

Ref. LPN/SorKor/386/2562

7th November 2019

Re: Consolidated Financial Statements Analysis Q3/2019

Dear: President

The Stock Exchange of Thailand

L.P.N. Development Public Co., Ltd. would like to submit the financial statements and information on the performance of the Company and subsidiary companies in Q3/2019 to The Stock Exchange of Thailand as follows:

L.P.N. Development Public Co., Ltd. and subsidiary companies provide full property development services focusing on the quality of life of the residents with the implementation of “Vibrant Community” strategy, corporate social and environmental responsibility as well as sustainable development. As a consequence of global economic situation and economic downturn in the country, the real estate sector has continuously been severely affected. The Company is aware of the situation and has been taking actions in an attempt to overcome the difficulties. The Company seeks additional income from other sources to help generate extra income. The income base has been expanded to include rental property business as it is one way to efficiently manage the Company’s assets while purchasing power is decreasing as well as to reduce risks. The income from residential condominium development and sale is maintained at ten billion THB per annum. The growth of the development of single house projects is at least 50% of that of residential condominium projects. When combining with income from other service businesses of the Company and subsidiary companies, it is believed that the income of the Company will continue to grow.

The Cabinet resolution made on 22nd October 2019 approves residential property stimulus measures to support and ease the burden of those who wish to buy a home and to boost the domestic market sentiment. The transfer fee and mortgage fee of residential property worth up to 3 million THB/unit will be reduced. It is expected that the measures will become effective in Q4/2019 until 24th December 2020. There is also a measure of the Government Housing Bank to fix the interest rate for 1-5 years, starting on 22nd October 2019 until 24th December 2020. As a result of such measures, the sale and ownership transfer target of the Company is expected to be met.

Sales volume, backlog and ownership transfer volume

As of 30th September 2019, the sales volume and backlog of the Company and subsidiary companies are as follows:

			Unit: Million THB			
<u>Sales Volume</u>	Amount	Note	<u>Backlog</u>	Transfer in 2019	Transfer in 2020	Total 2019 - 2020
1. Residential Condominium	3,300	90% of sales volume in 2019 derives from ready-to-move-in projects developed in the previous years i.e. 58% residential condominium projects and 32% single house projects.	1. Residential Condominium	3,800	2,100	5,900
2. Single House	1,800		2. Single House	1,100	-	1,100
3. Total Sales Volume	5,100		3. Total Backlog	4,900	2,100	7,000

In Q4/2019 and 2020, the Company prepares to launch 10 new residential condominium and single house projects with the combined value of 15,000 million THB. The concept is “The Better Sufficiency”. It will improve brand acknowledgement and understanding that the Company intends to deliver a high-quality home to the customers. It will also help improve the sales volume. In Q4/2019, the combined ownership transfer target of residential condominium and single house projects is 5,000 million THB.

Performance in Q3/2019 and 2018

Consolidated Profit(Loss) Statements

The net profit of the Company and subsidiary companies decreases 60.45% from the same quarter of the previous year. It is because the income from sale decreases by 45.81% since there are no new projects completed in this quarter. However, the gross profit from sale increases 1.60%. At the same time, the income from rental property business and service and management service business increases 24.96% and 11.53% respectively from the same quarter of the previous year as a result of the expansion of rental property business at Lumpini Township Rangsit - Klong 1 project and management services provided to other companies.

Proportion of the Main Income of the Company and Subsidiary Companies

Type of Income	Q3/2019	Q3/2018	%Variance	Unit: Million THB		
				9 Months 2019	9 Months 2018	%Variance
1. Income from sale of real estate ¹	1,090.98	2,013.28	(45.81%)	4,950.32	6,292.11	(21.32%)
1.1 Residential condominium	561.26	1,809.15	(68.98%)	2,994.53	5,585.47	(46.39%)
1.2 Single house	529.72	204.13	159.50%	1,955.79	706.65	176.77%
2. Income from rental and service business	46.09	36.89	24.96%	126.24	95.40	32.33%
3. Income from management service business	268.07	240.35	11.53%	792.52	685.93	15.54%
4. Total main income	1,405.14	2,290.51	(38.65%)	5,869.09	7,073.44	(17.03%)

^{Note 1} In Q3/2019, it is mainly the recognition of income from ready-to-move-in projects completed in 2018 i.e. 18% residential condominium projects and 39% single house projects. (Most projects completed will be handed over in Q4/2019. During the first 9 months, 1 project is handed over i.e. Lumpini Ville Sukhumvit 76.

Statement of Financial Position as of 30th September 2019 and 31st December 2018

Total assets

Total assets of the Company increase 2,813.72 million THB or 13.24% i.e. from 21,250.21 million THB to 24,063.93 million THB. The main reasons are as follows:

1. The deposit for a plot of land in Chaengwattana Soi 17 for the development of a future project is paid.
2. Projects under development and inventory increase 2,794.66 million THB or 16.51% i.e. from 16,928.07 million THB to 19,722.73 million THB as follows:
 - a. One single home project i.e. Lumpini Town Place Sukhumvit-Srinakarin is developed on a plot of land from the land bank.
 - b. Plots of land are purchased for the development of 5 projects in 2019.

Residential condominium projects

- Lumpini Ville Sukhumvit 101/1 - Punnavithi
- Lumpini Place Taopoon Interchange
- Lumpini Ville Chaengwattana 10

Single house projects

- Baan 365 Muang Thong - Chaengwattana
- Lumpini Town Ville Ladkrabang - Suvarnabhumi, a single house project of a subsidiary company

Total liabilities

Total liabilities increase 3,166.85 million THB or 38.08% i.e. from 8,315.57 million THB to 11,482.42 million THB. The main reasons are as follows:

1. The loan from financial institutions for project development and business operation increases 3,360.56 Million THB or 64% i.e. from 5,250.47 million THB to 8,611.03 million THB.
2. The new Labor Protection Act is enforced on 5th April 2019, therefore, the Company and subsidiary companies have to increase the reserve for staff benefit by 32.96 million THB.

Financial Structure

The Company emphasizes the effectiveness of financial structure management. It has to be flexible in times of economic turmoil and financial costs must be maintained at appropriate level. In addition, the financial policy must be implemented with caution and the financial stability and liquidity must be sufficient in order to build confidence in the performance of the Company. The details are as follows:

1. In spite of economic fluctuation, high domestic household debt level and severe competition in the real estate market, the Company is rated A- by Tris Rating Co., Ltd. The Company is, therefore, able to save costs from lower interest rate when raising funds from financial institutions or issuing debentures. In 2019, the Company has issued rated debentures as follows:

2019	Offer Value	Tenure	Period	Interest Rate
12 April	1,168	3 years	12 April 2019-12 April 2022	2.95
10 October	1,000	3 years	10 October 2019-10 October 2022	2.70

2. The Company has been repurchasing shares since the end of 2018. As of 30th September 2019, the total of 21.50 million shares worth 142.11 million THB have been repurchased.

As a result of the above reasons, the interest bearing debt to equity ratio and the debt to equity ratio have increased from 0.41 : 1 to 0.68 : 1 and from 0.64 : 1 to 0.91 : 1 as of 31 December 2018 and 30 September 2019 respectively. The above ratios do not exceed 1:1 which complies with the policy of the Company.

Cash flow statement

The cash flow statement as of 30th September 2019 and 30th September 2018 increases 9.68 million THB or 2.41%. The reasons are as follows:

1. The ownership transfer volume of residential condominium and single house projects decreases from the same period of the previous year.
2. The Company pays for plots of land for the development of 6 projects i.e. 4 residential condominium projects and 2 single house projects.
3. The Company pays for a deposit for a plot of land to develop a residential condominium in the future.
4. The Company pays for development costs of 7 projects to be handed over in Q4/2019.
5. The Company repurchases stocks worth 104.43 million THB.
6. The Company receives money from the issuance of debentures as well as loan from financial institutions for project development in 2019.

Important numbers in the financial statement Q3/2019 and 2018

Table 1: Profit/Loss Statement in Q3/2019 and 2018

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	Q3/2019	Q3/2018	%Variance	Q3/2019	Q3/2018	%Variance
1. Main income (million THB)	1,405.14	2,290.51	(38.65%)	917.32	1,846.81	(50.33%)
2. Gross profit from sale (%)	33.40	31.80	1.60%	29.23	29.32	(0.09%)
3. Gross profit from rental and service business (%)	34.31	33.61	0.70%	26.29	23.06	3.22%
4. Gross profit from management business (%)	36.10	35.27	0.83%	-	-	-
5. Gross profit from main income (million THB)	476.93	737.31	(35.31%)	266.74	539.04	(50.52%)
(%)	33.94	32.19	1.75%	29.08	29.19	(0.11%)
6. Expenses on sales (million THB)	101.45	149.85	(32.30%)	83.88	133.40	(37.12%)
(%)	7.22	6.54	0.68%	9.14	7.22	1.92%
7. Expenses on sales (million THB)	57.64	66.39	(13.18%)	48.32	57.60	(16.11%)
(excluding ownership transfer)						
(%)	4.10	2.90	1.20%	5.27	3.12	2.15%
8. Expenses on management (million THB)	237.79	219.48	8.34%	114.50	114.30	0.17%
(%)	16.92	9.58	7.34%	12.48	6.19	6.29%
9. Profit before interest and income tax (million THB)	142.74	374.19	(61.85%)	79.94	299.99	(73.35%)
(%)	10.16	16.34	(6.18%)	8.71	16.24	(7.53%)
10. Profit before tax (million THB)	142.36	373.66	(61.90%)	79.60	299.62	(73.43%)
(%)	10.13	16.31	(6.18%)	8.68	16.22	(7.54%)
11. Net profit (million THB)	115.66	292.42	(60.45%)	64.39	237.10	(72.84%)
(%)	8.23	12.77	(4.54%)	7.02	12.84	(5.82%)
12. Net profit per share (THB)	0.08	0.20	(60.10%)	0.04	0.16	(72.67%)
13. Book value per share (THB)	8.64	8.43	2.49%	8.04	8.00	0.50%

After revision

Table 2: Statement of Financial Position as of 30th September 2019 and 31st December 2018

Unit : million THB

Numbers	Consolidated Financial Statement			Separate Financial Statement		
	as of 30 Sep 19	as of 31 Dec 18	%Variance	as of 30 Sep 19	as of 31 Dec 18	%Variance
14. Cash and cash equivalent	411.01	387.72	6.01%	299.99	282.09	6.35%
15. Trade debtors and other debtors	366.97	401.67	(8.64%)	238.59	306.32	(22.11%)
16. Land and project costs during construction	13,112.74	9,243.16	41.86%	11,350.28	7,686.94	47.66%
17. Backlog	6,609.99	7,684.91	(13.99%)	6,177.70	7,269.15	(15.01%)
18. Other current assets ^{Note 1}	66.00	68.10	(3.08%)	772.00	698.00	10.60%
19. Non-current assets ^{Note 2}	3,497.22	3,464.65	0.94%	3,738.86	3,697.17	1.13%
20. Total assets	24,063.93	21,250.21	13.24%	22,577.41	19,939.66	13.23%
21. Overdraft and short-term loan	5,446.45	3,246.08	67.79%	5,291.51	3,058.99	72.98%
22. Trade account payable and other creditors	2,186.27	2,289.54	(4.51%)	1,970.66	2,078.35	(5.18%)
23. Long-term loan	3,164.58	2,004.39	57.88%	3,162.85	1,993.98	58.62%
24. Overdue corporate income tax	10.18	152.71	(93.33%)	6.16	137.91	(95.53%)
25. Non-current liabilities ^{Note 3}	674.94	622.86	8.36%	447.84	433.01	3.42%
26. Total liabilities	11,482.42	8,315.57	38.08%	10,879.02	7,702.24	41.24%
27. Shareholders' equity	12,581.51	12,934.64	(2.73%)	11,698.39	12,237.42	(4.40%)

After revision

^{Note 1} Comprising temporary investment and short-term loan to connected business.

^{Note 2} Comprising investment in subsidiary companies and associated companies, real estate for investment, land, building and equipment, goodwill, non-tangible assets, lease hold, deferred tax assets, withholding tax and other non-current assets.

^{Note 3} Comprising income from rental fee received in advance, estimation of staff benefits, deposit of rental and service fee and other non - current liabilities.

Please kindly be informed accordingly.

Sincerely yours,

Mr. Opas Sripayak
Chief Executive Officer and Managing Director