

NO. ZIGA 021/2022

15 August 2022

Subject: Management explanation and analysis Quarter 2/2022 ending 30 June 2022

Attention: Director and Managing Director
The Stock Exchange of Thailand

Ziga Innovation Public Company Limited main revenue is derived from the manufacturer and distributor of pre-zinc structural steel pipes ZIGA brand and DAIWA brand conduits, which are innovative replacement products in galvanized steel pipe or painted black steel pipe segment.

The Company focuses on developing and increasing the value of products in both steel and non-steel forms and create a brand close to customers, especially focusing on the niche market.

However, due to China's Zero Covid and lock down measures and supply impacts, the Company has imported from other production sources that can be equivalent in quality. The Company's products, however, have a higher cost of raw materials to reassure customers in the long term in delivering products on time and maintain product quality standards, the price of raw materials costs has risen, coupled with price fluctuations, which at the end of the second quarter saw a sharp and abrupt price reduction. Due to the global economic recession and the impact of the trade war between China and Russia, pre-zinc steel substitutes are priced much higher than general steel. Affected the popularity of this type of steel. The Company will make a marketing plan to stimulate sales through social media to educate users and to solve such problems and organize a proportion of products to penetrate more large projects.

The Company sees an opportunity to do new business opportunities. In terms of digital assets, the Company specializes in electrical products as it is a manufacturer of conduits and equipment and has been in the electrical contractor industry for more than 25 years. The Company is confident in starting to enter the technology business. It can create business opportunities to grow by investing in the Bitcoin Mining business. Currently, the Group has a total of 400 bitcoin mining machines equivalent to 41,600 TH/s.

Divided into machines that have already been installed at the Company's office building 200 machines and the rental of another 200 bitcoin mining machines. which the Company has in the past had the main approach to managing fluctuations when the price of bitcoin is lower than usual. The Company will manage by pausing bitcoin mining machines and buying bitcoin coins instead. The Company also plans a business model for increasing the value of bitcoin. Currently, in the process of preparing for the issuance of a ready-to-use utility token, which remains subject to uncertainty in the legal framework, which may require a longer-than-expected procedure.

However, doing business during challenging times and there may be uncontrollable factors, the Company considers that investing in innovations such as digital assets will have long-term positive effects. The Company has monitored the situation to adjust the investment plan appropriately and with caution to maintain maximum benefit to all stakeholders who have trusted the Company. Including, the main business which is a manufacturer of pre-zinc steel pipes under the Ziga and Daiwa brands, continues to develop new products that solve problems for customers.

ZIGA Innovation Public Company Limited ("the Company") would like to clarify operating performance of the Company for the Quarter 2/2022 ended 30 June 2022 are as follows:

Consolidated Financial Statements

Statement of Income:	Million Baht		Change increase (decrease)
	Q2/2022	Q2/2021	
Sales	226.8	314.9	- 28.0%
Revenue from digital assets	10.7	-	100.0%
Other income	3.9	4.9	- 20.5%
Cost of sales	- 214.2	- 221.1	- 3.1%
Loss on exchange rates	- 15.5	- 3.4	360.4%
Impairment loss of digital assets	- 10.5	-	100%
Distribution costs	- 6.4	- 6.4	0.5%
Administrative expenses	- 16.7	- 18.0	- 7.2%
Finance costs	- 7.95	- 4.9	60.7%
Profit (Loss) for the period	- 28.1	50.4	- 155.7%
Net Profit (Loss)	- 0.1	0.2	
EBITDA (MB)	- 9.3	79.7	- 111.6%
EBITDA (%)	- 4.0%	24.9%	
Earnings per share (Baht)	0.01	0.10	- 90.0%

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

The Company's total revenues in the second quarter of 2022 and 2021 were 241.4 million baht and 319.8 million baht, respectively, a decrease of 78.4 million baht or equivalent to a 24.5% reduction in total revenue and the change can be summarized as follows:

The Company's sales revenue in the second quarter of 2022 and 2021 equal to 226.8 million baht and 314.9 million baht, respectively, a decrease of 88.1 million baht, or a decrease in sales revenue of 28 %. Gross profit in the second quarter of 2022 is 11.36%, a decrease compared to the same period last year. Due to rising product costs, the Company has increased the selling price to reduce the impact of customers.

Revenue from digital assets generated from mining cryptocurrencies. In the second quarter of 2022, the Company earned 10.7 million baht from bitcoins mining, an increase of 100% compared to the same period last year. This was due to the Company's start-up cryptocurrency mining business in December 2021 and the cost of digital assets amounted to 24.9 million baht and from the impact of the current bitcoin market price. Consequently, the Company had to record an impairment in the value of bitcoin in the amount of 10.5 million baht. Due to global central bank policy are strict. As a result, the entire economy, including digital assets, has been affected by global liquidity. If the overall situation of the economy improves. The Company still believes that the price of bitcoin will improve accordingly.

The Company's other revenues in the second quarter of 2022 and 2021 were 3.9 million baht and 4.9 million baht, respectively, a decrease of 1.0 million baht compared to the same period last year, mainly due to revenue from the sale of scrap materials.

Distribution costs and administrative expenses in the second quarter of 2022 and 2021 was 23.1 million baht and 24.4 million baht, respectively, a decrease of 1.3 million baht, representing a 5.2% reduction in financial costs in the second quarter of 2022 and Year 2021 is equal to 8.0 million baht and 5.0 million baht, respectively, an increase of 3.0 million baht, representing an increase of 60.7%.

Due to the exchange rate fluctuates greatly weakened, the Company itself is an importer of raw materials from abroad, causing the Company to have a loss on foreign exchange in the second quarter of 2022 and 2021 equal to 15.5 million baht and 3.4 million baht, respectively, an increase of 12.1 million baht, representing a rate of an increase of 360.4%

The Company has a net profit (loss) in the second quarter of 2022 and 2021 amounting to -28.1 million baht and 50.4 million baht, respectively, with the net profit (loss) of the Company accounting for -11.6% and 15.8% of total revenue. Consolidated in the second quarter of 2022 and 2021, respectively. Compared to the same period last year, the Company's net profit decreased by 78.4 million baht or equivalent to a 155.7% decrease in net profit. The Company had EBITDA in the second quarter of 2022 and 2021 amounted to -9.3 million baht and 79.7 million baht, respectively.

Statement of Financial Position

Assets

The Company's total assets as of June 30, 2022 and December 31, 2021, the Company had total assets of 1,245.9 million baht and 1,810.0 million baht, respectively. As of June 30, 2022, the company had current assets of 56.5% of total assets. and non-current assets 43.5% of total assets

	Consolidated Financial Statements			
	30 June 2022		31 December 2021	
	THB MB	%	THB MB	%
Current assets	1,245.9	56.5	980.4	54.2
Non-current assets	957.2	43.5	829.6	45.8
Total assets	2,203.1	100.0	1,810.0	100.0

1. Current assets

The Company's total current assets of 1,245.9 million baht and 980.4 million baht as of the second quarter of 2022 and the end of 2021, or equivalent to 56.5% and 54.2% of total assets, respectively, with inventories of 649.4 million baht and 590.4 million baht. The second quarter of 2022 and the end of 2021, or equivalent to 29.5% and 32.6% of total assets, respectively, followed by cash and cash equivalents of 433.4 million baht and 199.0 million baht at the second quarter of 2022 and the end of 2021. in 2021, or equivalent to 19.7% and 11.0% of total assets, respectively. Most of the increase in current assets It comes from cash and cash equivalents that are increased from cash received from the issuance of debentures. and cash from the exercise of warrants.

2. Non-current assets

As of the second quarter of 2022 and the end of 2021, the Company had total non-current assets of 957.2 million baht and 829.6 million baht respectively, or 43.5% and 45.8% respectively. The Company has significant non-current assets which are property, plant and equipment. accounted for 37.1% and 41.2% of total assets. Most of which increased from property, plant and equipment net amount of 71.9 million baht from purchase of additional assets/transfer of 91.6 million baht and depreciation of 19.7 million baht.

Liabilities

The Company's total liabilities as of June 30, 2022 and December 31, 2021, the Company has total liabilities of 1,138.5 million baht and 814.4 million baht, respectively. As of June 30, 2022, the company has current liabilities of 68.3% of total liabilities. and non-current liabilities 31.7% of total liabilities.

	Consolidated Financial Statements			
	30 June 2022		31 December 2021	
	THB MB	%	THB MB	%
Current liabilities	777.5	68.3	603.9	74.1
Non-current liabilities	361.0	31.7	210.5	25.9
Total liabilities	1,138.5	100.0	814.4	100.0

1. Current liabilities

As of the second quarter of 2022 and the end of 2021, the Company has total current liabilities of 777.5 million baht and 603.9 million baht, respectively, representing 68.3% and 74.1% of total liabilities. Total current liabilities increased from 2021 by 175.6 million baht from liabilities under trust receipts, an increase of 188.1 million baht from purchases of raw materials from abroad.

2. Non-current Liabilities

As of the second quarter of 2022 and the end of 2021, the Company had non-current liabilities of 361.0 million baht and 210.5 million baht, respectively, or 31.7% and 25.9% of total liabilities. Most of the non-current liabilities were long-term debentures - net amounting to 191.3 million baht, issued on April 26, 2022, due on April 26, 2024, and the second was 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, equal to 108.2 million baht and 141.3 million baht, respectively, or accounted for 9.5% and 17.3% of the total liabilities. Respectively, long-term borrowings decreased from the end of 2021 due to the gradual repayment of borrowings.

Shareholder's equity

As of June 30, 2022 and December 31, 2021, the Company had shareholders' equity of 1,063.5 million baht and 995.5 million baht, respectively. Shareholders' equity increased by 68.0 million baht from ordinary share capital and share premium. Increased from the exercise of warrants totaling 82.0 million baht and retained earnings decreased by 14.0 million baht.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitcharoen)
Managing Director