

# Management Discussion and Analysis

For the Year 2023 end of December 31<sup>st</sup> 2023



## Management Discussion and Analysis

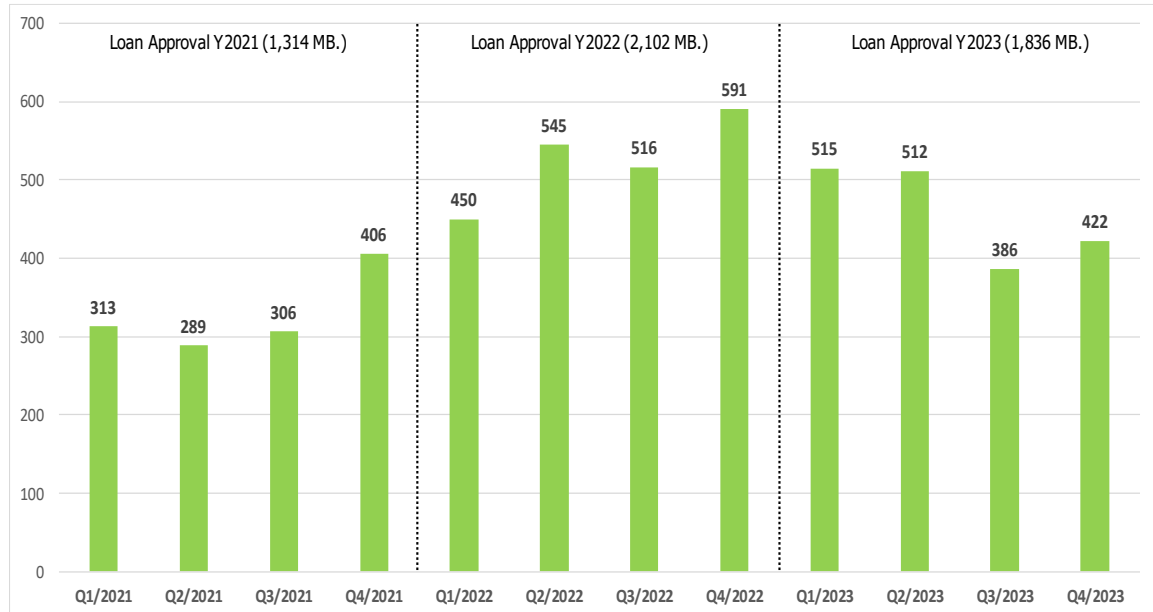
### 1. Overview of Operating Result and Factors contributed to Some Importance Changes

#### 1.1 Overview of Operating Result

In the year 2023, the company generated the new lending of 1,836 MB, 266 MB lower than the year 2022's, 12.65% lower. Upon this, the new lending of Q4 2023 was higher than the new lending of Q3 2023 by 36 MB (increase from 386 MB to 422 MB), 9.33% higher. The details of quarter new lending were illustrated in the graph 1 below. The reason for the lower lending in the year 2023 especially in the second half of the year 2023 resulted from the 2 main factors. The first one was due to the more restriction in credit approval in response to the higher credit risk due to the economic condition. The approval rate declined, while the rejection rate increased. The second reason for the lower lending in the year 2023 was the utilization of the company's marketing staffs to contact the overdue customers to do debt restructuring. This activity had spared some working-hour from the marketing work. As for the company's operating result, in 2023 the company produced the net profit of 189.01 MB, 120.75 MB decline from the previous year.

**Graph 1: The Comparison of Quarterly New Lending from Q1 2021- Q4 2023**

Unit: Million baht

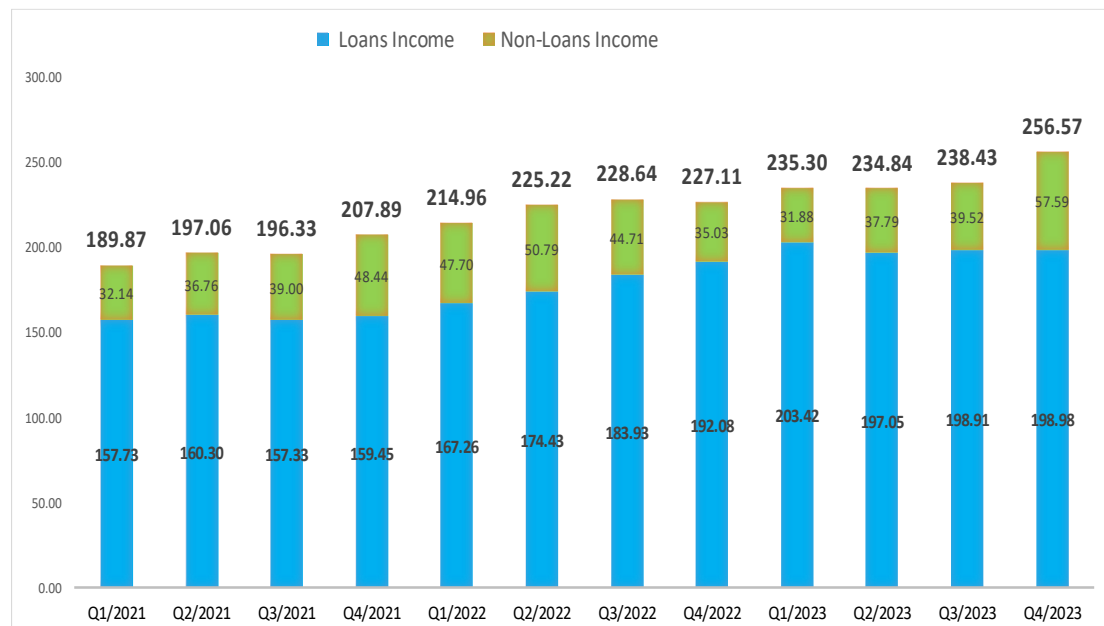


The Graph 1 above illustrated the quarterly new lending from Q1 2021 to Q4 2023. From the graph, the company generated the quarterly new lending in the range of 500 MB continuously for the 5 quarters from Q2 2022 to Q2 2023. The quarterly new lending in Q3 and Q4 of 2023 declined to 386 MB and 422 MB, respectively. The decline resulted from the 2 factors described earlier.

As for the company's loan portfolio quality, the Non Performing Finance (NPF) at the end of the year 2023 stood at 5.78%. However, the company's NPF figure would be 4.98% through using the solely loan principle balance for the calculation.

As for the operating result, in 2023 the company produced the net profit of 189.01 MB, 120.75 MB, 38.98%, lower than the previous year's net profit. Subtracting the net profit by the other comprehensive in come not to be reclassified of 1.76 MB would result to the total comprehensive income for the year 2023 of 187.25 MB. The major factors contributed to the company's operating result in 2023 were from the two factors. The first one was the increase in Expected Credit Loss (ECL) expense by 99.34 MB, 91.85%, resulting from the economic condition and the change in customers' behavior in making repayment due to the market conduct enforcement. The market conduct enforcement limited the overdue debt collection fee that the company could charge from the overdue customers. The customers were motivated to make late repayment and be overdue. The second one was the increase in the impaired loss and loss on sales of properties foreclosed. The impaired loss and loss on sales of properties foreclosed in 2023 was 67.90 MB, while in the year 2022 the company incurred the profit from the sales of properties foreclosed of 9.99 MB. The loss in 2023 resulted from the decline in prices of used car in the auction market, since Q3 2022. In addition, in 2023, number of cars seized from the NPF customers had increased. The third one was the increase in funding cost expense. The funding cost expense in 2023 increased by 33.51 MB, 42.46% increase, resulting from more borrowing and the increase in financial cost charged by the financial institutions.

**Graph 2: Comparison of Quarterly Revenue from Lending from Q1 2021 to Q4 2023**



Graph 2 illustrated the comparison of quarterly revenue from lending. From the graph, the revenue from lending had increased continuously and significantly from Q1 2022 to Q1 2023. The revenue from lending declined to the range 197 – 199 MB between Q2 and Q4 of 2023. One of the factors contributed to the decline between the mentioned period was the decline in lending and the reversal of some revenue from lending due to the bad debt written-off.

## **2. Operating Result and the Profitability**

2.1 The company's Operating result ending 31 December 2023 was as follow.

Unit: in thousand baht

Continuing operations:	2023		2022		YoY	
	amount	%	amount	%	amount	%
Income from hire-purchase contracts	511,830	53.03%	710,472	79.37%	(198,643)	-27.96%
Income from loans	286,528	29.69%	7,239	0.81%	279,289	3858.11%
Income from inventory finance receivables	2,536	0.26%	2,706	0.30%	(169)	-6.26%
Fee and service income	30,283	3.14%	68,701	7.67%	(38,418)	-55.92%
Other income	133,954	13.88%	106,037	11.85%	27,917	26.33%
<b>Total income</b>	<b>965,130</b>	<b>100.00%</b>	<b>895,155</b>	<b>100.00%</b>	<b>69,975</b>	<b>7.82%</b>
Selling expenses	4,382	0.45%	5,670	0.63%	(1,288)	-22.72%
Administrative expenses	347,836	36.04%	342,969	38.31%	4,866	1.42%
Expected credit losses (Bad debt and doubtful accounts)	207,492	21.50%	108,153	12.08%	99,339	91.85%
Impairment loss and loss on sales of properties	67,904	7.04%	(9,989)	-1.12%	77,893	n.m.
Finance costs	112,431	11.65%	78,920	8.82%	33,510	42.46%
<b>Total expenses</b>	<b>740,044</b>	<b>76.68%</b>	<b>525,723</b>	<b>58.73%</b>	<b>214,321</b>	<b>40.77%</b>
<b>Profit (loss) before income tax expenses</b>	<b>225,087</b>	<b>23.32%</b>	<b>369,432</b>	<b>41.27%</b>	<b>(144,345)</b>	<b>-39.07%</b>
Income tax (expenses)	36,082	3.74%	59,676	6.67%	(23,594)	-39.54%
<b>Profit (loss) for the period</b>	<b>189,005</b>	<b>19.58%</b>	<b>309,756</b>	<b>34.60%</b>	<b>(120,751)</b>	<b>-38.98%</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	1,755	0.18%	1,994	0.22%	(239)	-11.98%
Actuarial loss - net of income tax						
<b>Total comprehensive income for the year</b>	<b>187,250</b>	<b>19.40%</b>	<b>307,763</b>	<b>34.38%</b>	<b>(120,513)</b>	<b>-39.16%</b>

**The company's operating result of 2023 compared to the operating result of 2022.** In 2023, the company produced the net profit of 189.01 MB, 120.75 MB, 38.98%, decrease from the previous year. (The company's net profit in 2022 was 309.76 MB.) Subtracting the net profit by the other comprehensive income not to be reclassified of 1.76 MB would result to the total comprehensive income for the year 2023 of 187.25 MB.

**As for the revenue side,** in 2023 the company's total revenue increased by 69.98, 7.82% increase from the previous year (from 895.16 MB in 2022 to 965.13 MB in 2023). The increase in total revenue resulted mainly from the revenue from lending. The revenue from lending shared 80% of the total revenue. In 2023, the revenue from lending increased by 80.65, 11.24% increase from the previous year (from 717.71 MB in 2022 to 798.36 MB in 2023). The fee and services income declined by 38.42 MB, 55.92%, from the previous year (from 68.70 MB in 2022 to 30.28 MB in 2023). The major decrease resulted from decline in late repayment collection-fee related to hire-purchase lending. The switching from hire-purchase lending to car's title lending caused the late repayment collection-fee related to hire-purchase lending to decrease. The car's title lending did not earn this type of income.

**As for the expense side,** in 2023 the company's total expense increased by 214.32 MB from the previous year, 40.77% increase (from 525.72 MB in 2022 to 740.04 MB in 2023). The major increase in total expense resulted from the increase in expected credit loss (ECL) expense, which increased by 99.34 MB, 91.85%, from the previous year (increase from 108.15 MB in 2022 to 207.49 MB in 2023). This increase resulted from the economic condition and the change in borrowers' behavior due to the implementation of the market conduct measure. The market conduct measure caused the overdue charged fee that the company could charge from the late payment customers to become significantly less. As a result, the customers were motivated to become less punctual in making their repayments. The impaired loss and loss on sales of properties foreclosed increased by 77.89 MB from the previous year. In 2022, the company gained 9.99 MB from the sale of properties foreclosed, while in 2023 the company incurred the impaired loss and loss on sales of properties foreclosed of 67.90 MB. The loss resulted from the decline in used-cars prices in the auction market. In addition, in 2023 the number of cars seized from the NPF customers had increased. In 2023, company's cost of funding increased by 33.51 MB, 42.46%, from the previous year (from 78.92 MB to 112.43 MB), resulting from the increase in funding cost charged by the financial institutions. In addition, in 2023 the company borrowed more to financing the new lending. The administrative expense increased by 4.87 MB, 1.42% increase (from 342.97 MB to 347.84 MB). This increase resulted from the increase in personal expenses due to the opening of 1 new branch in Nonthaburi.

## Administrative Expenses

Unit: Million baht

Administrative Expenses	2023		2022		YoY	
	amount	%	amount	%	amount	%
1. employee related expenses	202.32	58.17%	196.70	57.35%	5.62	2.86%
2. transportations related expenses	8.43	2.42%	8.87	2.59%	-0.44	-4.95%
3. legal related expenses	26.50	7.62%	35.98	10.49%	-9.48	-26.35%
4. building and office equipment related expenses	25.22	7.25%	23.70	6.91%	1.52	6.42%
5. collection expenses	37.89	10.89%	37.55	10.95%	0.34	0.89%
6. other expenses	47.48	13.65%	40.17	11.71%	7.31	18.20%
<b>Total</b>	<b>347.84</b>	<b>100.00%</b>	<b>342.97</b>	<b>100.00%</b>	<b>4.87</b>	<b>1.42%</b>

The table above detailed the administrative expenses. The employee related expenses consisted of wages and salaries, welfare benefit, travelling and allowances expense shared the highest portion, 58% of the administrative expenses. The second highest expense was the other expense. This consisted of collection expense, legal expense, building and office equipment related expense, and travelling expense shared 14%, 11%, 8%, 7%, and 2 %, respectively. Upon this, the total administrative expense consistently shared 36% of the total revenue.

## 2.2 Financial Position

Unit: Million baht

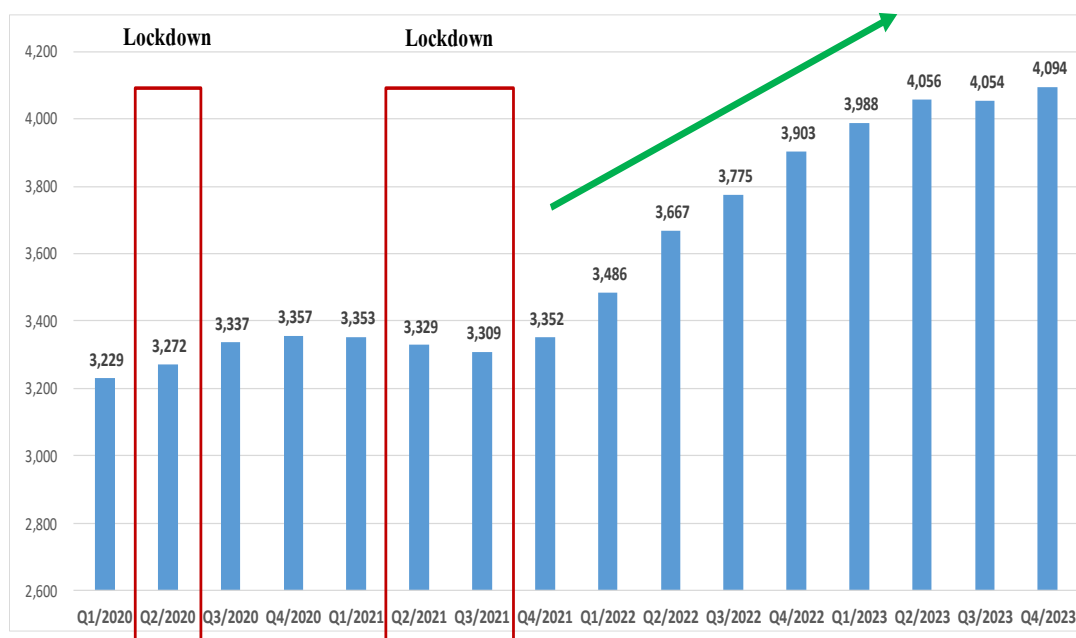
Statements of financial position	2023	2022	YoY	%
Cash and cash equivalents	111.24	42.27	68.97	163.15%
Hire-purchase receivables	4,093.59	3,903.30	190.29	4.88%
Inventory finance receivables	0.00	32.54	-32.54	-100.00%
Properties and equipment	28.75	30.88	-2.12	-6.88%
Properties foreclosed	330.41	150.62	179.79	119.36%
Deferred tax assets	65.80	49.96	15.83	31.69%
Others	51.72	42.27	9.45	22.36%
<b>Total assets</b>	<b>4,681.50</b>	<b>4,251.84</b>	<b>429.66</b>	<b>10.11%</b>
Short-term loan from major shareholder	2,712.62	2,255.71	456.91	20.26%
Others	123.33	130.61	-7.28	-5.57%
<b>Total liabilities</b>	<b>2,835.95</b>	<b>2,386.32</b>	<b>449.63</b>	<b>18.84%</b>
<b>Shareholders' equity</b>	<b>1,845.55</b>	<b>1,865.52</b>	<b>-19.97</b>	<b>-1.07%</b>
<b>Financial Ratio</b>	<b>2023</b>	<b>2022</b>		
Liquidity Ratio (times)	0.38	0.52		
Debt to Equity Ratio (times)	1.54	1.28		
NPF (%)	5.78%	3.84%		

### Total Asset

The company had the total asset of 4,681.50 MB, 429.66 MB, 10.11%, increase from the previous year. The major increase in total asset resulted from the increase in lending portfolio, which increased by 190.29 MB, 4.88% increase, resulting from the increase in new lending. The asset foreclosed increased by 179.79 MB, 119.36% increase, resulting from the increase in number seizure cars in 2023.

The Graph 3 below illustrated the quarterly lending portfolio. At Q4 2021 the lending portfolio size was 3,352 MB. From Q4 2021 to Q4 2023 the lending portfolio had increase continuously. The company's lending portfolio was 4,094 MB at the end of Q4 2023.

**Graph 3: The Quarterly Lending Portfolio from Q1 2020 to Q4 2023**



### Quality of Loan Portfolio

the balances of receivables classified by credit risk	2023		2022	
	principal (Baht)	%	principal (Baht)	%
Total receivables where there has not been a significant increase in credit risk (Performing)	3,137,815	72.64%	3,092,844	75.00%
Total receivables where there has been a significant increase in credit risk (Under - performing)	931,815	21.57%	872,261	21.15%
Total receivables that are credit-impaired (Non - performing)	249,752	5.78%	158,542	3.84%
	4,319,382	100.00%	4,123,647	100.00%

The graph above illustrated the quality of the company's loan portfolio classified by the quality classes. In 2023, the company's performing, under-performing, and non-performing loans, were 3,138 MB (72.64%), 932 MB (21.57%), and 250 MB (5.78%), respectively. Compared to 2022's, the company's Non-performing loan in 2023 had increased by 91 MB, 1.94% increase.

**Liabilities** In 2023, the company had the total liabilities of 2,835.95 MB, 449.63 MB, 18.84% increase. The major debt was the borrowing from the financial institutions. As at 31 December 2023, the borrowing from financial institutions was 2,712.62 MB. The details of borrowings were as below.

Financial Institutions	Credit Type	Credit Limit (million baht)	Rate (%)	Outstanding Balance as 31 Dec 2023 (million baht)	Credit Outstanding (million baht)
Islamic Bank of Thailand	P/N	2,400.00	4.25%	2,369.74	30.26
Islamic Bank of Thailand	Term Loan	500.00	4.75%	21.32	-
Government Savings Bank	Term Loan	322.00	4.90%	321.56	-
BBL	เงินเบิกเกินบัญชี	10.00	7.10%	0.00	10.00
<b>Total</b>		<b>3,232.00</b>		<b>2,712.62</b>	<b>40.26</b>

**Shareholder's Equity** In 2023 the company had the shareholder's equity of 1,845.55 MB, 19.97 MB, 1.07% decrease from the previous year. The decrease resulted from the dividend payment of the operating year 2022 and the lower net profit in 2023. The company's Debt to Equity ratio increased from 1.28 times in 2022 to 1.54 times in 2023, resulting from the increase in borrowing from financial institutions.

### Liquidity

Unit: Thai baht

	2023	2022
Net cash flows from operating activities	(48,175,041)	(245,591,869)
Net cash flows from (used in) investing activities	(8,731,746)	(11,671,383)
Net cash flows used in financing activities	125,872,750	97,636,343
Cash and cash equivalents at end of period	68,965,963	(159,626,909)

The company's cash-flow from operation in 2023 was negative 48.18 MB, due to the increase in lending portfolio. The company's investment cash-flow mainly resulted from the opening of a new branch (Nonthaburi branch), and the purchase of new software to support car's title lending, and the computer equipment.



As for the financing cash-flow, in 2023 the company incurred more borrowing of 519 MB from the Islamic Bank of Thailand, while making financial cost payment and loan repayment of 186 MB to the Government Saving Bank. The dividend payment in 2023 was 207 MB. All of these resulted to the 2023's financing cash-flow of 126 MB. In 2023, the cash and cash equivalent increased by 68.97 MB. Adding this 68.97 MB to the cash and cash equivalent at the beginning of the year of 42.27 MB would result to the cash and cash equivalent at 31 December 2023 of 111.24 MB.

### 3. Key Financial Indicators

Description		2023	2022	2021
Liquidity Ratio	Times	0.38	0.52	0.65
<b>Profitability Ratio</b>				
Return on Asset	%	4.23	7.71	8.14
Return on Equity	%	10.19	17.26	18.78
<b>Leverage Ratio</b>				
Book value per Share	Baht/Share	1.78	1.80	1.66
Earning per Share	Baht	0.18	0.30	0.30
<b>Growth Ratio</b>				
Total assets	%	10.11	12.45	0.42
Total liabilities	%	18.84	15.98	(7.21)
Total income	%	7.82	13.15	1.75
Finance costs	%	42.46	6.35	(11.85)
Administrative expenses	%	24.85	19.81	0.85
Total expenses	%	40.77	20.00	(5.08)
<b>Financial Ratio</b>				
Debt per Asset Ratio	Times	0.61	0.56	0.54
Debt per Equity Ratio	Times	1.54	1.28	1.19