

**LAND AND HOUSES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT 30th SEPTEMBER 2004 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT 31st DECEMBER 2003 (AUDITED)**

**1. PREPARATION OF INTERIM FINANCIAL STATEMENTS BASIS**

1.1 Notes to interim financial statements have been prepared in conformity with the Accounting Standards no. 41 "Interim Financial Statements" for the propose to provide an update information on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported. However, the balance sheets, statements of income, statements of changes in shareholders' equity and statements of cash flows are represented the same as previous annual financial statements. Therefore, these interim financial statements should access to the most recent annual financial statements.

1.2 These financial statements have been presented in accordance with the notification of the Department of Commercial Registration dated September 14, 2001 regarding the abbreviate items which must be shown in the financial statements for the public company limited and prepared in conformity with the generally accepted accounting principles.

**2. ACCOUNTING POLICY**

These interim financial statements have been prepared by using the accounting policy and estimates of the financial statements for the year ended 31st December 2003.

**3. SHORT-TERM INVESTMENTS**

Short-term investments are in form of treasury bill.

**4. SHORT-TERM LOANS TO RELATED PARTIES**

	Consolidated		Parent company	
	30th September 2004 (Thousand Baht) 31st December 2003		30th September 2004 (Thousand Baht) 31st December 2003	
Loans to subsidiaries	0	0	3,135,245	2,323,535
Loans to affiliates	0	72,500	0	72,500
Less Allowance for doubtful				
accounts - affiliates	0	(72,500)	0	(72,500)
Short-term loans - net	0	0	3,135,245	2,323,535



4.1 Loans to subsidiaries :-

	30th September 2004		31st December 2003	
	Amount of Baht	Interest rate	Amount of Baht	Interest rate
	(Thousand Baht)	%	(Thousand Baht)	%
Loans to subsidiaries :-				
Pacific Real Estate Co., Ltd.	554,000	4	187,200	4
Land and Houses Northeast Co., Ltd.	529,000	4	390,000	4
Land and Houses North Co., Ltd.	0	-	13,000	4
L H Muangmai Co., Ltd.	171,745	3.5	171,745	3.5
Atlantic Real Estate Co., Ltd.	96,000	4	74,500	5
Siamtanee Property Co., Ltd.	0	-	322,000	4
L H Real Estate Co., Ltd.	1,524,000	4	1,165,090	4 - 5
L H Asset Co., Ltd.	260,500	4	0	-
<b>Total</b>	<b>3,135,245</b>		<b>2,323,535</b>	

Loans to subsidiaries are in form of promissory notes without collateral which are due at call.

4.2 Loans to affiliates :-

	30th September 2004		31 st December 2003	
	Amount of Baht	Interest rate	Amount of Baht	Interest rate
	(Thousand Baht)	%	(Thousand Baht)	%
Bangkok Chain Hospital Plc.	0	-	72,500	5.75
Less Allowance for doubtful accounts - affiliates	0		(72,500)	
<b>Total</b>	<b>0</b>		<b>0</b>	

Loans to affiliates are in form of promissory notes without collateral which are due at call. In during the first quarter of 2004, the Company received the repayment of loans to affiliated in full.

## 5. INVENTORIES

	Consolidated		Parent company	
	30th September 2004 (Thousand Baht)	31st December 2003	30th September 2004 (Thousand Baht)	31st December 2003
Land	14,224,011	12,467,313	11,165,471	9,579,789
Land improvements	1,254,651	953,201	964,317	876,247
Construction in progress	5,353,865	2,583,132	3,707,739	2,121,126
Deferred interest	3,497,389	3,894,929	3,041,093	3,449,106
Central utilities	1,431,113	1,157,125	971,544	874,519
Preparation cost	38,015	46,717	11,619	14,613
Houses for sales	24,198	4,306	0	0
<b>Total</b>	<b>25,823,242</b>	<b>21,106,723</b>	<b>19,861,783</b>	<b>16,915,400</b>
Less Allowance for declining				
value of inventories	(1,098,326)	(1,259,388)	(1,026,866)	(1,188,970)
<b>Balance</b>	<b>24,724,916</b>	<b>19,847,335</b>	<b>18,834,917</b>	<b>15,726,430</b>

Some of land are mortgaged as guarantee for loans as mentioned in note 10 and 11.

The Company and subsidiary have estimated provision for diminution in inventories of the Company and subsidiary. The Company and subsidiary will amortize the allowance for declining in value of inventories according to the area sold.

**6. INVESTMENT IN SUBSIDIARIES AND AFFILIATES is consisted of common share as follows :**

Type of business	(Million Baht)		% of investment		(Thousand Baht)		(Thousand Baht)		(Thousand Baht)			
	Paid-up capital				Cost method		Equity method		Dividend			
	30th Sep.04	31st Dec.03	30th Sep.04	31st Dec.03	30th Sep.04	31st Dec.03	30th Sep.04	31st Dec.03	30th Sep.04	31st Dec.03		
<b>Investments in subsidiaries :-</b>												
- Atlantic Real Estate Co., Ltd.	Real Estate	15.00	15.00	99.99	99.99	14,998	14,998	65,743	68,768	0	0	
- Pacific Real Estate Co., Ltd.	Real Estate	371.62	371.62	99.99	99.99	371,614	371,614	0	0	0	0	
- Land and Houses North Co., Ltd	Real Estate	13.50	13.50	99.99	99.99	13,500	13,500	42,964	57,675	24,999	0	
- Land and Houses Northeast Co., Ltd	Real Estate	570.00	570.00	99.99	99.99	569,999	569,999	555,556	365,127	0	0	
- Siamtanee Property Co., Ltd. and subsidiaries	Real Estate	100.00	100.00	99.99	99.99	64,859	64,859	572,733	349,018	54,999	0	
- L H Real Estate Co., Ltd.	Real Estate	116.00	116.00	99.99	99.99	50,000	50,000	95,234	43,950	0	0	
- L H Assets Co., Ltd.	Real Estate	100.00	100.00	99.99	99.99	52,734	52,734	45,360	52,734	0	0	
- L H Muangmai Co., Ltd.	Real Estate	360.80	310.80	55.00	55.00	198,440	170,940	208,684	164,846	0	0	
Total investments in subsidiaries:							1,336,144	1,308,644	1,586,274	1,102,118	79,998	0
<b>Investments in affiliates :-</b>												
- Bangkok Chain Hospital Plc.	Hospital	710.00	610.00	40.00	40.00	602,731	454,731	478,085	171,166	0	0	
- Quality Construction Products Plc	Building material	400.00	400.00	31.41	31.41	265,981	265,981	336,388	277,142	25,125	0	
- Home Products Center Plc.	Trading of construction materials	753.00	753.00	29.99	30.72	264,360	270,841	426,225	379,846	27,097	13,178	
- Cameron Global Limited	Investment business	0.04	0.04	40.00	40.00	15	15	74	115	0	0	
- Asia Assets Advisory Co., Ltd.	Investment advisor	12.50	12.50	39.99	39.99	4,999	4,999	10,452	6,936	0	4,400	
- Land and Houses Property Fund I	Real Estate	639.94	683.70	49.94	49.94	328,452	350,910	435,638	449,919	5,122	132,090	
- Land and Houses Property Fund II	Real Estate	361.30	338.00	49.99	49.99	1,808,872	1,692,372	2,150,584	1,794,123	186,244	0	
- Quality House Plc.	Real Estate	6,107.14	0.00	21.87	0.00	1,983,854	0	2,093,798	0	0	0	
Total investments in affiliate:							5,259,264	3,039,849	5,931,244	3,079,247	243,588	149,668
Total investments in subsidiaries and affiliate							6,595,408	4,348,493	7,517,518	4,181,365	323,586	149,668

## 6.1 Investments in subsidiaries

6.1.1 The financial statements of the aforementioned subsidiaries which were brought into the preparation for consolidated financial statements and net profit of subsidiaries for nine months ended 30th September 2004 and 2003 were brought into the computation of investments under the equity method, were taken from their respective reviewed financial statements.

6.1.2 The financial statements for nine months ended 30th September 2004 of Pacific Real Estate Co., Ltd. which was brought into the computation of investments under equity method, had capital deficiency. The Company recorded the investments balance equal to zero and recognized the excess of loss over investments in subsidiaries of Baht 33.73 million as other liabilities in "excess loss from investments in subsidiaries and affiliates" and had equity loss of Baht 19.79 million.

6.1.3 On 26th January 2004, L H Muangmai Co., Ltd. passed the resolution to call for payment of increase share capital from Baht 7.77 per share to Baht 9.02 per share by calling for payment of Baht 1.25 per share amounting to Baht 50 million. As at 30th September 2004, the fully payment was received.

6.1.4 According to the special resolution of shareholders' extraordinary meeting of Huay Keaw Real Estate Co., Ltd. no. 1/2004 held on 19th April 2004 and no. 2/2004 held on 6th May 2004, passed to change its title name from "Huay Keaw Real Estate Co., Ltd." to "L H Asset Co., Ltd." which was registered the changing with the Ministry of Commerce on 10th May 2004.

## 6.2 Investments in affiliates

6.2.1 Net profit (loss) of affiliates for nine months ended 30th September 2004 and 2003 which were brought into the computation of investment under equity method, were taken from their respective reviewed financial statements except for the certain of net profit (loss) were computed from unreviewed financial statements, the equity gain (loss) are as follows :

	(Baht : Thousand)	
	30th September 2004	30th September 2003
Bangkok Chain Hospital Plc.	0	97,170
Land and Houses Property Fund I	22,133	73,533
Land and Houses Property Fund II	351,070	2,491
M L & H Corporation	0	52,330
Cameron Global Limited	(41)	(55)
Total equity gain of affiliates under equity method	373,162	225,469

6.2.2 As at 9th March 2004, Bangkok Chain Hospital Plc. passed the special resolution to increase its share capital for the amount of Baht 100.00 million by issuing new 100 ordinary shares of Baht 1.00 each and offering to the existing shareholders at Baht 3.70 per share. The Company exercised right to subscribe such increasing shares in total in the amount of Baht 148 million. Hence, the percentage of investments has not changed.

6.2.3 In the first quarter of 2004, the Company has sold investment in Home Products Center Public Company Limited, an affiliate for 5.54 million shares, therefore, the percentage of investments was decreased from 30.72 to 29.99.

As at 30th September 2004, investments in Home Products Center Public Company Limited, an affiliate, had total market value of Baht 903.24 million (as at 31st December 2003, had market value of Baht 985.53 million).

6.2.4 As at 30th September 2004, investments in Quality House Public Company Limited, a listed company, had total market value of Baht 1,922.06 million.

6.2.5 In the second and third quarter of 2004, the Company has additionally purchased share capital of Quality House Public Company Limited, thus, the percentage of shareholding of the Company increased from 31st March 2004 at 18.65 to 21.87. The Company, therefore, changed the presentation of investments in Quality House Public Company Limited from "investment in other companies" to "investments in affiliates" and recognized gain under equity method since the second quarter of 2004, onwards.

As at 30th September 2004, investments in Quality House Public Company Limited, a listed company, had total market value of Baht 1,589.04 million (as at 31st December 2003, had market value of Baht 1,512.37 million).

6.2.6 According to the minutes of Board of directors' meeting no. 10/2003 held on 26th September 2003, the Company has sold investments in ML&H Corporation, an affiliate to Hero Holding Corporation which was incorporated in The Republic of The Philippines at the selling price of Peso 1,223.10 million in worth Baht 881.04 million, resulted gain on sales of investments of Baht 14.25 million. The Company will receive the payment by cash or marketable securities in The Republic of The Philippines of Peso 1,223.10 million within 30th September 2004. The Company has proceeded to sell those investment on 29th September 2003 but still not received the payment, thus, recorded such amount as other receivables in whole. As at 30th September 2004, other receivables were converted into Baht 888.74 million (as at 31st December 2003, the amount of Baht 864.52 million).

However, as at 30th September 2004, such receivable has negotiated to extend the repayment period for the next 3 months by using promissory notes as collateral and was already allowed by the Company.

## 7. LONG-TERM INVESTMENTS

As at 30th September 2004

	Consolidated			Parent Company		
	Securities held for sales	Other investments	Total	Securities held for sales	Other investments	Total
Debt securities held for maturity						
Bangkok Mass Transit						
System Public Plc.	0	150,000	150,000	0	0	0
Equity security	456,137	2,104,486	2,560,623	456,137	2,028,701	2,484,838
Less Provision for unrealized						
gain (loss) of investment	443,757	0	443,757	443,757	0	443,757
Provision for impairment						
of assets - investment	<u>(82,144)</u>	<u>(1,380,108)</u>	<u>(1,462,252)</u>	<u>(82,144)</u>	<u>(1,380,108)</u>	<u>(1,462,252)</u>
Total	<u>817,750</u>	<u>874,378</u>	<u>1,692,128</u>	<u>817,750</u>	<u>874,378</u>	<u>1,466,343</u>

The Company has investment in equity securities of Christiani & Nielsen (Thai) Public Company Limited of which was provided the provision for impairment of investments in whole amount since the year 2000. Later on 22nd September 2004, such company returned to resume trading of its securities under property and construction sector. The Company, therefore, reversed the provision for impairment of such investments at market value as at 30th September 2004, resulted gain on reversal of impairment loss of Baht 193.66 million.



**As at 31st December 2003**

	Consolidated			(Thousand Baht)		
	Securities	Other	Total	Securities	Other	Total
	held for sales	investments		held for sales	investments	
Debt securities held for maturity						
Bangkok Mass Transit						
System Public Plc.	0	150,000	150,000	0	0	0
Equity security	2,279,435	2,106,960	4,386,395	2,279,435	2,031,101	4,310,536
Less Provision for unrealized						
gain (loss) of investment	1,770,214	0	1,770,214	1,770,214	0	1,770,214
Provision for impairment						
of assets - investment	<u>(275,803)</u>	<u>(1,380,108)</u>	<u>(1,655,911)</u>	<u>(275,803)</u>	<u>(1,380,108)</u>	<u>(1,655,911)</u>
Total	<u>3,773,846</u>	<u>876,852</u>	<u>4,650,698</u>	<u>3,773,846</u>	<u>650,993</u>	<u>4,424,839</u>

**8. PROPERTY, PLANT AND EQUIPMENT - NET**

Consolidated	(Baht : Thousand)			
	31st December 2003	Increase	Decrease	30th September 2004
Cost :				
Office building	55,838	0	0	55,838
Office equipment	76,052	11,819	1,471	86,400
Office and club furnitures	83,520	20,064	1,993	101,591
Machinery and equipment	1,157	85	0	1,242
Vehicles	19,631	20,922	32	40,521
Kindergarten	931	0	0	931
Nursery garden	75	21	0	96
Club houses, swimming pool and tennis court	743,754	114,527	0	858,281
Leasehold	26,658	0	0	26,658
Other assets	27,835	1,964	422	29,377
Assets in progress	19,537	9,291	16,904	11,924
Total	<u>1,054,988</u>	<u>178,693</u>	<u>20,822</u>	<u>1,212,859</u>

<b>Consolidated</b>	(Baht : Thousand)			
	31st December 2003	Increase	Decrease	30th September 2004
Accumulated depreciation :				
Office building	26,557	1,524	0	28,081
Office equipment	41,436	12,025	1,225	52,236
Office and club furnitures	46,369	8,845	1,362	53,852
Machinery and equipment	1,104	10	0	1,114
Vehicles	10,746	3,598	32	14,312
Kindergarten	467	35	0	502
Nursery garden	73	4	0	77
Club houses, swimming pool and tennis court	641,034	62,223	0	703,257
Leasehold	23,447	1,808	0	25,255
Other assets	18,556	2,301	317	20,540
Total	<u>809,789</u>	<u>92,373</u>	<u>2,936</u>	<u>899,226</u>
Provision for impairment of assets :				
Building and construction	1,178	0	0	1,178
Club houses, swimming pool and tennis court	6,989	0	0	6,989
Total	<u>8,167</u>	<u>0</u>	<u>0</u>	<u>8,167</u>
Net book value	<u>237,032</u>			<u>305,466</u>

<b>Parent's financial statements</b>	(Baht : Thousand)			
	31st December 2003	Increase	Decrease	30th September 2004
Cost :				
Office building	37,587	0	0	37,587
Office equipment	65,819	10,445	32	76,232
Office and club furnitures	61,602	19,495	0	81,097
Vehicles	16,062	19,125	32	35,155
Kindergarten	931	0	0	931
Nursery garden	59	0	0	59
Club houses, swimming pool and tennis court	612,931	82,496	0	695,427
Leasehold	25,475	0	0	25,475
Other assets	20,537	1,360	16	21,881
Assets in progress	12,860	8,882	16,789	4,953
Total	<u>853,863</u>	<u>141,803</u>	<u>16,869</u>	<u>978,797</u>

**Parent's financial statements**

(Baht : Thousand)

	31st December 2003	Increase	Decrease	30th September 2004
Accumulated depreciation :				
Office building	10,059	1,411	0	11,470
Office equipment	32,111	11,215	4	43,322
Office and club furnitures	28,601	7,861	0	36,462
Vehicles	9,244	3,015	32	12,227
Kindergarten	467	35	0	502
Nursery garden	56	2	0	58
Club houses, swimming pool and tennis court	548,741	49,905	0	598,646
Leasehold	23,119	1,780	0	24,899
Other assets	11,815	2,048	3	13,860
<b>Total</b>	<b>664,213</b>	<b>77,272</b>	<b>39</b>	<b>741,446</b>
<b>Net book value</b>	<b>189,650</b>			<b>237,351</b>

Fixed assets of the Company and subsidiaries are not used as collaterals.

As at 30th September 2004 and 2003, plant and equipment which were fully depreciated amounting to Baht 34.83 million and Baht 31.65 million, respectively are still being operated.

**9. BANKS OVERDRAFT AND LOANS FROM FINANCIAL INSTITUTIONS**

	Consolidated		Parent company	
	30th September 2004 (Thousand Baht)	31st December 2003	30th September 2004 (Thousand Baht)	31st December 2003
Banks overdraft	25,755	32,708	4,529	26,896
Bill of exchange	2,020,381	1,440,405	2,020,381	1,440,405
<b>Total</b>	<b>2,046,136</b>	<b>1,473,113</b>	<b>2,024,910</b>	<b>1,467,301</b>

The Company has overdraft facility of Baht 81 million with several local banks and bill of exchange which are due within 3 months to 1 year.

**10. LONG-TERM LOANS**

	Consolidated		Parent company	
	30th September 2004 (Thousand Baht)	31st December 2003	30th September 2004 (Thousand Baht)	31st December 2003
Long-term loans	6,185,390	3,558,053	4,751,816	2,657,058
Less Current portion due within 1 year	(682,397)	(400,000)	(682,397)	(400,000)
<b>Total</b>	<b>5,502,993</b>	<b>3,158,053</b>	<b>4,069,419</b>	<b>2,257,058</b>

10.1 Long-term loans of Land and Houses Public Company Limited consist of borrowing from domestic and foreign financial institutions as follows :

Institute	(Million Baht)				Repayment conditions	Guarantee by
	30th Sep. 2004		31st Dec. 2003			
	Credit amount	Interest	Credit amount	Interest		
One bank	2,384.51	3 - 3.90	1,272.06	3	Repayment from October 2005 to November 2006	-
Finance companies	2,367.31	2.94 - 3.97	1,385.00	2.43 - 3.97	Repayment from April 2004 to June 2006	-
<b>Total</b>	<b>4,751.82</b>		<b>2,657.06</b>			

10.2 The subsidiaries' long-term loans consist of loans from domestic financial institutions as follows :

Company	Creditors (Million Baht)	Balance		Interest		Repayment conditions	Guarantee by
		30th Sep.04		31st Dec.03			
				rate	%		
1. L H Muangmai Co., Ltd.	Bank	413.57	450.63	MLR	55%	55% of selling price of land and construction	Mortgage land and construction of each project
2. Pacific Real Estate Estate Co., Ltd.	Bank	397.00	397.00	3.75 - 5.75		Due repayment in 2007	Mortgage land and construction of each project
3. L H Asset Co., Ltd.	Finance company	-	53.37	MLR		Due repayment in 2004 onwards	Pledge promissory notes and mortgage land and construction of the Company
4. L H Real Estate Co., Ltd.	Bank	623.00	-	Fix + 2.75		Due repayment in 2007	Mortgage land and construction of each project
<b>Total</b>		<b>1,433.57</b>	<b>901.00</b>				
Total long-term loans of the Company and subsidiaries		<b>6,185.39</b>	<b>3,558.06</b>				

On 1st November 2002, L H Muangmai Co., Ltd. has amended the debt restructuring agreement to change and extend the period of principal and accrued interest repayment of Baht 576.36 million to be completed in 2009.

## 11. DEBENTURES - DOMESTIC

	Number of debenture (shares)		Amount (Thousand Baht)	
	30th September 2004	31st December 2003	30th September 2004	31st December 2003
	Unsecured debentures			
- No. 1/2000	800,000	800,000	120,000	360,000
- No. 1/2004				
# 1	1,000,000	0	1,000,000	0
# 2	1,000,000	0	1,000,000	0
# 3	1,000,000	0	1,000,000	0
Secured debentures				
- No. 1/2001	1,500,000	1,500,000	843,750	1,125,000
Balance	<u>5,300,000</u>	<u>2,300,000</u>	<u>3,963,750</u>	<u>1,485,000</u>
Less Current portion of liabilities			(495,000)	(615,000)
Balance			<u>3,468,750</u>	<u>870,000</u>

According to the Board of directors' meeting no. 2/2004 held on 19th February 2004, passed the resolution that the Company to issue and offer debentures, specific name, unsecured, unsubordinated without debentureholder's representative to the public and institute investors as approved by the shareholders' ordinary meeting no. 1/2000 held on 28th April 2000 for total amount of Baht 3,000 million. The offering of debentures are detailed as follows :

Name of debentures	"Land and Houses Plc.'s unsecured debentures No. 1/2004 (1) principal repayment which redeemed in 2006"	"Land and Houses Plc.'s unsecured debentures No. 1/2004 (2) principal repayment which redeemed in 2007"	"Land and Houses Plc.'s unsecured debentures No. 1/2004 (3) principal repayment which redeemed in 2008"
Amount of Baht	Baht 1,000 million	Baht 1,000 million	Baht 1,000 million
Period	2 (two) years from issuance date	3 (three) years from issuance date	4 (four) years from issuance date
Issuance date	4th March 2004	4th March 2004	4th March 2004
Maturity date	4th March 2006	4th March 2007	4th March 2008
Interest rate	At fixed rate of 2.80% per annum all periods of debentures	At fixed rate of 3.25% per annum all periods of debentures	At fixed rate of 3.25% per annum for the 1st-3rd year and 4.5% per annum for the 4th year
Terms of interest payment	Quarterly from issuance date	Quarterly from issuance date	Quarterly from issuance date
First period	4th June 2004	4th June 2004	4th June 2004
Principal repayment	On the redemption date 4th March 2006	On the redemption date 4th March 2007	On the redemption date 4th March 2008
Collateral	- None -	- None -	- None -

According to the minutes of shareholders' ordinary meeting no. 1/2004 held on 27th April 2004, the Company passed the resolution to issue and offer debentures, subordinated and/or un-subordinated with and/or without debentureholders' representative, secured and/or unsecured or other debentures in Thai Baht and/or other currencies not over Baht 5,000 million or equivalents in other currencies with term not more than 10 years by offering to the local investors and/or overseas investors, the public and/or private placement, and/or institute investors or parties whose have character in accordance with the SEC's notification. The total or parts of debentures will be issued and offered at the one time or at intervals.

## 12. WARRANTS

### 12.1 Warrants issuance to the existing shareholders

On 10th March 2004, the Company changed the exercise price to be 1 unit of warrant has a right to purchase 1.04725 ordinary shares from Baht 2.500 each to Baht 2.483 each. The Company has also issued 5,994,350 units of warrants to the employees.

As the Company's declaration to pay dividend in note 18, the dividend payment is higher than 30% of net profit, as a result, the exercise price and ratio is to be 1 unit of warrant has a right to purchase 1.13390 ordinary shares at Baht 2.293 per share since 30th September 2004 onwards.

As at 30h September 2004, the remaining warrants are as follows :

Number of total warrant:	3,076,568,550	units
The number of exercised warrants up to 30th September 2004	1,606,517,917	units
Balance number of warrant:	<u>1,470,050,633</u>	Units

### 12.2 Warrants to the employees (including directors who is an employee)

On 3th March 2004, the Company issued 6,022,500 units of warrants (the third) to the employees according to the resolution of the shareholders' ordinary meeting no. 1/2001. Each unit of warrant has a right to purchase 10 ordinary shares at Baht 1.00 each and exercise period is on every three months. The 5,994,350 units of warrants have been allocated.

As the Company's declaration to pay dividend in note 18, resulted to the new exercise ratio to be 1 unit of warrant has a right to purchase 10.75912 ordinary shares at Baht 1.00 per share since 30th September 2004 onwards.

As at 30th September 2004, the remaining warrants for the employees (including the directors who is an employee) are as follows :

Number of total warrant:	17,971,850	units
The number of exercised warrants up to 30th September 2004	17,382,850	units
Balance number of warrant:	<u>589,000</u>	Units

### 13. LEGAL RESERVE

According to the Public Company Limited Act, the Company has to appropriate its reserve as a legal reserve not less than 5% of the annual net profit after deduction with deficit brought forward (if any) as legal reserve until the reserve reaches 10% of authorized share capital.

### 14. REVALUATION INCREMENT IN ASSETS

Revaluation increment in assets of Baht 197.82 million (as at 31st December 2003, of Baht 132.30 million) is belong to Bangkok Chain Hospital Plc. in which the Company recognized under the equity method.

### 15. UNREALIZED GAIN (LOSS) OF INVESTMENTS

The difference between book value and fair value of investments available for sales of period as follows :

	Consolidated		Parent company	
	30th September 2004 (Thousand Baht)	31st December 2003	30th September 2004 (Thousand Baht)	31st December 2003
Affiliates' investment	255,709	182,263	255,709	182,263
Company's investment	443,757	1,770,215	443,757	1,770,215
Total	699,466	1,952,478	699,466	1,952,478

### 16. DIRECTOR'S REMUNERATION

Director's remuneration are benefits paid to the Company's directors by excluding salaries and benefits which paid to the executive directors.

Total remuneration of the Board of Director of the Company and subsidiaries for nine months ended 30th September 2004 and 2003 is Baht 3.09 million and Baht 2.73 million, respectively.

### 17. EARNINGS PER SHARE

#### Consolidated and parent's financial statements

	For three months ended 30th September 2004		
	Profit (Thousand Baht)	Number of share weighted average	Baht/share
<u>Basic earnings per share</u>			
Net profit of common share	1,960,860	7,973,756,621	0.24
Effects of diluted potential common share			
- Exercise rights		1,252,511,398	-
<u>Diluted earnings per share</u>			
Profit of common shareholders assumed as conversion to common share	1,960,860	9,226,268,019	0.21

	For nine months ended 30th September 2004		
	Profit (Thousand Baht)	Number of share weighted average	Baht/share
<u>Basic earnings per share</u>			
Net profit of common share	4,917,551	7,649,143,725	0.64
Effects of diluted potential common share			
- Exercise rights		1,252,511,398	-
<u>Diluted earnings per share</u>			
Profit of common shareholders assumed as conversion to common share	4,917,551	8,901,655,123	0.55

	For three months ended 30th September 2003		
	Profit (Thousand Baht)	Number of share weighted average	Baht/share
<u>Basic earnings per share</u>			
Net profit of common share	1,838,127	6,754,078,942	0.27
Effects of diluted potential common share			
- Exercise rights		1,974,893,855	-
<u>Diluted earnings per share</u>			
Profit of common shareholders assumed as conversion to common share	1,838,127	8,728,972,797	0.21

	For nine months ended 30th September 2003		
	Profit (Thousand Baht)	Number of share weighted average	Baht/share
<u>Basic earnings per share</u>			
Net profit of common share	4,575,538	6,609,742,132	0.69
Effects of diluted potential common share			
- Exercise rights		1,974,893,855	-
<u>Diluted earnings per share</u>			
Profit of common shareholders assumed as conversion to common share	4,575,538	8,584,635,987	0.52



## 18. APPROPRIATION OF RETAINED EARNINGS AND DIVIDENDS

18.1 According to the minutes of Board of directors no. 8/2004 held on 13th September 2004, the Company passed the resolution to pay interim dividend for the results of operation for the first six months of 2004 at Baht 0.30 per share, amounting to Baht 2,418.32 million. The payment of dividend is made on 13th September 2004 for the amount of Baht 2,378.45 million, the remaining of Baht 39.87 million belonging to the shareholders whose have not a right to receive dividend.

18.2 According to the minutes of shareholders' ordinary meeting no. 1/2004 held on 27th April 2004, the Company passed the resolution to appropriate net profit by paying additional dividends from the result of its operations for the year 2003 at Baht 0.70 per share, amounting to Baht 5,434.44 which was paid on 27th May 2004 for the amount of Baht 5,313.89 million and the amount of Baht 120.55 million belonging to the shareholders whose have not a right to receive dividend, included with the interim dividend payment for the first nine months operation which was paid on 14th August 2003 and on 14th November 2003 at Baht 0.45 per share, so the dividend payment for the result of its operations of year 2003 is Baht 1.15 per share.

## 19. TRANSACTION WITH ITS RELATED PARTIES

The Company has significant purchase, sale and service transactions in the normal course of business with its subsidiaries, affiliates and other companies which are related through common shareholding or co-shareholders or directorship. The related transaction are determined by the appropriated market value and comparable with the dealing transaction with the individuals as follows :

		Consolidated		Parent company	
Related by		30th September 2004 (Million Baht)	30th September 2003	30th September 2004 (Million Baht)	30th September 2003
<b>Purchase goods</b>					
Quality Construction	Common shareholders,				
Products Plc.	and directorship	214.17	171.04	175.20	154.33
Home Products	Common shareholders,				
Center Plc.	and directorship	222.46	244.36	180.38	244.36
Asian Property Development	Common shareholders,				
Plc. and subsidiaries	and directorship	30.52	41.19	27.72	41.19
Total		467.15	456.59	383.30	439.88
<b>Services</b>					
Quality Houses	Common shareholders,				
Plc.	and directorship	12.28	12.28	11.71	12.28
Total		12.28	12.28	11.71	12.28

		Consolidated		Parent company	
		30th September 2004 (Million Baht)	31st December 2003	30th September 2004 (Million Baht)	31st December 2003
<b>Trade accounts payable</b>					
Quality Construction	Common shareholders,				
Products Plc.	and directorship	20.60	17.40	16.80	15.58
Home Products Center	Common shareholders,				
Plc.	and directorship	26.19	29.24	22.48	25.94
Quality Houses	Common shareholders,				
Plc.	and directorship	0.06	0.00	0.00	0.00
Asian Property Development	Common shareholders,				
Plc. and subsidiaries	and directorship	2.25	3.94	1.67	3.94
	<b>Total</b>	<b>49.10</b>	<b>50.58</b>	<b>40.95</b>	<b>45.46</b>

## 20. LITIGATION

As at 30th September 2004, the Company has no material litigation.

## 21. FINANCIAL INFORMATION BY SEGMENT

The Company's and subsidiaries' operations involve virtually a single real estate development business in one geographical segment since the Company and subsidiaries only have operated in domestic.

## 22. COMMITMENT AND CONTINGENT LIABILITIES

22.1 The Company has contingent liabilities to several financial institutions for acting as a guarantor for Bangkok Chain Hospital Plc. an affiliate as at 30th September 2004 and 31st December 2003 for the amount of Baht 803.29 million and Baht 811.10 million, respectively. This guarantee is based on the proportion of shareholding.

22.2 As at 30th September 2004, the Company and subsidiary have commitment and contingent liabilities from bank's issuance of letter of guarantee for project development and Company's operation for an amount of Baht 2,211.43 million (as at 31st December 2003, the amount was Baht 1,394.75 million).

22.3 As at 30th September 2004, the Company has guaranteed customers' loans to financial institutions of Baht 14.57 million (as at 31st December 2003, the amount was Baht 17.11 million).

22.4 Pacific Real Estate Co., Ltd., a subsidiary, has guaranteed the another company's debts of Baht 27.86 million as at 30th September 2004 (as at 31st December 2003, the amount was Baht 26.63 million).

### 23. OBLIGATION AND COMMITMENT TO COMPLETE PROJECTS ON HAND

	Consolidated		Parent company	
	30th September 2004	31st December 2003	30th September 2004	31st December 2003
Number of project on hand,				
beginning of the period	31	30	23	23
Number of closing project	(10)	(13)	(7)	(11)
Number of new project	9	14	8	11
Number of project on hand,				
ending of the period	30	31	24	23
Contracted sales value				
(million Baht)	39,130	37,397	34,332	33,521
% Sales value of project				
on hand	56.66%	54.09%	58.28%	56.68%

The Company has obligation and commitment to complete all central utilities of developing projects on hand in the amount of Baht 523.45 million. (as at 31st December 2003, the amount was Baht 701.13 million).

### 24. PROVIDENT FUND

The Company established provident fund. The fund is contributed both by the employees and the Company at the rate of 3-5% of employees' salaries. The fund managed by a certified manager which complied with the determination of Provident Fund Act B.E. 2542.

### 25. RETAINED EARNINGS ADJUSTMENT

In 2004, the Company corrected the errors of accounting method of investment in Land and Houses Property I and II from recorded as investment in available for sale securities to be investment in affiliates since the Company held the fund's unit trust at 49.99% and the management believes that the holding is material influence. The Company has made retroactive adjustment the previous year as similar to use the equity method for investment since the beginning. As a result, the equity gain from investment in affiliates in the statements of income for nine months ended 30th September 2004 and 2003 would be increased by Baht 373.20 million and Baht 76.02 million, respectively and unrealized gain (loss) of investments in balance sheets as at December 31, 2003 would be decreased by Baht 20.05 million and retained earnings brought forward as at 1st January 2004 and 2003 would be increased by Baht 18.49 million and Baht 62.76 million, respectively.

## 26. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

### 26.1 Accounting policy

The significant accounting policies and method adopted the basis of recognition and measurement relating to each class of financial assets and liabilities have been disclosed as stated in note 2.

### 26.2 Credit risk

Credit risk derives from failure by counterparties to discharge their obligations resulting in financial loss to the Company and subsidiaries. Financial assets shown in balance sheets at the book value deducted by allowance for doubtful accounts is maximum value of credit risk.

### 26.3 Interest rate risk

Interest rate risk from changes in interest rate due to the Company and subsidiaries have loans from financial institutions resulting in financial loss to the Company and subsidiaries because of the certain of agreement as at 30th September 2004 for the consolidated and the Company financial statements in the amount of Baht 2,026.04 million and Baht 968.27 million, respectively (as at 31st December 2003, of Baht 2,345.39 million and Baht 1,491.95 million, respectively) indicated the floating interest rate.

### 26.4 Foreign currencies exchange rate risk

The Company has a risk on foreign exchange rate since the Company do not make foreign exchange rate risk hedging for other receivables. As at 30th September 2004, the Company and subsidiaries have other receivables of PHP 1,223.10 million in worth Baht 888.74 million which the Company has exchange rate risk from such amount.

### 26.5 Fair value of financial instruments

Financial assets shown in balance sheets consist of cash, deposit at bank, short-term investments, trade accounts receivable, notes receivable, short-term and long-term loans to related companies and investments. Financial liabilities shown in balance sheets consist of bank overdrafts, short-term loans from financial institutions, notes payable, trade accounts payables, short-term loans from related companies, long-term loans from financial institutions, debentures and convertible debentures.

The book value of financial assets and liabilities as at 30th September 2004 are close to their estimated fair value. Except for short-term loans of Baht 2,702.78 million and long-term loans of Baht 3,909.42 million and debentures of Baht 3,843.75 million, were charged interest at the fixed rate which is lower than market rate, if those loans were charged interest at market rate of 5.7% until the repayment date, the fair value of such loans are equal to Baht 2,679.29 million, Baht 3,755.23 million and Baht 3,660.60 million, respectively. Furthermore, the management believes that there is no material risk financial instruments.