



No. GL 18/2019

August 14<sup>th</sup>, 2019

Subject: Clarification for the operating result of Q2/2019 (Reviewed)

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 Q2/2019 as at 30 June 2019 for the consolidated and separate financial statements as follow:

### **Consolidated Financial Statements**

The Company reported reviewed operating results for the second quarter of 2019, with consolidated net loss of Baht 1.80 million, decrease of Baht 127.78 million from the net profit of Baht 125.98 million in Q2/2018. The decrease in net profit was mainly from the share of loss from investment in associates, mainly due to an accounting principle adjustment for calculation of bad-debt allowance. As of 30 June 2019, the adjustment amounted to Baht 58.57 million. If no adjustment, the Share of profit from investment in associate would have been Baht 27.77 million for the three months period ending at 30 June 2019. The consolidated profit for the period would in turn have amounted to 56.77 million Baht for the three months period ending at 30 June 2019.

1. GL's consolidated hire purchase interest income was Baht 452.49 million, decreased by Baht 79.28 million or 14.91% compared to 2018. The breakdown of hire purchase interest income can be explained by:
  - GLF Finance Plc. (Cambodia) showed a decrease of Baht 44.65 million or 35%, resulting from the new conservative strategy to decrease portfolio in Cambodia by tightening our screening of potential customers to improve loan quality.
  - GL Leasing (Lao) Ltd showed a decrease of Baht 11.01 million or 35%, resulting from the mix product between automotive/Honda.
  - GLF Indonesia Ltd showed a decrease of Baht 4.20 million or 58%, mainly from the discontinuation of this joint operation due to current dispute with partner in Indonesia.
  - GL (Thailand) showed a decrease of Baht 20.67 million or 6%, resulting from the new conservative strategy to decrease portfolio and improve the quality of the portfolio.
  - Thanaban Company Limited “TNB” (Thailand) showed an increase of 1.25 million.
2. Loan interest income was Baht 29.40 million, decreasing by Baht 10.88 million or 27.01%, resulting from the decrease in portfolio of TNB.



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GROUP LEASE PUBLIC COMPANY LIMITED

3. Microfinance interest income was Baht 43.47 million, increasing by Baht 0.87 million compared to the same period last year.
  - BGMM recorded Microfinance interest income of Baht 34.15 million this year, increasing Baht 1.34 million or 4.10%.
  - GLF Indonesia recorded Microfinance interest income of Baht 9.32 million in this year, decreasing Baht 0.48 million or 4.86% from last year, mainly by reducing the branches where GLFI operated (2 locations)
4. Consumer finance under joint financing arrangements interest income was Baht 0.87 million, decreasing by Baht 11.53 million or 92.98% compared to last year, mainly from the discontinuation of this joint operation due to current dispute with partner in Indonesia.
5. Hire purchase service fee income was Baht 22.64 million, stable compared to last year. Hire purchase service fee income relates to operational leasing services provided by GL-AMMK (Myanmar subsidiary) in partnership with Century Finance (Myanmar financial institution).
6. GL's consolidated other income increased by Baht 27.75 million or 36.17%, mainly resulting from an increase of Baht 15.32 million from gain on exchange, an increase of Baht 6.99 million from other interest income and Baht 6.99 million from other income related to the activities of hire purchase.
7. GL's consolidated service and administrative expenses totaled Baht 300.34 million, decreasing by Baht 27.68 million or 8.44% when compared to 2018 mainly resulting from a decrease of payroll and staff benefits by Baht 33.65 million and a decrease of loss on exchange by Baht 15.37 million. However, there was an increase of legal fees due to the ongoing litigation by Baht 31.45 million.
8. GL's consolidated bad debts and doubtful accounts increased compared to 2018 by Baht 4.55 million or 4.04%, mainly resulting from an increase of allowance for bad debt in Thailand. The management is being prudent by increasing the allowance in the preparation for the TFRS 9.
9. There was an increase in loss on disposal of foreclosed asset from Baht 68.09 million to Baht 71.73 million representing an increase of Baht 3.64 million or 5.34%, which resulted from a higher repossession rate in Thailand.
10. Share of loss from a 29.99% ownership of Commercial Credit and Finance PLC "CCF" which is an associated company in Sri Lanka, was a net loss of Baht 30.79 million, mostly due to an accounting principle adjustment for calculation of bad-debt allowance. CCF applies SLFRS 9 (IFRS 9) to their statutory accounts. GL still applies TAS39 (IAS39). A GAAP adjustment is calculated when being consolidated in financial statements of GL. As of 30 June 2019, the adjustment amounted to Baht 58.57 million. If no adjustment, the Share of profit from investment



in associate would have been Baht 27.77 million for the three months period ending at 30 June 2019.

11. GL's consolidated finance cost was Baht 96.80 million, stable compared to Baht 99.11 million last year.

### **Separate Financial Statements**

Net profit of Q2/2019 increased from Baht 21.88 million to Baht 89.79 million, representing increased by Baht 67.91 million or 310.32% compare to same period of last year, which are resulted from the major factors as follows:

1. The hire-purchase interest income decreased by Baht 20.67 million or 6.18% from Baht 334.53 million in 2018 to Baht 313.86 million this year, resulting from the new conservative strategy to decrease portfolio and improve the quality of the portfolio.
2. Other income increased from Baht 148.31 million to Baht 200.32 million, representing an increase by Baht 52.00 million or 35.06%, because of an increase in gain on exchange rate and other interest income.

Other incomes were mainly composed of the interest income from loans to foreign subsidiaries of Baht 97.19 million, income related to the activities of hire purchase of Baht 33.10 million, management service fee income of Baht 21.00 million, gain on exchange of Baht 45.82 million, and other income of Baht 3.21 million.

3. Service and administrative expenses slightly decreased from Baht 226.71 million to Baht 161.19 million, representing a decrease of Baht 65.52 million or 28.90%, resulting from a decrease in loss on exchange rate by Baht 73.38 million and a decrease of payroll and staff benefits by Baht 19.72 million.
4. Bad debts and doubtful accounts were Baht 84.47 million, increasing by Baht 11.84 million or 16.29% compare to 2018, resulting of an increase in overdue portfolios in Thailand. However, management already took action to improve loan quality.
5. Loss on disposal of foreclosed assets was Baht 62.02 million, increasing by Baht 3.57 million or 6.11%, which resulted from the larger ticket sizes and the higher amount of overdue of hire-purchase portfolio in Thailand.
6. Finance cost was Baht 94.84 million, stable compared to Baht 96.92 million in last year.

Please be informed accordingly.

Yours sincerely,

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(Mr. Tatsuya Konoshita)

Director