



No. GL 51/2017

Nov 14<sup>th</sup>, 2017

Subject: Clarification for the operating result of Q3/2017 (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 Q3/2017 as at 30 September 2017 for the consolidated and separate financial statements as follow:

### **Consolidated Financial Statements**

The Company reported reviewed operating results for the third quarter of 2017, with consolidated net loss of Baht 2,607.59 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 9, 11, and 12 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 516.33 million, increasing Baht 28.35 million or 5.81%, due mainly to an increase of interest income from the subsidiaries in Cambodia, and Laos by Baht 1.11 million and Baht 3.52 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 13.26 million and Baht 10.94 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 43.65 million, increasing Baht 11.78 million or 36.97%, an increase of Baht 10.44 million from the Thai subsidiary showing the success of the business expansion. Partial increase of Baht 1.34 million came from the Cambodia subsidiary which just launched the new product in Q2/2017.

3. Microfinance interest income was Baht 14.30 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 with zero % NPL. The Myanmar subsidiary recorded Microfinance interest income of Baht 10.64 million and Indonesian subsidiary recorded Microfinance interest income of Baht 3.66 million in Q3/2017.

4. Consumer finance under joint financing arrangements interest income was Baht 16.30 million, equivalent to the total increase when comparing with same period last year. Consumer finance is a different classification



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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 109.43 million, decreasing Baht 12.67 million or 10.38%, 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. GL's consolidated other income has decreased by Baht 25.34 million or 25.00% from Baht 110.99 million to Baht 85.66 million, consisting of other income related to the activities of hire purchase of Baht 62.99 million, other interest income of Baht 10.73 million, consulting service fee income of Baht 6.63 million, and other income related to the activities of microfinance of Baht 1.22 million.

7. GL's consolidated service and administrative expenses totaled Baht 310.52 million, increasing by Baht 69.94 million or 29.07% when compared to previous year, mainly resulting from the higher expenses from the foreign business expansion. However, the service and administrative expenses grew at a slower rate than revenue, showing the cost-efficient management.

8. GL's consolidated bad debts and doubtful accounts has decreased compared to the same period of last year by Baht 23.81 million or 30.34%, showing the improvement of the quality of the portfolio. The main reasons of the increase of quality of the portfolio are the new products launched in foreign countries were very successful with low NPLs, and the original business in Thailand is using stricter policy on credit approval and improvement on debt follow up process.

9. Expense allowance on loan and interest receivables was Baht 1,952.57 million, mainly resulting from a full provision on the loan receivables for conservative reason and try to cooperate with the SEC's letter 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.

10. There were an increase in loss on disposals of foreclosed asset from Baht 52.55 million to Baht 63.14 million representing an increase by Baht 10.59 million or 20.16%, which resulted from an increasing of repossession units related to the hire-purchase portfolio expansion.

11. Expense allowance on other receivables, expense allowance on other current assets, expense allowance on exclusive right were Baht 202.35 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.

12. Expense allowance on investment loss in associate was Baht 582.09 million which was set up based on the previous quarters Emphasis of matter disclosed by the Company's auditor. 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.



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13. 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 28.88 million, decreasing by Baht 7.85 million or 21.37% from Q2/2017, which resulted from the adjustment of revaluation of fair value of investment properties of an associated company.

14. GL's consolidated finance cost was Baht 112.02 million, increasing by Baht 28.48 million, or 34.09%, compared to Baht 83.54 million in Q3/2016, primarily a result of large interest expense amounting of Baht 84.24 million from USD-130-million, and USD-70-million convertible debentures issued in Q3/2016 and Q1/2017 respectively. However it is important to note that the average cost of funding has decreased from 5.52% to 4.90%.

### **Separate Financial Statements**

Net loss of Q3/2017 was Baht 2,324.93 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 76.05 million to Baht 101.89 million compared to last year, representing increased by Baht 25.84 million or 33.97%, which are resulted from the major factors as follow:

1. The hire-purchase interest income slightly increased by Baht 13.261 million or 4.45% from Baht 298.15 million in Q3/2016 to Baht 311.41 million in Q3/2017. The total hire-purchase portfolio in Q3/2017 slightly increased by Baht 283.05 million or 7.19% from Q3/2016. This is the result of the company's strategy to grow the portfolio in Thailand.

2. Other income increased from Baht 147.23 million to Baht 182.24 million, representing an increase by Baht 35.01 million or 23.78%. Other incomes are mainly composed of the interest income from loans to foreign subsidiaries amounting of Baht 104.84 million, gain on exchange rate amounting of Baht 19.64 million, income related to the activities of hire purchase amounting of Baht 33.01 million, and management service fee income amounting of Baht 21.00 million.

3. Service and administrative expenses slightly decreased from Baht 162.48 million to Baht 158.49 million, representing decreased by Baht 3.99 million or 2.46%, showing the cost efficient management.

4. Bad debts and doubtful accounts was 48.62 million, decreasing by Baht 5.88 million or 10.79% compare to Q3/2016, 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 54.89 million, increasing by Baht 3.46 million or 6.73%, 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 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 107.18 million, increasing by Baht 25.38 million, or 31.02%, compared to Baht 81.80 million in Q3/2016, primarily a result of the interest expense amounting of Baht 84.24 million from USD-130-



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million, and USD-70-million convertible debentures issued in Q3/2016 and Q1/2017 respectively. However the average cost of funding has significantly decreased from 5.51% to 4.77%.

Please be informed accordingly.

Yours sincerely,

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(Mr. Tatsuya Konoshita)

Director