



9 August 2024

LIT 2024/025

Topic Operating Result for period ended 30 June 2024

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.7/2024, on 9<sup>th</sup> August 2024, the Financial Statements and overall operations of the Company for the period ended 30 June 2024 which has been reviewed by the auditors of EY Office Limited.

Thai economy was affected by COVID-19 pandemic. Eventhough the situation is better, but the economy 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 continuously helping customers facing the impact of the COVID-19 crisis so that customers can survive in the long term. Our customers could run projects again after the lockdown period, by the way, customers also are impacted from economic slowdown both abroad and domestic. Economic expansion in the country has slowed down. Stimulating the economy in both the public and private sectors has not yet been fully implemented. Especially the impact of customers who depend on government budgets having to slow down. This is because the government budget has not been able to be disbursed as usual in the past period. The cost of interest and household debt are continually rising. As a result, the finance amount decreased that directly affect the revenue for the year 2023, and 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 that following Thai Financial Reporting Standard No.9 (TFRS9) which determines adjustment of economic future forecast based (Looking Forward). According to improvement of credit quality, new NPLs significant decrease base on new financing of the year. This is to comply with the policy of prudent and carefully adjusted business strategic plans to cope with the impact of this situation as follows:

### Industry and Strategy

The trend of competition in the banking industry and non-bank financial institutions continues to be under pressure from the impact of economic expansion affected by various factors such as inflation, higher cost of fund and uable to fully recovery in the 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 for varies product to create stability in the organization, customer satisfaction, elevating work processes, building corporate credibility and awareness as follows:

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- 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.
- 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. The Company also join event which organized by private sector and government.
- 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) and to reduce concentration by industries
- 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. As well as developing tools to manage credit risk in each customer group.
- 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) The company has a complete range of financial products to meet the needs of SMEs entrepreneurs, especially those working for government agencies from the beginning to the end of the project with a business growth advisor who could offer financial products that are appropriate and consistent with the business operations of customers.
- 7) The Company has developed new financial products to meet the business demand and to support customers' business operations that have changed according to economic conditions and market competition as well as the behaviour of the customers change for generate income and business opportunities from new customers.
- 8) 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 situation of uncertainty during the economic slowdown has affected SMEs, causing an increase in non-performing loans. The Company had 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:

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- 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 depend on situation. The Company also closely monitors customer behavior and signal in order to prevent non-performing debts (NPLs) in the future.
- 2) The company has managed the spread of the loan portfolio in each industry to not exceed 25% in order to be in line with the industrial risk management plan to be more efficient, including visiting old customers of the company. To follow up on the progress of customers' business operations.
- 3) 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 and service business etc.
- 4) The company development of risk management tools in various dimensions, e.g. more expertise in credit consideration, analysis of customer data in different dimensions, assessing the risks of each group of customers through appropriate Risk Based Pricing for each customer.

#### 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 reinforced the debt collection and tracking team. To expedite debt repayment from distressed debtors who have arisen closely including hiring the company to track down additional external debts. With the goal of increasing the ability to collect debt (Recovery Rate) higher.
- 4) The company has a policy focusing on controlling unnecessary operating expenses. As well as efforts to develop and improve work processes to be more efficient in order to reduce costs. Including creating an information system to bring data to analyze in various dimensions in order to control and reduce errors. Including using the information to benefit in generating income with target customers to reduce costs. and control the loan service process more efficiently
- 5) The company focuses on building growth with a strategy to find new target customers. From adjusting the form of financial products and launching new financial products to expand the market to new customer groups that can generate higher income and returns for the Company and to diversify the Company's credit portfolio risk appropriately, including building a good relationship with the Company. business partner in order to extend and seek business opportunities in the future

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**Consolidated financial performance of the Company for period ended 30 June 2024 in comparison with the corresponding last period ended 30 June 2023**

| (Unit: Thousand Baht)                             | Statement of comprehensive income |                 |               |                     |                 |                |
|---|-----------------------------------|-----------------|---------------|---------------------|-----------------|----------------|
|   | For 3 months period               |                 |               | For 6 months period |                 |                |
|   | 2024                              | 2023            | %change       | 2024                | 2023            | %change        |
| Interest Income                                   | 15,166                            | 16,633          | (8.8%)        | 27,871              | 34,175          | (18.4%)        |
| Fees and service incomes                          | 10,846                            | 10,371          | 4.6%          | 20,573              | 20,284          | 1.4%           |
| Other income                                      | 2,034                             | 2,661           | (23.6%)       | 3,570               | 5,863           | (39.1%)        |
| <b>Total revenues</b>                             | <b>28,046</b>                     | <b>29,665</b>   | <b>(5.5%)</b> | <b>52,014</b>       | <b>60,322</b>   | <b>(13.8%)</b> |
| Service expense                                   | 5,065                             | 5,096           | (0.6%)        | 10,254              | 11,265          | (9.0%)         |
| Administrative expense                            | 17,577                            | 18,346          | (4.2%)        | 37,206              | 36,948          | 0.7%           |
| Expected credit losses                            | 30,144                            | 33,062          | (8.8%)        | 51,640              | 50,386          | 2.5%           |
| <b>Total expenses</b>                             | <b>52,786</b>                     | <b>56,504</b>   | <b>(6.6%)</b> | <b>99,100</b>       | <b>98,599</b>   | <b>0.5%</b>    |
| <b>Operating Loss before finance cost and tax</b> | <b>(24,740)</b>                   | <b>(26,839)</b> | <b>(7.8%)</b> | <b>(47,086)</b>     | <b>(38,277)</b> | <b>23%</b>     |
| Finance cost                                      | (9,199)                           | (8,139)         | 13%           | (16,664)            | (21,907)        | (23.9%)        |
| <b>Loss before income tax expenses</b>            | <b>(33,939)</b>                   | <b>(34,978)</b> | <b>(3.0%)</b> | <b>(63,750)</b>     | <b>(60,184)</b> | <b>5.9%</b>    |
| Income tax revenues (expenses)                    | (1,167)                           | 6,717           | (117.4%)      | 1,735               | 8,328           | (79.2%)        |
| <b>Loss for the period</b>                        | <b>(35,106)</b>                   | <b>(28,261)</b> | <b>24%</b>    | <b>(62,015)</b>     | <b>(51,856)</b> | <b>20%</b>     |

**1. Revenues**

Total revenue for the period ended 30 June 2024 consists of interest income, fees and service income, and other income at the proportion of 53.6%, 39.5%, and 6.9% respectively, which revenue from interest and fee income are majority of the Company's revenue. Total revenue decrease due to lower financing to customer, especially for customer who work with government due to effect from awaiting for budget allocation. The Company also avoid to finance in risk industry i.e construction industry. So. Interest revenue and income fee decreased. The Company also focused on financing to low-risk financial products i.e. trading, recruitment employee etc. in an economic slowdown to control and reduce the risk of non-performing loans (NPLs). As a result, the revenue decreased 8.3 million baht or 13.8%

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### Interest incomes

| Interest Income<br>(Unit: Thousand Baht) | For the 6 months period end 30 June |               |               |               | Change         |                |
|--|-------------------------------------|---------------|---------------|---------------|----------------|----------------|
|  | 2024                                | %             | 2023          | %             | Amount         | %              |
| - Installment Sales                      | 1,563                               | 5.6%          | 1,176         | 3.4%          | 387            | 32.9%          |
| - Loan contracts                         | 3,739                               | 13.4%         | 5,310         | 15.6%         | (1,571)        | (29.6%)        |
| - Factoring contracts                    | 19,191                              | 68.9%         | 24,606        | 72.0%         | (5,415)        | (22.0%)        |
| - Finance lease contracts                | 717                                 | 2.6%          | 2,300         | 6.7%          | (1,583)        | (68.8%)        |
| - Hire-purchase contracts                | 293                                 | 1.0%          | 777           | 2.3%          | (484)          | (62.3%)        |
| - Term Loan                              | 2,363                               | 8.5%          | -             | 0.0%          | 2,363          | 100.0%         |
| - Personal Loans                         | 5                                   | 0.0%          | 6             | 0.0%          | (1)            | (16.7%)        |
| <b>Total</b>                             | <b>27,871</b>                       | <b>100.0%</b> | <b>34,175</b> | <b>100.0%</b> | <b>(6,304)</b> | <b>(18.4%)</b> |

For the period ended 30 June 2024, the interest income from short-term loans consists of factoring contracts, Loan contracts, and installment sales have total interest income of 24.5 million baht or 87.9% and interest income from long-term loans is finance lease, hire-purchase and term loan contracts have total interest income of 3.4 million baht or 12.1% while in the same period of the previous period the percentage of interest income from short-term loans is 91.0% and 9.0% from long-term loans, since the Company focus on short-term loans for risk management and liquidity.

The interest incomes are mainly from factoring contracts. For the period 2024 and 2023, the interest income from factoring contracts has portion 68.9% and 72.0%, respectively which the Company has more focus on low-risk product and high liquidity to reduce new NPL from new financing.

Interest form term loan contracts increased by 2.4 million baht or 100% due to new product since Q4'2023 which is long term loan for increase productivity of customer under collateral.

A decrease in financing amount was mainly from customer who deal with government that effected from awaiting budget allocation and also from the intensity before lending and consideration of risk by industries. So, size portfolio decreased, resulting in a decrease in interest income. It comes from In addition, the overall of the economy in various industries and severe inflation, goods and wages higher. This directly affects the liquidity of SMEs, which are the company's main customers, they take longer period to recover than large companies. So, the Company had to reserved provision which align to risk and quality of customers, the Company also closes monitoring progression of each projects and carefully financing to reduce NPLs by new financing.

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### Fees and service incomes

| Fees and service incomes<br>(Unit: Thousand Baht) | For the 6 months period ended 30 June |               |               |               | Change     |             |
|---|---------------------------------------|---------------|---------------|---------------|------------|-------------|
|   | 2024                                  | %             | 2023          | %             | Amount     | %           |
| - Installment Sales                               | 6,341                                 | 30.8%         | 4,332         | 21.4%         | 2,009      | 46.4%       |
| - Loan contracts                                  | 3,285                                 | 16.0%         | 3,518         | 17.3%         | (233)      | (6.6%)      |
| - Factoring contracts                             | 9,000                                 | 43.8%         | 12,165        | 60.0%         | (3,165)    | (26.0%)     |
| - Finance lease contracts                         | 37                                    | 0.2%          | 12            | 0.1%          | 25         | 208.3%      |
| - Hire-purchase contracts                         | 10                                    | 0.0%          | 25            | 0.1%          | (15)       | (60.0%)     |
| - Term Loan                                       | 1,395                                 | 6.8%          | -             | 0.0%          | 1,395      | 100.0%      |
| - Letter of guarantees                            | 503                                   | 2.4%          | 231           | 1.1%          | 272        | 117.7%      |
| - Others  | 2                                     | 0.0%          | 1             | 0.0%          | 1          | 100.0%      |
| <b>Total</b>                                      | <b>20,573</b>                         | <b>100.0%</b> | <b>20,284</b> | <b>100.0%</b> | <b>289</b> | <b>1.4%</b> |

For the first half of 2024, revenue from fees and service incomes did not significantly change compared to the same period in the previous year. The major or fee and service income from factoring about 9 million baht or 43.8%, which slightly decreased by about 3.2 million baht from the same prior period. Meanwhile, fee and service income from term-loan increased 1.4 million baht since it was new products. Fee and service income from installment loan also increased 2.0 million baht or 46.4% due to sale increased since updating application in the beginning of the year 2024.

### 2. Service expense

For the first half of 2024, The Company had service expense slightly decreased about 1.0 million baht or 9.0% when compared with the prior year align with revenue by adjusted processing to increase efficiency and reduce operating cost.

### 3. Expected Credit Losses

For the current period, The Company had expected credit losses (ECL) of 51.6 million baht. In this regard, ECL is recorded following Thai Financial Reporting Standard No.9 (TFRS9) which was from the COVID-19 pandemic resulting in recovery of SMEs that are mainly customers of the Company. SMEs take time for recovery longer than big private company. Resulting in the inability to pay debts as scheduled reflects the risks inherent in the quality of the customers, thus the company is obliged to set aside in accordance with the quality and risks of the customers and the circumstances. However, the Company has a policy to prevent, control, and improve the financing process for better quality. both in modifying the method of risk analysis Adjustment of credit approval authority to be more appropriate Focusing on low-risk products, portfolio management by industry and eliminating financing in complex industries in order to minimize the damage of new loans. In addition, the company also added collection teams and procurement of outsource debt collection company to expedite the problem of non-performing debtors (NPLs).

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#### 4. Finance Cost

Finance cost decreased about 5.2 million baht or 23.9% due to the reduction in the outstanding balance of debentures.

#### 5. Income tax expenses

The Company had Income tax revenues of 1.7 million baht. According to loss operation, there is no income tax expense for this year. By the way, the Company applied TAS 12 Income tax then there is income tax revenue caused by an increase in Expected Credit Losses (ECL).

#### 6. Net loss

The Company had a loss of 62.0 million baht compared with a prior period which had a loss of 51.9 million baht due to a significant decrease in revenue of 8.3 million baht or 13.8% aligning with the customers lacking liquidity to pay-debts and decreasing in the financing amount. And ECL increased in line with NPLs from high risk and affected customer quality, so the Company reserved ECL. In addition. The Company booked deferred tax on ECL less than prior year since there was uncertainty about future benefit As a result, the higher Expected Credit Losses (ECL).

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Consolidated financial position of the Company as of 30 June 2024 in comparison with that as of 31 December 2023.

**Assets**

Total assets as of the second quarter of 2024 were 1,343.4 million baht, compared with the year ended 2023 which has total assets of 1,424.5 million baht which caused by the decrease in cash and cash equivalent and other financial assets about 34.9 million baht and 19.9 million baht, respectively from expanding AR about 62.6 million Baht

**Liabilities**

Total liabilities as of the second quarter of 2024 were 414.6 million baht, decreased by 19.0 million baht compared with the year ended 2023 which has total liabilities of 433.7 million baht, Mainly from, The redemption of credit deposit.

**Equity**

Equity decreased from the year 2023 about 62.0 million baht due to loss operation of current period.

Please be informed accordingly.

Best regards,



(Mr. Alongkot Boonmasuk)

Director and Chief Executive Officer

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