

# Land & Houses Public Company Limited

## ANNUAL REPORT 2007



LAND & HOUSES

รายงานประจำปี 2550

บริษัท แลนด์ แอนด์ เฮ้าส์ จำกัด (มหาชน)

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**2007 HIGHLIGHTS จุดเด่นในรอบปี 2550**

	2550 2007	2549 2006	% Change
<b>ผลการดำเนินงาน</b> OPERATING RESULT			
จำนวนโครงการที่ดำเนินงาน Number Of Active Projects	47	39	20.5
<b>ความสามารถในการทำกำไร</b> EARNING ABILITY			
อัตรากำไรต่อยอดขาย Return On Sales	15.92%	16.61%	(4.1)
<b>จุดเด่นจากงบการเงิน (ล้านบาท)</b> HIGHLIGHT OF THE FINANCIAL STATEMENT (million baht)			
รายได้รวม Total Revenues	19,838	19,553	1.5
กำไรสุทธิ Net Profit	3,159	3,247	(2.7)
สินค้าคงเหลือ Inventories	20,891	22,007	(5.1)
สินทรัพย์รวม Total Assets	41,746	41,766	(0.1)
ส่วนของผู้ถือหุ้นและส่วนของผู้ถือหุ้นส่วนน้อย Total Shareholders' Equity Including Minority Interest	25,237	23,452	7.6
<b>ข้อมูลต่อหุ้น</b> PER SHARE DATA			
กำไรสุทธิต่อหุ้น Earning Per Share	0.36	0.39	(7.7)
มูลค่าตามบัญชี Book Value	2.91	2.77	5.2
ราคาตลาด (ณ วันสิ้นปี) Market Price(At Year End)	7.50	6.55	14.5
<b>จำนวนหุ้นที่เรียกชำระแล้ว(ล้านหุ้น)</b> NUMBER OF OUTSTANDING SHARES (million shares)	8,673	8,476	2.3

## MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

In 2007, the local property market slowed down, due mainly to waning consumers' confidence. Other factors exacerbated the situation, for example, the impacts of the coup, the lack of clarity of state policy, skyrocketing oil prices and the slowdown of private investments. According to 2007 figures, the number of newly registered houses in Bangkok and its perimeter totaled 48,970 units, down 0.4%. Of the total, 16,374 units were single houses, a 2.0% drop; 14,931 were townhouses, up 2.0%, and 16,229 were condominiums, a 4.3% decrease, when compared to 2006.

In 2007, the Company posted 18,652 million baht in sales, up 5.9%, and net profit of 3,159 million baht, down 2.7 %, compared to 2006. Net profit dropped even as sales rose because the Company could not adjust prices up in the same proportion as soaring costs, resulting in a 0.5% decline in gross profit margin. Furthermore, the corporate income tax was higher due to smaller tax deductions. Of total sales, single houses made up 87.3%, townhouses 6.3% and condominiums 6.5%. In terms of market shares in 2007 when compared to 2006, the Company did well across all segments, commanding a market share in single houses of 15.3%, up 17.0%; 0.6% for townhouses, up 2.0%, and 0.3% for condominiums, up 2.1%. A total of 7 projects were launched during the year.

Also in 2007, the Company transformed short-term loans, which stood at a rather high level at the end of 2006, to long-term loans by borrowing for medium terms at fixed rates from financial institutions and by issuing 4-year senior, unsecured debentures worth 2,000 million baht, rated A by Tris Rating Co., Ltd, at a fixed coupon rate of 4.60% a year. The restructuring of these debts will strengthen the finances of the Company.

As a strong believer of good corporate governance, the Company has constantly improved its operations and promoted work ethics by its principles. It also focuses on the improvement of skills and quality of its personnel and of work systems in order to be able to produce products and services of the highest quality. These efforts paid off in 2007, when the Company won the Trusted Brand 2007 Award by Reader's Digest magazine, as the most trusted brand among consumers. Land & Houses was the only property developer to have received the award in the property category in 2007. It has also been honored by the Platinum Award for two consecutive years, the pride and joy of all our employees.

Therefore, I would like to take this opportunity to express my sincere gratitude to you, the shareholders, as well as to our employees, financial institutions, suppliers and contractors, who have rendered strong support to us throughout the years, and above all, to our customers, who have always trusted us and let us help them build warm families, and quality societies and environment under all Land & Houses projects.

Yours sincerely,



(Mr. Anant Asavabhokhin)

Chairman

## REPORT OF THE CHAIRMAN OF THE AUDIT COMMITTEE

Dear Shareholders,

The Board of Directors of Land & Houses Plc. nominated the Audit Committee from the three independent directors: Mr. Prathip Wongnirund, chairman, Mr. Pakhawat Kovithvathanaphong, member, and Dr. Siri Garnjarende, member. The three members of the Audit Committee are not executives or employees of the Company.

In 2007, the Audit Committee met 5 times to perform its duties in compliance with the requirements of the Stock Exchange of Thailand and as assigned by the Company's Board of Directors. The reports of the meetings were submitted to the Board of Directors regularly, the major points of which can be summarized as follows:

1. Reviewed the credibility of the Company's quarterly and annual financial statements and expressed opinions on them. Auditors were invited to join every meeting to explain their findings, make observations and clarify all points of concern.
2. Reviewed the adequacy of the internal audit system by inviting the Management and all related parties to clarify all points of concern so that all units were fully aware of the importance of the internal audit, which helped minimise management risks. It also reviewed the 2007 annual audit plan, as well as considered and approved the annual audit plan for 2008.
3. Reviewed to ensure that the Company had complied with the Securities and Exchange Act and other laws related to its businesses by making inquiries and steadily following up on lawsuits and disputes which had emerged.
4. Reviewed the transactions between the Company and related parties or items with potential conflicts of interest to ensure disclosures in an accurate, adequate, accountable and fair manner.
5. Considered, selected and recommended the nomination of auditors and their remuneration for 2007 to the Board of Directors.
6. Regularly reviewed investments made locally and abroad and made suggestions so that the Board of Directors recognised the importance of managing the investments and closely monitored them.
7. Reviewed the procurement and holding of land plots for an extended period of time, made suggestions to the Board of Directors and encouraged close monitoring of these high-value items.
8. Constantly emphasized on good corporate governance to set higher working standards than normally accepted. For 2007, the Committee proposed equal treatment of shareholders by allowing them to make constructive proposals to be considered and included as meeting agenda items and/or to nominate director candidates ahead of the annual regular shareholders' meeting every year, which should benefit both the Company and its shareholders.

The Committee hereby congratulated the Company for winning the platinum award of the Trusted Brands Award 2007 for the second consecutive year.



Prathip Wongnirund  
Chairman  
Audit Committee  
February 22, 2008

## REPORT OF THE NOMINATION AND COMPENSATION COMMITTEE

To Shareholders,

On its meeting no. 7/2549, the Board of Directors of Land and Houses Public Company Limited approved the appointment of the Nomination and Compensation Committee, Mr. Pakhawat Kovithvathanaphong as the Chairman of the Nomination and Compensation Committee, Mr. Lim Swe Guan and Dr. Siri Ganjarende as members of the Nomination and Compensation Committee. As a result, the Committee comprises three directors, two of whom are independent directors and one of whom is non-executive director of the Company.

In 2006, the Nomination and Compensation Committee held 2 meeting to consider and perform their duties as follows:

1. To determine the standard procedures for directors' nomination.
2. To nominate qualified person as the company's directors replacing those who retired by rotation.
3. To determine and fix remuneration for directors who are not employees of the Company and present to the Board of Directors.
4. To determine and fix remuneration for high-level Executives, the Committee take into consideration that the remuneration is commensurate with duties and responsibilities assigned and comparable remuneration given by other listed companies in similar industries and size.

Yours sincerely,



Mr. Pakhawat Kovithvathanaphong  
Chairman of the Nomination and Compensation Committee

**REVENUE STRUCTURE**

Product	Operated by	2005		2006		2007	
		Million baht	%	Million baht	%	Million baht	%
<b>1. Real Estate Business</b>							
<b>Detached houses</b>	The Company	14,142	59.24	11,820	60.45	12,327	62.14
	Subsidiary: Atlantic Real Estate Co., Ltd.	1	-	-	-	-	-
	Subsidiary: Pacific Real Estate Co., Ltd.	1,376	5.76	1,609	8.23	1,546	7.79
	Subsidiary: Land & Houses North Co., Ltd.	22	0.09	-	-	-	-
	Subsidiary: Land & Houses Northeast Co., Ltd.	1,067	4.47	358	1.83	150	0.76
	Subsidiary: LH Muang Mai Co., Ltd.	512	2.14	515	2.63	429	2.16
	Subsidiary: LH Real Estate Co., Ltd.	2,427	10.17	1,556	7.96	750	3.78
	Subsidiary: Siam Tanee Property Co., Ltd. And Subsidiary	60	0.25	-	-	-	-
	Subsidiary : LH Asset Co.,Ltd.	553	2.32	1,029	5.26	1,077	5.43
<b>Total revenue from detached houses</b>		<b>20,160</b>	<b>84.45</b>	<b>16,887</b>	<b>86.37</b>	<b>16,279</b>	<b>82.06</b>
<b>Townhouses</b>	The Company	-	-	314	1.61	1,158	5.83
	Subsidiary: Land & Houses Northeast Co., Ltd.	-	-	-	-	1	0.01
	Subsidiary : LH Asset Co.,Ltd.	-	-	-	-	10	0.05
<b>Total revenue from townhouses</b>		<b>-</b>	<b>-</b>	<b>314</b>	<b>1.61</b>	<b>1,169</b>	<b>5.89</b>
<b>Condominiums</b>	The Company	734	3.07	-	-	1,193	6.01
	Subsidiary: LH Real Estate Co., Ltd.	1,850	7.75	418	2.14	11	0.06
<b>Total revenue from condominiums</b>		<b>2,584</b>	<b>10.82</b>	<b>418</b>	<b>2.14</b>	<b>1,204</b>	<b>6.07</b>
<b>Total revenue from real estate business</b>		<b>22,744</b>	<b>95.28</b>	<b>17,619</b>	<b>90.11</b>	<b>18,652</b>	<b>94.02</b>
<b>2. Revenue from subsidiaries using the equity method</b>		<b>461</b>	<b>1.93</b>	<b>1,160</b>	<b>5.93</b>	<b>818</b>	<b>4.12</b>
<b>3. Other Income**</b>		<b>666</b>	<b>2.79</b>	<b>774</b>	<b>3.96</b>	<b>368</b>	<b>1.86</b>
<b>Total revenue (1+2+3)</b>		<b>23,871</b>	<b>100.00</b>	<b>19,553</b>	<b>100.00</b>	<b>19,838</b>	<b>100.00</b>

\*\* Other incomes consist of profit from the disposal of investment, profit from the reversal of an impairment loss, dividend receivables and others.

NUMBER OF HOUSING REGISTERED UNITS IN GREATER BANGKOK DURING 2003-2007

Unit : Unit

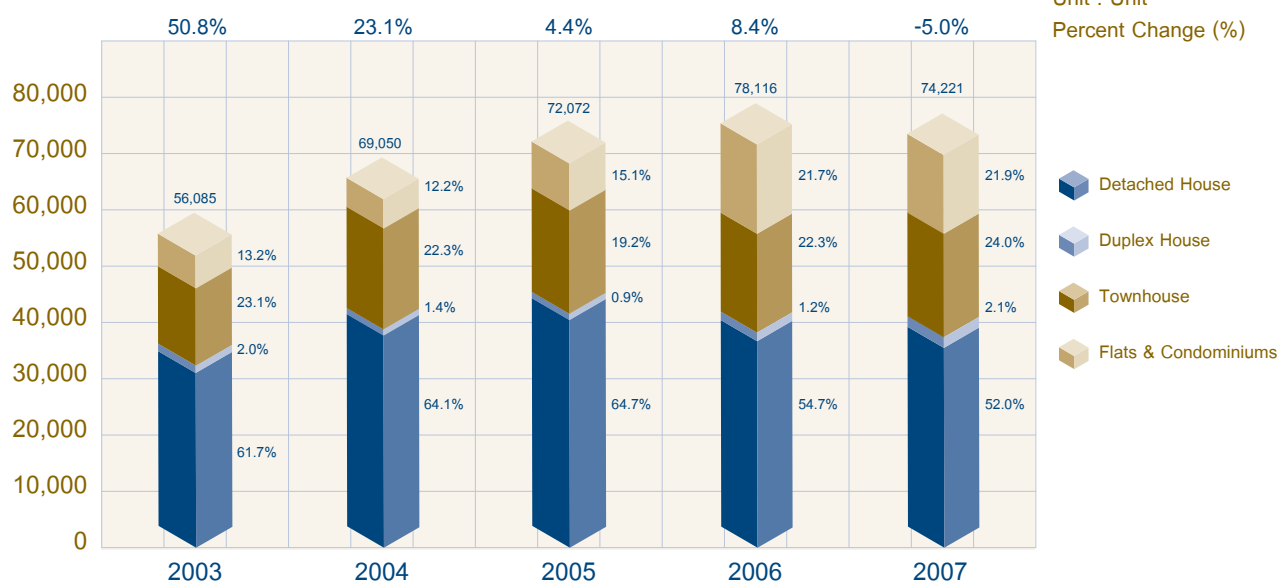
TYPE	2003	2004	2005	2006	2007
<b>● HOUSING REGISTERED BY BUILT TYPE</b>					
Owner - Built	18,598	19,859	25,244	28,949	25,251
Developer - Built	37,487	49,191	46,828	49,167	48,970
<b>TOTAL HOUSING REGISTERED (OWNER &amp; DEVELOPER)</b>	<b>56,085</b>	<b>69,050</b>	<b>72,072</b>	<b>78,116</b>	<b>74,221</b>

<b>● CLASSIFIED BY TYPE - OWNER BUILT</b>					
Detached House	16,681	17,617	22,754	26,064	22,225
Duplex Houses	239	184	92	96	120
Townhouses	1,678	2,058	2,398	2,789	2,906
Flats & Condominiums	0	0	0	0	0
<b>TOTAL HOUSING REGISTERED BY OWNER - BUILT</b>	<b>18,598</b>	<b>19,859</b>	<b>25,244</b>	<b>28,949</b>	<b>25,251</b>

<b>● CLASSIFIED BY TYPE - DEVELOPER BUILT</b>					
Detached House	17,911	26,631	23,889	16,700	16,374
Duplex Houses	905	761	586	869	1,436
Townhouses	11,272	13,360	11,460	14,632	14,931
Flats & Condominiums	7,399	8,439	10,893	16,966	16,229
<b>TOTAL HOUSING REGISTERED BY DEVELOPER BUILT</b>	<b>37,487</b>	<b>49,191</b>	<b>46,828</b>	<b>49,167</b>	<b>48,970</b>

Source : Housing Registered From Government Housing Bank  
Greater Bangkok : Bangkok Provinces And 5 Perimeter Area Included.

Unit : Unit  
Percent Change (%)





**INVESTMENT IN SUBSIDIARIES AND AFFILIATES**

COMPANY	PAID UP CAPITAL (MIL. BHT.)	HOLDING SHARES	PAR VALUE	% HOLD
<b>INVESTMENT IN RELATED PARTIES</b>				
<b>LISTED COMPANY</b>				
1. QUALITY HOUSES PLC.	7,304	1,669,172,569	1	22.85
2. BANGKOK CHAIN HOSPITAL PLC.	950	271,212,800	1	28.55
3. HOME PRODUCT CENTER PLC.	1,925	552,023,445	1	28.68
4. QUALITY CONSTRUCTION PRODUCTS PLC.	400	125,624,980	1	31.41
<b>NON-LISTED COMPANY</b>				
1. POLAR PROPERTY HOLDINGS, CORP. (PESO)	4,892	1,223,102,790	1	25.00
2. ASIA ASSET ADVISORY CO.,LTD.	5	199,994	10	40.00
3. LAND AND HOUSES RETAIL BANK PLC.	2,600	111,800,000	10	43.00
4. LAND AND HOUSES PROPERTY FUND. 1	40	2,013,462	10	49.94
5. LAND AND HOUSES PROPERTY FUND. 2	3,216	160,742,900	10	49.99
6. L H MUANG MAI CO.,LTD.	900	49,499,995	10	55.00
7. L&H PROPERTY CO.,LTD.	2,600	15,599,994	100	60.00
8. ATLANTIC REAL ESTATE CO.,LTD.	15	149,979	100	99.99
9. LAND AND HOUSES NORTH CO.,LTD	14	134,998	100	100.00
10. PACIFIC REAL ESTATE CO.,LTD.	372	3,716,138	100	100.00
11. SIAM TANEE PROPERTY CO.,LTD.	100	999,994	100	100.00
12. L H ASSET CO.,LTD.	100	999,994	100	100.00
13. L H REAL ESTATE CO.,LTD.	116	1,159,994	100	100.00
14. LAND AND HOUSES NORTH-EAST CO.,LTD.	270	2,699,994	100	100.00
<b>HOLDING BY SIAM TANEE PROPERTY CO.,LTD.</b>				
1. SIAM TANEE REALESTATE CO.,LTD.	475	4,753,461	100	100.00
<b>HOLDING BY LH MUANG MAI CO., LTD.</b>				
1. PHUKET FUTURE PLAN CO.,LTD.	210	2,099,994	100	100.00
2. DOUBLE THREE CO.,LTD.	190	1,899,994	100	100.00
<b>HOLDING BY L&amp;H PROPERTY CO., LTD.</b>				
1. L&H SATHON CO.,LTD.	268	2,679,994	100	100.00
<b>LONG-TERM INVESTMENTS</b>				
<b>LISTED COMPANY</b>				
1. QUALITY HOUSES PLC. (WARRANT 4)	1,169	211,519,975		
<b>NON-LISTED COMPANY</b>				
1. PT ANEKAGRIYA BUMINUSA CO.,LTD. (RUPIAH)	6,000	1,198,800	1000	19.98
2. PT PUTRA PRABUKARYA CO.,LTD. (RUPIAH)	6,000	1,198,800	1000	19.98
3. PT KANAKA GRAHAASRI CO.,LTD. (RUPIAH)	8,400	1,678,320	1000	19.98
4. PT MEKANUSA CIPTA CO., LTD. (RUPIAH)	12,000	2,397,600	1000	19.98
5. PT PRIMA SEHATI CO., LTD. (RUPIAH)	15,600	3,116,880	1000	19.98

COMPANY NAME	ADDRESS	TEL. NO.	FAX. NO.	TYPE OF BUSINESS	AUTHORIZED SHARE CAPITAL
1. QUALITY HOUSE PLC.	7 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.qh.co.th	(66-2) 677-7000	(66-2) 677-7003	PROPERTY DEVELOPMENT	7,304 Common million shares OF Baht 1 each
2. BANGKOK CHAIN HOSPITAL PLC.	950 Prachachuen Rd., Bangsue Bangkok Thailand 10800 Website : kasemrad.co.th	(66-2) 910-1600	(66-2) 910-1517	HOSPITAL	950 Common million shares OF Baht 1 each
3. HOME PRODUCT CENTER PLC.	96/27 Moo 9 Bangkhen Amphoe Muang Nonthaburi Thailand 11000 Website : homepro.co.th	(66-2) 832-1000	(66-2) 832-1400	TRADING OF CONSTRUCTION MATERIAL	1,925 Common million shares OF Baht 1 each
4. QUALITY CONSTRUCTION PRODUCTS PLC.	144 Moo 16 Bangpa-in Industrial Estate Udomsorasayuth Rd., Bangkrason Bangpa-in, Ayutthaya Thailand 13160 Website : qcon.co.th	(66-35) 221-271	(66-35) 221-270	BUILDING MATERIAL	400 Common million shares OF Baht 1 each
5. POLAR PROPERTY HOLDINGS, CORP.	3 <sup>rd</sup> Floor, Las Pinas Business Center, Alabang-Zapote Road, Las Pinas City Philippines	(632) 873-6157		PROPERTY DEVELOPMENT	4,892 Common million shares OF Peso 1 each
6. ASIA ASSET ADVISORY CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8899	(66-2) 237-8904	INVESTMENT ADVISOR	0.5 Common million shares OF Baht 10 each
7. LAND AND HOUSES RETAIL BANK PLC.	G, 1 <sup>st</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> Floor Q.House Lumpini Bldg., No. 1 South Satorn Road, Tungmahamek, Sathon, Bangkok Thailand 10120 Website : www.lhbank.co.th	(66-2) 677-7111 (66-2) 359-0000	(66-2) 677-7227 (66-2) 359-0059	BANK	260 Common million shares OF Baht 10 each
8. LAND AND HOUSES PROPERTY FUND 1	16 <sup>th</sup> Sathon Thani Bldg. 1, 90/42-43 North Sathon Rd., Silom, Bangrak, Bangkok Thailand 10500	(66-2) 636-8248	(66-2) 636-6482	PROPERTY FUND	4 Common million shares OF Baht 10 each
9. LAND AND HOUSES PROPERTY FUND 2	130-132 Wireless Road, 15 <sup>th</sup> , 17 <sup>th</sup> Floor Sindhorn Building Tower III, Bangkok Thailand 10330	(66-2) 688 -7777	(66-2) 688-7700	PROPERTY FUND	321.6 Common million shares OF Baht 10 each
10. L H MUANG MAI CO., LTD.	9/9 Moo 6 Thepkrasadtrees Tumbonratsada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	90 Common million shares OF Baht 10 each
11. L&H PROPERTY CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8899	(66-2) 343-8890	PROPERTY DEVELOPMENT	26 Common million shares OF Baht 100 each
12. ATLANTIC REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	0.15 Common million shares OF Baht 100 each
13. LAND AND HOUSES NORTH CO., LTD.	1 Moo 6 ThumbonnongJom Aumphoesansang Chiang Mai Thailand 50210	(66-53) 844-921-6	(66-53) 844-921-6	PROPERTY DEVELOPMENT	0.14 Common million shares OF Baht 100 each
14. PACIFIC REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	3.72 Common million shares OF Baht 100 each
15. SIAM TANEE PROPERTY CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	1 Common million shares OF Baht 100 each

COMPANY NAME	ADDRESS	TEL. NO.	FAX. NO.	TYPE OF BUSINESS	AUTHORIZED SHARE CAPITAL
16. L H ASSET CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	1 Common million shares OF Baht 100 each
17. L H REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	1.16 Common million shares OF Baht 100 each
18. LAND AND HOUSES NORTH-EAST CO., LTD.	353/1 Mittaphap Road Tumbonnaiuang Aumphoemuang Nakhonratchasima Thailand 30000	(66-44) 357-634-6	(66-44) 357-634-6	PROPERTY DEVELOPMENT	2.7 Common million shares OF Baht 100 each
19. SIAM TANEER REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	4.75 Common million shares OF Baht 100 each
20. PHUKET FUTHER PLAN CO., LTD.	9/17 Moo 6 Thepkrasadtree Tumbonrat- sada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	2.1 Common million shares OF Baht 100 each
21. DOUBLE THREE CO., LTD.	9/17 Moo 6 Thepkrasadtree Tumbonrat- sada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	1.9 Common million shares OF Baht 100 each
22. L&H SATHON CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8899	(66-2) 237-8904	PROPERTY DEVELOPMENT	2.68 Common million shares OF Baht 100 each
23. PT ANEKAGRIYA BUMINUSA CO., LTD.	Gedung JITC Lt. 7& 8 Jl. Mangga Dua Raya - Jakarta Indonesia 14430	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	6 Common million shares OF Rupiah 1000 each
24. PT PUTRA PRABUKARYA CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	6 Common million shares OF Rupiah 1000 each
25. PT KANAKA GRAHAASRI CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	8.4 Common million shares OF Rupiah 1000 each
26. PT MEKANUSA CIPTA CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	12 Common million shares OF Rupiah 1000 each
27. PT PRIMA SEHATI CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	15.6 Common million shares OF Rupiah 1000 each

**INVESTMENT IN SUBSIDIARIES AND AFFILIATES**

COMPANY	PAID UP CAPITAL (MIL. BHT.)	HOLDING SHARES	PAR VALUE	% HOLD
<b>INVESTMENT IN RELATED PARTIES</b>				
<b>LISTED COMPANY</b>				
1. QUALITY HOUSES PLC.	7,304	1,669,172,569	1	22.85
2. BANGKOK CHAIN HOSPITAL PLC.	950	271,212,800	1	28.55
3. HOME PRODUCT CENTER PLC.	1,925	552,023,445	1	28.68
4. QUALITY CONSTRUCTION PRODUCTS PLC.	400	125,624,980	1	31.41
<b>NON-LISTED COMPANY</b>				
1. POLAR PROPERTY HOLDINGS, CORP. (PESO)	4,892	1,223,102,790	1	25.00
2. ASIA ASSET ADVISORY CO.,LTD.	5	199,994	10	40.00
3. LAND AND HOUSES RETAIL BANK PLC.	2,600	111,800,000	10	43.00
4. LAND AND HOUSES PROPERTY FUND. 1	40	2,013,462	10	49.94
5. LAND AND HOUSES PROPERTY FUND. 2	3,216	160,742,900	10	49.99
6. L H MUANG MAI CO.,LTD.	900	49,499,995	10	55.00
7. L&H PROPERTY CO.,LTD.	2,600	15,599,994	100	60.00
8. ATLANTIC REAL ESTATE CO.,LTD.	15	149,979	100	99.99
9. LAND AND HOUSES NORTH CO.,LTD	14	134,998	100	100.00
10. PACIFIC REAL ESTATE CO.,LTD.	372	3,716,138	100	100.00
11. SIAM TANEE PROPERTY CO.,LTD.	100	999,994	100	100.00
12. L H ASSET CO.,LTD.	100	999,994	100	100.00
13. L H REAL ESTATE CO.,LTD.	116	1,159,994	100	100.00
14. LAND AND HOUSES NORTH-EAST CO.,LTD.	270	2,699,994	100	100.00
<b>HOLDING BY SIAM TANEE PROPERTY CO.,LTD.</b>				
1. SIAM TANEE REALESTATE CO.,LTD.	475	4,753,461	100	100.00
<b>HOLDING BY LH MUANG MAI CO., LTD.</b>				
1. PHUKET FUTURE PLAN CO.,LTD.	210	2,099,994	100	100.00
2. DOUBLE THREE CO.,LTD.	190	1,899,994	100	100.00
<b>HOLDING BY L&amp;H PROPERTY CO., LTD.</b>				
1. L&H SATHON CO.,LTD.	268	2,679,994	100	100.00
<b>LONG-TERM INVESTMENTS</b>				
<b>LISTED COMPANY</b>				
1. QUALITY HOUSES PLC. (WARRANT 4)	1,169	211,519,975		
<b>NON-LISTED COMPANY</b>				
1. PT ANEKAGRIYA BUMINUSA CO.,LTD. (RUPIAH)	6,000	1,198,800	1000	19.98
2. PT PUTRA PRABUKARYA CO.,LTD. (RUPIAH)	6,000	1,198,800	1000	19.98
3. PT KANAKA GRAHAASRI CO.,LTD. (RUPIAH)	8,400	1,678,320	1000	19.98
4. PT MEKANUSA CIPTA CO., LTD. (RUPIAH)	12,000	2,397,600	1000	19.98
5. PT PRIMA SEHATI CO., LTD. (RUPIAH)	15,600	3,116,880	1000	19.98

COMPANY NAME	ADDRESS	TEL. NO.	FAX. NO.	TYPE OF BUSINESS	AUTHORIZED SHARE CAPITAL
1. QUALITY HOUSE PLC.	7 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.qh.co.th	(66-2) 677-7000	(66-2) 677-7003	PROPERTY DEVELOPMENT	7,304 Common million shares OF Baht 1 each
2. BANGKOK CHAIN HOSPITAL PLC.	950 Prachachuen Rd., Bangsue Bangkok Thailand 10800 Website : kasemrad.co.th	(66-2) 910-1600	(66-2) 910-1517	HOSPITAL	950 Common million shares OF Baht 1 each
3. HOME PRODUCT CENTER PLC.	96/27 Moo 9 Bangkhen Amphoe Muang Nonthaburi Thailand 11000 Website : homepro.co.th	(66-2) 832-1000	(66-2) 832-1400	TRADING OF CONSTRUCTION MATERIAL	1,925 Common million shares OF Baht 1 each
4. QUALITY CONSTRUCTION PRODUCTS PLC.	144 Moo 16 Bangpa-in Industrial Estate Udomsorasayuth Rd., Bangkrason Bangpa-in, Ayutthaya Thailand 13160 Website : qcon.co.th	(66-35) 221-271	(66-35) 221-270	BUILDING MATERIAL	400 Common million shares OF Baht 1 each
5. POLAR PROPERTY HOLDINGS, CORP.	3 <sup>rd</sup> Floor, Las Pinas Business Center, Alabang-Zapote Road, Las Pinas City Philippines	(632) 873-6157		PROPERTY DEVELOPMENT	4,892 Common million shares OF Peso 1 each
6. ASIA ASSET ADVISORY CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8899	(66-2) 237-8904	INVESTMENT ADVISOR	0.5 Common million shares OF Baht 10 each
7. LAND AND HOUSES RETAIL BANK PLC.	G, 1 <sup>st</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> Floor Q.House Lumpini Bldg., No. 1 South Satorn Road, Tungmahamek, Sathon, Bangkok Thailand 10120 Website : www.lhbank.co.th	(66-2) 677-7111 (66-2) 359-0000	(66-2) 677-7227 (66-2) 359-0059	BANK	260 Common million shares OF Baht 10 each
8. LAND AND HOUSES PROPERTY FUND 1	16 <sup>th</sup> Sathon Thani Bldg. 1, 90/42-43 North Sathon Rd., Silom, Bangrak, Bangkok Thailand 10500	(66-2) 636-8248	(66-2) 636-6482	PROPERTY FUND	4 Common million shares OF Baht 10 each
9. LAND AND HOUSES PROPERTY FUND 2	130-132 Wireless Road, 15 <sup>th</sup> , 17 <sup>th</sup> Floor Sindhorn Building Tower III, Bangkok Thailand 10330	(66-2) 688 -7777	(66-2) 688-7700	PROPERTY FUND	321.6 Common million shares OF Baht 10 each
10. L H MUANG MAI CO., LTD.	9/9 Moo 6 Thepkrasadtrees Tumbonratsada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	90 Common million shares OF Baht 10 each
11. L&H PROPERTY CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8899	(66-2) 343-8890	PROPERTY DEVELOPMENT	26 Common million shares OF Baht 100 each
12. ATLANTIC REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	0.15 Common million shares OF Baht 100 each
13. LAND AND HOUSES NORTH CO., LTD.	1 Moo 6 ThumbonnongJom Aumphoesansang Chiang Mai Thailand 50210	(66-53) 844-921-6	(66-53) 844-921-6	PROPERTY DEVELOPMENT	0.14 Common million shares OF Baht 100 each
14. PACIFIC REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	3.72 Common million shares OF Baht 100 each
15. SIAM TANEE PROPERTY CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	1 Common million shares OF Baht 100 each

COMPANY NAME	ADDRESS	TEL. NO.	FAX. NO.	TYPE OF BUSINESS	AUTHORIZED SHARE CAPITAL
16. L H ASSET CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	1 Common million shares OF Baht 100 each
17. L H REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	1.16 Common million shares OF Baht 100 each
18. LAND AND HOUSES NORTH-EAST CO., LTD.	353/1 Mittaphap Road Tumbonnaiuang Aumphoemuang Nakhonratchasima Thailand 30000	(66-44) 357-634-6	(66-44) 357-634-6	PROPERTY DEVELOPMENT	2.7 Common million shares OF Baht 100 each
19. SIAM TANEER REAL ESTATE CO., LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8900	(66-2) 230-8131	PROPERTY DEVELOPMENT	4.75 Common million shares OF Baht 100 each
20. PHUKET FUTHER PLAN CO., LTD.	9/17 Moo 6 Thepkrasadtree Tumbonrat- sada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	2.1 Common million shares OF Baht 100 each
21. DOUBLE THREE CO., LTD.	9/17 Moo 6 Thepkrasadtree Tumbonrat- sada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	1.9 Common million shares OF Baht 100 each
22. L&H SATHON CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66-2) 343-8899	(66-2) 237-8904	PROPERTY DEVELOPMENT	2.68 Common million shares OF Baht 100 each
23. PT ANEKAGRIYA BUMINUSA CO., LTD.	Gedung JITC Lt. 7& 8 Jl. Mangga Dua Raya - Jakarta Indonesia 14430	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	6 Common million shares OF Rupiah 1000 each
24. PT PUTRA PRABUKARYA CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	6 Common million shares OF Rupiah 1000 each
25. PT KANAKA GRAHAASRI CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	8.4 Common million shares OF Rupiah 1000 each
26. PT MEKANUSA CIPTA CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	12 Common million shares OF Rupiah 1000 each
27. PT PRIMA SEHATI CO., LTD.	Management Office, Ruko Sentra Eropa Blok F No. 23-24, Kota Wisata Jl. Tran- syogi Km.6, Cibubur - Bogor Indonesia 16968	(66-21) 8493-4848	(66-21) 8493-4888	PROPERTY DEVELOPMENT	15.6 Common million shares OF Rupiah 1000 each

## RISK FACTORS

### 1.1 Operating risks

#### 1.1.1 Risk incurred by pre-built house and condominium construction

The Company and its subsidiaries operate real-estate development businesses, with house construction for sale being their core business. In 2000, the Company shifted its policy from built-to-order houses to pre-built houses and residential condominium units. Pre-built houses gradually represented a larger portion in 2001 and 2002 and since 2003, the Company has operated the business of pre-built housing units. The shift in policy from built-to-order houses to pre-built houses has called for higher advance construction budgets since the Company no longer received advance payments from its customers, which could be used as revolving funds during construction periods. Other potential factors that may affect home-buying decisions in the future include: (1) higher prices of consumer goods and food as a result of soaring, volatile world oil prices; (2) higher prices of residential units in line with soaring construction-material costs; and (3) the economic slowdown. These factors may affect the purchasing power and home-buying decisions of the Company's target customer groups. It is thus exposed to the risk of not being able to sell all the houses and residential condominium units after they have been completed, resulting in a high level of inventory cost and eventually affecting its liquidity and profitability. However, the Company expected to sell all pre-built houses and residential condominium units and avoid a heavy inventory burden due to the following reasons:

- (1) The Company has studied consumer behaviors by conducting surveys on the customers visiting the Company's housing projects in such areas as budgets, land-plot sizes and house plans, etc. Besides, information on the sales of its old projects has also been taken into consideration to analyze customers' demand. These have enabled the Company to construct pre-built houses and residential condominium units that meet the demand of the customers and sell them.
- (2) Most customers today prefer pre-built houses and residential condominium units, as they can rest assured the units will be handed over to them by contractual schedules. During the financial crisis of 1997-1998, many operators could not build houses and condominiums and hand them over to customers by contractual terms.
- (3) As a major property developer with a strong presence in the market for over 20 years, the Company has an advantage both in terms of market information and an insight into the demand of its target customer groups. Therefore, it is able to develop residential units that meet the demand of customers, resulting in the residential projects developed under the Land & Houses brand being widely accepted among the target customer groups both in terms of quality and locations.
- (4) While there exists today risk factors influencing homebuyers' decisions, demand for quality residential units among the Company's target customer groups remains steady.

### 1.2 Production risks

#### 1.2.1 Risk incurred by the shortages of construction materials and labour and higher construction-material costs

A steadily increasing supply of new projects in the market today has triggered higher demand for construction materials and labor. The higher demand could lead to shortages in construction materials and workers and result in higher construction-material costs. Besides, soaring and volatile world oil prices have pushed up the prices of construction materials. The construction-material price index rose by around 4.9% in 2007 to 135.2 points from 128.9 points in 2006. The construction-material and labor shortages could aggravate and the construction costs could be higher in the future due to an increase in construction work. Under such a scenario, the Company's project-development time could be longer and construction cost higher, eventually affecting its liquidity and profitability.

But as of December 31, 2007, the Company and its subsidiaries had 47 projects under construction, giving them relatively high bargaining power when dealing with their contractors and construction-material suppliers. Furthermore, the shift in policy to building houses and residential condominiums before selling them instead of after the customers made reservations has enabled the Company and its contractors to plan the construction and place material orders in advance. This strategy has helped prevent the construction-material shortage and given the Company a better control on its construction cost and development time.

### 1.3 Financial risks

#### 1.3.1 Risk incurred by guaranteeing loans for L H Muang Mai Co., Ltd. and its subsidiaries

As of December 31, 2007, the Company's 55%-owned subsidiary L H Muang Mai Co. has paid-up capital of 900 million baht.

In the third quarter of 2005, L H Muang Mai Co., Ltd. bought 2,099,994 ordinary shares, or 99.99%, of Phuket Future Plan Co., Ltd. (PFP) with a par value of 100 baht for 210 million baht. It also bought 1,899,994 ordinary shares, or 99.99%, of Doubletree Co., Ltd. (DBT) with a par value of 100 baht for 190 million baht. The shares in the two companies were bought from the Tantipirayakij group, a majority shareholder group of L H Muang Mai Co., Ltd. As of December 31, 2007, the Company had a burden of guaranteeing loans for L H Muang Mai Co., Ltd. and its subsidiaries in proportion to its shareholding for the amount of 395.40 million baht. Of the amount, 117.20 million baht was to guarantee the loans of L H Muang Mai Co., Ltd., 128.70 million baht for the loans of PFP and 148.50 million baht for the loans of DBT. The transactions were approved at the Board of Directors meeting No. 4/2005 on August 15, 2005. As a result, the Company is exposed to the risk incurred by guaranteeing the loans for L H Muang Mai Co., Ltd., PFP and DBT. In the event the three companies cannot repay the principal and interest under the terms of their loan agreements, their creditors have the rights to charge the highest interest rates and demand immediate full repayments of the principal, file lawsuit to seize the mortgaged assets, or seek claims from the Company's guarantee burden. In such an event, the operations of the Company and its subsidiaries may be adversely affected.

The operating results of L H Muang Mai Co., Ltd. over the last three years were stable, with revenue of 511.42 million baht, 514.46 million baht and 428.70 million in 2005, 2006 and 2007 respectively. Net profits were 22.18 million baht in 2005 but a loss of 3.12 million baht was recorded in 2006, largely due to the land impairment loss of 56.2 million baht. Excluding the land impairment loss, L H Muang Mai Co., Ltd. would have posted a net profit of 53.08 million baht in 2006. In 2007, it booked a loss of 11.07 million baht.

PFP and DBT were set up in 2005 to operate property businesses. As of December 31, 2006, PFP had paid-up capital of 210 million baht and DBT 190 million baht. They hold the ownerships of land plots of 895.9 rai and 213.2 rai respectively, totaling 1,109.1 rai, in Mai Khao sub-district, Thalang district, Phuket, valued at 945 million baht (the total price appraised by CB Richard Ellis Thailand Co., Ltd. on Feb 19, 2007 was 946.1 million baht). The land plots have potential to be developed into such projects as hotels, ports, golf courses, housing or land subdivision for sale, etc.

Considering the operating results, financial positions and potential of L H Muang Mai Co., Ltd., PFP and DBT, they should be able to repay the principal and interest.

#### 1.3.2 Risk incurred by the impairment of long-term investments

As of December 31, 2007, the long-term investments of the Company and its subsidiaries totaled 1,296.59 million baht, representing 3.11% of total assets (details "Financial position and operating results"). Most of them were in equity securities, which totaled 1,146.59 million baht. Among the major items are: (1) 622 million baht in five property developers in Indonesia (net after an impairment allowance); and (2) 263.24 million baht in Quality House Property Fund. The Company is therefore exposed to the risk incurred by the impairment of the investments.



When investing in equity securities, the Company focuses primarily on real-estate businesses and those related to its core business, as well as on interesting companies, which it deems to have potential to generate appropriate returns. A decision to do so is subjected to the scrutiny of the Board of Directors.

In terms of investments in the equity securities of loss-making companies as of December 31, 2007, the Company and its subsidiaries set aside investment impairment allowances totaling 1,388.39 million baht. Of the amount, 405.24 million baht was for 100% of its investments in the ordinary shares of the five real-estate companies in Indonesia and in their preferred stocks, which are entitled to dividends at the rate of LIBOR + 1.5%, compounded every six months (but since the ability to pay dividends hinges on the future cash flow of the five companies, the Company did not book the amount as accrued dividends). The Company also allocated an allowance for the impairment of its investments in the preferred stocks of the five companies at 60% of the amount, totaling 935.37 million baht. Total impairment allowances for its investments in Indonesia thus added up to 1,340.61 million baht. The Company is of the opinion that the impairment allowance of its investments in the preferred shares of the five companies at the rate of 60% of the investment value was adequate since under the cost method, the value of the investments adjusted by the investment impairment allowance had a net value of 622 million baht, lower than the value of the investments calculated under the equity method based on the shareholdings of the Company. Consequently, the Company did not allocate a allowance for the remaining 40% of the investments (the Company recorded the investments in the preferred shares of the five companies under the cost method adjusted by the investment impairment because they were long-term investments in non-marketable equities and the five companies are not its associated companies).

### 1.3.3 Risk incurred by the impairment of an investment in subsidiary Land and Houses Retail Bank Plc. (formerly Land and Houses Credit Foncier Plc.)

As of December 31, 2007, the Company held 43% of shares in subsidiary Land and Houses Retail Bank Plc. (formerly Land and Houses Credit Foncier Plc or LHCF). The shareholding was valued at 1,016.08 million baht under the equity method, compared to 1,306.96 million baht under the cost method. Other shareholders of Land and Houses Retail Bank are: Quality Houses Plc. (27%), Ms. Piangjai Hampanij (20%), and executives and retail investors (10%) (as detailed in Section 2, Item 11.5 "Reasons why persons with potential conflict of interest may hold more than 10% of shares in subsidiaries or associated companies"). In June 2005, the Company bought 4,724,000 of the new ordinary shares of LHCF (with the par value of 100 baht) at 140 baht per share, totaling 661.36 million baht. Since the shareholding of the Company in LHCF rose to 43% from 0.60% previously as a result of the increase in its investment, the Company changed the accounting method used in booking the item from a long-term investment to an investment in an associated company.

LHCF changed its status to retail commercial bank on December 19, 2005 upon being transferred all assets, liabilities and obligations from Book Club Finance Plc. as part of LHCF's plan to set up a retail commercial bank approved by the Finance Ministry. LHCF was granted a license to operate a retail commercial bank under the name "Land and Houses Retail Bank Plc." (LH Bank) under the one-presence financial institution policy of the Financial Institution Development Plan of the Finance Ministry and the Bank of Thailand.

Since LH Bank started offering commercial banking services only a few years ago, the Company is exposed to the risk of the investment impairment. Nonetheless, LH Bank offers integrated financial services, both credits and deposits. Its credit policy emphasizes on mortgages to retail customers, at roughly 70% of its loan portfolio. When taking into consideration its paid-up capital of 2,600 million baht and a premium on ordinary shares of 400 million baht, LH Bank is well-positioned to operate a retail commercial banking business. Its loan portfolio of around 25,600.79 million baht (as of December 31, 2007) and the steadily increasing demand for housing units should benefit LH Bank's operations. In 2005 and 2006, LH Bank posted net losses of 189.35 million baht and 607.82 million baht respectively. It began to report a net profit of 101.09 baht in 2007.

#### 1.3.4 Risk incurred by lending to subsidiaries and by guaranteeing loans for subsidiaries

(a) As of December 31, 2007, the Company extended loans totaling 950.30 million baht to six of its subsidiaries in the form of unsecured promissory notes payable at call, the details of which are as follows:

Subsidiary	% of shares held by the Company	Loan extended to subsidiaries (million baht)	Interest rate (%)
Pacific Real Estate Co., Ltd.	99.99	30.0	5.5
Atlantic Real Estate Co., Ltd.	99.99	125.5	5.5
L H Asset Co., Ltd.	99.99	696.5	5.5
Land and Houses Northeast Co., Ltd.	99.99	25.1	5.5
Siam Tanee Property Co., Ltd.	99.99	28.8	5.5
L H Muang Mai Co., Ltd.	55.00	44.4	7.5
<b>Total</b>		<b>950.3</b>	

The Company is thus exposed to the risk of losing the loans lent to its subsidiaries. However, since all of its subsidiaries operate real-estate businesses and most of them post profits, they have the potential to generate enough cash flow to repay the debts and interest owed to the Company. The subsidiary which operates at a loss; namely Atlantic Real Estate Co., Ltd., can still generate enough cash flow to repay the debts and interest owed to the Company on schedule from its one plot of undeveloped land. Besides, the Company has a policy to keep a close watch on the operations of its subsidiaries by sending its representatives to sit on their boards and take part in determining policies and closely monitoring their operations, including prompt repayments of debts and interest owed to the Company. As a result, the Company believes the subsidiaries are unlikely to face any problem repaying their debts owed to the Company and has not allocated an allowance for doubtful accounts for the amount lent to its subsidiaries.

#### 1.3.5 Risk incurred by lawsuits

As of Dec 31, 2007, the major lawsuits faced by the Company were the ones in which the juristic persons of two subdivision villages sued it for not being informed that the servitude rights of access of their villages were shared with other land plots, demanding damages totaling 1,013.5 million baht. If the Company loses the cases, it may have to book payment for the damages up to 1,013.5 million baht, which will affect its net profit. At present, the cases are being investigated in court. In any case, the Company estimated the liability for the amount of 25 million baht, which it deems appropriate.

#### 1.3.6 Risk involving the creditability of the financial statements

In preparing the 2007 consolidated financial statement of the Company and its subsidiaries ending December 31, 2007, in which the share of profits totaled 343 million baht, the financial statements of 25%-owned in Polar Property Holdings Corporation and 28.55% -owned in Bangkok Chain Hospital Plc. had not been audited yet. The figures used in the calculation of the share of profits under the equity method were therefore based on the unaudited financial statements ending December 31, 2007 prepared by the management of Polar Property Holdings Corporation and Bangkok Chan Hospital Plc.

The unaudited/unreviewed financial statements of the two associated companies were used because of the delay in the auditing and reviewing of their financial statements. The use of the unaudited/unreviewed financial statements of the associated companies in preparing the annual financial statement of the Company and its subsidiaries ending December 31, 2007 under the equity method may result in some discrepancies which do not accurately reflect their real financial positions. However, any discrepancy that may result will be adjusted in the financial statement for the next accounting period. For 2006, the Company made the adjustments in the financial statement of the first quarter of 2007. To date, such discrepancies have not had a substantial impact on the consolidated financial statement.































































































































































































































