

NO. ZIGA 007/2018

9 August 2018

Subject : Management explanation and analysis for the 2<sup>nd</sup> Quarter ended 30 June 2018

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 2/2018 ended 30 June 2018 are as follows :

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

The company earned THB 200.5 MB and 241.4 MB in Q2/2017 and Q2/2018 respectively, An increase in total revenue 20.4% and can be summarized as following.

Description	Total Revenue (MB)		Q-O-Q Change	Note
	Q2/2017	Q2/2018	Increase/(Decrease)	
Sales	196.4	240.8	22.6%	The sales volume increases as steel domestic consumption economics
Other income	4.1	0.6	-85.4%	Less defect on production due to effective control and successful training program. Consequently, the other revenue for the scrap and under quality control grade of finished product decrease. The profit from the income earning from the foreign exchange decrease comparing to the same period of time.
<b>Total Revenue</b>	200.5	241.4	20.4%	An increase in total revenue by 20.4%

**Cost of sales**

Cost of sales in total for Q2/2017 and Q2/2018 was THB 159.3 MB and THB 216.3 MB respectively, equivalent to 79.4% and 89.6% of total cost of sale 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 13.8 MB and THB 16.1 MB in Q2/2017 and Q2/2018 respectively, equivalent to 6.9% and 6.7% of total revenue, respectively. Summary of selling and administrative expenses are as follows:

Description	Selling and Administrative (THB MB)		Q-O-Q Change Increase/(Decrease)	Note
	Q2/2017	Q2/2018		
Selling expenses	3.5	5.4	54.3%	Mainly caused from the staff costs increase.
Administrative expenses	10.3	10.7	3.9%	No major change.
Total selling and administrative expenses	13.8	16.1	16.7%	

### Finance cost

The company incurred the finance cost in Q2/2017 and Q2/2018 amounting THB 3.2 MB and THB 2.8 MB respectively. The company has decreased a little of finance cost from liabilities under trust receipts for purchase of raw material.

### Net Profit

The Company earned net profit in Q2/2017 and Q2/2018 amounting to THB 19.5 MB and THB 5.3 MB respectively. Net profit of the company equal to 9.7% and 2.2% of total revenue 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 2017 and 30 June 2018 totaled THB 1,281.9 MB and THB 1,014.7 MB respectively. The main assets held by the company is current asset in which accounted for 55.5% of the total assets and non-current asset accounted for 44.5%.

	31 December 2017		30 June 2018	
	THB MB	%	THB MB	%
Current assets	1,026.4	80.1	562.8	55.5
Non-current assets	255.5	19.9	451.9	44.5
Total assets	1,281.9	100.0	1,014.7	100.0

**1. Current assets**

The company's current assets as of year-end of 2017 and Q2/2018 was THB 1,026.4 MB and THB 562.8 MB respectively, equivalent to 80.1% and 55.5% of total assets. The company current assets as of year-end of 2017 and Q2/2018 was cash and cash equivalents in which accounted to THB 393.9 MB and THB 242.7 MB respectively or equivalent to 30.7% and 23.9% of the total assets. Secondly, the finish goods inventory in which accounted to THB 501.8 MB and THB 196.9 MB respectively as of year-end 2017 and Q2/2018 or equivalent to 39.1% and 19.4% of the total assets respectively. The main current assets decrease in inventory of THB 304.9 MB and decrease in cash and cash equivalents of THB 151.2 MB from new factory construction paid.

**2. Non-current assets**

As of year-end 2017 and Q2/2018 the company's non-current assets totaled THB 255.5 MB and THB 451.9 MB and equivalent to 19.9% and 44.5% respectively. The main non-current assets are land and equipment which were 15.7% and 43.1% of the total assets in which the increase by land and equipment net THB 236.7 MB is from buying and transferring assets THB 250.6 MB and depreciation on useful life of asset in which increase for THB 13.9 MB.

## Liabilities

The company's total liabilities as of 31 December 2017 and 30 June 2018 totaled THB 499.7 MB and THB 274.1 MB respectively. The company's current liabilities in which accounted for 89.7% of the total liabilities and non-current liabilities accounted for 10.3% of the total liabilities.

	31 December 2017		30 June 2018	
	THB MB	%	THB MB	%
Current liabilities	460.9	92.2	246.0	89.7
Non-current liabilities	38.8	7.8	28.1	10.3
Total liabilities	499.7	100.0	274.1	100.0

### 1. Current liabilities

As of the year end 2017 and Q2/2018, the company's current liabilities totaled THB 460.9 MB and THB 246.0 MB respectively, equivalent to 92.2% and 89.7% respectively of the total Liabilities. Current Liabilities as of Q2/2018 decrease by decreasing in trade and other payable.

### 2. Non-current Liabilities

As of the year end 2017 and Q2/2018, The company's non-current liabilities THB 38.8 MB and THB 28.1 MB respectively, equivalent to 7.8% and 10.3% respectively of the total liabilities. The main non-current liabilities in long-term debt. The long-term debt due date within one year is THB 24.3 MB and THB 16.7 MB respectively or equivalent to 4.9% and 6.1% respectively of the total liabilities. The decrease for long term loan due to gradually paying off some balance of debt from the finance institution.

**ZIGA INNOVATION PUBLIC COMPANY LIMITED**

999/9,10,11 MOO 9 NAIKLONGBANGPLAKOD, PHASUMUDJADEE, SAMUDPRAKARN 10290

Tel. 02-816-9315 Fax. 02-816-9315 #444



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Shareholder's equity

The company's shareholder's equity as of the year end 2017 and Q2/2018 amounted to THB 782.2 MB and THB 740.6 MB respectively. A decrease in shareholder's equity amount to THB 41.6 by the resolution passed at the board meeting for dividend payment's approval in which amount to THB 67.6 MB. The company earned an increase in the net profit on year 2018 of THB 26.0 MB.

Please be informed accordingly,

Yours Sincerely

(Miss Valarlak Ngamchitcharoen)

Managing Director