



GL

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Group Lease PCL

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Overview

- **KPMG Disclaim of Conclusion**
 - **Due to situation**
 - **Due to Company management**
- **Legal Update on \$130M CD**
- **Q & A Session**

Due to Situation

Due to Situation: DSI

- 1 As disclosed in note 8 of the interim financial information, on 19 October 2017, the Company received a request from the Securities and Exchange Commission (“SEC”) to revise/correct its financial statements, Annual Registration Statement (Form 56-1) and Annual Report (Form 56-2) in response to the criminal complaint filed by SEC to the Department of Special Investigation (“DSI”) on 16 October 2017 against a former executive director in relation to allegations of fraud, misappropriation of the Company’s assets and falsifying accounting records by executing concealed transactions through several associated companies abroad to exaggerate the Group’s operating results. As a result, the Company established a full provision against these and other loans and interest receivable and will record any future recoveries (if any) in the period in which they are received. The management understands that the DSI investigation against the former executive director is still ongoing but has informed me that it is not aware of any further consequences to the Company which may arise. I do not have access to any reliable evidence as to the current status of any investigation as this is confidential to the DSI, and accordingly am unable to determine the likelihood or amounts of any further adjustments that could be required.

- **Cause: SEC filed complaint to DSI only about the Company’s former Executive director**
- **Note: The Company, it’s Directors, and other executives have never been notified with the official charges even 3 years even after the original complaint**
- **Solution: The complaint will not affect the Company itself, it’s Directors or it’s executives. The company will try to get more information as much as possible if the Auditor needs it**

Due to Situation: Litigation

- 2 As disclosed in note 17 of the interim financial information relating to litigation cases, Group companies are defendants in several legal cases actioned by the substantial convertible debenture holder of the Company and its related companies. The Company has filed counter actions. In particular during the period:
 - a. The Company's subsidiary in Singapore, Group Lease Holdings Pte. Ltd. ("GLH"), was one of the defendants in a legal case brought by the substantial convertible debenture holder of the Company alleging deceit and unlawful conspiracy regarding the financial status of the Company and misrepresentation of the financial position of the Company's subsidiary in Singapore. The Judgement dated 6 October 2020 by the Court of Appeal of the Republic of Singapore, which overturned the judgement of the High Court of the Republic of Singapore dated 12 February 2020, found the former executive director and GLH liable for the deceit claim and, together with other co-defendants, the unlawful conspiracy claim awarding total damages of USD 70 million to be paid jointly and severally by the co-defendants. A partial payment of approximately USD 37 million was paid from the Company via GLH to the plaintiff on 8 January 2021. The amounts recorded in the interim financial information as explained in note 4 – Related party transactions reflect a further provision of Baht 663.6 million (USD 21.07 million and SGD 0.13 million) in addition to the liability of Baht 1,551 million (USD 50 million) as explained in note 14 - Convertible debentures, recorded in the books of the Company in respect of the convertible debentures 1/2017, totaling a liability of USD 71 million at 30 September 2020; the actual basis of settlement and financial consequences may differ materially from this, including legal costs and any possible recovery from other co-defendants.
- **Cause:** JTrust filed several lawsuits against the Company and our subsidiaries
 - **Note:** The Company believes that it had recorded all potential loss from the Singapore judgement in 3Q of 2020 already
 - **Solution:** The Company is going to fulfill payment for the judgement soon. Once it has been completed, the Company will disclose such news immediately. The Company will try its best to win all remaining cases

Due to Situation: Litigation

- b. On 30 April 2018, the Company filed a case with the Thailand Civil Court against the substantial convertible debenture holder of the Company alleging wrongful acts and claiming compensation for damage. On 5 March 2020, the Civil Court ruled in favour of the Company and awarded compensation of Baht 685.5 million. On 9 March 2021, the Appeal Court reversed this judgment and ruled that the acts by the substantial convertible debenture holder of the Company were not torts. The Company is ordered to pay fees for both courts and lawyer fee of Baht 700,000 to the plaintiff. The fees are not yet recorded in the interim financial information. The Company is currently considering whether to appeal this ruling.

Furthermore, although management has informed me that they do not expect any additional claims or losses to arise in relation to ongoing or potential litigation cases in other jurisdictions with the same plaintiff as a consequence of the findings or material facts made public in the decision of the Singapore Court of Appeal, and accordingly no further provision for any such possible losses or additional costs has been established, the actual outcome of the current or any additional cases represents a material uncertainty which could result in financial consequences that are significantly different to those recorded in the interim financial information at 30 September 2020.

- **Cause: JTrust filed several lawsuits against the Company and our subsidiaries**
- **Solution: While the case has been postponed several times due to the COVID-19 pandemic, the Company will try its best to win all remaining cases**

Due to Situation: Going Concern

The circumstances outlined in the preceding paragraphs, together with the liabilities for Convertible Debentures amounting to Baht 4,106 million which have a due date of 1 August 2021, indicate the existence of material uncertainties which cast significant doubt about the Group's and the Company's ability to continue as going concerns. If the Group and the Company were unable to continue as going concerns, the realisable value of assets may be significantly less than their carrying value and certain assets and liabilities may require to be reclassified. No adjustments to the classification or carrying value of assets and liabilities have been made in the interim financial information should the Group and the Company be unable to generate sufficient cash flows or raise additional finance from other sources.

- **Cause:** Litigation uncertainly and the Company has a Convertible Debenture of \$130 million due 1 August 2021
- **Solution:** For the \$130 million CD, the Company has been advised and carefully considered the matter and since JTA has avoided the \$130 million CD and initiate the claim against GL, the Company is not obligated to and should not repay the debt until all litigations are resolved as JTA does not believe there is any CD to repay. The legal process is not likely to be completed in the near term. The Company continues to operate normally and expects to be able to operate normally for the foreseeable future

Due to Management

Due to Management: RPT with APFT

3 Following the Singapore Court of Appeal's judgement discussed in paragraph 2 above, and in particular the findings of conspiracy and deceit, I have expanded my review procedures and I note that the Singapore Court of Appeal concluded in its judgement dated 6 October 2020 that APF Group (including certain companies identified as related parties by management and disclosed in the annual financial statements at 31 December 2019) is controlled by the former executive director noted in paragraphs 1 and 2. Furthermore, the Group has entered into a number of transactions and has outstanding balances due from another related party identified by management, APF Trading Plc. ("APFT").

a. Included in the interim financial information is an advance balance, presented as other receivables and other current assets with other related parties in note 4 – related party transactions, paid by the Company's subsidiary in Cambodia to APFT, for procurement and placement of motorcycles at the dealers and sub-dealers for provision of financing. The gross outstanding balance of the advance at 30 September 2020 was Baht 381 million (USD 12.0 million) against which management has made a full provision. The corresponding amounts of the gross balance and provision at 31 December 2019 were Baht 320 million (USD 10.6 million) and Baht 149 million (USD 4.9 million) respectively. Subsequent to 30 September 2020 up to 28 February 2021, further transactions recorded in this account with APFT have resulted in the gross balance increasing by Baht 7 million (USD 0.2 million).

- **Cause:** The Company's subsidiary entered into agreements with a related party in Cambodia so that they could do leasing business for motorcycles for several of HONDA dealers and sub-dealers. As of 30 September 2020, the outstanding gross balance was \$12 million and management made a full provision. The Company made the full provision because the Company reached out the related party to get an update on the information as requested by the Auditor, but the Company did not receive a response. To be conservative, the Company decided to put a full provision
- **Solution:** The Company stopped all business with APFT since January 2021 due to their lack of corporation with us on these matters. We continue to try to get information from APFT. Furthermore, the Company will try to collect the outstanding balance which APFT owes us

Due to Management: RPT with APFT

- b. In addition to the transactions and balances referred to in paragraphs 3a above,
 - i. The subsidiary in Cambodia made a number of payments during September and October 2020 to APFT including an amount of USD 1.4 million on 9 October 2020. Management retrospectively reported to the Board of GLF that this transaction was a mistake, and that the funds had been returned on 19 November 2020. This has not been disclosed in the interim financial information as at 30 September 2020.
 - ii. On 1 December 2020 the subsidiary in Cambodia entered into a consultancy agreement with APFT under which USD 150,000 per month (excluding VAT) is due to be paid to APFT by the subsidiary. This has not been disclosed in the interim financial information as at 30 September 2020.

I have not received satisfactory explanation and evidence to enable me to conclude as to whether there are other related party transactions which may not have been identified or disclosed to me. As a consequence of this limitation of scope any resulting consideration and treatment of required provisions or other adjustments may not be fully or properly reflected in the interim financial information.

- **Cause:** The Company's subsidiary accidentally sent \$1.4 million to a related party in Cambodia. Once the error was discovered, the Company worked with the related party and had the \$1.4 million returned. Also, the subsidiary has a consultancy agreement with the related party where our subsidiary pays APFT \$150,000 a month to get an important business rights. KPMG states that they did not receive satisfactory explanation and evidence in their view and that they are unsure if there are additional related party transactions that have not been disclosed
- **Solution:** The Company believes the \$1.4 million issue is already solved. For the consultancy agreement, the management will continue to clarify and provide evidence to KPMG keeping it's transparency. The Company will work closely with KPMG to resolve any of their concerns so that they will be satisfied with our explanation and evidence including being satisfied that there are no undisclosed related party transactions

Due to Management: Pledged Overseas Cash

- 4 Included in the interim financial information is a pledged fixed deposit of approximately USD 73 million held in an account of GLH with an overseas Bank. There is a charge over this asset noted by the bank on the bank statements. Management has classified this as a non-current asset in the interim financial information. Management has not provided me with a satisfactory explanation of the nature or status of this charge, or whether there is any current or likely loss arising which would require adjustment or disclosure in the interim financial information.

- **Cause:** The Company recently found out that the cash of one subsidiary has been pledged to an overseas bank. The Company informed KPMG that we believe this pledge relates to in 2017 when the Company was planning to raise a significant amount of funds from the Bank. The Company provided documentation that showed this was the case as much documents as the managements can provide. The Company reached out to the Bank and gave KPMG permission to contact the Bank as well. Both the Company and KPMG were unable to get detailed information in time for 3Q due to situation
- **Solution:** The Company will continue to try to work with the Auditors and the Bank to obtain more information. If needed, the Company will take legal action against the Bank or the other parties in order to get the information

Due to Management: Other

5 Thai Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” involves making enquiries of and obtaining explanations from management. I note that certain other information that I have requested to be provided by management as part of my review procedures has not been received at the date of this report. Such unprovided information includes (in addition to the matters referred to in the preceding paragraphs) management’s assessment of potential impairment of investments in and loans to subsidiaries and goodwill, the status and recoverability of corporate loans and interest receivable and recoverability of deferred tax assets. As a consequence of this limitation of scope, I was unable to determine whether any adjustments or disclosures were necessary to the interim financial information.

- **Cause:** KPMG correctly noted there were other review procedures that were not received such as impairment testing of subsidiaries and loans, the recoverability of some corporate loans, and the recoverability of some deferred tax assets
- **Solution:** The Company did have many issues to work on during the completion of the 3Q20 financial statement in addition to running the Company during the global Covid-19 situation. For impairment testing, the Company always performs impairment testing if there are significant changes in the quarter, but normally in 4Q of each year and we have started and will complete impairment testing for 2020 in the 4Q20 financial statement. The Company have started and will analyze the recoverability of the corporate loans and deferred tax assets in 4Q20 as well

Due to Management: Reliability

6 Thai Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” requires that the auditor should obtain written representation from management that: (a) It acknowledges its responsibility for the design and implementation of internal control to prevent and detect fraud and error; (b) The interim financial information is prepared and presented in accordance with the applicable financial reporting framework; (c) It believes the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the interim financial information taken as a whole. A summary of such items is included in or attached to the written representations; (d) It has disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to management that may have affected the entity; (e) It has disclosed to the auditor the results of its assessment of the risks that the interim financial information may be materially misstated as a result of fraud; (f) It has disclosed to the auditor all known actual or possible noncompliance with laws and regulations whose effects are to be considered when preparing the interim financial information; and (g) It has disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the interim financial information. Due, in particular, to the limitation of scope as noted in paragraphs 2, 3, 4 and 5, certain other matters as described in the preceding paragraphs above and recent change of senior management and independent directors, I have been unable to conclude on the reliability of written representations on all material matters.

- **Cause:** KPMG noted that they were unable to conclude on the reliability of written representation on all material matters. This issue is the end result of the previous issues described earlier. Due to uncertain litigation and KPMG being unsatisfied about the explanation and evidence provided by the Company for certain items, KPMG made this conclusion
- **Solution:** Due to this clause are related to the previous ones, the company will clarify and solve all the points which had raised one by one and step by step. For the previous issues, the Company will do the recommended solution for each one of them. Once the Company has been able to solve the previous issues, this issue will be solved as a result

Legal Update

\$130M CD

Q & A Session

Thank You
