

10 August 2022

LIT 2022/017

Topic Operating Result for the second Quarter of the year 2022

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.9/2022, on 10th August 2022, the Financial Statements and overall operations of the Company for the period ended 30 June 2022 which has been reviewed by the auditors of EY Office Limited.

The Thai economy in the year 2021-2022 was affected by COVID-19 pandemic, 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 50.1%, our customers could run projects again after the lockdown period and some of projects could be delivered but the government bidding also get stuck and allocate to COVID-19 budget. As a result, the finance amount decreased that directly affect the revenue in the first half of 2022. 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 2022 to cope with the impact of this situation as follows:

Industry and Strategy

The trend of competition in the banking and Non-Bank industry continues to be pressured by the effect of COVID-19 pandemic and the economic outlook is also impacted by inflation. 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 IT 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 through social media and maximize customer database usage for cross-selling.

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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 by using digital marketing.
- 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 trendy industries sector for new customers** that finance on Project Backup Finance with collateral under risk management and also support in short term project for cost management.
- 5) **Focus on retaining existing customers** to builds customer brand loyalty by enhancing customer satisfaction through loyalty program to stimulate transactions and build sustainable customer relationship.
- 6) **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

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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 the 3-months and 6-months period ended 30 June 2022 in comparison with the corresponding period last year ended 30 June 2021

(Unit: Thousand Baht)	Statement of comprehensive income					
	For 3 months period			For 6 months period		
	2022	2021	%Change	2022	2021	%Change
Interest Income	28,727	53,998	(46.8%)	58,669	114,933	(49.0%)
Fees and service incomes	11,769	19,855	(40.7%)	22,928	48,048	(52.3%)
Other income	1,329	7,380	(82.0%)	5,760	12,207	(52.8%)
Total revenues	41,825	81,233	(48.5%)	87,357	175,188	(50.1%)
Service expense	6,714	9,318	(27.9%)	13,127	19,996	(34.4%)
Administrative expense	19,449	20,355	(4.5%)	36,706	38,901	(5.6%)
Expected credit losses	31,951	27,159	17.6%	63,730	68,605	(7.1%)
Total expenses	58,114	56,832	2.3%	113,563	127,502	(10.9%)
Operating profit(loss) before finance cost and tax	(16,289)	24,401	(166.8%)	(26,206)	47,686	(155.0%)
Finance cost	(12,229)	(22,680)	(46.1%)	(24,997)	(43,271)	(42.2%)
Profit(loss) before income tax expenses	(28,518)	1,721	(1,757.1%)	(51,203)	4,415	(1,259.8%)
Income tax revenues (expenses)	4,685	(788)	(694.5%)	6,384	(1,671)	(482.0%)
Profit(Loss) for the period	(23,833)	933	(2,654.4%)	(44,819)	2,744	(1,733.3%)

1. Revenues

Total revenue for the first half of 2022 consists of interest income, fees and service income, and other income at the proportion of 67.2%, 26.2%, and 6.6% respectively. As such, the Company focuses on financing to customers who are government suppliers and low-risk financial products in an economic slowdown to control and reduce the risk of non-performing loans (NPLs). As a result, the revenue decreased 87.8 million baht.

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Interest incomes

Interest Income (Unit: Thousand Baht)	For the 3 months period ended 30 June				Change	
	2022	%	2021	%	Amount	%
- Installment Sales	1,167	4.1%	88	0.2%	1,079	1,226.1%
- Loan contracts	6,660	23.2%	22,631	41.9%	(15,971)	(70.6%)
- Factoring contracts	16,593	57.7%	25,985	48.1%	(9,392)	(36.1%)
- Finance lease contracts	3,072	10.7%	3,265	6.0%	(193)	(5.9%)
- Hire-purchase contracts	1,228	4.3%	2,029	3.8%	(801)	(39.5%)
- Loans to customers	7	0.0%	-	-	7	100.0%
Total	28,727	100.0%	53,998	100.0%	(25,271)	(46.8%)

For the second quarter of 2022, the interest income decreased by 25.3 million baht or 46.8%. The main reason was that the interest income according to loans contracts decreased by 16 million baht or 70.6% and factoring contracts decreased in the amount of 9.4 million baht or 36.1% due to the Company decreased financing new loan according to the company policy, as well as the economic pressure from high the inflation, resulted in a decrease in liquidity of the customers and increase of NPL result in freezing revenue recognition as accounting standard. Moreover, Decreasing of government project also affected financing amount.

However, the Company recorded expected credit losses for Loan receivables and Factoring receivables of approximately 438.2 million baht and 141.9 million baht respectively.

Interest Income (Unit: Thousand Baht)	For the 6 months period ended 30 June				Change	
	2022	%	2021	%	Amount	%
- Installment Sales	2,203	3.8%	88	0.1%	2,115	2,403.4%
- Loan contracts	14,926	25.5%	50,227	43.8%	(35,301)	(70.3%)
- Factoring contracts	33,996	57.9%	53,882	46.9%	(19,886)	(36.9%)
- Finance lease contracts	5,236	8.9%	6,295	5.5%	(1,059)	(16.8%)
- Hire-purchase contracts	2,301	3.9%	4,441	3.9%	(2,140)	(48.2%)
- Loans to customers	7	0.0%	-	-	7	100.0%
Total	58,669	100.0%	114,933	100.0%	(56,264)	(49.0%)

For the first half of the year 2022, total interest income was Baht 58.7 million which decreased Baht 56.3 million or 49%.

The main reasons was from Thai economic impacted various business as a result to lower business transactions. The Company also has upgraded the screening of customers and debtors to prevent non-performing (NPLs). So, interest income decreased as mentioned reason.

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Fees and service incomes

Fees and service incomes (Unit: Thousand Baht)	For the 3 months period ended 30 June				Change	
	2022	%	2021	%	Amount	%
- Installment Sales	3,578	30.4%	272	1.4%	3,306	1,215.4%
- Loan contracts	3,144	26.7%	9,638	48.5%	(6,494)	(67.4%)
- Factoring contracts	4,373	37.2%	8,595	43.3%	(4,222)	(49.1%)
- Finance lease contracts	12	0.1%	20	0.1%	(8)	(40.0%)
- Hire-purchase contracts	23	0.2%	13	0.1%	10	76.9%
- Letter of guarantees	564	4.8%	1,311	6.6%	(747)	(57.0%)
- Others	75	0.6%	6	0.0%	69	1,150.0%
Total	11,769	100.0%	19,855	100.0%	(8,086)	(40.7%)

Fee and service incomes for the second quarter of 2022 decreased Baht 8.1 million or 40.7% 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 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. Moreover, the Company also focus on existing customers because of experience on business behavior with lower risk.

Fees and service incomes (Unit: Thousand Baht)	For the 6 months period ended 30 June				Change	
	2022	%	2021	%	Amount	%
- Installment Sales	6,894	30.1%	272	0.6%	6,622	2434.6%
- Loan contracts	7,293	31.8%	22,541	46.9%	(15,248)	(67.6%)
- Factoring contracts	7,079	30.9%	21,659	45.2%	(14,580)	(67.3%)
- Finance lease contracts	26	0.1%	113	0.2%	(87)	(77.0%)
- Hire-purchase contracts	47	0.2%	24	0.0%	23	95.8%
- Letter of guarantees	1,513	6.6%	3,432	7.1%	(1,919)	(55.9%)
- Others	76	0.3%	7	0.0%	69	985.7%
Total	22,928	100.0%	48,048	100.0%	(25,120)	(52.3%)

For the first half of the year 2022, total fees and service incomes was Baht 22.9 million decreased by Baht 25.1 million or 52.3% as mention as above.

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Other income

For the first half of the year 2022, total other income was Baht 5.8 million decreased by Baht 6.4 million or 52.8% compared with the same period of the previous year which decreased from interest income from late payment. Because Thai economic slowdown impacted to liquidity of the customers.

2. Service and administrative expense

For the second quarter of 2022, The company had service expenses of 6.7 million baht, decreased by 2.6 million baht or 27.9% align with revenue. For administrative expenses decreased by Baht 0.9 million or 4.5% from employee expenses.

For the first half of the year 2022, total service and administrative expenses had decreased of 9.1 million baht or 15.4% from employee expenses and controlling unnecessary operating expenses.

3. Expected Credit Losses

In second quarter of the year 2022, the Company estimated expected credit losses (ECL) by Baht 31.9 million increased by 4.8 million baht compared with the same period of the previous year.

For the first half of the year 2022, ECL decreased by Baht 4.9 million or 7.1% compared with the previous year. In this regard, ECL is recorded following Thai Financial Reporting Standard No.9 (TFRS9) that was from the economic slowdown, resulting in a decrease in liquidity of the customers and ability to pay. The risk was at any moment that may be changed in the future depending on the varied factor of business.

4. Finance Cost

For the second quarter of 2022, finance cost decreased by Baht 10.5 million or 46.1% since there is no issuing debenture during period as the average debenture balance was decrease.

For the first half of the year 2022, finance cost decreased by Baht 18.3 million or 42.2% compared with last year as mention as above.

5. Income tax expenses

For the second quarter of 2022, The Company had Income tax revenues of 4.7 million baht caused by an increase in Expected Credit Losses (ECL). However, The Company will be able to use it in the future.

For the first half of the year 2022, Income tax expenses decreased by Baht 8.1 million as mention as above.

6. Net profit

For the second quarter of 2022, the Company had a loss of 23.8 million baht compared with the prior period which had net profit of 0.9 million baht due to a significant decrease in revenue and ECL increased in line with NPLs from high risk and affected to customer's quality.

In the first half of the year 2022, The Company had a loss 44.8 million baht compared with prior period which had net profit of 2.7 million baht as mentioned as above.

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Consolidated financial position of the Company as of 30 June 2022 in comparison with that as of 31 December 2021

Assets

Total assets as of 30 June 2022 were Baht 2,043.5 million, decreased by Baht 113.6 million compared with the year ended 2021 which has total assets of 2,157.1 million baht which caused by the decrease in receivables of 326 million baht whereas cash and short-term investment in trading securities increased Baht 200 million.

Liabilities

Total liabilities as of 30 June 2022 were Baht 882.9 million, decreased by 334.6 million baht compared with the year ended 2021 which has total liabilities of 1,217.5 million baht, mainly from the repayment of the short-term loan from finance institutions during the period.

Equity

The Company had fully paid-up share capital and issuing LIT-W2 about Baht 265.8 million but had net loss operation during the period Baht 44.8 million. As a result, total equity increased amounting to Baht 221 million when compared with the year 2021.

Please be informed accordingly.

Best regards,

(Mrs. Chonticha Supalukmetha)

Managing Director

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