

LAND AND HOUSES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2006

Report of Independent Auditor

To the Board of Directors and Shareholders of
Land and Houses Public Company Limited

I have audited the accompanying consolidated balance sheet of Land and Houses Public Company Limited and its subsidiaries as at 31 December 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Land and Houses Public Company Limited for the same year. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended 31 December 2006 include investments in three associated companies which, under the equity method, amounting to Baht 2,430 million as at 31 December 2006, and shares of income of these associated companies for the year then ended amounting to Baht 243 million. The value of investments in, and equity in the income of, these associated companies are recorded based on financial statements which were audited by other auditor, whose reports have already been furnished to me. My opinion on the financial statements, insofar as it relates to the amounts included for those associated companies, is based solely on the reports of these other auditors. The consolidated financial statements of Land and Houses Public Company Limited and its subsidiaries, and the separate financial statements of Land and Houses Public Company Limited for the year ended 31 December 2005, as presented herein for comparative purpose, were audited by another auditor who, under her report dated 28 February 2006, expressed a qualified opinion on those statements regarding the scope limitation imposed by circumstance on her audit, which may affect the investment transactions and equity in the income of these associates companies. The Baht 81.5 million share of income from investments in four associated companies accounted for under the equity method for the year ended 31 December 2005 were determined based on unaudited financial statements prepared by the management of these companies.

During the year ended 31 December 2006, the Company obtained financial statements of three associated companies for the year ended 31 December 2005 which had been audited by their auditors, being the predecessor auditor mentioned above. The Company has made the appropriate adjustments for differences to the financial statements, with which I agreed. In addition, the Company obtained the financial statements of an associated company audited by its auditor, who expressed a qualified opinion on those statements with respect to the scope limitation imposed on his audit. In addition, significant accounting policies of this associated company differ from those of the group of companies, as described in Note 11 to the financial statements. The Company is still unable to quantify the possible impact to the financial statements.

Except as discussed in the next paragraph, I conducted my audit 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 the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

I have yet to receive the audited financial statements of an overseas associated company for the year ended 31 December 2006. Accordingly, the investment in the associated company accounted for under the equity method as at 31 December 2006, amounting to Baht 969 million, and the shares of income from investment accounted for under the equity method for the year then ended, amounting to Baht 50 million, were determined based on unaudited financial statements which were prepared by the management of this company. In addition, the Company was unable to quantify the possible effect to the financial statements of applying different accounting policies, as discussed in Note 11 to the financial statements.

In my opinion, based on my audit and the report of other auditors, except for the effect to the financial statements of the adjustments that might have been required had I been able to audit the value of the investment in an associated company discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Land and Houses Public Company Limited and its subsidiaries and of Land and Houses Public Company Limited as at 31 December 2006, the results of their operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.

Without additionally qualifying my opinion on the financial statements for the year ended 31 December 2006, I draw attention to the matter discussed under Note 4.2 to the financial statements. During the current year, the Company changed the accounting policies of the group of associated companies such that they have the same accounting policies, with which I agreed. The Company has therefore adjusted the financial statements of an associated company for the purpose of equity taking, to reflect the change of its accounting policy regarding the property, plant and equipment of its hospital, from reappraised value to the cost method. In addition, the Company has adjusted the financial statements of two property funds which are associated companies for equity taking purposes, to reflect the change in their accounting policy for investment in properties from fair value to the cost method. The Company has therefore restated the financial statements presented herein for comparative purposes. These adjustments have the effect of decreasing net income for the year ended 31 December 2005 by Baht 59.8 million (decreasing by Baht 0.01 per share). The cumulative effect of the adjustment has been presented in the statements of changes in shareholders' equity. The Company has also adjusted the retained earnings and other related accounts.

Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited

Bangkok: 27 February 2007