

LAND AND HOUSES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

Land and Houses Public Company Limited (“the Company”) is a public Company incorporated and domiciled in Thailand. The Company is principally engaged in property development and its address is 38 Convent Road, 3rd-6th Floor, Q. House Convent Building, Silom, Bangrak, Bangkok. During the year 2006, the Company has relocated its office to 1 South Satorn Road, 37th-38th Floor, Q. House Lumpini Building, Tungmahamek, Satorn, Bangkok.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. BASIS OF CONSOLIDATION

3.1 The consolidated financial statements include the financial statements of Land and Houses Public Company Limited and the following subsidiary companies:

Company's name	Nature of business	Percentage of shareholding		Country of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as percentage to the consolidated total revenues for the years ended 31 December	
		2006 (Percent)	2005 (Percent)		2006 (Percent)	2005 (Percent)	2006 (Percent)	2005 (Percent)
<u>Held by the Company</u>								
Atlantic Real Estate Co., Ltd.	Real estate business	99.99	99.99	Thailand	0.3	0.3	-	-
Pacific Real Estate Co., Ltd.	Real estate business	99.99	99.99	Thailand	3.3	4.4	8.3	5.8
Land and Houses North Co., Ltd.	Real estate business	99.99	99.99	Thailand	-	0.1	-	0.1
Land and Houses Northeast Co., Ltd.	Real estate business	99.99	99.99	Thailand	0.9	1.6	1.9	4.5
Siam Tanee Property Co., Ltd. and its subsidiary	Real estate business	99.99	99.99	Thailand	0.7	0.8	-	0.4
L H Real Estate Co., Ltd.	Real estate business	99.99	99.99	Thailand	1.7	4.8	10.2	18.0
L H Asset Co., Ltd.	Real estate business	99.99	99.99	Thailand	2.9	2.7	5.3	2.3
L H Muang Mai Co., Ltd. and its subsidiaries	Real estate business	55.00	55.00	Thailand	4.6	5.3	2.6	2.5
L&H Property Co., Ltd. and its subsidiary (Formerly known as “Royal Excellency	Real estate for lease business	60.00	60.00	Thailand	4.7	1.5	-	-

Co., Ltd.”)

Company's name	Nature of business	Percentage of indirect shareholding		Country of incorporation
		2006 (Percent)	2005 (Percent)	
<u>Held by subsidiary companies</u>				
Siam Tanee Real Estate Co., Ltd. (99.99 percent held by Siam Tanee Property Co., Ltd)	Real estate business	99.99	99.99	Thailand
Phuket Future Plan Co., Ltd. (99.99 percent held by L H Muang Mai Co., Ltd.)	Real estate business	55.00	55.00	Thailand
Doubletree Co., Ltd. (99.99 percent held by L H Muang Mai Co., Ltd.)	Real estate business	55.00	55.00	Thailand
L&H Sathon Co., Ltd. (99.99 percent held by L&H Property Co., Ltd.)	Real estate for lease business	60.00	60.00	Thailand

3.2 Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

3.3 Investments in the subsidiary companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies. The resultant differences are amortised over a period of 10 years commencing as from the date of acquisition of the investment.

3.4 The consolidated and the Company's financial statements for the year ended 31 December 2006 included investments in the following associated companies accounted for under the equity method, and share of income (loss) from investments in the associated companies under the equity method, determined based on financial statements of those companies which have been audited or not been audited as stipulated.

(Unit: Thousand Baht)

	Country of incorporation	Percentage of shareholding as at 31December 2006 (Percent)	Investments under the equity method as at 31December 2006	Share of income (loss) from investments under the equity method for the year ended 31December 2006
Audited by auditor and another auditor of the same firm				
Land and Houses Retail Bank Plc.	Thailand	43.00	661,216	(262,232)
Asia Asset Advisory Co., Ltd.	Thailand	40.00	10,324	1,902
Land and Houses Property Fund	Thailand	49.94	514,649	636,015
Land and Houses Property and Loan Fund II	Thailand	49.99	1,569,573	54,277
Quality Houses Plc.	Thailand	21.91	2,511,311	148,908
Audited by other auditors				
Bangkok Chain Hospital Plc.	Thailand	28.55	678,413	113,188
Quality Construction Products Plc.	Thailand	31.41	437,354	(25,307)
Home Product Center Plc.	Thailand	28.75	1,313,975	155,140
Unaudited by auditor				

Polar Property Holdings Corporation	Philippines	25.00	968,718	50,230
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- 3.5 The financial statements of overseas associated company are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rate as to revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustment” in shareholders’ equity.

4. CHANGE IN ACCOUNTING POLICY / ADOPTION OF NEW ACCOUNTING STANDARDS

- 4.1 In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of increasing net income in the separate income statement for 2006 by approximately Baht 2.2 million (Baht 0.00 per share) and decreasing net worth in the balance sheet at 31 December 2006 by approximately Baht 2,233.2 million.

- 4.2 During the current year, the Company changed the accounting policies of the group of associated companies such that they have the same accounting policies. 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 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 property from fair value to the cost method. The Company has therefore restated the financial statements presented herein for comparative purposes. This adjustment has the effect of decreasing net income for 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 the related accounts.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue recognition

(a) Sales of land and houses and sales of residential condominium units

Sales of land and houses and sales of residential condominium units are recognised as revenue when the construction works are completed and the ownerships have been transferred to buyers after all payments received from the buyers.

(b) Rendering of services

Service revenue is recognized when services have been rendered taking into account the stage of completion.

(c) Interest income

Interest income is recognized as interest accrues based on the effective rate method.

(d) Dividends

Dividends are recognized when the right to receive the dividends is established.

5.2 Cost of land and houses sold and cost of residential condominium units sold

In determining the cost of land and houses sold and cost of residential condominium units sold, the anticipated total development costs (taking into account actual costs incurred to date) are attributed to land and houses sold and residential condominium units sold on the basis of the salable area.

Development costs are stated at cost, consisting of cost of land, design fees, utilities, construction and related interest.

5.3 Capitalisation of interest cost

Interest cost on borrowings for use in construction of the projects, is capitalised as part of the cost of those assets and will be ceased when the projects are completed or when the construction is suspended until active development resumes.

5.4 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.5 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

5.6 Inventories

Land and construction in progress are stated at cost less provision for loss on diminution in value of projects. The details of cost calculation are as follows:

- Land - The Company and its subsidiaries record cost of land using the weighted average method, calculating it separately for each project.

- Construction in progress - Construction in progress consists of the cost of construction, public utility costs and interest capitalised to cost of projects. The Company and its subsidiaries record cost of construction and public utilities based on the actual cost incurred.

5.7 Investments

Investments in available-for-sale securities are determined at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which the Company classifies as other investments, are valued at cost net of allowance for loss on diminution in value (if any).

Investments in subsidiaries in the separate financial statements of the Company and investments in associated companies are accounted for under the equity method. Under this method, the investment is initially recorded at cost. For each subsequent period the investments are adjusted to incorporate the Company's proportionate share of the operating results in the subsidiary and associated company.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt instruments is determined based on the required rate of return or the yield rates quoted by the Thai Bond Market Association.

The weighted average method is used for computation of the cost of investments.

5.8 Property, plant and equipment/Depreciation

Building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of clubhouse, pool and tennis court is calculated on the basis of salable area and depreciation of building and equipment is calculated by reference to their cost on a straight-line basis over the following estimated useful lives:

Building and office building impairment	20	years
Office equipment	3 - 10	years
Furniture and fixture of office and clubhouse	5	years
Motor vehicles	5	years
Others	5 - 20	years

Depreciation is included in determining income.

No depreciation is provided on assets under installation.

5.9 Operating lease

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

5.10 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation. The subsidiaries amortise leasehold rights on a straight-line basis over the leasehold period.

5.11 Goodwill

Goodwill on consolidation, which arose due to investments in subsidiaries and associated companies being made at costs higher than the subsidiaries and associated company' net book value, is regarded as an asset and amortised on a straight-line basis over periods of 10 years.

Negative goodwill on consolidation, which arose due to investments in subsidiaries and associated companies being made at costs lower than the subsidiaries and associated companies' net book values, is regarded as negative assets and amortised on straight-line basis over periods of 10 years.

5.12 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, and directors and officers with authority in the planning direction of the Company's operations.

5.13 Gain from troubled debt restructurings

The subsidiary adopts an accounting policy related to troubled debt restructuring whereby in case that the debt restructuring involves a waiver of debts, a portion of the waived debts that exceeds the aggregate amount of interest expenses to be incurred over the term of the new agreement is recognised as an extraordinary gain in the income statements.

5.14 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities dominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

5.15 Impairment of assets

The Company and its subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

If there is subsequently any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company will make another estimate of the asset's recoverable value, compare this with the book value, and reverse previously recognised impairment to reflect the change in recoverable value.

5.16 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

The Company issued warrants to purchase the ordinary shares to directors and employees of the Company and its subsidiaries. The transaction will be recorded in the financial statements when the warrants are exercised.

5.17 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.18 Corporate Income Tax

Income tax of the Company and its subsidiaries is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.19 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company, its subsidiaries and those companies. Below is summary of those transactions.

(Unit: Million Baht)

	Consolidated		The Company Only		Transfer pricing policy
	2006	2005	2006	2005	
<u>Transactions with subsidiaries</u>					
Interest income	-	-	99.9	154.2	4.0 - 5.5 p.a. (2005: 4 p.a.)
Interest expense	-	-	10.1	2.8	4.0 - 5.5 p.a. (2005: 4 p.a.)
Management fee income	-	-	32.8	24.8	Approximate cost
Sale of land	-	-	27.4	-	Approximate cost
Cash paid for use of land	-	-	33.4	-	Approximate cost
Dividend income	-	-	904.8	491.6	Declared rate
<u>Transactions with associated companies</u>					
Purchase of goods	234.6	553.2	156.1	353.0	Market price
Rental and service expenses	28.4	23.6	28.4	23.1	Market price
Interest income	6.7	-	6.2	-	Market rate
Sale promotion expenses	6.9	-	1.5	-	Market rate
Dividend income	744.7	327.6	744.7	327.6	Declared rate
Service expenses	21.2	4.0	-	-	Baht 1.8 million per annum
<u>Transactions with related companies</u>					
Purchase of goods	-	33.4	-	21.8	Market Price
Rental and service expenses	1.8	-	1.8	-	Baht 675 - 725 per square metre per month

The balances of the accounts as at 31 December 2006 and 2005 between the Company and those related companies are as follows:

(Unit: Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Short-term bill of exchange and deposit at financial institution				
(shown under cash and cash equivalents)				
<u>Associated companies</u>				
Land and Houses Retail Bank Plc.	1,323.7	-	1,313.1	-

(Unit: Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Amount due from and accounts receivables - related parties				
<u>Subsidiary companies</u>				
Pacific Real Estate Co., Ltd.	-	-	5.8	3.5
Land and Houses Northeast Co., Ltd.	-	-	0.1	1.1
L H Real Estate Co., Ltd.	-	-	5.2	6.7
L H Asset Co., Ltd.	-	-	8.3	2.0
L H Muang Mai Co., Ltd.	-	-	0.3	0.3
Land and Houses North Co., Ltd.	-	-	-	0.1
	-	-	19.7	13.7
<u>Associated companies</u>				
Home Product Center Plc.	1.5	10.3	1.4	8.1
Quality Houses Plc.	-	4.8	-	4.8
	1.5	15.1	1.4	12.9
Total	1.5	15.1	21.1	26.6
Short-term loans to and accrued interest receivable from related parties				
<u>Subsidiary companies</u>				
Pacific Real Estate Co., Ltd.	-	-	470.2	1,151.5
Atlantic Real Estate Co., Ltd.	-	-	104.4	99.2
Siam Tanee Property Co., Ltd.	-	-	25.2	-
L H Muang Mai Co., Ltd.	-	-	30.8	-
L H Real Estate Co., Ltd.	-	-	-	388.3
Land and Houses Northeast Co., Ltd.	-	-	100.1	-
L H Asset Co., Ltd.	-	-	792.4	878.4
	-	-	1,523.1	2,517.4
<u>Associated companies</u>				
Land and Houses Retail Bank Plc.	0.6	-	0.6	-
Total	0.6	-	1,523.7	2,517.4
Deposit - related party				
<u>Related company</u>				
Quality Houses Property Fund	6.6	-	6.6	-

(Unit: Million Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Trade accounts payables - related parties				
<u>Associated companies</u>				
Quality Construction Products Plc.	24.9	14.9	20.5	9.3
Home Product Center Plc.	3.2	16.5	0.2	6.5
	<u>28.1</u>	<u>31.4</u>	<u>20.7</u>	<u>15.8</u>
<u>Related company</u>				
PCM Construction Material Co., Ltd.	-	1.1	-	-
Total	<u>28.1</u>	<u>32.5</u>	<u>20.7</u>	<u>15.8</u>
Amount due to related parties				
<u>Subsidiary company</u>				
Siam Tanee Real Estate Co., Ltd.	-	-	-	0.4
<u>Associated companies</u>				
Home Product Center Plc.	0.6	-	0.4	-
Asia Asset Advisory Co., Ltd.	5.3	4.0	-	-
Land and Houses Retail Bank Plc.	5.0	-	1.5	-
Centre Point Management Co., Ltd.	0.3	-	0.3	-
	<u>11.2</u>	<u>4.0</u>	<u>2.2</u>	<u>-</u>
<u>Related companies</u>				
Quality Houses Property Fund	1.8	-	1.8	-
Total	<u>13.0</u>	<u>4.0</u>	<u>4.0</u>	<u>0.4</u>
Short-term loans from and accrued interest payables to related parties				
<u>Subsidiary companies</u>				
L H Real Estate Co., Ltd.	-	-	150.1	-
Land and Houses Northeast Co., Ltd.	-	-	-	28.5
	<u>-</u>	<u>-</u>	<u>150.1</u>	<u>28.5</u>
<u>Director of subsidiaries</u>				
	<u>26.2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>26.2</u>	<u>-</u>	<u>150.1</u>	<u>28.5</u>

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

During the year 2006, movements of loans to/loan from the Company, subsidiaries and related companies were as follows:

(Unit: Million Baht)

	Consolidated			Balance as at 31 December 2006
	Balance as at 31 December 2005	During the year 2006		
		Increase	Decrease	
Short-term loans to and accrued interest receivables from related parties				
<u>Associated companies</u>				
Land and Houses Retail Bank Plc.	-	0.6	-	0.6
Short-term loans from and accrued interest payables to related parties				
<u>Director of subsidiaries</u>	-	26.2	-	26.2

(Unit: Million Baht)

	The Company Only			Balance as at 31 December 2005
	Balance as at 31 December 2005	During the year 2006		
		Increase	Decrease	
Short-term loans to and accrued interest receivables from related parties				
<u>Subsidiary companies</u>				
Land and Houses Northeast Co., Ltd.	-	231.1	(131.0)	100.1
Pacific Real Estate Co., Ltd.	1,151.5	15,089.8	(15,771.1)	470.2
Atlantic Real Estate Co., Ltd.	99.2	207.9	(202.7)	104.4
L H Real Estate Co., Ltd.	388.3	1,093.3	(1,481.6)	-
Siam Tanee Property Co., Ltd.	-	27.7	(2.5)	25.2
L H Muang Mai Co., Ltd.	-	30.8	-	30.8
L H Asset Co., Ltd.	878.4	5,872.3	(5,958.3)	792.4
	<u>2,517.4</u>	<u>22,552.9</u>	<u>(23,547.2)</u>	<u>1,523.1</u>
<u>Associated company</u>				
Land and Houses Retail Bank Plc.	-	0.6	-	0.6
Total	<u>2,517.4</u>	<u>22,553.5</u>	<u>(23,547.2)</u>	<u>1,523.7</u>
Short-term loans from and accrued interest payables to related parties				
<u>Subsidiary companies</u>				
L H Real Estate Co., Ltd.	-	1,368.2	(1,218.1)	150.1
Land and Houses Northeast Co., Ltd.	28.5	487.7	(516.2)	-
Total	<u>28.5</u>	<u>1,855.9</u>	<u>(1,734.3)</u>	<u>150.1</u>

Directors and management's remuneration

In 2006 the Company and its subsidiaries paid salaries, bonuses meeting allowance and gratuities to their directors and management totaling Baht 43.6 million (The Company only: Baht 43.6 million) (2005: Baht 38.8 million, The Company only: Baht 38.7 million).

In addition, during the year 2006 the Company has allocated 1,685,000 warrants (2005: 1,685,000 warrants) to the directors and management of the Company and its subsidiaries without charge. The details of the warrants are presented in Note 23 to the financial statements.

Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantees obligations with its related parties, without any charges, as described in Note 32.3 to the financial statements.

7. CURRENT INVESTMENTS

(Unit: Thousand Baht)

	Consolidated and The Company Only	
	<u>2006</u>	<u>2005</u>
Treasury bills	621,131	442,000
Bill of exchange	-	300,000
Debentures	-	700,000
Total	<u>621,131</u>	<u>1,442,000</u>

8. TRADE ACCOUNTS RECEIVABLES

The outstanding balances of trade accounts receivables as at 31 December 2006 and 2005 are aged, based on due date, as follows:

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Age of receivables				
More than 12 months	211	211	-	-
Total	211	211	-	-
Less: Allowance for doubtful	(211)	(37)	-	-
Net	-	174	-	-

9. LAND, CONSTRUCTION IN PROGRESS AND UTILITIES (INVENTORIES)

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	10,561,514	11,003,341	9,223,792	9,003,729
Land improvements	1,299,467	1,251,788	1,063,860	952,715
Construction in progress	6,492,262	6,509,087	4,874,603	4,161,947
Interest cost	1,573,135	2,261,249	1,335,817	1,873,649
Utilities	2,183,690	1,934,999	1,664,467	1,381,595
Deferred development cost	11,261	14,233	2,621	3,964
Houses held for sales	61,181	53,968	-	-
Total	<u>22,182,510</u>	<u>23,028,665</u>	<u>18,165,160</u>	<u>17,377,599</u>
Less : Provision for diminution in value of project	<u>(175,295)</u>	<u>(566,349)</u>	<u>(105,233)</u>	<u>(549,879)</u>
Inventories- net	<u><u>22,007,215</u></u>	<u><u>22,462,316</u></u>	<u><u>18,059,927</u></u>	<u><u>16,827,720</u></u>

During the year 2006, the Company and its subsidiaries included borrowing costs of Baht 445.2 million (The Company only: Baht 360.3 million) (2005: Baht 301.8 million, the Company only: Baht 201.4 million). These were determined by applying the capitalisation rate (the weighted average of the financial charges on total borrowings during the period) of 4.1% (the Company only: 4.0%) to the amount of borrowings expended on the qualifying asset.

The Company and its subsidiaries have mortgaged land and structures thereon with net book values as at 31 December 2006 of Baht 3,428.8 million (the Company only: Baht 3,274.2 million) to secure the loans discussed in Note 19 to financial statements and the overdraft facilities of a subsidiary discussed in Note 18 to financial statements.

During 2006, the Company and subsidiaries, hired an independent valuer to appraise the fair value of the land and construction in progress of its projects, appraising the completed construction using the market comparison method (which involves gathering purchase and sale prices and/or offer prices in the current market circumstances and then analyzing to determine their current fair value) and valuing construction in progress on the basis of the residual method, which involves calculating of the completed project value and deducting project development costs.

Movements in the provision for loss on diminution in value of projects during the year ended 31 December 2006 are summarised below.

(Unit: Thousand Baht)

	Consolidated	The Company Only
Balance as at 1 January 2006	566,349	549,879
Add: Increase in loss from impairment	98,312	44,000
Less: Decrease due to reversal of loss from impairment	(245,392)	(245,392)
Less: Decrease due to transfer of inventories to land held for development	(143,834)	(143,834)
Less: Decrease from sale of inventories	(100,140)	(99,420)
Balance as at 31 December 2006	<u>175,295</u>	<u>105,233</u>

10. INVESTMENTS IN SUBSIDIARY COMPANIES

These represent investment in ordinary shares in the following subsidiary companies.

(Unit: Thousand Baht)

Company's name	Nature of business	Type of relation	The Company Only				
			As at 31 December 2006				
			Paid-up capital	Shareholding percentage (Percent)	Cost	Carrying amounts based on equity method	Dividend
Atlantic Real Estate Co., Ltd.	Real estate business	Shareholders and directors	15,000	99.99	14,998	12,109	-
Pacific Real Estate Co., Ltd.	Real estate business	Shareholders and directors	371,617	99.99	371,614	720,335	-
Land and Houses North Co., Ltd.	Real estate business	Shareholders and directors	13,500	99.99	13,500	16,076	-
Land and Houses Northeast Co., Ltd.	Real estate business	Shareholders and directors	270,000	99.99	269,999	257,230	-
Siam Tanee Property Co., Ltd. and its subsidiary	Real estate business	Shareholders and directors	100,000	99.99	64,859	212,743	-
L H Real Estate Co., Ltd.	Real estate business	Shareholders and directors	116,000	99.99	50,000	777,116	904,795
L H Asset Co., Ltd.	Real estate business	Shareholders and directors	100,000	99.99	52,734	308,993	-
L H Muang Mai Co., Ltd. and its subsidiaries	Real estate business	Shareholders and directors	900,000	55.00	495,000	555,454	-
L&H Property Co., Ltd. and its subsidiary	Real estate for lease business	Shareholders and directors	1,258,000	60.00	850,800	816,484	-
					<u>2,183,504</u>	<u>3,676,540</u>	<u>904,795</u>

(Unit: Thousand Baht)

			The Company Only				
			As at 31 December 2005				
Company's name	Nature of business	Type of relation	Paid-up capital	Shareholding	Cost	Carrying amounts	Dividend
				percentage		based on	
				(Percent)	equity method		
Atlantic Real Estate Co., Ltd.	Real estate business	Shareholders and directors	15,000	99.99	14,998	17,909	-
Pacific Real Estate Co., Ltd.	Real estate business	Shareholders and directors	371,617	99.99	371,614	379,568	-
Land and Houses North Co., Ltd.	Real estate business	Shareholders and directors	13,500	99.99	13,500	18,998	29,999
Land and Houses Northeast Co., Ltd.	Real estate business	Shareholders and directors	570,000	99.99	569,999	588,947	148,200
Siam Tanee Property Co., Ltd. and its subsidiary	Real estate business	Shareholders and directors	100,000	99.99	64,859	235,597	313,398
L H Real Estate Co., Ltd.	Real estate business	Shareholders and directors	116,000	99.99	50,000	1,307,418	-
L H Asset Co., Ltd.	Real estate business	Shareholders and directors	100,000	99.99	52,734	160,116	-
L H Muang Mai Co., Ltd. and its subsidiaries	Real estate business	Shareholders and directors	900,000	55.00	495,000	557,170	-
L&H Property Co., Ltd. and its subsidiary	Real estate for lease business	Shareholders and directors	580,000	60.00	444,000	433,701	-
					2,076,704	3,699,424	491,597

10.1 Land and Houses Northeast Company Limited

The Extraordinary Meeting of Land and Houses Northeast Company Limited's shareholder held on 23 May 2006 passed a resolution approving a decrease in the company's registered, issued and paid-up share capital totalling Baht 300,000,000 through decreasing of 3,000,000 ordinary shares with a par value of Baht 100 each. Land and Houses Northeast Co., Ltd. registered the decrease in shares capital with the Ministry of Commerce on 19 October 2006. The Company received the money from such decreasing of share capital amounting to Baht 300 million.

10.2 L H Muang Mai Company Limited and its subsidiaries

During the year 2005, L H Muang Mai Company Limited made repayment for debt restructuring by using some of the money received from increase share capital. Consequently, there was gain on debt restructuring of Baht 81.9 million and the Company presented such gain net of minority interest Baht 45.0 million as extraordinary item in the income statements.

In addition during the year 2005, the Board of Directors of L H Muang Mai Company Limited, passed the resolution to purchase 2,099,994 common shares at Baht 100 each in the amount of Baht 210 million equal to 99.99 percent of issued and paid up capital of Phuket Future Plan Company Limited and purchase 1,899,994 common shares of Baht 100 each in the amount of Baht 190 million equal to 99.99 percent of issued and paid up capital of Doubletree Company Limited from Tantipiriyakit group, a major shareholder of L H Muang Mai Company Limited.

As at 31 December 2006, L H Muang Mai Company Limited pledged the ordinary shares of its subsidiaries, Phuket Future Plan Company Limited and Doubletree Company Limited, as collateral of long-term loans as discussed in Note 19 to the financial statements.

10.3 L&H Property Company Limited and its subsidiary

During the year 2006, Royal Excellency Company Limited called up the remaining uncalled portion of its share price from its shareholders. The Company therefore paid in the uncalled portion of share amounting to Baht 252 million in February and March 2006.

In addition, the Extraordinary General Meeting of L&H Property Company Limited's shareholders held on 20 April 2006 approved an increase in its registered share capital from Baht 1,000 million to Baht 1,600 million through the issuance of 6,000,000 ordinary shares at a par value of Baht 100, with Baht 43 per share to be called up. The Company purchased 3,600,000 of the additional shares, in proportion to its existing shareholdings and already paid up totally Baht 155 million in April and September 2006. Royal Excellency Company Limited registered the increase in its share capital with the Ministry of Commerce on 21 April 2006.

On 17 July 2006, Royal Excellency Company Limited registered its change of the company's name to be L&H Property Company Limited.

11. INVESTMENTS IN ASSOCIATED COMPANIES

These represent investment in ordinary shares in the following associated companies.

(Unit: Thousand Baht)

		Consolidated and The Company Only					
		As at 31 December 2006					
Company's name	Nature of business	Type of relationship	Paid-up capital	Shareholding percentage	Carrying amounts		
					Cost	based on equity method	Dividend
				(Percent)			
Land and Houses Retail Bank Plc.	Retail bank	Shareholders and directors	1,900,000	43.00	1,005,960	661,216	-
Bangkok Chain Hospital Plc.	Hospital	Shareholders and directors	950,000	28.55	661,669	678,413	51,621
Quality Construction Products Plc.	Building material	Shareholders and directors	400,000	31.41	265,980	437,354	-
Home Product Center Plc.	Trading of construction materials	Shareholders and directors	1,919,818	28.75	906,328	1,313,975	50,786
Asia Asset Advisory Co., Ltd.	Investment advisor	Shareholders and directors	5,000	40.00	2,000	10,324	5,600
Land and Houses Property Fund	Real estate business	Shareholders and directors	639,943	49.94	328,452	514,649	418,353
Land and Houses Property and Loan Fund II	Real estate business	Shareholders and directors	3,215,570	49.99	1,609,896	1,596,573	124,576
Quality Houses Plc.	Real estate business	Shareholders and directors	7,241,999	21.91	2,305,233	2,511,311	93,723
Polar Property Holdings Corporation	Real estate business	Shareholders and directors	4,982,411	25.00	866,849	968,718	-
					<u>7,952,367</u>	<u>8,692,533</u>	<u>744,659</u>

(Unit: Thousand Baht)

		Consolidated and The Company Only					
		As at 31 December 2005					
Company's name	Nature of business	Type of relationship	Paid-up capital	Shareholding percentage	Carrying amounts		
					Cost	based on equity method	Dividend
				(Percent)	(Restated)		
Land and Houses Retail Bank Plc.	Retail bank	Shareholders and directors	1,100,000	43.00	661,960	580,457	-
Bangkok Chain Hospital Plc.	Hospital	Shareholders and directors	950,000	25.79	520,479	475,980	24,400
Quality Construction Products Plc.	Building material	Shareholders and directors	400,000	31.41	265,980	462,661	31,406
Home Product Center Plc.	Trading of construction materials	Shareholders and directors	947,310	26.62	410,795	714,088	42,473
Asia Asset Advisory Co., Ltd.	Investment advisor	Shareholders and directors	5,000	40.00	2,000	14,021	-
Land and Houses Property Fund	Real estate business	Shareholders and directors	639,943	49.94	328,452	296,987	23,331
Land and Houses Property and Loan Fund II	Real estate business	Shareholders and directors	3,215,570	49.99	1,609,896	1,666,871	104,483
Quality Houses Plc.	Real estate business	Shareholders and directors	6,270,733	24.02	2,208,445	2,359,424	101,472
Polar Property Holdings Corporation	Real estate business	Shareholders and directors	4,892,411	25.00	866,849	963,321	-
					<u>6,874,856</u>	<u>7,533,810</u>	<u>327,565</u>

During the year 2006, the Company recorded its investment in Polar Property Holdings Corporation, an overseas associated company, under the equity method based on information provided by that company's management, which was not audited by its auditor. However, this associated company applies the following significant accounting policies which differ from those of the Company.

1. Income tax accounting
2. Employee benefits accounting
3. Revenue recognition of sale of real estate properties

The Company was unable to quantify the possible effect to the financial statements of applying different accounting policies.

Shares of income (losses) from investments in associated companies accounted for under the equity method for the year ended 31 December 2005 which were determined from financial statements which had not been audited are detailed below:

	(Unit: Thousand Baht)
	<u>31 December 2005</u>
Land and Houses Retail Bank Public Company Limited	(82,026)
Land and Houses Property Fund	36,140
Land and Houses Property and Loan Fund II	109,822
Polar Property Holdings Corporation	17,576
Total	<u><u>81,512</u></u>

During the year 2006, the Company obtained audited financial statements of the above four associated companies for the year ended 31 December 2005. Findings can be summarised as follows: -

1. The differences between the audited financial statements of Land and Houses Retail Bank Public Company Limited and the financial statements used for calculation of loss sharing under the equity method were immaterial and the Company therefore adjusted such differences in the income statement of the first quarter of the current year.

2. There were no differences between the audited financial statements of Land and Houses Property Fund and Land and Houses Property and Loan Fund II, and the financial statements used for calculation of income sharing under the equity method after adjusting the different accounting policies applied by the property fund to correspond to the policies of the Group of Company, as discussed in Note 4.2 to the financial statements.
3. The differences between the audited financial statements of Polar Property Holdings Corporation and the financial statements used for calculation of income sharing under the equity method were immaterial and the Company therefore adjusted such differences in the income statement of the first quarter of the current year. However, that financial statements had been audited by its auditor, who expressed a qualified opinion on those statements with respect to the scope limitation on auditing the real estate properties for sale account and the amount of the estimated land development cost relating to unsold units, since he unable to obtain sufficient appropriate audit evidence. The Company has not adjusted the possible effect to the financial statements of the scope limitation, or the effect of the application of different accounting policies, as discussed above, because the Company is unable to quantify these effects.

11.1 Land and Houses Retail Bank Public Company Limited

In June 2005, the Company has purchased the increase 4,724,000 shares in Land & Houses Retail Bank Public Company Limited (formerly known as “Land & Houses Credit Foncier Public Company Limited”) (par value of Baht 100 each) in the amount of Baht 140 each, total amount of Baht 661.4 million. As a result, the percentage of Company’s shareholding in Land and Houses Retail Bank Public Company Limited will increase from 0.60 percent to 43.00 percent. The Company has reclassified type of investment from long-term investments to investment in associated company.

During the year 2006, Land and Houses Retail Bank Plc. increased its 8 million ordinary shares, with a par value of Baht 100 each, of which 3.44 million ordinary shares, was acquired by the Company of Baht 344.0 million to retain its shareholding proportion.

11.2 Bangkok Chain Hospital Public Company Limited

During the year 2006, the Company acquired an additional 26.2 million ordinary shares of Bangkok Chain Hospital Public Company Limited, or a total of Baht 141.2 million. As a result, the Company's percentage shareholding in that company has changed from 25.79 percent to 28.55 percent.

As at 31 December 2006, investment in Bangkok Chain Hospital Public Company Limited, a company listed on the Stock Exchange of Thailand, had a total market value of Baht 2,007 million (2005: Baht 657 million).

11.3 Quality Construction Products Public Company Limited

As at 31 December 2006, investment in Quality Construction Products Public Company Limited, a company listed on the Stock Exchange of Thailand, had a total market value of Baht 246 million (2005: Baht 344 million).

11.4 Home Product Center Public Company Limited

During the year 2006, the Company acquired an additional 23.8 million ordinary shares of Home Product Center Public Company Limited, or a total of Baht 219.5 million. In addition, the Company acquired 276.0 million shares for a total of Baht 276 million through the allocation of additional capital to the existing shareholders in a ratio of 1 new ordinary share for each existing ordinary share at a price of Baht 1 per share, and exercised warrants of Home Product Centre Public Company Limited. As a result, the Company's percentage shareholding in that company has changed from 26.62 percent to 28.75 percent.

As at 31 December 2006, the investment in Home Product Center Plc., a company listed on the Stock Exchange of Thailand, had a total market value of Baht 3,147 million (2005: Baht 2,030 million).

11.5 Asia Asset Advisory Public Company Limited

In May 2005, Asia Asset Advisory Co., Ltd. has decreased share capital for the amount of Baht 7.5 million by decreasing share capital in the proportion of shareholding. The Company received the money for the amount of Baht 3 million.

11.6 Land and Houses Property and Loan Fund II

On 28 June 2005, Land and Houses Property and Loan Fund II has decreased investment unit for 39,743,000 units by decreasing the proportion of investment of unitholder. The Company received the money in the proportion of 49.99 percent for the amount of Baht 245.4 million.

11.7 Quality Houses Public Company Limited

During the year 2006, the Company acquired an additional 80.4 million ordinary shares of Quality Houses Public Company Limited or a total of Baht 96.8 million.

In addition, during the year 2006, the warrant holders of Quality Houses Public Company Limited exercised their rights to convert ordinary shares. As a result, the Company's percentage shareholding in that company has changed from 24.02 percent to 21.91 percent.

As at 31 December 2006, investment in Quality Houses Public Company Limited, a company listed on the Stock Exchange of Thailand, had a total market value of Baht 1,793 million (2005: Baht 1,747 million).

11.8 Polar Property Holdings Corporation

During the year 2006, Polar Property Holdings Corporation listed in the Stock Exchange of Philippines. As at 31 December 2006, its market value is Baht 1,238 million.

12. OTHER LONG-TERM INVESTMENTS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Available-for-sale securities				
Equity securities	398,250	118,801	398,250	118,801
Add: Unrealised gain (loss) on investment	(48,650)	2,499	(48,650)	2,499
Available-for-sale securities - net	<u>349,600</u>	<u>121,300</u>	<u>349,600</u>	<u>121,300</u>
Debt securities held for maturity	150,000	150,000	-	-
Other investments				
Equity securities	2,172,461	2,172,873	2,027,670	2,028,100
Less: Provision for impairment of investment	(1,476,945)	(1,449,140)	(1,394,850)	(1,380,108)
Net	<u>845,516</u>	<u>873,733</u>	<u>632,820</u>	<u>647,992</u>
Total	<u>1,195,116</u>	<u>995,033</u>	<u>982,420</u>	<u>769,292</u>

13. LAND HELD FOR DEVELOPMENT

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land held for development	5,248,566	3,883,523	3,584,319	2,346,392
Less: Allowance for impairment	(824,329)	(393,654)	(669,457)	(296,013)
Land held for development - net	<u>4,424,237</u>	<u>3,489,869</u>	<u>2,914,862</u>	<u>2,050,379</u>

During 2006, the Company hired an independent valuer to appraise the fair value of its land held for development, using the market comparison method (which involves gathering purchase and sale prices and/or offer prices in the current market circumstances and then analyzing to determine their current fair value).

The subsidiaries have mortgaged land held for development with net book value as at 31 December 2006 of Baht 1,352.5 million (2005: Baht 1,414.2 million) to secure the loans discussed in Note 19 to financial statements.

The Company had mortgaged land held for development with net book value as at 31 December 2005 of Baht 2,054 million to secure debentures, discussed in Note 20 to the financial statements, which were settled in the year 2006. At the end of the year, the Company is in the process of release the mortgage of such land held for development.

Movements in the provision for loss on diminution in value of projects during the year ended 31 December 2006 are summarised below.

(Unit: Baht)

	<u>Consolidated</u>	<u>The Company Only</u>
Balance as at 1 January 2006	393,654	296,013
Add: Increase in loss from impairment	498,696	441,465
Less: Decrease due to reversal of loss from impairment	(211,855)	(211,855)
Add: Increase due to receiving transfer of inventories to be land held for development	<u>143,834</u>	<u>143,834</u>
Balance as at 31 December 2006	<u>824,329</u>	<u>669,457</u>

14. LAND UNDER CONTRACTS TO BUY AND TO SELL

(Unit: Thousand Baht)

	Consolidated and The Company Only	
	<u>2006</u>	<u>2005</u>
Land under contracts to buy and to sell	282,450	282,450
Less: Allowance for impairment	(56,450)	(56,450)
Land under contracts to buy and to sell - net	<u>226,000</u>	<u>226,000</u>

In 1992, the Company entered into an agreement to buy and to sell land and has already made full payment of Baht 282.5 million. As a condition of the agreement ownership of the land is to be transferred after completion of some construction on the land, to be completed within 36 months from the agreement date. If the Company is unable to fulfill this condition, the seller can cancel the agreement and return 70 percent of the purchase price to the Company. However, the Company has not yet proceeded with such construction and has recorded provision for impairment of land under contracts to buy and to sell of Baht 56.5 million.

During 2006, the Company hired an independent valuer to appraise the fair value of the land under contracts to buy and to sell, using the market comparison method (which involves gathering purchase and sale prices and/or offer prices in the current market circumstances and then analyzing to determine their current fair value). The fair values of the land under contracts to buy and to sell appraised by the independent appraiser on this basis exceeded their book value.

15. PROPERTY, PLANT AND EQUIPMENT

(Unit: Thousand Baht)

	Consolidated							Total
	Building and office building improvement	Office equipment	Furniture and fixture of office and clubhouse	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	
<u>Cost</u>								
31 December 2005	54,064	102,155	111,048	46,804	822,306	39,535	53,688	1,229,600
Purchase	-	23,987	7,175	3,573	110,378	7,290	1,198,208	1,350,611
Disposal	(2,295)	(17,728)	-	(1,761)	(112,113)	(392)	-	(134,289)
Transfer in (out)	-	-	81,914	-	-	-	(81,914)	-
31 December 2006	<u>51,769</u>	<u>108,414</u>	<u>200,137</u>	<u>48,616</u>	<u>820,571</u>	<u>46,433</u>	<u>1,169,982</u>	<u>2,445,922</u>
<u>Accumulated depreciation</u>								
31 December 2005	27,897	71,865	67,637	20,089	630,637	26,362	-	844,487
Depreciation for the year	1,850	16,966	28,254	8,878	93,955	4,932	-	154,835
Disposal	(307)	(16,582)	-	(1,613)	(112,113)	(375)	-	(130,990)

31 December 2006

<u>29,440</u>	<u>72,249</u>	<u>95,891</u>	<u>27,354</u>	<u>612,479</u>	<u>30,919</u>	<u>-</u>	<u>868,332</u>
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(Unit: Thousand Baht)

Consolidated							
Building and office building improvement	Office equipment	Furniture and fixture of office and clubhouse	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	Total
<u>Allowance for impairment</u>							
31 December 2005	1,178	-	-	6,989	-	-	8,167
31 December 2006	1,178	-	-	6,989	-	-	8,167
<u>Net book value</u>							
31 December 2005	24,989	30,290	43,411	26,715	184,680	53,688	376,946
31 December 2006	21,151	36,165	104,246	21,262	201,103	1,169,982	1,569,423
Depreciation charge for the year							
2005 (Baht 105 million included in cost of sales and the balance in selling and administrative expense)							151,642
2006 (Baht 94 million included in cost of sales and the balance in selling and administrative expense)							154,835

(Unit: Thousand Baht)

The Company Only							
Building and office building improvement	Office equipment	Furniture and fixture of office and clubhouse	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	Total
<u>Cost</u>							
31 December 2005	35,813	92,559	85,739	38,526	602,693	27,475	903,340
Purchase	-	23,213	3,122	1,989	83,767	5,139	198,287
Disposal	(2,295)	(17,661)	-	(491)	(112,113)	(392)	(132,952)
Transfer in (out)	-	-	81,690	-	-	-	(81,690)
31 December 2006	33,518	98,111	170,551	40,024	574,347	32,222	968,675
<u>Accumulated depreciation</u>							
31 December 2005	11,097	64,712	50,623	16,991	473,614	18,001	635,038
Depreciation for the year	1,695	16,148	25,299	7,186	61,109	3,740	115,177
Disposal	(307)	(16,515)	-	(491)	(112,113)	(375)	(129,801)
31 December 2006	12,485	64,345	75,922	23,686	422,610	21,366	620,414
<u>Net book value</u>							
31 December 2005	24,716	27,847	35,116	21,535	129,079	9,474	268,302
31 December 2006	21,033	33,766	94,629	16,338	151,737	19,902	348,261
Depreciation charge for the year							
2005 (Baht 64 million included in cost of sales and the balance in selling and administrative expense)							106,742
2006 (Baht 61 million included in cost of sales and the balance in selling and administrative expense)							115,177

As at 31 December 2006, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 186.7 million (The Company only: Baht 96.2 million) (2005: Baht 172.3 million, the Company only: Baht 83.4 million).

Two subsidiaries have placed land leasehold rights, discussed in Note 16 to the financial statements, with assets under construction thereon which has net book value as at 31 December

2006 of Baht 1,146 million as collateral of the long-term loan as discussed in Note 19 to the financial statements.

16. LEASEHOLD RIGHTS

(Unit: Thousand Baht)

	Remaining useful life	Consolidated			Balance as at 31 December 2006
		Balance as at 1 January 2006	During the year 2006		
			Increase	Amortisation	
Project L&H Ratchadamri	31.4 years	301,689	-	(9,301)	292,388
Project L&H Sathorn	31.6 years	195,349	785	(6,016)	190,118
Vacant land	19.8 years	780	-	(38)	742
Total		497,818	785	(15,355)	483,248

Two subsidiary companies have pledged land leasehold with a total net book value as at 31 December 2006 of Baht 482.5 million as collateral for long-term loan granted by a commercial bank as discussed in Note 19 to the financial statements.

17. GOODWILL

During the year 2006, changes in Goodwill (negative goodwill) on investment in subsidiaries and associated companies can be summarised as follows.

(Unit: Thousand Baht)

	Consolidated		
	Goodwill	Negative goodwill	Total
Cost:			
As at 1 January 2006	173,571	(69,998)	103,573
As at 31 December 2006	173,571	(69,998)	103,573
Accumulated amortisation:			
As at 1 January 2006	(47,964)	30,249	(17,715)
Amortisation for the year	(44,007)	7,000	(37,007)
As at 31 December 2006	(91,971)	37,249	(54,722)
Net book value:			
As at 31 December 2005	125,607	(39,749)	85,858
As at 31 December 2006	81,600	(32,749)	48,851

Amortisation of goodwill is included in “administrative expenses” and amortisation of negative goodwill is included in “other income” in the income statements.

18. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Bank overdrafts	4,517	10,554	-	10,554
Bill of exchange	2,335,000	304,463	2,335,000	304,463
Promissory note	900,000	-	900,000	-
Less: Prepaid interest	(31,569)	(3,501)	(31,569)	(3,501)
Net	<u>3,207,948</u>	<u>311,516</u>	<u>3,203,431</u>	<u>311,516</u>

Bank overdrafts and short-term loans from financial institution are secured by the mortgage land and construction thereon of the Company and its subsidiaries, as discussed in Note 9 to the financial statements.

19. LONG-TERM LOANS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Long-term loans	5,313,935	4,617,016	3,947,201	3,659,627
Less: Current portion	(2,567,665)	(1,394,779)	(2,350,151)	(1,380,559)
Net	<u>2,746,270</u>	<u>3,222,237</u>	<u>1,597,050</u>	<u>2,279,068</u>

As at 31 December 2006 and 2005, long-term loans of the Company and its subsidiaries are shown below:

(Unit: Million Baht)

	Consolidated		The Company Only		Interest rate	Principal repayments	Guarantee by
	2006	2005	2006	2005			
The Company							
Long-term loan	629.2	-	629.2	-	Year 1-3 - MLR - 1.5 Thereafter - MLR - 1.5 or fixed deposit interest rate plus 2 percent per annum whichever is higher rate	Repayments within 5 years from the first drawdown date	Land of project
	967.8	-	967.8	-	Year 1-3 - MLR - 1.5 Thereafter - MLR - 1.5 or fixed deposit interest rate plus 2 percent per annum whichever is higher rate	Repayments within 2 years and 6 months to 3 years from the first drawdown date	Land of project
Long-term bill of exchange	2,350.2	3,659.6	2,350.2	3,659.6	3.375 - 4.45 percent per annum	At maturities	-
Long-term loan							
L&H Property Co., Ltd.	350.0	-	-	-	Year 1-3 - MLR - 1.5 Thereafter - MLR - 1 or fixed deposit interest rate plus 2.5 percent per annum whichever is higher rate	Repayments within December 2017	Land leasehold of project which the bank granted the loan
L&H Sathorn Co., Ltd.	225.0	-	-	-	Year 1-3 - MLR - 1.5 Thereafter - MLR - 1 or fixed deposit interest rate plus 2.5 percent per annum whichever is higher rate	Repayments within December 2017	Land sub-leasehold of project which the bank granted the loan Guaranteed by L&H Property Co., Ltd. covering Baht 390 million
LH Muang Mai Co., Ltd.	206.9	312.4	-	-	MLR	45 percent of proceeds from sale of land with premises	Land of project Guaranteed by the Company, the subsidiaries and the related company totally covering Baht 1,200 million Ordinary shares of subsidiaries
	80.8	95.0	-	-	Year 1 - MLR - 1.5 Year 2 - MLR - 1 Thereafter - MLR	Repayments within 60 months with monthly installment of Baht 1.6 million commencing from 1 April 2006.	Land of project

(Unit: Million Baht)

	Consolidated		The Company Only		Interest rate	Principal repayments	Guarantee by
	2006	2005	2006	2005			
Phuket Future Plan Co., Ltd.	234.0	280.0	-	-	Year 1 - MLR - 1.5 Thereafter - MLR - 1	70 percent of proceeds from sale of land	Land of project Guaranteed by the Company, L&H Muang Mai Co., Ltd. and related companies totally covering Baht 840 million Ordinary shares of the company and the related companies
Doubletree Co., Ltd.	270.0	270.0	-	-	Year 1 - MLR - 1.5 Thereafter - MLR - 1	70 percent of proceeds from sale of land	Land of project Guaranteed by the Company L&H Muang Mai Co., Ltd. and related companies totally covering Baht 810 million Ordinary shares of the company and the related company
Total	5,313.9	4,617.0	3,947.3	3,659.6			
Less: Current portion	(2,567.6)	(1,394.8)	(2,350.1)	(1,380.6)			
Net	2,746.3	3,222.2	1,597.1	2,279.0			

Most loan agreements contain certain covenants and restrictions imposed by the lenders regarding, the proportion of shareholding of the major shareholders, changes in management, guarantees to loans or aval to promissory notes of any other persons or other companies, dividend payments, merger or consolidation with any other companies, and the maintenance of certain financial ratios.

As at 31 December 2006, there were available long-term loan facilities from financial institutions totaling approximately Baht 2,932.4 million which had not yet been drawn down by the Company and its subsidiaries.

In addition, as at 31 December 2006, a subsidiary has available long-term loan facilities from shareholder, except for the Company, totally Baht 880 million.

20. DEBENTURES

Details of debentures of the Company are as follows:

					Consolidated and the Company Only			
					Number of debenture (shares)		Amount (Thousand Baht)	
					2006	2005	2006	2005
	Interest rate	Age	Repayment	Maturity				
Unsecured debentures								
- No. 1/2004								
- Set 1	Fixed rate 2.8%	2 years	At maturity	4 March 2006	-	1,000,000	-	1,000,000
- Set 2	Fixed rate 3.25%	3 years	At maturity	4 March 2007	1,000,000	1,000,000	1,000,000	1,000,000
- Set 3	Fixed rate 3.25% for 1st - 3rd year and fixed rate 4.5% for 4th year	4 years	At maturity	4 March 2008	1,000,000	1,000,000	1,000,000	1,000,000
- No. 1/2005								
- Set 1	Fixed rate 4.25%	3 years	At maturity	1 April 2008	1,500,000	1,500,000	1,500,000	1,500,000
- Set 2	Fixed rate 4.25% for 1st - 3rd year and fixed rate 5.5% for 4th year	4 years	At maturity	1 April 2009	1,500,000	1,500,000	1,500,000	1,500,000
- Set 3	Fixed rate 4.25% for 1st - 3rd year, fixed rate 5.5% for 4th year and fixed rate 6.5% for 5th year	5 years	At maturity	1 April 2010	2,000,000	2,000,000	2,000,000	2,000,000
Secured debentures								
- No. 1/2001	Maximum rate of 3 months fixed deposit of Bangkok Bank + 3%	5 years	Every 3 months	4 December 2006	-	1,500,000	-	375,000
Total					<u>7,000,000</u>	<u>9,500,000</u>	<u>7,000,000</u>	<u>8,375,000</u>
Less: Current portion of debentures							<u>(1,000,000)</u>	<u>(1,375,000)</u>
Net							<u>6,000,000</u>	<u>7,000,000</u>

Plots of land of the Company have pledged for secured debentures. However, the Company has settled these secured debentures in the year 2006. At the end of the year, the Company is in the process of release the mortgage of the collateral as discussed in Note 13 to the financial statements.

21. SHARE CAPITAL

On 30 December 2005, the holders of 11,648,410 LH-W2 warrants exercised options to purchase 13,915,188 ordinary shares at an exercise price of Baht 2.177 each. The Company received payment of the additional share capital, amounting to Baht 30,293,364 in December 2005 and registered the increase in share capital with the Ministry of Commerce on 11 January 2006. The Stock Exchange of Thailand approved the additional ordinary share as listed securities on 16 January 2006. Consequently, as at 31 December 2005, the Company separately presented the cash received in respect of the increase in share capital in the balance sheet under the caption “Cash receipts from share subscription”.

In addition, during the year 2006 the Company received payment for the exercise of the LH-W2, ESOP-4 and ESOP-5 warrant, resulting in the Company’s paid up share capital increasing from Baht 8,297,412,718 in the year 2005, to Baht 8,476,271,216 in the year 2006. The increasing of the Company’s share capital are detailed below:

Date of exercise	Type of warrant	Quantity of exercised warrants	Ordinary shares issued for exercised warrants	Exercise price	Date of registration of share capital with the Ministry of Commerce	Date of the Stock Exchange of Thailand approved ordinary shares as listed securities
30 Dec 05	LH-W2	11,648,410	13,915,188	2.177	11 Jan 06	16 Jan 06
31 Jan 06	ESOP 4	500,150	5,001,500	1	7 Feb 06	10 Feb 06
31 Mar 06	ESOP 5	1,971,050	19,710,500	1	11 Apr 06	20 Apr 06
31 Mar 06	LH-W2	55,769,589	67,047,859	2.163	11 Apr 06	20 Apr 06
28 Apr 06	ESOP 4	18,000	180,000	1	15 May 06	18 May 06
30 Jun 06	ESOP 5	2,019,600	20,196,000	1	13 Jul 06	18 Jul 06
30 Jun 06	LH-W2	12,573,895	15,401,005	2.123	13 Jul 06	18 Jul 06
31 Jul 06	ESOP 4	109,500	1,095,000	1	4 Aug 06	8 Aug 06
29 Sep 06	ESOP 5	165,800	1,658,000	1	6 Oct 06	11 Oct 06
29 Sep 06	LH-W2	27,003,400	33,615,446	2.089	6 Oct 06	11 Oct 06
31 Oct 06	ESOP 4	103,800	1,038,000	1	7 Nov 06	10 Nov 06
Total			<u>178,858,498</u>			

Reconciliation of number of ordinary shares

(Unit: Shares)

	Consolidated and the Company Only	
	<u>2006</u>	<u>2005</u>
<u>Registered ordinary shares</u>	<u>10,806,737,200</u>	<u>10,806,737,200</u>
<u>Issued and paid-up ordinary share</u>		
Number of ordinary shares at the beginning of year	8,297,412,718	8,090,952,934
Increase due to exercise of warrants	<u>178,858,498</u>	<u>206,459,784</u>
Number of ordinary share at the end of year	<u>8,476,271,216</u>	<u>8,297,412,718</u>

As at 31 December 2006, the registered ordinary shares which are not issued and paid-up are the ordinary shares reserved for the following purposes:

(Unit: Shares)

Conversion of convertible debentures ⁽¹⁾	120,000,000
Conversion of Euro Convertible Debenture ⁽¹⁾	32,468,530
Private placement	1,000,000,000
Exercise of warrants	<u>1,177,997,454</u>
	<u>2,330,465,984</u>

⁽¹⁾ The ordinary shares, reserved for the conversion of convertible debenture and Euro Convertible Debenture, are those shares remaining after the conversions of these debentures, which have already matured.

22. CASH RECEIPTS FROM SHARE SUBSCRIPTION

On 29 December 2006, there are 121,300 ESOP-5 warrants and 3,176,670 LH-W2 exercised options to purchase 1,213,000 ordinary shares and 3,954,508 ordinary shares at an exercise price of Baht 1 and Baht 2.089 per share, respectively. The Company received payment of additional share capital totalling Baht 9,473,967 in December 2006. However, the Company registered the increase in its share capital to Baht 8,481,438,724 with the Ministry of Commerce on 10 January 2007. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities on 12 January 2007. Consequently, as at 31 December 2006, the Company was separately presented the cash received of Baht 9,473,967 in respect of the increase in share capital in the balance sheet under the caption "Cash receipts from share subscription".

23. WARRANTS

23.1 The Employee Stock Ownership Program (ESOP)

The Annual General Meeting of the Company's shareholders No.1/2544 held on 30 April 2001 passed a resolution approving the Company's issue of 30,000,000 warrants free of charge to the directors and employees of the Company and its subsidiaries under the Employee Stock Ownership Program over a period of 5 years, with 6,000,000 warrants allocated each year.

23.1.1 The Employee Stock Ownership Program No. 4 to the directors and employees of the Company and its subsidiaries (ESOP-4)

On 8 April 2005 the Company issued 6,028,150 registered and non-transferable warrants to be allocated free of charge to the directors and employees of the Company and its subsidiaries under Employee Stock Ownership Program No.4 (ESOP-4). Of these, 5,964,350 warrants were allocated. The warrants have an exercise price of Baht 1 per share, an exercise ratio of 1 warrant to 10 new ordinary shares, and can be exercised every three months, for a period of 3 years, from the first exercise date of 29 April 2005 until the final exercise date of 7 April 2008. The exercise price and/or exercise ratio may be adjusted if certain events stipulated in the prospectus occur.

During the years, movements in the number of the above warrants are as follows:

	(Unit: Unit)	
	<u>2006</u>	<u>2005</u>
Number of warrants at the beginning of year	823,050	-
Add: Warrants issued during year	-	5,964,350
Less: Exercised during year	<u>(731,450)</u>	<u>(5,141,300)</u>
Number of warrants at the end of year	<u>91,600</u>	<u>823,050</u>

23.1.2 The Employee Stock Ownership Program No. 5 to directors and employees of the Company and its subsidiaries (ESOP-5)

On 8 March 2006, the Company issued 5,968,019 registered and non-transferable warrants to be allocated free of charge to the directors and employees of the Company and its subsidiaries under the Employee Stock Ownership Program No.5 (ESOP-5). Of these, 5,968,000 warrants have been allocated. The warrants have an exercise price of Baht 1 per share and an exercise ratio of 1 warrant to 10 new ordinary share, and can be exercised every three months, for a period of 3 years, from the first exercise date of 31 March 2006, with a final exercise date of 7 April 2009. The exercise price and/or exercise ratio may be adjusted if certain events stipulated in the prospectus occur.

During the years, movements in the number of the above warrants are as follows:

	(Unit: Unit)	
	<u>2006</u>	<u>2005</u>
Number of warrants at the beginning of year	-	-
Add: Warrants issued during year	5,968,000	-
Less: Exercised during year	<u>(4,277,750)</u>	<u>-</u>
Number of warrants at the end of year	<u>1,690,250</u>	<u>-</u>

23.2 LH-W2

On 3 September 2001, the Company issued of 311,808,956 registered and transferable warrants free of charge to existing shareholders (LH-W2) in a ratio of 1 warrant to every 2 shares. These warrants have an exercise price of Baht 26 per share, an exercise ratio of 1 warrant to 1 new ordinary share, and can be exercised on the last working day of every March, June, September and December, for a period of 7 years from the issue date, beginning on 28 December 2001 and with a final exercise date of 2 September 2008. Of these, 307,656,855 warrants have been allocated. The Stock Exchange of Thailand accepted the warrants as listed securities, to be traded as from 26 September 2001.

However, in the year 2003, the Company changed the par value of the Company's ordinary shares from Baht 10 per share to Baht 1 per share. Consequently, these warrants (LH-W2) were split from 1 warrant to 10 warrants. In addition, the exercise price and exercise ratio have been adjusted a number of times since the events stipulated in the prospectus occurred.

During the current year, the Company adjusted the exercise ratio and the exercise price of LH-W2 warrants as follows:

<u>Date</u>	<u>Adjusted items</u>	<u>Previous</u>	<u>New</u>	<u>Remark</u>
8 March 2006	Exercise ratio	1 warrant grants entitlement to purchase 1.19460 new ordinary shares	1 warrant grants entitlement to purchase 1.20223 new ordinary shares	Result of issuance of ESOP-5
	Exercise price	Baht 2.177 per share	Baht 2.163 per share	Result of issuance of ESOP-5
4 May 2006	Exercise ratio	1 warrant grants entitlement to purchase 1.20223 new ordinary shares	1 warrant grants entitlement to purchase 1.22484 new ordinary shares	Result of dividend payment is greater than 30 percent of net income
	Exercise price	Baht 2.163 per share	Baht 2.123 per share	Result of dividend payment is greater than 30 percent of net income
25 August 2006	Exercise ratio	1 warrant grants entitlement to purchase 1.22484 new ordinary shares	1 warrant grants entitlement to purchase 1.24486 new ordinary shares	Result of dividend payment is greater than 30 percent of net income
	Exercise price	Baht 2.123 per share	Baht 2.089 per share	Result of dividend payment is greater than 30 percent of net income

During the years, movements in the number of the above warrants are as follows:

	(Unit: Unit)	
	<u>2006</u>	<u>2005</u>
Number of warrants at the beginning of year	1,329,721,543	1,418,385,233
Less: Exercised during year	(98,523,554)	(88,663,690)
Number of warrants at the end of year	<u>1,231,197,989</u>	<u>1,329,721,543</u>

24. REVALUATION SURPLUS IN INVESTMENTS

(Unit: Thousand Baht)

	Consolidated and the Company Only	
	<u>2006</u>	<u>2005</u> (Restated)
Difference between book value and fair value of investment in available-for-sale securities		
- Associated companies' investments	(725)	691
- Company's investment	<u>(48,650)</u>	<u>2,499</u>
Total	<u><u>(49,375)</u></u>	<u><u>3,190</u></u>

During the year 2006, movement or revaluation surplus in investments are as follow:

(Unit: Thousand Baht)

	Consolidated and the Company Only
	<u>3,190</u>
Balance - beginning of year	3,190
Changes during year due to	
- revaluation	4,230
- sale	(55,389)
- exercise of warrants	10
- equity method	<u>(1,416)</u>
Balance - end of year	<u><u>(49,375)</u></u>

25. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

26. GAIN ON SALE OF INVESTMENTS

(Unit: Thousand Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Realised loss on associated company	-	(21)	-	(21)
Realised gain on available-for-sale securities	69,401	391,167	69,401	391,167
Realised gain on other investments	277	8	259	-
Total	<u>69,678</u>	<u>391,154</u>	<u>69,660</u>	<u>391,146</u>

27. NUMBER OF EMPLOYEE AND RELATED COSTS

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Number of employees at end of year (persons)	711	704	658	661
Employee costs for the year (Thousand Baht)	441,547	453,467	418,684	431,755

28. PROVIDENT FUND

The Company and its employees and the subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and employees of each company contributed to the fund monthly at the rate of 3-5 percent of basic salaries. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2006, the Company and its subsidiaries contributed Baht 12.9 million (The Company only: Baht 12.6 million) (2005: Baht 11.7 million, The Company only: Baht 11.4 million) to the provident fund.

29. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing net income for the year by the sum of the weighted average number of ordinary shares in issue during the year and the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

Reconciliation between basic earnings per share and diluted earnings per share is presented below:

	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2006 (Thousand Baht)	2005 (Thousand Baht) (Restated)	2006 (Thousand shares)	2005 (Thousand shares)	2006 (Baht)	2005 (Baht) (Restated)
Basic earnings per share						
Income from ordinary activities	3,247,313	5,075,896	8,409,451*	8,224,383*	0.39	0.62
Extraordinary item	-	45,023			-	-
Net income	<u>3,247,313</u>	<u>5,120,919</u>			<u>0.39</u>	<u>0.62</u>
Effect of dilutive potential ordinary shares						
ESOP - 4	-	-	2,505	7,245		
ESOP - 5	-	-	20,275	-		
LH - W2	-	-	<u>1,154,040</u>	<u>1,174,338</u>		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares			<u>9,586,271</u>	<u>9,405,966</u>		
Income from ordinary activities	3,247,313	5,075,896			0.34	0.54
Extraordinary item	-	45,023			-	-
Net income	<u>3,247,313</u>	<u>5,120,919</u>			<u>0.34</u>	<u>0.54</u>

*Included ordinary shares from exercise of warrants described in Note 22 to the financial statements.

30. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' operations involve a single business segment, the development of real estate which comprises of land and house projects and residential condominium projects and are carried on the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned business segment and geographic area.

31. DIVIDEND

At the 2006 Annual General Meeting of the Company's shareholders held on 27 April 2006, it was resolved that the Company pay an addition dividend for the year 2005 of Baht 0.25 per share. Together with the interim dividend of Baht 0.25 per share previously approved by the Board of Directors, the total dividend declared for 2005 was thus Baht 0.50 per share. This additional Baht 0.25 per share dividend amounted to a total of Baht 2,100.77 million. However, since Baht 16.47 million of the dividend was for shareholders who have no rights to receive dividend, only Baht 2,084.30 million has actually been paid to the shareholders. This dividend was paid on 26 May 2006.

On 25 August 2006, a meeting of the Company's Board of Directors approved a resolution to pay an interim dividend from the income of the first six-months of 2006, at a rate of Baht 0.17 per share, amounted to a total of Baht 1,434.79 million. However, since Baht 11.72 million of the dividend was for shareholders who have no right to receive dividend, only Baht 1,423.07 million has actually been paid to the shareholders. This dividend was paid on 11 September 2006.

32. COMMITMENT AND CONTINGENT LIABILITIES

32.1 Commitments

32.1.1 As at 31 December 2006, the Company and its subsidiaries have commitments of Baht 1,976.3 million with construction contracts (the Company only: Baht 1,115.8 million) (2005: Baht 1,192.5 million, the Company only: Baht 829.8 million).

32.1.2 As at 31 December 2006, the Company has commitment related to rental and services agreements with a related company which future payments are required in the amounts as follows:

	<u>Million Baht</u>
Payable within:	
1 year	26.2
2 to 5 years	26.3
Total	<u>52.5</u>

32.1.3 As at 31 December 2006, L&H Property Company Limited has commitment related to construction management amounting to Baht 7.1 million.

32.1.4 As at 31 December 2006, L&H Property Company Limited and its subsidiaries have the following commitments under land and construction lease agreement as follows:

a) Land and construction lease agreement

Agreement date	Agreement period	Maturity date	Rental rate
7 June 2005	30 years	31 May 2038	<ul style="list-style-type: none"> - From 1 June 2008 or the date of completion of building, the following rental is to be paid in monthly installments - 1st - 5th year, total rental payment of Baht 33.15 million. - 6th - 10th year, total rental payment of Baht 42.31 million. - 11th - 15th year, total rental payment of Baht 54.00 million. - 16th - 20th year, total rental payment of Baht 68.92 million. - 21th - 25th year, total rental payment of Baht 87.97 million. - 26th - 30th year, total rental payment of Baht 112.27 million.

In addition, L&H Property Company Limited is committed to pay of compensation of Baht 350,000 per month from the agreement date to the date of completion of construction work and to pay security expenses at the rate of Baht 11,160 per month throughout the period of construction and the period of the lease.

b) Land sub-lease agreement

Agreement date	Agreement period	Maturity date	Rental rate
28 July 2005	33 years	28 July 2038	<ul style="list-style-type: none"> - 1st - 3rd year, paid of Baht 3.00 million (already paid) - 4th - 8th year, total rental of Baht 25.00 million - 9th - 13th year, total rental of Baht 30.00 million - 14th - 18th year, total rental of Baht 36.00 million - 19th - 23rd year, total rental of Baht 43.20 million - 24th - 28th year, total rental of Baht 51.84 million - 29th - 33rd year, total rental of Baht 62.21 million

c) Land lease agreement

Agreement date	Agreement period	Leasehold right fee and rental fee
10 March 2006	30 years ⁽¹⁾	<ul style="list-style-type: none"> - Leasehold rights fee of Baht 500 million of which Baht 250 million has already been paid and the remainder is to be paid when the lessor is able to move out the current tenants and registers the rental agreement - Within 3 years counting from the registration date of the rental agreement, L&H Property Company Limited is to be paid addition leasehold rights totaling Baht 5.76 million - Rental fee is to be monthly paid as follows: <ul style="list-style-type: none"> - 1st - 5th total rental of Baht 20.16 million - 6th - 10th total rental of Baht 23.18 million - 11th - 15th total rental of Baht 26.66 million - 16th - 20th total rental of Baht 30.66 million - 21th - 25th total rental of Baht 35.25 million - 26th - 30th total rental of Baht 40.54 million

⁽¹⁾ counting from a date 3 years after the lessor has moved out the current tenants, delivered the land to L&H Property Company Limited and registers the rental agreement.

32.1.5 As at 31 December 2006, the Company had outstanding commitment of Baht 205.2 million in respect of uncalled portion of investments in L&H Property Company Limited.

32.1.6 As at 31 December 2006, L&H Property Company Limited and its subsidiary are committed to pay Asia Asset Advisory Co., Ltd., which is an associated company of the Company, management fees at a rate of Baht 21.2 million per annum and other fees as specified in the agreement, until notice of termination of the agreement is given.

32.1.7 As at 31 December 2006, the Company and its subsidiaries has commitment related to purchase of land amounting to Baht 298.5 million (the Company Only: Baht 262.3 million).

32.1.8 Obligation and commitment to complete projects on hand

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Number of projects on hand at beginning of year	34	36	21	26
Number of projects closed	(6)	(15)	-	(13)
Number of new projects	11	13	8	8
Number of projects on hand at end of year	<u>39</u>	<u>34</u>	<u>29</u>	<u>21</u>
Accumulative value of sales already contracted (Million Baht)	59,562	43,892	42,199	31,068
As percentage of total sales of projects on hand	55.6	51.0	52.6	48.8
Value of sales already contracted during year (Million Baht)	17,160	18,541	11,922	10,970
As percentage of total sales of projects on hand	16.0	21.6	14.9	17.2

The Company and its subsidiaries has commitments totalling Baht 663.8 million in respect of the installation of central utilities of projects on hand (2005: Baht 596.6 million).

32.1.9 As at 31 December 2006, the Company and its subsidiaries have servitude over land of approximately 33 rai of which the cost is included in the cot of projects.

32.2 Bank guarantees

As at 31 December 2006, there were the outstanding bank guarantees for Baht 1,810.7 million (the Company only: Baht 1,430.7 million) (2005: Baht 1,472.7 million, the Company only: 1,132.7 million) issued by the banks in respect of certain performance bonds required in the normal course of business by the Company and its subsidiaries.

32.3 Guarantees

- 32.3.1 As at 31 December 2006, the Company has contingent obligations amounting to Baht 522.5 million in respect of its several banks and financial institutions in respect of its acting as a guarantor for L H Muangmai Co., Ltd. and its subsidiaries.
- 32.3.2 As at 31 December 2006, the Company has provided loan guarantees to financial institutions for loans of customers amounting to Baht 9.1 million (2005: Baht 9.0 million).
- 32.3.3 As at 31 December 2006, Pacific Real Estate Company Limited, a subsidiary, has provided guarantees for debts of another company amounting to Baht 31.5 million (2005: Baht 29.9 million).
- 32.3.4 As at 31 December 2006 Phuket Future Plan Company Limited, which is a subsidiary company of L H Muangmai Company Limited, has contingent obligations amounting to Baht 400 million and Baht 270 million to a bank in respect of its acting as a guarantor for L H Muangmai Company Limited and Doubletree Company Limited, respectively.
- 32.3.5 As at 31 December 2006 Doubletree Company Limited, which is a subsidiary company of L H Muangmai Company Limited, has contingent obligations amounting to Baht 400 million and Baht 280 million to a bank in respect of its acting as a guarantor for L H Muangmai Company Limited and Phuket Future Plan Company Limited, respectively.
- 32.3.6 As at 31 December 2006 L H Muangmai Company Limited has contingent obligations amounting to Baht 550 million to a bank in respect of its acting as guarantor for 2 subsidiaries.
- 32.3.7 As at 31 December 2006 L&H Property Company Limited, which is a subsidiary of the Company, has contingent obligations amounting to Baht 390 million to a bank in respect of its acting as a guarantor for L&H Sathorn Company Limited.

32.4 Litigation

As at 31 December 2006, there is significant litigation involving the Company and a subsidiary. Two housing estate juristic persons have sued the Company and a subsidiary for a total of Baht 1,013.5 million in relation to access to public thoroughfares. The Company, the subsidiary and the committees of the housing estate have already negotiated an initial compromise, whereby the Company will pay Baht 20 million to the housing estate juristic persons for use in maintenance of utilities of the housing estate and pay compensation to build an office for the housing estate juristic person. Consequently, the Company has set aside provision of Baht 25.0 million for liabilities arising as a result of this case.

In addition, as at 31 December 2006, the Company and its subsidiaries have been sued for a total of approximately Baht 21.2 million in various cases, in respect of breaches of contract. To date, the Court of the First Instance and the Appeal Court have ordered the Company and its subsidiaries to pay compensation totaling Baht 4.1 million plus interest. The Company and its subsidiaries have set aside provision of Baht 4.1 million for liabilities arising as a result of these cases, based on the opinion of their legal department.

33. FINANCIAL INSTRUMENTS

33.1 Financial risk management

The Company and its subsidiaries's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, amount due from, short-term loan, trade accounts payables, loan and debenture. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to amount due from and accounts receivables and short-term loan. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of amount due from and accounts receivables and short-term loan to as stated in the balance sheet.

Interest rate risk

The Company and its subsidiaries's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and short-term loan, debentures and long-term loan which bearing of interest.

Significant financial assets and liabilities as at 31 December 2006 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Consolidated						Interest rate (% p.a.)
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	
	Within 1 year	1 - 5 years	Over 5 years				
	(Million Baht)						
<u>Financial assets</u>							
Cash and cash equivalents	1,300	-	-	60	425	1,785	0.50 - 4.875
Current investments	621	-	-	-	-	621	4.68 - 4.98
Amount due from and accounts receivables - related parties	-	-	-	-	2	2	-
Other long-term investments	-	-	-	-	1,195	1,195	-
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	3,203	-	-	5	-	3,208	5.10 - 5.45
Trade accounts payable	-	-	-	-	1,151	1,151	-
Trade accounts payables - related parties	-	-	-	-	28	28	-
Amount due to related parties	-	-	-	-	13	13	-
Short-term loans form related parties	26	-	-	-	-	26	7.50
Long term loans	2,350	-	-	2,964	-	5,314	3.375 - 5.45, MLR-1 to 1.5
Debentures	1,000	6,000	-	-	-	7,000	As specified in Note 20

The Company Only

	Fixed interest rates					Total	Interest rate (% p.a.)
	Within	Over		Floating	Non-interest		
	1 year	1 - 5 years	5 years	interest rate	bearing		
	(Million Baht)						
Financial assets							
Cash and cash equivalents	1,300	-	-	36	287	1,623	0.75 - 4.875
Current investments	621	-	-	-	-	621	4.68 - 4.98
Amount due from and accounts receivables - related parties	-	-	-	-	21	21	-
Short-term loans to related parties	1,520	-	-	-	-	1,520	5.50 - 7.50
Other long-term investments	-	-	-	-	982	982	-
Financial liabilities							
Bank overdrafts and short-term loans from financial institutions	3,203	-	-	-	-	3,203	5.10 - 5.45
Trade accounts payables	-	-	-	-	896	896	-
Trade accounts payables - related parties	-	-	-	-	21	21	-
Amount due to related parties	-	-	-	-	4	4	-
Short-term loans form related parties	150	-	-	-	-	150	5.50
Long term loans	2,350	-	-	1,597	-	3,947	3.375 - 5.54, MLR-1 to 1.5
Debentures	1,000	6,000	-	-	-	7,000	As specified in Note 20

Foreign currency risk

The Company exposure to foreign currency risk arises mainly from investment transactions that are denominated in foreign currencies. The Company has no forward contracts to reduce the exposure.

The balances of financial assets denominated in foreign currencies as at 31 December 2006 are summarised below:

Consolidated and the Company Only		
Foreign currency	Financial assets	Average exchange rate As at 31 December 2006
	(Million)	(Baht per 1 foreign currency unit)
Philippines Peso	968.7	0.7230
Indonesia Rupiah	622.1	3.7477 (per 1,000 Rupiah)

33.2 Fair values of financial instruments

The estimated fair value of financial instruments as at 31 December 2006, in comparison with the related amounts carried in the balance sheet, is as follows:

(Unit: Million Baht)

	Consolidated		The Company Only	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Cash and cash equivalents	1,785	1,785	1,623	1,623
Current investments	621	621	621	621
Amount due from and account receivables - related parties	2	2	21	21
Short-term loans to related parties	-	-	1,520	1,520
Other long-term investments	1,195	1,195	982	982
<u>Financial liabilities</u>				
Bank overdrafts and short-term loans from financial institutions	3,208	3,184	3,203	3,179
Trade accounts payables	1,151	1,151	896	896
Trade accounts payables - related parties	28	28	21	21
Amount due to related parties	13	13	4	4
Short-term loans from related parties	26	26	150	150
Long-term loans	5,314	5,262	3,947	3,895
Debentures	7,000	6,655	7,000	6,655

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash at banks and accounts payables, their carrying amounts in the balance sheet approximate their fair value.
- b) For marketable debts and equity securities, fair value is based on the latest bid price as quoted in the market.

- c) For non-marketable debt and equity securities, fair value is estimated based on the carrying amount in the balance sheet, net asset value of the securities or a discounted cash flow, as the case may be.
- d) For fixed rate debentures and long-term loans, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- e) For debentures and long-term loans carrying interest approximate to the market rate, their carrying amounts in the balance sheet approximates their fair value.

34. SUBSEQUENT EVENT

On 31 January 2007, the holders of the ESOP-4 warrants allocated to the directors and employees of the Company and its subsidiaries exercised total of 7,000 warrants to purchase 70,000 ordinary shares at an exercise price of Baht 1 each increasing the Company's paid up share capital from Baht 8,481,438,724 to Baht 8,481,508,724. The Company received payment for the additional shares in January 2007 and registered the increase in its issued and paid-up share capital with the Ministry of Commerce on 8 February 2007. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities on 13 February 2007.

35. RECLASSIFICATION

Certain amounts in the financial statements presented herein for comparative purposes have been reclassified to conform to the current year's classifications.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2007.