



11 May 2022

LIT 2022/014

Topic Operating Result for the period ended 31 March 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.7/2022, on 11th May 2022, the Financial Statements and overall operations of the Company for the period ended 31 March 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 51.5%, 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 quarter 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 financial institutions industry continues to be pressured by a COVID-19 pandemic and the economic outlook remains depending on strategy to simulate economic. 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 continuously improve service and performance of a subsidiary (U-lite Digital Company Limited) that 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 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 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.
- 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.

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- 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.

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 March 2022 in comparison with the corresponding period last year.

(Unit: Thousand Baht)	Statement of comprehensive income			
	2022	2021	Change	
			Amount	% Change
Interest Income	29,942	60,935	(30,993)	(50.9%)
Fees and service incomes	11,159	28,193	(17,034)	(60.4%)
Other income	4,431	4,827	(396)	(8.2%)
Total revenues	45,532	93,955	(48,423)	(51.5%)
Service expense	6,413	10,678	(4,265)	(39.9%)
Administrative expense	17,257	18,546	(1,289)	(7.0%)
Expected credit losses	31,779	41,446	(9,667)	(23.3%)
Total expenses	55,449	70,670	(15,221)	(21.5%)
Operating profit(loss) before finance cost and tax	(9,917)	23,285	(33,202)	(142.6%)
Finance cost	(12,768)	(20,591)	(7,823)	(38.0%)
Profit(loss) before income tax expenses	(22,685)	2,694	(25,379)	(942.1%)
Income tax revenues (expenses)	1,699	(883)	(2,582)	(292.4%)
Profit(Loss) for the period	(20,986)	1,811	(22,797)	(1,258.8%)

1. Revenues

Total revenue for the 3 months period ended 31 March 2022 consists of interest income, fees and service income, and other income at the proportion of 65.8%, 24.5%, and 9.7% 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 48 million baht.

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Interest incomes

Interest Income (Unit: Thousand Baht)	For the 3 months period ended 31 March				Change	
	2022	%	2021	%	Amount	%
- Installment Sales	1,036	3.5%	-	-	1,036	100.0%
- Loan contracts	8,266	27.6%	27,596	45.3%	(19,330)	(70.0%)
- Factoring contracts	17,403	58.1%	27,897	45.8%	(10,494)	(37.6%)
- Finance lease contracts	2,164	7.2%	3,030	5.0%	(866)	(28.6%)
- Hire-purchase contracts	1,073	3.6%	2,412	3.9%	(1,339)	(55.5%)
Total	29,942	100.0%	60,935	100.0%	(30,993)	(50.9%)

For the first quarter of 2022, the interest income decreased by 31 million baht or 50.9%. The main reason was that the interest income according to loans contracts decreased by 19.3 million baht or 70% and factoring contracts decreased in the amount of 10.4 million baht or 37.6% 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 and increase of NPL result in freezing revenue recognition as accounting standard. The Company also temporary decrease interest rate to some of customers for helping their business. Moreover, government budget focus on COVID-19 which affect to lower investment projects for simulation economic.

However, the Company recorded expected credit losses for Loan receivables and Factoring receivables of approximately 406.9 million baht and 145.4 million baht respectively.

Fees and service incomes

Fees and service incomes (Unit: Thousand Baht)	For the 3 months period ended 31 March				Change	
	2022	%	2021	%	Amount	%
- Installment Sales	3,316	29.7%	-	0.0%	3,316	100.0%
- Loan contracts	4,149	37.2%	12,903	45.8%	(8,754)	(67.8%)
- Factoring contracts	2,706	24.2%	13,064	46.3%	(10,358)	(79.3%)
- Finance lease contracts	14	0.1%	93	0.3%	(79)	(84.9%)
- Hire-purchase contracts	24	0.2%	11	0.0%	13	118.2%
- Letter of guarantees	949	8.5%	2,121	7.5%	(1,172)	(55.3%)
- Others	1	0.0%	1	0.0%	0	0.0%
Total	11,159	100.0%	28,193	100.0%	(17,034)	(60.4%)

Fee and service incomes for the first quarter of 2022 decreased Baht 17.0 million or 60.4% 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

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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.

Other income

Other income is mainly from interest income from late payment 90% of total other income which occurred from late payment. In the first quarter of 2022, interest income from late payment was 3.7 million baht decreased by Baht 0.7 million or 16.9% compared with the same period of the previous year.

2. Service and administrative expense

For the first quarter of 2022, The company had service expenses of 6.4 million baht, decreased by 4.3 million baht or 39.9% align with revenue. For administrative expenses decreased by Baht 1.3 million or 7% from employee expenses.

3. Expected Credit Losses

ECL decreased by Baht 9.7 million or 23.3% 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

Finance cost decreased by 7.8 million or 38% compared with last year since there is no issuing debenture during the period whereas issuing debenture in March 2021.

5. Income tax expenses

For the first quarter of 2022, The Company had Income tax revenues of 1.7 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 future.

6. Net profit

The Company had a loss of 21.0 million baht for the first quarter of 2022 compared with the prior period which had net profit of 1.8 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.

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

Assets

Total assets as of 31 March 2022 were Baht 2,083.4 million, decreased by Baht 73.7 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 219.8 million baht whereas cash and short-term investment in trading securities increased Baht 81.6 million and Baht 60 million, respectively.

Liabilities

Total liabilities as of 31 March 2022 were Baht 899.1 million, decreased by 318.4 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 265.7 million but had net loss operation during the period Baht 21.0 million. As a result, total equity increased amounting to Baht 244.8 million when compared with the year 2021.

Please be informed accordingly.

Best regards,



(Mrs. Chonticha Supalukmetha)

Managing Director

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