

14 August 2019

Subject : Management Discussion and Analysis of the second quarter 2019 ended 30 June 2019
Attn. : Director and Manager
The Stock Exchange of Thailand
Encls. : A copy of Reviewed Financial Statements for the second quarter 2019 ended 30 June 2019

The Company, Land and Houses Public Company Limited, would like to submit the reviewed financial statements for period of the second quarter ended 30 June 2019, for your information and publication.

In the second quarter of 2019, the Company and its subsidiaries recorded the net profit in the amount of 1,852.38 million baht while the same period last year recorded the net profit in the amount of 3,424.62 million baht, decreased of 1,572.24 million baht or 45.91% because of the following;

1. In the second quarter of 2019, the Company recorded sales income in the amount of 6,539.03 million baht while the same period last year the Company recorded sales income in the amount of 7,680.26 million baht, decreased of 1,141.23 million baht or decreased by 14.86%.
2. In the second quarter of 2019, the Company recorded gross profit margin of 31.94%, while the same period last year the Company recorded gross profit margin of 36.97%, decreased by 5.03% as a result of the following
 - 2.1 A decrease of gross profit margin by 1.28% due to the practice to comply with Thai Financial Reporting Standard No. 15: Revenue, which is effective in 2019.
 - 2.2 The decreasing gross profit margin in the remaining portion comes from the indirect cost, which is a fixed cost, was not decreased in the same direction of the sales. Gross profit margin of certain residential projects was also decreased as a higher competition.

The decrease in sales and gross profit margin in 1 and 2 make a decrease of 750.59 million baht in gross profit.

3. In the second quarter of 2019, there is no income from sales of investment properties, while the same period last year, the Company recorded profit before tax from sales of investment property in USA (at selling price of 4,544.13 million baht) in the amount of 1,318.29 million baht.

4. Details of the revenue from sale are as follows:

Type of product	2 nd quarter of 2019	2 nd quarter of 2018
Single Detached House	69%	67%
Town House	9%	9%
Condominium	22%	24%
Total	100%	100%

5. Details of the Company's rental and services income compared to last year are as follows:

(Million baht)

	2 nd quarter of 2019	2 nd quarter of 2018
Rental and services income	1,161.14	797.50
Cost	816.10	636.16
Gross profit	345.04	161.34
Gross profit margin	29.72%	20.23%

6. In the second quarter of 2019, details of share of profit from investment in associates compared to 2018 are as follows:

(million baht)

Name of the Company	2 nd quarter of 2019	2 nd quarter of 2018
LH Financial Group Public PLC.	166.51	176.43
Quality Construction Products Public PLC.	5.64	0.57
Home Product Center Public PLC.	461.62	396.82
LH Property and Loan Fund II	9.85	12.88
Quality House Public PLC.	148.05	211.92
Total	791.67	798.62

7. The comparison of the Company's sales income and administrative expenses of the second quarter of 2019 and 2018 are as follows:

	2 nd quarter of 2019	%	2 nd quarter of 2018	%	Increase / Decrease	
					MB.	%
Sales income	6,539.03	100.00	7,680.26	100.00	(1,141.23)	-14.86
Selling expenses	187.75	2.87	222.35	2.90	(34.60)	-15.56
Administrative expenses	568.84	8.70	816.06	10.63	(247.32)	-30.29
Specific Business Tax	252.84	3.87	293.31	3.82	(40.47)	-13.80
Finance Cost	227.99	3.49	174.55	2.27	53.43	30.61
Exchange Losses (Derivatives)	3.60	0.06	-	0.00	3.60	N/A
Income Tax	289.36	4.43	621.68	8.09	(332.32)	-53.46
Total	1,530.37	23.40	2,102.46	27.71	(597.58)	-28.08

In the second quarter of 2019, the Company's administrative expenses decreased in line with sales income. The decrease in the amount of 247.22 million baht of the administrative expenses or decrease 30.29% as a result of provision set aside for utility repair works in order to hand over to housing juristic person in 2018 but there was no such provision to set aside in 2019.

In the second quarter of 2019, a decrease of 332.32 million baht in income tax came from a decrease of 1,908.34 million baht in profit before tax.

For the period of 6 months in 2019, ended 30 June 2019 the Company and its subsidiary recorded the net profit in the amount of 3,678.19 million baht while the same period last year recorded the net profit in the amount of 5,890.30 million baht, decrease of 2,212.12 million baht or decrease by 37.56% because of the followings;

1. In the first six months of 2019, the Company recorded sales income in the amount of 12,237.28 million baht while the same period last year the Company recorded sales income in the amount of 15,654.78 million baht, decrease of 3,417.50 million baht or decrease by 21.83%.
2. In the first six months of 2019, the Company recorded gross profit margin of 32.12%, while the same period last year the Company recorded gross profit margin of 37.04%, decrease by 4.92% as a result of following:

- 2.1 A decrease of 1.14% in gross profit margin due to the practice to comply with Thai Financial Reporting Standard No. 15: Revenue, which is effective in 2019.
- 2.2 The decreasing gross profit margin in the remaining portion comes from the indirect cost, which is a fixed cost, was not decreased in the same direction of the sales. Gross profit margin of certain residential projects was also decrease as a higher competition.

The decrease in sales and gross profit margin in 1 and 2 make a decrease of 1,868.71 million baht in gross profit.

3 Details of the revenue from sale are as follows:

Type of product	First Half of 2019	First Half of 2018
Single Detached House	74%	65%
Town House	11%	9%
Condominium	15%	26%
Total	100%	100%

4 Details of the Company's rental and services income compared to last year are as follows:

(million baht)

	First Half of 2019	First Half of 2018
Rental and services income	2,411.62	1,721.01
Cost	1,686.57	1,340.87
Gross profit	725.06	380.14
Gross profit margin	30.07%	22.09%

- 5 In the first six months of 2019, details of share of profit from investment in associates compared to the first six months of 2018 are as follows:

Name of the Company	First Half of 2018	First Half of 2017
LH Financial Group Public Co.,Ltd.	343.01	345.14
Quality Construction Products Public Co.,Ltd.	18.39	3.73
Home Product Center Public Co.,Ltd.	890.87	774.26
LH Property and Loan Fund II	27.85	30.84
Quality House Public Co.,Ltd.	369.36	422.89
Total	1,649.48	1,576.85

- 6 The comparison of the Company's sales income and administrative expenses of the first six months of 2019 and the first six months of 2018 are as follows:

	First Half 2018 (MB)	%	First Half 2017 (MB)	%	Increase / Decrease	
					MB.	%
Sales income	12,237.28	100.00	15,654.78	100.00	(3,417.50)	-21.83
Selling expenses	354.78	2.90	457.09	2.92	(102.31)	-22.38
Administrative expenses	1,154.77	9.44	1,341.15	8.57	(186.38)	13.90
Specific Business Tax	471.26	3.85	600.50	3.84	(129.25)	-21.52
Finance Cost	404.51	3.31	367.63	2.35	36.88	10.03
Exchange Losses (Derivatives)	6.31	0.05	-	0.00	6.31	N/A
Income Tax	566.14	4.63	897.08	5.73	(330.94)	-36.89
Total	2,957.76	24.17	3,663.45	23.40	(705.70)	-19.26

In the first six months of 2019, the Company's administrative expenses decreased in the amount of 186.38 million baht as a result of provision set aside for utility repair works in order to hand over to housing juristic person in 2018 but there was no such provision to set aside in 2019.

In the first 6 months quarter of 2019, income tax decreased 330.94 million baht as a result of a decrease in profit.

Please be informed accordingly.

Yours sincerely,

Mr. Wit Tantiworawong
Senior Executive Vice President