

NO. ZIGA 008/2018

9 November 2018

Subject : Management explanation and analysis for the 3rd Quarter ended 30 September 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 3/2018 ended 30 September 2018 are as follows:

Statement of Income**Total Revenue**

The company earned THB 258.0 MB and 178.0 MB in Q3/2017 and Q3/2018 respectively, A decrease in total revenue 31.0% and can be summarized as following:

Sales	255.2	171.9	-32.6%	The sales volume decreases as steel domestic 's consumption was discouraged by economics. Lose sales opportunities in relation to a low level of stocks due to a limited warehouse space.
Other income	2.8	6.1	117.9%	A gain and profit in exchange rate comparing to the same period of last year due to efficient exchange rate fluctuations management.
Total Revenue	258.0	178.0	-31.0%	

Cost of sales

Cost of sales in total for Q3/2017 and Q3/2018 was THB 196.1 MB and THB 150.9 MB respectively, equivalent to 76.0% and 84.7% 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.

Selling and Administrative Expenses

The company's selling and administrative expenses amounted to THB 16.2 MB and THB 12.2 MB in Q3/2017 and Q3/2018 respectively, equivalent to 6.3% and 6.8% 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
	Q3/2017	Q3/2018		
Selling expenses	3.9	5.6	43.6%	Mainly caused from the sale promotion expenses and advertising expenses increase.
Administrative expenses	12.3	6.6	-46.3%	Mainly caused from the staff cost decrease.
Total selling and administrative expenses	16.2	12.2	-24.7%	

Finance cost

The company incurred the finance cost in Q3/2017 and Q3/2018 amounting THB 2.9 MB and THB 0.7 MB respectively. The company has decreased a little of finance cost from liabilities under trust receipts for purchasing of raw material.

Net Profit

The Company earned net profit in Q3/2017 and Q3/2018 amounting to THB 38.4 MB and THB 11.9 MB respectively. Net profit of the company equal to 14.9% and 6.7% 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 September 2018 totaled THB 1,281.9 MB and THB 993.2 MB respectively. As at 30 September 2018 the company is current asset in which accounted for 51.6% of the total assets and non-current asset accounted for 48.4%.

	31 December 2017		30 September 2018	
	THB MB	%	THB MB	%
Current assets	1,026.4	80.1	512.5	51.6
Non-current assets	255.5	19.9	480.7	48.4
Total assets	1,281.9	100.0	993.2	100.0

1. Current assets

The company's current assets as of year-end of 2017 and Q3/2018 was THB 1,026.4 MB and THB 512.5 MB respectively, equivalent to 80.1% and 51.6% of total assets. The company current assets as of year-end of 2017 and Q3/2018 was cash and cash equivalents in which accounted to THB 393.9 MB and THB 99.6 MB respectively or equivalent to 30.7% and 10.0% of the total assets. Secondly, the finish goods inventory in which accounted to THB 501.8 MB and THB 299.1 MB respectively as of year-end 2017 and Q3/2018 or equivalent to 39.1% and 30.1% of the total assets respectively. The main current assets decrease in inventory of THB 202.7 MB and decrease in cash and cash equivalents of THB 294.4 MB from new factory construction paid.

2. Non-current assets

As of year-end 2017 and Q3/2018 the company's non-current assets totaled THB 255.5 MB and THB 480.7 MB and equivalent to 19.9% and 48.4% respectively. The main non-current assets are land and equipment which were 15.7% and 47.0% of the total assets in which the increase by land and equipment net THB 266.0 MB is from buying and transferring assets THB 285.3 MB and depreciation on useful life of asset in which increase for THB 19.3 MB.

Liabilities

The company's total liabilities as of 31 December 2017 and 30 September 2018 totaled THB 499.7 MB and THB 240.7 MB respectively. The company's current liabilities in which accounted for 90.1% of the total liabilities and non-current liabilities accounted for 9.9% of the total liabilities.

	31 December 2017		30 September 2018	
	THB MB	%	THB MB	%
Current liabilities	460.9	92.2	216.9	90.1
Non-current liabilities	38.8	7.8	23.8	9.9
Total liabilities	499.7	100.0	240.7	100.0

1. Current liabilities

As of the year end 2017 and Q3/2018, the company's current liabilities totaled THB 460.9 MB and THB 216.9 MB respectively, equivalent to 92.2% and 90.1% respectively of the total Liabilities. Current Liabilities as of Q3/2018 decrease by decreasing in trade and other payable.

2. Non-current Liabilities

As of the year end 2017 and Q3/2018, The company 's non-current liabilities THB 38.8 MB and THB 23.8 MB respectively, equivalent to 7.8% and 9.9% 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 13.3 MB respectively or equivalent to 4.9% and 5.5% respectively of the total liabilities. The decrease for long term loan due to gradually paying off some balance of debt from the finance institution.

Shareholder's equity

The company's shareholder's equity as of the year end 2017 and Q3/2018 amounted to THB 782.2 MB and THB 752.4 MB respectively. A decrease in shareholder's equity amount to THB 29.8 MB.

The company has a road map for sustainable growth. The company has planned for sufficient in inventory space for efficiency stock management and future expansion in the new site. Additionally, the company can extend the products line for business diversification including I-RETAIL business unit.

The company also extends the distribution channel on retail business. The business alliance is Dynasty ceramic public company limited who has widely 200 branches over the country.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitcharoen)

Managing Director