

March 13, 2017

Subject: Clarification on the auditor's attention to the notes concerning loans and interest receivables

Attention: The President
The Stock Exchange of Thailand

Reference is made to the letter of the Stock Exchange of Thailand (the "SET") requiring Group Lease Public Company Limited ("GL") to clarify on details on the auditor's attention to the notes concerning loans and interest receivables. We would like to submit our clarification as follows:

1. **Details of the Borrowers in Cyprus and Singapore**

1.1 GL would like to clarify that the lending activities by Group Lease Holdings Pte. Ltd. (GLH), have been carried on in the ordinary course of businesses of GLH as permitted by its Memorandum of Association and Singapore laws where it is registered. GLH's main business objectives are to hold shares in other subsidiaries, and to engage in lending activities.

GLH Details

GLH is fully owned subsidiary of GL. GLH was incorporated in Singapore on 10 February 2012 as a private company limited. The current share capital of GLH is SGD 214,447,594, all represented through ordinary shares of SGD 1 nominal share value.

The Board of Directors of GLH consists of 4 directors who are also the directors of GL as follows:

1. Mitsuji Konoshita, Chairman of the Board of Directors
2. Tatsuya Konoshita, Director
3. Muneo Tashiro, Director
4. Regis Martin, Director

GLH's Lending Activities

In term of lending, GLH focuses on giving loans to small and medium enterprises or SME and strategic business partners. GLH started its lending activities in 2013, initially lending only to 3 SME customers, which all loans have been repaid. The lending activities have become more active since 2015.

In giving out the loans to strategic business partner, the management of GLH takes into account the credit of the borrower, the existing and further business relationship, the nature and the amount of collateral given, the total amount of the principal and the interest rate. Major policy are as follows:

- (a) Maturity: For the new borrower, GLH's main policy is to extend loans on short term basis during the initial period in order to assess the relationship and ability to pay of the borrower and will allow the longer terms once GLH has more confidence on such borrower.
- (b) Interest: GLH will charge interest at the rate commensurable to the credit risk, but in general, the interest rate must be higher than the rate of return of assets.
- (c) Collateral, GLH's main policy is to focus on the quality and especially liquidity of the collateral, and in addition to the real property and other types of collaterals, GLH also takes GL shares as collateral as well, because GLH considers that GL shares are more liquid than other collaterals, and if necessary, GLH can sell GL shares to use the proceeds to repay the loans more easily. GLH's legal representative in Singapore has advised GLH that the collateral agreement whether the borrower agrees that in case of default, GLH can sell GL shares is legally enforceable under Singapore laws.

Details of the loans to these two groups of borrowers are summarized as follows:

Due to confidential obligation to the Borrowers, GLH is unable to disclose the specific names of the Borrowers to the public, so it is necessary that GL provides only reasonable details of the Borrowers without referring the names.

(a) Singapore Borrowers

The Singapore Borrowers are part of well-established International Business Group of Companies privately owned by a Japanese family. Their main businesses are as follows:

1. Building Materials Manufacturing and Distribution Business in Japan;
2. Housing Equipment and Electrical Appliance Business in Japan, Cambodia and Singapore;
3. Property Lease Business in Japan;
4. Wood and Plywood Business in Japan, Brazil and Cambodia;
5. Housing and Real Estate Business in Japan;
6. Energy Saving Products Business in Japan, Cambodia, Singapore and Thailand;
7. Civil Engineering Construction Business in Japan
8. Mega Solar Business in Japan, Brazil and Cambodia (Cambodia is greenfield);
9. Inventory finance in Japan, China, Thailand, Brazil and Cambodia.

Business relationship/shareholding relationship with GL/GLH

The Group has been engaged as a master dealer in South East Asia with GLH for housing equipment, electrical appliance and energy supply machines.

The Singapore Borrowers have no directorship in GL and its subsidiaries and the management and directors of GL and its subsidiaries are not directors and managements in the Singapore Borrowers.

GL and its Subsidiary do not hold any shares in the Singapore Borrowers. The Singapore Borrowers through affiliates however hold in aggregate approximately 75 Million shares in GL, equivalent approximately to 4.96% of the total shares in GL.

As at 28 February 2017, details of the loans given to the Singapore Borrowers are as follows:

Period	Principal outstanding USD		Average Interest Rates	Repayment of Principal	Repayment of Interest
Quarter 2 2015	15,000,000		25%	At maturity	At maturity/ quarterly
Additional Quarter 3 2015	26,394,750		19.3%	At maturity	At maturity/ quarterly
Additional Quarter 4 2015	14,876,950		18%	At maturity	At maturity/ quarterly
Total 28 Feb 2017*	56,346,950		18.1%	At maturity	At maturity/ quarterly

*minor currency fluctuations as the loans were made in THB in the past and were subsequently converted into USD loans.

The collateral value for the above loans amounts to USD 140,043,405 as at 28 Feb 2017 and comprises a land in Brazil valued by an independent appraiser at USD 30.1 million and GL shares valued at USD 109.9 million. The interest outstanding as at 28 Feb 2017 amounts to USD 4,832,930. If excluding GL shares, the collateral value would become USD 23,698,202.

(b) Cyprus Borrowers

The Cyprus Borrowers are part of well-established international Business Group of Companies privately owned by a Cambodian family. Their main business are as follows:

1. Japanese Top Brand Products, Manufacturing and Distribution Business in Cambodia, Laos and Myanmar;
2. Property Owner and Property Management Business in Thailand, Cambodia, Australia, Laos, Cyprus;
3. Asset Management and Finance;
4. Inventory Finance in Cambodia; and
5. Retail Chain Stores in Cyprus, Cambodia and Australia.

Business relationship/ shareholding relationship with GL/GLH

The Group has been engaged as a master dealer in South East Asia with GLH for top Japanese brand products.

The Cyprus Borrowers have no directorship in GL and its subsidiaries and the management and directors of GL and its subsidiaries are not directors and managements in the Cyprus Borrowers.

GL and its Subsidiary do not hold any shares in the Cyprus Borrowers. The Borrowers however hold in aggregate 11.5 Million shares in GL, equivalent to approximately 0.75% of the total shares in GL.

As at 28 February 2017, details of the loans given to the Cyprus Borrowers are as follows:

Period	Principal outstanding USD		Average Interest Rates	Repayment of Principal	Repayment of Interest
Quarter 3 2015	9,899,000		14.5%	At maturity	At maturity/quarterly
Additional Quarter 4 2015	6,673,127		14.7%	At maturity	At maturity/quarterly
Additional Quarter 1 2016	3,201,020		15.1%	At maturity	At maturity/quarterly
Additional Quarter 2 2016	5,000,000		15%	At maturity	At maturity/quarterly
Additional Quarter 3 2016	3,000,000		15%	At maturity	At maturity/quarterly
Additional Quarter 4 2016	11,745,290		15%	At maturity	At maturity/quarterly
Additional Quarter 1 2017	2,260,634		15%	At maturity	At maturity/quarterly
Total 28 Feb. 2017	41,779,071		15%	At maturity	At maturity/quarterly

The collateral value for the above loans amounts to USD 43,149,551 as at 28 Feb 2017 and comprises real estate (houses and apartment), Cyprus Medium Term Government Bonds, Unlisted shares and GL Shares (11,500,000 shares). The assets have been valued by independent appraisers where no market value was readily

available. The interest outstanding as at 28 Feb 2017 amounts to USD 2,201,134. If excluding GL shares, the collateral value would become USD 30,101,000.

All the loans given to customers, including the loans to these 2 borrowers in Cyprus and Singapore, have been made under general commercial terms in accordance with the lending policy and practices as explained in 1.1. GLH regards the two Borrowers as the strategic business partners as the Singapore Borrowers engage in electrical appliance business and solar power business and the Cyprus Borrowers engage in Japanese Top Brand Products. Both Borrowers carry on businesses around the region, which could be supplement to GL's consumer financing business.

These loans are not connected party transactions since the Borrowers are not considered connected parties. The Borrowers have no directorship in GL and its subsidiaries and the management and directors of GL and its subsidiaries are not directors and managements in the Borrowers. GL and its Subsidiary do not hold any shares in the Borrowers. The Borrowers hold shares less than 10% of the total shares in GL.

1.2 Please specify the source of funds that GL used to providing the loans to subsidiary and clarify if the source of funds has any related liabilities

The source of funds that GL used to provide loans to GLH came from the available cash flow of GL which was generated from its operating and fund raising activities. This includes proceeds from the exercise of warrants by GL shareholders and proceeds from issuance of convertible debentures.

1.3 Please explain the details of extension of the terms of the loans and accrued interest to each of the group borrowers

The principal of the loans to the two borrower groups have been rolled over from time to time as explained in 1.1. The table below summarizes the amount of rolled over loan principals by group of borrowers and quarter.

	Quarter Rollover amount USD Singapore Borrowers	Quarter Rollover amount USD Cyprus Borrowers
Quarter 4 2015	10,011,750	9,899,000
Quarter 1 2016	25,011,750	26,998,000
Quarter 2 2016	10,011,750	9,899,000
Quarter 3 2016	15,075,000	17,099,000
Quarter 4 2016	-	-
28 Feb 2017	15,000,000	-

For the Singapore Group, out of the total outstanding principal of USD 56,346,950, USD 16,775,000 will become due in 2017, USD 39,571,950 will become due in 2018.

For the Cyprus Group, out of the total outstanding principal of USD 41,779,071, USD 16,572,127 will become due in 2018, USD 22,946,310 will become due in 2019 and USD 2,260,634 will become due in 2020.

As explained in 1.1 that GLH's lending policy for the new borrower is to give a short term loan during the initial period so GLH would be able to monitor and review the status and relationship with the borrower. Subsequently the loans can be extended into longer term loans if GLH is able to proceed forward strategically with such borrower group. Both Borrowers originally requested for 3 year term loans, but to comply with such lending policy, GLH initially set the repayment term to be 3 months, and subsequently extends it to 1 year and 3 years accordingly. The extension of the period for these 2 Borrowers is not because they were unable to repayment loans or were in default.

All interest due for all loan agreements has been invoiced on quarterly basis and GLH normally issues its invoices for the interest within 5-6 weeks after the end of the quarter. Once invoices have been issued, the borrowers will pay the invoiced amount within 1-3 months. On this basis there have not been any overdue interest in 2015 and 2016. In the management's opinion, these two borrowers were not subject the provision for the non-performing loans. As well, the Auditors considered the loans as performing loans; thus, did not reserve provision for such loans. Note that in 2016 the total interests from these two borrowers were THB 485 million, which represented about 16% of GL's consolidated revenues in 2016.

As explained above, GLH focuses on lending to SME and strategic business partners. GLH has been very careful in lending to the borrower groups, which have to have potential business opportunities in line with GL and GLH. Currently GLH has not set out any provisioning policy for the non-performing loans or loan enforcement policy for these loans. Going forward, GLH will continue to monitor these loans closely and GLH are committed to work with its auditor if there is a need to consider and address appropriate provisioning for its loan in the future. All documents relating to the loans and have been properly prepared by GLH's legal representative in Singapore. In the event if the borrowers are in default, GLH will be able to work with its lawyer to take all legal actions as and when necessary.

- 2 The Board of Directors of GL has approved the loans given by GL to GLH in order for GLH to carry on its normal businesses, which include the lending to the customers according to the general lending policy and practices. The lending to each of the borrowers will be considered and approved by the management of GLH and will be reported to the Board of Directors periodically.

GLH has started to give the loans to these two borrowers since 2015, and such lending transactions have been recorded in the financial statements of GLH and GL since 2015 and the details of the loans have also been included in the notes to the quarterly financial statements since then. Such transactions continued to be recorded in the quarterly financial statements of GL and GLH as at the end of 2016, which have been audited by GL's auditor, EY. Therefore, although the Board of Directors of GL has not specifically approved the loans to these two borrowers, the Board of Directors has been aware of such loans.

Please be informed accordingly

Sincerely yours,

(Mr. Tatsuya Konoshita)

Director