

LAND AND HOUSES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

**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 1 South Sathon Road, 37th-38th Floor, Q. House Lumpini Building, Tungmahamek, Sathon, Bangkok.

**2. BASIS OF PREPARATION**

2.1 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.

2.2 Basis of consolidated

a) The consolidated financial statements include the financial statements of Land and Houses Public Company Limited and the following subsidiaries:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		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	
			2007 (Percent)	2006 (Percent)	2007 (Percent)	2006 (Percent)	2007 (Percent)	2006 (Percent)
<u>Held by the Company</u>								
Atlantic Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99	0.3	0.3	-	-
Pacific Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99	2.1	3.3	7.9	8.3
Land and Houses North Co., Ltd.	Real estate business	Thailand	99.99	99.99	-	-	-	-
Land and Houses Northeast Co., Ltd.	Real estate business	Thailand	99.99	99.99	0.7	0.9	0.8	1.9
Siam Tanee Property Co., Ltd. and its subsidiary	Real estate business	Thailand	99.99	99.99	0.7	0.7	-	-
L H Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99	0.3	1.7	3.9	10.2
L H Asset Co., Ltd.	Real estate business	Thailand	99.99	99.99	3.2	2.9	5.5	5.3
L H Muang Mai Co., Ltd. and its subsidiaries	Real estate business	Thailand	55.00	55.00	4.3	4.6	2.2	2.6
L&H Property Co., Ltd. and its subsidiary	Real estate for lease business	Thailand	60.00	60.00	9.0	4.7	0.2	-

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2007 (Percent)	2006 (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	Thailand	99.99	99.99
Phuket Future Plan Co., Ltd. (99.99 percent held by L H Muang Mai Co., Ltd. )	Real estate business	Thailand	55.00	55.00
Double Tree Co., Ltd. (99.99 percent held by L H Muang Mai Co., Ltd.)	Real estate business	Thailand	55.00	55.00
L&H Sathon Co., Ltd. (99.99 percent held by L&H Property Co., Ltd. )	Real estate for lease business	Thailand	60.00	60.00

- b) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- c) Investments in the subsidiaries as recorded in the Company's books of account are eliminated against the equity of the subsidiaries. The resultant differences are amortised over a period of 10 years commencing as from the date of acquisition of the investment.

2.3 The separate financial statements, which present investments in subsidiaries and associates presented under the cost method, have been prepared solely for the benefit of the public.

### 3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

#### a) Thai Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries and associates in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 and 45 as discussed in Note 4.

**b) Thai Accounting Standards which are not effective for the current year**

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied, except for the following accounting standard.

***TAS 43 (revised 2007) “Business Combinations”***

TAS 43 (revised 2007) does not require the Company to amortise goodwill acquired in a business combination. Such goodwill is instead to be tested for impairment, and measured at cost less accumulated impairment losses. This accounting standard applies to goodwill arising from business combinations for which the agreement date is on or after 1 January 2008. Previously recognised goodwill can be accounted for prospectively, with the Company discontinuing the amortisation of the goodwill and instead testing for impairment, as from the beginning of the first fiscal year starting on or after 1 January 2008.

**4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES IN THE SEPARATE FINANCIAL STATEMENTS**

During the first quarter of the year 2007, the Company changed its accounting policy for recording investments in subsidiaries and associates in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period's separate financial statements as though the investments in the subsidiaries and associates had originally been recorded using the cost method. The change has the effect of increasing (decreasing) net income and earnings per share in the separate income statements for the years ended 31 December 2007 and 2006 as follows:

	<u>Separate financial statements</u>	
	<u>For the years ended 31 December</u>	
	<u>2007</u>	<u>2006</u>
Increase (decrease) in net income (million Baht)	611.3	(262.5)
Increase (decrease) in basic earnings per share (Baht per share)	0.07	(0.04)
Increase (decrease) in diluted earnings per share (Baht per share)	0.06	(0.03)

The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiaries and associates" in the separate statements of changes in shareholders' equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries and associates in the Company's separate financial statements, with no effect to the consolidated financial statements.

## **5. PRIOR YEAR ADJUSTMENTS**

During the year 2006, the Company changed the accounting policies of the group of associates such that they have the same accounting policies. The Company has therefore adjusted the financial statements of an associate 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 associates for equity taking purposes, to reflect the change in their accounting policy for investment in property from fair value to the cost method. The cumulative effect of the adjustment up to beginning of the year 2006 has been presented in the statements of changes in shareholders' equity. The Company has also adjusted the retained earnings and the related accounts.

## **6. SIGNIFICANT ACCOUNTING POLICIES**

### **6.1 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**

Rental of units in residential buildings and related services income are recognised on an accrual basis over the period of contract.

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

#### **(c) Interest income**

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

#### **(d) Dividends**

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

### **6.2 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.

### **6.3 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.

### **6.4 Cash and cash equivalents**

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

### **6.5 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.

### **6.6 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 - 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.

## **6.7 Investments**

- a) 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.
- b) 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.
- c) 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).
- d) Investment in associates are accounted for in the consolidated financial statements using the equity method.
- e) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

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.

Loss on impairment (if any) of investments in available-for-sale securities, debt securities expected to be held to maturities and other investments are included in the income statements.

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

## **6.8 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.

### **6.9 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.

### **6.10 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.

### **6.11 Goodwill**

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

## **6.12 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 associates 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.

## **6.13 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.

## **6.14 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.

### **6.15 Employee benefits**

Salaries, 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.

### **6.16 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.

### **6.17 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.

### **6.18 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.

## **7. 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 business between the Company, its subsidiaries and those companies. Below is summary of those transactions.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
<u>Transactions with subsidiaries</u>					
Interest income	-	-	63.7	99.9	5.5 - 7.5 p.a.
Interest expenses	-	-	7.2	10.1	5.5 p.a.
Management fee income	-	-	26.0	32.8	Approximate cost
Sale of land	-	-	46.7	27.4	Approximate cost
Purchase of land	-	-	2.1	-	Approximate cost
Cash paid for use of land	-	-	11.0	33.4	Approximate cost
Dividend income	-	-	1,006.3	904.8	Declared rate
Management fee expenses	-	-	7.3	-	Approximate cost
Guarantee fee income	-	-	2.1	-	0.35 - 0.50 p.a.
<u>Transactions with associates</u>					
Purchase of goods	152.1	234.6	117.4	156.1	Market price
Rental and services expenses	-	28.4	-	28.4	Market price
Interest income	33.5	6.7	31.8	6.2	Market rate
Sale promotion expenses	12.0	6.9	8.0	1.5	Market rate
Dividend income	650.4	744.7	650.4	744.7	Declared rate
Services expenses	32.3	21.2	-	-	Contract price
Accounting services expenses	1.6	2.0	-	-	Contract price
Building management fee expenses	10.5	-	-	-	Contract price
Commission expenses	1.6	-	-	-	Contract price
<u>Transactions with related companies</u>					
Rental and services expenses	34.5	1.8	34.5	1.8	Baht 675 - 725 per square metre per month
Guarantee fee expenses	1.7	-	-	-	0.35 - 0.50 p.a.

The balances of the accounts as at 31 December 2007 and 2006 between the Company and those related companies are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Short-term bill of exchange and deposit at financial institution</b> (shown under cash and cash equivalents)				
<u>Associate</u>				
Land and Houses Retail Bank Plc.	<u>299.8</u>	<u>1,323.7</u>	<u>285.5</u>	<u>1,313.1</u>

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Amount due from and accounts receivables - related parties</b>				
Amount due from and accounts receivables				
<u>Subsidiaries</u>				
Pacific Real Estate Co., Ltd.	-	-	2.0	5.8
Land and Houses Northeast Co., Ltd.	-	-	0.2	0.1
L H Real Estate Co., Ltd.	-	-	-	5.2
L H Asset Co., Ltd.	-	-	0.9	8.3
L H Muang Mai Co., Ltd.	-	-	-	0.3
	<u>-</u>	<u>-</u>	<u>3.1</u>	<u>19.7</u>
<u>Associates</u>				
Home Product Center Plc.	0.5	1.5	0.5	1.4
Quality Construction Products Plc.	46.1	-	46.1	-
	<u>46.6</u>	<u>1.5</u>	<u>46.6</u>	<u>1.4</u>
Dividend receivables				
<u>Associate</u>				
Polar Property Holdings Corporation	166.2	-	166.2	-
Total	<u>212.8</u>	<u>1.5</u>	<u>215.9</u>	<u>21.1</u>
<b>Short-term loans to and accrued interest receivable from related parties</b>				
<u>Subsidiaries</u>				
Pacific Real Estate Co., Ltd.	-	-	30.0	470.2
Atlantic Real Estate Co., Ltd.	-	-	125.5	104.4
Siam Tanee Property Co., Ltd.	-	-	28.8	25.2
L H Muang Mai Co., Ltd.	-	-	44.4	30.8
Land and Houses Northeast Co., Ltd.	-	-	25.1	100.1
L H Asset Co., Ltd.	-	-	696.5	792.4
	<u>-</u>	<u>-</u>	<u>950.3</u>	<u>1,523.1</u>
<u>Associate</u>				
Land and Houses Retail Bank Plc.	0.4	0.6	0.4	0.6
Total	<u>0.4</u>	<u>0.6</u>	<u>950.7</u>	<u>1,523.7</u>
<b>Deposit - related party</b>				
<u>Related company</u>				
Quality Houses Property Fund	7.4	6.6	7.4	6.6
<b>Trade accounts payables - related parties</b>				
<u>Associates</u>				
Quality Construction Products Plc.	16.7	24.9	15.4	20.5
Home Product Center Plc.	1.5	3.2	0.4	0.2
Total	<u>18.2</u>	<u>28.1</u>	<u>15.8</u>	<u>20.7</u>

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<b>Amount due to related parties</b>				
<u>Associates</u>				
Home Product Center Plc.	5.1	0.6	3.8	0.4
Asia Asset Advisory Co., Ltd.	5.4	5.3	-	-
Land and Houses Retail Bank Plc.	0.8	5.0	-	1.5
Centre Point Management Co., Ltd.	-	0.3	-	0.3
Quality Houses Plc.	8.8	-	-	-
L&H Management Co., Ltd.	0.3	-	-	-
	<u>20.4</u>	<u>11.2</u>	<u>3.8</u>	<u>2.2</u>
<u>Related company</u>				
Quality Houses Property Fund	0.3	1.8	0.3	1.8
Total	<u>20.7</u>	<u>13.0</u>	<u>4.1</u>	<u>4.0</u>
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Subsidiary</u>				
L H Real Estate Co., Ltd.	-	-	70.2	150.1
<u>Related company</u>				
Muang Mai Property Co., Ltd.	9.3	-	-	-
<u>Director of subsidiaries</u>	<u>28.0</u>	<u>26.2</u>	<u>-</u>	<u>-</u>
Total	<u>37.3</u>	<u>26.2</u>	<u>70.2</u>	<u>150.1</u>

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

During the year 2007, movements of loans to/loan from the Company, subsidiaries and related companies were as follows:

	Consolidated financial statements			Balance as at 31 December 2007
	Balance as at 1 January 2007	During the year 2007		
		Increase	Decrease	
<b>Short-term loans to and accrued interest receivables from related parties</b>				
<u>Associate</u>				
Land and Houses Retail Bank Plc.	0.6	26.2	(26.4)	0.4
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Related company</u>				
Muang Mai Property Co., Ltd.	-	9.3	-	9.3
<u>Director of subsidiaries</u>	<u>26.2</u>	<u>1.8</u>	<u>-</u>	<u>28.0</u>
Total	<u>26.2</u>	<u>11.1</u>	<u>-</u>	<u>37.3</u>

(Unit: Million Baht)

	Separate financial statements			Balance as at 31 December 2007
	Balance as at 1 January 2007	During the year 2007		
		Increase	Decrease	
<b>Short-term loans to and accrued interest receivables from related parties</b>				
<u>Subsidiaries</u>				
Land and Houses Northeast Co., Ltd.	100.1	318.9	(393.9)	25.1
Pacific Real Estate Co., Ltd.	470.2	4,190.2	(4,630.4)	30.0
Atlantic Real Estate Co., Ltd.	104.4	246.1	(225.0)	125.5
Siam Tanee Property Co., Ltd.	25.2	29.5	(25.9)	28.8
L H Muang Mai Co., Ltd.	30.8	13.6	-	44.4
L H Asset Co., Ltd.	792.4	5,369.5	(5,465.4)	696.5
	<u>1,523.1</u>	<u>10,167.8</u>	<u>(10,740.6)</u>	<u>950.3</u>
<u>Associate</u>				
Land and Houses Retail Bank Plc.	0.6	26.2	(26.4)	0.4
Total	<u>1,523.7</u>	<u>10,194.0</u>	<u>(10,767.0)</u>	<u>950.7</u>
<b>Short-term loans from and accrued interest payables to related parties</b>				
<u>Subsidiary</u>				
L H Real Estate Co., Ltd.	150.1	1,323.7	(1,403.6)	70.2
Total	<u>150.1</u>	<u>1,323.7</u>	<u>(1,403.6)</u>	<u>70.2</u>

**Directors and management's remuneration**

During the years, the Company and its subsidiaries paid salaries, bonus, meeting allowance, gratuities and contribution to provident fund to their directors and management as follows:

(Unit: Million Baht)

	Consolidated and Separate financial statements	
	For the years ended 31 December	
	<u>2007</u>	<u>2006</u>
Directors and management's remuneration	43.6	43.6

In addition, during the year 2006 the Company has allocated 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 24.

## Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantees obligations with its related parties, with charges, as described in Note 33.3.

### 8. CURRENT INVESTMENTS

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	<u>2007</u>	<u>2006</u>
Treasury bills	-	621,131
Total	-	621,131

### 9. TRADE ACCOUNTS RECEIVABLES

The outstanding balances of trade accounts receivables as at 31 December 2007 and 2006 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Age of receivables				
Not yet due	396	-	-	-
Past due				
Less than 3 month	6,577	-	-	-
More than 12 months	189	211	-	-
Total	7,162	211	-	-
Less: Allowance for doubtful	(189)	(211)	-	-
Net	6,973	-	-	-

## 10. LAND, CONSTRUCTION IN PROGRESS AND UTILITIES (INVENTORIES)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	10,912,413	10,561,514	10,026,375	9,223,792
Land improvements	1,043,190	1,299,467	880,302	1,063,860
Construction in progress	5,687,878	6,492,262	4,530,997	4,874,603
Interest cost	1,461,184	1,573,135	1,279,383	1,335,817
Utilities	1,846,693	2,183,690	1,482,648	1,664,467
Deferred development cost	8,824	11,261	1,928	2,621
Houses held for sales	87,562	61,181	-	-
Total	21,047,744	22,182,510	18,201,633	18,165,160
Less : Provision for diminution in value of projects	(156,680)	(175,295)	(92,037)	(105,233)
Inventories- net	20,891,064	22,007,215	18,109,596	18,059,927

During the years, the Company and its subsidiaries included borrowing costs in cost of land and construction in progress. These were determined by applying a capitalisation rate which is the weighted average of the financial charges on total borrowings during the year as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Borrowing costs included in cost of land and construction in progress (Million Baht)	461.7	445.2	408.9	360.3
Capitalisation rate (Percent)	4.3	4.1	4.4	4.0

As at 31 December 2007 and 2006 the Company and its subsidiaries have mortgaged land and structures thereon to secure the loans and the overdraft facilities of a subsidiary, of with net book values as follow:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net book value of land and structures thereon mortgaged as collateral	3,723.1	3,428.8	3,645.8	3,274.2

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 2007 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2007	175,295	105,233
Add: Increase in loss from impairment	6,187	-
Less: Decrease from sale of inventories	(24,802)	(13,196)
Balance as at 31 December 2007	<u>156,680</u>	<u>92,037</u>

## 11. INVESTMENTS IN SUBSIDIARIES

(Unit: Thousand Baht)

Company's name	Separate financial statements						Dividend received for the years ended 31 December	
	Paid-up capital		Shareholding percentage		Cost		2007	2006
	2007	2006	2007 (Percent)	2006 (Percent)	2007	2006		
Atlantic Real Estate Co., Ltd.	15,000	15,000	99.99	99.99	14,998	14,998	-	-
Pacific Real Estate Co., Ltd.	371,617	371,617	99.99	99.99	371,614	371,614	301,007	-
Land and Houses North Co., Ltd.	13,500	13,500	99.99	99.99	13,500	13,500	-	-
Land and Houses Northeast Co., Ltd.	270,000	270,000	99.99	99.99	269,999	269,999	-	-
Siam Tanee Property Co., Ltd. and its subsidiary	100,000	100,000	99.99	99.99	64,859	64,859	-	-
L H Real Estate Co., Ltd.	116,000	116,000	99.99	99.99	50,000	50,000	705,276	904,795
L H Asset Co., Ltd.	100,000	100,000	99.99	99.99	52,734	52,734	-	-
L H Muang Mai Co., Ltd. and its subsidiaries	900,000	900,000	55.00	55.00	495,000	495,000	-	-
L&H Property Co., Ltd. and its subsidiary	2,170,000	1,258,000	60.00	60.00	1,398,000	850,800	-	-
					<u>2,730,704</u>	<u>2,183,504</u>	<u>1,006,283</u>	<u>904,795</u>

## 11.1 L H Muang Mai Company Limited and its subsidiaries

As at 31 December 2007 and 2006, L H Muang Mai Company Limited pledged the ordinary shares of its subsidiaries, Phuket Future Plan Company Limited and Double Tree Company Limited, as collateral of long-term loans.

## 11.2 L&H Property Company Limited and its subsidiary

During the current year, L&H Property Company Limited called up the remaining uncalled portion of its share price from its shareholders. The Company therefore paid in the called portion of share amounting to Baht 205.2 million.

In addition, the Extraordinary General Meeting of L&H Property Company Limited's shareholders held on 9 April 2007 approved an increase in its registered share capital from Baht 1,600 million to Baht 2,600 million through the issuance of 10,000,000 ordinary shares at a par value of Baht 100, with Baht 57 per share to be called up. L&H Property Company Limited registered the increase in its share capital with the Ministry of Commerce on 4 May 2007. The Company purchased 6,000,000 of the additional shares, in proportion to its existing shareholdings and already paid up totally Baht 342 million in the year 2007.

## 12. INVESTMENTS IN ASSOCIATES

### 12.1 Details of associates

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements							
			Shareholding percentage		Paid-up capital		Cost		Carrying amounts based on equity method	
			2007	2006	2007	2006	2007	2006	2007	2006
			(Percent)	(Percent)						
Land and Houses Retail Bank Plc.	Retail bank	Thai	43.00	43.00	2,600,000	1,900,000	1,306,960	1,005,960	1,016,081	661,216
Bangkok Chain Hospital Plc.	Hospital	Thai	28.55	28.55	950,000	950,000	661,669	661,669	733,411	678,413
Quality Construction Products Plc.	Manufacture of construction material	Thai	31.41	31.41	400,000	400,000	265,980	265,980	404,454	437,354
Home Product Center Plc.	Trading of construction materials	Thai	28.68	28.75	1,924,920	1,919,818	906,328	906,328	1,409,056	1,313,975
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	5,000	5,000	2,000	2,000	10,853	10,324
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	40,316	639,943	20,692	328,452	32,402	514,649
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	3,215,570	3,215,570	1,609,896	1,609,896	1,537,017	1,596,573
Quality Houses Plc.	Real estate business	Thai	22.85	21.91	7,303,723	7,241,999	2,388,481	2,305,233	2,602,852	2,511,311
Polar Property Holdings Corporation	Real estate business	Philippines	25.00	25.00	4,892,411	4,892,411	866,849	866,849	1,109,657	968,718
					(Thousand Peso)	(Thousand Peso)				
							<u>8,028,855</u>	<u>7,952,367</u>	<u>8,855,783</u>	<u>8,692,533</u>

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements									
			Shareholding		Paid-up capital		Cost		Allowance for impairment		Carrying amounts based on cost method - net	
			percentage									
			2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
			(Percent)	(Percent)					(Restated)		(Restated)	
Land and Houses Retail Bank Plc.	Retail bank	Thai	43.00	43.00	2,600,000	1,900,000	1,306,960	1,005,960	344,744	344,744	962,216	661,216
Bangkok Chain Hospital Plc.	Hospital	Thai	28.55	28.55	950,000	950,000	661,669	661,669	-	-	661,669	661,669
Quality Construction Products Plc.	Manufacture of construction material	Thai	31.41	31.41	400,000	400,000	265,980	265,980	-	-	265,980	265,980
Home Product Center Plc.	Trading of construction materials	Thai	28.68	28.75	1,924,920	1,919,818	906,328	906,328	-	-	906,328	906,328
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	40.00	40.00	5,000	5,000	2,000	2,000	-	-	2,000	2,000
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	40,316	639,943	20,692	328,452	-	-	20,692	328,452
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	3,215,570	3,215,570	1,609,896	1,609,896	-	-	1,609,896	1,609,896
Quality Houses Plc.	Real estate business	Thai	22.85	21.91	7,303,723	7,241,999	2,388,481	2,305,233	-	-	2,388,481	2,305,233
Polar Property Holdings Corporation	Real estate business	Philippines	25.00	25.00	4,892,411	4,892,411	866,849	866,849	-	-	866,849	866,849
					(Thousand Peso)	(Thousand Peso)						
							<u>8,028,855</u>	<u>7,952,367</u>	<u>344,744</u>	<u>344,744</u>	<u>7,684,111</u>	<u>7,607,623</u>

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income/loss from investments in associates during the years		Dividend received during the years	
	2007	2006	2007	2006
Land and Houses Retail Bank Plc.	42,203	(262,232)	-	-
Bangkok Chain Hospital Plc.	122,647	113,188	67,803	51,621
Quality Construction Products Plc.	(32,901)	(25,307)	-	-
Home Product Center Plc.	161,324	155,140	66,243	50,786
Asia Asset Advisory Co., Ltd.	2,329	1,902	1,800	5,600
Land and Houses Property Fund	3,295	636,015	-	418,353
Land and Houses Property and Loan Fund-II	109,224	54,277	168,780	124,576
Quality Houses Plc.	156,773	148,908	150,226	93,723
Polar Property Holdings Corporation	220,263	50,230	195,550	-
Total	<u>785,157</u>	<u>872,121</u>	<u>650,402</u>	<u>744,659</u>

## 12.2 Fair values of investments in associates which are listed companies.

(Unit: Million Baht)

Company's name	Country of listing	Fair values as at 31 December	
		2007	2006
Bangkok Chain Hospital Plc.	Thai	2,265	2,007
Quality Construction Products Plc.	Thai	209	246
Home Product Center Plc.	Thai	2,716	3,147
Quality Houses Plc.	Thai	3,539	1,793
Polar Property Holdings Corporation	Philippines	3,997	1,238
Total		12,726	8,431

## 12.3 Summarised financial information of associates

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenue for the		Net income (loss) for the	
	as at 31 December		as at 31 December		as at 31 December		years ended		years ended	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Land and Houses Retail Bank Plc.	2,600	1,900	32,873	21,798	30,532	20,278	1,592	887	101	(608)
Bangkok Chain Hospital Plc.	950	950	4,180	3,795	1,511	1,364	3,670	3,388	471	433
Quality Construction Products Plc.	400	400	2,257	2,500	969	1,105	903	915	(108)	(81)
Home Product Center Plc.	1,925	1,920	12,274	11,814	7,951	7,975	17,015	15,104	710	601
Asia Asset Advisory Co., Ltd.	5	5	44	40	17	14	65	55	6	5
Land and Houses Property Fund	40*	640	65*	1,037	-*	7	9**	151	7**	920
Land and Houses Property and Loan Fund-II	3,216	3,216	4,887	3,929	47	47	350	329	1,295	253
Quality Houses Plc.	7,304	7,242	23,858	20,305	14,813	11,744	10,581	11,115	1,066	1,006
Polar Property Holdings Corporation	4,892	4,892	6,506	9,548	1,186	4,311	1,471	1,865	1,062	302

\* Financial information as at 11 December 2007

\*\* Financial information for the period as from 1 January 2007 to 11 December 2007

**12.4** The Company's consolidated financial statements for the years ended 31 December 2007 and 2006 included investments in the following associates accounted for under the equity method, and share of income (loss) from investments in the associates 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)

	Consolidated financial statements			
	Investments under the equity method as at		Share of income (loss) from investments under the equity method for the	
	31 December		years ended	
	2007	2006	2007	2006
<b>Audited by auditor and another auditor of the same firm</b>				
Land and Houses Retail Bank Plc.	1,016,081	661,216	42,203	(262,232)
Asia Asset Advisory Co., Ltd.	10,853	10,324	2,329	1,902
Land and Houses Property Fund	32,402	514,649	3,295	636,015
Land and Houses Property and Loan Fund-II	1,537,017	1,596,573	109,224	54,277
Quality Houses Plc.	2,602,852	2,511,311	156,773	148,908
Home Product Center Plc.	1,409,056	*	161,324	*
<b>Audited by other auditors</b>				
Home Product Center Plc.	**	1,313,975	**	155,140
Bangkok Chain Hospital Plc.	***	678,413	***	113,188
Quality Construction Products Plc.	404,454	437,354	(32,901)	(25,307)
<b>Unaudited by auditor</b>				
Bangkok Chain Hospital Plc.	733,411	*	122,647	*
Polar Property Holdings Corporation	1,109,657	968,718	220,263	50,230

\* 2006 audited by other auditor

\*\* 2007 audited by other auditor of the same firm

\*\*\* 2007 unaudited by auditor

During the first quarter of the year 2007, the Company obtained audited financial statements of Polar Property Holdings Corporation for the year ended 31 December 2006 which have the immaterial differences between the audited financial statements of Polar Property Holdings Corporation and the financial statements used for calculation of profit sharing under the equity method in the consolidated financial statements and the Company therefore adjusted such differences in the consolidated income statements 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 liabilities for property development, 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.

During the year ended 31 December 2007, the Company recorded its investment in Polar Property Holdings Corporation, an oversea associate, under the equity method based on information provided by that company's management, which was not audited by its auditor. However, this associate apply the following significant accounting policies which differ from those of the Company.

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

The Company unable to quantify the possible effect to the financial statements regarding to the different accounting policies.

During the year ended 31 December 2007, the Company recorded its investment in Bangkok Chain Hospital Public Company Limited, an domestic associate, under the equity method based on information provided by that company's management, which was not audited by its auditor.

#### **12.5 Land and Houses Retail Bank Public Company Limited**

During the year 2007, Land and Houses Retail Bank Public Company Limited increased its 7 million ordinary shares, with a par value of Baht 100 each, of which 3.01 million ordinary shares, was acquired by the Company of Baht 301.0 million to retain its shareholding proportion. The Company fully paid in such shares.

## 12.6 Home Product Center Public Company Limited

During the year 2007, the warrant holders of Home Product Center Public Company Limited exercised their rights to convert 4.7 million warrants to 5.1 million ordinary shares. As a result, the Company's percentage shareholding in that company has changed from 28.75 percent to 28.68 percent.

## 12.7 Land and Houses Property Fund

During the year 2007, a meeting of the unitholders of Land and Houses Property Fund passed a resolution approving a reduction in capital proportionate to unitholding of each unitholder. The Company received proceeds amounting to Baht 486 million, in proportion to its 49.94 percent holding in April 2007.

On 3 December 2007, Land and Houses Property Fund (the Fund) notified the Securities and Exchange Commission of its liquidation because the Fund received majority voting from the unitholders to cancel the project, effective since 11 December 2007.

## 12.8 Quality Houses Public Company Limited

During the year 2007, the Company acquired an additional 82.8 million ordinary shares of Quality Houses Public Company Limited or a total of Baht 83.2 million. In addition, during the current year, the warrant holders of Quality Houses Public Company Limited exercised their rights to convert 60.9 million warrants to 61.7 million ordinary shares. As a result, the Company's percentage shareholding in that company has changed from 21.91 percent to 22.85 percent.

## 13. OTHER LONG-TERM INVESTMENTS

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Available-for-sale securities</b>				
Equity securities	398,250	398,250	398,250	398,250
Add (less): Unrealised gain (loss) on investments	53,244	(48,650)	53,244	(48,650)
Available-for-sale securities - net	<u>451,494</u>	<u>349,600</u>	<u>451,494</u>	<u>349,600</u>

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Debt securities held for maturity</b>				
(under debt restructuring plan)	150,000	150,000	-	-
<b>Other investments</b>				
Equity securities	2,083,485	2,172,462	2,008,086	2,027,670
Less: Provision for impairment of investment	<u>(1,388,390)</u>	<u>(1,476,945)</u>	<u>(1,375,327)</u>	<u>(1,394,850)</u>
Other investment - net	<u>695,095</u>	<u>695,517</u>	<u>632,759</u>	<u>632,820</u>
Total	<u>1,296,589</u>	<u>1,195,117</u>	<u>1,084,253</u>	<u>982,420</u>

#### 14. LAND HELD FOR DEVELOPMENT

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land held for development	5,289,112	5,248,566	3,624,865	3,584,319
Less: Allowance for impairment	<u>(824,329)</u>	<u>(824,329)</u>	<u>(669,457)</u>	<u>(669,457)</u>
Land held for development - net	<u>4,464,783</u>	<u>4,424,237</u>	<u>2,955,408</u>	<u>2,914,862</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).

As at 31 December 2007 and 2006 the Company and subsidiaries have mortgaged land held for development to secure the loans with net book value as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net book value of mortgaged land held for development to secure loan	1,392.1	1,352.5	39.6	-

## 15. LAND UNDER CONTRACTS TO BUY AND TO SELL

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	<u>2007</u>	<u>2006</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.

## 16. PROPERTY, PLANT AND EQUIPMENT

(Unit: Thousand Baht)

	Consolidated financial statements							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 2006	51,769	108,414	200,137	48,616	820,571	46,433	1,169,982	2,445,922
Purchase	3,894	11,677	9,833	1,464	67,435	7,396	1,609,801	1,711,500
Disposal	-	(3,169)	(32,177)	(64)	(135,292)	-	(1,442,478)*	(1,613,180)
Transfer in (out)	912,158	3,133	242,625	290	23,869	99,651	(1,281,726)	-
31 December 2007	<u>967,821</u>	<u>120,055</u>	<u>420,418</u>	<u>50,306</u>	<u>776,583</u>	<u>153,480</u>	<u>55,579</u>	<u>2,544,242</u>

(Unit: Thousand Baht)

Consolidated financial statements								
Building and office building	Office	Furniture and fixture of office and clubhouse	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	Total	
<u>Accumulated depreciation</u>								
31 December 2006	29,440	72,249	95,891	27,354	612,479	30,919	-	868,332
Depreciation for the year	16,215	16,392	47,751	7,747	93,237	10,423	-	191,765
Disposal	-	(3,149)	(24,320)	(64)	(128,303)	-	-	(155,836)
31 December 2007	45,655	85,492	119,322	35,037	577,413	41,342	-	904,261
<u>Allowance for impairment</u>								
31 December 2006	1,178	-	-	-	6,989	-	-	8,167
Transfer out	-	-	-	-	(6,989)	-	-	(6,989)
31 December 2007	1,178	-	-	-	-	-	-	1,178
<u>Net book value</u>								
31 December 2006	21,151	36,165	104,246	21,262	201,103	15,514	1,169,982	1,569,423
31 December 2007	920,988	34,563	301,096	15,269	199,170	112,138	55,579	1,638,803
Depreciation charge for the year								
2006 (Baht 94 million included in cost of sales and the balance in selling and administrative expense)								154,835
2007 (Baht 93 million included in cost of sales and the balance in selling and administrative expense)								191,765

\* Transfer assets under construction to leasehold rights

(Unit: Thousand Baht)

Separate financial statements								
Building and office building	Office	Furniture and fixture of office and clubhouse	Motor vehicles	Clubhouse, pool and tennis court	Other	Assets under construction	Total	
<u>Cost</u>								
31 December 2006	33,518	98,111	170,551	40,024	574,347	32,222	19,902	968,675
Purchase	-	8,075	338	1,464	59,485	2,329	20,479	92,170
Disposal	-	(3,169)	(29,694)	(65)	(101,938)	-	-	(134,866)
Transfer in (out)	4,010	-	23,929	-	-	-	(27,939)	-
31 December 2007	37,528	103,017	165,124	41,423	531,894	34,551	12,442	925,979
<u>Accumulated depreciation</u>								
31 December 2006	12,485	64,345	75,922	23,686	422,610	21,366	-	620,414
Depreciation for the year	1,827	15,124	26,693	6,068	68,984	3,828	-	122,524
Disposal	-	(3,149)	(22,806)	(65)	(101,938)	-	-	(127,958)
31 December 2007	14,312	76,320	79,809	29,689	389,656	25,194	-	614,980
<u>Net book value</u>								
31 December 2006	21,033	33,766	94,629	16,338	151,737	10,856	19,902	348,261
31 December 2007	23,216	26,697	85,315	11,734	142,238	9,357	12,442	310,999
Depreciation charge for the year								
2006 (Baht 61 million included in cost of sales and the balance in selling and administrative expenses)								115,177
2007 (Baht 69 million included in cost of sales and the balance in selling and administrative expenses)								122,524

As at 31 December 2007, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 190.8 million (the Company only: Baht 109.7 million) (2006: Baht 186.7 million, the Company only: Baht 96.2 million).

Two subsidiaries have placed their buildings, furniture and fixture and assets under construction which located on land leasehold rights and land sub-leasehold rights which have net book value as at 31 December 2007 of Baht 960 million (2006: Baht 1,146 million) as collateral of the long-term loans.

## 17. LEASEHOLD RIGHTS

(Unit: Thousand Baht)

Consolidated financial statements					
Project	Remaining useful life	Balance as at			Balance as at
		1 January 2007	During the year 2007		31 December 2007
			Increase	Amortisation	
Grande Centre Point Hotel & Residence					
Residence	30.4 years	292,388	1,442,477	(21,060)	1,713,805
L&H Villa Sathon	30.6 years	190,118	-	(6,018)	184,100
L&H Sukhumvit	32.7 years	-	503,969	(5,101)	498,868
Vacant land	18.8 years	742	-	(37)	705
Total		<u>483,248</u>	<u>1,946,446</u>	<u>(32,216)</u>	<u>2,397,478</u>

Land leasehold rights of Grande Centre Point Hotel & Residence project included the value of premises thereon because a subsidiary has to transfer such premises located on the leasehold land to the lessor when the construction of such premises completed, in accordance with the related agreement.

Two subsidiaries have pledged their land leasehold rights and land sub-leasehold rights with a total net book value as at 31 December 2007 of Baht 1,898 million (2006: Baht 483 million) as collateral for long-term loans.

## 18. GOODWILL

During the year 2007, changes in goodwill (negative goodwill) on investment in subsidiaries can be summarised as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		
	Goodwill	Negative goodwill	Total
<b>Cost:</b>			
As at 1 January 2007	173,571	(69,998)	103,573
As at 31 December 2007	173,571	(69,998)	103,573
<b>Accumulated amortisation:</b>			
As at 1 January 2007	(91,971)	37,249	(54,722)
Amortisation for the year	(9,600)	32,749	(23,149)
As at 31 December 2007	(101,571)	69,998	(31,573)
<b>Net book value:</b>			
As at 31 December 2006	81,600	(32,749)	48,851
As at 31 December 2007	72,000	-	72,000

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

## 19. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Bank overdrafts	8,870	4,517	-	-
Bill of exchange	-	2,335,000	-	2,335,000
Promissory note	-	900,000	-	900,000
Less: Prepaid interest	-	(31,569)	-	(31,569)
Net	8,870	3,207,948	-	3,203,431

Bank overdrafts and short-term loans from financial institution are secured by the mortgage land, land leasehold rights, land sub-leasehold rights and construction thereon of the Company and its subsidiaries.

## 20. LONG-TERM LOANS

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Long-term loans	5,770,730	5,313,935	3,509,644	3,947,201
Less: Current portion	(32,716)	(2,567,665)	-	(2,350,151)
Net	<u>5,738,014</u>	<u>2,746,270</u>	<u>3,509,644</u>	<u>1,597,050</u>

As at 31 December 2007 and 2006, long-term loans of the Company and its subsidiaries are shown below:

(Unit: Million Baht)

	Consolidated		Separate		Interest rate	Principal repayments	Guarantee by
	financial statements		financial statements				
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>			
The Company							
Long-term loan	592.1	629.2	592.1	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
	917.5	967.8	917.5	967.8	Year 1-3 - MLR - 1.5	Repayments within 2 years and 6 months to 3 years from the first drawdown date	Land of project
Long-term bill of exchange	2,000.0	-	2,000.0	-	4.375 percent per annum	Repayments all principal on 6 July 2010	
	-	2,350.2	-	2,350.2	3.375 - 5.45 percent per annum	At maturities	-
Long-term loan							
L&H Property Co., Ltd.	1,248.0	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 Sathon Co., Ltd.	368.0	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

(Unit: Million Baht)

	Consolidated		Separate		Interest rate	Principal repayments	Guarantee by
	financial statements		financial statements				
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>			
L H Muang Mai Co., Ltd.	13.8	206.9	-	-	MLR - 1	45 percent of proceeds from sale of land with premises	Land of project 2007: guaranteed by the Company, the related company and the company's director totally covering Baht 213.1 million (2006: the Company, the subsidiaries, the related company and the company's director totally covering Baht 1,200 million) Ordinary shares of subsidiaries
	61.8	80.8	-	-	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 April 2006.	Land of project
	65.5	-	-	-	MLR - 1	Repayment within September 2009	Land of project 2007: guaranteed by the Company, the related company and the company's director totally covering Baht 213.1 million (2006: the Company, the subsidiaries, the related company and the company's director totally covering Baht 1,200 million) Ordinary shares of subsidiaries
Phuket Future Plan Co., Ltd.	234.0	234.0	-	-	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., related companies and the director of L H Muang Mai Co., Ltd. totally covering Baht 468 million (2006: Baht 848 million) Ordinary shares of the company and the related companies
Double Tree 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., related companies and the director of L H Muang Mai Co., Ltd. totally covering Baht 540 million (2006: Baht 810 million) Ordinary shares of the company and the related company
Total	5,770.7	5,313.9	3,509.6	3,947.3			
Less: Current portion	(32.7)	(2,567.6)	-	(2,350.1)			
Net	5,738.0	2,746.3	3,509.6	1,597.1			

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 2007, there were available long-term loan facilities from financial institutions totaling approximately Baht 1,075.2 million (2006: Baht 2,932.4 million) which had not yet been drawn down by the Company and its subsidiaries.

In addition, as at 31 December 2007, a subsidiary has available long-term loan facilities from shareholder, except for facilities from the Company, totally Baht 880 million (2006: Baht 880 million).

## **21. DEBENTURES**

The Annual General Meeting of the Company's shareholders held on 26 April 2007 approved the issuance and offer of debentures in an amount of up to Baht 5,000 million or the equivalent in any other currency, with maximum terms of 10 years, to be issued in Thailand or offshore, in one or several tranches by way of public offerings and/or private placements and/or placements with institutional investors, in accordance with the relevant Notification of the Office of the Securities and Exchange Commission. The Office of the Securities and Exchange Commission approved the Company's offering of a new issue of debt securities (excluding embedded derivative debentures), setting a period of 3 years for the issue of such debentures to general investors and by private placement, commencing from 26 April 2007.

On 13 September 2007 the Company issued debenture, as detailed below:

Name of debenture	Unsubordinated and unsecured debentures of Land and Houses Public Company Limited No. 1/2007 maturity on 2011
Type	Unsecured, registered and unsubordinated, with debentureholder representation
Quantity	2,000,000 units
Par value	Baht 1,000 per unit
Offering price	Baht 1,000 per unit
Age	4 years
Redemption date	13 September 2011
Interest rate	Fixed interest rate of 4.60 percent per annum payable every three months

Details of debentures of the Company are as follows:

	Interest rate	Age	Repayment	Maturity	Consolidated and Separate financial statements			
					Number of debenture (shares)		Amount (Thousand Baht)	
					2007	2006	2007	2006
Unsubordinated and unsecured debentures								
- No. 1/2004								
- Set 2	Fixed rate 3.25%	3 years	At maturity	4 March 2007	-	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
- No. 1/2007	Fixed rate 4.60%	4 years	At maturity	13 September 2011	2,000,000	-	2,000,000	-
Total					<u>8,000,000</u>	<u>7,000,000</u>	8,000,000	7,000,000
Less: Current portion of debentures							2,500,000	(1,000,000)
Net							<u>5,500,000</u>	<u>6,000,000</u>

## 22. SHARE CAPITAL

The Annual General Meeting of the Company's shareholders held on 26 April 2007 passed the following significant resolutions:

22.1) Approved a reduction in the Company's registered share capital from Bath 10,806,737,200 to Baht 9,654,268,670 by cancelling the 1,152,468,530 shares with a par value of Baht 1 each which are registered but have not yet been issued. The Company registered the reduction in share capital with the Ministry of Commerce on 18 May 2007.

22.2) Approved to increase the Company's registered share capital from Baht 9,654,268,670 to Baht 10,354,268,670 through the issuance of 700,000,000 ordinary shares with a par value of Baht 1 each. The Company registered the increase in share capital with the Ministry of Commerce on 21 May 2007.

22.3) Approved the allocation of the aforesaid 700,000,000 additional shares to be reserved for the exercise of warrants to be allotted to existing shareholders (LH-W2).

The increase in share capital of the Company during the year ended 31 December 2007 resulting from exercising of warrants are summarised below.

Date of exercise	Type of warrant	Number of exercised warrants (Unit)	Ordinary shares issued for exercised warrants (Shares)	Exercise price (Baht per share)	Date of registration of share capital with the Ministry of Commerce	Date of the Stock Exchange of Thailand approved ordinary shares as listed securities
29 Dec 06	ESOP-5	121,300	1,213,000*	1.0	10 Jan 07	12 Jan 07
29 Dec 06	LH-W2	3,176,670	3,954,508*	2.089	10 Jan 07	12 Jan 07
31 Jan 07	ESOP-4	7,000	70,000	1.0	8 Feb 07	13 Feb 07
30 Mar 07	ESOP-5	195,150	1,951,500	1.0	9 Apr 07	11 Apr 07
30 Mar 07	LH-W2	140,803,568	175,280,722	2.089	9 Apr 07	11 Apr 07
30 Apr 07	ESOP-4	1,000	10,000	1.0	9 May 07	11 May 07
29 Jun 07	ESOP-5	75,500	755,000	1.0	9 Jul 07	11 Jul 07
29 Jun 07	LH-W2	5,215,455	6,574,910	2.063	9 Jul 07	11 Jul 07
31 Jul 07	ESOP-4	32,000	320,000	1.0	9 Aug 07	14 Aug 07
28 Sep 07	ESOP-5	267,300	2,673,000	1.0	4 Oct 07	8 Oct 07
28 Sep 07	LH-W2	2,812,630	3,587,560	2.039	4 Oct 07	8 Oct 07
31 Oct 07	ESOP-4	40,000	400,000	1.0	6 Nov 07	9 Nov 07
Total			<u>196,790,200</u>			

\* 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".

### Reconciliation of number of ordinary shares

	(Unit: Shares)	
	Consolidated and Separate	
	financial statements	
	For the years ended 31 December	
	<u>2007</u>	<u>2006</u>
<u>Registered ordinary shares</u>		
Number of ordinary shares at the beginning of year	10,806,737,200	10,806,737,200
Decrease of registered share capital	(1,152,468,530)	-
Increase of registered share capital	700,000,000	-
Number of ordinary shares at the end of year	<u>10,354,268,670</u>	<u>10,806,737,200</u>
<u>Issued and paid-up ordinary shares</u>		
Number of ordinary shares at the beginning of year	8,476,271,216	8,297,412,718
Increase due to exercise of warrants	196,790,200	178,858,498
Number of ordinary shares at the end of year	<u>8,673,061,416</u>	<u>8,476,271,216</u>

As at 31 December 2007, the registered ordinary shares which are not issued and paid-up are the ordinary shares reserved for exercise of warrants.

## **23. CASH RECEIPTS FROM SHARE SUBSCRIPTION**

On 28 December 2007, there are 87,400 ESOP-5 warrants and 7,070,440 LH-W2 exercised options to purchase 874,000 ordinary shares and 9,018,484 ordinary shares at an exercise price of Baht 1 and Baht 2.039 per share, respectively. The Company received payment of additional share capital totalling Baht 19,262,689 in December 2007. However, the Company registered the increase in its share capital to Baht 8,682,953,900 with the Ministry of Commerce on 8 January 2008. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities on 10 January 2008. Consequently, as at 31 December 2007, the Company was separately presented the cash received of Baht 19,262,689 in respect of the increase in share capital in the balance sheet under the caption "Cash receipts from share subscription".

## **24. WARRANTS**

### **24.1 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.

#### **24.1.1 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>2007</u>	<u>2006</u>
Number of warrants at the beginning of year	91,600	823,050
Less: Exercised during year	<u>(80,000)</u>	<u>(731,450)</u>
Number of warrants at the end of year	<u><u>11,600</u></u>	<u><u>91,600</u></u>

**24.1.2 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>2007</u>	<u>2006</u>
Number of warrants at the beginning of year	1,690,250	-
Add: Warrants issued during year	-	5,968,000
Less: Exercised during year	<u>(625,350)</u>	<u>(4,277,750)</u>
Number of warrants at the end of year	<u><u>1,064,900</u></u>	<u><u>1,690,250</u></u>

## 24.2 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:

Date	Adjusted items	Previous	New	Remark
3 May 2007	Exercise ratio	1 warrant grants entitlement to purchase 1.24486 new ordinary shares	1 warrant grants entitlement to purchase 1.26066 new ordinary shares	Result of dividend payment is greater than 30 percent of net income
	Exercise price	Baht 2.089 per share	Baht 2.063 per share	Result of dividend payment is greater than 30 percent of net income
24 August 2007	Exercise ratio	1 warrant grants entitlement to purchase 1.26066 new ordinary shares	1 warrant grants entitlement to purchase 1.27552 new ordinary shares	Result of dividend payment is greater than 30 percent of net income
	Exercise price	Baht 2.063 per share	Baht 2.039 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>2007</u>	<u>2006</u>
Number of warrants at the beginning of year	1,231,197,989	1,329,721,543
Less: Exercised during year	<u>(155,902,093)</u>	<u>(98,523,554)</u>
Number of warrants at the end of year	<u>1,075,295,896</u>	<u>1,231,197,989</u>

## 25. REVALUATION SURPLUS (DEFICIT) IN INVESTMENTS

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
				(Restated)
Difference between book value and fair value of investment in available-for-sale securities				
- Associated companies' investments	13,647	(725)	-	-
- Company's investments	<u>53,244</u>	<u>(48,649)</u>	<u>53,244</u>	<u>(48,649)</u>
Total	<u>66,891</u>	<u>(49,374)</u>	<u>53,244</u>	<u>(48,649)</u>

During the year 2007, movement or revaluation surplus (deficit) in investments are as follow:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial	financial
	statements	statements
Balance as at 1 January 2007	<u>(49,374)</u>	<u>(48,649)</u>
Changes during year due to		
- revaluation	101,893	101,893
- equity method	<u>14,372</u>	-
Balance as at 31 December 2007	<u>66,891</u>	<u>53,244</u>

## 26. 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.

## 27. GAIN ON INVESTMENTS

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Realised gain from decrease capital of associate	-	-	177,783	-
Realised gain from sale of available-for-sale securities	-	69,401	-	69,401
Realised gain from redemption of preference shares	-	259	91	259
Others	299	18	-	-
Total	<u>299</u>	<u>69,678</u>	<u>177,874</u>	<u>69,660</u>

During the years, the Company and its subsidiaries received proceeds from sale of investments classified by their types as follow:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Available-for-sale securities	-	82,413	-	82,413

## 28. NUMBER OF EMPLOYEE AND RELATED COSTS

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of employees at end of year (Persons)	710	711	656	658
Employee costs for the year (Thousand Baht)	459,019	441,547	435,190	418,684

## 29. 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 years, the Company and its subsidiaries contributed to the provident fund as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Contribution to provident fund	13.0	12.9	12.7	12.6

## 30. 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:

	Consolidated financial statements					
	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
<b>Basic earnings per share</b>						
Net income	3,158,938	3,247,313	8,621,690*	8,409,451	0.37	0.39
<b>Effect of dilutive potential ordinary shares</b>						
ESOP-4	-	-	549	2,505		
ESOP-5	-	-	12,290	20,275		
LH-W2	-	-	1,013,356	1,154,040		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>3,158,938</u>	<u>3,247,313</u>	<u>9,647,885</u>	<u>9,586,271</u>	0.33	0.34

\*Included ordinary shares from exercise of warrants described in Note 23.

	Separate financial statements					
	For the years ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
<b>Basic earnings per share</b>						
Net income	3,770,255	2,984,790	8,621,690*	8,409,451	0.44	0.35
<b>Effect of dilutive potential ordinary shares</b>						
ESOP-4	-	-	549	2,505		
ESOP-5	-	-	12,290	20,275		
LH-W2	-	-	1,013,356	1,154,040		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>3,770,255</u>	<u>2,984,790</u>	<u>9,647,885</u>	<u>9,586,271</u>	0.39	0.31

\*Included ordinary shares from exercise of warrants described in Note 23.

### 31. 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.

### 32. DIVIDEND

Dividends	Approved by	Approved	Interim	Additional	Total	Portion belonging	Net dividend
		dividend per		dividend	dividend	to shareholders	
		share	dividend	paid	paid	not entitled to	paid
		(Baht)	(Baht)	(Baht)	(Million Baht)	(Million Baht)	(Million Baht)
Final dividend for 2005	Annual General Meeting of the shareholders on 27 April 2006	0.50	0.25	0.25	2,100.8	16.5	2,084.3
Interim dividend for 2006	Board of Directors' meeting on 15 August 2006	0.17	-	0.17	1,434.8	11.7	1,423.1
Final dividend for 2006	Annual General Meeting of the shareholders on 26 April 2007	0.32	0.17	0.15	1,298.8	10.5	1,288.3
Interim dividend for 2007	Board of Directors' meeting on 14 August 2007	0.12	-	0.12	1,040.0	11.0	1,029.0

### 33. COMMITMENT AND CONTINGENT LIABILITIES

#### 33.1 Commitments

33.1.1 As at 31 December 2007 and 2006, the Company and its subsidiaries have commitments under construction contracts as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Commitments under construction contracts	2,417.9	1,976.3	1,921.0	1,115.8

33.1.2 As at 31 December 2007 and 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:

(Unit: Million Baht)

	<u>2007</u>	<u>2006</u>
Payable within:		
1 year	29.5	26.2
2 - 5 years	5.2	26.3
Total	<u>34.7</u>	<u>52.5</u>

33.1.3 As at 31 December 2007 and 2006, L&H Property Company Limited and its subsidiary have the following commitments under land and construction lease agreement and land sub-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"> <li>- From 1 June 2008 or the date of completion of building, the following rental is to be paid in monthly installments</li> <li>- 1st - 5th year, total rental payment of Baht 33.15 million.</li> <li>- 6th - 10th year, total rental payment of Baht 42.31 million.</li> <li>- 11th - 15th year, total rental payment of Baht 54.00 million.</li> <li>- 16th - 20th year, total rental payment of Baht 68.92 million.</li> <li>- 21th - 25th year, total rental payment of Baht 87.97 million.</li> <li>- 26th - 30th year, total rental payment of Baht 112.27 million.</li> </ul>

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"> <li>- 1st - 3rd year, paid of Baht 3.00 million (already paid)</li> <li>- 4th - 8th year, total rental of Baht 25.00 million</li> <li>- 9th - 13th year, total rental of Baht 30.00 million</li> <li>- 14th - 18th year, total rental of Baht 36.00 million</li> <li>- 19th - 23rd year, total rental of Baht 43.20 million</li> <li>- 24th - 28th year, total rental of Baht 51.84 million</li> <li>- 29th - 33rd year, total rental of Baht 62.21 million</li> </ul>

c) Land lease agreement

Agreement date	Agreement period	Leasehold right fee and rental fee
10 March 2006	30 years <sup>(1)</sup>	<ul style="list-style-type: none"> <li>- Leasehold rights fee of Baht 500 million of which full amount has already paid</li> <li>- Rental fee is to be monthly paid as follows: <ul style="list-style-type: none"> <li>- 1st - 5th total rental of Baht 20.16 million</li> <li>- 6th - 10th total rental of Baht 23.18 million</li> <li>- 11th - 15th total rental of Baht 26.66 million</li> <li>- 16th - 20th total rental of Baht 30.66 million</li> <li>- 21th - 25th total rental of Baht 35.25 million</li> <li>- 26th - 30th total rental of Baht 40.54 million</li> </ul> </li> </ul>

<sup>(1)</sup> from 1 September 2010, the lessor consented to allow L&H Property Company Limited to develop or construct on the leased land between 1 September 2007 and 31 August 2010, and L&H Property Company Limited agreed to make additional leasehold rights payment of Baht 160,000 per month.

33.1.4 As at 31 December 2007, the Company had outstanding commitment of Baht 258.0 million (2006: Baht 205.2 million) in respect of uncalled portion of investments in L&H Property Company Limited.

- 33.1.5 As at 31 December 2007, L&H Property Company Limited and its subsidiary are committed to pay Asia Asset Advisory Company Limited, which is an associate of the Company, management fees at a rate of Baht 22.7 million per annum (2006: Baht 21.2 million) for the project under construction, management fee at the rate of 0.7 percent per annum of the project value for the operating project, and other fees as specified in the agreement, until notice of termination of the agreement is given.
- 33.1.6 As at 31 December 2007, L&H Property Company Limited is committed to pay L&H Management Company Limited which is a subsidiary of Asia Asset Advisory Company Limited management fees at actual expenses related to project management plus margin of 15 percent.
- 33.1.7 As at 31 December 2007, L&H Sathon Company Limited had outstanding commitment of Baht 5.1 million in respect of management fees paid to Q.H. International Company Limited.
- 33.1.8 As at 31 December 2007, L&H Property Company Limited is committed to pay Quality Houses Public Company Limited accounting services fee amounting to Baht 2.5 million (2006: Baht 0.6 million).
- 33.1.9 As at 31 December 2007, the Company and its subsidiaries has commitment related to purchase of land as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Commitment to purchase of land	1,262.4	298.5	1,173.8	262.3

- 33.1.10 As at 31 December 2007, L&H Sathon Co., Ltd. is committed to pay Quality Houses Public Company Limited, which is an associate of the Company, commissions for finding lessees for the L&H Villa Project, as per the conditions specified in the relevant agreement.

### 33.1.11 Obligation and commitment to complete projects on hand

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of projects on hand at beginning of year	39	34	29	21
Number of closed projects	-	(6)	-	-
Number of new projects	8	11	6	8
Number of projects on hand at end of year	<u>47</u>	<u>39</u>	<u>35</u>	<u>29</u>
Accumulative value of sales already contracted (Million Baht)	71,948	59,562	56,863	42,199
As percentage of total sales of projects on hand	70.0	55.6	69.5	52.6
Value of sales already contracted during year (Million Baht)	18,594	17,160	14,610	11,922
As percentage of total sales of projects on hand	18.1	16.0	17.9	14.9
Commitments in respect of the installation of central utilities of projects on hand	381.2	663.8	297.3	542.7

33.1.12 As at 31 December 2007, the Company and its subsidiaries have servitude over land of approximately 55 rai (2006: 33 rai) of which the cost is included in the cost of projects.

### 33.2 Bank guarantees

As at 31 December 2007 and 2006, there were the outstanding bank issued by the banks in respect of certain performance bonds required in the normal course of business by the Company and its subsidiaries as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Bank guarantees	1,249.4	1,810.7	1,041.0	1,430.7

### 33.3 Guarantees

As at 31 December 2007 and 2006, the Company and its subsidiaries have the following obligations in respect of guarantees.

(Unit: Million Baht)

Guarantor	Guarantee	<u>2007</u>	<u>2006</u>
<b><u>The Company</u></b>			
Land and Houses Plc.	L H Muangmai Co., Ltd.	117.2	220.0
	Phuket Future Plan Co., Ltd.	128.7	154.0
	Double Tree Co., Ltd.	148.5	148.5
	Customers	1.0	9.1
Total		395.4	531.6
<b><u>The subsidiaries</u></b>			
Phuket Future Plan Co., Ltd.	L H Muangmai Co., Ltd.	-	400.0
	Double Tree Co., Ltd.	-	270.0
Total		-	670.0
Double Tree Co., Ltd.	L H Muangmai Co., Ltd.	-	400.0
	Phuket Future Plan Co., Ltd.	-	280.0
Total		-	680.0
L H Muangmai Co., Ltd.	Double Tree Co., Ltd.	270.0	270.0
	Phuket Future Plan Co., Ltd.	234.0	280.0
Total		504.0	550.0
L&H Property Co.,Ltd.	L&H Sathon Co., Ltd.	390.0	390.0

### **33.4 Litigation**

#### The Company and its subsidiaries

As at 31 December 2007, the following lawsuits had been filed against the Company and its subsidiaries.

- a) 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. Currently, the lawsuit is in the process of being investigated by the court. Consequently, the Company has set aside provision of Baht 25.0 million for liabilities arising as a result of this case.
- b) The Company and its subsidiaries have been sued for a total of approximately Baht 22.4 million in various cases, in respect of breaches of contracts. To date, the Court of the First Instance and the Appeal Court have ordered the Company and its subsidiaries to pay compensation plus interest totaling Baht 6.9 million. The Company and its subsidiaries have set aside provision of Baht 6.9 million for liabilities arising as a result of these cases, based on the opinion of their legal department.

#### Associate

Land and Houses Property Fund (the Fund) has been sued as second defendant in a civil case in which the plaintiff claims the Fund illegally received the transfer of the land and construction thereon of the “Langsuan Ville” condominium project from Wave Development Company Limited, a debtor of the plaintiff. On 27 July 2004, the Court of First Instance dismissed the lawsuit. As at 11 December 2007 (liquidation date), the case is being heard by the Appeal Court. However, the Fund’s legal advisor believes that the outcome of the case will not adversely affect the Fund, as the Fund was a preferred creditor and thus had a preferential right to receipt of payment from the mortgaged assets. In addition, the prices at which the assets were transferred in settlement of debt were those appraised by an independent appraisal firm and thus can be held to be fair price.

## **34. FINANCIAL INSTRUMENTS**

### **34.1 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 receivables, amount due from, short term loan, trade accounts payables, investments, 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, short-term loan, debentures and long-term loan which bearing of interest.

Significant financial assets and liabilities as at 31 December 2007 and 2006 classified by type of interest rates are summarised 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 financial statements

As at 31 December 2007

	Fixed interest rates						Total	Interest rate (% p.a.)
	At call	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing		
	(Million Baht)							
<u>Financial assets</u>								
Cash and cash equivalents	-	250	-	-	234	543	1,027	0.50 - 3.375
Trade accounts receivables	-	-	-	-	-	7	7	-
Amount due from and accounts receivables - related parties	-	-	-	-	-	213	213	-
Other long-term investments	-	-	-	-	-	1,297	1,297	-
<u>Financial liabilities</u>								
Bank overdrafts and short-term loans from financial institutions	-	-	-	-	9	-	9	MOR
Trade accounts payables	-	-	-	-	-	992	992	-
Trade accounts payables - related parties	-	-	-	-	-	18	18	-
Amount due to related parties	-	-	-	-	-	21	21	-
Short-term loans from related parties	34	-	-	-	-	-	34	5.50 - 7.50
Long term loans	-	-	2,000	-	3,771	-	5,771	As specified in Note 20
Debentures	-	2,500	5,500	-	-	-	8,000	As specified in Note 21

Separate financial statements

As at 31 December 2007

	Fixed interest rates						Total	Interest rate (% p.a.)
	At call	Within 1 year	1 - 5 years	Over 5 years	Floating interest rate	Non-interest bearing		
	(Million Baht)							
<u>Financial assets</u>								
Cash and cash equivalents	-	250	-	-	220	395	865	0.50 - 3.375
Amount due from and accounts receivables - related parties	-	-	-	-	-	216	216	-
Short-term loans to related parties	929	-	-	-	-	-	929	5.50 - 7.50
Other long-term investments	-	-	-	-	-	1,084	1,084	-
<u>Financial liabilities</u>								
Trade accounts payables	-	-	-	-	-	797	797	-
Trade accounts payables - related parties	-	-	-	-	-	16	16	-
Amount due to related parties	-	-	-	-	-	4	4	-
Short-term loans from related parties	70	-	-	-	-	-	70	5.50
Long term loans	-	-	2,000	-	1,510	-	3,510	As specified in Note 20
Debentures	-	2,500	5,500	-	-	-	8,000	As specified in Note 21

Consolidated financial statements

As at 31 December 2006

	Fixed interest rates						Total	Interest rate (% p.a.)
	At call	Within	Over		Floating interest rate	Non-interest bearing		
		1 year	1 - 5 years	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, MOR
Trade accounts payables	-	-	-	-	-	1,151	1,151	-
Trade accounts payables - related parties	-	-	-	-	-	28	28	-
Amount due to related parties	-	-	-	-	-	13	13	-
Short-term loans from related parties	25	-	-	-	-	-	25	7.50
Long term loans	-	2,350	-	-	2,964	-	5,314	As specified in Note 20
Debentures	-	1,000	6,000	-	-	-	7,000	As specified in Note 21

Separate financial statements

As at 31 December 2006

	Fixed interest rates						Total	Interest rate (% p.a.)
	At call	Within	Over		Floating interest rate	Non-interest bearing		
		1 year	1 - 5 years	5 years				
	(Million Baht)							
<u>Financial assets</u>								
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	-
<u>Financial liabilities</u>								
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 from related parties	150	-	-	-	-	-	150	5.50
Long term loans	-	2,350	-	-	1,597	-	3,947	As specified in Note 20
Debentures	-	1,000	6,000	-	-	-	7,000	As specified in Note 21

## 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 2007 and 2006 are summarised below:

Foreign currency	Consolidated and Separate financial statements			
	Financial assets		Average exchange rate	
			As at 31 December	
	(Million)		(Baht per 1 foreign currency unit)	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Philippines Peso	1,223	1,223	0.8157	0.7368
Indonesia Rupiah	345,956	345,990	3.6360 (per 1,000 Rupiah)	4.0081 (per 1,000 Rupiah)

## 34.2 Fair values of financial instruments

The estimated fair value of financial instruments as at 31 December 2007 and 2006, in comparison with the related amounts carried in the balance sheet, is as follows:

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	Carrying amount		Fair value		Carrying amount		Fair value	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Financial assets</u>								
Cash and cash equivalents	1,027	1,785	1,027	1,785	865	1,623	865	1,623
Current investments	-	621	-	621	-	621	-	621
Trade accounts receivables	7	-	7	-	-	-	-	-
Amount due from and accounts receivables - related parties	213	2	213	2	216	21	216	21
Short-term loans to related parties	-	-	-	-	929	1,520	929	1,520
Other long-term investments	1,297	1,195	1,297	1,195	1,084	982	1,084	982

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2007	2006	2007	2006	2007	2006	2007	2006
<u>Financial liabilities</u>								
Bank overdrafts and short-term loans from financial institutions	9	3,208	9	3,184	-	3,203	-	3,179
Trade accounts payables	992	1,151	992	1,151	797	896	797	896
Trade accounts payables - related parties	18	28	18	28	16	21	16	21
Amount due to related parties	21	13	21	13	4	4	4	4
Short-term loans from related parties	34	25	34	25	70	150	70	150
Long-term loans	5,771	5,314	5,649	5,262	3,510	3,947	3,388	3,895
Debentures	8,000	7,000	7,177	6,655	8,000	7,000	7,177	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, accounts receivables 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.

### **35. SUBSEQUENT EVENT**

On 31 January 2008, the holders of the ESOP-4 warrants allocated to the directors and employees of the Company and its subsidiaries exercised total of 5,000 warrants to purchase 50,000 ordinary shares at an exercise price of Baht 1 each increasing the Company's paid up share capital from Baht 8,682,953,900 to Baht 8,683,003,900. The Company received payment for the additional shares in January 2008 and registered the increase in its issued and paid-up share capital with the Ministry of Commerce on 6 February 2008. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities on 11 February 2008.

### **36. RECLASSIFICATION**

In addition to the change in accounting policy as mentioned in Note 4, which affects the previously reported net income and shareholder's equity, certain other amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

### **37. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2008.