

Ref. LPN/Sor.Kor./172/2560

10th August, 2017

Re: Report on Financial Analysis in Q2/2017

Dear: President

The Stock Exchange of Thailand

L.P.N. Development Public Co., Ltd. would like to submit the financial statement of the Company and subsidiary companies in Q2/2017 and present the details of the performance of the Company as follows:

L.P.N. Development Public Co., Ltd. is the developer of affordable urban residential condominium to serve the needs of the target customers. At present, both domestic and international economy continues to decelerate. Increasing household debts and loan rejection rate of financial institutions are the major obstacles. In the past, the strategy of the Company emphasizes the development of large-scale projects focusing mainly on middle to lower-middle income earners in order to gain cost advantage. The locations for project development are around Bangkok peripheral area and the average selling price per unit is maintained at around one million THB. It is in accordance with the Affordable House Strategy that aims to hand over high-quality residence to low-income earners. As a result of the above problems, the operating performance of the Company is deteriorating. The Company has been able to sell the products but the ownership transfer target cannot be achieved. The operational strategy has thus been adjusted and 2017 is declared as the "Year of Shift". It is the opportunity for the organization, high-ranking executives and staff to revise the business model in order for the organization to achieve stable growth and the goal of sustainable development.

The gross income of the Company and subsidiary companies in Q2/2017 is 2,038.31 million THB, decreasing 3,124.52 million THB from Q2/2016 or 60.52%. Around 90% of the main income derives from the income from sales of the main gross income which decreases 63.51% i.e. from 4,980.73 million THB in 2016 to 1,817.28 million THB in 2017 as a result of the above reasons. In Q2/2017, only one project is completed i.e. Lumpini Ville Ratchaphruek-Bang waek with the value of 1,300 million THB. The gross profit is still maintained at 30% of income. In Q2/2017, three projects are launched, namely, Lumpini Park Beach Cha-am 2, Lumpini Suite Din daeng-Ratchaprarop and The Selected Kaset-Ngamwongwan by L.P.N. with the combined value of 3,150 million THB. Therefore, during the first half of 2017, the total of seven projects are opened for sale with the combined value of 8,350 million THB. The sales volume of 9,400 million THB has already been achieved.

In the latter half of 2017, five projects will be completed with the combined value of 3,870 million THB. There is also a plan to launch five more projects with the combined value of 11,650 million THB. As of 30 June 2017, the backlog of the Company is 7,074 million THB i.e. 2,862 million THB in 2017, 4,010 million THB in 2018, 202 million THB in 2019 and 356 million THB of the subsidiary companies.

Performance in Q2/2017 and 2016

Consolidated financial statements

The net profit of the Company and subsidiary companies decreases 631 million THB or 71.72% i.e. from 879.78 to 248.78 million THB as the income from sales has decreased 63.51% i.e. from 4,980.73 to 1,817.28 million THB. Around 72% is the inventory but the gross profit is maintained at 30% of income. Moreover, the management expense is controlled and has decreased 31.25% from that of the same period of the previous year.

After Revision

Statement of financial position as of 30 June 2017 and 31 December 2016

Total assets

The total assets of the Company increases 2,428.98 million THB or 13.09% i.e. from 18,557.92 to 20,986.90 million THB. It is because the projects under development and inventory increase 1,515.20 million THB or 10% i.e. from 15,155.85 to 16,671.05 million THB. Two projects are completed and ready to be handed over, namely, Lumpini Ville Sukhumvit 76-Bearing Station and Lumpini Ville Ratchaphruek-Bang waek. There are projects developed from the previous year as well as plots of land purchased for project development in 2017, namely, The Selected Kaset-Ngamwongwan by L.P.N., Lumpini Park Pahol 32 and Lumpini Place Rama 3-Industrial Ring Road. The ownership of a plot of land for the development of Lumpini Place Ratchada-Sathu, project is to be transferred.

Total liabilities

The total liabilities increase 2,703.72 million THB or 43.98% i.e. from 6,147.28 million THB to 8,851.00 million THB. The main reasons are as follows:

1. Loan from financial institutions has been requested for project development in 2017 so the loan amount has increased 1,317.95 million THB or 30.59% i.e. from 4,308.76 to 5,626.71 million THB.
2. Trade account payables and other creditors have increased 1,373.10 million THB or 94.44% i.e. from 1,453.95 to 2,827.05 million THB. The creditors for land and construction costs increase 857.10 million THB or 124.15%. The amount of down payment that is to be recognized increases 456.16 million THB or 197.10%.

As a result of the above reasons, the interest bearing debt to equity ratio and the debt to equity ratio have increased from 0.35 : 1 to 0.46 : 1 and from 0.50 : 1 to 0.73 : 1 as of 31 December 2016 and 30 June 2017 respectively.

Cash flow statement

The cash flow statement of six months as of 30 June 2017 and 30 June 2016 decreases 7.63% or 77.12 million THB from the same period i.e. from 1,010.30 million THB to 933.18 million THB as a result of the decrease in condominium handover and ownership transfer volume.

Important numbers in the financial statement in Q2/2017 and 2016

Table 1: Profit/Loss Statement in Q2/2017 and 2016

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	Q2/2017	Q2/2016	%variance	Q2/2017	Q2/2016	%variance
1. Main income (million THB)	2,038.31	5,162.83	(60.52%)	1,665.18	4,661.26	(64.28%)
2. Gross profit from main income (million THB)	625.76	1,635.34	(61.74%)	471.95	1,466.70	(67.82%)
3. Expenses on sales (million THB)	119.48	278.21	(57.05%)	103.40	297.50	(65.24%)
4. Expenses on Sale (million THB) (excluding expenses on ownership transfer)	43.53	97.31	(55.27%)	34.25	128.23	(73.29%)
5. Expenses on Management (million THB)	190.87	277.64	(31.25%)	96.18	152.50	(36.93%)
6. Profit before interest and income tax (million THB)	319.81	1,100.93	(70.95%)	311.70	1,040.50	(70.04%)
7. Profit before tax (million THB)	318.55	1,100.17	(71.05%)	311.37	1,040.20	(70.07)%
8. Net profit (million THB)	248.78	879.78	(71.72%)	247.37	830.67	(70.22%)
9. Net profit per share (THB)	0.17	0.60	(71.64%)	0.17	0.56	(70.16%)
10. Book value per share (THB)	8.22	8.31	(1.08%)	7.94	8.15	(2.58%)

After Revision

Table 2: Profit/Loss Statement in Q2/2017 and 2016

Percentage	Consolidated Financial Statement			Separate Financial Statement		
	Q2/2017	Q2/2016	%variance	Q2/2017	Q2/2016	%variance
11. Gross profit from sales (%)	30.27%	31.83%	(1.56%)	28.24%	31.51%	(3.27%)
12. Gross profit from rental and service business (%)	33.95%	26.05%	7.90%	33.96%	19.78%	14.17%
13. Gross profit from management business (%)	34.26%	27.65%	6.61%	-	-	-
14. Gross profit from main income (%)	30.70%	31.68%	(0.98%)	28.34%	31.47%	(3.13%)
15. Expenses on sales (%)	5.86%	5.39%	0.47%	6.21%	6.38%	(0.17%)
16. Expenses on Sale (%) (excluding expenses on ownership transfer)	2.14%	1.88%	0.26%	2.06%	2.75%	(0.69%)
17. Expenses on Management (%)	9.36%	5.38%	3.98%	5.78%	3.27%	2.51%
18. Profit before interest and income tax (%)	15.69%	21.32%	(5.63%)	18.72%	22.32%	(3.60%)
19. Profit before tax (%)	15.63%	21.31%	(5.68%)	18.70%	22.32%	(3.62%)
20. Net profit (%)	12.21%	17.04%	(4.83%)	14.86%	17.82%	(2.96%)

Table 3: Statement of Financial Position as of 30 June 2017 and 31 December 2016

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	as of 30 Jun 17	as of 31 Dec 16	%variance	as of 30 Jun 17	as of 31 Dec 16	%variance
21. Cash and cash equivalent	933.18	591.21	57.84%	622.67	438.86	41.88%
22. Trade debtors and other debtors	370.64	225.58	64.31%	302.81	168.26	79.97%
23. Land and project costs during construction	9,181.78	6,645.33	38.17%	7,786.49	5,268.76	47.79%
24. Backlog	7,489.27	8,510.52	(12.00%)	6,962.87	7,948.17	(12.40%)
25. Other current assets	40.47	30.26	33.74%	497.00	482.00	3.11%
26. Non-current assets	2,971.55	2,555.01	16.30%	3,274.34	2,827.37	15.81%
27. Total assets	20,986.90	18,557.92	13.09%	19,446.18	17,133.42	13.50%
28. Overdraft and short-term loan	4,092.70	3,183.25	28.57%	3,484.39	2,503.78	39.17%
29. Trade account payable and notes payable	2,827.05	1,453.95	94.44%	2,615.77	1,325.09	97.40%
30. Long-term loan	1,534.01	1,125.51	36.29%	1,410.11	1,012.39	39.29%
31. Overdue corporate income tax	95.56	98.37	(2.86%)	89.50	89.29	0.24%
32. Non-current liabilities	301.70	286.20	5.42%	126.01	120.68	4.42%
33. Total liabilities	8,851.00	6,147.28	43.98%	7,725.77	5,051.22	52.95%
34. Shareholders' equity	12,135.90	12,410.63	(2.21%)	11,720.41	12,082.20	(2.99%)

After Revision

Please be informed accordingly.

Sincerely yours,

Mr. Opas Sripayak

Managing Director