

**Land and Houses Public Company Limited and its subsidiaries**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2012 and 2011**

**1. General information**

**1.1 Corporation information**

Land and Houses Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in property development. The registered office of the Company is at No. 1 South Sathon Road, 37th-38th Floor, Q. House Lumpini Building, Tungmahamek, Sathon, Bangkok.

**1.2 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language financial statements.

**1.3 Basis of consolidation**

These consolidated interim financial statements are prepared by applying the same basis as that applied for the preparation of the consolidated financial statements for the year ended 31 December 2011, with there is structural change related to the subsidiary during the period as detailed below.

(Unaudited but reviewed)

On 14 August 2012, the meeting of the Company's Board of Director passed a resolution to establish a new subsidiary named Land and Houses U.S.A., Inc. to invest in real estate in the United States of America. Subsequently, on 24 August 2012, Land and Houses U.S.A., Inc., is registered in California, the United States of America. The Company owned 100 percent of shareholding in such company with registered share capital of 20 million shares at USD 1 per share, totaling USD 20 million. On 14 September 2012, Land and Houses U.S.A., Inc. called up USD 400,000 and the Company already paid up totally.

#### **1.4 New accounting standard issued during the year not yet effective**

During the period, the Federation of Accounting Professions issued the financial reporting standard No. 8 "Operating Segments" that is effective for fiscal years beginning on or after 1 January 2013.

The Company's management believes that the above accounting standard will not have any significant impact on the financial statements for the year when it is initially applied.

#### **1.5 Significant accounting policies**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2011, with the following additional accounting policy:

##### **Employee benefits**

##### ***Post-employment benefits***

##### ***Defined benefit plans***

Actuarial gains and losses arising from post-employment benefits are recognised in other comprehensive income.

#### **2. Related party transactions**

The relationships between the Company and its related parties are summarised below.

<u>Name of related parties</u>	<u>Relationship</u>
Atlantic Real Estate Co., Ltd.	Subsidiary
Pacific Real Estate Co., Ltd.	Subsidiary
Land and Houses North Co., Ltd.	Subsidiary
Land and Houses Northeast Co., Ltd.	Subsidiary
Siam Tanee Property Co., Ltd.	Subsidiary
Siam Tanee Real Estate Co., Ltd.	Subsidiary (99.99 percent held by Siam Tanee Property Co., Ltd.)

(Unaudited but reviewed)

<u>Name of related parties</u>	<u>Relationship</u>
L H Real Estate Co., Ltd.	Subsidiary
L H Asset Co., Ltd.	Subsidiary
L H Muang Mai Co., Ltd.	Subsidiary
Phuket Future Plan Co., Ltd.	Subsidiary (99.99 percent held by L H Muang Mai Co., Ltd.)
Double Tree Co., Ltd.	Subsidiary (99.99 percent held by L H Muang Mai Co., Ltd.)
L&H Property Co., Ltd.	Subsidiary
L&H Sathon Co., Ltd.	Subsidiary (99.99 percent held by L&H Property Co., Ltd.)
L&H Retail Management Co., Ltd.	Subsidiary (99.99 percent held by L&H Property Co., Ltd.)
L&H Hotel Management Co., Ltd.	Subsidiary (99.99 percent held by L&H Property Co., Ltd.)
Land and Houses U.S.A., Inc.	Subsidiary
LH Financial Group Plc.	Associate
Land and Houses Bank Plc.	Associate (99.99 percent held by LH Financial Group Plc.)
Land and Houses Fund Management Co., Ltd.	Associate (99.99 percent held by Land and Houses Bank Plc.)
Bangkok Chain Hospital Plc.	Associate (The Company sold all investments in this company in March 2011.)
Quality Construction Products Plc.	Associate
Home Product Center Plc.	Associate
Asia Asset Advisory Co., Ltd.	Associate
L&H Management Co., Ltd.	Associate (99.99 percent held by Asia Asset Advisory Co., Ltd.)
Land and Houses Property Fund	Associate
Land and Houses Property and Loan Fund-II	Associate
Quality Houses Plc.	Associate
Q.H. International Co., Ltd.	Associate (99.99 percent held by Quality Houses Plc.)
Centre Point Hospitality Co., Ltd.	Associate (99.99 percent held by Quality Houses Plc.)
<u>Name of related parties</u>	<u>Relationship</u>

(Unaudited but reviewed)

Quality Houses Leasehold Property Fund	Associate of Quality Houses Plc.
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	Associate of Quality Houses Plc.
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	Note 6.2.5
Muang Mai Property Co., Ltd.	Shareholder of subsidiary
Reco Resorts Pte Ltd.	Shareholder of subsidiary
Siam Retail Development Co., Ltd.	Common shareholder
Land and Houses Freehold and Leasehold Property Fund	Common shareholder

During the periods, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	For the three-month periods ended 30 September				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Interest income	-	-	12.0	13.5	MLR - 1.5% and 5.00 - 7.50% p.a.
Management fee income	-	-	4.8	3.9	Approximate cost
Dividend income	-	-	-	150.0	Declared rate
Interest expenses	-	-	1.0	0.7	3.00% p.a.
Rental and service expenses	-	-	0.6	-	Baht 1,030 per square metre per month
<u>Transactions with associates</u>					
Interest income	3.0	2.1	2.9	1.8	Market rate
Dividend income	-	25.7	-	25.7	Declared rate
Purchase of goods	39.1	46.6	35.5	39.8	Market price
Sales promotion expenses	-	4.5	-	4.5	Market rate
Services expenses	0.7	0.3	-	-	Contract price
Accounting services expenses	0.5	0.4	-	-	Contract price
Project management fee expenses	28.0	17.8	-	-	Contract price
<u>Transactions with related companies</u>					
Dividend income	14.9	5.4	14.9	5.4	Declared rate
Rental and service expenses	9.9	9.7	9.9	9.7	Baht 500 - 800 per square metre per month
Interest expenses	7.1	8.4	-	-	MLR - 1.5% and 7.00 - 7.50% p.a.
Commission expenses	3.8	1.6	-	-	Contract price
Building management fee expense	5.6	3.9	-	-	Contract price
<u>Transactions with directors of subsidiary</u>					
Interest expenses	0.6	0.6	-	-	7.00 - 7.50% p.a.

(Unaudited but reviewed)

(Unit: Million Baht)

	For the nine-month periods ended 30 September				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Interest income	-	-	38.4	32.7	MLR - 1.5% and 5.00 - 7.50% p.a.
Management fee income	-	-	8.7	10.6	Approximate cost
Dividend income	-	-	180.0	407.7	Declared rate
Sale of land	-	-	1.5	2.8	Approximate cost
Cash paid for use of land	-	-	5.2	2.8	Approximate cost
Purchase of land	-	-	0.5	-	Approximate cost
Interest expenses	-	-	3.3	1.8	3.00% p.a.
Rental and service expenses	-	-	1.0	-	Baht 1,030 per square metre per month
<u>Transactions with associates</u>					
Interest income	18.7	9.4	18.2	8.6	Market rate
Dividend income	622.7	388.2	622.7	388.2	Declared rate
Purchase of goods	101.4	112.9	95.9	98.2	Market price
Sales promotion expenses	-	5.9	-	5.9	Market rate
Services expenses	2.5	0.9	-	-	Contract price
Accounting services expenses	1.6	1.4	-	-	Contract price
Project management fee expenses	83.9	50.2	-	-	Contract price
Commission expenses	-	0.4	-	-	Contract price
<u>Transactions with related companies</u>					
Dividend income	26.1	12.5	26.1	12.5	Declared rate
Rental and service expenses	29.8	29.8	29.8	29.8	Baht 500 - 800 per square metre per month
Interest expenses	23.4	19.9	-	-	MLR - 1.5% and 7.00 - 7.50% p.a.
Commission expenses	7.2	21.9	-	-	Contract price
Building management fee expenses	16.6	6.4	-	-	Contract price
Sale of project	628.0	-	-	-	Note 9
<u>Transactions with directors of subsidiary</u>					
Interest expenses	1.7	1.7	-	-	7.00 - 7.50% p.a.

(Unaudited but reviewed)

On 28 February 2012, the meeting of the Company's Board of Directors approved to set up Land and Houses Freehold and Leasehold Property Fund whereby the Company is a co-sponsor with Government of Singapore Investment Corporation Pte Ltd. (GIC). The Company and GIC individually hold 15 percent of shareholding in Land and Houses Freehold and Leasehold Property Fund and the remaining of 70 percent are held by the general investors. The new property fund purchased a project of L&H Villa Sathon from L&H Sathon Company Limited, the Company's subsidiary, and purchased Center Point Sukhumvit - Thonglor and Center Point Residence Phrompong from Land and Houses Property and Loan Fund-II, an associated company. In addition, the Company and Reco Plaza Pte Ltd. will guarantee income of such fund whereby they will guarantee between the different amount of Baht 179.88 million for the year 2012 and Baht 243.16 million per year for the year 2013-2015 and the actual net income. The Company and Reco Plaza Pte Ltd. will guarantee at the portion of 52 percent and 48 percent, respectively. However, the guarantee income must not exceed 50 percent of actual net income before income guarantee. During the current period, the Company made a payment to guarantee income of the fund amounting to Baht 7.7 million to Land and Houses Freehold and Leasehold Property Fund. As at 30 September 2012, the outstanding provision to guarantee income of the fund is amounting to Baht 49.6 million. The amount are represented as a short-term provision totaling Baht 11.0 million and long-term provision totaling Baht 38.6 million in the statement of financial position.

As at 30 September 2012 and 31 December 2011, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
<b>Short-term bill of exchange and deposit at financial institution (shown under cash and cash equivalents)</b>				
<u>Associate</u>				
Land and Houses Bank Plc.	712.3	661.2	645.1	530.3
<b>Amount due from and accounts receivables - related parties (Note 3)</b>				
<u>Subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
L H Asset Co., Ltd.	-	-	0.6	0.1
Atlantic Real Estate Co., Ltd.	-	-	0.4	0.1
	-	-	1.0	0.2
<u>Associates</u>				
Home Product Center Plc.	0.1	0.1	0.1	0.1
Quality Houses Plc.	-	0.4	-	-
Land and Houses Property and Loan Fund-II	-	2.9	-	-
Land and Houses Bank Plc.	-	0.2	-	-
Q.H. International Co., Ltd.	1.0	-	-	-
	1.1	3.6	0.1	0.1

(Unaudited but reviewed)

Total	<u>1.1</u>	<u>3.6</u>	<u>1.1</u>	<u>0.3</u>
-------	------------	------------	------------	------------

(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2012	2011	2012	2011
<b>Short-term loans to and accrued interest receivables from related parties</b>				
<u>Subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
Siam Tanee Property Co., Ltd.	-	-	-	3.1
L H Asset Co., Ltd.	-	-	25.4	-
Land and Houses North Co., Ltd.	-	-	-	2.0
L H Muang Mai Co., Ltd.	-	-	68.0	65.3
L&H Property Co., Ltd.	-	-	798.5	1,024.5
	-	-	891.9	1,094.9
<u>Associate</u>				
Land and Houses Bank Plc.	0.1	0.3	-	-
Total	0.1	0.3	891.9	1,094.9
<b>Deposit to related company</b>				
<u>Subsidiary</u>				
(Eliminated from the consolidated financial statements)				
L&H Property Co., Ltd.	-	-	0.5	0.5
<u>Related company</u>				
Quality Houses Leasehold Property Fund	8.6	8.5	8.6	8.5
Total	8.6	8.5	9.1	9.0
<b>Trade accounts payables - related parties</b>				
<u>Associates</u>				
Quality Construction Products Plc.	10.7	2.4	10.7	2.4
Home Product Center Plc.	0.3	0.7	0.2	0.6
Total	11.0	3.1	10.9	3.0
<b>Amounts due to related parties</b>				
<u>Subsidiary</u>				
(Eliminated from the consolidated financial statements)				
L&H Property Co., Ltd.	-	-	-	4.2
<u>Associates</u>				
Asia Asset Advisory Co., Ltd.	-	1.6	-	-
Home Product Center Plc.	5.9	1.0	4.7	0.8
Quality Houses Plc.	16.9	16.5	-	-
	22.8	19.1	4.7	0.8
<u>Related companies</u>				
Land and Houses Freehold and Leasehold Property Fund	2.4	-	-	-
Siam Retail Development Co., Ltd.	15.2	3.3	-	-
	17.6	3.3	-	-
Total	40.4	22.4	4.7	5.0



(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2012	2011	2012	2011
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
Atlantic Real Estate Co., Ltd.	-	-	115.3	-
Pacific Real Estate Co., Ltd.	-	-	40.4	-
Land and Houses Northeast Co., Ltd.	-	-	20.2	-
Siam Tanee Property Co., Ltd.	-	-	5.0	-
Land and Houses North Co., Ltd.	-	-	20.1	-
	-	-	201.0	-
<u>Related companies/persons</u>				
Muang Mai Property Co., Ltd.	12.3	11.8	-	-
Reco Resorts Pte Ltd.	532.2	682.9	-	-
Directors of subsidiaries	44.7	43.0	-	-
	589.2	737.7	-	-
Total	589.2	737.7	201.0	-
<b>Provision for guarantee income of fund</b>				
<u>Related company</u>				
Land and Houses Freehold and Leasehold Property Fund	49.6	-	49.6	-

Loans from/loan to related parties are in the form of promissory notes without collateral which are due at call.

During the nine-month period ended 30 September 2012, movements of loans from/loan to the Company, subsidiaries and related companies were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 2011	Increase	Decrease	30 September 2012
<b>Short-term loans to and accrued interest receivables from related party</b>				
<u>Associate</u>				
Land and Houses Bank Plc.	0.3	18.7	(18.9)	0.1

(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 2011	Increase	Decrease	30 September 2012
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Related companies/persons</u>				
Muang Mai Property Co., Ltd.	11.8	0.5	-	12.3
Reco Resorts Pte Ltd.	682.9	22.9	(173.6)	532.2
Directors of subsidiaries	43.0	1.7	-	44.7
<b>Total</b>	<b>737.7</b>	<b>25.1</b>	<b>(173.6)</b>	<b>589.2</b>

(Unit: Million Baht)

	Separate financial statements			
	31 December 2011	Increase	Decrease	30 September 2012
<b>Short-term loans to and accrued interest receivables from related parties</b>				
<u>Subsidiaries</u>				
Atlantic Real Estate Co., Ltd.	-	10.0	(10.0)	-
Siam Tanee Property Co., Ltd.	3.1	-	(3.1)	-
L H Asset Co., Ltd.	-	93.5	(68.1)	25.4
Land and Houses North Co., Ltd.	2.0	2.1	(4.1)	-
L H Muang Mai Co., Ltd.	65.3	2.7	-	68.0
L&H Property Co., Ltd.	1,024.5	34.2	(260.2)	798.5
<b>Total</b>	<b>1,094.9</b>	<b>142.5</b>	<b>(345.5)</b>	<b>891.9</b>
<u>Associate</u>				
Land and Houses Bank Plc.	-	18.2	(18.2)	-
<b>Total</b>	<b>1,094.9</b>	<b>160.7</b>	<b>(363.7)</b>	<b>891.9</b>

**Short-term loans from and accrued interest payables to related parties**

<u>Subsidiaries</u>				
Atlantic Real Estate Co., Ltd.	-	309.8	(194.5)	115.3
Pacific Real Estate Co., Ltd.	-	81.3	(40.9)	40.4
Land and Houses Northeast Co., Ltd.	-	101.2	(81.0)	20.2
L H Asset Co., Ltd.	-	30.0	(30.0)	-
L H Real Estate Co., Ltd.	-	14.6	(14.6)	-
Siam Tanee Property Co., Ltd.	-	5.0	-	5.0
Land and Houses North Co., Ltd.	-	20.1	-	20.1
<b>Total</b>	<b>-</b>	<b>562.0</b>	<b>(361.0)</b>	<b>201.0</b>

**Management's benefits**

During the three-month and nine-month periods ended 30 September 2012 and 2011, the Company had salaries, provident fund, meeting allowance, gratuities, bonus and provision for long-term employee benefits of its management recognised as expenses as follows:

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated and Separate financial statements			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2012	2011	2012	2011
Management's benefits	19,447	25,273	61,302	62,642

### Commitments and contingent liabilities of related parties

The Company and its subsidiaries had commitments related to project management, finding lessees, consulting, operating lease and service agreement and agreement to purchase/sale of products with related companies as described in Note 19.

The Company and a subsidiary had outstanding guarantee obligations with its related parties, as described in Note 19.3.

### **3. Trade and other receivables**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2012	2011	2012	2011
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	54,071	25,210	-	-
Past due				
Less than 3 months	13,635	38,988	-	-
3 - 6 months	987	3,029	-	-
6 - 9 months	389	712	-	-
9 - 12 months	833	16	-	-
Over 12 months	296	220	-	-
Total	70,211	68,175	-	-
Less: Allowance for doubtful debts	-	(173)	-	-
Total trade receivables - unrelated parties, net	70,211	68,002	-	-
<u>Other receivables</u>				
Amount due from and account receivables				
- related parties	1,199	3,607	1,112	281
Other	27,088	32,902	25,972	31,696
Total other receivables	28,287	36,509	27,084	31,977
Total trade and other receivables - net	98,498	104,511	27,084	31,977

(Unaudited but reviewed)

**4. Land, construction in progress and utilities (inventories)**

The Company and its subsidiaries have mortgaged land and structures thereon to secure the loans and the overdraft facilities of the Company and its subsidiaries, of with net book values as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
September	December	September	December	
2012	2011	2012	2011	
Net book value of land and structures thereon mortgaged as collateral	9,612	6,345	8,853	5,938

Movements in the allowance for loss on diminution in value of projects during the nine-month period ended 30 September 2012 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2012	74,216	37,286
Less: Reversal due to sale	(8,930)	(7,000)
Balance as at 30 September 2012	<u>65,286</u>	<u>30,286</u>

**5. Investments in subsidiaries****5.1 Details of investments in subsidiaries as presented in the separate financial statements are as follows:**

Company's name	(Unit: Thousand Baht)									
	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment		Carrying amount based on cost method	
	30	31	30	31	30	31	30	31	30	31
	September	December	September	December	September	December	September	December	September	December
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
			(Percent)	(Percent)						
Atlantic Real Estate Co., Ltd.	15,000	15,000	99.99	99.99	14,998	14,998	-	-	14,998	14,998
Pacific Real Estate Co., Ltd.	5,810	5,810	99.99	99.99	5,810	5,810	-	-	5,810	5,810
Land and Houses North Co., Ltd.	13,500	13,500	99.99	99.99	13,500	13,500	-	-	13,500	13,500
Land and Houses Northeast Co., Ltd.	150,000	150,000	99.99	99.99	149,999	149,999	(50,000)	(50,000)	99,999	99,999
Siam Tanee Property Co., Ltd. and its subsidiary	100,000	100,000	99.99	99.99	64,859	64,859	-	-	64,859	64,859
L H Real Estate Co., Ltd.	58,000	58,000	99.99	99.99	25,000	25,000	-	-	25,000	25,000
L H Asset Co., Ltd.	100,000	100,000	99.99	99.99	52,734	52,734	-	-	52,734	52,734
L H Muang Mai Co., Ltd. and its subsidiaries	900,000	900,000	55.00	55.00	495,000	495,000	-	-	495,000	495,000
L&H Property Co., Ltd. and its subsidiaries	2,450,000	2,450,000	60.00	60.00	1,566,000	1,566,000	-	-	1,566,000	1,566,000
Land and Houses U.S.A., Inc.	(a)	-	100.00	-	12,348	-	-	-	12,348	-
					<u>2,400,248</u>	<u>2,387,900</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>2,350,248</u>	<u>2,337,900</u>

(a) As at 30 September 2012, that company had paid-up capital amounted to USD 400,000.

(Unaudited but reviewed)

During the periods, the Company received dividend income from its subsidiaries as detailed below.

(Unit: Thousand Baht)

Company's name	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2012	2011	2012	2011
Atlantic Real Estate Co., Ltd.	-	-	179,975	149,979
Pacific Real Estate Co., Ltd.	-	-	-	7,756
L H Asset Co., Ltd.	-	149,999	-	249,998
Total	-	149,999	179,975	407,733

## 5.2 L H Muang Mai Company Limited and its subsidiaries

As at 30 September 2012 and 31 December 2011, L H Muang Mai Company Limited pledged the ordinary shares of Phuket Future Plan Company Limited and Double Tree Company Limited which are subsidiaries, as collateral of long-term loans.

## 5.3 L&H Property Company Limited

L&H Property Company Limited, established 2 new subsidiaries as following details:

1. L&H Retail Management Co., Ltd. was established on 30 January 2012 which a registered capital of 100,000 Baht consisting of 10,000 ordinary shares with a par value of 10 Baht each. L&H Property Company Limited holds 99.99 percent of share ownership and paid all subscription already. The new subsidiary will operate the retail management business.
2. L&H Hotel Management Co., Ltd. was established on 7 February 2012 which a registered capital of 100,000 Baht consisting of 10,000 ordinary shares with a par value of 10 Baht each. L&H Property Company Limited holds 99.99 percent of share ownership and paid all subscription already. The new subsidiary will operate the hotel management business.

## 5.4 Land and Houses U.S.A., Inc.

During the current period, the Company established a new subsidiary named Land and Houses U.S.A., Inc. as discussed in Note 1.3.

(Unaudited but reviewed)

## 6. Investments in associates

### 6.1 Details of investments in associates

(Unit: Thousand Baht)

			Consolidated financial statements					
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			September	December	September	December	September	December
			2012	2011	2012	2011	2012	2011
			(Percent)	(Percent)				
LH Financial Group Plc.	Holding company	Thai	35.11	35.43	4,254,008	4,254,008	4,884,766	4,726,443
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	179,178	179,178	381,634	304,873
Home Product Center Plc.	Trading of construction materials	Thai	30.11	30.07	1,337,231	1,175,060	3,223,656	2,777,661
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	2,000	2,000	3,242	1,387
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	20,692	20,692	32,402	32,402
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	785,330	1,512,269	536,186	1,260,648
Quality Houses Plc.	Real estate business	Thai	24.86	24.86	3,252,802	3,252,802	4,523,544	4,126,857
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	Real estate business	Philippines	-	25.00	-	866,849	-	1,148,654
					<u>9,831,241</u>	<u>11,262,858</u>	<u>13,585,430</u>	<u>14,378,925</u>

(Unit: Thousand Baht)

			Separate financial statements			
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost	
			September	December	September	December
			2012	2011	2012	2011
			(Percent)	(Percent)		
LH Financial Group Plc.	Holding company	Thai	35.11	35.43	4,254,008	4,254,008
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	179,178	179,178
Home Product Center Plc.	Trading of construction materials	Thai	30.11	30.07	1,337,231	1,175,060
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	2,000	2,000
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	20,692	20,692
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	785,330	1,512,269
Quality Houses Plc.	Real estate business	Thai	24.86	24.86	3,252,802	3,252,802
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	Real estate business	Philippines	-	25.00	-	866,849
					<u>9,831,241</u>	<u>11,262,858</u>

## **6.2 Significant changes in investments in associates**

### **6.2.1 LH Financial Group Public Company Limited**

In May 2011, LH Financial Group Public Company Limited offered 1,443 million new ordinary shares with a par value of Baht 1 each through an Initial Public Offering (IPO), at a price of Baht 1.40 per share. The Company did not acquire additional shares of LH Financial Group Public Company Limited. Consequently, the percentage shareholding of the Company's in the associated company has decreased from 40.95% to 35.75%. The increase in share capital of such associate resulted in increasing in the investment in associate accounted for under the equity method amounting to Baht 136.1 million, presented as other income in the consolidated statement of income for the nine-month periods ended 30 September 2011.

On 23 April 2012, the Annual General Meeting of the shareholders of LH Financial Group Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 30 existing shares, or equivalent to Baht 0.0333 per share, and a cash dividend of Baht 0.0037 per share. The Company received 136 million stock dividend shares and cash dividend of Baht 15 million in May 2012. The Company included this stock dividend in recalculating the average cost of investment in such company, using the total shares held after receiving stock dividend during the current period.

In addition, during the current period, the warrant holders of LH Financial Group Public Company Limited. converted 107 million warrants to 111 million ordinary shares. As a result, the Company's percentage shareholding in that company has changed from 35.43% to 35.11%.

### **6.2.2 Home Product Center Public Company Limited**

During the nine-month period ended 30 September 2012, the Company additionally purchased the ordinary shares of Home Product Center Public Company Limited totaling 12 million shares or Baht 162 million and the warrant holders of Home Product Center Public Company Limited exercised their rights to convert warrants to 31 million ordinary shares. As a result, the Company's percentage shareholding in that company has changed from 30.07% to 30.11%.

### **6.2.3 Land and Houses Property and Loan Fund-II**

On 1 August 2012, a meeting of the unitholders of Land and Houses Property and Loan Fund-II, passed a resolution approving a reduction in capital proportionate to unitholding, amounting to Baht 2,001 million. The Company received proceeds amounting to Baht 1,001 million, in proportion to its 49.99 percent holding in August 2012. The Company recognised gain on share reduction amounting to Baht 274 million in profit or loss for the three-month and nine month periods ended 30 September 2012.

### **6.2.4 Quality Houses Public Company Limited**

On 20 April 2012, the Annual General Meeting of the shareholders of Quality Houses Public Company Limited approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 12 existing shares, or equivalent to Baht 0.08333 per share, and a cash dividend of Baht 0.00926 per share. The Company received 176 million stock dividend shares and cash dividend of Baht 20 million in May 2012. The Company included this stock dividend in recalculating the average cost of investment in such company, using the total shares held after receiving stock dividend during the current period.



**6.2.5 Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")**

During June 2012, Polar Property Holdings Corporation, an associated company, restructured its shareholding and increased the capital to acquire 99% of paid up capital in Manuela Corporation, which operates shopping mall development business in Philippines. Then, Polar Property Holdings Corporation changed its name to Starmalls, Inc.. From the shareholding restructure, the Company's shareholding of 1,223 million shares or 25% of its paid up share capital reduced to 808 million shares or 9.6% of paid up share capital of Starmalls, Inc. The Company reclassified such investments from investments in associated company to available-for-sale investments and are presented under other long-term investments. According to TAS 105 "Accounting for Investments in Debt and Equity Securities", the difference of carrying amount and fair value at transfer date shall be recognised in shareholders' equity. The Company recognised gain on reclassification of investment from investments in associated company to available-for-sale investments amounting to Baht 1,228 million in the shareholders' equity of the consolidated financial statements (Separate financial statements: Baht 1,502 million) as other surplus which are a part of other components of shareholders equity in consolidated statement of financial position.

**6.2.6 Bangkok Chain Hospital Public Company Limited**

In March 2011, the Company sold all investments in Bangkok Chain Hospital Public Company Limited totaling 416.6 million shares at a price of Baht 8.5 each. The Company received net consideration from selling this investments totaling Baht 3,501 million. As a result, the Company has gain on sale of the investment as follows:

(Unit: Thousand Baht)

	For the three-month period ended 30 September 2011		For the nine-month period ended 30 September 2011	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Gain on sale of investments	-	-	2,765,536*	2,912,262

\* Including a Baht 144 million from the transfer of share premium of associate to profit due to disposals of investments.

During the nine-month period ended 30 September 2011, the Company determined share of income from this associate from the beginning of the year until the disposal date of this investment amounting to Baht 30 million.

(Unaudited but reviewed)

**6.3 Share of income (loss) and dividend received**

During the periods, the Company has recognised its share of income (loss) from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements				Separate financial statements			
	Share of income (loss) from investments in associates				Dividend received			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2012	2011	2012	2011	2012	2011	2012	2011
LH Financial Group Plc.	49,932	41,658	164,522	123,827	-	-	15,041	-
Bangkok Chain Hospital Plc.	-	-	-	29,886	-	-	-	-
Quality Construction Products Plc.	31,182	16,272	83,531	32,823	-	-	6,770	4,231
Home Product Center Plc.	186,660	150,601	548,806	419,584	-	-	265,027	25,402
Asia Asset Advisory Co., Ltd.	(232)	96	1,855	(540)	-	-	-	-
Land and Houses Property Fund*	-	-	-	-	-	-	-	-
Land and Houses Property and Loan Fund-II	5,688	12,099	535,707	31,699	-	25,669	316,335	105,696
Quality Houses Plc.	255,188	68,467	414,698	199,075	-	-	19,516	252,905
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	-	9,398	25,344	38,475	-	-	-	-
<b>Total</b>	<b>528,418</b>	<b>298,591</b>	<b>1,774,463</b>	<b>874,829</b>	<b>-</b>	<b>25,669</b>	<b>622,689</b>	<b>388,234</b>

\* Registered its termination on 11 December 2007

**6.4 Fair values of investments in listed associates**

In respect of investments in associated companies that are listed companies on the Stock Exchange, their fair values are as follows:

(Unit: Million Baht)

Company's name	Country of listing	Fair values as at	
		30 September 2012	31 December 2011
LH Financial Group Plc.	Thai	5,755	5,650
Quality Construction Products Plc.	Thai	1,024	504
Home Product Center Plc.	Thai	23,146	19,303
Quality Houses Plc.	Thai	4,475	3,140
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	Philippines	-	2,034
<b>Total</b>		<b>34,400</b>	<b>30,631</b>

(Unaudited but reviewed)

6.5 The Company's interim consolidated financial statements for the nine-month period ended 30 September 2012 included investments in the following associates accounted for under the equity method, and share of income (loss) from investments in the associates under the equity method, determined based on the financial statements of those companies which have been reviewed or not been reviewed as stipulated.

(Unit: Thousand Baht)

Investments under the equity method as at 30 September	Consolidated financial statements				
	Share of income (loss) from investments under the equity method				
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		
	2012	2012	2011	2012	2011
<b>Reviewed by auditor and another auditors of the same firm</b>					
LH Financial Group Plc.	4,884,766	49,932	41,658	164,522	123,827
Home Product Center Plc.	3,223,656	186,660	150,601	548,806	419,584
Asia Asset Advisory Co., Ltd.	3,242	(232)	96	1,855	(540)
Land and Houses Property Fund <sup>(1)</sup>	32,402	-	-	-	-
Land and Houses Property and Loan Fund-II	536,186	5,688	12,099	535,707	31,699
Quality Houses Plc.	4,523,544	255,188	68,467	414,698	199,075
<b>Reviewed by other auditors</b>					
Bangkok Chain Hospital Plc.	-	-	-	-	29,886
Quality Construction Products Plc.	381,634	31,182	16,272	83,531	32,823
<b>Unreviewed by auditor</b>					
Starmalls, Inc. (formerly known as "Polar Property Holdings Corporation")	-	-	9,398	25,344 <sup>(2)</sup>	38,475 <sup>(3)</sup>
Total	13,585,430	528,418	298,591	1,774,463	874,829

<sup>(1)</sup> Registered its termination on 11 December 2007

<sup>(2)</sup> Determined based on the financial statements for the three-month period ended 31 March 2012 which prepared by the management

<sup>(3)</sup> Determined based on the financial statements for the six-month period ended 30 June 2011 which prepared by the management

During the year 2011, the Company did not receive the financial statements for the year ended 31 December 2011 of Starmalls, Inc.. The value of investment of this associate accounted for under the equity method in the consolidated financial statements as at 31 December 2011, amounting to Baht 1,149 million and share of income from this associate accounted for under the equity method in the consolidated financial statements for the year then ended Baht 49 million were determined based on the financial statements for the nine-month period ended 30 September 2011 provided by that company's management, which were not reviewed by its auditor. In addition, the Company has not adjusted for the possible effect of application of different accounting policies.

(Unaudited but reviewed)

During the current period, the Company received the audited financial statements for the year ended 31 December 2011 of Starmalls, Inc. whose auditor expressed an unqualified opinion on those statements. In addition, the Company received financial statements for the three-month period ended 31 March 2012 of Starmalls, Inc. which were prepared by the management of such company. The Company used such financial statements for the three-month period ended 31 March 2012 to calculate share of income under the equity method from the beginning of the year until Starmalls, Inc.'s the shareholding restructure date. Certain accounting policies of Starmalls, Inc. differ from those of the Company's group. However, the management of the Company believes that the effect of the difference of accounting period and differences in accounting policies will not have a material impact on the consolidated financial statements of the Company.

## 7. Other long-term investments

### 7.1 Details of other long-term investments

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2012	2011	2012	2011
<b>Available-for-sale securities</b>				
Equity securities - Domestic (Note 7.3)	783,568	288,568	783,568	288,568
Equity securities - Overseas (Note 6.2.5)	2,368,704	-	2,368,704	-
Less: Changes in fair value of securities	(192,964)	(45,801)	(192,964)	(45,801)
Available-for-sale securities - net	<u>2,959,308</u>	<u>242,767</u>	<u>2,959,308</u>	<u>242,767</u>
<b>Other investments</b>				
Equity securities - Domestic	250,091	250,267	26,000	26,000
Less: Allowance for impairment	(37,064)	(37,064)	(16,000)	(16,000)
Other investments - net	<u>213,027</u>	<u>213,203</u>	<u>10,000</u>	<u>10,000</u>
Total	<u><u>3,172,335</u></u>	<u><u>455,970</u></u>	<u><u>2,969,308</u></u>	<u><u>252,767</u></u>

(Unaudited but reviewed)

**7.2** During the nine-month period ended 30 September 2011, the Company set up provision for impairment of investment in company incorporated in Indonesia totaling Baht 622 million because the invested companies has had retained loss and low ability to generate profit. Such company needs much time to recover which depends on uncertainty factors in the future.

In December 2011, the Company sold investments in ordinary share and preferred share of 5 companies incorporated in Indonesia. The Company received net consideration from selling this investments totaling Baht 347 million. As a result, the Company had gain on sale of investments amounting to Baht 347 million in the fourth quarter of the year 2011.

**7.3** During the nine-month period ended 30 September 2012, the Company invested in Land and Houses Freehold and Leasehold Property Fund totaling Baht 495 million as described in Note 2.

## **8. Land held for development**

As at 30 September 2012 and 31 December 2011, the Company and its subsidiaries have mortgaged land held for development to secure long-term loans with net book value as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Net book value of mortgaged land held for development to secure loans	945	945	-	-

During the current period, the Company transferred out land held for development with net book value of Baht 303 million to inventories and transferred in inventories with net book value of Baht 3 million to land held for development.

Movements in the allowance for loss on diminution in value of land held for development during the nine-month period ended 30 September 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2012	774,022	692,504
Add: Additional set up	92	-
Less: Reversal due to sales	(7,320)	-
Balance as at 30 September 2012	766,794	692,504

(Unaudited but reviewed)

## 9. Investment properties

The net book value of investment properties of subsidiaries, representing houses for rent of L&H Villa Sathon Project, as at 30 September 2012 and 31 December 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	
	30 September 2012	31 December 2011
Cost	-	496,905
Less: Accumulated depreciation	-	(110,392)
Net book value	-	386,513

A reconciliation of the net book value of investment properties for the nine-month period ended 30 September 2012 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements
	30 September 2012
Net book value as at 1 January 2012	386,513
Depreciation charged	(5,721)
Disposals during the period - net book value at disposal date	(380,792)
Net book value as at 30 September 2012	-

As at 31 December 2011, the fair value of investment properties as determined based on valuations performed by an accredited independent valuer using the income approach was Baht 644 million. The main assumptions used in the valuation are yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates. The aforementioned fair value included leasehold rights of land which has the net book value of Baht 160 million.

On 28 February 2012, the Board of Director's meeting of L&H Sathon Company Limited, a Company's subsidiary, approved to sell L&H Villa Sathon Project to Land and Houses Freehold and Leasehold Property Fund at a total price of Baht 628 million (including leasedhold rights of the land on which such project is located, furniture and equipment). The Company recognised gain on sale of this transaction in the consolidated profit or loss for the nine-month period ended 30 September 2012 totalling Baht 21 million (net of relevant sales expenses).

(Unaudited but reviewed)

## 10. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2012	638,422	363,449
Acquisitions during period - at cost	174,152	153,337
Disposals during period - net book value at disposal date	(8,122)	(1,196)
Depreciation for period	(166,414)	(97,834)
Net book value as at 30 September 2012	<u>638,038</u>	<u>417,756</u>

## 11. Leasehold rights

(Unit: Thousand Baht)

Project	Remaining period of leasehold rights (years)	Consolidated financial statements	
		30 September 2012	31 December 2011
Grande Centre Point Hotel & Residence	25.6	1,879,245	1,946,802
L&H Villa Sathon	-	-	160,011
Terminal 21 Shopping Mall and Grande Centre Point Hotel and Residence Sukhumvit - Terminal 21	27.8	4,648,769	4,763,345
Vacant Land	13.9	527	556
		<u>6,528,541</u>	<u>6,870,714</u>

During the nine-month period ended 30 September 2012, L&H Sathon Company Limited, a Company's subsidiary, sold land leasehold rights of L&H Villa Sathon Project as detailed in Note 9. Such leasehold rights had net book value as at the disposed date of Baht 159 million.

Subsidiaries have pledged their land leasehold rights with construction thereon with a total net book value as at 30 September 2012 of Baht 1,879 million (31 December 2011: land leasehold rights with construction and land sub-leasehold rights totaling Baht 2,107 million) as collateral for bank overdrafts and long-term loans.

(Unaudited but reviewed)

**12. Bank overdrafts and short-term loans**

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011	30 September 2012	31 December 2011
<b><u>Bank overdrafts</u></b>						
Bank overdrafts	MOR	MOR	11,357	22,951	-	-
<b><u>Short-term borrowings</u></b>						
Bills of exchange	3.205	3.40 - 4.05	700,000	4,463,000	700,000	4,463,000
Less: Prepaid interest			(4,330)	(34,932)	(4,330)	(34,932)
Total short-term borrowings			695,670	4,428,068	695,670	4,428,068

Bank overdrafts are secured by the pledge of land leasehold rights and land sub-leasehold rights and mortgage of land and structures thereon of projects of the subsidiaries.

**13. Long-term loans**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Long-term loans	10,905,330	10,014,290	6,766,350	5,923,000
Less: Current portion	(1,441,834)	(573,031)	(1,000,000)	-
Net	9,463,496	9,441,259	5,766,350	5,923,000

Movements in the long-term loans during the nine-month period ended 30 September 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2012	10,014,290	5,923,000
Add: Additional borrowing	3,350,500	2,815,000
Less: Repayment	(2,459,460)	(1,971,650)
Balance as at 30 September 2012	10,905,330	6,766,350



(Unaudited but reviewed)

During the current period, the Company entered into a loan agreement with a commercial bank of Baht 2,815 million. The agreement was separated into two loan facilities amounting to Baht 2,000 million and Baht 815 million which carry interest at a fixed rate of 4.11% and 3.95% with respectively for the first two years and subsequently carry interest rate of MLR-1.75% per annum. The loan principal is payable within 4 years. As at 30 September 2012, the Company fully drew down the loan facilities.

Moreover, during the current period, another subsidiary entered into loan agreements with a commercial bank of Baht 950 million, carrying interest at MLR - 2% per annum. The subsidiary is to repay the principals at the rate of 60% of selling price of land and houses and all principals are payable within 5 years from the first drawdown date. As at 30 September 2012, this company drew down the loan facilities amounting Baht 324 million.

As at 30 September 2012, long-term loans from banks secured by the mortgage of land and structures thereon of projects, land held for development, land leasehold rights and shares of subsidiaries (31 December 2011: secured by the mortgage of land and structures thereon of projects, land held for development, land leasehold rights, land sub-leasehold rights and shares of subsidiaries).

Most loan agreements contain certain covenants and restrictions imposed by the lenders regarding, the proportion of shareholding of the major shareholders, changes in management, guarantees to loans or aval to promissory notes of any other persons or other companies, dividend payments, merger or consolidation with any other companies, the maintenance of certain financial ratios and formal reporting when the Company has a legal case which may affect its ability to repay loan.

In February 2010, the Company and Reco Resorts Pte Ltd., as shareholders of L&H Property Company Limited, agreed to provide assurance to the lender of L&H Property Company Limited which is a subsidiary, whereby there are certain covenants pertaining to, among other things, the maintenance of its level of shareholding in L&H Property Company Limited, the provision of financial support to L&H Property Company Limited as may be required to ensure that L&H Property Company Limited is able to meet its payment obligations under this facility. In addition, the Company needs to obtain the written consent from the lender should the Company sells, transfers or pledges the shares of L&H Property Company Limited.

(Unaudited but reviewed)

As at 30 September 2012 and 31 December 2011, there were available long-term loan facilities from financial institutions as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2012	2011	2012	2011
Undrawn loan facilities	2,452	1,038	1,000	-

In addition, as at 30 September 2012, a subsidiary has available long-term loan facilities from shareholder, except for facilities from the Company, totally Baht 260 million (31 December 2011: Baht 260 million).

#### 14. Debentures

Details of approval to issue the debenture of the Company are as follows:

Approved by	The Annual General Meeting of the Company's shareholders held on 26 April 2011
Amount	Revolving amount of Baht 20,000 million or the equivalent in any other currencies
Term	Maximum terms of 10 years
Type	Any types of debentures such as unsubordinated and/or subordinated, unsecured and/or secured, with and/or without debentureholder representation
Method of issuance	To be issued in Thailand and/or offshore

As at 30 September 2012, the Company has unissued debentures under the above mentioned approval totalling Baht 5,000 million.

(Unaudited but reviewed)

The outstanding balance of debentures as at 30 September 2012 and 31 December 2011 are detailed below.

					Consolidated and Separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					30	31	30	31
					September	December	September	December
No.	Interest rate per annum	Age	Repayment	Maturity	2012	2011	2012	2011
<u>Unsubordinated and unsecured debentures</u>								
No. 1/2008	Fixed rate 5.33% for 1st - 2nd year and fixed rate 6.5% for 3rd - 4th year	4 years	At maturity	24 July 2012	-	3,000,000	-	3,000,000
No. 1/2009	Fixed rate 4.5%	5.5 years	At maturity	19 June 2015	2,000,000	2,000,000	2,000,000	2,000,000
No. 1/2010	Fixed rate 3.4%	3.5 years	At maturity	30 September 2013	1,000,000	1,000,000	1,000,000	1,000,000
No. 2/2010	Fixed rate 3%	3 years	At maturity	29 March 2013	2,000,000	2,000,000	2,000,000	2,000,000
No. 3/2010	Fixed rate 2.89%	3 years	At maturity	27 July 2013	1,000,000	1,000,000	1,000,000	1,000,000
No. 1/2011	Fixed rate 3.54%	3 years	At maturity	20 January 2014	2,500,000	2,500,000	2,500,000	2,500,000
No. 1/2012 (1)	Fixed rate 3.85%	2.5 years	At maturity	30 September 2014	900,000	-	900,000	-
No. 1/2012 (2)	Fixed rate 3.99%	3 years	At maturity	30 March 2015	3,100,000	-	3,100,000	-
No. 2/2012 (1)	Fixed rate 4.10%	3 years	At maturity	30 September 2015	2,500,000	-	2,500,000	-
Total					<u>15,000,000</u>	<u>11,500,000</u>	<u>15,000,000</u>	<u>11,500,000</u>
Less: Current portion of debentures							<u>(4,000,000)</u>	<u>(3,000,000)</u>
Net							<u>11,000,000</u>	<u>8,500,000</u>

Movements in the debentures during the nine-month period ended 30 September 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
Balance as at 1 January 2012	11,500,000
Add: Issue of new debentures	6,500,000
Less: Redemption	<u>(3,000,000)</u>
Balance as at 30 September 2012	<u>15,000,000</u>

Prospectus contains certain covenants and restrictions regarding the maintenance of certain financial ratios, dividend payments and formal reporting when the significant events occurred such as a legal case.

(Unaudited but reviewed)

**15. Revaluation surplus (deficit) in investments**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2012	2011	2012	2011
Associated companies' investments	110,358	102,355	-	-
Company's investments	(192,964)	(45,801)	(192,964)	(45,801)
<b>Total</b>	<b>(82,606)</b>	<b>56,554</b>	<b>(192,964)</b>	<b>(45,801)</b>

**16. Earnings per share**

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

**17. Dividend**

Dividends	Approved by	Approved dividend per share	Interim dividend per share	Additional dividend paid per share	Total additional dividend paid	Portion belonging to shareholders	
						not entitled to dividend	Net dividend paid
		(Baht)	(Baht)	(Baht)	(Million Baht)	(Million Baht)	(Million Baht)
Final dividend for 2010	Annual General Meeting of the shareholders on 26 April 2011	0.34	0.16	0.18	1,805	12	1,793
Interim dividend for 2011	Board of Director's meeting on 10 August 2011	0.17	-	0.17	1,704	10	1,694
							<u>3,487</u>
Final dividend for 2011	Annual General Meeting of the shareholders on 26 April 2012	0.40	0.17	0.23	2,306	20	2,286
Interim dividend for 2012	Board of Director's meeting on 14 August 2012	0.20	-	0.20	2,005	18	1,987
							<u>4,273</u>

**18. Financial information by segment**

The Company and its subsidiaries' main business is a real estate developer, which consist of land and house projects, residential condominium projects, service apartment for rent and shopping mall for rent. The Company and its subsidiaries operate principally in the single geographic area of Thailand.

(Unaudited but reviewed)

The Company and its subsidiaries' financial information by segment of real estate business and rental and service business in the consolidated financial statements for the three-month and nine-month periods ended 30 September 2012 and 2011 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 September					
	Real estate business		Rental and service business		Consolidation	
	2012	2011	2012	2011	2012	2011
Revenues from external customers	6,319	4,926	466	140	6,785	5,066
Total revenues	6,319	4,926	466	140	6,785	5,066
Segment profit (loss)	1,382	961	69	(51)	1,451	910
Unallocated income (expenses):						
Other income					69	28
Share of income from investment						
in associates					528	299
Finance cost					(116)	(53)
Corporate income tax					(412)	(294)
Profit for the period					1,520	890

(Unit: Million Baht)

	For the nine-month periods ended 30 September					
	Real estate business		Rental and service business		Consolidation	
	2012	2011	2012	2011	2012	2011
Revenues from external customers	15,999	13,295	1,316	344	17,315	13,639
Total revenues	15,999	13,295	1,316	344	17,315	13,639
Loss from impairment of projects	-	(7)	-	-	-	(7)
Segment profit (loss)	3,184	2,572	224	(73)	3,408	2,499
Unallocated income (expenses):						
Other income					161	94
Gain from sale of investments in associate					-	2,766
Gain on change in shareholders' equity						
of an associate					-	136
Share of income from investment						
in associates					1,774	875
Other expenses					(1)	-
Loss from impairment of other long-term investment					-	(622)
Finance cost					(362)	(196)
Corporate income tax					(840)	(1,631)
Profit for the period					4,140	3,921

## 19. Commitments and contingent liabilities

### 19.1 Commitments

19.1.1 As at 30 September 2012 and 31 December 2011, the Company and its subsidiaries have commitments under construction contracts as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2012	2011	2012	2011
Commitments under construction contracts	2,754	1,744	2,668	1,690

19.1.2 As at 30 September 2012, L&H Property Company Limited has the following commitments under land and construction lease agreement and land lease agreement as follows:

#### a) Land and construction lease agreement

Agreement date	Agreement period	Maturity date	Rental rate
7 June 2005	30 years*	31 May 2038	From 1 June 2008, the following rental is to be paid in monthly installments 1st - 5th year, total rental payment of Baht 33.15 million (already paid Baht 28.29 million). 6th - 10th year, total rental payment of Baht 42.31 million 11th - 15th year, total rental payment of Baht 54.00 million 16th - 20th year, total rental payment of Baht 68.92 million 21th - 25th year, total rental payment of Baht 87.97 million 26th - 30th year, total rental payment of Baht 112.27 million

\* The agreement runs from 1 June 2008 (3 years after the period of construction).

In addition, as at 30 September 2012 L&H Property Company Limited is committed to pay security expenses at the rate of Baht 11,160 per month throughout the period of construction and the period of the lease.

## b) Land lease agreement

Agreement date	Agreement period	Rental rate
10 March 2006	30 years*	Land leasing fee is to be monthly paid as follows: 1st - 5th year, total rental of Baht 20.16 million (already paid Baht 8.40 million) 6th - 10th year, total rental of Baht 23.18 million 11th - 15th year, total rental of Baht 26.66 million 16th - 20th year, total rental of Baht 30.66 million 21st - 25th year, total rental of Baht 35.25 million 26th - 30th year, total rental of Baht 40.54 million

\* The agreement runs from 1 September 2010 to 31 August 2040.

19.1.3 As at 30 September 2012, the Company had outstanding commitment of Baht 90 million in respect of uncalled portion of investments in L&H Property Company Limited.

As at 30 September 2012, the Company had outstanding commitments of USD 19.6 million in respect of the uncalled portion of investments in Land and Houses U.S.A., Inc. However, the Company paid in additional share capital after the reporting period, as discussed in Note 20.

19.1.4 As at 30 September 2012, L&H Property Company Limited and its subsidiary are committed to pay the management fee to Asia Asset Advisory Company Limited, which is an associate of the Company, totalling Baht 14 million.

19.1.5 As at 30 September 2012, L&H Property Company Limited are committed to pay Quality House Public Company Limited, which is an associate company of the Company, consultant fee totalling Baht 0.4 million.

19.1.6 As 30 September 2012, L&H Property Company Limited is committed to pay project management fees to the following associate.

Associate	Service fee rates	Term
Quality Houses Public Company Limited	2% of total revenue plus additional 5.5% of operating income Baht 100,000 per month of software service Project management fee charged at actual cost plus 15 percent	3 years commencing from 1 October 2010

19.1.7 As at 30 September 2012, L&H Property Company Limited is committed to pay Siam Retail Development Company Limited, which is a related company of the Company, commissions for finding lessees for Terminal 21 Shopping Mall, as per the conditions specified in the relevant agreement.

(Unaudited but reviewed)

19.1.8 As at 30 September 2012 and 31 December 2011, the Company has commitment related to purchase of land as follows.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2012	2011	2012	2011
Commitment to purchase of land	2,374	69	2,374	69

19.1.9 Obligation and commitment to complete projects on hand

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2012	2011	2012	2011
Number of projects on hand at beginning of period/year	53	45	46	39
Number of closed projects during period/year	(9)	(9)	(9)	(8)
Number of new projects during period/year	9	17	8	15
Number of projects on hand at end of period/year	53	53	45	46
Accumulative value of sales already contracted (Million Baht)	82,496	74,250	69,868	61,887
As percentage of total sales of projects on hand	64	63	61	59
Value of sales already contracted during period/year (Million Baht)	15,806	18,433	14,886	16,824
As percentage of total sales of projects on hand	12	16	13	16
Commitments in respect of the installation of central utilities of projects on hand (Million Baht)	1,268	1,122	1,232	1,100

19.1.10 As at 30 September 2012, the subsidiaries have servitude over land of approximately 86 rai of which the cost is included in the cost of projects.

19.1.11 Operating lease commitments

The Company has entered into lease agreements and service agreements in respect of the lease of office building space with L&H Property Company Limited and Quality Houses Leasehold Property Fund which are a subsidiary and a related company, respectively. The terms of the agreements are 3 years.



(Unaudited but reviewed)

As at 30 September 2012, the future minimum lease payments and services fee payments required under these non-cancellable contracts were as follows.

Consolidated and Separate financial statements	
Payable:	Million Baht
In up to 1 year	34
In over 1 and up to 5 years	40

19.1.12 On 2 March 2010, the Company entered into an agreement to purchase/sale of products with Quality Construction Products Public Company Limited, an associate, with a tenor of 3 years. Under the agreement, the Company agrees to purchase autoclaved aerated concrete blocks from such company at the minimum volume and price as stipulated in the agreement.

## 19.2 Bank guarantees

As at 30 September 2012 and 31 December 2011, there were the following outstanding bank guarantees issued by the banks in respect of certain performance bonds required in the normal course of business by the Company and its subsidiaries.

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
September	December	September	December	
2012	2011	2012	2011	
Letter of guarantee for arrangement and maintenance of public utilities	1,950	1,543	1,758	1,442
Letter of guarantee for electricity usage	59	55	42	41
Other letter of guarantees	50	40	32	22
	<u>2,059</u>	<u>1,638</u>	<u>1,832</u>	<u>1,505</u>

## 19.3 Guarantees

19.3.1 As at 30 September 2012 and 31 December 2011, the Company and its subsidiary have the following obligations in respect of guarantees.

Guarantor	Guarantee	(Unit: Million Baht)	
		30	31
		September	December
2012	2011		
Land and Houses Plc.	Customers	<u>7</u>	<u>7</u>
L&H Property Co., Ltd.	L&H Sathon Co., Ltd.	<u>-</u>	<u>390</u>

19.3.2 The Company has contingent liabilities to a bank in relation to the financial support in form of issuance of a letter of comfort to provide to a subsidiary company for loan obtained for development of the subsidiary's project. As at 30 September 2012, the subsidiary has outstanding loans related to guarantee portion of the Company as specified in the letter of comfort amounting to Baht 2,131 million.

#### **19.4 Litigations**

##### The Company and its subsidiaries

As at 30 September 2012, the following significant lawsuits had been filed against the Company and its subsidiaries.

- a) In 2006, two housing estate juristic persons filed a lawsuit against the Company and a subsidiary for claim of Baht 1,013 million in relation to access to public thoroughfares. In June 2009, the plaintiffs requested to reduce the claim amount to Baht 800 million. In addition, in February 2009, the Company was additional sued 2 lawsuits which are under the claims amounting to Baht 310 million and Baht 102 million, in accordance with the Land Allocation Act and Customer Protect Act. Currently, the case is being considered by the court. The Company has set aside a provision of Baht 25 million for liabilities arising as a result of these cases.

Subsequently, on 10 August 2012, the Court of First Instance issued a verdict on a civil case with the amount in dispute of Baht 102 million between the Company, and two housing estate juristic persons together with co-defendant. The Court ordered the Company to pay for damages of Baht 104 million plus interest at a rate of 7.5% per annum, commencing from 8 December 2008 until the full amount is paid. The Company's management and its legal consultant are of the opinion that the Company should set aside a provision and related interest expenses fund of Baht 134 million. However, as at 30 September 2012 the Company had already filed an appeal against the judgment to clarify the case.

- b) The Company and its subsidiaries have been sued for a total of approximately Baht 461 million. To date, the Court of the First Instance and the Appeal Court have ordered the Company and its subsidiaries to pay compensation plus interest totaling Baht 49 million. The Company has set aside provision of Baht 49 million for liabilities arising as a result of these cases, based on the opinion of their legal department.

### Associates

The following significant lawsuits had been filed against the associates:

- a) Land and Houses Property Fund (“the Fund”) has been sued as second defendant in a civil case in which the plaintiff claims the Fund illegally received the transfer of the land and construction thereon of the “Langsuan Ville” condominium project from Wave Development Company Limited, a debtor of the plaintiff. The Court of First Instance and the Appeal Court dismissed the lawsuit. And in 2008, the plaintiff filed the petition to the Supreme Court. At current, the case is being heard by the Supreme Court. However, the Fund’s legal advisor believes that the outcome of the case will not adversely affect the Fund, as the Fund was a preferred creditor and thus had a preferential right to receipt of payment from the mortgaged assets. In addition, the prices at which the assets were transferred in settlement of debt were those appraised by an independent appraisal firm and thus can be held to be fair price.
- b) Land and Houses Property and Loan Fund-II (“the Fund”) was sued by a condominium estate juristic person seeking compensation of Baht 51.6 million for damage to common areas, plus interest at the rate of 7.5 percent per annum calculated from the day following the date of filing of the case. On 8 November 2010, the Bangkok South Civil Court dismissed such lawsuit. Subsequently, on 27 June 2012, the Court of Appeal upheld the dismissal of lawsuit ordered by the Court of First Instance.

### **20. Event after the reporting period**

- 20.1 On 31 October 2012, the Company paid in additional share capital in respect of its investment in Land and Houses U.S.A., Inc, a subsidiary, at a rate of USD 1 per share in respect of 300,000 shares, or a total of USD 300,000. The Company has paid up capital in this subsidiary totaling USD 700,000.
- 20.2 On 13 November 2012, a meeting of the Company’s Board of Directors approved a resolution to pay an interim dividend from the income of three-month period ended 30 September 2012, at a rate of Baht 0.10 per share, amounted to a total of Baht 1,002.6 million. This dividend will be paid in December 2012.

### **21. Approval of financial statements**

These financial statements were authorised for issue by the Company’s Board of Directors on 13 November 2012.