



ZIGA INNOVATION PUBLIC CO.,LTD

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 SAMUDPRAKARN 10290 THAILAND
 Tel. 02-816-9315-6 Fax. 02-816-9315#444

No. ZIGA 002/2017

August 16, 2017

Subject: Clarification for operation performance for the three-month period (Quarter 2) ended 30 June 2017

Attention: The President of
 The Stock Exchange of Thailand

ZIGA Innovation Public Company Limited ("the Company") would like to clarify operating performance of the Company three-month for the Quarter 2/2017 and consolidated financial statements ended 30th June 2017 as follows:

Profit and Loss Statement

Total Revenue

The company earned THB 200.5 mn in Q2/2017, decrease from the same period in last year amounting to THB 18.6 mn by 8.5% can be summarized as following table.

(Unit: Million Baht)	Q2/2016	Q2/2017	Y-O-Y Change Increase/(Decrease)	Note
Sales Revenue	213.2	196.4	(7.9%)	<p>The company's sales revenue for Q2/2017 was THB 196.4 mn and classified from the sale category of brand ZIGA amounting to THB 172.7 mn and brand DAIWA amounting to THB 23.7 mn.</p> <p>The mainly factor of the decrease in sales revenue of the product category ZIGA which was a decline in sales amounting to THB 24.4 mn or 12.4% comparing to the same period of previous year. The reason for the decline in Q2/2017 sales revenue is a consequence of the earlier rainy season in Thailand this year affected to end user to delay their purchasing order from the retail store and therefore the distributor delayed ordering for their</p>

				stock as well, together with the delivery plan were delayed to Q3/2017 instead. The said sale revenue was distributed to the same old distributors in steel industry. Anyway, the sale revenue for the category of brand DAIWA increase which was amount to THB 7.6 mn or increase by 46.9%. The delayed in delivery plan for ZIGA for the said reason, the company therefore switch the allocation for capacity in the product category brand DAIWA and therefore generate an increase in sale revenue from DAIWA's clients.
Other Income	5.9	4.1	(30.3%)	The main reason was causes from the decreasing income earning from the foreign exchange
Total Revenue	219.1	200.5	(8.5%)	

Cost of sales

Cost of sales in Q2/2016 and Q2/2017 totaled THB 119.9 mn and THB 159.3 mn respectively, equivalent to 56.2% and 81.1% of total cost-of-sale respectively. An increasing on cost-of-sale was derived from the rise of average steel-coil price, which the average steel-coil price is in the upward trend since 2016.

Gross Profit

The company gross profit over the Q2/2017 was equal to THB 37.1 mn which equivalent to 18.9% of total sales revenue, the gross profit was decreased amounting to THB 56.2 mn equivalent to 60.2% compared to the previous year. Regarding to the total sales revenue in Q2/2017 was decreased, the consequence was derived from the weather condition affected to the customer which its resulted to delay their purchasing order, together with the deferring of some order delivery to Q3/2017 instead. Furthermore, the rise on an average price on steel-coil and the company was not adjusted the selling price proportionally to the rise of its raw material. Due to the market competition corporate with the order postponement, rise of employee expense, rise of machine maintenance cost and rise of depreciation cost, all together are affected to the rise of average cost-of-sale per unit.

Selling and Administrative Expenses

The Company's selling and administrative expenses amounted to THB 14.8 mn and THB 13.8 mn In Q2/2016 and Q2/2017 respectively, equivalent to 6.8% and 6.9% of total revenue, respectively. Summary of selling and administrative expenses are as follows:

Company	Selling and Administrative (THB mn)		Y-O-Y Change Increase/(Decrease)	Note
	Q2/2016	Q2/2017		
Selling expenses	2.8	3.5	22.0%	This is because in the past the company employed employees who have graduated below the bachelor's degree, mixed with graduated employees with a bachelor's degree, while now, the company currently has a new staffing policy that requires new employees to have a bachelor degree. As a result, the cost of staff increased.
Administrative expenses	12.0	10.3	(13.5%)	Because in 2016, the Company recorded allowance for doubtful accounts from other receivables that was not expected to receive payment of 1.2 mn Baht. However, in 2017, no allowance for doubtful accounts was recorded.
Total selling and administrative expenses	14.8	13.8	(6.7%)	

Finance Cost

The Company incurred finance cost in Q2/2016 and Q2/2017 amounting THB 2.9 mn and THB 3.2 mn respectively, or increase THB 0.3 mn equivalent to 10.2%. The Company has increase of finance cost from liabilities under trust receipts for purchase of raw material.

Income Tax

The Company incurred income tax in Q2/2016 and Q2/2017 amounting to THB 14.5 mn and THB 4.7 mn respectively, on the other word the decrease is equal to THB 9.9 mn equivalent to 67.9%. This is due to the decrease of profit-before - income-tax compared with the same period of the previous year.

Net Profit

The Company incurred net profit in Q2/2016 and Q2/2017 amounting to THB 66.9 mn and THB 19.5 mn respectively. Net profit of the Company equal to 30.5% and 9.7% of total revenue respectively. The reason for this decrease in net profit is due to the lower sale and gross profit as mentioned before.

Balance Sheet Statement

Assets

The Company's total assets as of 30 June 2017 totaled THB 716.1 mn, an increase equivalent to 14.3% at year-ended 2016. This first mainly due to increasing of trade and other receivables. The second, due to inventories and short-term investment. Current assets accounted for 69.6% of total assets and non-current assets accounted for 30.4% of total assets.

	31 December 2016		30 June 2017	
	THB mn	%	THB mn	%
Current assets	402.3	64.2	498.7	69.6
Non-current assets	224.1	35.8	217.4	30.4
Total assets	626.4	100.0	716.1	100.0

Current assets

The Company's current assets as of Q2/2017 totaled THB 498.7 mn, increased THB 96.5 mn or equivalent to 24.0% at year-ended 2016. The main increasing of current assets are trade and other receivables THB 67.8 mn or equivalent to 93.5%, since trade and other receivable mainly are from DAIWA customer segment based on construction project which normally the credit term is longer than ZIGA, the trade and other receivable was increased proportional to the increase of selling on DAIWA and the increased in remaining of finish goods inventory equal to THB 60.4 mn or equivalent to 27.9%. Regarding to the late Q2/2017, the Company have ordered steel-coil to stock for production of finish goods to support sale order from customer during second half of year which have high volume starting from late Q2/2017. Inventories were THB 277.0 mn or equivalent to 55.5% of total current assets and trade and other receivables THB 140.3 mn equivalent to 28.1% of total current assets.

Non-current assets

As of Q2/2017, the Company's non-current assets totaled THB 217.4 mn, a decreased THB 6.8 mn equivalent to 3.0% from year-ended 2016. Most of which decreased from property and equipment amounting THB 7.4 mn equivalent to 3.5%. This decrease is due to the depreciation on useful life of assets. The property and equipment totaled THB 205.0 mn equivalent to 94.3% of total non-current assets.

Liabilities

The Company's total liabilities as of 30 June 2017 total THB 368.7 mn, an increase THB 57.6 mn or equivalent to 18.5% at year-ended 2016. The mainly increase of liabilities under trust receipts amount THB 51.9 mn or equivalent to 34.6% at year-ended. Trade payables and another payables amount THB 49.7 mn or equivalent to 411.2% at year-ended. The Company's current liabilities accounted for 87.1% of total liabilities and non-current liabilities accounted for 12.9% of total liabilities.

	31 December 2016		30 June 2017	
	THB mn	%	THB mn	%
Current Liabilities	248	79.7	321.1	87.1
Non-Current Liabilities	63.1	20.3	47.6	12.9
Total Liabilities	311.1	100.0	368.7	100.0

Current Liabilities

The Company's current liabilities as of 30 June 2017 totaled THB 321.1 mn, an increase THB 73.0 mn or equivalent to 29.4% from year-ended 2016. The mainly increase of liabilities under trust receipts total THB 51.9 mn or equivalent to 34.6% and the importantly factor is purchase order for coil steel from abroad. The Company required more trust receipts facility line and increase in trade and other payables total THB 49.7 mn equivalent to 411.2%. Almost increase in local trade payables is more purchase order for slit of steel. In addition, the Company recognized more inventory in-transit which not made a payment in abroad trade payables.

Non-Current Liabilities

The Company's non-current liabilities as of 30 June 2017 total THB 47.6 mn, a decrease THB 15.4 mn or equivalent to 24.5% at year-ended 2016. The mainly factor is repayment schedule of long-term debt and liability under finance lease.



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Shareholders' Equity

The Company's shareholders' equity as of 30 June 2017 total THB 347.4 mn, an increase THB 32.1 mn or equivalent to 10.2% of retained earnings.

Please be informed accordingly,

Yours Sincerely

(Miss Valarlak Ngamchitharoen)

Managing Director