AC.99/2023 November 14th, 2023

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 30th, 2023.

In the 3rd quarter of 2023, Thailand's economy suffered from multiple difficulties including heightened energy prices, prolonged conflict between Russia-Ukraine and Israel-Hamas, as well as the policy interest rate of the Bank of Thailand. To compensate for such conditions, the company decided to put even more caution in increasing credit than before. The company released hire purchase and car for cash loans amounting to 213.4 million baht, and the revenue successfully climbed to 140.5 million baht despite the announcement of the hire purchase interest rate cap from the contract committee of the Office of the Consumer Protection Board (OCPB), and the control interest rate cap on Car for cash loans from the Bank of Thailand. However, the company's personnel and other operating expenses increased in response to the first phase of new motorcycle hire purchase loans business. As a result, the company had a 17.65-million-baht net loss.

Regarding loan quality, many clients were affected by the economic downturn, which influenced their capacity to pay back obligations. As a result, the business strengthened its policies around credit screening. Hire purchase loans and car for cash loan receivables which past due for more than three payments (three months) owed to the Company comprise 219.5 million baht, or 8.8% of all net hire purchase loan and car for cash loan receivables.

An overview of the company's operational outcomes, the company has adjusted its business strategies by controlling the quality of loan receivables to control non-performing loans (NPLs) and is in the process of managing the efficiency of business operations to control operating costs. This includes researching and locating additional services to boost the business's revenue and lessen the risk of depending just on the car hire purchase loans. The business is not experiencing any difficulties with liquidity. The Company has already paid back the 400.0-million-baht bonds that were due in July. The company is currently generating enough cash flow to offer loans. In addition, a credit line has been established with the bank to facilitate future credit expansion.

Q3/2023 Executive Summary: Statements of Comprehensive Income for 3 months period

Revenues

Unit : Thousand Baht	Q3-2023	Q3-2022	change	change %
Hire purchase & Car for cash interest income	124,873.9	116,236.0	8,637.9	7.4%
Loans interest income	8,104.7	7,699.1	405.6	5.3%
Other interest income	587.4	412.2	175.2	42.5%
Total interest income	133,566.0	124,347.3	9,218.7	7.4%
Fee and services income	5,061.1	7,039.8	(1,978.7)	(28.1%)
Other income	1,887.0	1,308.9	578.1	44.2%
Total revenues	140,514.1	132,696.0	7,818.1	5.9%

As of the end of Q3-2023, (September 30th, 2023), the company had total revenues of 140.5 million baht, an increase of 5.9% from Q3-2022 with revenue of 132.7 million baht, with details as follows:

1. Revenue from Hire purchase and Car for cash which is the main business of the company had an interest income of 124.9 million baht, an increase of 7.4% from credit expansion.
2. Revenue from loan (SME Loan) business amounted to 8.1 million baht, an increase of 5.3% from revenue recognition according to the accounting standard.

3. Fees and service income worth 5.1 million baht. A decrease of 28.1% due to a reduction in fees charged.

Operating cost

As of the end of Q3-2023 (September 30th, 2023), the company had administrative expenses of 62.2 million baht, an increase from Q3-2022 with an expense of 57.9 million baht, an increasing amount of 4.3 million baht, or 7.4% rises over the past year. This is mainly because the expansion credit in the new motorcycle hire purchase loan business resulted in an increase in marketing and operation costs.

Expected Credit Losses According to New Accounting Standards (TFRS9)

As of the end of Q3-2023 (September 30th, 2023), the company recorded the expected credit losses amounted to 60.6 million baht, an increase of 12.2 million baht from Q3-2022 which was 48.4 million baht or 25.2%. This is consistent with the expansion of the credit portfolio as well as forward-looking.

This account booking came from write off the hire purchase and car for cash loans of 42.1 million baht, and the loss from transfer receivables to property foreclosed was 19.5 million baht.

Financial cost

As of the end of Q3-2023 (September 30th, 2023), the company had finance costs of 24.7 million baht, a 48.7% increase from Q3-2022, which was 16.6 million baht. The company's heightened financial expenses were regrettably caused by the newly issued debentures and the higher loan interest rate that followed the Bank of Thailand's increase in the policy interest rate.

Income tax expenses

As of the end of Q3-2023 (September 30th, 2023), the company has income tax recording 10.6 million baht due to the record in deferred tax liabilities increasing more than deferred tax assets. Therefore, the income tax item increased.

Net profit/loss

As of the end of Q3-2023 (September 30th, 2023), the company has a loss from operation before taxed in the amount of 7.1 million baht, a loss increased from Q3-2022 of 16.8 million baht or 172.5%, an income tax of 10.6 million baht, resulting in a net loss of 17.6 million baht, a decrease of 26.5 million baht from Q3-2022. This can be attributed to the declining pace of growth in the company's income, following the announcement of the hire purchase interest rate cap from the contract committee of the Office of the Consumer Protection Board (OCPB), and the control interest rate cap on Car for cash loans from the Bank of Thailand. The company also came across an increase in expenses in the interim as a result of the investment in the motorcycle hire purchase loan, a higher expected credit loss from a bigger portfolio, and some debtors having more difficulty making their debt payments.

3Q/2023 Executive Summary: Statement of Comprehensive Income 9 months

- 3Q/2023, the Company had a total revenue of 435.2 million baht, an increase of 56.8 million baht from 3Q/2022 at 15.0% which is equivalent to 378.4 million baht, which came from hire purchase interest income increase amounted to 51.5 million baht. This is due to the expansion in hire purchase loans.

- SG&A totaling 178.3 million baht, increased from 3Q/2022 which equals 161.9 million baht, or an increase of 10.1% due to the company recruiting more employees to support credit expansion in the motorcycle hire purchase loan business.

- Following the expansion of the HP portfolio, according to the model, the Company has to record more allowance for expected credit losses. Hence, an expected credit loss (ECL) of 191.2 million baht by the New Accounting Standard (TFRS9), an increase of 45.4% from 3Q/2022 which is equivalent to 131.5 million baht.

- The Company has a net loss before taxed amount of 3.8 million baht, after deducting income taxed amount of 13.3 million baht, the company has a net loss of 17.1 million baht, equivalent to a decrease of 57.3 million baht from 3Q/2022 which has a net profit of 40.2 million baht.

Analysis of financial position

Unit : Million Baht	Q3/2023	% Asset	Q2/2023	% Asset	Q4/2022	% Asset
Cash and equivalents	216.4	7.2%	125.0	4.2%	222.3	7.5%
Receivables	2,623.4	87.4%	2,649.6	89.9%	2,561.3	86.9%
Hire purchase and Car for cash receivables	*2,372.8*	*79.1%*	*2,406.0*	*81.6%*	*2,318.7*	*78.6%*
Mortgaged loan receivables	*6.1*	*0.2%*	*6.9*	*0.2%*	*7.5*	*0.3%*
Personal loans receivables	*0.7*	*0.0%*	*0.8*	*0.0%*	*0.9*	*0.0%*
Purchase of receivables	*0.1*	*0.0%*	*0.1*	*0.0%*	*0.1*	*0.0%*
Loans receivables	*243.6*	*8.1%*	*235.9*	*8.0%*	*234.2*	*7.9%*
Property, plant and equipment	25.0	0.8%	27.2	0.9%	27.6	0.9%
Deferred tax asset	17.2	0.6%	27.7	0.9%	30.5	1.0%
Other assets	118.4	3.9%	117.6	4.0%	107.4	3.6%
Total assets	3,000.2		2,947.1		2,949.1	
Total Liabilities	1,235.0	41.2%	1,164.3	39.5%	1,166.9	39.6%
Total equity	1,765.2	58.8%	1,782.8	60.5%	1,782.3	60.4%

Assets

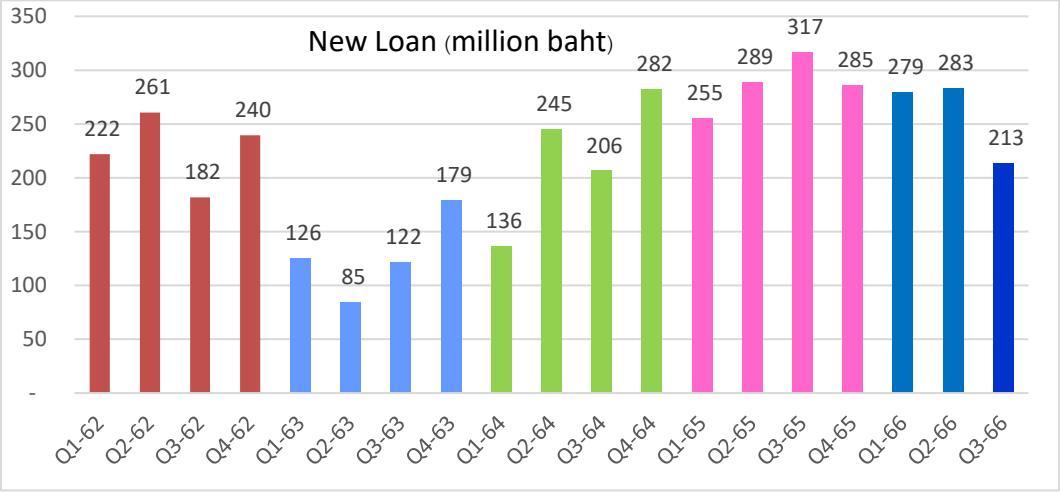
Cash and equivalents

As of September 30th, 2023, the company had cash and equivalents of 216.4 million baht, an increase of 91.4 million baht from Q2-2023. This is a result of the company issuing bonds in July, and utilizing the bank's credit line in September.

Hire purchase and Car for cash receivables

As of June 30th, 2023, the company had hire purchase and car for cash receivables of 2,372.8 million baht, a decrease of 33.2 million baht or 1.4%QoQ from Q2-2023 as the company was more stringent in new loan approval.

New retail hire purchase and car for cash loans totaled 213.0 million baht in Q3-2023, a decline from Q3-2022 which totaled 317.0 million baht or 32.8%YoY, a decrease of 24.7%QoQ due to the company's stricter new loan acceptance policies.



Mortgaged loan receivables

As of September 30th, 2023, the company had a total mortgaged loan receivable of 6.1 million baht, a decrease of 0.8 million baht from Q2-2023 due to cash repayment. This mortgaged loan is an additional business that has been added to meet the customer's needs.

Personal loan receivables

As of September 30th, 2023, the company had personal loan receivables of 0.7 million baht, a decrease of 0.06 million baht, or 8.3%QoQ, due to customer repayment.

Loan Receivables (SME Loan)

As of September 30th, 2023, the company has outstanding SME Loan receivables amounting to 243.6 million baht, an increase of 7.7 million baht from an interest in Q3-2023, since the company does not extend this type of credit.

Hire purchase and car for cash receivable quality

As of September 30th, 2023, the company had hire purchase and car for cash receivables outstanding over 3 installments (3 months) amounting to 219.4 million baht or 8.8% of total net hire purchase and car for cash receivables, an increase of 21.2 million baht from Q2-2023 which equivalent to 198.2 million baht. The percentage of retail debtors who were still impacted by the increase in living expenses and consequently had a diminished capacity to pay back debt was the source of the increase. A total of 105.5 million baht, or 4.2% of the total hire purchase and car for cash receivables, were recorded as expected credit losses by the company.

Liabilities

As of September 30th, 2023, the company had total liabilities of 1,235.0 million baht, an increase of 5.8% or 68.1 million baht from the end of 2022. Most of the total liabilities consisted of debentures and borrowings from financial institutions. At present, the company is able to pay the debt off normally. Debt to Equity Ratio (D/E Ratio) of 0.70.

Equity

As of September 30th, 2023, the company has shareholders' equity of 1,765.2 million baht, a decrease of 17.1 million baht from the end of 2022, due to the company's net loss.

Please acknowledge the above matters.
Sincerely yours,

Mr. Kannanat Boonsunanondha
Chief Executive Officer