AC.85/2024 August 13th, 2024

Dear President,
The Stock Exchange of Thailand

SGF Capital Public Company Limited would like to submit the management discussion and analysis report as of June 30th, 2024.

The Company adjusted the credit limit in Q2-2024, and change credit screening based on economic conditions and the used car loan business and motorcycle loan business. As a result, the whole company's retail portfolio was lowered by 8.5%QoQ to 2,037.0 million baht. In Q2-2024, the company has total revenue of 125.5 million baht, diminished by 12.5% due to the lower loan portfolio. The company's operating expenses have fallen by 14.6%, but there is an allowance for the expected credit loss of 90.2 million baht, an increase of 37.1%. Based on the allowance for non-performing debt and the loss on the sale of repossessed automobiles is increasing in tandem with the situation of secondhand car prices, which have plummeted even more than before. The company's total operational expenses grew by 12.4%. When combined with the increased finance costs of 9.9% and the income tax reversal transaction, the final result was a loss of 34.6 million baht.

Regarding credit quality, the number of non-performing loans in hire purchase, leasing, and car for cash loans is currently rising as a result of the economic situation, which has led to changes in the behavior of debt repayment by borrowers, resulting in irregularities in installment payments and forcing the company to book larger expected credit losses.

Regarding the company's liquidity, the company has adequate cash flow management, as it used 93.6 million baht of cash combined with the issued bonds worth 156.4 million baht in April 2024, to repay the debentures SGF240A for 250 million baht before maturity in June 2024 to lower interest costs. Currently, the company's net Debt-to-Equity ratio was 0.61 without any default. This displays prudent money management and the ability to sustain a positive debt-to-equity ratio.

Q2/2024 Executive Summary: Statements of Comprehensive Income for 3 months' period

Revenues

Unit : Thousand Baht	Q2-2024	Q2-2023	change	change %
Retail interest income (Hire purchase, Leasing and Car for cash)	110,662.9	126,030.9	(15,368.0)	-12.2%
Loans interest income	8,513.0	7,779.4	733.6	9.4%
Other interest income	552.4	614.9	(62.5)	(10.2%)
Total interest income	119,728.3	134,425.2	(14,696.9)	-10.9%
Fee and services income	2,720.5	5,774.7	(3,054.2)	(52.9%)
Other income	3,055.5	3,154.5	(99.0)	-3.1%
Total revenues	125,504.3	143,354.4	(17,850.1)	-12.5%

As of the end of Q2-2024, (June 30th, 2024), the company had total revenues of 125.5 million baht, a decrease of 12.5% from Q2-2023 with revenue of 143.3 million baht, with details as follows:

1. Interest income received from retail loan (hire purchase, leasing and car for cash) amounted to 110.7 million baht, a fall of 12.2% due to the strictness and reduction of the new loans, causing the retail loans portfolio to decline.
2. Revenue from the loan (SME Loan) business amounted to 8.5 million baht, an increase of 9.4% from recognized revenue according to accounting standards.
3. Fees and service income amounted to 2.7 million baht. A decrease of 52.9% due to a reduction in fees charged.

Operating cost

As of the end of Q2-2024 (June 30th, 2024), the company's administrative expenses were 51.4 million baht, down from 60.2 million baht in the Q2-2023, representing an 8.8 million baht, or 14.6% reduction in cost control.

Expected Credit Losses According to New Accounting Standards (TFRS9)

As of the end of Q2-2024 (June 30th, 2024), the company recorded the expected credit losses amounted to 90.2 million baht, an increase of 24.4 million baht from Q2-2023 which was 65.8 million baht or 37.1%. The enhanced allowance also includes forward-looking forecasts.

This account booking came from the expected credit losses for retail loans of 19.3 million baht, as well as a 23.9 million baht loss on the sale of repossessed automobiles. The write-off totals 41.6 million baht.

Financial cost

As of the end of Q2-2024 (June 30th, 2024), the company had finance costs of 24.7 million baht, an increase from Q2-2023, which was 22.5 million baht, representing 9.9% due to rising interest rates.

Income tax expenses

As of the end of Q2-2024 (June 30th, 2024), the company has a reversal in income tax recording 6.3 million baht due to the deferred tax assets from the utilization of tax loss carried forward.

Net profit/loss

As of the end of Q2-2024 (June 30th, 2024), the company's operating loss before taxes was 40.8 million baht, down from 35.7 million baht in Q2-2023. When combined with a reversal income tax of 6.3 million baht, the company's net loss is 34.6 million baht, a fall of 25.4 million baht from Q2-2023, or 278.9%. The reason for this was that the company's revenue was lowered as a result of the credit control strategy, while expenses increased due to an additional provision for ECL and debtors' payment problems.

1H/2024 Executive Summary: Statement of Comprehensive Income 6 months

- 1H, at the end of June 30th, 2024, the Company has a total revenue of 262.8 million baht, a fall of 33.1 million baht from 1H/2023 at 11.2% which is equivalent to 295.9 million baht. The company stated interest on loans lowered by 17.2 million baht due to the reduced loan portfolio.

- SG&A reduced by 4.0% to 112.6 million baht from 117.3 million baht in 1H/2023, owing to expense management measures.

- The Company recorded an expected credit loss (ECL) under the New Accounting Standard (TFRS9) of 166.2 million baht, an increase from 1H/2023 which equals 130.6 million baht or an increase of 27.3% due to the payback issues from some of the debtors.

- Financial costs of 48.6 million baht, up to 44.7 million baht from 1H/2023, reflect an 8.7% increase as interest rates rise.

- The Company's net loss before tax is 64.6 million baht, which when combined with the income tax reversal amount of 5.1 million baht, results in a net loss of 59.4 million baht. This is a decline of 59.9 million baht from the net profit of 0.5 million baht in 1H/2023.

Analysis of financial position

Unit : Million Baht	Q2/2024	% Asset	Q1/2024	% Asset	Q4/2023	% Asset
Cash and equivalents	261.1	9.6%	234.2	8.1%	155.0	5.3%
Receivables	2,299.1	84.6%	2,485.3	86.2%	2,617.9	89.0%
Retail loan receivables (Hire purchase, Leasing and Car for cash)	*2,037.0*	*74.9%*	*2,227.2*	*77.2%*	*2,367.0*	*80.5%*
Mortgaged loan receivables	*6.5*	*0.2%*	*6.4*	*0.2%*	*6.1*	*0.2%*
Personal loans receivables	*0.8*	*0.0%*	*0.5*	*0.0%*	*0.6*	*0.0%*
Purchase of receivables	*0.1*	*0.0%*	*0.1*	*0.0%*	*0.1*	*0.0%*
Loans receivables	*254.8*	*9.4%*	*251.0*	*8.7%*	*244.1*	*8.3%*
Property, plant and equipment	28.0	1.0%	29.8	1.0%	22.6	0.8%
Deferred tax asset	28.3	1.0%	22.0	0.8%	23.2	0.8%
Other assets	101.7	3.7%	113.1	3.9%	122.6	4.2%
Total assets	2,718.2		2,884.4		2,941.2	
Total Liabilities	1,028.9	37.9%	1,160.6	40.2%	1,192.5	40.5%
Total equity	1,689.3	62.1%	1,723.8	59.8%	1,748.7	59.5%

Assets

Cash and equivalents

As of June 30th, 2024, the company's cash and equivalents items were 261.1 million baht, up 26.9 million baht from Q1-2024 due to reduced lending, resulting in more cash remaining.

Retail receivables (Hire purchase, Leasing, and car for cash)

As of June 30th, 2024, the company had retail receivables (hire purchase, leasing, and car for cash) of 2,037.0 million baht, a decrease of 190.2 million baht or 8.5%QoQ from Q1-2024 due to reduced lending.

New retail leasing and car for cash loans totaled 45.6 million baht in Q2-2024, down from 274.2 million baht in Q2-2023, or an 83.4%YoY decrease, due to the policy to tighten credit underwriting.

Mortgaged loan receivables

As of June 30th, 2024, the company had a total mortgaged loan receivable of 6.5 million baht, down 0.1 million baht from Q1-2024. This mortgaged loan is an additional business that has been added to meet the customer's needs.

Personal loan receivables

As of June 30th, 2024, the company had personal loan receivables of 0.8 million baht, an increase of 0.3 million baht from Q1-2024.

Loan Receivables (SME Loan)

As of June 30th, 2024, the company has outstanding SME Loan receivables amounting to 254.8 million baht, an increase of 3.8 million baht from Q1-2024, because the company does not extend this type of credit.

Hire purchase and car for cash receivable quality

As of June 30th, 2024, the company had retail receivables (hire purchase, leasing, and car for cash) outstanding over 3 installments (3 months) amounting to 254.5 million baht or 11.6% of total net retail receivables (hire purchase, leasing, and car for cash), an increase of 36.7 million baht from Q1-2024 which equivalent to 217.8 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 147.3 million baht, or 6.7% of the total retail receivables (hire purchase, leasing, and car for cash), were recorded as expected credit losses by the company.

Liabilities

As of June 30th, 2024, the company had total liabilities of 1,028.9 million baht, a decrease of 13.7% or 163.6 million baht from the end of 2023. 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 0.61.

Equity

As of June 30th, 2024, the company has shareholders' equity of 1,689.3 million baht, a decrease of 59.4 million baht from the end of 2023, due to the company's net loss.

Please acknowledge the above matters.
Sincerely yours,

Mr. Kannanat Boonsunanondha
Chief Executive Officer