



Lease IT Public Company Limited

# Annual Report 2013

LEASE IT PUBLIC CO., LTD.

A complex background collage featuring a blue and white wavy line on the left, a green Thai Baht banknote in the center, a compass rose on the right, and a stack of Thai Baht coins at the bottom right. The word "LEASE IT" is overlaid in a large, white, bold, sans-serif font with a black outline.

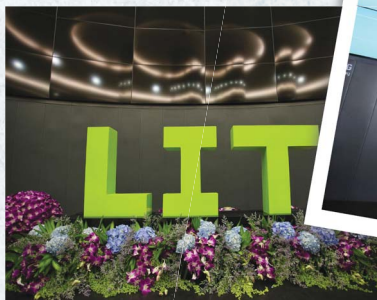
LEASE IT





## Mission

Activating alternative funding sources outside the financial sector (Non Bank) so as to create opportunities for entrepreneurs, small and medium enterprises (SME) to have access to capital in the business. Ultimately leading to higher levels of relationship as partners (True Financial Partner).

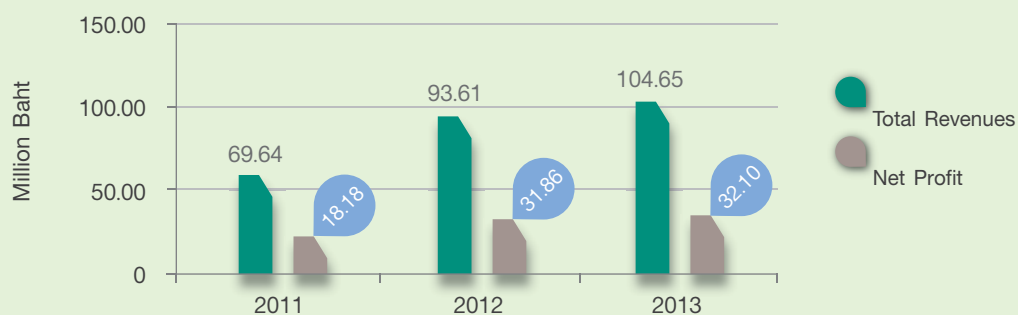


## Vision

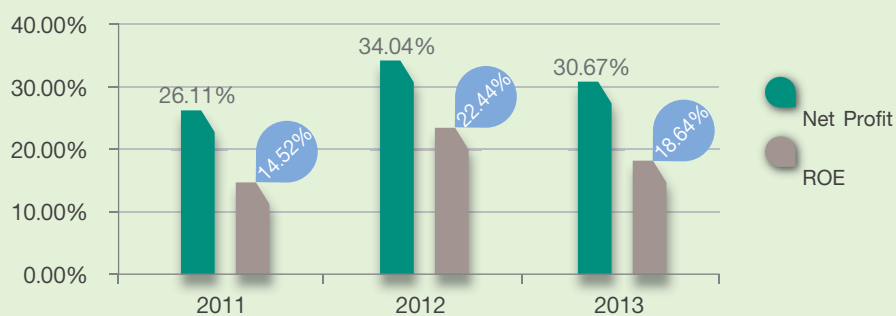
Committed to be the business leader of a non-financial (Non Bank) institute for developing financial products continuously in order to satisfy the customer needs with different variety of clients/partners. Especially to support funding throughout the business cycle (Full range services) and all types of product lines (Full range).

## Financial Highlights

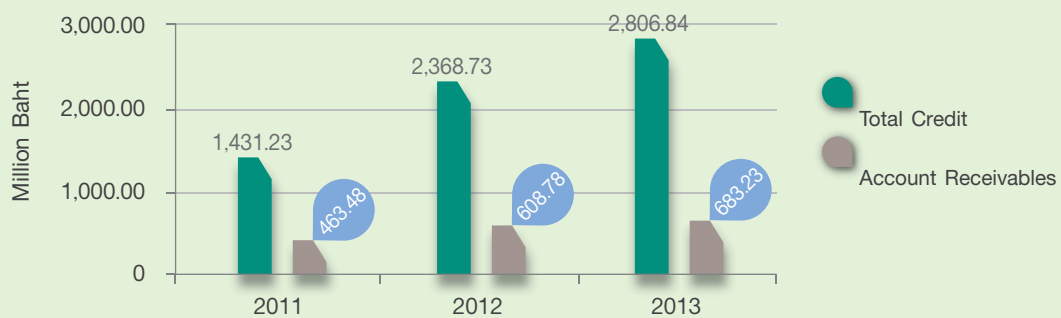
### Total Revenues & Net Profit



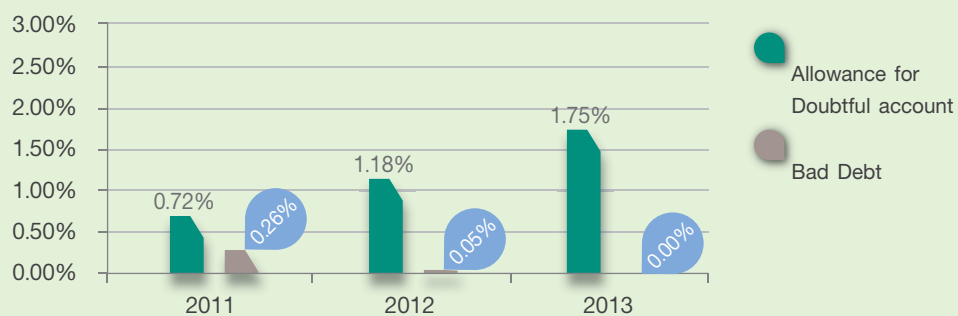
### Net Profit Margin & ROE



### Total Credit & Account Receivables



### Asset Quality Ratio





## Financial Highlights

For The Year ended December 31, 2013 and 2012 and 2011

(Unit : Million Baht)

	Financial Statements		
	2556	2555	2554
Total revenues	104.65	93.61	69.64
Profit before finance cost and Income tax expenses	66.42	67.23	47.02
Profit for the year	32.10	31.86	18.18
Total assets	685.54	608.84	465.85
Total liabilities	495.13	455.58	335.15
Total shareholders' equity	190.41	153.26	130.70
<b>Financial Ratio</b>			
<b>Profitability Ratio :</b>			
Net Profit Margin (%)	30.67%	34.04%	26.11%
Return on Equity (%)	18.64%	22.44%	14.52%
Interest Rate Spread (%)	9.86%	9.26%	6.78%
<b>Efficiency Ratio :</b>			
Interest Income To Asset Ratio (%)	10.15%	9.96%	8.28%
Return on Assets (%)	4.96%	5.93%	4.22%
Current Ratio (Times)	0.16	0.17	0.16
<b>Financial Ratio :</b>			
Total Credit to Total Financing Ratio (%)	1.42	1.41	1.48
Debt to Equity Ratio (Times)	2.59	2.97	2.56
<b>Asset Quality Ratio :</b>			
Allowance for Doubtful account to Total Credit Ratio (%)	1.75	1.18	0.72
Bad Debt to Total Credit to Total Credit Ratio (%)	0.0002	0.05	0.26

## Board of Directors/Management Team



**Mrs. Duangphorn Sucharittanuwat**  
Chairman of the Board/Chairman of  
the Audit Committee



**Mr. Min Intanate**  
Vice Chairman



**Mr. Thienchai Srividhit**  
Director



**Mr. Sompon Aketerajit**  
Managing Director



**Mr. Prakob Visitkitjakarn**  
Independent Director & Audit  
Committee Member



**Police General Jate Mongkolhutti**  
Independent Director & Audit  
Committee Member



**Mr. Suthud Khancharoensuk**  
Independent Director & Audit  
Committee Member



**Mrs. Rungnapa Ogas**  
Assistant Managing Director



**Mr. Teerawat Khammuang**  
General Manager



**Mr. Riththigrai Bunthoathook**  
Assistant Manager Sale & Marketing



**Ms. Piyanan Mongkol**  
Assistant Manager Credit Control



**Ms. Chattaleeya Jongsawat**  
Financial Controller

## Message to Shareholders

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On May 16, 2013, Lease IT Company took an important step in affirming its conversion into a Lease IT Company Limited, while changing its name to Lease IT Public Company Limited (Lease IT) by being listed on the Stock Exchange of Thailand (Market for Alternative Investments - MAI), would enhance financial position of the company, and the company's reputation was widely known and recognized with regard to transparency, accountability, and good governance.

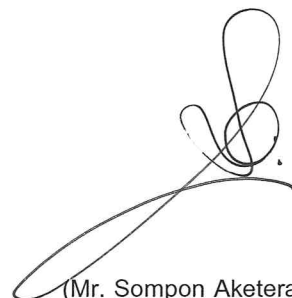
The company focused on developing products with multiplicity in order to meet a full range of financial services by developing additional products in several formats while enhancing the business with customers.

Organizational structure of administration was varied and tightened with an experienced team of executives. The objectives are in the same direction with the company to drive business so as to respond to customer needs more effectively. As a result, the company's dramatic growth will be continued in terms of earnings and benefits.

On behalf of the Board of Directors, we would like to thanks the shareholders as our main benefactors from both governmental and private sectors. Moreover, we owe the success of the company to all the business partners, financial institutions, executives and employees for being an important driving force in supporting the business of the Company.



(Mrs. Duangphorn Sucharittanuwat)  
Chairman of the Board



(Mr. Sompon Aketerajit)  
Managing Director



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# 1. Policies and Overall Business Operations

## 1.1 History and Significant Developments

Lease IT Company Limited (the "Company") was incorporated on the 25<sup>th</sup> of August 2549 (2006) with a registered capital of 200 million Baht, with a paid up capital of 60 million Baht. The SVOA Public Company Limited is the majority shareholder with 99.99 percent of the stake in the business. Initially, the business objective was to support the trade of the SVOA group. The company was a financial company (Financial Arm) of SVOA that provided loan, financial leases (Leasing) and loan purchase agreements (Hire Purchase) by targeting at those customers who were previously suppliers to the group of SVOA. The customers who were using the SVOA's products had the privilege to use accounts receivable (Factoring) service in case they need to have working capital prior to the maturity of account receivable.

The significant growth of the information technology in businesses ("Information Technology" or "IT") made the IT products to be so versatile and diverse in terms of different products in different markets. Meanwhile, due to the fact that SVOA was originally focused on some market products, the company turned to financing of goods outside the SVOA group as well as expanding credit facility beyond IT products in order to manage and compete with the same type of business competitors more effectively.

After the business model changed, as discussed above, the company emphasized more on growth and business competitiveness by developing a model of financial products so as to continue doing business in such a way meeting the needs of customers. To do so, the company added more variety of credit facilities such as Bid Bond, Project Backup Financing including Trade Finance.

On the 16<sup>th</sup> of May 2013, the company has become a public company already, therefore changed its name to Lease IT Public Company Limited.

Accordingly, some of the major developments of the company over the past years are mentioned as the following:

<b><u>2007</u></b>
<ul style="list-style-type: none"> <li>Having a total paid up capital of 40 million Baht, with a registered capital from 60 million Baht to 100 million Baht.</li> <li>Providing credit facilities for those retail customers who were using the products of SVOA such as students and staffs of the Christian University.</li> </ul>
<b><u>2009</u></b>
<ul style="list-style-type: none"> <li>Originally, the company is SVOA's Financial Arm. The company has changed the objective to profit base which lead to the starting point (milestone) in presenting new financial products to customers.</li> <li>Starting a business service supplier (Trade Finance) for those customers that were using existing financial products, whether loan financial leases, hire purchase loans, or transfer right of claims.</li> </ul>
<b><u>2010</u></b>
<ul style="list-style-type: none"> <li>Starting Bid Bond facility by acting as an intermediary between the bank (guarantees) and those customers who were entrepreneurs.</li> <li>Gradually reduce the credit facility to retail customers due to the high cost and risk.</li> </ul>
<b><u>2012</u></b>
<ul style="list-style-type: none"> <li>Starting a set of business operations to support Project Backup Financing for customers of the company who have good records in terms of skills and capabilities toward the work on that project but there were some restrictions on working capital. The debtors who facilitate the government projects was emphasized.</li> <li>Moving the office from 32<sup>th</sup> floor to 21<sup>th</sup> floor, IT Professional Building in order to facilitate the expansion of the</li> </ul>

business.

#### **January – May 2013**

- Reducing the share capital from 200,000,000 Baht to 100,000,000 Baht by reducing the par value of shares from 10.00 Baht per share to 5.00 Baht per share, resulting in an authorized capital of 100,000,000 Baht consisting of 20,000,000 shares at 5.00 Baht and paid in full amount.
- Becoming a public company.
- Changing the par value of shares from 5.00 Baht per share to 1.00 Baht per share.
- Increasing the registered capital 16,000,000 Baht from the existing registered capital 100,000,000 Baht. The total registered capital is 116,000,000 Baht through issuing 16,000,000 new ordinary shares at par value of Baht 1.00 per share allocated to Dr. Prasit Kanjanasakchai\*. This was a private placement offered Baht 1.50 per share.
- Increasing the registered capital 84,000,000 Baht from the existing registered capital 116,000,000 Baht. The total registered capital is 200,000,000 Baht through issuing 84,000,000 new ordinary shares at par value of Baht 1.00 per share. The details of the allocation is listed as follows:
  - (1) Allocation of ordinary shares of 33,600,000 common shares to shareholders of the SVOA. Quantity of the shares depended on the shareholders in SVOA. (i.e., shareholders had the privilege of pre-emptive right)
  - (2) Allocation of ordinary shares of 46,200,000 common shares to the public.
  - (3) Allocation of ordinary shares of 4,200,000 shares to directors and employees of the company.In case of the remaining share from the reserved shares of SVOA's shareholders according to (1) an offer to sell such shares to the public in (2) would have been taken place.

Note: \* Though the current company demands for capital for business expansion, yet SVOA does not have a policy to expand the investment in non-core companies. Therefore it was necessary to find a new investor. Dr. Prasit Kanjanasakchai was the owner of 3 construction materials companies, as well as potential investors in the funds. He is able to invest with the company in a reasonable period of time relating to the financial requirement of the company. By investing, Dr. Prasit becomes a shareholder and does not participate in the management of the company.

#### **1.2 Overview of the Business**

The company provides credit services to customers who are entrepreneurs in small and medium enterprises and face limitations to have loans from financial institutions. Such services were divided into 4 main categories:

1. Leasing: service credit in the form of financial lease or contract within a term of more than 3 years, typically dealing with the government agencies, state enterprises, or large private enterprises.
2. Hire Purchase: service credit in the form of an instalment contract within a term of less than 3 years, including lease agreements with government agencies, state enterprises, or large private enterprises.
3. Factoring: The transfer of right of claims primarily through a purchase accounts receivable from a group of business operators owed by government agencies, state enterprises, or large private enterprises. The company purchases the accounts receivable at a discounted price approximately 70-95 percent of the face value.
4. Services include:
  - Bid Bond: credit facility in the form of a tender guarantee for individual entrepreneurs who want to bid for government agencies' and state enterprises' projects.
  - Project Backup Financing: provides funding for the procurement and/or preparing the pre-finance products prior to delivery of products to government agencies, state enterprises, or large private enterprises.



- Trade Finance: provides products to a group of customer/ entrepreneur who lacks of funds in the procurement process of products delivered to government agencies, state enterprises, or large private enterprises.

The company offers a full range of credit facilities, which allows entrepreneurs to perform operations starting bidding from products procuring, or lending money for procuring products. Customers can handover products the counter party. After delivering and being approved, the transaction will be financed in the form of financial leasing, hire purchase or factoring.

### 1.3 Revenue Structure

Type of Income	2011		2012		2013	
	Million Baht	Percent	Million Baht	Percent	Million Baht	Percent
Interest income <sup>1)</sup>						
- Financial lease contracts	18.26	26.22	23.26	24.85	25.94	24.78
- Hire-purchase contracts	10.56	15.17	9.94	10.61	8.74	8.35
- Factoring contracts	20.25	29.08	21.81	23.30	22.13	21.15
- Loan contracts	-	-	10.11	10.80	16.74	16.00
Total interest income	49.07	70.47	65.12	69.56	73.55	70.28
Fees and service income <sup>2)</sup>						
- Financial lease contracts	0.33	0.48	0.24	0.25	0.03	0.03
- Hire-purchase contracts	0.18	0.26	0.20	0.22	0.07	0.07
- Factoring contracts	6.80	9.76	4.25	4.54	4.63	4.42
- Loan contracts	-	-	8.87	9.48	11.28	10.78
- Guarantees	0.83	1.19	0.80	0.86	2.42	2.31
Total fees and service income	8.14	11.69	14.36	15.35	18.43	17.61
Other income :						
Trade Finance	7.95	11.43	8.13	8.69	5.61	5.36
Interest income	0.02	0.03	0.01	0.02	0.01	0.01
Other income <sup>3)</sup>	4.45	6.38	5.99	6.38	7.05	6.74
Total other income	12.42	17.84	14.13	15.09	12.67	12.11
<b>Total income</b>	<b>69.64</b>	<b>100.00</b>	<b>93.61</b>	<b>100.00</b>	<b>104.65</b>	<b>100.00</b>

Remarks 1) Due to the fact that Bank's interest income was recorded in other types of income, Interest income in 2011 did not match the financial statements due to Bank's interest income was edited to other types of income for the sake of comparison.

2) Description of fee income and service

- Leasing and Hire Purchase refers to a series of fees mentioned in the contract and transfer of right
- Buying claims refers to the amount of fees and service charges.
- Factorings may refer to the service fee.

3) Other incomes, such as interest income from late payment and Bank's interest income.

#### **1.4 Business Goals**

The company aims to be a non-financial source of alternative fund for Small and Medium Enterprises (SME) which cannot access to source of funds, encountering restrictions on collateral or duration of the business with less than 3 years, not being supported by financial institutions even through executives and staffs have good experience and skill in doing business and have potential to grow. Such businesses normally require funding outside the system (private lender) which is a barrier to succeed the company's goals and long-term objectives. On the other hand, the company considers developing a variety of financial products/services to provide total financial solutions for entrepreneurs. The goals are as follow:

(1) Be the principal operator (Non-financial institution) that provides credit support for financial lease and hire purchase contracts in order to provide equipment for teaching/learning IT to the government education sectors.

(2) Be the principal operator (no financial institutions as shareholders) that support factoring by emphasizing on buying debt reduction of government trade sector.

(3) Developing the various types of product (Tailor Made) in order to serve customers for choosing the service's options to increase the competitiveness against their competitors with respect to great revenue and increasing the sell, for example, Bid Bond, Project Backup Financing, and Trade Finance.

## 2. Nature of Business

The operation of each product line.

### 2.1 Character of Products or Services

The company is engaged in the business of providing finance to customers who are entrepreneurs (or from small and medium enterprises) with limited sources of fund from financial institutions. Usually, the loan is divided into 4 categories:

#### 2.1.1 Leasing

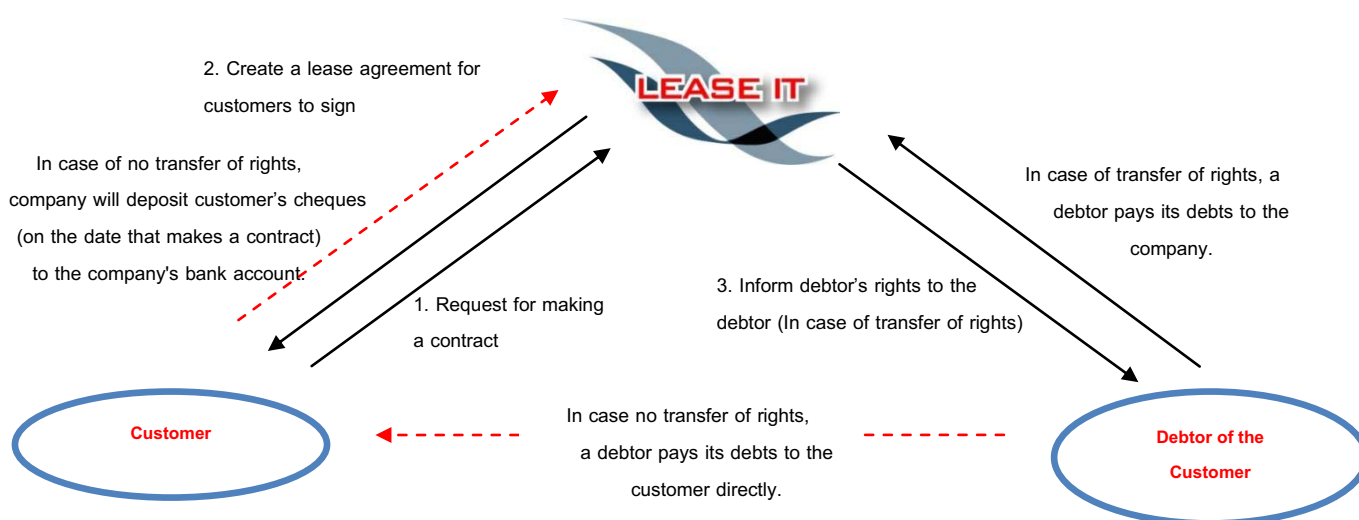
- Assignment of Right of Claims – process the assignment of right of claims to receive installment from the debtors of the customer to the company. The company will give notice of the transfer of assignment of right of claims receiving installment to the debtors of the customer (government agencies, state enterprises, or large private enterprises) by transferring the absolute rights. The company will assign to sales and marketing departments that take transferred right documents to the debtor to sign for acknowledgment even though debtors of customer will make installment to the company directly. However, the date for making a contract, customers must provide for dated checks in advance according to installments. If the debtor of the customer does not pay the installment in due time, the company will give the customer's cheque for payment to the company instead. Later, if the debtor of the customer has made a payment, the company will make a full refund of the payment to the customer immediately.
- Without Assignment of Right of Claims - process to receive the installment from the customer directly without assignment of right of claims in receiving installment from the debtor of the customer. Customer will give the post dated cheque on the date that makes a contract. Cheque must be post dated.

#### 2.1.2 Hire Purchase

The company provides hire purchase to entrepreneurs, who want to buy assets such as computer devices, software, IT devices, appliances, including teaching/learning equipment that has a lease agreement with the state enterprises or large private enterprises. The company will buy assets from customers and arrange hire purchase with customers. In some cases, the company may obtain the assets from the vendor (supplier) according to the needs of customers and arrange hire purchase with customers. The ownership of the assets belongs to the company. When installment is fully made, the customer will acquire ownership of the assets. The company must provide credit to customers at the rate of 70 - 100 of the product value with a fixed interest rate loan. Instalment contracts provided by the company will last no more than 3 years. Instalment contracts will be made in the same manner as financial lease.

- Assignment of Right of Claims - process the assignment of right of claims to receive installment from the debtors of the customer to the company. The company will give notice of the transfer of assignment of right of claims for receiving installment to the debtors of the customer (government sector, state enterprises, or large private enterprises). Customer will give the post dated cheque on the date that makes a contract. Cheque must be post dated.
- No assignment of claims - process to receive the rent payment from the customer directly without assignment of claims in receiving rent payment from the debtor of the customer. Customer will give the post dated cheque on the date that makes a contract. Cheque must be dated prior to the due date of the contract.



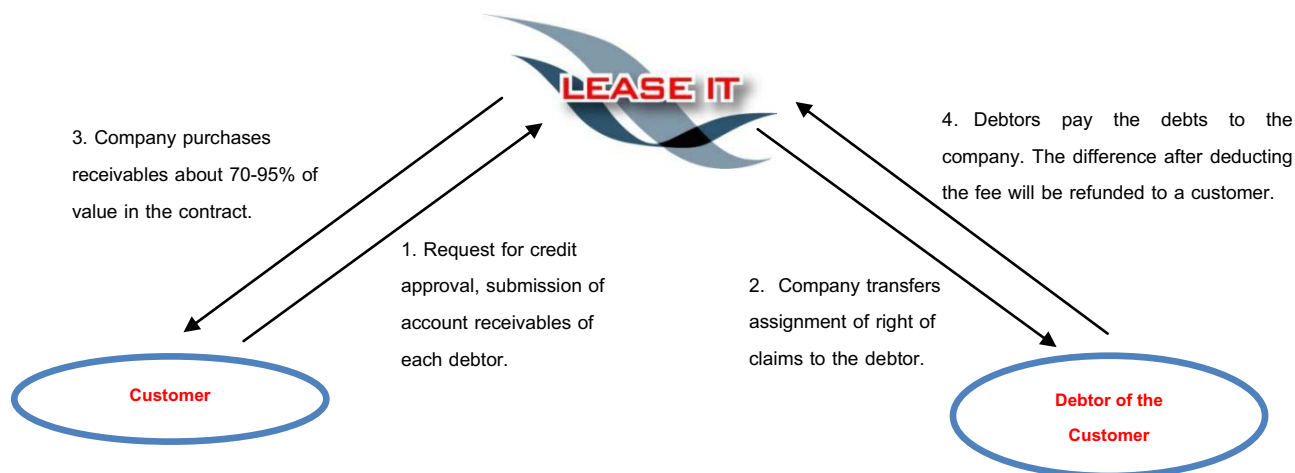


#### The differences between "Leasing" and "Hire Purchase" agreement

Feature	Leasing	Hire Purchase
The purpose of lease	Long-term assets, or nearly throughout its lifetime	To asset owners
Proprietary	Belong to the lessor until the end of the lease agreement At the end of the financial lease agreement, the lessee has the right to purchase the property.	Belong to the company until he or she has paid instalment and vested in full compliance with the terms of the lease. The right will belong to the high purchaser.
Term loans	More than 3 years	Less than 3 years

#### 2.1.3 Factoring

The company provides factoring (short term credit) for working capital for entrepreneurs. The company typically purchases receivables without having collateral but there is transfer of commercial debt claims on customers to the company. Transfer of rights (with recourse) means that the company would have right to claim the customer. In case the debtor does not pay on time. The company will focus on providing service to entrepreneurs, small and medium enterprises who need cash to current operations and business of trading goods and services without complexity in the context of the accounts receivable. For example, purchasing and selling in general, commodities or maintenance services of IT equipment, general office equipment. Company usually avoids buying commercial debts by way of complex delivery terms because the goods and services might contain complicated disputes in terms of the integrity of commercial debt (i.e., such as trade debt which results from the development of an IT system, or debt trades in the construction sector). As a result of that, the company would focus on the purchase of accounts receivable mainly from the government agencies and state enterprises including large private enterprises. In most cases, the company would purchase receivables less than 90 days all the way through the accounts receivable of approximately 70-95 percent of face value of the document. When payment is due, the company would bill the amount directly to the debtor. After deducting interest and fees, the company would refund the difference to customers. Interest rates would depend on the size of the business, financial position of customers, including the quality of the trade receivables.

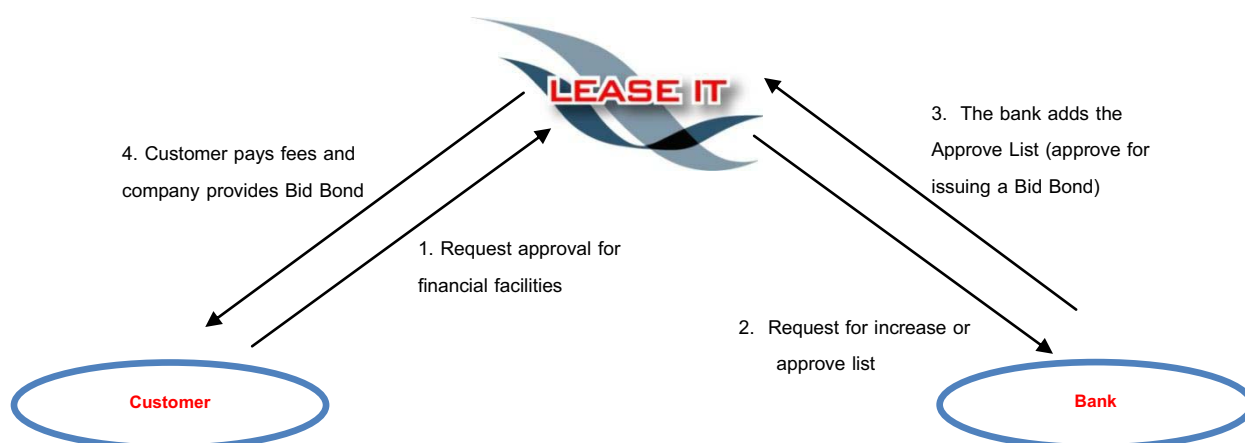


#### Other business services

The company offers different varieties of service formats in order to provide complete credit facilities. The service types of the company are more comprehensive in terms of loans in advance (Pre-Finance). It provides services mostly for an existing customer of the company with good payment record. The risk of additional services is relatively high.

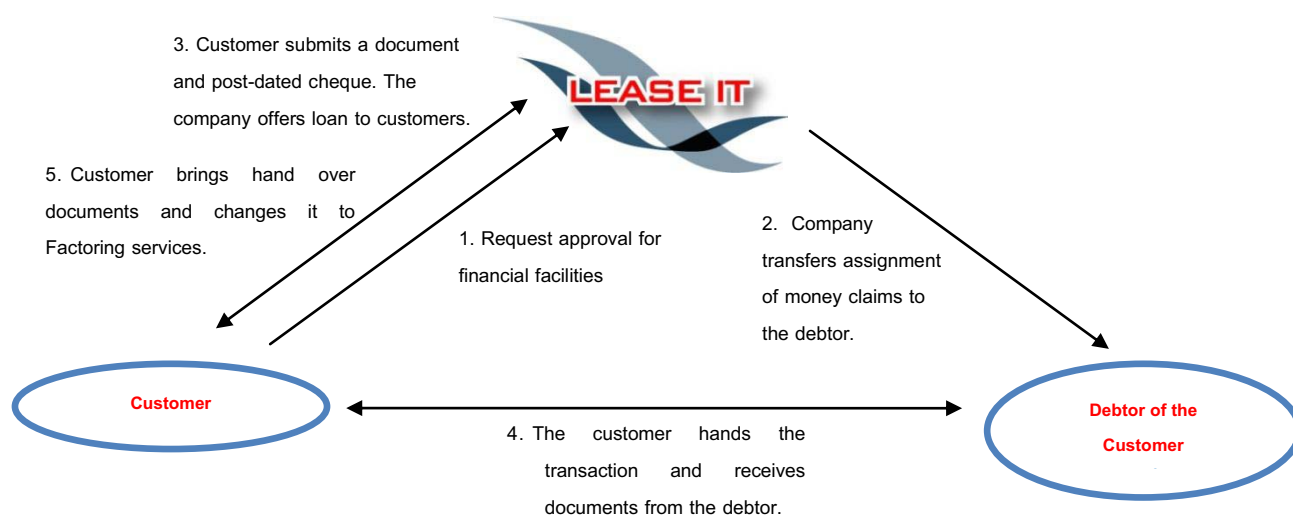
#### 2.1.4 Bid Bond

The company started its business of providing Bid Bond in year 2010. The main goal was to support the issuance of a bank guarantee to those customers and operators who wish to bid in projects of the government agencies and state enterprises. The company provides loans credit in accordance with the bid bond. Customers must present a bank guarantee or collateral returned to the company on the agreed date. The company will receive service payment in terms of fee. The company will utilize credit facilities provided by the bank for issuing bid bond.



### 2.1.5 Project Backup Financing

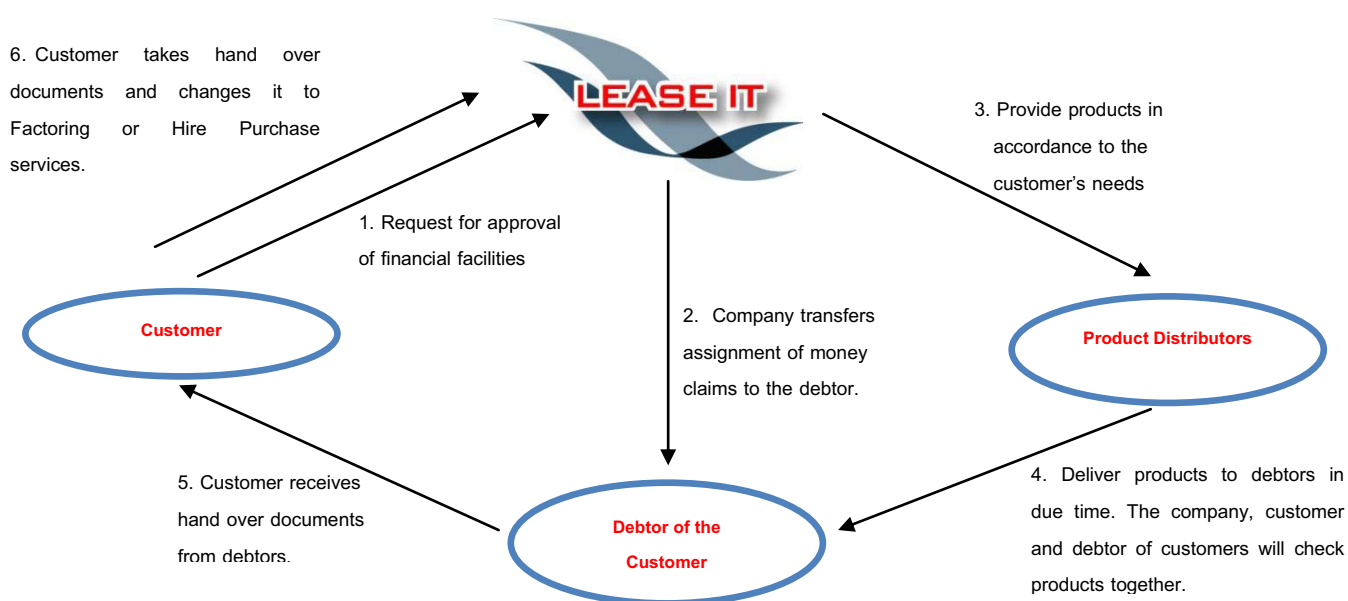
The company provides credit to customers who need capital for the procurement of goods to be delivered to the government agencies, state enterprises, or large private enterprises. The applicants need a contract to deliver goods and services between the customer and the company's trade receivables for consideration. The loans take place in term of supporting projects for clients to supply or deliver goods and services are considered as high risk. Almost all customers have had business dealing records with the company already and have a good payment record. In order to reduce such risks of integrity, it also requires the transfer of right of claims in payment of amounts through the company. Once the customer has delivered the goods to the debtor and received the approval document. Most customers request for the factoring services with the company, their intention is primarily to make a loan payment. However, in cases the debtor of the customer has delayed in hand over of transaction, and then the customer cannot hand over documents to the company to receive factoring services within the due date. They will have to pay for the interest and penalty to the company.





### 2.1.6 Trade Finance

The company arranges products for those entrepreneurs who lack of funds in order to supply the products to government agencies, state enterprises, or large private enterprises. The company aims to continue to provide products from suppliers in accordance the customer needs and take the difference between cost price and sale price (sale price minus cost price). The company will check the products together with the customer and the debtor on site. Trade finance is considered high risk; therefore, almost all customers are those customers who have previously had any business dealing records with the company already and had a good payment record in the system. To reduce such risk, it also requires the transfer of right of claims in payment of amounts supported by the company or having a written authorization from the company. In most of the case, after the company has provided products for the customer and the customer has delivered them to the debtor and also received the approval document, the customer may request for factoring services, leasing services, or hire purchases services with the company in order to assure the repay of such loans. However, in cases the debtor of the customer has delayed in hand over transaction, that causes the customer cannot take hand over documents to the company to receive loan within the due date. They will have to pay for the interest and penalty to the company.



### **3. Risk Factors**

#### **3.1 Credit Risk**

The company offers credit without guarantee. Especially, in cases of leasing and hire purchase services, the credit risk depends on the quality of the account receivables, the quality of the customer, including the quality of products and services delivered by the customer to the debtor. For the factoring services, the credit risk mainly depends on the quality of the debtor. For the bid bond, project backup financial, and trade finance services, the credit risk mainly depends on the quality of the customers. However, the company has credit management policies by setting rules and defining procedures to check both customers and debtors carefully before approving any types of loans. Because the company specializes in IT so that the company provides business loans for the IT business sectors. The company is able to check the quality of goods and services before granting credit to customers. According to the policies, the company relies on the quality of customers, account receivable including products and services to be delivered. In addition, the company focuses more on transactions with account receivables relating to the government agencies or state enterprises in order to reduce risk at a certain level. In year 2012 and year 2013, the company's allowance for bad debts were 6.90 million baht and 11.40 million baht respectively, which accounted for 1.18 percent and 1.67 percent of total loans outstanding by the end of year 2012 and 2013.

#### **3.2 Risk of Interest Rate Fluctuations**

Typically, the lending interest rate is a major cost of the company that varies according to the market interest rate. It affects interest rate valuation for the customer. The change of interest rate valuation may affect the operation performance of the company.

The company has policies and risk management guidelines from interest rate fluctuations because they are a major cost of the company. In most cases, they are short-term loans in factoring, bid bond, project backup financing, and trade finance services. The company is able to adjust the interest rates or fees based on the fluctuations in its financial costs. For the leasing and hire purchase services, the company's interest rates are fixed for customers, however, the difference between the cost of funds and interest rates will be added to compensate the risk of interest rate fluctuations in the future. Having a look at the past records, the difference (Spread) of the interest rates and fees received by the company was increased steadily from 26.9 percent in 2012 to 9.86 percent in 2013.

#### **3.3 Liquidity Risk**

As of December 31, 2013, the company has financial institutions that support source of investment, the total amount of 782 million Baht. Main financial amount (short-term financial amount) was 682.00 million Baht that consisted of overdraft account (O/D) and promissory note (P/N) which were at risk of being called repaying the money before the time due or in case of financial institutions did not renew a promissory note.

However, the company had managed the liquidity to hedge the risk by trying to allocate funding resources (Used of Fund) to comply with the sources of funds (Source of Fund) as a source of equity capital and long term loans. They were mainly used for supporting leasing and hire purchase services. The short term loans were used for factoring, project backup financing, trade finance, and bid bond services which had a short repayment period not more than 120 days. In addition, the source of money that will get more of the capital stock offering to the public will help the company to manage liquidity as well as increasing the ability to find a source of funds for lending in the future. As of December 31, 2012, the company's ratio of debt to equity was equal to 2.97 times as at 31 December 2013. The company's ratio of debt to equity share was 2.59 times.

### **3.4 Risk Competitive**

The company has at risk to compete financial institutions or lenders who have stakeholders as financial institutions. However, the target customer of the company is different from the target customer of the financial institution. Most of them are small and medium enterprises with limited authorized capital and collateral which they are not supported by their financial institution. Meanwhile, there might be delays in the process of financial institutions and most financial institutions did not focus on the debtor as government agencies or state enterprises because the timing of payments was not clearly identified as large private enterprises. The specific group of enterprises prefers to use the services of loaning from non-financial institutions.

Most competitors of the company are non-financial institutions of loan servicing. They focus more on different types of loan services while our company provides a complete loan life-cycle i.e., pre-finance services such as bid bond (allow customers to conduct business from bidding), project backup financing and trade finance services (allow customers to provide products after finishing the bidding process). After that the company will provide Post-Finance services such as leasing, hire purchase, or factoring services. The important marketing strategies of the company include a full service, quick and efficient processes, good relationship with customers, clear service price, flexibility in lending, as well as expertise in the IT industry. Currently, government agencies, state enterprises, or large private enterprises are investing on the development of IT so that the company is able to compete with other companies effectively.

### **3.5 The Risk of Reliance on Personnel**

Within the business model of the company, employees are the key personnel, especially in sales and marketing, because they are the people who reach out and connect with customers. The personnel are considered an important resource in the business of the company. Therefore, the lack of personnel may affect the company's business. However, the company has set up the policy in relation to reduce the risk of loss of such personnel by focusing on the development and promotion of the proper personnel involved in the operation and growth. The company has paid compensation at market rates in order to attract very experienced and professional personnel who can work with the company for long time. The company has allocated 4,200,000 shares of common stock to sell them to its directors and employees as an advantage for sale to the public with the same price. Doing this provides an opportunity for employee-owned companies through co-creation approaches and enhances moral support and motivation for the personnel to work in the company for long term. In addition, the company also has a policy to develop its ability through working via a team (teamwork) rather than being attached to each individual effort or performance. This reduces the risk of dependence on an individual particularly. Accordingly, based on past records of the company, the turnover of the personnel in key positions has been very low, which reflects the loyalty of employees to the organization. This can bring great confidence toward the potential of the organization success.

### **3.6 Risk of Influence in the Management of Major Shareholders**

As at 14 June 2013, the SVOA Limited Company (Inc.) ("SVOA") was the shareholder of the 86.21 percent of shares sold by the company. The SVOA sold 6,000,000 shares to the public. By selling those shares to the public at the same price, the allocation of the SVOA was reduced to 47.00 percent. The major shareholders have stipulated in the loan agreement in terms of legal provision and policies. They must receive the vote not less than 3 out of 4 from the shareholders who come to the meeting and have the right for voting. Due to the fact that 25 percent of the major shareholders are able to have the right to oppose to resolutions. It results that the other stakeholders cannot take equilibrium the resolutions of the major stakeholders.

However, the major shareholders are demanding the company to run the business with freedom. It is different from the SVOA's business. Although the SVOA is still a major shareholder but it is realized that this kind of business requires expertise in the administration. It will be seen that the executives of the company must have experience in financial business. Meanwhile, the company has appointed 4 independent committee members to the audit committee (from a total of 7 members). All of them have great experience in financial business or have specialized knowledge that will benefit to the company. Their duties includes to advise on business operations, examining, considering, and screening in order to avoid items that might cause a conflict of interest in the future. To ensure transparency in the operations of the company, the structure of executive directors and senior managers are still the same after selling shares to increase capital of the company.

### **3.7 The Risk of the Conditions Set of Loan Agreement by a Financial Institution**

As at 14 June 2013, the SVOA Limited Company (Inc.) ("SVOA") was the shareholder of the 86.21 percent of shares sold by the company. The SVOA sold 6,000,000 shares to the public. By selling those shares to the public at the same price, the allocation of the SVOA was reduced to 47.00 percent. The 3 financial institutions that offer loan to the company has defined the loan agreement terms and conditions that SVOA must hold the share not less than 47 percent. Although all shares hold by SVOA must be banned for sale for 12 months since the date the shares were sold in the stock market. After 6 months the shares of the company were sold in the stock market, the SVOA can sell 25 percent of the banned shares and another 75 percent after 12 months. Therefore there is the potential risk of breach of the loan agreement via 3 financial institutions if SVOA sells shares held after the mentioned period. Altogether, the resulting shareholding SVOA will be less than 47 percent.

Currently, the company has credit limit from 5 different financial institutes. If the credit limits from 3 financial institutes are not included, the remaining credit limit is still enough for the operation. The company may be risky in case it has to take a loan from other 2 financial institutions. However, selling shares cause increase in stock capital and reduce the chance to take a loan from other 2 financial institutions. Meanwhile, the company has negotiated with other financial institutions. The company is negotiating with 3 financial institutions about defining the proportion of its stake of SVOA while the SVOA does not have the policy to reduce no intention to reduce its stake of the company.

### **3.8 The Risk of a Decline in Stock Price on the Shares of the Company Traded on the Stock Exchange**

As mentioned earlier, by June 14, 2013, the company has issued 16,000,000 new ordinary shares of par value shares at 1.00 baht allocated to Dr. Prasit Kanchanasakchai by offering the price of 1.50 baht per share which represents 8.89 of the paid-up capital. After selling shares to the public, the price of shares offered to the private placement was much lower than the price offered to the public. This offering encourages the public investors to subscribe for the shares and therefore the risk of decline on stock price in stock exchange will significantly reduced.

However, those shares must be banned for sale for 12 months since the date the shares were sold in the stock market. After 6 months the shares of the company were sold in the stock market, the public can sell 25 percent of the banned shares and another 75 percent after 12 months. For those investors who buy the shares, it will not be very risky if the private placement sells the shares in the silent period.

#### 4. General information & other important information

Company Name	Lease IT Public Company Limited
The headquarters	900/17 Rama III Road, Bangpongpan, Yannawa, Bangkok 10120 Thailand
Nature of Business	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond, Project Backup Financing, and Trade Finance
Company Registration Number	0107556000353
Tel.	0-2686-3200-4
Fax	0-2686-3228
Website	<a href="http://www.leaseit.co.th">www.leaseit.co.th</a>

#### Reference

Registrar	Thailand Securities Depository Co., Ltd. The Stock Exchange of Thailand Building 62 Ratchadapisek Road, Klongtoey, Bangkok 10110 Tel : 66(0)-2229-2800 Fax : 66(0)-2654-5642 or TSD Call Center 66(0)-2229-2888
Auditor	Ms.Siriwan Surataepin Certified Public Accountant (Thailand) No. 4604 Ms. Ratana Jala Certified Public Accountant (Thailand) No. 3734 Ms. Rachada Youngsawadvanich Certified Public Accountant (Thailand) No. 4951  EY Office Limited 33 <sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110 Tel : 66(0)-2264-0777 Fax : 66(0)-2264-0789-90



## 5. Stock Information and Shareholder

### 5.1 Securities of the Company

By 31<sup>st</sup> of December 2013, the authorized capital and paid up capital of the company was as follows:

Capital	:	200,000,000 baht
Paid	:	116,000,000 baht
Shares	:	116,000,000 shares
Par value per share	:	1 baht

The company listed its common shares in the Stock Exchange of Thailand in March 2013.

### 5.2 Top 10 Major Shareholders by December 31, 2013

#### Major shareholders

By June 14, 2013: the shareholders of the company were as follows.

List of Shareholders	Before the Initial Public Offering (IPO)		Selling to committees and employees		Pre-Emptive Right		After the Initial Public Offering (IPO)	
	Shares	Percent	Shares	Percent	Shares	Percent	Shares	Percent
1. SVOA Company Limited <sup>/1</sup>	99,999,965	86.21	-	-	-	-	93,999,965*	47.00
2. Dr. Prasit Kanchanasakchai	16,000,000	13.79	-	-	-	-	16,000,000	8.00
3. Mrs. Rungnapa Ogas	5	0.00	200,000	4.76	5	0.00	200,010	0.10
4. Mr. Teerawat Khammuang	5	0.00	200,000	4.76	-	-	200,005	0.10
5. Ms. Piyanan Mongkol	5	0.00	150,000	3.57	-	-	150,005	0.08
6. Ms. Prapapun Ruktum	5	0.00	100,000	2.38	-	-	100,005	0.05
7. Mr. Ritthigrai Bunthoathook	5	0.00	150,000	3.57	-	-	150,005	0.08
8. MR. Charoen Thanomkettikun	5	0.00	100,000	2.38	-	-	100,005	0.05
9. MS. Thanavadee Phanbut	5	0.00	100,000	2.38	-	-	100,005	0.05
10. Offering shares to the directors and Staff								
- Mrs. Duangphorn Sucharittanuwat	-	-	300,000	7.14	-	-	300,000	0.15
- Mr. Prakob Visitkitjakarn	-	-	300,000	7.14	-	-	300,000	0.15
- Police General Jate Mongkolhutthi	-	-	300,000	7.14	-	-	300,000	0.15
- Mr. Suthud Khancharoensuk	-	-	300,000	7.14	-	-	300,000	0.15
- Ms. Cattaleeya Jongsawat	-	-	150,000	3.57	-	-	150,000	0.08
- Staffs	-	-	950,000	22.62	-	-	950,000	0.48
11. Pre-Emptive Right								
- Mr. Min Intanate Vice Chairman	-	-	300,000	7.14	6,120,254 <sup>/2</sup>	18.22	6,420,254 <sup>/2</sup>	3.21
- Mr. Thienchai Srivichit Director	-	-	300,000	7.14	159,662 <sup>/2</sup>	0.48	459,662 <sup>/2</sup>	0.23
- Mr. Sompon Aketerajit Managing Director	-	-	300,000	7.14	58,429 <sup>/2</sup>	0.17	358,429 <sup>/2</sup>	0.18
- Apsilon Ventures Pte Ltd.**	-	-	-	-	10,731,483 <sup>/2</sup>	31.94	10,731,483 <sup>/2</sup>	5.37
- Shareholders of SVOA have the rights to buy shares of the company according to the proportion.		-	-	-	16,530,166 <sup>/2</sup>	49.20	16,530,166 <sup>/2</sup>	8.27
Total shares	116,000,000	100.00	4,200,000	100.00	33,600,000	100.00	147,800,000	73.90
Number of shares sold to the public							52,200,000	26.10
Total shares after offering securities							200,000,000	100.00

**Remark**

\* SVOA sells the existing ordinary shares, 6 million shares, to the public

\*\* Be the shareholders of SVOA by holding convertible preferred stock, 240 million shares (1.00 Baht per share) by

BNP Paribas Wealth Management Singapore Branch (62.46 million shares)

<sup>/1</sup> 10 shareholders of SVOA (on May, 30 2013)

<u>Order</u>	<u>Name</u>	<u>Shares</u>	<u>Percent</u>
1	Mr. Min Intanate	172,496,450	24.40
2	BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH	62,461,740	8.83
3	MR. Vijit PokaKlung	24,000,000	3.39
4	MR. Noppadon Arnuluckchaiwit	17,918,800	2.53
5	MR. Kumtorn Poonsakudomsin	12,173,100	1.72
6	MR. Kate Vuanlee	9,100,000	1.29
7	T.K.S. TECHNOLOGIES PUBLIC COMPANY LIMITED	9,000,000	1.27
8	Mrs. Kanya Sitsuksai	8,000,000	1.13
9	Mrs. Jatupon Klangchaikitjakun	7,822,300	1.11
10	Universe Beauty Co., Ltd.	7,700,000	1.09
	<b>Total</b>	<b>330,672,390</b>	<b>46.76</b>

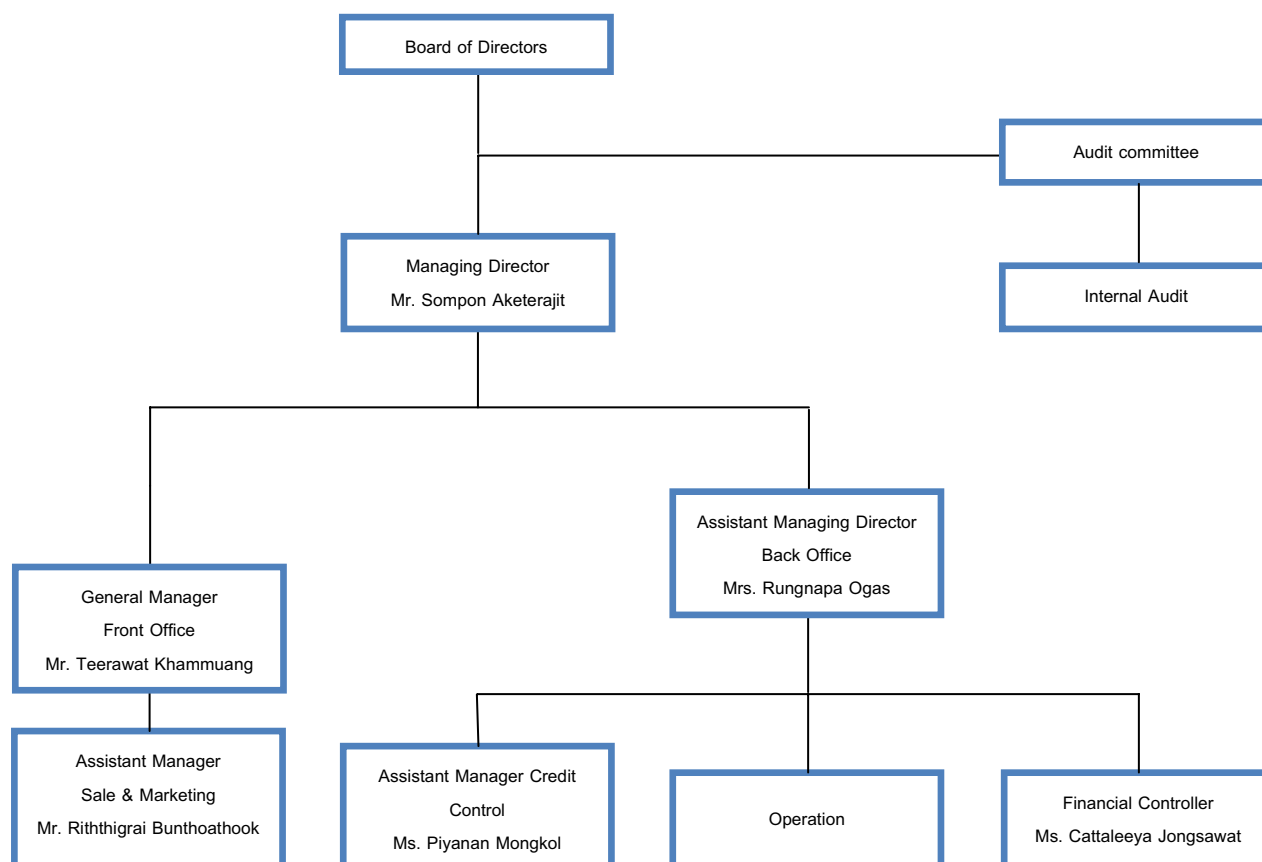
<sup>/2</sup> Number of allocated ordinary shares of the company according to the proportion to their shareholding in the SVOA. According to the shareholders' meeting 1/2013 of 21<sup>st</sup> June 2013, the company has approved the allocation of new ordinary shares, 33.60 million shares to offer the shareholders of SVOA. The major shareholders have the authority to control committee members of executives of SVOA including those related to such persons. (According to the Capital Market Supervisory Board No. ๑๖. 29/2008, entitled the reservation, distribution and allocation of new securities defined) in proportion to their shareholding in the SVOA (Pre-emptive Right), table, the number of shares as of the closing date (May 30, 2013). The proportion of such changes depend on the number of shares SVOA as the closing date for the right to buy company stock and the right to reserve shares of SVOA's shareholders. However, the number of shares allotted to an amount not exceeding the amount determined.

## **6. Dividend Policy**

The Company has a policy to pay a dividend of not less than 50.00 percent of the net profit of the company's financial statements after deducting corporate income tax and allotment of reserved fund according to legal each year. However, the company may pay dividends at different rates compatible with defined policies or approve the omission of the dividend payment of the company. It depends on turnover, liquidity, economy and the need of spending net working capital for the company's management and business expansion.

## 7. Management Structure

### Organizational Structure



#### 7.1 Board of Directors

In general, the management structure of the company consists of the board of directors and a sub-committee member. The board of the company is made up of a group of audit executives and directors whose qualification is compatible with Section 68 of the companies' Act 2535, and Notification of the Capital Market Act. More details about the management structure of the company are demonstrated as follows:

The board of directors consists of seven persons.

Name	Position
1. Mrs. Duangphorn Sucharittanuwat*	Chairman of the Board/ Chairman of the Audit Committee
2. Mr. Min Intanate*	Vice Chairman
3. Mr. Thienchai Srivichit	Director
4. Mr. Sompon Aketerajit	Managing Director
5. Police General Jate Mongkolhutthi*	Independent Director & Audit Committee Member
6. Mr. Prakob Visitkitjakarn	Independent Director/ Audit Committee Member
7. Mr. Suthud Khancharoensuk**	Independent Director/ Audit Committee Member

**Remark** \*A director appointed by the Extraordinary General Meeting of Shareholders No. 1/2555 on 11 November 2012.

\*\*A director appointed by the General Meeting of Shareholders No. 1/2556 on 29 April 2013.

On the 19<sup>th</sup> of December 2013, Mrs. Rungnapa Ogas was appointed as secretary by the board.

#### **Committee members with signing authority**

Committee members with signing authority of the company are Mr. Thienchai Srivichit, Mr. Sompon Aketerajit, and Mr. Min Intanate. 2 out of 3 committee members sign and seal the company.

#### **7.2 The Audit Committee**

The audit committee of the company is comprised of 4 persons.

Name	Position
1. Mrs. Duangphorn Sucharittanuwat*	Chairman of the Audit Committee
2. Police General Jate Mongkolhutthi	Audit Committee Member
3. Mr. Prakob Visitkitjakarn*	Audit Committee Member
4. Mr. Suthud Khancharoensuk	Audit Committee Member

**Remark** \*The members must have sufficient knowledge and experience in order to serve and verify the reliability of the financial statements. Mrs. Duangphorn Sucharittanuwat is a Certified Public Accountant (CPA). She has great experience from several financial institutions such as BT Securities Company and CIMB Thai Bank Public Company Limited. Mr. Prakob Visitkitjakarn holds a Master degree in Business, Finance and Treasury. In addition, he has had enormous experience in the field of finance from Bank of Ayudhya Public Company Limited. (For more details refer to the attached document no. 1 which explains more about the executives and the authorized persons of the company).

Mr. Pattarapon Siriviboon is the secretary of the audit committee.

#### **7.3 Company Secretary**

Based on the board meeting on 19th December 2012 (13/2555), the board committee appointed Mrs. Rungnapa Ogas as the secretary of the company in order to comply with Section 89/15 of the Securities Exchange Act of 2535 and amendments of Securities and Exchange Act (No. 4) BE 2551. Mrs. Rungnapa will attend the CSP program during 3rd to 4th of February 2014. The duties and responsibilities of the company secretary are as follows:

1. Establish and maintain the following documents.
  - Registration of committee members
  - Invitation letter to committee meeting, meeting reports and the annual reports of the company.
  - Invitation letter to shareholders meeting and the annual shareholder reports.
2. Filing the shareholder reports reported by the directors and executives.
3. Other processes according to the notification of the capital market.



#### 7.4 Executives

The company's executive management consists of 6 persons.

Name	ตำแหน่ง
1. Mr. Sompon Aketerajit	Managing Director
2. Mrs. Runnapa Ogas	Assistant Managing Director
3. Mr. Teerawat Khammuang	General Manager
4. Ms. Piyanan Mongkol	Assistant Manager – Credit Control
5. Mr. Riththigrai Bunthoathook	Assistant Manager – Sales and Marketing
6. Ms. Cattaleeya Jongsawat	Assistant Manager – Financial Controller

#### 7.5 Remuneration of Directors and Executives

##### ■ Monetary compensation

##### Remuneration Committee

Directors' remuneration for the year 2012 and year 2013 are detailed as below:

(Unit: Baht)

Name	Numbers in attending the meeting/Total meetings 2012	Remuneration Committee 2012	Numbers in attending the meeting/Total meetings 2013	Remuneration Committee 2013
1. Mrs. Duangphorn Sucharittanuwat*	2/13	300,000.00	13/13	1,880,000.00
2. Mr. Min Intanate*	2/13	80,000.00	12/13	540,000.00
3. Mr. Thienchai Srivichit	13/13	80,000.00	13/13	545,000.00
4. Mr. Sompon Aketerajit***	13/13	-	13/13	65,000.00
5. Mr. Wilson Teo Yong Peng****	2/13	80,000.00	2/13	170,000.00
6. Police General Jate Mongkolhutthi*	2/13	100,000.00	13/13	675,000.00
7. Mr. Prakob Visitkitjakarn	13/13	600,000.00	13/13	680,000.00
8. Mr. Suthud Khancharoensuk**	-	-	8/13	450,000.00
<b>Total</b>		<b>1,240,000.00</b>		<b>5,005,000.00</b>

**Remark** \* A director was appointed by the Extraordinary General Meeting of Shareholders on 11<sup>th</sup> of November 2012.

\*\* A director was appointed by the Board of Directors Meeting on 10<sup>th</sup> of April 2013.

\*\*\* Mr. Sompon Aketerajit (the Managing Director of the company) has expressed a desire not to receive monthly remuneration as a director because he receives a monthly salary as the managing director of the company.

\*\*\*\* Mr. Wilson Teo Yong Peng resigned the directorship contract of the Company on 10<sup>th</sup> of April 2013.

## **Executive Compensation**

In 2012 and 2013, the company paid remuneration to executives as 10.60 and 11.22 million Baht, respectively. Such a compensation amount included salary, bonus, and any other contribution to provident fund.

<b>Year</b>	<b>Number of Executives</b>	<b>Amount of Compensation (Baht)</b>
2012	6	10,604,650.00
2013	6	11,216,813.00

### ▪ **Other Remuneration**

Based on an extraordinary general meeting of shareholders held on 24<sup>th</sup> of June 2013 (1/2013), the company approved issuing new capital share of 4,200,000 to employees and directors of the company. Subsequently, 2.10 percent of the shares sold after shares with the same price were offered to the public. Details of the directors and executives who have been allotted and the subscription are as follows:

<b>Name</b>	<b>Position</b>	<b>Number of Shares Alloted (Shares)</b>	<b>Number of Shares Alloted to Committee and Employees (Percent)</b>
1. Mrs. Duangphorn Sucharittanuwat	Chairman of the Board/Chairman of the Audit Committee	300,000	7.14
2. Mr. Min Intanate	Vice Chairman of the Board	300,000	7.14
3. Mr. Thienchai Srivichit	Managing Director	300,000	7.14
4. Mr. Prakob Visitkitjakarn	Independent Director & Audit Committee Member	300,000	7.14
5. Police General Jate Mongkolhutthi	Independent Director & Audit Committee Member	300,000	7.14
6. Mr. Suthud Khancharoensuk	Independent Director & Audit Committee Member	300,000	7.14
7. Mr. Sompon Aketerajit	Chairman of the Board/ Managing Director	300,000	7.14
8. Mrs. Rungnapa Ogas	Assistant Managing Director	200,000	4.76
9. Mr. Teerawat Khammuang	General Manager	200,000	4.76
10. Ms. Piyanan Mongkol	Assistant Manager – Credit Control	150,000	3.57
11. Mr. Riththigrai Bunthoathook	Assistant Manager – Sales and Marketing	150,000	3.57
12. Ms. Cattaleeya Jongsawat	Assistant Manager – Financial Controller	150,000	3.57

## 8. Governance

The company considers governance as an important mechanism leading to the efficient management transparency and accountability. Therefore, the main focus of the company is on good governance. This will help the company to build trust and confidence amongst its shareholders, investors, shareholders and all the concerned parties. Moreover, having good corporate governance can be assumed as a tool to add value, create competitiveness, and promote sustainable growth of the company in the long term. Nevertheless, the company requires that a policy of good governance. As defined by the SET, the Board of Directors had a meeting on 15<sup>th</sup> of July 2013 (3/2013) to discuss and cover 5 main categories as follows:

### Section 1: The Rights of Shareholders

The company recognizes the importance of fundamental rights of shareholders as the following: (a) the right to sell or transfer shares. (b) the right to receive a share of company profits. (c) the right to receive adequate information of the company. (d) the Right to attend and vote at a meeting by the shareholders to appoint or remove directors. (e) the right to appoint an auditor and make a decision about the matters affecting the company such as dividend payments. (f) the right to determine or modify regulations and the memorandum and articles of association as well. (g) the right to reduce or increase the company's capital and so on.

Apart from the above-mentioned rights and empowerments, the company has worked on various matters in order to promote and facilitate the exercise of shareholders as the following:

1. Informing the shareholders to attend a meeting at least seven days in advance, specifying the date, time, place and agenda while handling the documents related to the matter entirety.
2. If the shareholder is unable to attend the meeting, the company allows shareholders to delegate an independent director or any other person instead. Those attending the meeting as a proxy will be informed via invitation letter as well.
3. Providing opportunity for shareholders to ask questions fully and freely.
4. Eventually at the end of the meeting, the company will prepare a report with details correctly. Subsequently, that report can be verified by shareholders.

After the company was transformed into a public company and was registered as a listed company, the company must state the opinion of the Board of Directors in the notice of AGM. Within period required by the SEC or Securities Exchange so that shareholder can study the information before meeting. Typically, the shareholders will receive information through the electronic email, company's official website, and newspapers according to public companies limited act. The public company limited has a policy to invite the shareholders and board of directors simultaneously including the president of committees (i.e., Audit Committee Chairman, etc). Doing this jointly clarify and respond to inquiries by the shareholders attending the meeting.

### Section 2: The Equitable Treatment of Shareholders

The company's policy to treat and protect the rights of all shareholders is based on the equal and fair components including both shareholder executive and non-executive shareholders. No matter shareholders are Thai or foreigner. Similarly, doesn't matter shareholders are in majority or minority. Everyone is equally empowered and treated. After the completion of the offering process and when the company became a listed company on the Stock Exchange, the company's policy was to increase choices for those shareholders who cannot attend the meeting in person. Therefore, the Company became flexible on the issue to appoint an independent director or other persons

attending and voting on behalf of someone else (i.e., shareholders). Such a policy provided the opportunity for shareholders to previously nominate persons to serve as directors in a reasonable time.

The meeting will be in accordance with the regulations of the company. The details of the agenda will be informed via the invitation letter entirety. Nevertheless, some unnecessary details about the agenda not added in notification letter of shareholders. The agenda itself is important due to the fact that shareholders have to take time to study it before making any decision whether attend or not. Therefore, the Board has used some measures in order to prevent the use of inside information illegally (Insider Trading) with respect to those individuals involved, including directors, executives and employees as well as spouses and minor children of all persons involved. For instance, the provided information includes the penalties imposed on the company, or any disclosure of the information which show adopting policies in order to prevent exploitation of inside information by the company for their own benefit. Obviously, accomplishing such a great task need to educate directors and management level of the company regarding the obligation to report full details about their spouses and underage children as well as the change of holding the Securities and Exchange Commission under Section 59 and penalty provisions under the Securities and Exchange Act of 2535.

### **Section 3: The Role of Stakeholders**

The company respects the rights of stakeholders treating fairly all the concerned parties. Some more details are clarified as follows:

1. Employees: The main focus of the company is on the personnel selection. The company seeks to hire those kinds of employees who are appropriate to the position having the relevant experience compatible with the nature of the company. To succeed in such work, the company has applied many programs including development of skills, updating the knowledge of employees continuously, considering caring and well-being of all employees equally, as well as promotions and offering incentives in remuneration so as to be reasonable compared with other leading companies in market.

2. Suppliers and Creditors: The Company treats its suppliers and creditors based on trade agreements which specify conditions and guidelines to practice everything clearly and fairly. Moreover, the agreement cooperate the involved partners in such a way that brings benefit for two parties.

3. Customers: Company provides a very transparent policy and practical guidance to customers acknowledging the fair conditions toward customer service, as well as assisting and advising clients with courtesy while listening to their problems (and finally providing solutions to customers) without revealing on the clients' personal information.

4. Competitors: Though there are many competitors in the market, the company is committed to operate in such a way compatible with morality, ethics and high standard of service. Similarly, the rivals of the company are considered and treated based on the moral and ethical issues. The first priority of the company is to treat competitors with tightening a mutual understanding and cooperation between providing financial and quality standards to customers as well.

5. Society, communities and the environment: The Company focuses on the practical conduct with regard to their responsibilities to society and the nation, the company has supported scholarships for even very remote areas whilst performing activities to benefit society still keep going on.

#### **Section 4: Disclosure and Transparency**

One of the major concerns of the board of directors is to establish a very complete and accurate disclosure in transparency of the financial reporting, as well as providing general compliance with the rules of the Securities and Exchange Commission. Financial reports include important information that may affect the price and securities of the company, which eventually affects the decision making process of the related investors. After the establishment of the company and after becoming a listed company on the Stock Exchange, the Company decided to distribute the company's information (equally and transparently) to shareholders and public via the media disclosure and the company's website.

Board of directors was well aware of the crucial responsibility towards the financial statements, therefore their main emphasis was to provide accurate and complete information which are true and reasonable. Accordingly, the financial statements of the company were prepared in accordance with generally accepted accounting standards. By choosing the appropriate accounting policies and practices regularly (and implementing cautious discretions including adequate disclosure in the financial statements notes), the Board has managed to establish and maintain an effective internal control system in the financial office. All these transitions, let the company to ensure reasonably that the accounting records are maintained property (with accurate, complete, and sufficient information) leading to identify weaknesses and flaws in order to prevent fraud or abnormal operation significantly. The appointed audit committee consisted of non-executive directors to serve on the audit of financial reports. Finally, the audit committee will report transactions and internal audits to the Board of Directors in terms of reports and surveys.

Nevertheless, the investing relations section of the company has not been established so far, due to the fact that activities of the specialized agencies are still not much to be considered for investigation. Instead, it is the president that acts as a direct information provider in regard to shareholders, analysts and agencies. Later on, such information provided by president will be completed with accurate information and facts.

#### **Section 5: Responsibilities of the Board of Directors**

##### **1. Structure of the Board**

At present, the structure of the Board of Directors is comprised of independent directors, more than one in three of the committee. The company currently has a total of 7 persons consisting of 1 executive directors and 6 non-executive director including 4 audit committees. The Board of Directors appoints the audit committee in order to assist in the governance of the Company. The Audit committee has rights and duties to acknowledge and investigate the authority of other sections. At least one of the audit committee members must have knowledge and experience in accounting sufficient to verify the reliability of the financial statements of the company.

The company has an independency policy that a chairman and the president will not be the same person in order to prevent any arbitrary of one subject in voting process. Therefore, the scope of authority of each position is clearly defined in the operation model of the Company. Board of Directors is supposed to be determined based on the elements of authority, and all the other directors also are appointed in the same way.

Similarly, the Board of Directors is supposed to appoint the duties and responsibilities of the company's secretary under the Act of Securities and Exchange.



## **2. Role, Duties and Responsibilities of the Board**

The company assigns the duties to the Board to follow the Code of Best Practices according to guidelines provided by the Stock Exchange of Thailand. The Board necessarily must understand and be aware of their assigned roles as well as responsibilities. Similarly, the Board must act according to objectives, laws and regulations of the company. They have to handle the decisions (made in shareholders' meetings) with integrity and take it into account all the interests of the company and major shareholders. As policymakers, the Board has to target the business operations, business plans and budgets of the company. Moreover, the Board has to supervise the execution of policies, plans and budgets to let them meet the scheduled plans effectively and efficiently. To say simple, the major role of the Board is to control, manage and monitor the benefits of the company and its shareholders as a whole.

### **Policy on conflicts of interest**

The company has taken some measures in order to prevent the conflicts of the interests that may arise (within the transaction process) of the company and those persons who may create inconsistency. Due to the fact that the stakeholders in any subject will not be able to take part in the transaction, therefore it is the Board of Directors to oversee whether the company complies with the laws and regulations of the Securities and Exchange Commission announcements (as well as requirements of the Capital Market Supervisory Board and Exchange) or not. In addition, the Board of Directors have to monitor all the disclosure requirements relating to the transactions (and acquisition or disposition of assets) of the company. Their job is to strictly investigate the compliance (of transactions and assets) with the accounting standards set by the Association of Accountants.

In addition, the company may assign the Audit Committee or independents experts to examine and comment on the appropriateness of the price strategies as well as reasonableness of the transactions. The results of the investigations will be disclosed in the form of financial statement notes in Annual Report Form (Form 56-1) and annual reports (Form 56-2). These forms have been audited or reviewed by the auditors of the company.

### **Internal control**

The company focus more on the importance of internal control system for both management and operational levels, and it has the power to determine the scope and authority of the internal processes. Implementation of such control property will benefit the company the most. Some of the benefits of the internal control includes: the separation of the approved responsibilities, recording transactions and data information, and storing and evaluating the assets separately. To achieve a balance between the validity and integrity of the system, financial department of the company provides financial reports to the managing director in charge. On the other hand, the Internal Audit Department is responsible for monitoring the internal control system, as well as providing reports directly to the audit committee.

The company is aimed to target all the business operations clearly in terms of measurable operational tasks. To do this, management level compares the actual performance (of the sections) with the defined goals on a monthly basis. Moreover, there will be an assessment of the risk factors, both externally and internally, within the operational tasks. The company also determines, analyzes, and tracks all the risk factors including measures to reduce risk as well. Sometimes the company may hire and assign the relevant agencies to identify the risks by making progress reports to the Board at the end.

### **3. Meeting of the Board**

Based on the Company's policy, the Board of Directors must meet each other at least once every three months. However, some additional or special meetings may be necessary in exceptional cases. Each meeting or conference contains a very clear agenda about the meeting, and the initial notice of the meeting (with relevant details) is informed to members in advance. This way, the Board of Directors have enough time to study the agenda before the meeting including the timetable, the note speakers, and those involved accountable to make a presentation in the meeting.

In both years 2012 and 2013, the Company's Board of Directors members met each other 13 times per year (i.e., 13 meeting in each year). More details about the attendance of each director are as follows:

List of Committee Names	Numbers in attending the meeting/ Total meetings	Numbers in attending the meeting/Total meetings
	2012	2013
1. Mrs. Duangphorn Sucharittanuwat*	2/13	13/13
2. Mr. Min Intanate*	2/13	12/13
3. Mr. Thienchai Srivichit	13/13	13/13
4. Mr. Sompon Aketerajit	13/13	13/13
5. Mr. Wilson Teo Yong Peng***	2/13	2/13
6. Police General Jate Mongkolhutthi*	2/13	13/13
7. Mr. Prakob Visitkitjakarn	13/13	13/13
8. Mr. Suthud Khancharoensuk**	-	8/13

Remarks \*On 21<sup>st</sup> of November 2013, a director was appointed by the Board of Directors through the meeting (11/2555).

\*\* On 10<sup>th</sup> of April 2013, a director was appointed by the Board of Directors through the meeting (4/2556).

\*\* On 10<sup>th</sup> of April 2013, Mr. Wilson Teo Yong Peng resigned from the directorship of the company.

### **4. Remuneration of Directors and Executives**

The company has determined remuneration for the directors and executives at an appropriate level, which is sufficient to retain competent directors and executives. While it avoids paying excessive remuneration, it remains the rate at the level comparable to companies in the same group of industry. Factors to be considered include experience, obligations, appraisal and scope of roles and responsibilities. The remuneration payment of the directors must be approved by the company's shareholders. For remuneration of executives, it will be in accordance with principles and policies as determined by the Company's Board of Directors in which the consideration will be made based on duties, responsibilities, performance of each executive, and operational performance of the company.

### **5. Development of Directors and Executives**

Board of Directors has set a policy to promote and facilitate the training and education of the personnel involved in the governance of the company, including the committee, audit committee, management and the company's secretary. The main objective of the company was to provide continuous operational improvements by means of courses taught in Thai Institute of Directors Association: IOD.

## **6. Monitoring the Use of Internal information**

- The directors, management and employees of the company are prohibited to reveal the confidential and/ or private data about the company. The reason is to stop the personnel to disclose or seek benefits for themselves or for the benefit of any other person, whether directly or indirectly and whether they received benefits or not.

- The directors, management, employees, spouse, and children of the staff of the company are prohibited to use some internal data (not publish to the public yet) because it may affect the price of the securities of the company. Knowing such kind of information has potential risk to let the people take advantage of buying, selling, offering, or persuading others to do business with the securities of the company, whether directly or indirectly, or whether such action is done for the benefit of themselves or others, or to allow others to do so by their benefits. Obviously, the risk is only when the data have been made public yet. Any violation of such terms will be punished by disciplinary measures of the company.

- The company has informed the executives about the securities report of the company and also identified to their spouses and underage children. More details about the conditions and possibilities of violation of the personal/sensitive information are discussed in Section 59 of the Securities and Exchange Commission.

- The Company has defined the rules in not allowing the board, committee, employees, spouse and children of staffs sell or buy securities during the period of 1 month prior to the public disclosure of financial statements.

The Company will inform the executive officers and employees of the company to know about the above requirements

## **7. Personnel**

Number of employees by 31<sup>st</sup> of December 2013 in the company (exclude team management 6 persons) is detailed as below:

Department	Number of Employees
1. Sales and Marketing	5
2. Accounting and Service	2
3. Credit	1
4. Operation	8
5. Internal Audit	1
<b>Total</b>	<b>17</b>

- Labor dispute
- NON

1. Board of Directors and Management

Name and Position	Age	Qualifications	Working Experience for the last 5 Years			
			Year	Position	Company Name	Business Type
Mrs. Duangphorn Sucharittanuwat Chairman of the Board and Chairman of the Audit Committee	61	Master of Business Administration, Thammasat University	2013-Present	Chairman of the Board and Chairman of the Audit Committee	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
		Bachelor of Accountancy, Chulalongkorn University (Second Class Honors)	2014-Present	Director	The Foundation of The 50 <sup>th</sup> Anniversary Mahavajiralongkorn Hospital	Selling cosmetics and fashion items, ladies costumes gents costumes and children, Food and household equipment.
		Certified public Accountant	2013-Present	Audit Committee	I.C.C. INTERNATIONAL PCL.	
		Director Certification Program (DCP) (8/2001)				
		Refresher Course DCP (DCP) (3/2006)	2010-Present	Director	World Buddhism Television (WBTv)	
		Role of the Chairman Program (RCP) (19/2008)	2006-Present	President/Consultant	The Foundation of substance, battle robots	
		Audit Committee Program (ACP) (38/2012)	2005-Present	The Energy Committee	The Thai Chamber of Commerce	
			1997-Present	Director and Treasurer	Thailand Management Association	
			2012-2013	Director and Treasurer	Srisangwan school for the disabled Foundation	Promote and accelerate industrial development of the developing countries, especially.
			2011-2012	Director	United Nations Industrial Development Organization (UNIDO)	Commercial banks

Name and Position	Age	Qualifications	Working Experience for the last 5 Years			
			Year	Position	Company Name	Business Type
			2002-2012	Senior Executive Vice President	CIMB Thai PCL.	Commercial banks
			2001-2011	Chairman of the Board	CIMB-Principal Asset Management Company Limited	
Mr. Min Intanate Vice Chairman (Authorized Director to be tied to the company)	58	Ph.D. in Law (Honorary), Dominican University of California, USA (2010)	2012-Present	Vice Chairman	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
		Ph.D. in Science (Honorary), Information Technology for Management, Mahasarakarm University	2013-Present	Director and Chief Executive Officer	SVOA PCL.	As a supplier of computers and peripherals.
		Bachelor (Honorary) of Science, Computer Science, Faculty of Engineering and Agricultural Technology, Rajamangala University of Technology	2011-Present	Chief Executive Officer and Director	SPVI PCL.	Agent Apple branded products.
			2008-Present	Director	ABIKS Development Co.,Ltd.	Office building for rent.
		Bachelor of Architecture, Fu Hsing Institute of Technology (Taiwan)	2006-Present	Director	D&B (Thailand) Co.,Ltd.	Providing business information, counselling and business risk analysis.
		Director Accreditation Program (DAP) (36/2005)	2000-Present	Director	National Credit Bureau (NCB)	Data provider credits.
		Role of the Chairman Program (RCP) (12/2005)	1996-present	Director and Executive Chairman	IT CITY PCL.	Sells office equipment/telecommunication services.



Name and Position	Age	Qualifications	Working Experience for the last 5 Years			
			Year	Position	Company Name	Business Type
			1995-present	Director	Core & Peak Co.,Ltd.	Brokers in organizing work advertising.
			1995-present	Director and Executive Chairman	Business Online PCL.	Corporate information business news information services, large database administration services and save on electronic media, counseling and business risk analysis service.
			1989-present	Director and Executive Chairman	ARIP PCL.	Production and distribution of publications Digital media and other media, as well as organizing exhibitions and fairs.
			1987-present	Director	Advance Research Group Co.,Ltd.	Software consultancy and supply the software, research information about the business, industry research.
Mr.Thienchai Srivichit Director (Authorized Director to be tied to the company)	81	The Institute of Chartered Accountants in England & Wales, London	2006-Present	Director	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
		Director Accreditation Program (DAP) (36/2005)	1997-Present	Director	IT CITY PCL	Sells office equipment/telecommunication services.
		Role of the Chairman Program (RCP) (18/2008)	1993-Present	Chairman of the Board	SVOA PCL.	As a supplier of computers and peripherals.
		Chairman Forum (R-CF) (1/2012)				
Mr.Sompon Aketerajit Chief Executive Officer and Director (Authorized Director to be tied to	51	Master of Science in Accounting, Thammasat University  BA, Accounting (Costing),	2006-Present	Chief Executive Officer and Director	LEASE IT PCL.	Lease/loan service, hire-purchase and transfer of credit claims as well as with other financial services such as loans guarantee supply, project loans and services supply.

Name and Position	Age	Qualifications	Working Experience for the last 5 Years			
			Year	Position	Company Name	Business Type
the company)		Chulalongkorn University	2007-2012	Director	SVOA PCL.	As a supplier of computers and peripherals.
		Director Accreditation Program (DAP) (15/2004)	2007-2012	Chairman of the Board	Asys Computer Co.,Ltd.	Sales of computer parts and related accessories.
Police Lieutenant General Jate Mongkolhutti Audit Committee	60	Master's degree, Faculty of law, Chulalongkorn University	2012-Present	Audit Committee	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
		Director Accreditation Program (DAP) (8/2004)				
		Audit Committee Program (ACP) (14/2006)	2011-Present	Advisor to the Board	National Credit Bureau (NCB)	Data provider credits.
			2011-Present	Director	The Government Housing Bank	Commercial banks
		Finance for Non-Finance Directors (FND) (30/2006)	1999-Present	Audit Committee	Sino-Thai Engineering & Construction PCL.	Engaged in the business of construction work of all kinds is divided into 2 major categories: civil and mechanical work.
		Directors Certification Program (DCP) (117/2009)	1999-Present	Audit Committee	STP & I PCL.	Business Fabrication, assembly and pipe welding, assembly factories. And other steel products processing.
			2006-2011	Director	The Government Savings Bank	Commercial banks
			2007-2009	Director	The Liquor Distillery Organization	
Mr. Prakob Visitkitjakarn Audit Committee	72	Master of Business Administration (Finance), Indiana University, USA	2012-Present	Audit Committee	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance

Name and Position	Age	Qualifications	Working Experience for the last 5 Years			
			Year	Position	Company Name	Business Type
		Chartered Director Class (R-CDC) (3/2008)				
		Directors Certification Program (DCP) (33/2003)	2009-Present	Chairman of Audit Committee	ARIP PCL.	
		Role of the Chairman Program (RCP) ( 5/2001)	1997-Present	Chairman of Audit Committee	Sri Trang Agro-Industrial PCL.	
		Monitoring Fraud Risk Management (MFM) (1/2009)	1999-2011	Chairman of Audit Committee	Siam City Cement PCL.	
		Monitoring of the Quality of Financial Reporting (MFR) (8/2009)				
		Audit Committee Program (ACP) (27/2009)				
Mr. Suthud Khancharoensuk Audit Committee	55	Master of Business Administration, Thammasat University	2013-Present	Audit Committee	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
		Director Accreditation Program (DAP) (15/2004)	Present	Director	Rayong Purifier Public Company Limited	Production and distribution Petroleum and petrochemical products, including fuel oil, diesel fuel and chemicals.
			Present	Director	SCT PETROLEUM Co.,Ltd.	Wholesale fuel

Name and Position	Age	Qualifications	Working Experience for the last 5 Years			
			Year	Position	Company Name	Business Type
			Present	Director	SCT Sahapan Co.,Ltd.	Services, construction, demolition and renovation of office buildings, service stations, oil and gas.
			Present	Director	Pure Silica Mining Co.,Ltd.	Wholesale fuel
			Present	Director	Jatujak Oil Co.,Ltd.	Dealers and other suppliers of gasoline and oil.
			Present	Director	Thai Quad Mining Co.,Ltd.	Wholesale fuel
			Present	Director	Totsatit Logistics Co.,Ltd.	Wholesale fuel
			Present	Director	RPC Management Co.,Ltd.	Wholesale fuel
			Present	Director	Pure The Energy Co.,Ltd.	Service stations selling gasoline
			Present	Director	Pure Biodiesel Co.,Ltd.	Production and distribution of biodiesel oil
			Present	Director	Jaturatis Transport Co.,Ltd.	Fuel
			Present	Director	Petro Instruments Co.,Ltd.	Import and repair of electronics equipment, tools and machinery.
Mrs. Runnapa Ogas Assistant Managing Director	49	Master's degree, Business Administration, Ramkhamhaeng University	2006-Present	Assistant Managing Director	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
Mr. Teerawat Khammuang The General Manager	41	Bachelor's degree, Marketing, Ramkhamhaeng University, Dhurakij Pundit University	2007-Present	The General Manager	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance

Name and Position	Age	Qualifications	Working Experience for the last 5 Years			
			Year	Position	Company Name	Business Type
Ms. Piyanan Mongkol Assistant Manager – Credit Control	40	Master's degree, Industrial Economics, School of Development Economics, National Institute of Development Administration	2006-Present	Assistant Credit Manager	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
Mr. Riththigrai Bunthoathook Assistant Manager – Sales and Marketing	42	Bachelor's degree, Management, Faculty of Fine Arts, Suan Dusit Rajabhat University	2008-Present	Manager Sales and marketing department.	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
			2007-2008	Research Officer	Thai national industry funding Corporation	State financial institutions are providing financial assistance to small and medium industrial enterprises. And to encourage and support entrepreneurs.
			2000-2007	Research Assistant credit.	Bank of Ayudhya PCL.	Commercial banks
Ms. Cattaleeya Jongsawat Financial Controller	40	Bachelor's degree, Accounting (Financial), University of the Thai Chamber of Commerce	2011-Present	Financial Controller	LEASE IT PCL.	Leasing, Hire Purchase, and Factoring including other financial services such as Bid Bond Project Backup Financing, and Trade Finance
			2010-2011	Manager Accounts and Finance	Siam Bangkok Market Co.,Ltd.	Function display
			2005-2008	Accounting Manager	Star River Garment Factories Co.,Ltd.	All garment types, including import-export

## 9. Corporate Social Responsibility (CSR)

Lease IT Company Limited is committed to provide appropriate corporate governance processes (with respect to society and the environment) by setting clear guidelines for managers and employees to conform. In order to attain the principles of appropriate governance, strict ethical transparency need to be verified.

### 9.1 Policy Overview

The Company has defined operational framework based on the management philosophy, mission and vision.

#### Mission

Activating alternative funding sources outside the financial sector (Non Bank) so as to create opportunities for entrepreneurs, small and medium enterprises (SME) to have access to capital in the business. Ultimately leading to higher levels of relationship as partners (True Financial Partner).

#### Vision

Committed to be the business leader of a non-financial (Non Bank) institute for developing financial products continuously in order to satisfy the customer needs with different variety of clients / partners. Especially to support funding throughout the business cycle (Full range services) and all types of product lines (Full range).

The company is committed to conduct its business with transparency. Anti-bribery and anti-corruption are defined as the main policy, or better said "Code of Conduct" of the company. A code of conduct is a set of rules outlining the responsibilities of or proper practices for an individual, party or organization. Related concepts include ethical, honor and moral codes. Accordingly, directors, management and employees are required to comply with the Code of Conduct. Every single transaction through the company is exempted from being involved in paying/offering bribes to other parties (or other agencies in all forms), whether the deviation from the Code of Construct is conducted directly or indirectly. On the contrary, the company is highly encouraged to join the practices that will benefit all parties, or profit the operations of the company legally and safely. In the past and up to this point, the company has never ever faced any reports or complaints concerning bribery and corruption violations.

Moreover, the company aims to expand basic human rights in terms of promoting respect for the rights and freedom of every individual through non-discrimination and anti-racist values. The concept of non-discrimination includes equality with respect to gender, social class, religion, or political beliefs of people. The company freely accepts and tolerates those who think and believe in different ways. However, the company does not merely focus on the promotion and protection of human rights. But it also emphasizes on the moral and ethical policies for all the employees involved with the company. The rights for freedom of speech and expression of ideas also are fully considered under the company's policy. As an instance, it is important for the company to respect the all rights of stakeholders equally. Beyond of that, the company takes social and ethical responsibility towards all its business operations in addition to different groups of people including customers, employees, investors, shareholders, stakeholders, board of directors, management, corporate governance team, and even the environment.

Considering the concept of wage or salary, the company provides an opportunity for employees to grow fairly, without any discrimination or bias throughout the payment process. To achieve such goals, some structural changes were implemented in order to let the company's point of reference (i.e., including laws and regulations relating to labor regulations) be compatible with the Code of Conduct policy. Consequently, implementation of such



values resulted in establishment of a good working environment, providing the appropriate welfare for everyone, in the company.

Moreover, the company focuses on providing services in such good ways that result in the utmost satisfaction of the clients. To achieve such goal, customers need to receive detailed product risk-return terms correctly and appropriately. Similarly, the company must be sincere to handle the customer complaints including trying to fix the defects that probably are caused by the service.

The company's environmental policy encourages all the employees to adhere strictly to work with social responsibility while taking into account the environmental activities for public (as well as providing comprehensive social care for stakeholder groups). Some environmental management issues in the workplace include safety, environment and facilities for employees and customers.

## **9.2 Implementation and Report Preparation**

The company focuses on operations and disclosure standards for preparation of financial reporting (as well sensitive information such as financial position and results of operations). The Company's policy is to develop the governance structure and information as required by law or regulation. To do this, the company used to disclose its annual report (Form 56-2), annual statement (Form 56-1), etc., to the public and stakeholders with accurate, complete, transparent, equitable. The rules and regulations should be regulated by some agencies such as the Stock Exchange of Thailand.

## **9.3 Business Practices Affecting Social Responsibility**

The company focuses on the importance of business operations that potentially affect the society. Therefore, the company allocated a lot of efforts to good governance to all of managers and employees. As a result of that, within last year, no records of any dispute and violation of law or operation were reported. Similarly, no complaints or alleged negative effects on society and environment were verified and registered.

## **9.4 Activities that benefit society and the environment**

Employees have jointly established "Computers for Kids" project which its main purpose is to promote education for those students who are poor (and deprived of studying properly). In order to support teaching and learning in schools, the "Computers for Kids" project was started in year 2012 at Wat Wong Phat School in Ang Thong province. The company donated a handful of computers to the school (and provided scholarships to needy students to learn better). The project also consisted of various interactions between the employees of the company and students, including hosting an afternoon party at which a light meal was served to the students. As mentioned earlier, such activities were deliberately used with the intention of supporting educational opportunities resulting in a better quality of life.

As mentioned earlier, corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business) was a form of corporate self-regulation integrated into the business model of the company. CSR policy functions are built to achieve continuity through the following procedures:

- To take continuous action.
- To link the various projects and activities together.
- All employees are required to participate in the activity.
- To build a network, such as CSR partner involvement of partners and so on.

## 10. Internal Control and Risk Management

In the board meeting on the 15<sup>th</sup> of July 2013 (3/2013), 4 audit committees attended the meeting. They evaluated the adequacy of the internal control system of the company through making inquiries from executives. As a result of that, they concluded that the evaluation of the internal control system of the Company includes 5 parts as follows:

1. Organizational Control and Environmental Measures
2. Risk Management Measure
3. Management Control Activities
4. Information and Communication Measure
5. Monitoring

The majority of the members of Board of Directors were agreed upon developing an internal system which controls transactions with major shareholders, directors, executives or related persons sufficiently, adequately and appropriately.

### 10.1 Actions about the Company's Internal Control System

The Company's Audit Committee acts as a unit which is deeply involved in handling of internal control and internal audit appropriately and effectively. Moreover, the unit has the responsibility to review the performance of the company (according to the Securities and Exchange Commission) as well as reviewing all the regulations and laws relating to the company's business. The members of the Audit Committee have to meet each other (at least every quarter) in order to consider or take action against correct financial reporting and disclosures of the company, such as those transactions that may have conflict of interest in accordance with the laws and regulations of the Capital Market Supervisory Board. In some cases, exchange auditors may attend such meetings to make observations of the auditors of the company.

To make sure the internal control system of the company is effective. The internal audit department is responsible for preparing a report on the assessment and monitoring of internal controls of the company. The report is directly sent to the Audit Committee (on a quarterly basis). The company takes the actions to correct and improve the operations in various departments according to the recommendations of internal auditors.

### 10.2 Observations of Internal Audit on Internal Controls of the Company

Internal audit department has been monitoring the management system core areas by providing feedback to the company. In practice, the internal audit department leads to improve the quality of internal audits continuously by increasing the checks and balances (Check and Balance) on every control system. The internal audit department conducted a follow-up check-in on systems of Q4 2012 (4<sup>th</sup> quarter of the year) to Q3 2013 (3<sup>rd</sup> quarter of the year). The results of such investigation of internal audit on internal controls could provide good detections and recommendations for the company to revise various issues successfully.

## 11. Connected Transactions

### Opinions of the Audit Committee

The Company's Audit Committee has considered information concerning the related transactions and opined that such related transactions were reasonable and were transactions which occurred as per market prices or fair prices and there were no differences from selling and purchasing from other third parties.

- **Necessities and reasonableness of related transactions**

Operations concerning the related transactions were necessary and reasonable for the maximum benefits of the Company and were as per normal business

- **Procedures on approval of related transaction**

For procedures on approval of related transaction in the future, the Company shall comply with the laws on securities and securities exchange including regulations, announcements, orders or requirements of the Stock Exchange of Thailand. Any transactions which the director or other person may have conflict of interest with the Company has been stipulated in the connected transactions and acquisition and disposal of assets of the Company, except when it is an approval of transaction in the nature course of the business of the Company. In addition, the Company has specified approval authorization rights clearly.

- **Trends of related transactions in the future**

The Company expected that such related transactions shall continue to occur in the future because the related transactions of the Company and the person who may have conflict of interest shall be as per normal business practices of the Company. In addition, the Company has appointed the Audit Committee to Audit and consider the disclosure of information of related transactions which may have conflict of interest so they shall be correctly and completely be in accordance to the law on securities and securities exchange including regulations, announcements, orders or requirements of the Stock Exchange of Thailand as well as compliance with the regulations related to disclosure of information on connected transactions and acquisition or disposal of assets and in accordance with the generally accepted accounting standards specified by the Federation of Accounting Professions.

- **Policy on Conflict of Interest**

The Company has established measures to prevent conflict of interest that may arise from related transactions of the Company and persons who may have conflict of interest. The Executives and Stakeholders are not allowed to take part in the approval of those transactions. The Company's Board of Directors must ensure that the Company has complied with the Securities and Exchange Act, and regulations, notifications regarding the disclosure of related transactions, the acquisition or disposition of significant assets of the Company, and the accounting standards prescribed by the Federation of Accounting Professions.

In addition, the Company will provide the audit committee or auditors or independent specialist as the case may be, to review and give opinion on the suitability of prices and justification of transactions, and will disclose related transactions in the notes to the financial statements that have been verified or reviewed by the Company's Auditors, annual information reporting form (56-1) and annual report (56-2).

## **12. Financial Position and Results of Operations**

### **12.1 Financial Statements**

#### **12.1.1 The audit report**

(a) Fiscal year 2011 audited by Ms.Siriwan Surataepin, CPA No. 4604 of Ernst & Young Company.

In December 31, 2011, the auditor audited the financial statements of the company. The results of the operations audit for the year ended up with the conclusion that everything has worked properly as it should according to the matter of financial statement for a disinterested public. The company edited financial statements in December 31, 2010 and end at the same day of next year in order to reflect some changes in accounting policies due to the adoption of financial reporting standards.

(b) Fiscal year 2012 audited by Ms.Siriwan Surataepin, CPA No. 4604 of Ernst & Young Company.

The auditor audited the financial statements of the company. The financial statements was reported that as of December, 31 2012 the operations and cash flows for the year end were correct and complete according to the matter of financial statement standards.

(c) Fiscal year 2013 audited by Ms.Siriwan Surataepin, CPA No. 4604 of Ernst & Young Company.

The auditor audited the financial statements of the company. The financial statements was reported that as of December, 31 2013 the operations and cash flows for the year end were correct and complete according to the matter of financial statement standards. The explanatory paragraph described about the adoption of accounting report issue number 12, "Income Taxes" for practical, the company edited financial statements in December 31, 2012 and showed the comparative data to reflect changes in accounting policy. In addition the company presented statement of financial position as at January 1, 2012 for a comparison using such accounting policies as well.

## 12.1.2 Summary of Financial Information

### Lease IT Public Company Limited

#### Statements of Financial Position

(Unit : Million Baht)

	2011		2012		2013	
	MB	Percent	MB	Percent	MB	Percent
<b>Assets</b>						
<i>Current assets</i>						
Cash and cash equivalents	13.84	2.97	13.61	2.24	9.91	1.45
Trade and other receivables	32.12	6.89	53.42	8.77	60.49	8.82
Current portion of account receivables						
- Financial lease receivables	80.23	17.22	111.57	18.33	142.20	20.74
- Hire-purchase receivables	57.94	12.44	55.87	9.18	48.03	7.01
- Factoring receivables	166.72	35.79	145.56	23.91	138.29	20.17
- Loan receivables	-	-	94.74	15.56	126.74	18.49
- Refundable input tax	5.84	1.25	5.33	0.88	4.96	0.72
Other current assets	2.33	0.50	1.82	0.30	3.74	0.55
<b>Total current assets</b>	<b>359.02</b>	<b>77.07</b>	<b>481.92</b>	<b>79.15</b>	<b>534.36</b>	<b>77.94</b>
<i>Non-current assets</i>						
Restricted bank deposits	10.17	2.18	12.44	2.04	19.37	2.83
Factoring receivables - net of current portion			5.41	0.89	6.39	0.93
Financial lease receivables - net	83.05	17.83	89.66	14.73	97.76	14.26
Hire-purchase receivables - net	12.21	2.62	15.26	2.51	18.81	2.74
Equipment	0.28	0.06	1.62	0.27	5.25	0.77
Intangible assets	1.12	0.24	0.96	0.16	0.87	0.13
Deferred tax assets	-	-	1.57	0.26	2.73	0.40
<b>Total non-current assets</b>	<b>106.83</b>	<b>22.93</b>	<b>126.92</b>	<b>20.85</b>	<b>151.18</b>	<b>22.05</b>
<b>Total assets</b>	<b>465.85</b>	<b>100.00</b>	<b>608.84</b>	<b>100.00</b>	<b>685.54</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>						
<i>Current liabilities</i>						
Bank overdrafts and short-term loans from banks						
Current portion of Bank overdrafts and short-term loans	259.37	55.68	378.00	62.09	356.41	51.99
- Current portion of long-term loans from banks	10.21	2.19	4.77	0.78	28.07	4.09
- Current portion of undue output tax	10.11	2.17	12.05	1.98	13.95	2.03
Trade and other payables	10.29	2.21	2.56	0.42	7.01	1.02
Income tax payable	3.24	0.70	4.41	0.72	4.19	0.61
Cash receipt awaiting for return to factoring receivables and financial lease receivables	12.12	2.60	24.06	3.95	14.30	2.09
Other current liabilities	6.55	1.41	10.38	1.70	32.16	4.69
<b>Total current liabilities</b>	<b>311.89</b>	<b>66.95</b>	<b>436.23</b>	<b>71.65</b>	<b>456.10</b>	<b>66.53</b>
<i>Non-current liabilities</i>						
Long-term loans from banks – net of current portion	4.77	1.02	-	-	17.64	2.57
Guarantee received from factoring receivables	10.18	2.18	10.35	1.70	10.27	1.50
Provision for long-term employee benefits	1.38	0.30	1.57	0.26	2.74	0.40
Undue output tax - net of current portion	6.93	1.49	7.43	1.22	8.37	1.22
<b>Total non-current liabilities</b>	<b>23.26</b>	<b>4.99</b>	<b>19.35</b>	<b>3.18</b>	<b>39.03</b>	<b>5.69</b>
<b>Total liabilities</b>	<b>335.15</b>	<b>71.94</b>	<b>455.58</b>	<b>74.83</b>	<b>495.18</b>	<b>72.23</b>

**Lease IT Public Company Limited**  
**Statements of Financial Position (continued )**

(Unit : Million Baht)

	2011		2012		2013	
	MB	Percent	MB	Percent	MB	Percent
<u>Shareholders' equity</u>						
Share capital						
Registered	200.00	42.93	200.00	32.85	200.00	29.17
Issued and fully paid-up	100.00	21.47	100.00	16.42	116.00	16.92
Share premium					8.00	1.17
Retained earnings						
Appropriated - statutory reserve	1.66	0.36	2.57	0.42	4.16	0.61
Unappropriated	29.04	6.23	50.69	8.33	63.00	9.19
Other elements of the shareholders					(0.75)	(0.11)
<b>Total shareholders' equity</b>	<b>130.70</b>	<b>28.06</b>	<b>153.26</b>	<b>25.17</b>	<b>190.41</b>	<b>27.78</b>
<b>Total liabilities and shareholders' equity</b>	<b>465.85</b>	<b>100.00</b>	<b>608.84</b>	<b>100.00</b>	<b>685.54</b>	<b>100.00</b>

**Statement of comprehensive income**

(Unit : Million Baht)

	2011		2012		2013	
	MB	Percent	MB	Percent	MB	Percent
Interest income *	49.07	70.47	65.12	69.56	73.55	70.28
Fees and service income	8.14	11.69	14.37	15.35	18.43	17.61
Other income	12.42	17.84	14.13	15.09	12.67	12.11
<b>Total revenues</b>	<b>69.64</b>	<b>100</b>	<b>93.61</b>	<b>100</b>	<b>104.65</b>	<b>100</b>
Expenses	7.29	10.46	7.88	8.42	9.15	8.74
Selling expenses	13.56	19.47	16.16	17.26	24.58	23.49
Administrative expenses	1.77	2.54	2.34	2.5	4.5	4.3
<b>Total expenses</b>	<b>22.62</b>	<b>32.48</b>	<b>26.38</b>	<b>28.18</b>	<b>38.22</b>	<b>36.52</b>
<b>Profit before finance cost and income tax expenses</b>	<b>47.02</b>	<b>67.52</b>	<b>67.23</b>	<b>71.82</b>	<b>66.42</b>	<b>63.47</b>
Finance cost	(21.55)	30.94	(25.95)	27.72	(26.31)	25.14
<b>Profit before income tax expenses</b>	<b>25.47</b>	<b>36.58</b>	<b>41.28</b>	<b>44.09</b>	<b>40.11</b>	<b>38.33</b>
Income tax expenses	(7.29)	10.47	(9.41)	10.06	(8.01)	7.65
<b>Profit for the year</b>	<b>18.18</b>	<b>26.11</b>	<b>31.86</b>	<b>34.04</b>	<b>32.10</b>	<b>30.67</b>

The interest income in year 2011 did not match the financial statements due to the adjustment of interest income to other types of income for comparison.



## Cash flow statement

(Unit : Million Baht)

	2554	2555	2556
<b>Cash flows from operating activities</b>			
Profit before tax	25.47	41.28	40.11
Adjustment to reconcile profit before tax to net cash provided by (paid from) operating activities:			
Depreciation and amortisation	0.24	0.32	0.67
Allowance for doubtful trade and other receivables (reversal)	1.77	2.06	4.5
Provision for long-term employee benefits	0.19	0.19	0.23
Loss on disposal of fixed assets	-	0.02	-
Interest expenses	18.66	25.95	26.31
Amortisation of deferred interest income under the financial lease and hire-purchase agreements	(28.82)	(33.20)	(34.68)
<b>Profit from operating activities before change in operating assets and liabilities</b>	<b>17.5</b>	<b>36.62</b>	<b>37.15</b>
<b>Operating assets (increase) decrease</b>			
Trade and other receivables	(6.37)	(21.30)	(7.83)
Factoring receivables	(61.87)	13.68	3.99
Financial lease and hire-purchase receivables	31.85	(5.73)	(1.14)
Loan receivables	-	(94.74)	(32.05)
Other current assets	2.29	1.02	(1.55)
<b>Operating liabilities increase (decrease)</b>			
Trade and other payables	(11.42)	(7.73)	4.45
Other current liabilities	5.87	16.98	13.34
Other non-current liabilities	0.87	0.67	0.87
<b>Cash flows from (used in) operating activities</b>	<b>(21.29)</b>	<b>(60.52)</b>	<b>17.22</b>
Cash paid for interest expenses	(18.61)	(25.22)	(25.74)
Cash paid for corporate income tax	(6.86)	(8.21)	(9.20)
<b>Net cash flows used in operating activities</b>	<b>(46.77)</b>	<b>(93.95)</b>	<b>(17.72)</b>
<b>Cash flows from investing activities</b>			
Increase in restricted bank deposits	(0.07)	(2.26)	(6.94)
Purchase of equipment and intangible assets	(0.73)	(1.53)	(4.20)
<b>Net cash flows used in investing activities</b>	<b>(0.80)</b>	<b>(3.79)</b>	<b>(11.14)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in bank overdrafts and short-term loans from banks	59.9	118.63	(21.59)
Cash received from long-term loans from banks	2.69	(10.21)	(40.95)
Cash received from additional ordinary shares	-	-	24.00
Dividend paid	(7.28)	(10.91)	(18.20)
<b>Net cash flows from financing activities</b>	<b>55.31</b>	<b>97.51</b>	<b>25.16</b>
<b>Net decrease in cash and cash equivalents</b>	<b>7.74</b>	<b>(0.23)</b>	<b>(3.70)</b>
Cash and cash equivalents at beginning of the year	6.09	13.84	13.61
<b>Cash and cash equivalents at end of the year</b>	<b>13.84</b>	<b>13.61</b>	<b>9.91</b>

### 12.1.3 Summary of Key Financial Ratios.

Financial Ratio	2011	2012	2013
<b>Profitability Ratio :</b>			
Net Profit Margin (%)	26.11%	34.04%	30.67%
Return on Equity (%)	14.52%	22.44%	18.64%
Interest Rate Spread (%)	6.78%	9.26%	9.86%
<b>Efficiency Ratio :</b>			
Interest Income To Asset Ratio (%)	8.28%	9.96%	10.15%
Return on Assets (%)	4.22%	5.93%	4.96%
Current Ratio (Times)	0.16	0.17	0.16
<b>Financial Ratio</b>			
Debt to Equity Ratio (Times)	2.56	2.97	2.59
Total Credit to Total Financing Ratio (%)	1.48	1.41	1.42
<b>Asset Quality Ratio</b>			
Allowance for Doubtful account to Total Credit Ratio (%)	0.72	1.18	1.75
Bad Debt to Total Credit to Total Credit Ratio (%)	0.26	0.05	0.0002

### 13. Description, Analysis, Results of Operations, and Financial Position

#### 13.1 Overview of Operating Results

A business cycle includes a wide range of financial products line. As a result, the operating outcomes of the company have been growing steadily. The total income of the company in year 2012 reached to number of 93.61 million Baht and increased in 2013 which was 104.65 million Baht. Year 2012 represented a growth rate in terms of total income, having 34.42 percent increase compared with its previous year. Year 2013 also represented a growth rate in terms of total revenue, having 11.79 percent increase compared to year 2012.

##### (a) Revenue

The company's revenue in 2013 consisted of interest income, fees and service income, and other sources of income which accounted to 70.28 percent, 17.61 percent, and 12.11 percent, respectively. As you consider, interest income is the main provider of income for the company.

Interest income consists of providing loans, finance leases, hire purchase, factoring, and project backup financing services. All the changes within interest income of different products for the years 2012 and 2013 are shown as follows:

Interest Income	2013		2012		Change	
	Percent	Thousand Baht	Percent	Percent	Thousand Baht	Percent
- Financial lease	25,937	35%	23,262	36%	2,674	11%
- Hire purchase	8,744	12%	9,937	15%	-1,193	-12%
- Factoring	22,129	30%	21,812	33%	316	1%
- Loan agreement	16,737	23%	10,107	16%	6,630	66%
<b>Total Interest Income</b>	<b>73,546</b>	<b>100%</b>	<b>65,118</b>	<b>100%</b>	<b>8,427</b>	<b>13%</b>

As shown in the above table, in year 2013 the ratio of interest income in terms of long-term loans consisted of the finance leases (35 percent) and the hire purchase (12 percent). Total of interest income in terms of long-term loans was 47 percent. Interest income in terms of short-term loans consisted of the factoring (30 percent) and the loan agreement (23 percent). Total of interest income in terms of short-term loans was 53 percent. In year 2012-2013, the ratios of interest income in terms of long-term loans were 51 percent and 47 percent, respectively. The ratios of interest income in terms of short-term loans were 49 percent and 53 percent, respectively. It was clear that the ratio of interest income of each type of loans was not significant different.

Interest income obtained from financial leases was increased to 11 percent compared with the previous year. The company must have a long-term source of income adequately and consistently, the company set a target to increase market share. Therefore, the company has increased the number of sales personnel and developing sales performance including the introduction of new clients from existing customers. As a result, the company's increase market share and expanding customer base is significantly according to the goals. However, the number of hire purchase agreement has declined steadily reaching to 12 percent of the amount of the credit agreement. Currently, the company focuses more on making a contract with corporate clients. Accordingly, due to high operating costs, the company has reduced services to individual clients since 2010 onwards. The customer who is corporate clients focuses on corporate finance lease contracts. Therefore, the company faced decrease in terms of hire purchase loan, while the number of lending financial lease contract soared up. Interest income obtained from factoring service in 2013 is still not much different than in 2012 (i.e., decreased only 1 percent). In the below table you would see that the

interest income from lending has grown noticeably (i.e., it increased to 66 percent from a year earlier) because there was a new product launch since the year 2012 and has been serving the needs of customers more efficiently. However, loans to support projects still are at high risk. Therefore, almost all customers of project backup financing service always contact with the company and they have had a good payment history. This way the company is able to reduce those types of risks. As a result of all these changes and policies, the total interest income in year 2013 faced a significant growth rate increasing to 13 percent compared to year 2012.

Fee Income/ Service Income	2013		2012		Change	
	Percent	Thousand Baht	Percent	Percent	Thousand Baht	Percent
- Leasing	26	0.1%	236	2%	-210	-89%
- Hire purchase	72	0.4%	207	1%	-134	-65%
- Factoring	4,630	25%	4,255	30%	376	9%
- Loan agreement	11,286	61%	8,867	62%	2,419	27%
- Bid bond	2,413	13%	802	6%	1,611	201%
Total	18,427	100%	14,365	100%	4,062	28%

From the table above, in 2013 the proportion of fee income and service income from long-term finance lease of leasing and hire purchase are 0.1 and 0.4, respectively. The proportion of the fee income and service income of short-term credit of factoring service, loans, and bid bond are 25, 61, and 13 percent, respectively. The proportion of fee income mainly comes from providing short-term credit to 99 percent.

The fee income and service income of the long term loan are obtained from leasing and hire purchase. Due to the change in revenue recognition policy, the number of purchases in 2013 was decreased. The fee was recognized as an effective interest basis. As mentioned earlier, the contract will charge a fee for a fixed value and will depend on the amount of credits. Therefore, the growth of net interest income and fee income will not necessarily move in the same direction. Fee income and short-term loans, and the factoring were increased by 9 percent compared with the previous year. Moreover, the number of contracts and loans were increased up 27 percent compared with the year earlier due to credit to support a new product by the company. So the growth rate was quite high increasing in line with income. The fee income of the bid bond grew sharply in 2013, since the bid bond was a new financing service of the company. The service began in 2010 and has built a customer to continue to drive for the year 2013. The company had credit facilities with banks to issue bid bond increases in order to open new channels to customers as an opportunity to compete in auctions and customer response as well. The results in a significant growth in terms of product revenue reaching to 201 percent compared with a year ago.

Other sources of revenue consisted of providing products and other income. However, other forms of income mainly comprised of interest income and delayed payment reaching to 44 percent and 56 percent, respectively, in years 2012 and 2013.

Other Income	2013		2012		Change	
	Percent	Thousand Baht	Percent	Percent	Thousand Baht	Percent
- Income from providing products	5,612	44%	8,134	58%	-2,522	-31%
- Others	7,062	56%	5,994	42%	1,068	18%
Total	12,674	100%	14,128	100%	-1,454	-10%

Revenue from the supply of goods in 2013 was decreased (compared with the previous year) by 31 percent since the product was an additional service that the company started providing this service since 2010. In 2012 the company started providing project backup financing services as one of the major product of the company. The main objective was to streamline the customer to get a loan from the company and continue to purchase products by themselves. The customers' flexibility of purchasing in a wide variety of products for the project would increase. The customer has choices to change from the provision of products and services to project backup financing services. Other revenue interest income mainly gained from the delay in payments (i.e., the interest of penalty for delay in payments). Within the last year, the rate was increased by 18 percent due to the fact that both business growth and expansion loans also were already increased significantly. Therefore, this revenue was increased.

**(b) Expenses consist of cost of sales, administrative expenses, and the financial cost**

Expense	2013		2012		Change	
	Percent	Thousand Baht	Percent	Percent	Thousand Baht	Percent
Cost of sales	9,147	14%	7,881	15%	1,266	16%
Administrative expenses	29,076	45%	18,501	35%	10,575	57%
Financial expenses	26,314	41%	25,953	50%	361	1%
<b>Total</b>	<b>64,537</b>	<b>100%</b>	<b>52,335</b>	<b>100%</b>	<b>12,202.00</b>	<b>23%</b>

Cost of sales

In year 2013 the cost of sales increased by 16 percent (compared with the previous year) because of the growth of credit in the company. The rate of growth in sales commissions also increased positively and in the same direction.

Administrative expenses

In 2013, administrative expenses were increased by 57 percent (compared with the previous year) primarily from costs related to employees and executives. There were some provisions for doubtful accounts and the cost of operations for entering to the stock exchange.

#### Allowance for doubtful accounts

The table below shows more details about the allowance for doubtful accounts (for year 2012 and year 2013) for each financial product.

Financial Products/Services (Unit : Baht)	2013	2012
<b>Products and Services</b>		
Brought forward	1,683,438	1,690,558
Plus : Allowance for doubtful accounts	760,464	156,722
Minus : Doubtful accounts	-	168,462
Carry forward	2,443,902	1,683,439
<b>Leasing</b>		
Brought Forward	-	-
Plus : Allowance for doubtful accounts	1,350,809	-
Minus : Doubtful accounts	10,552	-
Carry forward	1,340,257	-
<b>Hire Purchase</b>		
Brought Forward	-	-
Plus : Allowance for doubtful accounts	49,318	38,898
Minus : Doubtful accounts	-	38,898
Carry forward	49,318	-
<b>Factoring</b>		
Brought Forward	5,216,942	3,147,479
Plus : Allowance for doubtful accounts	2,296,444	2,069,463
Minus : Doubtful accounts	-	-
Carry forward	7,513,386	5,216,942
<b>Loan Agreement</b>		
Brought Forward	-	-
Plus : Allowance for doubtful accounts	59,965	74,917
Minus : Doubtful accounts	-	74,917
Carry forward	56,965	-
<b>Total</b>	<b>11,403,828</b>	<b>6,900,380</b>

In year 2012, the Company's allowance for doubtful accounts amounting reached to Baht 6.90 million. According to estimates the debt will not necessarily generate income in every year. Taking into account, the number months with past and current receivables are set aside at the end of the reporting period for each month.

In year 2013, the company's allowance for doubtful accounts amounting reached to 11.40 Baht million, which showed 66 percent increase compared with the previous year due to the expansion of credit (as well as adaptive provisioning guidelines provided by the Bank of Thailand). Applicable to financial institutions applied this year. On March 22, 2013, the Board of Directors' Meeting No. 3/2013 approved the basis of the allowance for doubtful accounts.

#### Financial costs

In general, financial costs interest expenses include bank overdrafts, interest on the short-term and long-term loans. In year 2013, financial costs showed a growth rate of 1 percent, due to the increase in the capital amount and decrease in MLR of the bank for long-term loan.

### (c) Net Profit

During the years 2012-2013, the Company has had an increasing net profit of 31.86 million Baht and 32.10 million Baht, respectively. The increase represents a net profit margin of 34.04 percent and 30.67 percent for the year 2013 which was a result of the boost in lending through adding various financial products (i.e., such as bid bond, providing products, hire purchase, factoring, or project backup services). The launched project finance focused on the integrated services, making the total revenues for the company increasingly and continuously. The results show that the company's net profit growth did well every year.

## 13.2 Financial Status

### (a) Assets

At the end of the year 2012-2013, the company gained total assets of 608.84 million Baht and 685.54 million Baht, respectively. The company's receivables from loans accounted for 85.90 percent, 85.09 percent of total assets, respectively.

Current assets of the years 2012-2013 were 481.92 million Baht and 534.36 million Baht, respectively. Current assets included receivables based on leasing and hire purchase of 1 year pay period, receivables based on factoring of 1 year pay period, and receivables according to lease agreements which accounted for 35.60 percent, 25.88 percent and 23.72 percent of total current assets in 2013.

Non-current assets of the years 2012-2013 were 126.92 million Baht and 151.18 million Baht, respectively. Non current assets included receivables based on leasing and hire purchase of 1 year pay period and receivables based on factoring of 1 year pay period which accounted for 77.11 percent and 4.23 percent of total non-current assets in 2013.

### Quality of Assets

The company has set guidelines to control the quality of the receivables. As mentioned earlier, accounts receivable is an asset that has the greatest proportion of the company in regard to the amount of loans. There is the policy for issuing various types of credit to the debtors of the company in order to achieve high quality debtors.

In addition, there is no significant concentration because of diverse customers and number of customers. As we consider, the usual age for all types of credit accounts have a higher rate of 90 percent in the company. It means that the company has a good quality management system.

Debtor	2013 Million baht	2012 Million baht	Increase/ (Decrease)	% Change
Financial lease	270.91	226.55	44.36	19.58
Hire purchase	72.92	76.6	(3.68)	(4.80)
Factoring	152.2	156.19	(3.99)	(2.55)
Loan	126.8	94.74	32.06	33.84
Account receivable	60.41	54.7	5.71	10.44
<b>Total</b>	<b>683.24</b>	<b>608.78</b>	<b>74.46</b>	<b>12.23</b>

\*\*Receivables from the table above show the amount before deducting allowance for doubtful accounts.\*\*\*



Financial lease receivables have been growing throughout the years 2012-2013 amounted to Baht 226.55 million and Baht 270.91 million, respectively, which shows 19.58 percent increase due to the company's focus on customer service and continuing to offer loan amounts. In another words, new customers increased finance lease receivables, which were proportionally the highest two-year average of 39 percent of total accounts receivable.

Receivables (under the lease) in the years 2012-2013 amounted to Baht 76.6 million and Baht 72.92 million, having 4.80 percent decrease, respectively. The decrease was a resultant of reducing services to retail clients as mentioned earlier.

Receivables (under the factoring) in the years 2012-2013 reached to a total of 156.19 million Baht and 152.20 million Baht, having 2.55 percent decrease, respectively, less than the previous year. The company developed a new product to meet the needs of customers as an alternative to switch them toward other products.

The company began offering project backup services in 2012. In 2012, by the expansion of the debtor under the loan contract, the money to support the existing clients—who have ever used the various products of the company—reached to 94.74 million Baht and 126.80 million Baht in 2013, having an increase of 33.84 percent, respectively.

Trade in supplier services (within the years 2012-2013) amounted to 54.70 million Baht and 60.41 million Baht, having an increase of 10.44 percent. Because products were highly profitable, therefore, the company focused on providing customer service through the main products such as providing additional services to provide integrated supply. Moreover, the client project was used continuously.

#### (b) Liquidity

(Unit : Million Baht)

Item	2013 Million Baht	2012 Million Baht	Increase/ (Decrease)
Cash flows from (used in) operating activities	(17.72)	(93.95)	76.23
Cash flows from (used in) investing activities	(11.14)	(3.79)	(7.35)
Cash flows from (used in) financing activities	25.16	97.51	(72.35)
<b>Cash and cash equivalents at end of the year</b>	<b>(3.70)</b>	<b>(0.23)</b>	<b>(3.47)</b>

In 2012, the company established new products and services including loan to support and accounts receivable. As a result, cash flow from operating activities decreased by 93.95 million baht, while the company's short-term loans (from banks) increased, and in the year 2013 the company's cash flow from operating activities such as receivables from loans amounted to 17.72 million Baht. Accordingly, cash flow from investing activities amounted to 11.14 million Baht showing an increase in assets and deposits with banks with guarantees. Moreover, cash flow from financing activities amounted to 25.16 million Baht with long-term borrowings as well as issuance of shares for sale to institutional investors.

### (c) Source of funds

During 31 December 2012 to 2013, the company has a detailed list of financial liabilities, equity shareholders, and the ratio of financial liabilities to equity shareholders as follows:

Item	2013	2012	Increase/(Decrease)	% Change
<b>Financial Debts</b>				
Short-Term Loan from financial institutions	356.41	378	(21.59)	(5.71)
Long-Term Loan	45.72	4.77	40.95	858.49
Total liabilities	402.13	382.77	19.36	5.06
Total shareholders' equity	190.41	153.27	37.14	24.23
Net cash flows	592.54	536.04	56.50	10.54
Debt to Equity Ratio (Times)	2.11	2.50		

The major capital resource of the company came from short-term loans from financial institutions. The company was at risk of interest rate fluctuations in market. However, considering short-term credit, factoring, bid bond, project backup financing, and trade finance, the company was able to adjust the interest rate or fee based on the change in financial costs. The company offered a fixed interest rate to customers for leasing and hire purchase loans. The difference between costs and interest rates offered to customers to compensate the risk of interest rate fluctuation.

#### 1. Liability

On 31st December 2012 and 31 December 2013, the company had total liabilities of 455.58 million Baht and 495.13 million Baht, respectively. The company's liabilities included bank overdrafts and short-term loans from banks. The increase in total liabilities was based on the expansion of credit to the company. On 31st December 2012 and 31 December 2013, the company's ratio of loans per loan was 1.42 times and 1.41 times, respectively. As predicted for 2 years, the ratio of loans will not vary very often. This shows that the loan will be applied to all almost loans.

#### 2. Equity Shareholders

As mentioned earlier, the company extended the creation of new products, including Project Backup Financing and Bid Bond which enabled the company to provide a more comprehensive market coverage and product/service diversity. As a result, the company's generated revenues and profits were increased every year, resulting in higher retained earnings of the company by the shareholders' equity on 31st December 2012 and 31 December 2013 with a total of 153.27 and 190.41 million Baht, respectively. In 2013, the company has issued 16,000,000 new ordinary shares of par value of Baht 1.00 per share offered to Prasit Kanjanasakchai. Eventually, through the offering price of Baht 1.50 per share, the equity shares of the company were increased.

In terms of returns to shareholders, during the years 2012-2013, the company could make a profit for its shareholders at the rate of 22.44 percent and 18.64 percent, having a yield of 57.12 percent and 59.20 percent accordingly.

### **3. Appropriate Capital Structure**

During the year 2012-2013, the company's debt to equity ratio was equal to 2.97 times and 2.59 times, respectively. The company's debt to equity ratio decreased because the company expanded credit for new products increased. The need of the company to take a loan from financial institutions also increased. However, the company could raise funds through the sale of shares to the public at that period of time. The ratio of debt to equity shareholders of the company declined, and reflected capital structure that became stronger and stronger.

#### **13.2.1 Factors Affecting the Future Operating Results**

According to the effect of increasing in capital and offer shares to the public (the Extraordinary General Meeting of Shareholders No. 5/2013 on May 7, 2013), the Board approved the allotment of shares to 84.00 million shares at par value of Baht 1.00 per share offered to the public. The proportion of selling such shares was 42.00 percent of the paid up capital after offering to the public. (Total ordinary shares were 200.00 million shares). It yielded the net profit per share and return on equity decreased 42.00 percent according to dilution effect. However, such effects were not considered the capabilities of the company, business operations and the share that may arise after the sale of shares to the public at this time.

#### **13.2.2 Remuneration of Auditors**

At the end of the fiscal year 2012, December 31, 2012, the company paid a remuneration disclosure to the auditors of the company (Audit Fee) (as well as auditors of the of Ernst & Young office) in the amount of 400,000 Baht. In return, the company has no other obligation to pay the auditors of the Office of Auditing, or any other parties related to the auditors. The 2013 Annual General Meeting of Shareholders approved the remuneration of the auditors for the year 2013 in the amount of 900,000 baht.

"Visit the link below for more detail (Form 56-1)

[www.set.or.th](http://www.set.or.th) or [www.leaseit.co.th](http://www.leaseit.co.th)"

## Audit Committee's Annual Report for the Year 2013

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To All Shareholders

The Audit Committee of Lease IT Public Company Limited (Lease IT) currently consists of 4 independent directors who are seniors in various fields such as accounting, finance, and law. The current Audit Committees are:

1. Mrs. Duangphorn Sucharittanuwat	Chairman of the Audit Committee
2. Mr. Prakob Visitkitjakarn	Audit Committee Member
3. Police General Jate Mongkolhutthi	Audit Committee Member
4. Mr. Suthud Khancharoensuk	Audit Committee Member

Mr. Pattarapol Sirivibul is the secretary of the Audit Committee.

The Audit Committee oversees the financial statements and reports to be accurate and reliable. Its role is to provide an appropriate and efficient internal control system including appointing auditor(s) for the company as well as performing other tasks according to the responsibilities assigned by the Board of Directors—in accordance with the requirements of the Stock Exchange of Thailand.

In the year 2013, the Audit Committee has held 10 meetings with management levels, chief executives, and auditors in order to discuss and exchange of ideas about certain matters such as agenda, reports, financial statements, internal control of the company, transactions or potential conflict of interest, risk management, and financial statement disclosures of the company. The conclusions are summarized as follows:

1. The auditor from EY Company has the same opinion that (all) the reports and financial statements of the company are accurate and in accordance with the financial reporting standards.
2. The company has appropriate and sufficient internal control system.
3. In considering and reviewing the transaction or potential conflict of interest of the company, it was found that all are compatible with the rules of the Stock Exchange of Thailand. Thus, the transactions are reasonable and most beneficial to the company.
4. Nominating and presenting remuneration of auditors—to the Board of Directors in shareholders' meetings—for approval.
5. Reviewing the practices of the company with regard to the tasks defined in the system, and following the Securities and Exchange Commission's Act, requirements of the Office of the Securities and Exchange Commission, and the Stock Exchange of Thailand as well as other laws related to the business operations of the company.



(Mrs. Duangphorn Sucharittanuwat)

Chairman of the Audit Committee

## Committee's Responsibility to Prepare Financial Report for the Year 2013

The Board of Directors realizes the duties and responsibilities of the committee members of the company listed on the Stock Exchange of Thailand. The duties are to oversee the financial statements of the company—in the year 2013—to be as adequate, accurate, transparent, and complete as possible. Moreover, the committee members are in charge of maintaining the assets of the company away from unusual operations (i.e., fraud protection) via following appropriate accounting standards and practices regularly throughout the business processes. In preparing the Company's Annual Report for fiscal year 2556, the committee members do their best to make judgment and estimates that are reasonable and prudent in terms of financial statements and financial information.

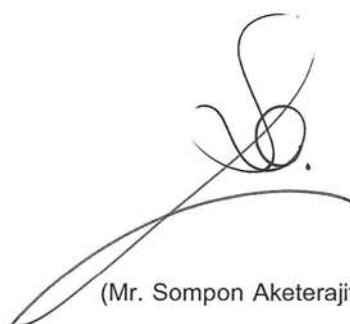
In order to make the stakeholders have confidence in the financial report of the company, the Board of Directors has appointed an Audit Committee comprising of independent directors who are qualified in accordance with the terms of the Stock Exchange of Thailand. They serve to review and verify the company's financial report and operations accurately and sufficiently. Disclosure should be made and conflict of interest of the company must be adequate, transparent, accurate, and complete. Assessing the risk management, internal control system, internal audit and supervision of the company also should be done appropriately and efficiently in accordance with laws, regulations, and other related policies of the Stock Exchange of Thailand.

The Board of Directors of the company has an opinion that (all) the financial statements and cash flows for the financial year 2013 (i.e., ended in December 31, 2013) are reviewed by the audit committee with managers, and audited by the auditor were accurate, complete, reliable, reasonable and compatible with generally accepted accounting standards. In addition, accounting policies were appropriate and able to be practiced and disclosed regularly. Transparency was sufficient, and able to be practiced in relation to laws and related regulations.



(Mrs. Duangphorn Sucharittanuwat)

Chairman of the Board



(Mr. Sompon Aketerajit)

Managing Director

Lease IT Public Company Limited  
Report and financial statements  
31 December 2013



## Independent Auditor's Report

To the Shareholders of Lease IT Public Company Limited

I have audited the accompanying financial statements of Lease IT Public Company Limited, which comprise the statement of financial position as at 31 December 2013, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.





## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lease IT Public Company Limited as at 31 December 2013, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

## Emphasis of matter

I draw attention to Note 4 to the financial statements regarding the change in accounting policy made due to adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustment resulting from such change in accounting policy. The Company has also presented statements of financial position as at 1 January 2012 as comparative information, using the same accounting policy for income taxes. My opinion is not qualified in respect of this matter.

Siriwan Suratepin

Certified Public Accountant (Thailand) No. 4604

Ernst & Young Office Limited

Bangkok: 10 February 2014

Lease IT Public Company Limited  
Statement of financial position  
As at 31 December 2013

(Unit: Baht)

		As at	As at	As at
	Note	31 December 2013	31 December 2012	1 January 2012
			(Restated)	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	9,912,891	13,608,194	13,836,633
Trade and other receivables	9	60,494,105	53,421,464	32,116,375
Loan receivables	10	126,739,123	94,744,739	-
Current portion of factoring receivables	11	138,291,231	145,561,942	166,721,362
Current portion of financial lease receivables	12	142,196,203	111,570,792	80,225,067
Current portion of hire-purchase receivables	13	48,028,401	55,866,570	57,942,914
Refundable input tax		4,960,062	5,328,021	5,841,403
Other current assets		3,739,814	1,819,718	2,330,033
<b>Total current assets</b>		<b>534,361,830</b>	<b>481,921,440</b>	<b>359,013,787</b>
<b>Non-current assets</b>				
Restricted bank deposits	14	19,373,785	12,437,925	10,174,532
Factoring receivables - net of current portion	11	6,393,344	5,407,080	-
Financial lease receivables - net of current portion	12	97,757,681	89,658,979	83,049,043
Hire-purchase receivables - net of current portion	13	18,805,015	15,257,651	12,211,000
Equipment	15	5,250,598	1,622,732	284,282
Intangible assets	16	866,409	965,865	1,117,363
Deferred tax assets	27	2,734,609	1,570,748	1,609,137
<b>Total non-current assets</b>		<b>151,181,441</b>	<b>126,920,980</b>	<b>108,445,357</b>
<b>Total assets</b>		<b>685,543,271</b>	<b>608,842,420</b>	<b>467,459,144</b>



The accompanying notes are an integral part of the financial statements.

**Lease IT Public Company Limited**  
**Statement of financial position (continued)**  
**As at 31 December 2013**

				(Unit: Baht)
		As at	As at	As at
	Note	31 December 2013	31 December 2012	1 January 2012
			(Restated)	
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Bank overdrafts and short-term loans				
from banks	17	356,414,112	378,000,870	259,371,221
Current portion of long-term loans from banks	18	28,074,000	4,769,000	10,209,000
Trade and other payables	19	7,010,861	2,560,655	10,290,161
Income tax payable		4,192,290	4,405,921	3,239,185
Cash receipt awaiting for return to factoring				
receivables and financial lease receivables		14,301,229	24,057,473	12,121,373
Current portion of undue output tax		13,949,817	12,052,544	10,108,879
Other current liabilities		32,155,985	10,382,974	6,549,257
<b>Total current liabilities</b>		<b>456,098,294</b>	<b>436,229,437</b>	<b>311,889,076</b>
<b>Non-current liabilities</b>				
Long-term loans from banks - net				
of current portion	18	17,643,000	-	4,769,000
Guarantee received from factoring receivables		10,274,733	10,350,623	10,175,999
Provision for long-term employee benefits	20	2,738,739	1,570,467	1,383,809
Undue output tax - net of current portion		8,374,163	7,427,620	6,929,509
<b>Total non-current liabilities</b>		<b>39,030,635</b>	<b>19,348,710</b>	<b>23,258,317</b>
<b>Total liabilities</b>		<b>495,128,929</b>	<b>455,578,147</b>	<b>335,147,393</b>

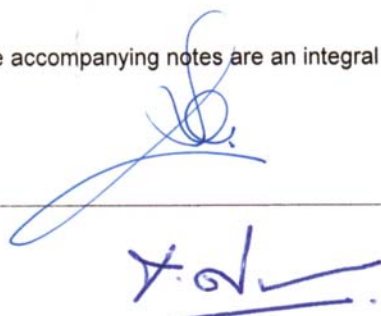
The accompanying notes are an integral part of the financial statements.

**Lease IT Public Company Limited**  
**Statement of financial position (continued)**  
**As at 31 December 2013**

(Unit: Baht)

		As at	As at	As at
	Note	31 December 2013	31 December 2012	1 January 2012
			(Restated)	
<b>Liabilities and shareholders' equity (continued)</b>				
<b>Shareholders' equity</b>				
Share capital	21			
Registered				
200,000,000 ordinary shares of Baht 1 each				
(31 December 2012 and 1 January 2012:				
20,000,000 ordinary shares of Baht 10 each)		<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid-up				
116,000,000 ordinary shares of Baht 1 each				
(31 December 2012 and 1 January 2012:				
20,000,000 paid-up ordinary shares				
of Baht 5 each)		116,000,000	100,000,000	100,000,000
Share premium	21	8,000,000	-	-
Retained earnings				
Appropriated - statutory reserve	22	5,768,476	2,568,566	1,659,438
Unappropriated		<u>60,645,866</u>	<u>50,695,707</u>	<u>30,652,313</u>
<b>Total shareholders' equity</b>		<u>190,414,342</u>	<u>153,264,273</u>	<u>132,311,751</u>
<b>Total liabilities and shareholders' equity</b>		<u>685,543,271</u>	<u>608,842,420</u>	<u>467,459,144</u>

The accompanying notes are an integral part of the financial statements.



Directors

**LEASE IT**  
บริษัท ลีซ อีท จำกัด (มหาชน)  
Lease IT Public Company Limited



**Lease IT Public Company Limited**  
**Statement of comprehensive income**  
**For the year ended 31 December 2013**

			(Unit: Baht)
	<u>Note</u>	<u>2013</u>	<u>2012</u> (Restated)
<b>Profit or loss:</b>			
<b>Revenues</b>			
Interest income	23	73,545,652	65,118,360
Fees and service income	24	18,426,596	14,365,034
Other income	25	12,674,474	14,127,795
<b>Total revenues</b>		<u>104,646,722</u>	<u>93,611,189</u>
<b>Expenses</b>			
Selling expenses		9,146,500	7,880,873
Administrative expenses		<u>29,076,224</u>	<u>18,501,624</u>
<b>Total expenses</b>		<u>38,222,724</u>	<u>26,382,497</u>
<b>Profit before finance cost and income tax expenses</b>		66,423,998	67,228,692
Finance cost		<u>(26,313,785)</u>	<u>(25,952,593)</u>
<b>Profit before income tax expenses</b>		40,110,213	41,276,099
Income tax expenses	27	<u>(8,012,455)</u>	<u>(9,414,049)</u>
<b>Profit for the year</b>		<u>32,097,758</u>	<u>31,862,050</u>
<b>Other comprehensive income:</b>			
Actuarial losses		(934,612)	-
Income tax effect		<u>186,923</u>	<u>-</u>
<b>Other comprehensive income for the year</b>		<u>(747,689)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>31,350,069</u>	<u>31,862,050</u>
<b>Basic earnings per share</b>	28		
Profit		<u>0.29</u>	<u>0.32</u>
Weighted average number of ordinary shares (shares)		<u>109,205,479</u>	<u>100,000,000</u>

The accompanying notes are an integral part of the financial statements.

**Lease IT Public Company Limited**  
**Statement of changes in shareholders' equity**  
**For the year ended 31 December 2013**

(Unit: Baht)

	Issued and paid-up share capital	Share premium	Retained earnings Appropriated - statutory reserve	Unappropriated	Total
<b>Balance as at 31 December 2011 -</b>					
as previously reported	100,000,000	-	1,659,438	29,043,176	130,702,614
Cumulative effect of change in accounting policy for income taxes (Note 4)	-	-	-	1,609,137	1,609,137
<b>Balance as at 31 December 2011 -</b>					
as restated	100,000,000	-	1,659,438	30,652,313	132,311,751
Total comprehensive income for the year	-	-	-	31,862,050	31,862,050
Dividend paid (Note 31)	-	-	-	(10,909,528)	(10,909,528)
Unappropriated retained earnings transferred to statutory reserve (Note 22)	-	-	909,128	(909,128)	-
<b>Balance as at 31 December 2012</b>	<b>100,000,000</b>	<b>-</b>	<b>2,568,566</b>	<b>50,695,707</b>	<b>153,264,273</b>
<b>Balance as at 31 December 2012 -</b>					
as previously reported	100,000,000	-	2,568,566	49,124,959	151,693,525
Cumulative effect of change in accounting policy for income taxes (Note 4)	-	-	-	1,570,748	1,570,748
<b>Balance as at 31 December 2012 -</b>					
as restated	100,000,000	-	2,568,566	50,695,707	153,264,273
Total comprehensive income for the year	-	-	-	31,350,069	31,350,069
Issued ordinary shares (Note 21)	16,000,000	8,000,000	-	-	24,000,000
Dividend paid (Note 31)	-	-	-	(18,200,000)	(18,200,000)
Unappropriated retained earnings transferred to statutory reserve (Note 22)	-	-	3,199,910	(3,199,910)	-
<b>Balance as at 31 December 2013</b>	<b>116,000,000</b>	<b>8,000,000</b>	<b>5,768,476</b>	<b>60,645,866</b>	<b>190,414,342</b>

The accompanying notes are an integral part of the financial statements.

**Lease IT Public Company Limited**

**Cash flow statement**

**For the year ended 31 December 2013**

	(Unit: Baht)	
	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Profit before tax	40,110,213	41,276,099
Adjustment to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	671,669	321,442
Allowance for doubtful trade and other receivables (reversal)	760,464	(7,120)
Allowance for doubtful loan receivables	56,965	-
Allowance for doubtful factoring receivables	2,296,444	2,069,463
Allowance for doubtful financial lease and hire-purchase receivables	1,389,575	-
Loss on disposal of fixed assets	-	19,219
Amortisation of deferred interest income under the financial lease and hire-purchase agreements	(34,680,414)	(33,199,206)
Interest expenses	26,313,785	25,952,593
Provision for long-term employee benefits	<u>233,660</u>	<u>186,658</u>
Profit from operating activities before change in operating assets and liabilities	37,152,361	36,619,148
Operating assets (increase) decrease		
Trade and other receivables	(7,833,105)	(21,297,969)
Loan receivables	(32,051,349)	(94,744,739)
Factoring receivables	3,988,003	13,682,877
Financial lease and hire-purchase receivables	(1,142,469)	(5,726,762)
Other current assets	(1,552,137)	1,023,697
Operating liabilities increase (decrease)		
Trade and other payables	4,450,206	(7,729,506)
Other current liabilities	13,340,933	16,977,567
Other non-current liabilities	<u>870,654</u>	<u>672,735</u>
Cash flows from (used in) operating activities	17,223,097	(60,522,952)
Cash paid for interest expenses	(25,740,678)	(25,216,676)
Cash paid for corporate income tax	<u>(9,203,025)</u>	<u>(8,208,925)</u>
<b>Net cash flows used in operating activities</b>	<u>(17,720,606)</u>	<u>(93,948,553)</u>

The accompanying notes are an integral part of the financial statements.

**Lease IT Public Company Limited**

**Cash flow statement (continued)**

**For the year ended 31 December 2013**

	(Unit: Baht)	
	<u>2013</u>	<u>2012</u>
<b>Cash flows from investing activities</b>		
Increase in restricted bank deposits	(6,935,860)	(2,263,393)
Purchase of equipment and intangible assets	<u>(4,200,079)</u>	<u>(1,527,613)</u>
<b>Net cash flows used in investing activities</b>	<u>(11,135,939)</u>	<u>(3,791,006)</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in bank overdrafts and short-term loans from banks	(21,586,758)	118,629,649
Cash received from long-term loans from banks	62,600,000	-
Repayment of long-term loans from banks	(21,652,000)	(10,209,000)
Cash received from additional ordinary shares	24,000,000	-
Dividend paid	<u>(18,200,000)</u>	<u>(10,909,529)</u>
<b>Net cash flows from financing activities</b>	<u>25,161,242</u>	<u>97,511,120</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(3,695,303)</u>	<u>(228,439)</u>
Cash and cash equivalents at beginning of the year	<u>13,608,194</u>	<u>13,836,633</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>9,912,891</u></u>	<u><u>13,608,194</u></u>

The accompanying notes are an integral part of the financial statements.



**Lease IT Public Company Limited**  
**Notes to financial statements**  
**For the year ended 31 December 2013**

**1. General information**

Lease IT Public Company Limited ("the Company") is a limited company incorporated under Thai laws and registered the change of its status to a public limited company under the Public Limited companies Act on 16 May 2013 and domiciled in Thailand. Its parent company is SVOA Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in providing financial services in form of leasing, hire purchase and factoring services. The registered office of the Company is at 900/17, Rama III Road, Bang Pong Pang, Yanawa, Bangkok 10120.

**2. Basis of preparation**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and its presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

**3. New accounting standards**

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

**(a) Accounting standards that became effective in the current accounting year**

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

**TAS 12 *Income Taxes***

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company has changed this accounting policy since 1 January 2013 and restated the prior year's financial statements, presented as comparative information, as though the Company had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 4.

**(b) Accounting standards that will become effective in the future**

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014

Effective date

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	1 January 2014

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014



The Company's management believes that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations will not have any significant impact on the financial statements for the year when they are initially applied.

#### 4. Cumulative effect of the change in accounting policies due to the adoption of new accounting standard

During the current year, the Company made the change described in Note 3 to its significant accounting policies, as a result of the adoption of TAS 12 *Income Taxes*. The cumulative effect of the change in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

	(Unit: Thousand Baht)		
	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012
<b>Statements of financial position</b>			
Increase in deferred tax assets	2,735	1,571	1,609
Increase in unappropriated retained earnings	2,735	1,571	1,609

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2013	2012
<b>Statements of comprehensive income</b>		
Increase (decrease) in income tax	(1,164)	38
Increase (decrease) in basic earnings per share (Baht)	0.01066	(0.00038)

#### 5. Significant accounting policies

##### 5.1 Revenue recognition

###### (a) Interest income from financial lease and hire purchase contracts

Interest income from financial lease and hire purchase recognised using the effective interest rate over the period of contracts except for overdue receivables more than ninety days, which are recognised on a cash basis.

(b) Interest income on factoring

Revenues from factoring are recognised on an accrual basis, using the effective interest rate, except for overdue receivables more than ninety days, which are recognised on a cash basis.

(c) Interest income on loans receivables

The Company recognised interest income from loan receivables by using the effective interest rate.

(d) Fees and service income

Fees and service income are recognised on an accrual basis.

## **5.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with original maturity of three months or less and not subject to withdrawal restrictions.

## **5.3 Receivables**

Receivables, which include, trade receivable, leasing receivables under finance lease contracts and hire purchase contracts, loan receivable and factoring receivables, are stated at net realisable value. Unearned financial lease and hire purchase income are deducted from financial lease receivables and hire purchase receivables.

## **5.4 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

## **5.5 Allowance for doubtful accounts**

Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

Allowance for doubtful accounts is made for hire purchase and finance lease receivables based on a percentage of the outstanding installment contract receivables and net of unearned income. Allowance is also based on collection experience and the current status of receivables outstanding at the end of the reporting period.

Allowance for doubtful accounts is made for trade receivables, loan receivables and factoring receivables based on a percentage of the outstanding account receivables balance and is also based on collection experience and the current status of receivables outstanding at the end of the reporting period.

## **5.6 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

## **5.7 Equipment and depreciation**

Equipment is stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Office equipment	-	5 years
Furniture	-	5 years
Computers	-	3 years
Motor vehicles	-	10 years

No depreciation is provided on equipment under installation.

Depreciation is included in determining income.

## **5.8 Intangible assets and amortisation**

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss (if any).

Intangible assets are amortised as expenses in the profit or loss on a straight-line basis over the economic useful life. A summary of the intangible assets are as follows:

	<u>Useful lives</u>
Computer software	10 years



## 5.9 Employee benefits

### Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

### Post-employment benefits

#### Defined contribution plans

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

#### Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, based on actuarial techniques using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

## 5.10 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

### Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

### Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## **6. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.



## 7. Related party transactions

During the years, the Company had significant business transactions with its related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties. The pricing policies for these related party transactions are summarised as follows:

1. The profit margin on cost for the sale transactions between the Company and its related companies is approximately 1 to 2 percent.
2. Purchases of goods and service expenses are charged at the agreed prices.
3. Other service are charged at a determined price.
4. Fixed assets are sold and purchase at market price.

During the years, significant transactions between the Company and related parties, are summarised below.

	(Unit: Thousand Baht)	
	2013	2012
<u>Transactions with a parent company</u>		
Purchases of goods and services	1,313	325
Other service charge	452	68
Purchases of fixed assets	746	88
Dividend paid	18,200	10,909
<u>Transactions with related companies</u>		
Sales and services	-	1,780
Cost of sales and services	-	1,762
Purchases of goods and services	8,084	832
Other service charge	1,242	1,652
Purchases of fixed assets	108	358

The balance of the accounts as at 31 December 2013 and 2012 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)	
	2013	2012
<b><u>Trade and other payables - related parties (note 19)</u></b>		
A parent company	70	117
Related companies (related by common shareholder and/or common directors)	62	407
<b>Total trade and other payables - related parties</b>	<b>132</b>	<b>524</b>

#### **Directors and management's benefits**

During the years ended 31 December 2013 and 2012, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	2013	2012
Short-term employee benefits	16,222	10,119
Post-employment benefits	172	161
<b>Total</b>	<b>16,394</b>	<b>10,280</b>

#### **8. Cash and cash equivalents**

	(Unit: Thousand Baht)	
	2013	2012
Cash	10	10
Bank deposits	9,903	13,598
<b>Total</b>	<b>9,913</b>	<b>13,608</b>

As at 31 December 2013, bank deposits in saving accounts and fixed deposits carried interests between 0.5 and 0.625 percent per annum (2012: between 0.625 and 0.75 percent per annum).

## 9. Trade and other receivables

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
<u>Trade accounts receivable - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	44,847	37,796
Past due		
Up to 3 months	11,028	15,221
3 - 6 months	2,849	-
Over 12 months	1,683	1,683
Total	60,407	54,700
Less: Allowance for doubtful debts	(2,443)	(1,683)
Total trade accounts receivable - unrelated parties - net	57,964	53,017
<u>Other receivables</u>		
Other receivables - unrelated parties	2,530	404
Total other receivables - unrelated parties	2,530	404
Trade and other receivables - unrelated parties - net	60,494	53,421

## 10. Loan receivables

The Company has loan receivables with carries interest rate as agreed in the agreements and with original maturity of three months.

As at 31 December 2013 and 2012, the loan receivables classified by the age, based on due date, as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Aged on the basis of due dates		
Not yet due	121,100	86,555
Past due		
Up to 3 months	5,696	8,189
Total loan receivables	126,796	94,744
Less: Allowance for doubtful debts	(57)	-
Total loan receivables - net	126,739	94,744

As at 31 December 2013, the Company has been received the transfers collection rights of other companies' trade accounts receivable as collateral for these loans in full amount.

## 11. Factoring receivables

Factoring receivables as at 31 December 2013 and 2012 are as follow:

(Unit: Thousand Baht)

	Current portion of factoring receivables		Long-term portion of factoring receivables		Total	
	2013	2012	2013	2012	2013	2012
Factoring receivables	145,804	150,779	6,393	5,408	152,197	156,187
Less: Allowance for doubtful debts	(7,513)	(5,217)	-	-	(7,513)	(5,217)
Factoring receivables - net	138,291	145,562	6,393	5,408	144,684	150,970

The Company has the factoring receivables, giving the credit with a rate of approximately 70 to 95 percent of invoice amount. As at 31 December 2013 and 2012, the factoring receivables classified by the age, based on due date, are as follows:

(Unit: Thousand Baht)

	2013	2012
<u>Aged on the basis of due dates</u>		
Not yet due	139,019	129,772
Past due		
Up to 3 months	10,722	21,014
Over 12 months	2,456	5,401
Total	152,197	156,187
Less: Allowance for doubtful debts	(7,513)	(5,217)
Factoring receivables - net	144,684	150,970



## 12. Financial lease receivables

(Unit: Thousand Baht)

	Current portion		Long-term portion		Total	
	of financial lease receivables		of financial lease receivables			
	2013	2012	2013	2012	2013	2012
Financial lease receivables	163,126	128,733	107,780	97,816	270,906	226,549
Less: Unearned interest income	(19,407)	(17,162)	(9,923)	(8,157)	(29,330)	(25,319)
Unearned fee income	(182)	-	(99)	-	(281)	-
Total	143,537	111,571	97,758	89,659	241,295	201,230
Less: Allowance for doubtful debts	(1,341)	-	-	-	(1,341)	-
Financial lease receivables - net	142,196	111,571	97,758	89,659	239,954	201,230

There was no future minimum lease receivables expected to be received under finance lease agreements over 5 years.

As at 31 December 2013 and 2012, the balance of the Company's financial lease receivables before less unearned interest income and unearned fee income were classified by aging are as follows:

(Unit: Thousand Baht)

	Financial lease receivables	
	2013	2012
<u>Age of receivables</u>		
Not yet due	246,008	217,943
Past due		
Up to 3 months	21,455	8,473
3 - 6 months	2,308	-
6 - 12 months	1,135	-
Over 12 months	-	133
Total	270,906	226,549
Less: Allowance for doubtful debts	(1,341)	-
Financial lease receivables - net	269,565	226,549

The Company has transferred its collection rights under the finance lease agreements to a bank as collateral for short-term loans as discussed in Note 17. As at 31 December 2013, the balance of the above financial lease receivables that were placed as collateral for such loans totaling approximately Baht 32 million (2012: Baht 28 million). The Company has transferred the right of restricted deposits under finance lease agreements as collateral for long-term loans as discussed in Note 18. As at 31 December 2013, the financial lease receivables under such agreements were Baht 69 million (2012: Baht 10 million).

#### 14. Hire-purchase receivables

(Unit: Thousand Baht)

	Current portion of hire-purchase receivables		Long-term portion of hire-purchase receivables		Total	
	2013	2012	2013	2012	2013	2012
Hire-purchase receivables	52,959	60,344	19,963	16,259	72,922	76,603
Less: Unearned interest income	(4,797)	(4,478)	(1,139)	(1,001)	(5,936)	(5,479)
Unearned fee income	(85)	-	(19)	-	(104)	-
Total	48,077	55,866	18,805	15,258	66,882	71,124
Less: Allowance for doubtful debts	(49)	-	-	-	(49)	-
Hire-purchase receivables – net	48,028	55,866	18,805	15,258	66,833	71,124

There was no future minimum hire-purchase receivables expected to be received under hire-purchase agreements over 5 years.

As at 31 December 2013 and 2012, the balance of the Company's hire-purchase receivables before less unearned interest income and unearned fee income were classified by aging are as follows:

(Unit: Thousand Baht)

	Hire-purchase receivables	
	2013	2012
<u>Age of receivables</u>		
Not yet due	69,304	68,589
Past due		
Up to 3 months	3,618	7,952
3 - 6 months	-	62
Total	72,922	76,603
Less: Allowance for doubtful debts	(49)	-
Hire-purchase receivables - net	72,873	76,603

The Company has transferred the right of restricted deposit under the hire-purchase agreements to a bank as collateral for a long-term loans as discussed in Note 18. As at 31 December 2013, the financial lease receivables under such agreements were Baht 18 million (2012: Nil).

#### 14. Restricted bank deposits

As at 31 December 2013, the Company had bank deposits subject to withdrawal restrictions of Baht 19 million (2012: Baht 12 million). Restricted bank deposits comprised bank deposits of Baht 8 million (2012: Baht 10 million) that a factoring customer had placed to guarantee a credit facilities provided by the Company and guarantee bid envelope, for which the terms of withdrawal are subject to the agreement between the Company and the customer, bank deposits of Baht 2 million (2012: Baht 2 million) of which rights had been transferred to the Company by debtors and withdrawal restrictions were imposed by the Bank granting credit facilities to the Company, and bank deposits of Baht 9 million (2012: Nil) that were used for bank guarantees issued by banks on behalf of the Company's customer to guarantee bid envelope.

#### 15. Equipment

	(Unit: Thousand Baht)					
	Building improvement	Furniture	Computers	Office equipment	Motor vehicles	Total
<b>Cost</b>						
1 January 2012	-	107	978	255	-	1,340
Additions	1,024	27	113	364	-	1,528
31 December 2012	1,024	134	1,091	619	-	2,868
Additions	52	173	236	195	3,514	4,170
31 December 2013	1,076	307	1,327	814	3,514	7,038
<b>Accumulated depreciation:</b>						
1 January 2012	-	81	780	195	-	1,056
Depreciation for the year	13	21	112	43	-	189
31 December 2012	13	102	892	238	-	1,245
Depreciation for the year	206	41	165	121	9	542
31 December 2013	219	143	1,057	359	9	1,787
<b>Net book value:</b>						
31 December 2012	1,011	32	199	381	-	1,623
31 December 2013	857	164	270	455	3,505	5,251
<b>Depreciation for the year</b>						
2012 (Included in administrative expenses)						189
2013 (Included in administrative expenses)						542

## 16. Intangible assets

(Unit: Thousand Baht)

	Computer software
<b>Cost</b>	
1 January 2012	1,319
Disposal and write-off	(50)
31 December 2012	1,269
Additions	30
31 December 2013	1,299
<b>Accumulated amortisation:</b>	
1 January 2012	202
Amortisation for the year	132
Disposal and write-off	(31)
31 December 2012	303
Amortisation for the year	130
31 December 2013	433
<b>Net book value:</b>	
31 December 2012	966
31 December 2013	866
<b>Amortisation for the year</b>	
2012 (Included in administrative expenses)	132
2013 (Included in administrative expenses)	130



# 17. Bank overdrafts and short-term loans from banks

		(Unit: Thousand Baht)	
		2013	2012
Interest rate			
(Percent per annum)			
Bank overdrafts	MOR	38,257	40,073
Short-term loans from banks	MOR, MLR	318,157	337,927
Total		356,414	378,000

As at 31 December 2013, short-term loan from a bank is secured by the transfer of collection rights under finance lease agreements to the bank as described in Note 12.

Credit facilities obtained from other banks are guaranteed by the parent company.

In addition, short-term loan agreements with banks contain certain covenants as specified in the agreements that, among other things, require the Company to comply, such as maintain certain debt to equity ratio.

# 18. Long-term loans from banks/Current portion of long-term loans from banks

As at 31 December 2013 and 2012, long-term loans from local banks consist of:

No.	Agreement date	Credit facility (Unit: Million Baht)	Outstanding long-term loans amount (Unit: Thousand Baht)						Significant conditions of the loan agreements			
			Current portion		Non-current portion		Total		Loan period	Principal repayment	Interest payment	Interest rate
			2013	2012	2013	2012	2013	2012				
1.	29 September 2010	11.55	-	2,100	-	-	-	2,100	2 years 9 months	Monthly	Monthly	At the rate of MLR per annum
2.	18 January 2011	9.5	-	2,669	-	-	-	2,669	2 years 10 months	Monthly	Monthly	At the rate of MLR per annum
3.	16 January 2013	14.9	6,876	-	1,148	-	8,024	-	2 years 2 months	Monthly	Monthly	At the rate of MLR per annum
4.	20 February 2013	2.8	1,050	-	875	-	1,925	-	2 years 8 months	Monthly	Monthly	At the rate of MLR per annum
5.	20 February 2013	12.2	4,584	-	3,796	-	8,380	-	2 years 8 months	Monthly	Monthly	At the rate of MLR per annum
6.	29 April 2013	6.0	3,300	-	-	-	3,300	-	1 years 8 months	Monthly	Monthly	At the rate of MLR per annum
7.	17 July 2013	9.0	5,400	-	1,350	-	6,750	-	1 years 8 months	Monthly	Monthly	At the rate of MLR per annum
8.	3 December 2013	11.2	4,344	-	6,494	-	10,838	-	2 years 7 months	Monthly	Monthly	At the rate of MLR per annum
9.	3 December 2013	6.5	2,520	-	3,980	-	6,500	-	2 years 7 months	Monthly	Monthly	At the rate of MLR per annum
<b>Total long-term loans</b>			<b>28,074</b>	<b>4,769</b>	<b>17,643</b>	<b>-</b>	<b>45,717</b>	<b>4,769</b>				

Credit facilities obtained from banks are guaranteed by the parent company. Loan agreements with a bank contain certain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity ratio, transfer the right of restricted deposit under hire-purchase and finance lease agreements, according to the agreements as described in Note 12 and Note 13.

## 19. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Trade accounts payable - related parties	-	117
Trade accounts payable - unrelated parties	6,879	2,037
Other payables - related parties	132	407
Total trade and other payables	<u>7,011</u>	<u>2,561</u>

## 20. Long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
<b>Defined benefit obligation at beginning of year</b>	1,570	1,384
Current service cost	167	128
Interest cost	67	58
Actuarial loss	935	-
<b>Provisions for long-term employee benefits at end of year</b>	<u>2,739</u>	<u>1,570</u>

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Current service cost	167	128
Interest cost	67	58
<b>Total expenses recognised in profit or loss</b>	<u>234</u>	<u>186</u>
Line items under which such expenses are included in profit or loss		
Administrative expenses	<u>234</u>	<u>186</u>

Total actuarial loss recognised in the other comprehensive income and taken as part of retained earnings of the Company as at 31 December 2013 amounted to Baht 0.9 million (2012: Nil).

Principal actuarial assumptions at the valuation date were as follows:

	<u>2013</u>	<u>2012</u>
	(% per annum)	(% per annum)
Discount rate	4.4%	4.2%
Future salary increase rate	5.5%	5.5%

Amounts of defined benefit obligation for the current and previous three years are as follows:

	(Unit: Thousand Baht)
	Defined benefit obligation
Year 2013	2,739
Year 2012	1,570
Year 2011	1,384
Year 2010	1,198

## 21. Share capital

21.1 On 1 March 2013, the Extraordinary General Meeting of the Company's shareholders approved to decrease the Company's registered share capital by Baht 100 million (10 million ordinary shares of Baht 10 each) from the registered share capital of Baht 200 million (20 million ordinary shares of Baht 10 each) to Baht 100 million (20 million ordinary shares of Baht 5 each). The Company registered the share capital decrease with the Ministry of Commerce on 9 April 2013.

21.2 On 29 April 2013, the Annual General Meeting of the Company's shareholders approved the following.

- To decrease the par value of the Company's ordinary shares from Baht 5 per share to Baht 1 per share (from 20 million ordinary shares of Baht 5 each to 100 million ordinary shares of Baht 1 each). The Company registered the par value decrease with the Ministry of Commerce on 16 May 2013.
- To convert into a public limited company and to list the Company on the MAI. The Company registered the conversion into a public limited company with the Ministry of Commerce on 16 May 2013.



- c) To additionally issue 16 million ordinary shares of Baht 16 million that were divided into 16 million ordinary shares of Baht 1 each to offer to the public in amount of Baht 1.5 each, totaling Baht 24 million. The Company has already the full payment. The Company registered the ordinary share increase with the Ministry of Commerce on 14 June 2013.

Subsequently, on 24 June 2013, the Extraordinary General Meeting of the Company's shareholders approved to increase the Company's registered share capital by Baht 84 million (84 million ordinary shares of Baht 1 each) from the registered share capital of Baht 116 million (116 million ordinary shares of Baht 1 each) to Baht 200 million (200 million ordinary shares of Baht 1 each). The new shares were divided into 46.2 million ordinary shares for the first initial public offering (IPO), 4.2 million ordinary shares to offer to directors and/or other employees and 33.6 million ordinary shares to offer to its parent company, SVOA Public Company Limited. The Company registered the share capital increase with the Ministry of Commerce on 4 July 2013.

## 22. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

In 2013, the Company set aside a statutory reserve totaling of Baht 3.2 million (2012: Baht 0.9 million).

## 23. Interest income

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Interest income from:		
Finance lease contracts	25,937	23,262
Hire-purchase contracts	8,743	9,937
Factoring contracts	22,129	21,812
Loan contracts	16,737	10,107
Total interest income	<u>73,546</u>	<u>65,118</u>

## 24. Fees and service income

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Fees and service income from:		
Finance lease contracts	26	236
Hire-purchase contracts	72	206
Factoring contracts	4,630	4,254
Loan contracts	11,280	8,867
Guarantees	2,413	802
Others	6	-
Total fees and service income	<u>18,427</u>	<u>14,365</u>

## 25. Other income

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Revenues from sales of goods	182,148	264,194
Cost of sales	(176,536)	(256,060)
Change in sale and cost of sales	5,612	8,134
Others	7,062	5,994
Total other income	<u>12,674</u>	<u>14,128</u>

The change in sale and cost of sales is service income from goods procurement and supply to its customers which is presented as net amount of sale and cost of sales and is shown as other income in the comprehensive income.

## 26. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
Salaries and wages and other employee benefits	12,732	10,742
Doubtful accounts	4,500	2,340
Depreciation and amortisation	672	321
Rental expenses from operating lease agreements and services expenses	1,017	812

## 27. Income tax

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
		(Restated)
<b>Current income tax:</b>		
Current income tax charge	8,989	9,376
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(977)	38
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>8,012</u>	<u>9,414</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
		(Restated)
Deferred tax relating to actuarial loss	(187)	-
	<u>(187)</u>	<u>-</u>



Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012.

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u> (Restated)
Accounting profit before tax	<u>40,110</u>	<u>41,726</u>
Applicable tax rate	20%	23%
Accounting profit before tax multiplied by applicable tax rate	8,022	9,493
Adjustment in respect of current income tax of previous year	43	-
Effects of:		
Non-deductible expenses	3	103
Additional expense deductions allowed	(35)	(10)
Others	(21)	(172)
Total	<u>(53)</u>	<u>(79)</u>
Income tax expenses reported in the statement of comprehensive income	<u>8,012</u>	<u>9,414</u>

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)		
	Statements of financial position		
	As at 31 December 2013	As at 31 December 2012 (Restated)	As at 1 January 2012
<b>Deferred tax assets</b>			
Allowance for doubtful accounts	2,281	1,380	1,113
Provision for long-term employee benefits	548	314	318
Deferred fees income incurred at the initiation of financial lease and hire purchase	77	-	-
Financial leases	-	-	178
Total	<u>2,906</u>	<u>1,694</u>	<u>1,609</u>
<b>Deferred tax liabilities</b>			
Financial leases	(171)	(123)	-
Total	<u>(171)</u>	<u>(123)</u>	<u>-</u>
<b>Deferred tax assets - net</b>	<u>2,735</u>	<u>1,571</u>	<u>1,609</u>

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2013, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2012, the decreases in tax rates for 2013 - 2014 were enacted through a royal decree. The Company has reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

## **28. Earnings per share**

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the change in par value from Baht 5 each to Baht 1 each as discussed in Note 21.2. The number of ordinary shares is adjusted as if the changes in number of shares and per value had occurred at the beginning of the earliest year reported.

## **29. Segment information**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The one main reportable operation segment of the Company is financial services by leasing and hire purchase, finance leases, loans and factoring from selling and service and the single geographical area of their operations is Thailand. Segment performance is measured based on operation profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues and operating profits as presented in the comprehensive income statement and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

### **Major customers**

For the year 2013 and 2012, the Company has no major customer with revenue of 10 percent of an entity's revenues.

### 30. Provident fund

The Company and its employees jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. The fund is monthly contributed to by the employees at the rate of 5 percent of their basic salaries and by the Company at the same rate. The fund is managed by SCB Asset Management Company Limited and will be paid to the employees upon termination in accordance with the rules of the fund. During the year 2013, the Company contributed Baht 0.35 million (2012: Baht 0.35 million) to the fund and recorded as expenses in the profit or loss.

### 31. Dividend

On 20 April 2012, the Annual General Meeting of the Company's shareholders approved the dividend payment of 60 percent of the Company's 2011 income totaling Baht 10.9 million. The Company paid such dividend in July 2012.

On 29 April 2013, the Annual General Meeting of the Company's shareholders approved the dividend payment of 60 percent of the Company's 2012 income totaling Baht 18.2 million. The Company paid such dividend in July 2013.

### 32. Commitments and contingent liabilities

As at 31 December 2013, the Company has commitments other than those disclosed in other notes as follows:

#### 32.1 Operating lease commitments and service agreements

As at 31 December 2013, the Company had office building lease and related as follows:

	(Unit: Million Baht)	
	<u>2013</u>	<u>2012</u>
Payable within:		
In up to 1 year	1.7	1.0
In over 1 and up to 5 years	0.6	1.7

#### 32.2 Guarantees

As at 31 December 2013, there were outstanding bank guarantees of approximately Baht 17 million (2012: Baht 0.7 million) issued by banks on behalf of the Company's customers in respect of certain bid bonds.



### **33. Financial instruments**

#### **33.1 Financial risk management**

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivables, factoring receivables, financial lease receivables, hire purchase receivables, loan receivables, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

##### **Credit risk**

The Company is exposed to credit risk primarily with respect to trade accounts receivable, other receivables, factoring receivables, financial lease receivables, hire purchase receivables and loan receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable, factoring receivables, other receivables, financial lease receivables, hire purchase receivables and loan receivables as stated in the statement of financial position.

##### **Interest rate risk**

The Company's exposure to interest rate risk relates primarily to its deposits with financial institutions, loans receivables, hire purchase receivables, finance lease receivables, bank overdrafts and short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2013 and 2012 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	2013					
	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	Over 1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	10	-	10	0.5 - 0.625
Trade and other receivables - net	-	-	-	60	60	-
Loan receivables - net	127	-	-	-	127	15
Factoring receivables - net	138	6	-	-	144	13.5 - 15
Financial lease and hire-purchase receivables - net	190	117	-	-	307	6.25 - 8 (Flat rate)
Restricted bank deposits	-	18	1	-	19	0.625 - 2.25
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans	-	-	356	-	356	MOR, MLR
Long-term loans	-	-	46	-	46	MLR
Trade and other payables	-	-	-	7	7	-

(Unit: Million Baht)

	2012					Interest rate (% p.a.)
	Fixed interest rates		Floating interest rate	Non- interest bearing	Total	
	Within 1 year	Over 1-5 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	14	-	14	0.625 - 0.75
Trade and other receivables - net	-	-	-	53	53	-
Loan receivables - net	95	-	-	-	95	13.7 - 14.35
Factoring receivables - net	146	5	-	-	151	13.5 - 15
Financial lease and hire- purchase receivables - net	167	105	-	-	272	6.25 - 8.5 (Flat rate)
Restricted bank deposits	-	-	2	10	12	0.625
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans	-	-	378	-	378	MOR, MLR
Long-term loans	-	-	5	-	5	MLR
Trade and other payables	-	-	-	3	3	-

### 33.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature and long-term financial assets and liabilities carry interest at rates close to current market rates or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statements of financial positions.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.



#### 34. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2013, the Company's debt-to-equity ratio was 2.60:1 (2012: 2.97:1).

#### 35. Reclassification

In addition, the Company reclassified the comparative figures to conform with the nature of business in the current.

	(Unit: Thousand Baht)	
	As at 31 December 2012	
	As reclassified	As previously reported
Other income	14,128	16,971
Selling expenses	7,881	10,724

The reclassifications had no effect to previously reported profit or shareholders' equity.

#### 36. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 10 February 2014.



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