



No. GL 4/2019

February 28th, 2019

Subject: Clarification for the operating result of the year 2018 (Audited)

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 comment the operating result for the year 2018 for the consolidated and separate financial statements as follows:

Consolidated Financial Statements

The Company reported reviewed operating results for the year 2018, with consolidated net profit of Baht 289.54 million, an increase of Baht 1,896.59 million from the net loss of Baht 1,607.05 million in 2017. The increase in net profit compared to 2017 was the result of no additional allowances in 2018 for the disputed loans and on our investment in associate, however we did record a one-time expense related to unused tax losses.

1. GL’s consolidated hire purchase interest income was Baht 2,055.27 million, slightly decreased by Baht 14.83 million or 0.72% compared to 2017. The breakdown of hire purchase interest income can be explained by:
 - GLF Finance Plc. (Cambodia) showed a decrease of Baht 168.67 million or 26.46%, resulting from the appreciation of the Thai Baht versus USD 4.79% on average comparing 2017 & 2018 and the new conservative strategy to decrease portfolio in Cambodia by tightening our screening of potential customers to improve loan quality and to maximize efficiency of our operations.
 - GL Leasing (Lao) Ltd showed a decrease of Baht 9.04 million or 7.54%, resulting from the appreciation of the Thai Baht versus Lao Kip 6.61% on average comparing 2017 & 2018.
 - GL and Thanaban Company Limited “TNB” (Thailand) showed an increase of 103.64 million and Baht 47.36 million, respectively. This is in line with the guidance given beginning of 2018 in Thailand.
2. Asset-backed loan interest income was Baht 160.59 million, decreasing slightly by Baht 4.06 million or 2.47%. TNB recorded Baht 156.87 million in income, a slight decrease of Baht 4.32 million or 2.68% and GLF Cambodia recorded a Baht 3.72 million slight increase of Baht 0.26 million or 7.75%.
3. Microfinance interest income was Baht 159.21 million, increasing by Baht 107.62 million compared to the same period last year, reflecting the rapid growth of our customer base.



- BGMM recorded Microfinance interest income of Baht 128.00 million this year, increasing Baht 86.95 million or 211.81% from last year despite of the appreciation of the Thai Baht versus Myanmar Kyat 9.64% on average comparing 2017 & 2018.
 - GLF Indonesia recorded Microfinance interest income of Baht 31.21 million in this year, increasing Baht 20.67 million or 196.18% from last year despite of the appreciation of the Thai Baht versus Indonesian Rupiah 10.47% on average comparing 2017 & 2018.
4. Consumer finance under joint financing arrangements interest income was Baht 44.92 million, decreasing by Baht 2.88 million or 6.02% compared to last year, resulting from the appreciation of the Thai Baht versus Indonesian Rupiah 10.47% on average comparing 2017 & 2018. Consumer finance relates to joint-financing products to consumers for the purchase of agricultural machinery in Indonesia.
 5. Interest on loan receivables was Baht 1.87 million, decreasing by Baht 199.84 million or 99.07%. The company stopped recognizing the interest income from the disputed loans for conservative reason.
 6. Hire purchase service fee income was Baht 86.02 million, increasing by Baht 68.94 million or 403.48%, compared to previous year despite of the appreciation of the Thai Baht versus Myanmar Kyat 9.64% on average comparing 2017 & 2018. Hire purchase service fee income relates to operational leasing services provided by GL-AMMK (Myanmar subsidiary) in partnership with Century Finance (Myanmar financial institution). This is the result of a rapid growth of the hire-purchase portfolio of Century Finance in Myanmar.
 7. Revenue from sales increased by Baht 7.57 million, because of a new product launched in Q4/2017 by TNB.
 8. GL's consolidated other income decreased by Baht 88.19 million or 20.77% mainly resulting from
 - A decrease of Baht 120.57 million from gain on exchange and a decrease of Baht 20.41 million from professional fee income.
 - An increase of Baht 22.03 million and Baht 6.14 million from other income related to the activities of hire purchase and microfinance, respectively.
 9. GL's consolidated service and administrative expenses totaled Baht 1,278.05 million, increasing by Baht 133.10 million or 11.62% when compared to 2017 mainly resulting from an increase of legal fees due to litigation and written-off unused tax losses.
 10. GL's consolidated bad debts and doubtful accounts increased compared to 2017 by Baht 237.28 million or 73.45%, mainly resulting from an increase of allowance for bad debt in Thailand and partly from an increase of allowance for bad debt in Cambodia, Laos and Indonesia. The management is being prudent by increasing the allowance in the preparation for the TFRS 9.



บริษัท กรู๊ปลีส์ จำกัด (มหาชน)

GROUP LEASE PUBLIC COMPANY LIMITED

11. Cost of sales increased Baht 6.89 million, because of a new product launched in Q4/2017 by TNB, as mentioned in No. 6.
12. No new expense allowance on disputed loans and allowance on loan and interest receivables in 2018.
13. There was an increase in loss on disposal of foreclosed asset from Baht 245.35 million to Baht 329.16 million representing an increase of Baht 83.81 million or 34.16%, which resulted from a higher repossession rate in Thailand.
14. In 2018, there was a reverse of expense allowance on other receivables and expense allowance on other current assets of Baht 20.37 million and Baht 38.83 million, respectively since the amount of receivables was reduced by repayment.
15. No new expense allowance on investment loss in associate in 2018.
16. No new allowance on exclusive right in 2018.
17. Share of profit from a 29.99% ownership of Commercial Credit and Finance PLC “CCF” which is an associated company in Sri Lanka, was Baht 110.94 million, decreasing by Baht 61.02 million or 35.48% from 2017, mostly due to the appreciation of the Thai Baht versus the Sri Lankan Rupee and an increase in bad-debt allowance.
18. GL’s consolidated finance cost was Baht 396.48 million, decreasing by Baht 48.87 million, or 10.97%, compared to Baht 445.35 million in 2017, mainly resulting from a decrease in bank loans of GL and GLF Cambodia.

Separate Financial Statements

Net profit of 2018 was Baht 238.41 million, increasing Baht 1,916.67 million or 114.21% from net loss of Baht 1,678.27 million in same period last year. An increase in net profit was mainly the result of no new allowance on investment loss in 2018.

1. The hire-purchase interest income increased by Baht 103.64 million or 8.45% from Baht 1,226.68 million in 2017 to Baht 1,330.32 million this year. The total hire-purchase portfolio in 2018 increased by Baht 246.38 million or 5.70% from 2017.
2. Other income decreased from Baht 1,028.14 million to Baht 619.63 million, representing a decrease by Baht 408.51 million or 39.73%, because of a decrease in dividend income.

Other incomes were mainly composed of the interest income from loans to foreign subsidiaries of Baht 372.39 million, income related to the activities of hire purchase of Baht 128.05 million, management service fee income of Baht 84.00 million, gain on exchange of Baht 13.35 million, and other income of Baht 21.84 million.



บริษัท กรู๊ปลีส์ จำกัด (มหาชน)

GROUP LEASE PUBLIC COMPANY LIMITED

3. Service and administrative expenses increased from Baht 583.58 million to Baht 596.51 million, representing an increase of Baht 12.93 million or 2.21%, resulting from an increase in legal fees due to the litigation.
4. Bad debts and doubtful accounts were Baht 366.22 million, increasing by Baht 165.65 million or 82.59% compare to 2017, 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 271.82 million, increasing by Baht 55.32 million or 25.55%, which resulted from the larger ticket sizes and the higher amount of overdue of hire-purchase portfolio in Thailand.
6. Expense allowance on investment loss in subsidiary decreased totally by Baht 2,426.82 million from Q3/2017 and no new provision had occurred after Q3/2017.
7. Finance cost was Baht 388.44 million, decreasing by Baht 35.71 million, or 8.42%, compared to Baht 424.15 million in last year, mainly resulting from a decrease in bank loans.

Please be informed accordingly.

Yours sincerely,

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(Mr. Tatsuya Konoshita)

Director