

NO. ZIGA 009/2019

9 August 2019

Subject: Management explanation and analysis for three-month period ended 30 June 2019

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 2/2019 ended 30 June 2019 as the following:

Statement of Income :	Million Baht		change increase (decrease)
	Q2/2019	Q2/2018	
Sales	172.5	240.8	-28.4%
Other income	17.8	0.6	3122.1%
Cost of sales	- 151.2	- 216.3	30.1%
Selling expenses	- 5.3	- 5.4	2.7%
Administrative expenses	- 9.6	- 10.7	10.8%
Finance costs	- 3.1	- 2.8	-9.7%
Profit for the period	17.2	5.3	222.9%
Net Profit	9.1%	2.2%	
EBITDA (MB)	27.8	14.9	86.3%
EBITDA (%)	14.6%	6.2%	
Earnings per share (Baht)	0.03	0.01	200.0%

Remark : EBITDA = Profit before finance costs, income tax, Depreciation and Amortization

The Company earned THB 190.3 MB and THB 241.4 MB in Q2/2019 and year 2018 respectively, A decrease in total revenue amount THB 51.1 MB, equivalent to 21.2% of total revenue and can be summarized as the following:

The Company's revenue from sales amounted to THB 172.5 MB and THB 240.8 MB in Q2/2019 and year 2018 respectively. A decrease in revenue from sales amount THB 68.3 MB, equivalent to 28.4% of total revenue from sales. A higher gross margin is how the Company manage the production planning through new software and which consequently led to a higher gross margin comparing to the same period of 10.2% to 12.3%. Anyway, the Company's selling price decreased and led to a lower revenue due to an economic recession.

The Company's other income THB 17.8 MB and THB 0.6 MB in Q2/2019 and 2018 respectively, an increase in total other income amount THB 17.2 MB, which mostly increased from foreign exchange gains due to the baht appreciation. The Company has a policy to manage foreign exchange risk by making a forward exchange contract.

The Company can maintain the level of selling and administrative expenses. Including, financial costs in the same criteria.

The Company therefore earned net profit in Q2/2019 and year 2018 amounting THB 17.2 MB and THB 5.3 MB respectively. Net profit of the Company equal to 9.1% and 2.2% of total revenue respectively, increase for comparing to the same period amount THB 11.9 MB, equivalent to 222.9% of net profit. EBITDA in Q2/2019 and year 2018 amounted THB 27.8 MB and THB 14.9 MB respectively.

Statement of Financial Position

Assets

The Company's total assets as of 31 December 2018 and 30 June 2019 totaled THB 1,195.3 MB and THB 1,181.7 MB respectively. As at 30 June 2019 the Company is current asset in which accounted for 52.4% of the total assets and non-current asset accounted for 47.6% of the total assets.

	31 December 2018		31 June 2019	
	THB MB	%	THB MB	%
Current assets	665.3	55.7	619.1	52.4
Non-current assets	530.0	44.3	562.6	47.6
Total assets	1,195.3	100.0	1,181.7	100.0

1. Current assets

The Company's current assets as of year-end of 2018 and Q2/2019 was THB 665.3 MB and THB 619.1 MB respectively, equivalent to 55.7% and 52.4% of total assets respectively. The Company's the finish goods inventory as of year-end of 2018 and Q2/2019 amounted THB 428.3 MB and THB 407.4 MB respectively, equivalent to 35.8% and 34.5% of total assets. Secondary, cash and cash equivalents in which accounted to THB 117.7 MB and THB 111.2 MB respectively, equivalent to 9.9% and 9.4% of the total assets respectively. The main current assets decrease as account receivable and other current receivables decrease.

2. Non-current assets

As of year-end 2018 and Q2/2019 the Company's non-current assets totaled THB 530.0 MB and THB 562.6 MB respectively, equivalent to 44.3% and 47.6% respectively. The main non-current assets are land and equipment which were 43.2% and 46.6% of the total assets in which the increase by land and equipment net THB 34.6 MB is from buying and transferring assets THB 40.9 MB and depreciation on useful life of asset in which increase for THB 6.3 MB.

Liabilities

The Company's total liabilities as of 31 December 2018 and 30 June 2019 totaled THB 438.1 MB and THB 433.7 MB respectively. The Company's current liabilities in which accounted for 97.4% of the total liabilities and non-current liabilities accounted for 2.6% of the total liabilities.

	31 December 2018		31 June 2019	
	THB MB	%	THB MB	%
Current liabilities	417.7	95.3	422.3	97.4
Non-current liabilities	20.4	4.7	11.4	2.6
Total liabilities	438.1	100.0	433.7	100.0

1. Current liabilities

As of the year end 2018 and Q2/2019, the Company's current liabilities totaled THB 417.7 MB and THB 422.3 MB respectively, equivalent to 95.3% and 97.4% respectively of the total Liabilities. Current Liabilities as of year 2018 increase by increasing in liabilities under trust receipts.

2. Non-current Liabilities

As of the year end 2018 and Q2/2019, the Company's non-current liabilities THB 20.4 MB and THB 11.4 MB respectively, equivalent to 4.7% and 2.6% respective of the total liabilities. The main non-current liabilities in long-term debt. The long-term debt due date within one year is THB 10.5 MB and THB 5.6 MB respectively, equivalent to 2.4% and 1.3% respective of the total liabilities. The decrease for long term loan in year 2019 due to gradually paying off some balance of debt from the finance institution.

Shareholder's equity

The Company's shareholders equity as of the year end 2018 and Q2/2019 amounted to THB 757.2 MB and THB 748.0 MB respectively. An increase in shareholder's equity amount to THB 9.3 MB from net profit of the first half of year 2019 earned of THB 29.9 MB and increase from gains on remeasurements of defined benefit plans - net of tax amounted THB 2.4 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. The Company has extended the new products in retail channel e.g. galvanized paints, welding wire including I-RETAIL business. The Company had also extended the distribution channel in retail business and already opened four branches. The business alliance is Dynasty Ceramic Public Company Limited who has widely 200 branches over the country.

Since the steel coil is the main raw materials that have significantly contribute to fluctuations of the global steel price. In a certain situation, the Company usually rises the input cost to the price of the products. Anyway, the economic recession threatens to the price structure that the Company can not specify the price change with the corresponding changes of cost. Consequently, it affected the profit margin. The Company still has no policy to overstock but to manage the inventory turnover efficiently. Beside this, The Company focused on managing the account receivable turnover especially debtor screening policy efficiently. Therefore, there has been no record for an uncollectible account from Debtors.

This is to ensure the Company financial status and performance. The Backlog was around 10% of the total sales that lead to less risk under cost fluctuations. The Company has also managed the risk for exchange rate by forward contract.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitcharoen)
Managing Director