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VISION MISSION STRATEGY QUALITY POLICY

The vision, mission and strategies for 2020 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

Customer focus

COST AWARENESS

Cost awareness

CROSS FUNCTIONAL TEAMWORK

Cross functional teamwork

CREATIVITY

Creativity



FINANCIAL HIGHLIGHTS

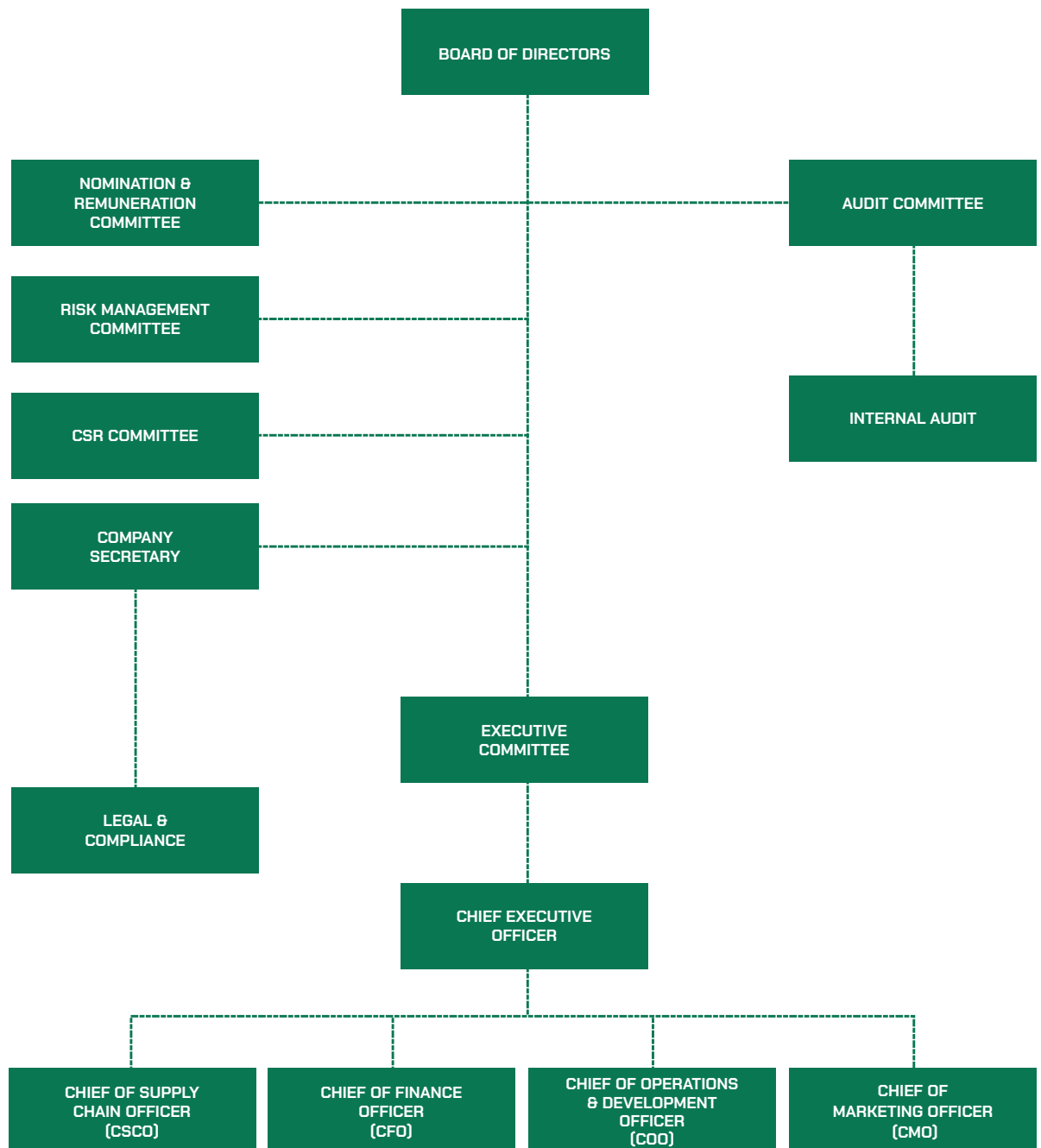
| Consolidated financial statements | 2020 | 2019 | 2018 |
|---|-------------|-------------|-------------|
| (Unit: Thousand Baht) | | | |
| Total Revenue | 1,952,896 | 1,819,010 | 1,811,311 |
| Sales Revenue | 1,908,491 | 1,783,143 | 1,765,659 |
| Gross Profit | 355,929 | 239,776 | 329,979 |
| Operating Profit | 76,731 | (26,617) | 87,082 |
| EBITDA | 390,677 | 280,142 | 387,402 |
| Net Profit (Loss) for the year | 83,418 | (41,885) | 71,936 |
| Total Assets | 2,627,577 | 2,795,824 | 2,920,509 |
| Net Fixed Assets | 1,871,286 | 2,061,034 | 2,207,614 |
| Total Liabilities | 1,298,991 | 1,550,657 | 1,618,556 |
| Shareholders' Equity | 1,328,586 | 1,245,167 | 1,301,953 |
| (Unit: Baht) | | | |
| Book Value per share** | 1.59 | 1.49 | 1.56 |
| Dividend per share | -* | -* | -* |
| (Unit: Time) | | | |
| Debt to Equity | 0.98 | 1.25 | 1.24 |
| (Unit: %) | | | |
| Net Profit (after tax) % Sales | 4.37% | -2.35% | 4.07% |
| EBITDA Margin | 20.47% | 15.71% | 21.94% |
| Return on Assets | 3.08% | -1.47% | 2.48% |
| Return on Equity | 6.48% | -3.29% | 5.59% |
| Payout ratio (excl. exceptional items) | -* | -* | -* |
| (Unit: Share) | | | |
| Number of shares outstanding (year end) | 836,479,381 | 836,479,231 | 836,478,966 |

* Omission of yearly dividend payment will be submitted to Annual General Meeting of Shareholders of 2021 on 27 April 2021 for Approval

** Calculated on number of shares as at year end



ORGANIZATION STRUCTURE



Message from Acting Chairman

Dear Shareholders,

I am delighted and honored for the opportunity to greet all shareholders once again on the occasion of the Company's Annual General Meeting of Shareholders for 2021.

The Company has experienced in many significant changes in 2020, starting with changes in some senior level management positions followed by the reorganization of the entire management structure so as to increase operation efficiency and reduce operating costs in line with present-day business changes. The Company had also endeavored to expand its market to European countries and China in order to cover all business regions. As a result, despite the global COVID-19 crisis, the Company was able to turn around its operating results by making profits for the remaining three quarters of the year. Hence in 2020, in addition to the ability to clear all accumulated losses, the Company was able to earn a net profit of Baht 81 million.

Although COVID-19 was a major marketing obstacle in terms of business meetings, product quality inspections according to customers' requirements, or in procuring new customers to increase revenue, the management team had sought alternatives by improving the efficiency of virtual communication technology to the extent of supporting its operation with customers for the mutual interests of both parties. As a result, the Company grew and earned more revenue compared to the year 2019. Ironically, the new normal for work and life-style caused by the COVID-19 pandemic, had increased the demand for certain electronic parts, such as IC and fiber optic products, etc., which properly aligned with the Company's vision created in the aftermath of the Great Floods several years ago. This trend in growth would continue to persist in 2021 as it can be seen from the forecast and increasing orders from the customers since the beginning of 2021.

In the name of the Board of Directors, I would like to assure that the Company will continue to maintain transparency and accountability in accordance with good corporate governance guidelines so as to achieve maximum benefits to shareholders, as appropriate of being rated as "very good" by IOD-Thai Institute of Directors for several years consecutively.

The Company would like to take this opportunity to thank the management team for the hard work, dedication, sacrifice and most importantly, the Company's most sincere thanks to all shareholders to their continuous support.



(Mr. Prasart Yunibhand)
Acting Chairman



Message from CEO

Dear Shareholders,

Before all else, I would like to thank the Board of Directors, shareholders and all of our employees for giving me the opportunity to join the company. Over the past three quarters, so many involved have stepped up and dedicated their support resulting in a company increasingly competitive in production and human resources. Consequently, the company foresees an increase in sales and net profit in both short term and long term.

In addition, our customers' and employees' trust and confidence in us continues to grow. On behalf of the management team and employees of the company, I will strongly focus on developing and expanding our business continuously for the utmost benefits of all concerned.

The company's 25th anniversary was in 2020 and while it is a great accomplishment to persevere for a quarter of a century, we still navigate challenges with the spread of Covid-19 and the trade war between the US and China. Despite this, we continue to rise up and adapt our strategies to compete in the global market, striving to be successful for many more years to come.

We have focused our efforts in the following areas:

1. Increase the net profit by developing competitive costs.
2. Focusing on customers who participate in developing competitive possibilities for the long-term by allocating necessary resources for a diverse portfolio of products
3. Build confidence and positive experiences for customers.
4. Increase the potential to bring technological innovation and global supply chain systems supporting production, developing the sources of raw materials for production and production planning.
5. Develop human resources by focusing on effective goal oriented solutions, including reorganizing the employee's work structure and professional development opportunities to help develop employee buy-in and growth.

I and our employees will develop and adapt the above-mentioned strategies continuously to make the company reach the highest level of competitiveness and to enhance the confidence of our investors and customers both in the short term and long term.

The management team, employees and I would like to thank the shareholders, the Board of Directors and all of the stakeholders for their incredible support. Your unwavering support will encourage our management team, all of the employees and myself to perform confidently and smoothly bringing the sustainable success to the company.



(Virat Phugthai)
CEO



Board of Directors



Mr. Prasart Yunibhand

Acting Chairman and Nomination &
Remuneration Committee Member



Mr. Prompong Chaikul

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



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. Yungong Sawasdi

Director, Company Secretary, Executive Director and Risk Management Committee Member

Management Team



Mr. Virat Phugthai

- Chief Executive Officer
- Executive Director



Mr. Ruangpoj Phakdurong

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



Mr. Chotisak Promwas

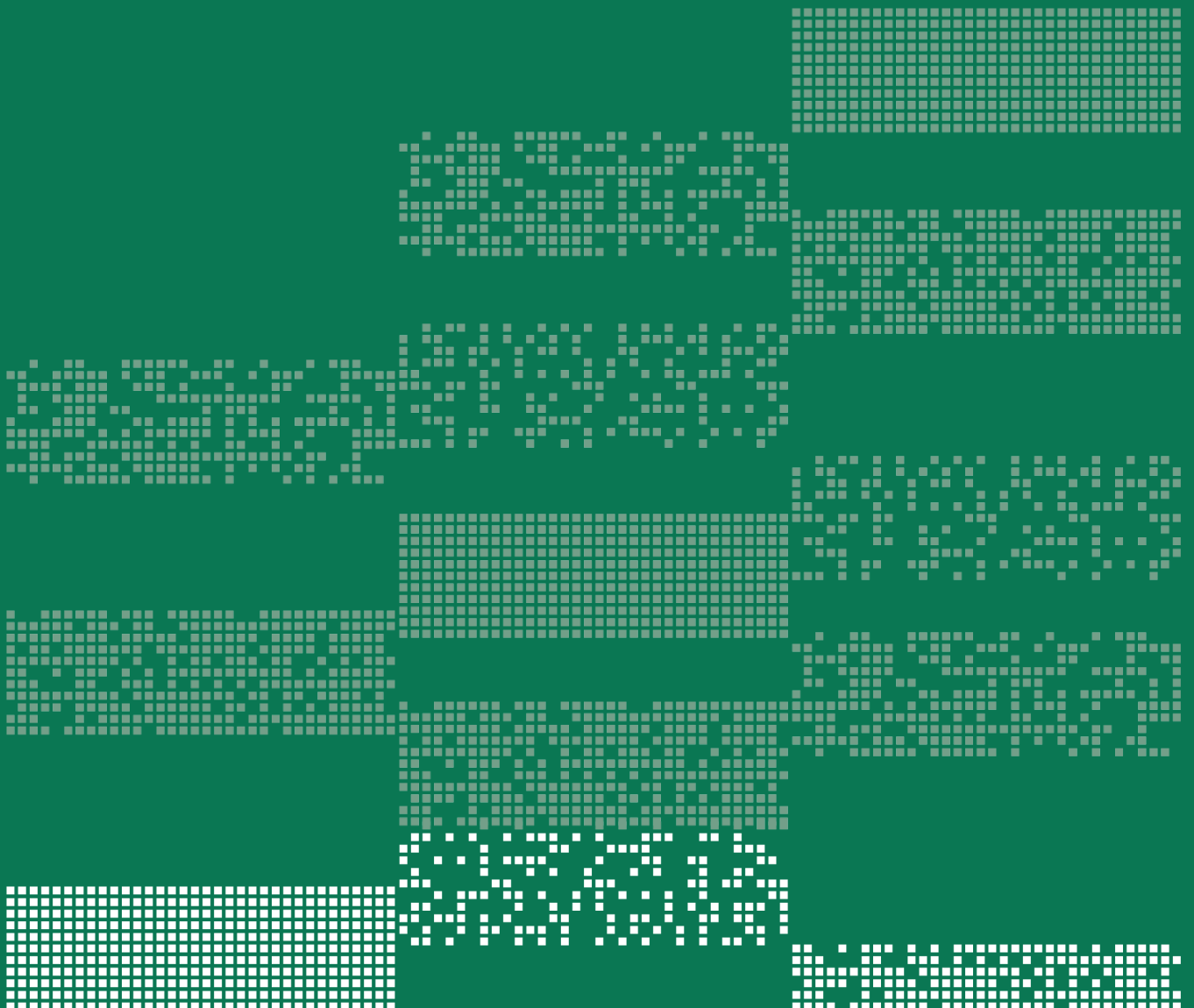
- Chief Financial Officer
- Executive Director
- Risk Management Committee Member



Mr. Naris Chandang

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

NATURE OF BUSINESS





NATURE OF BUSINESS

Nature of Business and Samples of Products

The Company provided Electronics Manufacturing Services (EMS) to original equipment manufacturers, original Design manufacturer and Outsourced assembly and test (OSAT) which offers integrated circuit (IC) packaging services. The company is a true integrated technology to support production capabilities from wafer level through system build.

The markets are both local and international customers with major income mainly on IC packaging and continuously increased into optical electronics, PCBA, System build and vertical business.

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 (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 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. Print Circuit Board Assembly (PCBA) and Box Build

Electronics Manufacturing Services (EMS) is an industry designed to support the electronics products industry and other high-end equipment such as industry, automotive, telecommunication, and medical devices.

The Company established and providing product design development to our strategic customers. Added services and engineering values to our existing manufacturing services and supply chain including design and develop the test systems in order to test assembled products and their reliability before delivery to our customers.

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

- Internet of Things (IoT) Devices.

IoT has become a part of our life. The IoT has shaped the future and make our life easier, safer, and more productive has led to a lot of applications and hardware being developed to support this technology.

- Medical Devices.

The medical is gradually increasing year over year to support the modern lifestyle and longer aging of the worldwide population including pandemic situation.

- Industrial Control Module.

There is a wide range of applications under this category.

- Energy Management Devices.

Effective energy management will help businesses and homes to save money on their electricity and heating bills, simplify control of HVAC and lighting, and reduce their carbon footprint.

- Automotive Devices

The automotive product is a continued growth segment as most of the control units in automotive are using electronic parts especially the electric vehicle.

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.

- Broadcasting

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

- LiDAR application

The Company has the manufacturing service capabilities to produce the LiDAR product, including the laser assembly and also the detector assembly part. Self-driving cars or autonomous vehicles have the potential to reduce deaths and injuries from car crashes, particularly those 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. Since light travels at a known speed, the round-trip time gives a precise estimate of the distance.



Marketing and Distribution

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

| | Y 2018 | | Y 2019 | | Y 2020 | |
|---|-----------|-----------|-----------|-----------|--------|-----------|
| | Mil. Baht | Mil. Baht | Mil. Baht | Mil. Baht | % | Mil. Baht |
| Business Unit 1 Manufacturing and Assembly for IC Packaging | 1,210 | 66.8% | 899 | 50.4% | 1,095 | 57.4% |
| Business Unit 2 Manufacturing and Assembly for PCBA&BOXBUILD | 155 | 8.6% | 234 | 13.1% | 213 | 11.2% |
| Business Unit 3 & 4 Manufacturing of Optical Communication Devices and Other Optical Devices with Similar Assembly Technologies | 400 | 22.1% | 650 | 36.5% | 600 | 31.4% |
| Total sales revenue | 1,766 | 100% | 1,783 | 100% | 1,908 | 100.0% |

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

| | 2018 | | 2019 | | 2020 | |
|---------------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|
| | Thousand Baht | % | Thousand Baht | % | Thousand Baht | % |
| Sales and Service Income | | | | | | |
| IC PACKAGING | 1,210,130 | 66.81% | 899,243 | 49.44% | 1,095,124 | 60.20% |
| PCBA AND BOXBUILD | 155,449 | 8.58% | 233,943 | 12.86% | 213,336 | 11.73% |
| OPTICS | 400,079 | 22.09% | 649,957 | 35.73% | 600,031 | 32.99% |
| Total sales and Service Income | 1,765,659 | 97.48% | 1,783,143 | 98.03% | 1,908,491 | 104.92% |
| Other Income | 45,653 | 2.52% | 35,867 | 1.97% | 44,405 | 2.44% |
| Total Revenues | 1,811,311 | 100.00% | 1,819,010 | 100.00% | 1,952,896 | 100.00% |

Annual full production capacity

| Product | Capacity per year (Million Units) |
|------------------|-----------------------------------|
| IC | 1,796 |
| PCBA & Box Build | 54 |
| Optic Device | 0.384 |
| Total | 1,850 |



Shareholding Structure

Shareholders

The Company's shareholding structure as of 31 December 2020 featuring the Top 10 shareholders can be summarized as below:

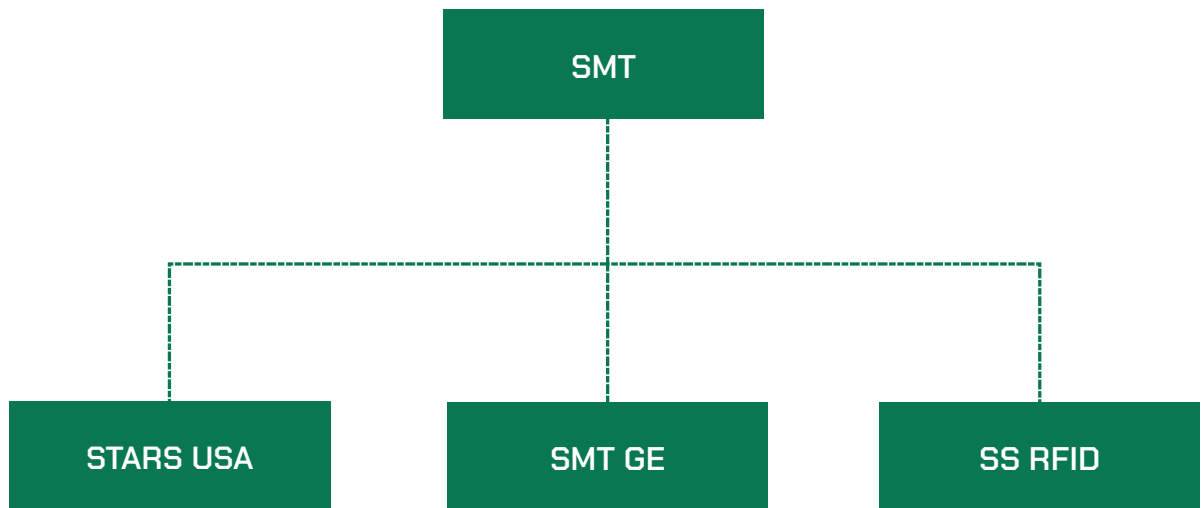
Top Ten Major Shareholders

| | Shareholders | Number of Shares | Percentage |
|----|-------------------------------|------------------|------------|
| 1 | UOB KAY HIAN PRIVATE LIMITED | 75,226,674 | 8.993 |
| 2 | Mr. Nattapong Chaikul | 58,342,900 | 6.975 |
| 3 | SIIX EMS (THAILAND) CO., LTD. | 41,495,962 | 4.961 |
| 4 | Miss Nunticha Chaikul | 37,500,000 | 4.483 |
| 5 | Miss Lucksika Chaikul | 37,010,000 | 4.424 |
| 6 | Miss Oranuj Chaikul | 30,570,000 | 3.655 |
| 7 | Mr. Somnuk Chaikul | 29,843,544 | 3.568 |
| 8 | Thai NVDR Company Limited | 26,173,148 | 3.129 |
| 9 | Mr. Petch Wailikit | 24,418,700 | 2.919 |
| 10 | Mr. Prompong Chaikul | 24,023,968 | 2.872 |
| | Other | 451,874,485 | 54.021 |
| | Total | 836,479,381 | 100.000 |

Note: The Company's paid-up capital as of 31st December 2020 was 836,479,381 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 | |
| 1. STARS USA | 20,000 USD | 20,000 USD | 20,000,000 shares | 59% |
| 2. SMT GE | 1,000,000 Baht | 500,000 Baht | 50,000 shares | 99% |
| 3. 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 2020, there were the following important changes and developments in the company:

- 1) The company received a “very good” score of CG Score of Thai listed companies.
- 2) The company received “CSR-DIW” Award from the Department of Industry Works, Ministry of Industry. The Company has received this award continuously for many years. This award is given to the companies that are responsible for society consistently and sustainably.



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 4 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)

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 2020)

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: 836,479,381 baht consisting of 836,479,381 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 | 2020 |
|--|------|------|------|------|------|------|------|------|------|------|------|
| 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 2021 on 27 April 2021



Future Projects

1. The company has set in motion a variety of strategies that are expected to expand the business to increase income and reduce business risks. The company is focusing on the expansion market sectors, production capacity for customers with high value, and high growth such as Semiconductor, Communication, Optical products, Automotive and Medical Devices.
2. The business territory expansion includes the USA, Europe, China, and other countries in Asia. The service expansion from research & development include both products development and tester development with after-sale service.
3. The company focuses on the supply chain and upgrading the ERP system to support business expansion.

4. The company has created a global workplace gearing up to employ people from the different parts of the world. At the same time, the company has promoted cross-functional teamwork in the organization to support time to market.

5. The quality system under ISO13485 (Quality Management Systems for Medical Devices) and IATF16949 (Quality Management Systems for Automotive Devices) has extended manufacturing scopes certificate to support business expansion.

Research and Development

To promote competitive advantages for business players in semiconductor outsourcing and electronic manufacturing services, the company recently promoted new R&D activities across the company from products, process, production, and test. This allows SMT to engage with the customer at any phase of their product industrialization with the main mission as follows:

- To position SMT from OEM (Original Equipment Manufacturer) to ODM (Original Design Manufacturer)/Joint development partner.
- To serve as a technical consulting point which builds trust and credibility with partnered customers.

- To create an advantage in the mass production supply chain via a 'design-in' cost model.

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

The 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 satisfaction for our long-term business sustainability.



Corporate Social Responsibility

The company implemented the CSR-DIW 2020 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:



หลักการความรับผิดชอบ 7 หลักในการปฏิบัติ

ตรวจสอบได้
โปร่งใส
มีจริยธรรม
ยอมรับผลประโยชน์ผู้มีส่วนได้ส่วนเสีย
เคารพหลักจริยธรรม
เคารพหลักปฏิบัติสากล
เคารพสิทธิมนุษยชน

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.

โครงสร้าง CSR - DIW

Corporate Social Responsibility
Department of Industrial Works

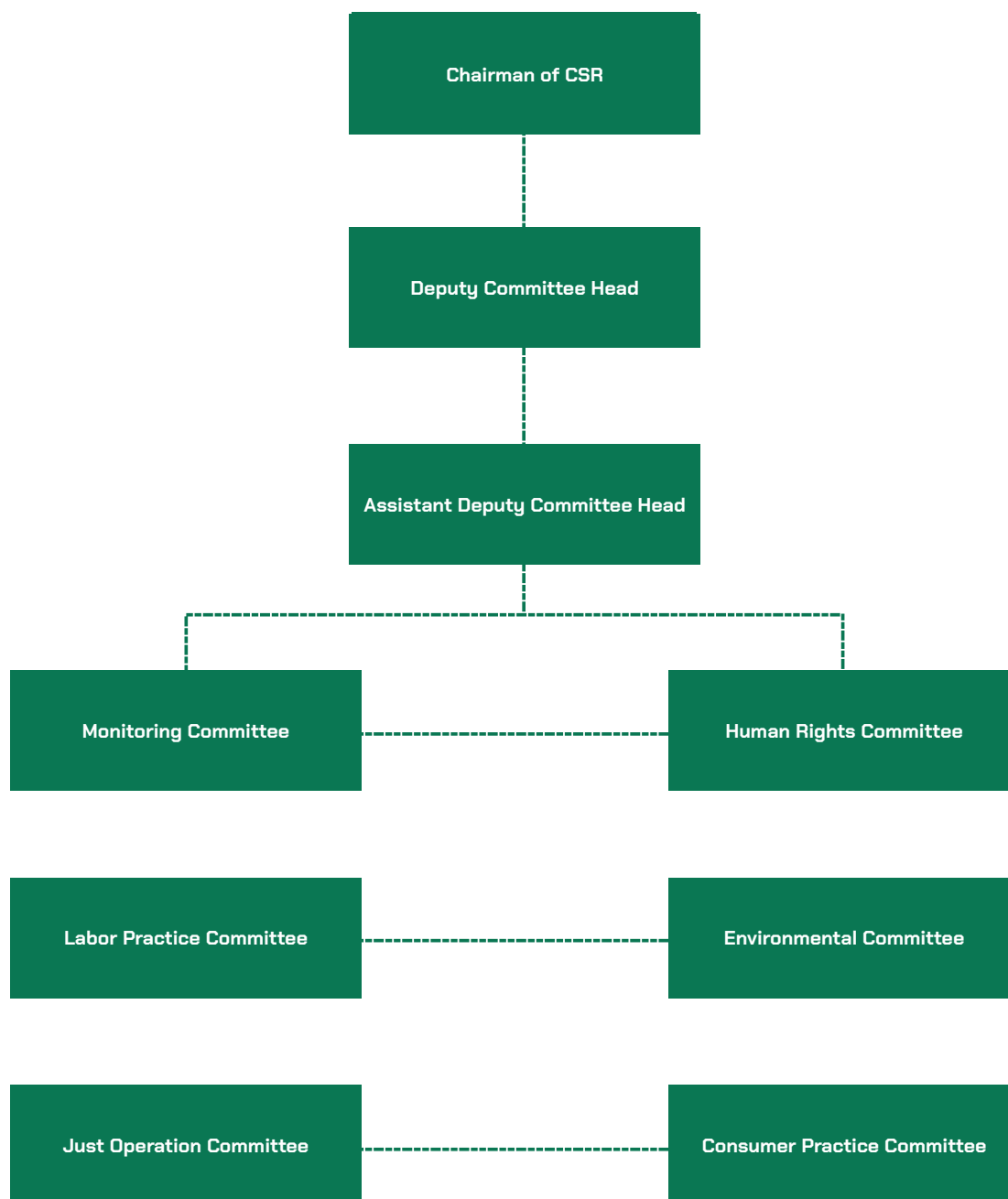
CSR - DIW

ภายใต้การดำเนินงานของ

กระทรวงอุตสาหกรรม
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.

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 2020 the company wasn't investigated or violated the law concerning social responsibility.

Activities for social contributions and environment (AFTER PROCESS)

In 2020 the company performed activities that benefited society, community and environment (CSR-after process) as follows.

In 2020, the company conducted the following CSR activities:

1. Blood Donation: the company cooperated with the National Blood Service 2, Lopburi province to hold blood donation activity. The company organizes blood donation activity every quarter.



2. Donate drinking water to sick people at Prabat Nampu temple, Saraburi province.



3. Donate drinking water to people affected by Covid-19 at Sikiew district, Nakhon Ratchasima province.





4. Donate drinking water to Department of Labour Protection and Welfare, Phra Nakorn Si Ayutthaya province and provided lunch for the orphans at Bang plerng temple, Bang Pa-Han district, Phra Nakhon Si Ayutthaya province.



5. Donate drinking water and the consume to support “happiness sharing” project of Damrongtham center, Phra Nakhon Si Ayutthaya province and Community Development Office, Bang Pa-In District, Phra Nakhon Si Ayutthaya province.



6. Donate drinking water and face masks to prevent the spread of Covid-19 to the monks at Kampang temple and Chumpolnikayaram temple, Bang Pa-In district, Phra Nakhon Si Ayutthaya province.





7. Donate the smocks to medical personnel to prevent the spread of Covid-19 via HRH Princess Maha Chakri Sirindhorn Medical Center, Faculty of Medicine, Srinakarinwirot University



8. Donate face masks to employees to prevent the spread of Covid-19.



9. Donate scholarships, drinking water, dessert and gifts to students of Watkampang school to continue Loy Kratong festival, Thai traditional culture.





10. Built the learning corner to support skill development outside classrooms for students of Watkampang school, Ban Pa-In district, Phra Nakhon Si Ayutthaya province.





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@starsmicro.com
5. The company guarantees the safety for anyone who reports any misconduct and will assign an officer to investigate every matter. The company will treat each matter as highly confidential.

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

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 2020, 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 2020, the company had no any complaint about human rights violation from employees, business partners and neighboring communities. Which the company will encourage employees and executives adhere to universal human rights principles Continuously.



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.

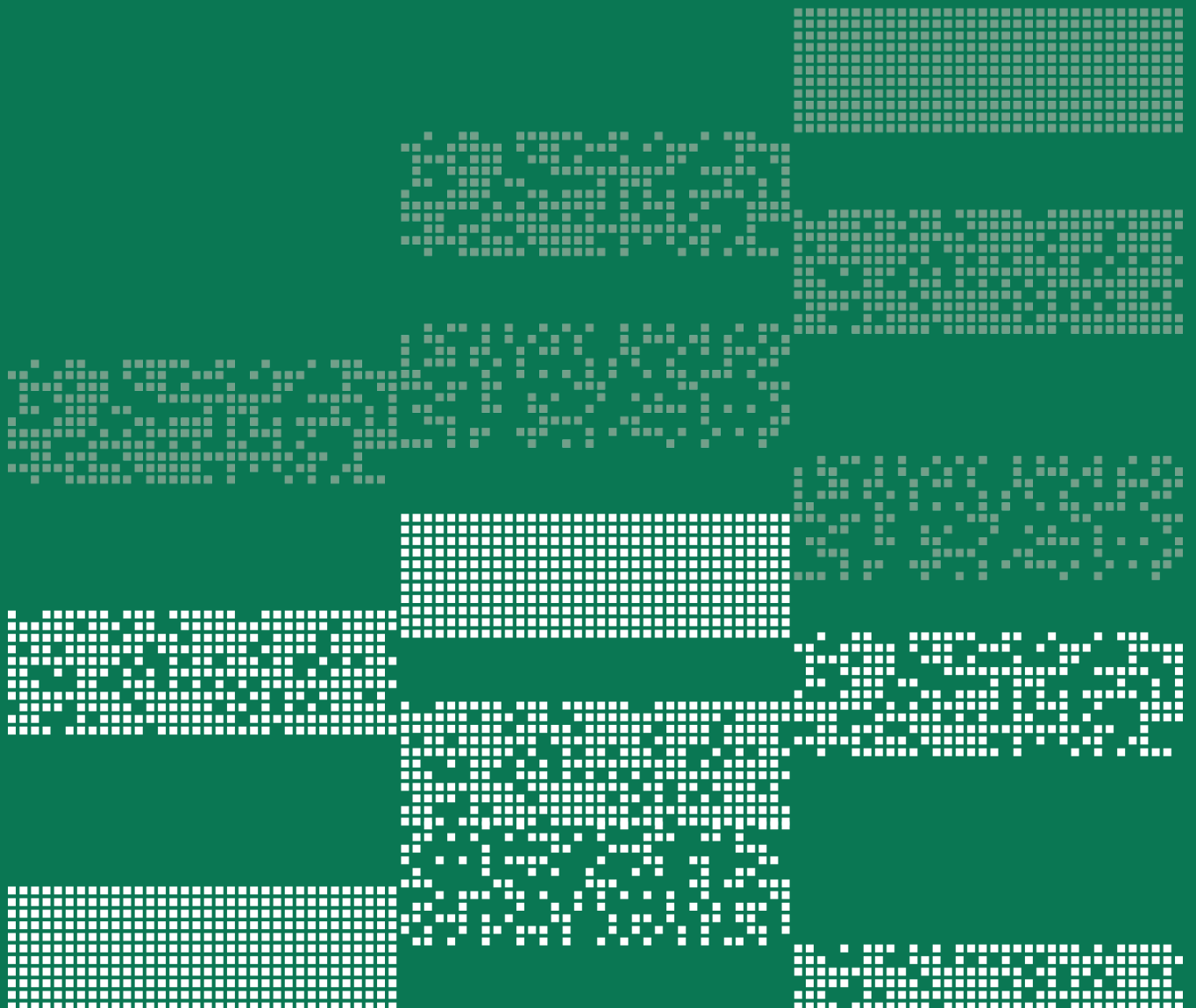
• Talent Management.

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 2020, the company followed corporate good governance practices as follows:

1. Rights of Shareholders and Shareholders Meeting

| | |
|---|---|
| <p>The company's 2020 Annual General Meeting was held on Thursday, 30 July 2020 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> |
|---|---|

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 2020 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 2020 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 2020, 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 2020, the company's Board consists of seven directors, three of them are independent directors three 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, Domination & 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 2020.



Board Diversity

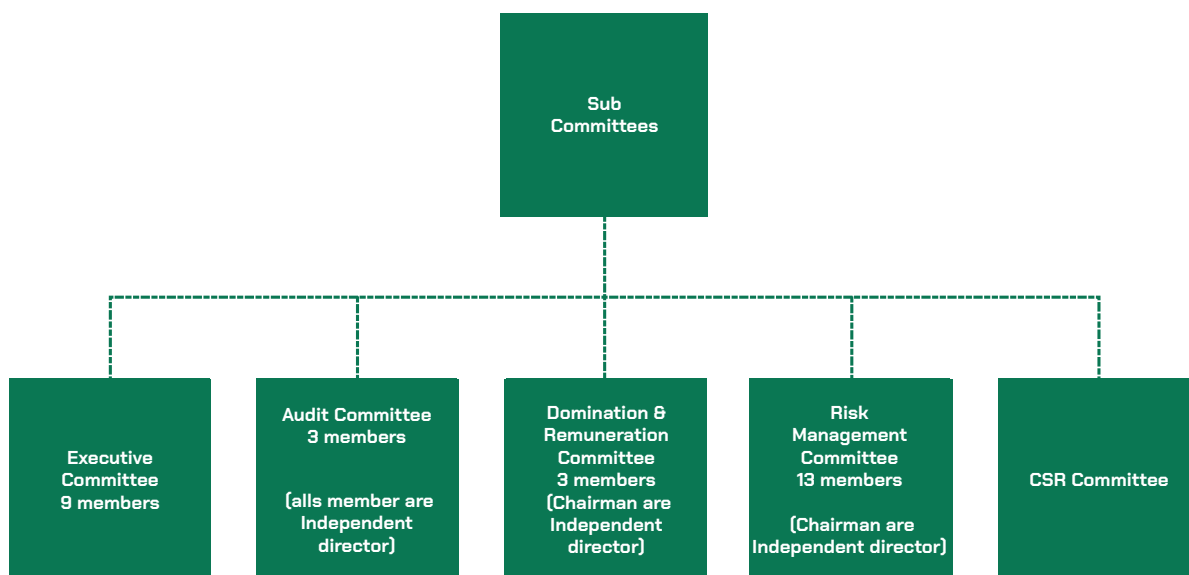
The Board of Directors have set the qualifications of the new company directors by considering the skills lacking with the current Board of Directors to fulfill the knowledge, skills and professions.

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.

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.

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 2020, 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 2020, 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 2020, 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 2020, 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 2020, the company held seven 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 2020 shareholders' annual general meeting on 30 July 2020, the meeting approved the maintenance of the 2020 Board of Directors remuneration as approved by the shareholders' annual general meeting in 2019 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

Remuneration for the Board of Directors

At fiscal year end on 31 December 2019 and on 31 December 2020, remuneration for directors baht 2,877,800 and 2,728,000 baht respectively in the form of monthly compensation and attendance fees as detailed below.

(unit:Baht)

| Director Name | Fiscal year 2019 ending December 31 st , '19 | | Fiscal year 2020 ending December 31 st , '20 | |
|---|---|----------------------------|---|-------------------------------|
| | Attendance fee (baht/year) | Meeting fee (baht/year) | Attendance fee (baht/year) | Meeting fee (baht/year) |
| 1. Mr. Somnuk Chaikul | 360,000 | 15,000 | - | - |
| 2. Mr. Prompong Chaikul | 288,000 | 20,000 | 288,000 | 35,000 |
| 3. Mr. Prasart Yunibhand | 309,600 | 25,000 | 432,000 | 40,000 |
| 4. Assoc. Prof. Dr. Preecha Jarungidanan | 432,000 | 45,000 | 432,000 | 60,000 |
| 5. Mrs. Poonpun Chaikul | 240,000 | 15,000 | - | - |
| 6. Assoc. Prof. Dr. Aekkachai Nittayagasetwat | 360,000 | 45,000 | 360,000 | 60,000 |
| 7. Prof. Dr. Kamphol Panyagometh | 360,000 | 60,000 | 360,000 | 70,000 |
| 8. Mr.Yunyong Sawasdi | - | - | 248,000 | 30,000 |
| 9. Mr. Nattapong Chaikul | 43,200 | - | 288,000 | 25,000 |
| Total | 2,652,800 | 225,000 | 2,408,000 | 320,000 |



2019 & 2020 Change of Board as:

- (1) Mr. Somnuk Chaikul and Mrs. Poonpun Chaikul requested to resign from the Company's director effective from Nov 1, 2019 onwards.
- (2) Mr. Nattapong Chaikul to be director effective from Nov 7, 2019 onwards
- (3) Mr. Yungong Sawasdi to be director effective from Feb 20, 2020 onward.

Remuneration- Other

Non-monetary Remuneration

2. Remuneration for Managements

(unit:Baht)

| Remuneration | Fiscal year 2019 ending December 31 st , '19 | | Fiscal year 2020 ending December 31 st , '20 | |
|----------------|---|---------------|---|---------------|
| | Of recipients | Total Payment | Of recipients | Total Payment |
| Total Salary | 6 | 22,317,799 | 6 | 17,759,142 |
| Total Bonus | 6 | 1,917,641 | 6 | 1,845,373 |
| Provident Fund | 6 | 1,548,113 | 5 | 588,250 |
| Total | | 25,783,553 | | 20,192,765 |

Human Resources

As of 31 December 2019 and 31 December 2020, the number of employees (excluding executives) divided according to their major fields of work were as follows:

(unit: Person)

| | As of December 31 st , '19 | As of December 31 st , '20 |
|-----------------------------|--|--|
| 1. Operations & Development | 977 | 908 |
| 2. Supply chain | 62 | 68 |
| 3. Finance & Administration | 41 | 45 |
| 4. Business Development | 27 | 25 |
| 5. Technology | 5 | 17 |
| Total | 1,112 | 1,063 |

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 2020, 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 2020, 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 2020, 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

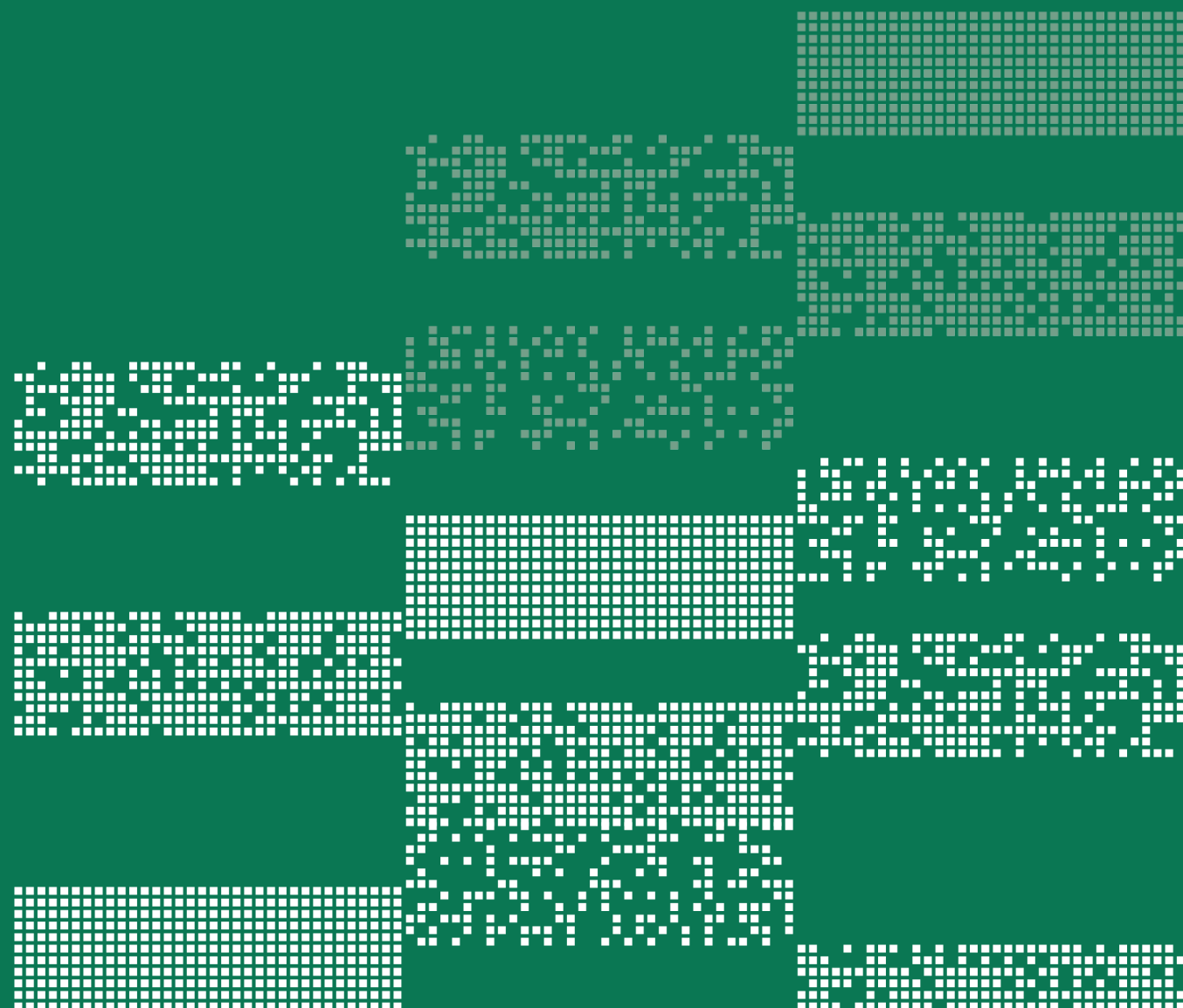
For these transactions, the company assigns the Audit Committee to make comments regarding their merit and propose to the Board for approve. In cases where the Audit Committee has no expertise regarding the related transactions that might occur, the company shall consult those with special expertise 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





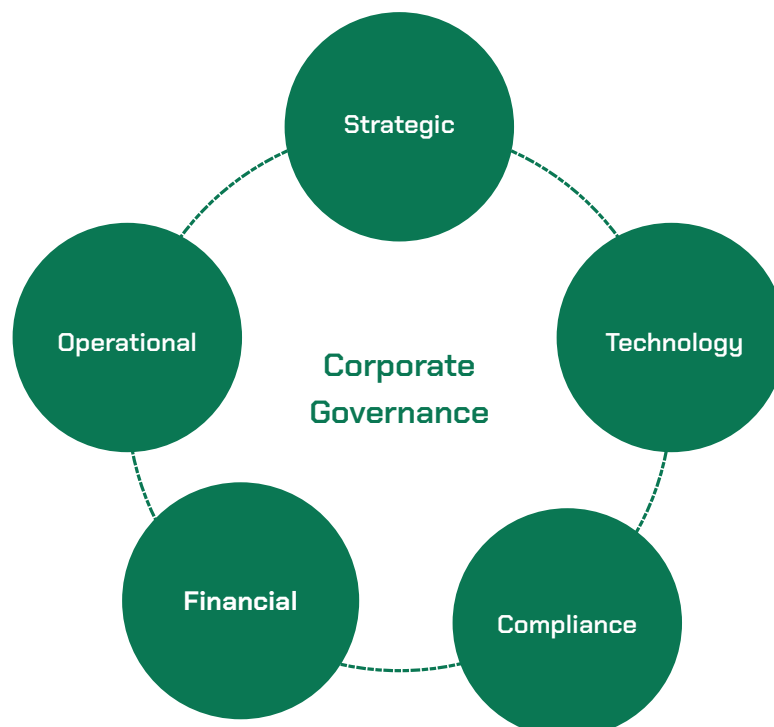
Enterprise Risk Management

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 2020, 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

In 2020, the company mitigate the risk of customer concentration by increasing the number of customers and increase revenue from existing customers. Moreover, the major customer sales of goods and services proportion accounted for more than half of the total revenue in the previous year. At present, the proportion of revenue from major customer to total revenue is not over 30 percent.

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 expose to credit risk in case the customers have many overdue receivables that might affect the financial stability of the company. The company monitor the quality of each debtor as regular basis and strictly considerate to set credit term to debtors. Moreover, the company also manage risk by implement credit insurance with the world's leading insurance company. Meanwhile, the company focus on expand new market area in order to distribute revenue of trade receivables to avoid high concentration risk.

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 34 years

Percentage of Shareholding as of December 31, 2020
2.87 %

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

- IT Governance & Cyber Resilience Program, Class of 13/2020, Thai Institute of Directors
- 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 73 years

Percentage of Shareholding as of December 31, 2020
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 73 years

Percentage of Shareholding as of December 31, 2020

- 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, 2020

- 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
- 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 48 years

Percentage of Shareholding as of December 31, 2020

- 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 25 years

Percentage of Shareholding as of December 31, 2020

6.97 %

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
- Financial Statements of Directors (FSD), Class of 42/2020, Thai Institute of Directors
- Business Analysis Course, Chulalongkorn University



Mr. Yunyong Sawasdi

Position: Director, Company Secretary, Executive Director, Risk Management Committee Member and Former Chief of Finance & Administration Officer (Former- CFO)

Age 68 years

Percentage of Shareholding as of December 31, 2020
0.0001 %

Educational Background

- Master's Degree in Business Administration (MBA), Faculty of Commerce and Accountancy, Thammasat University
- Master's Degree in Public Administration, National Institute of Development Administration (NIDA)
- Bachelor's Degree in Education (Science), Faculty of Education, Chulalongkorn University

Work Experience

Present:

- Director, Company Secretary, Executive Director, Risk Management Committee Member of Stars Microelectronics (Thailand) Public Company Limited
- Guest Lecturer at Faculty of Dentistry, Mahidol University.

Past:

- Chief of Finance & Administration Officer (CFO) of Stars Microelectronics (Thailand) Public Company Limited
- General Manager of Thaimaparn Trading Company Limited
- Guest Lecturer at Faculty of Political Science, Chulalongkorn University

Training History

- Director Accreditation Program (DAP), Class of 98/2012, Thai Institute of Directors
- Company Secretary Program (CSP), Class of 33/2009, Thai Institute of Directors
- Role of the Compensation Committee Program (RCC), Class of 9/2009, Thai Institute of Directors

Management Structure



Management Structure

Board of Directors

At present, the company's Board of Directors comprises 7 members 3 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 its 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. Yunyong Sawasdi | Director Executive Director & Company Secretary |
| 7 | Mr. Nattapong Chaikul | Director and Executive Director |

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 9 Directors

| | Name of Director | Position |
|---|-------------------------|------------------------------------|
| 1 | Mr. Prompong Chaikul | Chairman of the Executive Director |
| 2 | Mr. Virat Phugthai | Executive Director |
| 3 | Mr. Yunyong Sawasdi | Executive Director |
| 4 | Mr. Ruangpoj Phakdurong | Executive Director |
| 5 | Mr. Naris Chandang | Executive Director |
| 6 | Mr. Chotisak Promwas | Executive Director |
| 7 | Dr. Bodin Kasemset | Executive Director |
| 8 | Mr. Wijaya Klinkesorn | Executive Director |
| 9 | 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 sub-committee, working committee and/or person to monitor the items to be submitted to the Executive Committee, carry out any procedures for the Executive Committee's operations or conduct any matter in lieu as assigned by the Committee within the scope of its authority and duties.

It is to be noted that the approval of said items shall not be of the nature in which the Executive Committee or an authorized party thereof can approve transactions which they may have interests in, conflicts with or may have conflicts of interest with the company, its subsidiaries or related companies (according to the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC)). The Committee shall submit such transactions to the Board of Directors and/or

shareholders at the shareholder's meeting for consideration and approval in accordance with related regulations, announcements or laws. Exempt from this procedure is the approval of those items that are normal business transactions, the scope of which are clearly defined.

5. Remuneration for Executive Director

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

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.

1. 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.

2. 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.



3. 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.



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.

4. 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.

5. 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. Prompong Chaikul | Risk Management Committee Member |
| 3 | Mr. Yunyong Sawasdi | Risk Management Committee Member |
| 4 | Mr.Ruangpoj Phakdurong | Risk Management Committee Member |
| 5 | Mr.Naris Chandang | Risk Management Committee Member |
| 6 | Mr.Chotisak Promwas | Risk Management Committee Member |
| 7 | Mr. Wijaya Klinkesorn | Risk Management Committee Member |
| 8 | Mr.Preecha Bootwicha | Risk Management Committee Member |
| 9 | Miss. Siriporn Pakdee | Risk Management Committee Member |
| 10 | Miss. Sunan Wongmutthavanich | Risk Management Committee Member |
| 11 | Mr.Kampol Silpasup | 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 2020 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 Executive Committee Meeting | Attendance in Shareholders' Annual General Meeting '2020 |
|-----------|--|---|---------------------------------------|---|---|---|--|
| 1 | Mr. Prompong Chaikul | 7/7 | - | - | 4/4 | 8/8 | 1/1 |
| 2 | Mr. Prasart Yunibhand | 7/7 | - | 1/1 | - | - | - |
| 3 | Associate professor Dr. Preecha Jarungidanan | 7/7 | 4/4 | 1/1 | - | - | 1/1 |
| 4 | Associate professor Dr. Aekkachai Nittayagasetwat | 7/7 | 4/4 | 1/1 | - | - | 1/1 |
| 5 | Professor Dr. Kamphol Panyagometh | 7/7 | 4/4 | - | 4/4 | - | 1/1 |
| 6 | Mr. Yunyong Sawasdi | 7/7 | - | - | 4/4 | 8/8 | 1/1 |
| 7 | Mr. Nattapong Chaikul | 6/7 | - | - | - | 8/8 | 1/1 |

**Annual General Meeting year 2020 on 30 July 2020

Board of Directors' meetings

The company has already set the dates for the Board of Directors' meeting and the Audit Committee's meetings for 2021 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:



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.

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 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 2020, 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 2020, 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 2020 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 2020, 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 2020 performance achieved the objectives set by the Board of Directors.

(Associate Professor Dr. Preecha Jarungidanan)
Chairman of the Audit 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 2020, the Nomination & Remuneration Committee held two meetings 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 2020, 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 2020, 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 2019 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 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 2020, 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 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 2020 are correct and believable according to the generally accepted accounting standard.

Mr. Prasart Yunibhand
Acting Chairman



Management Discussion and Analysis

The operation results of the company and its subsidiary for year ended 2020 reported the net profit of 83.42 million baht increased 125.30 million baht compare with net loss of 41.88 million baht in 2019.

The operating results in 2020 in comparison with 2019

| | 2020 | | 2019 | | Increase (Decrease) | |
|---|---------------|--------|---------------|--------|---------------------|----------|
| | Thousand Baht | % | Thousand Baht | % | Thousand Baht | % |
| Sales and service income | | | | | | |
| - Sales from IC | 1,095,124 | 57.38 | 899,243 | 50.43 | 195,881 | 21.78 |
| - Sales from PCBA and BOXBUILD | 213,336 | 11.18 | 233,943 | 13.12 | (20,606) | (8.81) |
| - Sales from OPTICS | 600,031 | 31.44 | 649,957 | 36.45 | (49,926) | (7.68) |
| Total sales and service income | 1,908,491 | 100.00 | 1,783,143 | 100.00 | 125,348 | 7.03 |
| Cost of sales and services | 1,552,562 | 81.35 | 1,543,367 | 86.55 | 9,195 | 0.60 |
| Gross profit (loss) | 355,929 | 18.65 | 239,776 | 13.45 | 116,153 | 48.44 |
| Selling expenses | 71,580 | 3.75 | 72,322 | 4.06 | (742) | (1.03) |
| Administrative expenses | 207,617 | 10.88 | 194,071 | 10.88 | 13,547 | 6.98 |
| Operating profit (loss) | 76,731 | 4.02 | (26,617) | (1.49) | 103,349 | n.a. |
| Other income | | | | | | |
| Gain on exchange | 7,735 | 0.41 | 8,904 | 0.50 | (1,168) | (13.12) |
| Revenue from scrap sales | 22,027 | 1.15 | 16,550 | 0.93 | 5,477 | 33.09 |
| Others | 14,643 | 0.77 | 10,414 | 0.58 | 4,229 | 40.61 |
| Profit (loss) before finance cost and income tax expenses | 121,136 | 6.35 | 9,250 | 0.52 | 111,886 | 1,209.58 |
| Finance income | 251 | 0.01 | 334 | 0.02 | [83] | [24.90] |
| Finance cost | 35,882 | 1.88 | 53,524 | 3.00 | [17,642] | [32.96] |
| Profit (loss) before income tax expenses | 85,505 | 4.48 | [43,940] | [2.46] | 129,445 | n.a. |
| Income tax benefits (expenses) | [2,086] | [0.11] | 2,055 | 0.12 | [4,142] | n.a. |
| Profit (loss) for the year | 83,418 | 4.37 | [41,885] | [2.35] | 125,303 | n.a. |
| Depreciation and amortization | 269,541 | 14.12 | 270,892 | 15.19 | [1,351] | [0.50] |
| EBITDA | 390,677 | 20.47 | 280,142 | 15.71 | 110,535 | 39.46 |



The above performance results for 2020 and 2019 derived from the following factors:

Sales and Service income

The Company and its subsidiaries reported revenue from sales and services of 1,908.49 million Baht, increased 125.35 million Baht, or 7.03%, from the previous year. Despite the economic slowdown from COVID-19, the company revenues improved due to the strong demand from IC division, increased 27.00% YoY.

Cost of Sales and Gross Profit

Total cost of sales and services were 1,552.56 million Baht, increased 9.20 million Baht, or 0.60% from the same period of previous year, the slightly increased in expenses compared to revenue growth reflected to better cost management efficiency.

Gross profit of 2020 were 355.93 million Baht, increased by 116.15 million Baht, or 48.44% from the same period of the previous year mainly from high margin products and better cost management efficiency.

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

The Company and its subsidiaries reported EBITDA of 390.68 million Baht, increased by 110.53 million Baht or 39.46%

Selling and Administrative Expenses

Selling and administration expenses of 2020 were 279.20 million Baht, increased by 12.80 million Baht or 4.81% from the same period of previous year mainly from the cost of restructuring of employees in 1Q20.

Other incomes and financial costs

The Company and its subsidiaries reported other incomes of 44.40 million Baht, increased 8.54 million Baht or 23.80% from the previous year.

The Company and its subsidiaries reported finance costs of 35.88 million Baht, decreased by 17.64 million Baht, or 32.96% from the previous year mainly from repayments of principal.



Financial Position

At the end of 31 December 2020, the Company and subsidiary reported assets, liabilities and shareholder's equity compared to 31 December 2019 as below.

| | 2020 | | 2019 | | Increase (Decrease) | |
|--|---------------|--------|---------------|--------|---------------------|----------|
| | Thousand Baht | % | Thousand Baht | % | Thousand Baht | % |
| Cash and cash equivalents | 32,507 | 1.24 | 126,651 | 4.53 | (94,145) | (74.33) |
| Trade and other receivables | 278,463 | 10.60 | 254,320 | 9.10 | 24,143 | 9.49 |
| Inventories | 402,879 | 15.33 | 294,428 | 10.53 | 108,451 | 36.83 |
| Total current assets | 727,223 | 27.68 | 697,211 | 24.94 | 30,012 | 4.30 |
| Property, plant and equipment | 1,871,286 | 71.22 | 2,061,034 | 73.72 | (189,748) | (9.21) |
| Total non-current assets | 1,900,354 | 72.32 | 2,098,613 | 75.06 | (198,258) | (9.45) |
| Total assets | 2,627,577 | 100.00 | 2,795,824 | 100.00 | (168,247) | (6.02) |
| Bank overdrafts and short-term loans from financial institutions | 579,195 | 22.04 | 489,719 | 17.52 | 89,475 | 18.27 |
| Trade and other payables | 251,774 | 9.58 | 239,952 | 8.58 | 11,822 | 4.93 |
| Current portion of long-term loans | 121,390 | 4.62 | 145,820 | 5.22 | (24,430) | (16.75) |
| Total current liabilities | 1,075,980 | 40.95 | 1,267,472 | 45.33 | (191,492) | (15.11) |
| Long-term loans, net of current portion | 0 | 0.00 | 63,250 | 2.26 | (63,250) | (100.00) |
| Lease liabilities, net of current portion | 134,438 | 5.12 | 0 | 0.00 | 134,438 | n.a. |
| Total non-current liabilities | 223,011 | 8.49 | 283,185 | 10.13 | (60,173) | (21.25) |
| Total liabilities | 1,298,991 | 49.44 | 1,550,657 | 55.46 | (251,665) | (16.23) |
| Total shareholders' equity | 1,328,586 | 50.56 | 1,245,167 | 44.54 | 83,418 | 6.70 |

Assets

At the end of 2020, the Company and its subsidiaries reported assets of 2,627.58 million Baht, decreased by 168.25 million Baht or 6.02% compared to 2019.

In 2020, the Company and its subsidiaries report trade and other receivables of 278.46 million baht, of which 277.12 million baht were net trade receivables and the amount of 275.97 million baht were trade receivables unrelated parties

The Company and its subsidiaries report trade receivable over 12 months of 362.03 million baht. The company already reserved the amount of 363.24 million baht as allowance for doubtful, increased 1.21 million baht compared to previous year. (See additional details in financial statements note 9)



In 2020, the Company and its subsidiaries has inventories of 402.89 million baht, increased 108.5 million baht. The higher amount was mainly from plan to stock up raw materials to increase production to meet the increased demand. Meanwhile, the company reversed the write-down of cost of inventories 7 million baht, and reduced the amount of inventories by recognized as expenses during the year. (See additional details in financial statements note 10)

Liabilities and shareholders' equity

At the end of 2020, the Company reported liabilities of 1,298.99 million Baht, decreased by 251.67 million Baht or 16.23% compared to 2019 mainly from bond reaches maturity and repaid.

At the end of 2020, the Company reported shareholder's equities of 1,328.59 million Baht, increased by 83.42 million Baht or 6.70% from the end of 2019.

Sources and Uses of Fund

| | 2020 | 2019 | Increase (Decrease) |
|--|------------------|------------------|------------------------|
| | Thousand Baht | Thousand Baht | Thousand Baht |
| Net cash flows from (used in) operating activities | 285,886 | 258,797 | 27,089 |
| Net cash flows from (used in) investing activities | (102,169) | (133,493) | (31,324) |
| Net cash flows from (used in) financing activities | (277,862) | (26,594) | 251,268 |
| Net increase (decrease) in cash and cash equivalents | (94,145) | 98,710 | (192,855) |
| Cash and cash equivalents at beginning of year | 126,651 | 27,941 | 98,710 |
| Cash and cash equivalents at end of year | 32,507 | 126,651 | (94,145) |

The Company and its subsidiaries reported net cash in the year 2020 of 32.51 million Baht, decreased by 94.15 million Baht from the previous year. The decreasing is mainly from payment of the bond that reach maturity.

The Company and its subsidiaries reported 2020 net cash flows from operating activities of 285.89 million Baht, increased by 27.09 million Baht while net cash flows from investing activities of 102.17 million Baht, decreased by 31.32 million Baht. This was mainly from the capacity of production remains adequate to the current demand. The Company and its subsidiaries reported net cash flows used in financing activities of 277.86 million Baht, increased by 251.27 million Baht due to the redemption of maturity bond.



Financial Ratio

| Financial Ratio | 2020 | | 2019 | | Unit |
|-------------------------------------|-------|--|--------|--|------|
| 1. Current Ratio | 0.68 | | 0.55 | | time |
| 2. Quick Ratio | 0.29 | | 0.30 | | time |
| 3. Number of Days Receivables | 50.95 | | 53.77 | | day |
| 4. Numbr of Days Inventory | 81.97 | | 75.68 | | day |
| 5. Number of Days Payables | 57.80 | | 65.14 | | day |
| 6. Cash cycle | 75.11 | | 64.31 | | day |
| 7. Gross profit margin | 18.65 | | 13.45 | | % |
| 8. EBITDA margin | 20.47 | | 15.73 | | % |
| 9. Net profit margin | 4.37 | | (2.35) | | % |
| 10. Debt-to-Equity ratio | 0.98 | | 1.25 | | time |
| 11. Interest Coverage ratio | 3.38 | | 0.18 | | time |
| 12. Return on Assets | 3.08 | | (1.47) | | % |
| 13. Return on Equity ⁽¹⁾ | 6.48 | | (3.29) | | % |
| 14. Earnin per share ⁽²⁾ | 0.10 | | (0.05) | | baht |
| 15. Book value per share | 1.58 | | 1.49 | | 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

In 2020, the company and its subsidiaries reported current ratio of 0.68, increased from 0.55 in 2019.

Cash cycle was 75.11 days in the year 2020, increased from 64.31 days in 2019.

Gross profit margin was 18.65% in 2020, decreased from 13.45% in 2019 mainly contributed from IC sales which generate high margin compared to other products.

Debt to equity ratio in the year 2020 was 0.98, decreased from 2019 of 1.25.

Interest coverage ratio in 2020 was 3.38, increased from 2019 of 0.18

Return on asset in 2020 of 3.08%, increased from 2019 of -1.47%

Return on equity in 2020 of 6.48%, increased from 2019 of -3.29%



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 2020, 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 2020, 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.

Emphasis of Matter

I draw attention to Note 3 to the consolidated financial statements. In the fourth quarter of 2020, the Group has assessed the financial impacts of the uncertainties of the COVID-19 Pandemic on the valuation of assets, provisions and contingent liabilities. As a result, in preparing the consolidated and separate financial statements for the year ended 31 December 2020, the Group has decided to discontinue application of all relief measures which the Group elected to apply under the Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic issued by the Federation of Accounting Professions. This has no significant impact on the Group's consolidated and separate financial statements.

My opinion is not modified in respect of this matter.

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 and service 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: 18 February 2021



Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2020

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|------|--------------------------------------|----------------------|----------------------------------|----------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 32,506,793 | 126,651,321 | 6,013,193 | 123,156,608 |
| Trade and other receivables | 9 | 278,462,785 | 254,319,784 | 293,650,653 | 249,601,654 |
| Inventories | 10 | 402,878,971 | 294,427,586 | 402,878,971 | 294,427,586 |
| Short-term loans to related parties | 7 | - | - | 640,000 | 510,000 |
| Derivative assets | | 157,702 | - | 157,702 | - |
| Other current assets | | 13,216,364 | 21,812,117 | 13,216,364 | 21,812,117 |
| Total current assets | | 727,222,615 | 697,210,808 | 716,556,883 | 689,507,965 |
| Non-current assets | | | | | |
| Investments in subsidiaries | 11 | - | - | 429,238 | 924,238 |
| Property, plant and equipment | 12 | 1,871,285,837 | 2,061,034,328 | 1,871,285,837 | 2,061,034,328 |
| Intangible assets | 13 | 26,583,352 | 29,491,130 | 26,583,352 | 29,491,130 |
| Deferred tax assets | 26 | 29,867 | 2,098,369 | - | - |
| Other non-current assets | | 2,455,398 | 5,989,124 | 2,448,044 | 5,981,770 |
| Total non-current assets | | 1,900,354,454 | 2,098,612,951 | 1,900,746,471 | 2,097,431,466 |
| Total assets | | 2,627,577,069 | 2,795,823,759 | 2,617,303,354 | 2,786,939,431 |

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 2020

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|-------|--------------------------------------|----------------------|----------------------------------|----------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Bank overdrafts and short-term loans institutions from financial institutions | 14 | 579,194,534 | 489,719,436 | 579,194,534 | 489,719,436 |
| Trade and other payables | 15 | 251,774,421 | 239,952,454 | 249,480,138 | 233,689,722 |
| Current portion of long-term loans | 16 | 121,390,000 | 145,820,000 | 121,390,000 | 145,820,000 |
| Current portion of debenture | 17 | - | 216,813,871 | - | 216,813,871 |
| Current portion of liabilities under finance lease agreements | 4, 18 | - | 166,735,176 | - | 166,735,176 |
| Current portion of lease liabilities | 18 | 112,578,468 | - | 112,578,468 | - |
| Income tax payable | | 24,165 | 24,265 | - | - |
| Derivative liabilities | | 2,037,511 | - | 2,037,511 | - |
| Other current liabilities | | 8,980,995 | 8,406,714 | 8,980,995 | 8,406,714 |
| Total current liabilities | | 1,075,980,094 | 1,267,471,916 | 1,073,661,646 | 1,261,184,919 |
| Non-current liabilities | | | | | |
| Long-term loans, net of current portion | 16 | - | 63,250,000 | - | 63,250,000 |
| Liabilities under finance lease agreements, net of current portion | 4, 18 | - | 137,750,895 | - | 137,750,895 |
| Lease liabilities, net of current portion | 18 | 134,437,636 | - | 134,437,636 | - |
| Provision for long-term employee benefits | 19 | 80,889,000 | 74,499,067 | 80,889,000 | 74,499,067 |
| Deferred tax liabilities | 26 | 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 | | 223,011,317 | 283,184,643 | 223,011,317 | 283,184,643 |
| Total liabilities | | 1,298,991,411 | 1,550,656,559 | 1,296,672,963 | 1,544,369,562 |

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 2020

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|--------|--------------------------------------|----------------------|----------------------------------|----------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Shareholders' equity | | | | | |
| Share capital Registered 1,229,890,150 ordinary shares of Baht 1 each | 20 | 1,229,890,150 | 1,229,890,150 | 1,229,890,150 | 1,229,890,150 |
| Issued and fully paid 836,479,381 ordinary shares of Baht 1 each (2019: 836,479,231 ordinary shares of Baht 1 each) | 20 | 836,479,381 | 836,479,231 | 836,479,381 | 836,479,231 |
| Share premium | 20, 21 | 413,349,346 | 413,349,181 | 413,349,346 | 413,349,181 |
| Capital reserve for share- based payments | 20 | 14,716,319 | 14,716,319 | 14,716,319 | 14,716,319 |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 22 | 1,500,000 | - | 1,500,000 | - |
| Unappropriated (deficit) | 21 | 29,708,744 | (50,179,503) | 26,013,212 | (50,546,995) |
| Other components of shareholders' equity | 23 | 29,243,752 | 29,243,752 | 28,572,133 | 28,572,133 |
| Equity attributable to owners of the Company | | 1,324,997,542 | 1,243,608,980 | 1,320,630,391 | 1,242,569,869 |
| Non-controlling interests of the subsidiaries | | 3,588,116 | 1,558,220 | - | - |
| Total shareholders' equity | | 1,328,585,658 | 1,245,167,200 | 1,320,630,391 | 1,242,569,869 |
| Total liabilities and shareholders' equity | | 2,627,577,069 | 2,795,823,759 | 2,617,303,354 | 2,786,939,431 |

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 2020

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|----------------------|----------------------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | |
| Sales and service income | 1,908,491,272 | 1,783,143,098 | 1,860,799,037 | 1,747,241,012 |
| Revenue from scrap sales | 22,026,655 | 16,549,992 | 22,026,655 | 16,549,992 |
| Gains on exchange | 7,735,101 | 8,903,552 | 7,600,956 | 8,653,380 |
| Other income | 14,642,927 | 10,413,524 | 14,495,560 | 10,274,033 |
| Total revenues | 1,952,895,955 | 1,819,010,166 | 1,904,922,208 | 1,782,718,417 |
| Expenses | | | | |
| Cost of sales and services | 1,552,562,382 | 1,543,367,122 | 1,550,564,522 | 1,542,731,320 |
| Selling and distribution expenses | 71,579,959 | 72,322,146 | 42,205,934 | 38,893,191 |
| Administrative expenses | 202,320,156 | 194,070,913 | 193,162,600 | 183,547,735 |
| Loss on derivatives (net) | 5,297,323 | - | 5,297,323 | - |
| Total expenses | 1,831,759,820 | 1,809,760,181 | 1,791,230,379 | 1,765,172,246 |
| Operating profit | 121,136,135 | 9,249,985 | 113,691,829 | 17,546,171 |
| Finance income | 250,582 | 333,650 | 250,582 | 333,650 |
| Finance cost | (35,882,204) | (53,523,761) | (35,882,204) | (53,523,761) |
| Profit (loss) before income tax revenues (expenses) | 85,504,513 | (43,940,126) | 78,060,207 | (35,643,940) |
| Income tax revenues (expenses) | (2,086,370) | 2,055,365 | - | - |
| Profit (loss) for the year | 83,418,143 | (41,884,761) | 78,060,207 | (35,643,940) |
| Profit (loss) attributable to: | | | | |
| Equity holders of the Company | 81,388,247 | (39,367,733) | 78,060,207 | (35,643,940) |
| Non-controlling interests of the subsidiaries | 2,029,896 | (2,517,028) | | |
| | 83,418,143 | (41,884,761) | | |
| Earnings per share | | | | |
| Basic earnings (loss) per share | | | | |
| Profit (loss) attributable to equity holders of the Company | 0.097 | (0.047) | 0.093 | (0.043) |

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 2020

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|--------------------------------------|--------------|----------------------------------|--------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Profit (loss) for the year | | 83,418,143 | (41,884,761) | 78,060,207 | (35,643,940) |
| | | | | | |
| Other comprehensive income: | | | | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods | | | | | |
| Actuarial losses | 19 | - | (14,903,055) | - | (14,903,055) |
| Other comprehensive income for the year | | - | (14,903,055) | - | (14,903,055) |
| | | | | | |
| Total comprehensive income for the year | | 83,418,143 | (56,787,816) | 78,060,207 | (50,546,995) |
| | | | | | |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | 81,388,247 | (54,270,788) | 78,060,207 | (50,546,995) |
| Non-controlling interests of the subsidiaries | | 2,029,896 | (2,517,028) | | |
| | | 83,418,143 | (56,787,816) | | |

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 2020

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|--------------------|----------------------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash flows from operating activities | | | | |
| Profit (loss) before tax | 85,504,513 | (43,940,126) | 78,060,207 | (35,643,940) |
| Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 269,540,692 | 270,892,023 | 269,540,692 | 270,892,023 |
| Impairment loss on financial assets | 1,203,961 | - | 1,203,961 | - |
| Bad debts | 470 | - | 470 | - |
| Write-offs of withholding tax deducted at sources | 396,514 | 152,035 | 396,514 | 152,035 |
| Unrealised loss on exchange | 1,651,733 | 538,652 | 1,833,985 | 501,612 |
| Gain on sales of machinery and equipment | (142,166) | (1,816,935) | (142,166) | (1,816,935) |
| Loss on impairment of investments | - | - | 495,000 | - |
| Impairment loss on non-current assets | 3,470,000 | - | 3,470,000 | - |
| Reversal decrease of inventories to net realisable value | (6,528,020) | (13,274,875) | (6,527,709) | (13,255,635) |
| Write-offs machinery and equipment | 8,065,741 | 91,578 | 8,065,741 | 91,578 |
| Write-off intangible assets | 4,230,000 | - | 4,230,000 | - |
| Provision for long-term employee benefits | 14,745,321 | 21,169,944 | 14,745,321 | 21,169,944 |
| Amortisation of deferred debenture issuing cost | 486,129 | 1,951,649 | 486,129 | 1,951,649 |
| Interest expenses | 35,396,075 | 51,572,112 | 35,396,075 | 51,572,112 |
| Profit from operating activities before changes in operating assets and liabilities | 418,020,963 | 287,336,057 | 411,254,220 | 295,614,443 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (26,774,889) | 10,953,463 | (46,856,204) | 14,918,783 |
| Inventories | (103,039,402) | 64,416,441 | (103,039,713) | 64,397,201 |
| Other current assets | 8,595,753 | 8,782,132 | 8,595,753 | 8,782,133 |
| Other non-current assets | (82,000) | 20,001 | (82,000) | 20,001 |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | 32,575,608 | (56,431,036) | 36,537,222 | (59,057,093) |
| Other current liabilities | 574,281 | (2,130,037) | 574,281 | (2,227,267) |
| Cash paid for long-term employee benefits | (8,355,388) | (5,854,852) | (8,355,388) | (5,854,852) |
| Cash from operating activities | 321,514,926 | 307,092,169 | 298,628,171 | 316,593,349 |
| Cash received from insurance compensation for assets damaged | - | 5,022,378 | - | 5,022,378 |
| Cash paid for interest expenses | (35,360,265) | (51,301,966) | (35,360,265) | (51,301,966) |
| Cash paid for income tax | (268,656) | (2,015,295) | (250,788) | (558,306) |
| Net cash flows from operating activities | 285,886,005 | 258,797,286 | 263,017,118 | 269,755,455 |

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 2020

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--------------------------------------|---------------|----------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash flows from investing activities | | | | |
| Payments of payables for purchases of machinery and equipment | (23,980,029) | (42,000,557) | (23,980,029) | (42,000,557) |
| Acquisition of machinery and equipment | (71,244,539) | (94,992,774) | (71,244,539) | (94,992,774) |
| Proceeds from sales of machinery and equipment | 142,168 | 3,500,000 | 142,168 | 3,500,000 |
| Acquisition of intangible assets | (7,086,435) | - | (7,086,435) | - |
| Increase in short-term loans to related parties | - | - | (130,000) | (160,000) |
| Net cash flows used in investing activities | (102,168,835) | (133,493,331) | (102,298,835) | (133,653,331) |
| Cash flows from financing activities | | | | |
| Increase in short-term loans from financial institutions | 89,475,098 | 135,867,967 | 89,475,098 | 135,867,967 |
| Net cash receipt from liabilities under finance lease agreements | - | 148,500,000 | - | 148,500,000 |
| Repayment of liabilities under finance lease agreements | - | (172,895,769) | - | (172,895,769) |
| Repayment of lease liabilities | (62,357,111) | - | (62,357,111) | - |
| Repayment of installment payables for purchase of machinery | - | (6,237,717) | - | (6,237,717) |
| Repayment of long-term loans | (87,680,000) | (131,830,000) | (87,680,000) | (131,830,000) |
| Repayment of debenture | (217,300,000) | - | (217,300,000) | - |
| Cash receipt from share subscription as warrants exercised | 315 | 1,977 | 315 | 1,977 |
| Net cash flows used in financing activities | (277,861,698) | (26,593,542) | (277,861,698) | (26,593,542) |
| Net increase (decrease) in cash and cash equivalents | (94,144,528) | 98,710,413 | (117,143,415) | 109,508,582 |
| Cash and cash equivalents at beginning of year | 126,651,321 | 27,940,908 | 123,156,608 | 13,648,026 |
| Cash and cash equivalents at end of year | 32,506,793 | 126,651,321 | 6,013,193 | 123,156,608 |
| Supplemental cash flows information | | | | |
| Non-cash transactions: | | | | |
| Purchases of machinery and equipment for which no cash has been paid | 4,846,010 | 28,589,329 | 4,846,010 | 28,589,329 |
| Inventory for which was transferred to equipment | 1,116,037 | - | 1,116,037 | - |
| The accompanying notes are an integral part of the financial statements. | | | | |

| Equity attributable to owners of the Company | | | | | | | | | | | Equity attributable to non-controlling interests of the subsidiaries | Total shareholders' equity |
|---|----------------------------------|---------------|--|----------------------------------|--------------------------|--|--|--|--|-------------|--|----------------------------|
| | 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 | | | |
| | | | | | | Other comprehensive income | Capital surplus from changes in shareholding in subsidiary | Total other components of shareholders' equity | | | | |
| | | | | Appropriated - statutory reserve | Unappropriated (deficit) | Revaluation surplus on land | | | | | | |
| 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 20) | 265 | 1,712 | - | - | - | - | - | - | 1,977 | - | 1,977 | |
| Transfer of reserves to compensate the deficit (Note 21) | - | (514,608,864) | - | (79,300,000) | 593,908,864 | - | - | - | - | - | - | |
| Balance as at 31 December 2019 | 836,479,231 | 413,349,181 | 14,716,319 | - | (50,179,503) | 28,572,133 | 671,619 | 29,243,752 | 1,243,608,980 | 1,558,220 | 1,245,167,200 | |
| | | | | | | | | | | | - | |
| Balance as at 1 January 2020 | 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 | |
| Profit for the year | - | - | - | - | 81,388,247 | - | - | - | 81,388,247 | 2,029,896 | 83,418,143 | |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | - | |
| Total comprehensive income for the year | - | - | - | - | 81,388,247 | - | - | - | 81,388,247 | 2,029,896 | 83,418,143 | |
| Transferred unappropriated retained earnings to statutory reserve (Note 22) | - | - | - | 1,500,000 | (1,500,000) | - | - | - | - | - | - | |
| Increase in share capital from warrant exercise (Note 20) | 150 | 165 | - | - | - | - | - | - | 315 | - | 315 | |
| Balance as at 31 December 2020 | 836,479,381 | 413,349,346 | 14,716,319 | 1,500,000 | 29,708,744 | 28,572,133 | 671,619 | 29,243,752 | 1,324,997,542 | 3,588,116 | 1,328,585,658 | |

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



Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2020

(Unit: Baht)

| Separate financial statements | | | | | | | | | |
|---|----------------------------------|---------------|--|----------------------------------|--------------------------|--|-----------------------------|--|----------------------------|
| | Issued and paid-up share capital | Share premium | Capital reserve for share-based payments | Retained earnings | | Other components of shareholders' equity | | | Total shareholders' equity |
| | | | | | | | | | |
| | | | | Appropriated - statutory reserve | Unappropriated (deficit) | Other comprehensive income | Revaluation surplus on land | Total other components of shareholders' equity | Total |
| Balance as at 1 January 2019 | 836,478,966 | 927,956,333 | 14,716,319 | 79,300,000 | (593,908,864) | 28,572,133 | 28,572,133 | 28,572,133 | 1,293,114,887 |
| Loss for the year | - | - | - | - | (35,643,940) | - | - | - | (35,643,940) |
| Other comprehensive income for the year | - | - | - | - | (14,903,055) | - | - | - | (14,903,055) |
| Total comprehensive income for the year | - | - | - | - | (50,546,995) | - | - | - | (50,546,995) |
| Increase in share capital from warrant exercise (Note 20) | 265 | 1,712 | - | - | - | - | - | - | 1,977 |
| Transfer of reserves to compensate the deficit (Note 21) | - | (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 | 28,572,133 | 28,572,133 | 1,242,569,869 |
| Balance as at 1 January 2020 | 836,479,231 | 413,349,181 | 14,716,319 | - | (50,546,995) | 28,572,133 | 28,572,133 | 28,572,133 | 1,242,569,869 |
| Profit for the year | - | - | - | - | 78,060,207 | - | - | - | 78,060,207 |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 78,060,207 | - | - | - | 78,060,207 |
| Transferred unappropriated retained earnings to treasury shares reserve (Note 22) | - | - | - | 1,500,000 | (1,500,000) | - | - | - | - |
| Increase in share capital from warrant exercise (Note 20) | 150 | 165 | - | - | - | - | - | - | 315 |
| Balance as at 31 December 2020 | 836,479,381 | 413,349,346 | 14,716,319 | 1,500,000 | 26,013,212 | 28,572,133 | 28,572,133 | 28,572,133 | 1,320,630,391 |

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 2020

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 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 pandemic is adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Group operates. The Group's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

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") (collectively as "the Group"):

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|----------------------------------|--|--------------------------|----------------------------|---------|
| | | | 2020 | 2019 |
| | | | Percent | Percent |
| Stars Microelectronics USA, Inc. | Trading company | United States of America | 59 | 59 |
| SMT Green Energy Company Limited | Manufacture and distribution of equipment used to generate electricity from solar energy or alternative energy as well as generation and distribution of electricity from solar energy or alternative energy | Thailand | 99 | 99 |
| SS RFID Company Limited | Manufacture and distribution of RFID Tags (Radio Frequency Identification Tags) | Thailand | 75 | 75 |



b) The Company is deemed to have control over the investees or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investees, and it has the ability to direct the activities that affect the amount of its returns.

c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

e) The 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) New financial reporting standards that became effective in the current year

During the year, the Group has adopted the revised (revised 2019) and new 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. 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:

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 |
|--------|-------------------------------------|

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.

These standards do not have any significant impact on the Group's 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.

The Group adopted these financial reporting standards using the modified retrospective method of initial 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 cumulative effect of the change is described in Note 4.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impacts of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

During the period from the first quarter to the third quarter of 2020, the Group elected to apply the temporary relief measures on accounting alternatives relating to measurement of expected credit losses using a simplified approach and impairment of assets.

In the fourth quarter of 2020, the Group has assessed the financial impacts of the uncertainties of the COVID-19 Pandemic on the valuation of assets, provisions and contingent liabilities. As a result, in preparing the financial statements **For the year ended 31 December 2020**, the Group has decided to discontinue application of all temporary relief measures on accounting alternatives with no significant impact on the Group's financial statements.

b) Financial reporting standards that become effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

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

4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3 to the financial statements, during the current year, the Group has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.



The impacts on the beginning balance of retained earnings of 2020 from changes in accounting policies due to the adoption of these standards are presented as follows:

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | | | |
|--|--|--|-----------|----------------|
| | The impacts of | | | |
| | 31 December 2019 | Financial reporting standards related to financial instruments | TFRS 16 | 1 January 2020 |
| Statement of financial position | | | | |
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 2,061,034 | - | 14,653 | 2,075,687 |
| | | | | |
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Current portion of liabilities under financial lease agreements | 166,735 | - | (166,735) | - |
| Current portion of lease liabilities | - | - | 172,123 | 172,123 |
| Derivative liabilities | - | 1,000 | - | 1,000 |
| Other current liabilities | 8,407 | (1,000) | - | 7,407 |
| Non-current liabilities | | | | |
| Liabilities under finance lease agreements, net of current portion | 137,751 | - | (137,751) | - |
| Lease liabilities, net of current portion | - | - | 147,016 | 147,016 |



4.1 Financial instruments

The classifications, measurement basis and carrying values of financial assets in accordance with TFRS 9 as at 1 January 2020, and with the significant carrying amounts under the former basis, are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | |
|--|---|--|---|----------------|----------------|
| | Carrying amounts under the former basis | Classification and measurement in accordance with TFRS 9 | | | |
| | | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total |
| Financial assets as at 1 January 2020 | | | | | |
| Cash and cash equivalents | 126,651 | - | - | 126,651 | 126,651 |
| Trade and other receivables | 254,320 | - | - | 254,320 | 254,320 |
| Total financial assets | 380,971 | - | - | 380,971 | 380,971 |

(Unit: Thousand Baht)

| | Separate financial statements | | | | |
|--|---|--|---|----------------|----------------|
| | Carrying amounts under the former basis | Classification and measurement in accordance with TFRS 9 | | | |
| | | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total |
| Financial assets as at 1 January 2020 | | | | | |
| Cash and cash equivalents | 123,157 | - | - | 123,157 | 123,157 |
| Trade and other receivables | 249,602 | - | - | 249,602 | 249,602 |
| Short-term loan to related party | 510 | - | - | 510 | 510 |
| Total financial assets | 373,269 | - | - | 373,269 | 373,269 |

As at 1 January 2020, the Group has not designated any financial liabilities at fair value through profit or loss except derivative liabilities of which fair value is Baht 1 million (Separate financial statements: Baht 1 million)

4.2 Leases

Upon initial application of TFRS 16 the Group recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2020. For leases

previously classified as finance leases, the Group recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately before the date of initial application of TFRS 16.



(Unit: Thousand Baht)

| | Consolidated and Separate financial statements |
|---|--|
| Operating lease commitments as at 31 December 2019 | 16,020 |
| Less: Short-term leases and leases of low-value assets | (36) |
| Less: Deferred interest expenses | (1,331) |
| Increase in lease liabilities due to TFRS 16 adoption | 14,653 |
| Liabilities under finance lease agreements as at 31 December 2019 | 304,486 |
| Lease liabilities as at 1 January 2020 | 319,139 |
| Weighted average incremental borrowing rate (percent per annum) | 6.15 |
| Comprise of: | |
| Current lease liabilities | 172,123 |
| Non-current lease liabilities | 147,016 |
| | 319,139 |

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements |
|------------------------------------|--|
| Buildings and building improvement | 12,978 |
| Motor vehicles | 1,675 |
| Total right-of-use assets | 14,653 |

5. Significant accounting policies

5.1 Revenue and expense recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Rendering of services

Service revenue is recognised at a point in time upon completion of the service.

Interest income

Interest income is calculated using the effective interest method and recognised on an accrual basis. The effective interest rate is applied to the gross carrying amount of a financial asset, unless the financial assets subsequently become credit-impaired when it is applied to the net carrying amount of the financial asset (net of the expected credit loss allowance).

Finance cost

Interest expense from financial liabilities at amortised cost is calculated using the effective interest method and recognised on an accrual basis.



5.2 Cash and cash equivalents

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

5.3 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.

5.4 Investments

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

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

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

5.5 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.

5.6 Borrowing costs

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



5.7 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.

5.8 Leases

At inception of contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

Accounting policies adopted since 1 January 2020

The Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Group recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

Right-of-use assets are measured at cost, less accumulated depreciation, any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received.

Depreciation of right-of-use assets are calculated by reference to their costs, on the straight-line basis over the shorter of their estimated useful lives and the lease term.

| | |
|-------------------------|----------|
| Building improvement | 15 years |
| Machinery and equipment | 15 years |
| Motor vehicles | 5 years |

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are presented as part of property, plant and equipment in the statement of financial position.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Group discounted the present value of the lease payments by the interest rate implicit in the lease or the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.



Short-term leases and leases of low-value assets

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses in the income statement on a straight-line basis over the lease term.

Accounting policies adopted before 1 January 2020

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 assets 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.

Leases 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.

5.9 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.

5.10 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.

5.11 Impairment of assets of non-financial assets

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment, right-of-use asset 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.



5.12 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.

5.13 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.

5.14 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 judgment, and to apply assumptions, including as to the expected life of the share options, share price volatility, dividend yield and risk-free interest rate.

5.15 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.



5.16 Financial instruments

Accounting policies adopted since 1 January 2020

The Group initially measures financial assets at its fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. However, trade receivables, that do not contain a significant financing component, are measured at the transaction price as disclosed in the accounting policy relating to revenue recognition.

Classification and measurement of financial assets

Financial assets are classified, at initial recognition, as to be subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets at initial recognition is driven by the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if the financial asset is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

Financial assets measured at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

These financial assets include derivatives which the Group has not irrevocably elected to classify at FVOCI and financial assets with cash flows that are not solely payments of principal and interest.

Classification and measurement of financial liabilities

Except for derivative liabilities, at initial recognition the Group's financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Group takes into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

The Group may elect to measure financial liabilities at FVTPL if doing so eliminates, or significantly reduces a recognition inconsistency (sometimes referred to as an accounting mismatch).

Derecognition of financial instruments

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For credit exposures for which there has not been a significant increase in credit risk since initial recog-



nition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting policies adopted before 1 January 2020

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.

5.17 Derivatives

The Group uses derivatives, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The subsequent changes are recognised in the income statement. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

5.18 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.

6. 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 expected credit losses of trade receivables

In determining an allowance for expected credit losses of trade receivables, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the forecast economic condition for groupings of various customer segments with similar credit risks. The Group's historical credit loss experience and forecast economic conditions may also not be representative of whether a customer will actually default in the future.

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 12.

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.



7. 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 |
|---|-----------------------------------|------|-------------------------------|------|------------------|
| | 2020 | 2019 | 2020 | 2019 | |
| <u>Transactions with subsidiaries</u> | | | | | |
| (eliminated from the consolidated financial statements) | | | | | |
| Sales and service income | - | - | 821 | 647 | Cost plus margin |
| Other income | - | - | 1 | 2 | Agreed price |
| Commission expense | - | - | 9 | 8 | Agreed price |
| <u>Transactions with related companies</u> | | | | | |
| Sales and service income | 30 | 27 | 30 | 27 | Cost plus margin |

As at 31 December 2020 and 2019, 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 | |
|---|-----------------------------------|-------|-------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| <u>Trade receivables - related parties (Note 9)</u> | | | | |
| Subsidiary | - | - | 157,700 | 111,466 |
| Related company (related by common shareholders) | 1,150 | 2,032 | 1,150 | 2,032 |
| Total trade receivables - related parties | 1,150 | 2,032 | 158,850 | 113,498 |
| <u>Other receivable - related party (Note 9)</u> | | | | |
| Subsidiary | - | - | 84 | 43 |
| Total other receivable - related party | - | - | 84 | 43 |
| <u>Trade payable - related party (Note 15)</u> | | | | |
| Related company (related by common shareholders) | 28 | - | 28 | - |
| Total trade payable - related party | 28 | - | 28 | - |
| <u>Other payable - related party (Note 15)</u> | | | | |
| Subsidiary | - | - | 1,668 | 731 |
| Total other payable - related party | - | - | 1,668 | 731 |

Short-term loans to related parties

As at 31 December 2020 and 2019, the balance of loans between the Company and its subsidiaries and the movement are as follows:

(Unit: Thousand Baht)

| Separated financial statements | | | | | |
|--------------------------------|--------------------------------|--------------------------|--------------------------|--------------------------------|-----------------|
| Loan to subsidiaries | Balance as at 31 December 2019 | Increase during the year | Decrease during the year | Balance as at 31 December 2020 | Interest rate |
| SS RFID Co., Ltd. | 510 | 70 | - | 580 | 7.2 % per annum |
| SMT Green Energy Co., Ltd. | - | 60 | - | 60 | 7.2 % per annum |
| Total | 510 | 130 | - | 640 | |

Directors and management's benefits

During the years ended 31 December 2020 and 2019, the Group had employee benefit expense payable to their directors and management as below.

(Unit: Million Baht)

| | Consolidated financial statements | | Separate financial statements | |
|------------------------------|-----------------------------------|------|-------------------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Short-term employee benefits | 36 | 33 | 29 | 25 |
| Post-employment benefits | 5 | 4 | 5 | 4 |
| Termination benefit | 7 | - | 7 | - |
| Total | 48 | 37 | 41 | 29 |



8. Cash and cash equivalents

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---------------------------------|-----------------------------------|---------|-------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash | 77 | 97 | 55 | 75 |
| Bank deposits | 32,430 | 126,554 | 5,958 | 123,082 |
| Total cash and cash equivalents | 32,507 | 126,651 | 6,013 | 123,157 |

As at 31 December 2020, bank deposits in saving accounts carried interests between 0.025% and 0.050% per annum (2019: between 0.050% and 0.375% per annum).

9. Trade and other receivables

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------|-------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Trade receivables - related parties | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 1,150 | 2,032 | 133,012 | 92,798 |
| Past due | | | | |
| Up to 3 months | - | - | 25,810 | 15,624 |
| 3 - 6 months | - | - | - | 5,076 |
| 6 - 12 months | - | - | 28 | - |
| Total trade receivables - related parties | 1,150 | 2,032 | 158,850 | 113,498 |
| Trade receivables - unrelated parties | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 259,057 | 194,633 | 122,999 | 100,022 |
| Past due | | | | |
| Up to 3 months | 17,567 | 46,704 | 11,028 | 30,291 |
| 3 - 6 months | 31 | 8,406 | 31 | 3,206 |



(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-----------|-------------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| 6 - 12 months | 520 | 4 | 520 | 1 |
| Over 12 months | 362,032 | 362,033 | 362,032 | 362,033 |
| Total trade receivables - unrelated parties | 639,207 | 611,780 | 496,610 | 495,553 |
| Less: Allowance for expected credit losses (2019: Allowance for doubtful accounts) | (363,236) | (362,032) | (363,236) | (362,032) |
| Total trade receivables - unrelated parties, net | 275,971 | 249,748 | 133,374 | 133,521 |
| Total trade receivables - net | 277,121 | 251,780 | 292,224 | 247,019 |
| Other receivables | | | | |
| Other receivable - related party | - | - | 84 | 43 |
| Other receivables - unrelated parties | 1,342 | 2,540 | 1,343 | 2,540 |
| Total other receivables | 1,342 | 2,540 | 1,427 | 2,583 |
| Total trade and other receivables - net | 278,463 | 254,320 | 293,651 | 249,602 |

Set out below is the movement in the allowance for expected credit losses of trade receivables.

(Unit: Thousand Baht)

| | Consolidated financial statements | Separate financial statements |
|--------------------------------------|-----------------------------------|-------------------------------|
| As at 1 January 2020 | 362,032 | 362,032 |
| Provision for expected credit losses | 1,204 | 1,204 |
| As at 31 December 2020 | 363,236 | 363,236 |

10. Inventories

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--------------------------|-----------------------------------|---------|-------------------------------------|-----------|-------------------|---------|
| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Finished goods | 139,121 | 109,592 | (90,448) | (89,826) | 48,673 | 19,766 |
| Work in process | 193,513 | 171,051 | (34,528) | (39,091) | 158,985 | 131,960 |
| Raw materials | 274,529 | 216,120 | (94,295) | (96,702) | 180,234 | 119,418 |
| Spare parts and supplies | 15,155 | 23,631 | (168) | (347) | 14,987 | 23,284 |
| Total | 622,318 | 520,394 | (219,439) | (225,966) | 402,879 | 294,428 |



(Unit: Thousand Baht)

| | Separate financial statements | | | | | |
|--------------------------|-------------------------------|---------|-------------------------------------|-----------|-------------------|---------|
| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Finished goods | 138,630 | 109,101 | (89,957) | (89,335) | 48,673 | 19,766 |
| Work in process | 192,318 | 169,856 | (33,333) | (37,896) | 158,985 | 131,960 |
| Raw materials | 273,945 | 215,536 | (93,711) | (96,118) | 180,234 | 119,418 |
| Spare parts and supplies | 15,155 | 23,631 | (168) | (347) | 14,987 | 23,284 |
| Total | 620,048 | 518,124 | (217,169) | (223,696) | 402,879 | 294,428 |

During the current year, the Group reversed the write-down of cost of inventories by Baht 7 million (the Company only: Baht 7 million) (2019: Baht 13 million (the Company only: Baht 13 million)) and reduced the amount of inventories recognised as expenses during the year.

11. 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 | |
|--|-----------------|-------------|-------------------------|------|---------------------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | | | (%) | (%) | (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 | | | | | (75,495) | (75,000) |
| Investments in subsidiaries - net | | | | | 429 | 924 |

As at 31 December 2020, 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 (2019: 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.



12. Property, plant and equipment

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | |
|-------------------------------|--|-----------|
| | 2020 | 2019 |
| Net book value: | | |
| Property, plant and equipment | 1,243,695 | 1,372,213 |
| Right-of-use assets (Note 18) | 627,591 | 688,821 |
| Total | 1,871,286 | 2,061,034 |

Movements of property, plant and equipment for the years ended 31 December 2020 and 2019 are summarised below.

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|------------------------------------|-------------------------|----------------|--|-----------|
| | Revaluation basis | Cost basis | | | | |
| | Land | Buildings and building improvement | Machinery and equipment | Motor vehicles | Assets under construction and installation | Total |
| Cost / Revalued amount | | | | | | |
| 1 January 2019 | 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 |
| Adjustments of right-of-use asset due to TFRS 16 adoption (Note 4) | - | 12,978 | - | 1,675 | - | 14,653 |
| 1 January 2020 | 91,013 | 1,026,907 | 3,517,639 | 21,257 | 49,109 | 4,705,925 |



(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|--|-----------------------------------|------------------------------------|-------------------------|----------------|--|-----------|
| | Revaluation basis | Cost basis | | | | |
| | Land | Buildings and building improvement | Machinery and equipment | Motor vehicles | Assets under construction and installation | Total |
| Additions | - | 6,910 | 25,272 | - | 45,026 | 77,208 |
| Disposals | - | - | (2) | (525) | - | (527) |
| Write-offs | - | (19,070) | (4,327) | (1,675) | (7,970) | (33,042) |
| Transfers between accounts | - | 53,723 | 22,259 | - | (75,982) | - |
| 31 December 2020 | 91,013 | 1,068,470 | 3,560,841 | 19,057 | 10,183 | 4,749,564 |
| Accumulated depreciation | | | | | | |
| 1 January 2019 | - | 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 |
| Depreciation for the year | - | 43,345 | 217,958 | 2,474 | - | 263,777 |
| Depreciation on disposals | - | - | (2) | (525) | - | (527) |
| Depreciation on write-offs | - | (10,153) | (4,231) | (826) | - | (15,210) |
| 31 December 2020 | - | 652,845 | 2,180,516 | 17,629 | - | 2,850,990 |
| Allowance for impairment: | | | | | | |
| 1 January 2019 | - | - | 27,288 | - | - | 27,288 |
| 31 December 2019 | - | - | 27,288 | - | - | 27,288 |
| 31 December 2020 | - | - | 27,288 | - | - | 27,288 |
| Net book value | | | | | | |
| 31 December 2019 | 91,013 | 394,276 | 1,523,560 | 3,076 | 49,109 | 2,061,034 |
| 31 December 2020 | 91,013 | 415,625 | 1,353,037 | 1,428 | 10,1831 | 1,871,286 |
| Depreciation for the year | | | | | | |
| 2019 (Baht 260 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | 264,497 |
| 2020 (Baht 260 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | 263,777 |



(Unit: Thousand Baht)

| | Separate financial statements | | | | | |
|--|-------------------------------|------------------------------------|-------------------------|----------------|--|-----------|
| | Revaluation basis | Cost basis | | | | |
| | Land | Buildings and building improvement | Machinery and equipment | Motor vehicles | Assets under construction and installation | Total |
| Cost / Revalued amount | | | | | | |
| 1 January 2019 | 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 |
| Adjustments of right-of-use asset due to TFRS 16 adoption (Note 4) | - | 12,978 | - | 1,675 | - | 14,653 |
| 1 January 2020 | 91,013 | 1,026,907 | 3,468,419 | 21,257 | 49,109 | 4,656,705 |
| Additions | - | 6,910 | 25,272 | - | 45,026 | 77,208 |
| Disposals | - | - | (2) | (525) | - | (527) |
| Write-offs | - | (19,070) | (4,327) | (1,675) | (7,970) | (33,042) |
| Transfers between accounts | - | 53,723 | 22,259 | - | (75,982) | - |
| 31 December 2020 | 91,013 | 1,068,470 | 3,511,621 | 19,057 | 10,183 | 4,700,344 |
| Accumulated depreciation | | | | | | |
| 1 January 2019 | - | 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 |
| Depreciation for the year | - | 43,345 | 217,958 | 2,474 | - | 263,777 |
| Depreciation on disposals | - | - | (2) | (525) | - | (527) |
| Depreciation on write-offs | - | (10,153) | (4,231) | (826) | - | (15,210) |
| 31 December 2020 | - | 652,845 | 2,158,584 | 17,629 | - | 2,829,058 |
| Net book value | | | | | | |
| 31 December 2019 | 91,013 | 394,276 | 1,523,560 | 3,076 | 49,109 | 2,061,034 |
| 31 December 2020 | 91,013 | 415,625 | 1,353,037 | 1,428 | 10,183 | 1,871,286 |
| Depreciation for the year | | | | | | |
| 2019 (Baht 260 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | 264,497 |
| 2020 (Baht 260 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | 263,777 |



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 2020 and 2019 would have been Baht 55 million.

As at 31 December 2020, 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 760 million (2019: Baht 659 million).

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

13. Intangible assets

(Unit: Thousand Baht)

| | Computer software | |
|----------------------------------|-----------------------------------|-------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Cost: | | |
| 1 January 2019 | 65,641 | 65,586 |
| Additions | 3,890 | 3,890 |
| 31 December 2019 | 69,531 | 69,476 |
| Additions | 7,086 | 7,086 |
| Disposals | (4,230) | (4,230) |
| 31 December 2020 | 72,387 | 72,332 |
| Amortisation: | | |
| 1 January 2019 | 33,630 | 33,590 |
| Amortisation for the year | 6,395 | 6,395 |
| 31 December 2019 | 40,025 | 39,985 |
| Amortisation for the year | 5,764 | 5,764 |
| 31 December 2020 | 45,789 | 45,749 |
| | | |
| Allowance for impairment: | | |
| 1 January 2019 | 15 | - |
| 31 December 2019 | 15 | - |
| 31 December 2020 | 15 | - |
| Net book value: | | |
| 31 December 2019 | 29,491 | 29,491 |
| 31 December 2020 | 26,583 | 26,583 |



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

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | |
|--|--|---------|
| | 2020 | 2019 |
| Bank overdrafts | 552 | - |
| Promissory notes | 30,000 | 30,000 |
| Bill of exchanges | - | 19,574 |
| Trust receipts | 126,643 | 116,145 |
| Packing credit | 422,000 | 324,000 |
| Total bank overdrafts and short-term loans from financial institutions | 579,195 | 489,719 |

As at 31 December 2020, bank overdrafts carried interest rate at MOR and short-term loans from financial institutions carried interest rates between 1.55 - 2.85% (2019: between 1.90 - 2.40% and 5.75% 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.

15. Trade and other payables

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------|-----------------------------------|---------|-------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Trade payable - related party | 28 | - | 28 | - |
| Trade payables - unrelated parties | 190,011 | 152,625 | 186,163 | 145,792 |
| Other payable - related party | - | - | 1,668 | 731 |
| Other payables - unrelated parties | 40,778 | 38,061 | 40,773 | 38,057 |
| Payables for purchases of machinery | 9,740 | 37,216 | 9,740 | 37,216 |
| Accrued expenses | 11,217 | 12,050 | 11,108 | 11,894 |
| Total trade and other payables | 251,774 | 239,952 | 249,480 | 233,690 |



16. Long-term loans

(Unit: Thousand Baht)

| Loan | Interest rate | Repayment schedule | Consolidated and Separate financial statements | |
|---|-------------------------------------|--|--|-----------|
| | | | 2020 | 2019 |
| 1 | MLR ⁽¹⁾ - 2.0% per annum | Monthly installments as from October 2017 | 58,140 | 74,820 |
| 2 | Closed to THBFIX 6M ⁽²⁾ | Monthly installments as from November 2018 | 63,250 | 134,250 |
| Total | | | 121,390 | 209,070 |
| Less: Current portion | | | (121,390) | (145,820) |
| Long-term loans, net of current portion | | | - | 63,250 |

(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 2020 are summarised below:

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements |
|--------------------------------|--|
| Balance as at 1 January 2020 | 209,070 |
| Less: Repayment | (87,680) |
| Balance as at 31 December 2020 | 121,390 |

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 2020, 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. The Company received a letter from the lender, granting a waiver for such non-compliance subject. However, such loans were presented as current liabilities in the statement of financial position as per original repayment schedule as at 31 December 2020.



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 2020 and 2019, the details of debentures are summarised below.

| | (Unit: Thousand Baht) | |
|--|--|-----------|
| | Consolidated and Separate financial statements | |
| | 2020 | 2019 |
| Debentures | 217,300 | 217,300 |
| Less: Deferred debenture issuing costs | - | (486) |
| Total | 217,300 | 216,814 |
| Less: Repayment of debenture during the period | (217,300) | - |
| Balance | - | 216,814 |
| Less: Current portion | - | (216,814) |
| Debentures - net of current portion | - | - |



18. Leases

The Group as a lessee

The Group has lease contracts for various items of property, plant, and equipment used in its operations. Leases generally have lease terms between 1 - 6 years.

a) Right-of-use assets

Movement of right-of-use assets For the year ended 31 December 2020 are summarised below:

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | | | |
|---|--|-------------------------|----------------|----------|
| | Buildings and building improvement | Machinery and equipment | Motor vehicles | Total |
| 31 December 2019 | 11,032 | 675,156 | 2,633 | 688,821 |
| Increase due to TFRS 16 adoption (Note 4) | 12,978 | - | 1,675 | 14,653 |
| Disposals | (8,917) | - | (850) | (9,767) |
| Depreciation for the year | (5,068) | (58,812) | (2,236) | (66,116) |
| 31 December 2020 | 10,025 | 616,344 | 1,222 | 627,591 |

b) Lease liabilities (2019: Finance lease liabilities)

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | |
|--|--|-----------|
| | 2020 | 2019 |
| Lease/financial lease payments | 260,166 | 318,582 |
| Less: Deferred interest expenses | (13,150) | (14,096) |
| Total | 247,016 | 304,486 |
| Less: Portion due within one year | (112,578) | (166,735) |
| Lease/financial lease liabilities - net of current portion | 134,438 | 137,751 |



A maturity analysis of lease payments is disclosed in Note 33 under the liquidity risk.

c) Expenses relating to leases that are recognised in the income statement

| | (Unit: Thousand Baht) | |
|---|--|--|
| | For the year ended 31 December 2020 | |
| | Consolidated and Separate financial statements | |
| Depreciation expense of right-of-use assets | 66,116 | |
| Interest expense on lease liabilities | 318 | |
| Expenses relating to short-term leases | 2,192 | |

d) Others

The Group had total cash outflows for leases For the year ended 31 December 2020 of Baht 65 million, including the cash outflow related to short-term lease, leases of low-value assets and variable lease payments that do not depend on an index or a rate. Moreover, the Group had non-cash additions to right-of-use assets and lease liabilities of Baht 15 million.

19. Provision for long-term employee benefits

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

| | (Unit: Thousand Baht) | |
|---|--|---------|
| | Consolidated and Separate financial statements | |
| | 2020 | 2019 |
| Provision for long-term employee benefits at beginning of year | 74,499 | 44,281 |
| Included in the income statement: | | |
| Current service cost | 13,515 | 9,474 |
| Interest cost | 1,230 | 1,434 |
| Past service costs and losses on settlement | - | 10,262 |
| Included in other comprehensive income: | | |
| Actuarial (gain)/loss arising from | | |
| Demographic assumptions changes | - | (25) |
| Financial assumptions changes | - | 10,095 |
| Experience adjustments | - | 4,833 |
| Benefits paid during the year | (8,355) | (5,855) |
| Provision for long-term employee benefits at end of year | 80,889 | 74,499 |



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 of 2019.

As at 31 December 2020, the Group do not expect to pay long-term employee benefits during the next year (the Company only: nil) (2019: The Group expected to pay Baht 2 million of long-term employee benefits (the Company only: Baht 2 million)).

As at 31 December 2020, the weighted average duration of the liabilities for long-term employee benefit of the Group is 12 years (the Company only: 12 years) (2019: 12 years (the Company only: 12 years)).

Significant actuarial assumptions are summarised below.

(Unit: % per annum)

| | Consolidated financial statements | | Separate financial statements | |
|----------------------|--------------------------------------|------------|----------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Discount rate | 1.7 | 1.7 | 1.7 | 1.7 |
| 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 - 28.0 | 0.0 - 28.0 | 0.0 - 28.0 |

The result of sensitivity analysis for significant assumption that affect the present value of the long-term employee benefit obligation as at 31 December 2020 and 2019 are summarised below.

(Unit: Million Baht)

| | As at 31 December 2020 | | | |
|----------------------|--------------------------------------|-------------|----------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | Increase 1% | Decrease 1% | Increase 1% | Decrease 1% |
| Discount rate | (10) | 12 | (10) | 12 |
| Salary increase rate | 11 | (10) | 11 | (10) |
| Staff turnover rate | (10) | 4 | (10) | 4 |

(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 |



20. 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.

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 reconciliation of number of warrants for the period as from 1 June 2018 (date of issuance and offering) to 31 December 2020 is provided below.

During 2018, the SMT-W2 warrants have been exercised of 3,000 units.

On 29 May 2020 (the last exercise date), 150 warrants were exercised. Cash receipts amounting to Baht 315 from the exercise of rights to convert warrants to ordinary shares was recorded as issued and paid-up share capital amounting to Baht 150 and share premium amounting to Baht 165. As a result, the Company's paid-up capital has increased from Baht 836,479,231 (836,479,231 ordinary shares with a par value of Baht 1 each) to Baht 836,479,381 (836,479,381 ordinary shares with a par value of Baht 1 each) and its premium on ordinary shares has increased from Baht 413,349,181 to Baht 413,349,346.

The Company registered the increase in its paid-up share capital as a result of this warrant exercise with the Ministry of Commerce on 9 June 2020. 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 18 June 2020.

In addition, the outstanding 209,115,653 warrants were expired on 29 May 2020.

d) On 5 November 2020, the Company's Board of Directors' Meeting No. 7/2563 passed a resolution approving the reduction of its registered share capital from Baht 1,229,890,150 (1,229,890,150 ordinary shares at a par value of Baht 1 each) to Baht 836,479,381 (836,479,381 ordinary shares at a par value of Baht 1 each) by canceling 393,410,769 ordinary authorised but unissued shares with a par value of Baht 1 each, a total of Baht 393,410,769, previously reserved to accommodate the exercise of SMT-W1, SMT-WB and SMT-W2, following the expiration of the said warrants to be proposed to the 2020 Annual General Meeting of the Company's Shareholders for approval in April 2021.



21. 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.

22. Statutory reserve

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

23. Other comprehensive income - revaluation surplus on land

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

24. Finance cost

(Unit: Thousand Baht)

| | Consolidated and Separate financial statements | |
|--|--|---------------|
| | <u>2020</u> | <u>2019</u> |
| Interest expenses on borrowings | 19,589 | 23,880 |
| Interest expenses on lease/finance lease liabilities | 12,522 | 14,220 |
| Interest expenses on debentures | 3,772 | 15,424 |
| Total | 35,882 | 53,524 |



25. Expenses by nature

Significant expenses classified by nature are as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|---------|-------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Salaries, wages and other employee benefits | 556,523 | 589,987 | 510,398 | 541,318 |
| Depreciation and amortisation | 269,541 | 270,892 | 269,541 | 270,892 |
| Raw materials and consumables used | 836,565 | 762,049 | 836,565 | 762,049 |
| Changes in inventories of finished goods and work in progress | 51,981 | 19,526 | 51,991 | 19,551 |

26. Income tax

Income tax (revenues) expenses for the years ended 31 December 2020 and 2019 are made up as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|----------------|-------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Current income tax: | | | | |
| Current income tax charge | 18 | 25 | - | - |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | 2,068 | (2,080) | - | - |
| Tax expenses (income) reported in the income statement | 2,086 | (2,055) | - | - |



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

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|-----------------|-------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Accounting profit (loss) before tax | 85,505 | (43,942) | 78,060 | (35,644) |
| Applicable tax rates | 8.84%, 20%, 21% | 8.84%, 20%, 21% | 20% | 20% |
| Accounting profit (loss) before tax multiplied by income tax rate | 17,656 | (9,277) | 15,612 | (7,129) |
| Deferred tax assets for which have not been recognised during the year because future taxable profits may not be sufficient | 1,013 | 10,048 | 53 | 9,077 |
| Deferred tax assets for which have not been recognised in the prior years but utilised in the year | (646) | - | (646) | - |
| Effects of: | | | | |
| Promotional privileges (Note 27) | (15,047) | (1,366) | (15,047) | (1,366) |
| Non-deductible expenses | 174 | 229 | 171 | 204 |
| Additional expense deduction allowed | (1,075) | (1,626) | (143) | (786) |
| Others | 11 | (63) | - | - |
| Total | (15,937) | (2,826) | (15,019) | (1,948) |
| Tax expenses (income) reported in the income statement | 2,086 | (2,055) | - | - |

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 | |
| | 2020 | 2019 | 2020 | 2019 |
| Deferred tax assets | | | | |
| Unused tax losses | 30 | 2,098 | - | - |
| Total | 30 | 2,098 | - | - |
| Deferred tax liabilities | | | | |
| Revaluation surplus on land | 7,143 | 7,143 | 7,143 | 7,143 |
| Total | 7,143 | 7,143 | 7,143 | 7,143 |

As at 31 December 2020, the Group has deductible temporary differences and unused tax losses totaling Baht 1,130 million (the Company only: Baht 1,084 million) (2019: Baht 1,120 million (the Company only: Baht 1,058 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 382 million will expired by 2031.

27. 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 | |
|---------------------|---------------------|-----------|-------------------------|--------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Sales | | | | | | |
| Domestic sales | 215,770 | 247,900 | 18,748 | 15,637 | 234,518 | 263,537 |
| Direct export sales | 1,626,281 | 1,483,704 | - | - | 1,626,281 | 1,483,704 |
| Total sales | 1,842,051 | 1,731,604 | 18,748 | 15,637 | 1,860,799 | 1,747,241 |

28. 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 earnings (loss) per share:

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------|-------------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Profit (loss) for the year (Thousand Baht) | 81,388 | (39,368) | 78,060 | (35,644) |
| Weighted average number of ordinary shares (Thousand shares) | 836,479 | 836,479 | 836,479 | 836,479 |
| Earnings (loss) per share (Baht per share) | 0.097 | (0.047) | 0.093 | (0.043) |

There was no calculation of diluted earnings per share in the financial statements For the year ended 31 December 2020 since the warrants were expired.

There was no calculation of diluted loss per share in the financial statements for the year ended 31 December 2019 due to there was no impact of dilutive potential ordinary shares from the warrants to purchase the Company's ordinary shares issued to the existing shareholders (SMT-W2) because the exercise price of the warrant exceeded the fair value of the Company's ordinary shares and the warrants to purchase the Company's ordinary shares issued to the existing shareholders No. 1 (SMT-W1) and the warrants to purchase the Company's ordinary shares issued to directors and/or employees of the Company (SMT-WB) were expired during the year.



29. 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: Micro-electronics 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 2020 and 2019, respectively.



(Unit: Million Baht)

For the years ended 31 December

| | 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 | | | | | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | | | | |
| | | | | | | | | | | | | | | |
| Revenue from external customers | 813 | 884 | - | - | 219 | 213 | 876 | 686 | - | - | 1,908 | 1,783 | | |
| Inter-segment revenues | - | - | - | - | 828 | 647 | - | - | (828) | (647) | - | - | | |
| Total revenues | 813 | 884 | - | - | 1,047 | 860 | 876 | 686 | (828) | (647) | 1,908 | 1,783 | | |
| Segment profit | 90 | 103 | - | - | 221 | 95 | 44 | 42 | - | - | 355 | 240 | | |
| Other income | | | | | | | | | | | 39 | 36 | | |
| Selling and distribution expenses | | | | | | | | | | | (71) | (72) | | |
| Administrative expenses | | | | | | | | | | | (202) | (194) | | |
| Finance income | | | | | | | | | | | - | - | | |
| Finance cost | | | | | | | | | | | (36) | (54) | | |
| Income tax revenues (expenses) | | | | | | | | | | | (2) | 2 | | |
| (Profit) loss attributable to non-controlling interests of the subsidiaries | | | | | | | | | | | (2) | 3 | | |
| Profit (loss) attributable to equity holders of the Company | | | | | | | | | | | 81 | (39) | | |



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

| (Unit: Thousand Baht) | | |
|---|-----------|-----------|
| | 2020 | 2019 |
| Revenue from external customers | | |
| Thailand | 234,280 | 263,538 |
| United States of America | 1,478,392 | 1,383,407 |
| Others | 195,819 | 136,198 |
| Total (per consolidated financial statements) | 1,908,491 | 1,783,143 |

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

For the year 2020, the Group have revenue from three major customers in amount of Baht 461 million, Baht 441 million and Baht 334 million, arising from sales of MMA and IC packaging (2019: Baht 512 million, Baht 345 million and Baht 281 million derived from three major customers, arising from sales of MMA and IC packaging).

30. 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 2020 amounting to approximately Baht 13 million (the Company only: Baht 13 million) (2019: Baht 13 million (the Company only: Baht 13 million)) were recognised as expenses.

31. Commitments and contingent liabilities

31.1 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 2020

amounting to approximately Baht 19.2 million (2019: Baht 11.0 million) were recognised as expenses.

31.2 Capital commitments

As at 31 December 2020, the Company had capital commitments of Baht 3 million relating to the acquisition of software and building utility system (2019: Baht 36 million relating to the acquisition of machinery, software and building utility system).

31.3 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.

31.4 Guarantees

As at 31 December 2020, there were outstanding bank guarantees of Baht 4 million (2019: Baht 3 million) issued by a bank on behalf of the Company. These included letters of guarantee amounting to Baht 2million (2019: Baht 2 million) to guarantee electricity use and Baht 2 million (2019: Baht 1 million) to guarantee contractual performance.

32. Fair value hierarchy

As at 31 December 2020 and 2019, 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.



33. Financial instruments

33.1 Derivatives

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|------|----------------------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Derivative assets | | | | |
| Derivative assets not designated as hedging instruments | | | | |
| Foreign exchange forward contracts | 158 | - | 158 | - |
| Total derivative assets | 158 | - | 158 | - |
| Derivative liabilities | | | | |
| Derivatives liabilities not designated as hedging instruments | | | | |
| Foreign exchange forward contracts | 2,038 | - | 2,038 | - |
| Total derivative liabilities | 2,038 | - | 2,038 | - |

Derivatives not designated as hedging instruments

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from 3 - 6 months.

33.2 Financial risk management objectives and policies

The Group's financial instruments principally comprise cash and cash equivalents, trade and other receivables, loans, trade and other payables, lease liabilities, 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 and loans. The Group's maximum exposure to credit risk is limited to the carrying amounts as stated in the statement of financial position.

Trade receivables

The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses.

Outstanding trade receivables are regularly monitored and any shipments to major customers are generally covered by other forms of credit insurance obtained from reputable banks and other financial institutions.

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.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The Group classifies customer segments by geography, product type, customer type and rating, and coverage by other forms of credit insurance. The calculation of impairment reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



Market risk

There are two types of market risk comprising interest rate risk and currency risk. The Group enters into a variety of derivatives to manage its risk exposure, including:

- foreign exchange forward contracts to hedge the foreign currency risk arising on the export or import of goods;
- interest rate swaps to mitigate the risk of rising interest rates.

Foreign currency risk

The Group's exposure to the foreign currency risk relates primarily to its purchase of raw materials, trading transactions and purchases of machinery that are denominated in foreign currencies. The Group seeks to reduce this risk by entering into foreign exchange forward contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2020 and 2019, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

| Foreign currency | Financial assets | | Financial liabilities | | Average exchange rate | |
|------------------|-------------------|-----------|-----------------------|-----------|------------------------------------|--------------------------|
| | as at 31 December | | as at 31 December | | as at 31 December | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (Million) | (Million) | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| US dollar | 13.2 | 11.6 | 5.9 | 5.3 | 30.0371 | 30.1540 |
| Japanese yen | - | - | 4.1 | 17.1 | 29.0680 (per 100 Yen) | 27.5940 (per 100 Yen) |

Foreign currency sensitivity

The following tables demonstrate the sensitivity of the Group's profit before tax to a reasonably possible change in US dollar exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives as at 31 December 2020. The Group's exposure to foreign currency changes for all other currencies is not material.

| Currency | Change in FX rate | Effect on profit before tax |
|-----------|-------------------|-----------------------------|
| | (%) | (Thousand Baht) |
| US dollar | + 2.00 | 3,303 |
| | - 2.00 | (3,303) |

This information is not a forecast or prediction of future market conditions and should be used with care.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its loans, bank overdrafts, lease liabilities, short-term and long-term borrowings. Most of the Group's financial assets and liabilities bear floating

interest rates or fixed interest rates which are close to the market rate.

The Group manages its interest rate risk by enters into interest rate swaps in which it agrees to exchange, the difference between variable and fixed rate interest amounts calculated by reference to an agreed-upon notional principal amount and interest rate.



As at 31 December 2020 and 2019, 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 2020 | | | | | | |
|--|-----------------------------------|-----------|--------------|------------------------|----------------------|-------|---------------------------------------|
| | Consolidated financial statements | | | | | | |
| | Fixed interest rates | | | Floating interest rate | Non-interest bearing | Total | Effective interest rate (% per annum) |
| | Within 1 year | 1-5 Years | Over 5 years | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | - | - | - | 33 | - | 33 | 0.025 - 0.050 |
| Trade and other receivables | - | - | - | - | 278 | 278 | - |
| | - | - | - | 33 | 278 | 311 | |
| Financial liabilities | | | | | | | |
| Bank overdrafts and short-term loans from financial institutions | 579 | - | - | 1 | - | 580 | 1.55 - 2.85, MOR |
| Trade and other payables | - | - | - | - | 252 | 252 | - |
| Lease liabilities | 113 | 134 | - | - | - | 247 | 4.50 - 6.20 |
| Long-term loans | - | - | - | 121 | - | 121 | Closed to THBFIX 6M and Closed to MLR |
| | 692 | 134 | - | 122 | 252 | 1,200 | |



(Unit: Million Baht)

| | As at 31 December 2019 | | | | | | |
|---|-----------------------------------|--------------|-----------------|------------------------------|-----------------------------|-------|--|
| | Consolidated financial statements | | | | | | |
| | Fixed interest rates | | | Floating interest rate | Non- interest bearing | Total | Effective 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 2020 | | | | | | |
|---|-------------------------------|--------------|-----------------|------------------------------|-----------------------------|-------|--|
| | Separate financial statements | | | | | | |
| | Fixed interest rates | | | Floating interest rate | Non- interest bearing | Total | Effective interest rate (%) per annum) |
| | Within 1 year | 1-5 years | Over 5 years | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | - | - | - | 6 | - | 6 | 0.025 - 0.050 |
| Trade and other receivables | - | - | - | - | 294 | 294 | - |
| Short-term loans to related parties | 1 | - | - | - | - | 1 | 7.2 |
| | 1 | - | - | 6 | 294 | 301 | |
| Financial liabilities | | | | | | | |
| Bank overdrafts and short- term loans from financial institutions | 579 | - | - | 1 | - | 580 | 1.55 - 2.85, MOR |
| Trade and other payables | - | - | - | - | 249 | 249 | - |
| Lease liabilities | 113 | 134 | - | - | - | 247 | 4.50 - 6.20 |
| Long-term loans | - | - | - | 121 | - | 121 | Closed to THBFIX 6M and Closed to MLR |
| | 692 | 134 | - | 122 | 249 | 1,197 | |



(Unit: Million Baht)

| | As at 31 December 2019 | | | | | | |
|--|-------------------------------|-----------|--------------|------------------------|----------------------|-------|---------------------------------------|
| | Separate financial statements | | | | | | |
| | Fixed interest rates | | | Floating interest rate | Non-interest bearing | Total | Effective interest rate (% per annum) |
| | Within 1 year | 1-5 years | Over 5 years | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | - | - | - | 123 | - | 123 | 0.050 - 0.375 |
| Trade and other receivables | - | - | - | - | 250 | 250 | - |
| Short-term loan to related party | 1 | - | - | - | - | 1 | 7.2 |
| | 1 | - | - | 123 | 250 | 374 | |
| 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 |
| Debentures | 217 | - | - | - | - | 217 | 7.15 |
| | 873 | 138 | - | 209 | 234 | 1,454 | |

Liquidity risk

The Group monitors the risk of a shortage of liquidity through the use of bank overdrafts, bank loans and lease contracts. Approximately 90% of the Group's debt will mature in less than one year at 31 December 2020 (the Company only: 90%) based on the carrying value of borrowings reflected in the financial statements. The Group has assessed the concentration of risk with respect to refinancing its debt and concluded it. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities and derivative financial instruments as at 31 December 2020 based on contractual undiscounted cash flows:



(Unit: Thousand Baht)

| | Consolidated financial statements | | | | |
|--|-----------------------------------|------------------|--------------|-----------|-----------|
| | On demand | Less than 1 year | 1 to 5 years | > 5 years | Total |
| Non-derivatives | | | | | |
| Bank overdrafts and short-term loans from financial institutions | 31,407 | 551,170 | - | - | 582,577 |
| Trade and other payables | 253,443 | - | - | - | 253,443 |
| Lease liabilities | - | 121,468 | 138,697 | - | 260,165 |
| Long-term loans | - | 123,636 | - | - | 123,636 |
| Total non-derivatives | 284,850 | 796,274 | 138,697 | - | 1,219,821 |
| Derivatives | | | | | |
| Derivative liabilities: net settled | - | 2,038 | - | - | 2,038 |
| Total derivatives | - | 2,038 | - | - | 2,038 |

(Unit: Thousand Baht)

| | Separate financial statements | | | | |
|--|-------------------------------|------------------|--------------|-----------|-----------|
| | On demand | Less than 1 year | 1 to 5 years | > 5 years | Total |
| Non-derivatives | | | | | |
| Bank overdrafts and short-term loans from financial institutions | 31,407 | 551,170 | - | - | 582,577 |
| Trade and other payables | 249,480 | - | - | - | 249,480 |
| Lease liabilities | - | 121,468 | 138,697 | - | 260,165 |
| Long-term loans | - | 123,636 | - | - | 123,636 |
| Total non-derivatives | 280,887 | 796,274 | 138,697 | - | 1,215,858 |
| Derivatives | | | | | |
| Derivative liabilities: net settled | - | 2,038 | - | - | 2,038 |
| Total derivatives | - | 2,038 | - | - | 2,038 |

33.3 Fair value of financial instruments

Since the majority of the financial instruments of the Group are short-term in nature and loans carry interest at rates close to the market interest rate, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.



The methods and assumptions used by the Group estimating the fair value of financial instruments are as follows:

a) For financial assets and liabilities which have short-term maturities, including cash and cash equivalents, accounts and other receivables and short-term loans to related parties, accounts and other payables and short-term loans from financial institutions, the carrying amounts in the statement of financial position approximate their fair value.

b) The carrying amounts of debentures and long-term loans carrying interest at rates approximating the market rate, in the statement of financial position approximates their fair value.

c) The fair value of derivatives has been determined using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, and interest rate yield curves. The Group considers to counterparty credit risk when determining the fair value of derivatives

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

34. 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 2020, the Group's debt-to-equity ratio was 0.98:1 (2019: 1.25:1) and the Company's was 0.98:1 (2019: 1.24:1).

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.

35. Events after the reporting period

On 18 February 2021, the Company's Board of Directors' Meeting No. 1/2564 passed a resolution approving the ratification of the establishment of Light Up Innovation Company Limited in which the Company holds 99,997 ordinary shares with a par value of Baht 10 per share, representing 99.98 percent.

36. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 18 February 2021.



Remuneration for the Auditor

At the 2020 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 2020 of 2,350,000 baht.

Auditing remuneration for the past three years (2018-2020)

| Unit : Baht | | | |
|-------------|-----------|-----------|-----------|
| | Year 2018 | Year 2019 | Year 2020 |
| Audit fee | 2,250,000 | 2,300,000 | 2,350,000 |

The Auditor

EY Office Co., Ltd.

33rd Floor, Lake Ratchada Building

193/136-137 New Patchadapisake road

Klongtoey, Bangkok 10110

Tel : 0-2264-0777

Fax : 0-2264-0789-90



Corporate information and Reference Persons

Corporate information

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Registration No. 0107545000098

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 Website : www.starsmicro.com

Subsidiary Company

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SMT Green Energy Company Limited

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

SS RFID Company Limited

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

Reference Persons

The Stock Registrar

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 10400
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 Fax : 0- 2009-9476
 SET Contact center: 0 2009-9999
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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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