

Ref. LPN/Sor.Kor./277/2560

9th November, 2017

Re: Report on Financial Analysis in Q3/2017

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 Q3/2017 and present the details of the performance of the Company as follows:

L.P.N. Development Public Co., Ltd. is the developer of urban residential condominiums with affordable price to serve the needs of the target customers. The international and domestic economic slowdown has affected the real estate business and thus the Company has to revise its strategy and target group. The year 2017 marks **“The Year of Shift”**. First of all, the target customers of the Company have been changed from middle to lower-middle income earners to lower-middle to upper ones but the affordable price strategy is still retained. Secondly, the brand image is to be developed together with the market segmentation. Thirdly, the business operation of subsidiary companies will be independent from that of the mother company. Subsidiary companies will also provide services to other companies in order to generate more income for the organization. Lastly, other operational plans that are supportive of the change will be implemented.

The gross income of the Company and subsidiary companies in Q3/2017 is 2,346.48 million THB, decreasing 118.43 million THB or 4.80% from that of Q3/2016. Around 90% of the gross income derives from the income from sale which decreases from 2,272.41 million THB in 2016 to 2,120.17 million THB in 2017 or 6.70%. In Q3/2017, none of the projects will be completed and handed over. It will be the income recognition of the projects that are completed in the previous period. The Company has launched one project in Q3/2017, namely, Lumpini Park Phahon 32, valuing 2,000 million THB. During the first nine months of 2017, the Company has launched the total of eight projects with the combined value of 11,000 million THB and the sales volume of 13,000 million THB.

In the last quarter of 2017, three projects will be completed and handed over with the combined value of 2,000 million THB. There is also a plan to launch two more projects with the combined value of 3,500 million THB. Therefore, there will be the total of ten new projects launched throughout the whole year with the combined value of 14,000 million THB. As of 30 September 2017, the backlog of the Company is 7,400 million THB i.e. 1,950 million THB in 2017, 5,200 million THB in 2018, 250 million THB in 2019 and 450 million THB of the subsidiary company.

After Revision

Performance in Q3/2017 and 2016

Consolidated financial statements

The net profit of the Company and subsidiary companies decreases 106.78 million THB or 34.50% i.e. from 309.51 million THB to 202.73 million THB because the income from sales has decreased from 2,272.41 million THB to 2,120.17 million THB or equivalent to 6.70%. Most of the income from sales is derived from the inventory which accounts for 79% of the income recognized in Q3. The gross profit margin is thus lower than 30%. However, the Company is able to control the expenses on sale (excluding expenses on ownership transfer) and expenses on management to be 43.17% and 7.43% lower than those of the same quarter of the previous year respectively.

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

Total assets

The total assets of the Company increases 1,900.34 million THB or 10.24% i.e. from 18,557.92 million THB to 20,458.26 million THB. It is mainly because the value of the projects under development has increased 3,667.99 million THB or 55.20% i.e. from 6,645.33 million THB to 10,313.32 million THB. The Company purchases plots of land in 2017 for the development of three projects, namely, The Selected Kaset-Ngamwongwan by L.P.N., Lumpini Park Phahon 32 and Lumpini Place Rama 3-riverine. The ownership of three other plots of land is to be transferred, namely, Lumpini Place Ratchada-Sathu, a plot of land near Suksawasdi and a plot of land near Sutthisarn.

Total liabilities

The total liabilities increase 2,192.93 million THB or 35.67% i.e. from 6,147.28 million THB to 8,340.21 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 increases 1,403.59 million THB or 32.58% i.e. from 4,308.76 million THB to 5,712.35 million THB.
2. Trade account payables and other creditors have increased 826.77 million THB or 56.86% i.e. from 1,453.95 million THB to 2,280.72 million THB. The creditors for land and construction costs increase 145.76 million THB or 21.11%. The amount of downpayment that is to be recognized increases 632.64 million THB or 273.35%.

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 0.47 : 1 and from 0.50 : 1 to 0.69 : 1 as of 31 December 2016 and 30 September 2017 respectively.

Cash flow statement

The cash flow statement of nine months as of 30 September 2017 and 30 September 2016 decreases 12.97% or 93.07 million THB from the same period i.e. from 717.33 million THB to 624.26 million THB as a result of the decrease in condominium handover and ownership transfer volume.

After Revision

Important numbers in the financial statement in Q3/2017 and 2016

Table 1: Profit/Loss Statement in Q3/2017 and 2016

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	Q3/2017	Q3/2016	%variance	Q3/2017	Q3/2016	%variance
1. Main income (million THB)	2,346.48	2,464.91	(4.80%)	1,861.61	2,162.47	(13.91%)
2. Gross profit from main income (million THB)	601.27	784.75	(23.38%)	432.14	647.34	(33.24%)
3. Expenses on sales (million THB)	126.32	159.81	(20.96%)	105.61	167.09	(36.79%)
4. Expenses on Sale (million THB) (excluding expenses on ownership transfer)	37.38	65.78	(43.17%)	27.48	77.94	(64.74%)
5. Expenses on Management (million THB)	215.91	233.24	(7.43%)	118.23	137.98	(14.31%)
6. Profit before interest and income tax (million THB)	264.05	393.37	(32.87%)	216.92	348.24	(37.71%)
7. Profit before tax (million THB)	263.03	391.89	(32.88%)	216.74	347.95	(37.71%)
8. Net profit (million THB)	202.73	309.51	(34.50%)	165.32	274.17	(39.70%)
9. Net profit per share (THB)	0.14	0.21	(34.76%)	0.11	0.19	(39.78%)
10. Book value per share (THB)	8.21	8.22	(0.12%)	7.91	8.03	(1.49%)

Table 2: Profit/Loss Statement in Q3/2017 and 2016

Percentage	Consolidated Financial Statement			Separate Financial Statement		
	Q3/2017	Q3/2016	%variance	Q3/2017	Q3/2016	%variance
11. Gross profit from sales (%)	24.98%	31.69%	(6.72%)	23.54%	29.93%	(6.39%)
12. Gross profit from rental and service business (%)	23.38%	34.89%	(11.51%)	1.92%	31.01%	(29.09%)
13. Gross profit from management business (%)	32.81%	33.38%	(0.57%)	-	-	-
14. Gross profit from main income (%)	25.62%	31.84%	(6.22%)	23.21%	29.94%	(6.73%)
15. Expenses on sales (%)	5.38%	6.48%	(1.10%)	5.67%	7.73%	(2.06%)
16. Expenses on Sale (%) (excluding expenses on ownership transfer)	1.59%	2.67%	(1.08%)	1.48%	3.60%	(2.12%)
17. Expenses on Management (%)	9.20%	9.46%	(0.26%)	6.35%	6.38%	(0.03%)
18. Profit before interest and income tax (%)	11.25%	15.96%	(4.71%)	11.65%	16.10%	(4.45%)
19. Profit before tax (%)	11.21%	15.90%	(4.69%)	11.64%	16.09%	(4.45%)
20. Net profit (%)	8.64%	12.56%	(3.92%)	8.88%	12.68%	(3.80%)

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

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	as of 30 Sep 17	as of 31 Dec 16	%variance	as of 30 Sep 17	as of 31 Dec 16	%variance
21. Cash and cash equivalent	624.26	591.21	5.59%	367.59	438.86	(16.24%)
22. Trade debtors and other debtors	478.30	225.58	112.03%	407.00	168.26	141.89%
23. Land and project costs during construction	10,313.32	6,645.33	55.20%	8,903.55	5,268.76	68.99%
24. Backlog	5,961.27	8,510.52	(29.95%)	5,527.65	7,948.17	(30.45%)
25. Other current assets	33.57	30.26	10.94%	477.50	482.00	(0.93%)
26. Non-current assets	3,047.54	2,555.01	19.28%	3,290.26	2,827.37	16.37%
27. Total assets	20,458.26	18,557.92	10.24%	18,973.55	17,133.42	10.74%
28. Overdraft and short-term loan	4,292.63	3,183.25	34.85%	3,725.30	2,503.78	48.79%
29. Trade account payable and notes payable	2,280.72	1,453.95	56.86%	2,101.10	1,325.09	58.56%
30. Long-term loan	1,419.72	1,125.51	26.14%	1,319.07	1,012.39	30.29%
31. Overdue corporate income tax	36.82	98.37	(62.57%)	32.89	89.29	(63.16%)
32. Non-current liabilities	310.32	286.20	8.43%	129.48	120.68	7.29%
33. Total liabilities	8,340.21	6,147.28	35.67%	7,307.84	5,051.22	44.67%
34. Shareholders' equity	12,118.04	12,410.63	(2.36%)	11,665.72	12,082.20	(3.45%)

After Revision

Please be informed accordingly.

Sincerely yours,

Mr. Opas Sripayak

Managing Director