u>(43,940,126)</u>	<u>73,167,064</u>	<u>(35,643,940)</u>	<u>68,239,569</u>
Income tax revenues (expenses)	25	2,055,365	(1,230,856)	-	-
Profit (loss) for the year		<u>(41,884,761)</u>	<u>71,936,208</u>	<u>(35,643,940)</u>	<u>68,239,569</u>
Profit (loss) attributable to:					
Equity holders of the Company		(39,367,733)	70,423,781	(35,643,940)	68,239,569
Non-controlling interests of the subsidiaries		(2,517,028)	1,512,427		
		<u>(41,884,761)</u>	<u>71,936,208</u>		
Earnings per share	27				
Basic earnings (loss) per share					
Profit (loss) attributable to equity holders of the Company		<u>(0.047)</u>	<u>0.084</u>	<u>(0.043)</u>	<u>0.082</u>
Diluted earnings (loss) per share					
Profit (loss) attributable to equity holders of the Company		<u>(0.047)</u>	<u>0.083</u>	<u>(0.043)</u>	<u>0.081</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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit (loss) for the year		(41,884,761)	71,936,208	(35,643,940)	68,239,569
Other comprehensive income:					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gains (losses)	18	(14,903,055)	4,061,356	(14,903,055)	4,061,356
Other comprehensive income for the year		(14,903,055)	4,061,356	(14,903,055)	4,061,356
Total comprehensive income for the year		(56,787,816)	75,997,564	(50,546,995)	72,300,925
Total comprehensive income attributable to:					
Equity holders of the Company		(54,270,788)	74,485,137	(50,546,995)	72,300,925
Non-controlling interests of the subsidiaries		(2,517,028)	1,512,427		
		(56,787,816)	75,997,564		

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 2019

(Unit: Baht)

		Consolidated financial state- ments		Separate financial statements	
		2019	2018	2019	2018
Cash flows from operating activities					
Profit (loss) before tax		(43,940,126)	73,167,064	(35,643,940)	68,239,569
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:					
Depreciation and amortisation		270,892,023	254,667,787	270,892,023	254,667,787
Doubtful debts and bad debts		-	4,630,047	-	4,630,047
Write-offs of withholding tax deducted at sources		152,035	278,068	152,035	278,068
Unrealised loss on exchange		538,652	348,752	501,612	259,223
Gain on sales of machinery and equipment		(1,816,935)	(578,142)	(1,816,935)	(578,142)
Decrease of inventories to net realisable value (reversal)		(13,274,875)	(10,356,962)	(13,255,635)	(10,356,962)
Write-offs of machinery and equipment		91,578	13,470	91,578	13,470
Provision for long-term employee benefits		21,169,944	4,699,911	21,169,944	5,073,627
Capital reserve for share-based payments		-	1,529,076	-	1,529,076
Amortisation of deferred debenture issuing cost		1,951,649	2,171,188	1,951,649	2,171,188
Interest expenses		51,572,112	57,396,166	51,572,112	57,396,166
Profit from operating activities before changes in					
operating assets and liabilities		287,336,057	387,966,425	295,614,443	383,323,117
Operating assets (increase) decrease					
Trade and other receivables		10,953,463	(35,031,107)	14,918,783	(37,825,643)
Inventories		64,416,441	(95,645,494)	64,397,201	(95,645,494)
Other current assets		8,782,132	(8,976,581)	8,782,133	(9,061,104)
Other non-current assets		20,001	194,698	20,001	194,699
Operating liabilities increase (decrease)					
Trade and other payables		(56,431,036)	90,503,743	(59,057,093)	90,752,514
Other current liabilities		(2,130,037)	(1,807,259)	(2,227,267)	(1,363,439)
Cash paid for long-term employee benefits		(5,854,852)	(4,715,479)	(5,854,852)	(4,715,479)
Cash from operating activities		307,092,169	332,488,946	316,593,349	325,659,171
Cash received from insurance compensation for assets damaged		5,022,378	-	5,022,378	-
Cash paid for interest expenses		(51,301,966)	(58,500,282)	(51,301,966)	(58,500,282)
Cash paid for income tax		(2,015,295)	(3,987,089)	(558,306)	(267,871)
Net cash flows from operating activities		258,797,286	270,001,575	269,755,455	266,891,018

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 2019

(Unit: Baht)

		Consolidated financial state- ments		Separate financial statements	
		2019	2018	2019	2018
Cash flows from investing activities					
Payments of payables for purchases of machinery and equipment		(42,000,557)	(26,961,968)	(42,000,557)	(26,961,968)
Acquisition of machinery, equipment and intangible assets		(94,992,774)	(153,426,293)	(94,992,774)	(153,426,293)
Proceeds from sales of machinery and equipment		3,500,000	5,964,516	3,500,000	5,964,516
Cash paid for short-term loan to subsidiary		-	-	(160,000)	(350,000)
Net cash flows used in investing activities		(133,493,331)	(174,423,745)	(133,653,331)	(174,773,745)
Cash flows from financing activities					
Increase in short-term loans from financial institutions		135,867,967	186,402,421	135,867,967	186,402,421
Net cash receipt from liabilities under finance lease agreements		148,500,000	219,413,084	148,500,000	219,413,084
Repayment of liabilities under finance lease agreements		(172,895,769)	(107,816,749)	(172,895,769)	(107,816,749)
Repayment of installment payables for purchase of machinery		(6,237,717)	(21,066,551)	(6,237,717)	(21,066,551)
Cash received from long-term loans		-	180,000,000	-	180,000,000
Repayment of long-term loans		(131,830,000)	(313,080,000)	(131,830,000)	(313,080,000)
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		1,977	6,300	1,977	6,300
Net cash flows used in financing activities		(26,593,542)	(142,675,193)	(26,593,542)	(142,675,193)
Net increase (decrease) in cash and cash equivalents		98,710,413	(47,097,363)	109,508,582	(50,557,920)
Cash and cash equivalents at beginning of year		27,940,908	75,038,271	13,648,026	64,205,946
Cash and cash equivalents at end of year		126,651,321	27,940,908	123,156,608	13,648,026
Supplemental cash flows information					
Non-cash transactions:					
Purchases of machinery and equipment for which no cash has been paid		28,589,329	49,532,996	28,589,329	49,532,996
Machinery and equipment acquired under finance lease agreements		-	444,722	-	444,722
Inventory for which was transferred to equipment		-	6,611,591	-	6,611,591

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 2019

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-con-trolling interests of the subsid-iar-ies	Total shareholders' equity
				Appropriat-ed - statutory reserve	Unappropri-ated (deficit)	Other compre-hensive income	Capital surplus from changes in share-holding in sub-sidiary	Total other components of shareholders' equity			
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 Decem-ber 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
Balance as at 1 January 2019	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
Loss for the year	-	-	-	-	(39,367,733)	-	-	-	(39,367,733)	(2,517,028)	(41,884,761)
Other comprehensive income for the year	-	-	-	-	(14,903,055)	-	-	-	(14,903,055)	-	(14,903,055)
Total comprehensive income for the year	-	-	-	-	(54,270,788)	-	-	-	(54,270,788)	(2,517,028)	(56,787,816)
Increase in share capital from warrant exercise (Note 21)	265	1,712	-	-	-	-	-	-	1,977	-	1,977
Transfer of reserves to compensate the deficit (Note 20)	-	(514,608,864)	-	(79,300,000)	593,908,864	-	-	-	-	-	-
Balance as at 31 Decem-ber 2019	836,479,231	413,349,181	14,716,319	-	(50,179,503)	28,572,133	671,619	29,243,752	1,243,608,980	1,558,220	1,245,167,200

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

(Unit: Baht)

Separate financial statements						
	Issued and paid-up share capital	Share premium	Capital reserve for share-based payments	Retained earnings		Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated (deficit)	
Balance as at 1 January 2018	836,475,966	927,953,033	13,187,243	79,300,000	(666,209,789)	28,572,133
Profit for the year	-	-	-	-	68,239,569	-
Other comprehensive income for the year	-	-	-	-	4,061,356	-
Total comprehensive income for the year	-	-	-	-	72,300,925	-
Increase in share capital from warrant exercise (Note 21)	3,000	3,300	-	-	-	-
Share-based payments (Note 21)	-	-	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
Balance as at 1 January 2019	836,478,966	927,956,333	14,716,319	79,300,000	(593,908,864)	28,572,133
Loss for the year	-	-	-	-	(35,643,940)	-
Other comprehensive income for the year	-	-	-	-	(14,903,055)	-
Total comprehensive income for the year	-	-	-	-	(50,546,995)	-
Increase in share capital from warrant exercise (Note 21)	265	1,712	-	-	-	-
Transfer of reserves to compensate the deficit	-	-	-	-	-	-
(Note 20)	-	(514,608,864)	-	(79,300,000)	593,908,864	-
Balance as at 31 December 2019	836,479,231	413,349,181	14,716,319	-	(50,546,995)	28,572,133
						1,242,569,869

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 2019

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 and its subsidiaries (together as "the Group") are 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 2019, the Group's current liabilities exceeded its current assets by Baht 570 million (the Company only: Baht 572 million) (2018: Baht 306 million (the Company only: Baht 316 million)), and had deficit of Baht 50 million (the Company only: Baht 51 million) (2018: Baht 590 million (the Company only: Baht 594 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	
			2019 Percent	2018 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 Group 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 Group 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 period, the Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations 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 adoption of these financial reporting standards does not have any significant impact on the Group's

financial statements. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

TFRS 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.

This standard does not have any significant impact on the Group's financial statements.

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs 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 Company'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 TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Group believes that adoption of these standards will not have any significant impact on the financial statements.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be to increase the Group's assets by approximately Baht 9 million (the Company only: approximately Baht 9 million) and the Group's liabilities by approximately Baht 9 million (the Company only: approximately Baht 9 million).

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 at a point in time upon completion of the service.

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 under the weighted average 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 as shown in the table below.

Buildings	40 years
Building improvement	15 years
Machinery and equipment	5 and 15 years
Motor vehicles	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 of assets.

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 Group 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 Group performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

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

4.13 Employee benefits

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 Group. The fund's assets are held in a separate trust fund and the contributions of the Group is recognised as expenses when incurred.

Defined benefit plans

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

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

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

4.14 Provisions

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

4.15 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 Group recognises 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 Group reviews and reduces 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 Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.17 Derivatives

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.

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

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 Group applies 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 Group measures 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 Group determines 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 Group 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
	2019	2018	2019	2018	
Transactions with subsidiaries (eliminated from the consolidated financial statements)					
Sales and service income	-	-	647	888	Cost plus margin
Other income	-	-	2	2	Agreed price
Commission expense	-	-	8	10	Agreed price
Transactions with related companies					
Sales and service income	27	25	27	25	Cost plus margin

As at 31 December 2019 and 2018, 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	
	2019	2018	2019	2018
Trade receivables - related parties (Note 8)				
Subsidiary	-	-	111,466	130,487
Related company (related by common shareholders)	2,032	1,519	2,032	1,519
Total trade receivables - related parties	2,032	1,519	113,498	132,006
Other receivables - related party (Note 8)				
Subsidiary	-	-	43	11
Total other receivables - related party	-	-	43	11
Other payables - related party (Note 14)				
Subsidiary	-	-	731	808
Total other payables - related party	-	-	731	808

Short-term loan to subsidiary

As at 31 December 2019 and 2018, the balance of loan between the Company and its subsidiary and the movement are as follows:

(Unit: Thousand Baht)

Loan to subsidiary	Separated financial statements				
	Balance as at 31 December 2018	Increase during the year	Decrease during the year	Balance as at 31 December 2019	Interest rate
SS RFID Co., Ltd.	350	160	-	510	7.2 % per annum
Total	350	160	-	510	

Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Group had employee benefit expense payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Short-term employee benefits	33	29	25	22
Post-employment benefits	4	3	4	3
Share-based payments (Note 21)	-	1	-	1
Total	37	33	29	26

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash	97	97	75	75
Bank deposits	126,554	27,844	123,082	13,573
Total cash and cash equivalents	126,651	27,941	123,157	13,648

As at 31 December 2019 and 2018, 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	
	2019	2018	2019	2018
Trade receivables - related parties				
Aged on the basis of due dates				
Not yet due	2,032	1,519	92,798	75,446
Past due				
Up to 3 months	-	-	15,624	56,560
3 - 6 months	-	-	5,076	-
Total trade receivables - related parties	2,032	1,519	113,498	132,006
Trade receivables - unrelated parties				
Aged on the basis of due dates				
Not yet due	194,633	196,301	100,022	85,354
Past due				
Up to 3 months	46,704	64,449	30,291	44,128
3 - 6 months	8,406	2,411	3,206	2,411
6 - 12 months	4	94	1	94
Over 12 months	362,033	362,178	362,033	362,178
Total trade receivables - unrelated parties	611,780	625,433	495,553	494,165
Less: Allowance for doubtful accounts	(362,032)	(362,072)	(362,032)	(362,072)
Total trade receivables - unrelated parties, net	249,748	263,361	133,521	132,093
Total trade receivables - net	251,780	264,880	247,019	264,099
Other receivables				
Other receivables - related parties	-	-	43	11
Other receivables - unrelated parties	2,540	6,215	2,540	6,215
Total other receivables	2,540	6,215	2,583	6,226
Total trade and other receivables - net	254,320	271,095	249,602	270,325

9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	109,592	117,973	(89,826)	(89,731)	19,766	28,242
Work in process	171,051	143,144	(39,091)	(35,468)	131,960	107,676
Raw materials	216,120	294,975	(96,702)	(113,965)	119,418	181,010
Spare parts and supplies	23,631	28,724	(347)	(83)	23,284	28,641
Total	<u>520,394</u>	<u>584,816</u>	<u>(225,966)</u>	<u>(239,247)</u>	<u>294,428</u>	<u>345,569</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	109,101	117,457	(89,335)	(89,215)	19,766	28,242
Work in process	169,856	141,949	(37,896)	(34,273)	131,960	107,676
Raw materials	215,536	294,391	(96,118)	(113,381)	119,418	181,010
Spare parts and supplies	23,631	28,724	(347)	(83)	23,284	28,641
Total	<u>518,124</u>	<u>582,521</u>	<u>(223,696)</u>	<u>(236,952)</u>	<u>294,428</u>	<u>345,569</u>

During the current year, the Group reversed the write-down of cost of inventories by Baht 13 million (the Company only: Baht 13 million) (2018: Baht 10 million (the Company only: Baht 10 million)) and reduced the amount of inventories recognised as expenses during the year.

10. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		Carrying amounts based on cost method	
	2019	2018	2019	2018	2019	2018
			(%)	(%)	(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 2019, 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 (2018: 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.

11. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated 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 2018	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
Additions	-	1,785	43,556	-	74,351	119,692
Disposals	-	-	(3,873)	-	-	(3,873)
Write-offs	-	-	(34,483)	-	-	(34,483)
Transfers between accounts	-	34,084	102,177	-	(136,261)	-
31 December 2019	91,013	1,013,929	3,517,639	19,582	49,109	4,691,272
Accumulated depreciation						
1 January 2018	-	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
Depreciation for the year	-	43,628	218,750	2,119	-	264,497
Depreciation on disposals	-	-	(2,190)	-	-	(2,190)
Depreciation on write-offs	-	-	(34,391)	-	-	(34,391)
31 December 2019	-	619,653	1,966,791	16,506	-	2,602,950
Allowance for impairment:						
1 January 2018	-	-	27,288	-	-	27,288
31 December 2018	-	-	27,288	-	-	27,288
31 December 2019	-	-	27,288	-	-	27,288
Net book value						
31 December 2018	91,013	402,035	1,598,352	5,195	111,019	2,207,614
31 December 2019	91,013	394,276	1,523,560	3,076	49,109	2,061,034
Depreciation for the year						
2018 (Baht 244 million included in manufacturing cost, and the balance in administrative expenses)						248,880
2019 (Baht 260 million included in manufacturing cost, and the balance in administrative expenses)						264,497

(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 2018	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
Additions	-	1,785	43,556	-	74,351	119,692
Disposals	-	-	(3,873)	-	-	(3,873)
Write-offs	-	-	(34,483)	-	-	(34,483)
Transfers between accounts	-	34,084	102,177	-	(136,261)	-
31 December 2019	91,013	1,013,929	3,468,419	19,582	49,109	4,642,052
Accumulated depreciation						
1 January 2018	-	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
Depreciation for the year	-	43,628	218,750	2,119	-	264,497
Depreciation on disposals	-	-	(2,190)	-	-	(2,190)
Depreciation on write-offs	-	-	(34,391)	-	-	(34,391)
31 December 2019	-	619,653	1,944,859	16,506	-	2,581,018
Net book value						
31 December 2018	91,013	402,035	1,598,352	5,195	111,019	2,207,614
31 December 2019	91,013	394,276	1,523,560	3,076	49,109	2,061,034
Depreciation for the year						
2018 (Baht 244 million included in manufacturing cost, and the balance in administrative expenses)						248,880
2019 (Baht 260 million included in manufacturing cost, and the balance in administrative expenses)						264,497

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. In 2019, the Company

rearranged for an independent professional valuer to appraise the value of its land using the market approach. There was no difference between the revalued amount in 2019 and the previous.

Had the land been carried in the financial statements on a historical cost basis, its net book value as of 31 December 2019 and 2018 would have been Baht 55 million.

As at 31 December 2019, the Company had no machinery, for which installment payments have not been completed (2018: the net book value of the Company's machinery, for which installment payments have not been completed, amounted to Baht 41 million).

As at 31 December 2019, the Company had machinery and vehicles with net book value of Baht 731 million (2018: Baht 554 million) which were acquired under finance lease agreements.

As at 31 December 2019, 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 659 million (2018: Baht 594 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 2018	59,607	59,552
Additions	6,034	6,034
31 December 2018	65,641	65,586
Additions	3,890	3,890
31 December 2019	69,531	69,476
Amortisation:		
1 January 2018	27,842	27,802
Amortisation for the year	5,788	5,788
31 December 2018	33,630	33,590
Amortisation for the year	6,395	6,395
31 December 2019	40,025	39,985
Allowance for impairment:		
1 January 2018	15	-
31 December 2018	15	-
31 December 2019	15	-
Net book value:		
31 December 2018	31,996	31,996
31 December 2019	29,491	29,491

13. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2019	2018
Promissory notes	30,000	30,000
Bill of exchanges	19,574	-
Trust receipts	116,145	137,251
Packing credit	324,000	186,600
Total short-term loans from financial institutions	489,719	353,851

As at 31 December 2019, short-term loans from financial institutions are trust receipts which carried interest rates between 1.90% - 2.40% and 5.75% per annum (2018: between 2.10% - 2.90% 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	
	2019	2018	2019	2018
Trade payables - unrelated parties	152,625	198,092	145,792	193,865
Other payables - related parties	-	-	731	808
Other payables - unrelated parties	38,061	49,651	38,057	49,647
Payables for purchases of machinery	37,216	50,959	37,216	50,959
Accrued expenses	12,050	12,239	11,894	12,038
Total trade and other payables	239,952	310,941	233,690	307,317

15. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2019	2018
Liabilities under finance lease agreements	318,582	347,390
Less: Deferred interest expenses	(14,096)	(18,508)
Total	304,486	328,882
Less: Current portion	(166,735)	(162,592)
Liabilities under finance lease agreements - net of current portion	137,751	166,290

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 3 and 6 years (2018: between 4 and 6 years) and the effective interest rates are between 4.16% and 6.20% per annum (2018: between 4.50% and 6.20% per annum).

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

(Unit: Thousand Baht)

	As of 31 December 2019		
	Within 1 year	1 - 4 years	Total
Future minimum lease payments	176,503	142,079	318,582
Deferred interest expenses	(9,768)	(4,328)	(14,096)
Present value of future minimum lease payments	166,735	137,751	304,486

(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	162,592	166,290	328,882

16. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate	Repayment schedule	Consolidated and Separate financial statements	
			2019	2018
1	MLR ⁽¹⁾ - 2.0% per annum	Monthly installments as from October 2017	74,820	174,900
2	Closed to THBFIX 6M ⁽²⁾	Monthly installments as from November 2018	134,250	166,000
Total			209,070	340,900
Less: Current portion			(145,820)	(136,580)
Long-term loans, net of current portion			63,250	204,320

(1) MLR is Minimum Loan Rate.

(2) 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 2019 are summarised below:

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
Balance as at 1 January 2019	340,900
Less: Repayment	(131,830)
Balance as at 31 December 2019	209,070

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 3.47% 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 2019, 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 2019.

17. 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 2019 and 2018, the details of debentures are summarised below.

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	2019	2018
Debentures	217,300	217,300
Less: Deferred debenture issuing costs	(486)	(2,438)
Total	216,814	214,862
Less: Current portion	(216,814)	-
Debentures - net of current portion	-	214,862

18. 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	
	2019	2018	2019	2018
Provision for long-term employee benefits at beginning of year	44,281	48,358	44,281	47,984
Included in the income statement:				
Current service cost	9,474	3,679	9,474	4,053
Interest cost	1,434	1,020	1,434	1,020
Past service costs and losses on settlement	10,262	-	10,262	-
Included in other comprehensive income:				
Actuarial (gain)/loss arising from				
Demographic assumptions changes	(25)	(2,369)	(25)	(2,369)
Financial assumptions changes	10,095	-	10,095	-
Experience adjustments	4,833	(1,692)	4,833	(1,692)
Benefits paid during the year	(5,855)	(4,715)	(5,855)	(4,715)
Provision for long-term employee benefits at end of year	74,499	44,281	74,499	44,281

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 10 million (the Company only: Baht 10 million) as a result. The Group recorded the effect of the change by recognising past services costs as expenses in the income statement in the current year.

As at 31 December 2019, the Group expects to pay Baht 2 million of long-term employee benefits during the next year (the Company only: Baht 2 million) (2018: Nil (the Company only: Nil)).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit of the Group is 12 years (the Company only: 12 years) (2018: 18 years (the Company only: 18 years)).

Significant actuarial assumptions are summarised below.

(Unit: % per annum)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Discount rate	1.7	2.9	1.7	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 - 28.0	0.0 - 25.0	0.0 - 28.0	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 2019 and 2018 are summarised below.

(Unit: Million Baht)

	As at 31 December 2019			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(9)	10	(9)	10
Salary increase rate	10	(8)	10	(8)
Staff turnover rate	(9)	4	(9)	4

(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

19. 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.

20. Compensation for the Company's deficit

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Deficit as at 1 January 2019	(589,817)	(593,908)
Transfer of statutory reserve to deficit	79,300	79,300
Transfer of share premium to deficit	514,608	514,608
Retained earnings after compensation	4,091	-
Loss for the year attributable to equity holders of the Company	(39,368)	(35,644)
Other comprehensive income for the year	(14,903)	(14,903)
Deficit as at 31 December 2019	(50,180)	(50,547)

On 29 April 2019, the Annual General Meeting of the Company's Shareholders 2019 approved the 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. The Company recorded such transaction during 2019.

21. Warrant

a) On 26 April 2016, the Annual General Meeting of the Company's shareholders approved a resolution to 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 30 September 2016 and the last exercise date is 28 June 2019. The Company will cancel the remaining 186 SMT-W1 warrants.

During 2016 - 2018, the SMT-W1 warrants have not been exercised.

A reconciliation of number of warrants (SMT-W1) for the year ended 31 December 2019 is provided below.

Number of warrants as at 1 January 2019	167,295,007
Exercised during the year	(250)
Expired during the year	(167,294,757)
Number of warrants as at 31 December 2019	-

On 28 June 2019 (the last exercise date), 250 warrants were exercised. Cash receipts amounting to Baht 1,977 from the exercise of rights to convert warrants to ordinary shares was recorded as issued and paid-up share capital amounting to Baht 265 and share premium amounting to Baht 1,712.

The Company registered the increase in its paid-up share capital from warrant exercise with the Ministry of Commerce on 9 July 2019. In addition, the Company filed an application with the Stock Exchange of Thailand (SET) to register these shares as listed securities. The SET approved the trading of the additional shares through the SET, effective from 15 July 2019.

In addition, the outstanding 167,294,757 warrants were expired on 28 June 2019.

b) On 26 April 2016, the Annual General Meeting of the Company's shareholders approved a resolution to 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 2016 - 2019, the SMT-WB warrants have not been exercised. The outstanding 17,000,000 warrants were expired on 28 June 2019.

c) On 30 April 2018, the Annual General Meeting of the Company's shareholders approved a resolution to 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 (date of issuance and offering) to 31 December 2019 is provided below.

(Unit: Thousand Units)

Number of warrants as at 1 June 2018	209,119
Exercised during the year	(3)
Number of warrants as at 31 December 2018	209,116
Exercised during the year	-
Number of warrants as at 31 December 2019	209,116

During the period as from 1 June 2018 (date of issuance and offering) to 31 December 2019, 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	-	-	4 October 2018
Exercised during September 2018	3,000	3,300	
Accumulative exercise as of 31 December 2018	3,000	3,300	
Exercised during the year	-	-	
Accumulative exercise as of 31 December 2019	3,000	3,300	

22. Other comprehensive income - revaluation surplus on land

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

23. 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.

24. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Salaries, wages and other employee benefits	589,987	544,555	541,318	494,983
Depreciation and amortisation	270,892	254,668	270,892	254,668
Raw materials and consumables used	762,049	686,623	762,049	686,623
Changes in inventories of finished goods and work in progress	19,526	(31,363)	19,551	(31,363)

25. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge	25	1,295	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,080)	(64)	-	-
Tax expenses (income) reported in the income statement	<u>(2,055)</u>	<u>1,231</u>	<u>-</u>	<u>-</u>

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Accounting profit (loss) before tax	(43,942)	73,167	(35,644)	68,240
Applicable tax rates	8.84%, 20%, 21%	8.84%, 20%, 21%	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	(9,277)	15,110	(7,129)	13,648
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	10,048	5,190	9,077	5,180
Effects of:				
Promotional privileges (Note 26)	(1,366)	(18,630)	(1,366)	(18,630)
Non-deductible expenses	229	355	204	353
Additional expense deduction allowed	(1,626)	(615)	(786)	(551)
Others	(63)	(20)	-	-
Total	(2,826)	(18,910)	(1,948)	(18,828)
Tax expenses (income) reported in the income statement	(2,055)	1,231	-	-

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	
	2019	2018	2019	2018
Deferred tax assets				
Unused tax losses*	2,098	-	-	-
Unused tax credit	-	97	-	-
Total	2,098	97	-	-
Deferred tax liabilities				
Revaluation surplus on land	7,143	7,143	7,143	7,143
Total	7,143	7,143	7,143	7,143

*Unused tax losses of 2019 included the effect of the unrealised gain on exchange rate of Baht 78,673 from translating foreign currency deferred tax assets into Baht at the exchange rate ruling at the end of reporting period.

As at 31 December 2019, the Group has deductible temporary differences and unused tax losses totaling Baht 1,120 million (the Company only: Baht 1,058 million) (2018: Baht 1,763 million (the Company only: Baht 1,665 million)), on which deferred tax assets have not been recognised as the Group believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses amounting to Baht 365 million will expired by 2031.

26. Promotional privileges

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

Details of certificates					
1.	Certificate No.	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	16 January 2018	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	
	2019	2018	2019	2018	2019	2018
Sales						
Domestic sales	247,900	283,969	15,637	10	263,537	283,979
Direct export sales	1,483,704	1,414,296	-	20,088	1,483,704	1,434,384
Total sales	<u>1,731,604</u>	<u>1,698,265</u>	<u>15,637</u>	<u>20,098</u>	<u>1,747,241</u>	<u>1,718,363</u>

27. 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)		Weighted average		Earnings	
	for the year		number of ordinary shares		per share	
	2019	2018	2019	2018	2019	2018
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings (loss) per share						
Profit (loss) attributable to equity holders of the Company	(39,368)	70,424	836,479	836,477	(0.047)	0.084
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>(39,368)</u>	<u>70,424</u>	<u>836,479</u>	<u>845,773</u>	<u>(0.047)</u>	<u>0.083</u>

	Separate financial statements					
	For the year ended 31 December					
	Profit (loss)		Weighted average		Earnings	
	for the year		number of ordinary shares		per share	
	2019	2018	2019	2018	2019	2018
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings (loss) per share						
Profit (loss) attributable to equity holders of the Company	(35,644)	68,240	836,479	836,477	(0.043)	0.082
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	(35,644)	68,240	836,479	845,773	(0.043)	0.081

There was no calculation of diluted earnings (loss) per share in the financial statements for the year ended 31 December 2019 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 and No. 2 (SMT-W1 and SMT-W2) 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.

The calculation of diluted earnings (loss) per share in the financial statements for the year ended 31 December 2018 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).

28. 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 Group 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.

The following tables present revenue and profit information regarding the Group's operating segments for the years ended 31 December 2019 and 2018, respectively.

For the years ended 31 December											(Unit: Million Baht)	
	Microelectronics Module Assembly (MMA)			Integrated Circuit Packaging (IC Packaging)				Elimination of inter-segment revenues		Consolidated financial statements		
	Located in Thailand		Located in United States of America	Located in Thailand		Located in United States of America		2019	2018			
	2019	2018	2019	2018	2019	2018						
Revenue from external customers	884	556	-	-	213	269	686	941	-	-	1,783	1,766
Inter-segment revenues	-	-	-	-	647	888	-	-	(647)	(888)	-	-
Total revenues	884	556	-	-	860	1,157	686	941	(647)	(888)	1,783	1,766
Segment profit (loss)	103	(15)	-	-	95	289	42	56	-	-	240	330
Other income											36	46
Selling and distribution expenses											(72)	(66)
Administrative expenses											(194)	(172)
Doubtful debts and bad debts											-	(5)
Finance cost											(54)	(60)
Income tax revenues (expenses)											2	(1)
(Profit) loss attributable to non-controlling interests of the subsidiaries											3	(2)
Profit (loss) attributable to equity holders of the Company											(39)	70

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

(Unit: Thousand Baht)

	2019	2018
Revenue from external customers		
Thailand	263,538	304,056
United States of America	1,383,407	1,362,253
Others	136,198	99,350
Total (per consolidated financial statements)	1,783,143	1,765,659

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

For the year 2019, the Group have revenue from three major customers in amount of Baht 512 million, Baht 345 million and Baht 281 million, arising from sales of MMA and IC packaging (2018: Baht 591 million, Baht 340 million and Baht 301 million derived from three major customers, arising from sales of MMA and IC packaging).

29. 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 2019 amounting to approximately Baht 13 million (the Company only: Baht 13 million) (2018: Baht 12 million (the Company only: Baht 12 million)) were recognised as expenses.

30. Commitments and contingent liabilities

30.1 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 2019 and 2018, the Company has the future minimum payments required under these agreements as follows.

(Unit: Million Baht)

	2019	2018
Payable:		
In up to 1 year	7	6
In over 1 and up to 3 years	9	-

30.2 Long-term service commitments

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 2019 amounting to approximately Baht 11.0 million (2018: Baht 8.4 million) were recognised as expenses.

30.3 Capital commitments

As at 31 December 2019, the Company had capital commitments of Baht 36 million (2018: Baht 9 million, USD 0.1 million and JPY 30 million), relating to the acquisition of machinery, software and building utility system.

30.4 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.

30.5 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of Baht 3 million (2018: Baht 4 million) issued by a bank on behalf of the Company. These included letters of guarantee amounting to Baht 2 million (2018: Baht 2 million) to guarantee electricity use and Baht 1 million (2018: Baht 2 million) to guarantee contractual performance.

31. Fair value hierarchy

As at 31 December 2019 and 2018, 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.

32. Financial instrument

32.1 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 Group is 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 Group is 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 Group 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 2019						
	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	-	-	-	127	-	127	0.050 - 0.375
Trade and other receivables	-	-	-	-	254	254	-
	-	-	-	127	254	381	
Financial liabilities							
Short-term loans from financial institutions	490	-	-	-	-	490	1.90 - 2.40 and 5.75
Trade and other payables	-	-	-	-	240	240	-
Liabilities under finance lease agreements	166	138	-	-	-	304	4.16 - 6.20
Long-term loans	-	-	-	209	-	209	Closed to THBFIX 6M and Closed to MLR
Debentures	217	-	-	-	-	217	7.15
	873	138	-	209	240	1,460	

(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 and 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 2019						
	Separate financial statements						
	Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
Financial assets							
Cash and cash equivalents	-	-	-	123	-	123	0.050 - 0.375
Trade and other receivables	-	-	-	-	250	250	-
Short-term loan to subsidiary	510	-	-	-	-	510	7.2
	-	-	-	123	250	883	
Financial liabilities							
Short-term loans from financial institutions	490	-	-	-	-	490	1.90 - 2.40 and 5.75
Trade and other payables	-	-	-	-	234	234	-
Liabilities under finance lease agreements	166	138	-	-	-	304	4.16 - 6.20
Long-term loans	-	-	-	209	-	209	Closed to THBFIX 6M and Closed to MLR
Debtentures	217	-	-	-	-	217	7.15
	873	138	-	209	234	1,454	

(Unit: Million Baht)

	As at 31 December 2018						
	Separate financial statements						
	Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% per annum)
Financial assets							
Cash and cash equivalents	-	-	-	14	-	14	0.050 - 0.375
Trade and other receivables	-	-	-	-	270	270	-
Short-term loan to subsidiary	350	-	-	-	-	350	7.2
	350	-	-	14	270	634	
Financial liabilities							
Short-term loans from financial institutions	354	-	-	-	-	354	2.10 - 2.90
Trade and other payables	-	-	-	-	307	307	-
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
Debtentures	-	215	-	-	-	215	7.15
	522	381	-	341	307	1,551	

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 2019 and 2018, 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	
	2019 (Million)	2018 (Million)	2019 (Million)	2018 (Million)	2019	2018
						(Baht per 1 foreign currency unit)
US dollar	11.6	10.8	5.3	7.0	30.1540	32.4498
Japanese yen	-	-	17.1	12.5	27.5940 (per 100 Yen)	29.3089 (per 100 Yen)

As at 31 December 2019 and 2018, foreign exchange contracts outstanding are summarised below.

As at 31 December 2019						
Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate		Contractual maturity date	
			Bought	Sold	Bought	Sold
			(Baht per 1 foreign currency unit)			
US dollar	2.5	0.1	30.1200 - 30.6050	30.1100 - 30.2500	February - May 2020	February - June 2020
Yen	9.9	-	27.7800 (per 100 Yen)	-	March 2020	-
As at 31 December 2018						
Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate		Contractual maturity date	
			Bought	Sold	Bought	Sold
			(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	-

32.2 Fair value of financial instruments

Since the majority of the financial instruments of the Group is 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.

33. 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 2019, the Group's debt-to-equity ratio was 1.25:1 (2018: 1.24:1) and the Company's was 1.24:1 (2018: 1.25:1).

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.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2020.

Remuneration for the Auditor

At the 2019 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 2019 of 2,300,000 baht.

Auditing remuneration for the past three years (2017-2019)

Unit : Baht

	Year 2017	Year 2018	Year 2019
Audit fee	2,280,000	2,250,000	2,300,000

The Auditor

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Corporate information

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SS RFID Company Limited

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Reference Persons

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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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