



23 February 2022

LIT 2022/004

Topic Operating Result for year 2021

To The President of the Stock Exchange of Thailand

According to the resolution of the Board of Directors Meeting of Lease IT Public Company Limited No.3/2022, on 23rd February 2022, the Financial Statements and overall operations of the Company in the year 2021; ended on 31st December 2021 which has been reviewed by the auditors of EY Office Limited.

The Thai economy in the year 2021 was affected by a new wave of COVID-19 pandemic since the end of 2020, which impacted household and business spending and delayed the recovery of economic activities. Lease IT Public Company Limited is to be an alternative source of financing outside the financial institution sector (Non-Bank) supporting Small and medium-sized enterprises (SMEs) who work for the government sector and private sector to access funding sources. The Company continues to focus on customers' business needs through offering financial products and also proactively helping customers facing the impact of the COVID-19 crisis so that customers can survive in the long term. In this period, revenue decreased by 16.4% from the COVID-19 pandemic affected to the lockdown which resulted in limited access to the working area and delayed delivery. As a result, the finance amount decreased that directly affect the revenue. The Company stilling recorded Expected Credit Loss (ECL) from Non-Performing Loans (NPLs) that affected by the current economic situation following the risk and quality of customers in various industries. This is to comply with the policy of prudent and carefully adjusted business strategic plans for the year 2021 to cope with the impact of this situation as follows:

Industry and Strategy

The trend of competition in the banking and Non-Bank financial institutions industry continues to be pressured by a new wave of the pandemic COVID-19 and the economic outlook remains depending on progress in procuring and distributing COVID-19 vaccines to people. During such challenges, the Company has to adjust its competitive strategies to cope with the situation and to maintain its performance in accordance with the current industry trends and for sustainable growth in the future. The Company has generated income to create stability in the organization, customer satisfaction, elevating work processes, building corporate credibility and awareness as follows:

- 1) **Upgrade marketing with a Digital Platform** to meet the needs of the new-generation customers and respond to the growth of the digital world in the future. The Company has focused on developing information systems and using digital marketing tools to reach the target customers of the Company in order to get more targeted customers and offer the company's financial products to the right customers as well as create reliable and well-known brand among users. In addition, the company has also established a subsidiary, U-lite Digital Company Limited, to sell products with installment payment via mobile application to meet the needs of the new generation of customers to prepare for the growth of this market in the future.

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- 2) **Focus on financing to customers who are government suppliers** to reduce the risk of non-performing loans (NPLs) under the current situation, the Company continues to focus on providing loans to government and state enterprises suppliers because the government always has the ability to pay which make the credit risk lower than lending to small and medium-sized enterprises (SMEs) who are private sector suppliers.
- 3) **Focus on financing in low-risk financial products** such as Factoring, Hire Purchase, and Financial Lease to reduce the risk of non-performing loans (NPLs)
- 4) **Focus on retaining and expanding from existing customers** because they have a closer relationship and are able to assess risk more than new customers. Moreover, to builds customer brand loyalty by enhancing customer satisfaction for sustainable growth.
- 5) **Focus on increased allowance Expected Credit Losses (ECL)** that affected from the COVID-19 pandemic pressure in many industries, resulting in a decrease in liquidity of the customers which varies according to the risk and quality of customer at any moment. However, ECL stilling recorded following Thai Financial Reporting Standard No.9 (TFRS9)

Credit Risks

The economic situation affecting small and medium enterprises (SMEs) is a challenge for the Company to carefully manage its risks while maintaining its performance under the careful selecting of customers, close monitoring and proactively assisting some customers facing the crisis. The company has assisted its clients during this crisis by bringing them into a suitable debt restructuring plan to enable them to survive in the business in long term and have the ability to repay the Company's debts. In this regard, the Company has taken steps to improve credit quality as follows:

- 1) The company has upgraded the screening of customers and debtors in order to select real potential customers who have strong debt repayment ability and has continuously adjusted the frequency of reviewing the debt repayment capability of customers and debtors. Moreover, the Company also reviewed the process of rights to receive payment transferring and debt collection in order to prepare for the situation impacted by the epidemic of COVID-19. The Company also closely monitors customer behavior and signal in order to prevent non-performing debts (NPLs) in the future.
- 2) The Company has strengthened the debt collection team to follow up the repayment closely in order to increase the debt recovery rate.
- 3) The Company has managed to mitigate industry risk by limiting portfolio of each industry to not more than 25% in order to comply with the industrial risk management plan.
- 4) The Company continues to limit financing to new customer who construction business as it has high risk but focuses on a group of business that has lower risk and still grows in current situation such as a medical equipment.

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Profitabilities

- 1) The Company focuses on financial cost management which are the main cost and also focused on managing cash flow in order to minimize financial cost. Moreover, The Company continues to focus on managing the company's funding sources to be in line with the company's cash inflows and manage interest rates that are appropriate to the current situation.
- 2) The Company focuses on Non-Performing Loans (NPLs) management by assisting customers to repay debt in accordance with their liquidity to reduce the Allowance for Expected Credit Losses on Non-Performing Loans. This is due to the Company's policy to achieve performance under acceptable risk.
- 3) The Company has the policy to control unnecessary operating expenses by developing Information Technology systems to reduce costs and improve the credit quality more efficiently.

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Consolidated financial performance of the Company for period ended 31 December 2021 in comparison with the corresponding period last year ended 31 December 2020

(Unit: Thousand Baht)	Statement of comprehensive income			
	2021	2020	Change	
			Amount	% Change
Interest Income	216,685	248,732	(32,047)	(13%)
Fees and service incomes	88,554	118,796	(30,242)	(25%)
Other income	26,150	28,896	(2,746)	(10%)
Total revenues	331,389	396,424	(65,035)	(16%)
Service expense	44,501	35,928	8,573	24%
Administrative expense	81,315	89,626	(8,311)	(9%)
Expected credit losses	237,475	66,063	171,412	259%
Total expenses	363,291	191,617	171,674	90%
Operating profit	(31,902)	204,807	(236,709)	(116%)
Finance cost	(87,326)	(86,658)	668	1%
Profit before income tax expenses	(119,228)	118,149	(237,377)	(201%)
Income tax revenues (expenses)	23,736	(46,908)	(70,644)	(151%)
Profit for the period	(95,493)	71,241	(166,734)	(234%)

1. Revenues

Total revenue for year 2021 consists of interest income, fees and service income, and other income at the proportion of 65.4%, 26.7%, and 7.9% respectively. As such, the Company focuses on financing to customers who are government suppliers and low-risk financial products in an economic slowdown from the COVID-19 pandemic to control and reduce the risk of non-performing loans (NPLs). As a result, the revenue decreased 65 million baht.

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Interest incomes

Interest Income (Unit: Thousand Baht)	Consolidated Financial statements				Change	
	2021	%	2020	%	Amount	%
- Installment Sales	1,351	0.6%	-	-	1,351	100.0%
- Loan contracts	99,251	45.8%	121,192	48.7%	(21,941)	(18.1%)
- Factoring contracts	97,678	45.1%	108,605	43.7%	(10,927)	(10.1%)
- Finance lease contracts	11,083	5.1%	9,075	3.6%	2,008	22.1%
- Hire-purchase contracts	7,322	3.4%	9,860	4.0%	(2,538)	(25.7%)
Total	216,685	100.0%	248,732	100.0%	(32,047)	(12.9%)

For the year 2021, the interest income decreased by 32 million baht or 12.9%. The main reason was that the interest income according to loans contracts decreased by 21.9 million baht or 18.1% and factoring contracts decreased in the amount of 10.9 million baht or 10.1% due to the Company decreased financing new loan according to the company policy, as well as the economic pressure in many industries, resulted in a decrease in liquidity of the customers. The aging due 3-12 months increased by 635.9 million baht mainly from the loan receivable by 510.8 million baht and the factoring receivable by 125.1 million baht as the loan receivable in the construction industry working for the government were affected from COVID-19 pandemic since January 2021, and also from lockdown occurred in vulnerable area and construction site since May 2021 which resulted in the limited access to working areas and the delayed delivery. The Company also has upgraded the screening of customers and debtors to prevent non-performing loans (NPLs). So, interest income decreased as mentioned reasons.

However, the Company recorded expected credit losses for Loan receivables and Factoring receivables of approximately 379.9 million baht and 140.1 million baht respectively.

Fees and service incomes

Fees and service incomes (Unit: Thousand Baht)	Consolidated Financial statements				Change	
	2021	%	2020	%	Amount	%
- Installment Sales	4,260	4.8%	-	-	4,260	100.0%
- Loan contracts	35,959	40.6%	58,815	49.5%	(22,856)	(38.9%)
- Factoring contracts	40,033	45.2%	49,569	41.7%	(9,536)	(19.2%)
- Finance lease contracts	149	0.2%	381	0.3%	(232)	(60.9%)
- Hire-purchase contracts	46	0.1%	44	0.0%	2	4.5%
- Letter of guarantees	8,097	9.1%	9,965	8.4%	(1,868)	(18.7%)
- Others	10	0.0%	22	0.0%	(12)	(54.5%)
Total	88,554	100.0%	118,796	100.0%	(30,242)	(25.4%)

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Fee and service incomes for the year 2021 decreased Baht 30.2 million or 25.4% because the Company decreased financing of loan contracts for some industries and also considered financing amount based on quality and size of customers and debtors. Because Thai economic and COVID-19 pandemic impacted to customers on loan contracts which are not complete projects in time. In addition, the Company also focused on financing on factoring contracts which is low products risk. However, a decrease in business transactions due to the Thai economy which broadly affected many industries resulted in a decrease of fee and service incomes.

Other income

Other income is mainly from interest income from late payment 73.9% of total other income which occurred from late payment. In the year 2021, interest income from late payment was 19.3 million baht decreased by Baht 4.3 million or 18.3% compared with the same period of the previous year.

2. Service and administrative expense

For the year 2021, The company had service expenses of 44.5 million baht, increased by 8.6 million baht or 23.9 percent from the subsidiary operated sell products with installment payment via mobile application since April 2021. For administrative expenses decreased by Baht 8.3 million or 9.3% from employee expenses, and controlling unnecessary operating expenses including sales commission decreased from the revenue.

3. Expected Credit Losses

For the year 2021, ECL increased by Baht 171.4 million compared with the previous year. In this regard, ECL is recorded following Thai Financial Reporting Standard No.9 (TFRS9) that was from the COVID-19 pandemic pressure in many industries, resulting in a decrease in liquidity of the customers and ability to pay. The risk was at any moment that may be improved in the future depending on the varied factor of business.

4. Finance Cost

For the year 2021, The Company had a finance cost of 87.3 million baht, increased by 0.7 million or 0.8 percent compared with last year, due to the issued debenture in March 2021.

5. Income tax expenses

For the year 2021, The Company had Income tax revenues of 23.7 million baht caused by an increase in Expected Credit Losses (ECL) and the subsidiary had a loss from operating. However, The Company will be able to use it in the next period.

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6. Net profit

For the year 2021, The Company had a loss of 95.5 million baht compared with the prior period net profit of 71.2 million baht due to a decrease in revenue and ECL increased in line with NPLs from high risk and affected to customer's quality.

Consolidated financial position of the Company as of 31 December 2021 in comparison with that as of 31 December 2020

Assets

Total assets at the end of the year 2021 was Baht 2,157.1 million, decreased by Baht 487.7 million compared with the year ended 2020 which has total assets of 2,644.8 million baht which caused by the decrease in receivables of 545.2 million baht according to the Company strategies to cope with the situation and to maintain its performance.

Liabilities

Total liabilities at the end of the year 2021 were Baht 1,217.5 million, decreased by 352.3 million baht compared with the year ended 2020 which has total liabilities of 1,569.8 million baht, mainly from the repayment of the maturing debenture. The Company had debentures at the end of the year 2021 was baht 786.8 million, a decrease of 476.8 million baht compared with the year ended 2020 which has a total debenture of 1,263.6 million baht.

Please be informed accordingly.

Best regards,



(Mrs. Chonticha Supalukmetha)

Managing Director

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