AC.8/2025 27 February 2025

Dear President
The Stock Exchange of Thailand

SGF Capital Public Company Limited would like to submit the management discussion and analysis report as of December 31st, 2024.

In 2024, the Thai economy continues to face significant challenges, particularly with the persistently high level of household debt and the sluggish recovery of consumer purchasing power. Additionally, the transition of the automotive industry towards electric vehicles (EVs) has led to a continuous decline in the value of second-hand internal combustion engine (ICE) vehicles. This trend directly impacts the hire-purchase and title loan businesses for used vehicles. To mitigate credit risk, the Company has maintained a stringent credit screening policy for new loans, resulting in a total new loan volume of 245.61 million baht in 2024, representing a 76.1% decrease from 783.22 million baht in 2023.

Furthermore, in response to the fragile economic conditions, the Company has implemented long-term debt restructuring measures to assist affected borrowers. These initiatives aim to enable borrowers to sustain their businesses without defaulting while ensuring a swift financial recovery, ultimately reducing the burden on society. In 2024, the Company has provided assistance under this program to 500 borrowers. However, these support measures have led to a reduction in the Effective Interest Rate (EIR), thereby affecting the interest income recorded from hire-purchase loans under restructuring arrangements.

Regarding loan quality and the Non-Performing Loan (NPL) ratio, the Company reported an NPL ratio of 12.90% in 2024 for hire-purchase, leasing, and title loans. This increase is attributed to changes in borrower repayment behavior, with a rising trend in late installment payments. Additionally, the overall credit quality in the automotive and motorcycle industries remains fragile. To address these concerns, the Company has further tightened its credit approval process, aligning loan amounts with collateral value and borrowers' debt repayment capacity. While this strategy has significantly improved the quality of new loans, it has also resulted in a decrease in new loan volumes compared to the amount of debt collected, leading to a decline in the overall loan portfolio and an increase in the NPL ratio relative to total loans.

The Company remains committed to proactive risk management while ensuring sustainable borrower assistance. By maintaining a balanced approach between business growth and portfolio quality stability, the Company aims to uphold financial resilience in the long term.

For the overall company performance: the company's overall income decreased from 570.76 million baht to 474.21 million baht or an equivalent of 16.9%. Operating costs dropped by 11.1%, from 234.04 million baht to 207.99 million baht. However, the company has set an expected credit loss that is anticipated to occur, increasing from 2023 in the amount of 78.33 million baht. These losses are impacted by the industry's growing NPL debt and the price of used cars continuing to decline. Consequently, there will be a 23.0% increase in total expenses from 500.08 million baht in 2023 to 552.36 million baht in 2024. The company's financial costs were decreased by 5.9% to 5.55 million baht. The company's 2024 financial statement showed a 166.70 million baht net loss before taxes. This represents a 611.2% drop from 2023, when the loss was 143.26 million baht. Concurrently, the business reported a 4.15 million baht rise in income tax from its income tax liabilities, which led to a 170.85 million baht overall net loss.

In terms of the company's liquidity in 2024, it issued two new debentures in April and October for 156.40 million baht and 150.00 million baht, respectively. As a result, the company's debt was reduced because its cash flow was used to pay back three debentures in June, October, and December for 250.00 million baht, 250.00 million baht, and 257.04 million baht, respectively. The company's liquidity is normal at the moment.

For debentures, there were financial covenants to maintain financial ratios of "Net Debt to Equity Ratio" to not exceed a 2.5 to 1 ratio respectively at the end of each quarter in the accounting period or the end of the fiscal year, throughout the term of the debentures. As of December 31st, 2024, the company's net Debt-to-Equity ratio was 0.41 without any default or cause of default.

Revenues

Unit : Thousand Baht	Y2024	%	Y2023	%	change	%
Retail loans interest income	424,954.21	89.6%	496,647.36	87.0%	(71,693.15)	(14.4%)
Loans interest income	28,153.45	5.9%	32,098.19	5.6%	(3,944.74)	(12.3%)
Other interest income	2,344.37	0.5%	2,676.84	0.5%	(332.47)	(12.4%)
Total interest income	455,452.03	96.0%	531,422.39	93.1%	(75,970.36)	(14.3%)
Fee and services income	10,668.70	2.2%	22,490.62	3.9%	(11,821.92)	(52.6%)
Other income	8,093.64	1.7%	16,842.70	3.0%	(8,749.06)	(51.9%)
Total revenues	474,214.37	100.0%	570,755.71	100.0%	(96,541.34)	(16.9%)

The revenues of the company in 2024 consist of interest income, fee, and services income, and other income in the proportion of 96.0%, 2.2%, and 1.7% respectively. The company had a total revenue of 474.21 million baht, a decrease from the year 2023 with revenue of 570.76 million baht or a 16.9% decrease, with details as follows:

1. Revenue from retail loans, consisting of automobile and motorcycle hire purchase loans, car for cash, and motorcycle leasing contracts, which is the main business of the company, accounting for 89.6% of total income, amounting to 424.95 million baht, a decrease of 14.4% from the decreased in retail portfolio, due to the stringent criteria for considering new loans.
2. Revenue from the loan (SME Loan) business amounted to 28.15 million baht, a decrease of 12.3% from the recorded more expected credit loss.
3. Other interest income includes land loans, personal loans, etc., amounting to 2.34 million baht, a decrease of 12.4%.
4. Fees and service income worth 10.67 million baht dropped by 52.6% as a result of offering the car for cash loans rather than hire purchase loans. Fee income from hire purchase loans consequently declined.

Operating cost

Unit : Thousand Baht	Y2024	%	Y2023	%	change	%
Administrative expenses	207,991.93	37.7%	234,043.15	46.8%	(26,051.22)	(11.1%)
Expected Credit Loss	344,364.68	62.3%	266,039.57	53.2%	78,325.11	29.4%
Total Expenses	552,356.61	100.0%	500,082.72	100.0%	52,273.89	10.5%

In 2024, the company's administrative expenses were 207.99 million baht, down 26.05 million baht from 2023, or 11.1%. This is mostly because the Company has an expense control policy.

Expected Credit Losses According to New Accounting Standards (TFRS9)

In 2024, there was an expected credit loss of 344.36 million baht, which represented a 29.4% rise from 2023 and an increase of 78.32 million baht. The expanding size of the loan portfolio and the outcome of the debtor's late installment payments are reflected in this increase in expected credit losses. The aforementioned accounting entries included a loss on the sale of seized automobiles of 90.9 million baht due to the rapidly declining prices of used cars.

Financial cost

Due to partially pre-paid debentures to lower interest costs and loan installments made, the company's financial costs dropped 5.9%, or 5.55 million baht, to 88.56 million baht in 2024 compared to 2023.

Income tax expenses

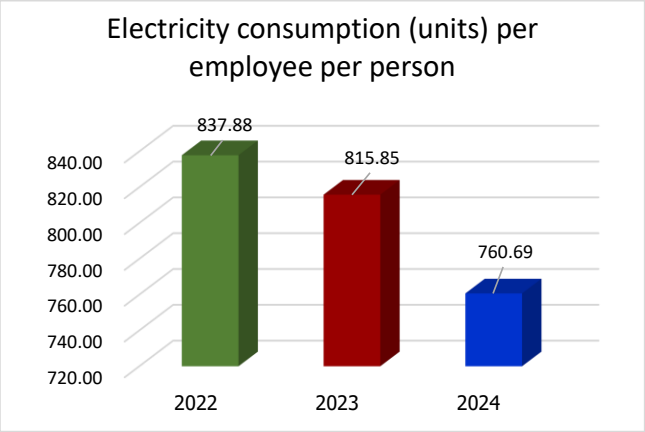
The company recorded a 4.15 million baht income tax transaction in 2024 as a result of rising income tax liabilities from issued bonds, which reduced income tax assets and resulted in income tax expenses.

Net loss

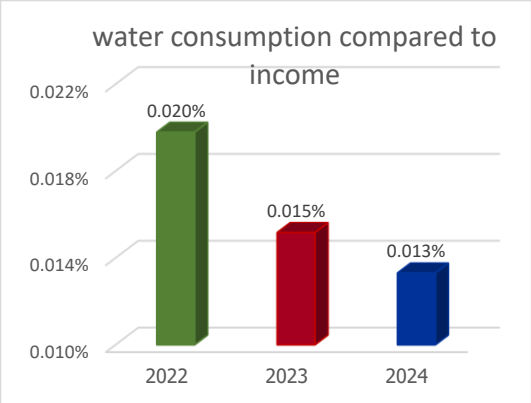
In 2024, the company had a net loss of 170.85 million baht, a decrease from the year 2023, which was net loss of 31.32 million baht, a decrease of 445.56%. As a result of interest limit control and a smaller portfolio, which reduced the company's earnings. Operating losses increased as a result of the company's non-performing loans (NPLs) forcing it to incur more expected credit losses.

Environmental performance

In terms of electricity consumption: In 2024, the company had an electricity consumption amounting to 0.27% of revenue, with an average electricity consumption of 760.69 units per employee, decreased from 815.85 units per employee in the previous year, due to the company's promotion to reduce electricity consumption during lunch and after work and regular maintenance of the air conditioning systems.



In terms of water consumption: In 2024, the company had water consumption account for 0.013% of revenue, reduced from 0.015% in 2023. The company is a service business with no water use in the production process. The water is used for office cleaning and personal use only.



In terms of reducing the amount of waste: The company has a campaign to reduce the amount of waste generated from business operations by reducing the use of paper. However, the company's paper and printing expenses as a percentage of income are 0.259%, down from 2023 when that percentage was 0.357% from the initiative to cut down on paper usage.

In management to reduce carbon footprint: In 2024, the company emitted a carbon footprint amount of 172.69 tons of carbon dioxide, a decrease of 45.65% compared to 2023 from the energy saving campaign.

Analysis of financial position

Unit : Million Baht	Q4/2024	%Asset	Q3/2024	%Asset	Q4/2023	%Asset
Cash and equivalents	141.5	6.4%	356.9	13.6%	155.0	5.3%
Receivables	1,949.6	87.7%	2,121.9	80.7%	2,617.8	89.0%
Hire Purchase Receivables, Leasing and Car for cash	1,683.5	75.7%	1,852.3	70.4%	2,367.0	80.5%
Loans receivables	5.4	0.2%	6.0	0.2%	6.1	0.2%
Personal Loan receivables	0.6	0.0%	0.6	0.0%	0.6	0.0%
Loans receivables from purchase of receivables	-	0.0%	0.1	0.0%	0.1	0.0%
SME loans	260.0	11.7%	262.8	10.0%	244.1	8.3%
Property, plant and equipment	21.4	1.0%	25.2	1.0%	22.6	0.8%
Deferred tax asset	18.8	0.8%	22.3	0.8%	23.2	0.8%
Other assets	91.3	4.1%	103.5	3.9%	122.6	4.2%
Total assets	2,222.6		2,629.8		2,941.2	
Total Liabilities	644.1	29.0%	993.4	37.8%	1,192.5	40.5%
Total equity	1,578.6	71.0%	1,636.4	62.2%	1,748.7	59.5%

Assets

As of December 31st, 2023, and 2024, the company had total assets worth 2,941.18 million baht and 2,222.62 million baht respectively of which the majority were credit receivables 89.0% and 87.7% of the total assets respectively.

Hire purchase receivables, Leasing and Car for cash receivables

As of December 31st, 2024, the company accumulated hire purchase receivables, leasing, and car for cash receivables of 1,683.54 million baht, a decrease of 683.41 million baht from the year of 2023, or 28.9%. Since the company is more stringent when evaluating new loans and has decreased the customer credit line, resulting in a significant reduction in the overall portfolio.

New hire purchase, leasing, and car for cash loans in 2024 amounted to 245.61 million baht, a decrease of 783.22 million or a decrease by 76.1% from 2023 as a result of the business's tighter loan screening practices. Consequently, the total amount of new loans made during the year fell.

Mortgaged loan receivables

As of December 31st, 2024, the company had a total of 5.39 million baht of mortgaged loan receivables, a decrease of 0.68 million baht, or 11.3% from repayment.

Personal loan receivables

As of December 31st, 2024, the company had personal loan receivables of 0.64 million baht, an increase of 0.03 million baht, or a 5.0% growth from the end of 2023.

Loan Receivables (SME Loan)

As of December 31st, 2024, the company has outstanding SME Loan receivables amounting to 260.02 million baht, an increase of 15.94 million baht from the year 2023, or a 6.5% growth from interest accrued in 2024.

Hire purchase receivable, Leasing, and Car for cash receivables quality

As of December 31st, 2024, the company had hire purchase receivables, leasing, and car for cash receivables outstanding over 3 installments (3 months) amounting to 236.56 million baht or 12.90% of total net hire purchase, leasing, and car for cash receivables. An increase of 28.83 million baht from the end of 2023 with the outstanding hire purchase and car for cash receivables over 3 installments equal to 207.73 million baht. The reasons were an increase in non-performing loans in the auto and motorcycle lending sectors, liquidity problems in low-income households, and economic problems such as high inflation and rising interest rates. The rise in outstanding debts and the percentage of non-performing loans caused the company to make further, which came to 150.31 million baht, or 8.19% of the hire purchase, leasing, and car for cash receivables.

Liabilities

The company's funding source can be classified into 2 types:

1. Borrowing from Financial Institutions.
   Under the loan agreement, there are certain covenants that the company must comply with such as
   - To maintain the Debt-to-Equity ratio below 2.5: the company is able to maintain the financial ratio as stipulated in the loan agreements of all financial institutions. At the end of December 31st, 2024, the company's Debt-to-Equity Ratio is 0.41.
   - Maintaining the rate between non-performing hire purchase receivables (Stage 3) per hire purchase and car for cash receivables to not exceed the specified percentage, which the company has exceeded the percentage on one financial institution at the end of December 31st, 2024. This ratio represents 9.04% of all net hire purchases and car for cash receivables. The banking institution's executives were informed of this situation. After the submission of the financial statements, the company will issue a notification letter and request a waiver of such conditions to financial institutions.

   As of December 31st, 2024, the company has a total credit line from financial institutions of 122.70 million baht, with regular installment payments according to the contract, and has no history of defaulting.
2. Debentures
   For the debentures, some practices must be complied with. Such as the value of collateral under the hire purchase contract must not be less than 1.5 times the value of the debenture that has not been redeemed throughout the term of the debentures. Maintaining the Debt-to-Equity ratio to not exceed 2.5, which the company has maintained financial ratio following all debentures.
   The corporation holds 477.76 million baht in bonds as of December 31, 2024, with 171.36 million baht and 306.40 million baht due in 2025 and 2026, respectively.

As of December 31st, 2023, and 2024, the company had total liabilities worth 1,192.49 million baht and 644.06 million baht respectively. Most of the total liabilities consisted of borrowings from financial institutions and debentures. The repayment of existing debentures totaling 450.64 million baht during the year and the monthly installment repayment of financial institution loans are the reasons for the decrease in total liabilities.

Equity

As of December 31st, 2024, the company has shareholders' equity worth 1,578.569 million baht, a decrease of 170.85 million baht or 9.7% from the end of 2023 due to the company's net loss. The company has retained losses of 78.91 million baht, and a legal reserve in the amount of 19.05 million baht, stable from 2023.

Please acknowledge the above matters.
Sincerely yours,

Mr.Kannanat Boonsunanondha
Chief Executive Officer