

No. GL 28/2017

May 15th, 2017

Subject: Clarification for the operating result of Q1/2017 (Reviewed)

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 for Q1/2017 as at 31 March 2017 for the consolidated and separate financial statements as follow:

Consolidated Financial Statements

GL PCL announced reviewed operating results for the first quarter of 2017, with a new record consolidated net profit of Baht 327.36 million, a 47.35% yoy increase of Baht 105.19 million from the net profit of Q1/2016. 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 higher other income.

1. GL's consolidated hire purchase interest income was Baht 513.92 million, increasing Baht 29.22 million or 6.03%, due mainly to an increase of interest income from the subsidiaries in Cambodia, Laos and Indonesia by Baht 23.41 million, Baht 10.41 million and Baht 7.12 million respectively, in tandem with rising loan volume in foreign countries. However, the increase was partially offset by decreasing in interest income from GL and from local subsidiary by Baht 5.87 million and Baht 5.87 million respectively. This is in line with the company's strategy and the business model "Digital Finance".

2. Asset-backed loan interest income was Baht 36.14 million, increasing Baht 14.54 million, from the Thai subsidiary showing the success of the business expansion.

3. Interest on loan receivables was Baht 143.02 million, increasing Baht 29.50 million or 25.99%, 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. Group Loan interest income was Baht 4.2 million, from new subsidiary's products in Myanmar and new product launched in Indonesia.

5. GL's consolidated other income has increased from Baht 59.97 million to Baht 90.76 million representing increased by Baht 30.79 million or 51.35% resulting from an increase in gain on exchange rate by Baht 15.67 million, an increase in other interest income by Baht 5.62 million, an increase in consultation service fee income of Baht 6.98 million and an increase in other income related to the activities of hire purchase of Baht 0.88 million.

6. GL's consolidated service and administrative expenses totaled Baht 257.01 million, increasing by Baht 21.11 million or 8.95% 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.

7. GL's consolidated bad debts and doubtful accounts has increased compared to the same period of last year by Baht 5.81 million or 8.16%, mainly resulting from an increase in portfolios by 11.78% from Q1/2016. 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.

8. There were an increase in loss on disposals of foreclosed asset from Baht 57.25million to Baht 58.65 million representing increased by Baht 1.40 million or 2.45%, which resulted from an increasing of repossession units related to the hire-purchase portfolio expansion. However, when comparing the ratio between the loss on disposals of foreclosed assets and the hire purchase and asset - backed loan receivables as of end of Q1/2017, the ratio decreased to 3.36% compared with Q1/2016 which was 6.41%. The loss on disposals of foreclosed asset increased a slower rate than portfolio, showing a greater operational efficiency in manage the collection and the foreclosed asset.

9. Share of profit from investments in associates was Baht 55.49 million, increasing by Baht 7.14 million or 14.77% from Q4/2016, showing a better business performance of an associated company in Sri Lanka which GL started to recognize a 29.99-per-cent stake since October 2016.

10. GL's consolidated finance cost was Baht 103.12 million, increasing by Baht 59.10 million, or 134.24%, compared to Baht 44.03 million in Q1/2016, primarily a result of large interest expense amounting of Baht 60.24 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 5.60% to 5.30%.

11. A Company would like to notify that on 9 May 2017, the Board of Directors of Group Lease Holdings PTE. Ltd. ("GLH"), which is a wholly-owned subsidiary of GL in Singapore, has passed the resolution that an interim dividend of USD 9.99 million (equivalent to approximately Baht 346.61 million, exchange rate 34.6843 baht per 1 USD as at 9 May 2017) is declared to be paid to GL, the registered shareholder of GLH and that such payment be made within 17 May 2017.

Separate Financial Statements

Net profit of Q1/2016 decreased from Baht 96.34 million to Baht 45.81 million, representing decreased by Baht 50.53 million or 52.45% compare to same period of last year, which are resulted from the major factors as follow:

1. The hire-purchase interest income slightly decreased by Baht 5.87 million or 1.94% yoy to Baht 296.56 million in Q1/2017 from Baht 302.42 million in Q1/2016 as total hire-purchase portfolio in Q1/2017 slightly decreased by Baht 55.39 million or 1.38% from Q1/2016. This is the result of the company's strategy with the objective to reach Stability and Quality in Thailand for new Motorcycles, Growth and Creation in Emerging countries and Emerging consumers. Stricter policies on customer screening was also one of the reason explaining of the improvement of portfolio quality in Thailand.
2. Other incomes increased from Baht 139.45 million to Baht 149.11 million, representing an increase by Baht 9.66 million or 6.93%. Other incomes are mainly composed of the interest income from loans to foreign subsidiaries amounting of Baht 87.14 million, incomes related to the activities of hire purchase amounting of Baht 33.36 million and management service fee income amounting of Baht 21.00 million.
3. Service and administrative expenses increased from Baht 171.76 million to Baht 204.04 million, representing increased by Baht 32.28 million or 18.79%, mainly resulting from the higher expenses from the foreign business expansion.
4. During Q1/2017, bad debts and doubtful accounts was Baht 40.70 million, a decrease of Baht 14.48 million or 26.25% compare to last year, 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 51.92 million, decreasing Baht 2.88 million or 5.26%, as a result of higher market price of second-hand motorcycles and more efficient controlling risk from loss in sales of foreclosed assets.
6. Finance cost was Baht 97.92 million, slightly increasing by Baht 58.20 million, or 146.50%, compared to Baht 39.73 million in Q1/2016, primarily a result of the interest expense amounting of Baht 60.24 million from USD-130-million, and USD-70-million convertible debentures issued in Q3/2016 and Q1/2017 respectively. The average cost of funding has significantly decreased from 5.56% to 4.80%.

Please be informed accordingly.

Yours sincerely,

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(Mr. Tatsuya Konoshita)

Director