

No. GL 35/2017

Aug 15th, 2017

Subject: Clarification for the operating result of Q2/2017 (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 Q2/2017 as at 30 June 2017 for the consolidated and separate financial statements as follow:

Consolidated Financial Statements

GL PCL announced reviewed operating results for the second quarter of 2017, with a new record consolidated net profit of Baht 336.85 million, a 31.66% yoy increase of Baht 81.00 million from the net profit of Q2/2016. 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 525.89 million, increasing Baht 33.61 million or 6.83%, due mainly to an increase of interest income from the subsidiaries in Cambodia, and Laos by Baht 14.86 million and Baht 13.18 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 2.45 million and Baht 3.10 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 39.37 million, increasing Baht 12.41 million or 46.02%, an increase of Baht 12.02 million from the Thai subsidiary showing the success of the business expansion. Partial increase of Baht 0.39 million came from the Cambodia subsidiary which just launched the new product in Q2/2017.

3. Microfinance interest income was Baht 6.22 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 6.22 million in Q2/2017.

4. Consumer finance under joint financing arrangements interest income was Baht 12.18 million, equivalent to the total increase when comparing with same period last year. Consumer finance is a different classification 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 125.99 million, increasing Baht 10.27 million or 8.88%, 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 increased by Baht 107.40 million or 155.06% from Baht 69.27 million to Baht 176.67 million, consisting of gain on exchange rate of Baht 104.40 million, other income related to the activities of hire purchase of Baht 48.93 million, other interest income of Baht 8.88 million, consulting service fee income of Baht 6.8 million, and other income related to the activities of microfinance of Baht 0.68 million.
7. GL's consolidated service and administrative expenses totaled Baht 271.89 million, increasing by Baht 54.58 million or 25.12% 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 increased compared to the same period of last year by Baht 7.88 million or 9.51%, still less than the growth of total revenues, 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. There were a decrease in loss on disposals of foreclosed asset from Baht 52.37 million to Baht 51.13 million representing a decrease by Baht 1.24 million or 2.37%, which resulted from a higher market price of second-hand motorcycles and a more efficient control in the risk from loss in sales of foreclosed assets.
10. 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 36.73 million, decreasing by Baht 11.62 million or 24.04% from Q4/2016, due to the seasonality as the month of April is a 2 weeks national holidays in Sri Lanka.
11. GL's consolidated finance cost was Baht 126.93 million, increasing by Baht 81.27 million, or 178.02%, compared to Baht 45.65 million in Q2/2016, primarily a result of large interest expense amounting of Baht 86.32 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 5.58% to 5.20%.

Separate Financial Statements

Net profit of Q2/2017 increased from Baht 126.60 million to Baht 489.23 million, representing increased by Baht 362.63 million or 286.45% compare to same period of last year, which are resulted from the major factors as follow:

1. The hire-purchase interest income slightly increased by Baht 2.45 million or 0.82% from Baht 297.98 million in Q2/2016 to Baht 300.43 million in Q2/2017. The total hire-purchase portfolio in Q2/2017 slightly increased by Baht 91.83 million or 2.28% from Q2/2016. This is the result of the company's strategy to grow the portfolio in Thailand.

2. Other income increased from Baht 140.09 million to Baht 577.70 million, representing an increase by Baht 437.61 million or 312.39%. Other incomes are mainly composed of the dividend income from the wholly-owned subsidiary of GL in Singapore of USD 9.99 million or equivalent to Baht 343.77 million, the interest income from loans to foreign subsidiaries amounting of Baht 113.31 million, gain on exchange rate amounting of Baht 64.88 million, income related to the activities of hire purchase amounting of Baht 30.89 million, and management service fee income amounting of Baht 21.00 million.

3. Service and administrative expenses increased from Baht 122.08 million to Baht 138.65 million, representing increased by Baht 16.56 million or 13.57%, mainly resulting from the higher expenses in salaries and professional fees to support the expansion of the Group.

4. Bad debts and doubtful accounts was 54.27 million, decreasing by Baht 9.93 million or 15.47% compare to Q2/2016, 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 47.72 million, decreasing by Baht 3.34 million or 6.55%, as a result of higher market price of second-hand motorcycles and more efficient control in the risk from loss in sales of foreclosed assets.

6. Finance cost was Baht 119.38 million, increasing by Baht 77.13 million, or 182.53%, compared to Baht 42.25 million in Q2/2016, primarily a result of the interest expense amounting of Baht 86.32 million from USD-130-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 5.40% to 4.99%.

Please be informed accordingly.

Yours sincerely,

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(Mr. Tatsuya Konoshita)

Director