

## 7. Management Discussion and Analysis

### Fiscal Year 2007 – 2009 Operational Results

#### Revenue

The company revenue in fiscal year 2007, 2008 and 2009 were equal to 295.08 millions, 360.12 millions and 293.12 million baht respectively, represent the expansion of 22.04% comparing to year 2007 and decrease to 18.60% comparing to year 2008 respectively. The continuously decreasing in revenue caused by the unstable political and slow down of investment in Thailand, resulting from the subprime mortgage segment of the United States in the end of year 2008 respectively.

The revenue structure in fiscal year 2007, 2008 and 2009 are classified as follow:

Revenue Structure	Financial Statement					
	2007		2008		2009	
	Valued (Thousand Baht)	%	Valued (Thousand Baht)	%	Valued (Thousand Baht)	%
1. Revenue from sales	214,109.74	71.67	223,173.80	61.42	148,316.25	50.14
2. Sales and Installation	80,975.09	27.11	136,947.42	37.69	144,810.43	48.96
3. Installation Services	-	-	-	-	-	-
4. Other Revenues	3,644.99	1.22	3,253.32	0.90	2,649.22	0.90
<b>Total Revenues</b>	<b>298,729.82</b>	<b>100.00</b>	<b>363,374.54</b>	<b>100.00</b>	<b>295,775.90</b>	<b>100.00</b>

Other revenues derived from selling of metal scraps, transportation and others.

#### Cost of Selling and Administration Expenses

##### Cost of Goods Sold and Gross Profit Margin

Our cost of goods sold in fiscal year 2007, 2008 and 2009 were equal to 252.73 millions, 295.12 millions and 248.77 million baht respectively, which are 84.60%, 81.22% and 84.11% respectively in comparison with the total revenue. The major cost came from raw materials form BlueScope Steel, which are 87.09%, 86.01% and 86.33% of total cost in fiscal year 2007, 2008 and 2009 respectively.

Cost Structure and Gross Profit Margin are divided into 3 categories as follow:

(1) Cost of goods sold: In fiscal year 2007, 2008 and 2009 were equal to 187.81 millions, 181.08 millions and 127.42 million baht respectively. The figures represented annual gross profit margin of 12.28%, 18.86% and 14.09% respectively. The gross profit margin was resultly lowed due to the world steel market was in stable condition as well as slowing down of investment industry section, offered an opportunity to the competitors in lower their sales price to reduce their inventory. To maintain the market share as same as in fiscal year 2008, the gross profit margin is slightly increased due to fluctuation of raw material price, resulting the customer made a quick decision on purchasing during the middle of fiscal year. After that, in Q4 of year 2009, the gross profit went down because of the rapidly decreasing price of raw material that made company had to reduce the selling price to meet the customer needs.

(2) Cost of goods sold and installation: In fiscal year 2007, 2008 and 2009 were equal to 64.92 millions, 114.04 millions and 121.35 million baht respectively. The figures represent annual gross profit margin of 19.83%, 16.72% and 16.20% respectively. The instability of gross profit margin from cost of goods sold and installation, caused by direct sales to contractors and owners through project bidding, making the profit vary from project to project.

#### Cost of Sales and Administration Expenses

In 2007, Cost of Sales and Administration Expenses was 34.60 million baht, which was 11.58% to gross profit, or decreasing to 4.78% in comparision to year 2006 and increased in fund reserved to doubtful debt to be 2.95 million baht.

In 2008, Cost of Sales and Administration Expenses was 40.11 millions, which is 11.04% to total revenue or 15.93 % increase from 2007. Part of the expenses, were from the increase in doubtful debt reserved fund, which increase to 3.17 million baht.

In 2009, Cost of Sales and Administration Expenses was 39.99 millions, which is 13.52% to total revenue or 0.31 % decrease from 2008. and the increase in fund reserved to doubtful debt to be 1.49 million baht.

#### **Net Profit**

In fiscal year 2007, 2008 and 2009, the company had the net profit of 8.02 millions 20.17 millions, and 3.70 million baht, represented an dcrease of 151.42% and 81.64% respectively. In 2007, the net profit went down due to instability of political situation together with slowing down of private section in Thailand,also looking forward to see the result of election vote in the end of year 2007, that made decreasing of overall sales. In 2008, the net profit was risen due to focusing on customer project, in addition to high fluctuation of steel price that made the customer accept higher price.However, the customer trends was decelerated due to steel prices went down in the end of year 2008. In year 2009, net profit shaply went down due to the subprime mortgage segment of the United States in the end of year 2008 impacted to overall market has decelerated, together with a high fluctuation steel price on the beginning of year 2009.

**Financial Status****Financial Structure Table**

Items	2007		2008		2009	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Current Assets	95,628.16	51.26	112,636.67	55.36	107,415.46	55.93
Non- Current Assets	90,924.86	48.74	90,818.75	44.64	84,626.59	44.07
<b>Total Assets</b>	<b>186,553.02</b>	<b>100.00</b>	<b>203,455.42</b>	<b>100.00</b>	<b>192,042.05</b>	<b>100.00</b>
Current Liabilities	75,290.32	40.36	84,482.85	41.52	92,938.15	48.39
Non- current Liabilities	14,968.48	8.02	17,510.59	8.61	12,435.95	6.48
<b>Total Liabilities</b>	<b>90,258.78</b>	<b>48.38</b>	<b>101,993.44</b>	<b>50.13</b>	<b>105,374.10</b>	<b>54.87</b>
Shareholders' Equity	96,294.23	51.62	101,461.98	49.87	86,667.95	45.13
<b>Total Liabilities and Shareholders' Equity</b>	<b>186,553.02</b>	<b>100.00</b>	<b>203,455.42</b>	<b>100.00</b>	<b>192,042.05</b>	<b>100.00</b>
Debt to Equity Ratio (Times)	0.94		1.01		1.22	

**Assets**

Our total assets at the end of fiscal 2007, 2008 and 2009 were reported at 186.55 millions, 203.45 millions and 192.04 million baht respectively, which represented annual growth rates of 9.06% and decreasing to 5.61% respectively. Such growth in total assets was due in part to steady increase in major fixed assets in fiscal year 2007, 2008 and 2009 such as land, buildings and equipment, which were valued at 86.20 millions, 88.73 millions and 80.81 million baht, respectively, and which represented annual growth rates of 2.94% and decreasing to 8.93%, respectively. Moreover, the grown of asset in year 2007 due to the construction of new office building value 20.0 million bath. Furthermore, there were changes in major current assets, which was trade account receivables in fiscal 2007, 2008 and 2009 amounted to 46.19 millions, 40.71 millions and 37.68 million baht respectively, which represented annual decrease of 11.85% and 7.44% respectively.

Operation cash flow fiscal year 2007, 2008 and 2009 has been positive with the amount of 27.30 millions, 10.93 millions and 4.60 million baht respectively. The changes in cash flow came from (1) decrease in trade account receivable from purchasing of raw material in fiscal year 2008 and 2009, with the amount of 7.20 millions and 4.04 million baht respectively. (2) increase pre-income in fiscal year 2008 and 2009 amounted to 2.11 millions and 12.85 million baht respectively from early completing jobs, (3) Cash and deposit at Financial institutions in total are 18.67 millions, 13.27 millions and 4.8 million baht in fiscal year 2007, 2008 and 2009 respectively, were represented the rate of decrease to 28.92% and 63.83% respectively. In the year 2007, there had a slightly increase operation cash flow but the dividend was 12.50 million baht. In 2008, the dividend was 15.0 million baht. In 2009, although the overall market was decelerated, the dividend was 18.49 million baht.

**Asset Quality****Trade Account Receivable**

Our net trade account and net receivables at the end of fiscal 2007, 2008 and 2009, equal to 46.19 millions, 40.71 millions and 37.68 million baht respectively.

We set a reversed provision for doubtful debts based on estimated default value, especially fro those trade account receivables with average age longer than 6 months to 12 months and over. The amount of reserve for doubtful debts is estimated through previous transaction records of each trade account receivable. At the end of fiscal year 2007, 2008 and 2009, our allowance fro doubtful debts were 8.40 millions, 11.62 millions, and 13.11 million baht respectively, which represented annual increases of 38.33% and 12.82% respectively.

Based on our corporate policy, we provide our trade account receivable with 30-45 days for settlement. As for trade account receivable incurred from sales and installation package, we have a policy to demand immediate settlement because of as usual nature of longer settlement period for this sale category. In the past, sales and installation package required settlement period of between 45- 60 days.

The company's average ability to correct debt in fiscal year 2007, 2008 and 2009, equal to 78 days, 60 days and 80 days respectively. In 2007, the ability to correct debt was over standard due to business slowing down. In 2008, the company began more strict with credit, resulting to be in average standard. In 2009, due to the tight of financial market, the average ability was over standard between 30-60 days.

**Liquidity**

Net cash flow from operation in fiscal year 2007, 2008 and 2009 have been in positive with the amount of 27.30 millions, 10.93 millions, and 4.60 million baht respectively, caused from (1) decrease in commercial creditor in fiscal year 2008 in comparision with year 2007, equal to 7.28 million baht, due to purchasing of raw material to meet customers' demand sharply decrease, in fiscal year 2009 comparing to year 2008 decrease by 4.15 million baht. (2) increase in advance revenue in fiscal year 2008, equal to 2.11 million baht due to the early completion of the projected and in 2009 there were imcompleted project value 12.85 million baht.

Net cash spent on financing activities fiscal year 2007, 2008 and 2009 equal to 18.75 millions, 10.80 millions and 0.79 million baht respectively. Most of cash was invested on land, building, and equipment. In 2007, the new office building, 20.0 million baht was built and finished on the beginning of year 2008. In 2009, the company purchased some additional equipment.

In year 2007, the company has paid dividend amounted 12.50 million baht. In year 2008, dividend of operaion in fiscal year 2007 was 7.50 million baht and the interim dividend in fiscal year 2008 equal to 7.50 million baht. In year 2009, the company has paid dividend of operation in fiscal year 2008,amounted 6.0 million baht, baht and the interim dividend twice times equal to 2.50 millions and 9.99 million baht respectively.

**Source of Fund****Shareholder's Equity**

Shareholder's Equity at the end of fiscal 2008 and 2009 equal to 101.46 millions and 86.67 millions baht respectively, which accounted for an annual decrease of 14.58% in fiscal year 2008 equal to 101.46 million, the company had the net profit from operation of 20.17 millions and dividend was 15 million baht. In 2009, had the operation with the net profit of 3.70 millions and dividen was 18.49 million baht.

**Liabilities**

Our total liabilities at the end of fiscal year 2007, 2008 and 2009 were 90.26 millions, 101.99 millions, and 105.37 millions baht respectively, represented an annual increase of 13.00% and 3.31% respectively. Major contributing factors for such changes were (1) changes in current liabilities at the end of fiscal year 2007, 2008 and 2009, were 75.29 millions, 84.48 millions, and 92.93 millions baht respectively, represented an annual increase of 12.21% and 10.00%. The changes in current liabilities was attributable to changes in trade account payable, which was down from 63.11 million baht in fiscal 2006 to 61.92 million baht at the end of fiscal 2007. In year 2008, the accountable payable decreased from 61.92 million baht in fiscal year 2007 to 54.63 million baht. In year 2009, the debt decreased by 4.14 million baht to 50.48 million bath.

We have warranty commitment for product and service delivered to our customers under the condition of the damages and faults caused by products only, not other damages and faults as results of external factors. Warranty period lasts approximately between 1-30 years. The management, however, is convinced that no significant liabilities are incurred due to the warranty commitment because our authorized dealers also offer warranty under the same conditions with warranty period between 5-30 years, thereby enabling us to demand indemnification from dealers throughout warranty period. Therefore, we do not realize expenses and liabilities in connection with the warranty commitment. However, we still have liability commitment due to bank guarantee at the amount of 4.75 million baht and guarantee check at the amount of 1.05 million baht at the end of fiscal 2009.