

AUDITOR'S REPORT

To the shareholders of

LAND AND HOUSES PUBLIC COMPANY LIMITED

I have audited the consolidated balance sheets of LAND AND HOUSES PUBLIC COMPANY LIMITED AND SUBSIDIARIES as at 31<sup>st</sup> December 2000 and 1999, the consolidated statements of income, consolidated statements of changes in shareholders' equity, consolidated statements of retained earnings, consolidated statements of cash flows and the financial statements of LAND AND HOUSES PUBLIC COMPANY LIMITED for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

Except for the stated in following paragraph, I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

As mentioned in note to financial statements no 7.2, net profit (loss) for the year ended 31<sup>st</sup> December 2000 and 1999 of five affiliates which were brought into the computation of investments under the equity method which had loss of Baht 37.55 million and Baht 118.66 million, respectively, were taken from their unaudited financial statements.

In my opinion, except for the effect of the adjustment on the investment and investment equity of affiliates as if the financial statements of affiliates as described in the third paragraph has been audited by the auditor, the financial statements referred to above present fairly, in all material respects, the financial position of LAND AND HOUSES PUBLIC COMPANY LIMITED AND SUBSIDIARIES and of LAND AND HOUSES PUBLIC COMPANY LIMITED as at 31<sup>st</sup> December 2000 and 1999, the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

I draw your attention to notes to financial statements as follows:

1. As stated in notes to financial statements no. 19.1, the Company has guaranteed liabilities of several subsidiaries, affiliates and other companies amounting to Baht 2,449.72 million and Baht 2,699.36 million, respectively. Those companies have sustained capital deficiency from their operations and encountered repayment problem which the Company might be responsible on the repayment of loan guarantees. Therefore, the Company recognized loss base on the equity method by recognition the capital deficiency of the above companies as other liabilities in the account "excess loss from investments in subsidiaries and affiliates" (as presented in notes to financial statements no. 7). Those subsidiaries and affiliates under the commitment of the Company totaling Baht 2,156.47 million, have been proceeded the restructuring their debts with the financial institutions.
2. As stated in notes to financial statements no. 19.2, in 2000 and 1999 Pacific Real Estate Co., Ltd. guaranteed loans of Wave Development Co., Ltd. to other parties of Baht 814.16 million and Baht 1,325.71 million, respectively. Such liabilities incurred from Wave Development Co., Ltd. stopped to settle the interest and defaulted on principal repayment. At present, such related company is under the negotiation with its creditors for debt restructuring which the Company believes that such restructuring will be success in the near future which have not affected to such subsidiary.
3. As stated in notes to financial statements no. 18.1, in 2000 the Company has changed accounting method of depreciation of club houses, swimming pools and tennis courts from depreciated on a straight-line basis within 20 years to the expected economic benefits taken from those assets based on proportion of space sold in each project for conformity with the economic benefits from using the above assets built for housing project sale promotion. The Company, therefore, has retroactively adjusted the financial statements by presenting the cumulative effect of change in accounting policy in both year 2000 and 1999. From the aforementioned change, the parent's financial statements in 2000 and 1999 represented an increase in beginning deficit of Baht 318.09 million and Baht 300.89 million, respectively, decrease in net profit of Baht 20.36 million and Baht 15.99 million for the year ended 31<sup>st</sup> December 2000 and 1999, respectively.

Office of D I A International Auditing

(Mrs. Suvimol Krittayakiern)

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