

NO. ZIGA 002/2018

26 February 2018

Subject : Management explanation and analysis for the year ended 31 December 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 for the year ended 31 December 2017 are as follows :

**Statement of Income****Total Revenue**

The company earned THB 941.7 MB and 909.9 MB in year 2016 and 2017 respectively, A decrease in total revenue 3.4% and can be summarized as following table.

| Description   | Total Revenue (MB) |       | Y-O-Y Change<br>Increase/(Decrease) | Note   |
|---------------|--------------------|-------|-------------------------------------|--|
|               | 2016               | 2017  |                                     |  |
| Sales         | 919.8              | 882.2 | -4.1%                               | The sales volume decreases as steel domestic consumption decrease which suffered from slow down economics.                           |
| Other income  | 21.9               | 27.7  | 26.6%                               | A gain and profit in exchange rate comparing to the same period of last year due to efficient exchange rate fluctuations management. |
| Total Revenue | 941.7              | 909.9 | -3.4%                               | A decrease in total revenue by 3.4%  |

### Cost of sales

Cost of sales in total for 2016 and 2017 was THB 588.9 MB and THB 679.6 MB respectively, equivalent to 62.5% and 74.7% of total revenue in 2016 and 2017 respectively. An increasing in 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.

### Selling and Administrative Expenses

The company's selling and administrative expenses amounted to THB 58.9 MB and THB 60.8 MB in 2016 and 2017 respectively, equivalent to 6.3% and 6.7% of total revenue, respectively. Summary of selling and administrative expenses are as follows:

| Description                               | Selling and Administrative expenses (THB MB) |      | Y-O-Y Change Increase/(Decrease) | Note  |
|---|--|------|----------------------------------|---|
|   | 2016   | 2017 |                                  |   |
| Selling expenses                          | 12.8   | 15.9 | 24.6%                            | Higher salary for Bachelor and Master degree's requirement for sales representative in which no such basically requirements before. |
| Administrative expenses                   | 46.1   | 44.9 | -2.6%                            | No major change.  |
| Total selling and administrative expenses | 58.9   | 60.8 | 3.3%                             | An increase in total selling and administrative expenses by 3.3%  |

### Finance cost

The company incurred finance cost in 2016 and 2017 amounting THB 11.3 MB and THB 11.4 MB respectively. The company has increased a little of finance cost from liabilities under trust receipts for purchase of raw material.

### Net Profit

The Company incurred net profit in 2016 and 2017 amounting to THB 226.1 MB and THB 131.7 MB respectively. Net profit of the company equal to 24.0% and 14.5% of total revenue in 2016 and 2017 respectively. The reason for this decrease in net profit is due to the lower gross profit as the cost of raw material increases.

## Statement of Financial Position

### Assets

The company's total assets as of 31 December 2016 and 2017 totaled THB 626.4 MB and THB 1,282.0 MB respectively. The main assets held by the company is current asset in which accounted for 80.1% of the total assets and non-current asset accounted for 19.9% respectively.

|                    | 31 December 2016 |       | 31 December 2017 |       |
|--------------------|------------------|-------|------------------|-------|
|                    | THB MB           | %     | THB MB           | %     |
| Current assets     | 402.3            | 64.2  | 1,026.5          | 80.1  |
| Non-current assets | 224.1            | 35.8  | 255.5            | 19.9  |
| Total assets       | 626.4            | 100.0 | 1,282.0          | 100.0 |

#### 1. Current assets

The company's current assets as of year-end of 2016 and 2017 was THB 402.3 MB and THB 1,026.5 MB respectively in which the main current assets held by the company accounted for 64.2% and 80.1% respectively of the total assets. The company current assets as of year-end of 2016 and 2017 was the finish goods inventory in which accounted to THB 216.6 MB and THB 501.8 MB respectively or equivalent to 34.6% and 39.1% of the total assets. Secondly, cash and cash equivalents as of year-end 2016 and 2017 equal to THB 109.4 MB and THB 394.0 MB respectively or equivalent to 17.5% and 30.7% of the total assets respectively. The main current assets increase in the finish goods inventory equivalents of THB 285.2 MB in accordance with the sales forecast.

#### 2. Non-current assets

As of the year end 2016 and 2017 the company's non-current assets totaled THB 224.1 MB and THB 255.5 MB respectively and equivalent to 35.8% and 19.9% respectively. The main non-current assets are land and equipment which were 33.9% and 15.7% of the total assets. Land and equipment decrease net THB 11.5 MB from buying and transferring assets THB 27.1 MB and depreciation on useful life of asset in which decline for THB 38.6 MB.

## Liabilities

The company's total liabilities as of 31 December 2016 and 2017 totaled THB 311.1 MB and THB 499.7 MB respectively. As at 31 December 2017, the company's current liabilities in which accounted for 92.2% of the total liabilities and non-current liabilities accounted for 7.8% of the total liabilities.

|                         | 31 December 2016 |       | 31 December 2017 |       |
|-------------------------|------------------|-------|------------------|-------|
|                         | THB MB           | %     | THB MB           | %     |
| Current liabilities     | 248.1            | 79.7  | 460.9            | 92.2  |
| Non-current liabilities | 63.0             | 20.3  | 38.8             | 7.8   |
| Total liabilities       | 311.1            | 100.0 | 499.7            | 100.0 |

### 1. Current Liabilities

As of the year end 2016 and 2017, the company's current liabilities totaled THB 248.1 MB and THB 460.9 MB respectively and equivalent to 79.7% and 92.2% of the total Liabilities respectively. Current Liabilities as of 2017 increase by Trust receipts facility from purchasing raw material. Secondly is the increase in Account Payable due to an increase in purchasing raw material.

### 2. Non-current Liabilities

As of the year end 2016 and 2017, The company's non-current liabilities THB 63.0 MB and THB 38.8 MB respectively and equivalent to 20.3% and 7.8% of the total Liabilities respectively. The main non-current liabilities is long-term debt and liability under finance lease net from the long term debt due date within one year is THB 43.2 MB and THB 24.3 MB respectively or equivalent to 13.9% and 4.9% of the total liabilities respectively. The decrease for long term loan due to gradually paying off some balance of debt from the finance institution.

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Shareholder's equity

The company's shareholder's equity as of the year end 2016 and 2017 amounted to THB 315.3 MB and THB 782.2 MB respectively. An increase in shareholder's equity which amount to THB 466.9 MB from the THB 40 MB, paid up capital and the share premium account-ordinary share which amount to THB 415.2 MB.

Please be informed accordingly,

Yours Sincerely

(Miss Valarlak Ngamchitcharoen)

Managing Director