

NO. ZIGA 001/2024

6 February 2024

Subject: Management explanation and analysis ending 31 December 2023
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.

The company has a customer base that trusts in important projects in Thailand and be international standard manufacturer and exporter under the ZIGA and DAIWA brands, including non-steel products that reach both the electrical and structural contractors' market and general users. The company started adjusting strategic plans to allocate value products and adjust inventory to be more flexible to cope with volatility. We plan dynamically for inventory life to be flexible in each period including planning to reduce production costs together.

The company's products are not manufactured through a chemical process because they are galvanized steel, coated and finished products and environmentally friendly and do not need to be painted to prevent rust although at present low quality products continue to flow into the market, however, with more stringent product standards being controlled and environmental context especially for large projects that need to be used Green Building Standard (LEED), the company will remain confident in being a product that can meet the needs of customers in the long run.

In the past year, the company adjusted its product strategy by reducing the proportion of products with small profit margins and the possibility of loss and increasing the proportion of products with higher profit margins. And caused some sales to disappear. However, the company saw that this strategy makes the company able to manage risk during volatile times well and generate satisfactory profit margins at a time when similar industries face cost challenges and suffer losses. The Company continues to adhere to this approach and is committed to creating good returns for shareholders and creating sustainability with care during challenging times. If the company has more confidence in the economic situation, The company will increase the proportion of products under the brands DAIWA and ZIGA, especially the company's electrical conduits that living together with Thai and has been a standard pipe and large-scale project for more than three decades.

In addition, according to the company news was announced through the Stock Exchange of Thailand on December 26, 2023. The company will redeem the bonds before the payment is due. It will be redeemed on February 27, 2024, in the amount of 126,685,000 baht, which the company estimates that the company will be able to maintain the debt service coverage ratio (DSCR) equal to 1.26 times.

ZIGA Innovation Public Company Limited (“the Company”) would like to clarify operating performance of the Company nine-month for year 2023 ended 31 December 2023 are as follows:

Statement of Income:	Million Baht		Change increase (decrease)
	2023	2022	
Sales	770.9	1,124.1	-31.4%
Revenue from digital assets	-	21.9	-100.0%
Other income	31.5	12.8	146.4%
Cost of sales and digital assets	- 647.0	- 1,147.7	-43.6%
Loss on foreign exchange rates	3.6	- 21.1	-117.2%
Credit losses of trade and other current receivables	- 10.1	- 105.6	-90.4%
Gain (loss) from selling investments in subsidiaries	4.8	-	100.0%
Profit (loss) from digital asset impairment	-	- 64.0	-100.0%
Reversing (loss) from impairment of digital assets	2.1	- 2.1	-200.6%
Profit (loss) from selling digital assets	2.7	- 7.2	-137.6%
Loss from impairment of prepaid cryptocurrency mining services	-	- 77.5	-100.0%
Distribution costs	- 22.8	- 24.4	-6.7%
Administrative expenses	- 52.2	- 76.2	-31.6%
Financial costs	- 29.3	- 31.7	-7.4%
Net profit (loss)	41.6	- 380.9	110.9%
Net profit (loss) margin	5.2%	-32.9%	
EBITDA (Million baht)	119.6	- 309.3	138.7%
EBITDA (%)	14.9%	-27.2%	
Profit(Loss) per share (Baht)	- 0.06	- 0.56	-89.3%

Note : EBITDA means profit before finance costs, income tax, depreciation and amortization

According to the company's consolidated financial statements there is sales revenue in 2023 and 2022 equal to 770.9 million baht and 1,124.1 million baht, respectively, a decrease of 353.2 million baht, or equivalent to a decrease in sales revenue of 31.4 percent, due to the company choosing to manage products only in groups where the company can make a profit and reduce the proportion of products that have a chance of losing due to fluctuating product cost conditions. From steel costs and exchange rates as a result, income decreased in this group of products. However, the company was able to manage profit margins on the products well. As compared to similar industries, in 2023 the company recorded a reversal of losses on obsolete and slow-moving products. Included in cost of sales and digital assets, the company had a gross profit of 123.9 million baht, an increase of 125.5 million baht from the previous year, representing a gross profit margin of 16.1 percent.

For income from digital assets revenue generated from cryptocurrency mining decreased by 100 percent compared to the same period in 2022.

The company has reversed the loss from impairment of digital assets in 2023 in the amount of 2.1 million baht and has a profit from the sale of digital assets in 2023 in the amount of 2.7 million baht.

The Company has other income in 2023 and 2022 equal to 31.5 million baht and 12.8 million baht, respectively, an increase compared to the same period last year in the amount of 18.7 million baht, most of which increased from interest income from loans.

The Company has profit (loss) from foreign currency exchange rates in 2023 and 2022 equal to 3.6 million baht and -21.1 million baht, respectively. The Company has an increase in profit from foreign currency exchange rates of 24.7-million-baht, equivalent to a rate of an increase of 117.2 percent.

The Company has credit losses on trade receivables and other current receivables in 2023 and 2022 equal to 10.1 million baht and 105.6 million baht, respectively, a decrease of 95.5 million baht because in the previous year the company recognized credit losses of trade receivables and other revolving receivables from subsidiaries that have not received payment from the sale of digital tokens in the amount of 103.2 million baht. Currently, the court is making an appointment to hear the judgment.

During 2023, the Company sold investments in Wisden Group Company Limited. The Company recognized a profit from the sale of investments in subsidiaries in the amount of 4.8 million baht.

Total distribution costs and administrative expenses in 2023 and 2022 were equal to 74.9 million baht and 100.6 million baht, respectively, a decrease of 25.7 million baht, representing a decrease of 25.6 percent, mainly decreased from cost of mining cryptocurrency coins because in 2022, the company will recognize the cost of digital currency mining services. and other related expenses are administrative expenses.

For financial costs in 2023 and 2022 equal to 29.3 million baht and 31.7 million baht, respectively, a decrease of 2.4 million baht.

The company has a net profit (loss) in 2023 and 2022 of 41.6 million baht and -380.9 million baht, respectively. Representing 5.2 percent and -32.9 percent of total revenue in 2023 and 2022, respectively. Compared to the same period last year, the company's net profit increased by 422.5 million baht, or equivalent to an increase in profit. Net of 110.9 percent, with the company's EBITDA in 2023 and 2022 amounting to 119.6 million baht and -309.3 million baht, respectively.

Consolidated statement of financial position

Assets

As of 31 December 2023, and 2022, the Company had total assets equal to 1,271.2 million baht and 1,312.5 million baht, respectively. As of 31 December 2023, the company had current assets of 38.4 percent of total assets. And non-current assets 61.6 percent of total assets

	Consolidated Financial Statements			
	31 December 2023		31 December 2022	
	THB MB	%	THB MB	%
Current assets	488.6	38.4	523.6	39.9
Non-current assets	782.6	61.6	788.9	60.1
Total assets	1,271.2	100.0	1,312.5	100.0

1. Current assets

The company has total current assets of 488.6 million baht and 523.6 million baht at the end of 2023 and 2022, or accounting for 38.4 percent and 39.9 percent of total assets, respectively. Most of the current assets are inventories, amounting to 188.6 million baht and 249.3 million. baht at the end of 2023 and 2022, or equivalent to 14.8 percent and 19.0 percent to total assets, respectively, and followed by cash and cash equivalents, amounting to 184.4 million baht and 106.7 million baht, or equivalent to 14.5 percent and 8.1 of total assets at the end of 2023 and 2022, respectively, mainly reduced current assets. from inventories.

2. Non-current assets

At the end of 2023 and 2022, the Company had total non-current assets of 782.6 million baht and 788.9 million baht, respectively, or 61.6 percent and 60.1 percent, respectively. The company has important non-current assets, namely land, buildings, and equipment. 660.5 million baht and 723.6 million baht, respectively, or accounting for 52.0 percent and 55.1 percent of total assets, respectively. Most of which decreased from land, buildings, and equipment, net amount of 63.1 million baht, from additional property purchases/transfers of 7.9 million baht, increased from depreciation of 31.7 million baht, decreased from sales/cancellation of lease agreements of 2.9 million baht. million baht and decreased from being reclassified as investment property in the amount of 36.4 million baht.

Liability

As of December 31, 2023, and 2022, the Company had total liabilities of 489.0 million baht and 602.6 million baht, respectively. As of December 31, 2023, the company had current liabilities of 86.6 percent of total liabilities. and non-current liabilities 13.4 percent of total liabilities.

	Consolidated Financial Statements			
	31 December 2023		31 December 2022	
	THB MB	%	THB MB	%
Current liabilities	423.4	86.6	271.3	45.0
Non-current liabilities	65.6	13.4	331.3	55.0
Total liabilities	489.0	100.0	602.6	100.0

1. Current liabilities

At the end of 2023 and 2022, the Company had total current liabilities of 423.4 million baht and 271.3 million baht, respectively, accounting for 86.6 percent and 45.0 percent of total liabilities. Total current liabilities increased from 2022 in the amount of 152.1 million baht, most of which increased from bonds due within one year - net amount of 126.1 million baht, according to the resolution of the Executive Board meeting No. 23/2023, which approved the company Redeem all bonds before maturity on February 27, 2024.

2. Non-current liabilities

At the end of 2023 and 2022, the Company had non-current liabilities of 65.6 million baht and 331.3 million baht, respectively, or 13.4 percent and 55.0 percent of total liabilities, respectively. Total non-current liabilities decreased by 265.7 million baht due to Classify long-term bonds due within one year as current liabilities. This was followed by a decrease of 51.9 million baht in long-term loans from financial institutions, net of the portion due within one year, and a decrease in other non-current liabilities from sales and leaseback agreements, net of the portion due within one year. Down the amount of 16.2 million baht.

Equity

At the end of 2023 and 2022, the Company had shareholders' equity of 782.3 million baht and 709.9 million baht, respectively. Shareholders' equity increased by 72.3 million baht from a decrease in accumulated losses of 41.6 million baht and common shares and equity. Exceeds the value of common shares from exercising rights under warrants to purchase common shares of the Company. An increase of 15.5 million baht and 15.5 million baht, respectively.

Please be informed accordingly,

Yours Sincerely,

(Miss Valarlak Ngamchitharoen)

Managing Director