

NO. ZIGA 019/2022

17 May 2022

Subject: Management explanation and analysis Quarter 1/2022 ending 31 March 2022

Attention: The President of, The Stock Exchange of Thailand

Ziga Innovation Public Company Limited was a manufacturer and exporter of international standard for electrical white conduits in the area of electricity under brand "DAIWA" and the Company deliver "ZIGA" brand for an innovative replacement product in the group of galvanized steel pipes or painted black of steel pipes.

At present, the Company is the leader in the Pre-zinc pipe market. The company continues to develop products to add value and expand its business in both steel and non-steel groups by developing both value-added products and expanding related businesses in which cover from large project customers to general users to build a connected brand to people. The Company focuses on marketing and selling pre-zinc steel (Niche Market) in the agricultural greenhouses such as Hemp and cannabis group. The Company has been well recognized and make the ZIGA brand more widely known. Consequently, the Company has been accepted and has a lot of interested people.

The Company was able to generate revenue growth as a result of expanding the market to more consumers. In addition, the impact of the pandemic-enforced lockdown and caused the problems in the supply chain. Consequently, there was a significant increase in logistics management costs. Anyway, the Company has tried to fix the price to support the clients of such rising raw material prices. As a result, the gross profit of the Company decreased. The company plans to gradually increase the selling price from the increased cost.

However, the Company is aware of the accelerating rate of change in the technology world from the past covid pandemic. The Company therefore has an idea to RE-MODEL a sale model to correspond with the new business model that enters the technology business. Additionally, the company has expertise in electricity industry because the Company is a manufacturer of conduits and equipment (Electrical Conduit & Accessories) and has been in the electrical contractor industry for more than 25 years. The company is confident in entering the technology business that can create business growth opportunities and provide added value for the business by investing in the Bitcoin Mining business. At present, At present, the Company has 400 bitcoin mining machines, equivalent to 41,600 TH/s and the company has planned to use the transformer Unique version of the bitcoin mining which is supported and developed by Charoenchai Transformer Co., Ltd., the Company's original partner which is a model that reduces electricity consumption and is an innovative model that manages Low Carbon and environmentally friendly It will help reduce the cost of electricity in the long run.

The Company plans to expand the use of Digital Asset to increase business value through innovation. which the Company has established a subsidiary to support entry into the technology business group He is interested in Fintech business, which is the application of technology to finance and create new innovations, which is one of the business models that add value to the company.

ZIGA Innovation Public Company Limited (“the Company”) would like to clarify operating performance of the Company three-month for the Quarter 1/2022 ended 31 March 2022 are as follows:

Consolidated Financial Statements

Statement of Income :	Million Baht		change increase (decrease)
	Q1/2022	Q1/2021	
Sales	444.3	266.5	66.7%
Revenue from digital assets	10.9	-	100.0%
Other income	3.6	3.2	12.5%
Gain (loss) on exchange rates	- 0.4	- 7.0	-94.5%
Cost of sales and digital assets	- 418.4	- 204.2	105.0%
Selling expenses	- 6.3	- 5.9	5.8%
Administrative expenses	- 12.9	- 11.2	14.7%
Finance costs	- 5.0	- 3.6	37.1%
Profit for the period	12.1	30.3	-60.2%
Net Profit	2.6%	11.2%	
EBITDA (MB)	30.0	48.5	-38.1%
EBITDA (%)	6.7%	18.0%	
Earnings per share (Baht)	0.02	0.06	-66.7%

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

The Company earned THB 458.8 MB and THB 269.7 MB in Q1/2022 and 2021 respectively, an increase in total revenue amount THB 189.1 MB, equivalent to 70.1% of total revenue and can be summarized as the following:

The Company’s revenue from sales amounted to THB 444.3 MB and THB 266.5 MB in Q1/2022 and 2021 respectively. An increase in revenue from sales amount THB 177.8 MB, equivalent to 66.7% of total revenue from sales and Revenue from cryptocurrency mining amounted to THB 10.9 MB in Q1/2022. The company has a gross profit margin in Q1/2022 amounted to 8.1% decrease compared to the same period as a result of increased of product cost as it was impacted by the outbreak of the coronavirus 2019 (COVID-19) whilst the company gradually adjust the selling price in order to reduce the impact of customers.

The Company’s other income amounted to THB 3.6 MB and THB 3.2 MB Q1/2022 and 2021 respectively, an increase compared to the same period amount THB 0.4 MB, most of them increased from revenue from the sale of scrap materials.

Total distribution costs and administrative expenses amounted to THB 19.2 MB and 17.1 MB in Q1/2022 and 2021 respectively. An increase THB 2.1 MB, equivalent to 12.3%. However, the Company can maintain the level of selling and administrative expenses to be in the same criteria. Financial costs amounted to THB 5.0 MB and 3.6 MB in Q1/2022 and 2021 respectively, an increase amount THB 1.4 MB or 60.2%.

The Company’s loss on exchange rates amounted to THB 0.4 MB and 7.0 MB in Q1/2022 and 2021 respectively, a decrease amount THB 6.6 MB or 94.5%.

The Company earned net profit in Q1/2022 and 2021 amounting THB 12.1 MB and THB 30.3 MB respectively. Net profit of the company equal to 2.6% and 11.2% of total revenue respectively,

decreased for comparing to the same period amount THB 18.2 MB, equivalent to 60.2% of net profit. EBITDA in Q1/2022 and 2021 amounted THB 30.0 MB and THB 48.5 MB respectively.

Statement of Financial Position

Assets

The Company's total assets as of 31 March 2022 and 31 December 2021 totaled THB 1,961.3 MB and THB 1,810.0 MB respectively. As of 31 March 2022 the Company is current asset in which accounted for 50.2% of the total assets and non-current asset accounted for 49.8% of the total assets.

	Consolidated			
	31 March 2022		31 December 2021	
	THB MB	%	THB MB	%
Current assets	984.9	50.2	980.4	54.2
Non-current assets	976.4	49.8	829.6	45.8
Total assets	1,961.3	100.0	1,810.0	100.0

1. Current assets

The Company's current assets as of Q1/2022 and end of the year 2021 was THB 984.9 MB and THB 980.4 MB respectively, equivalent to 50.2% and 54.2% of total assets respectively. The Company had cash and cash equivalents as of the Q1/2022 and end of the year 2021 amounted THB 355.4 MB and THB 199.0 MB respectively, equivalent to 18.1% and 11.0% of the total assets respectively. Secondary, Inventories of THB 340.8 MB and THB 590.4 MB as of the Q1/2022 and end of the year 2021 or 17.4% and 32.6% of total assets respectively. Current assets That increased the majority from cash and cash equivalents the increase was mainly from the cash received from the exercise of warrants.

2. Non-current assets

As of Q1/2022 and end of the year 2021, the Company's non-current assets totaled THB 976.4 MB and THB 829.6 MB respectively, equivalent to 49.8% and 45.8% respectively. The main non-current assets are Property, plant and equipment which were 42.2% and 41.2% of the total assets in which the increase by Property, plant and equipment net THB 82.1 MB is from buying and transferring assets THB 90.2 MB and depreciation amount THB 8.1 MB.

Liabilities

The Company's total liabilities as of 31 March 2022 and 31 December 2021 totaled THB 871.5 MB and THB 814.4 MB respectively. The Company's current liabilities in which accounted for 78.0% of the total liabilities and non-current liabilities accounted for 22.0% of the total liabilities.

	Consolidated			
	31 March 2022		31 December 2021	
	THB MB	%	THB MB	%
Current liabilities	679.5	78.0	603.9	74.1
Non-current liabilities	192.0	22.0	210.5	25.9
Total liabilities	871.5	100.0	814.4	100.0

1. Current liabilities

As of Q1/2022 and end of the year 2021, the Company's current liabilities totaled THB 679.5 MB and THB 603.9 MB respectively, equivalent to 78.0% and 74.1% respectively of the total Liabilities. Total current liabilities increased from 2021 by THB 75.6 MB due to an increase in trade and other payables, an increase of THB 90.7 MB from purchasing raw materials from abroad.

2. Non-current Liabilities

As of Q1/2022 and end of the year 2021, the Company's non-current liabilities THB 192.0 MB and THB 210.5 MB respectively, equivalent to 22.0% and 25.9% respective of the total liabilities. The main is long-term loans from financial institutions, in which the Company has long-term loans from financial institutions, net of the portion due within one year is THB 124.7 MB and THB 141.3 MB respectively, equivalent to 14.3% and 17.3% respective of the total liabilities. The long-term borrowings decreased from the year end of 2021, due to gradually paying off some balance of debt.

Shareholder's equity

The Company's shareholders equity as of 31 March 2022 and 31 December 2021 amounted to THB 1,089.7 MB and THB 995.5 MB respectively. Shareholders' equity decreased THB 94.2 MB due to the increase in advance receipt of share subscription THB 82.0 MB and retained earnings THB 12.1 MB.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitcharoen)
Managing Director