

NO. ZIGA 002/2566

DATE 27 February 2023

Subject: Management explanation and analysis ending 31 December 2022

Attention: Director and Managing Director  
The Stock Exchange of Thailand

Ziga Innovation Public Company Limited was originally a manufacturer of international standard electrical conduit and exporter in the electrical contractor industry under the DAIWA brand. Seeking for the innovative products, ZIGA brand was created, which is an innovative replacement product in the group of galvanized steel pipes or painted black steel pipes and has developed significant growth until the company has raised funds in the stock market to increase production capacity of Pre-zinc steel pipe products.

Currently, the company is a leader in the Pre-zinc pipe market. The company continues to develop products to add value and expand business in both Steel and Non-Steel groups by developing both product value-added models and related businesses from large project customers to general users.

However, the company is aware of the acceleration of changes in the technology world from the past COVID epidemic. The company therefore has an idea to RE-MODEL and in order to be in line with the new business model entering the technology business, the company has expertise in electricity. As 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 a technology business that can create business opportunities to grow and for adding value to the business by investing in the Bitcoin Mining business.

However, in the past year the company has faced volatility in both the steel business and bitcoin mining. The main business of the company affected by the trade war from the policy of sanctions against Russia resulting in dumping into the Chinese market. The lockdown and zero covid policies and the slowdown in the real estate industry in China resulted in a large excess of inventories in the market which directly affected the cost of goods in the market. Consequently the market prices in Thailand to fall sharply and rapidly due to concerns about the economic recession in the past year and as for the bitcoin mining, the company was unable to generate income as expected due to the fluctuation in bitcoin prices and forced the company to reconsider and adjust its business strategy in order to maintain the income and profit of the company. In 2023, the company has a business plan to penetrate the international standard electrical conduit market and other standard pipes to improve the company's gross profit margin and carefully adjust the inventory ratio accordingly.

ZIGA Innovation Public Company Limited (“the Company”) would like to clarify the operating results for the year 2022 ended December 31, 2022 as follows:

### Consolidated Financial Statements

Statement of Income:	Million Baht		Change increase (decrease)
	2022	2021	
Sales	1,124.1	1,141.3	- 1.5%
Revenue from digital assets	21.9	-	100.0%
Other income	12.8	68.8	- 81.4%
Cost of sales and digital assets	- 1,147.7	- 855.5	34.2%
Loss on foreign exchange rates	- 21.1	- 11.1	89.0%
Credit losses of trade and other current	- 105.6	-7.1	1394.8%
Loss on impairment of fixed assets	-64.0	-	100.0%
loss from digital asset impairment	- 2.1	-	100%
Loss on disposal of digital assets	- 7.2	-	100%
Impairment loss for prepaid cryptocurrency mining services	- 77.5	-	100%
Distribution costs	- 24.4	- 26.2	-6.8%
Administrative expenses	- 76.2	- 50.4	51.3%
Financial cost	- 31.7	- 20.2	57.0%
Net Profit (Loss)	-380.9	204.2	-286.5%
Net Profit (Loss) Margin	- 32.9%	16.9%	
EBITDA (MB)	- 309.3	292.4	- 205.8%
EBITDA (%)	- 27.2%	24.2%	
Earnings per share (Baht)	- 0.56	0.39	- 243.6%

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

According to the Company's consolidated financial statements the sales revenue in 2022 and 2021 was 1,124.1 million baht and 1,141.3 million baht, respectively, a decrease of 17.2 million baht or a decrease in sales revenue of 1.5% due to Zero Covid and lock down continues to affect the supply side of the company continuously. Increasing in raw material costs and at the same time affected by the baht depreciation coupled with price volatility. There was a sharp and sudden price drop and continued due to the global economic recession. and the impact of the trade war between China and Russia. This makes the price of pre-zinc steel as replacement products much higher than general steel while the Company was unable to adjust the selling price up to the same level as the market price change and from such circumstances, the Company sets aside an allowance for losses from the expected net realizable value. from inventories amounting to 25.1 million baht resulting in the Company There was a gross loss of 1.7 million baht, representing a gross loss rate of 0.15%.

As for revenue from digital assets, in 2022, the Company's revenue from the sale of digital coins amounted to 21.9 million baht, a 100 percent increase compared to the same period last year. And for cryptocurrency mining, in the third quarter of 2022, the company group temporarily stopped bitcoin mining machines. Due to the impact of the current Bitcoin market price drop. Running a bitcoin miner costs incurred to mine cryptocurrencies is not as costly as buying cryptocurrencies through an exchange. During Bitcoin miner shutdown, Bitcoin miner depreciation. and amortization of digital currency mining service fees totaling 29.8 million baht will be included in administrative expenses. In addition, the Company recognized an impairment loss from a digital currency mining rig in the amount of 64.0 million baht and recognized an impairment loss from a prepaid cryptocurrency mining service fee in the amount of 77.5 million baht because the subsidiary is in the process of legal proceedings. with bitcoin mining service provider

The company has credit losses of trade accounts receivable and other current receivables in 2022 and 2021, equal to 105.6 million baht and 7.1 million baht, respectively, an increase of 98.5 million baht, mostly from the subsidiary's non-payment. received from the sale of digital tokens in the amount of 103.2 million baht.

The company has other income in 2022 and 2021 equal to 12.8 million baht and 68.8 million baht, respectively, a decrease compared to the same period last year in the amount of 56.0 million baht because in the third quarter of 2021, the company had income from Request a refund of duty security in the amount of 50.9 million baht from the Customs Department according to the Announcement of the Dumping and Subsidy Committee Department of Foreign Trade Ministry of Commerce

Total distribution and administrative costs in 2022 and 2021 were 100.6 million baht and 76.6 million baht, respectively, an increase of 24.0 million baht, representing an increase of 31.4%, mainly due to the increase in depreciation. of bitcoin miners and cryptocurrency mining charges are amortized while the bitcoin miners are paused. For finance costs in 2022 and 2021 were 31.7 million baht and 20.2 million baht, respectively, an increase of 11.5 million baht, representing an increase of 57.0%, mainly from interest on debentures.

Because the exchange rate of the baht fluctuates. greatly depreciated. The company is an importer of raw materials. from abroad, causing the company to have loss from foreign exchange in 2022 and 2021 equal to 21.1 million baht and 11.1 million baht, respectively, an increase of 10.0 million baht, representing an increase of 89.0%.

The Company's net profit (loss) in 2022 and 2021 was -380.9 million baht and 204.2 million baht, respectively, with the net profit (loss) of the company accounting for -32.9% and 16.9% of total revenue. in 2022 and 2021, respectively, when compared to the same period last year. The company's net profit decreased by 601.6 million baht, representing a decrease in net profit of 215.4%. The company's EBITDA in 2022 and 2021 was -309.3 million baht and 292.4 million baht, respectively.

## **Consolidated statement of financial position**

### **Assets**

As of December 31, 2022 and 2021, the Company has total assets of 1,312.5 million baht and 1,809.9 million baht, respectively. As of 31 December 2022, the company's current assets accounted for 39.9% of total assets and non-current assets 60.1% of total assets.

	<b>Consolidated Financial Statements</b>			
	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>THB MB</b>	<b>%</b>	<b>THB MB</b>	<b>%</b>
Current assets	523.6	39.9	980.3	54.2
Non-current assets	788.9	60.1	829.6	45.8
Total assets	1,312.5	100.0	1,809.9	100.0

### **1. Current assets**

The Company had total current assets of 523.6 million baht and 980.3 million baht as of 2022 and the end of 2021, or 39.9% and 54.2% of total assets, respectively. The Company inventories 249.3 million baht and 590.4 million baht of 2022 and the end of 2021, or 19.0 percent and 32.6 percent per total asset, respectively. followed by trade and other current receivables in the amount of 152.2 million baht and 182.4 million baht, or 11.6 percent and 10.1 percent of total assets at the end of 2022 and 2021, respectively. Most of the decrease in current assets. from inventories

## 2. Non-current assets

As of 2022 and the end of 2021, the Company had total non-current assets of 788.9 million baht and 829.6 million baht, respectively, or 60.1 % and 45.8 percent, respectively. The Company has a significant list of non-current assets namely land, buildings and equipment, accounting for 55.1 % and 41.2 of total assets, mainly from land, buildings and equipment. Net amount 21.9 million baht. From the purchase of additional assets/transfers amounting to 95.1 million baht and depreciation of 53.1 million baht. and an increase from the impairment loss of cryptocurrency miners in the amount of 64.0 million baht

## Liabilities

As of December 31, 2022 and 2021, the Company has total liabilities of 602.6 million baht and 814.4 million baht, respectively. As of 31 December 2022, the company has current liabilities of 45.0% of total liabilities. and non-current liabilities 55.0% of total liabilities.

### Consolidated Financial Statements

	31 December 2022		31 December 2021	
	THB MB	%	THB MB	%
Current liabilities	523.6	39.9	980.3	54.2
Non-current liabilities	788.9	60.1	829.6	45.8
Total liabilities	1,312.5	100.0	1,809.9	100.0

## 1. Current liabilities

At the end of 2022 and 2021, the Company had total current liabilities of 271.3 million baht and 603.9 million baht, respectively, representing 45.0 percent and 74.1 percent of total liabilities. Total current liabilities decreased from 2021 in the amount of 332.6 million baht, mainly from liabilities under trust receipts in the amount of 380.8 million baht.

## 2. Non-current Liabilities

At the end of 2022 and 2021, the Company had non-current liabilities of 331.3 million baht and 210.5 million baht, respectively, or 55.0% and 25.9% of total liabilities, respectively, with the majority of non-current liabilities being long-term debentures in the amount of 192.2. million baht, accounting for 31.9 percent of total liabilities. From the issuance of debentures on April 26, 2022 and due on April 26, 2024, followed by long-term loans from financial institutions, where the Company has long-term loans from financial institutions net of the portion due within one year. equal to 75.2 million baht or 12.5% of total liabilities and in 2022 there are other non-current liabilities from sales and leaseback agreements net of the portion due within one year equal to 46.8 million baht or 7.8% of total liabilities

## Shareholder's equity

At the end of 2022 and 2021, the Company had shareholders' equity of 709.9 million baht and 995.5 million baht, respectively. Shareholders' equity decreased by 285.6 million baht from a decrease in retained earnings of 379.2 million baht and ordinary shares and equity. in excess of the value of ordinary shares from the exercise of warrants to purchase ordinary shares of the Company An increase of 46.7 million baht and 46.7 million baht, respectively.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitharoen)

Managing Director