

### 3. Business Nature

#### 3.1 Company Background and Development

Steel Intertech Public Company Limited (Company) was initially incorporated on August 6, 1993 under the name of Thitipat Serfpoint Company Limited, principally engaged in sole distribution of roll forming metal sheet products. In December 8, 1995 it was renamed to Steel Intertech Public Company Limited (Company). In the following year of 1996, Mr.Prasit Ounvorawong, holding a position of Vice President of the company acquired shares from the major shareholder and assumed the role of Managing Director. Since then, the company has expanded its operation and established a Roll Forming Plant to manufacture Roll Forming and diversified its products to manufacture and distribute walls, spandrels, louvers, truss and other supplementary. From the restructuring of management as well as a well plan marketing strategy directed by Mr.Prasit Ounvorawong, the company has been continuously prosperous with profit and business expansion.

#### Major Chang and Development

August 6,1993	“Thitipat Serfpoint Company Limited” was established with initial registered capital of 2 million baht for 20,000 shares at 100 baht par value, situated at 331-332 Moo 3, Suksawat 29 Rd., Ratburana, Bangkok 10400
December 8,1994	Renamed to Steel Intertech Company Limited
May 28,1995	Registered capital was increased from 2 millions baht to 2.4 million baht, with the objective of working capital
September 15,1995	Registered capital was increased from 2.4 million baht to 5.6 million baht, with the objective of working capital. Mr.Prasit Ounvorawong’s shareholding group (consisted of Mr.Prasit Ounvorawong, Mr.Thepsak Ounpitipongsa and Mr.Nat Whangmahaporn) collectively owned 38.39% of total shares.
November 10, 1995	“ROLLFORM” was registered as official brand name, which has been used on roll forming metal sheet products until present.
June 6,1997	Mr.Prasit Ounvorawong’s shareholding group (consisted of Mr.Prasit Ounvorawong, Mr.Thepsak Ounpitipongsa, Mr.Nat Whangmahaporn and Mrs. Kasemsri Wannarote) acquired further shares from existing shareholders, increasing the group’s shareholding ratio to 72.32%.
October 27, 1999	Registered capital was increased from 5.6 millions baht to 20.5 million baht, with the objective of

investment in roll form machinery and new plant construction.

October 29, 1999	Steel Intercon Company Limited was incorporated as a subsidiary to be engaged in installation services for roll forming metal sheet products. Steel Intercon registered capital of 1 million baht, 10,000 shares at 100 baht par value per share. The company owned 30% of shares in Steel Intercon. The main objective of established Steel Intercon is to separate products sales from installation services, which would allow the withholding tax to be paid only on the services.
September 13,2001	Head office and Plant were relocated to the present address of No. 8 Moo 15, Soi Kingkaew 11, Bangplee-yai, Bangplee, Samutprakarn 10540.
August 31,2004	Registered capital was increased from 20.5 million baht to 35.0 million baht, issued common shares of 145,000 shares, offered to the existed shareholders as per shareholding ratio, with the objective of capital.
September 30,2004	Cash investment of Steel Intercon at book value of 208 baht per share or in total of 624,000 baht was sold to Mr. Nat Whangmahaporn, a shareholder, for purpose of business dissolution (see details in transactions: part2 page 51). All pending contract installation projects were transferred, and all joint operations with this subsidiary were discontinued. The organizational restructure was aimed to reduce complexity of consolidated financial statements, reduced expenses incurred from financial statements auditing and increasing business transparency.
February 11,2005	Attainment of ISO 9001:2000 Certification for “Manufacture of Metal Sheet for Construction” from BVQI (Thailand) Ltd.
March 16,2005	Registered to be Public Company and announced share value of 1 baht at par.
May 6,2005	Registered capital was increased from 35.0 million baht to 50.0 million baht by issued 15 million common shares offered to public, and registered them on Thailand’s Market for Alternative Investment (MAI) with the permit no. Bor. 897/2548 on November 30, 2005. Stocks trading was launch on December 20, 2005
2006	Invested in roll form machinery – high curve mode (High-rip: V-750BL), with capacity of 3,400 tons per year or 600,000 sq. m. and high tensile purlin machinery for C and Z beam, with capacity of 2,000 tons per year. At the end of Q4/2006, expansion of plant area, expected to be completed in Q1/2007 to increase inventory space and to support sales growth in the future.

- 2007                      Company expanded factory area in Q2/2007 that increasing more space of storage to support the expansion of its sales in the future. The new profile “High rib” V-750 has been begun to manufacture in 3<sup>rd</sup> quarter of 2007 as well as the new office was built on the land next to the factory, expected to finish on the beginning of 2008.
- 2008                      The new office was built on the land plot next to existing factory, officially started opening since January 2008, by increasing more utility area and enable to support expanding growth in the future.
- 2009                      The company has begun providing new sources of raw materials that be cheaper in order to support to shrinking of market due to affected from the subprime mortgage segment of the United States in the end of year 2008.
- 2010                      In 2010, the Board of Director approved the merger with Solar Power Company Limited, which is operating in energy business as well as benefit in term of solar power plant in the future.

### 3.2 Overview of company’s business operation

The generally economic situation in year 2010, Thailand still faced many problems such as ; uncertainty politic as well as Thai baht was strong in middle year, these directly affected to export and import section. The unrest situation in the 3 southern provinces of the country has been still occurred now affected to overall economic situation in year 2010 was under in uncertain condition. The private section has begun investing in long-term assets resulted from rapidly strong of Thai baht effect to low cost of long-term investment, resulting the company’s turnover was satisfactory.

The company operates as manufacturer and distributor of building materials such as roll form roof and wall cladding of Aluzinc coated metal sheet and pre-painted COLORBOND as well as spandrel, shades, fence, louver, etc. These materials have the quality to prevent water leakage and erosion resistance, long life and corrosion provide warranty up to 30 years. The company has earning ratio of 90% of the total income from roll form coated roofing metal sheet. Additional, the company also has C&Z purlins which are produced by roll-forming from high tensile steel of G450 coated with zinc for rust protection. Both are suitable for steel structure for roofing or wall panel. The material is lighter, comparing to the one made from black steel. The dominant quality is light weight, quick to install by using screw instead of welding. The production of roll form coated roofing metal sheet High-rib. The high rib design is popular amongst Japanese industries. The company believes that the high rib profile will be competitive among Japanese factories in the local market because of the lower in price and the being amongst the early market entry, the company can gain greater market share than the late market entry. This also leads to the greater awareness of Steel Intertech amongst customers operating in Thailand. In additional, the company also offers other related building products, like pre-fabricated steel structure, and transparency roofing sheet, insulations, etc. The company’s customer base are industrial plants, both newly built and those under renovation of the roof. The company also sells through contractors, distributing agent and directly to project owners.

The company manufactures and distributes the roll form coated metal sheet and purlin made from high tensile steel C&Z purlins under the “ROLLFORM” trade mark. In 2005, the company was granted by Blue Scope Steel (Thailand) Co., Ltd. the use of logo “Steel Supplied by BlueScope Steel”. This is for the customers to have confidence in the materials with the same quality standard.

The operating in business in year 2010 increased from the previous year due to recovering of world trade factors and the flow of funds of investment as well. However, the company has to operate business with carefully due to uncertainty in political situation that may effect to the confidence of foreign investors to delay investing in Thailand which is a major barrier to development in other areas as well as facing material price fluctuation. In addition, the company tried to put effort to maintain the customer by focusing on services and closely provide the solution in order not to lose a chance for sailing, stimulating rapidly close the deal.

The direction of business development, the company focuses on the wide scope marketing, with introduction of new products concerned to develop its business as the Solution Provider, by seeking the new alliances via the presentation of new giant projects. The company is adjusted the distribution channel from selling products with installation via contractors. The company still maintains the main customers to distribute products via dealer. Currently there are 48 distribution agents, covering Bangkok and other areas. In the year 2010, the ratio of the distribution is 59 percent of all year sales increasing from year 2009 at 49.40 percent and the distribution via dealer ratio is 41 percent of all year sales.

In the long run, the company aims to develop to “One Stop Service” starting with negotiation with alliances both local and overseas. This is to support the joint business and to support the company in term of technology transfer in civil engineering design and architect, leading to the One Stop service in the future.

### 3.3 Revenue Structure

Revenue structure during fiscal year 2008-2010 are as follow;

Revenue Structure	Financial Statement					
	2008		2009		2010	
	Valued (Thousand Baht)	%	Valued (Thousand Baht)	%	Valued (Thousand Baht)	%
1. Revenues from Sales	223,173.80	61.42	148,316.25	50.14	145,105.14	45.88
2. Sales & Installation Services	136,947.41	37.69	144,810.43	48.96	166,330.22	52.59
3. Installation Services	-	-	-	-	-	-
4. Other Revenues	3,253.32	0.90	2,649.22	0.90	4,819.07	1.52
<b>Total Revenues</b>	<b>363,374.53</b>	<b>100.00</b>	<b>295,775.90</b>	<b>100.00</b>	<b>316,254.44</b>	<b>100.00</b>

### 3.4 Business Goals

Throughout our 16 years over presence in the industry, we have adopted business policy to be one of the leaders in the manufacturer, distribution, and installation of Aluzinc-coated roll forming metal sheet products, which are under the quality policy, **“Steel Intertech Public Company Limited is committed to delivery of quality and standard products to our customers with continuous improvement and highest customer satisfaction basis”**. Our business goal is **to increase market share in roofing material segment from 3% in 2004 to 8% by 2012**, which will be achieved through the deployment of the following strategies;

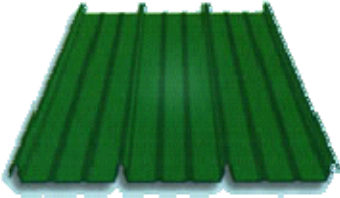

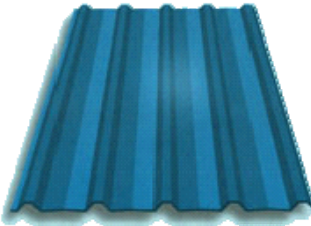
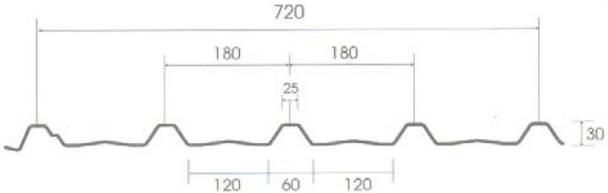

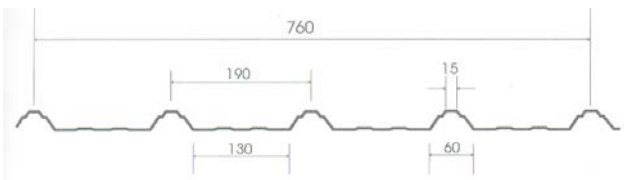
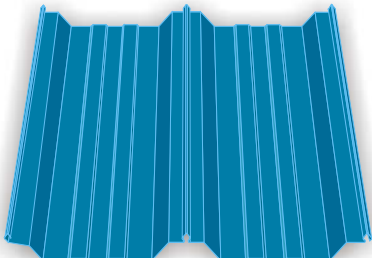
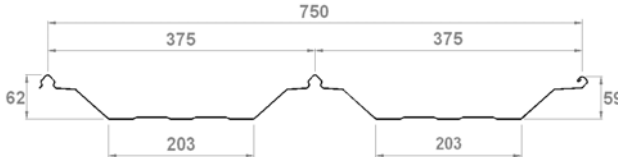
- (1) Focusing on product development by introducing new roll form profile and new product e.g. high tensile galvanized steel purlin, C and Z channel – a complimentary product to our core products, to provide fast and fully integrated customer service.
- (2) Developing from a single product sales presentation (Product Selling), to cluster products presentation to customers with integrated functionality in response to needs of project (Concept Selling). This approach enables our customers to gain maximized benefit from each purchase and simultaneously carves more market share for other products e.g. high tensile galvanized steel purlins and truss, with ultimate business development toward “Solution Provider”
- (3) Customer base Expansion: Particularly among Japanese end users who have been more receptive to Australian standard metal sheet products, by offered their preferred profile of high rip roll formed roof and wall cladding.
- (4) Continue improvement in Manufacturing: manufacturing efficiency is continuously improved with full compliance to ISO 9001: 2008 requirements. Improvement in management performance and managing our workforce through regular training. Safe workspace is maintained to ensure occupational health and safety favorable to work operations.
- (5) Focusing on private sector; the company has attained roofing steel sheet certification which is certified by T.I.S in the middle year 2009, enhancing a potential of its product to a standard that is widely accepted as well as expansion to the new customer in the future.

**3.5 Our core business classified by Product Line**

**3.5.1. Products and Services**

**3.5.1.1 Roll Forming Metal Sheet**

Steel Intertech Public Company Limited engages in manufacture and distribution of building material with specialization and expertise in roll forming metal sheet products, which are mainly roofing materials. Available roll formed profiles are as follow:

Model	Roll Form	Size (m.m.)
LOCK RIB V-680 BLH		
SAFE RIB S-720 B, S-720 BH		
ECON RIB E-760 B		
ROLL RIB V-750BL		

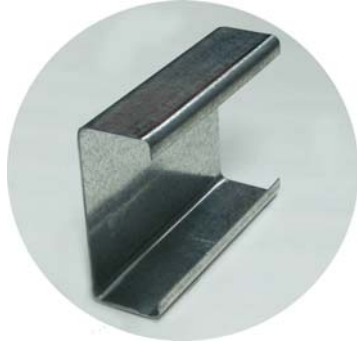
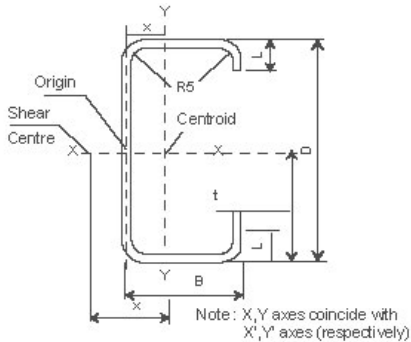
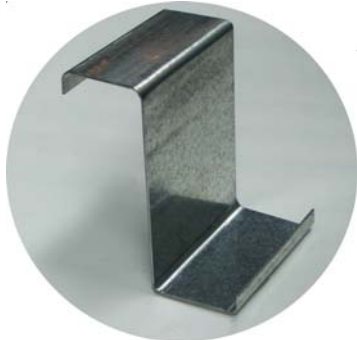
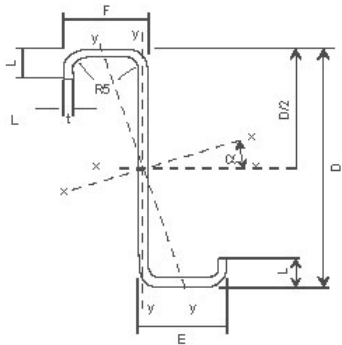
Apart from the above mentioned 4 profiles, we can also offering other profile specified by customers by acquire on loan machinery from our business alliance. However, the company is not regularly engaged to produce other profile. The case will be considered, based on order quantity and operation metal sheet.

In addition to its main application as roofing material, roll form can also be applied as building supplement materials e.g. wall, spandrel, fence, and louver. All of which, are available in various sizes and profile to meet customers' needs.

Roll forming metal sheet are leakage proof and heat resistance, making them ideal for roofing application in tropical Thailand. They also provide efficient light and heat reflection, hence, lowering the interior temperature in comparison with other conventional roof tiles. Its high protection against erosion allows it to stand well in hard erosive environment. Being light weight requires less supporting structures, therefore leads to saving on structural cost and installation time. Roll forming metal sheet can be freely formed into curved shape, thus allowing possible design variety and enhancing building elegance. Roll forming metal sheet products are made from durable material which carry a maximum warranty up to 30 years, four times higher than normal zinc coated sheet.

**3.5.1.2 High Tensile Galvanized Steel Purlins**

Apart from the Company's roll-formed metal sheet for roof and wall cladding, in 2006 the company also expands the product to include high tensile galvanized steel purlin. C and Z channel are made of zinc coated high tensile metal (G450), which are suitable for both roof supporting structure and wall supporting structure. Their weight is lighter than the normal beams. The parts are assembled by bolt and knots.

<b>Type of Purlins</b>	<b>Profile of Purlins</b>	
C Channel		
Z Channel		

Roll formed metal sheet and high tensile purlins “C” and “Z” channels are distributed under brand name “ROLLFORM” together with emblem “Steel Supplied by BlueScope Steel” of Blue Scope Steel, who is the company’s major supplier, to enhance the customer awareness of quality materials of international standard being used for our products.

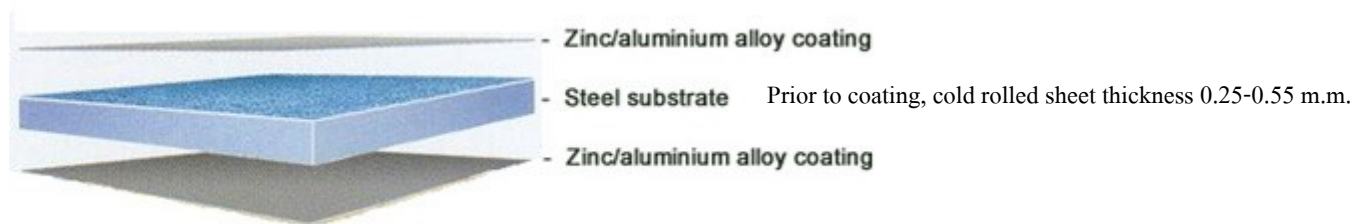
### Classification and Property of Metal Sheet

Roll formed metal sheet products use material of different classification; each has different technical property and therefore different warranty period. The materials come in 2 major classifications.

#### 1) Pre-coated Metal Sheet with Zinc/Aluminum alloy coating (Zincalume)

Manufactured from Cold rolled sheet coated with Zincalume, a composition of 55% aluminum, 43.5% zinc and 1.5% silicon, Aluminum provides protection against corrosion from chemical reaction between air and metal. Zinc provides protection against corrosion at cutting edges and scratched marks. These protection properties provide superior durability, company to ordinary zinc-coated metal sheet in the market.

#### Illustration: Coating Layer of Metal Sheet with Zinc/Aluminum alloy coating (Zincalume)

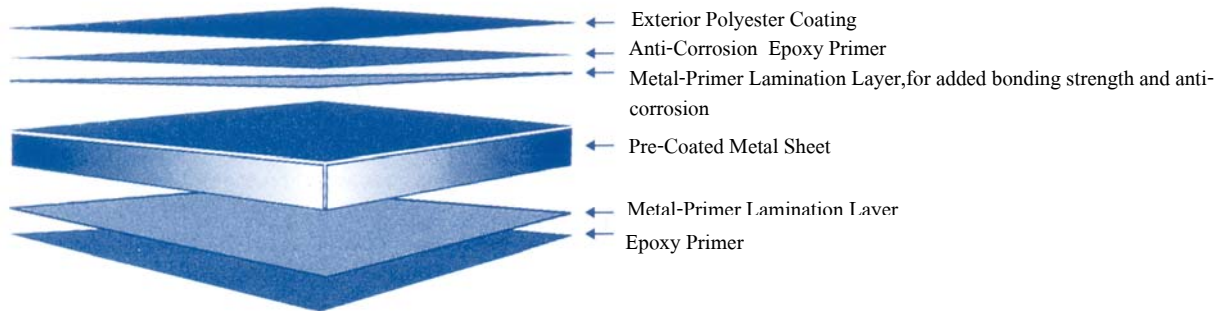


#### Classification of Zincalume Coating

Class of Material	Minimum Coating (Gram/ M <sup>2</sup> )	Warranty period
Zacs RW 70	70	5 years
Zacs RW 100	100	10 years
ZINCALUME <sup>®</sup>	150	20 years

#### 2) Pre-painted Metal Sheet (Color bond)

Pre-coated metal sheets (Zincalume) are further processed with layer of primer and paint. A special primer is applied to promote bonding between metal surface and color coating to prevent discoloration and delamination of paint layer. The next layer is an anti-corrosion layer, followed by high quality color on top. COLORBOND metal sheet provide superior corrosion resistant than other class of material. A range of more than 14 colors are available to meet customer’s requirement

**Illustration: Coating Layer of Roll Forming Metal Sheet with COLORBOND**

Remarks: For Clean COLORBOND<sup>®</sup>, additional Polyester coating is provided on reversed side to increase durability and elegance.

**Classification of Pre-painted Metal Sheet**

Class of material	Pre-Coated Sheets	Warranty Period
P-Zacs SC 70	Zacs RW 70	10 years
P-Zacs RW 100	Zacs RW 100	20 years
Clean COLORBOND <sup>®</sup>	ZINCALUME <sup>®</sup>	30 years warranty against corrosion 10 years warranty against discoloration 5 years warranty against dust adhesion

**3.5.1.3 Other Products**

The company also distributes other building material complementary to the core products to offer to customers fully integrated services.

**1) Skylight: Translucent Roofing Sheet**

The company is a distributor of SKYLIGHT translucent roofing sheet suitable for both air-conditioned and non-air conditioned building that require natural sunlight.

**2) Complementary Products**

In order to promote ourselves as a fully integrated distributor, the company also supplies complementary products such as insulation material, bolt, screw etc., which complement the company's core products.

**3) Pre-Engineered Building (PEB)**

The company is a distributor of Pre-Engineered building (PEB) which is the latest innovation designed by professional engineer who has high experience. The PEB are designed following in customer needs and materials are

ordered as per international standard. The PEBs are delivered to all plants as set and each part of fabrics are designed by seizing with anchor bolts.

### **3.6 Marketing and Competition**

#### **3.6.1 Marketing Strategy**

##### **Brand Strategy**

The company is amongst leading manufacturer and distributor of Roll formed pre-coated and pre-painted roof and wall cladding metal sheet in Thailand, where market is very competitive. To differentiate the company's product and image, band "ROLLFORM" has played a significance role along with emblem "Steel Supplied by BlueScope Steel" owned by our raw material supplier. The policy is to increase customer awareness on the ROLLFORM product, manufactured from raw materials of internationally recognized standard.

##### **Distribution Network Strategy**

The company has boosted its sales through dealers' sales network. At the present, there are over 48 dealers covering both in Bangkok and other regions. Through this network, the company distributes its products, such through dealership network contributed more than 41% of total sales in 2010. The dealership network also provides sources of market intelligence and feedback which help the company to adjust its competitive strategy.

##### **Concept Selling Strategy and Solution Provider**

The company broadcasts its market by introducing new products such as "C" and "Z" Purlins in 2006, which are manufactured from zinc coated high tensile metal (G450). Its distinctive feature is light weight and ease of installation, and contributed toward the company's aspiration to become a "Solution Provider".

Besides, the new products "C" and "Z" purlins, the company also introduces a new roll forming profile, called "High Rib", which is very popular among Japanese industrial. This provides the company with an opportunity to enter into Japanese market. We believed that with new product at competitive price, the company will be able to expand our customer base amongst Japanese industry in Thailand.

##### **Efficiency & Customer satisfaction Strategy**

The company focuses on providing on time installation service and product delivery in response to our customer needs. Our roll formed metal sheet of pre-coated steel requires not more than 15 days for delivery and installation after order confirmation. For special request, the company tries to meet our customers' of shorter delivery timeframe in order to cultivate long-term business relationship. Upon project completion, or customer satisfaction survey is conducted in order to provide feedback for operations improvement and maximize customer satisfaction.

### **Advertising strategy**

The company adopts integrated marketing communication for advertising strategy, which features the using of combine marketing media and channels to create product awareness amount targeted end users. This strategy includes participation in public exhibition in order to reach the main target with concept as “Solution Provider”. The company launches the new products “C and Z purlins” through print advertisement, in Builder News Magazine. For direct mail campaign, the company dispatched catalog to introduce the company’s products to target industrial customers.

### **3.6.2 Targeted End Users and Distribution Channels**

#### **Targeted End users**

Target end users includes the small and medium industrial enterprises, both new set up as well as those undertaking renovation requiring refurbishing work on building structure and roof cladding. Industrial customers account for 95% of overall customer base. The company’s product reaches market/end users through 3 principle channels which are categorized into 3 customer groups as follow:

**(1) Contractor:** is primarily our targeted customer. In construction business, contractors directly deal with project owners and subcontract out to different sub-contractor. We are amongst subcontractors for roof and wall cladding. Nature of project varies from new industrial plant to renovation works on existing plants.

Since the major portion of our sales revenue is from building contractors, the risk of uncollected payment need to be well managed. Pre-sales analysis is conducted review contractor’s performance and financial status along with status of the project owner with information from Business Online Public Company Limited and from business alliance. A 30% advance is the company’s standard term. In case of order cancellation, the advance payment will be considered to discount to the next customer whose order matched the manufactured products. Our standard payment term stipulates a further 40% collection upon delivery. For most projects, 20% payment collection is undercutting upon completion of the installation. And only 10-30% left at the end upon project handover. For new customer, the company will request cheque for payment or letter of credit to reduce risk of uncollection.

The company plans to broader our customer base to cover Japanese end users through major contactors who have been dealing with Japanese industrial enterprises.

**(2) Dealer:** We distribute roll form metal sheet products and all other complementary products through our dealers, who make direct contacts with customers and provide installation service. The company conducts business with dealers on the same basis as we treat customers. Pricing and term to each dealer is based on purchase volume and order regularity. Appointment of dealers is based on business performance criteria such as efficient customer service, installation workmanship and active market penetration. Dealership network contributes toward the company’s sales to nationwide basis and mostly account for small to medium scale projects.

**(3) Project Owner:** Most of the project owners, contact us directly to renovate their plants to improve the building structure or replace roof tiles, or to expand their plant facilities, with intention to use our products. For these project owners, we devise the same risk management strategy for our trade account receivables in the same way we do for contractors. We plan to enhance sales volume through solution provider approach, which features integrated functionality of our core products, which are roofing material, high tensile steel purlins and supplementary products e.g. truss, insulation, skylight and etc. We concentrated on building structure that allows maximum utilization on the combination of our product range. We also provide service in connect with roofing renovation on contractual agreement basis to provide our customers with faster, more convenient yet innovative roofing solutions for either existing or new plant facilities.

### **Distribution Channels**

We apply direct sale strategy for product distribution through contractor and project owners. Well-trained and informative sale team is responsible for project presentation to architects and major contractors, including quotation and deal closing. In 2010, our marketing workforce dedicated for project sale, consisted of 7 well trained personnel. Aside from those, some contractors deal directly with us in response to our advertising campaign with other contractors dealing with us due to requirements from project owners.

In regards to distribution through authorized dealers, we currently distribute our products through 48 dealers especially in Bangkok and northeastern regions. These authorized dealers are responsible for acquiring new potential customers as well as providing installation services. In order to gain more far-reaching distribution channels, we plan to expand our service coverage area to the northern and southern regions to increase in number of authorized dealers.

## **3.7 Industrial Outlook and Competition**

### **3.7.1 Industrial Outlook**

The world economy in year 2010, IMF expected to grow at 4.8% and trend in year 2011 is likely grow at 4.2% which is a bit slowdown from previous year due to recovering of world trade factors and flow of funds of investment. While, the high unemployment rate in many countries such as the U.S. and EU as well as debt crisis in Europe, currency fluctuation risk including cutting the economic stimulating projects by its own government in many countries. These factors will put pressure on the recovery of world economy and also affect to financial market that has more risk of instable conditions. But the strong economic growth in developing countries is a key factor driving to recover. In year 2011, inflation is likely at 3.3% as well as unemployment rate is 8.0 %. Regarding the global financial situation, most central banks of many countries will raise interest rate gradually in order to maintain economic stability and control inflation.

In regarding Thai economy in year 2010, in Q3/2010 GDP grew by 6.7% which was slowdown from Q2/2010 at 9.2% as well as increasing from Q3/2009 that was shrink at -2.8% . However, the Office of the National Economic and Social Development Board (NESDB) expected GDP is likely grow to 7.9 percent in year 2010.

The production of steel and mild steel in year 2010 was around 8,158,980 metric tons (exclude the semi-finished steel, cold rolled steel sheet, coated steel sheet and steel pipe, to avoid repetition), increasing to 17.0% compare with previous

year. Due to domestic demand started recovering in first half year by manufacturing to compensate for the lower stock in previous year, including related industrial expansion especially automotive and electronic industry that both export were high caused continuously expand for steel consumption rate as well as resulting to expansion of manufacturers. Moreover, it is also the result of the base year (year 2009) is low due to the global economic slowdown resulted in the production in base year is low as well. Considering in detail found that flat product increased by 28.93% as well as other coated steel increased to 23.10% , resulting the demand of automotive and electronic continuously increased, while long product also increased to 11.38% as follow table ;

Table 1 : Steel and mild steel production in year 2010 and 2009

Products	Year 2010* (Metric Ton)	Year 2009 (Metric Ton)	Percentage of changing
Semi-Finished Products	4,267,778	3,659,915	16.61
Long Products	4,028,939	3,617,175	11.38
Flat Products	6,892,143	5,345,512	28.93
- Hot-rolled Flat	4,124,459	3,350,547	23.10
- Cold-rolled Flat	1,903,696	1,225,102	55.39
Coated Steel	883,151	769,863	14.72
- Galvanized Sheet	253,575	253,381	0.08
Products	Year 2010* (Metric Ton)	Year 2009 (Metric Ton)	Percentage of changing
- Tin plate	424,107	388,296	9.22
- Tin free	424,107	388,296	9.22
- other coated steel	201,822	128,186	57.44
Pipes & Tubes	N/A	N/A	N/A
Total (1)	8,158,980	6,967,722	17.10

Source : Iron and Steel institute of Thailand

Remark 1 : Excluded the semi-finished steel, cold rolled steel sheet, coated steel sheet and steel pipe, to avoid repetition.

\* The estimate of the Office of Industrial Economics

Coated steel sheet business, with specialized roof and wall solutions for industrial plant establishments, decreased growth performance following the slowdown of manufacturing sector. Current roof and wall cladding market for coated metal sheet products, consists not only of new industrial plant but also existing well established ones in search of substitute and more durable roofing materials for their plant renovation.

### 3.7.2 Competition

#### (1) Indirect Competitors and Substitute products

Roofing and walling material products are capable of meeting variety of require applications. The commonly used roofing and walling materials in Thailand consists of 3 main groups as follow:

(1.1) Asbestos Tiles: This material gains highest popularity for application in residential and industrial plant in Thailand due to its affordable price range between Bt. 130 to Bt. 170 per square meter. Asbestos tiles carry fire-proof, heat – insulating and sound-proof functionality.

(1.2) Concrete Tiles: This material presents elegance along with strength, however, with disadvantages of weight and prices of Bt. 280 to Bt. 350 per square meter compare to Asbestos tiles. Also heavier materials required additional expenses in truss structure to support its heavy weight. They are principally used for residential establishment.

#### (1.3) Coated Steel Sheet divided into 2 categories

(1.3.1) Galvanized Steel Sheet: light weight with approximately 5-year utilization and with the disadvantages of weak rust resistance and less heat proof. Galvanized steel sheet were mostly used in regions outside Bangkok due to its low price, rage under Bt. 100.00 per square meter.

(1.3.2) Roll Forming Metal Sheet: Aluzinc coated roll forming metal sheet, marketed at approximately Bt. 200 to Bt. 300 per square meter depend on metal and coating thickness, offer 4 times utilization longer than galvanized steel sheet.

We believed that in the future, coated steel sheet will take over the market from both Asbestos and Concrete Tiles due to the following factors.

**1. Health Safety:** Roll forming metal sheet has high tendency to supersede asbestos tiles because of the fact of asbestos, used as heat insulator in asbestos tiles, has been medically negative effects to human health, in case studies indicate that damaged asbestos tiles are results in human inhalation exposure that resultantly leads to accumulation and causes lung cancer. Therefore, asbestos tiles are prohibited in developed countries such as the U.S. and Australia. Additionally, ISO 14000 certificated industrial plans are required to discontinue the asbestos tiles for plant environmental safety. Due to these factors, utilized asbestos tiles amount industrial plant has tendency towards decline, especially in export food processing facilities.

**2. Compatibility and Long-term Worthiness:** Roll form metal sheet's durability, lengthy anti-leakage, high resistively to erosion effects and rust resistance features make it ideally compatible with application for industrial plant or resident buildings. Most industrial plants are willing to burden higher roofing expenses in exchange for necessary protective

features e.g. anti-leakage to re-assure that their finished goods are safe from potential leakage damages. Additionally, roll forming metal sheet is designed for convenience, fast and cost saving installation and allows variety of customized bending requirement, added elegance to the building. Its maximum to 30 years warranty provides assurance of long-term worthiness

**3. Cost and Installation Competitiveness:** Despite higher prices per square meter in comparison to asbestos tiles, roll forming metal sheet possess lighter weight, requires less truss to support the material and less expenses in connection with overall building structure.

## (2) Direct Competitors

Currently, the competition in roll forming metal sheet industry is more severe. The fierce competition is generally centered on prices, product quality and design including after-sales service. Players in roll forming metal sheet industry consist variably of both distributor and distributor/manufacturer. Distributors can enter into business fray easily but has a disadvantage in price competition, as well as lack of expertise on both pre and after sales services, which become their main encumbrances in the competitiveness. For distributor/manufacturer, there are 3 major players in Thailand with hold 52% of the total market share; they are BlueScope Lysaght (Thailand) Company Limited, which is as associated company of BlueScope Steel (Thailand) Company Limited, Siam Steel Service Center Public Company Limited and Bangkok Steel Industry Public Company Limited. Besides these three players, they are small and medium scale manufacturers.

Competitive edges in roll forming metal sheet industry are composed of raw material, quality, installation service performance, pricing capability, roll forming in response to customer requirements, working capital liquidity and after-sales service. Large-scale manufacturers have advantages over product diversification and stronger financial fundamentals, which enable them to support large-scale installations. Large-scale manufacturers therefore aim at large-scale projects as their targeted customers. Medium-scale manufacturers including Steel Intertech have the market share of 18%; aim at medium to small-scale projects especially industrial plants as targeted customers. Small-scale manufacturers held 30% market share, are unfavorable positioned due to less working capital, less product diversification, cost of goods sold and less capability to handle large-scale project. The company is one of the medium scale distributors/manufacturers, but better equipped than the other counterparts in the following factors:

- (1) 16-year of experience, sharpen the business expertise, extensive customer base and constant growth performance. There are more than 800 industrial customers under the company customer base.
- (2) Our internally developed “ROLLFORM” patented brand name encourages stronger awareness and realization among customers of our brand identity, product quality and service.
- (3) We are one whose qualified manufacturers that have been granted to print “Steel Supplied by BlueScope Steel” emblem on our products from our business alliance – BlueScope Steel (Thailand) Company Limited, who is Thailand’s major manufacturer of Aluzinc-coated roll forming metal sheet products. BlueScope Steel is our entire raw materials supplier, which is well recognized in the world industry for its world class standards. Purchased our products with the said emblem printing, is entitled to receive a product warranty certificate directly from BlueScope Steel.

- (4) We focus on meeting customers' need and increase their choices through product innovation in order to diversify existing product ranges. To preserve our emerging business opportunity, we offer fast service coupled with production flexibility in responding to customers demanded timeline.
- (5) Our well selected 30 authorized dealers provide extensive market penetration and product presence, especially in those small-scale in remote areas. We are currently expanding our distribution networks to provide coverage in Northern and Southern regions.

Despite the intensity of competition in roll forming metal sheet industry was high together with there are many players, however, considering the 32% annual growth rate in the number of newly approved industrial plants, coupled with potential requirement for more durable roofing material amount those existing industrial plant, we are convinced that roll forming metal sheet industry has a bright outlook in the future. Furthermore, we believe that, with our competitive edges, will drive further sales growth.

### **3.8 Product Provision**

#### **3.8.1 Raw Material Procurement**

Raw materials required for roll forming metal sheet manufacturing is Aluzinc-coated cold-rolled steel with and without clean COLORBOND. All of which are wholly procured from BlueScope Steel (Thailand) Company Limited ("BlueScope Steel"). BlueScope Steel is a major manufacturer of Aluzinc-coated cold-rolled steel with and without clean COLORBOND used as raw materials for roll forming metal sheet. BlueScope Steel carved market share in 2010 at approximately 70% and supplied raw materials to about 40 domestic roll forming metal sheet manufacturers.

BlueScope Steel is a subsidiary of BlueScope Steel Limited in Australia and New Zealand. It is the largest manufacturer of steel and metal sheets for construction, automotive, packing industries. It's most popular product and best performer is Aluzinc-coated steel. BlueScope Steel Limited has manufacturing base in Australia, Southeast Asia, Central and Northern Asia, Oceania and the U.S. BlueScope Steel Limited is currently a public listed company on Australian Stock Exchange. (Source: [www.bluescopesteel.com](http://www.bluescopesteel.com))

Manufacturing and distribution in Asia-Pacific region of BlueScope Steel Limited is under supervision of Asian Building and Manufacturing markets Section, which clearly separates between Aluzinc-coated steel and roll forming metal sheet business lines. For example, Thailand is one of BlueScope Steel Limited's manufacturing based in Asia-Pacific region. BlueScope Steel Limited managed to enter into joint venture agreement with Loxley Public Company Limited at 75% and 25% investment ratio respectively to establish BlueScope Lysaght Company Limited ("BlueScope Lysaght") in 1998 for manufacturing and distribution of Roll former through import of coated steel. Afterwards, BlueScope Steel (Thailand) Company Limited was established in 1995 for purpose of manufacturing and distribution of Aluzinc-coated steel with and without clean COLORBOND – a major material used for roll forming metal sheet manufacturing. BlueScope Lysaght then started to procure all of its raw materials from BlueScope Steel; the two companies have become associated ever since, with

shareholders and directors in common. However, BlueScope Steel has policy to make business transaction with BlueScope Lysaght as Arm's Length Basis in response to its mother company's policy to make a clear division for each business line.

BlueScope Steel ranks its customers based on order volume and frequency to determine selling prices and credit facility granted on case by case basis. We are one of the selected BlueScope Steel's top ten red customers due to our strengths as follow: 1) monthly order exceed 300 tons (average order of the last 3- month); 2) clean payment record; 3) order raw material solely from BlueScope Steel , earning the privilege in price and credit term. Payment by local currency (baht) reduced the risk in exchange rate fluctuation.

### **Raw material price trends**

In 2010, the consumption of steel and mild steel in Thailand was 14,210,985 metric tons approximately, increasing to 44.33% comparing to the same period of previous year caused by the base year low (due to the beginning of year 2009 to Q3/2009 the manufacturers still had their stock that made to reduce order, resulting to reduce production down as well. Therefore, when comparing the steel consumption rate between year 2010 and 2009, indicated that the volume add up. In regard steel consumption, both were flat products and long products increasing to 64.74% and 10.87%.

The overview of steel situation in 2010, comparing to the same period of previous year found that the production increased of 17.10%. Domestic demand increased of 44.33%. In regarding, the total value and volume of import also increased 60.32% and 52.29% respectively, caused by increasing of pickled and oiled hot-rolled sheet up to 136.45%, following was hot-dip galvanized steel also increased to 117.29 % and chromium coated steel increased to 104.28%. Due to China is exporting steel, which is cheaper than steel produced in Thailand. A resulting to entrepreneurs in related industries e.g. canned food industry which required more raw materials from China. Moreover, Thai baht currency was also stronger than U.S currency this resulting to related industry entrepreneurs required more steels from oversea. Regarding, the total value and volume of export up to 21.52% and 16.10% respectively caused by increasing of other semi-finished products at 203.32% , seamless steel up to 118.11% as well as cold-rolled flat up to 99.17%.

The steel industry trend in year 2011, is likely growth continuously due to both the construction and manufacturing sectors expected to grow. Despite a global economic outlook remains subject to fluctuations and currency problems. The construction sector still has new opportunities from private investment, especially investment in infrastructure in year 2010 which already bid and prepared construction projects. While the automotive industry is likely grow in high rate due to eco-car production. The electronic and canned food industry is expected to be in shape at the other because of the limitation of production base in year 2010.

Despite all major steel prices in the world market adjusted up to raw material price. To preserve our market share according to company policy, therefore its sales was remain in pricing, which made gross margin decreased. In order to make customer confidence in services which is under company's aspiration as "Solution Provider" in long term. Besides this, the other complimentary e.g. insulation, screw are generally available products, flexible providing and able to purchase from several suppliers in country by selecting of product quality.

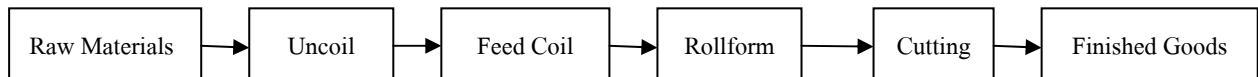
### 3.8.2 Manufacturing and Installation

Our head office and manufacturing facilities are located on 1.18 acre plot of land, at No. 8 Moo 15, Soi Kingkaew 11, Bangplee-yai, Bangplee, Samutprakarn 10540. The production capacity of metal sheet is more than 13,400 tons per year or approximately 3,000,000 sq. m. per years, the production capacity of C & Z Purlins total 2,000 tons per year or approximately 500,000 meters per year.

Roll Form	Production Capacity (sq.m./year)	Production output 2008		Production output 2009		Production output 2010	
		Sq.m.	%	sq.m.	%	sq.m.	%
Metal sheet	3,012,000	900,157	29.89	727,289	24.15	821,884	27.28

Purlins	Production Capacity (m./year)	Production output 2008		Production output 2009		Production output 2010	
		m.	%	m.	%	m.	%
CEE-ZED PURLIN	500,000	68,773	13.75	60,913	12.18	60,247	12.05

#### Production Process



Production process starts with uncoiling of raw materials (coiled metal sheet) with or without clean COLORBOND as per customers' requirement. Then the uncoiled metal sheet is fed to the roll forming machine to produce required model, length, and quantity. Each sheet will be cut to length and be individually inspected on its width and length to meet customers' requirement. The production process takes one day to complete, each single step from the raw material to the final product will be inspected to meet the standard of ISO 9001:2008.

Most of the products are made to order, there is no limitation in length, as our plant can accommodated large transport truck to pick up the products. We also offer the on-site production, in the event of the length is longer than the truck loading capacity. With more than 10 year experience, we are well equipped with experience personal. The products also carry 5 to 30 years warranty on color quality and rust resistance, depended on the coating layer. Warranty certificate, was issued by BlueScope Steel (Thailand) Company Limited, who is the raw materials supplier with Australian 1397-2001 International Standard.

### **Installation management**

Aside from production, installation service plays an important role in our integrated service provider. Therefore, installation management is critical for our business operations because it contributes directly to the effectiveness of budget administration for any given project. We plan to boost our sales for integrated product and installation package in the future. As we are well aware of the importance of installation service, we set out the following installation management systems as follow:

1. Selecting of Subcontractor: We do not hire installation personnel of our own. Instead, we hire qualified subcontractors to carry out installation service to customers as generally practice by other counterparts in the same industry, such as BlueScope Lysaght Co., Ltd. This approach enables us to be more cost efficient than hiring full-time personnel. Selection criteria for qualified subcontractors are composed of previous accomplishment records, financial position, available workforce and output quality and operation potentials. As of December 31, 2010, we maintained 28 qualified subcontractors; most of them have been in business more than 5 years. We devise a policy to continuously selected qualified subcontractors to handle large project in order to boost up company's sales for integrated product and installation package.

2. Work Allocation to Subcontractor: We match project received with the most suitable subcontractor based on resources and potential of each subcontractors without relying on a single subcontractor. All of our subcontractors, 12 of them are capable of handling large scale project with the roofing area more than 5,000 sq. m., 16 of them are capable of handling medium scale project with the area between 1,500 to 5,000 sq. m. The medium scale project is the large part of our total projects, which allow us to find the suitable matched. In case, there are multiple large-scale projects due at the same time, we will allocate a few medium-scale subcontractors to perform a joint operation. With this flexible approach, we have never been faced with shortage in installation subcontractors.

3. Installation Quality Control: Every projects have been controlled by our engineering personnel (site supervisor), on the installation quality, as well as evaluated after the completion to assure the project owner of the installation quality. Subcontractor provides 1 year warranty after work delivered.

4. Punctual Delivery: Our subcontractors are required to report the installation progress of 15 days periodically, which allows the company to take immediate action if the installation is behind schedule. However, subcontractors are subject to total indemnification for any delay caused by their own action.

### **3.8.3 Environmental Impact**

- None -