

Dear President  
The Stock Exchange of Thailand

SGF Capital Public Company Limited would like to submit the management discussion and analysis report as of September 30, 2018.

### Q3/2018 Executive Summary: Statement of Comprehensive Income 3 months

- **Total revenue of 94.28 million baht**, a 104.63% growth (YoY) from 46.07 million baht (Q3/2017), and a 53.94% decline (QoQ) from 204.68 million baht (Q2/2018). Change in revenue arise from
  1. A growth of interest receive & fee from retail finance business: interest receive 48.44 million baht & fee 4.20 million baht (+124.15% YoY, +41.56% QoQ).
  2. A change of total revenue from existing business, total revenue of 41.00 million baht (+89.29% YoY, but -74.59% QoQ). Mainly from debt repayment of 150 million baht in quarter 2/2018 and 28 million baht in quarter 3/2018 from one debtor (an organization formed by a government agency) in which the Supreme Court ruled that the company won the case.
- Retail Finance new loan booking in Q3/2018 is 307.77 million baht, increased from Q2/2018 which is 301.83 million baht, a growth of 1.97% the company intend to grow its loan port sustainably by controlling its quality and NPL.
- Total Revenue are as following:

| Unit : Thousand baht                  | Q3 - 2017       | Q2 -2018         | Q3 - 2018       | change QoQ         | change YoY      |
|---------------------------------------|-----------------|------------------|-----------------|--------------------|-----------------|
| <b>Existing product</b>               |                 |                  |                 |                    |                 |
| Factoring                             | 655.8           | 150,006.6        | 29,937.3        | (120,069.3)        | 29,281.5        |
| Personal loan                         | 450.5           | 338.9            | 283.3           | (55.6)             | (167.2)         |
| Loan (SME)                            | 20,555.9        | 11,034.5         | 10,783.3        | (251.2)            | (9,772.6)       |
| <b>Total</b>                          | <b>21,662.2</b> | <b>161,380.0</b> | <b>41,003.9</b> | <b>(120,376.1)</b> | <b>19,341.7</b> |
| <b>New product (Retail financing)</b> |                 |                  |                 |                    |                 |
| Receivable purchased                  | 4,112.3         | 2,334.8          | 719.7           | (1,615.1)          | (3,392.6)       |
| Hire Purchase                         | 16,828.1        | 30,789.0         | 47,721.8        | 16,932.8           | 30,893.7        |
| <b>Total</b>                          | <b>20,940.4</b> | <b>33,123.8</b>  | <b>48,441.4</b> | <b>15,317.7</b>    | <b>27,501.0</b> |
| Fee and Service                       | 2,543.9         | 4,062.3          | 4,197.9         | 135.6              | 1,654.0         |
| Others interest income                | 8.4             | 92.5             | 4.7             | (87.8)             | (3.7)           |
| Others income                         | 915.8           | 6,025.4          | 628.3           | (5,397.1)          | (287.5)         |

- SG&A 51.16 million baht, a 47.17% growth from 34.76 million baht (Q3/2017) and 10.39% decline from 57.09 million baht (Q2/2018) respectively. Such decrease came from number of employee's already stable and much less special expense as oppose to Q2/2018. However this quarter still pose some special/onetime cost such as 3.3% specific business tax from 28 million baht court case debt repayment, and other cost of 4.0 million baht.
- Directors and management remuneration amounting to 4.17 million baht, decrease 0.29 million baht or 6.50% from Q3/2017 which amounted to 4.46 million baht, and decreased from Q2/2018 = 39.39%, which amounted to 6.88 million baht mainly because of no employee's yearly salary and bonus adjustment (since it was recorded in Q2)
- Bad debts and doubtful account in Q3/2018 booked 9.57 million baht, in which 10.38 million baht came from retail finance business. The Company decided to tighten its reserve in preparation for new accounting policies (IFRS9) which will use in the near future. Q3/2018 is the quarters the company tighten its reserve base same as in Q2/2018.
- The Company booked income tax 8.97 million baht, decreased from Q3/2017 resulted from the company recorded income tax of 29.21 million baht because the Company's net profit in this quarter was lower than the same period last year. Due to the year 2017, there was a reversal of bad debts which are expected to be collected at 146.67 million baht.
- The Company had net profit before tax 27.18 million baht and net profit of 18.20 million baht. The net profit for 3 months was lower than Q2/2018 with net profit of 113.28 million baht, representing a decrease of 76.00% QoQ and lower than Q3/2017 with a net profit of 152.83 million baht, or decrease 82.21% YoY. Due to both quarters have income from bad debt collected amounted to 150 million baht and reversals of doubtful accounts amounted to 146.67 million baht respectively.

### **Q3/2018 Executive Summary: Statement of Comprehensive Income 9 months**

- Total revenue of 409.25 million baht, increased from Q3/2017 which equal 115.82 million baht, or +253.34%
- SG&A and directors and management remuneration totaling 166.86 million baht, increased from Q3/2017 which equal 98.59 million baht, or +69.25%
- Bad debts and doubtful account booked 39.46 million baht, increased from Q3/2017. As a reversal, the amount of bad debt and doubtful accounts increased by 220.27% as a result of the reversal of doubtful accounts from one debtor amount of 146.67 million baht when the Supreme Court ruled that the company won the case, such debt in 2018 has been fully paid.
- The Company had net profit 164.12 million, increased from Q3/2017 which had net profit 38.42 million baht, or +327.17%.

### Q3/2018 Executive Summary: Statement of Financial Position

| Unit : million baht             | Q3/2017        | %Asset       | Q1/2017        | %Asset       | Q2/2018        | %Asset       | Q3/2018        | %Asset       |
|---------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| Cash/Short term investment      | 267.3          | 17.0%        | 421.4          | 25.2%        | 282.3          | 15.9%        | 51.2           | 2.8%         |
| Receivable                      | 1,262.8        | 80.4%        | 1,150.7        | 68.7%        | 1,390.1        | 78.1%        | 1,638.9        | 91.0%        |
| Loan (SME)                      | 763.2          | 48.6%        | 668.7          | 39.9%        | 662.1          | 37.2%        | 651.6          | 36.2%        |
| Hire Purchase (Retail)          | 323.6          | 20.6%        | 467.8          | 27.9%        | 713.6          | 40.1%        | 975.9          | 54.2%        |
| Purchase of receivable (Retail) | 11.3           | 0.7%         | 4.4            | 0.3%         | 4.3            | 0.2%         | 2.2            | 0.1%         |
| Factoring                       | 11.2           | 0.7%         | 4.7            | 0.3%         | 5.8            | 0.3%         | 4.7            | 0.3%         |
| Personal loan                   | 5.8            | 0.4%         | 5.0            | 0.3%         | 4.3            | 0.2%         | 4.5            | 0.2%         |
| Factoring (Court case)          | 147.7          |              | -              | 0.0%         | -              | 0.0%         | -              | 0.0%         |
| PP&E                            | 34.7           | 2.2%         | 42.5           | 2.5%         | 43.3           | 2.4%         | 40.9           | 2.3%         |
| Deferred Tax asset              | 32.2           | 2.0%         | 30.9           | 1.8%         | 35.0           | 2.0%         | 35.5           | 2.0%         |
| Others                          | 16.7           | 1.1%         | 28.9           | 1.7%         | 29.5           | 1.7%         | 35.0           | 1.9%         |
| <b>Total Assets</b>             | <b>1,613.6</b> |              | <b>1,674.5</b> |              | <b>1,780.2</b> |              | <b>1,801.5</b> |              |
| <b>Total Liabilities</b>        | <b>70.9</b>    | <b>4.4%</b>  | <b>92.4</b>    | <b>5.5%</b>  | <b>97.3</b>    | <b>5.5%</b>  | <b>100.5</b>   | <b>5.6%</b>  |
| <b>Total shareholder equity</b> | <b>1,542.7</b> | <b>95.6%</b> | <b>1,583.1</b> | <b>94.5%</b> | <b>1,682.8</b> | <b>94.5%</b> | <b>1,701.0</b> | <b>94.4%</b> |

- Retail Hire Purchase total new booking 1,123.41 million baht (since business inception), now Hire Purchase receivable amounted to 975.9 million baht, a 36.76% QoQ growth from 262.3 million baht (Q2/2018), or 201.62% YoY growth from 652.35 million baht (Q3/2017) due to the intensive retail business expansion through branches and agents.
- Loan (SME) amounted to 651.6 million baht, decreased 10.5 million baht from Q2/2018 from debt payment.
- Cash and short term investment 51.2 million baht, decreased 231.1 million baht from Q2/2018 resulted from retail business expansion.
- Total Liabilities 100.5 million baht (D/E ratio 0.059) mostly non-interest bearing debt. Equity is 1,701 million baht increase by 18.2 million baht resulted from surging net profit this quarter.

#### **Retail Business**

- The Company started car title loan (hire purchase) since March 2017, now operated 60 branches and target to have 1,000 selling agents (now 1,089 agents).
- The Company had increase employees from 278 persons in Q3/2017 to 326 persons at the ended of Q3/2018 of which 235 employees operated at our 60 branches. (The Company has 45 branches offices, remaining in the process of selection and set-up the branch office), and has 1,089 agents. Total salary and employee benefits declining 8.5% from Q2/2018, result from the number of employees does not increase. There are no annual salary and bonus adjustments. (since it was recorded in Q2)

- Loan quality: The company focus on maintaining loan quality to have lowest level of NPL, at the ended of Q3/2018 the company has loan pass due over 3 months equal to 3.9% of the portfolio (retail hire purchase only), slightly increase from Q2/2018 which is 3.7% and whereby its current and less than 1 month overdue improve to 86.0% better than Q2/2018 which is 84.5%. The Company already reserved 32.0 million baht, covering 81.01% of the loan pass due over 3 months.

| <b>Aging</b>                           | <b>Million baht</b> | <b>%</b> |
|--|---------------------|----------|
| Current and less than 1 month over due | 866.5               | 86.0%    |
| 1 to 3 month overdue                   | 101.8               | 10.1%    |
| 3 to 6 month overdue                   | 17.2                | 1.7%     |
| 6 to 12 month overdue                  | 14.5                | 1.4%     |
| More than 12 month overdue             | 7.8                 | 0.8%     |
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Please be acknowledged the above matters.  
Sincerely yours,

(Mr.Wisait Panutat, Mrs.Rachaneekorn Chintakanon)  
Authorized to sign on behalf of the company