



No. GL 14/2018

Feb 28th, 2018

Subject: Clarification for the operating result of Q4/2017 (Audited)

Attention: The President
The Stock Exchange of Thailand

Duplicate: The Secretary General
The Securities and Exchange Commission

Group Lease Public Company Limited (“the Company or GL”) would like to clarify the operating result for the year 2017 as at 31 December 2017 for the consolidated and separate financial statements as follow:

Consolidated Financial Statements

The Company reported reviewed operating results for the year 2017, with consolidated net loss of Baht 1,822.55 million. The decrease in net profit was mainly driven by the result of the set-up of allowance for potential loss on revaluation of assets, however; the loss was partially offset by increases in interest incomes from main businesses; hire purchase interest income, asset-backed loan interest income, microfinance interest income, and consumer finance under joint financing arrangements interest income. Indeed, this allowance is a non-cash transaction which reflected in expenses in the statement of income of the Company, details of which are explained in comments 11, 13, and 14 below. It is important to note that excluding the allowance, the revenues and operational results have continuously improved compared to last year.

1. GL’s consolidated hire purchase interest income was Baht 2,061.19 million, increasing Baht 114.67 million or 5.89%, due mainly to an increase of interest income from the subsidiaries in Cambodia, and Laos by Baht 21.96 million and Baht 36.28 million respectively, in tandem with rising loan volume in foreign countries. Moreover, GL and the Thai local subsidiary also showed an increase in hire purchase interest income of Baht 32.70 million and Baht 23.73 million respectively. This is in line with the company’s strategy to expand the portfolio in Thailand and in foreign market through the business model “Digital Finance”.

2. Asset-backed loan interest income was Baht 164.65 million, increasing Baht 47.72 million or 40.81%, an increase of Baht 44.27 million from the Thai subsidiary showing the success of the business expansion. Partial increase of Baht 3.45 million came from the Cambodia subsidiary which just launched the new product in Q2/2017.

3. Microfinance interest income was Baht 51.98 million, equivalent to the total increase when comparing with same period last year. Microfinance is a new product started in Myanmar, which consist of an average 50-week-term micro loans made to women by group of five members each collectively responsible on each other members, repayment made on weekly basis. This is one of the successful product. The Myanmar subsidiary recorded Microfinance interest income of Baht 41.04 million and Indonesian subsidiary recorded Microfinance interest income of Baht 10.94 million in 2017.

4. Consumer finance under joint financing arrangements interest income was Baht 56.28 million. Consumer finance is a different classification related to joint-financing product to provide loans to consumers for purchases of agricultural machinery, started in Indonesia, in partnership with a local bank able to finance



jointly with the Indonesian subsidiary. The Indonesian subsidiary recording its portion of interest income after deducting the portion belonging to the local bank.

5. Interest on loan receivables was Baht 378.96 million, decreasing Baht 105.90 million or 21.84%, when compared to same period previous year. This income is related to loans to corporates since GL's subsidiaries provide Business Expansion Solution service and Financial Support to distributors who want to expand their sales to the countries where GL's subsidiaries existing.

6. Revenue from sale increased Baht 0.87 million, totally from a new product lunched in Q42017 by the local subsidiary.

7. GL's consolidated other income has increased by Baht 71.01 million or 19.16% from Baht 370.67 million to Baht 441.67 million, consisting of other interest income of Baht 39.75 million, consulting service fee income of Baht 20.41 million, other income related to the activities of hire purchase of Baht 227.07 million, other income related to the activities of microfinance of Baht 4.61 million, gain on exchange rate of Baht 120.57 million, and other income of 29.26 million.

8. GL's consolidated service and administrative expenses totaled Baht 1,144.95 million, increasing by Baht 257.58 million or 29.03% when compared to previous year, mainly resulting from the higher expenses from the foreign business expansion. In 2017, GL has started a business in Myanmar by acquiring one subsidiary and set-up one new subsidiary and an Indonesia subsidiary was expanding its branch network to all over countryside in Indonesia. However, the service and administrative expenses grew at a slower rate than revenue, showing the cost-efficient management.

9. GL's consolidated bad debts and doubtful accounts has slightly increased compared to the same period of last year by Baht 9.77 million or 3.12%, mainly resulting from an increase in portfolios by 11.32% from 2016. Therefore, a company had set additional allowance for doubtful accounts for conservative purpose. However, bad debts expense increased a slower rate than portfolio, implying to a better quality of the portfolio.

10. Cost of sales increased Baht 0.76 million, totally from a new product lunched in Q42017 by the local subsidiary, as mentioned in 6.

11. Expense allowance on loan and interest receivables was Baht 1,952.56 million, mainly resulting from a full provision on the loan receivables for conservative reason and try to cooperate with the SEC's announcement while the legal procedure is not yet final. However, this allowance is a non-cash transaction, in case of the receivables were repaid in the future, the provision could be reversed for the same amount.

12. There were an increase in loss on disposals of foreclosed asset from Baht 232.25 million to Baht 245.35 million representing an increase by Baht 13.10 million or 5.64%, which resulted from an increasing of repossession units related to the hire-purchase portfolio expansion.

13. Expense allowance on other receivables, expense allowance on other current assets, expense allowance on exclusive right were Baht 208.88 million, Baht 38.83 million and Baht 55.94 million, respectively. This is the management's decision to set up a full allowance for all net related party receivables of the group. However, this allowance is a non-cash transaction, in case of the receivables were repaid in the future, the provision could be reversed for the same amount.

14. Expense allowance on investment loss in associate was Baht 582.09 million which was set up in Q3/2017 when management was in the process of conducting the impairment test on the investment in CCF. In



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Q4/2018, the impairment test has been completely conducted and no impairment of the investment in CCF was identified, relying on a valuation conducted by Gajma & Co, one of the leading financial advisor and appraisal firms in Sri Lanka. The estimated value of CCF is LKR 175.35 per share while the carrying amount based on equity method of the investment in CCF was Baht 2,605 million (or LKR 121.31 per share) as of 31 December 2017. Under the conservatism principle, the management decided to keep, not to reverse the allowance for loss of investment provided in Q3/2017. However, this allowance is a non-cash transaction, the provision could be reversed for the same amount.

15. Share of profit from a 29.99% stake investment from an associated company in Sri Lanka, which GL started to recognize since October 2016, was Baht 171.95 million, increasing by Baht 123.60 million from 2016, which resulted from the adjustment of revaluation of fair value of investment properties of an associated company.

16. GL's consolidated finance cost was Baht 445.35 million, increasing by Baht 172.60 million, or 63.28%, compared to Baht 272.75 million in 2016, primarily a result of large interest expense amounting of Baht 313.89 million from USD-130-million, and USD-70-million convertible debentures issued in Q3/2016 and Q1/2017 respectively.

Separate Financial Statements

Net loss for the year 2017 was Baht 1,678.27 million. The decrease in net profit was mainly the result of the set-up of allowance for potential loss on investment in subsidiary, however; excluding the allowance, the operational results have continuously improved from Baht 481.93 million to Baht 748.55 million compared to last year, representing increased by Baht 266.63 million or 55.32%, which are resulted from the major factors as follow:

1. The hire-purchase interest income slightly increased by Baht 32.70 million or 2.74% from Baht 1,193.98 million in 2016 to Baht 1,226.68 million in 2017. The total hire-purchase portfolio in 2017 slightly increased by Baht 390.25 million or 9.93% from 2016. This is the result of the company's strategy to grow the portfolio in Thailand.

2. Other income increased from Baht 610.50 million to Baht 1,028.14 million, representing an increase by Baht 417.64 million or 68.41%. Other incomes are mainly composed of the interest income from loans to foreign subsidiaries amounting of Baht 402.27 million, dividend income amounting of Baht 343.84 million, management service fee income amounting of Baht 84.00 million, income related to the activities of hire purchase amounting of Baht 128.33 million, and gain on exchange rate amounting of Baht 46.06 million.

3. Service and administrative expenses slightly increased from Baht 506.85 million to Baht 583.58 million, representing increased by Baht 76.74 million or 15.14%, mainly resulting from the higher expenses from the foreign business expansion.

4. Bad debts and doubtful accounts was 200.58 million, decreasing by Baht 20.38 million or 9.22% compare to 2016, relating to the improvement of quality of GL's portfolio and the enhancement of loan collection process.

5. Loss on disposals of asset was Baht 216.50 million, increasing by Baht 1.89 million or 0.88%, as a result of an increasing of repossession units related to the hire-purchase portfolio expansion.

6. Expense allowance on investment loss in subsidiary was Baht 2,426.82 million which was set up to equal the amounts of allowances recorded in relation to the allowance on investment loss for Investment in



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Associates in Consolidated Financial Statements and the allowance on the loan receivables recorded in the Consolidated Financial Statements. However, this allowance is a non-cash transaction, in case of the receivables were repaid in the future, the provision could be reversed for the same amount.

7. Finance cost was Baht 424.15 million, increasing by Baht 163.01 million, or 62.42%, compared to Baht 261.14 million in 2016, primarily a result of the interest expense amounting of Baht 313.89 million from USD-130-million, and USD-70-million convertible debentures issued in Q3/2016 and Q1/2017 respectively.

Please be informed accordingly.

Yours sincerely,

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(Mr. Tatsuya Konoshita)

Director