

Dear President,  
The Stock Exchange of Thailand

SGF Capital Public Company Limited would like to submit the management discussion and analysis report as of March 31<sup>st</sup>, 2022.

In the first quarter of 2021, the COVID-19 became less of a threat as the vaccines became more accessible. As a result, many enterprises chose to resume their business while embracing preventive measures to be safe and secure. Like many others, the Company has made many decisions and adjustments in preparation for the uncertainty, not only to improve the work efficiency but also to protect both employees and customers from any unnecessary risks.

The resumption of many enterprises translated into a rise in customers for the hire purchase loan services. The Company took this opportunity to expand the customer base, by implementing a new motorcycle hire purchase loan in the Bangkok Metropolitan Region. The result proved to be successful as the new hire purchase loans released in the first quarter of 2022 amounted to 254.8 million baht, an 87.0% increase in value compared to the previous year. The Company's revenue in this quarter also increased to 115.2 million baht, marking a 20.8% rise in number. Nevertheless, the operating expenses in this quarter did skyrocket as a consequence of a major investment toward the motorcycle hire purchase loan, including new recruitment and system reorganization.

As for the debtor relief program to assist debtors affected by COVID-19 through an extension of repayment time in 2021, all such debts are now due for a grace period and the debtor must pay as usual. Most of the debtors returned to pay their debts, there are some remain affected. Despite setting a reserve in accordance with the model for the expected credit losses, the company has anticipated an extra credit loss following the debt collection. Hence, setting an additional reserve from the management overlay to cover the risk of rising NPL problems from the impact of the COVID-19 outbreak and the effects of the war in Europe in the future.

Despite a huge investment in the new business, the Company's overall operating results in this quarter have a net profit of 10.9 million baht. The loan quality is within the specified criteria, with NPL accounting for 4.4% of the total hire purchase loan.

Concerning the Company's liquidity, the Company has a sufficient cash flow to provide credit confidently. In addition, the Company is in the process of requesting extra credit lines from banks to support any credit expansion in the future.

### **Q1/2022 Executive Summary: Statements of Comprehensive Income for 3 months period**

#### **Revenues**

<b>Unit : Thousand Baht</b>	<b>Q1-2021</b>	<b>Q1-2021</b>	<b>change</b>	<b>change %</b>
Hire purchase interest income	98,695.4	81,915.0	16,780.4	20.5%
Loans interest income	7,923.7	8,234.1	(310.5)	-3.8%
Other interest income	764.6	622.4	142.2	22.8%
<b>Total interest income</b>	<b>107,383.6</b>	<b>90,771.5</b>	<b>16,612.1</b>	<b>18.3%</b>
Fee and services income	4,835.6	4,307.5	528.1	12.3%
Other income	2,989.2	270.8	2,718.4	1003.8%
<b>Total revenues</b>	<b>115,208.4</b>	<b>95,349.8</b>	<b>19,858.7</b>	<b>20.8%</b>

**As of the end of Q1-2022, (March 31<sup>st</sup>, 2022),** the company had total revenues of 115.2 million baht, an increase of 20.8% from Q1-2021 with revenue of 95.3 million baht, with details as follows:

1. Revenue from hire purchase which is the main business of the company had an interest income of 98.7 million baht, an increase of 20.5% from credit expansion.
2. Revenue from loan (SME Loan) business amounted to 7.9 million baht, a decrease of 3.8% from repayment and not providing new SME loans.
3. Fees and service income worth 4.8 million baht increased by 12.3%.

### **Operating cost**

**As of the end of Q1-2022 (March 31<sup>st</sup>, 2022),** the company had administrative expenses of 50.3 million baht, an increase from the year 2021 with an expense of 44.2 million baht, an increasing amount of 6.1 million baht, or 13.7% rises over the past year. This is mainly because the Company has been recruiting more employees and improving the current system to support the new upcoming motorcycle loan business, to maintain continuous growth in the portfolio.

### **Expected Credit Losses According to New Accounting Standards (TFRS9)**

**As of the end of Q1-2022 (March 31<sup>st</sup>, 2022),** the company recorded the expected credit losses amounted to 38.0 million baht, an increase of 24.1 million baht or 174.6% from Q1-2021. Compared to the fourth quarter of 2021, which recorded an expected credit loss of 35.0 million baht, an increase of 3.0 million baht or 8.5%.

This account booking came from the expected credit losses for loans, an old business, amounting to 4.6 million baht. Loss from transfer receivables to property foreclosed of 6.0 million baht. The Company has an additional reserve from the management overlay of 1.6 million baht to cover the risk of NPL increasing depending on the impact of the COVID-19 outbreak in the future.

### **Financial cost**

**As of the end of Q1-2022 (March 31<sup>st</sup>, 2022),** the company had finance costs of 15.9 million baht, an increase from Q1-2021, which was 13.3 million baht or 20.0%. The increase in the company's financial costs is due to the newly issued debentures to expand additional loans.

### **Income tax expenses**

**As of the end of Q1-2022 (March 31<sup>st</sup>, 2022),** the company has no income tax recording because the company still has residual tax losses that can be deducted against the company's profit.

### **Net profit**

**As of the end of Q1-2022 (March 31<sup>st</sup>, 2022),** the company had a net profit of 10.9 million baht, a decrease of 12.6 million baht from 23.6-million-baht Q1-2021. Caused by the preparation for the motorcycle loan business, creating extra expenses for the Company as well as lowering the net profit.

### **Analysis of financial position**

<b>Unit : Million Baht</b>	<b>Q1/2021</b>	<b>%Asset</b>	<b>Q4/2021</b>	<b>%Asset</b>	<b>Q1/2021</b>	<b>%Asset</b>
Cash and equivalents	172.6	6.7%	284.3	11.0%	368.4	15.6%
Receivables	2,244.4	87.2%	2,167.2	83.5%	1,853.8	78.3%
Hire purchase receivable	2,000.6	77.8%	1,911.8	73.7%	1,593.3	67.3%
Car for cash receivables	8.0	0.3%	6.2	0.2%	5.0	0.2%
Mortgaged loan receivabl	7.5	0.3%	7.3	0.3%	6.5	0.3%
Personal loans receivabl	1.3	0.0%	1.3	0.1%	1.8	0.1%
Purchase of receivables	0.1	0.0%	0.1	0.0%	0.1	0.0%
Loans receivables	226.9	8.8%	240.5	9.3%	247.0	10.4%
Property, plant and equipm	35.0	1.4%	38.1	1.5%	47.7	2.0%
Deferred tax asset	27.5	1.1%	27.5	1.1%	28.1	1.2%
Other assets	93.3	3.6%	77.9	3.0%	70.6	3.0%
<b>Total assets</b>	<b>2,572.7</b>		<b>2,595.0</b>		<b>2,368.4</b>	
<b>Total Liabilities</b>	<b>820.7</b>	<b>31.9%</b>	<b>853.9</b>	<b>32.9%</b>	<b>663.3</b>	<b>28.0%</b>
<b>Total equity</b>	<b>1,752.0</b>	<b>68.1%</b>	<b>1,741.1</b>	<b>67.1%</b>	<b>1,705.1</b>	<b>72.0%</b>

## **Assets**

### **Cash and equivalents**

As of March 31<sup>st</sup>, 2022, the company had cash and equivalents of 172.6 million baht, a decrease of 111.7 million baht from the end of 2021. The reduction in cash was due to expanded credit and repayment loans from financial institutes.

### **Hire purchase receivables**

As of March 31<sup>st</sup>, 2022, the company had hired purchase receivables of 2,000.6 million baht, an increase of 88.2 million baht or 4.6% from the end of 2021 as the company has expanded credit both in the car and new motorcycles.

New retail hire purchase loans in Q1-2022 amounted to 254.8 million baht, a growth of 87.0% from 136.3 million baht in Q1-2021 due to credit expansion.

### **Car for cash receivables**

As of March 31<sup>st</sup>, 2022, the company has a car for cash receivables of 8.0 million baht, an increase of 29.7% or 1.8 million baht from the end of 2021. Such car for cash loans was also increased by credit expansion.

### **Mortgaged loan receivables**

As of March 31<sup>st</sup>, 2022, the company had a total mortgaged loan receivable of 7.5 million baht, an increase of 2.5% or 0.2 million baht from the end of 2021. This mortgaged loan is a business that has been added to meet the customer's needs.

### **Personal loan receivables**

As of March 31<sup>st</sup>, 2022, the company had personal loan receivables of 1.26 million baht, a decrease of 0.07 million baht, or 5.1% from the end of 2021, which was 1.33 million baht, due to customer repayment.

### **Loan Receivables (SME Loan)**

As of March 31<sup>st</sup>, 2022, the company has outstanding SME Loan receivables amounting to 226.9 million baht, a decrease of 5.7% or 13.6 million baht from repayment.

### **Hire purchase receivable quality**

As of March 31<sup>st</sup>, 2022, the company had hire purchase receivables outstanding over 3 installments (3 months) amounting to 91.0 million baht or 4.4% of total net hire purchase receivables. An increase of 1.3 million baht from the end of 2021 with the outstanding hire purchase receivables over 3 installments is equivalent to 89.7 million baht due to an increase in the impact of the COVID-19 outbreak. The company recorded expected credit losses of 74.8 million baht or 3.6% of total hire purchase receivables.

## **Liabilities**

As of March 31<sup>st</sup>, 2022, the company had total liabilities of 820.7 million baht, a decrease of 3.9% or 33.2 million baht from the end of 2021. Most of the total liabilities consisted of debentures and borrowings from financial institutes. At the present, the company is able to pay the debt off normally. Debt to Equity Ratio (D / E Ratio) of 0.39.

## **Equity**

As of March 31<sup>st</sup>, 2022, the company has shareholders' equity of 1,751.9 million baht, an increase of 10.9 million baht or 0.6% from the end of 2021, due to the company's net profit.

Please acknowledge the above matters.

Sincerely yours,

Mr. Kannanat Boonsunanondha  
Chief Executive Officer