

No. GL 29/2016

November 14<sup>th</sup>, 2016

Subject: Clarification for the operating result of Q3/2016

Attention: The President

The Stock Exchange of Thailand

Duplicate: The Secretary General

The Securities and Exchange Commission

Group Lease Public Company Limited would like to clarify the operating result of Q3/2016 as at 30 September 2016 for the consolidated and separate financial statements as follow:

### **Consolidated Financial Statements**

GL PCL announced reviewed operating results for the third quarter of 2016, with a new high consolidated net profit of Baht 260.41 million, a 73.29% yoy increase of Baht 110.14 million from the 3Q 2015 net profit. The increase in net profit was mainly the result of the higher hire purchase interest income, higher asset-backed loan interest income, higher interest on loan receivables and lower credit costs.

1. GL's consolidated hire purchase interest income was Baht 487.98 million, increasing Baht 17.33 million or 3.68%, due mainly to an increase of interest income from the subsidiaries in Cambodia, Laos and Indonesia by Baht 52.47 million, Baht 19.94 million and Baht 0.51 million respectively, in tandem with rising loan volume. However, the increase was partially offset by decreasing in interest income from GL and from local subsidiary by Baht 31.54 million and Baht 24.06 million respectively. This is in line with the company's strategy from 2013 and the business model "Digital Finance". The objective is to reach 'Stability and Quality in Thailand for new Motorcycles, Growth and Creation in Emerging countries and Emerging consumers.

2. Asset-backed loan interest income was Baht 31.87 million, increasing Baht 23.68 million, from the new Thai subsidiary showing the success of the business expansion.

3. Interest on loan receivables was Baht 122.11 million which is related to "supplier side income" which came from several products suppliers. GL's subsidiaries provide Business Expansion Solution service and Financial Support to the distributors who want to expand their sales to the countries where GL's subsidiaries existing. The new business model of GL group "Digital Finance" generates these types of incomes in addition of the Hire purchase income.

4. GL's consolidated other income has decreased from Baht 160.02 million to Baht 110.99 million representing decreased by Baht 49.04 million or 30.64% which can be explained by the 2015 figures which should have been reclassified to interest on loan receivables. Excluding this interest income from the figure in Q3/2015, other income would have been Baht 101.68 million in Q3/2015, and showing an increase by Baht 9.31 million or 9.16% yoy, driven by the higher fixed deposit income received from a subsidiary in Indonesia.

5. GL's consolidated service and administrative expenses totaled Baht 240.59 million, increasing by Baht 29.68 million or 14.07% when compared to the same quarter of previous year, mainly resulting from the higher expenses from the foreign business expansion.

6. GL's consolidated bad debts and doubtful accounts has decreased compared to the same period of last year by Baht 4.96 million or 5.94% showing the improvement of the quality of the portfolio. There are two reasons explaining the increase of quality of the portfolio. First, the foreign and new business portfolio with low bad debt significantly increased. Secondly, the original business in Thailand is using strict policy on credit approval and improvement on debt follow up process.

7. There were a decrease in loss on disposals of foreclosed asset from Baht 91.14 million to Baht 52.55 million representing decreased by Baht 38.59 million or 42.34%, which resulted from a gradually increasing market value of asset foreclosed and increasing of repossession units related to the hire-purchase portfolio expansion. When comparing the ratio between the loss on disposals of foreclosed assets and the hire purchase receivables as of end of Q3/2016, the ratio decreased to only 0.79% compared with Q3/2015 which was 1.42%.

8. GL's consolidated finance cost was Baht 83.54 million, increasing by Baht 14.58 million, or 21.15%, compared to Baht 68.96 million in Q3/2015, primarily a result of large interest expense from convertible debentures issued in Q3/2016. Excluding this interest expense amounting of Baht 37.33 million, from convertible debentures in Q3/2016, finance cost would have decreased by 17.81% yoy, mainly driven by the lower interest-bearing debt from Baht 3,451.88 million in Q3/2015 to Baht 3,308.40 million in Q3/2016 as well as the average cost of funding has slightly decreased from 5.95% to 5.52%.

### **Separate Financial Statements**

Net profit of Q3/2016 decreased from Baht 96.65 million to Baht 76.05 million, representing decreased by Baht 20.60 million or 21.31% compare to same period of last year, which are resulted from the major factors as follow:

1. The hire-purchase interest income decreased by Baht 31.54 million or 9.57% yoy to Baht 298.15 million in 3Q/2016 from Baht 329.68 million in Q3/2015 as total portfolio in Q3/2016 slightly decreased by Baht 443.27 million from Q3/2015. This is the result of the company's strategy since 2013. The objective is to reach 'Stability and Quality in Thailand for new Motorcycles, Growth and Creation in Emerging countries and Emerging consumers. Strict policies on customer screening was also a reason of the improvement of portfolio quality in Thailand.

2. Other incomes remained stable as Baht 147.76 million to Baht 147.23 million, representing a slight decline by Baht 0.53 million or 0.36%.

3. Service and administrative expenses rose from Baht 133.81 million to Baht 162.48 million, representing increased by Baht 28.67 million or 21.42%, mainly resulting from the unrealized loss on exchange from the revaluation of related-party loan between GL Thailand and its subsidiary in Singapore of Baht 23.37 million which was eliminated in consolidated financial statements. Excluding loss on exchange rate, service and administrative expenses would have slightly increased by 3.72% only.

4. During the third quarter of 2016, GL set bad debts and doubtful accounts of Baht 54.51 million, a decrease of Baht 21.94 million or 28.70% compare to same period of last year, relating to a decreasing of GL's portfolio as well as reflecting the improvement of the quality of the portfolios and the enhancement of loan collection process.

5. Loss on disposals of asset was Baht 51.43 million, decreasing Baht 29.02 million or 36.07%, as a result of higher market price of second-hand motorcycles and more efficient in controlling risk from loss in sales of foreclosed assets.

6. Finance cost was Baht 81.80 million, increasing by Baht 15.64 million, or 23.63%, compared to Baht 66.16 million in Q3/2015, primarily a result of large interest expense from convertible debentures issued in Q3/2016. Excluding this interest expense amounting of Baht 37.33 million, from convertible debentures in Q3/2016, finance cost would have decreased by 16.77% yoy, mainly driven by the lower interest-bearing debt from Baht 3,327.56 million in Q3/2015 to Baht 3,184.99 million in Q3/2016 as well as the average cost of funding has slightly decreased from 5.83% to 5.51%.

Please be informed accordingly.

Yours sincerely,

.....

(Mr. Tatsuya Konoshita)

Director