



# ANNUAL REPORT 2019



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**STARFLEX**



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# Message from the Chairman of the Board of Directors



The year 2019 marked a year of changes for Starflex Public Company Limited (SFLEX). The Board of Directors decided that the Company should be reorganized to be leaner and clearer, in particular with regard to the Quality Management System (QMS). In addition, the Company selected and retained expert consultants in many fields such as risk management, corporate communications, procurement and cost management, to raise the standard of our work toward a global level.

Another notable development of the Company was our successful registration with the Stock Exchange of Thailand followed by the first day trading on 19 December 2019. Such milestones, obtained only after careful scrutiny from the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, guarantee that our Company has had a satisfying operation results, stable financial status, as well as transparency of information disclosure beneficial to our business operations. Our shareholders are confident that the Board of directors, the Audit Committee, the Management and employees will take Starflex Public Company Limited towards prosperous and sustainable growth.

**Mr. Pakorn Malakul na Ayudhya**

Chairman of the Board of Directors



## Message from the Chairman of the Executive Committee



For over 16 years, Starflex Public Company Limited (SFLEX) has operated with strong determination, attention to quality, as well as understanding and detail care of customers. Nowadays, SFLEX has become the leading corporation for flexible packaging in Thailand. With our specific business expertise developed from direct experiences and continuous feedback from customers, SFLEX is ready to compete on a global level.

Prioritizing technology and innovation, we have always selected the top and most advanced technologies. SFLEX is fully aware of the rapid global changes and we have prepared a working plan to deal with such changes. In particular, SFLEX has emphasized the Green Marketing, which is considered to be a mega-trend in the world.

SFLEX is confident that we will be among the world-wide leaders in flexible packaging business operators and will progress to become the leader in the ASEAN region with stability and sustainability.

**Mr. Printhorn Apithanasriwong**

Chairman of the Executive Committee

# Board of Directors



**1** **Mr. Pakorn Malakul Na Ayudhya**  
Chairman of the Board of Director



**2** **Gen. Montee Sungkasap**  
Chairman of the Audit Committee  
and Independent Director



**3** **Mr. Printhorn Apithanasriwong**  
Chairman of the Executive Committee



**4** **Mr. Ek Picharnchitra**  
Chief Executive Officer



**5** **Mr. Rajhitphome Sudsok**  
Audit Committee  
and Independent Director



**6** **Mr. Sompote Valyasevi**  
Audit Committee and Independent Director



**7** **Mr. Somchai Wongrassamee**  
Chief Financial Officer





# Executive Committee



1

**Mr. Printhorn Apithanasriwong**  
Chairman of the Executive Committee

2

**Mr. Ek Picharnchitra**  
Executive Director

3

**Mr. Somchai Wongrassamee**  
Executive Director



4

**Mr. Panuwat Jiwatjanarodom**  
Chief Operating Officer /  
Executive Committee

5

**Mr. Noppanut Manutsongthum**  
Sales and Marketing Director

6

**Mr. Pichetpong Sritapun**  
Human Resources Director

# Company's Board of Directors and Executive



## Mr. Pakorn Malakul Na Ayudhya

Chairman of the Board of Director

### Education:

- Bachelor Degree in Economic, Queen's University

### Diploma

- National Defense College, Class 388

### Work Experience:

#### 2018 – Present

- Chairman of the Board of Directors / Independent Director  
Starflex Public Company Limited

#### 2017 – Present

- Member of State Enterprise Director Nomination Subcommittee

#### 2014 – Present

- Chairman of Corporate Governance and Social Responsibility  
Stock Exchange of Thailand

#### 2014 – Present

- Chairman of the Board of Director, Chairman of the Audit Committee and Independent Director  
Interlink Telecom Public Company Limited

#### 2012 – Present

- Vice Chairman  
Institute of research and Development for Public Enterprise

#### 2007 – Present

- Chairman  
Associate of Capital Market Academy

#### 2007 – Present

- Vice Chairman, Chairman of the Nomination and Remuneration Committee, Member of the Audit Committee and Independent Director  
Standard Charter Bank (Thai) Public Company Limited

### IOD Training:

- The Role of Chairman Program (RCP) 2002

### The Company's Shareholding (as at 31 December 2019):

- 1,000,000 Shares (0.24%)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -







## Gen. Montee Sungkasap

**Chairman of the Audit Committee and Independent Director**

### Education:

- Bachelor Degree, Class 20  
Chulachomklao Royal Military Academy
- Master Degree of Arts  
Command and general staff College

### Diploma

- National Defense College (England), Year 1998
- National Defense College (Thailand), Class 44

### Work Experience:

#### 2018 – Present

- Chairman of the Audit Committee and Independent Director  
Starflex Public Company Limited
- Chairman of the Board of Director and Chairman of the Risk Committee  
NFC Public Company Limited

#### 2017 – Present

- Chairman of the Board of Director and Managing Director  
NP Marine Company Limited

#### 2011 – Present

- Advisory Board of Broadcasting Committee  
Television Business and the National  
Telecommunications Commission (NBTC)

#### 2010 – Present

- Chairman Advisor  
SC Group

### IOD Training:

- Advance Audit Committee Program (AAP) 2018
- Director Certification Program (DCP) 2018
- The Role of Chairman Program (RCP) 2007

### The Company's Shareholding (as at 31 December 2019):

- 500,000 Shares (0.12 %)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -



## Mr. Printhorn Apithanasriwong

Chairman of the Executive Committee

### Education:

- Bachelor Degree in Commerce and Accountancy  
Chulalongkorn University
- Master Business Administration  
(International Business) St. Louis University, USA

### Work Experience:

#### 2003 – Present

- Chairman of the Executive Committee  
Starflex Public Company Limited

#### 1991 – Present

- Director and Chief of Executive  
Starprint Public Company Limited

#### 2014 – Present

- Director and Chief of Executive  
PKN Inter Holding Company Limited

### IOD Training:

- Finance for Non-Finance Director (FND) 2004
- Director Accreditation Program (DAP) 2004
- Director Certification Program (DCP) 2005

### The Company's Shareholding (as at 31 December 2019):

- 204,000,000 Shares (49.76 %)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -





## Mr. Ek Picharnchitra

Chief Executive Officer

### Education:

- Bachelor Degree in Economics  
Thammasat University
- Master Degree of Monetary Policy  
Middle Tennessee State University (Honor)

### Work Experience:

#### 2017 – Present

- Chief Executive Officer  
Starflex Public Company Limited

#### 2004 - 2016

- Managing Director  
Starflex Company Limited

#### 2002 - 2019

- Director  
Starprint Public Company Limited

### The Company's Shareholding (as at 31 December 2019):

- 57,000,000 Shares (13.90%)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -







## Mr. Rajhitphome Sudsok

### Audit Committee and Independent Director

#### Education:

- Bachelor of Marketing,  
Faculty of Commerce and Accountancy  
Chulalongkorn University
- Master of Business Administration (MBA)  
International City University, USA

#### Work Experience:

##### 2018 – Present

- Audit Committee / Independent Director  
Starflex Public Company Limited

##### 2011 – 2016

- Assistant Managing Director Small and Medium  
Enterprises Lending Group  
Thai Credit Retail Bank Public Company Limited

##### 2009 – 2010

- Senior Vice President Credit Risk Department  
Thai Credit Bank Public Company Limited

#### IOD Training:

- Risk Management Program for Corporate Leader 2019
- Director Certification Program (DCP) 2018
- Advanced Audit Committee Program (AACP) 2018
- Ethical Leadership Program (ELP) 2015

#### The Company's Shareholding (as at 31 December 2019):

- 200,000 Shares (0.05%)

#### Family Relationship among Directors and Executives:

- - None -

#### Illegal record in the last 10 year:

- - None -



## Mr. Sompote Valyasevi

### Audit Committee and Independent Director

#### Education:

- Bachelor of Engineering  
Kasetsart University
- Master of Business Administration  
University of Dallas, USA
- Doctor of Business Administration, The Joint  
Doctoral Program in Business Administration  
(JDBA) cooperated by Chulalongkorn University,  
Thammasat University, and National Institute of  
Development Administration

#### Work Experience:

##### 2018 – Present

- Audit Committee / Independent Director  
Starflex Public Company Limited

##### 2018 – Present

- Director and Independent Director  
A2 Technologies Company Limited

##### 2018 – Present

- Director and Independent Director  
APCS Technologies Company Limited

##### 2018 – Present

- Director and Independent Director  
A2 Teeravat Joint Venture Company Limited

##### 2014 – Present

- Managing Director  
Indoguna (Thailand) Company Limited

##### 2014 – Present

- Executive Committee  
Travel Creation Company Limited

##### 2014 – Present

- Managing Director  
Agri Active Company Limited

##### 2014 – Present

- Chairman of risk Management Committee /  
Chairman of Recruitment and Compensation Committee  
Asia Precision Public Company Limited

##### 2005 – Present

- Audit Committee / Independent Director  
Asia Precision Public Company Limited

#### IOD Training:

- Director Accreditation Program (DAP) 2010
- Advanced Audit Committee Program (AACP) 2018

#### The Company's Shareholding (as at 31 December 2019):

- 500,000 Shares (0.12%)

#### Family Relationship among Directors and Executives:

- - None -

#### Illegal record in the last 10 year:

- - None -





## Mr. Somchai Wongrassamee

Chief Financial Officer and Director

### Education:

- Bachelor Degree in Electronics of Engineering  
King Mongkut's Institute of Technology Ladkrabang
- Master of Business Administration (Finance)  
University of Dallas
- Doctoral Degree in Engineering Management  
Heriot-Watt University, U.K.

### Work Experience:

#### 2017 – Present

- Chief Financial Officer and Director  
Starflex Public Company Limited

#### 2016

- Chief Financial Officer and Director  
Smart Traffic Company Limited

#### 2015 – 2016

- Chief Financial Officer and Director  
T.K.S. Technology Public Company Limited

#### 2012 – 2015

- Corporate Strategy and Planning Director  
Siam Piwat Company Limited

### IOD Training:

- Director Certification Program (DCP) 2017
- Director Accreditation Program (DAP) 2012

### The Company's Shareholding (as at 31 December 2019):

- 200,000 Shares (0.05%)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -







## Mr. Panuwat Jiwatjanarodom

Chief Operating Officer / Executive Committee

### Education:

- Bachelor of Engineering (Electrical Engineering)  
King Mongkut's Institute of Technology Ladkrabang
- Master of Business Administration (Industrial Management)  
Mahanakorn University

### Work Experience:

#### 2013 – Present

- Chief of Operating Officer  
Starflex Public Company Limited

#### 2010 – 2013

- Plant Manager  
Hanky Panky Toys Company Limited

#### 2009 – 2010

- Plant Manager  
Aapico Plastics Public Company Limited

#### 1999 – 2009

- Plant Director (Plant #8)  
Aeroklas Company Limited

### IOD Training:

- - None -

### The Company's Shareholding (as at 31 December 2019):

- 550,000 Shares (0.13%)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -



## Mr. Noppanut Manutsongthum

Sales and Marketing Director

### Education:

- Bachelor of Business Administration (Finance and Banking)  
Siam University

### Work Experience:

#### 2018 – Present

- Sales and Marketing Director  
Starflex Public Company Limited

#### 2012 – 2017

- Sales and Marketing Manager  
Starflex Company Limited

### IOD Training:

- - None -

### The Company's Shareholding (as at 31 December 2019):

- 100,000 Shares (0.02%)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -





## Mr. Pichetpong Sritapun

Human Resources Director

### Education:

- Bachelor of Engineering (Civil Engineering)  
Rajamangala Institute of Technology
- Master of Business Administration (Finance)  
Oklahoma City University, USA

### Work Experience:

#### 2018 – Present

- Human Resources Director  
Starflex Public Company Limited

#### 2008 – 2017

- Human Resources Assistant Manager  
Starflex Company Limited

### IOD Training:

- Corporate Reporting Program (CRP) 2017
- Board Reporting Program (BRP) 2017

### The Company's Shareholding (as at 31 December 2019):

- 250,000 Shares (0.06%)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -



## Mr. Chaloon Sengdonprai

Accounting and Finance Manager

### Education:

- Bachelor of Business Administration (Accounting)  
Ramkhamhaeng University

### Work Experience:

#### 2018 – Present

- Accounting and Finance Manager  
Starflex Public Company Limited

#### 2005 – Present

- Director  
Accounting Perfect Company Limited

#### 2012 – 2016

- Accounting and Finance Manager  
Ecots Company Limited

### IOD Training:

- - None -

### The Company's Shareholding (as at 31 December 2019):

- 150,000 shares (0.04%)

### Family Relationship among Directors and Executives:

- - None -

### Illegal record in the last 10 year:

- - None -





## The Audit Committee's Report

The Audit Committee has been appointed by the Board of Directors. The committee consists of 3 independent directors, named General Montree Sungkasap--Chairman of the Audit Committee, Mr. Sompote Valyasevi, and Mr. Kajhiphome Sudsok. Later, the committee has been assigned Miss Jantana Toocharoen to a secretary of the Audit Committee.

The Audit Committee has carefully and independently performed duties under the scope of roles and responsibilities approved by the company's Board of Directors and in accordance with applicable laws, rules of the Stock Exchange of Thailand and relevant instructions. The committee's members have effectively harnessed knowledge and competencies in such duty performance and received full access to relevant information and good cooperation from executives, internal auditors and independent auditors.

In 2019, there were 7 meetings. Each meeting involved management, operations, internal auditors, and independent auditor in giving relevant information. All meetings can be summarized as follows:

1. Review of quarterly and annual financial statements for 2019 – The Audit Committee made inquiries and received clarification from executives and auditors regarding the accuracy and adequacy of financial statements and disclosure. The Audit Committee agreed with the independent auditor that the financial reports were materially accurate, reliable and in accordance with generally accepted accounting standards.
2. Review of internal audit – The Audit Committee has reviewed the scope of work, roles, responsibilities and independence of internal auditors based on the internal audit guidelines stipulated by the Stock Exchange of Thailand. The Audit Committee is of the opinion that the Company's internal controls are adequate, appropriate and effective, and meet good standards.
3. Review of performance and internal controls – The aim of the review is to review is to assess the adequacy and effectiveness of internal audits which have been carried out in accordance to approved audit plans and covered key systems of the Company. No material issues are found. The Company has appropriately managed the properties and assets and complied with the Securities and Exchange Act, requirements stipulated by the Stock Exchange of Thailand and applicable laws and regulations. Authority delegation and approval have conformed to applicable procedures and effective internal control principles. The Company has also adhered to and updated the principles of good corporate governance to promote transparency and adapt changes.
4. Review of the related transactions, the acquisition and disposition or transactions – the committee had reviewed all connected transactions that may cause conflict of interests, those transactions must be reasonable, transparent, and beneficial to the company.

5. Appointment of the independent auditor – The committee had reviewed and determined the nomination of independent auditors for the fiscal year 2020. As a result, EY Office Company Limited has been selected and purposed for appointment as the independent auditing firm due to its high professional standards, expertise in auditing, having knowledge and experiences in the company's business. The Audit Committee, consequently, recommended the Board of Directors to propose the General Shareholders' meeting for appointment of Ms. Satida Ratananurak (CPA license number 4753) or Ms. Sarinda Hirunprasurtwutti (CPA license number 4799) or Ms. Siriwan Nitdamrong (CPA license number 5906) from EY Office Company Limited as the Company's independent auditors for the fiscal year 2020.

The Audit Committee had completely performed all duties, assigned by the Board of Directors. In the Audit Committee's opinions, the financial and operations reports are correctly, accurately, and complied with legal and regulatory requirements. The Company has disclosed all related transactions transparently. In addition, the Company has always practiced to the principles of corporate good governance to promote transparency and reliability as well as continuously developed its operations and systems to meet the quality standards and business environments.

(General Montree Sungkasap)

Chairman of the Audit Committee

## Vision Mission and Values

### Vision

**To become a leader of the flexible packaging business in the CLMV cluster**

### Mission

**1**

Drive new technology and innovations

**2**

Establish trust for customers through the manufacturing of high quality products that meet international standard

**3**

Generate returns to shareholders and expand the business for continuous growth

**4**

Determined to social responsibility, Caring for the environment by Good Governance

**5**

Develop the potential of employees to drive the company towards becoming an organization of learning



## Corporate Culture

**S**

### Sustainable Growth

Sustainable growth and development

**P**

### Passion to Win

Committed to our goals

**I**

### Innovative Thinking

Curious, Initiative, creative for the future

**R**

### Responsibility

Realized roles and responsibilities

**I**

### Integrity

Being strong moral and ethical principles

**T**

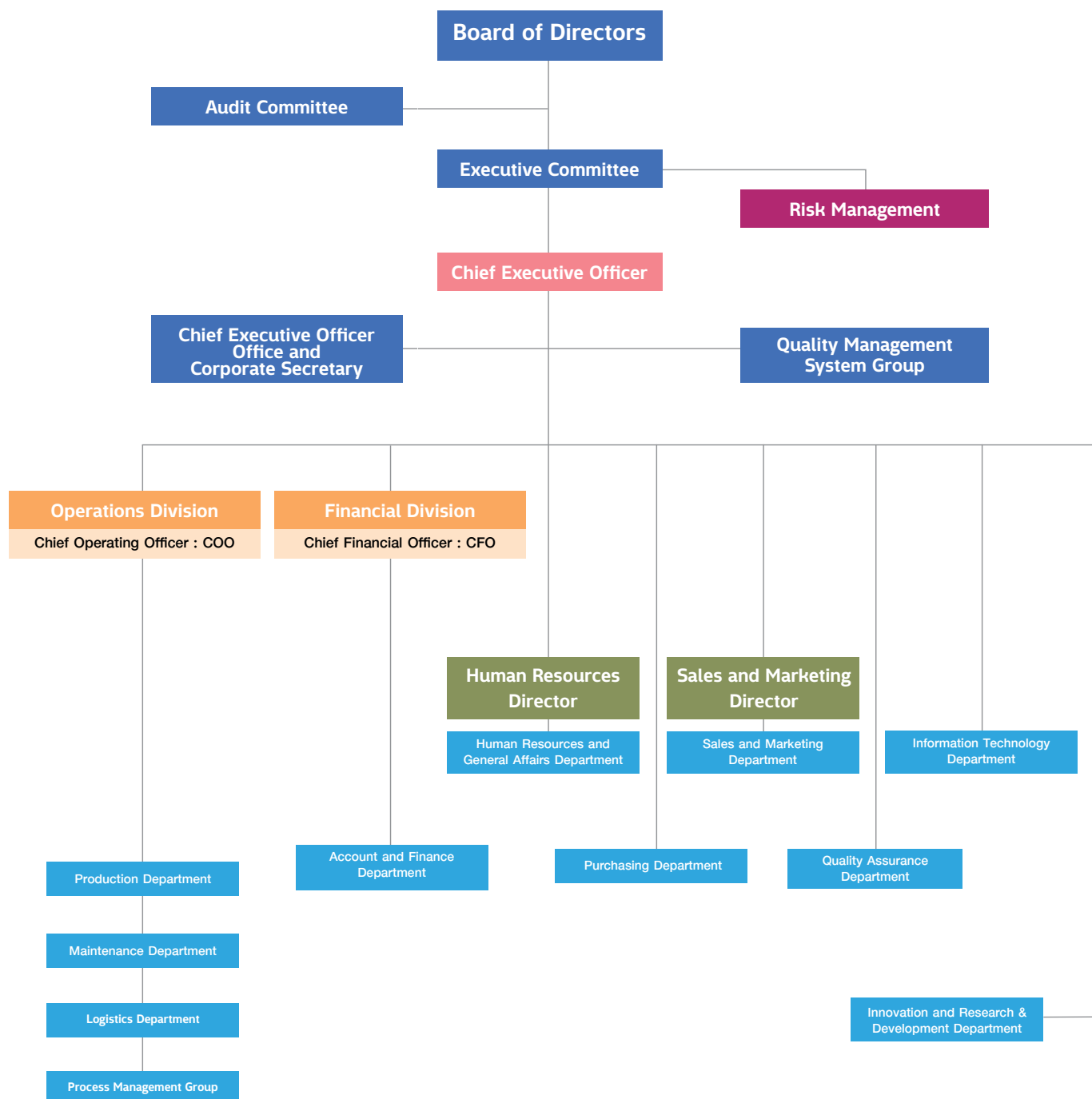
### Teamwork

Working as a team,  
caring each other



## Management Structure

“Organization Chart as at 31 December 2019”



## Board of Directors

The Board of Directors composes of seven directors, consisting of

Directors	Title
1. Mr. Pakorn Malakul Na Ayudhya	Chairman of the Board of Director and Independent Director
2. Mr. Printhorn Apithanasriwong	Vice Chairman of the Board of Director and Chairman of the Executive Committee
3. Gen. Montree Sungkasap	Chairman of the Audit Committee and Independent Director
4. Mr. Ek Picharnchitra	Director and Chief Executive Officer
5. Mr. Somchai Wongrassamee	Director and Chief Financial Officer
6. Mr. Sompote Valyasevi	Member of Audit Committee and Independent Committee
7. Mr. Kajhitphome Sudsok	Member of Audit Committee and Independent Committee

Remarks: Directors 1, 3 and 6-7 are appointed according to the resolutions of the Board of Directors' meeting 6/2018 on 12 April 2018 and resolutions of the shareholders' annual meeting of 2018, on 30 April 2018.

Miss Thitaree Thanametinattawut is the Company secretary, which was appointed from the meeting of the Board of Directors 2/2019 on 29 March 2019.

### Authorised Directors as the Company's Signatory

Mr. Printhorn Apithanasriwong, or Mr. Ek Picharnchitra, or Mr. Somchai Wongrassamee, the authorised directors whose signatures binding the Company shall be any 2 of the 3 directors jointly signing together with the company seal affixed.

### Board of Directors' meeting

In 2019, the Company held 7 meetings of the Board of Directors. Details of the attendance of each director are as follows:

Directors	Titles	Number of meetings attended/ Total meetings 2019
1. Mr. Pakorn Malakul Na Ayudhya	Chairman of the Board of Director and Independent Director	7/7
2. Mr. Printhorn Apithanasriwong	Chairman of the Executive Committee	7/7
3. Gen. Montree Sungkasap	Chairman of the Audit Committee and Independent Director	7/7
4. Mr. Ek Picharnchitra	Chief Executive Officer	7/7
5. Mr. Somchai Wongrassamee	Chief Financial Officer	7/7
6. Mr. Sompote Valyasevi	Audit Committee and Independent Committee	7/7
7. Mr. Kajhitphome Sudsok	Audit Committee and Independent Committee	7/7



## The Audit Committee

The Audit Committee of the company consisted of 3 directors, as follows:

Committee	Title
1. Gen. Montree Sungkasap	Chairman of the Audit Committee
2. Mr. Sompote Valyasevi	Audit Committee
3. Mr. Kajhitphome Sudsok	Audit Committee

Mr. Sompote Valyasevi has sufficient knowledge and experience to reliably audit the financial statements.

Miss Jantana Toocharoen as Secretary appointed by the Audit Committee meeting 2/2019 on 28 March 2019.

### The Audit Committee Meetings

In 2019, the Audit committee had held 7 meetings. The meeting attendance details of each director are shown in the following table.

The Audit committee	Titles	Number of meetings attended/ Total meetings
		2019
1. Gen. Montree Sungkasap	Chairman of the Audit Committee	7/7
2. Mr. Sompote Valyasevi	Audit Committee	7/7
3. Mr. Kajhitphome Sudsok	Audit Committee	7/7

## Board of directors

1. The Company has a total of 6 Executive Directors, comprises of:

Name - Last Name	Title
1. Mr. Printhorn Apithanasriwong	Executive Chairman
2. Mr. Ek Picharnchitra	Executive Committee
3. Mr. Somchai Wongrassamee	Executive Committee
4. Mr. Panuwat Jiwatjanarodom	Executive Committee
5. Mr. Noppanut Manutsongthum	Executive Committee
6. Mr. Pichetpong Sritapun	Executive Committee

## The Executives

The company has a total of 6 executives, comprises of:

Name - Last Name	Title
1. Mr. Ek Picharnchitra	Chief Executive Officer
2. Mr. Somchai Wongrassamee	Chief Financial Officer
3. Mr. Panuwat Jiwatjanarodom	Chief Operating Officer
4. Mr. Noppanut Manutsongthum	Sales and Marketing Director
5. Mr. Pichetpong Sritapun	Human Resources Director
6. Mr. Charoon Sengdonprai	Finance and Accounting Manager

**Company Secretary and persons assigned to be directly responsible for accounting supervision****Company Secretary**

In the Board meeting 2/2019, on 29 March 2019, the Board of Directors has appointed Miss Thitaree Thanametinathawut as the Company Secretary to comply with Section 89/15 of the Securities and Exchange Act B.E. 1992 as amended by the Securities and Exchange Act (No. 5) B.E. 2016. Miss Thitaree Thanametinathawut attended the certification course for company secretary (CSP) class 93/2018, on 6-7 November 2018. The responsibilities of the Company Secretary are as follows:

1. Give advice in connection with the business operation of the Company and the Board of Directors to comply with the laws, regulations, rules and regulations of the company. Monitor and ensure that the practices are correct and consistent.
2. Responsible for organizing the Board meeting and Shareholders' meeting, including overseeing and coordinating the resolution of the meetings.
3. Oversee the disclosure and responsible for reporting in accordance with the rules and regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission, including the applicable laws.
4. Prepare and maintain the following documents:
  - 4.1. Directors registration
  - 4.2. Notice of the Board Meeting and the minutes of the Board Meeting
  - 4.3. Invitation to shareholders' meeting and minutes of shareholders' meeting
  - 4.4. The Company Annual Reports
  - 4.5. Report of conflicts of interest of Directors and Executives
5. Perform other operations as required by laws or notifications of the Capital Market Supervisory Board

**Authorized personnel to be responsible for overseeing bookkeeping**

Mr. Charoon Sengdonprai, Accounting and Finance Manager, is assigned to be responsible for overseeing the company's bookkeeping. Mr. Charoon Sengdonprai joined in the company since 1 June 2017.

## Directors and management's remuneration

### Monetary Remuneration

#### Committee remuneration

In 2019, the Company paid remuneration to the Board of Directors in the amount of 4,515,000 Baht, consisting of meeting fees, monthly remuneration for the Chairman, the Chairman of the Audit Committee, and Directors' remuneration. The remuneration that each Director received is as follows:

Directors	Title	2018	2019
Mr. Pakorn Malakul Na Ayudhya	Chairman of the Board of Director	1,050,000	1,220,000
Mr. Printhorn Apithanasriwong	Vice Chairman of the Board of Director	595,000	675,000
Gen. Montree Sungkasap	The Committee and Chairman of the Audit Committee	810,000	1,040,000
Mr. Ek Picharnchitra	Director	175,000	175,000
Mr. Somchai Wongrassamee	Director	175,000	175,000
Mr. Sompote Valyasevi	The Committee and Audit Committee	485,000	615,000
Mr. Kajhitphome Sudsok	The Committee and Audit Committee	485,000	615,000
Total		3,775,000	4,515,000

Annual General Meeting of Shareholders 2019, on 18 March 2019 has considered and approved the 2019 annual remuneration of Directors as follows:

The Board of Directors received remuneration as follows:

- Meeting fee, which was paid according to the number of meetings attended
  - Chairman of the Board of Directors 30,000 Baht per meeting attended
  - Directors 25,000 Baht / meeting
- Monthly compensation for the chairman of 30,000 Baht per month
- Directors' bonus in an amount not over 3,000,000 Baht

The Audit Committee received remuneration as follows:

- Meeting fee, which was paid according to the number of meetings attended
  - Chairman of the Audit Committee 25,000 Baht per meeting
  - Member of the Audit Committee 20,000 Baht / Meeting
- Monthly compensation for the Audit Committee Chairman, of 20,000 Baht per month

### Executive Remuneration

In 2019, the Company paid compensation to the management of 28.44 million Baht. Such compensation includes salaries, bonuses, and contributions to the provident fund.

Year	Number of Executives (Person)	Compensation (Baht)
2018	6	22,998,540
2019	6	28,446,300

### Other Compensation

Annual General Meeting of Shareholders 2019, on 18 March 2019, has resolved to allocate new ordinary shares to increase capital in the amount of 11,000,000 shares, equals to 2.68% of the total issued shares after the initial public offering. This time is to be offered to the Directors, Executives, and employees of the company, at the offering price per share of 3.88 Baht, total value of 42.68 Million Baht. The offering price of shares to the Directors, Executives and employees of the company is the same price offered to the public. The offer for internal share purchase is the same time as the offering of newly-issued ordinary shares to the public.

The details of the Directors and Executives who have been allotted and purchased the Company shares are as follows

Name	Title	Number of Shares Allotted	Percentage of Shares Offered to Directors / Executives and Employees
Mr. Pakorn Malakul Na Ayudhya	Chairman of the Board of Director	1,000,000	9.09
Gen. Montree Sungkasap	Chairman of the Audit Committee	500,000	4.55
Mr. Sompote Valyasevi	Audit Committee	500,000	4.55
Mr. Kajhitphome Sudsok	Audit Committee	200,000	1.82
Mr. Somchai Wongrassamee	Director and Chief Finance Officer	200,000	1.82
Mr. Panuwat Jiwatjanarodom	Chief Operating Officer	550,000	5.00
Mr. Noppanut Manutsongthum	Sales and Marketing Director	100,000	0.91
Mr. Pichetpong Sritapun	Human Resource Director	250,000	2.27
Mr. Charoon Sengdonprai	Accounting and Finance Manager	150,000	1.36
Total		3,450,000	31.36

### Remuneration Policy and Calculation Methods

Board of Directors is responsible for determining the remuneration policy for Directors and Executives, including Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. For the Directors' remuneration, it must be submitted to the shareholders' meeting for approval.

For the Board of Directors, they will be paid as a meeting allowance based on the number of meetings. Directors' remuneration must not exceed the amount approved by the shareholders. In addition, the Chairman and the Chairman of the Audit Committee will receive additional compensation as monthly compensation. In determining the remuneration for Directors, consideration will be given to the duties, responsibilities and performance of the Directors that benefit the Company. In which, the Directors are assigned to have more responsibilities, will receive more compensation that is appropriate to the duties and responsibilities assigned to them.

For the management's remuneration, Board of Directors will consider and approve for the Executive remuneration of the positions, consists of the Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. It is considered from duties and responsibilities and the performance according to the set goals, including the overall operation result of the Company. The remuneration must be comparable with companies that operate in the same industry. It must also be sufficient to retain the qualified Executives, as well as incentives for good quality and standard work.

### Employees

#### Number of Employees

As of 31 December 2019, the Company has 430 employees (excluding the 6 management Executives) which can be divided by department as follows:

Departments/Offices	Number of Employees (Person)		
	Full-Time Employee	Temporary Employees (Daily)	Total
1. Chief Executive Officer office and Corporate Secretary	4	-	4
2. Production and Process Management	232	-	232
3. Quality Assurance	51	-	51
4. Quality System Management	3	-	3
5. Innovation and Product Development Research	10	-	10
6. Purchasing Department	6	-	6
7. Logistics Department	32	-	32
8. Maintenance Department	14	-	14
9. Accounting and Finance Department	13	-	13
10. Information Technology Department	11	-	11
11. Sales and Marketing Department	13	-	13
12. Human Resources and Administration Department	33	-	33
13. Security	2	-	2
Total	424	-	424



## Compensation for Employees

### Monetary Remuneration

In 2019, the Company paid compensation to employees (excluding the executives) in the amount of THB 151.28 million, which comprises of salary, commissions, overtime fees, bonuses, contributions to the social security fund, and contributions to the provident fund.

### Other Compensation

The 2019 Annual General Meeting of Shareholders held on 18 March 2019 passed a resolution to allocate 11,000,000 new ordinary shares, or 2.68% of the total paid-up shares after the IPO, to directors, executives, and employees at the price THB 3.88 per share, which is the same rate offered to the public. The offer is made together with IPO for capital increase.

However, no employees receive share allocation in excess of 5% of the shares offered to the directors and employees of the Company.

### Provident Fund

The Company appointed TISCO Asset Management Company Limited as the provident fund manager for the Company since 1 June 2004 under TISCO Joint Venture 2 Provident Fund, which has already been registered.

## Human Resource Development Policy

The business competition nowadays highlights the importance of human resource management. The Company then concentrates on personnel development which considered as a fundamental groundwork of the organization while continuously improve work procedures. Current personnel are under proficient management to generate highest benefits and suitable procedures and systems. Personnel development policy of STARFLEX are as follows.

### Manpower Policy

Searching for quality person, at sufficient number who perform his/her duty appropriately, consistent with the nature of work, knowledge, ability and position

### Training & Development Policy

Provide continuous training programs which include theoretical and practical, to improve skills, to raise awareness on quality and dedication to the organization, to manage and allocate work that suit to each duty.

### Salary & Welfare Management Policy

STARFLEX manages salary and welfare based on integrity and consistency to knowledge, skill, experience and competitiveness with entity of the same industry to attract and maintain employees and to develop the corporation in line with domestic economic situation.

### Career Path Development Policy

The Company has prepared career path plan to assist every employee in progressing their career with fairness, persistence to the knowledge, skills and potential of each person.

### Talent Management Policy

The Company promotes, supports and manage good and talented people who are considered as a quality and potential person to cultivate highest benefits and efficiency, and to create a sustainable engagement between the organization and employee.

## Significant Changes and Development

<b>2019</b>
<ul style="list-style-type: none"> <li>• <b>19 December 2019:</b> First day trading in the Stock Exchange of Thailand</li> </ul>
<ul style="list-style-type: none"> <li>• <b>26 September 2019:</b> Changing the par value from 0.5 Baht to 1 Baht, as such the number of issued and paid-up shares will be 300 million shares and the increased shares for sales to the public for the first time               <ul style="list-style-type: none"> <li>○ New ordinary shares of 99,000,000 shares selling to public for the first time (Initial Public Offering: IPO).</li> <li>○ New ordinary shares of 11,000,000 shares selling to Directors, Executives, and employees.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>1 April 2019:</b> In order to expand production line capacity, the company has bought 38.85 million Baht of machines and leased 5,300 sq. meter of factory and office buildings in Samut Prakan. As such, has increased capacity 38 million meters of annual production.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>18 March 2019:</b> Increase registered capital by 110 Million Baht, from the previous registered capital of 300 Million Baht to 410 million Baht, by issuing new ordinary shares in the amount of 220 Million shares with a par value of 0.50 Baht with the allocation details as follows:               <ul style="list-style-type: none"> <li>○ New ordinary shares of 198,000,000 shares offered to the public for IPO</li> <li>○ New ordinary shares of 22,000,000 shares offered to Directors, Executives and employees.</li> </ul> </li> </ul>
<b>2018</b>
<ul style="list-style-type: none"> <li>• Increased registered capital by 50 million Baht from 250 million Baht to 300 million Baht, by issuing 500,000 shares of new ordinary shares at 100 Baht par value offer to existing shareholders.</li> </ul>
<ul style="list-style-type: none"> <li>• Certified by FSSC 22000 UKAS, United Kingdom</li> </ul>
<b>2017</b>
<ul style="list-style-type: none"> <li>• In order to support business expansion in the future, the company has invested in a vacant land with total areas of 13 rai and 28 square wah, next to the main factory in Samut Prakan.</li> </ul>
<b>2015</b>
<ul style="list-style-type: none"> <li>• Purchase land of 18 rai 3 ngan 86 square wah and factory buildings of 13,450 square meter (used to rented in previous) in Samut Prakan.</li> </ul>
<b>2014</b>
<ul style="list-style-type: none"> <li>• Certified by FSSC 22000 from SGS (Thailand)</li> <li>• Certified by GMP (Good Manufacturing Practice) from SGS (Thailand)</li> <li>• Certified HACCP Codex Alimentarius certified by SGS (Thailand)</li> </ul>
<b>2005</b>
<ul style="list-style-type: none"> <li>• Certified by GMP (Good Manufacturing Practice) and ISO 9001: 2005 certified by Bureau Veritas</li> </ul>
<b>2003</b>
<ul style="list-style-type: none"> <li>• Registered as "Star Flex Company Limited" on 20 August 2003.</li> </ul>



## Vision and Business Overview

For over 32 years of extensive experiences in packaging industry, Mr. Printhorn Apithanasriwong – the primary shareholder perceives the moving trends of packaging industry for local consumer manufacturers focused on more effective cost management, which includes packaging costs. Therefore, the trend shifted to soft plastic packaging (Flexible packaging) due to low unit cost and perfect properties of a barrier which can prevent air, moisture, sunlight, and odor, and to maintain the quality of the products contained in the packaging. Afterward, he established STARFLEX Company Limited (“SFLEX”) on 20 August 2003 to manufacture and distribute flexible packaging as a subsidiary company of Star Print Public Company Limited (“STARP”). The factory was located at 128/345 and 128/240 Soi Thai Insurance, Thepharak Road, Moo 1, Bang Sao Thong, sub-district, Bang Saethong district, Samut Prakarn province. SFLEX has started its business from manufacturing and selling flexible packaging only in “roll form” for consumer products. Later, to establish a clear business structure, STARP gradually reduced its stake in the Company by beginning production and distribution of paper packaging i.e., liquor box, detergent box, toothpaste box, soap box.

In 2005, after receiving certification of ISO 9001: 2005 Standard and GMP Standard, the Company began to produce and distribute soft plastic packaging for consumer products. Due to continual growth of business, in 2010, the Company moved the factory to no. 189/48-49 Moo 3, Bang Phriang sub-district, Bang Bo district, Samut Prakan province in an area of 18 rai 3 ngan 86 square wah, to allow for business expansion in the future. In the mean time, the Company also continued investing in machinery with an aim to diversify packaging forms in the Pre Form Pouch i.e., stand-up pouch, 3-sided seal pouch, center seal pouch, 4-sided seal pouch and flat bottom pouch to fully meet the demand of customers.

Valuing great importance to product quality, the Company has continually developed the production process to meet the standards and the demand of customers and received various standard certifications, including FSSC 22000 (Food Safety System Certification 22000), GMP (Good Manufacturing Practices), HACCP (Hazard Analysis and Critical Control Time), and URSA (SEDEX), which is a certification of the code of conduct in labor, a requirement of a multinational company. All these are verification of the quality of STARFLEX products.



### Targets of the Business Operations

The Company intends to be a leader in the flexible plastic packaging in Thailand and CLMV group with the following essential business strategies:

1. Focus on product development to meet the various demands of customers, develop new innovations to be a market leader in new products that are aligned with market trends of recyclable raw materials and/or using natural biodegradable raw materials to make them more environmentally friendly.
2. Boost production capacity to reinforce future growth, including continuous development of production processes to become more effective and cut losses during production, and magnify efficiency in production cost management.
3. Broaden business to soft plastic packaging used for food products, by developing production processes and technology for food product packaging.
4. Expand market in CLMV group by assigning a sales team to study and analyze the market of soft plastic packaging in CLMV group, including establishing business alliances in the same region.



# Shareholding Structure and Dividend Policy

## Paid up capital of the company

As of 31 December, 2019, the Company had registered capital in the amount of 410 Million Baht and paid up capital in the amount 410 Million Baht consisting of common stock 410 Million Shares at the par value of 1.0 Baht per share.

Major Shareholder as at 12 March 2020 appears as follows:

List of Shareholders	No. of Shares (Shares)	% of Paid up Capital
1. Mr.Printhorn Apithanasriwong	204,790,000	49.95
2. Mr.Ek Picharnchitra	45,000,000	10.98
3. Miss Kotchakorn Wanichanuwat	27,040,000	6.60
4. Miss Pannipat Taithongchai <sup>1)</sup>	13,45,300	3.81
5. Mr.Chuchart Petampai	12,000,000	2.93
6. Mr.Kripamai Picharnchitra <sup>2)</sup>	11,603,300	2.83
7. Thai NVDR Company Limited	11,351,000	2.77
8. Private funds of Ms. Buranee Ratchaiboon by Trinity Securities Co., Ltd.	10,767,600	2.63
9. Mrs.Chantip Vanich	7,600,000	1.85
10. Mr.Teerachai Chantarojanasiri	5,000,000	1.22

Note : 1) Miss Pannipat Taithongchai is Mr.Printhorn Apithanasriwong's sister  
2) Mr.Kripamai Picharnchitra is Mr.Ek Picharnchitra's son

## Other issued security

-none-

## Dividend Policy

The company has a policy to pay dividend at a rate of not less than 40% of net profit after deducting corporate income tax and legal reserve based on the Company's separates financial statement. Such dividend payment is subject to change due to performance, financial status, its liquidity and necessities in using working capital, investment plan, and economic situation.

On 27 February 2020, the Board of Directors, in its meeting no.3/2020, resolved to propose the 2020 annual dividend payment (from the operating results of the period between 1 January 2019 to 31 December 2019) at the rate of Baht 0.15 per share, totaling Million Baht 61.5 to the 2020 annual general meeting of shareholders for approval.

# Business Structure

## Revenue Structure

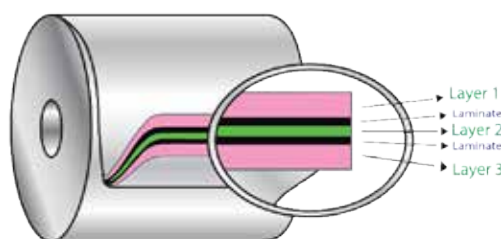
Revenue Types	2016		2017		2018		2019	
	THB million	%	THB million	%	THB million	%	THB million	%
- Roll form products	1,008.54	85.40	1,096.71	81.04	1,149.73	83.66	1,026.58	80.62
- Pouch Form (Pre Form Pouch)	123.78	10.48	164.58	12.16	206.28	15.01	227.36	17.86
<b>Total Revenue from sales of flexible packaging</b>	<b>1,132.32</b>	<b>95.88</b>	<b>1,261.29</b>	<b>93.20</b>	<b>1,356.01</b>	<b>98.67</b>	<b>1,253.94</b>	<b>98.48</b>
Other sales revenue <sup>1)</sup>	38.08	3.22	76.59	5.66	5.17	0.38	1.70	0.13
Total sales revenue	1,170.40	99.10	1,337.87	98.86	1,361.18	99.05	1,255.64	98.61
Other income <sup>2)</sup>	10.60	0.90	15.46	1.14	13.07	0.95	17.71	1.39
<b>Total revenue</b>	<b>1,181.01</b>	<b>100.00</b>	<b>1,353.33</b>	<b>100.00</b>	<b>1,374.25</b>	<b>100.00</b>	<b>1,273.35</b>	<b>100.00</b>

Remarks: <sup>1)</sup> Revenues from other sales include revenues from raw materials sales and from film coating services.

<sup>2)</sup> Other incomes are incomes from selling production scraps, from selling product samples, from product compensation, from rental, gain from exchange rate, etc. In this regard, the product compensation income consists of compensation received from suppliers, concerning damage from using raw materials to produce the company's products and compensation received from customers in case when the production order exceeds the demand.

## Characteristics of our products

The company produces and distributes flexible packagings, using with both liquid and dry goods according to customer demands (Made to Order). Flexible packaging is a multilayer film, spliced from 2-5 layers using glue or resin as binding materials. The properties of flexible packaging are rigid, and resistant to heat and high pressure, lightweight, and available to be printed graphic patterns on the surface. In addition, the packaging characteristic can prevent air, sunlight, and odor ingress, and also maintain quality of contained goods efficiently.



The company products can be classified into 2 main categories, depending on the needs of customers as follows:

### 1. Roll form product

Most of the company's revenue are contributed from selling the roll form product, which represents 84.79% and 81.86% of flexible packaging sales on 2018 and 2019 respectively. The flexible packaging is a roll of film processed through printing and laminating. After that, the roll of such film is split up to the width specified by the customer in which the maximum width of the film roll at the company's slitting machine can be supported up to 1,080 millimeters. The film roll is mainly distributed to consumer product manufacturers that have their own pouch forming machines. The film roll packaging must have the physical properties suitable for the pouch forming machine of the customer i.e. the width, the smoothness of the film surface. Since it affects the operation of the pouch forming machine, the production of film roll packaging requires skills and expertise in adjusting the film formula and other raw materials such as glue and ink, in order to achieve a suitable film roll that meets customer requirements and can be used with each pouch forming machine at the customer's site efficiently.



### 2. Pouch Form (Pre Form Pouch)

Pre Form Pouch is produced by forming the printed and coated film roll into a finished pouch ready for packaging. Customers who order Pre Form Pouch are manufacturers of consumer products that do not have their own pouch forming machines or customers who have a pouch forming machine, but cannot properly support the film material used in the production of the pouch. Pre Form Pouch can be produced in various forms depending on the needs of customers which includes:

#### (1) Stand-up pouch or stand-up pouch with zip

Packaging in the form of a pouch that can be used to contain products with large volume or weight. It can be placed on a display shelf for product visibility such as fabric softener, laundry detergent, dishwashing detergent, liquid soap, etc. We can also add a zip lock to increase the ease of use such as pet food packaging or food packaging, etc.





(2) 3-sided seal pouch or 3-sided seal pouch with zip

This type of packaging is in the form of a pouch with a seal covering either the 3-side of the opening or the bottom of the pouch for inserting the goods and then sealing. It can be added a tear (V-Cut) for easy use, a display hanging bar, or adding a zip lock feature for the convenience in multiple uses of opening and closing. It can also extend the shelf life of products and suitable for food product packaging such as candy



(3) Center seal pouch, center seal & gusset pouch

Packaging that is in the form of a pouch with a seal in the center and top of the pouch, with an opening at the bottom of pouch to insert the products. This type of pouch is commonly used in products that are not heavy in food product packaging such as snack, ice cream, candies, frozen food, etc. It can also be made into a pouch with a seal in the middle of the back side. Both sides are folded to enlarge usage space. This type is recommended for heavier products such as animal food packaging, etc.



(4) 4-sided seal pouch

The pouch is sealed on all 4 sides of the product. This is rigid package, suitable for heavy products that required a large space. The 4-sided seal pouch is popular among food products such as roasted coffee, instant coffee, animal food.





(5) Flat bottom pouch

Flat bottom pouch is a stand-up pouch with a flat base with creases on the side, to increase the usage space. Due to the flat base, it allows the product to be placed on a shelf steadily and suitable for light or powder content such as cocoa powder, tea or sugar sachet. It can also be added with zip lock feature. To produce more flat bottom pouch, the company has purchased a machine and installed in February 2011. Currently, the company has ready for sales and delivery to customers.



## Marketing and Competition

### Competitive Strategy

#### 1. Creating business partnership with customers

The key to our business is to establish relationships as a business partnership with customers. The company has a policy to build long-term relationships with customers, by collaborating under business alliance concept. In addition to trading products, the company will work closely with customers to develop and design packaging that responds to customers' needs and the changing market situation promptly and efficiently. The company prepared together with customers the pre-delivery plan. There is a pre-delivery plan concerning the quantity of products and delivery schedules to assure the customers of punctual delivery of products. In addition, sales and marketing staff will attend the meeting with customers on a monthly basis to exchange news and business plans in accordance with customer needs as well as providing prompt services to customers. Such relationship will create benefits for both parties, resulting in a stable and long-term business relationship with partners. All of the above actions result in trust and acceptance of the company that has been given by customers. Especially the customers that are leading organizations in the country and has given the opportunity to develop new products. The company also continuously developing new product offerings for its customers. This also results in the sales growth proven by the SSQR Awards (Superior Supplier Quality Relationship Award), considered from 3 aspects including Cost Competitive, Excellence Service and Innovation from Unilever Thai Holding Ltd. The key to our business is to establish relationships as a business partnership with customers. The company has a policy to build long-term relationships with customers, by working together under the concept of business alliance. In addition to the inter-related product purchase, the company will work closely with customers to develop and design packaging that responds to customers' needs and the changing market situation promptly and efficiently. There is a pre-delivery plan with the customers regarding the quantity of products and delivery schedules. In order to assure the customers that the company will be able to deliver products to meet the needs of customers. In addition, sales and marketing staff will meet with customers on a

monthly basis to exchange news and business plans in accordance with customer needs as well as providing prompt services to customers. Such relationship will create benefits for both parties, resulting in a stable and long-term business relationship with partners. All of the above actions result in trust and acceptance the company that has been given by customers. Especially the customers that are leading organizations in the country and has given the opportunity to develop new products. The company also continuously developing new product offerings for its customers. This also result in the company's sales growth. It can be proven by the Superior Supplier Quality Relationship Award: SSQR, which is considered from 3 awards, which are Cost Competitive, Excellence Service and Innovation from Unilever Thai Holding Ltd. , who has been our major long-time client.

## 2. Quality Control of the Products

The company focuses on quality of the products to meet the demand of customers, by implementing a product quality control system in every production process starting from the selection and procurement of raw materials from quality manufacturers and distributors. The company will check the main suppliers of raw materials annually. When receiving raw materials, quality assurance will check the certificate of analysis from sellers, including checking quality of raw materials in the company's analysis room. In addition, the company also inspects and controls the quality of the product in every process from printing, laminating), slitting, and bag making. All of the operations as mentioned above are to ensure that the manufactured products are of high quality and standards, and meet customer needs. Various standards that the company has received is a proof of our quality. For example, FSSC 22000 (Food Safety System Certification), Good Manufacturing Practice; General Principles of Food Hygiene, HACCP (Hazard Analysis and Critical Control Point).



In addition to the quality of the products mentioned above, the appearance of packaging is another important factor that attracts consumers to purchase. Therefore, the company gives attention to the presence of the printed images on film, both in terms of the sharpness of the lines, distinctive colors and shades that perfectly match the needs of customers. The appearance of the prints depends on the process from the design and mold color orders, mold production, and the process of printing. Our staff are skilled in analyzing and arranging color groups for use in mold production. Furthermore, the technician who is skilled at color-mixing for the appropriate proportion and control the operation of the machine during every production process..

### 3 Efficient management of production cost

Production costs are the main expenses that will affect the company's profitability and competitiveness therefore, the company puts great importance to the raw material selection process by assigning a team that has an expertise in selecting raw material manufacturers. The manufacturers must pass the inspection of the production process to ensure the quality standards of the raw materials and minimize the loss of production resulting from the use of non-standard raw materials. This supports the company's policy to control the rate of loss from production (waste) at an appropriate level. The average production loss rate of the company during the last 3 years was at 8.42% of the film imported into the production process.

In addition, the company has developed and improved machinery or equipment that will enhance production efficiency. For example, installing an ink dispensing to assure fast and precise color mixing process as demanded by customers, installing CCTV to track waste generated in the production area. Furthermore, the product development research department is responsible for the development of new film formulas to offer more options and support competent cost management.

### 4. Continued development of products

The company rates the importance of persistent development of new types of packaging and being able to produce soft plastic packaging to meet the varied request among customers, both the form and purpose of use such as shrink film, packaging that can be sterilized with a high-pressure boiler (Retort Pouch), pouches with lid (Spout Pouch). The company has purchased flat bottom pouch forming machine to produce a pouch with flat base which be placed steadily on the display shelf despite of the light weighted contents or a small quantity. Flat Bottom Pouch is suitable for placing products in a well visible area that and easy to store. It also saves the shelf space in the supermarket by having the shape of a tall bag and narrower compared to other types of packaging.

### Customer types and target groups

The company distributes soft plastic packaging which is mainly used in consumer products packaging therefore, the main customer are a manufacturer of consumer products. Our major customers who are leading manufacturers of consumers products in Thailand are such as Neo Factory company Limited, Perfect Companion Group company Limited, Unilever Thai Holding company Limited, Lion (Thailand) company Limited, and IP Manufacturing company Limited.

When considering the proportion of revenue from the sales of soft plastic packaging, the main revenue of the company is from packaging for consumer products which accounts 80%-85% while packaging for food products accounts 15%-20%.

	2017		2018		2019	
	THB million	%	THB million	%	THB million	%
Packaging for Consumer Products	1,035.71	82.12	1,148.79	84.72	998.06	79.59
Packaging for Food Products	225.58	17.88	207.22	15.28	255.88	20.41
<b>Total Revenue from sales of soft plastic packaging</b>	<b>1,261.29</b>	<b>100.00</b>	<b>1,356.01</b>	<b>100.00</b>	<b>1,253.94</b>	<b>100.00</b>

The types of products for soft plastic packaging are as follows:

Packaging for consumer products	Packaging for food products
- Fabric softener	- Ice-cream
- Dish washing detergent	- Vermicelli
- Laundry detergent	- Frozen food
- Liquid laundry detergent	- Snack
- Floor cleaner	- Sauces and Seasoning
- Liquid soap	- Flour
- Shampoo	- Coffee
	- Pet food
	- Instant noodles

### Pricing policy

The company determines its selling price by using cost plus policy and also reviews its current selling prices in every 6 months to ensure that it is appropriate and competitive. When the cost is increased significantly, the company will negotiate with both the raw material distributors and customers to adjust the price to accommodate the increased cost.

### Distribution and distribution channels

The products are mainly distributed within Thailand through sales and marketing teams who are responsible for contacting customers directly. In general, packages of consumer products are constantly adjusted to be more attractive and to promote the image of the product. Therefore, sales and marketing staffs will closely follow a situation and discuss with customers concerning the request in order to present the samples for consideration without delay. The sales and marketing department conduct customer satisfaction assessment on a quarterly basis focused on 3 factors namely on-time delivery, product quality, and service performance to develop and improve services that can create highest satisfaction among customers.

	2017		2018		2019	
	THB million	%	THB million	%	THB million	%
Revenue from domestic sales	1,337.61	99.98	1,360.99	99.99	1,253.57	99.83
Revenue from oversea sales	0.26	0.02	0.19	0.01	2.08	0.17
<b>Total sales income</b>	<b>1,337.87</b>	<b>100.00</b>	<b>1,361.18</b>	<b>100.00</b>	<b>1,255.65</b>	<b>100.00</b>

## Industrial situation

### Thai Economy Overview

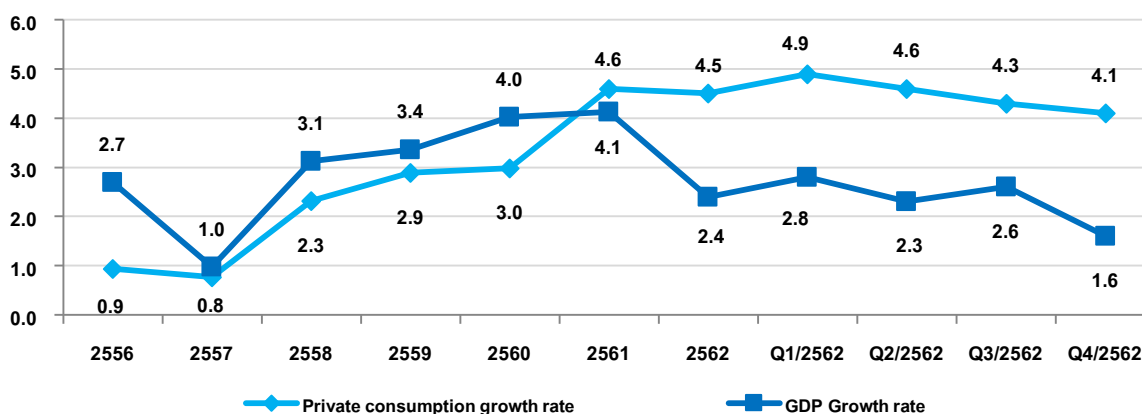
According to the report of the National Economic and Social Development Board, in 2019 the gross domestic product (GDP) grew by 2.4 %, a decrease when compared to the growth rate 4.1 % in 2018. The contract was due to the reduction in export price at 3.2 % when compared to the expansion rate at 7.5 % in 2018. Private consumption and total investment grew by 4.5 and 2.2 % respectively, a recession from 2018 which grew by 4.6 and 3.8 % respectively. However, average headline inflation was 0.7 % and over balance on current account was 6.8 % of GDP.

Exchange rate to USD rised from 2018 by 3.96 %. Through the 2019, THB value within 30.15 - 32.37 per USD due to the over balance on current account, the US-China trade war and loosen financial policy of trade leading countries such as the US and EU. As a result, export value in USD declined, followed the strong THB, economic recession of trade partner countries, uncertainty of the protection measures between the US and China.

For the forth quarter of 2019, Gross Domestic Product (GDP) declined by 1.6% compared to 2.6% in the previous quarter. The main cause is the reduction of export value at 4.9 % while government spending shrank by 5.1 % when compared to the growth rate 3.7 % in the previous quarter.

**The graph showing the growth rate of Gross Domestic Product (GDP)**

Percent



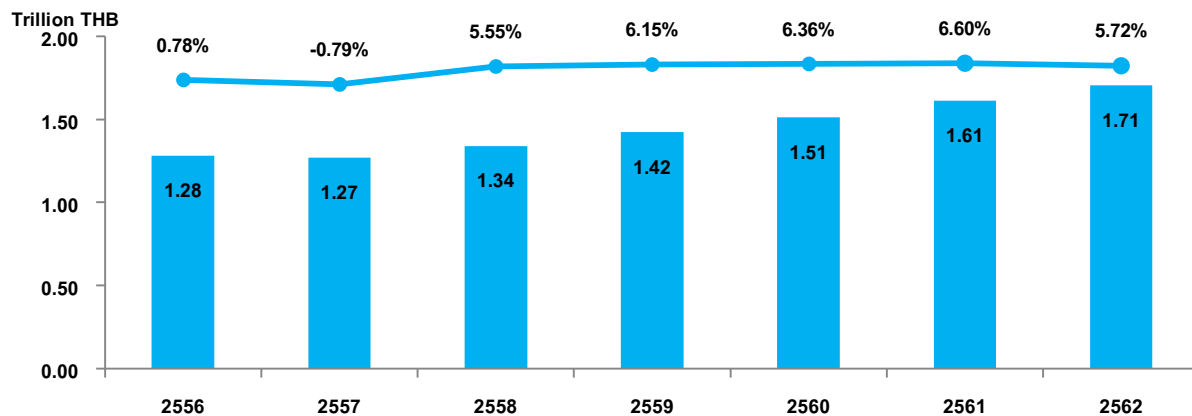
Source: Office of the National Economic and Social Development Council

The Office of National Economic And Social Development Board (NESD) forecasts that Thai economy in 2020 will grow by 1.5 - 2.5%, a slowdown from 2019 with main reason from the Covid-19, drought crisis which is likely to get more severe and the delay in budget assignment procedures. However, there are some support to the economic growth in 2020 as follows (1) The loosen pressure from the trade measure, reduction of risk from non-agreement separation of the UK and the relaxed financial policy (2) The rise of domestic demand and state and private investment (3) Driving force from government measure and (4) Growth rate which is lower than usual rate during the last quarter of 2019. It is expected that the export sector will grow by 1.4%, private consumption and total investment grow by 3.5 and 3.6 % respectively. Average headline inflation rate is between 0.4-1.4, balance on current account

### **Retail industry in Thailand**

Since the company produces and distributes flexible packaging for customers who are manufacturers and distributors of consumer products. These products are distributed through different retail channels such as department stores, discount stores supermarkets, convenience stores. Therefore, the growth rate of retail industry illustrates the market trends and growth of the company business. Retail industry is one of the industries that drives the economy and indicates the spending of the population in the country while retail business functions as a platform that connects and distributes products from manufacturers to consumers. From the graph below, the value of the retail and wholesale industry has gradually recovered and continued rising since 2015 after passing the global economic downturn, internal political issues, a plunge of agricultural prices, and high household debt. Compound Annual Growth Rate (CAGR) from 2015 to 2018 surged to 6.28% per year. In 2018, retail and wholesale industry generated THB 1,706,026, increased by 5.72%, showing the rise in private consumption due to increasing income of population and government's policy to stimulate spending.

**Graph showing retail and wholesale industry**



Source: Office of the National Economics and Social Development Board

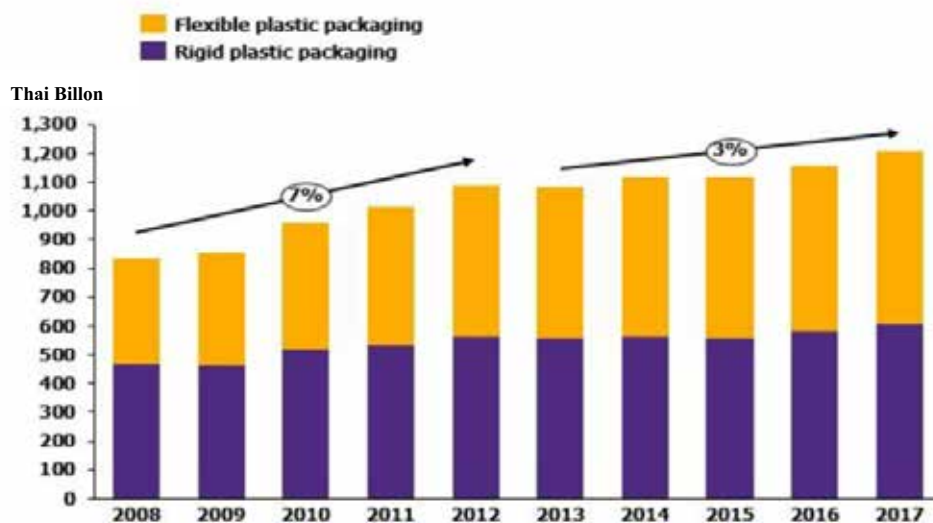
According to modern retail business report in 2019 by the Economic, Business and Grassroots Economic Research, Government Saving Bank, it is forecast that the modern retail industry will grow by 3.0 - 3.1 % supported by the government measure to stimulate spending and expansion of operators from opening new branches, improvement of existing branches and expansion of lease space. These could broaden sales channels and promote business growth continuously.

### **Condition of Packaging Industry in Thailand**

According to the annual packaging industry report of the Office of Industrial Economics, Ministry of Industry, total production of plastic packaging in the year 2016-2018 were 1,477,260 tons, 1,469,534 tons and 1,409,659 tons respectively, a cut by 0.45 % and 4.15 % respectively. Sales volume of plastic packaging in 2015 – 2018 were 1,067,138 tons, 1,063,121 tons and 1,021,623 tons, representing a decrease of 0.32 % and 3.96 % respectively due to the environment conservation trend which emphasized reducing the use of plastic bag to minimize environmental impact. For instance, reduce using plastic bags, using rigid plastic which in production requires more quantity of plastic grain than the flexible plastic, as a result, the productivity and distribution in weight declined as a whole.

In addition, the report of changes in Thai plastic packaging as of August 2018 by the Economic Intelligence Center (EIC), Siam Commercial Bank pointed out that the use of plastic packaging in Thailand was likely to grow. The growth rate of plastic packaging in 2008-2012 was 7 % per year and slowed down to 3 % in 2013-2017. When glancing at the proportion of plastic packages, the growth rate of rigid plastic packaging gradually dropped during the past 5 years, replacing by flexible packaging as a result of the changes in behavior of Thai consumers, following the expansion of the city, number of small scale household. These added up the demand for individual packaging in which the plastic package size was smaller to meet the volume of household consumption.

#### **The Graph showing consumption of rigid and flexible plastic packaging during year 2008-2017**



Source: Economic and Business Research Center, Siam Commercial Bank (EIC, Economic Intelligence Center)



### **Condition of Soft Plastic Packaging Industry**

According to the information from Euromonitor International, it is forecast that in 2018, there were 20,215.40 pieces of flexible packaging in Thailand distributed through retail platform, a 2.28 % increase from 2017 at 19,764.20 pieces. The increase was due to the changes of modern consumers which follows the urbanization society and lifestyle where consumers concern more to convenience in daily life. In addition, the growth of small households increased the demand for smaller pack sizes of packaging. For this purpose, the flexible plastic packaging meet demand of such change perfectly and became the attributable factor to continual growth of flexible plastic packaging in commodities.

### **Quantity of flexible plastic packaging sold through retail platform during 2013-2018**

(Unit: Million pieces)

Product types	2013	2014	2015	2016	2017	2018 (E)
Beauty and skin care	273.10	285.80	299.70	310.50	321.70	332.20
- Growth rate	8.98%	4.65%	4.86%	3.60%	3.61%	3.26%
Beverage	831.10	873.00	910.90	951.70	994.10	1,033.70
- Growth rate	4.57%	5.04%	4.34%	4.48%	4.46%	3.98%
Food	8,506.80	8,844.90	9,188.00	9,528.40	9,854.60	10,188.50
- Growth rate	3.71%	3.97%	3.88%	3.70%	3.42%	3.39%
Animal food	142.00	159.20	175.80	193.00	210.70	228.40
- Growth rate	11.46%	12.11%	10.43%	9.78%	8.17%	8.40%
Home care products	526.80	552.50	607.10	623.50	687.90	715.30
- Growth rate	5.30%	4.88%	9.88%	2.70%	10.33%	3.98%
Tissue and sanitary	554.50	582.30	605.60	626.80	645.80	664.00
- Growth rate	6.63%	5.01%	4.00%	3.50%	3.03%	2.82%
Cigarettes and tobacco	6,819.90	6,931.10	7,006.40	7,038.50	7,049.40	7,053.30
- Growth rate	2.35%	1.63%	1.09%	0.46%	0.15%	0.06%
<b>Total amount</b>	<b>17,654.20</b>	<b>18,228.80</b>	<b>18,793.50</b>	<b>19,272.40</b>	<b>19,764.20</b>	<b>20,215.40</b>
<b>- Growth rate</b>	<b>3.49%</b>	<b>3.25%</b>	<b>3.10%</b>	<b>2.55%</b>	<b>2.55%</b>	<b>2.28%</b>

Source: Information from the Euromonitor International website

### Condition of Home Care Product Industry

According to the home care product business prepared by the Euromonitor International, February 2019 Volume, the home care product industry continued to grow where in 2018, total value of home care product reached THB 55,199.20 million, a rise from 2017 at THB 52,719.00 million or a growth rate of 4.70 %. The growth in all product groups illustrated the increase of middle income and the urbanization effect where the lifestyle of consumers prefer convenience and fast. They were looking for the product that facilitate everyday life. Moreover, the pressure among competition of consumer product manufacturers and home care product manufacturers is a major factor that manufacturer must concentrate on developing new products to the market constantly to meet the demand of customers. According to all these reasons, the home care products continued to grow which consistent to the company's sales volume which mainly from the sales of flexible plastic packaging for consumer products such as softener, washing detergent and dishwashing detergent.

### **Home Care Product Value in Thailand between 2013-2018**

(Unit: THB million)

Types of Home Care Products	2013	2014	2015	2016	2017	2018
Air-conditioning products	3,397.80	3,625.40	3,794.80	4,004.60	4,247.70	4,435.50
- Growth rate	8.13%	6.70%	4.67%	5.53%	6.07%	4.42%
Bleach products	116.20	120.90	122.30	125.00	125.90	127.90
- Growth rate	4.97%	4.04%	1.16%	2.21%	0.72%	1.59%
Dishwashing liquid	4,098.20	4,371.70	4,539.40	4,790.70	5,063.40	5,290.70
- Growth rate	7.41%	6.67%	3.84%	5.54%	5.69%	4.49%
Insecticide	3,460.70	3,666.90	3,818.40	4,079.20	4,351.90	4,541.20
- Growth rate	6.60%	5.96%	4.13%	6.83%	6.69%	4.35%

Types of Home Care Products	2013	2014	2015	2016	2017	2018
Clothes and accessories cleaning products	26,951.90	28,644.60	30,073.20	31,932.40	33,906.70	35,520.80
- Growth rate	7.04%	6.28%	4.99%	6.18%	6.18%	4.76%
Polishing products	814.20	844.10	862.10	896.20	921.90	948.30
- Growth rate	4.34%	3.67%	2.13%	3.96%	2.87%	2.86%
Surface care products	3,125.80	3,319.00	3,428.70	3,655.70	3,871.80	4,098.8
- Growth rate	6.91%	6.18%	3.31%	6.62%	5.91%	5.86%
Bathroom cleaning products	184.90	196.80	203.30	215.00	229.90	235.90
- Growth rate	7.38%	6.44%	3.30%	5.76%	6.93%	2.61%
<b>Total amount</b>	<b>42,149.90</b>	<b>44,789.50</b>	<b>46,842.10</b>	<b>49,698.70</b>	<b>52,719.00</b>	<b>55,199.20</b>
<b>- Growth rate</b>	<b>7.06%</b>	<b>6.26%</b>	<b>4.58%</b>	<b>6.10%</b>	<b>6.08%</b>	<b>4.70%</b>

Source : Euromonitor International : Home Care in Thailand (February 2019)

## Competition

According to the database of the Department of Business Development, Ministry of Commerce the plastic packaging market had 1,148 manufacturers consisting of 935 small scale manufacturers, 130 medium manufacturers, and 83 large manufacturers. When comparing market segment calculated from total revenue in 2017, small and medium manufacturers joined 44.43 % of market share while large manufacturers owned 55.57 % in market share.

### A table showing proportion of manufacturers in plastic packaging market

Manufacturer size	Number (entity)	Total revenues (THB million)	Net profit (THB million)	Market share (%age)
Small manufacturer	935	35,684.22	1,110.72	19.94
Medium manufacturer	130	43,838.50	1,284.28	24.49
Large manufacturer	83	99,464.54	5,522.46	55.57
Total	1,148	178,987.26	7,917.46	100.00

Source: Department of Business Development, Ministry of Commerce

Remark: The criteria on classifying size of business is according to the Office of Small and Medium Enterprise Promotion, as follows.

- 1) Small business refers to a juristic person owning fixed assets not over THB 50 million.
- 2) Medium business refers to a juristic person owning fixed asset over THB 50 million but not exceed THB 200 million.
- 3) Large business refers to a juristic person with fixed asset over THB 200 million.

Plastic packaging industry is considered very intense competition business field due to a variety of product types and a different scale of manufacturers, offering abundant choices for customers. Flexible plastic packaging is one of the products in this industry. However, manufacturer in each group has different customer base. For instance, small manufacturers focus on price strategy rather than quality, while medium manufacturers concentrate on standardized quality. Hence, the competition is among the manufacturers who target the same customer base. According to the definition of the Office of Small and Medium Enterprise Promotion, the company is classified as a large manufacturer which can produce quality flexible plastic packaging. Our products are certified for the international standard which are FSSC 22000 (Food Safety System Certification 22000), GMP (Good Manufacturing Practices) and HACCP (Hazard Analysis and Critical Control Point), URSA (SEDEX) which is a certification on the code of conduct regarding labor, the requirement for an international entity. Our machines are imported from abroad, such as Taiwan, Italy, China, and we use the Rotogravure printing process to enhance 10 colors creating impressive product colors. Since our customers are large manufacturers of consumer products, the selection of packaging is very important. Packaging is another crucial factor that create the difference and outstanding feature on their products. Furthermore, the company concentrates on pre and post sales services to create advantages over rivals. The main rivals in the same market are Amcor Group, Hutamaki (Thailand), Fuji Ace, Dai Ichi Packaging, Prepack Thailand, Film Master, and Print Master.

## Revenue from sales and services of flexible packaging manufacturers

(Unit: THB million)

Name of the company	2015	2016	2017	2018
1. Amcor Group <sup>1)2)</sup>	6,377.71	5,534.21	5,585.08	5,524.47
2. Huhtamaki (Thailand) company Limited	3,938.66	4,148.09	4,487.79	4,499.55
3. Fuji Ace company Limited <sup>3)</sup>	3,861.64	4,187.64	4,394.27	4,567.68
4. Dai Ichi Packaging company Limited	1,848.70	1,859.29	2,025.39	2,030.13
5. Huhtamaki (Thailand) company Limited	1,626.84	1,703.90	1,951.01	1,981.67
6. Film Master company Limited	1,458.62	1,461.47	1,514.85	1,422.81
<b>7. Star Flex Public company Limited</b>	<b>1,138.02</b>	<b>1,170.40</b>	<b>1,337.87</b>	<b>1,361.18</b>
8. Print Master company Limited	1,257.46	1,313.20	1,203.81	1,432.59
13 other companies that conducting flexible packaging business	6,994.37	7,257.80	7,252.97	7,351.66
Total revenue from sales and services of flexible packaging manufacturers	28,502.02	28,636.01	29,753.05	24,647.28

Source : Information about manufacturers of flexible plastic packaging is collected when the sales and service revenue was the content in Business Online

Remarks : <sup>1)</sup> The Amcor Group consists of Amcor Flexible Bangkok PCL, Amcor Flexible Chonburi Co., Ltd. Amcor Flexible Petchaburi Co., Ltd. and Amcor Flexible Rayong Co., Ltd.<sup>2)</sup> Accounting period beginning as of 1 July and ending as of 30 June<sup>3)</sup> Accounting period beginning as of 1 April and ending as of 31 March

## Product Procurement

### Production

At present, the our plant is located at no. 189/48-49, Village No. 3, Bangpriang sub-district, Bang Bor district, Samut Prakarn on an area 18 rai, 3 ngarn, 86 square wah. Flexible plastic packaging are made to order and all machines are imported from abroad such as Taiwan, Italy, China. With the Rotogravure printing process which can create 10 colors, which involves engraving the image onto an image carrier. In gravure printing, the image is non-printing surface is flat and smooth. Because gravure is capable of transferring more ink to the paper than most other printing processes, it is noted for its remarkable density range. With computerized detection and camera that detect waste during printing process, the system helps reducing waste from production process and quality control perfectly and efficiently.

In order to expand the business growth in the future, the company leased factories and office buildings, located at 470/3-4 Moo 5, Phraeksa, Mueang, Samut Prakan, total area of 5,300 square meter from N.S.P.K company Limited. The company also purchased from Holy Plas company Limited machinery and equipment which include printers, dry lamination machine, slitting machine and machining.

## Production capacity and production volume

	2016	2017	2018	2019
Full production capacity (Million meters)	124.12	131.82	184.44	207.81
Actual production volume (Million meters)	115.07	120.23	137.38	144.78
Production rate (%)	92.70	91.21	74.48	69.67

The full product capacity is calculated from Overall Equipment Efficiency (OEE) of the machine, considered from maximum average of the 3 main factors consist of availability, performance efficiency and quality rate. The number of working hours is 22 per day and average working day is 26 per month.

The company invested in 1 printing machine which installed and started up for commercial production in October 2017. As a result, full capacity in 2017 increased to 131.82 million meters per year and 184.44 million meters per year in 2018.

For factory 2 in Praeksa, the commercial production was started in May 2019 with full capacity 37.39 million meters per year.

## Raw material supply

The company considers the following factors for procuring raw materials for production process.

### (1) Quality of raw materials

The company focuses on quality of products, and purchases only fine quality raw materials from potential manufacturers or distributor with potential to deliver the raw material as requested in scheduled time. The company has in place the approved vendor list to screen quality manufacture and distributor. In addition, the company have quality inspection procedures of raw materials, including the visit to a new vendor before approval. Every 6 months, the company will review the assessment result based on quality and delivery record. The Quality Assurance Division will random test raw materials at every deliver from manufacturer and/or distributor to ensure the quality of raw material.

### (2) Lead time for delivery of raw materials

Purchase of raw materials in the country will have 15 days for deliver, depending on types of raw materials. The purchase of raw materials from abroad will have approximately 30-45 days due to the varied transportation time from each original country.

### (3) Price and trend of raw material prices

In particular film, the main raw materials for packaging production which the price is varied by oil price in the world market. Therefore, in each purchase of raw material, the company will consider quantity of raw materials to purchase and the duration while monitors the situation and trend of raw material closely to effectively manage the cost of raw material.

### (4) Independence from a certain manufacturer

The company has in place the policy to procure raw materials which include film, ink, glue from at least 2 manufacturer or distributor to reduce risk from relying on a certain manufacturer and/or distributor. This also enhance negotiation power with them in terms of prices and delivery time.

**A table showing proportion of raw materials purchased from Thailand and abroad**

	2016	2017	2018	2019
Thailand	83.15	74.87	74.95	79.64
Abroad	16.85	25.13	25.05	20.36
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Details of main raw materials of the company is as follows.

- (1) **Film** is a main raw materials used in printing and laminating process, which account 72.42 %, 76.94 % and 68.17 % of total raw materials purchased in 2017 – 2019 respectively, and 71.59 % of total purchase for 2018 - 2019. The company orders films from manufacturers/distributors in Thailand and abroad, depending on types of the film and specification and purpose of usage. STARFLEX has collaborated with many manufacturers in developing more than 40 formulas of films to meet the different demand of each customer. At present, the film used in flexible plastic packaging is divided in 3 groups by its properties as follows.

- 1.1 The printable film can absorb ink well, resulting in vivid color without staining from the mold. This type of film are such as OPA, PET and OPP.
- 1.2 The film with barrier contain featured property for protection product inside from the sunlight, moisture and air, help preserving and maintain product quality inside. This film type are such as MPET and aluminum foil.
- 1.3 Sealant film is the most used by the company. With low melting point when exposed to the heat 100 -200 Celsius, the film is easily sealed and formed. Such property is applied as the innermost layer contact to the product inside. Therefore, the film must be food grade or the type that allowed to have direct contact to the food which are such as LLDPE, WLLDPE, CPP, MCPPE and MOPP.

(2) **Ink**

All inks are ordered from 3-4 manufacturers and distributors in Thailand. The specifications of ink from each manufacturer is different. For instance, viscosity, pigment resolution, adhesion. Hence, when purchasing inks, the company will consider the proper viscosity level for the film and required properties for each work to create a product that meet customers' demand.

(3) **Adhesive**

Adhesive is a raw material used for bonding between film layers in lamination process. The company orders adhesive from 2-3 local manufacturer and distributors. Each vendor can supply adhesive with similar properties and in the standard acceptable by the company.

**(4) Solvent**

Solvent is a chemical mixed with ink to create viscosity in required level. The solvent we use are such as Ethyl Acetate, Toluene, IPA. At present, the company orders solvents from 4-5 main manufacturers and distributors.

Other than the raw materials mentioned above, the cylinder is the production equipment that significantly affect quality of printing. From the file received from customers, the image development department will divide color group into layers by using computer program. Each layer, when put together will create the image as set by customer. The printing model from such process is then used as a mold. The company hires external company to manufacture mold. At present, there are 4 mold manufacturers that the company has ordered based on delivery time and price.

**Impacts to environment**

Flexible plastic packaging process contains chemical contamination waste which are ink, adhesion and solvent. These are generated when using solvent in rinsing the ink and adhesion from equipment. The waste is treated in refinery process and resulted in liquid and solid solution. For liquid solution, the company reuses for cleaning equipment and tools. For solid solution, the company hires Better World Green PCL for disposal service proceeded under the law.

In addition, the company has prepared occupational health annually by hiring C.E.M. Technology (Thailand) Co., Ltd., for monitoring environment quality which includes air quality monitoring, impurities in the air released from the chimney, light concentration monitoring, noise level monitoring and inspecting the heat level in establishment. According to the result, all fields are under standard as stipulated by law.

In 2017, the company continued arranged activity that minimize impacts to the environment by joining the Green Activity and was certified as a Green Industry Level 2. This is the proof that STARFLEX places importance and intention to take part in environmental conservation.





# Risk Factors

## 1. Risk from dependency on major customers

During 2017-2019, revenues from the first 4 major customers were THB 1,070.05 million, THB 1,180.50 million, and THB 1,060.81 million respectively, represented 79.98%, 86.73% and 84.48% of total sales respectively. Revenues from one customer exceeds 30% of total revenue. This means that losing such customer or the customer reduce the ordering from the company, it may significantly affect revenue and operating result of the company.

The first 4 major customers are manufacturer and distributor of consumer products in Thailand with their market shares on the top ranks, therefore, the demands for packaging are always high. In addition, they are a large corporation with robust financial status. The procedures for selecting supplier is of high standard and require strict compliance. For example, URSA (SEDEX) – a certification for the code of conduct for labor, the requirement for international company. Realizing such sense, the company has in place a policy to maintain good relationship with customer continually, focusing on being a long-term business partnership, liaising with customers in development of packaging products to meet the customer's need and market situation in a timely manner and effectively. The company constantly proposes to customers ideas of new products and updates of technology trend and innovation related to flexible packaging enabling them to acknowledge opportunity in developing new products. The company pays attention to the importance of controlling the production process to ensure the outcome of high quality and on-time delivery to build trust and confidence among customers. Hence, the Management is confident that the relationship with the major customers will be continued with stability and sustainability.

Realizing on such risk, the company concentrates on growing market to cover larger base of customers for packaging of consumer products and reach the market with new products, for instance, medical supplies. The company also considers expanding the consumer product line. To continue, the company has established a new marketing team to be responsible for companies in consumer products mainly to closely follow up and serve on a continual basis. The company puts importance in developing new packaging to meet various demands of customers such as shrink film, retort pouch, spout pouch. This will help broadening customer base to new target groups.

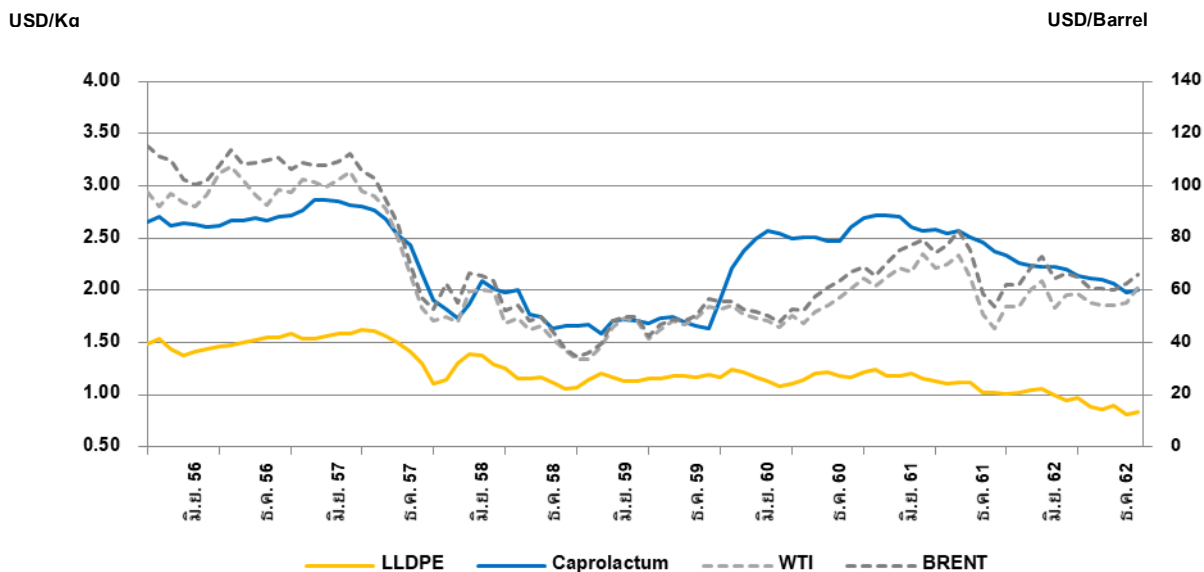


## 2. Risk from the price fluctuation of main raw materials

The primary raw material used in production of flexible packaging is film which accounts 72.42 percent, 76.94 percent and 68.17 percent of total purchase value in 2016 -2019 respectively. The film is produced from processed plastic grains. The plastic grain is the downstream petrochemical products which has important raw materials such as crude oil, hydrocarbons. Main types of films used for the production process are WLLDPE film which based on Linear Low Density Polyethylene : LLDPE and OPA film with Caprolactam. This explain the volatility of film price based on demand and supply of the crude oil price and raw materials for producing each type of film, i.e. Caprolactum, LLDPE.

In the beginning of 2015, Caprolactum, LLDPE and crude oil price plunged to the poorest rate at 1.59, 1.06 USD/kg and 33-34 USD/barrel respectively. Later on the LLDPE price surged to maximum rate at 1.24 USD/kg in the beginning of 2017 and fluctuated between 1.08-1.21 until mid of 2018 before continuously dropped. The Caprolactum price increase by 2.61 – 2.72 USD/kg in the end of 2017 before deceased continually in the beginning of 2018. Meanwhile, crude oil price surged to maximum rate in the mid of 2018 at 74-83 USD/barrel before declined and fluctuated between 61-63 USD/barrel in the year 2019. The statistic above shows the same direction of crude oil price and raw materials of film production.

In situation when the price of raw material rises up rapidly, it may eventually change the cost of sale and gross profit of the company. To cope with such unexpected event, the company has in place the pricing policy in which the appropriate profit is added up to the cost. Furthermore, the executives have lengthened experience in packaging industry, and have a good relationship with manufacturers and distributors of raw material. This allows the company a power to bargain and ability to forecast the trend of raw materials price precisely. The executives also closely monitors the situations of raw material prices as well as the world market to effectively manage the cost when purchasing.

**Graph showing price of crude oil and raw material for film production in 2013 - 2019**

#### 4. Risk from relying on key management personnel for business operation

Mr. Printhorn Apithanasriwong, the Chief Executive Officer who having over 32 years of experience in packaging industry, is a person with expertise and in-depth knowledge on the company business. He also has built a good relationship with customers who are a large manufacturer of consumer products, including the manufacturers of raw materials in Thailand and oversea. Hence, the company is at risk of relying on key executive officer since a change of his position may cause impact to the business operation.

Fortunately, Mr. Printhorn Apithanasriwong is a co-founder and major shareholder of the company holding 49.76 percent (as of 2 January 2020) of the paid-up capital after IPO. It is certain that Mr. Printhorn Apithanasriwong will remain as a Chief Executive Officer to determine policy and target of the entire corporation while another Chief Executive Officer will oversee the daily business operation and management. The company has in place systematic management procedures, professional administration practice, in which the organization structure is established jointly with duty and responsibility, clear executive authority of executive in each level to distribute the power to the subordinate. Furthermore, the company has implemented the policy to provide employees and training courses to improve their skill and knowledge to assist in diverse work operation and to accommodate the sustainable growth of the company.

#### 5. The risk of relying on skilled labor

The production of soft plastic packaging requires skilled workers with technical skills and production expertise, especially, in the analysis and arranging color rank, the color combination to meet the needs of customers, including machine control in the film printing process. The development of such skills and expertise takes time, therefore, the company may be at risk if the personnel will not work with the company for the long term.

However, the company is aware of the risk and hence has provided continuous training for staff in order to upgrade their skills and competency plus offering a good welfare system an incentive. In addition, the company has a policy to apply machinery to help maintaining the product standard such as ink dispensing to enhance precise, fast and accurate color mixture according to the customer orders while minimizing dependency on skilled personnel. In 2018 and In 2019, the monthly resign rate of employees in film production process which requires skilled labor were at 0.71 percent and 0.45 percent respectively.

#### 6. Risk from exchange rates

Most of the raw materials from abroad are purchased in USD currency. In 2017 - 2019 the company ordered raw materials valued in foreign currency which accounted 25.13 percent and 25.05 percent and 20.36 percent of total purchase of raw materials. Meanwhile, revenue from sales of products and services are mostly proceeded in THB, therefore, the company may be affected by the fluctuation of an exchange rate. In the event when USD is risen, the cos of product will also rise and it eventually affect our operation.

However, the company foresees the importance of hedging the risk. Therefore, there is a policy in determining the price of the products by taking into consideration the risk from the fluctuation of exchange rates. Then the company can determine the selling price of goods appropriately and consistent with the cost of the product to a certain extent. The company will closely monitor the news and movements of foreign exchange rates and will consider hedging by buying foreign currency in advance (Forward Contract) according to the situation and necessity. In 2017 - 2019, the company recorded profit (loss) from exchange rate THB 1.80 million, THB (0.17) million and THB 1.42 million respectively.

## **7. Risk from competition in the soft plastic packaging industry**

Packaging business is highly competitive due to a great number of product types and size of manufacturers allowing customers a variety of choices. However, since our main customers are a large manufacturers and distributors of consumer products in Thailand, which concentrate on standardized quality, aesthetics and modernity of a package that response to the rapid changing of consumers' behavior. For this reason, the competition is limited within potential and large-scale manufacturers of packaging only.

STARFLEX places importance on developing product quality and inventing new products to meet customers' need regularly and to be consistent with the changes. Many departments such as Sales and Marketing, Product Development, Production, Purchasing and Quality Assurance Department are working together, including the trade partner who is a manufacturer of main raw materials. The Sales and Marketing takes requirement from customers while follows up the market trend closely to acknowledge related department prepare for studying and developing product that meet the demand of customers or the change of market. Another focus is fast service and customer care in which our staff will follow up customers about their satisfaction, attending meeting with customers regularly to resolve any issues that may occur. By this procedure, the company is then able to adjust its strategy to conform to the swift changes of competition in the market.

## **8. Risk from government measures on environmentally friendly plastic packaging**

With awareness and priority on the environmental issue caused by plastic waste nowadays, since plastic waste takes long time for degrading and it is the major cause of air pollutant from disposal by burning. Such may result in negative health problem and risk. Furthermore, plastic waste disposed to the sea is a part that destroy natural ecosystem. To mitigate the problem, many countries have implemented policy and measure on disposal of plastic waste. For instance, charging for plastic bag, prohibiting the one-time use plastic bags or thin plastic bags or even imposing the law prohibiting production, use and distribution of plastic bags.

Although Thailand has not issued a solid policy to manage plastic waste, but the Office of Natural Resources and Environmental Policy and Planning, Ministry of Natural Resources and Environment has issued environmental quality management plan B.E. 2017 – 2021 which identifies working plan for reduction of the waste quantity by stop or minimize the use of foam box, plastic bags or a material which takes long time to biodegrade. The working plan mentions development of bioplastic and other environmental-friendly material which can be reused to promote the cost-effective use of bioplastic, direct and indirect investment promotion to the private sector that manufacture products from bioplastic to support the solid use of bioplastic. STARFLEX has closely monitored such matters and prepared to embrace the changes. It is may be unavoidable that in the future, the company will adjust the production process to enable manufacture of packaging to meet the standard required, to cope with the increasing cost of production due to the shift to use biodegradable raw materials. Nonetheless, the company has closely monitored such matters and ready to handle the changes (please see Research and Product Development) which illustrate the readiness in production of flexible plastic packaging to meet the demand of customers and meet the environment policy as stipulated by the government on a continual basis.

## Research and development

Recognizing the importance of research and development of product to meet preferred quality, to meet the customer demand in diversification while effectively manage the cost is the crucial part to magnify the unique and enhance competitiveness of the company. The research and development of STARFLEX are summarized below.

### 1. Product development

The new products are created with a concept to meet various demand of customers through coordination with customers. In such case, the customer will determine specification of the required product while the company will develop the formula and structure of the raw materials as well as procure raw materials from manufacturers and/or distributors to meet customer's request. In addition, the company has developed new products to reach new customers continually, for instance, the retort pouch which has been sterilized, spout pouch.

### 2. Raw material development

In addition to development of new product, the company has formulated new ingredients for raw material to add up choices of raw materials, while reducing the cost of production. Our Research and Development Department has prepared to develop raw materials to accommodate changing trend of plastic packaging to meet environment conservation trend. For instance, developing Organics Biodegradable film which can be biodegraded by gems in the proper environment, developing film for a smooth reuse by MDO (Machine Direction Orientation) procedures and Biaxial Orientation, developing plastic grain and resin from recycling process to be able to mix with pure plastic grain and resin.

Expenses on research and development of the company within the past 3 years are summarized below.

Year	Research and development expenses
2017	THB 4.52 million
2018	THB 3.59 million
2019	THB 6.46 million

# Corporate Governance

## Corporate Governance Policy

The Company recognizes the importance of good corporate governance as a crucial factor in promoting efficient business operation, transparency, competitiveness and sustainable growth. The good corporate governance contributes in building up trust among all related stakeholders that the Company conducts business with fairness, taking into account the highest benefits of all stakeholders including employees, investors, shareholders and other stakeholders. For this reason, the Board of Directors has considered preparing corporate governance policy by adhering to the practice and code of conduct of the good corporate governance for the listed companies year 2017 as established by the Securities and Exchange Commission and the Stock Exchange of Thailand. The good corporate governance is a guidance for corporate management in which help to create confidence toward corporate business operation for its fairness, transparency and consideration on the highest benefits of shareholders and all stakeholders.

### **Principle 1: Recognize the role and responsibility of the Board of Directors as organization leader who creates value to sustainable growth of the Company**

To acknowledge the Board of Directors of their roles and responsibilities as a corporate leader, the Company has determined scope of duty and responsibility of the Board of Directors other than as stipulated by law. With prudence, due diligence and integrity, the Board of Directors shall manage and ensure compliance with the law, objectives, articles of association, and resolution of shareholders' meeting. Additionally, the Company authorizes and assigns to the Board of Directors duty and responsibility in establishing vision, mission, target, policy and business direction, strategic plan, working plan and the annual budget of the Company, monitoring and supervising the compliance to the law, policy, work plan and the annual budget assigned, and reviewing performance and result of such the operation.

In addition, the Company has appointed the sub-committee and working group to support, audit and oversee work operation and management to ensure compliance with the law, policy, work plan and assigned budget. The sub-committee includes Executive Committee, Audit Committee, Risk Management Committee. Scope of duty and responsibility of the sub-committee is determined explicitly. The Company has established the charter for the Board of Directors, sub-committee and acknowledge them of the said charter. The charter is reviewed annually to adjust the content and conform to the business direction of the Company.

The Board of Directors has prepared business ethic and policy on corporate governance as a practice guideline for ethical business operation, to recognize the importance of shareholders with responsibility and stakeholders, as well as to conduct business that brings about benefits to the society and environment, and to adjust the strategy amid changing factors.

### **Principle 2 : Determine key objectives and target of the business toward sustainability**

The Board of Directors has in place explicit corporate vision and mission suitable to the organization. The vision and mission are passed on to all stakeholders to facilitate the understanding in primary purpose and target of the Company and all personnel within should observe as a code of conduct to achieve the objective and target set forth.

The Company has in place a policy to review and consider the strategic plans and budgets on an annual basis to ensure the conformity to economic conditions and corporate potential. The Company also encourages the creation of innovation and the use of innovation and technology in the business.

Another duty of the Board of Directors is to supervise and monitor the business operations to ensure the accomplishment as specified in strategy and assigned budget, and to oversee allocation of necessary resources.



**Principle 3 : Cultivate Effectiveness of the Board of Directors**

The Structure of the Board of Directors is designed to be consistent with nature of business and corporation scale and in accordance with the law. The proportion between executive directors and non-executive directors must be at an appropriate rate to maintain an adequate balance. The Chairman of the Board and Chief Executive Officer are not the same person in order to magnify the responsibility between governance policy and routine management.

To enable the directors sufficient time in performing their duties in the Company, each director is permitted to hold positions in other listed companies not to exceed 5 companies, and must attend at least 75 percent of the total meetings of the Board of Directors held during the year. The Board of Directors' meeting is arranged at least 6 times a year.

The Board of Directors will be responsible for nominating personnel with appropriate expertise and experience to perform duties that are beneficial to the Company, and propose to the shareholders' meeting to consider the appointment of the Company's Directors. After being listed on the Stock Exchange of Thailand, the Company has disclosed information of Directors and Executives i.e., age, education background, experience, shareholding ratio, number of years in office, number of meetings attended, the remuneration of the Board of Directors (both monetary and non-monetary), directorship positions in other listed companies, roles, duties and responsibilities, and the report of the subcommittee's performance in the annual report of the Company.

The Company Secretary has a duty to assist and give advice to directors and executives regarding compliance to the law, regulations, rules and articles of association, follow up the accurate practice on a regular basis, and be responsible for arranging meeting of the Board of Directors and the meeting of shareholders, liaise to ensure compliance with the resolution to the said meeting, including any other duties as stipulated by law.

In supervision of a subsidiaries and/or associated companies, the Company will send directors or executives who having qualifications and experience suitable for business operations to manage the subsidiary's business and/or that associated company as well as to determine key policies and control the business operations of subsidiaries and/or the associated companies. The directors who representing the Company shall oversees the subsidiaries and/or associated companies to ensure the management or operation are carried out in accordance to the policy set forth by the Company. The decision are made based on resolution of the Board of Directors and/or the shareholders' meeting passed to approve important matters of the subsidiary company and/or associated companies, in order to bring about highest benefits for the Company and a sustainable growth.

**Principle 4 : Nomination and development of senior management and personnel management**

The Company has set forth precise succession plans for key management positions, including the Chief Executive Officer to conduct business continuously. The compensation rate are reasonable to be incentive for the Chief Executive Officer and the key Executives to encourage the best effort for highest benefits of the Company and our shareholders.

With an intention to improve certain knowledge to Directors and important executives, the Company provides varied training programs organized by different departments to enhance knowledge and new perspectives, including providing executive development program to support implementation of succession plan.

The Board of Directors will conduct performance assessment of the Chief Executive Officer and key Executives annually as a consideration on compensation rate and to develop their performance and leveraging efficiency at work.

**Principle 5 : Promote innovation and business operation with responsibility**

The Board of Directors realizes the importance of creating corporate culture to build up an innovation that brings about mutual benefits for the Company, customers, business partners and related parties and being responsible to society and the environment. The Board of Directors also considers improvement of service quality, human resource development, environment matters, and social responsibility with an aim to create a balance between business profits and giving to society.



Realizing the rights of all groups of stakeholders including internal stakeholders or external stakeholders and to create a positive understanding and cooperation between the Company and stakeholders, which will be beneficial to the business and build confidence, building up the competitiveness of the Company in the long term, the Board of Directors has set policies and code of conduct as follows:

- Shareholders** : The Company is committed to conduct business taking into attention the best interest of the Company and shareholders as a whole, with knowledge and skills, effective management, honesty, and integrity to both major and minor shareholders. Our priority is to see good operating outcomes, robust growth and persistent competitiveness.
- Employees** : Comprehending the influence of every employee, who takes part in driving the Company toward business development, the Company then focuses on improvement potential, knowledge and skills of employees on continual basis, including cultivation of positive attitude and awareness. The compensation is provided based on knowledge and skill of each employee and the rate is comparable to the entities of the same industry.
- Customers** : To express the attention and take responsibility on our customers, STARFLEX puts the best effort in procuring good quality and standardized products and/or production that fully meet customers' demand. Customers' confidentiality is our concern. The Company carefully determines selling price and conditions to customers with fairness.
- Trade Partners and Creditors** :  
The Company treats its The Company operates and deals business with its trade partners and creditors on principles of integrity, fairness and honesty, abstaining from taking advantages, maintain mutual benefits of trade partners and creditors, adhering to the code of conduct, strictly comply with trade condition and or the agreement to develop business relationship that return benefits on both sides.
- Competitors** : STARFLEX follows the rules of good competition and law provisions, adhering to proper manner and refraining from committing dishonest actions to destroy competitors.
- Community and Society** :  
The Company cultivates awareness on taking responsibility to the community and society to the entire corporation on regular basis as well as supports activities that return benefits to the public domain and does not undertake any action that violates or against the law.
- Environment** : The Company complies with applicable laws and regulations related to the environment matters while continuously controls the impacts on environment. The Company has a policy to support various activities that enhances the quality of occupational health and the environment, preserves working environment for safety in lives and properties of employees at all times.

The Board of Directors establishes the framework on governing and managing corporate information technology which aligns with its demand, Information technology has been implemented to expand business opportunity and develop work, manage risk to accomplish objectives and prime target of the Company.

#### **Principle 6 : Risk Management System and Appropriate Internal Controls**

The Board of Directors issues the policy on having internal control system that covers all aspects including finance and compliance with the relevant law, regulation and rules. The effective audit mechanism and balance are implemented to safeguard the Company's assets at all times. Approval power and responsibility of the executive and employees must be proceeded in accordance to procedures set forth with auditing and balancing each other. Work

requirement and regulations are determined in written form. Furthermore, the Company hires external auditor to review performance of every department to ensure consistence to the regulations set forth, as well as to assess performance and adequacy of the internal control of each department within.

The Company has appointed the Risk Management Unit to consider and analyze potential risks of the Company, and propose risk management to prevent against impact on the business, supervise the risk management to ensure consistence to the risk management policy set forth.

The Board of Directors values the importance in Ant-Corruption by preparing explicit policy and communicates to related parties for acknowledgment and compliance. In addition, the whistleblowing and compliant report policy is implemented as a mechanism in overseeing compliance with policies set forth in relation to the corporate governance.

The Company has in place, measure for whistleblowing or reporting complaint related to an action against the law, ethics and code of conduct or an action that indicate corruption among directors, executives and employees. Through different communication channels, employees and stakeholders can report information or file a complaint to the Company at convenient and proper approach. However, the reporter or complainant must provide detail of the subject, name, address and telephone number to the channels as provided by the Company.

#### **Principle 7 : Maintain Financial Reliability and Information Disclosure**

The Board of Directors is committed to ensure the compliance with the law, regulation and the rules related to disclosure of information, placing attention on accurate, complete and fair disclosure of information which include corporate information, financial information and general non-financial information to acknowledge all related parties equally.

The Board of Directors is responsible for preparing Annual Report, Annual Registration Statement (Form 56-1), Financial Report and Financial Information as appeared in the Annual Report. The financial report is prepared in accordance with generally accepted accounting standard, based selection of appropriate accounting policy and regular practice, due discretion. The Board of Direction reviews to ensure the adequate information is shown in the note to financial statement. The Audit Committee is assigned to supervise quality of the financial report and provide opinions to the Board of Directors.

The Board of Directors recognizes the importance on liquidity of the business and afford ability ratio of the Company while the Management duty is to monitors and assess financial status and liquidity on a regular basis and report to the Board of Directors for acknowledgment on a quarterly basis.

After being listed in the Stock Exchange of Thailand, the Company has disclosed its information to shareholders and the public through channels and platform of the Stock Exchange of Thailand and on the Company's website. Mr. Somchai Wongrassamee, Chief of Accounting and Finance is assigned to contract and provide information to shareholders, investors, securities analyst or related agencies including any persons, and such information disclosed must be accurate, complete and true.

#### **Principle 8 : Encouraging engagement and communication with shareholders**

To express its priority on shareholders, the Company abstain from undertaking any action that infringe or deprives right of shareholders, other than basic right such as right to acquire, dispose or transfer their securities, right to receive profit share from the Company, right to attend the meeting of shareholders. Realizing the importance on the right of shareholders in receiving accurate, completed, adequate information in timely manner and equally to support their decision in any matters, the Board of Directors has determined the policy as follows.

1. The shareholders' meeting is arranged to enable shareholders consider important matters as stipulated by law, or the matter that may cause impact to business operation of the Company.

2. The invitation to the meeting which include supplementary information regarding the meeting is sent to shareholders in advance as stipulated by law, notification or related regulations to allow shareholders to study information fully prior the meeting date. Shareholders can send their inquiries before the meeting date. The criteria of sending inquiry is provided and disclosed on the Company's website and the Company will select important information and prepare for answer in the meeting.
3. It is clearly determined and disclosed to shareholders in advance that minor shareholders are allowed to propose a person for directorship or propose meeting agenda before the meeting started. The reason of not including proposal of shareholders as a meeting agenda will be clarified to shareholders in the same meeting.
4. To facilitate the shareholder who is unable to attend the meeting in person, the Company permits such shareholder to assign a person or at least 1 Independent Director as a proxy holder to attend the meeting and vote for the said shareholder. List of the Independent Director is provided in the invitation to the meeting.
5. For foreign shareholders, the Company will provide the invitation letter and supplementary information in English and send to them together with Thai version.
6. Establish news and updates for shareholders on the Company's website. The Company discloses the invitation letter to the meeting to shareholders at least 28 days prior to the meeting date to allow them to download meeting agenda conveniently and completely.
7. All shareholders will receive an equal facilities in the meeting in terms of proper place and time.
8. The shareholders' meeting will arrange the meeting in accordance with the law and articles of association. Each agenda is considered and voted in order set forth, without changing material information or adding meeting agenda without reasonable ground. All shareholders have equal right to inquire, express their opinions and suggestions.
9. The Company provides ballots for voting in important agenda and provide an independent person, such as independent auditor, legal advisor to count the vote in the meeting.
10. The Company encourages all directors and related executives to attend the meeting in order to answers the questions from shareholders.
11. The minutes of the meeting is recorded with complete, accurate, fast, transparent which contain list of directors and executives attending the meeting, voting procedures and voting count, meeting resolution, result of the vote, questions and important opinion provided, for a review by shareholders within 14 days from the meeting date. The Company will record a video of the meeting as a reference. After being listed in the Stock Exchange of Thailand, the Company will send the said minute of the meeting to the Stock Exchange of Thailand or relevant authority within prescribed period of time, as well as to disclose the minute of the meeting on the Company's website for consideration by shareholders.

### **Board of Directors and Sub-Committees**

The Company has 3 boards of directors comprising of the Board of Directors, Audit Committee and Executive Committee. All members of the boards are fully qualified pursuant to the Public Company Act B.E. 1992 and according to the announcement of the relevant capital market committee. Scope of duty and responsibility of each board are as follow.

## Board of Directors

### Scope of duty of the Board of Directors

1. The Board of Directors has the power, duty and responsibility in managing and conducting business operation of the Company in accordance with the law, objectives and articles of association, including resolution of the shareholders' meeting with honesty, integrity and to safeguard the corporate benefits.
2. Prepare balance sheet and income statement of the Company as of ending date of accounting period which has been audited by the auditor, then propose to the meeting of shareholders for consideration and approval.
3. Determine target, direction, policy, business operation plan, budget of the Company. Monitor and supervise the management and administration of the Management to ensure compliance with policy, work plan and the assigned budget efficiently and effectively.
4. Consider, review, and approve the policies, directions, strategies, and business plans of the Company as proposed by the Management.
5. Follow up business operation to ensure conformity to the work plan and budget assign on a regular basis.
6. Arrange to have appropriate and effective accounting system, prepare reliable financial report and auditing provide, arrange to have adequate and appropriate internal control and internal audit system.
7. Determine risk management policy that cover the entire organization. Supervise to have control system or procedures in the risk management with supporting measures and control procedures to mitigate impacts on business operation properly.
8. The Board of Directors duty is to consider administrative structure, has the power to appoint sub-committee, Chief Executive Officer, and other committee as necessary, and to determine scope of duty for them.

The authorization under scope of duty determined must not allow the sub-committee, Chief Executive Officer and committee to consider and approve the transaction that may have conflict of interest or any other conflict of benefits with the Company or a subsidiary (if any) except the approval on a transaction which is under policy and criteria as considered and approved by the Board of Directors.

9. Prepare annual report of the boards and arrange and disclose financial statement to demonstrate financial status and operating result of the previous year and propose to the shareholders' meeting for consider and approval.
10. The boards may authorize one or more directors to perform any action for them to the extend of the board's supervision. The boards may authorize such person as considered appropriate by them and within the reasonable period of time. The said authorization is subject to the revocation, cancellation, amendment or adjustment by the board as considered appropriate.

The authorization must not allow such person to consider and approve the transaction in which he or the person who may have a conflict of interest or may have a conflict, interest or a conflict of interest in any other matter, to be made with the Company and or a subsidiary (if any) as defined in the notification of the Capital Market Supervisory Board (CMSB) and/or The Stock Exchange of Thailand and/or any other notifications of relevant authority except such transaction is proceeded under policy and criteria as considered and approved by the board.

### Self-Assessment of Directors

The Company arranges performance assessment and review for the Board of Directors and sub-committee on an annual basis, at least once a year to enable the directors to consider their work, problems and obstacles occurred during the previous year. The assessment will enhance improved efficiency at work since they will realize more of their responsibility, and improve relationship between the Board of Directors and the Management. The

performance assessment of the Board of Directors is divided in 2 types which are board assessment and self-assessment.

### **Procedures and criteria for performance assessment**

The Company Secretary will submit the performance assessment form of the Board of Directors and sub-committee. After receiving all assessment form, the Company Secretary will summarize and present assessment result to the sub-committees for consideration on work performance during the previous year and report such to the said sub-committee, including performance of the Board of Directors to the Company for consider.

### **The Board performance assessment include:**

1. Structure and qualifications of the Board that enhance efficiency of their work which are whether number of directors is suitable to the nature of business, knowledge and experience of the board, definition of independent directors, number of independent directors, qualifications and appointment of the secretary.

2. Proceed to enable effective performance of the Board during the meeting, which include the suitable time frame of the Board's meeting, the receipt of meeting documents and sufficient time for studying details, environment in the meeting room.

3. The Board of Directors shall prioritize, pays attention to consider, review and proceed any important matters of the Company adequately. This includes corporate governance, business direction, strategy and operation plan, the transaction with conflict of interest, related transactions, risk management, whistle-blowing policy, preparation of financial statement in accordance with accounting standards.

4. Other matters include self-development of directors and executives, relationship between the Board of Directors and the Management.

### **The performance assessment form of the individual director comprises of:**

1. Structure and qualifications of the Board that enhances performance efficiency are qualifications, knowledge and experience that consistent to business nature and well understanding of good corporate governance.

2. Proceed to enable the boards efficiently perform their duties during the meeting which include to study documents and information prior to the meeting, to provide opinions which are useful in the meeting at appropriate extend, to abstain attending the meeting and voting in the transaction that their have interest.

3. The roles and responsibilities of the Board of Directors are to efficiently perform the duties in accordance with the law, rules, and charter, put the best effort when working for the Company, refrain from interfering operation of the Management, control and monitor operation of the Management at appropriate extend.

Self-assessment form of the Board of Directors for the entire board and individual contain 5 levels of opinions as described below:

- |   |   |  |
|---|---|--|
| 0 | = | Strongly disagree or no action is taken on the matter      |
| 1 | = | Disagree or slightly proceed the matter                    |
| 2 | = | Agree or have proceeded in that matter at certain level    |
| 3 | = | Agree to an extent or actions are well taken on the matter |
| 4 | = | Strongly agree or well proceed or the matter               |

The bank left for additional opinions:

Performance assessment	Result (percent)
<b>Board of Directors</b>	
1. Board of Directors (Entire board)	96.58
2. Board of Directors (Individual)	97.40

## The Audit Committee

### Scope of Duty and Responsibility of the Audit Committee

1. Review to ensure the accuracy and adequacy of the financial report always
2. Review to ensure proper and effective internal control system and internal audit system of the Company, consider the independence of the Internal Audit Unit, approve on the appointment, relocation, dismissal of the Head of Internal Audit Unit or any other agencies being responsible for internal control.
3. Review to ensure the Company's compliance with the laws related to securities and stock exchange, SET's regulations or other laws related to the Company's business.
4. Consider, select, propose an independent person as an auditor of the Company and propose compensation rate for the auditor. Attend the meeting with the auditor without attendance of the Management at least once a year.
5. Consider related transactions or the transaction that may cause conflict of interest to be in conformity with the law and SET's regulations to ensure that such transaction is reasonable and return highest benefit to the Company.
6. Prepare report of the Audit Committee and disclose in the Annual Report of the Company, where such report must be signed by Chairman of the Audit Committee and must comprise the followings information.
  - a) Opinions on accuracy, adequacy, reliability of the financial report;
  - b) Opinions on adequacy of internal control system;
  - c) Opinion on compliance with the securities and stock exchange law, SET's regulation or the law related to business of the Company;
  - d) Opinions on the suitability of the auditor;
  - e) Opinions on the transaction that may contain a conflict of interest;
  - f) The number of the Audit Committee's meeting and attendance of each member of the Audit Committee;
  - g) Opinions or overall observation which the Audit Committee received from performing their duty in accordance with the Charter;
  - h) Any other transactions that shareholders and general investors should know under the scope of duty and responsibility assigned by the Board of Directors;
7. Perform any other duty as assigned by the Board of Directors upon approval of the Audit Committee;

### The self-assessment form of the Audit Committee comprises consist of:

1. The structure and qualifications of the Audit Committee is appropriate enhancing effectiveness of the Audit Committee. For instance, the number of the Audit Committee members is suitable and they possess knowledge, experience which consistent to the duty. The number of Independent Directors in the Audit Committee is proper. Nomination procedures for the Audit Committee is transparent, fair independent from an influence of any person.

2. The meeting of the Audit Committee is organized to enhance their performance effectively during the meeting. For instance, to acknowledge the schedule of the Audit Committee of each year in advance, the number of the meeting is appropriate, each meeting is conducted within appropriate duration, attendant receive meeting document in advance, allowing them to study the details, environment of the meeting encourages attendant to express their opinion in positive way, a director with an interest is not allowed to making a decision on the related transaction.

3. The Audit Committee concentrates on consideration, review, and compliance adequately. In other word, the Audit Committee reviews to ensure the financial statement is accurate and reliable, ensures the Company's compliance to the law and regulations, ensures the correct internal audit system, considers related transactions and the transaction with a conflict of interest to assure the consistent to criteria, provides opinions in appointment or removal of the Internal Audit Unit, considers, selects, propose for appointment or removal and propose compensation for the auditor, proceed to enable the Management has in place complaint receipt channel appropriately.

Self-assessment form of the Board of Directors for the entire board and individual contain 5 levels of opinions as described below:

- 0 = Strongly disagree or no action is taken on the matter
- 1 = Disagree or slightly proceed the matter
- 2 = Agree or have proceeded in that matter at certain level
- 3 = Agree to an extent or actions are well taken on the matter
- 4 = Strongly agree or well proceed or the matter

The bank left for additional opinions:

Performance assessment	Result (percent)
Audit Committee	97.73

## The Executive Committee

### Scope of duty of the Executive Committee

1. Consider and scrutinize proposal of the Management and propose business goals, policies, and business plans, including the Company's annual budget to the Board of Directors for approval.
2. Control, supervise and monitor operation result of the Company to ensure the coherence to policy, target, business plan, business strategy and assigned budget, management authority as approved by the Board of Directors effectively and in support of the business condition.
3. Consider and approve normal business operations of the Company. For instance, the investment is proceeded within the budget assigned or approved by the Board of Directors. Budget limit for each transaction is in accordance with the list of approval by the Board of Directors.
4. Review profits and loss of the Company, propose the interim or annual dividend payment and propose to the Board of Directors for approval.
5. Develop an organizational structure to the Board of Directors for approval.
6. Having an authority to delegate one or more persons to perform any actions or to authorize such person having the authority as considered appropriate by the Executive Committee. The committee may revoke, cancel, amend or adjust the authorized person or the authorization as considered reasonable.
7. Perform other duties as assigned by the Board of Directors from time to time.

The assignment of authority, duty and responsibility of the Executive Committee must not allow the authorized person to approve a transaction that the person who may have a conflict of interest (as per definition prescribed in the notification of the Capital Market Supervisory Board (CMSB) and/or the Stock Exchange of Thailand and/or relevant agency), benefit or that may have any other conflict of interest with the Company, subsidiary company and/or related company (if any). The Executive Committee has no authority to approve such matter. Instead, the matter must be forwarded to the Board of Directors' meeting and/or shareholders' meeting (as the case may be) for approval, except the approval is for the transaction which is proceeded to the extend of usual business and trading course as per notification of the CMSB and/or the Stock Exchange of Thailand and/or relevant agency.



## Chief Executive Officer

### Scope of duty of the Chief Executive Officer

1. Supervise and control daily affairs and/or management of the Company
2. Prepare policy, business plan, business strategy and annual budget of the Company and propose to the Executive Committee and the Board of Directors for consideration and approval.
3. Supervise and control daily affairs of the Company according to policies and budget approved by the Board of Directors. Review, monitor and evaluate operation result of the Company to ensure conformity to the policy set forth and the good corporate governance. Report the management result and progress of work to the Executive Committee, Audit Committee and the Board of Directors.
4. Consider and approve normal business operations of the Company as per budget assigned for investment approved by the Board of Directors. Budget limit for each transaction is in accordance with the list of approval by the Board of Directors, but shall not exceed the annual budget approved by the Board of Directors. Enter into any contracts related to such matter.
5. Authorized to consider and approve the expenses for the normal business operations of the Company according to the budget approved by the Board of Directors and according to the approval authority as granted by the Board of Directors.
6. Authorized to approve manpower rate, employment rates, compensation, bonuses, performance assessment, and appointment/relocating employees as per approval from the Board of Directors.
7. Authorized to issue orders, regulations, announcements and records to ensure the Company's operations is in accordance with the policy and for the benefit of the Company and to maintain discipline within the Company.
8. Authorized to appoint a board or working group for benefit and efficiency of the good and transparent management. Authorized to delegate one or more person to perform any action under supervision of the Chief Executive Officer to authorize to enable such person having the authority as considered appropriate by the Chief Executive Officer and within the time as approved by the Chief Executive Officer. The Chief Executive Officer may revoke, cancel, amend or adjust the authorized person or the authorization as considered reasonable.
9. Perform other duties as assigned by the Executive Committee or the Board of Directors.

The proceed on any matter in which the Chief Executive Officer or the person authorized by the Chief Executive Officer or the person who may have a conflict (as per definition described in notification of the Capital Market Supervisory Board (CMSB) and/or Stock Exchange of Thailand and/or relevant agency), interest or a conflict of interest with the Company and/or a subsidiary and/or related company (if any), the Chief Executive Officer has no authority to approve on such matter. Instead, the matter must be proposed in the Board of Directors' meeting and/or shareholders' meeting (as the case may be) for approval except the approval is to the extend of usual course of business and trading condition as per notification of the CMSB and/or the Stock Exchange of Thailand and/or relevant agency.

### Nomination and Appointment of Directors and Top Executives

Selection of the person for directorship is proceeded in the shareholders' meeting in which the Board of Directors will consider taking into account experience, knowledge, skill and qualification as required by law. Since the Company has no Nomination Committee to select a person for such position, the shareholders' meeting will select the directors according to the criteria and procedures as defined in the articles of association.

### Composition and Appointment of the Board of Directors

The composition, nomination, appointment, removal or dismissal of the Company's directors are stipulated in the articles of association which summarized as follows:

1. The members of the Board of Directors is appointed by shareholders.
2. The Board of Directors comprises of at least 5 members and not less than half of total directors must have domicile in the Kingdom and must possess the qualifications as stipulated by law.
3. It is the Company policy that the Chairman of the Board of Directors and Chief Executive Officer is not the same person to magnify the responsibility between determining corporate governance and daily management.
4. The Board of Directors consists of proper proportion of Independent Directors suitable for corporate governance which should not be less than one third of total board, and not less than 3 members according to the requirement of the Securities and Exchange Commission, Thailand.
5. Appointment of directors is subject to the articles of association, and relevant law. The nomination process must be transparent and precise. The consideration on each candidate should include educational background and experience in one's profession with adequate information to support judgment of the Board of Directors and shareholders.
6. Retiring directors are eligible for re-election

### Composition and appointment of Independent Directors

The Board of Directors will initially consider qualifications of the person to undertake Independent Directors as per qualifications and prohibited characteristics of directors of the Public Company Act, the law of securities and stock exchange, notification of the Capital Market Supervisory Board (CMSB) including notification, regulation and/or related rules. In addition, the Board of directors will select the member of the Independent Directors from a person with competent knowledge, experience and other factors, and propose to the shareholders' meeting for consideration and appointment. the Company has the policy to appoint the Independent Directors at least one-third of total directors, and must not be less than 3 persons to fill the board.

#### Qualifications of Independent Directors

1. Holds shares not exceeding one percent of total voting shares of the Company, its parent company, subsidiaries, associates, or a juristic person of the person who may have a conflict of interest, provided that shares held by related parties of an independent director shall be included.
2. Is not or has never been an executive director, employee, staff, advisor who receives salary, nor controlling party of the Company, its parent company, subsidiaries, associates, same-level subsidiaries, or a juristic person that may have a conflict unless the position has been terminated for over two years prior submitting application to the SEC.
3. Is not the person who has relationship by means of descent or legal registration under the status of father, mother, spouse, sibling, and children. The prohibitive persons also include spouses of daughters and sons of the management, major shareholders, controlling party or the person who is in the process of nomination as the management or controlling party of the Company or its subsidiaries.
4. Does not have or never had business relationship with the Company, its parent company, subsidiaries, associates, or a juristic person that may be in conflict which may harm an independent decision-making, including not being or never been a significant shareholder, non-independent director or executive of the person who has business relation with the Company, unless having exempted from the aforementioned nature for not less than 2 years before the date of submitting the application to the SEC.
5. Is not or has never been an auditor of the Company, its parent company, subsidiaries, associates, major shareholders, non-independent director, executive or managing partner of the auditing firm which employs an auditor of the Company, its parent company, subsidiaries, associates, major shareholders,

- or a juristic person that may have a conflict unless having exempted from the aforementioned nature for not less than 2 years before the date of submitting the application to the SEC.
6. Is not or has never been the professional service provider, including but not limited to legal consultant or financial advisor who received the service fee more than THB 2 million per year from the Company, its parent company, subsidiaries, associates, major shareholders, or a juristic person that may have a conflict or in case professional service provider is a juristic person, this shall include the major shareholder, non-independent director, executives or managing partner or such professional service provider, unless the position has been terminated for at least two years prior to submission of the application to the SEC.
  7. Is not a director who is nominated as the representative of directors of the Company, major shareholders, or any other shareholders related to major shareholders.
  8. Does not operate the same and competitive business with the business of the Company, or its subsidiaries, or is not a significant partner of the partnership, or is not an Executive Director, employee, staff, advisor who receives salary, nor holds shares exceeding 1% of total voting shares of any other companies which operate the same and competitive business with the business of the Company, or its subsidiaries.
  9. Does not have any quality causing the disability to give an independent opinion regarding the business operation of the Company.

### **Composition and Appointment of the Audit Committee**

The Audit Committee is appointed by the Board of Directors, consisting of at least 3 Audit Committee members appointed by Independent Directors. The committee members must have the required knowledge and qualifications as according to the Securities and Exchange Act, including regulatory announcements and/or the regulations of the Stock Exchange of Thailand. In addition, Independent Directors who are members of the Audit Committee must have additional qualifications as follows:

1. Is not or has never been an a director assigned by the Board of Directors to make a decision on business operation of the Company, its parent company, subsidiaries, associates, same-level subsidiaries, or juristic persons that may have conflicts.
2. Is not a Director of the parent company, subsidiaries, or same-level subsidiary company, which is a listed company.
3. Have sufficient knowledge and experience to be able to perform duties as the audit committee; at least one Audit Committee member must have sufficient knowledge and experience to review the credibility of the financial statements.

Each Audit Committee has a service term of 3 years or equal to the tenure of a Director of the Company.

### **Governance of Subsidiaries and Associated Companies**

The Company will invest in a company that sharing the same or similar business operation of the Company or a business that ancillaries business operation which could boost up operating result or profit. The Company may invest in the business which is lucrative (synergy) to the Company by nurturing main business of the Company to be more comprehensive while enhancing competitiveness. The directors may consider to invest business other than main business or other business of the Company in the event it is analyzed that such business is potential and the investment will return benefits to the Company and shareholders as a whole.

To supervise the operations of subsidiaries and associated companies, the Company has delegated representatives possess qualifications and experience fit to the business direction of each company according to proportion of shareholding to determine key policies and oversee business operation. The directors who represents the Company shall perform their duties in governing subsidiaries and/or associated companies, proceed to accomplish the matters or operations as set forth by the Company, using their discretion based on resolution of the

Board of Directors' meeting and/or shareholders' meeting which passed on important matters for the subsidiaries and/or associated companies for the highest benefits and sustainable growth of the Company. The Company's representatives are those approved by the meeting of the Board of Directors, as suitable to each company.

#### **Policies on Insider Information**

1. No directors, executives, staff, and employees of the Company shall disclose confidentiality and/or resort to inside information of the Company for the benefit of oneself or other persons whether directly or indirectly, with or without benefit in return.
2. No directors, executives, staff and employees of the Company including their spouse or a person who cohabit as a husband and wife, minor child(ren) and a related juristic person shall use inside information of the Company which affects or may affect the securities price of the Company which has not yet been disclosed to the public, for the purchase, sales, offering for purchase, offering for sales or invite another person for purchase, sales, offering for purchase, offering for sales the Company's securities whether directly or indirectly prior disclosure to the public notwithstanding such action is for benefits of oneself or other or to allow other person such action in return of one's benefit. Violator is subject to penalty as per discipline measure of the Company.
3. The executives has acknowledged and accepted their duty in reporting their holdings of the securities, including their spouse or a person who cohabits as a husband and wife, minor child(ren) including related juristic person, as well as any change to their holding to the Securities and Exchange Commission, Thailand and the Stock Exchange of Thailand pursuant to Section 59 and the penalty of the Securities and Stock Exchange Act (No. 5) B.E. 2559.
4. No directors and executives of the Company including their spouse or a person who cohabits as a husband and wife, minor child(ren) including related juristic person trade the Company's securities during a 1 month period prior to disclosure of the financial statement to the public.

The Company will notify directors, executives, staff and employees of the above accordingly.

# Corporate Social Responsibilities (CSR)

With the Corporate Social Responsibility policy in place, STARFLEX has directed on conducting business with regard to stakeholders, economy, society and environment while adhering to morality, ethics and code of conduct. The Company believes that running business under the social responsibility will bring about benefits to the public jointly with the business growth. The Company's Corporate Social Responsibility policy comprises 7 articles as follows.

## 1. Fair Business Operation

STARFLEX conducts its business based on honesty, fairness and morality, paying attention to compliance with relevant laws and abstaining from any manners that in the contrary to fair competition. With a respect to the right of intellectual property of other person, it is the Company policy that the employees must comply with the law or regulations on intellectual property rights. For instance, using copyrighted and legal computer programs.

In addition, the Company recognizes the importance of operating business taking into consideration good corporate governance to reach sustainable growth. The Company emphasizes on a good relationship with the customers and all trade partners, as well as standard and quality of products and punctual delivery of products.

## 2. Anti-Corruption

The Company manages its business with the foundation of transparency, morality, adhering to corporate governance and compliance to the law related to prevention against and anti-corruption. It is the Company's written policy that directors, executives and employees must not commit any corruption whether directly or indirectly, in terms of offering, giving, promising, requiring, requesting, demanding or receiving and giving of benefit, persuading to illegal action or demolishing trust or any other action which is considered corruption. The Anti-Corruption policy is post for acknowledgment and comply with by employees and executives. At present, the Company has not yet joined the Collective Anti-Corruption (CAC).

## 3. Respect to Human Rights

STARFLEX has a policy that supports and respects protection of human rights and implement by treating stakeholders whether they are employees, communities and surrounding society with a respect to their value of human being, taking into consideration the equality and freedom that everyone owns. The Company does not infringe basic rights and abstains from discrimination toward races, nationality, religions, languages, color, genders, education, physical condition or social status. The Company always ensure that its business does not involve violation of human rights. For instance, child labor, sexual harassment.

The Company recognizes and respects personal right of every employee. No personal information, medical history, family background, salary is disclosed to the irrelevant party unless such is necessary to disclose as required by law. The Company always inspect to prevent its business being involved in violation of human rights both directly and indirectly. All employees are allowed to claim or report corruption information within the Company.

## 4. Fair Treatment to Labor

Realizing the importance of labor and every employee related to business operation of the Company, every employee is counted as a factor that adds value to the business and enhance competitiveness and sustainable growth of the Company toward the future. For this reason, the Company has determined policy and practice as follows.

- 4.1 Respects the rights of employees in accordance with human rights principles and comply with labor laws;
- 4.2 Establish fair employment procedures and condition, including compensation and promotion based on work performance under integrity performance assessment procedures;
- 4.3 Promotes personnel development by providing training, seminars, orientation including sending personnel to attend seminars and academic training in various fields related in order to improve

- 4.3 Promotes personnel development by providing training, seminars, orientation including sending personnel to attend seminars and academic training in various fields related in order to improve knowledge, skills, potentiality and to cultivate positive attitude with morality, ethics and concept of team work;
- 4.4 Provide welfares for employees as required by law. For instance, social insurance and other than stipulated by law i.e., health insurance, life insurance and accident insurance. Contribute to supporting fund, for instance, loan for education purpose, education scholarship for employees' child, working life award and funeral contribution.
- 4.5 Provides annual health check-up to personnel at all levels by considering the risk factors by age, genders and working environment of each employee.
- 4.6 Arrange safe and hygienic work place for employees by implementing accident prevention measures, promote awareness on safety among employees. Arrange training course and promote hygienic consciousness among employees. Ensure employees have sanitation at work place that meet occupational health at all times.
- 4.7 Allow employees to express their opinions or make a claim on unfair treatment, inequality, welfares and provide protection for employees as stipulated by law.

## 5. Responsibility to Customers

The Company focuses on manufacturing quality products which are safe and meet packaging standard to create highest satisfaction of our customers. With transparency of procedures in managing customers' complaints, the Company has put its effort to diminish errors that could occur by concentrating and maintaining stable relationship with customers. The Company also determines performance assessment index that cover all aspects based on customers' satisfaction and legal conformity as a principle.

## 6. Caring for the Environment

To take social responsibility in preserving environment as well as natural resources, the Company has proceeded and controlled the production process in line with the law related to natural resources and environment preservation strictly. Followings are our practices.

- 6.1 The Company has designed and developed production process, machinery and equipment to control and manage pollution and/or minimize pollution which cover wastewater, dust, gas and other wastes under systematic management.
- 6.2 The Company has assigned a person whose duty relating to production process, controlling machinery and equipment to prevent impacts on environment not to exceed the standard, and to control the use of natural resources and cost-effective management of energy.
- 6.3 With strong determination to minimize solid waste or waste and to coordinate in disposal of solid waste or waste by correct procedures that meet the standard.
- 6.4 The Company will conduct risk assessment and impact analysis on the matter related to environment, health and safety before investing or entering into any joint venture. The Company runs its business under the concept of taking care and preserving environment, society and community.
- 6.5 The Company has prepared the practice guidelines for conservation of natural resources and environment and prevention against impacts on the ecosystem.

## 7. Participation in Society and Community Development

With awareness on responsibility to communities and societies, the Company always participates in community development to aid, proceed activity regarding education, religion, sport, family, health with an intention to strengthen communities and societies sustainably.

## 8. Having an innovation and disclosure of the innovation derived from business operation with responsibility on society, environment and stakeholders.

The Company advocates to have an innovation in internal working procedures and inter-corporation procedures which means setting up things with brand new ideas and it could include the change of the way of thinking, producing to add value to the inventive target. In other word, altering the perspective to positive thinking to lead the changes of things into an improved direction, generating more productivity and maximum benefits to the society.

When all the countries around the globe highlight the importance of environment issues caused by an excessive amount of plastic waste, either does Thailand. Despite of no management of plastic waste is implemented into a solid policy, the Office of Natural Resources and Environment Policy and Planning, Ministry of Natural Resources and Environment has prepared environmental quality management plan by promoting not to use or stop using foam boxes, plastic bags or difficult biodegraded materials, and development of bioplastic and other environmentally-friendly material for a reuse to support cost-effective reuse of bioplastic. Accordingly, the Company has formulated new ingredients for raw material to accommodate the changing use of plastic packaging to meet environment conservation trend. For instance, developing Organics Biodegradable film which can be biodegraded by gems in the proper environment, developing film for a smooth reuse by MDO (Machine Direction Orientation) procedures and Biaxial Orientation, developing plastic grain and resin from recycling process to be able to mix with pure plastic grain and resin.





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# Internal Control and Risk Management

## Opinions of the Board of Directors on the corporate internal control

STARFLEX realizes the importance of internal control system for executives and operative officers which could prevent against damages that occurring to the Company. According to the assessment of the Board of Directors together with the Audit Committee in 2019, the adequacy of the internal control on 5 aspects comprises of:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information & Communication
5. Monitoring Activities

The Board of Directors has given their opinion that the Company's internal control system is adequate and appropriate. A sufficient number of personnel are allocated to proceed the system effectively, enabling compliance with the Good Corporate Governance and transparency. In addition, the Company has implemented monitoring system to follow up work processes within the Company to assure the prevention against misuse or unauthorized use of the Company's asset by a directors or executive. The control system is comprehensive to manage transaction with a person with possible conflict of interest or related person.

The Company has conducted the internal audited by following the practice of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is generally accepted in accordance with principle and materiality of the assessment in 2019.

## Actions Concerning the Internal Control System of the Company

The Audit Committee's duty is to review to ensure the internal control and internal audit are appropriate and effective, to audit business operation of the Company to ensure the compliance with the law of securities and stock exchange, and the law related to business operation of the Company. The Audit Committee's meeting is held at least every quarter to consider and proceed accurate financial statement with adequate and sufficient information disclosure, to consider related transactions or the transaction that may have a conflict of interest and supervise for compliance with the law and regulations of the Capital Market Supervisory Board and Stock Exchange. In the meeting, the auditor will attend to observe auditing of the Company.

To ensure the internal control of the Company is effective, the Company hires P&L Internal Audit Company Limited to perform an audit on the internal control system in 2019. The internal auditor has prepared the assessment and audit report and submitted to the Audit Committee for acknowledgment on a quarterly basis. Accordingly, the Company has always improved and edited work operation system of various departments as per suggestions by the internal auditor.

## Opinion of the internal auditor on the Company's internal control system

The internal auditor has inspected and monitored key management system which includes (1) Revenue management system (2) Expense management system (3) Production process management (4) Product and inventory management system (5) Fixed assets management system (6) Human resource management system and (7) General control for technology and information of the Company. In this regard, the internal auditor gave advice to the Company concerning the improvement and edit to enhance the checking and balancing in every work system. Such improvement will develop the quality of internal control system constantly. As a result, the Company will have in place the good corporate governance. The internal auditor already reported the audit result and monitoring result on key management systems to the Audit Committee for acknowledgment.

## Risk Management

STARFLEX conducts risk management in business operation to maintain corporate risk in each matter in acceptable level. The Management has the duty to drive and cause an implementation of various working plan into action and achieve a target. Each division is required to propose its own operation plan and report performance on a quarterly basis to the Risk Management Unit. The meeting of Risk Management Unit must be summarized and report to the Audit Committee or the Board of Directors. When there is change in politics, economy, society, the Company then reviews its own corporate risks to keep up with the current situation. Under proper management, the Company will be able to resolve or mitigate the severity of impacts, even turning such crisis into opportunity.

In 2019, the Company has reviewed the corporate risks and updated risks caused by internal and external environment. At present, the Company hires specialist of risk management as a consultant to operate corporate risk management under the risk management framework and strategy. The consultant will prepare risk register with risk control measure and monitor the implementation result to ensure the consistence to working plan on a regular basis.

# Related Transactions

## Measures and Procedures of Related Transactions

In case of a related transaction between the Company and a person who may have a conflict of interest, a trade agreement in the same manner as a reasonable person will act with general contractual party under the negotiation power without influence of directors, executive or a related person, the Company can normally proceed the transaction under the principle approved by the Board of Directors. A summary report is prepared and submitted to the Audit Committee and the Board of Directors on a quarterly basis. As for the measures and procedures for approving related transactions that are not a normal business transaction, the Audit Committee will give an opinion concerning the necessity and appropriateness of that transaction. In the event that the Audit Committee is not proficient in the consideration of any related transactions, the person with special expertise such as the property appraiser, the auditor, the law office will provide opinions on related transaction to the Audit Committee as a supporting information for making decision and provide an opinion to the Board of Directors or shareholders, as the case may be for approval the related transaction prior proceeding the transaction.

In addition, the Company has established measures to prevent executives or interested persons from taking part in approving transactions that they have direct or indirect interests. The Board of Directors supervises to ensure the compliance with the law on securities and stock exchange and regulations, notification, orders or requirements of the Capital Market Supervisory Board and the Stock Exchange of Thailand, including the compliance with the requirements of disclosure of related transactions, the acquisition or disposal of important assets of the Company, compliance with the accounting standards as set by the Federation of Accounting Professions and the Certified Public Accountants of Thailand. The related transactions are disclosed in the Notes to the Financial Statements which have been audited or reviewed by the auditor of the Company.

## Policies or Tendency for Inter-Related Transactions in the Future

There may be related transactions in the future which is proceeded for necessity of the business operations of the Company for benefits of the Company. For example, guarantees by major shareholders and/or directors which are in accordance with the conditions stipulated by commercial banks and/or financial institutions. The major shareholders and/or directors do not charge any guarantee fee for the loans from the Company. The Audit Committee will consider the compliance with the criteria and give an opinion on the reasonableness of the transactions on a quarterly basis. In the future where it is necessary to proceed related transaction a person who may have a conflict of interest, the Company will determine conditions to conform with normal trade and market price comparable to the price or conditions of the same transaction type proceeded with external party. For related transactions that are not in the normal course of business that may occur in the future, the Audit Committee will review the compliance with criteria and reason of the transaction before proceeding the transaction under the measures and procedures as mentioned above. As for future related transactions that may cause conflicts of interest, the Board of Directors will comply with the law on securities and stock exchange and regulations, notifications, orders or requirements of the Capital Market Commission and the Stock Exchange of Thailand, including the compliance with the requirements regarding the disclosure of connected transaction and the acquisition or disposal of the Company's assets, compliance with the accounting standards specified by the Federation of Accounting Professions and the Certified Public Accountants of Thailand.

## Details of Related transactions

Related transactions of the Company with a person who may have conflicts in the ending period as at 31 December 2018 and 2019 are summarized as follows:

A person who may have conflict of interest	Relationship	Transaction Type	Transaction Amount (THB million)		Necessity and Reasonableness of the Transaction
			2018	2019	
Star Print Public Company "Limited or "STRAP	Mr. Printhon Apithanasriwong, the Chief Executive Officer who holding 204,000,000 shares or 49.76% of issued and paid-up shares as at 16 December 2019. He holds Chief Executive Officer and holds 332,999,500 shares in STARP, representing 66.60% of the total shares subscribed as of 10 May 2019	1. Sales of raw materials	2.49	-	The Company distributed the paper to STARP for production of goods. However, since STARP encountered credit issue with a commercial bank and asked for using the Company's credit to order raw materials from foreign suppliers. The Company ceased trading paper to STARP since February 2018.  The Audit Committee has considered and is of the opinion that the transaction proceeded in the past which the Company has no policy to sell the paper to STARP in the future.
		2. Purchase office supplies	0.04	-	The Company has ordered paper folders from STARP based on contracted production in the past. The Company has stopped ordering paper from STARP since February 2018.  The Audit Committee has considered and is of the opinion that the transaction is a transaction in which the Company has no policy to purchase more paper from STARP in the future.
Mr. Printhon Apithanasriwong	As Chief Executive Officer, holding 204,000,000 shares in the Company, or to 49.76% of the total shares subscribed as of 16 December 2019	1. Credit Guarantee Credit Limit Loan Balance	550.00 \$1.00 Million 245.99	530.00 \$1.00 Million 284.27	Mr. Printhon Apithanasriwong entered into personal guarantees for loans from commercial banks without charging any guarantee fee from the Company.  The Audit Committee has considered and is of the opinion that the guarantees of Mr. Printhon Apithanasriwong is based on the necessity for the benefit of the Company in acquiring a credit line from a commercial bank to as a capital for the Company's business operations. The Company has released part of the obligations in the amount of THB 20 million while the remaining



### Details of Related transactions

Related transactions of the Company with a person who may have conflicts in the ending period as at 31 December 2018 and 2019 are summarized as follows:

A person who may have conflict of interest	Relationship	Transaction Type	Transaction Amount (THB million)		Necessity and Reasonableness of the Transaction
				2019	
					part is in negotiation with the commercial banks to release the guarantees of major shareholders after the Company has already been listed on the Stock Exchange of Thailand.
Mr. Printhon Apithanasriwong (Continue)		2. Guarantee for financial lease agreement Contract Limit Remaining Balance	35.02 27.32	49.90 40.15	Mr. Printhon Apithanasriwong has entered into a personal guarantee for the machinery and car leasing agreements for the Company, without charging compensation for a guarantee from the Company.  The Audit Committee has considered and is of the opinion that Mr. Printhon Apithanasriwong guarantees is based on the necessity for the benefit of the Company. The hire-purchase contract of machinery and automobiles are for use in the business operations of the Company. The Company is negotiating with the leasing company to release the guarantees of major shareholders after the company has already been listed on the Stock Exchange of Thailand.
Mr. Ek Picharnchitra	Chief Executive Officer, holding 45,000,000 shares in the Company, equivalent to 10.98% of the total number of shares subscribed as of 16 December 2019.	1. Credit Guarantee Credit Limit Loan Balance	520.35 \$1.00 Million 230.12	500.35 \$1.00 Million 224.47	Mr. Ek Picharnchitra provided his assets for guarantee and entered into a personal guarantees for loans from commercial banks without charging compensation from the Company.  The Audit Committee has considered and is of the opinion that the guarantees of Mr. Ek Picharnchitra is based on the necessity for the benefit of the Company in requesting a credit line from a commercial bank as a fund for the Company's business operations. The Company has

### Details of Related transactions

Related transactions of the Company with a person who may have conflicts in the ending period as at 31 December 2018 and 2019 are summarized as follows:

A person who may have conflict of interest	Relationship	Transaction Type	Transaction Amount (THB million)		Necessity and Reasonableness of the Transaction
			2018	2019	
					released some part of the credit limit of THB 20 million while the remaining is under negotiation with the commercial bank to release the guarantees of major shareholders after the Company has already been listed on the Stock Exchange of Thailand.
		2. Guarantee for financial lease agreement Contract Limit Remaining Balance	34.23 27.63	41.94 32.09	<p>Mr. Ek Picharnchitra has personally guarantees for machinery and automobile hire-purchase agreements with the leasing companies, without charging compensation from the Company.</p> <p>The Audit Committee has considered and is of the opinion that the guarantees of Mr. Ek Picharnchitra is based on the necessity for the benefit of the Company. The hire-purchase contract of machinery and automobile are for the use in the business operations of the Company. The Company is negotiating with the leasing company to release the guarantees of major shareholders after the company has been listed on the Stock Exchange of Thailand.</p>
Mr. Panuwat Jiwatjanarodom	Chief of Operating Officer	Sales of High Bay Lamp	0.002	-	<p>The Company has decided to change the use of High Bay halogen lamps to LED High Bay lamps to save energy. The old and unused lamps are sold to Mr. Panuwat Jiwatjanarodom at the price comparable to the purchase price from third parties.</p> <p>The Audit Committee has considered and is of the opinion that the said transaction is appropriate as the selling price is comparable to the purchase price from a third party.</p>



# Management Discussion and Analysis

## Key financial ratios

Items	Year 2018	Year 2019
<b><u>Liquidity ratio</u></b>		
Current ratio (times)	1.46	2.10
Quick ratio (times)	0.81	1.59
Operating cash flow to total debt (times)	0.30	0.53
Account receivable turnover (times)	5.38	5.29
Collection period (days)	66.92	68.03
Inventory turnover (times)	5.01	4.81
Inventory turnover (only finished goods) (times)	12.60	12.64
Inventory turnover (days)	71.86	74.82
Inventory period (only finished goods) (days)	28.57	28.47
Accounts payable turnover (times)	5.66	5.58
Payment period (days)	63.64	64.46
Cash cycle (days)	75.15	78.39
Cash cycle (only finished goods) (days)	31.85	32.04
<b><u>Profitability ratio</u></b>		
Gross profit margin (%)	21.93	17.41
Gross profit margin from operation (%)	12.62	7.27
Other gross profit margin (%)	0.95	1.39
Cash to profitability ratio (%)	63.06	228.16
Net profit margin (%)	9.90	6.02
Return on equity (%)	32.50	12.01
<b><u>Efficiency ratio</u></b>		
Return on assets (%)	14.82	6.59
Return on fixed assets (%)	46.81	29.12
Asset turnover (times)	1.50	1.10
<b><u>Financial ratio</u></b>		
Debt to equity (times)	1.08	0.69
Interest coverage (times)	11.73	17.41
Payout ratio (%)	106.94	19.58

## Total revenues

Total revenues on Q4/2019 and Q4/2018 were THB 330.13 million and THB 330.81 million respectively, decreased by 0.21%. And total revenues of 2019 were THB 1,273.36 million compared THB 1,374.25 million of 2018 decreased by 7.34% YoY. Further details are shown as follows.

Revenues	Q4/2018		Q4/2019		Variances	2018		2019		Variances
	THB million	%	THB million	%		THB million	%	THB million	%	
Revenue from sales	325.66	98.44	320.70	97.14	(1.52)	1,361.18	99.05	1,255.65	98.61	(7.75)
Gain from exchange rate	-	-	0.62	0.19	1.00	-	-	1.42	0.11	1.00
Other revenues	5.15	1.56	8.81	2.67	71.07	13.07	1.25	16.29	1.73	24.64
<b>Total revenues</b>	<b>330.81</b>	<b>100.00</b>	<b>330.13</b>	<b>100.00</b>	<b>(0.21)</b>	<b>1,374.25</b>	<b>100.00</b>	<b>1,273.36</b>	<b>100.00</b>	<b>(7.34)</b>

## Revenue from sales

Revenue from sales on Q4/2019 and Q4/2018 were THB 320.70 million and THB 325.66 million respectively, decreased by 1.52%. When compared revenue from sales, in 2019 sales volume recorded at THB 1,273.36 million and THB 1,374.25 million in 2018, decreased by 7.34%.

Revenue from sales can be categorized into 2 main categories: (1) Food packaging and (2) Non-food packaging. In Q4/2019. Proportion of Sales volume between Food and Non-Food was 78.94:21.06, when compared to that from Q4/2018, the proportion was 85.56:14.44.

Category	Q4/2018		Q4/2019		Variance (%)	2018		2019		Variance (%)
	THB million	(%)	THB million	(%)		THB million	(%)	THB million	(%)	
Non-Food packaging	273.74	85.34	253.04	78.93	(7.56)	1,148.83	84.71	998.06	79.59	(13.12)
Food packaging	47.02	14.66	67.53	21.07	43.64	207.44	15.29	255.88	20.41	23.35
<b>Total revenue from Flexible Packaging</b>	<b>320.75</b>	<b>100.00</b>	<b>320.57</b>	<b>100.00</b>	<b>(0.06)</b>	<b>1,356.27</b>	<b>100.00</b>	<b>1,253.94</b>	<b>100.00</b>	<b>(7.54)</b>

## Costs and expenses

Main expenses of the company consisted of cost of goods sold, selling expenses, administrative expenses and financial expenses. Total expenses in Q4/2019 and Q4/2018 were THB 293.68 million and THB 307.00 million respectively, decreased by 4.66%. Consequently, total expenses in 2019 and 2018 were THB 1,178.73 and 1,203.51 million respectively, decreased by 2.06%. Further details are shown as follows.

Costs and expenses	Q4/2018		Q4/2019		Var (%)	2018		2019		Var (%)
	THB million	(%)	THB million	(%)		THB million	(%)	THB million	(%)	
Cost of Goods Sold	267.63	87.17	265.30	90.65	(0.87)	1,062.70	88.30	1,037.09	87.98	(2.41)
Selling expenses	6.49	2.11	7.10	2.42	9.34	23.63	1.44	28.64	2.43	64.60
Administrative expenses	28.98	9.44	16.63	5.68	(42.62)	102.75	9.07	98.57	8.36	(9.68)
Financial expenses	3.91	1.27	3.67	1.25	(6.11)	14.27	1.19	14.43	1.22	1.12
<b>Total costs</b>	<b>307.01</b>	<b>100.00</b>	<b>292.70</b>	<b>100.00</b>	<b>(4.66)</b>	<b>1,203.35</b>	<b>100.00</b>	<b>1,178.73</b>	<b>100.00</b>	<b>(2.06)</b>
% of total revenues	92.81		88.66			87.56		92.57		

## Cost of Goods Sold and Gross Profits

Cost of Goods Sold is considered as the company's main expenses where in Q4/2019 and Q4/2018, cost of goods sold recorded at THB 265.30 million and THB 267.63 million, representing 82.73% and 82.18% of sales revenue, respectively. As a result, the gross Profits in Q4/2019 were 17.27%, while in Q4/2018, those were 17.82%.

However, there were 3 main reasons that caused Gross profits to fall significantly when compared year 2019 with year 2018. The following will describe these main reasons.

- 1) In Q4/2019, there were THB 13.60 million of unsaleable finished products elimination, which the whole amounts has been fully reserved. Cost of products has booked as cost of goods sold in Q4, but the reversed amounts will be partially booked to administration expenses THB 8.12 million, and the rest THB 5.48 million will be booked as Other incomes. If such transaction were excluded from the cost of goods sold, the real gross profit margin in Q4/2019 would be 21.52% and the real gross profit margin of 18.49% in 2019
- 2) The decline in revenues from flexible packaging during the first nine months period of 2019, was largely due to an overall fall in domestic consumption spending which directly impacted clients' performances. To be specific, major customers required more saving and started to alter their product structures, which eventually caused increasing on the production costs.
- 3) In Q2/2019, the company decided to invest in machineries in Starflex#2 factory. The Start-up costs from new commenced production lines consequently caused company's profitability to be declined.

Cost of Goods Sold and gross profit	Q4/2018		Q4/2019		2018		2019	
	THB million	%	THB million	%	THB million	%	THB million	%
Revenue from sales	325.66	100.00	320.70	100.00	1,361.17	100.00	1,255.64	100.00
Cost of Goods Sold	267.63	82.18	265.30	82.73	1,063.00	78.09	1,037.00	82.59
<b>Gross profit</b>	<b>58.03</b>	<b>17.82</b>	<b>55.40</b>	<b>17.27</b>	<b>298.17</b>	<b>21.91</b>	<b>218.64</b>	<b>17.41</b>
Revenue from product sales	323.99	100.00	320.57	100.00	1,361.27	100.00	1,253.94	100.00
Cost of product sales	264.46	81.63	264.88	82.63	1,056.72	77.91	1,032.61	82.35
<b>Gross profit from product sales</b>	<b>59.53</b>	<b>18.37</b>	<b>55.69</b>	<b>17.37</b>	<b>299.55</b>	<b>22.09</b>	<b>221.33</b>	<b>17.65</b>

### Selling expenses

The Company booked selling expense in Q4/2019 at THB 7.10 million and THB 6.49 million in Q4/2018, equal 2.42% and 2.11% of total expenses respectively. The rising of selling expenses during 2019 was results of changes in accounting's policy where finished goods warehouse management costs were reclassified to book as the selling expenses, and also results of changes in Long-term employee benefits' policy required 400 days provision instead of 300 days previously.

An increasing of 9.34% due to the change of basis of accounting in which expenses related to maintenance of finished goods including employee salary, compensation and welfares and rental of palette, forklifts, export expenses are recognized as a Cost of Goods Sold. However, selling expense for the 4th quarter of 2019 increased due to customers' claim for damaged product valued THB xx million.

### Administrative expenses

In Q4/2019 and Q4/2018, the Company reported administrative expenses at THB 16.63 million and THB 28.98 million, represented to 5.68% and 9.44% of total expenses respectively, which considers decreasing 8.02% year-on-year. Key administrative expenses included expenses related to executives and employees such as salary, bonus and welfares.

However, as mentioned previously in topic of "Cost of Goods Sold and Gross Profit" regarding reversed amounts from finished goods elimination. The reserve amounts was reduced by THB 8.12 million, therefore, administrative expenses were lower than usual amounts. It should be noted that if administrative expenses of 2019 were excluded THB 8.12 million, the administrative expenses would be THB 106.56 million, increased by 3.72% from 2018.

### Financial expenses

Financial expenses were THB 3.67 million in Q4/2019 and THB 3.90 million in Q4/2018, decreased by 5.90%. However, financial expenses in 2019 were THB 14.43 million and THB 14.27 million in 2018, increased by 1.12% due to an increasing outstanding loan for purchasing machinery and equipment for Starflex #2 project approximate amount THB 35.00 million in Q2/2019.

### **Net Profits**

In Q4/2019 and Q4/2018, net profits were THB 29.48 million and THB 18.45 million, represented 8.93% and 5.58% of total revenues respectively. Consequently, net profits were THB 75.89 million and THB 136.12 million in 2019 and 2018, equaled to 5.96% and 9.90% respectively. As mentioned before, the main reasons of the fall were falling in sales volume, start-up costs from Starflex#2, changing accounting's policy, and changing long-term employee benefits provision period.

### **Return on Equity (ROE)**

ROE were moving in the same direction of net profits. In 2019, the Company had recorded ROE as 9.47% in 2019 and 32.50% in 2018. The decline in ROE during 2019, was largely due to an increasing of the ordinary shares to 410 million shares in Q4/2019. In addition, the Company had paid dividend THB 15.00 million in Q3/2019 and THB 90.00 million in Q1/2019.

## Financial Position

### Assets

As at 31 December 2019 and 31 December 2018, the company had total assets of THB 1,400.46 million and THB 923.98 million respectively. Major assets of the company include Cash and cash equivalent, Account receivable, and Property, plant and equipment. As of the end of 2019, proportion of major assets was 33.64%, 16.89% and 29.95% respectively. The further details of major assets will be described in the following sections.

#### Trade Account receivables

Due period	As of 31 Dec 2018		As of 31 Dec 2019	
	THB million	%	THB million	%
Not yet due	171.47	74.31	204.40	83.83
Past due	59.29	25.69	39.42	16.17
Up to 3 months	53.35	23.12	31.66	12.98
3-6 months	0.03	0.01	0.19	0.08
6-12 months	-	-	1.78	0.73
Over 12 months	5.91	2.56	5.79	2.37
Total trade account receivable	230.76	100.00	243.82	100.00
Less: Allowance for doubtful accounts	(5.91)		(7.57)	
Total trade accounts receivable, net	224.85		236.25	

As shown in table above, most of account receivables are booked as “not yet due”, which equaled to 83.83% and 74.31% of total trade account receivable in 2019 and in 2018 respectively. Past due account represented 16.17% and 25.69% of total trade account receivable in 2019 and in 2018 respectively. Most of the past due were mainly from ‘up to 3 months’. However, the company has applied a policy on allowance for doubtful account since 2017, in which each receivable will be considered based on durations as well as its collection history.

Inventories

	As of 31 Dec 2018		As of 31 Dec 2019	
	THB million	%	THB million	%
Ready-made products	101.84	46.64	62.19	29.23
Work in process	16.41	7.52	29.33	13.79
Raw materials	96.96	44.41	108.64	51.07
Factory agenda	3.12	1.43	3.37	1.58
Goods in transit	-	-	9.22	4.33
<b>Total inventory</b>	<b>218.34</b>	<b>100.00</b>	<b>212.75</b>	<b>100.00</b>
Less: Allowance for diminution in value of inventory	(14.15)	(6.48)	(9.26)	(4.35)
<b>Inventory, net</b>	<b>204.18</b>	<b>93.52</b>	<b>203.49</b>	<b>95.65</b>

As 31 December 2019 and 2018, the company had accounted total inventories of THB 212.75 million and THB 218.34 million respectively. Major inventories are comprised of 'Finished goods: FG', 'Work in process', and 'Raw materials', which represented 29.23%, 13.79% and 51.07% respectively in 2019. As shown in table above, it should be noticed that size of inventories, especially the finished goods, were diminished continuously: due to the management are aware of exceeding FG inventories.

However, the company has applied a policy of provision on impair inventories, in which all inventories will be considered based on their aging. For instance, if FG inventory has aged more than 300 days, the company will reserve 100% provision on total cost of that FG inventory. Consequently, at 31 December 2019 and 2018, the company has reserved provision on impair inventories as THB 9.26 million and THB14.15 million, equaled to 4.35% and 6.48% of total inventories.

Property, plant and equipment

The Company had booked property, plant and equipment of THB 419.49 million at 31 December 2019 and THB 388.97 million at 31 December 2018, represented 29.95% and 42.10% of total assets respectively. In Q2/2019, the company had purchased machinery and equipment worth THB 38.85 million for Starflex#2 project.



## Liquidity

### Cash flow

(Unit: THB million)	2018	2019
Net cash received (used in) from operating activities	108.31	208.41
Net cash received (used in) from investing activities	(82.50)	(38.23)
Net cash received from (used in) financing activities	(28.44)	250.20
Cash and cash equivalents increase (decrease), net	(2.63)	420.38

Net cash received from operating activities were THB 208.41 million and THB 108.31 million during 2019 and 2018 respectively. The net cash from operating activities had been increased, due to an increasing trade account payables and other payables of THB 103.41 million as well as other operating liabilities had also increased by THB 13.37 million. However, the company had purchased machinery and equipment for Starflex#2 project worth THB 38.85 million in Q2/2019. The initial payment made only THB 9.71 million, and the remaining will be paid up within 24 months.

In Q4/2019, net cash flow from financing activities had increased to THB 426.80 million, as a result of capital increased THB 110 million by issued new ordinary shares sold to directors, employees and public offerings (IPO) at THB 3.88 per share. However, in 2019, the Company also paid THB 105.00 million dividend to its shareholders.

### Liquidity ratio

	2018	2019
Current ratio (times)	1.46	2.10
Quick ratio (times)	0.81	1.59
Collection period (days)	66.92	68.03
Inventory period (only finished goods) (days)	28.57	28.47
Payment period (days)	63.64	64.46
Cash cycle (days)	75.15	78.39
Cash cycle (only finished goods) (days)	31.85	32.04

As shown in above table, the liquidity ratio had increased to 2.10 in 2019 from 1.46 in 2018, while the quick ratio were also 1.59 in 2019 and 0.81 in 2018. The main reason that made these two ratios gained effectively, were an increase of cash THB 407 million received from IPO process.

The company's 'cash cycle' had increased to 78.39 days in 2019 from 75.15 days in 2018, mainly due to an extension of payment period from 63.64 days in 2018 to 64.46 days in 2019, as a result of more purchase of raw materials from abroad.

## Source of funds

### Liabilities

At 31 December 2019 and 2018, the company had total liabilities of THB 570.63 million and THB 478.74 million respectively. THB 91.89 million liabilities had been increased during 2019, as a result of a significant rising of trade account payable and other payable from THB 175.18 million at the end of 2018 to THB 300.51 million at the end of 2019. This increasing were mainly results from purchasing of raw materials from abroad instead of buying from local suppliers.

When considering liabilities structure, most of the liabilities were ‘current liabilities’, accounted for 77.83% and 70.84% of total liabilities at the end of 2019 and 2018 respectively. Current liabilities mainly comprised of ‘trade receivables and other payables’ and ‘bank overdraft and short-term loan from financial institutions’. However, non-current liabilities accounted for 22.17% and 29.16% of total liabilities at the end of 2019 and 2018 respectively.

### Shareholders' equity

At 31 December 2019 and 2018, shareholders' equity were THB 829.83 million and 445.25 million respectively. Despite of the fall in net profit in 2019 by THB 59.52 million when compared to those in 2018, the capital increased by issued new IPO 110 million shares, caused the Shareholders' equity rising significantly.

### Capital Structure

At 31 December 2019 and 2018, debt to equity ratio were 1.08 and 0.69 respectively. As mentioned in previous section, the capital increased by IPO 110 million shares, also caused the debt to equity ratio fell significantly.

## Directors' Responsibilities for the Financial Statements

The Board of Directors gives priority to discharging its supervisory duties and responsibilities in accordance with the Company's Good Corporate Governance Policy. Financial reports and information disclosed in the 2019 Annual Report contain accurate, complete, adequate details, and are prepared in compliance with the generally – accepted accounting Standards using appropriate accounting policies that are consistently applied based on prudent consideration. The Board has assigned the Audit Committee to review the Company's latest financial statements. Said financial reports have been reported to be carefully prepared in accordance with the generally-accepted accounting principles using appropriate accounting policies, and been assessed for them appropriateness of overall items presented in the statements, with adequate information disclosed in the notes to the financial statements. The Audit Committee's opinions regarding such matters are stated in the Company's Annual Report and also the Annual Registration Statement for the year 2019.

Additionally, the Board has set up an efficient and affection internal control system to ensure complete and accurate recording of accounting transactions, as well as an asset control system to prevent frauds or material damages.

In summary, the Board is of an opinion that the Company's overall internal control system is at a satisfactory level to establish reasonable confidence in the reliability of the Company's financial statements of 31 December 2019. The external auditor has audited the aforementioned statements according to the generally – accepted auditing standards and viewed that the financial statements present fairly, in all material respects, the financial position and financial performance in accordance with generally-accepted accounting principles.



Mr. Pakorn Malakul Na Ayudhya

Chairman of the Board of Director

# Financial Highlights

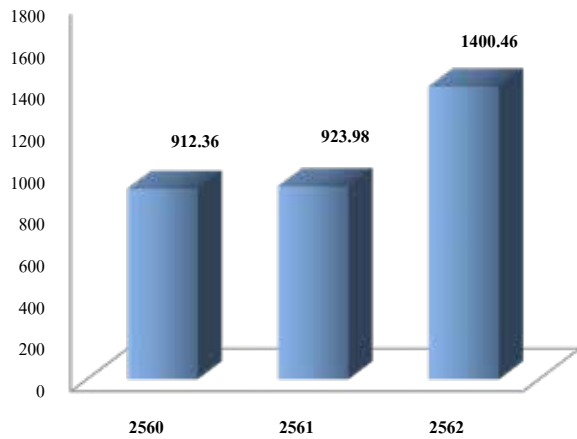
## Summary of financial statements and Ratios

Statement of financial and Statement of comprehensive incomes	2017	2018	2019
Total assets	912.36	923.98	1400.46
Total liabilities	519.9	478.74	570.63
Shareholders' equity	392.46	445.25	829.83
Sales revenues	1337.87	1361.18	1255.65
Total revenues	1353.33	1374.25	1273.35
Profit before finance cost and income tax expenses	199.3	185.01	109.05
Total comprehensive income (loss) for the year	146.63	136.12	76.6

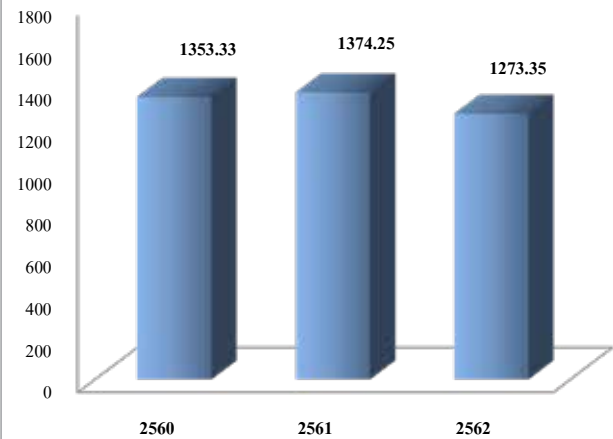
Ratios	2017	2018	2019
Net Profit Margin (%)	10.83	9.9	6.02
Total Assets Turnover (%)	16.31	14.82	6.59
Current Ratio	1.39	1.46	2.1
Debt Ratio	1.32	1.08	0.69

Unit: THB Million

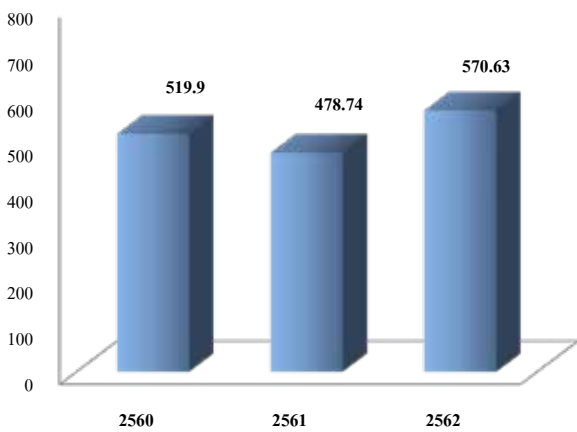
Assets



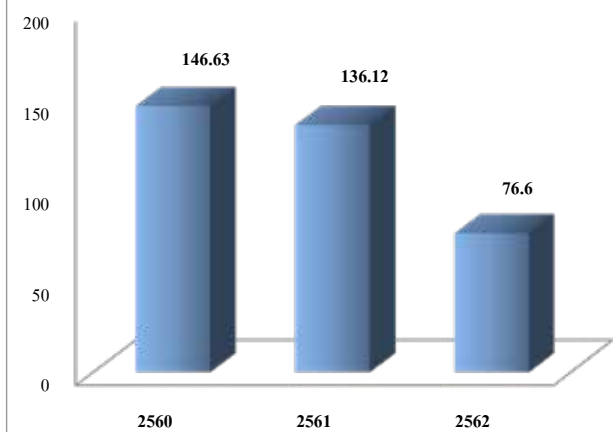
Revenues



Liabilities



Profits



# Independent Auditor's Report



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## Independent Auditor's Report

To the Shareholders of Starflex Public Company Limited  
(formerly known as "Starflex Company Limited")

### Opinion

I have audited the accompanying financial statements of Starflex Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Starflex Public Company Limited as at 31 December 2019, its 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 Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

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

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



Key audit matters and how audit procedures respond to each matter are described below.

#### *Revenue recognition*

Revenue from sales is a significant account because the amount of revenue from sales is material and directly affects the Company's profit or loss. The Company has major revenues from production and distribution of flexible packaging which are prone to fluctuations in price, market competition, and demand.

I examined the Company's revenue recognition by assessing and testing its 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. I selected representative samples of sales agreements to determine whether the revenue recognition was in accordance with the conditions set forth in the sales agreements, and in line it with the Company's revenue recognition policy. On a sampling basis, I also examined supporting documents for actual sales transactions occurring during the year and near the end of the accounting period. I sent confirmation requested for the balances of accounts receivables as at the end of the year and reviewed credit notes that the Company issued after the period-end date. Moreover, I performed analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period.

#### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company 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 Company, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

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.

S. Ratananurak

Satida Ratananurak

Certified Public Accountant (Thailand) No. 4753

EY Office Limited

Bangkok: 27 February 2020

# Financial Statements

Starflex Public Company Limited  
(formerly known as “Starflex Company Limited”)  
Report and financial statements  
31 December 2019



**Starflex Public Company Limited**

(formerly known as "Starflex Company Limited")

**Statement of financial position****As at 31 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	471,170,577	50,795,492
Trade and other receivables	6, 8	236,568,289	224,846,343
Inventories	9	203,484,582	204,183,858
Other current assets		<u>19,895,352</u>	<u>15,266,012</u>
<b>Total current assets</b>		<u>931,118,800</u>	<u>495,091,705</u>
<b>Non-current assets</b>			
Restricted bank deposits	10	18,773,286	18,677,714
Property, plant and equipment	11	419,487,360	388,973,926
Intangible assets	12	4,090,959	5,765,174
Deferred tax assets	22	8,637,596	6,880,778
Other non-current assets		<u>18,353,125</u>	<u>8,593,402</u>
<b>Total non-current assets</b>		<u>469,342,326</u>	<u>428,890,994</u>
<b>Total assets</b>		<u><u>1,400,461,126</u></u>	<u><u>923,982,699</u></u>

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

**Starflex Public Company Limited**

(formerly known as "Starflex Company Limited")

**Statement of financial position (continued)****As at 31 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank overdrafts and short-term loans from			
financial institutions	13	92,317,713	112,719,636
Trade and other payables	14	300,503,650	175,177,444
Current portion of long-term loans	15	32,201,270	30,436,377
Current portion of liabilities under	16	10,913,796	6,283,166
finance lease agreements		<u>8,161,682</u>	<u>14,536,342</u>
Income tax payable		<u>444,098,111</u>	<u>339,152,965</u>
<b>Total current liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans - net of current portion	15	66,663,512	98,825,400
Liabilities under finance lease agreements -			
net of current portion	16	30,738,319	22,822,583
Provision for long-term employee benefits	17	<u>29,133,814</u>	<u>17,938,530</u>
<b>Total non-current liabilities</b>		<u>126,535,645</u>	<u>139,586,513</u>
<b>Total liabilities</b>		<u>570,633,756</u>	<u>478,739,478</u>

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

**Starflex Public Company Limited**

(formerly known as “Starflex Company Limited”)

**Statement of financial position (continued)****As at 31 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Liabilities and shareholders' equity (continued)</b>			
<b>Shareholders' equity</b>			
Share capital			
Registered	18		
410,000,000 ordinary shares of Baht 1 each			
(2018: 3,000,000 ordinary shares of Baht 100 each)		<u>410,000,000</u>	<u>300,000,000</u>
Issued and fully paid up	19		
410,000,000 ordinary shares of Baht 1 each			
(2018: 3,000,000 ordinary shares of Baht 100 each)		410,000,000	300,000,000
Share premium	19	302,988,161	-
Retained earnings			
Appropriated - statutory reserve	20	22,087,399	16,837,399
Unappropriated		<u>94,751,810</u>	<u>128,405,822</u>
<b>Total shareholders' equity</b>		<u>829,827,370</u>	<u>445,243,221</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,400,461,126</u>	<u>923,982,699</u>

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

Directors



**Starflex Public Company Limited****(formerly known as "Starflex Company Limited")****Statement of comprehensive income****For the year ended 31 December 2019**

			(Unit: Baht)
	Note	2019	2018
<b>Profit or loss:</b>			
<b>Revenues</b>			
Sales		1,255,642,789	1,361,178,508
Gain on exchange		1,421,289	-
Other income		16,286,378	13,075,136
<b>Total revenues</b>		<u>1,273,350,456</u>	<u>1,374,253,644</u>
<b>Expenses</b>			
Cost of sales		1,037,094,894	1,062,695,144
Selling and distribution expenses		28,638,740	23,628,589
Administrative expenses		98,565,726	102,745,099
Loss on exchange		-	170,144
<b>Total expenses</b>	21	<u>1,164,299,360</u>	<u>1,189,238,976</u>
<b>Profit before finance cost and income tax expenses</b>		109,051,096	185,014,668
Finance cost		(14,434,045)	(14,271,643)
<b>Profit before income tax expenses</b>		94,617,051	170,743,025
Income tax expenses	22	(16,003,522)	(34,629,083)
<b>Profit for the year</b>		<u>78,613,529</u>	<u>136,113,942</u>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss	17	(2,521,926)	-
Loss: Income tax effect	22	504,385	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(2,017,541)	-
<b>Other comprehensive income for the year</b>		<u>(2,017,541)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>76,595,988</u>	<u>136,113,942</u>
<b>Basic earnings per share</b>	23		
Profit		<u>0.25</u>	<u>0.54</u>
Weighted average number of ordinary shares (shares)		<u>304,821,918</u>	<u>252,602,740</u>



## Starflex Public Company Limited

(formerly known as "Starflex Company Limited")

## Statement of changes in shareholders' equity

For the year ended 31 December 2019

(Unit: Baht)

		Issued and fully paid-up		Retained earnings		
	Note	share capital	Share premium	Appropriated	Unappropriated	Total
<b>Balance as at 1 January 2018</b>		250,000,000	-	6,861,592	135,601,020	392,462,612
Profit for the year		-	-	-	136,113,942	136,113,942
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	136,113,942	136,113,942
Ordinary shares issued during the year	18	50,000,000	-	-	-	50,000,000
Dividend paid	24	-	-	-	(133,333,333)	(133,333,333)
Unappropriated retained earnings transferred to statutory reserve	20	-	-	9,975,807	(9,975,807)	-
<b>Balance as at 31 December 2018</b>		<u>300,000,000</u>	<u>-</u>	<u>16,837,399</u>	<u>128,405,822</u>	<u>445,243,221</u>
<b>Balance as at 1 January 2019</b>		300,000,000	-	16,837,399	128,405,822	445,243,221
Profit for the year		-	-	-	78,613,529	78,613,529
Other comprehensive income for the year		-	-	-	(2,017,541)	(2,017,541)
Total comprehensive income for the year		-	-	-	76,595,988	76,595,988
Ordinary shares issued during the year	18, 19	110,000,000	302,988,161	-	-	412,988,161
Dividend paid	24	-	-	-	(105,000,000)	(105,000,000)
Unappropriated retained earnings transferred to statutory reserve	20	-	-	5,250,000	(5,250,000)	-
<b>Balance as at 31 December 2019</b>		<u>410,000,000</u>	<u>302,988,161</u>	<u>22,087,399</u>	<u>94,751,810</u>	<u>829,827,370</u>

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



**Starflex Public Company Limited**

(formerly known as "Starflex Company Limited")

**Statements of cash flows****For the year ended 31 December 2019**

(Unit: Baht)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Profit before tax	94,617,051	170,743,025
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	40,869,916	35,803,444
Allowance for doubtful debt (reversal)	1,655,140	(157,962)
Allowance for reduction of inventory to net realisable value (reversal)	(4,891,041)	3,635,144
Loss on disposal/write-off of equipment	149,789	1,020,986
Provision for long-term employee benefits	9,095,915	4,707,940
Unrealised gain on exchange	(324,479)	(118,533)
Interest income	(613,367)	(429,934)
Interest expenses	<u>14,434,045</u>	<u>14,271,643</u>
Profit from operating activities before change in operating assets and liabilities	154,992,969	229,475,753
Operating assets (increase) decrease		
Trade and other receivables	(13,365,558)	45,315,731
Inventories	5,590,317	(12,399,546)
Other current assets	(4,629,340)	(701,316)
Operating liabilities increase (decrease)		
Trade and other payables	<u>103,409,296</u>	<u>(93,785,616)</u>
Cash from operating activities	245,997,684	167,905,006
Interest income	601,840	429,934
Cash paid for long-term employee benefits	(422,557)	(235,500)
Cash paid for interest expenses	(14,140,039)	(14,331,222)
Cash paid for income tax	<u>(23,630,615)</u>	<u>(45,458,498)</u>
<b>Net cash from operating activities</b>	<u>208,406,313</u>	<u>108,309,720</u>

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



**Starflex Public Company Limited****(formerly known as "Starflex Company Limited")****Statements of cash flows (continued)****For the year ended 31 December 2019**

(Unit: Baht)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from investing activities</b>		
Increase in restricted bank deposits	(95,572)	(12,144,321)
Acquisition of land and equipment	(45,855,563)	(82,284,204)
Proceeds from disposals of equipment	17,507,552	644,848
Acquisition of intangible asset	(22,500)	(1,759,600)
Decrease (increase) in other non-current assets	<u>(9,759,723)</u>	<u>13,042,457</u>
<b>Net cash used in investing activities</b>	<u>(38,225,806)</u>	<u>(82,500,820)</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in bank overdrafts and short-term loans from financial institution	(20,182,528)	49,898,377
Cash paid for liabilities under finance lease agreements	(7,214,060)	(6,154,595)
Dividend paid	(105,000,000)	(133,333,333)
Cash received from issuance of ordinary shares	426,800,000	50,000,000
Cash paid for direct costs related to share offering	(13,811,839)	-
Cash received from long-term loan	-	35,000,000
Repayment of long-term loan	<u>(30,396,995)</u>	<u>(23,855,408)</u>
<b>Net cash from (used in) financing activities</b>	<u>250,194,578</u>	<u>(28,444,959)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	420,375,085	(2,636,059)
Cash and cash equivalents at beginning of year	<u>50,795,492</u>	<u>53,431,551</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>471,170,577</u></u>	<u><u>50,795,492</u></u>

**Supplemental cash flows information****Non-cash transactions from investing activities**

Accounts payable from purchasing equipment	23,232,621	1,504,634
Acquisition of equipment under finance lease agreements	19,760,426	2,602,902
Transfer equipment to intangible assets	80,000	-

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



**Starflex Public Company Limited**  
**(formerly known as “Starflex Company Limited”)**  
**Notes to financial statements**  
**For the year ended 31 December 2019**

**1. General information**

Starflex Public Company Limited (“the Company”) was incorporated as a limited company under Thai laws and registered the transformation to a public company under the Public Limited Companies Act on 28 March 2019 and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of flexible packaging. The registered head office of the Company is at 189/48-49 Moo.3 Theparak Road, T. Bangpreang, A. Bangbor, Samutprakan, and a branch in Samutprakan.

On 18 March 2019, the Annual General Meeting of shareholders of the Company passed a resolution to change the Company’s name to conform with the transformation to a public company. The change was from “Starflex Company Limited” to “Starflex Public Company Limited”. The Company registered the change of the Company’s name with the Ministry of Commerce on 28 March 2019.

**2. Basis of preparation**

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.

**3. New financial reporting standards**

**(a) Financial reporting standards that will become effective in the current year**

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below:



## TFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

## Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

The management of the Company expects the adoption of these accounting standards to result in the following adjustments.

- Recognition of credit losses - The Company is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Company applies the simplified approach to consider impairment of trade receivables.

The management of the Company is currently summarising the impact of these standards on the financial statements in the year when they are adopted.

### TFRS 16 Leases

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



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

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

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

#### **4. Significant accounting policies**

##### **4.1 Revenue 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 discounts to customers.

###### *Interest income*

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

##### **4.2 Cash and cash equivalents**

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

##### **4.3 Trade accounts receivable**

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

#### 4.4 Inventories

Finished goods are valued at the lower of cost (first in, first out basis) and net realisable value. Costs of finished goods include all production costs and attributable factory overheads.

Raw materials and supplies are valued at the lower of cost (first in, first out basis) and net realisable value and are charged to production costs whenever consumed.

#### 4.5 Property, plant and equipment and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for impairment loss (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Plant	-	20 years
Plant Improvement	-	10 - 20 years
Machinery and equipment	-	5 - 20 years
Furniture and office equipments	-	3 - 5 years
Motor vehicles	-	5 years

Depreciation is included in determining income. No depreciation is provided on land and assets under installation.

#### 4.6 Intangible assets

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

Intangible assets are amortised as expenses in profit or loss on a straight-line basis over the economic useful life. A summary of the intangible assets are as follows

	<u>Useful lives</u>
Computer software	3 - 10 years

#### 4.7 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.



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

#### **4.8 Long-term leases**

Leases of asset 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 other long-term payables, which interest element is charged to profit or loss over the lease period.

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

#### **4.9 Foreign currencies**

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.10 Impairment of assets**

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

An impairment loss is recognised in profit or loss.

## 4.11 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 and other long-term employee benefit*

#### *Defined contribution plans*

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

#### *Defined benefit plans and other long-term employee benefit*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plan is determined by professionally qualified independent actuaries based on actuarial techniques, using the projected unit credit method.

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

Actuarial gains and losses arising from other long-term benefit are recognised immediately in profit and loss.

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 recognises restructuring-related costs.

## 4.12 Provisions

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



#### 4.13 Income tax

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

##### *Current tax*

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### *Deferred tax*

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

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

At each reporting date, the Company 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 Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### 4.14 Derivatives

##### **Forward exchange contracts**

At each reporting date, the Company recognises the changes in fair value of forward exchange rate for the undue foreign exchange forward contracts as revenue or expense in the profit or loss.

#### 4.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company 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 active market for such assets or liabilities

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

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

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

#### 5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### **Allowance for doubtful accounts**

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

### Allowance for diminution in inventory value

In determining an allowance for diminution in inventory value, the management needs to make judgement in estimating loss from slow moving and deteriorated inventories including the effect from declining in net realisable value of inventories.

### Post-employment benefits under defined benefit plans and other long-term employee benefits

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

## 6. Related party transactions

During the year, the Company had significant business transactions with related party. 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 the related party.

	For the year ended		(Unit: Thousand Baht)
	31 December		Transfer pricing policy
	<u>2019</u>	<u>2018</u>	
<u>Transactions with related party</u>			
Sales of raw materials	-	2,495	At the agreeable rate
Purchase of office supplies	-	39	At the agreeable rate

### Directors and management's benefits

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

	(Unit: Thousand Baht)	
	2019	2018
Short-term employee benefits	31,164	31,879
Post-employment benefits and other long-term benefits	1,071	955
Total	32,235	32,834



**7. Cash and cash equivalents**

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Cash	74	74
Bank deposits - saving accounts	464,145	47,033
Bank deposits - current accounts	6,952	3,688
Total	<u>471,171</u>	<u>50,795</u>

As at 31 December 2019, bank deposits in saving accounts carried interests between 0.1 - 0.4 percent per annum (2018: between 0.1 - 0.4 percent per annum).

**8. Trade and other receivables**

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<u>Trade accounts receivable</u>		
Aged on the basis of due dates		
Not yet due	204,403	171,466
Past due		
Up to 3 months	31,660	53,354
3 - 6 months	193	26
6 - 12 months	1,775	-
Over 12 months	5,794	5,914
Total trade accounts receivable	<u>243,825</u>	<u>230,760</u>
Less: Allowance for doubtful debts	<u>(7,569)</u>	<u>(5,914)</u>
Total trade accounts receivable, net	<u>236,256</u>	<u>224,846</u>
<u>Other receivables</u>		
Other receivables - unrelated parties	312	-
Total other receivables	<u>312</u>	<u>-</u>
Trade and other receivables, net	<u>236,568</u>	<u>224,846</u>

The Company registered rights of claim over the Company's current and future trade receivables totaling Baht 300 million as security for credit facilities from the financial institution, as described in Note 13 and 15.

## 9. Inventories

Inventories as at 31 December 2019 and 2018 are presented below:

(Unit: Thousand Baht)

	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	62,192	101,842	(5,431)	(7,901)	56,761	93,941
Work in process	29,332	16,414	(196)	(78)	29,136	16,336
Raw materials	108,636	96,961	(3,636)	(6,175)	105,000	90,786
Supplies	3,369	3,121	-	-	3,369	3,121
Goods in transit	9,219	-	-	-	9,219	-
Total	212,748	218,338	(9,263)	(14,154)	203,485	204,184

During the current year, the Company reduced cost of inventories by Baht 3.6 million, to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 8.5 million and reduced the amount of inventories recognised as expenses during the year. (2018: the Company reduced cost of inventories by Baht 3.6 million, to reflect the net realisable value. This was included in cost of sales).

## 10. Restricted bank deposits

As at 31 December 2019, the Company pledged the current investments which are in form of the fixed deposit accounts amount of Baht 18.8 million (2018: Baht 18.7 million) to secure its credit facilities of short-term loans and long-term loans as described in Note 13 and 15.

## Property, plant and equipment

[illegible]

As at 31 December 2019, the Company had machinery, and motor vehicles under finance lease agreements with net book values amounting to Baht 48.9 million (2018: Baht 33.2 million).

The Company has pledged land and construction there on, amounting to approximately Baht 232.1 million (2018: Baht 237.2 million) as collateral against credit facilities received from financial institutions.

As at 31 December 2019, the Company had certain equipment which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 160 million (2018: Baht 105 million).

## 12. Intangible assets

The net book value of intangible assets as at 31 December 2019 and 2018 is presented below.

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Cost - Computer software	14,001	13,898
Less: Accumulated amortisation	(9,910)	(8,133)
Net book value	<u>4,091</u>	<u>5,765</u>

A reconciliation of the net book value of intangible assets for the years 2019 and 2018 is presented belows.

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Net book value as at 1 January	5,765	5,596
Acquisition during the year - cost	23	1,759
Transfer in from equipment	80	-
Amortisation during the year	(1,777)	(1,590)
Net book value as at 31 December	<u>4,091</u>	<u>5,765</u>

## 13. Bank overdrafts and short-term loans from financial institutions

		(Unit: Thousand Baht)	
	(Percent per annum)	<u>2019</u>	<u>2018</u>
Bank overdrafts	MOR	-	12,965
Short-term loans from financial institutions	5.35 - 6.30	46,318	13,755
Promissory notes	5.63 - 6.60	46,000	86,000
Total		<u>92,318</u>	<u>112,720</u>



Movements in the bank overdrafts and short-term loans during the year ended 31 December 2019 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2019	112,720
Add: Increase during the year	384,516
Less: Repayment during the year	(404,699)
Unrealised gain on exchange	(219)
Balance as at 31 December 2019	<u>92,318</u>

Bank overdrafts and short-term loan from a financial institution are secured by the mortgage of the Company's and the director's land and construction thereon, the pledge of fixed deposits, guarantees provided by the Company's directors and business security in the form of the rights of claim in the Company's trade receivables.

As at 31 December 2019, the Company has short-term credit facilities which have not yet been drawn amounted to Baht 173 million (2018: Baht 160.8 million).

#### 14. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Trade payables - unrelated companies	242,104	129,312
Other payables - unrelated companies	40,111	19,379
Accrued expenses	17,138	21,365
Payable - Revenue department	1,151	5,121
Total trade and other payables	<u>300,504</u>	<u>175,177</u>

#### 15. Long-term loans

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Long-term loans from financial institutions	98,865	129,262
Less: Current portion	(32,201)	(30,436)
Long-term loans, net	<u>66,664</u>	<u>98,826</u>



Movements in the long-term loans during the year ended 31 December 2019 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2019	129,262
Less: Repayment during the year	(30,397)
Balance as at 31 December 2019	<u>98,865</u>

During 2017, the Company entered into a loan agreement with a local financial institution, granting credit facilities of Baht 130 million on which interest is charged at annual rates based on Minimum Loan Rate minus 1%. Repayment of principal and interest is to be made on a monthly basis on the last working day of each month for 66 consecutive months, with the Company to pay Baht 2.4 million of principal and interest for the 1st - 65th month and the remaining principal and interest to be paid in the 66th month. Full settlement of these loans is to be made within 5 years 6 months from 21 August 2017. The loans are secured by the mortgage of the Company's and the director's land and construction thereon, pledge of fixed deposits, and guaranteed by the Company's directors and business security in the form of rights of claim in the Company's trade receivables.

During 2018, the Company entered into a loan agreement with a local financial institution, granting credit facilities of Baht 35 million on which interest is charged at annual rates based on the Minimum Loan Rate minus 1%. Repayment of principal and interest is to be made on a monthly basis on the last working day of each month for 60 consecutive months, with the Company to pay Baht 0.7 million of principal and interest for the 1st - 59th month and the remaining principal and interest to be paid in the 60th month. Full settlement of these loans is to be made within 5 years from 16 November 2018. The loans are secured by the mortgage of the Company's land, and guaranteed by the Company's directors.

As at 31 December 2019 and 2018, the Company has no long-term credit facilities which have not yet been drawn.

The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity and debt service coverage ratios according to the agreements.

As at 31 December 2019 and 2018, the Company could maintain certain financial ratio as specified in the long-term loan agreements.

**16. Liabilities under finance lease agreements**

	(Unit: Thousand Baht)	
	2019	2018
Liabilities under finance lease agreements	45,082	31,617
Less: Deferred interest expenses	(3,430)	(2,511)
Total	41,652	29,106
Less: Portion due within one year	(10,914)	(6,283)
Liabilities under finance lease agreements - net of current portion	30,738	22,823

The Company has entered into the finance lease agreements with leasing companies for rental of machinery and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years.

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

	(Unit: Thousand Baht)		
	As at 31 December 2019		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	12,473	32,609	45,082
Deferred interest expenses	(1,559)	(1,871)	(3,430)
Present value of future minimum lease payments	10,914	30,738	41,652

	(Unit: Thousand Baht)		
	As at 31 December 2018		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	7,416	24,201	31,617
Deferred interest expenses	(1,133)	(1,378)	(2,511)
Present value of future minimum lease payments	6,283	22,823	29,106



## 17. Provision for long-term employee benefits

	2019			(Unit: Thousand Baht) 2018		
	Post-employment benefits	Other long-term employee benefits	Total	Post-employment benefits	Other long-term employee benefits	Total
<b>Provision for long-term employee benefits</b>						
<b>at beginning of year</b>	16,259	1,679	17,938	12,104	1,362	13,466
Included in profit or loss:						
Current service cost	5,101	584	5,685	3,845	518	4,363
Interest cost	487	43	530	310	34	344
Past service costs	2,757	-	2,757	-	-	-
Actuarial loss arising from financial assumptions changes	-	125	125	-	-	-
Included in other comprehensives income:						
Actuarial loss arising from financial assumptions changes	2,522	-	2,522	-	-	-
Benefits paid during the year	(170)	(253)	(423)	-	(235)	(235)
<b>Provision for long-term employee benefits at end of year</b>	<b>26,956</b>	<b>2,178</b>	<b>29,134</b>	<b>16,259</b>	<b>1,679</b>	<b>17,938</b>

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 Company has additional long-term employee benefit liabilities of Baht 2.75 million as a result. The Company reflected the effect of the change by recognising past service costs as expenses in the income statement of the current year.

The Company expects to pay Baht 0.9 million of long-term employee benefits during the next year (2018: Baht 0.4 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 19 years (2018: 20 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)	
	2019	2018
Discount rate	1.56	2.56
Salary increase rate	5.00	5.00
Turnover rate	0.00 - 40.00	0.00 - 40.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

	(Unit: Million Baht)			
	2019		2018	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(2.32)	2.65	(1.58)	1.80
Salary increase rate	2.95	(2.60)	1.81	(1.61)
Turnover rate	(2.47)	1.67	(1.69)	1.14

## 18. Share capital

On 18 March 2019, the Annual General Meeting of shareholders of the Company passed a resolution on the following matters.

1. The change in the par value of ordinary share of the Company from Baht 100 per share to Baht 0.5 per share. As a result, the Company's registered ordinary share increased by 597 million shares, from former registered ordinary share of 3 million shares to new registered ordinary share of 600 million shares. The Company registered the change in the par value of ordinary share and number of shares with the Ministry of Commerce on 28 March 2019.
2. The increase in the registered share capital by Baht 110 million (220 million ordinary shares of Baht 0.5 each), from Baht 300 million (600 million ordinary shares of Baht 0.5 each) to Baht 410 million (820 million ordinary shares of Baht 0.5 each). The Company registered the increase in share capital with the Ministry of Commerce on 28 March 2019.



3. The allocation of the 220 million additional ordinary shares, with 198 million shares allocated to the Initial Public Offering and the 22 million shares allocated to the Company's directors, management, and employees at an offering price equivalent to the Initial Public Offering price.

On 26 September 2019, the Extraordinary General Meeting of shareholders of the Company passed a resolution on the following matters.

1. The change in the par value of ordinary share of the Company from Baht 0.5 per share to Baht 1.0 per share. As a result, the Company's registered ordinary share decreased by 410 million shares, from former registered ordinary shares of 820 million shares to new registered ordinary shares of 410 million shares. The Company registered the change in the par value of ordinary share and number of shares with the Ministry of Commerce on 27 September 2019.
2. Consequently from the change in the par value of ordinary share of the Company, the additional ordinary shares allocated to the Initial Public Offering and the Company's directors, management, and employees changed from 220 million shares to 110 million shares, with 99 million shares allocated to the Initial Public Offering and 11 million shares allocated to the Company's directors, management, and employees.

#### **19. Issued and paid up share capital**

In December 2019, the Company made an initial public offering for 110 million shares of newly issued ordinary shares at the price of Baht 3.88 per share for total proceeds of Baht 426.8 million, resulting in share premium amounting to Baht 302.9 million, net of direct costs attributable to the share offering totaling Baht 13.8 million. The Company received all settlement of the additional share capital on 16 December 2019.

On 16 December 2019, the Company registered an increase of issued and paid-up share capital from Baht 300 million (300 million ordinary shares of Baht 1 per share) to Baht 410 million (410 million ordinary shares of Baht 1 per share) with the Ministry of Commerce. In addition, the Stock Exchange of Thailand approved the 410 million ordinary shares of Baht 1 per share as listed securities for trading on 19 December 2019.

#### **20. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. During current year, the Company has set aside the statutory reserve of Baht 5.3 million (2018: Baht 10.0 million).

**21. Expenses by nature**

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Raw materials and consumables used	747,206	860,509
Changes in inventories of finished goods and work in process increase (decrease)	(24,380)	19,144
Salaries, wages and other employee benefits	177,927	151,950
Depreciation and amortisation expenses	40,870	35,803
Rental expenses from operating lease agreements	17,271	11,678
Freight and transportation of goods expenses	8,534	7,701

**22. Income tax**

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

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Current income tax:</b>		
Current income tax charge	17,256	35,709
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(1,252)	(1,080)
<b>Income tax expenses reported in profit or loss</b>	<u>16,004</u>	<u>34,629</u>

The amount of income tax related to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follow:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	<u>2019</u>	<u>2018</u>
Deferred tax relating to actuarial loss	<u>504</u>	<u>-</u>



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

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Accounting profit before tax	<u>94,617</u>	<u>170,743</u>
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	18,923	34,149
Effects of:		
Non-deductible expenses	1,195	1,447
Additional expense deductions allowed	(1,257)	(1,254)
Direct expense from additional share issuance	(2,729)	-
Others	(128)	287
Total	<u>(2,919)</u>	<u>480</u>
Income tax expenses reported in profit or loss	<u>16,004</u>	<u>34,629</u>

The components of deferred tax assets as at 31 December 2019 and 2018 are as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	1,514	1,183
Allowance for diminution in value of inventories	1,852	2,831
Accumulated depreciation - equipment	(653)	(748)
Other payable - deferred revenue	97	27
Provision for long-term employee benefits	5,827	3,588
Total	<u>8,637</u>	<u>6,881</u>

### 23. Earnings per share

Basic earnings per share is calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the change in the value of ordinary share from the par value, as described in Note 18. The number of ordinary shares of the prior year has been adjusted as if the value and the number of ordinary share had been changed at the beginning of the earliest year reported.

## 24. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividends for 2018	Annual General Meeting of the shareholders on 18 March 2019	90,000	30.00
Interim dividends for 2019	Board of Directors' meeting on 11 September 2019	15,000	0.03
Total dividends paid		105,000	30.03
Interim dividends for 2017	Board of Directors' meeting on 26 February 2018	77,778	31.11
Interim dividends for 2018	Board of Directors' meeting on 11 October 2018	55,556	22.22
Total dividends paid		133,334	53.33

## 25. Segment information

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

For management purposes, the Company is organised into business units based on its products and have two reportable segments as follows:

- The packaging products for food
- The packaging products for non-food

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 revenue and on a basis consistent with that used to measure operating revenue in the financial statements.





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

	(Unit: Thousand Baht)					
	Non-food packaging		Food packaging		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Revenue from external customers	999,759	1,153,734	255,884	207,444	1,255,643	1,361,178
<b>Total revenue</b>	<u>999,759</u>	<u>1,153,734</u>	<u>255,884</u>	<u>207,444</u>	<u>1,255,643</u>	<u>1,361,178</u>
<b>Operating information</b>						
<b>Segment gross profit</b>	208,269	279,687	10,279	18,796	218,548	298,483
Other income					16,286	13,075
Gain (loss) on exchange					1,421	(170)
Selling and distribution expenses					(28,639)	(23,628)
Administrative expenses					(98,565)	(102,745)
Finance cost					(14,434)	(14,272)
<b>Profit before income tax expenses</b>					94,617	170,743
Income tax expenses					(16,004)	(34,629)
<b>Profit for the year</b>					<u>78,613</u>	<u>136,114</u>

### Geographic information

The Company operates in Thailand only. As a result, all the revenues as reflected in these financial statements pertain exclusively to this geographical reportable segment.

### Major customers

For the year 2019, the Company has revenue from 4 major customers in amount of Baht 1,060 million (2018: Baht 1,180 million derived from 4 major customers).

## 26. Provident fund

The Company and its employees have established a provident fund under the Provident Fund Act BE 2530. The Company and its employees will contribute to the fund monthly at the rate of 2 to 5 of basic salary. The provident fund is managed by Tisco Asset Management Company Limited and will be paid to employees upon termination in accordance with the fund rules. During 2019, the Company has recognised the contributions to expense as Baht 4.1 million (2018: Baht 3.6 million).

## 27. Commitments and contingent liabilities

### 27.1 Capital commitments

As at 31 December 2019, the Company had capital commitments of approximately Baht 10.0 million relating to the acquisition of machinery (2018: Baht 8.3 million).

### 27.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space, motor vehicles and equipment. The terms of the agreements are generally between 1 and 5 years.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)	
	As at 31 December	
	<u>2019</u>	<u>2018</u>
Payable:		
In up to 1 year	11.9	10.4
In over 1 and up to 5 years	11.1	5.0

### 27.3 Long-term service commitments

- a) The Company has commitments under several service agreements in respect of the security service, maintenance service of computer software and other services. The terms of the agreements are averagely 1 year. As at 31 December 2019, future minimum payments under these agreements were Baht 0.9 million (2018: Baht 0.9 million).
- b) The Company has commitments under service agreements regarding the consulting of Baht 0.6 million (2018: Baht 1.7 million).

### 27.4 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 3.9 million (2018: Baht 4.6 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 3.5 million (2018: Baht 4.2 million) to guarantee electricity use and Baht 0.4 million (2018: Baht 0.4 million) to guarantee gasoline fleet card.

## 28. Fair value hierarchy

As at 31 December 2019 and 2018, the Company had the liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)		
As at 31 December 2019		
	Level 2	Total
<b>Financial liabilities measured at fair value</b>		
Derivatives		
Foreign currency forward contracts	0.3	0.3

## 29. Financial instruments

### 29.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, trade and other payables, and short-term and long-term borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statements of financial position.

#### ***Interest rate risk***

The Company's exposure to interest rate risk relates primarily to its cash at banks, and interest bearing short-term and long-term borrowings. However, since most of financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

As at 31 December 2019 and 2018, significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	As at 31 December 2019					
	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1 - 5 years	rate	bearing	Total	Interest rate
						(percent per annum)
<b>Financial assets</b>						
Cash and cash equivalents	-	-	464	7	471	0.1 - 0.4
Trade and other receivables	-	-	-	236	236	-
Restricted bank deposits	-	-	19	-	19	0.70 - 0.75
	-	-	483	243	726	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	46	-	46	-	92	MOR and 5.35 - 6.60
Trade and other payables	-	-	-	301	301	-
Long-term loans from financial institutions	-	-	99	-	99	MLR-1%
Liabilities under finance lease agreements	11	31	-	-	42	1.31 - 8.66
	57	31	145	301	534	

(Unit: Million Baht)

	As at 31 December 2018					
	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1 - 5 years	rate	bearing	Total	Interest rate
						(percent per annum)
<b>Financial assets</b>						
Cash and cash equivalents	-	-	47	4	51	0.1 - 0.4
Trade and other receivables	-	-	-	227	227	-
Restricted bank deposits	-	-	19	-	19	0.25 - 1.37
	-	-	66	231	297	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	100	-	13	-	113	MOR and 4.85 - 6.60
Trade and other payables	-	-	-	175	175	-
Long-term loans from financial institutions	-	-	129	-	129	MLR-1%
Liabilities under finance lease agreements	6	23	-	-	29	5.37 - 8.66
	106	23	142	175	446	



### Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The Company had balances of financial assets and liabilities denominated in foreign currencies as follows:

As at 31 December 2019				
Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Exchange rate as at 31 December 2019 (Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	-	2.7	29.9767	30.3313

As at 31 December 2018				
Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Exchange rate as at 31 December 2018 (Baht per 1 foreign currency unit)	
			<u>Buying rate</u>	<u>Selling rate</u>
US dollar	-	0.6	32.2848	32.6148

As at 31 December 2019, the Company had the outstanding foreign exchange contracts outstanding as summarised below.

As at 31 December 2019			
Foreign currency	Bought amount (Million)	Contractual exchange rate	Contractual maturity rate
		from amount brought (Baht per 1 foreign currency unit)	
US dollar	1.5	30.1718 - 30.3150	April - June 2020

As at 31 December 2018, the Company had no outstanding foreign exchange contract.

## 29.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates or fixed interest rates which are close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

The fair value of derivatives are as follow:

		(Unit: Million Baht)	
		As at	As at
		31 December	31 December
		2019	2018
		Fair value	Fair value
		Gain (loss)	Gain (loss)
<b>Derivatives</b>			
Buying foreign exchange contracts		(0.3)	-

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

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable, accounts payable, and short-term loans from their carrying amounts in the statement of financial position approximate their fair value.
- b) For derivatives, their fair value has been determined by 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 Company had considered to counterparty credit risk when determining the fair value of derivatives

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

### 30. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2019, the Company's debt-to-equity ratio was 0.7:1 (2018: 1.1:1).

### 31. Approval of financial statements

These financial statements were authorised for issue by the Board of directors on 27 February 2020.



## Company Information

The Company name (English)	STARFLEX PUBLIC COMPANY LIMITED
The Company name (Thai)	บริษัท สตาร์ฟлекс จำกัด (มหาชน)
Abbreviation	SFLEX
Type of Business	Manufacturing and distributing of flexible packaging in the form of made to order
Head Office	189/48-49 Moo 3, Bangprieng, Bang Bo, Samut Prakarn 10560
Company's registration number	0107562000092
Telephone	0-2708-2555
Home Page	<a href="http://www.starflex.co.th">www.starflex.co.th</a>
Registered Capital	410,000,000 Baht
Paid up Capital	410,000,000 Baht
Registrar	Thailand Securities Depository Company Limited 93 Ratchadaphisek Rd, Khwaeng Din Daeng, Khet Din Daeng, Bangkok 10400 Telephone: 0-2900-9000 Home Page: <a href="http://www.set.or.th/tsd">www.set.or.th/tsd</a>
Auditor	EY Office Limited Lake Rajada Office Complex, 33 rd Floor, 193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110 Telrphone: 0-2264-0777 Home Page: <a href="http://www.ey.com/th">www.ey.com/th</a>
Internal Control Auditor	P&L Internal Audit Company Limited 281/157 Moo 8, The Fifth Avenue Condominium Tower B, 2 <sup>nd</sup> Floor, Bangkok-Nonthaburi Road, Bangkhen, Nonthaburi 11000 Telephone: 0-2526-0777 Home Page: <a href="http://www.plcorporation.com">www.plcorporation.com</a>
Financial Advisor	Finansia Syrus Securities Public Company Limited 18 <sup>th</sup> , 25 <sup>th</sup> Floor, The Offices at Central World, 999/9 Rama I Road, Pathumwan, Bangkok 10330 Telephone: 0-2646-9999 Home Page: <a href="http://www.fnsyrus.com">www.fnsyrus.com</a>



## Company's Activities

### Starflex :

Generosity for Baan Bang Pakong Orphanage, providing necessities, meals, and donations.



### Starflex :

Sharing knowledge to children in Kanchanaburi Province.





# Company's Activities

## Starflex :

Foundation in Samut Prakan Province.



## Starflex :

Generosity for Baan Dek Raeron Orphanage in Phra Pradaeng District of Samut Prakan Province.

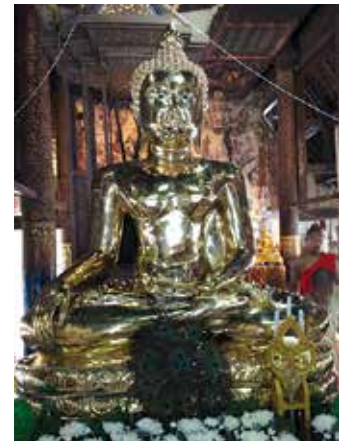




# Company's Activities

## Starflex : The “Love Our Homeland” Project

Contribution to the construction project of a Buddha image at Rong Ngae Temple in Pua District of Nan Province.



## Starflex : The “Love Our Homeland” Project

Contribution for the construction of a Buddha image at Som Arun Temple in Sangkhom District of Nong Khai Province.





# Company's Activities

## Starflex :

Fulfilling dreams, sharing knowledge for children at Ban Pong Sanook School in Chun District of Phayao Province.



## Starflex :

Fulfilling dreams, sharing knowledge for children at Ban Pong Sanook School in Chun District of Phayao Province.





# Company's Activities

## Starflex :

Lighting the way for Ban Nong To School in Nakhon Ratchasima Province.

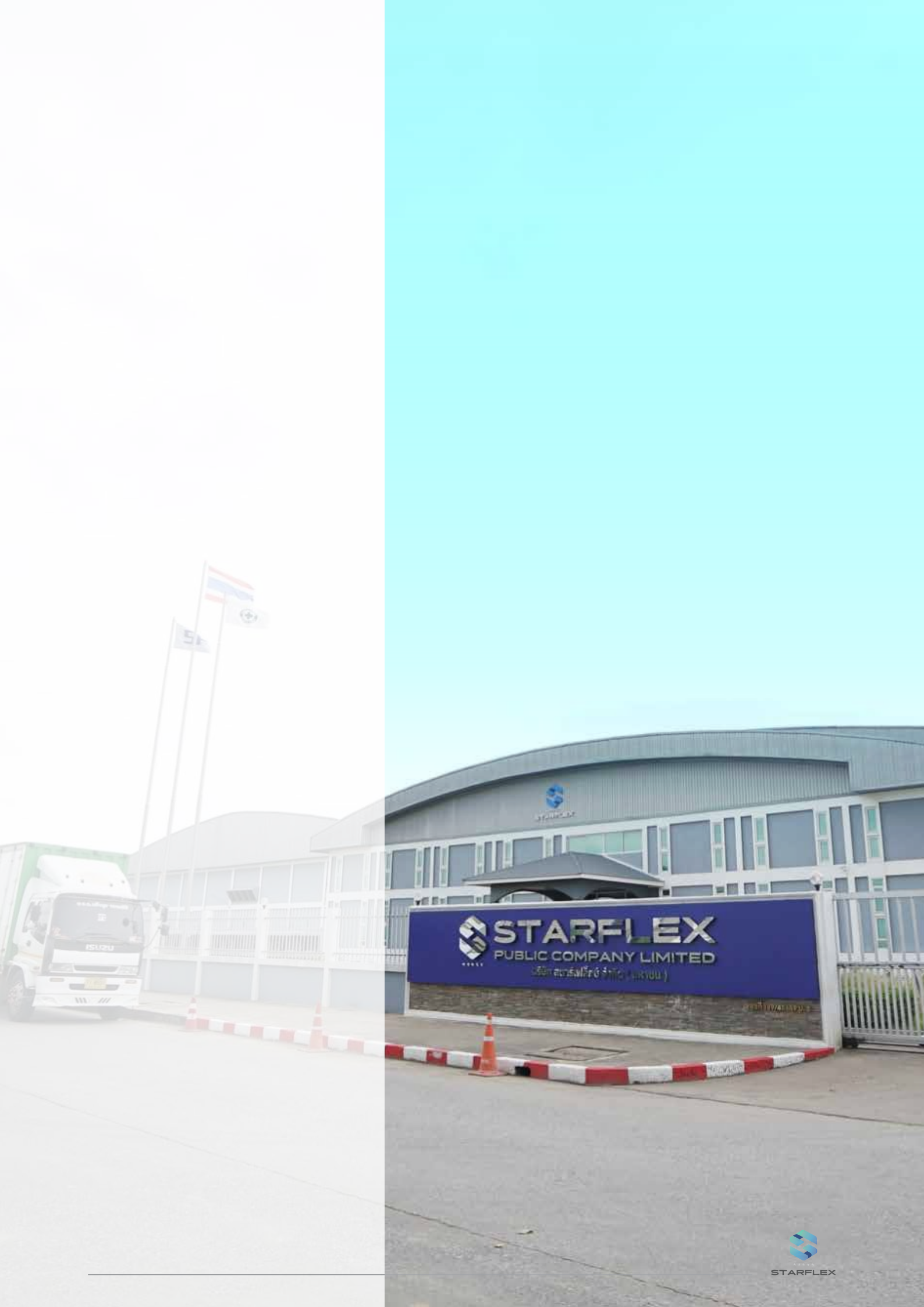


## Starflex :

The spirit of volunteerism for the development of Bang Phriang Temple







**STARFLEX**  
PUBLIC COMPANY LIMITED

(เป็นบริษัทมหาชน)



STARFLEX



★ ★ ★ ★ ★

**STARFLEX**

**Starflex Public Company Limited**

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