

Stars Microelectronics (Thailand) Public Company Limited (the "Company would like to inform additional information regarding no limitation on the percentage of equity shares held by foreign shareholders as follows:

Foreign Shareholders

As of September 21, 2009

No. of foreign shareholders 16

Total no. of shares held 88,279,524 or 23.99 % of paid-up capital

Note: The company has no limitation on the percentage of equity shares held by foreign shareholders as stated in the article of association clause 6: "The shares of the company may be freely transferred without restriction."

- Information Memorandum -
Stars Microelectronics (Thailand) Public Company Limited (SMT)

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Listing Date

24 September 2009 (Trading commencement on 24 September 2009)

Listing Securities

No. of common shares 368,000,000 shares Par value per share 2 baht Total value 736 million baht

Capital

As of 24 September 2009 (Trading commencement)

Registered capital Common Shares 736 million baht

Paid-up capital Common Shares 736 million baht

Secondary Market

SET

No. of offering shares

Newly issued common share 92 million shares

Offering Price

4.95 baht per share

Offering Date

16 – 18 September 2009

Objectives and plans for utilizing the capital increase

Repayment of loans to financial institutions

Type of Business and Nature of Operation

Stars Microelectronics (Thailand) Public Company Limited offers Electronics Manufacturing Services (EMS) to Original Equipment Manufacturer (OEM), Subcontractor, and Fabless Company. Besides the EMS for clients locally and abroad, SMT involves with its clients by joint designing and innovating to serve the client's needs for a wide range of products. In the past, SMT's products also varied according to the market trend. During 2003 to 2004, SMT's core product was LCD Module Assembly for mobile phones, and the product was under Microelectronics Module Assembly business. Currently, the core product is still Microelectronics Module Assembly but with more diversified and a wider range of products.

In addition, the company also provides products under Integrated Circuit Packaging or IC Packaging business. The products consist of standard packaging and advanced packaging which includes assembling and testing the Micro-Electro-Mechanic Systems or MEMS. Moreover, SMT is able to reduce size of the electronics to be exceptionally small by combining Microelectronics Module Assembly and IC Packaging and using production technology of System in Package.

Consolidated Revenue Structure of SMT

	2006		2007		2008		6 Month 2009	
	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%
Sales Revenue								
MMA – Hard Disk	6,923,575	86.87	10,253,933	87.75	10,173,347	83.76	3,565,478	77.09
MMA - Others	806,070	10.11	949,327	8.12	1,404,365	11.56	810,705	17.53
IC Packaging	220,019	2.76	397,437	3.40	430,087	3.54	174,670	3.78
Total Sales Revenue	7,949,664	99.75	11,600,696	99.28	12,007,799	98.87	4,550,852	98.39
Servicing Revenue (1)	17,603	0.22	52,265	0.45	119,475	0.98	45,941	0.99
Other Revenue	2,513	0.03	32,367	0.28	18,282	0.15	28,429	0.61
Total Revenue	7,969,780	100.00	11,685,328	100.00	12,145,556	100.00	4,625,222	100.00

Remark: (1) Revenue from designing products

1.Product Characteristics

SMT offers Electronics Manufacturing Services (EMS) to Original Equipment Manufacturer (OEM), Subcontractor, and Fabless Company for clients locally and abroad. The company is able to provide comprehensive range of electronic production and assembly by using high quality machines and high technologies. The technologies include one that used to produce standard products in the market and one that used for special products. The high technology and the joint innovation with clients enable SMT to produce microelectronics that require delicacy and precision. Detail of products is as follows:

1.1 Microelectronics Module Assembly

The company's capacity for this product is 80 million pieces annually. The products which the company assembles microelectronic parts for are

- 1.1.1 Printed Circuit Board Assembly or PCBA to monitor Hard Disk Control Board with sizes of 2.5 inches and 3.5 inches for one of the world's leading hard disk manufacturers.
- 1.1.2 Touch Pad in notebook and Click Wheel Interface in MP3 player for a fabless company which is the world's leader for developing Human Interface Solutions for mobile computing, communicating, and entertaining products. The fabless company has more than half of world's market share for Touch Pad in notebook.

- 1.1.3 ClearPad for smart phone and MP4 players which using high technology to integrate microelectronics in clear plastic (PET).
- 1.1.4 PCBA using PTH, SMT, and COB Technologies for electronic equipments such as telephone, hair dryer, electronic toothbrush, LCD screen for Panasonic and other brands.
- 1.1.5 NEC which is the production and assembly of parts in LCD Module which is similar to the LCD Module Assembly
- 1.1.6 Radio Frequency Identification (RFID) which is the system developing from bar code system. The advantage of RFID is that it can read information while requiring no contact, tolerate to humidity and vibration, receive and process information with high speed. The products which use RFID are such as passing ticket, parking ticket, and bar code of commodity.
- 1.1.7 Smart Card which has memory chip inside to store information electronically. The main function of Smart Card is to secure data safely when the card is used with reading equipment. Examples of Smart Cards are credit cards, ATM cards, and identification cards.

1.2 Integrated Circuit Packaging or IC Packaging

Currently, the company provides the product of IC Packaging and has the capacity to produce 700 million pieces annually for clients in Europe, America, and Asia. The products that SMT produces and assembles are as follows:

- 1.2.1 Standard Packaging which is common in the market with certain standard, usually large and thick, such as SOIC, TSSOP, SCTO, SOT23, SOT143 and Advanced Packaging which is an integrated circuit which recently was developed. The size of the circuit is smaller and slimmer than that of Standard Packaging. Examples are TDFN (Thin Dual Flat Non-Lead), UDFN (Ultra-Thin Dual Flat Non-Lead). The example of IC Packaging clients is a company producing and assembling Infrared Data Association (IrDA) that is the equipment for wireless signal which could connect equipments such as mobile phones, notebooks, PDA, printers, and digital cameras.
- 1.2.2 Micro-Electro-Mechanic Systems or MEMS, the technology with increasing trend. SMT has more than 10 year experiences in jointly developing MEMS, which is used in Tire Pressure Monitoring System or TPMS, with GE Sensing Company in United States. This equipment will monitor pressure in cars' tires and transfer data to the cars' dashboards to inform drivers. Nowadays, automobiles abroad already use this equipment especially in trucks. Moreover, since the United States has a new law effective on September 1, 2009 requiring every car sold in the US. to have TPMS, thereby increasing demand for TPMS market. This law will also be adopted in Europe which tentatively effective in 2012. The company also uses MEMS Technology for other equipments such as gauge pressures for medical equipments, equipments used in industry, and electronic equipment for consumers.

2. Market Competition

2.1 Targeted Clients, Marketing, and Distribution

Core customers according to types of products and services:

Customers	Core Product Types	Products
1. Hard Disk Manufacturer	Microelectronics	Hard Disk Drive
2. A fabless company	Microelectronics	Touch Pad, Clear Pad, MP3/MP4, Touch Switch
3. On Semiconductor	IC Packaging	Laptop, TV set, Fax Machine, DVD Player, Electronics Appliance
4. GE Sensing	IC Packaging	Tire Pressure Monitoring System for automotive

		industry, Pressure Sensor for medical and health industry
5. ELMOS	Microelectronics	Pressure Sensor for automotive industry
6. EM Microelectronics	Microelectronics	Optical Mouse Sensor
7. California Micro Device	IC Packaging	Laptop, TV set, Fax Machine, Remote control, mobile phone, MP3
8. IDS	Microelectronics	Interactive Remote Control
9. NEC	Microelectronics	Display Module for desk telephone
10. CODE CORP	Microelectronics	Barcode Scanner

Units sold by main customers

	2006	2007	2008	6 Month 2009
<u>Unit Sold (million units)</u>				
Hard Disk Manufacturer	19.11	28.98	31.81	10.74
A fabless company				
ClearPad	0.00	2.22	12.80	7.91
Others	12.59	22.43	11.69	4.59
On Semiconductor	137.09	328.20	431.98	184.74
GE Sensing	11.73	16.27	16.17	2.97
ELMOS	-	7.14	7.50	3.80

Revenue Added according to Industries

	2006		2007		2008		6 Month 2009	
	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%
<u>Sales Revenue</u>								
Computer	7,293,854	91.75	10,486,327	90.39	10,359,462	86.27	3,604,710	79.21
Automotive	86,072	1.08	151,440	1.31	428,160	3.57	365,299	8.03
Telecommunication	16,702	0.21	105,766	0.91	379,276	3.16	138,635	3.05
Entertainment	260,179	3.27	440,589	3.80	10,923	0.09	28,355	0.62
Security Equipment	5,968	0.08	12,297	0.11	20,035	0.17	31,017	0.68
Electronic Equipments	286,889	3.61	404,276	3.48	798,515	6.65	369,176	8.11
Others	-	-	-	-	11,429	0.10	13,661	0.30
Total Sales	7,949,664	100	11,600,696	100	12,007,799	100	4,550,852	100

The company produces and assembles electronic parts for clients in many industries which could be categorized into 6 groups: Computer, Electronic Equipments, Automotive, Telecommunication, Security Equipment, Entertainment with corresponding contribution to sales revenue by 86.3%, 6.7%, 3.6%, 3.2%, 0.2%, and 0.1% in FY 2008 and corresponding contribution to sales revenue by 79.2%, 8.1%, 8.0%, 3.1%, 0.7%, and 0.6% for the first 6 month in 2009. In 2008, SMT produced and assembled microelectronic products for mining industry which under Others category. The company earned the most from computer group which accounted for 86% - 92% of sales revenue in 2006-2008 since demand for hard disk from the hard disk manufacturer increased.

However, from Value Added or VA prospective, the company has diversified risk according to types of products or industries without weighing heavily on any particular product or industry, which could be seen in the following tables:

Value Added according to Industries

	2006		2007		2008		6 Month 2009	
	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%
VA								
Computer	307,975	58.80	353,460	47.66	344,496	37.70	112,292	26.49
Automotive	66,244	12.65	111,501	15.03	152,976	16.74	130,275	30.73
Telecommunication	13,465	2.57	42,281	5.70	159,318	17.44	61,389	14.48
Entertainment	10,774	2.06	38,781	5.23	2,407	0.26	6,871	1.62
Security	5,018	0.96	10,914	1.47	14,292	1.56	7,508	1.77
Electronics	120,268	22.96	184,720	24.91	234,558	25.67	103,654	24.45
Others	-	-	-	-	5,718	0.63	1,969	0.46
Total Value Added from Sales Revenue	523,744	100.00	741,658	100.00	913,766	100.00	423,960	100.00

Typically, the company would contact clients directly if the clients' orders are obtained via SMT's own sales team. The company would do transaction with clients via subsidiary, associate, or marketing network if clients' orders are obtained via such marketing channels. Moreover, SMT regularly finds new customers, and it has 3 marketing channels: Stars Microelectronics USA, Inc. (America), SIIX Corporation and Smart Electronics (Europe) which have network throughout the world. SMT coordinates with the 3 marketing channels by setting strategies for distribution and other policies pertaining to sales such as setting prices, choosing targeted groups, product distribution and transportation methods, participating in product's fair, and visiting clients to strengthen relationship according to market condition in each region.

Sales Revenues according to Marketing Channels

Sales Revenue	2006		2007		2008		6 Month 2009	
	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%	Bt, thousand	%
Direct Sales	7,675,555	96.55	11,192,705	96.48	11,548,837	96.18	4,348,956	95.56
Stars USA	144,156	1.81	273,633	2.36	329,274	2.74	186,558	4.10
Smart Electronics	33,108	0.42	96,892	0.84	106,557	0.89	8,751	0.19
SIIX Corporation	96,845	1.22	37,465	0.32	23,132	0.19	6,587	0.14
Total	7,949,664	100.00	11,600,696	100.00	12,007,799	100.00	4,550,852	100.00

2.1 Market Competition and Industry Trend

Market Competition

Currently there are many companies that provide Electronics Manufacturing Services or EMS. However, SMT emphasizes on using high technological machines to produce premium electronic parts to differentiate the products. Therefore, the local competitors are limited to only companies which have high technology such as HANA Microelectronics Plc., Cal-Comp Electronics (Thailand) Plc., Team Precision Plc., SVI Co. Ltd., and Forth Corporation Plc. SMT's competitors abroad are companies in China, Hong Kong, Philippines, Malaysia, Taiwan, Korea such as Electronics (HK) Co., Ltd., and Vigilant Electronics Co., Ltd.

Industry Trend

After the Dot-com Bubble during 2001 and 2002 until 3rd quarter 2008, electronics industry went back to normal growth. The sales value of semiconductors which is the indicator for electronics industry implied the continually increased demand. However, due to the world's economic recession since 3rd quarter 2008, demand of semiconductor decreased until 1st quarter 2009. According to the information of Semiconductor Industry Association (SIA), the sales value of semiconductor in 2008 was USD 255.3 billion, slightly decreased by 0.1% from sales value of USD 255.5 billion in 2007. For 1st quarter 2009, the sales value of

semiconductor was USD 44.2 billion, decreased by 29.5% from USD 62.8 billion in the same quarter in 2008.

However, according to the data from SIA, the semiconductor's sales value increased in March and April 2009. SIA estimates that the electronic industry already reached the worst point in 1st quarter 2009 and that the trend should begin to be positive due to increased demand in electronics, especially Net Book and Smart Phone, coupled with end product producers having more confidence in economics and beginning to increase inventories. SIA also estimates that the sales value of semiconductors in 2009 should decrease by 23% compared to last year and that the total sales value should be USD 195.6 billion while the sales value in 2010 and 2011 should grow by 6.5% annually with estimated sales value of USD 208.3 billion and USD 221.9 billion respectively.

The trend of electronic parts' market directly relates to the trend of end products' market which has details as follows:

Hard Disk The market continually grew until early 2009, when the demand shrank. According to the data from Thai Association of Electrical and Electronics Industries, in January 2009 hard disk supply decreased 40% from the same period last year. However, the production increased since February and became stable in April. The Thai Association of Electrical and Electronics Industries estimated that the production and export of hard disk will decrease 10-15% in 2009. Moreover, Trends Focus Research stated that even though the world's economics is not in a good condition, sales of computers and hard disks is better than expectation and likely to continually grow because electronic products have improved technology, speed, and memory and incorporate hard disk more.

Computer According to data from Gartner, computer sales in 2008 was 302.2 million computers, increased by 10.9% from that in 2007 and doubled the number in 2000. Most of the growth originated from developing countries where sales increased by 17%. However, in Q1 2009, the world's computer sales decreased by 6.5% from Q1 2008 although in late Q1 2009 stores and product channels increased their inventories to prepare for increased demand especially for low priced computers. Gartner estimated that computer sales would not fully recover in 2009 and the sales would decrease by 11.9% from 2008, but notebook sales should increase by 9% due to growth of Mini-Netbooks which their screens are around 7-10 inches. Gartner also estimated that Desktop PC sales should decrease by 31.9%.

Consumer Electronics Consumer electronics would partly stimulate the production of electronic parts because many products in this group have potential to grow. According to Consumer Electronics Association (CEA), in 2008, products in consumer electronics group in the US had sales growth of 5.4% with total value of USD 172.1 billion, and the product with highest growth was Digital TV, accounting for 15% of the group's value. In Q1 2009, consumer electronics market began to slow down. However, CEA believed that the market already passed the worst point and is in the recovering stage. CEA expected that in 2009, the consumer electronics market in the US will be stable and sales would decrease by only 0.7% with total sales value of USD 171.0 billion, and the product group that would grow is Digital TV.

Automotive Even though world's automobiles sales grew only 3-4% annually during the past 10 years, data from IMS Research shows that automotive electronic accessories had total sales value of USD 13.5 billion in 2007 and estimates that the number would be USD 14.0 billion in 2008 due to the change from mechanically controlled to electronically controlled automobiles with more advanced technology. The installment of electronic equipments in compact and mid-size cars will enhance sales of electronic parts but also have an impact on price. Moreover, new regulation will help stimulate sales of some equipments such as the new regulation in the US, effective on September 1, 2009, requiring every auto sold in the US have Tire Pressure Monitoring System or TPMS and the same requirement would be effective in Europe in 2012. The regulation will enable market for TPMS to grow significantly in the future. However, the

economics during H2 2008 had a negative impact on automotive industry and consequently affected electronic equipments in automobiles. Moreover, automobile's buyers tend to buy fewer accessories such as electronic seats, GPS, and entertainment equipments.

Mobile Phone According to the data from Gartner, in 2007 sales of world's mobile phone increased with high growth and the total number was 1.15 billion phones, increased by 16% in 2006. Most of growth came from developing countries such as China and India because user rates were still low and mobile phones' prices decreased. In the past, mobile phones' styles and technologies changed frequently due to competition on abilities, speeds, size which continually made smaller but with more complex circuit and electronic parts that in turn helped increase the production. However, due to the economic crisis in H2 2008, world mobile phone's sales grew by only 6% with total sales of 1.22 billion phones. For Q1 2009, the total phones sold in the world was 269.1 million phones, decreased by 8.6% from Q1 2008, but mobile phones that are smart phones had total sales of 36.4 million phones, increased by 12.7% from Q1 2008. For Q1 2009, the total sales of smart phones was 13.5% of the total mobile phones, increased significantly by 11% from Q1 2008. Gartner believed that the increase in smart phone's sales in Q1 2009 was due to the increase in touch screen used in middle to high level of mobile phones. IDC Research estimated that in 2009 the total sales of mobile phones would decrease by 1.9% which could categorized into regular mobile phone, expected to decrease by 3.5%, and smart phone sales, expected to increase by 8.9%. Furthermore, IDC Research estimated that in 2010 the sales of world's mobile phones would grow again by 7.7%, which could categorized into regular mobile phone expected to increase by 5% while smart phone expected to increase significantly by 24%

3. Sources of Supply

Currently, SMT has 2 plants located at Bang Pa-In Industrial Estate, Export Processing Zone (EPZ), in Ayutthaya on land of 17 Rais, with 25,500 square meters. The company operates 3 shift daily with 8 hours per shift.

Total Capacity and Utilization Rate

Product	Production Capacity per Year (Million pieces)	Actual Production 6 month 2009 (Million pieces)	Utilization Rate * (%)
IC Packaging	700.0	194.2	55.5
Microelectronics Module Assembly	80.0	25.3	63.3
Total	780.0	219.5	56.3

* Annualized data

Procurement and Sources of Supply

Materials used in production and assembly of electronic parts could be categorized in 2 groups: Core Materials and Other Materials. The core materials would be used in the production of electronic parts while other materials would be used in component with production such as cleaning agent and adhesive tapes.

There are 2 methods for procurement: 1) Consignment where SMT's clients or marketing representative would provide materials to SMT 2) Turnkey where SMT would purchase materials. Most materials used in production are turnkey. For consignment, clients or marketing representative would provide sufficient materials to be used in production and assembly. For turnkey, usually clients would select suppliers for SMT and this accounted for 90-95% of turnkey's values while the rest of 5-10% of the total turnkey value would be materials that SMT selects by itself. However, SMT typically does not order materials in advance but would order materials when already received order from clients.

Moreover, turnkey materials purchased locally were 77.4% and 78.6% of the total value of turnkey materials in 2008 and H1 2009. However, many materials are purchased abroad since these materials require advanced technology in production and could not be produced locally.

Typically, SMT would order these materials from the US, Singapore, Japan, Malaysia, Hong Kong, China, and Korea. Most materials would meet the qualification that SMT's clients specify, and SMT has to randomly test the qualities of such materials by ratio of each type and qualities of each supplier. SMT has a policy to order each type of materials from at least 2-3 suppliers in order to compare prices, increase competition among suppliers, and receive the best price and quality. The company will consider each supplier especially on qualities of materials and ability to supply on time. For sources of supply, SMT tries to find materials locally first so that it is convenient for communication and supply management. However, many materials are imported due to advanced technology in production which some are not available locally.

Materials and Sources

Materials	Explanation	Sources
PCB (Printed Circuit Board) and FPC (Flexible Printed Circuit)	Rigid PCB and Flexible PCB (FPC) to connect electronic components such as transistors and resistors	Thailand, China, and Singapore
IC	Integrated Circuit for controlling	Thailand, China, Singapore, and Korea
Electronic Component	Electronic components such as transistors resistors, diodes, and capacitors to support the functioning of circuit boards or displays	Thailand, China, Singapore, and Korea
Lead Frame	A part that connects the circuit of the IC to the Die made from copper	Hong Kong, Korea, Singapore
Bonding Wires	Gold, Aluminum, and other metals to connect the circuit between the Die, Lead Frame, Electronic components, and PCB/FPC	Thailand, Japan, and Singapore
ACF (Anisotropic Conductive Film)	Special kind of glue to connect various parts	Japan, and USA
Assembly parts	Various materials for assembly to finished goods	Thailand, Japan, Singapore, Malaysia, Hong Kong, Korea, and Taiwan
Silicone and Coating Material	Silicone or epoxy to seal the IC to protect from damage and humidity	Thailand, Japan, and Singapore
Packing Material	Packaging material to pack finished goods according to industry standards	Thailand and Malaysia
LCD	Liquid Crystal Display in black and white and colors	Japan, China, Korea, and Taiwan
Touch Pad / Screen	To control electronic products by sensing	Japan, China, Korea, and Taiwan

Production Processes

Electronic production and assembly consist of 5 stages: designing, supplying raw material producing electronics, testing, and packing and transporting.

1. Designing Electronic Parts

In designing stage, SMT's engineering team will work closely with clients to design and joint innovate in order to understand client's needs and obtain qualified products, thereby reducing

costs and energy due to efficiency. Besides enhancing good relationship with clients, the joint innovation will induce clients to use SMT's services in the long run. Products that SMT and clients jointly developed account approximately for 30% of total production. Clients would have patents of products that are jointly developed while SMT possesses the technology used in production.

2. Supplying Raw Materials

Raw materials used in production consist of the materials provided by clients and marketing representative and the materials that SMT has to choose by itself. For materials provided by clients, such clients will deliver raw material sufficient for the production and assembly. For materials that SMT has to find by itself, SMT will plan for procurement. The company typically will not order in advance and will purchase when already receive order from clients.

3. Producing and Assembling Electronic Parts

After SMT obtain raw materials, the company will produce and assemble parts according to client's requirement, using high technological machines to assemble electronic parts on different types of circuits. The advanced level of technologies used in SMT's machines are FCOF and FCOG. Electronic parts produced by these technologies are of high quality, very small, and light-weighted. Currently, most producers in Thailand do not have these technologies. Besides the advanced technologies, SMT also uses other technologies that have lower cost such as PTH, SMT, and COB which are technologies commonly used in the market.

4. Testing Products

After producing and assembling electronic parts, SMT will test how each electronic circuit function by employing Quality and Reliability Assurance test in order to ensure quality and standard of products before deliver them to clients.

5. Packaging and Transporting Products

After testing the products, SMT will put products in package and transport them to end customers. The company will receive payment for the production and assembly from marketing representative if the order is received via representative. If the order is received by SMT's owned sales team, then the company will directly receive payment from customers.

Environmental Impacts

SMT's production and assembly of electronic parts might generate wastewater or other spoiled matters which could affect nearby environment. However, the company detects the effect to environment annually by hiring the environmental and resource development company to measure air quality and sound level, and analyze wastewater. The result is that SMT controls waste matters according to the standard. Moreover, SMT has never violated law pertaining to environment and never been appealed about environmental problems because the company manages trash and waste/ spoiled matters well. For the waste matters that are harmful to environment, SMT will send such matters to specialists who will separate and bury the particles including performing waste matters treatment so that they are not harmful to the environment. Finally, SMT uses service of wastewater treatment from Bang Pa-In Industrial Estate.

Summary of Material Contracts

none

Feasibility Study (if any)

none

Technical and Management Assistance

none

Future Projects (if any)

Currently, the company receives order from clients whom SMT has joint development with and/or produces and assembles electronic parts which have potential for mass production in the future. The projections of initial production are all from SMT's clients while the actual production might differ from the projections.

1. Intelligent Card (Client- Citala Ltd.)

SMT has jointly developed machines for producing Active Pixel Display or APD to be used with Intelligent Card. Initially, intelligent card that SMT produces for Citala would be the world's first card that has screen displaying result on it. The intelligent card could be used in credit cards, identification card, and security card. The mass production is estimated to begin in Q3 2009 and SMT would receive order of 500,000 pieces during H2 2009 and 5,000,000 pieces in 2010.

2. Side Airbag (Client- ELMOS Semiconductor AG)

SMT has jointly developed Micro-Electro-Mechanic Systems or MEMS with ELMOS since 2008 to measure forces from collision and control side airbag's function. This is the innovation for automobiles and enhances safety. The side airbag will initially be used with Mercedes Benz, and it is estimated that mass production could begin in Q3 2009 and SMT would receive order of 600,000 pieces during H2 2009 and 1,800,000 pieces in 2010.

3. Diesel Fuel Tank Pressure Sensor (Client – Robert Bosch GmbH)

SMT has jointly developed Micro-Electro-Mechanic Systems or MEMS with Bosch since 2008 for Diesel Fuel Tank Pressure Sensor. Mass production is estimated to begin in Q3 2009 and the initial order is 200,000 pieces in H2 2009 and 8,800,000 pieces in 2010.

4. Green Laser Module for Portable Laser Projector (Client – a leading company in the US)

SMT is chosen by a leading company in the US. to be a producer for green laser module for portable laser projector which is the world class innovation to make a palm sized projector. Mass production is estimated to begin in Q3 2009 and the initial order is 42,000 pieces for H2 2009. Moreover, SMT and the company would jointly develop the product to be used in mobile phones in the future, and the mass production is estimated to begin in Q1 2010 with initial order of approximately 3,100,000 pieces in 2010.

5. IC Packaging (Client – Micrel)

SMT is chosen by Micrel, the world's leader of IC solutions producer with head office in the US, to produce IC Packaging. Mass production is estimated to begin in Q4 2009 and the initial order is approximately 5,000,000 pieces in Q4 2009 and 225,000,000 pieces in 2010.

Currently, SMT has 2 operating plants located at Bang Pa-In Industrial Estate, Ayutthaya. To prepare for more order, the company plans to increase its capacity for IC Packaging. The future investment would be for machines and the capacity during 2009- 2010 is as follows:

	Increased Capacity (million pieces per year)	Investment (Bt, million) 2009-2010
IC Packaging	500	150

Related Transactions

For fiscal year ending December 31, 2008 and the first 6 months ending June 30, 2009, the company had related transactions with shareholders and related companies as follows:

Related Transactions with Shareholders and Related Companies

Related Parties	Type of Relationship	Fiscal year ending Dec 31, 2008 (Baht)	6 month period ending Jun 30, 2009 (Baht)	Type of Transaction
Itochu Group	Itochu Group held 6.98% of paid-up stake in SMT	339,069	29,304	Purchase of raw materials
		570,913	-	Purchase of spare parts and equipments
		-	29,012	Account Payable
SIIX Group	SIIX Group held 6.68% of paid-up stake in SMT and SIIX representative, Mr. Tetsuo Tsujimoto, is a director at SMT	21,500,779	6,810,959	Sales of products and services
		402,453	55,928	Purchase of raw materials
		2,521,412	1,249,039	Account Receivable
		127,688	4,709	Account Payable
Stars Microelectronics USA, Inc. /1	Subsidiary that Stars Microelectronics (Thailand) Plc held 59% of paid-up stake. The remaining 49% are held by management team of Stars Microelectronics USA, Inc. and others who are not connected parties of the company.	20,896,463	141,279,766	Sales of products
		38,389,515	83,766,072	Account Receivable

Related Transactions with Shareholders and Related Companies according to each Company

Related Parties	Type of Relationship	Fiscal year ending Dec 31, 2008 (Baht)	6 month period ending Jun 30, 2009 (Baht)	Type of Transaction and reasonableness
Itochu Corporation	SMT's shareholder which held 6.98% of paid-up stake in SMT as of June 30, 2009	-	29,304	Purchase of raw materials SMT purchased IC's raw materials from Itochu Corporation for production under Microelectronics group. Pricing policy was to purchase at comparable market price
		-	29,012	Account Payable Account payable caused by the raw material purchase which had regular terms of trade
SIIX Bangkok Co., Ltd.	A related company of SIIX Singapore PTE., LTD. As of June 30, 2009 SIIX Singapore PTE., LTD. held 6.68% of paid-up stake in SMT and SIIX representative, Mr. Tetsuo Tsujimoto, is a director at SMT	21,387,505	6,810,959	Sales of products and services under Microelectronics group via SIIX Bangkok Co., Ltd. which is SMT's marketing representative. Selling price policy was cost plus at comparable market price
		402,453	55,928	Purchase of raw

Related Parties	Type of Relationship	Fiscal year ending Dec 31, 2008 (Baht)	6 month period ending Jun 30, 2009 (Baht)	Type of Transaction and reasonableness
				materials SMT purchased raw materials such as LCD, IC CHIP , FPC and CHIP CAPACITOR from SIIX Bangkok Co., Ltd. for production under Microelectronics group. Pricing policy was to purchase at comparable market price
		2,503,717	1,232,094	Account Receivable Account Receivable from sales of products and services under Microelectronics group which had regular terms of trade
		127,688	4,709	Account Payable Account payable from purchase of such raw materials which had regular terms of trade
SIIX Corporation -TOKYO	A parent company of SIIX Singapore PTE., LTD. As of June 30, 2009 SIIX Singapore PTE., LTD. held 6.68% of paid-up stake in SMT and SIIX representative, Mr. Tetsuo Tsujimoto, is a director at SMT	17,696	16,945	Account Receivable Account receivable from sales of products and services under Microelectronics group and IC Packaging which had regular terms of trade
Stars Microelectronics USA, Inc. /1	Subsidiary that Stars Microelectronics (Thailand) Plc held 59% of paid-up stake. The remaining 49% are held by management team of Stars Microelectronics USA, Inc. and others who are not connected parties of the company.	208,947,548	141,279,766	Sales of products Sales of products under microelectronics and IC Packaging via Stars Microelectronics USA, Inc. Selling price policy was cost plus
		38,389,515	83,766,072	Account Receivable Account receivable from sales of products and services under Microelectronics group and IC Packaging which had regular terms of trade

^{/1} Stars Microelectronics (Thailand) Plc held 19% of paid-up stake of Stars Microelectronics USA, Inc. as of December 31, 2008. However, the company increased shares to 59% as of January 20, 2009 so that Stars Microelectronics USA, Inc. is Stars Microelectronics (Thailand) Plc's subsidiary.

Audit Committee Opinion

The related transactions were considered and given opinions by the company's audit committee that such transactions were normal business operation without special conditions and transfers among the company, subsidiary, associate company, related companies, and shareholders.

Measures or Approval Processes for Related Transactions

Related transactions could be categorized into 2 types: (1) regular and continual transaction, and (2) special transaction. Measures or approval process for each type of related transactions are as follows:

1. Regular and Continual Transaction

SMT set policy for regular and continual transaction that the potential transactions are to be reviewed by audit committee and/ or the company's board of directors for reasonableness of transactions, prices, and conditions. Executive committee and stakeholders cannot participate in the approval process. After the company is listed on SET, board of directors has to manage the company to comply with regulation of securities and SET, and rules, notice, or requirements of SET and SEC including regulation regarding disclosure of related transaction and purchase or sales of the company or its subsidiary's material assets. Moreover, the board of directors has to ensure that the company follows accounting standard setting by Federation of Accounting Professions.

2. Special Transaction

When SMT assigns audit committee to provide opinions about reasonableness of transactions which the audit committee does not have expertise in consideration of potential related transaction, the company would assign experts such as accountants or independent assessors or lawyers who are independent from the company and stakeholders to provide opinions. The experts' opinions would be used for audit committee and/or board of directors and/or shareholders' consideration regarding related transactions. Moreover, SMT would disclose related transactions in notes of financial statements reviewed by internal auditors.

Contingencies and Commitments

As of June 30, 2009, the company and its subsidiary have potential contingencies and commitments as follows:

1. **Litigation** During Q3 2007, the company was sued by former director for criminal defamation because the company no longer hired the former director. The compensation asked by the former director in civil case was as follows:
 - A) For defamation case: 30,000,000 Baht.
 - B) For losing revenues during working age until 70 years old: 60,606,000 Baht. After deducting compensation required by labor law and already received by the former director with amount of 3,174,600 Baht, the final amount is 57,431,400 Baht.
 - C) For losing opportunity of business operation and benefits such as purchasing SMT's stock at lower than market price, special bonuses, etc when the company is listed in SET: 120,000,000 Baht

The company already filed statement to civil court. Currently, the civil court gave an order to temporarily stop considering this case until criminal case finishes since this civil case relates to the above criminal case.

Please follow the detail in [Litigation](#).

2. Long-term Service Contract

A) SMT continued the contract with a financial advisory firm with fee of 750,000 Baht which separated into 3 installments. The payment would depend on the ability of such advisor to assist SMT to be listed in SET within required period and conditions specified in the contract. The company already made first and second payments in October 2007 and June 2008 respectively.

B) SMT made a contract with a financial advisory firm for the period from February 2009 to February 2010 under the condition that SMT makes monthly fee payment for advisory with rates specified in the contract and fee payment for arranging loan and/or arranging funds for increased paid-up capital with rate and during the period specified in the contract.

3. Investment Commitment

As of June 30, 2009, SMT had commitment regarding payment of 2.2 million baht which relates to renovation of office buildings and purchase of software.

4. Operating Contract

As of June 30, 2009, SMT had commitment for automobile operating-leased payment within one year with amount of 0.3 million baht.

5. Guarantee

As of June 30, 2009, SMT had a guarantee, which was issued by a bank under the company name, for usage of electricity with unused amount of 7.6 million baht.

Risk Factors

1. Risk from Short Life Cycle of Some Microelectronics Module Assembly Product

SMT provides service of Microelectronics Module Assembly, and some electronic products might change frequently with short life cycle of approximately 1 year. Technology is the selling point of these products, so product and technology's developments are essential for satisfying user's demands and more intense competition. Therefore, SMT has to invest in machines and new technologies and develop human resource to cope with dynamic technologies.

2. Risk from Changes in Economics and SMT's Operating Profits

Microelectronics Module Assembly Business responds sensitively to the world's electronic industry. Changes in operating profits could be from many causes such as changes in customer's demands and orders, ability to control production's cost, and overall economics. However, since the company has been in the business for more than 10 years and expanded business to the point to have economies of scale resulting in lower fixed cost per unit, SMT's operating profits become more stable. Besides, the company has diversified its product and customer's base to reduce risk from changes in product from each customer.

SMT sales has been partly affected by the slowdown in the global economy and the electronics industry. Despite the slowdown in Q3 or 2008, but with the increase in orders from existing clients and the mass production of new products, SMT operating results has continued to increase in 2008 with a 4.1% increase in revenue from sales and service from 2007. However, in Q1 of 2009, the hard disk manufacturing company decreased their orders resulting in a decrease in revenue from sales and

service of 28% and decrease in gross profit of 16% from Q1 2008. In the the first half of 2009, the economy improved resulting in increase in orders with revenue from sales and service increasing 25% and gross profit increasing 9% from the first half of 2008. However, if the economy worsen in the future, the company's operating performance may be affected.

3. Risk from Having Revenue Depend on Few End-Clients

The company earned revenues from Microelectronics Module Assembly service with the principal client which is the hard disk manufacturing company 84.6% and 78.4% of total revenue in 2008 and H1 2009 respectively. However, since SMT has to order high valued raw material from the hard disk manufacturing company, the sales revenue from this client is high correspondingly. However, if consider from value added (calculated by sales minus raw material cost), SMT's revenues depend on more than 6 end-clients which are Hard Disk Manufacturing Company, Fables Company, ON Semiconductor, GE Sensing, EM Microelectronics (Swatch Group), and ELMOS. The value added from these companies were 93% and 89% of total value added from sales in 2008 and H1 2009 correspondingly. Therefore, SMT's operating profit could be affected if an end-client cancels, changes, or postpones orders or if something affects the end-client's operating result negatively. However, SMT tries to find new clients to decrease dependencies on these end-clients by continually marketing to new potential customers. Therefore, the company has reduced dependencies on main clients by having new customers and increased order from other customers. The value added from the first 3 biggest clients in 2008 and H1 2009 were 79% and 77% respectively. SMT's VA for the biggest customer in 2008 and H1 2009 were 32% and 44% respectively.

4. Risk from Competition in Electronic Industry

Electronic Industry has intense competition in terms of price and quality of products. Producers from China increasingly get in this business and they have competitive advantages for labor and raw material costs. Therefore, price strategy becomes a main factor in competition and reduces overall profits of the industry. Moreover, many producers try to reduce cost by reducing quality of raw materials or moving to countries with lower labor costs. Consequently, if the industry's growth slows down while producers increase and/or capacities increase, these factors will increase price competition which would affect negatively to SMT's operation and profit.

SMT emphasizes on products with high quality and appropriate prices for high-end clients who give priority to quality. Therefore, the company might be less affected from increased competition than producers who are in lower market segment. Moreover, SMT has jointly done research, designed, and developed new electronic products (Joint Innovation) with clients who would also be responsible for expenses. The products from joint innovation would make client use SMT's service in long term. With all the stated reasons, the company believes that it could handle increased competition in the future.

5. Risk from High Investment Cost

Since electronic industry has intense competition, SMT has to focus on strategy of product differentiation. By using high technological machines for production, the company has high-valued investment. The investments for the second plant in 2005, 2006, 2007, and 2008 were 602 million baht, 319 million baht, 206 million baht, and 219 million baht respectively. However, SMT estimates that future investment should not be of high value as in the past since the company already invested in machines and equipments for the second plant during 2005-2008. During the first 6 months of 2009, SMT invested 29.2 million baht which decreased from amounts in the past. Moreover, in order to make

investment coincide with business expansion's plan, the company has set clear approval process for machines and equipments. In addition, justification report is required for high-valued machines in order to assess necessity of purchasing these equipments.

6. Risk from Financial Liabilities and Change in Interest Rates

The company has relatively high interest payment. In 2008 and H1 2009, SMT made interest payment of 100.6 million baht and 39.8 million baht respectively. The payment affected materially to the company's ability to generate operating profits. Moreover, the company has to bare risk if interest rates change since the company has floating interest rate for long term loan which used for building plants and purchasing machines, and as of June 30, 2009, the loan amount was 362.6 million baht. In addition, the company has another loan from a bank for building plants and office with total amount of 835 million baht and outstanding balance of 321.7 million baht in the end of June 2009. The loan's interest rate has changed according to conditions specified in loan contract from fixed rate at 3.75% p.a. during year 1-3 to floating prime rate in year 4, which was changed in early 2007, and floating prime rate minus 0.5% p.a. in year 5-6. Such changes in interest rates might increase interest payment from last year and could affect future operating profits. The remaining long term loan's outstanding balance of 40.9 million baht has regular floating interest rate and does not change to step-up interest rate.

Furthermore, the company also bears risk of paying back long term loan on time. According to a contract with a bank, during year 1-3 the company does not have to pay back principal amount so the first principal payment was in the end of 2006. Therefore, during 2005 to 2006, SMT did not have much liability but in 2007 the company had to make first principal payment. However, the company had another agreement with the bank to postpone the payment and this amount would be averaged with remaining balance which would begin in Q2 2009. However, since the company wanted to decrease short term loan and stabilize the ratio of long term loan, SMT negotiated with the bank to postpone the payment for one more year in order to use operating cash flow to pay back the short term loan. The bank agreed with a condition of not allowing the company to pay dividend unless it is approved by debtor, or the company is listed on SET. Therefore, the company would have higher liability in 2009 than that in 2008. The total payment amount is 446.6 million baht, and the company made a payment of 144.4 million baht for the first 6 month period of 2009 according to payment schedule. Since SMT had profits from improved operation and did not invest much, coupled with the fact that the bank agreed to postpone principal payment, the company did not have liquidity problem. Therefore, operating cash flow would be used to make principal and interest payments, and it is estimated to be sufficient for both types of payments according to the schedule.

However, if future operating profit decreases significantly, the company might incur a problem regarding payment. The company might need to use short term loan to solve liquidity problem and might incur risk due to mismatch asset's life and capital as in the past that the company had current liability more than current asset. SMT realized this risk and is negotiating with debtor to convert short-term loan to long-term loan. However, if the agreement could not be reached, the company still has significant amount of credit line left and could continually use overdraft and short-term loan. The company has credit line for short-term loan with 6 banks with the total credit line of 1,600 million baht. As of June 30, 2009, the company drew only 972.7 million baht.

The company planned to use proceeds from IPO for debt repayment which would decrease liability for principal and interest payments and debt to equity ratio. Moreover, the company also manages interest

rate risk by finding financial sources with low interest rates and changing capital structure to match with financial capital, thereby increasing liquidity, decreasing interest payment, and reducing risk if interest rates in the future changes. Furthermore, the company studies financial tools such as Interest Rate Swap to manage interest rate risk especially risk from floating rate.

7. Risk from Changes in Exchange Rate

The company does not have a policy for exchange rate speculation. Since the company's business operation has both imported raw materials and exported product abroad with transaction quoted in US Dollar, changes in exchange rates would have a direct impact on business operation. However, since the company purchases raw materials and sells product in foreign currency, the company could reduce exchange rate risk by natural hedge. The company has revenues and expenses in foreign currency with relatively equivalent amount. Therefore, the company bears low exchange rate risk. In 2006, 2007, and 2008, the company had profits (losses) from exchange rate with amount of 1.0 million baht, 18.0 million baht, and (40.7) million baht corresponding to 0.01%, 0.15%, and (0.34%) of sales revenues respectively. For the first 6 month of 2008, the company had profit from exchange rate of 21.5 million baht which is 0.46% of sales revenue. Besides, the company tries to reduce exchange rate risk by monitoring on changes in foreign exchange market. Moreover, the company also uses financial tools to manage changes in exchange rate. When the company realizes revenue/ expense in foreign currency but it is not the time for raw material payment, SMT would do foreign exchange contract to eliminate risk, depending on cases.

Litigation

As of July 15, 2009, the company has ongoing litigation which could affect the company's asset more than 5% of shareholder's equity as follows:

On July 24, 2007 and August 24, 2007, the company and the company's president were sued by a former director, an accuser, at the Ayutthaya criminal court under defamation case and at civil court in relation to the criminal case. The accuser demanded for damage payment of 207,431,400 million baht. The cause of this accusation arose from the point that the company, with written statement on June 25, 2007, no longer hired this director. However, the director did not accept the company's notice, so the company posted this notice on the company's announcement board which located within the office to inform the former director.

For criminal case, Ayutthaya court of first instance announced the verdict on September 30, 2008 that even though the former director's behavior actually violated the company's standards and rules under Section 7, the standards and rules of work and punishment, and the company used this violation as a ground for termination, it still could not justify that posting termination statement on the company's board is an action of self-protection. Therefore, the court ruled that the defendant was guilty according to criminal law Section 328 appurtenant to the Section 83, and pay for the damage with amount of 100,000 baht. However, the company and the company's president has appealed the case, and the case is under consideration of Court of Appeals.

For civil case, the company and the company's president already filed statement to court. Currently, the civil court ordered to temporarily stop this case in order to wait for criminal case's result since this civil case has relation with the criminal case. Therefore, the consideration for this civil case has to wait for the criminal case to finish.

However, the company's above-mentioned action followed the labor law and honestly stated truth and did not violated the truth. Under the consideration of Criminal Court for the criminal case, the court believed the point that the company's statement for termination or causes of termination were the truth. The court's judgment for this part is beneficial to the company for civil case, which the former director sued and demanded damage payment in case of defamation, because this part is a civil case that relates to the criminal case. Under Thai Law, for the civil case, civil court has to follow facts specified in criminal court's judgment. In addition, the announcement statement of facts does not violate civil law. For other demands regarding termination, the company believes that it has sufficient facts to refute the accusation. Moreover, some demands do not based on facts and are without legal grounds.

No. of Employees

As of June 30, 2009, the number was 2,037 employees

Company Background

Stars Microelectronics (Thailand) Public Company Limited ("the Company") was incorporated on December 22, 1995 by (1) Management Group (2) Technology Application (Thailand) Co., Ltd. ("TATL") (3) Itochu Corporation and (4) Multichip Assembly Inc. for Electronics Manufacturing Services or EMS. The Company had initial registered and paid-up capital of 45 million baht. In 1998, the Company restructured shareholding and increased capital, and Mr. Somnuk Chaikul's Group bought all the shares that TATL held. In addition, in the same year SIIX Singapore Pte. Ltd. became the Company's shareholder and held 7% of total paid-up capital. Furthermore, in 2004 the Company offered Employee Stock Ownership Plan to directors and employees so that on July 14, 2009 the Company's major shareholders were (1) Mr. Somnuk Chaikul Group, (2) Management Group, and (3) Strategic Partner Group, holding 56.52%, 18.45%, and 13.66% respectively.

The Company's essential changes and development are as follows:

- | | |
|----------------|---|
| Before
1998 | <ul style="list-style-type: none"> ▪ The Company cooperated with GE Sensing in the US. to pioneer and develop Micro-Electro-Mechanic Systems (MEMS) for Tire Pressure Monitoring System or TPMS in automotive industry so that it could be done for mass production |
| 1998 | <ul style="list-style-type: none"> ▪ The Company used FCOG (Flip Chip on Glass) and FCOF (Flip Chip on Flexible Circuit) for producing and assembling LCD Module |
| 2002 | <ul style="list-style-type: none"> ▪ The Company registered and changed to be public company limited with title "Stars Microelectronics (Thailand) Public Company Limited" on July 20, 2002 ▪ The Company changed par's value from 10 baht per share to 5 baht per share ▪ The Company increased its paid-up capital from 182.50 million baht to 273.75 million baht by issuing common stock of 18.25 million shares (par value of 5 baht) and the existing shareholder received 1 new share per 2 existing shares. |
| 2004 | <ul style="list-style-type: none"> ▪ Operation of Plant 2 began in January 2004 on area of 13 Rais ▪ Annual General Meeting no. 1/2004 on July 27, 2004 had following resolutions <ul style="list-style-type: none"> - Decreased registered capital from 408.75 million baht to 273.75 million baht by canceling unpaid, common stock of 27 million shares - Provided existing shareholders with dividend share with ratio of 1 new share per 5 existing shares - Increased registered capital from 273.75 million baht to 463.50 million baht by |

issuing common stock of 37.95 million shares with par value of 5 baht per share to (1) prepare for allocating common stock of 10.95 million shares for existing shareholders in form of dividend stock (2) offer common stock (Employee Stock Ownership Plan or ESOP) of 3.65 million shares for directors and employees and (3) offer common stock (IPO) of 23.35 million shares for investors and if there were shares left from ESOP, board of directors could offer those shares to public investors

- In April 2004, the Company offered common stock of 3,297,870 shares at 5.40 baht per share and total amount of 17.8 million baht to directors and employees and changed paid-up capital from 328.50 million baht to 344.99 million baht with Ministry of Commerce on April 23, 2004
 - The Company began producing Hard Disk Drive with one of the world's leading company
 - The Company established marketing representative abroad which was Stars Microelectronics USA, Inc. in Silicon Valley, California, USA
- 2005
 - The Company expanded business to IC Packaging for standard package in order to diversify the Company's risk in terms of revenue structure
 - The Company jointly developed and designed product with its client which was a fabless company for TouchPad on notebook computer and Touch Screen on mobile phones
- 2006
 - The Company began operation in Plant 2 which its usage area of 22,000 square meters and initial capacity of 550 million pieces per year
 - The Company cooperated with Smart Electronics Company in Germany for marketing channel in Europe
- 2007
 - Extraordinary General Meeting no. 2/2007 on September 10, 2007 had following resolutions
 - Decreased registered capital from 463.50 million baht to 344.99 million baht by canceling unpaid capital of 23.70 million shares
 - Provided existing shareholders with 3 new shares per 5 existing shares
 - Increased registered capital from 344.99 million baht to 736.00 million baht by issuing common stock of 78.20 million shares with par value 5 baht per share to (1) prepare for allocating common stock of 41.40 million shares for existing shareholders in form of dividend stock (2) offer common stock of 36.50 million share for public investors (IPO)
 - The Company jointly developed Clear Pad Sensor with a fabless company with highest technology for Smart Phone
 - The Company jointly developed Micro-Electro-Mechanic Systems (MEMS) for medical equipment with GE Sensing
- 2008
 - Extraordinary General Meeting no. 1/2008 on January 15, 2008 had following resolutions
 - Changed par value from 5 baht per share to 2 baht per share by increasing registered shares from 147,200,000 shares to 368,000,000 shares
 - Changed number of IPO shares from 36,800,000 shares with par value of 5 baht per share to 92,000,000 shares with par value of 2 baht per share
 - The Company jointly developed MEMS for side airbag with ELMOS Semiconductor AG
 - The Company jointly developed MEMS for Diesel Fuel Tank Pressure Sensor with BOSCH GmbH
- 2009
 - On January 20, 2009, the Company purchased additional 8 million shares in Stars

Microelectronics USA, Inc so that currently Stars Microelectronics USA, Inc. was a subsidiary of the Company, which held 59% of paid-up capital. The Company began doing consolidated financial statement in Q1 2009

- The Company jointly developed Intelligent Care with Citala

Investment in Subsidiary

As of June 30, 2009:

Name	Type of business	Paid-up capital	% shareholding	Investment cost
Stars Microelectronics USA, Inc.	Marketing	USD 20,000	59	0.429279

Unit: million baht

Change in Capital in the last 3 years

Date	Capital increase (decrease)	After the increase (decrease)	Note
10/9/2007	207.01	552.00	Stock Dividend
21/9/2009	184.00	736.00	IPO shares of 92 million shares

Unit: million baht

Accounting Period

1 January – 31 December

Auditor

Fiscal Year 2006-2007, Mr. Narong Puntawong, Ernst & Young Office Limited

Fiscal Year 2008- 6 month 2009, Mr. Supachai Panyawattano, Ernst & Young Office Limited

Registrar

Thailand Securities Depository Company Limited

Financial Advisor

TISCO Securities Company Limited

Dividend Policy

SMT has a dividend policy of paying 40% of net profit after tax and deducting reserved amount required by law. The Company's board of director has authority to not follow the policy or to change the policy from times to times under the condition that such operation would maximize shareholders' benefits such as use as loan payment's reserve, use as investment to expand capacity, or use as reserve when market condition changes which could affect the Company's future cash flow.

On August 7, 2009, the Board of Directors considered and agreed in principle to pay interim dividend of 0.14 baht per share, based on the operating result for the first half of 2009.

The payment of the dividend would be subject to the following conditions:

- (1) The initial public offering of shares is completed.
- (2) The Company's shares are listed on the SET.
- (3) The next BOD meeting in August is convened to consider and confirm such dividend payment plan.

If the BOD meeting confirm and approve as proposed above, all shareholders of the Company (including investors in this share offering) whose names are shown in the share registration book at the book closing date will be entitled to receive such dividend. The book closing date will be determined by the board of directors in the future.

B.O.I. Certificates

The Company received rights and benefits from B.O.I. board of directors according to Investment Promotion Act B.E. 2520 to operate business for 2 papers with B.O.I. board of director's approval under certain conditions. The Company received tax benefits as follows:

- | | |
|---|--|
| - Date of Approval | September 29, 2004 |
| - B.O.I. Certificate | No. 2057(4)/2547 as of December 16, 2004 |
| - Revised Certificate | No. Aor Kor 0906/005845 as of March 29, 2005
No. Aor Kor 0906/015080 as of July 5, 2006
No. Aor Kor 0906/015444 as of June 28, 2007 |
| - Type of Business received Promotion | Production of Integrated Circuit and LCD Module and assembly of PCBA type 5.5 Production of parts or equipments related to electronic products |
| - Summary of Rights, Benefits, and Conditions | <ul style="list-style-type: none"> ▪ Exemption of corporate income tax for net profit generated by promoted business for 8 years, beginning from the day of generating profit from such business (The exemption would end on December 8, 2013). In the case of generating net loss during the exemption of corporate income tax period, the company could deduct the loss occurred from future net profit, not exceeding 5 years after the end of tax exemption period, and the company could choose to deduct the loss from net profit in certain years or many years. ▪ Exemption of adding dividend generated from promoted business into calculation of corporate income tax during the period of exemption of corporate income tax. ▪ Registered capital must not less than 463.50 million baht ▪ Capacity <ul style="list-style-type: none"> IC 656,000,000 pieces per year LCD Module 17,000,000 pieces per year PCBA 80,000,000 pieces per year (operating hour 21 hours daily, 300 days annually) ▪ Must located in Bang Pa-In Industrial Estate, Ayudhaya and could not move to other locations for 15 years from the first day of operation |
| - Date of Approval | March 1, 2006 |
| - B.O.I. Certificate | No. 1386(4)/2549 as of April 11, 2006 |
| - Revised Certificate | No. Aor Kor 0906/013806 as of June 8, 2007
No. Aor Kor 0906/016064 as of July 4, 2007 |
| - Type of Business received Promotion | Production of electronic parts such as PCBA, Touch Pad Module and Optical Mouse Sensor and IC Product |
| - Summary of Rights, Benefits, and Conditions | <ul style="list-style-type: none"> ▪ Exemption of corporate income tax for net profit generated by promoted business for 8 years, beginning from the day of generating profit from such business (The exemption would end on April 30, 2015). In the case of generating net loss during the exemption of corporate income tax period, the company could deduct the loss occurred from future net profit, not exceeding 5 years after the end of tax exemption period, and the company could choose to deduct the loss from net profit in certain years or many years. ▪ Exemption of adding dividend generated from promoted business |

into calculation of corporate income tax during the period of exemption of corporate income tax.

- Must have training expense for Thai employees not less than 1% of salary and payroll payments for Thai and foreign employees during the first 3 years
- Registered capital must not less than 463.50 million baht
- Capacity

IC	24,000,000 pieces per year
Electronic Parts	45,000,000 pieces per year
(operating hour 21 hours daily, 300 days annually)	
- Must located in Bang Pa-In Industrial Estate, Ayudhaya and could not move to other locations for 15 years from the first day of operation except receive approval from board of directors

No. of Shareholders

As of September 21, 2009,

	No. of shareholders	No. of shares	% of paid-up capital
1. Strategic shareholders			
1.1 Directors, manager, and executive management including related persons and associated persons	19	122,002,944	33.14
1.2 Shareholders who have a holding of above 5% including related persons	3	69,050,463	18.76
1.3 Controlling Shareholders	-	-	-
2. Non-Strategic shareholders hold \geq 1 trading unit	1,143	176,946,593	48.08
3. Non-Strategic shareholders hold $<$ 1 trading unit	-	-	-
 Total Shareholders	 <u>1,165</u>	 <u>368,000,000</u>	 <u>100.00</u>

Major Shareholders

As of September 21, 2009

Name	After IPO		Before IPO	
	No. of shares	% of Paid-up Capital	No. of shares	% of Paid-up Capital
1. Mr. Somnuk Chaikul Group/1	156,567,763	42.55	156,037,763.00	56.54
1. Mr. Somnuk Chaikul	24,999,629	6.79	24,999,629	9.06
2. Ms. Suthiluck Chaikul	23,100,790	6.28	23,100,790	8.37
3. Ms. Oranuch Chaikul *	18,000,000	4.89	17,500,000	6.34
4. Mr. Piboon Wailikit	12,095,813	3.29	12,095,813	4.38
5. Mr. Saran Chaikul	10,125,133	2.75	10,125,133	3.67
6. Ms. Pinyawadee Wongsatavorn	5,760,178	1.57	5,760,178	2.09
7. Ms. Pinyaporn Wongsatavorn	5,760,178	1.57	5,760,178	2.09
8. Ms. Puangporn Wongsatavorn *	30,000	0.01	-	-
9. Ms. Pintas Chaikul	5,040,155	1.37	5,040,155	1.83
10. Ms. Patson Chaikul	5,040,155	1.37	5,040,155	1.83
11. Ms. Panida Chaikul	5,040,155	1.37	5,040,155	1.83
12. Mr. Prompong Chaikul	4,800,148	1.30	4,800,148	1.74
13. Ms. Chalongrat Wailikit	3,920,120	1.07	3,920,120	1.42
14. Mr. Petch Wailikit	1,108,078	0.30	1,108,078	0.40
15. Mrs. Poonpun Chaikul	400,013	0.11	400,013	0.14
16. WINKEY HOLDINGS LIMITED	31,347,218	8.52	31,347,218	11.36
2. Mr. Pitak Sirivannasandha Group	24,598,738	6.68	23,688,738	8.58
1. Pitak Sirivannasandha	4,176,130	1.13	4,176,130	1.51
2. Miss Siriporn Kanchana	3,672,113	1.00	3,672,113	1.33
3. Mr. Teerawat Sirivannasandha	2,880,090	0.78	2,880,090	1.04
4. Mrs. Pattana Sirivannasandha	2,880,090	0.78	2,880,090	1.04
5. Mr. Peeradech Sirivannasandha	1,440,045	0.39	1,440,045	0.52
6. Mrs. Pattareeya Tienthavorn	1,440,045	0.39	1,440,045	0.52
7. Mrs. Pornpat Ratanaprattaporn	1,440,045	0.39	1,440,045	0.52
8. Mr. Jessada Sirivannasandha	1,440,045	0.39	1,440,045	0.52
9. Mr. Ron Sirivannasandha *	2,040,045	0.55	1,440,045	0.52
10. Ms. Naruporn Sirivannasandha	1,440,045	0.39	1,440,045	0.52
11. Ms. Saranya Sirivannasandha *	1,750,045	0.48	1,440,045	0.52
3. Itochu Corporation	19,260,595	5.23	19,260,595	6.98
4. SIIX Singapore PTE. Ltd.	18,442,650	5.01	18,442,650	6.68
5. Mr. Chong Kwen Sam Group	13,720,423	3.73	13,720,423	4.97
1. Mr. Chong Heng Kang	11,920,368	3.24	11,920,368	4.32
2. Ms. Ng Geok Choo	1,800,055	0.49	1,800,055	0.65
6. Mr. Prasert Yunibhand Group	7,956,245	2.16	7,956,245	2.88
1. Mr. Prasert Yunibhand	3,732,115	1.01	3,732,115	1.35
2. Mrs. Jintana Yunibhand	4,224,130	1.15	4,224,130	1.53
7. Mr. Polsak Lertputipinyo Group	7,146,248	1.94	7,146,248	2.59
1. Mr. Polsak Lertputipinyo	6,621,248	1.80	6,621,248	2.40
2. Ms. Pataraporn Lertputipinyo	525,000	0.14	525,000	0.19
8. Mr. Kangwan Wongduanrasami Group	3,701,048	1.01	2,030,048	0.73
1. Mr. Kangwan Wongduanrasami	2,321,045	0.63	750,045	0.27
2. Mr. Chamnan Wongduanrasami	1,380,003	0.38	1,280,003	0.46
9. Mr. Siripong Ngarmkertkul Group	2,710,000	0.73	160,000	0.06
1. Mr. Siripong Ngarmkertkul	2,400,000	0.65	-	-
2. Ms. Nattaporn Ngarmkertkul	160,000	0.04	160,000	0.06
3. Mr. Chotipong Ngarmkertkul	100,000	0.03	-	-
4. Mr. Graisorng Ngarmkertkul	50,000	0.01	-	-
10. Others	113,896,290	30.95	27,557,290	9.98
Total	368,000,000	100	276,000,000	100.00

Note 1: Mr. Somnuk Chaikul's Group consists of Chaikul Family, Wailikit Family, Wongsatavorn Family, and Winkey Holdings Limited. Wailikit Family is the family of Mr. Somnuk Chaikul's wife. Wongsatavorn Family is the family of Mr. Somnuk Chaikul's sister. Winkey Holdings Limited is a company registered in British Virgin Islands with the ultimate shareholder being 2 foreigners who are Mr. Somnuk Chaikul's friends. These groups may vote in the same direction.

Note *: People who were IPO shares were allocated to which are not restricted person according to the announcement of the Securities and Exchange Commission.

Foreign Shareholders

As of September 21, 2009

No. of foreign shareholders 16

Total no. of shares held 88,279,524 or 23.99 % of paid-up capital

Note: The company has no limitation on the percentage of equity shares held by foreign shareholders as stated in the article of association clause 6: "The shares of the company may be freely transferred without restriction."

Board of Directors As of September 21, 2009 the Board of Directors consists of:

Name	Position	Date of Appointment
1. Mr. Somnuk Chaikul	Chairman/Chairman of the Board of the	16 May 1998
2. Mr. Pitak Sirivannasandha	Executive Directors/Vice Chairman	1 January 1998
3. Miss Sutiluk Chaikul	Director	27 September 2007
4. Mr. Polsak Lertputipinyo	Director/Chief Executive Officer	19 August 2006
5. Mr. Tetsuo Tsujimoto	Director	30 April 2007
6. Mr. Chong Kwen Sam	Director/Chief Procurement Officer	10 December 2002
7. Mr. Dheerasak Suwannayos	Independent Director/Chairman of the Audit Committee	17 June 2002
8. Mr. Prasert Yunibhand	Independent Director/Audit Committee	17 June 2002
9. Assoc. Prof. Dr. Preecha Jarunggidanan	Independent Director/Audit Committee	10 September 2007

Audit Committee

The extraordinary shareholders meeting No. 2/2002 held on 17 June 2002 passed a resolution appointing the audit committee.

Members of the audit committee

Chairman of the Audit Committee

Mr. Dheerasak Suwannayos

Audit Committee

Mr. Prasert Yunibhand

Audit Committee

Assoc. Prof. Dr. Preecha Jarunggidanan

Secretary

Miss Sunan Wongmutthavanich

Scope of duties and responsibilities

The audit committee has scope of duties and responsibilities as assigned by the Board of Directors as follow:

1. Review that the company has sufficiently and correctly prepared its financial statements
2. Review that the company has sufficient and efficient internal control and internal audit and consider the independence of internal control department as well as approve the transfer, termination of the function head of internal audit or other related departments.
3. Review that the company comply with laws of the Security Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) as well as other rules and regulations related to the company's business
4. Select and propose independent person who will be the Company's auditor and propose his or her compensation, including join meeting with the auditor without management attending at least once a year
5. Consider compliance of connected or conflict of interest transactions with the rules and regulations of the SET and SEC and assure the transactions are appropriate and provide the best interest to the company
6. Prepare an Audit Committee's report to be disclosed in the company's annual report. The report must be signed by the Chairman of the Audit Committee and composed of at least the following information:
 - i. Opinion regarding completeness and reliability of the Financial Report
 - ii. Opinion regarding the sufficiency of the internal control systems
 - iii. Opinion regarding compliance with laws of SEC, rules and regulations of SET and other related laws to the Company's business
 - iv. Opinion regarding appropriation of auditor
 - v. Opinion regarding conflict of interest transaction
 - vi. Number of Audit Committee meetings and participation
 - vii. Overall opinion or observation regarding practices of the Audit Committee according to the charter
 - viii. Other issues that should be disclosed to the shareholders which fall within scope, authority and responsibility as assigned by the Board of Directors
7. To perform any assignment by the Board of Directors that agreed upon by the Audit Committee

Listing Conditions

None

Silent Period

Shareholders, who own common shares before the company's public offering, holding 227,950,240 shares equaling to 61.94% of paid up capital after IPO certify to the Stock Exchange of Thailand that their shares will not be sold for the period of one year from the first trading date. Upon the expiry of 6 months period of the prescribed time, those shareholders will be allowed to sell of 25% of the total amount of shares prohibited for sale and the rest after one year.

SET's Relaxation

None

Others

Summary of Management Letter from Auditor for the year 2008

Auditor's Comments	Management's Explanation
1. Absence of report on slow-moving stock and lack of clear instructions for annual stock-take.	Presently, the company has set up the slow moving stock report on a monthly basis and reviewed by management regularly and will add the slow moving stock as one topic to discuss and report in the management operation meeting every week. Instruction for stock take will be set up within quarter 3 and will be implemented for 2009 yearly stock physical count.
2. Stock movements should cease during the physical inventory count. A summary of cut-off documents should be prepared before the stock-take.	Will be included in the instruction for stock take, which will be set up within quarter 3 and will be implementing for 2009 yearly stock physical count.
3. Standard product cost sheets should be updated.	Presently the product cost sheet is authorized on line by computerized system (Paper less project) and was successfully implemented last month. From this system the product cost sheets will be updated automatically.
4. Journal entries should be authorized before recording.	The accounting department was implementing this process since the beginning of this year. Unauthorized entry can be traced by journal transaction list in ERP system and strictly check by accounting manager.
5. Bank reconciliations should appear to have been dated by preparer and reviewer.	Finance department manager was designed to check the signature and the finished date for every bank reconciliations report since quarter 1 of this year.
6. Segregation of disbursement functions should be enhanced	The company hires new senior finance officer and reviewed the new responsibility as per auditors comment in quarter 2.
7. Payments should be made by crossed cheques and blank cheques should be crossed in advance	Finance department will implement this process in quarter 3
8. Insurance cover for fixed assets is insufficient	The insured amount was reviewed by management to cover at least the replacement value of fixed assets (as of March 2009)

STATISTICAL SUMMARY

Stars Microelectronics (Thailand) Public Company Limited

Year	----- in thousands -----		----- baht/share* -----			
	Revenue from sales and service	Net profit (loss)	Net profit (loss)	Dividend	Book value	Payout ratio (%)
2006	7,967,267	102,688	1.49	-	9.12	-
2007	11,652,961	197,673	1.79	3.00**	7.62	167.60
2008	12,127,274	200,944	0.73	-	3.78	-

For the period of 6 months ending June 30, 2009 (reviewed)	4,584,888	114,968	0.42	-	4.19	-
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* Par value 5 baht per share during 2006 – 2007, and 2 baht per share during 2008 – June 2009

** The company paid interim dividend for 2007 in the form of stock dividend at a ratio of 3 new shares to 5 original shares equivalent to 3 baht per share and a total of 207,010,650 baht

*** As of 31 December 2006 the company has a paid up capital of 68,997,870 shares at par value of 5 baht per share. As of 31 December 2007 the company has a paid up capital of 110,400,000 shares at par value of 5 baht per share. As of 31 December 2008, June 2008 and 2009, the company has a paid up capital of 276,000,000 shares at par value of 2 baht per share.

Stars Microelectronics (Thailand) Public Company Limited and Subsidiary

Year	----- in thousands -----		----- baht/share* -----			
	Revenue from sales and service	Net profit (loss)	Net profit (loss)	Dividend	Book value	Payout ratio (%)
2006	7,967,267	102,688	1.49	-	9.12	-
2007	11,652,961	197,673	1.79	3.00**	7.62	167.60
2008	12,127,274	200,944	0.73	-	3.78	-
For the period of 6 months ending June 30, 2009 (reviewed)	4,596,793	114,443	0.42	-	4.19	-

* Par value 5 baht per share during 2006 – 2007, and 2 baht per share during 2008 – June 2009

** The company paid interim dividend for 2007 in the form of stock dividend at a ratio of 3 new shares to 5 original shares equivalent to 3 baht per share and a total of 207,010,650 baht

*** As of 31 December 2006 the company has a paid up capital of 68,997,870 shares at par value of 5 baht per share. As of 31 December 2007 the company has a paid up capital of 110,400,000 shares at par value of 5 baht per share. As of 31 December 2008, June 2008 and 2009, the company has a paid up capital of 276,000,000 shares at par value of 2 baht per share.

Summary of Financial Statement

Stars Microelectronics (Thailand) Public Company Limited

Balance Sheet

For the year ending 2006-2008 and the first half of 2008-2009

(Unit: Baht Thousand)

	2006	2007	2008	30 June 2009
Assets				
Current Assets				
Cash and cash equivalents	685	9,785	843	140
Trade account receivable – Related parties	30,556	81,487	40,886	85,010
Trade account receivable – Unrelated parties	134,606	277,733	795,531	1,226,695
Less: Allowance for doubtful accounts	0	0	(578)	(480)

	2006	2007	2008	30 June 2009
Total trade account receivables	165,162	359,219	835,838	1,311,225
Account receivables from sales of property, plant and equipment	32,413	0	0	0
Inventories	680,967	773,373	869,466	531,504
Other current assets				
Income tax refundable	2,669	4,222	3,736	1,806
Accrued income	7,718	0	845	6,454
Others	5,605	5,754	5,501	8,795
Total Current Assets	895,217	1,152,353	1,716,229	1,859,925
Non-Current Assets				
Restricted bank deposits	8,853	9,013	9,093	9,111
Loans to other company	2,480	2,480	2,480	2,480
Investment in associated company	149	149	149	429
Property, plant and equipment – Net	2,254,450	2,288,367	2,262,887	2,160,456
Intangible assets	4,305	5,769	6,713	9,160
Other non-current assets	4,411	2,406	7,754	424
Total Non-Current Assets	2,274,648	2,308,184	2,289,077	2,182,060
Total Assets	3,169,865	3,460,537	4,005,306	4,041,985
Liabilities and Shareholders' Equity				
Current Liabilities				
Bank overdrafts and short-term loans from financial institutions	680,620	875,565	997,215	972,706
Trade account payable	611,942	657,644	1,212,409	1,361,894
Account payable – Machinery				
Related party	90,972	27,095	0	0
Unrelated party	33,591	36,240	86,437	14,588
Account payable – Others				
Related party	156	90	0	0
Unrelated party	50,046	52,054	57,055	46,374
Factoring payable	0	75,806	46,778	56,203
Current portion of liabilities under financial lease agreements, net of current portion	33,422	36,797	10,234	8,421
Current portion of long-term loans	270,614	328,934	446,596	231,920
Other current Liabilities				
Accrued expenses	21,973	14,299	18,819	15,396
Forward contract payable	10,691	610	0	19,826
Others	7,921	4,734	9,670	13,586
Total Current Liabilities	1,811,947	2,109,867	2,885,213	2,740,913
Non-Current Liabilities				
Liabilities under financial lease agreements, net of current portion	35,775	2,013	17,279	13,009
Long-term loans, net of current	692,757	506,988	60,392	130,673

	2006	2007	2008	30 June 2009
portion				
Total Non-Current Liabilities	728,532	509,001	77,671	143,682
Total Liabilities	2,540,479	2,618,868	2,962,884	2,884,595
Shareholders' Equity				
Share Capital				
Registered				
368,000,000 ordinary shares of Baht 2 each				
(31 December 2007 : 147,200,000 ordinary shares of Baht 5 each	463,500	736,000	736,000	736,000
Issued and fully paid up				
30 June 2009				
276,000,000 ordinary shares of Baht 2 each				552,000
30 June 2008				
276,000,000 ordinary shares of Baht 2 each				
31 December 2008				
276,000,000 ordinary shares of Baht 2 each			552,000	
31 December 2007				
110,400,000 ordinary shares of Baht 2 each		552,000		
31 December 2006				
68,997,870 ordinary shares of Baht 2 each	344,989			
Share premium	9,719	9,719	9,719	9,719
Revaluation surplus ^{/1}	0	14,712	14,712	14,712
Retained earnings				
Appropriated – Statutory reserve	21,371	31,244	41,291	41,291
Unappropriated	253,307	233,993	424,699	539,667
Total Shareholders' Equity	629,386	841,669	1,042,422	1,157,390
Total Liabilities and Shareholders' Equity	3,169,865	3,460,537	4,005,306	4,041,985

^{/1} In April 2007, arranged for an independent professional valuer to appraise its land using the market approach resulting in the company's revaluation surplus.

Stars Microelectronics (Thailand) Public Company Limited
Income Statement
For the year ending 2006-2008 and the first half of 2008-2009

(Unit: Baht Thousand)

	2006	2007	2008	30 June 2009
Revenues				
Sales and service income	7,967,267	11,652,961	12,127,274	4,584,888
Gain on exchange	995	17,955	0	21,483
Income from sale of fixed assets	0	10,288	11,229	3,004
Income from sale of scraps	1,273	3,163	6,773	3,941
Other income	7,969,780	11,685,328	12,145,556	4,613,317
Total Revenue	7,967,267	11,652,961	12,127,274	4,584,888
Expenses				
Cost of sales and service	7,734,506	11,301,109	11,686,780	4,406,363
Selling and administrative expenses	75,065	94,232	116,766	52,160
Loss on exchange	0	0	40,696	0
Total Expenses	7,809,571	11,394,305	11,844,242	4,458,523
Income Before Interest Expenses	160,209	291,023	301,314	154,794
Interest Expense	(57,078)	(93,453)	(100,561)	(39,826)
Income Tax	0	0	0	0
Income after Tax	103,132	197,571	200,753	114,968
Net Income for the Period	103,132	197,571	200,753	114,968

Stars Microelectronics (Thailand) Public Company Limited

Cash Flow Statement

For the year ending 2006-2008 and the first half of 2008-2009

(Unit: Baht Thousand)

	2006	2007	2008	30 June 2009
Net cash flow from operating activities	163,629	167,942	452,446	261,677
Net cash flow from investing activities	(493,466)	(268,721)	(185,474)	(102,911)
Net cash flow from financing activities	325,342	109,879	(275,914)	(159,470)
Net increase decrease in cash	(4,495)	9,101	(8,942)	(703)
Cash and cash equivalents at beginning of period	5,180	685	9,785	843
Cash and cash equivalents at end of period	685	9,785	843	140

Stars Microelectronics (Thailand) Public Company Limited and Subsidiary

Balance Sheet

For the year ending 2006-2008 and the first half of 2008-2009

(Unit: Baht Thousand)

	2006	2007	2008	30 June 2009

	2006	2007	2008	30 June 2009
Assets				
Current Assets				
Cash and cash equivalents	685	9,785	843	16,463
Trade account receivable – Related parties	30,556	81,487	40,886	1,244
Trade account receivable – Unrelated parties	134,606	277,733	795,531	1,291,292
Less: Allowance for doubtful accounts	0	0	(578)	(480)
Total trade account receivables	165,162	359,219	835,838	1,292,056
Account receivables from sales of property, plant and equipment	32,413	0	0	0
Inventories	680,967	773,373	869,466	538,199
Other current assets				
Income tax refundable	2,669	4,222	3,736	1,806
Accrued income	7,718	0	845	6,454
Others	5,605	5,754	5,501	8,795
Total Current Assets	895,217	1,152,353	1,716,229	1,863,773
Non-Current Assets				
Restricted bank deposits	8,853	9,013	9,093	9,111
Loans to other company	2,480	2,480	2,480	2,480
Investment in associated company	0	0	21	0
Property, plant and equipment – Net	2,254,450	2,288,367	2,262,887	2,160,456
Intangible assets	4,305	5,769	6,713	9,160
Other non-current assets	4,411	2,406	7,754	424
Total Non-Current Assets	2,274,498	2,308,034	2,288,949	2,181,631
Total Assets	3,169,716	3,460,387	4,005,178	4,045,404
Liabilities and Shareholders' Equity				
Current Liabilities				
Bank overdrafts and short-term loans from financial institutions	680,620	875,565	997,215	972,706
Trade account payable	611,942	657,644	1,212,409	1,365,141
Account payable – Machinery				
Related party	90,972	27,095	0	0
Unrelated party	33,591	36,240	86,437	14,588
Account payable – Others				
Related party	156	90	0	0
Unrelated party	50,046	52,054	57,055	46,374
Factoring payable	0	75,806	46,778	56,203
Current portion of liabilities under financial lease agreements, net of current portion	33,422	36,797	10,234	8,421

	2006	2007	2008	30 June 2009
Current portion of long-term loans	270,614	328,934	446,596	231,920
Other current Liabilities				
Accrued expenses	21,973	14,299	18,819	15,396
Forward contract payable	10,691	610	0	19,826
Others	7,921	4,734	9,670	13,586
Total Current Liabilities	1,811,947	2,109,867	2,885,213	2,744,161
Non-Current Liabilities				
Provision for loss from investment in associated company	284	173	0	0
Liabilities under financial lease agreements, net of current portion	35,775	2,013	17,279	13,009
Long-term loans, net of current portion	692,757	506,988	60,392	130,673
Total Non-Current Liabilities	728,816	509,174	77,671	143,682
Total Liabilities	2,540,763	2,619,041	2,962,884	2,887,843
Shareholders' Equity				
Share Capital				
Registered				
368,000,000 ordinary shares of Baht 2 each				
(31 December 2007 : 147,200,000 ordinary shares of Baht 5 each	463,500	736,000	736,000	736,000
Issued and fully paid up				
30 June 2009				
276,000,000 ordinary shares of Baht 2 each				552,000
30 June 2008				
276,000,000 ordinary shares of Baht 2 each				
31 December 2008				
276,000,000 ordinary shares of Baht 2 each			552,000	
31 December 2007				
110,400,000 ordinary shares of Baht 2 each		552,000		
31 December 2006				
68,997,870 ordinary shares of Baht 2 each	344,989			
Share premium	9,719	9,719	9,719	9,719
Revaluation surplus ^{/1}	0	14,712	14,712	14,712
Retained earnings	10	20	23	(13)
Appropriated – Statutory reserve				
Unappropriated	21,371	31,244	41,291	41,291
Total Shareholders' Equity	252,863	233,651	424,548	538,991
Total Liabilities and Shareholders' Equity	628,952	841,347	1,042,294	1,156,700
Total Non-Current Liabilities				861
Total Liabilities	628,952	841,347	1,042,294	1,157,562
Shareholders' Equity	3,169,716	3,460,387	4,005,178	4,045,404

^{/1} In April 2007, arranged for an independent professional valuer to appraise its land using the market approach resulting in the company's revaluation surplus.

Stars Microelectronics (Thailand) Public Company Limited and Subsidiary
Income Statement
For the year ending 2006-2008 and the first half of 2008-2009

(Unit: Baht Thousand)

	2006	2007	2008	30 June 2009
Revenues				
Sales and service income	7,967,267	11,652,961	12,127,274	4,596,793
Gain on exchange	995	17,955	0	21,483
Share of gain from equity method	0	102	0	0
Income from sale of fixed assets	245	961	280	0
Income from sale of scraps	0	10,288	11,229	3,004
Other income	1,273	3,163	6,773	3,941
Total Revenue	7,969,780	11,685,430	12,145,556	4,625,222
Expenses				
Cost of sales and service	7,734,506	11,301,109	11,686,780	4,408,451
Selling and administrative expenses	75,065	94,232	116,766	61,662
Loss on exchange	0	0	40,696	0
Share of loss from equity method	444	0	0	0
Total Expenses	7,810,014	11,395,341	11,844,242	4,470,113
Income Before Investment in Associated Company	159,765	290,089	301,314	155,109
Share of gain from equity method	0	0	191	0
Income Before Interest Expenses	159,765	290,089	301,505	155,109
Interest Expense	(57,078)	(92,416)	(100,561)	(39,826)
Income Tax	0	0	0	0
Income after Tax	102,688	197,673	200,944	115,284
Minority interest	0	0	0	841
Net Income for the Period	102,688	197,673	200,944	114,443

Stars Microelectronics (Thailand) Public Company Limited and Subsidiary
Cash Flow Statement
For the year ending 2006-2008 and the first half of 2008-2009

(Unit: Baht Thousand)

	2006	2007	2008	30 June 2009
Net cash flow from operating activities	163,629	167,942	452,446	275,343
Net cash flow from investing activities	(493,466)	(268,721)	(185,474)	(100,192)
Net cash flow from financing activities	325,342	109,879	(275,914)	(159,470)

Net increase decrease in cash	(4,495)	9,101	(8,942)	15,681
Cash and cash equivalents at beginning of period	5,180	685	9,785	843
Cash and cash equivalents at end of period	685	9,785	843	16,463

Prepared by

TISCO Securities Company Limited