

AC.444/2020

14 August 2020

REF : The management discussions and analysis report

Dear President
The Stock Exchange of Thailand

SGF Capital Public Company Limited would like to submit the management discussions and quarterly analysis report for period end of June 30, 2020.

Due to the COVID-19 outbreak which the government has implemented various measures to alleviate with this pandemic. And the Bank of Thailand (BOT) had announced a measure to help borrowers due to the impact of COVID-19, which the Company had complied with the BOT's letters by offering debt repayment suspension to debtors who have been affected by COVID-19 and have overdue not more than 3 months to stay both principle and interest for at least 3 installments without seize collateral including exception of penalty in the 4th installment without any limit outstanding amount, and extend the last installment according to the number of debt suspension. There are 1,400 debtors who enter this program, and when the period of suspension was finished, if there are still some debtors who still affected from the COVID-19, the Company will consider debt restructuring for the debtor as appropriate.

As for the impact of COVID-19 on the new credit amount approval and debt collections. The Company has issued stricter policies for new credit approval that causes the amount of new hire purchase loans to be decreased. About debt collections, the Company was affected from the lock-down measure by the government. However, the Company had local marketing and debt collectors which enabling access to our debtors, we closely monitored debtor's status. In addition, management closely monitors the progress of the situation and impacts with additional guidelines and strategies to continually cope with the problems which may occur.

Q2/2020 Executive Summary: Statement of Comprehensive Income for 3 months

- Total revenue amount 98.1 million baht: increased 9.8 million baht from income 88.3 million baht last year in the same quarter (Q2/2019) as calculate to the percentage is 11.1% YoY, but decreased 7.8 million baht compare with Q1/2020 which has income 105.9 million baht or decrease 7.4% QoQ. In Q2/2020 the Company had hire purchase revenue 83.2 million baht increased 9.4 million baht from Q2/2019 which had revenue 73.8 million baht, but decreased 2.4 million baht compare with Q1/2020 which has income 85.6 million baht. Because the Company provide new hire purchase loans in Q2/2020 less than in Q1/2020 and the Company had 1,400 debtors enter the repayment suspension program as mention above, so the Company had to recalculate the new effective interest rate (EIR) on the remaining installment after debt suspensions, which affected to decrease in the hire purchase revenue per months. Others revenue decreased 3.6 million baht.
- Total Revenue are as following:

Unit : Thousand baht	Q2 -2020	Q1 -2020	Q2 -2019	change QoQ	change YoY
Retail Business					
Hire Purchase	83,234.4	85,641.5	73,813.1	(2,407.1)	9,421.3
Car for cash	143.4	130.2	-	13.2	143.4
Personal loan	150.3	148.1	182.4	2.2	(32.1)
Receivable purchased	26.8	24.8	340.2	2.0	(313.4)
Total	83,554.9	85,944.6	74,335.7	(2,389.7)	9,219.2
SME Business					
Factoring	-	50.0	75.0	(50.0)	(75.0)
Loan (SME)	10,036.9	11,481.9	9,150.5	(1,445.0)	886.4
Total	10,036.9	11,531.9	9,225.5	(1,495.0)	811.4
Interest income	93,591.8	97,476.5	83,561.2	(3,884.7)	10,030.6
Fee and Service	2,225.9	2,734.0	4,056.3	(508.1)	(1,830.4)
Others interest incom	96.9	26.0	171.7	70.9	(74.8)
Others income	2,159.9	5,713.1	499.9	(3,553.2)	1,660.0
Total	98,074.5	105,949.6	88,289.1	(7,875.1)	9,785.4

- SG&A 44.0 million baht, a 5.4% decreased from Q2/2019 at 46.5 million baht and 1.5% decreased from Q1/2020 at 44.7 million baht.
- Directors and management remuneration amounting to 3.0 million baht, decrease 18.9% from Q2/2019 which amounted to 3.7 million baht.
- Finance cost 9.5 million baht, decreased 11.2% from Q2/2019 which amount 10.7 million baht because the Company total repayment for old debenture 270 million baht and apply for new debenture 149.2 million baht, so the account payable decreased 120.8 million baht.
- Q2/2020, the Company recorded an expected credit loss (ECL) in accordance with the new accounting standard (TFRS9) 74.0 million baht. It is an ECL for a loan debtor (SME loan) of 29.1 million baht arising from a compromise agreement with the debtor and the projected cash inflow of the company has changed from the original set, therefore, the company has to calculate and record the ECL. For hire purchase receivables, ECL of 7.0 million baht were recorded, bad debts amounting to 30.5 million baht. And ECL arising from the transfer of receivables to foreclosed assets of 7.5 million baht were recorded.
- Q2/2020, the Company had net loss 33.4 million baht, compared with Q2/2019 which had net profit 73.8 million baht, decrease of 107.2 million baht or 145.3% YoY. Because the company has recorded special items, reversed the provision for doubtful debts in the amount of 61.46 million baht in Q2/2019.

1H/2020 Executive Summary: Statement of Comprehensive Income 6 months

- Total revenue of 203.0 million baht, increased from 1H/2019 at 21.8% which equal 166.7 million baht, came from hire purchase interest income amounted 30.9 million baht. This is due to the continuous expansion of the retail loan business.
- SG&A totaling 88.8 million baht, decreased from 1H/2019 which equal 93.0 million baht or 4.5% due to the company has a policy to continuously control expenses.

- The Company recorded an expected credit loss (ECL) in accordance with the New Accounting Standard (TFRS9) of 109.3 million baht instead of bad debts and doubtful accounts in the six-month period of 2019. This is ECL for the loan receivables (SME loan) of 39.4 million baht, the hire purchase loan receivable of 19.2 million baht, the bad debt on the hire purchase loan amount of 30.5 million baht and the expected loss from the transfer of receivables to property foreclosed 20.2 million baht.
- The Company had net loss 22.5 million baht, decreased 99.7 million baht from 1H/2019 which had net profit 77.2 million baht.

Q2/2020 Executive Summary: Statement of Financial Position

Unit : Million baht	Q2/2020	% Asset	Q1/2020	% Asset	Q4/2019	% Asset
Cash/Short term investment	217.3	9.9%	274.1	11.8%	215.9	9.2%
Receivable	1,818.2	82.9%	1,873.5	80.4%	2,002.4	85.3%
Hire Purchase (Retail)	1,528.6	69.7%	1,564.4	67.1%	1,599.1	68.1%
Car for cash	3.9	0.2%	2.9	0.1%	2.7	0.1%
Personal loan	2.0	0.1%	2.1	0.1%	2.2	0.1%
Purchase of receivable (Retail)	0.1	0.0%	0.1	0.0%	0.1	0.0%
Factoring	-	0.0%	-	0.0%	3.2	0.1%
Loan (SME)	283.6	12.9%	304.0	13.0%	395.2	16.8%
PP&E	62.1	2.8%	61.9	2.7%	32.1	1.4%
Deferred Tax asset	28.1	1.3%	28.1	1.2%	28.1	1.2%
Others	66.9	3.0%	92.4	4.0%	68.9	2.9%
Total Assets	2,192.6		2,330.0		2,347.4	
Total Liabilities	574.4	26.2%	678.4	29.1%	568.4	24.2%
Total shareholder equity	1,618.2	73.8%	1,651.6	70.9%	1,779.0	75.8%

- Retail Hire Purchase total new booking 86.0 million baht in Q2/2020. Hire Purchase receivable amounted to 1,528.6 million baht, decrease from Q1/2020 amount 35.8 million baht, a 2.3% QoQ because the company has issued stricter policies for new credit approval due to the situation of the COIVD-19 epidemic.
- Loan (SME) amounted to 283.6 million baht, decreased 20.4 million baht or 6.7% from Q1/2020 from debt restructuring negotiations with NPL debtors, an increase in expected credit losses has been recorded.
- Cash and short term investment 217.3 million baht, decreased 56.8 million baht from Q1/2020 due to repayment of matured bonds and issue new bonds at a reduced value.
- Total Liabilities 574.4 million baht (D/E ratio 0.35) The company has reduced liabilities from the issuance of new debentures of 149.2 million baht to replace the existing debentures of 270 million baht. Equity is 1,618.2 million baht.

Retail Business

- The hire purchase loan business (Car-for-money loan) of the company at present, there are 40 branches, with 272 personnel, a decrease of 25 from Q2/2019, a decrease of 12 from the end of 2019, which 199 people operated at our branches and has more than 1,000 agents.
- Loan quality: Quality of hire purchase receivables as of Q2/2020, the company has receivables that are overdue more than 3 installments, equal to 4.74% of hire purchase receivables from

the impact of the Corona virus-19. The company has recorded expected credit losses of 85.9 million baht or 5.32% of hire purchase receivables.

Please be acknowledged the above matters.
Sincerely yours,

Mr. Kannanat Boonsunanondha
Chief Executive Officer