



# Annual Report 2014

Land and Houses Public Company Limited



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*Investors can find additional securities issuer information in the Company's Form 56-1 disclosed at [www.sec.or.th](http://www.sec.or.th) or the Company's website at [www.lh.co.th](http://www.lh.co.th)*

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# 2014 Highlight

LAND AND HOUSES PUBLIC CO., LTD. & SUBSIDIARIES

	2014	2013	%
<b>OPERATING RESULT</b>			
NUMBER OF ACTIVE PROJECTS	85	81	4.9
<b>EARNING ABILITY</b>			
RETURN ON TOTAL REVENUES	26.38	25.17	4.81
<b>HIGHLIGHT OF THE FINANCIAL STATEMENT (million baht)</b>			
TOTAL REVENUES	31,932	25,742	24.1
NET PROFIT	8,423	6,478	30.0
INVENTORIES	43,024	38,496	11.8
TOTAL ASSETS	86,888	75,369	15.3
TOTAL SHAREHOLDERS' EQUITY INCLUDING MINORITY INTEREST	44,275	34,843	27.1
<b>PER SHARE DATA</b>			
EARNING PER SHARE	0.80	0.65	23.1
EARNING PER SHARE	3.90	3.35	16.4
MARKET PRICE(AT YEAR END)	9.05	8.95	1.1
<b>NUMBER OF OUTSTANDING SHARES (million shares)</b>			
	10,986	10,026	9.6

## Letter from the Chairman of the Executive Board

Dear Shareholders,

In 2014, the Company had bookings worth 31,500 million baht from the residential business, up 4.34% from the level in 2013. Of the total, 60% were single houses, 5% were townhouses and 35% were condominium units. Realized revenue from residential unit transfers was 26,037 million baht, up 13.5% from 2013, with single houses making up 72%, townhouses 7% and condominium units 21%.

During the year, the Company launched 21 projects, with total value of 41,300 million baht. Of all new projects, 15 were single house projects worth a combined 24,620 million baht, two were townhouse projects worth 2,800 million baht and four were condominium projects worth 13,880 million baht.

Other developments in the past year of the Company and its subsidiaries were:

- Ratings for the Company and its current senior, unsecured debenture were upgraded to “A+” from “A” with “stable” outlook by TRIS Rating Co., Ltd. The upgrade reflected a performance which can generate steady incomes and high liquidity of its stock, as well as debt burden at a moderate level.
- The Company issued and allocated 1,998,184,856 free warrants to existing shareholders in a rights offering at the ratio of five existing shares to one warrant. The warrants mature in three years from the issue date and the exercise price is 3.50 baht a share.
- The Company issued and sold five lots of debentures, totaling 10,500 million baht, with coupon rates in a range between 3.25% and 3.70% a year.
- An interim dividend was paid for the operation in the first six months of 2014 at 0.25 baht a share.
- L&H Property Co., Ltd., a 60%-owned subsidiary of the Company, set up a real estate investment trust (REIT), with the shopping mall building under the Terminal 21 project as the underlying asset. It mobilized 6,058 million baht.
- The Bangkok Sathorn, a condominium project of the Company, won the Asia Pacific Property Awards in the Residential High-rise Architecture Thailand category (2014-2015).

The Company remains committed to constantly developing products and services to ensure quality products and services which are acceptable and trusted by consumers. We also focus on strictly adhering to good corporate governance principle, corporate social responsibility and the environment.

Finally, I would like to express my sincere gratitude to our customers, shareholders, employees, financial institutions, suppliers and contractors, who have always strongly supported us in our efforts to build warm families and create quality communities and the environment under all Land & Houses projects.

Sincerely



(Anant Asavabhokhin)

Chairman of the Executive Board

# Report of the Chairman of the Audit Committee

Dear Shareholders,

The Audit Committee of Land and Houses Plc. consists of three members. Mr. Prathip Wongnirundis the chairman and Mr. Pakhawat Kovithathanaphong and Mr. Wisanu Subsompon (resigned on July 1, 2014) and Mr. Chadchart Sittipunt (joined the Committee on August 14, 2014) are members. The three members of the Audit Committee are not executives or employees of the Company. In 2014, the Audit Committee met six times as follows:

Name	Attendance/Total Number of Meetings	Appointment Date	Resignation Date
1. Mr. Prathip Wongnirund	6/6		
2. Mr. Pakhawat Kovithathanaphong	6/6		
3. Mr. Chadchart Sittipunt	3/3	14 August 2014	23 December 2014
4. Mr. Wisanu Subsompon	2/2	27 June 2012	1 July 2014

Auditors and the senior vice presidents of the Accounting Department and other departments were invited to join the meetings to discuss related issues. The sixth meeting was held with the auditors without management or other departments as the Audit Committee wanted to learn about work conditions of the auditors and exchange views with them.

**The major activities of the Audit Committee were as follows:**

1. Reviewed the credibility of the Company's quarterly and annual financial statements and expressed opinions on whether they were accurate and whether essential information had been adequately and promptly disclosed according to generally accepted accounting standards and all related regulations.

2. Reviewed and constantly followed up on the internal control and audit systems by asking the auditors and the Company's Internal Audit and System Development Department to report their concerns to the Committee regularly. The objective was to ensure adequate and prompt actions were taken at all times in line with the rapidly changing situation.

Since the Audit Committee did not find any significant internal control flaw and the Internal Audit and System Development Department confirmed it could perform its duties independently, the Committee deemed it appropriate to approve the annual audit plan as proposed by the department.

3. Reviewed and followed up regularly on important legal disputes of the Company by proposing that the Company adhere to lawful guidelines on securities and the stipulations of the Stock Exchange of Thailand and other laws related to the Company's businesses.

The Audit Committee did not find any irregularity which could lead to significant violation of government rules and regulations or related laws.

4. Reviewed the transactions between the Company and connected parties or items with potential conflicts of interest to promote accurate, conclusive and accountable disclosures in which the interests of all stakeholders had been taken into consideration.

The Committee found the Company had completely abided by the rules and these transactions were normal and comparable to those conducted with other operators.

5. Selected auditors based on their independence, reputation and past performances, as well as their remuneration for 2014. The Committee proposed the appointment of auditors from EY Office Limited to the Board of Directors and the Company's shareholders approved it at the 2014 annual general shareholders meeting.

6. Constantly emphasized good corporate governance based on the principles of the Stock Exchange of Thailand and the Securities and Exchange Commission to set higher working standards than normally accepted ones. The Committee also proposed that the Company focus on sustainable development by conducting its business with corporate social responsibility. It also proposed that the Company step up its anti-corruption efforts by declaring its intent and determination to fight all forms of corruption.

7. The Audit Committee performed its duties independently throughout the year and evaluated itself at the end of the year to review comprehensiveness and accuracy within the scope defined in the Audit Committee Charter.

The Audit Committee is hereby of the opinion that the Company operated within the scope of the established good corporate governance principles with no significant flaw in the internal control system and that shareholders' interests were taken into consideration.



(Prathip Wongnirund)

Chairman Audit Committee

February 23, 2014



# Report of the Chairman of the Nomination and Compensation Committee

To Shareholders,

The Nomination and Compensation Committee comprises three directors, two of whom are independent directors and one of whom is executive director. Mr. Pakhawat Kovithvathanaphong was the Chairman of the Nomination and Compensation Committee, Mr. Wisanu Subsompon was member of the Nomination and Compensation Committee (resigned on 1 July 2014), Mr. Chadchart Sittipunt was member of the Nomination and Compensation Committee (appointed on 14 August 2014) and Mr. Adisorn Thanananan-narapool who was member and secretary to the Nomination and Compensation Committee.

In 2014, the Nomination and Compensation Committee held 3 meetings with following attendees:

Name	Attendance / Numbers of meeting	Date of appointment	Date of resignation
1. Mr. Pakhawat Kovithvathanaphong	3/3		
2. Mr. Wisanu Subsompon	1/1	27 June 2012	1 July 2014
3. Mr. Chadchart Sittipunt	1/1	14 Aug 2014	23 Dec 2014
4. Mr. Adisorn Thanananan-narapool	3/3		

The Nomination and Compensation Committee performed their duties as follows:

- 1.To nominate qualified person as the company's directors replacing those who retired by rotation.
- 2.To consider the criteria for bonuses paid to employee.
- 3.To nominate qualified person as the company's directors replacing one who resigned.
- 4.To review salary increase and bonus to Chairman of Executive Committee and present to the Board of Directors.
- 5.To determine and fix remuneration for directors of the company and present to the Board of Directors.



Yours sincerely,

(Mr. Pakhawat Kovithvathanaphong)

Chairman of the Nomination and Compensation Committee

## Report of The Chairman of the Risk Management Committee

Dear Shareholders,

The Risk Management Committee met twice in 2014 to set the guidelines and framework for risk management. The Committee agreed to hire EY Corporate Services Limited (EY) as an adviser to help develop a risk management system for the Company. During the year, EY held trainings on corporate risk management to promote an understanding and awareness of risk management, as well as its principles, for all levels of executives. It also gave advice and planned to issue a riskmanagement handbook to be used as a guideline on operating in line with the risk management process, a key mechanism to monitoring risks. Measures to manage risks at acceptable levels were also put in place so the Company could sustainably achieve its objectives and goals while maximizing the benefits for its shareholders and other stakeholders appropriately.

Sincerely,

A handwritten signature in orange ink, appearing to read 'Wisanu'.

(Wisanu Subsompon)

Chairman, Risk Management Committee

# Revenue Structure

Product		Operated by	% Hold	2014		2013		2012	
				Million Baht	%	Million Baht	%	Million Baht	%
1. Real Estate Business									
Detached houses	The Company		17,891	62.2	17,341	67.4	15,567	63.7	
	Subsidiary : Atlantic Real Estate Co.,Ltd.	100	187	0.6	625	2.4	520	2.1	
	Subsidiary : Land & Houses Northeast Co.,Ltd.	100	8	-	13	-	33	0.2	
	Subsidiary : LH Muang Mai Co.,Ltd.	55	428	1.5	334	1.3	250	1.0	
	Subsidiary : LH Real Estate Co.,Ltd.	100	-	-	-	-	3	-	
	Subsidiary : LH Asset Co.,Ltd.	100	98	0.3	17	0.1	37	0.2	
	Subsidiary : Siam Thanee Property	100	201	0.7	-	-	-	-	
Total revenue from detached house				18,813	65.4	18,330	71.2	16,409	67.2
Townhouses	The Company		801	2.8	1,160	4.5	1,376	5.6	
	Subsidiary : LH Asset Co.,Ltd	100	394	1.4	427	1.7	519	2.1	
	Subsidiary : Land & Houses Northeast Co.,Ltd.	100	478	1.7	141	0.5	-	-	
Total revenue from Townhouses				1,673	5.8	1,728	6.7	1,895	7.7
Condominiums	The Company		5,348	18.6	2,882	11.2	3,957	16.2	
	Subsidiary : LH Asset Co.,Ltd.	100	-	-	-	-	17	0.1	
Total revenue from Condominiums				5,348	18.6	2,882	11.2	3,974	16.3
Land	The Company		158	0.5	-	-	-	-	
	Subsidiary : Land & Houses North Co.,Ltd.	100	-	-	-	-	27	0.1	
	Subsidiary : LH Muang Mai Co.,Ltd.	55	40	0.1	-	-	-	-	
	Subsidiary : LH Asset Co.,Ltd.	100	5	-	-	-	-	-	
Total revenue from Land				203	0.7	-	-	27	0.1
Total revenue from Real Estate Business				26,037	90.5	22,940	89.1	22,305	91.3
2. Rental income									
	Subsidiary : L&H Property Co.,Ltd.	60	2,002	7.0	2,044	7.9	1,797	7.4	
	Subsidiary : Land and Houses U.S.A. Inc.	100	278	0.9	92	0.4	-	-	
Total revenue from Rental income				2,280	7.9	2,136	8.3	1,797	7.4
3. Other income				467	1.6	666	2.6	330	1.3
4. Total revenue (1+2+3)				28,784	100.0	25,742	100.0	24,432	100.0
5. Share of income from investment in associates				2,210	7.7	2,108	8.2	2,282	9.3
6. Gain on sales of assets to REIT									
	Subsidiary : L&H Property Co.,Ltd.		3,148	10.9	-	-	-	-	
Total revenue (4+5+6)				34,142	118.8	27,850	108.2	26,714	109.3

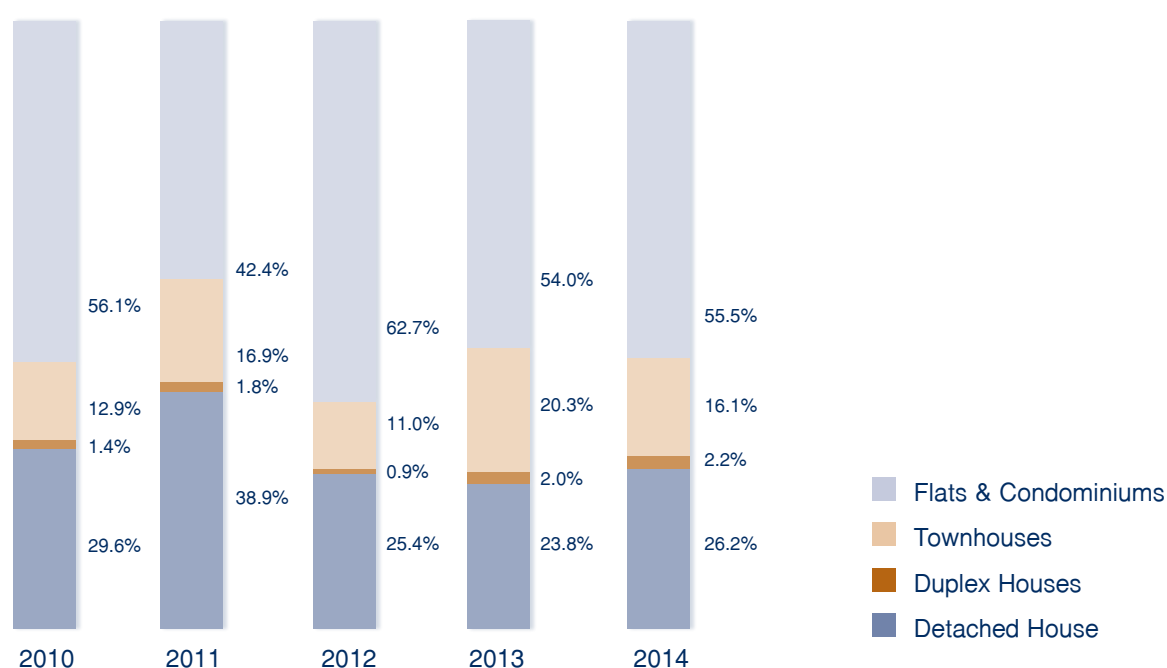
## Number of Housing Registered Units in Greater Bangkok During 2010 -2014

Unit : Unit

Type	2010	2011	2012	2013	2014
<b>Housing Registered by Built Type</b>					
Owner- Built	22,498	20,128	23,437	23,285	24,899
Developer- built	84,395	61,728	101,565	109,017	106,475
<b>Total Housing Registered (Owener &amp; Developer)</b>	<b>106,893</b>	<b>81,856</b>	<b>125,002</b>	<b>132,302</b>	<b>131,374</b>
<b>Classied by Type - Owner built</b>					
Detached House	20,284	17,814	20,858	17,596	21,003
Duplex Houses	154	81	104	131	86
Townhouses	2,060	2,233	2,475	5,558	3,810
Flats & Condominiums	0	0	0	0	0
<b>Total Housing Registered by Owner - built</b>	<b>22,498</b>	<b>20,128</b>	<b>23,437</b>	<b>23,285</b>	<b>24,899</b>
<b>Classified by Type - by Developer built</b>					
Detached House	11,403	13,999	10,887	13,869	13,449
Duplex Houses	1,366	1,381	1,069	2,470	2,776
Townhouses	11,707	11,614	11,218	21,238	17,329
Flats & Condominiums	59,919	34,734	78,391	71,440	72,921
<b>Total Housing Registered by developer built</b>	<b>84,395</b>	<b>61,728</b>	<b>101,565</b>	<b>109,017</b>	<b>106,475</b>

Source : Housing Registered from Government Housing Bank

Greater Bangkok : Bangkok provinces and 5 Perimeter area included.



# Market and Competition

## (a) Policy and marketing

### Competitive strategies

The Company has maintained the pre-built policy in which houses are completed before sales are launched for single houses and townhome projects. For condominiums, it still uses the policy of allowing customers to book units before completing projects to minimize operating risk. This is because a condominium project needs to be completed first before unit ownerships can be transferred. Besides, allowing customers to book units first gives them time to make financial plans. For new projects, both for single houses and townhomes, a pre-booking strategy is used in which customers are allowed to book units 2-3 months before the projects are officially launched. The strategy gives a clear insight into market conditions, which is particularly useful in setting more effective marketing strategies. In any case, before a sale-purchase contract is made with a buyer, every unit is subject to stringent quality control. These strategies have enhanced the Company's competitiveness and bolstered customers' confidence in the Company's products and projects.

To strengthen the position of its products and image, the Company focuses on strategies to enhance the quality of its products, services and employees as part of its core policy. Furthermore, the Company is aware of the importance of adding value to its products and building customer satisfaction. Research has been steadily conducted to innovate in the area of residential living and to meet customer's demands. Innovation has been applied to improving products and services, a sustainable competitive strategy that gives the Company an edge over others players in the industry.

Another key strategy of the Company is to expand the overall market, both by enlarging the customers' base, finding new markets and expanding more to the provinces. Among the key strategies of the Company are:

- The "Breathable House" innovation under the Air Plus, which has already been patented. In the future, the innovation will become a standard of all single-house brands of the Company.
- The new "EASE" condominium brand, which targets on a larger customer base than The Key brand.
- The "Landmark" townhome brand, which combines urban living with residential development that meets the demands of consumers.

Another key factor influencing the implementation of Company's strategies is the increase of personnel's efficiencies. The Company has steadily improved its work systems to be more flexible and speedy, resulting in quicker launches of products that fulfilled customers' demands.

The core marketing strategy of the Company remains the pre-built strategy, as research has found consumers have more confidence when they see real projects, as well as their surroundings, facilities, plots and house plans. The Company has taken care of every detail so that a house is ready to move in. Customers can appreciate for themselves the quality of units and projects. Importantly, ownerships can readily be transferred and customers can move in immediately. To better serve clients, the Company has coordinated with JVK International Movers Co. Ltd, a professional provider of packing and moving services, to help customers move from their old houses to the Company's projects. In the future, the Company also has plans to improve its services under the "Beyond Services" policy.

The pre-built strategy benefits the Company's operations in several ways. It can control costs and increase the efficiency and effectiveness of house quality and project environment. The strategy also gives the Company a price-setting advantage. Since the Company knows the actual costs before the sale, it can set the selling prices that suit market conditions at the time. The strategy also deters new competitors at a time when labor shortages are the industry's major problem like today and in the foreseeable future.

Based on its ongoing study and research, the pre-built strategy has drawn a good response from customers. The Company has segmented the residential property market by brand based on prices and target customer groups. More detail on this can be found in the “Target Customer Groups” item.

Apart from the aforementioned strategies, the Company has relied on marketing mix and segmentation to serve the needs of customers based on the following factors:

1. Location The Company focuses on ideal locations for its projects. They must meet the demands of customers in each segment in terms of commuting convenience, access to utilities and amenities outside projects. In selecting locations, the Company considers spreading projects into all key areas in Bangkok and its vicinities to meet the demand in each area since consumers’ residential needs and structure are geographically and demographically linked. The Company also considers segmentation to increase opportunities and meet the demands of various customers’ groups. In addition, the Company recognizes the importance of selecting locations with high potential. It builds its land bank by purchasing plots with high potential for future development. The practice gives the Company an edge in terms of land costs and high returns, thereby enhancing its competitiveness.

2. House plans or products Given diverse demands of consumers in different segments or brands, the Company regularly conducts studies and research on the behaviors of each group in a proactive, forward-looking manner. The research is done on customers in its existing projects, visitors to its projects, potential homebuyers, as well as buyers of other projects and the findings are used to develop products or meet new demands to maximize customers’ satisfaction. For house plans, new designs have been introduced periodically. The Air Plus innovation also helps differentiates the Company’s products.

3. Product quality The Company has stressed the importance of work standards for home construction and utility systems in its projects. It set construction standards and verification procedures based on clear, systematic criteria, practices and examination for quality products. It has a clear policy in writing that “every house must pass quality control (QC) at a good level before being delivered to the customer.” The standard of quality products starts at the beginning: from checking construction plans, analyzing soil layers and examining the quality of each step of the construction process. Construction materials must also be of good quality. Apart from the construction, the Company recognizes the importance of project environment-from project planning, selection of durable materials for utility systems and facilities and safety for project residents. The Company also makes sure the projects are well maintained by laying the foundation for project management and maintenance of utility systems before delivering them to the juristic persons of the housing estates so they will be good, cozy communities worth living in for years to come.

4. Selling-price setting The pre-built strategy gives the Company a competitive advantage in terms of knowing actual costs before selling projects. This allows it to set the selling prices in line with competition. In setting prices, the Company takes into consideration market conditions in each area at the time. The Company has no policy of setting prices for customers to bargain down since the practice is not fair to customers. Neither has it the policy of setting prices as a cost leader because the Company values quality of products and services. Setting prices in these manners makes it hard to maintain quality.

5. Sale promotion In communicating with the public, the Company stresses access to project details by consumers, especially through the internet, the media most consumers use to search for information on residential units. Its website has been redesigned to be more trendy and easier to use or search for information. The Company also changed the format of the 1198 single-number hotline from a system linking to the projects customers are interested in to the front line management call-center system in which clients can ask for information and make appointments to visit all of its visits. The Company also controls its communications costs, especially for billboards. The decisions on media are handled by Corporate Communication Department, which has expertise in planning advertisements and other forms of communication with consumers.

## Customers and Target Groups

The Company has residential projects spanning different areas in Bangkok and the vicinities, as well as in Chiang Mai, Khon Kaen, Nakhon Ratchasima and Phuket. In 2014, the Company expanded to three more provinces - Samut Songkhram, Udon Thani and Maha Sarakham. The projects in the three provinces are also under the Baan Sabai pre-built concept where customers can readily move in. Thanks to the house quality, project environment and standard checks of its projects, the Company successfully reached the different target customer group of each of its brands and diverse price ranges. The brands under each product category are as follows:

• <b>Single houses</b>		
- Inizio	3.0-4.0	million baht
- Villaggio	3.0-4.0	million baht
- Chonlada, Chaiyapruk, Puklada	3.5-5.0	million baht
- Manthana	5.5-15.0	million baht
- Nantawan	16-30	million baht
- Laddawan	30	million baht or more
• <b>Townhomes</b>		
- Indy	2.0-3.0	million baht
- Villaggio	1.8-2.5	million baht
- Baan Mai	3.0-4.0	million baht
- Terrace	4.0-5.0	million baht
• <b>Condominiums</b>		
- Ease	1.5-2.0	million baht
- The Key	2.5-4.0	million baht
- The Room	6.0-12.0	million baht
- The Bangkok	10.0-25.0	million baht
- Wan Vayla (HuaHin)	5.0-30	million baht

The segmentation strategy has enabled the Company to meet more diverse demands and increased new market opportunities in different customer groups, resulting in higher sale revenue. The Company has expanded its market by targeting new customer groups and launching new projects both in Bangkok and the provinces, especially those with high potential such as Udon Thani and Chiang Rai. In any case, quality continues to be the focus in the new foray.

Besides quality, after-sales services have always been the Company's strength. The Company always takes care of residents in its projects, especially in the areas of safety and living conditions. It facilitates communication by setting up a call center and through the internet. Work plans for utility systems have been put in place and their quality checked before delivery to buyers. It also supervises the establishment of the juristic person of each project.

In managing sales, the Company adopted the concept of customer relationship management (CRM), which gives it insights into real demand of each customer group. Activities are also held regularly with customers. The success of these efforts is reflected by the numbers-almost 30% of the Company's customers are customers in its old projects, or their relatives or friends. The trend bodes well for the Company's operations and helps lower its costs.

### Distribution and distribution channels

The Company sells products through the sales offices at its projects, scattered in key areas across Bangkok and the vicinities. It reaches target customers through advertisements in different media such as TV, print, internet, billboard and direct mail.

To facilitate communication with consumers and analyze their demands, the Company set up an efficient customer relationship management system. Each sales person can access the company's customer database from their notebooks through the internet at any time. E-brochures are also sent to customers by email, which makes its cost in accessing customers lower than other players. Sales staff are also trained regularly so they can effectively present products and meet customers' expectations.

## (b) Industry and competition

### Housing market in 2014

The overall residential market contracted by 0.7% year-on-year in 2014 to 131,374 units based on the number of new housing registrations in Bangkok and the vicinities. Of the new units, 24,899 were self-built units, up 6.9% from the previous year's level, and 106,475 were subdivision units, down 2.3% from 2013.



### Comparative data of newly registered housing units by type from 2010 to 2014

Unit : units

Type	2010	2011	2012	2013	2014	1995*
Self-built	22,498	20,128	23,437	23,285	24,899	32,118
Subdivision	84,395	61,728	101,565	109,017	106,475	146,735
Total	106,893	81,856	125,002	132,302	131,374	178,753
% change	12.5	-23.4	52.7	5.8	-0.7	27.7

Source: Government Housing Bank

Note: \* 1995 is the record year with the highest new registrations since 1987

% change was year-on-year

A breakdown on new subdivision units by type in 2014 reflected the following key changes:

- Single houses totaled 13,449 units, down 3.0% from 13,869 units in 2013.
- Duplexes totaled 2,776 units, up 12.4% from 2,470 units in 2013.
- Townhouses and commercial buildings totaled 17,329 units, down 18.4% from 21,238 units in 2013.
- Condominiums totaled 72,921 units, up 2.1% from 71,440 units in 2013.

### Comparative data of newly registered housing units by type from 2010 to 2014

Unit: units

Type of subdivision	2010	2011	2012	2013	2014	1995**
Single houses	11,403	13,999	10,887	13,869	13,449	20,793
% change	5.0	22.8	-22.2	27.4	-3.0	16.4
Duplexes	1,366	1,381	1,069	2,470	2,776	938
% change	36.6	1.1	-22.6	131.1	12.4	336.3
Townhouses and commercial buildings	11,707	11,614	11,218	21,238	17,329	58,093
% change	19.8	-0.8	-3.4	89.3	-18.4	16.0
Condominiums	59,919	34,734	78,391	71,440	72,921	66,911
% change	11.5	-42.0	125.7	-8.9	2.1	-1.5
Total	84,395	61,728	101,565	109,017	106,475	106,735
% change	12.0	-26.9	64.5	7.3	-2.3	7.8

Source: Government Housing Bank

Note: \*1995 is the record year with the highest new registrations since 1987

% change was year-on-year

Various factors affected the residential market in 2014. Among them were:

- The economy grew by a mere 0.7% (the quarterly growth rates were -0.5%, 0.4%, 0.6% and estimated 2.3% respectively) compared to 2.9% in 2013. Changes in the key economic indices of the National Economic and Social Development Board were as follows :
  - Household consumption expanded by 0.3%.
  - Total investment fell by 2.8%, comprising private investment (-1.9%) and public investment (-6.1%).
  - Exports shrank by 0.3%.
  - Industrial production contracted by 1.1% and capacity utilization was at 60.5% on average.
  - The farm sector expanded by 1.1% but farm prices and farmers' income fell by 6.2% and 5.3% respectively.
  - The construction sector contracted by 3.8%.
  - The hotel and restaurant sector shrank by 2.1%.
- Inflation was at 1.9% in 2014, compared to 2.2% in 2013.
- Interest rates were steady in 2014, with the policy interest rate at 2%. The minimum lending rate (MLR) in the first four months of 2014 was at 6.815% before declining to 6.75% for the rest of the year.
- Overall construction material prices rose minimally in 2014 from the levels in 2013. The overall construction material price index was at 126.6 in 2014 compared to 125.7 in the previous year.
- Land prices jumped sharply, affecting operating costs for new projects and resulting in a decline in the number of project launches.

## 2014 Operating Results

In 2014, the Company's booking sales stood at 31,500 million baht, up 4.3% from the previous year. The details are as follows:

By property type		By price	
Type	Share	Price range	Share
Single houses	60%	Less than 2.0 million baht	3%
Townhouses	5%	2.0-4.0 million baht	13%
Condominiums	35%	4.01-6.0 million baht	24%
		6.01-10.0 million baht	24%
		10.01-25.0 million baht	27%
		25 million baht or more	9%
Total	100%		100%
Bangkok and vicinities	90%		
Provinces	10%		

At the beginning of 2014, the Company had 64 projects. Of the total, 42 were in Bangkok and the vicinities and 22 projects were in the provinces. During the year, 21 more projects were launched, bringing the total number of operating projects in 2014 to 85.

The 21 projects launched in 2014 were valued at 41,300 million baht. The details are:

- Single houses 15 projects
- Townhomes 2 projects
- Condominiums 4 projects

#### Operating projects in 2014-15

January 1	2014	2015*e
Total number of projects	64	67
- Bangkok and its vicinities	42	43
- Provinces	22	24
New project launched during the year/(provinces)	21/(4)	17/(5)
Project value (million baht)	41,300	37,000
Total operating projects	85	84
Booking (million baht)	31,215	34,000

The market share by property type of the Company in Bangkok and the vicinities based on the accumulated total from January to December 2014 is as follows:

- Single house market 17.4%
- Townhouse market 3.6%
- Condominium market 1.5%

### Residential market outlook in 2015

The overall subdivision housing market is unlikely to change much from 2014, with new registrations projected at 104,000 units, down 2.3%. The factors influencing the housing market in 2015 are:

- The Thai economy is forecast to grow by 3.5-4.5%, according to the National Economic and Social Development Board, supported by
  - The slow recovery of the export sector in line with the world economic recovery
  - The recovery of private investment and the tourism sector
  - The acceleration of public spending and investment projects by the government
  - The resumption of growth in automobile production and sales
  - Declining world oil prices

However, Thailand's economic expansion will be restricted by the following factors:

- The expansion of the agricultural sector is limited by world prices, which have yet to show clear signs of recovery.
- The world economy and financial institutions will likely continue to be volatile.
- The currencies of trading partners and competitors will likely be weaker while real interest rates are higher,
- Consumers' confidence in their future incomes declines and private consumption will likely increase slightly by 2.9%.

- Interest rates may rise by 0.25 percentage points, depending on whether the policy interest rate will remain at 2%. The Monetary Policy Committee may keep the rate at 2%, a level it feels is suitable to promote growth.
- Inflation will likely slow to between 0% and 1%.
- Oil prices at low levels will keep inflation low.
- Construction material prices will likely remain steady. Some items may even be cheaper such as steel and steel products.
- Land prices will continue to increase on the back of government infrastructure investment and residential market expansion, especially condominiums, of which developers are willing to pay a premium for prime plots.
- Commercial banks are strict in considering pre-finance and post-finance loans.

## Work plans for 2015

At the beginning of 2015, the Company had 67 projects. Of the total, 43 were in Bangkok and the vicinities and 24 projects were in the provinces. During the year, the Company plans to launch 17 projects, worth 37,000 million baht in total. Of the new projects, 12 will be in Bangkok and the vicinities and 5 in the provinces.

The 17 projects planned for 2015 divided by type are:

- Single houses 12 projects
- Townhomes 2 projects
- Condominiums 3 projects

The total number of operating projects in 2018 will therefore stand at 84.

Booking proportion of projects in 2015

By type		By price	
Type	Share	Price range	Share
Single houses	65%	Less than 2 million baht	1%
Townhouses	5%	2.01-4.0 million baht	17%
Condominiums	30%	4.01-6.0 million baht	29%
		6.01-10.0 million baht	20%
Total	100%	10.01-25.0 million baht	23%
Bangkok and vicinities	85%	More than 25.0 million baht	10%
Provinces	15%	Total	100%

*Note: % share is calculated from project value*

The Company has set a booking target of 34,000 million baht, up 8.0% from the total booking in 2014. The average price per unit is 6.2 million baht, compared to 6.3 million baht in the previous year.

A breakdown of the projected booking value for 2015 is as follows:

- Single houses 65%
- Townhouses 5%
- Condominiums 30% (Details are in the previous chart)

## Procurement of products or services

### (a) Product procurement

#### 1) Design

In designing products, the Company focuses on studying consumers' behaviors so it knows and understands the needs and daily lifestyles of clients and their family members. The insights are then used in designing residential units that meet the demands of customers and their family members. In designing for mass production, a model is required so the best possible product reaches customers with the fewest flaws. Furthermore, the Company conducts surveys on customers' opinions after the model is completed. In designing products, the Company uses an offensive, proactive approach in which houses are designed in advance and ready to use whenever the need arises. The designs are revised after they have been used for a while or their construction has reached predetermined levels for novelty and suitability for the changing times. In addition to house plans, the Company takes into consideration project ambience, facilities, clubs and gardens in common areas, as well as the atmosphere in front of projects when designing products. This has become one of the Company's strengths-one that is evident to customers when they compare them to other projects in the markets.

#### 2) Production and procurement

##### Production and production policy

The Company has a policy to produce and increase its capacity to build residential units for sale in line with customers' demands. When demand is high, the Company can raise its production capacity by hiring more contractors to match the increasing demand.

The Company also has a policy to control the quality of its contractors so that construction meets its standards through the following measures:

1. The Company has set the standards for the construction work carried out by contractors, as well as the materials they use.
2. The Company holds trainings on the construction methods that meet its standards for contractors.
3. The Company assigns a supervisor for each project to control and check the construction work carried out by contractors.
4. The Company controls construction quality by sending engineers from its head office to check whether the construction quality meets the set standards.

##### Materials procurement

In the residential property industry, the key supplies are land and construction materials. In sourcing the supplies, the Company has the following guidelines:

1. For land purchases, the Company has a policy to find plots with potential that can be readily developed. It uses 3 methods when buying land:
  1. Publish advertisements to buy land in various forms of media
  2. Contact brokers
  3. Send its team to buy land
2. For construction materials, it uses two methods:
  1. Buy some types of materials by itself such as steel rods and sanitary ware
  2. Have its contractors buy them

The Company also has a good relationship with its materials suppliers since it places orders regularly. This has enabled the Company to get the materials in required quantities and does not have materials shortage problems. Most of the materials are sourced locally and so far the Company has not bought materials from any supplier in quantities more than 30% of its total purchases. Key construction materials are cement, steel and other materials. In 2014, the overall materials prices rose marginally by 1% on average.

#### **Environmental impact**

The construction of residential units and utility systems at the Company's projects may affect the environment in some ways. Drainage by residents of the projects may pollute public waterways if the treatment systems are not good enough. However, the Company has installed a water treatment system at each of its house so waste water is treated before it is drained into pits. An inspection is also conducted to ensure drained water meets the legal standards before it is drained into public waterways to prevent polluting the environment. So far, the Company has never had problems about the environment.

#### **Work pending delivery**

As of December 31, 2014, the Company had house and condominium units pending delivery as follows:

Type	Number of projects	Value (million baht)
Condominiums	18	18,783
Single houses and townhouses	47	1,252
<b>Total</b>	<b>65</b>	<b>20,035</b>

## Investment in Subsidiaries and Associates

COMPANY	PAID UP CAPITAL (MIL BHT.)	HOLDING SHARES	PAR VALUE	% HOLD DIRECT AND INDIRECT
<b>INVESTMENT IN RELATED PARTIES</b>				
<b>LISTED COMPANY</b>				
1 LAND AND HOUSES FREEHOLD AND LEASEHOLD PROPERTY FUND	3,300	49,500,000	10	15.00
2 QUALITY CONSTRUCTION PRODUCTS PLC.	400	84,627,680	1	21.16
3 QUALITY HOUSES PLC.	9,184	2,293,667,658	1	24.98
4 HOME PRODUCT CENTER PLC.	12,329	3,727,386,030	1	30.23
5 LH FINANCIAL GROUP PLC.	13,199	4,485,253,517	1	33.98
<b>NON-LISTED COMPANY</b>				
1 LAND AND HOUSES PROPERTY FUND. 1	40	2,013,462	10	49.94
2 LAND AND HOUSES PROPERTY FUND. 2	1,569	78,412,634	10	49.99
3 L H MUANG MAI CO.,LTD.	900	49,499,995	10	55.00
4 L&H PROPERTY CO.,LTD.	2,450	14,699,994	100	60.00
5 ASIA ASSET ADVISORY CO.,LTD.	5	499,994	10	99.99
6 ATLANTIC REAL ESTATE CO.,LTD.	15	149,979	100	99.99
7 LAND AND HOUSES NORTH CO.,LTD.	14	134,998	100	99.99
8 PACIFIC REAL ESTATE CO.,LTD.	620	6,199,995	100	99.99
9 SIAM TANEE PROPERTY CO.,LTD.	100	999,994	100	99.99
10 L H ASSET CO.,LTD.	100	999,994	100	99.99
11 L H REAL ESTATE CO.,LTD.	58	579,994	100	99.99
12 LAND AND HOUSES NORTH-EAST CO.,LTD.	150	1,499,994	100	99.99
13 LAND AND HOUSES U.S.A., INC. (USD)	20	20,000,000	1	100.00
<b>Holding by SIAM TANEE PROPERTY CO.,LTD.</b>				
1 SIAM TANEE REALESTATE CO.,LTD.	175	1,749,994	100	99.99
<b>Holding by LH MUANG MAI CO.,LTD.</b>				
1 PHUKET FUTURE PLAN CO.,LTD.	210	2,099,994	100	55.00
2 DOUBLE THREE CO.,LTD.	190	1,899,994	100	55.00
<b>Holding by L&amp;H PROPERTY CO.,LTD.</b>				
1 L&H SATHON CO.,LTD.	268	2,679,994	100	60.00
2 L&H RETAIL MANAGEMENT CO.,LTD.	0.10	9,995	10	60.00
3 L&H HOTEL MANAGEMENT CO.,LTD.	0.10	9,997	10	60.00
4 L&H MANAGEMENT CO., LTD.	0.10	9,993	10	60.00
<b>Holding by LH FINANCIAL GROUP PLC.</b>				
1 LAND AND HOUSES BANK PLC.	13,000	1,299,999,900	10	33.98
2 LAND AND HOUSES FUND MANAGEMENT CO.,LTD.	300	2,999,995	100	33.98
3 LAND AND HOUSES SECURITIES PLC.	637	635,900,646	1	33.98

	COMPANY NAME	ADDRESS	TEL. NO.	FAX. NO.	TYPE OF BUSINESS	AUTHORIZED SHARE CAPITAL	% Hold Direct and Indirect
1.	LAND AND HOUSES FREEHOLD AND LEASEHOLD PROPERTY FUND	14 <sup>th</sup> Floor Q.House Sathon Building, 11 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.lhpf-pf.com	(66) 2286 3484 (66) 2679 2155	(66) 2286 3585	PROPERTY FUND	330 million units OF Baht 10 each	15.00
2.	QUALITY CONSTRUCTION PRODUCTS PLC.	144 Moo 16 Bangpa-in Industrial Estate Udomsorayuth Rd., Bangkrason Bangpa-in, Ayutthaya Thailand 13160. Website : qcon.co.th	(66-35) 221-271	(66-35) 221-270	BUILDING MATERIAL	400 Common million shares OF Baht 1 each	21.16
3.	QUALITY HOUSE PLC.	7 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.qh.co.th	(66) 2677 7000	(66) 2677 7005	PROPERTY DEVELOPMENT	9,183.7 Common million shares OF Baht 1 each	24.98
4.	HOME PRODUCT CENTER PLC.	96/27 Moo 9 Bangkhen Amphoe Muang Nonthaburi Thailand 11000 Website : homepro.co.th	(66) 2832 1000	(66) 2832 1400	TRADING OF CONSTRUCTION MATERIAL	12,329.3 Common million shares OF Baht 1 each	30.23
5.	LH FINANCIAL GROUP PLC.	5 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : lhfg.co.th	(66) 2359 0000	(66) 2677 7223	FINANCIAL BUSINESS	13,198.7 Common million shares OF Baht 1 each	33.98
6.	LAND AND HOUSES PROPERTY FUND 1	16 <sup>th</sup> Sathorn Thani Bldg.1, 90/42-43 North Sathorn Rd., Silom, Bangrak, Bangkok Thailand 10500.	(66) 2636 8248	(66) 2636 6482	PROPERTY FUND	4 million units OF Baht 10 each	49.94
7.	LAND AND HOUSES PROPERTY FUND 2	130-132 Wireless Road, 15 <sup>th</sup> , 17 <sup>th</sup> Floor Sindhorn Building Tower III, Bangkok Thailand 10330	(66) 2688 7777	(66) 2688 7700	PROPERTY FUND	156.9 million units OF Baht 10 each	49.99
8.	L H MUANG MAI CO.,LTD.	9/9 Moo 6 Thepkrasadtrees Tumbonratsada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-3	(66-76) 381-112	PROPERTY DEVELOPMENT	90 Common million shares OF Baht 10 each	55.00
9.	L&H PROPERTY CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8899	(66) 2343 8890	PROPERTY DEVELOPMENT	24.5 Common million shares OF Baht 100 each	60.00
10.	ASIA ASSET ADVISORY CO.,LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8899	(66) 2343 8890	INVESTMENT ADVISOR	0.5 Common million shares OF Baht 10 each	99.99
11.	ATLANTIC REAL ESTATE CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8900	(66) 2230 8131	PROPERTY DEVELOPMENT	0.15 Common million shares OF Baht 100 each	99.99
12.	LAND AND HOUSES NORTH CO.,LTD.	319 Moo 4 ThumbonnongJom Aumphoesansang Chiang Mai Thailand 50210	(66-53) 498-911-3	(66-53) 354-349 (66-53) 111-111	PROPERTY DEVELOPMENT	0.14 Common million shares OF Baht 100 each	99.99
13.	PACIFIC REAL ESTATE CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8900	(66) 2230 8131	PROPERTY DEVELOPMENT	0.62 Common million shares OF Baht 100 each	99.99
14.	SIAM TANEE PROPERTY CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8900	(66) 2230 8131	PROPERTY DEVELOPMENT	1 Common million shares OF Baht 100 each	99.99



	COMPANY NAME	ADDRESS	TEL. NO.	FAX. NO.	TYPE OF BUSINESS	AUTHORIZED SHARE CAPITAL	% Hold Direct and Indirect
15.	L H ASSET CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8900	(66) 2230 8131	PROPERTY DEVELOPMENT	1 Common million shares OF Baht 100 each	99.99
16.	L H REAL ESTATE CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8900	(66) 2230 8131	PROPERTY DEVELOPMENT	0.58 Common million shares OF Baht 100 each	99.99
17.	LAND AND HOUSES NORTH-EAST CO.,LTD.	114/39 Ratchasima-Pakthongchai Road Tumbonhnongjabok Aumphoemuang Nakhonratchasima Thailand 30000	(66-44) 465-294 (66-43) 258-282-3	(66-44) 349-344-5 (66-43) 258-282-3	PROPERTY DEVELOPMENT	1.5 Common million shares OF Baht 100 each	99.99
18.	LAND AND HOUSES U.S.A., INC.	17485 Monterey Road Suite 308 Morgan Hill, CA 95037 USA	408 796 7337		PROPERTY INVESTMENT	20 Common million shares OF USD 1 each	100.00
19.	SIAM TANEER REAL ESTATE CO.,LTD.	37-38 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8900	(66) 2230 8131	PROPERTY DEVELOPMENT	4.75 Common million shares OF Baht 100 each	100.00
20.	PHUKET FUTHER PLAN CO.,LTD.	9/17 Moo 6 Thepkrasadtrees Tumbonratsada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	2.1 Common million shares OF Baht 100 each	55.00
21.	DOUBLE THREE CO.,LTD.	9/17 Moo 6 Thepkrasadtrees Tumbonratsada Aumphoemuang Phuket Thailand 83000	(66-76) 381-150-2	(66-76) 381-111	PROPERTY DEVELOPMENT	1.9 Common million shares OF Baht 100 each	55.00
22.	L&H SATHON CO., LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8899	(66) 2343 8890	PROPERTY DEVELOPMENT	2.68 Common million shares OF Baht 100 each	60.00
23.	L & H RETAIL MANAGEMENT CO.,LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8899	(66) 2343 8890	RETAIL	9,995 Common shares OF Baht 10 each	60.00
24.	L & H HOTEL MANAGEMENT CO.,LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8899	(66) 2343 8890	HOTEL	9,997 Common shares OF Baht 10 each	60.00
25.	L & H MANAGEMENT CO.,LTD.	15 <sup>th</sup> Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	(66) 2343 8899	(66) 2343 8890	PROPERTY DEVELOPMENT	10,000 Common shares OF Baht 10 each	60.00
26.	LAND AND HOUSES BANK PLC.	G, 1 <sup>st</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> Floor Q.House Lumpini Bldg.,No. 1 South Satorn Road, Tungmahamek, Satorn, Bangkok Thailand 10120 Website : www.lhbank.co.th	(66) 2359 0000	(66) 2677 7223	BANK	13,000 Common million shares OF Baht 10 each	33.98
27.	LAND AND HOUSES FUND MANAGEMENT CO.,LTD.	14 <sup>th</sup> Floor Q.House Sathon Building, 11 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.lhfund.co.th	(66) 2286 3484 (66) 2679 2155	(66) 2286 3585	MANAGEMENT FUND	3 Common million shares OF Baht 100 each	33.98
28.	LAND AND HOUSES SECURITIES PLC.	14 <sup>th</sup> Floor Q.House Sathon Building, 11 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.lhfund.co.th	(66) 2286 3484 (66) 2679 2155	(66) 2286 3585	MANAGEMENT FUND	637.2 Common million shares OF Baht 1 each	33.98

# Risk Factors

## 1. Operating risks

### Risk incurred by pre-built construction

The Company and its subsidiaries operate real-estate development businesses, with house construction for sale being their core business. In 2000, the Company shifted its policy from built-to-order houses to pre-built houses. Pre-built houses gradually represented a larger portion in 2001 and 2002, and since 2003 it has operated the business of developing pre-built houses for sale. The only exception is the residential condominiums and townhouses under the Indy brand, of which policy the Company changed in September 2010 from developing pre-built units to selling before building them. The shift in policy from built-to-order to pre-built houses and condominiums has called for higher construction budgets since the Company no longer received advance payments from its customers, which could be used as revolving funds during construction periods. Other factors that may potentially affect home-buying decisions in the future include: (1) higher prices of residential units in line with rising construction material costs; and (2) the slower pace of economic growth. These factors may affect the purchasing power and home-buying decisions of the Company's target customer groups (details 2 Item on Market Outlook and Competition). The Company is therefore exposed to the risk of not being able to sell all the residential units after they have been completed, resulting in a high level of inventory cost and eventually affecting its liquidity and profitability. However, the Company expects to sell all pre-built houses and avoid a heavy inventory burden due to the following reasons:

(1) The Company has studied consumer behaviors by conducting surveys on visitors of its housing projects in such areas as budgets, land-plot sizes and house plans, etc. Besides, sales statistics of old projects have been taken into consideration in analyzing customers' demand. These precautions have enabled the Company to construct pre-built houses that sell.

(2) Most customers today prefer pre-built houses, as they are confident the units will be handed over to them by contractual schedules. During the financial crisis of 1997-1998, many operators could not build houses and deliver them to customers by contractual terms.

(3) As a major property developer with a strong presence in the market for more than 20 years, the Company has an advantage in terms of both marketing information and an insight into the demand of its target customer groups. Therefore, it is able to develop residential units that meet the demand of customers, resulting in the residential projects developed under the Land & Houses brand being widely accepted among the target customer groups in terms of both quality and locations.

(4) While there exist today risk factors influencing homebuyers' decisions, demand for quality residential units among the Company's target customer groups remains steady since they expect good after-sales services.

## 2. Production risks

(1) Risk incurred by shortages of construction materials and labor, and higher construction-material costs

A steadily increasing supply of new projects in the market today has spurred higher demand for construction materials and labor. The higher demand could lead to shortages in construction materials and workers and result in higher construction-material costs. The overall construction-material price index rose by 0.7% on average in 2014 from 2013. The construction-material and labor shortages could aggravate and the construction costs could be higher in the future due to an increase in construction work. Under such a scenario, the Company's project-development time could be longer and its construction cost higher, eventually affecting its liquidity and profitability.

However, as of December 31, 2014, the Company and its subsidiaries had 64 ongoing projects, giving them relatively high bargaining power when dealing with contractors and construction-material suppliers. Furthermore, the shift in policy to building houses and residential condominiums before selling them instead of after the customers made reservations (except for condominiums and townhouses under the Indy brand which the Company has allowed the customers to book units before construction since September 2010) has enabled the Company and its contractors to plan the construction and place material orders in advance. This strategy has helped prevent a construction-material shortage and given the Company a better control of its construction cost and development time.

**(2) Risk incurred by floods**

In the fourth quarter of 2011, massive flooding swept through Thailand including Bangkok and its vicinities, affecting residents in the areas and causing damage of unprecedented scale. The Company did not take it for granted and assisted the residents of its projects, both those whose ownerships had already been transferred to their juristic persons and those which had not. It helped provide sandbags to block floodwaters and water pumps to drain water out of the projects. For the projects where water reached house floors, the Company found temporary living units for the customers. It also procured food, drinking water and other necessities for customers at projects where commuting was difficult throughout the difficult period. The floods might affect the Company's future sales because houses in flood zones might be more difficult to sell. To reduce the risk from flooding, the Company revised its policy to avoid concentrating its land plot purchases in certain locations in the future. In developing new project, the Company will take into consideration the elevation levels of the plots and fill them appropriately. It will also increase the proportion of condominium development in the future.

### **3. Financial risks**

**(1) Risk incurred by the impairment of long-term investments**

As of December 31, 2014, long-term investments of the Company and its subsidiaries totaled 5,380.5 million baht, representing 6.2% of total assets (Details in Item 14 of the Analysis and Explanations of Management). Most of them were in equity securities. Among the major items are: (1) 4,139.2 million baht in Starmall Inc. in the Philippines; (2) 423.2 million baht in Land and Houses Property Fund; (3) 270.6 million baht in Quality Houses Property Fund; and (4) 178.2 million baht in Bangkok Mass Transit System Plc. (5) 443.7 million baht in Right of Real Estate Investment Trust Terminal 21 Shopping Mall. The Company is therefore exposed to the risk incurred by the impairment of these investments.

When investing in equity securities, the Company focuses primarily on real-estate businesses and those related to its core business, as well as on interesting businesses which it deems having potential to generate appropriate returns. A decision to do so is subjected to the scrutiny of the Board of Directors.

For investments in long-term equity securities, the Company set aside investment impairment allowances of 100.5 million baht under the unrealized profit (loss) from investments in other companies in the balance sheets.

**(2) Risk incurred by lending to subsidiaries**

As of December 31, 2014, the Company extended short-term loans to 2 of its subsidiaries. The principal and outstanding interest of these loans totaled 242.5 million baht. They were in the form of unsecured promissory notes payable at call, the details of which are as follows:

Subsidiary	% of shares held by the Company	Loan extended to subsidiaries (million baht)	Interest rate (%)
Land & Houses Northeast Co. Ltd.	99.99	131.6	5.0
LH Muang Mai Co., Ltd.	55.00	104.1	5.5
<b>Total</b>		<b>242.5</b>	

Long-term loans to subsidiaries As of December 31, 2014, the Company had extended a long-term loan with outstanding principal and interest as follows:

Subsidiary	% of shares held by the Company	Loan extended to subsidiaries (million baht)	Interest rate (%)
Land and Houses U.S.A. Inc.	100.00	3,186.9	4.0

As of December 31, 2014, the Company had an outstanding long-term loan extended to Land and Houses U.S.A. Inc. (LH USA), one of its 100% owned subsidiaries. It lent US\$ 95.8 million at a 4% annual interest rate, due to be repaid on December 7, 2017. The outstanding amount as of December 31, 2014 was 3,172.2 million baht.

The Company is therefore exposed to the risk of debt defaults by its subsidiaries. The subsidiaries have invested in the following properties:

LH USA borrowed from the Company to buy two apartments for rent in California, which will generate a long-term return for the Company in future.

LH Muang Mai Co., Ltd. (LHM), which owed the Company 104.1 million baht, has operational projects in Phuket. It also launched another project, which, when sold, will enable it to repay the loan to the Company.

Land & Houses Northeast Co., Ltd. (LHNE), which owed an outstanding 131.6 million baht to the Company, launched one project in 2013 and another in 2014. LHNE also has sufficient cash flow to repay the Company.

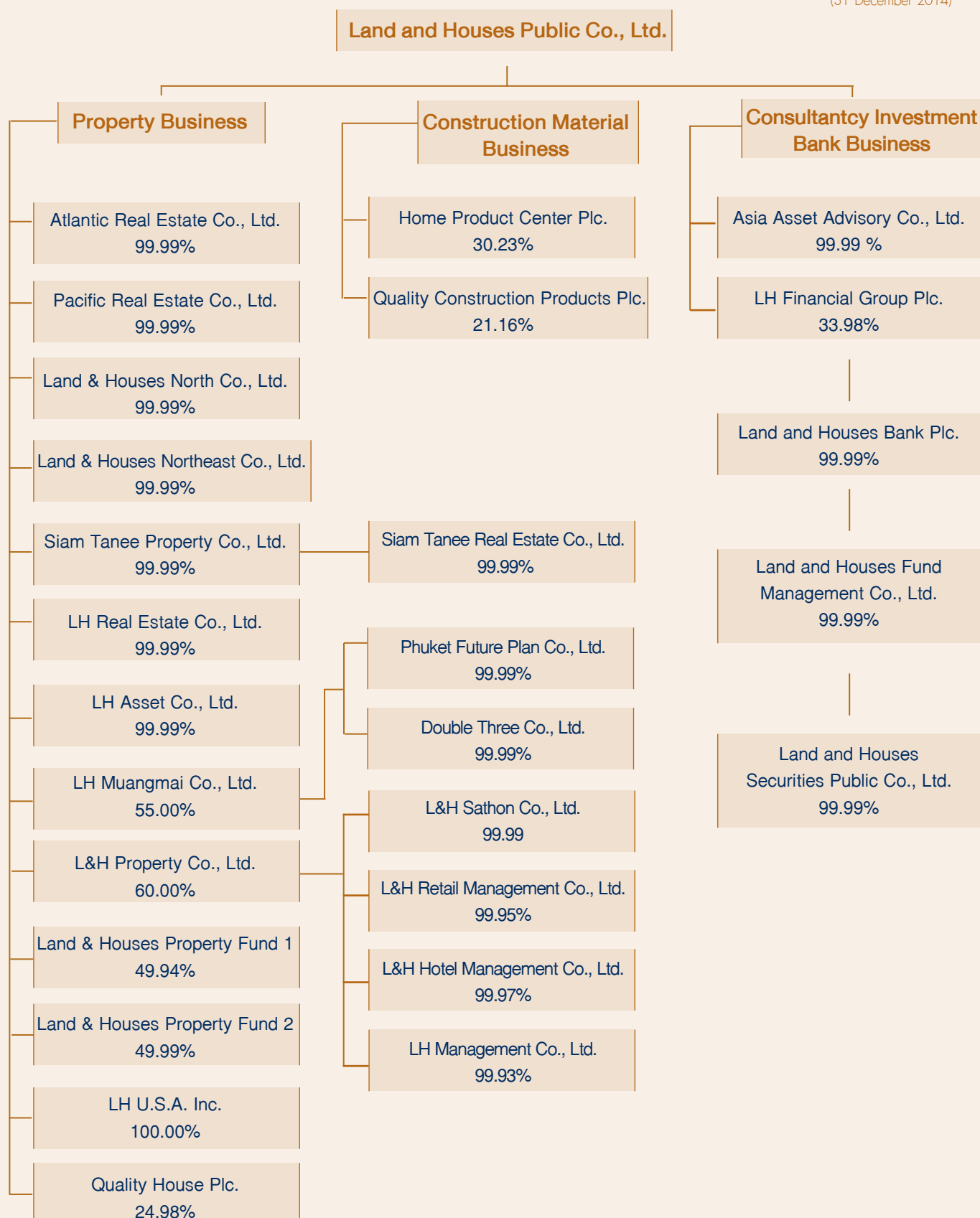
Besides, the Company has a policy to keep a close watch on the operations of its subsidiaries by sending its representatives to sit on their boards to take part in determining their policies and closely monitor their operations, including prompt repayments of debts and interest owed to the Company. As a result, the Company believes the subsidiaries are unlikely to face any problem repaying their debts owed to the Company and has not allocated an allowance for doubtful accounts for the amount lent to its subsidiaries.

### (3) Risk incurred by lawsuits

As of Dec 31, 2014, the major lawsuits faced by the Company were those in which the juristic persons of two subdivision villages sued it for failing to inform them of the servitude rights of access to main roads, demanding damages totaling 1,212.3 million baht. The Company estimated losses in the form of damages if it loses the case at 179 million baht. In the other case, residents of a housing estate filed a lawsuit against the Company involving the construction of a kindergarten, demanding damages totaling 492.1 million baht. The Company estimated the damages of 125.1 million baht if it loses the case. All in all, the maximum damages the Company may have to pay were 1,704.4 million baht, affecting its net profit. In any case, the Company believes the estimates are sufficient. Both cases are now in the Supreme Court.

# Overall Picture Of Businesses Of The Company And Its Subsidiaries And Associates

(31 December 2014)



## Policy and Overall Business

### 1. Vision, objectives or strategies

The Company has set an objective to retain its leadership in Thailand's property development industry by focusing on the development of quality residential units in the forms of detached houses, townhouses and condominiums to be sold to its target customer groups in different price ranges to match their varying demands.

### 2. Key changes and developments

Land & Houses Plc. was set up on August 30, 1983 to conduct property development business with initial registered capital of 5 million baht. The majority shareholders during the inception were Mr. Anant Asavabhokhin and Ms. Piangjai Harnpanij. The Company was approved to list on the Stock Exchange of Thailand on February 17, 1989 and became a listed company on April 1, 1991.

From 1998 to 1999, the Company faced financial problems in the wake of Thailand's financial crisis and the flotation of foreign exchange rates. It completed debt restructuring in 1999 through a capital increase among existing shareholders and a new majority shareholder, Government of Singapore Investment Corporation (GIC). As of the latest register-book closing date on August 29, 2013, the Asavabhokhin family remained the largest shareholder group, with 28.32% of all shares, while GIC controlled 14.96%.

From 2010 to the latest register-book closing date on September 1, 2014, there were key changes and developments in the shareholding structure and capital as follows:

Shareholder	Shareholding (%)				
	August 2010	August 2011	November 2012	August 2013	September 1, 2014
1. Mr. Anant Asavabhokhin's group					
1.1 Mr. Anant Asavabhokhin	23.76	23.76	23.76	23.76	22.07
1.2 Mayland Co., Ltd.*	5.62	5.62	5.62	5.62	5.22
1.3 Ms. Piangjai Harnpanij**	1.36	1.14	1.14	1.14	1.03
<b>Total: Mr. Anant's group</b>	<b>30.74</b>	<b>30.52</b>	<b>30.52</b>	<b>30.52</b>	<b>28.32</b>
2. GIC Private Limited C.	16.33	16.27	16.01	16.12	14.96
3. Others	52.93	52.93	53.47	53.36	56.72
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Paid-up capital (million baht)</b>	<b>10,025.90</b>	<b>10,025.90</b>	<b>10,025.90</b>	<b>10,025.90</b>	<b>10,798.20</b>

Notes: \* The company is 100% owned by Mr. Achanan Asavabhokhin, Mr. Anant's son, and related companies.

\*\* Mr. Anant Asavabhokhin's mother

### 3. Shareholding structure of the group

The Company directly holds shares in 11 subsidiaries. It also holds shares in 6 other subsidiaries through its subsidiaries (see chart “Shareholding structure in subsidiaries and associated companies” 3). They all operate property development businesses. In developing property projects, the Company and its subsidiaries develop residential projects for sale, ranging from detached houses and townhouses to condominiums. They focus primarily on developing projects in Bangkok and its perimeter, and in large cities; namely, Chiang Mai, Chiang Rai, Nakhon Ratchasima, Khon Kaen, Maha Sarakham, UdonThani, Prachuap Khiri Khan and Phuket. In 2000, the Company adopted a pre-built strategy, which has drawn a good response from its customers.

#### The Company has 6 associated companies:

(1) Three of its associated companies operate property development businesses. They are Land & Houses Property Fund 1, Land & Houses Property Fund 2 and Quality Houses Plc.

(2) Two of its associated companies operate businesses related to property development. They are Quality Construction Products Plc., which produces and distributes autoclaved aerated concrete used in construction, and Home Product Center Plc., which operates a retail business.

(3) One of its associated companies engages in other businesses. LH Financial Group Plc is a holding company with subsidiaries that operate commercial banking and asset management businesses.

#### Policy on separating the operations of the Company and its subsidiaries and associated companies

The Company has a clear policy of separating the operations of the companies within its group as follows:

(1) The Company, its 10 subsidiaries and three of its associated companies operate property businesses.

(2) Two of its associated companies operate businesses related to property development such as the production and retailing of construction materials.

(3) One of its subsidiaries and one of its associated companies engage in interesting businesses with potential to yield appropriate returns. They are investment consultancy services and a holding company whose subsidiaries operate a commercial bank and an asset management company.

#### Legal disputes

As of December 31, 2014, the Company and its subsidiaries did not have legal disputes in cases which might have a negative impact on the assets of the Company and its subsidiaries in an amount exceeding 5% of shareholders' equity

# Equities and Shareholders

## 1. Registered and Paid-up Capital

### 1.1 Registered and Paid-up Capital

(1) As of January 30, 2015, the Company had registered capital of 12,031,105,282 baht, of which 10,996,212,032 baht was paid up, divided into 10,996,212,032 ordinary shares with a par value of one baht each.

According to Thai NVDR Co. Ltd.'s data, 2,204,908,813 of the Company's ordinary shares were held by investors investing through non-voting depository receipts (NVDRs) as of January 29, 2015, representing 20.05% of all 10,996,212,032 paid-up shares as of January 30, 2015. Since such shares are not entitled to a voting right (except for a decision to delist the stock), the holders of non-NVDR shares have 25.07% more of the voting right. As a result, holders of only 19.98% of the paid-up ordinary shares will have a voting right equal to 25% of all voting shares. Investors can check the latest number of shares held through NVDR at the Stock Exchange of Thailand's website at [www.set.or.th](http://www.set.or.th)

(2) Other types of shares

-None-

### 1.2 Warrants

The details of warrants that can be exercised to buy the Company's ordinary shares as of December 31, 2014 are as follows:

Name:	Warrants to Purchase the Newly Issued Ordinary Shares of Land and Houses Public Company Limited No. 3 (LH-W3)
Issue date:	May 6, 2014
Allocated to:	Existing shareholders whose names were on the May 6, 2014 register book closing date at the ratio of 5 existing shares for 1 warrant
Offer price:	-0- baht
Exercise ratio:	3.50 baht
Conditions:	The right can be exercised on the last working day of March, June, September and December throughout the term of the warrants. The last exercise date is May 4, 2017
Maturity:	3 years
Number:	1,998,184,856 units
Number of underlying ordinary shares:	2,005,184,305 shares
Maturity Date:	May 4, 2017
Outstanding Number:	1,027,894,347 units
Outstanding number of underlying ordinary shares:	1,034,893,796



## 2. Shareholders

On the latest register book-closing date on September 1, 2014, the 10 largest shareholders of the Company are:

Rank	Individual/Juristic person	Number of shares held	Percentage of all sold shares
1.	Mr. Anant Asavabhokhin*	2,382,639,623	22.07
2.	Thai NVDR Co., Ltd.	2,172,765,704	20.12
3.	GIC Private Limited C.	1,615,220,760	14.96
4.	Mayland Co., Ltd.*	563,574,391	5.22
5.	Chase Nominees Limited 42**	483,159,325	4.47
6.	Social Security Office (two instances)	265,398,500	2.46
7.	State Street Bank and Trust Company	189,698,442	1.76
8.	State Street Bank Europe Limited	178,198,361	1.65
9.	Krungsri Dividend Stock LTF Fund	149,879,880	1.39
10.	The Bank of New York Mellon	128,327,519	1.19
	Total	8,128,862,505	75.29

Notes: \* The shareholders under Mr. Anant Asavabhokhin's group held a combined 28.32%.

\*\*The nominee entities were not related as defined under Section 258 to the shareholders under Mr. Anant Asavabhokhin's group and/or directors or executives of the Company, including their shares held through NVDR.

## 3. Other securities

### Debentures

The Company had outstanding senior unsecured debentures worth 25,100 million baht as of December 31, 2014:

Debentures	Amount (million baht)	Coupon rate per year	Maturity/Due Date
Series 1/2009	2,000	4.5%, paid every 3 months	5 years and 5 months /June 19, 2015
Series 1/2012	3,100	3.99%, paid every 6 months	3 years and 1 month /March 30, 2015
Series 2/2012	2,500	4.10%, paid every 6 months	3 years /September 30, 2015
Series 1/2013	3,500	3.59%, paid every 6 months	3 years /March 31, 2016
Series 2/2013	3,500	4.03%, paid every 6 months	3 years /September 30, 2016
Series 1/2014	500	3.63%, paid every 6 months	3 years /February 27, 2017
Series 2/2014	3,500	3.59%, paid every 6 months	3 years /April 4, 2017
Series 3/2014	1,500	3.25%, paid every 6 months	3 years /May 9, 2016
Series 4/2014	1,000	3.70%, paid every 6 months	3 years and 6 months /March 17, 2018
Series 5/2014	4,000	3.50%, paid every 6 months	3 years /October 6, 2017

All debentures were last rated A+ stable by TRIS Rating Co., Ltd. on September 3, 2014.

For Series 1/2552, the Company must maintain its debt-to-equity ratio at not more than 1.25:1.

For Series 1/2555 and subsequent lots, the Company must maintain its debt-to-equity ratio at not more than 1.50:1.

#### 4. Dividend payment policy

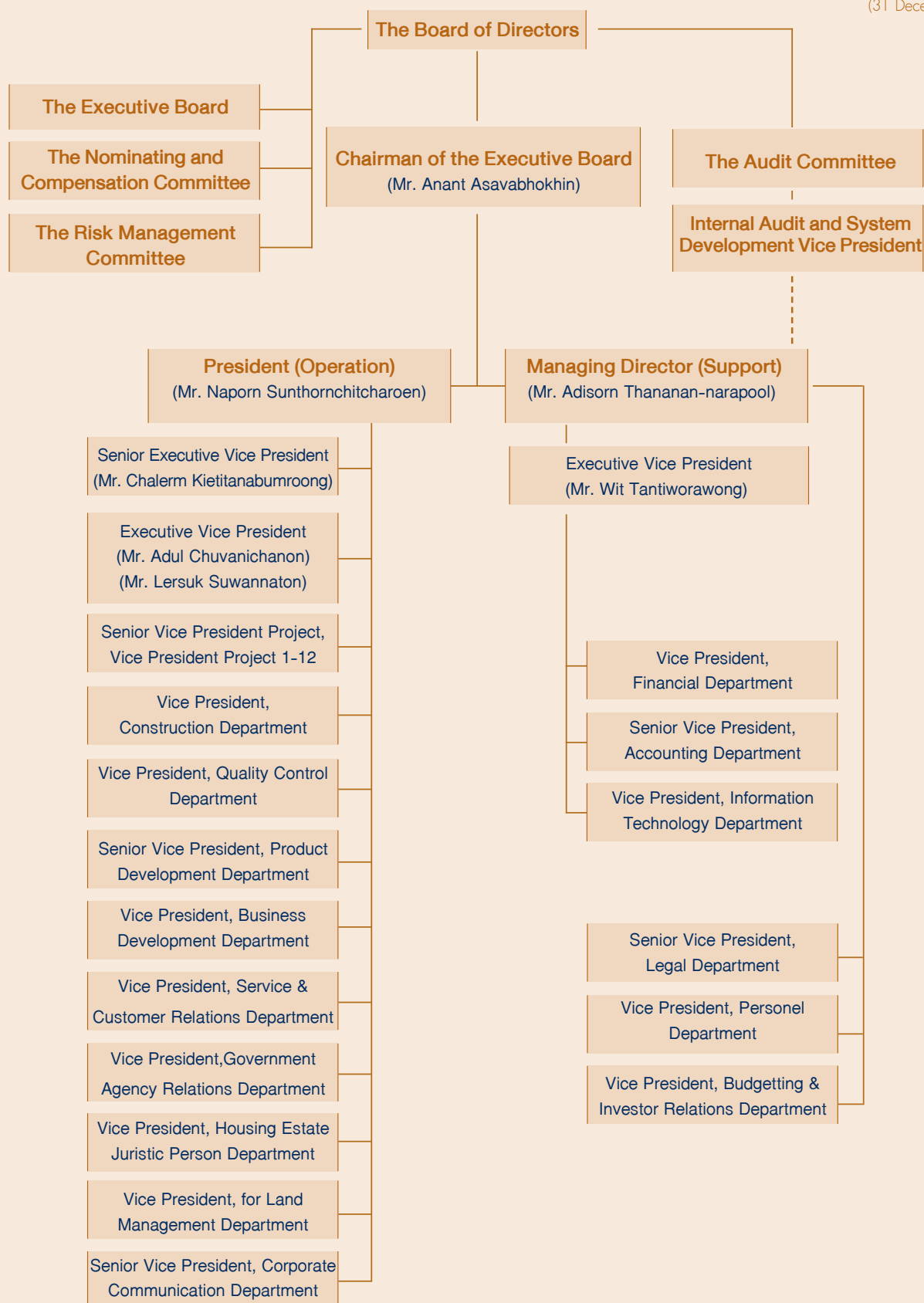
At present, the Company has a policy to pay dividends from net profit to its shareholders every year. In considering the payments, the following factors are taken into consideration: the Company's operating results and financial position, liquidity, expansion plans and other management-related factors. Any dividend payment is also subjected to the approval(s) of the Company's Board of Directors and/or shareholders' meetings. The shareholders' extraordinary meeting No. 1/2547 on January 26, 2004 resolved to amend Article 42 on Dividend Payments of its Articles of Association.

Under the amended Article No. 42 on Dividend Payments: "Dividends shall be paid from the Company's profit. In the event that the Company has an accumulated loss, dividends shall not be paid. In the event the Company has a profit, the Board of Directors shall propose a dividend payment in an amount that will not cause damages to the Company's capital".

As for the dividend payment policies of its subsidiaries, the subsidiaries pay the Company dividends from their net profits, taking into consideration their operating results, financial positions, liquidity, expansion plans and other management-related factors.

# The Organization Plan of Executive Officers Land & Houses Plc.

(31 December 2014)



## Management Structure

The Company had 5 boards and committees as of December 31, 2014. They were the Board of Directors, Audit Committee, Nominating and Compensation Committee, Risk Management Committee and Executive Board.

According to its Articles of Association, the Board of Directors consists of at least 5 directors, half or more of whom are domiciled in Thailand. In conducting business, the directors must perform their duties according to laws, the objectives and articles of association of the Company, as well as the resolutions of shareholders' meetings, with integrity and care in protecting the Company's interests.

The composition of the boards, committees and management is designed with adequate checks and balances:

- a) The Board of Directors has 3 independent directors, or one third of all directors, 5 executive directors and 1 non-executive director.
- b) The Audit Committee has 3 members with independence and duties as stipulated by the Stock Exchange of Thailand's regulations and the Audit Committee Charter. They also have accounting and financial experiences.
- c) Clear delegation and authorization has been established as detailed and disclosed in the Corporate Governance section.

As of December 31, 2014, the names and meeting-attendance records of the directors in 2012, 2013 and 2014 were as follows:

Name	Position	Number of attended meetings /all meetings		
		2012	2013	2014
1. Mr. Anant Asavabhokhin	Chairman and Chief Executive Officer	7 / 7	7 / 8	6 / 8
2. Mr. Pratip Wongnirund	Director, chairman of the Audit Committee and independent director	7 / 7	8 / 8	8 / 8
3. Mr. Pakhawat Kovithvathanaphong	Director, member of the Audit Committee, independent director and Chairman of the Nominating and Compensation Committee	7 / 7	8 / 8	8 / 8
4. Mr. Soong Hee Sang	Director	6 / 7	4 / 8	4 / 8
5. Mr. Chalerm Kietitanabumroong	Director	7 / 7	8 / 8	8 / 8
6. Mr. Adisorn Thananan-narapool	Director and secretary to the Nominating and Compensation Committee	7 / 7	8 / 8	8 / 8
7. Mr. Naporn Sunthornchitcharoen	Director	7 / 7	8 / 8	7 / 8
8. Mr. Nantawat Pipatwongkasem	Director and company secretary	7 / 7	8 / 8	8 / 8
9. Mr. Chadchart Sittipunt	Director, member of the Audit Committee and independent director (appointed on August 14, 2014 and resigned on December 23, 2014)	-	-	4 / 4
10. Mr. Wisanu Subsompon	Director, member of the Audit Committee, independent director and member of the Nominating and Compensation Committee (appointed on June 27, 2012 and resigned on July 1, 2014)	3 / 3	8 / 8	4 / 4
Total number of meetings		7	8	8

## Authorized signatories

One of the following directors may sign to bind the Company: Mr. Anant Asavabhokhin, Mr. Adisorn Thanananarapool, Mr. Naporn Sunthornchitcharoen, Mr. Nantawat Pipatwongkasem, or Mr. Chalerm Kietitanabumroong

### Scope of authority and duties of the Board of Directors

To enable the Board of Directors to perform its duties efficiently, a guideline on its duties was laid down as follows:

1. Manage the Company in compliance with its objectives and regulations, as well as the resolutions of shareholders' meetings in line with the laws on integrity and apply caution to protect the interests of the Company.
2. Approve key policies, objectives, guidelines and work plans of the Company and follow up on execution according to laid-down plans
3. Monitor and supervise the administration and management of the Executive Board to ensure full compliance with the laid-down policies. The Board of Directors has the authority and duties to consider and approve the following:
  - 3.1 Borrowings or application of credit from financial institutions
  - 3.2 Annual budget and work plans of the Company
  - 3.3 Interim dividend payments for shareholders when the Company has sufficient profit to do so
  - 3.4 Significant items such as key investments when the Company has sufficient earnings to do so.
  - 3.5 Connected transactions and asset acquisitions or disposal, except the types requiring shareholders'

approval. Such endorsements shall be in line with the announcements, requirements and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand.

This applies to all matters except those required by laws that the Board of Directors seek shareholders' approval before proceeding.

4. Convene at least 5 times a year.
5. Set clear meeting agenda in advance throughout the year.
6. Submit meeting agenda details at least 5 days ahead of the meeting dates so that the directors has time to study and consider them.
7. In consider each meeting agenda items, the interests of shareholders and stakeholders shall be fairly taken into account.
8. Allow free expression of opinions at meetings
9. Allocate adequate time for each agenda item to allow for careful debate and expression of opinions.
10. Supervise to ensure management is in line with good governance policy and to prevent conflicts of interest

### Roles and Duties of the Chairman of the Board of Directors

1. Take responsibility as leader of the Board of Directors in monitoring, following up on and supervising the management of the Board of Directors and other subcommittees to achieve the objectives based on laid-down work plans
2. Preside over the meetings of the Board of Directors and shareholders, manage the meetings in line with the Articles of Association and manage time appropriately
3. Promote expression of opinions in an independent and transparent manner at meetings
4. Supervise to ensure efficient communication between the directors and shareholders
5. Give the casting vote in the event the votes are tied at Board of Directors meetings

## Executives

As of December 31, 2014, the Company had 7 executives:

Mr. Anant	Asavabhokhin	Chairman of the Executive Board
Mr. Adisorn	Thananan-narapool	Managing Director
Mr. Naporn	Sunthornchitcharoen	President
Mr. Chalerm	Kietitanabumroong	Senior Executive Vice President and Chief Operation Officer
Mr. Wit	Tantiworawong	Executive Vice President and Chief Finance Officer
Mr. Adul	Chuvanichanon	Executive Vice President
Mr. Lersuk	Suwannaton	Executive Vice President

*Note: Mr. Adul Chuvanichanon and Mr. Lersuk Suwannaton were appointed executive vice presidents on January 16, 2014.*

## Company Secretary

The Board of Director appointed Mr. Nantawat Pipatwongkasem, a director with appropriate knowledge, qualifications and experience, as company secretary. A barrister-at-law, he holds a law bachelor's degree and an MBA degree from Thammasat University. His roles and duties are to give advice on laws and regulations that the Board of Directors must be aware of and comply with, organize meetings of shareholders and Board of Directors in compliance with laws, the Company's Articles of Association and other guidelines. He also records meeting minutes, follows up on the implementation of meeting resolutions, contacts and communicates with shareholders so that they are aware of their rights and company news, coordinates the Board of Directors' activities, as well as archive documents as required by law.

## Executive compensation

### (a) Cash compensation - Compensation for directors

The Company has set a clear policy on compensation for presidents and directors. They are appropriately remunerated based on their responsibilities. It also has the Nominating and Compensation Committee consider and screen proposals for the Board of Directors to consider. Factors to take into account are suitability, as well as the size, business expansion and profit growth of the Company. Its compensation is at the same level as the industry. For directors, the compensation is approved at a shareholders' meeting each year. The compensation comes in the form of annual remuneration, meeting allowances, director bonuses and bonuses. The details for 2013 and 2014 are as follows:

Name of director	Position	2013		2014	
		Meeting attendance rate %	Compensation (million baht)	Meeting attendance rate %	Compensation (million baht)
1. Mr. Anant Asavabhokhin	President Chairman of the Executive Board	88	None	75	0.80
2. Mr. Pratip Wongnirund	Director, chairman of the Audit Committee and independent director	100	1.98	100	1.98
3. Mr. Pakhawat Kovithvathanaphong	Director, member of the Audit Committee, independent director and chairman of the Nominating and Compensation Committee	100	1.58	100	1.60
4. Mr. Soong Hee Sang	Director	50	None	50	0.40
5. Mr. Chalerm Kietitanabumroong	Director and member of the Risk Management Committee	100	None	100	0.40
6. Mr. Adisorn Thananan-narapool	Director and Secretary to the Nominating and Compensation Committee	100	None	100	0.40
7. Mr. Naporn Sunthornchitcharoen	Director	100	None	88	0.40
8. Mr. Nantawat Pipatwongkasem	Director and company Secretary and member of the Risk Management Committee	100	None	100	0.40
9. Mr. Chadchart Sittipunt*	Director, member of the Audit Committee, independent director and member of the Nominating and Compensation Committee	-	-	100	0.23
10. Mr. Wisanu Subsompon**	Director, member of the Audit Committee, independent director, member of the Nominating and Compensation Committee and Chairman of the Risk Management Committee	100	1.26	100	1.18
Total			4.82		7.79

\* Mr. Chadchart Sittipunt was appointed director and member of the Audit Committee and the Nominating and Compensation Committee on August 14, 2014 and resigned on December 23, 2014.

\*\* Mr. Wisanu Subsompon was appointed director and member of the Audit Committee and the Nominating and Compensation Committee on June 27, 2012 and resigned on July 1, 2014.

The details of directors' compensation by category in 2014 are as follows:

(Unit: Baht)

Position	Name	Compensation		Total
		Annual pay	Bonus	
Audit/independent directors	1. Mr. Pratip Wongnirund	1,080,000	900,000	1,980,000
	2. Mr. Pakhawat Kovithvathanaphong	840,000	700,000	1,540,000
	3. Mr. Wisanu Subsompon	420,000	700,000	1,120,000
	4. Mr. Chadchart Sittipunt	219,340	-	219,340
Executive directors	1. Mr. Anant Asavabhokhin	800,000	-	800,000
	2. Mr. Naporn Sunthornchitchaen	400,000	-	400,000
	3. Mr. Adisorn Thananun-narapool	400,000	-	400,000
	4. Mr. Chalerm Kietitanabumroong	400,000	-	400,000
	5. Mr. Nantawat Pipatwongkasem	400,000	-	400,000
	6. Mr. Soong Hee Sang	400,000	-	400,000
Total				7,659,340

Type	Name	Compensation (Meeting allowances)	Total
Nominating and Compensation Committee members	1. Mr. Pakhawat Kovithvathanaphong	60,000	60,000
	2. Mr. Wisanu Subsompon	15,000	15,000
	3. Mr. Adisorn Thananun-narapool	-	-
	4. Mr. Chadchart Sittipunt	15,000	15,000
Total			90,000
Risk Management Committee members	1. Mr. Wisanu Subsompon	40,000	40,000
	2. Mr. Chalerm Kietitanabumroong	-	-
	3. Mr. Nantawat Pipatwongkasem	-	-
Total			40,000



- Executive compensation in the form of salaries and bonuses linked to the operating results of the Company and individual job evaluation in 2013 and 2014 is as follows:

	2013		2014	
	Number of executives	Total amount (million baht)	Number of executives	Total amount (million baht)
Salary	18	93.60	7	58.86
Bonuses*	18	65.59	7	57.53
Total	18	159.19	7	116.39

Note \*Bonuses are paid in January of every year

**(b) Non-cash compensation**

1. The Company set up a provident fund for its employees to which the staff voluntarily contributes at the rates of 5-7% of their monthly salaries while Company matches its contribution at the same rates. The registered fund is managed by a licensed fund manager in compliance with the Act on Provident Funds B.E. 2542 (1999). In 2014, the Company contributed 2.61 million baht to the portion owned by the 7 executives.

2. Welfare is provided in various forms such as medical care, health insurance, annual physical checkups by age groups, life insurance for all employees, allowances for weddings and funerals of employees' family members, uniforms, annual vacation trips and parties, as well as discounts on company products based on established criteria and conditions.

Human resources (as of December 31, 2014)

- Total number of employees 809
- Number of employees in each line
 

Management	7
Operations	721
Support	81
- Total compensation and types of compensation
  - Salary, bonuses and other compensation in 2014 totaled 1,045.6 million baht
  - Benefits on health care and recreation, as well as a provident fund and discounts for purchases of company products
- Policy on human resource development
  - An internal training center was set up and some employees are sent to train outside the Company to enhance their potential and competencies, both theoretically and operationally, regularly.

# Corporate Governance

## 1. Policy

The Board of Directors is determined to manage the Company efficiently to achieve objectives. It is firmly convinced that good corporate governance will upgrade the performance of the Company sustainably and is the key to success, which is to maximize value for its shareholders. Therefore, the Board of Directors strictly complies with the principles of good corporate governance, which are:

- Integrity
- Transparency
- Independence
- Accountability
- Fairness
- Social responsibility

These corporate-governance principles are reflected in the values, guidelines and directions of the practices adopted by the Company. They should provide assurances that the business can compete effectively under the business ethics in compliance with international standards, the laws and the principles of good corporate governance set forth by the Securities and Exchange Commission and the Stock Exchange of Thailand.

### Results

The Company complied with good corporate governance principles throughout 2014, except with regards to the following issues:

(1) The policy on limiting the number of listed companies in which each director holds a position and the policy on the chief executive officer serving as director in other companies since the CEO and all directors have performed their duties very well and can help develop the Company. Setting such limits may result in a loss of opportunities to have competent persons serve as directors. The Board of Director reviews the performance, knowledge, capabilities and qualifications of each director every year.

(2) The chairman of the Board of Directors is not an independent director since the Company still needs a person with knowledge, competence, long experience and leadership to bring to achieve the organization's goal. In any case, the Company operates on good governance principles, the composition of the Board of Directors is well balanced and all operations are in line with the Company's regulations and under the supervision of the Board.

(3) The policy of setting a minimum quorum at not less than two thirds of all directors at meetings where a vote is required since it may affect management flexibility in the event of emergencies. In any case, not less than two thirds of all directors attended the meetings in 2014 and in previous years.

(4) The Company has not set up a corporate governance committee since it assigned related units to ensure compliance with good corporate principles and they have performed well.

## 2. Subcommittees

The Board of Directors appointed 4 subcommittees: the Audit Committee, the Nominating and Compensation Committee, the Risk Management Committee and the Executive Board

#### (1) Audit Committee

The Audit Committee comprises 3 independent directors, all of whom are independent and meet all of the qualifications set by the Securities and Exchange Commission and the Stock Exchange of Thailand. All Audit Committee members have respectable knowledge and working experiences. With accounting or financial degrees and experiences, Mr. Pratip Wongnirund and Mr. Pakhawat Kovithvathanaphong have the knowledge and competency in reviewing creditability of financial statements. The names and meeting attendance records of the Audit Committee in 2012, 2013 and 2014 are as follows:

Name	Position	Number of attended meetings /all meetings		
		2012	2013	2014
1. Mr. Pratip Wongnirund	Chairman of the Audit Committee	5 / 5	6 / 6	6 / 6
2. Mr. Pakhawat Kovithvathanaphong	Member of the Audit Committee	5 / 5	6 / 6	6 / 6
3. Mr. Chadchart Sittipunt *	Member of the Audit Committee	-	-	3 / 3
4. Mr. Wisanu Subsompon **	Member of the Audit Committee	3 / 3	6 / 6	2 / 2
Total number of meetings		5	6	6

\* Mr. Chadchart Sittipunt was appointed on August 14, 2014 and resigned on December 23, 2014.

\*\* Mr. Wisanu Subsompon was appointed on June 27, 2012 and resigned on July 1, 2014.

Mr. Pornchai Ketkhajornvirach, vice president, Internal Audit and System Development Department, is the Secretary to the Audit Committee.

#### Scope of authority and duties of the Audit Committee

The Audit Committee has the following duties and responsibilities to report to the Board of Directors:

1. Review the Company's financial reports to ensure accuracy and adequate disclosure
2. Review the Company's internal control and audit system to ensure suitability and effectiveness
3. Review the operations of the Company to ensure compliance with the laws on securities and stock exchange or those relating to the Company's businesses
4. Approve the appointment, transfer and employment termination of the Internal Audit and System Development vice president
5. Screen and propose candidates for the Company's auditors and recommend their compensation
6. Determine proper and adequate disclosure of the Company's information on connected transactions or lists with potential conflicts of interests to ensure completeness and accuracy as required by related regulations
7. Consider and review operation reports of the Internal Audit Department and approve its annual internal audit plan
8. Supervise to ensure the independency of auditors and the Internal Audit Department in performing their duties
9. Organize meetings with auditors without management present at least once a year
10. Determine key risks faced by the Company and propose preventive measures or inform the Board of Director to find measures to alleviate them

11. Prepare reports on the activities of the Audit Committee and include them in the Company's annual reports, to be signed by the Chairman of the Audit Committee
12. Perform other duties assigned by the Board of Directors and approved by the Audit Committee

## (2) Nominating and Compensation Committee

The Nominating and Compensation Committee consists of 3 members, 2 of whom are independent directors. The names and meeting-attendance records of the Nominating and Compensation Committee for 2012, 2013 and 2014 are as follows:

Name	Position	Number of attended meetings /all meetings		
		2011	2012	2013
1. Mr. Pakhawat Kovithvathanaphong	Chairman of the Nominating and Compensation Committee	3/3	2/2	3/3
2. Mr. Chadchart Sittipunt*	Member of the Nominating and Compensation Committee	-	-	1/1
3. Mr. Adisorn Thananan-narapool	Member of the Nominating and Compensation Committee	3/3	2/2	3/3
4. Mr. Wisanu Subsompon**	Member of the Nominating and Compensation Committee	1/1	2/2	2/2
Total number of meetings		3	2	3

\* Mr. Chadchart Sittipunt was appointed on August 14, 2014 and resigned on December 23, 2014.

\*\* Mr. Wisanu Subsompon was appointed on June 27, 2012 and resigned on July 1, 2014.

Mr. Adisorn Thananan-narapool, a board director and executive director, is the Secretary to the Nominating and Compensation Committee.

## Scope of authority and duties of the Nominating and Compensation Committee

1. Set the policy on nominating the Company's directors, subcommittees and high-ranking executives, as well as their compensation, to be proposed to the Board of Directors for approval
2. Screen for persons who are appropriate and valuable to the business to replace the directors whose terms are expiring or to fill vacant positions to be proposed to the Board of Directors for approval and seek the approvals for their replacements/appointments from the shareholders
3. Determine compensation as necessary and appropriate, both in the form of cash and non-cash rewards, for the directors and high-ranking executives based on their duties, responsibilities and performances
4. Report to the Board of Directors results from its meetings which are significant and beneficial to the Company
5. Provide explanations or answer questions in case doubts emerge involving the Company's policy on nominating and remunerating its directors, sub-committees and high-ranking executives at shareholders' meetings
6. Perform any other duty assigned by the Board of Directors involving significant nominations and compensation

## (3) Risk Management Committee

The Board of Directors passed a resolution at its 3/2556 meeting on May 13, 2013 to appoint 3 persons to the Risk Management Committee.

Name	Position	No. of attended meetings /all meetings	
		2013	2014
1. Mr. Wisanu Subsompon*	Chairman of the Risk Management Committee	3 / 3	1 / 1
2. Mr. Chadchart Sittipunt**	Chairman of the Risk Management Committee	-	1 / 1
3. Mr. Chalerm Kietitanabumroong	Member of the Risk Management Committee	3 / 3	2 / 2
3. Mr. Nantawat Pipatwongkasem	Member of the Risk Management Committee	3 / 3	2 / 2
Total number of meetings during the year		3	2

\* Mr. Wisanu Subsompon was appointed on June 27, 2012 and resigned on July 1, 2014.

\*\* Mr. Chadchart Sittipunt was appointed on August 14, 2014 and resigned on December 23, 2014.

#### Scope of authority and responsibilities of the Risk Management Committee

1. Consider the policies, guidelines and framework of risk management to be proposed to the Board of Directors for approval
2. Study and evaluate probable risks; propose measures to prevent and alleviate the risks at acceptable levels; monitor, evaluate and improve work plans to ensure the risks are managed adequately and properly
3. Promote and support continual improvement and development of the Company's internal risk management system
4. Communicate and exchange information, as well as coordinate on issues related to risks and internal audit, with the Audit Committee at least once a year
5. Report to the Board of Directors meeting results of significance and benefits to the Company
6. Perform other duties related to essential risk management assigned by the Board of Directors

#### (4) Executive Board

The Executive Board consists of 5 directors whose names and meeting attendance records in 2012, 2013 and 2014 are as follows:

Name	Position	Number of attended meetings /all meetings		
		2012	2013	2014
1. Mr. Anant Asavabhokhin	President	12 / 12	10 / 11	11 / 11
2. Mr. Adisorn Thananan-narapool	Executive Director	12 / 12	11 / 11	10 / 11
3. Mr. Naporn Sunthornchitcharoen	Executive Director	12 / 12	11 / 11	11 / 11
4. Mr. Vidhya Tantivorawong	Executive Director	12 / 12	11 / 11	10 / 11
5. Mr. Soong Hee Sang	Executive Director	6 / 12	4 / 11	4 / 11
Total number of meetings during the year		12	11	11

### Scope of authority and duties of the Executive Board

The Executive Board, which includes the chief executive officer, handles routine operations. Any other transaction which constitutes or potentially constitutes a conflict of interest in any manner with the Company or its subsidiaries must be submitted to the meetings of the Audit Committee and the Board of Directors for approval.

### Delegation of authority and duties from the Board of Directors

The Board of Directors sets the objectives, guidelines, policies, work plans and budgets of the Company. It also monitors and supervises the administration and the management of the Executive Board to ensure compliance with approved policies. The Executive Board shall comply with the policies, work plans and budgets approved by the Board of Directors.

For important decisions such as land acquisitions, project development and investment, the Executive Board shall seek the approval to the Board of Directors on a case-by-case basis.

As for the delegation of financial authority involving the normal operations of the Company, one of the signatory directors - Mr. Anant Asavabhokhin, Mr. Adisorn Thananan-narapool, Mr. Naporn Sunthornchitcharoen, Mr. Nantawat Pipatwongkasem, or Mr. Chalerm Kietitanabumroong - may sign to bind the Company, provided that the approved transactions do not constitute a conflict of interest with himself or persons with potential conflicts of interests, or may constitute a potential conflict of interest in any manner with the Company or its subsidiaries.

## 3. Selection of Directors and Top Executives

The Nominating and Compensation Committee selects qualified persons to be candidates for directors and top executives based on their skills, knowledge and competency. They should have acceptable experiences, transparent work records, maturity and stability. In addition to appropriate qualifications in line with the Company's Articles of Association, they should have special knowledge and expertise, as well as necessary skills to enhance the strengths and effectiveness of the Board of Directors. These criteria were set to ensure diversity of professional directors, taking into account the structure, size and composition of the board. The Nominating and Compensation Committee also allows directors and shareholders to propose qualified candidates in line with the criteria and selection method.

### (a) Independent directors

The Company redefined the term "independent director" to be in line with the principles of good corporate governance and guidelines set by the Securities and Exchange Commission and the Stock Exchange of Thailand to help bolster confidence among investors and to maintain a good management balance.

The definition stipulates that an "independent director" is a director who has no managerial role in the Company, its subsidiaries, or associated companies. He is therefore independent from the management and shareholders with controlling power and does not have any business relationship with the Company in a manner that may restrict his expression of opinions. He must also have the following qualifications:

- 1) holds shares not exceeding 1% of all voting shares in the Company, its subsidiaries or associated companies.
- 2) is not involved in the management, or is not a staff or employee or advisor who receives regular salaries or a provider of professional audit or legal service or any other professional service that may restrict his expression of opinions with regards to the Company, its subsidiaries or associated companies, or has control over the Company, its subsidiaries or associated companies, or is the person with potential conflicts of interest. He must also have lost his status or position that may constitute such conflicts for 2 years or more.
- 3) has no business relationship in a manner that may limit his independence in performing his duty as a director in a significant amount or value in proportion to the Company's revenue as defined in the criteria, has no benefit or interest,

whether direct or indirect, in the finance and management of the Company, its subsidiaries or associated companies or any other person with potential conflicts of interest in a manner that may compromise his independence.

4) is not a close relative of any member of management or majority shareholder of the Company, its subsidiaries or associated companies or any person with potential conflicts of interest and has not been appointed their nominee to protect the interest of directors or majority shareholders.

5) is not appointed as nominee to protect the interest of any director, majority shareholder or shareholder who is related to a majority shareholder of the Company.

6) can independently perform his duties and express opinions or report the operating results as assigned by the Board of Director without being under the control or influence of any executive or majority shareholder, including his related persons or close relatives.

**(b) Selection of directors and top executives**

The criteria and procedure to select director candidates are as follows:

1) The Company allows one or more shareholders with combined shares of not less than 0.1% of the Company's paid-up capital to propose eligible director candidates through the Company's website or by sending a letter to the Secretary to the Board of Directors, who will forward the proposals to the Nominating and Compensation Committee. The Company will notify the timeframe of such proposals through the Stock Exchange of Thailand.

2) Majority shareholders may propose suitable director candidates to the Nominating and Compensation Committee.

3) The Nominating and Compensation Committee will consider proposing suitable director candidates to the Board of Directors, to be subsequently proposed at a shareholders' meeting.

4) The shareholders' meeting shall elect the directors using a majority vote based on the following criteria and methods:

4.1) One share is entitled to one vote.

4.2) Shareholders vote to elect one by one the candidates proposed to be nominated directors.

4.3) The candidates are ranked in descending order and are appointed as directors in that order until all the director positions are filled. Where the votes of candidates are tied, the chairman of the meeting has the casting vote.

5) At each annual ordinary shareholders' meeting, one third of the directors shall be removed from duties. If the number of directors to be removed is not exactly one third, the closest number shall apply. The procedure for the selection of their substitutes shall be according to 1-4.

As for directors who were to resign in the first and second years after registering the Company, a draw was held to select who would resign. In each subsequent year, the longest-serving directors shall resign. The directors who resign after fulfilling their terms may be re-elected to resume the positions.

**Selection of top executives**

In selecting top executives, the Executive Board will initially consider suitable qualified persons, with knowledge, competencies, experiences, leadership, management skills and good understanding of the Company's business. Their names will be proposed to the Nominating and Compensation Committee for endorsement and then to the Board of Directors for approval.

**(c) Number of directors from majority shareholders**

Six directors came from majority shareholders.

The directors from Mr. Anant Asavabhokhin's group are: Mr. Anant Asavabhokhin, Mr. Adisorn Thananan-narapool, Mr. Naporn Sunthornchitcharoen, Mr. Nantawat Pipatwongkasem and Mr. Chalerm Kietitanabumroong. The director from The Government of Singapore Investment Corporation (GIC) is Mr. Soong Hee Sang

**4. Supervision of subsidiaries and associated companies**

The management nominates and votes to appoint directors of the Company's subsidiaries and associated companies. They must also be approved by the Board of Directors. The appointed directors of the subsidiaries or associated companies shall perform their duties for the utmost benefits of their respective subsidiaries or associated companies.

The Company supervises its subsidiaries to ensure comprehensive disclosures of their financial positions and operating results, transactions with connected persons, asset acquisitions and disposals, or other important transactions. Regulations on connected transactions and disclosures are in accordance with the Company's criteria. The Company also ensures they have maintained accurate, complete data and accounting records for accountability and collected information in time for financial statement consolidation.

**5. Supervision of the use of insider information**

The Company has a clear policy on appropriate use of power through several channels such as good corporate governance, corporate ethics, announcements of the Security and Exchange Commission and related agencies, corporate culture, etc. so that employees of all levels recognize the importance of equal treatment of shareholders without exploiting insider information.

**(a) Reporting of shareholding**

The Company has set a measure to prevent the use of insider information by its directors and executives to seek personal gains by informing them of their duty to report the holding of the Company's shares by them and their spouses and children who have not come of age. They have also been made aware of the requirement by the Securities and Exchange Commission and the Stock Exchange of Thailand to report changes in their holdings every time they buy, sell, transfer or accept the share transfers within 3 days after the transaction dates. Each time, they must also send copies to the company secretary to be submitted to Board of Directors meetings, of which an agenda item is shareholding acknowledgment.

**(b) Reporting of conflicts of interest**

The Company has required its directors and executives submit reports on their conflicts of interest, as well as those of their connected persons, if they involve the management of the Company or its subsidiaries. The first reports based on a form must be submitted to the company secretary within 30 days after they have been appointed directors or executives. They need to be submitted again within 30 days after changes occur. The company secretary shall send copies to the chairmen of the Executive Board and the Audit Committee in compliance with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand.



## 6. Auditors' compensation

6.1 Audit fee In 2014, the Company made the following payments to EY Office limited

Audit fee of the Company	1,440,000 baht
Audit fee of subsidiaries	2,130,000 baht
Total	3,570,000 baht

6.2 Non-audit fee None

## 7. Compliance with good governance principles

The Company complies with good governance principles in 5 areas:

### (a) Shareholders' rights

#### Before the meeting date

The Company recognizes and values the rights of shareholders. It has strived to encourage them to exercise their fundamental rights and protect them. It also facilitates the exercise of the shareholders' rights that they are entitled to indiscriminately. Among them are adequate access to information, the opportunities to propose agenda items, nominate candidates for directorship and send questions ahead of shareholders' meeting dates, the exercise of voting rights on important issues, including the approval of dividends. The Company has refrained from any act that violates or restricts shareholders' rights. Besides, it encourages shareholders, particularly financial institutions, to attend shareholders' meetings through coordination with its investors' relations unit.

In 2014, the Company held one shareholders' meeting, the 2014 annual general shareholders' meeting, at 13.30 on April 24, 2014. The Company posted the invitation letter, along with documents related to each agenda item, on its website at [www.lh.co.th](http://www.lh.co.th) 30 days ahead of the meeting date so that the shareholders had adequate time to study the information on each agenda item before receiving hard copies of the same documents by mail. The information made available on the Company's website was the same as what was sent to the shareholders in hard copies. The invitation letter and related documents were sent 21 days ahead of the meeting date. The invitation letter contained the details of each agenda item and related information, as well as the opinions of the Board of Directors, voting method and details of the documents the shareholders needed to bring with them on the meeting date. In cases where the shareholders were unable to attend the meetings, the Company arranged for the independent directors to be authorized to act on their behalf. Proxy forms approved by the Commerce Ministry and the biographies of the independent directors assigned to act as proxies were also sent to the shareholders so that the shareholders who could not attend the meeting could authorize anyone or the independent directors to represent them at the meeting.

#### On the meeting date

Recognizing the importance of shareholders' meetings, the Company held the meeting at the place and time most convenient for the shareholders to attend. Appropriate and ample time was also allocated. As a result, the Company held the meeting at its head office at 1 Satorn Road, Thung Mahamek sub-district, Sathon district, Bangkok, which is located near the Lumpini subway station, a convenient location with easy access by bus, the BTS skytrain and the MRT subway. The meeting was also scheduled during normal working hours.

On the meeting date, the Company asked the shareholders to register at least one hour in advance and assigned registration officials to provide convenience for the attending shareholders and proxies. Registration software with the ability to search shareholders by name, family name or identification number was also deployed to speed up the registration process. The shareholders would then receive a voting ticket for each agenda item. Vote counting was also done electronically by using barcode readers on the voting tickets, making vote-counting accurate and speedy whereby the shareholders could view the result of each agenda item immediately after casting the votes.

At the shareholders' meeting, the Chairman acted as the chairman of the meeting. The chairmen of the sub-committees and directors also attended the meeting. The chairman of the meeting then explained the voting method, vote-counting procedure, use of voting tickets and disclosure of the vote-counting result for each agenda item to ensure transparency. The shareholders were also given an equal opportunity to express their opinions and proposals and to ask questions. The Chairman answered the questions and provided adequate information and ample time for debates. Since 2009, the Board of Directors has also allowed the shareholders to send questions ahead of the meeting.

#### After the meeting

The 1/2557 annual general shareholders' meeting was attended by 1,267 shareholders and proxies, representing 7,028,682,353 shares, or 70.10%, more than one third of all 10,025,921,523 shares. Mr. Anant Asavabhokhin was the chairman of the meeting and Mr. Nantawat Pipatwongkasem was the secretary of the meeting. Eight directors attended the meeting. They were:

1. Mr. Anant	Asavabhokhin	Chairman
2. Mr. Pratip	Wongnirund	Chairman of the Audit Committee and Independent Director
3. Mr. Pakhawat	Kovithvathanaphong	Independent director, Audit Director and Chairman of the Nominating and Compensation Committee
4. Mr. Wisanu	Subsompon	Independent Director, Audit Director, Chairman of the Risk Management Committee, and Nominating and Compensation Director
5. Mr. Naporn	Sunthornchitcharoen	Director and President
6. Mr. Adisorn	Thananan-narapool	Director, Managing Director and Nominating and Compensation Director
7. Mr. Chalerm	Kietitanabumroong	Director, Senior Executive Vice President and Risk Management Director
8. Mr. Nantawat	Pipatwongkasem	Director, Risk Management Director, and Secretary to the Board of Directors

Mr. Soong Hee Sang, who could not attend the meeting on that day due to other business, informed the chairman of the meeting in advance of his absence. An auditor from EY Office limited. Ms. Roongnapa Lertsuwanakul, who was the Company's auditor, also attended the meeting.

As for the minutes of the meeting, the Company recorded comprehensive details, including the names of the attending directors, questions brought up at the meeting and significant explanations on each agenda item. The minutes were disclosed on the next day after the meeting through the SET Portal of the Stock Exchange of Thailand and sent to various units within 14 days after the meeting date. They were also made available both in Thai and English at the Company's website at [www.lh.co.th](http://www.lh.co.th) so that the shareholders could readily access them without having to wait until the next meeting. They would be proposed for endorsement at the next shareholders' meeting.

**(b) Equal treatment of shareholders**

The Company has a policy to support and emphasize equal and fair treatment of shareholders to protect the fundamental rights of the shareholders, especially minority ones whose rights are prone to be violated and who should have a chance to be compensated. As a result, the Company resolved to adopt the following measures:

1. At shareholders' meetings, each agenda item will be strictly followed in the order published in the invitation letters. No additional agenda item shall be added without advance notice to the shareholders. The measure is to ensure that the shareholders have enough time to study relevant information before making decisions.

2. The Board of Directors resolved to give minority shareholders a chance to propose agenda items in advance, starting from the 1/2551 ordinary shareholders' meeting. The resolution was notified in advance through the Company's website at [www.lh.co.th](http://www.lh.co.th) and that of the Stock Exchange of Thailand, complete with the procedure to propose an agenda item and clear criteria in considering it. The Company's independent directors will consider and screen the proposed agenda items before submitting them to the Board of Directors. The agenda items approved by the Board of Directors shall be included in the next meeting's agenda. For the proposed agenda items that have not been approved by the Board of the Directors, the Company will notify the shareholders, along with the reasons and explanations for the rejections, at the Company's website.

3. The Board of Directors resolved to allow minority shareholders to nominate directors. The candidates must meet all the qualifications laid down by the Company and give their consent to the nominations. The Nominating and Compensation Committee will then proceed according to the procedures to nominate, screen and select the proposed candidates to be submitted to the Board of Directors for further consideration. The names approved by the Board of Directors shall then be included as candidates in the agenda item on the election of directors at the following meeting. For the proposed candidates rejected by the Board of Directors, the Company will notify the shareholders, along with reasons and explanations for the rejections, at its website or other appropriate communications channels. In 2014, no shareholder proposed an additional agenda item or nominate a director.

4. The Company proposes the names of all of its independent directors as an option for proxies. A shareholder may choose to be represented by any of them. The proxy forms are also in line with the forms recommended by the Ministry of Commerce, with the formats that allow the shareholders to dictate the directions of their votes. The measure is to encourage the shareholders to exercise their rights to attend the meetings and vote on each agenda item.

5. The Company promotes the use of voting tickets for all agenda items by printing them separately for each major issue. The shareholders can therefore vote as they deem appropriate. The voting tickets will be kept in the meeting room so that they may be counted and added to the votes cast in advance in the proxy forms before the results of the votes are announced at the meeting.

6. The Company allows the shareholders to exercise their right to elect directors individually to replace those whose terms end each year.

7. The Company has laid down measures to prevent the use of insider information for personal gains by directors and executives. They are required to submit reports on their conflicts of interest and those of their connected persons, as well as their shareholding and those of their spouses and minor children. They must also submit a report each time such shareholdings change. The measures are detailed under Item on the use of insider information.

**(c) Rights of stakeholders****Protection of stakeholders' rights**

The Company values the rights of all groups of stakeholders such as the employees and executives of the Company and its subsidiaries, as well as outsiders such as trading partners, the public sector, partners, the society, communities and the environment to ensure their fundamental rights are well protected and recognized based on the laws and related rules and regulations. The Company has also laid down the framework on morality and business ethics, which is published on its website. As well, it has refrained from committing any act which may violate the rights of its stakeholders, a key contribution to its long-term success. The details are as follows:

- **Employees**

The Company regards its employees as a major element of its success and has treated them indiscriminately and equally. They receive appropriate and fair compensation and welfare. The remuneration is suitable for their duties and responsibilities and is within the same levels as those in the labor market. Incentives are taken into consideration to encourage employees to perform duties to their full knowledge and capacities. Evaluation is done by supervisors and a portion of the compensation is allocated to the employees based on the Company's operating results.

Several forms of welfare and benefits are provided such as:

- The Company set up a provident fund for its employees to which the employees and the Company voluntarily contribute at the rate of 5-7% of the employees' monthly salaries. Registered and managed by a licensed fund manager, the fund is in compliance with the Act on Provident Funds B.E. 2542 (1999).
- Group health-insurance policies were bought for the employees and their legitimate spouses and children.
- Group life insurance policies were bought for the employees with coverage between 500,000 and 1,500,000 baht depending on the terms of each policy.
- Discounts are given to the employees who wish to purchase the Company's products. To exercise the right, the employees must comply with the criteria and terms determined by the Company. The Human Resource Department and the Administration will verify their qualifications and calculate the discounts for them.
- Other forms of assistance and welfare such as:
  - Outpatient medical fee coverage
  - Dental care coverage
  - Annual physical checkup
  - Funeral hosting for the employees and their family members
  - Financial support for wedding ceremonies
  - Maternity gifts
  - Scholarships for employees' children who meet the criteria set by the Company
  - Support for annual departmental vacation trips
  - Support for annual departmental parties
  - Free uniforms for both male and female employees
- Additional aids for contingencies as appropriate
- A mental development project is held improve the efficiencies and content in the workplace through meditation. The project provides fundamental training of the senses and mind applicable to every day's life, both at work and at home. The project is open to the employees of all levels and is considered a fundamental course for normal operations. In 2014, two such trainings were held.

- Educational scholarships are awarded yearly to children of the employees at the operational level.
- Master's degree scholarships are awarded to executives to promote and support their learning and self-improvement to their maximum potential.
- Certificates and gold are given every year to the employees who have served 10, 20 and 30 years as a gesture of gratitude and to honor dedicated staff.

The Company established the Welfare Committee to represent the employees in talks with the Company to arrange welfare for them. The body acts as a medium to express the employees' demands, propose appropriate forms of benefits and welfare and monitor the provision of the benefits and welfare the Company has prepared for its employees.

#### **Work safety and sanitation**

The Company emphasizes the importance of maintaining, improving and developing security and sanitary systems, as well as work environment, to ensure safety for life, health and assets of the employees and their sanitation. It also supports and promotes good culture and atmosphere at the workplace and is determined to develop human resources with knowledge and conscience about safety and sanitation. Trainings on operational standards for construction supervision are held for site engineers and related staff regularly and staff at all levels. The Company also encouraged staff at all levels to learn and build conscience about the importance of work safety and sanitation. Fire drills are held every year at the head office and access is allowed only through finger-scanning. A physical checkup is also provided each year. In 2014, there was no lost-time accident.

#### **Policy on human resource training and development**

The Company is aware of the importance of human resources on its success. It recognizes that in order to achieve goals, the employees must be trained and developed systematically and steadily and this is the responsibility of not only the Company but also every employee. The Company provides opportunities for its staff to learn and develop themselves for their personal growth. At the same time, the employees must take responsibility for their own success by taking advantage of such opportunities to train and develop themselves with sincere determination. To realign training and human resource development with the Company's management and to achieve the laid-down policy, the Company set up the "human resource development center" to take charge of activities necessary for training and development. It has also set the following policy:

1) The Company regards human resources as the most valuable of all management resources. Each employee shall be trained and developed methodically and continually until he masters the knowledge, attitude and skill sets that meet his job requirements so he can advance in his career. In so doing, the readiness of each employee is the key consideration.

2) The Company views that the expenses on training and human resource development are an investment in its personnel. This is vital to efficient implementation to achieve core missions and operating objectives while keeping up with rapidly changing modern technologies used in the operations.

3) The Company stresses the need for various training projects, both line and function programs, at the supervisory and executive levels. It also holds special & supporting programs to prepare the employees for both present and future challenges and responsibilities.

4) The Company is aware of the importance of human resource training and development as tools for improvements. It therefore promotes and supports the organization of trainings and seminars to address problems involving the operations of each department and project groups.

5) The Company recognizes that all levels of supervisors play a critical role in training and developing their subordinates through on-the-job training and/or coaching. In evaluating these supervisors, their ability to develop subordinates shall be taken into consideration.

6) The Company supports cooperation with educational institutions and organizations in the areas of training and development such as welcoming observation tours, accepting interns and engaging in academic cooperation. This form of social responsibility helps bolster its corporate image.

For new recruits, the Company holds an orientation on their first day at work so they are aware of the policies, regulations, rules and orders, as well as corporate structure and fundamental corporate culture. This is also a chance for them to learn about the Company's welfare and benefits. Each year, a New Friends seminar is held so the new employees have a chance to know their colleagues and executives, which will strengthen the relationship among the employees, help build corporate ties and allow them to learn about teamwork.

In 2014, the Company steadily supported skill and competency development by organizing training at all levels—from inviting experts to provide training at the Company and sending employees to receive training outside the Company to organizing overseas training and observation trips. These enhanced the potential, knowledge and capabilities of the employees in developing the organization to sustainable success. In 2014, the Company provided training at an average rate of 16 hours per employee, higher than the Department of Skill Development's standard of 6 hours per employee per year.

- **Trading partners**

The Company has laid down business ethics to become a guideline on appropriately treating its trading partners by selecting them based on free and fair competition. Criteria are set in selecting trading and contract partners by taking into account their qualifications, work quality, reputation, experiences, business expertise, financial stability, past records and the ability to deliver by schedule for the utmost benefits of the Company. The Company always prepares clear agreements or contracts with trading partners, without stipulating any unfair conditions. In purchasing goods and services from trading partners, the Company has complied with trading terms and fulfilled its contractual obligations. Good relationships are also established for mutual benefits. Moreover, the supply chain system has been adopted in ordering goods to improve convenience and speed while reducing paperwork. This helps cut costs and trading partners can prepare goods in advance.

- **Creditors**

The Company has strictly complied with the terms of loan contracts and has never violated them or concealed any information or facts that potentially cause damages to its creditors. These practices have always bolstered confidence among its creditors. In most borrowing contracts, certain conditions and restrictions apply such as the ratio of shareholding by majority shareholders, changes in the Board of Directors, debt guarantees or bill of exchange avals for individuals or juristic persons, dividend payments, business consolidation or mergers with other companies, maintenance of certain financial ratios and written notification to creditors of court cases which may affect debt repayment ability. The Company has also put up some of its assets as collateral for bank loans. In the past year, the Company fully complied with all terms with its creditors and did not miss any repayments.

- **Customers**

The Company is determined to improve the quality of its products and services to meet standards. To learn about the problems, suggestions, opinions and demands of its customers, the Company set up a dedicated unit to serve as a customer contact center. The information is then used to improve its products and services to maximize customers' confidence and satisfaction. The determination paid off when Land and Houses Plc. won the Trusted Brand Award for the 8th consecutive year in a survey by Reader's Digest magazine, the awards that measure the satisfaction of customers in both Asia and Thailand. More detail on this can be found in "Social responsibility" under "Responsibility to consumers".

- **Competitors**

The Company competes with its rivals within the framework of ethics, professionalism, transparency and rule of law. It does not fraudulently obtain secrets or trade secrets of its rivals and always adheres to the policy and treatments of competitors outlined in its Code of Conducts. Furthermore, viewing its competitors as trade allies, the Company allows them to visit and observe its operations and IT system to establish good relationship. Over the past year, the Company was not involved in any dispute with its rivals.

- **Communities and the environment**

The Company is always aware of its responsibilities towards communities and the environment, as reflected in its core work process, from product design, choice of materials and resources, quality control, services, delivery time and product development for better quality of life. It also strictly complies with impact alleviation guidelines in environment impact assessment reports and rigorously monitors compliance with the law. Efficient use of resources is promoted while projects and activities are regularly held for communities. More information on these can be found in "Social responsibility" under "Environment protection", "Participation in community and social development" and "Innovation and CSR innovation propagation".

#### **Intellectual property or copyright**

The Company has a policy to abide by intellectual property and copyright laws. It does not support its employees in committing any act which violates intellectual property or copyright of others without authorization. The precaution was included as a guideline for employees in using computer networks and announced through the Company's intranet.

#### **Complaint filing measures and informant protection**

The Company has a policy to protect all groups of its stakeholders by putting into practice a procedure for tip-offs and a mechanism to protect informants. It accepts complaints on rights violations or breaches of laws or ethics, recommendations and opinions, as well as reports of behaviors that border on corruption or malfeasance of people in the organization including its employees and other stakeholders. The Company disclosed the procedure and channels on its website and in the Annual Report. All stakeholders may submit complaints directly to the Chairman of the Audit Committee through the following channels:

- E-mail: [auditcommittee@lh.co.th](mailto:auditcommittee@lh.co.th)
- Mail to "Chairman of the Audit Committee, 1 Q House Lumpini, 37<sup>th</sup>-38<sup>th</sup> floor, South Satorn Road, Tung Mahamek, Satorn, Bangkok 10120".

For employees, the Company arranged a channel for them to file complaints directly to the head of the Internal Control Department or management when they learn about issues that may be wrong or unethical that may affect them, other stakeholders and the Company. Procedures were in place to take care of the complaints, protect the informers and find facts to ensure justice for all parties. In each case, it will be established whether the case really involves wrongdoing and, if so, at what level, so that appropriate punishment may apply. A unit or team will look into all facts and summarize the detail to be reported to the Audit Committee for further consideration.



To protect informers, the Company keeps confidential their identities and data, as well as those of the accused, and reveals such information only when necessary and strictly to responsible parties. Throughout the process, the safety and potential damage to the informers and related persons are taken into consideration to assure informers. The Audit Committee or independent directors will take care of the complaints and report to the Board of Directors.

**(d) Disclosures and transparency**

1. Aware of the importance of adequate, accurate, inclusive, timely and transparent disclosure, the Company publishes its important information including financial and non-financial data on the websites of the Stock Exchange of Thailand (SET) at [www.set.or.th](http://www.set.or.th) and the Security and Exchange Commission (SEC) at [www.sec.or.th](http://www.sec.or.th) according to the criteria set by the SET and SEC. In addition, the information that has been made public and known to its stakeholders is made available at the Company's website at [www.lh.co.th](http://www.lh.co.th). It is updated regularly to ensure users have convenient access to timely news and information for their utmost benefits.

2. The financial statements disclosed to stakeholders must be approved first by the Audit Committee and the Board of Directors of the Company.

3. The Board of Directors has included the Accountability Report for Financial Statements of the Board of Directors, along with the Audit Report, starting from the 2006 Annual Report onward.

4. The Company has complied with good corporate governance principles and published the summarily approved corporate governance policy and the results of the implementation of the policy in its Annual Report and on its website, starting from the 2007 Annual Report onward.

5. The roles and duties of the Board of Directors and the sub-committees, as well as their meeting attendance records, are disclosed under Item "Management structure" and "Subcommittees". Also disclosed is the report of the chairmen of each committee.

Furthermore, the Company recognizes the importance of maintaining good relationships with shareholders, general investors and stock analysts. It therefore made clear that the disclosure of its information to the investors, both existing and potential ones, is within the authority of the president, who has been assigned chief investor relations officer. It also set up an investors' relations unit to represent the Company in communication with shareholders, investors and stock analysts. The Investors' Relations Office can be contacted at Tel: 0-2230-8306 or e-mail: [investor@lh.co.th](mailto:investor@lh.co.th).

From 2012 to 2014, the Company's high-ranking executives, along with the Investors' Relations Office, disclosed information to shareholders, investors and stock analysts several times as follows:

	2012	2013	2014
Domestic, international road shows	8	10	9
Analyst Meeting	5	5	5
Company Visit	76	107	60
Conference Call	12	8	7



**(e) Accountability of the Board of Directors**

**1. Structure of the Board of Directors**

The election of the Company's directors is made in accordance with the resolution at shareholders' meetings based on the criteria and methods set by law and the Company's Articles of Association. The directors hold a 3-year term and each year the 3 longest-serving directors shall resign to pave the way for the election of new directors. On December 31, 2014, the Board of Directors consists of 9 members:

Executive directors	5
Non-executive directors	1
Independent directors	3*

*\* An independent director resigned on December 23, 2014, resulting in two independent directors. The Company is in the process of searching for his replacement.*

The independent directors are independent from the Company's management and majority shareholders. They do not have any business relationship with the Company in a manner that may restrict their expression of opinions and are qualified based on the definition of independent directors as detailed under "Independent directors".

Non-executive directors have work experiences related to property development

**Separation of roles, duties and responsibilities**

The Company has separated the roles, duties and responsibilities between the Board of Directors and management. The Board of Directors determines policies and supervises the management, which manage operations in several areas according to the laid-down policies. The chairman of the Board of Directors is not the same person as the president. Reports on non-routine operations are scrutinized by the Board of Directors, of which at least one third of all members are independent directors.

**Composition of the Board of Directors**

The structure and composition of the Board of Directors at present consists of directors with expertise in diverse fields; namely, engineering, accounting, business administration, economics and law. The diversity of their professions and experiences benefits the Company's operations and constitutes a fine balance of directors.

**2. Subcommittees**

The Board of Directors set up 4 subcommittees to help follow up and supervise the Company's operations more closely by regularly reporting to the Board of Directors. The subcommittees are the Executive Board, the Audit Committee, the Nominating and Compensation Committee and the Risk Management Committee. The Board of Directors clearly defined the authority, duties and responsibilities of each subcommittee.

**3. Roles and duties of the Board of Directors**

3.1 The Company's Board of Directors has knowledge, skills and extensive experiences in several fields and can apply them at their discretion independently. They also have leadership and the duty to determine the strategies, directions, policies, objectives and missions of the Company, as well as to follow up on its performances in order to achieve

the objectives and ensure compliance with the policies, rules, laws and related regulations. They are also responsible for managing risks at an appropriate level within the framework of the law, objectives and resolutions of the shareholders with integrity in the best interest of the Company while having full responsibilities to the shareholders and all stakeholders. Furthermore, to enhance efficiencies, effectiveness, transparency and accountability, the Company regularly assesses the performance of the Board of Directors.

3.2 The Board of Directors puts the Company's corporate governance policy in writing, approves it and reviews it at least once a year.

3.3 The Board of Directors promotes ethics by adopting the following measures:

The Company has abided by a business practice that is transparent, honest and fair. The Code of Conduct for the Board of Directors, management and employees was issued to be used in the implementation of their duties according to the Company's missions within the framework of the laws and the Company's regulations on a professional basis. All employees are instructed to follow the Code of Conduct, which is made available on its website at [www.lh.co.th](http://www.lh.co.th) and the Company's central database. The Company has also held activities to promote compliance with the Code of Conduct, foster the culture of good corporate governance, and effectively communicate the guidelines based on the Code of Conduct to the employees. Such activities include:

- During the orientation of new employees, the principles of good corporate governance and Code of Conduct are included for better understanding and practice.
- Communicating to the employees via email about the guidelines based on the Code of Conduct.
- Organizing activities through internal electronic media or intranet, especially public relations on ethics and the principles of good corporate governance on the Welcome Page
- Following up on and evaluating the implementation through the supervision of the head of each unit and the mechanisms of the Internal Audit and System Development Department

The Company follows up on compliance of the Code of Conduct every year. The Internal Audit and System Development Department has been assigned to monitor the compliance and report to the Audit Committee for acknowledgement with suggestions on how to address the issues.

3.4 Conflicts of interests

The Company has complied with the principles of good corporate governance, which prevent potential conflicts of interest. All employees were instructed to strictly abide by the principles.

#### **4. Measures to eliminate conflicts of interest**

The Company's Board of Directors properly considers transactions which may constitute conflicts of interest, connected transactions or related transactions within an ethical framework after they have been scrutinized by the Audit Committee. It has also enforced compliance with the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission. Disclosures of transactions with potential conflicts of interest have also been made. In setting the policies, regulations and the approval procedure of transactions with potential conflicts of interest to be followed by the executives, employees and related parties, the Company has used the following criteria:

4.1 For any transaction in which a director, employee or connected party has a conflict of interest with the Company, the director or employee may not take part in approving it. The price to be used must also be set appropriately, as if the transaction were made with a third party.

4.2 In determining a price to prevent a potential conflict of interest, a fair, appropriate price in line with normal trade practices shall be used.

4.3 In conducting a connected-party transaction in line with the principles of good corporate governance, the transaction must be submitted to the Audit Committee for consideration first, in line with the criteria set by the Stock Exchange of Thailand. Only after the Audit Committee gives its opinion on the transaction can it be sent to the Board of Directors for approval in keeping with good corporate governance principles.

4.4 Disclosures of transactions with potential conflicts of interest or connected-party transactions as defined by the Securities and Exchange Commission and the Stock Exchange of Thailand have been made in Form 56-1 and the Annual Report. They are also included in the financial statements in line with accounting standards.

#### 4.5 Risk policy

Risk management: The Company's Board of Directors places great importance on risk management and has determined and evaluated risks of the business. Measures have been adopted to prevent and manage the risks, including those affecting the Company's operations as detailed under "Risk factors". The Company also set up the Risk Management Committee of which scope of authority, duties and responsibilities were clearly defined in the Risk Management Committee Charter approved by the Board of Director. The details are under "Risk Management Committee".

### 5. Risk management policy

5.1 As owners of risks, the Company's Board of Directors, all executives, employees and units have the duty to take responsibility of, proceed, evaluate, follow up and support the establishment of an efficient risk-management procedure.

5.2 Each business unit of the Company must set up its own risk management procedure and evaluate and follow up on its progress and results systematically and constantly. The procedure must be revised to better suit the changing business environment on a regular basis at least once a year.

5.3 Risk evaluation shall be included as part of the annual work plan of each unit by considering all risks at the organizational level and taking into consideration both internal and external risk factors. Risks must be managed and an appropriate early-warning system set up.

5.4 The Risk Management Committee is responsible for evaluating risk management and giving its opinions on the issue to the Company's Board of Directors.

5.5 An organizational culture has been fostered to promote a common understanding and conscience on risks by building a knowledge base, as the Company believes risks can be alleviated or acceptable when the executives and staff of all units are aware of the damages they can potentially unleash. As a result, the Company is determined to develop databases both internally and externally by investing in information technology and embracing modern technologies so that staff at all levels can access the information and share their experiences. This will eventually lead to the development and improvement of the risk-management procedure into an efficient mechanism.

### 6. Board of Directors' meetings

The Company informed the Board of Directors of the meeting schedules in advance to allow them to find time to attend the meetings. The invitation letter, agenda items and related information are sent at least 5 days ahead of the meeting date. The meeting attendance record of each committee member is disclosed under "Management structure".

## **7. Self-evaluation of the Board of Directors**

The Company has a policy to ask its Board of Directors to evaluate its performance at least once a year to allow them to consider and review their performances and identify issues and obstacles over the year and to increase its effectiveness in line with good corporate governance principles.

### **Procedures of evaluating the performance of the Board of Directors collectively and individually**

The company secretary gives the Board of Directors evaluation forms to all members so they can evaluate the performances during the year both collectively and individually. After they complete the forms, they send them to the company secretary who collects the results of each member, summarizes and analyzes the performances of the Board of Directors during the year. The company secretary later submits the results to the Board of Directors for consideration in line with the aforementioned objectives. In 2014, the performance of the Board of Directors was evaluated at its 8/2557 meeting on December 22, 2014. The criteria are calculated as percentage in each area. Scores above 85 are considered "Excellent", 75-85 "Good", 65-75 "Moderately Good", 50-65 "Average" and "Needs Improvements" for scores below 50.

The evaluation of the Board of Directors' performances is done in 2 manners:

7.1 Collective performance evaluation At the Board of Directors' meeting on 22 Dec 2014, the following areas were evaluated: (1) structure and qualifications of the directors (2) roles, duties and responsibilities of the Board (3) meetings (4) performances of directors (5) relationship with management (6) self-improvement of directors and executive development.

7.2 Individual performance evaluation The areas assessed are: (1) readiness (2) determination of strategies and business planning (3) risk management and internal control (4) supervision to prevent conflicts of interest (5) following up on financial reports and operations (6) board meetings (7) others

## **8. Performance evaluation of subcommittees**

Each year, the Board of Directors evaluates the performance of subcommittees such as the Audit Committee to be used as a framework for reviewing the performance of the past year and improve the efficiency. The results are submitted to the Board of Directors for acknowledgment.

## **9. Compensation**

The Company has clearly determined its policy on the remuneration of directors and president, to be considered and screened by the Nominating and Remuneration Committee before being submitted to the Board of Directors for consideration. Directors' compensation is approved at a shareholders' meeting every year. The remuneration and meeting attendance records of each director are disclosed in "Executive Compensation" under "Management structure".

## **10. Development of directors and executives**

The Board of Directors recognizes the importance of developing its directors. It does so by sending directors to attend courses on knowledge and competency development held by the Thai Institute of Directors and other institutions every year to help them improve themselves and enhance their visions to be applied to the Company's business. In 2014, the Company held an internal training organized by EY Corporate Services Co., Ltd.

Director	Date	Course
Mr. Chalerm Kietitanabumroong, Executive Director, Mr. Nantawat Pipatwongkasem, Operation Executive and Director, as well as Support executives, senior vice presidents and vice presidents, totaling 32	December 17, 2014	Organizational Risk Management

In 2014, the following executives attended seminars:

Name	Date	Seminar title
Mr. Naporn Sunthornchitcharoen, Mr. Adisorn Thananun-narapool	February 7, 2014	Direction of Thai Economy in 2014
Mr. Nantawat Pipatwongkasem	April 8, 2014	Impact of Political Crisis on Thai Economy
Mr. Chadchart Sittipunt	November 17, 2014	Navigating Torrents of Change

The Company has a policy to steadily develop its human resource to upgrade the knowledge and capabilities of its employees and enable them to keep up with the highly competitive business world. In 2014, the Company sent its executives to attend courses both inside and outside the Company, including meditation and dhamma courses. Furthermore, the Company sent its executives to attend long-term courses such as master's degree on business administration or executive MBA (8 executives).

#### 11. Orientation of new directors

As the Company is aware of the importance of the performances of new directors, an orientation program has been organized to introduce them to the Company's overall operations, the organization structures of subsidiaries, associated companies and related companies. The goal is to provide them with insights into work procedures and cross-shareholding structures. They are also given essential information necessary for their performances as the directors such as the internal work flow, Articles of Association, company objectives, code of conduct of directors, handbook of listed companies, corporate governance policy, related laws, financial statements and notes to the financial statements. They are also introduced to the Chairman, the Board of Directors and subcommittees to learn about the Company's business operations.

#### 12. Non-executive directors' meetings

The Company requires that its non-executive directors meet among themselves at least once a year to freely consider management problems without management or the administration. In 2014, they met once on December 12.

#### 13. Meetings between audit directors and auditors

To allow audit directors to fully perform their duty of assisting the Board of Directors and give them freedom to propose corporate governance guidelines, the Company encourages audit directors to meet without executives or management present. In 2014, the Audit Committee met with auditors on December 12 to enquire about their independence and exchange views on the internal control system.

# Corporate Social Responsibility Report

The Company recognizes the importance of complying with corporate governance in line with the 2012 Principles of Good Corporate Governance for Listed Companies of the Stock Exchange of Thailand. The involve rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency and responsibilities of the Board (more detail in “Corporate Governance”). In conducting its business, the Company also places importance on communities, society and the environment. The Board of Directors is always well aware that good corporate governance and social responsibility sustainably improves its operating results and is the key to its success. The Board of Directors therefore laid down a policy on good corporate governance and business ethics in writing. In designing its core work process, the Company takes into account and pays attention to stakeholders, communities, society and the environment while strictly complying with the laws and regulations related to its business.

## 1. Fair business operations

The Company emphasizes operating business by promoting free and fair competition within the framework of the law and its business ethics. It avoids activities which may constitute conflicts of interests, has measures to supervise the use of insider information for personal gains or others’ and respects the rights and equality of all groups of stakeholders from shareholders, customers, employees, trade partners, competitors, creditors, as well as communities, society and the environment. Guidelines on the rights and benefits that the stakeholders should be entitled to are included in the Company’s Code of Conduct and business ethics so that owners, executives and employees can adhere to. They are also posted on the Company’s website and central database. More information can be found in “Roles of Stakeholders” under “Corporate governance”.

## 2. Anti-corruption and bribery

The Company has an anti-corruption policy and prohibits bribery. Under its Code of Conduct, an employee must not solicit benefits and avoid accepting any asset which may illegitimately persuade him to perform or refrain from performing any duty, or cause the Company to lose its legitimate benefits. All employees must not commit any act which may constitute conflicts of interest against the Company. They must not use the Company’s assets to seek commercial benefits for themselves or others, illegitimately refrain from doing anything or abuse their positions. The Company disseminates its Code of Conduct to all employees so they are aware of the importance of performing their duties with integrity. The Company also aims to enhance morality and ethics among its employees by holding meditation sessions and religious trainings.

### Guidelines on corruption risk supervision, control and evaluation

- Preventive measures include restructuring the organization to make it suitable for management and control. The structure enhances transparency and efficiencies and is in line with goals, business nature through separation of duties and balance of power. Work process and command line are clear for each unit. Corporate culture also focuses on morality and ethics, with checks and balances and regular operation evaluation. Adequate and suitable communication and training are provided, with guidelines disseminated through the Company’s intranet and website.
- Code of Conduct for executives and employees is in writing. The Company also promotes compliance with it and arrange for communication channels such as the intranet and website. It also plans a follow-up and evaluate compliance with the Code of Conduct appropriately.

- A procedure to evaluate internal corruption risk was set and policy compliance evaluated through COSO at the director level. Evaluation of internal control at the department level, work mechanisms of the Risk Management Committee and the Internal Control Department is also in place.
- Supervision is done at the department level, with the head of each unit supervising his unit by assessing internal control and corruption risk at the unit level. An efficient and effective internal control was laid down to plug any corruption loophole. The adequacy of internal control in preventing, monitoring and detecting corruption risk is evaluated and reported at least once a quarter.
- The Risk Management Committee also tests and evaluates corruption risk regularly and reports the results to the Board of Directors.
- Channels are provided to report wrongdoing or corrupt practices as are measures to protect and mitigate negative impacts on informers or cooperators under the whistleblower policy. Details are in “Measures of reporting wrongdoing and mechanisms to protect informers”.
- In the event a wrongdoing is found based on evidence, fact-finding and complaints, an ad-hoc committee will be set up to provide justice for the accused and protect the whistleblower appropriately.
- Each case will be used as a case study to find preventive and investigative measures and to educate unit heads on how to prevent internal corruption.

In 2014, the Company held an in-house training for directors, executives and all unit heads on risk management, conducted by EY Corporate Services Co., Ltd. Three employees also attended the “Going from ‘Good’ to ‘Great’ in IT Fraud Prevention and Information Security Governance” held by the Stock Exchange of Thailand. Moreover, new employees will be informed about the standard of good behaviors and ethics on their first days at work and through orientation.

### **3. Human rights observation**

The Company complies with human rights principles. Its directors, executives and all employees follow these principles closely and regard them as core values. They take it to heart equality, freedom, dignity and rights of other people. Discrimination is not tolerated, whether it involves race, nationality, languages, religions, sex, age and education. The Company does not support any act deemed in violation of universal human rights.

#### **Guidelines**

- 1) Tighten supervision to ensure the Company’s business does not involve human rights violations such as child labor or sexual harassment.
- 2) Take care of employees and their well-being by giving them fair compensation, provide welfare, promote education and training continually both in the short and long term, take good care of health and sanitation, provide them with asset and work security and watch out for unfair treatments
- 3) Keep the confidentiality of customers, trade partners and employees by not transferring or disseminating personal information to unrelated parties and agencies. Disclosures or transfers of private data can only be done with prior consent of their owners.
- 4) Terms and conditions in employment contracts are appropriate and fair.
- 5) Treat employees and all stakeholders equally, indiscriminately and respectfully. Respect other people’s opinions.
- 6) Stipulate in the Code of Conduct of employees that they must behave in a manner suitable for their duties and positions and refrain from speaking ill of other people or organizations without grounds.



#### 4. Fair treatment of labor

The Company believes that employees are the most important element of its success. It therefore takes care of and fairly treats them in various areas such as:

- Respect the rights of employees based on human rights principles. More details are under “Human rights observation”.
- Determine compensation that match their duties, responsibilities and price mechanisms in the labor market by taking into consideration incentives so that employees are motivated to perform their duties to their full capacity. Performances are evaluated by supervisors and part of the compensation is allocated as their reward based on the Company’s operating results.
- Various forms of welfare are provided. The Company has the policy on safety and sanitation and promote good work environment. More information is in “Rights of Stakeholders and Employees” under “Corporate Governance”.
- Promote the development of employees’ potential by organizing training and educating employees at all levels.
- The Company set up a welfare committee to represent employees in talks with the Company so that the Company knows what the employees really want. It also supervises the distribution and access to such welfare.

#### 5. Responsibility to consumers

The Company is determined to improve the quality of its products and services to meet standards including setting up a contact center to listen to consumers’ suggestions and opinions. Armed with such knowledge, the Company can improve their products and services to meet customers’ satisfaction and bolster their confidence. The efforts paid off when Land and Houses Plc. won the Trusted Brand award for the eighth consecutive year based on a consumer survey by Reader’s Digest magazine. The award measures consumers’ satisfaction in both Thailand and Asia in six areas: (1) creditability and trust (2) quality (3) value (4) insights into consumers’ demand (5) creativity (6) social responsibility. Land & Houses is the only brand that won the Platinum Award for property.

##### Guidelines

1) Manufacture products with the “Baan Sabai” concept, which focuses on coolness, comfort, energy efficiency, space usage maximization, convenience and safety

##### 1.1 Cool and energy-efficient

##### Baan Sabai walls

House walls are divided into two categories: those made of Q-CON’s autoclaved aerated concrete and those made of reinforced concrete. The choice depends on house plans. Both types are strong and long-lasting, with heat-blocking properties.



### **Baan Sabai roofs**

Roofs are designed and constructed carefully using high-quality tiles. Every roof passes quality control so leaking is very rare. Besides, heat-reflective sheets are installed under the roofs to reflect sunlight.

### **Under-roof laths**

Under-roof laths are narrow strips of materials installed with small space in between below roof tiles around the structure to allow hot air under the roofs to ventilate. The Company uses ready-made laths made of long-lasting materials, eliminating the termite problem. They are also non-decaying, non-swelling, robust, unbending, non-fading, long-lasting and easy to clean.

### **Ceilings**

Ceilings are panels put under the roofs or below upper floors to conceal untidy view of the structure. The Company uses high-quality, lightweight and fire-resistant gypsum sheets as ceilings to ventilate heat, block noises upstairs and decorate rooms.

### **Light-blocking green glass**

The Company uses light-blocking green glass that prevents UV ray and absorbs 35-50% of sun heat. It helps reduce the workload of air-conditioners and conserve energy.

### **Special aluminum and vinyl door/window frames**

Door and window frames are made of special aluminum and vinyl, which help prevent termites and are long-lasting. They withstand sunlight, wind and rain. They do not bend, twist, swell or contract from humidity or water leaks and are easy to clean.

## **1.2 Versatile usable space**

### **Bathrooms of Baan Sabai**

Baan Sabai's bathrooms are designed for sanitation, with separate wet and dry sections, good ventilation and skylights to help kill germs and reduce pollution

### **Side garden doors**

Baan Sabai provides easy access to beautiful gardens around the house with additional doors to verandas along the sides, giving an airy, unobstructed view.

### **Glass lofts in sitting room and/or bathrooms, master bedroom**

The airy view is enhanced by glass lofts to help reduce energy use

### **Special fiber mosquito nets**

Mosquito nets are rust-proof, long-lasting and beautiful. They do not absorb heat and are black in color to prevent reflection and are easy to clean.

### **Praying rooms or separate praying shelves**

A praying room or praying shelf is included in the design in keeping with the commonly believed auspicious corner.

### 1.3 Security, convenience and safety

#### Emergency light and circuit breaker system

An emergency light and circuit breaker system includes down lights in key areas such as master bedrooms and staircases during blackouts or overloads.

#### Underground water tank and pumping system

The underground water tank and pumping system is securely built with piling to support the weight. Quality tanks, connections, taps, valves are used with pipes connecting to pumps, which dispenses water automatically. A system is in place to prevent motors from overheating and pressure diaphragm tanks help extend motor life.

#### Termite control system

The Company prepares an underground termite control system by laying PE pipes around ground beams, eliminating the need to make holes on floors for chemical injections. This means there is no chemical residue in the house.

#### Garbage cans near fences and specially designed mailboxes

Space is provided for garbage cans, as well as mailboxes with well-designed slots

#### Garden decoration

Gardens are prepared and groomed by landscape architects, ready for home owners to move in.

#### House plans

To accommodate extensions, the Company digitizes house plans and put the data on CD-ROM for ease of use.

#### Pre-built houses

Baan Sabai is pre-built before they are sold to customers, allowing customers to set their house-moving schedules conveniently.

1. Sells quality products and services to customers at fair prices
2. Creates a green environment for each project, with large common gardens for cool atmosphere for residents
3. Provides data on projects and products, gives advice to residents and contact customers with courtesy and no exaggerating claims.
4. Guarantees products and has an after-sale service to serve residents and provides house checks during warranty periods.
5. Sets up a customer relation system to directly communicate with residents at the Company's website or at the 1198 call center. It accepts complaints about houses and condominiums and provides home tips. The computer system was upgraded to accommodate online booking for repairs and checking service for houses under warranty where customers can submit their requests around the clock. Project residents can follow up on the status of their repairs requests and find information on their houses by themselves.
6. Respect customer privacy and does not reveal their data or exploit them illegitimately
7. Holds activities to strengthen ties among project residents, as well as their relationship with the Company in the long run

## **6. Environment conservation**

The Company recognizes the importance of impacts on the environment. It therefore designs and makes quality, energy-friendly products. This is the concept behind designs and the choice of quality, energy-efficient and environmentally friendly materials. It has a system to control construction standards. Gardens are prepared around each house and the appropriate environment is arranged as detailed under “Responsibilities to Consumers”. Guidelines on reducing environmental impacts under environment impact assessment reports are closely followed. Efforts are made to strictly comply with related laws.

The Company places importance on energy conservation and conserve the environment. Executive cars are the hybrid type and electric golf cars, which are energy-efficient and help reduce air pollution, are used in projects.

The Company also developed an innovation in 2013 by introducing “AirPlus, an air-ventilating system that enables a house to breathe” to upgrade the quality of life of residents and save energy. More details are in “Innovation and innovative CSR propagation”.

### **Promotion of efficient resource use and environment education for employees**

The Company is determined to use resources efficiently by taking into consideration social and environmental impacts. It encourages and educates employees to create a good environment at work by using resources effectively and efficiently and to take into account their responsibility to the environment while performing their duties. The conscience is instilled through the activities and trainings in which they constantly participate, starting from basic, everyday activity such as the reduction of paper use, more use of recycled paper, re-use of document files and regular maintenance of equipment, campaigns to conserve water and electricity, etc. Moreover, the Company holds trainings to propagate knowledge on energy conservation and the environment such as energy-efficient home designs, energy-saving technology, AirPlus technology and energy conservation including clean-energy alternatives to mitigate the impacts on the environment. Activities were also held so staff could take part in environment conservation. Details are in “Participation in social and community development”.

## **7. Participation in social and community development**

The Company is aware of its responsibilities toward the environment and communities and routinely holds projects and activities for communities and society. In 2014, it organized the following activities:

- “Growing corals” social activity

On December 16, 2014, the Company held the “Growing Corals” activity in which employees joined hands in growing corals at Toey Ngam Beach (Marine Bay) in Sattahip district, Chon Buri province. The activity aimed to replenish coral reefs and rehabilitate the coastal ecosystem, an important natural resource for men. The Tourism Activity Office of the Royal Thai Marine Corps also gave a briefing on coastal ecology aimed at instilling nature-loving conscience.

- “School Building Improvements” volunteer activity

On November 5, 2014, the Company organized the “School Building Improvements” project in which employees helped improve buildings at Nong Hin School, Doembang Nangbuat district, Suphan Buri province. They repainted the buildings and restrooms, as well as improved the bicycle parking barn. On this occasion, the Company also donated school supplies, books, stationery, sports equipment, toys, sweaters and rice for lunch. Located far from the province’s center, the school lacked development and improvements budgets, as well as school supplies and equipment.

- “Mangrove Forest Planting” volunteer activity

On August 5, 2014, the Company held the “Mangrove Forest Planting” volunteer activity in Ban Khlong Khon, Muang district, Samut Songkhram province. There, the employees helped grow saplings for a mangrove forest, a key element of coastal ecology and invaluable resource. Mangrove forests help preserve the ecology and animal habitats while restoring natural balance and slowing down global warming.

- “Helping Students” activity

On January 25, 2014, the Company hosted lunches, gave 10 scholarships and donated stuff to around 120 students from kindergarten level to Prathom 6 at Ban Bor Takraw School, Wat Nong Bua School and Wat Wimol Makkaram School in Pak Tho subdistrict, Ratchaburi province. They also gave cash to the schools to buy uniforms for the students, donated TV and computer sets and educational tools such as notebooks, books, stationery and other necessary things to enhance educational opportunities for children.

- Scholarships for children and rewards for good workers

To support education for children of construction workers in all projects and annual reward for hard workers

## 8. Innovation and innovative CSR propagation

The Company intends to improve houses and upgrade the quality of life of their residents under “LH SMART: A concept for better life”. The concept is reflected by the adoption of concepts involving conveniences, safety and reduction of maintenance burden. These concepts have been integrated into the “Baan Sabai” standards since 1999. Houses under these standards are pre-built, easy to maintain, beautiful and modern. The Company continues to develop quality houses by conducting research, and collecting data on usage behaviors and problems and feedback of residents on new items. Based on the data on modern lifestyles and behaviors, one interesting finding stands out. People spend less time at home on weekdays. This means conveniences and good quality of life are what everybody needs and this led to the development of the AirPlus technology, which was registered as the No. 0601006065 patent.

“AirPlus, an air-ventilating system that enables a house to breathe,” took more than 5 years to develop and has since been used in the Company’s projects. The technology applied the knowledge of traditional Thai house design to modern home technologies. Clean energy is used as the system relies on solar cells for electricity. The “AirPlus” system is based on the following concepts:

1. Smart and convenient (automation)
2. Continuous ventilation (non-stop air circulation)
3. Easy maintenance and long lifetime (easy to maintain and durable)
4. Solar energy (main source of power)
5. Adaptive to modern lifestyle (matching the needs of the new generation)
6. Live-in with good nature (good environment)

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AirPlus is designed to work automatically 24 hours a day by allowing air to circulate continually. The use of solar cells means the system is energy-efficient and environmentally friendly. While the system works automatically, users can turn it on or off through a controller unit.

The AirPlus technology can manage energy in three manners:

1. Solar power, which is clean energy
2. Hybrid, a mix of electricity and solar energy
3. Sufficient, efficient use of electricity

AirPlus can ventilate a house efficiently through the installed ventilation tube, which draws inside air out along the eaves, causing air to move all the time and reducing heat and humidity.

## Board and Executives

### MR. ANANT ASAVABHOKHIN (Age 64)

#### Position

- Chairman of the Board of Directors
- Chairman of the Executive Board
- Director and authorized signatory  
Appointed Date 12 December 1992

#### Education

- Bachelor of Civil Engineering Chulalongkorn University
- M.S. Industrial Engineering, Illinois Institute of technology, Chicago, USA
- M.B.A. Thammasat University
- Director Certification Program DCP 52/2004 by Thai Institute Of Directors (IOD)

#### % of Shareholding as 31-Dec-14

- 21.69

#### Relationship

-

#### Working Experience

##### Listed Company

May 13-Present	Chairman of the Board of Directors Chairman of the Executive Board Land and Houses PCL. (Real Estate)
1985-Apr 13	President Land and Houses PCL. (Real Estate)
1988-Apr 13	Chief Executive Officer Land and Houses PCL. (Real Estate)
1995-Present	President Home Product Center PCL. (Trading of construction materials)
1994-Present	President Quality Construction Products PCL. (Building Material)
1983-Present	President Quality Houses PCL. (Real Estate)

##### Non-Listed Company

2005-Present	President Land and Houses Retail Bank PCL. (Bank)
2005-Present	Director Polar Property Holdings, Corporation (Real Estate)
2005-Present	Director L&H PROPERTY CO.,LTD. (Real Estate)
2005-Present	Director L&H Sathon Co., Ltd. (Real Estate)
2004-Present	Director L H Realestate Co.,Ltd. (Real Estate)
2004-Present	Director LH Asset Co.,Ltd. (Real Estate)
2000-Present	Director Asia Asset Advisory Co.,Ltd. (Advisor)

### MR. ADISORN THANANAN-NARAPOOL (Age 60)

#### Position

- Managing Director
- Director and authorized signatory  
Appointed Date 12 December 1992

#### Education

- Bachelor of Accounting Thammasat University
- M.B.A. Thammasat University
- Director Accreditation Program DAP 7/2004
- Director Certification Program DCP 41/2004 by Thai Institute Of Directors (IOD)
- Stanford Executive Programme (SEP)
- Graduate School of Business, Stanford University

#### % of Shareholding as 31-Dec-14

- 0.63

#### Relationship

-

#### Working Experience

##### Listed Company

May 13-Present	Managing Director Land and Houses PCL. (Real Estate)
2002-Apr 13	Director & Executive Director & Senior Executive Vice President Support Land and Houses PCL. (Real Estate)
1992-2001	Executive Vice President Land and Houses PCL. (Real Estate)
2003-Present	Director Quality Houses PCL. (Real Estate)

##### Non-Listed Company

2005-Present	Director L&H Property Co., Ltd. (Real Estate)
2005-Present	Director L&H Sathon Co., Ltd. (Real Estate)
2001-Present	Director LH Muang Mai Co.,Ltd. (Real Estate)
2000-Present	Director Land and Houses Property Fund I (Property Fund)
2002-Present	Director Land and Houses Property Fund II (Property Fund)
2004-Present	Director L H Realestate Co.,Ltd. (Real Estate)
2004-Present	Director LH Asset Co.,Ltd. (Real Estate)
2004-Present	Director Land and Houses Fund Management Co.,Ltd. (Fund Management)
2012-Present	Director Land And Houses U.S.A.,INC. (Real Estate)

## MR. NAPORN SUNTHORNCHITCHAROEN (Age 56)

### Position

- President
- Director and authorized signatory  
Appointed Date 12 December 1992

### Education

- Bachelor of Civil Engineering Chiangmai University
- M.B.A. Thammasat University
- Director Accreditation Program DAP 25/2004
- Director Certification Program DCP 53/2005  
by Thai Institute Of Directors (IOD)
- National Defense College
- Financial Institutions Governance Program
- Stanford Executive Programme (SEP) Graduate School of  
Business, Stanford University

### % of Shareholding as 31-Dec-14

- 0.21

### Relationship

-

### Working Experience

#### Listed Company

May 13-Present	President Land and Houses PCL. (Real Estate)
2002-Apr 13	Executive Director & Senior Executive Vice President Operation Land and Houses PCL. (Real Estate)
1991-2001	Executive Vice President Land and Houses PCL. (Real Estate)
1994-Present	Director Quality Construction Products PCL. (Building Material)
1995-Present	Director Home Product Center PCL. (Trading of construction materials)
2011-Present	Director Executive Director and The member of The Nominating and Compensation Committee LH Financial Group PCL. (Financial)

#### Non-Listed Company

1995-Present	Director Land and Houses Northeast Co.,Ltd. (Real Estate)
1995-Present	Director Land and Houses North Co.,Ltd. (Real Estate)
1995-Present	Director LH Muang Mai Co.,Ltd. (Real Estate)
2004-Present	Director L H Realestate Co.,Ltd. (Real Estate)
2004-Present	Director LH Asset Co.,Ltd. (Real Estate)
2005-Present	Director Phuket Future Plan Co.,Ltd. (Real Estate)
2005-Present	Director Double Three Co.,Ltd. (Real Estate)
2012-Present	Director Land And Houses U.S.A.,INC. (Real Estate)
2005-Present	Director Executive Director and The member of The Nominating and Compensation Committee Land and Houses Retail Bank PCL. (Bank)

## MR. CHALERM KIETITANABUMROONG (Age 62)

### Position

- Senior Executive Vice President&Chief Operation Officer
- The Member of The Risk Management Committee  
Appointed Date 11 July 2011

### Education

- Bachelor of Civil Engineering Chulalongkorn University
- MBA Chulalongkorn University
- Director Certification Program DCP 54/2005
- Director Diploma Examination 16/2005  
by Thai Institute Of Directors (IOD)

### % of Shareholding as 31-Dec-14

- 0.07

### Relationship

-

### Working Experience

#### Listed Company

May 13-Present	Senior Executive Vice President&Chief Operation Officer Land and Houses PCL. (Real Estate)
2014	The Member of The Risk Management Committee Land and Houses PCL. (Real Estate)
1988-Apr 13	Executive Vice President Subsidiary and Associated Companies Land and Houses PCL. (Real Estate)
2011-Present	Director Land and Houses PCL. (Real Estate)

#### Non-Listed Company

2005-Present	Director Phuket Future Plan Co.,Ltd. (Real Estate)
2005-Present	Director Double Three Co.,Ltd. (Real Estate)
2001-Present	Director LH Muang Mai Co.,Ltd. (Real Estate)
2004-Present	Director L H Realestate Co.,Ltd. (Real Estate)
2004-Present	Director LH Asset Co.,Ltd. (Real Estate)

**MR. NANTAWAT PIPATWONGKASEM (Age 55)****Position**

- Senior Vice President
- Legal Department
- The Member of The Risk Management Committee
- Director and authorized signatory & Company Secretary  
Appointed Date 12 December 1992

**Education**

- Bachelor of Law, Barrister at Law
- M.B.A. Thammasat University
- Director Accreditation Program DAP 18/2004
- Director Certification Program DCP 62/2005
- Finance for Non-Finance Director FN 13/2004  
by Thai Institute Of Directors (IOD)

**% of Shareholding as 31-Dec-14**

- 0.0001

**Relationship**

-

**Working Experience****Listed Company**

1992-Present	Director Land and Houses PCL. (Real Estate)
Jul 13-Present	Senior Vice President, Legal Department Land and Houses PCL. (Real Estate)
2014	The Member of The Risk Management Committee Land and Houses PCL. (Real Estate)
1990-Jun 13	Vice President, Legal Department Land and Houses PCL. (Real Estate)

**Non-Listed Company**

1995-Present	Director Land and Houses North Co.,Ltd. (Real Estate)
1995-Present	Director Land and Houses Northeast Co.,Ltd. (Real Estate)
2001-Present	Director LH Muang Mai Co.,Ltd. (Real Estate)
2012-Present	Director Land And Houses U.S.A.,INC. (Real Estate)

**MR. PRATIP WONGNIRUND (Age 80)****Position**

- Director
- The Chairman of The Audit Committee  
& Independent Director  
Appointed Date 3 December 1999

**Education**

- School of Commerce, Sydney Technical College,  
New South Wales, Australia
- Director Certification Program DCP 36/2003
- The Role of Chairman (RCM) 10/2004  
by Thai Institute Of Directors (IOD)

**% of Shareholding as 31-Dec-14**

- 0.0027

**Relationship**

-

**Working Experience****Listed Company**

2000-Present	The Chairman of The Audit Committee & Independent Director Land and Houses PCL. (Real Estate)
2003-Present	The Chairman of The Audit Committee & Independent Director Quality Construction Products PCL. (Building Material)
2005-Sep 2009	The Chairman of The Audit Committee & Independent Director ACL Securities Co., Ltd. (Securities)
1998-2009	Chairman Indra Insurance PCL. (Insurance)
1997-Apr 2009	Independent Director & The Chairman of The Audit Committee Siam Commercial Leasing PCL. (Leasing)



## MR. PAKHAWAT KOVITHVATHANAPHONG (Age 65)

### Position

- Director
- Independent Director
- The Member of The Audit Committee & Chairman of The Nominating and Compensation Committee  
Appointed Date 3 December 1999

### Education

- M.B.A. In Marketing & Finance, The Wharton School, University of Pennsylvania, USA
- B.A. in Economics (First Class Honors), Thammasat University
- Director Certification Program DAP 4/2003 by Thai Institute Of Directors (IOD)
- Director Certification Program DCP 58/2005 by Thai Institute Of Directors (IOD)
- National Defense College Class 344
- Capital Market Academy Class 5

### % of Shareholding as 31-Dec-14

- 0.0005

### Relationship

-

### Working Experience

#### Listed Company

1999-Present	Director, Independent Director & The Member of The Audit Committee & Chairman of The Nominating and Compensation Committee Land and Houses PCL. (Real Estate)
2001-Present	Chief Executive Officer and Director Trinity Watthana PCL. (Holding Company)
2011-Present	Independent Director and Risk Management Committee Thai Rubber Latex Corporation (Thailand) Plc. (Rubber Business)
2010-Present	Director and Chairman of Corporate Strategy Committee TSFC Securities Plc. TSFC : Thailand Securities Finance Corporation (Securities)

#### Non-Listed Company

2001-Present	Director and Chairman Trinity Securities (Securities)
2011-Present	Director and Chairman Trinity Advisory 2001 Co., Ltd. (Advisor)
2010-Present	Advisor Association of Thai Securities Companies
2011 -Present	Director The Thai Bond Market Association
2009-Present	Advisor Thai Listed Companies Association

## MR. SOONG HEE SANG (Age 56)

### Position

- Director  
Appointed Date 29 November 2006

### Education

- Master of Business Administration, National University of Singapore
- Bachelor of Science in Estate Management (Honours), National University of Singapore

### % of Shareholding as 31-Dec-14

-

### Relationship

-

### Working Experience

#### Listed Company

Sep 2006-Present	Director Land and Houses PCL. (Real Estate)
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#### Non-Listed Company

Sep 2006-Present	Managing Director (Head, Asset Management, Asia) GIC Real Estate Pte. Ltd. (Real Estate)
Oct 2004-Sep 2006	Chief Executive Officer of Capita Land Residential (New Market) Pidemco Land Limited* / Capita Land Limited (Real Estate)
Mar 2002-Sep 2004	Chief Executive Officer of Capita Commercial Trust Deputy Chief Executive Officer and Managing Director, Office and Industrial of Capita Land Commercial Pidemco Land Limited* / Capita Land Limited (Real Estate)

\* Note : Pidemco Land Limited merged with DBS Land in Nov 2000 to form Capita Land Limited

**MR. WIT TANTIWORAWONG (Age 56)****Position**

- Executive Director & Executive Vice President and Chief Finance Officer
- Appointed Date 24 April 2013

**Education**

- Bachelor of Administration Bangkok University
- M.B.A. Thammasat University

**% of Shareholding as 31-Dec-14**

- 0.01

**Relationship**

-

**Working Experience****Listed Company**

May 13-Present	Executive Vice President and Chief Finance Officer Land and Houses PCL. (Real Estate)
2009-Apr 13	Senior Vice President Financial Department Land and Houses PCL. (Real Estate)
1991-2008	Vice President Financial Department Land and Houses PCL. (Real Estate)

**Non-Listed Company**

2007-Present	Director L&H PROPERTY CO.,LTD. (Real Estate)
2007-Present	Director L&H Sathon Co.,Ltd. (Real Estate)
2000-Present	Director Asia Asset Advisory Co.,Ltd. (Advisor)
2012-Present	Director Land And Houses U.S.A.,INC. (Real Estate)

**MR. LERSUK SUWANNATON (Age 56)****Position**

- Executive Vice President
- Appointed Date 20 February 2009

**Education**

- Bachelor of Civil Engineering Kasetsart University

**% of Shareholding as 31-Dec-14**

- 0.01

**Relationship**

-

**Working Experience****Listed Company**

Jan 2014-Present	Executive Vice President Land and Houses PCL. (Real Estate)
Aug 2009-2013	Senior Vice President Project 1 Land and Houses PCL. (Real Estate)
Jan 2007-Present	Vice President Project 1 Land and Houses PCL. (Real Estate)
Oct 1996-Present	Vice President Business Development Department Land and Houses PCL. (Real Estate)
Apr 2008-Present	Acting Vice President Customer Relation Department Land and Houses PCL. (Real Estate)

## MR. ADUL CHUVANICHANON (Age 59)

### Position

- Executive Vice President  
Appointed Date 20 February 2009

### Education

- Bachelor of Civil Engineering Chiangmai University
- M.B.A. Thammasat University

### % of Shareholding as 31-Dec-14

- 0.008

### Relationship

-

### Working Experience

#### Listed Company

Jan 2014-Present	Executive Vice President Land and Houses PCL. (Real Estate)
Aug 2009-2013	Senior Vice President Project 10 Land and Houses PCL. (Real Estate)
2003- 2008	Vice President Project 10 Land and Houses PCL. (Real Estate)

## MR. WISANU SUBSOMPON (Age 46)

### Position

- Independent Director
- The Member of The Audit Committee  
(Resigned on July 1, 2014)

### Education

- Bachelor of Engineering (Civil Engineering) 1<sup>st</sup> Class Honors  
Chulalongkorn University
- M.s., Ph.D. (Civil Engineering) Carnegie Mellon University  
Pittsburgh, U.S.A.
- Bachelor of Laws, Sukhothai Thammathirat Open University
- Executive Program on Strategic Intellectual Property  
Management, WIPO Academy, Switzerland
- Thai Institute of Directors (IOC)
- Director Accreditation Program 83/2010
- Director Certification Program 132/2010
- Audit Committee Program (ACP) 32/2010
- Risk Management Committee Program (RMC) 2/2013
- Advance Audit Committee Program (AACP) 15/2014

### % of Shareholding as 31-Dec-14

-

### Relationship

-

### Working Experience

#### Listed Company

Jun 2012-Jun 2014	Independent Director, The Member of The Audit Committee Land and Houses PCL. (Real Estate)
Jan 2013-Jun 2014	Independent Director Airports of Thailand PCL. (Transport and Logistic)

#### Non-Listed Company

2003-Present	Associate Professor Faculty of Engineering, Chulalongkorn University (Education)
2006-2014	Director Jamjuree Innovation Co.,Ltd.
2008-2014	Director Jamjuree Inovation Products Co.,Ltd.
2004-2012	Director Chulalongkorn University Intellectual Property Institute

**MR. CHADCHART SITTIPUNT (Age 48)****Position**

- Independent Director
- The Member of The Audit Committee & Member of The Nominating and Remuneration Committee
- The Chairman of The Risk Management Committee (Resigned on December 23, 2014)

**Education**

- Bachelor of Engineering (Civil Engineering) 1<sup>st</sup> Class Honors Chulalongkorn University
- Master of Science in Civil Engineering (Structure), Massachusetts Institute of Technology
- Ph.D. in Civil Engineering, University of Illinois at Urbana-Champaign
- Thai Institute of Directors (IOC)
- Director Certification Program (DCP) 70/2006

**% of Shareholding as 31-Dec-14**

-

**Relationship**

-

**Working Experience****Listed Company**

Aug 2014-Dec 2014	Director, Independent Director, The Member of The Audit Committee&Member of Nominating and Remuneration Committee, The Chairman of The Risk Management Committee Land and Houses PCL. (Real Estate)
Dec 2008-Jan 2012	Director, Independent Director, The Member of The Audit Committee&Member of Nominating and Remuneration Committee Land and Houses PCL. (Real Estate)

**Non-Listed Company**

2005-Present	Assistant to the President Office of Property Management, Chulalongkorn University
2004-Present	Director Faculty of Engineering, Chulalongkorn University
2003-Present	Head of Fire Safety Research Center Faculty of Engineering, Chulalongkorn University
2005-2006	Director Aeronautical Radio of Thailand Ltd.
2005-2006	Director Director, Mass Rapid Transit Authority of Thailand
2005-2006	Director The Transport Co.,Ltd.
1995-Present	Faculty Member Faculty of Engineering, Chulalongkorn University
1993-1994	Structural Engineer Skidmore, Owings&Merrill, Chicago, IL

**MR. TEERA BENJASILARAK (Age 55)****Position**

- Senior Vice President Accounting Department Appointed Date 12 December 1992

**Education**

- Bachelor of Science Kasetsart University
- M.B.A. Thammasat University

**% of Shareholding as 31-Dec-14**

- 0.014

**Relationship**

-

**Working Experience****Listed Company**

Present	Senior Vice President Accounting Department Land and Houses PCL. (Real Estate)
1991-2012	Vice President Accounting Department Land and Houses PCL. (Real Estate)

**MR. VISIT TANTICHAIPAKORN (Age 55)****Position**

- Vice President Finance Department Appointed Date 22 January 2014

**Education**

- Bachelor of Communication Arts Sukhothai Thammathirat Open University

**% of Shareholding as 31-Dec-14**

- 0.000

**Relationship**

-

**Working Experience****Listed Company**

Present	Vice President Finance Department Land and Houses PCL. (Real Estate)
2002-2013	Senior Vice President Finance Department Land and Houses PCL. (Real Estate)

## Shareholdings of Directors and Executives

Rank	Name	Position	Number of shares held as of 31/12/2013	Number of shares held as of 31/12/2014	Change	share-holding (%)	Appointment Date
1	<b>Mr. Anant Asavabhokhin</b> Spouse and minor children	Chairman of the Executive Board	2,382,639,623 -	2,382,639,623	-	21.69	12/12/1992
2	<b>Mr. Adisorn Thananan-narapool</b> Spouse and minor children	Managing Director	69,360,922	69,289,500	(71,422)	0.63	12/12/1992
3	<b>Mr. Naporn Sunthornchitcharoen</b> Spouse and minor children	President	22,908,216 -	22,908,216	-	0.21	12/12/1992
4	<b>Mr. Chalerm Kietitanabumroong</b> Spouse and minor children	Senior Executive Vice President	7,456,692 -	7,456,692	-	0.07	11/7/2012
5	<b>Mr. Nantawat Pipatwongkasem</b> Spouse and minor children	Director and Secretary	10,099 -	10,099	-	0.00	12/12/1992
6	<b>Mr. Soong Hee Sang</b> Spouse and minor children	Director	- -	-	-	-	29/11/2006
7	<b>Mr. Pratip Wongnirund</b> Spouse and minor children	Independent Director	300,000 -	300,000	-	0.00	3/12/1999
8	<b>Mr. Pakhawat Kovithvathanaphong</b> Spouse and minor children	Independent Director	52,998 -	52,998	-	0.00	3/12/1999
9	<b>Mr. Wit Tantiworawong</b> Spouse and minor children	Executive Vice President	2,099 -	1,100,101	1,098,002	0.01	24/4/2013
10	<b>Mr. Lersuk Suwannaton</b> Spouse and minor children	Executive Vice President	1,600,000 -	1,200,000	(400,000)	0.01	20/2/2009
11	<b>Mr. Adul Chuvanichanon</b> Spouse and minor children	Executive Vice President	879,280 -	879,280	-	0.00	20/2/2009
12	<b>Mr. Teera Benjasilarak</b> Spouse and minor children	Vice President, Accounting Department	1,342,431 -	1,510,917	168,486	0.01	12/12/1992
13	<b>Mr. Visit Tantichaipakorn</b> Spouse and minor children	Vice President, Financial Department	5,000 -	8,000	3,000	0.00	22/1/2014

## Internal Controls And Risk Management

The Board of Directors and the executives are responsible for the efficiency of the internal control system. They are also in charge of reviewing and monitoring the system regularly to enhance its efficiency to minimize operating losses amid the changing situation. Internal and external factors, government rules and regulations, as well as people related to the organization, are risk factors for the business. Well aware of this fact, the Board of Directors has always paid attention to the importance of internal control. It requires that all units of the Company consider comprehensive internal control from management, resource management, finance and accounting, human resources, procurement, and information technology to legal issues. The objective is to prevent severe damages and/or disputes that may result from violations and offences against the Company or a third party, which could lead to both civil and criminal lawsuits. The Company implements the measures through the following channels:

**1. Through the organization's structure** The organization was designed with the nature of work in mind. The scopes of authority and duties were clearly defined to optimize operating flexibility and speed within internationally accepted restrictions. For instance, a board of director was set up to supervise policies and take responsibility for parties related to the Company. The Executive Board is responsible for operating results based on established objectives. Subcommittees the Audit Committee, the Risk Management Committee and the Nominating and Compensation Committee are in charge of missions assigned by the Board of Directors. Departments are grouped into two lines operation and support and were set up appropriately and adequately to ensure good management of supervision and checks and balances of authority among the operators in each department or line. A process was also put in place to manage overall risks at acceptable levels.

**2. Through the Audit Committee** The Board of Directors assigned the three members of the Audit Committee to supervise, monitor and consider the appropriateness and adequacy of the internal control system since the dynamic environment made it necessary to evaluate the system every year. The Audit Committee was also structured to report directly to the Board of Directors.

Each year, the Audit Committee meets with the Company's external auditors from EY Office Limited and internal auditors at least once every quarter to follow up on and enquire about the Company's internal control. They found no significant flaw in the Company's internal control system. Only a few areas needed improvements in terms of information and supplementary documents and responsible departments already took action to address the issues.

At the Company's Board of Directors' meeting No. 8/2557 on Dec 22, 2014, the Board of Directors considered the preliminary report on the evaluation of the adequacy of the internal control system in 2014 submitted by the Audit Committee. The Board of Directors was of the opinion that the Company's internal control system was adequate and suitable for the current situation based on the framework of the Security and Exchange Commission and the Stock Exchange of Thailand, which covered five key areas defined by the Committee of Sponsoring Organization of the Treadway Commission (COSO)'s international standards. They are internal environment, risk assessment, control activities, information and communication, and monitoring. After considering it, the Board of Directors agreed with the Audit Committee's opinions and findings.

At the department level, the Company adopts a self-evaluation control system implemented every year to review operations and improve work systems, ensure internal control is more effective and efficient and promote continual development.

**3. Through corporate culture** Corporate culture can immunize an organization and lay down a good foundation in the long term through a mechanism called corporate culture by using personnel as the model to connect through various means. They include training, instilling of ethics and morality of the Company, top-down transfers of good conscience, regular organization of dhamma practices for both employees and their families and the care that is passed on from generation to generation. The Company believes that there is no such thing as the best system all around and that nothing beats having the personnel that think good, act good and have lofty conscience about their assigned authority and responsibilities. These qualities can exist only when corporate culture is strong.

The Audit Committee takes the supervising role so that the Internal Audit and System Development Department can perform its duties independently, fairly and ethically. The chief audit executive of the Company is Mr. Pornchai Ketkhajornvirach, Vice President, Internal Audit and System Development. The Audit Committee found Mr. Pornchai Ketkhajornvirach qualified, knowledgeable and competent, with experiences and understanding of the Company's business and work systems, and able to perform his duties efficiently. The consideration of the appointment, transfer, employment termination of the chief audit executive must be approved by the Audit Committee.

## Related-Party Transactions

### 1. Related-party transactions

The Company and its subsidiaries entered into the following related-party transactions among themselves or with individuals or juristic persons with potential conflicts of interests (for more details, please refer to "Notes to the Financial Statement"):

Individual/juristic person	Relationship (as of Dec. 31, 2014)	Nature of transaction	Value (million baht)		Opinion of directors
			2013	2014	
Quality Construction Product Plc. (Q-CON)	<ul style="list-style-type: none"> <li>- The Company is a majority shareholder of Q-CON, with 21.16% of all sold shares.</li> <li>- Mr. Pratip Wongnirund and Mr. Naporn Sunthornchitcharoen serve on the boards of both companies.</li> </ul>	- The Company and its subsidiaries bought construction materials from Q-CON.			<ul style="list-style-type: none"> <li>- According to the evaluation by the Audit Committee and executives, the terms and prices were normal business practices and comparable to similar transactions with outsiders.</li> <li>- The dividends were in proportion to the Company's holding and at the same rate as paid to other shareholders.</li> </ul>
		Goods purchases	69.3	48.6	
		Trade accounts payable	14.2	8.1	
		Other accounts payable	-	-	
		Dividends receivable	27.1	21.2	
Home Product Center Plc. (HMPRO)	<ul style="list-style-type: none"> <li>- The Company is a majority shareholder of HMPRO, with 30.23% of all sold shares.</li> <li>- Mr. Anan Asavabhokhin and Mr. Naporn Sunthornchitcharoen serve on the Boards of Directors of both companies.</li> </ul>	- The Company and its subsidiaries bought home-decoration items from HMPRO.			<ul style="list-style-type: none"> <li>- According to the evaluation by the Audit Committee and executives, the terms and prices were normal business practices, comparable to the same transactions with outsiders.</li> <li>- The dividends were in proportion to the Company's holding and at the same rate as paid to other shareholders.</li> </ul>
		Goods purchases	37.7	50.8	
		Trade accounts payable	0.8	0.5	
		Other accounts payable	0.1	0.6	
		Dividends receivable	85.8	92.1	



Individual/juristic person	Relationship (as of Dec. 31, 2014)	Nature of transaction	Value (million baht)		Opinion of directors
			2013	2014	
Quality Houses Property Fund (QHPF)	<ul style="list-style-type: none"> <li>- Mr. Anant Asavabhokhin's group (consisting of Mr. Anant Asavabhokhin / Mayland Co.,Ltd. / and Ms. Piangjai Harnpanij) holds a combined 28.32% in QHPF as of Sept. 1, 2014.</li> <li>- The Company is the majority shareholder of QH, with 24.98%.</li> <li>- QH is the majority shareholder of QHPF, at 25.66%.</li> <li>- Mr. Anant Asavabhokhin and Mr. Adisorn Thananan-narapool serve on the boards of both the Company and QH</li> </ul>	<ul style="list-style-type: none"> <li>- The Company and its subsidiaries leased office building space from QHPF for their head offices.</li> <li>Rentals and services</li> <li>Advanced payments</li> <li>Dividends receivable</li> </ul>	42.1  9.3  21.3	43.8  9.3  21.5	<ul style="list-style-type: none"> <li>- According to the evaluation by the Audit Committee and executives, the leasing was based on normal business practices and the rentals were comparable to the rates QHPF charged its other customers.</li> <li>- The dividends are in proportion to the Company's holding</li> </ul>
Land and House Bank Plc. (LH Bank)	<ul style="list-style-type: none"> <li>- The Company is the majority shareholder, with 33.98%, of LH Financial Group (LHFG), which holds 99.99% of shares in LH Bank.</li> <li>- Quality Houses Plc., an associated company of the Company, holds 21.43% of shares in LHFG.</li> <li>- Ms. Piangjai Harnpanij, Mr. Anant Asavabhokhin's mother, holds 16.55% of shares in LHFG.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company and its subsidiaries had savings and current accounts with LH Bank.</li> <li>Short-term bills of exchange and deposits</li> <li>Interest income</li> <li>Accrued interest</li> <li>Dividends</li> </ul>	651.9 16.7 0.1 139.9	3,152.2 24.9 6.8 144.5	<ul style="list-style-type: none"> <li>- According to the evaluation of the Audit Committee and executives, the deposits were normal business practice and the interest earned was of the same rates as what other companies unrelated to LH Bank received from it. There was no obligation for the deposits.</li> <li>- The dividends were in proportion to the Company's holding and at the same rate as paid to other shareholders.</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2014)	Nature of transaction	Value (million baht)		Opinion of directors
			2013	2014	
Quality Houses Plc. (QH)	<ul style="list-style-type: none"> <li>The Company holds 24.98% of shares in QH. Mr. Anant Asavabhokhin and Mr. Adisorn Thananan-narapool are directors of both the Company and QH. Government of Singapore Investment Corporation Pte. Ltd. (GIC) is a majority shareholder in both the Company (16.12%) and QH (10.77%).</li> </ul>	<ul style="list-style-type: none"> <li>Dividends receivable</li> <li>Management and accounting fees</li> <li>Brokerage fees</li> <li>Trade accounts payable</li> <li>Other accounts payable</li> </ul>	434.5  45.6 4.4 10.3 10.6	367.0  41.5 0.5 8.8 -	<ul style="list-style-type: none"> <li>The dividends were in proportion to the Company's holding and at the same rate as paid to other shareholders.</li> <li>The Company's Board of Directors on November 14, 2011 approved a connected transaction worth 75.7 million baht in which QH is hired to manage the Grande Centre Point Hotel &amp; Residence Sukhumvit Terminal 21 for 3 years 2 months from November 1, 2011 to December 31, 2014.</li> <li>QH was hired to manage Grande Centre Point for 1 year, from January 1 to December 31, 2014</li> </ul>
Land and Houses Freehold and Leasehold Property Funds 1 and 2 (LHPF 1 and LHPF 2)	<ul style="list-style-type: none"> <li>The Company holds 49.94% of units in LHPF 1 and 49.99% in LHPF 2.</li> </ul>	<ul style="list-style-type: none"> <li>Dividends receivable</li> </ul>	21.2	-	<ul style="list-style-type: none"> <li>The dividends were paid in proportion to the Company's holding, at the same rates as what other unit holders received.</li> </ul>
Asia Asset Advisory Co., Ltd. (AAA) and L&H Property Co., Ltd. (LHP)	<ul style="list-style-type: none"> <li>L&amp;H Property Co., Ltd. (LHP) and Asia Asset Advisory Co., Ltd. (AAA) are related as Government of Singapore Investment Corporation Pte. Ltd., a major shareholder of the Company with 18.26%, is also a major shareholder of LHP, with 40%.</li> <li>Mr. Anant Asavabhokhin and Mr. Soong Hee Sang serve as the directors of both LHP and AAA.</li> </ul>	<ul style="list-style-type: none"> <li>AAA provides property procurement and management services for LHP, a subsidiary of the Company.</li> <li>Management fees</li> </ul>	62.5	36.7	<ul style="list-style-type: none"> <li>The Company's Board agreed at its meeting on November 11, 2012 that the fees were fair and in line with normal business practices. They consisted of:</li> <li>A management fee of 0.25% of the net asset value (NAV) for operational projects</li> <li>Completed-asset sale service charge not more 0.75% of value of sold assets. (Mr. Soong Hee Sang, who represented GIC, did not attend the meeting and vote on this agenda item).</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2014)	Nature of transaction	Value (million baht)		Opinion of directors
			2013	2014	
Reco Resort Pte. Ltd. (RECO) and L&H Property Co., Ltd. (LHP))	- The connected party was RECO since Government of Singapore Investment Corporation Pte. Ltd. (GIC) is an indirect major shareholder in RECO (100%) and a major shareholder of the Company (18.26%).	<p>The Company and RECO gave financial assistance to LHP based on their share-holdings in LHP. The Company, which owned 60%, and RECO, which owned 40%, jointly lent to LHP based on their holdings. The Company gave a credit line of not more than 1,320 million baht and RECO lent no more than 880 million baht at the interest rate of The Siam Commercial Bank Plc.'s MLR-1.5% to support LHP's L&amp;H Rajdamri, L&amp;H Villa Sathorn and L&amp;H Sukhumvit projects. They expected to be repaid in 2020.</p> <p>LHP had the following outstanding debts owed to RECO:</p> <ul style="list-style-type: none"> <li>- Loans and accrued interest</li> </ul> <p>LHP had the following outstanding debts owed to the Company:</p> <ul style="list-style-type: none"> <li>- Loans and accrued interest</li> <li>- Interest payable</li> </ul>	<p>393.7</p> <p>590.8</p> <p>21.3</p>	<p>-</p> <p>-</p> <p>-</p>	<p>- At its November 10, 2010 meeting, the Board was of the opinion that the lending was reasonable and benefited the Company. (Mr. Lim Swe Guan and Mr. Soong Hee Sang, who represented GIC, did not attend the meeting and vote on this agenda item).</p>

Individual/juristic person	Relationship (as of Dec. 31, 2014)	Nature of transaction	Value (million baht)		Opinion of directors
			2013	2014	
Mr. Pittaya Tantipiriyakit	<ul style="list-style-type: none"> <li>- Mr. Pittaya is a director of LH Muang Mai Co., Ltd. (LM), a subsidiary of the Company.</li> <li>- The Company holds 55% of shares in LM.</li> </ul>	<ul style="list-style-type: none"> <li>- Mr. Pittaya lent to LM in proportion to his holding.</li> <li>Short-term loans and accrued interest</li> <li>Interest payable</li> </ul>	53.4 2.2	55.4 2.0	<ul style="list-style-type: none"> <li>- According to the evaluation of the executives, the interest rate charged for the loans was a market rate of 7.5% a year (5.5% a year in 2014).</li> </ul>
Siam Retail Development Co., Ltd. (SRD)	<ul style="list-style-type: none"> <li>- Mr. Anant Asavabhokhin holds 22.01% in the Company and a majority stake of 27% in SRD</li> </ul>	<ul style="list-style-type: none"> <li>- Office common-area fee</li> <li>- Terminal 21 shopping center management fee</li> <li>- Brokerage fee</li> <li>- Other accounts payable</li> </ul>	23.7 14.6 9.6 3.3	23.3 14.8 9.0 7.2	The Board of Directors' meetings on May 12, 2014 was of the opinion that the transactions and their terms were normal trade practices. The Audit Committee also shared the same opinion.
Land and Houses Freehold and Leasehold Property Fund (LHPF)	<ul style="list-style-type: none"> <li>- Government of Singapore Investment (GIC), which holds 18.26% in LH, holds 15% in LHPF.</li> <li>- LH holds 15% in LHPF</li> </ul>	<ul style="list-style-type: none"> <li>Dividends receivable</li> <li>Realized provision for guaranteed income of the fund</li> <li>Unrealized provision for guaranteed income of the fund</li> </ul>	34.6 33.3 67.3	34.6 33.7 42.5	<ul style="list-style-type: none"> <li>- In line with shareholding</li> <li>- The guarantee was in proportion with the sale of assets into the fund by LH and GIC, at 52:48 for 3 years from 2013 to 2015 as detailed in the prospectus.</li> </ul>
Land and Houses Freehold and Leasehold Property Fund 2 (LHPF 2) and L&H Hotel Management Co., Ltd. (LHH)	<ul style="list-style-type: none"> <li>- GIC is the majority shareholder of LHPF 2, with 50%. It is also a majority shareholder in LH, with 18.26%.</li> <li>- LHH is a subsidiary of LH, with 60%, and of GIC, with 40%.</li> </ul>	<ul style="list-style-type: none"> <li>LHH leased Centre Point Ploenchit Hotel from LHPF 2 for 1 year and 4 months, from September 1, 2014 to December 31, 2015 for not more than 151.09 million baht. Of the rent, 78.4 million baht was based on a fixed rate at between 4.0% and 4.5% and 72.7 million baht was based on a variable rate at 85% of net lease revenue.</li> <li>- Rental Expense</li> <li>- Prepaid Rental Expense</li> </ul>	- -	11.1 11.4	The Board of Directors of the Company on August 14, 2014 viewed the transaction was based on general trade terms. The Audit Committee also shared the same view.

Individual/juristic person	Relationship (as of Dec. 31, 2014)	Nature of transaction	Value (million baht)		Opinion of directors
			2013	2014	
L&H Hotel Management Co.,Ltd. (LHH) and Pacific Real Estate Co.,Ltd. (PF) (a 99.99%-owned associated company of LH)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder in LH, with 18.26%.</li> <li>- LHH is 60%-owned by LH and 40%-owned by GIC.</li> </ul>	PF was hired to manage Centre Point Ploenchit Hotel by LHH for 1 year and 2 months, from November 1, 2014 to December 31, 2015, for a fee equal to 2% of total revenue and 4% of net revenue, totaling 16.2 million baht.	-	1.9	The Board of Directors of the Company on November 11, 2014 viewed the transaction was based on general trade terms. The Audit Committee also shared the same view.
L&H Property Co., Ltd. (LHP), a 60%-owned subsidiary of LH, and QH International Co., Ltd. (QHI), a subsidiary of QH	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder of LHP, with 40%, and a major shareholder of QH, with 10.77%.</li> </ul>	LHP hired QHI to manage 2 hotels for 1 year, from Jan 1-Dec 31, 2015 at 2% of total revenue and 4% of net revenue, totaling 54.1 million baht	-	-	The Board of Directors of the Company on November 11, 2014 viewed the transaction was based on general trade terms. The Audit Committee also shared the same view
L&H Property Co.,Ltd. (LHP), a 60% owned subsidiary of LH, and L&H Hotel Management Co.,Ltd. (LHH)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder of LHP, with 40%, and a major shareholder of LH, with 18.26%.</li> <li>- LHH is 60%-owned by LH and 40%-owned by GIC.</li> </ul>	LHH was hired to provide staff for the operations of 2 hotels for LHP for 3 years, from January 1, 2015 to December 31, 2017 for a fee not more than 540 million baht, calculated from actual personnel expenses plus a 10% service fee	-	-	The Board of Directors of the Company on November 11, 2014 viewed the transaction was based on general trade terms. The Audit Committee also shared the same view.

## 2. Necessity and justification of the transactions

The related-party transactions were necessary and justified, and were conducted in the best interests of the Company. The Audit Committee was of the opinion that they were in line with common business practices and consistent with what was offered to other customers, and that the Company paid and were compensated at fair market prices.

### 3. Measures or procedures of approving related-party transactions

A related-party transaction must be considered at a meeting of the Board of Directors attended by audit directors and approved at a shareholders' meeting, depending on the case. The Board of Directors or those authorized by it may not approve any transaction with its members or parties with potential conflicts of interests with the Company or its subsidiaries. It must also be in compliance with laws on securities and stock exchange, regulations, notifications, orders and requirements of the Stock Exchange of Thailand and the requirements pursuant to disclosure of related-party transactions and the acquisitions and disposals of assets.

### 4. Policy or trend of related-party transactions

The Company has a policy to continue making the existing related-party transactions in the future. It also plans to keep the terms consistent with normal trade practices and the prices comparable with those offered by other suppliers. In any case, the Company will have the Audit Committee, its auditors or independent experts scrutinize all related-party transactions and give opinions on appropriate prices and justification of the transactions.

If the Company or its subsidiaries is to make related-party transactions with parties with potential conflicts of interest or stakeholders in the future, it will seek the opinions of the Audit Committee on the necessity and appropriateness of the transactions. In a case where the Audit Committee has no expertise to consider them, the Company will seek the opinions of independent experts or its auditors. The opinions will subsequently be used in making related decisions by the Board of Directors or shareholders, whichever the case. In any case, the Company will also include such transactions in the notes to the audited financial statements, except for the following transactions which the Management has the mandate to approve:

4.1 Normal business transactions or those supporting normal business transactions with trade terms similar to what a sensible person would make with his co-party under the same circumstance and with trade bargaining power free of the influence of his status as a director, executive or related party.

4.2 Transactions conducted under an employee' rights project of which the rights are made available to all employees without discrimination and not to a specific person.

### 5. Reasons why parties with potential conflicts of interests hold more than 10% of shares in subsidiaries or associated companies

Land and House Financial Group Plc. (LHFG)

As of April 29, 2014, the shareholders of LHFG, which holds 100% of shares in Land and Houses Bank Plc. were:

- (1) Land and Houses Plc. (34.12%)
- (2) Quality Houses Plc. (21.43%)
- (3) Ms. Piangjai Harnpanij (16.55%)
- (4) Groups of executives and other retail shareholders (27.90%)

Under the shareholding structure, Ms. Piangjai Harnpanij is a person with potential conflicts of interest with LH and QH, as she is related to Mr. Anan Asavabhokhin. A group led by Mr. Anant is the majority shareholder of LH, with 28.32% (as of September 1, 2014). Mr. Anant is also a director of both LH and QH.

The indirect holding of more than 10% in LH Bank, an associated company of LH and QH, by Ms. Piangjai is not in keeping with the notification of the Securities and Exchange Commission of Thailand on the maintaining of the status as a listed company on the Stock Exchange of Thailand B.E. 2544 (2001). Item 6 of the notification provides: “A listed company and its subsidiaries must not have conflicts of interest as defined by the criteria under the notifications of the Securities and Exchange Commission of Thailand”. The reason, necessity and background of such a shareholding structure dated back to when LHFG filed a request to set up a commercial bank under the LH Bank name. According to the Finance Ministry’s announcement on the criteria, procedure and conditions in applying to establish a commercial bank dated January 23, 2004, Item 4.6 on the qualifications of an eligible applicant stipulates: “An entity which has the right to submit the application must not have any other person become a new majority shareholder from the date the Minister signed this announcement to the date the license to operate a bank is granted or the date it is notified that its application has been turned down, whichever is applicable”. The majority shareholder in this case means a person with controlling power who holds 20% or more of all shares. Holding more than 5% in a commercial bank requires an approval from the Bank of Thailand and the Finance Ministry, and Ms. Piangjai was granted the approval. As of April 29, 2014, Ms. Piangjai indirectly held a 16.55% stake in LH Bank.

On the shareholding structure which may constitute a conflict of interest, the Stock Exchange of Thailand decided that the structure was part of the condition in setting up LH Bank, which had already been approved by the Finance Ministry. The stake held by Ms. Piangjai will be reduced under the public offering plans and obligations with the Bank of Thailand and Finance Ministry. Furthermore, by nature LH Bank’s core business does not compete with that of the Company or allows for a transfer of benefits at a disadvantage of the small shareholders of LH and QH. As a result, the Stock Exchange of Thailand was of the opinion that such a shareholding structure should not disqualify LH and QH on the basis of conflicts of interest (as shown in the letter issued by the Stock Exchange of Thailand No. 462/2548 on the subject “Response to the enquiry on the maintaining of the status of a listed company” dated May 9, 2005).

In addition, other guidelines to eliminate potential conflicts of interest were adopted as follows:

(a) LH Bank, which operates a commercial banking business, by nature does not compete with LH and QH, whose core businesses involve property development.

(b) In the future, LH Bank has a policy to increase its capital by making an initial public offering, resulting the holding by Ms. Piangjai diluted gradually.

(c) Ms. Piangjai must reduce her indirect holding in the retail commercial bank to not more than 5% within the relaxation timeframe set forth by the Bank of Thailand and the Finance Ministry.

(d) Ms. Piangjai is not a director or executive of LH Bank.

(e) LH Bank has 3 independent and audit directors to consider issues which may constitute conflicts of interest. Besides, as listed companies on the Stock Exchange of Thailand, LH and QH are required to have independent and audit directors to consider issues with potential conflicts of interests.

# Explanations and Analysis of Financial Position and Operating Results

## (a) Overall picture of past performances

### Operating results

In 2012, concerns about floods which prevailed in late 2011 eased and consumer confidence improved, driven by government measures to boost incomes and purchasing power. The Company was able to steadily increase its revenue, which continued to rise to 22,305.37 million baht in 2012, up 20.1% or 3,725.28 million baht from 2011. For 2013, the Company retained growth at similar levels in the first six months of the year before sliding in the latter half in the wake of the political turmoil. In any case, the Company managed to show growth at a level similar to the previous year's, with revenue of 22,939.49 million baht, up 2.84% or 634.12 million baht, from the previous year. In 2014, revenue rose 13.50%, or 3,097.21 million baht, as purchasing power recovered after a slump in late 2013. It was also boosted by realized revenue from the transfers of 2 condominium projects in the fourth quarter of 2014 - The Room-Wong Wian Yai and Wan Wela-Hua Hin - worth 1,254.29 million baht and 1,312.42 million baht respectively.

Gross profit margin In 2012, gross profit margin rose to 34.48% on gross profit of 8,310.12 million baht. In 2013, the Company booked gross profit of 9,085.41 million baht and gross profit margin of 36.23%, up 9.33% from 2012. In 2014, gross profit was 10,110.88 million baht, representing an 11.28% margin.

In 2012, consumers' confidence and purchasing power improved as prevailing concerns about floods and incomes eased. Besides, homebuyers began shopping again after delaying their decisions in 2010 and 2011 while consumers' confidence improved. These factors benefited the Company and its subsidiaries, resulting in relatively high growth during the year.

In 2013, confidence and consumers' purchasing power continued to grow due to the government's measures to increase liquidity and public investment. These developments bolstered confidence and prompted more upbeat economic growth projections. The optimism, however, evaporated as political conflicts intensified in the second half.

In 2014, the purchasing power improves after a slowdown triggered by political conflicts in the latter half of 2013.

### Past performance of each business group

More than 90% of the consolidated revenue of the Company and its subsidiaries came from the property business. In 2012, revenue from the property business accounted for 91.29% of total revenue. In 2013, it slid slightly to 89.11% of total revenue. In 2014, the share of property in the consolidated revenue was 81.54%. The group also booked a profit from selling its leasehold rights at Terminal 21 shopping center to the LH Shopping Centers Leasehold Real Estate Investment Trust, accounting for 9.86% of total revenue.

**Sales Revenue:** Sales revenue consists of revenue from land development and construction of immovable assets for sale. The revenue is realized when construction work has been completed by contractual terms and ownerships have been transferred to buyers. The majority of sales revenue from 2012 to 2014 came from sales of single houses, at 73.7%, 79.8% and 72.3% respectively. While the Company and its subsidiaries have focused on building single houses for sale, they have expanded their customer bases by developing for sale other types of residential units; namely, townhouses and condominiums, to meet customers' demand.

Revenue from land development and construction of immovable assets for sale increased steadily. It slowed down in 2013 before improving in 2014.



In 2012, sales revenue jumped by 20.05% or 3,725.28 million baht from the previous year to 22,305.37 million baht.  
In 2013, sales revenue grew by 2.84% or 634.12 million baht from the previous year to 22,939.49 million baht.  
In 2014, sales revenue increased by 13.50% or 3,097.21 million baht from the previous year to 26,036.70 million baht.

#### Lease revenue

In 2012, lease revenue was 1,797.15 million baht, or 7.36% of total revenue, up 176.91% or 1,148.15 million baht from the previous year, as the L&H Sukhumvit project had been operational for a full year.

In 2013, lease revenue was 2,135.96 million baht, or 8.30% of total revenue, up 18.85% or 338.81 million baht from the previous year.

In 2014, lease revenue was 2,279.88 million baht, representing 7.14% of total revenue, up 6.74% or 143.92 million baht from the previous year. The increase was due to lease revenue of 186 million baht from the Company's two apartments in the United States, while domestic lease revenue dropped by 42 million baht.

**Share in the earnings (losses) of investments in associated companies:** In 2012 and 2013, the share in the earnings (losses) of the Company's investments in associated companies was 2,284.73 million baht and 2,108.76 million baht respectively on better performances of associated companies. In 2012, the share in the earnings (losses) of its investment in associated companies surged 97.61% or 1,128.59 million baht from the previous year due to improved performances of the associated companies. Part of the increase was due to the asset sales by some associated companies. The Land and Houses Property and Loan Fund-II sold assets to the Land and Houses Freehold and Leasehold Property Fund while Quality Houses Plc. sold some assets to the Quality Houses Hotel and Residence Freehold and Leasehold Property Fund. In 2013, the share in the earnings (losses) of the associated companies from its investments in them dropped by 7.70% or 175.97 million baht year-on-year to 2,108.76 million baht due to the sale of assets in Land and Houses Property and Loan Fund-II. In 2014, the share in the earnings (losses) from its investments in associated companies rose 4.81% or 101.46 million baht from the previous year to 2,210.22 million baht.

#### Share of profit from investments in associated companies (2012-2014)

Unit: Thousand baht

Company	2012	2013	2014
LH Financial Group Plc.	234,354	288,222	408,868
Quality Construction Product Plc.	84,216	49,501	27,139
Home Product Center Plc.	803,143	927,113	1,001,709
Asia Asset Advisory Co., Ltd.	3,305	3,900	(121)
Land and Houses Property and Loan Fund-II	524,621	15,963	(54,917)
Quality Houses Plc.	609,746	824,061	831,543
Starmalls, Inc.	25,344	-	-
Total	2,284,729	2,108,760	2,210,221

**Other incomes:** Other incomes consist of profits from the disposal of investments, profits from the reversals of investment impairment, profits from the reversals of losses from project impairment, interest income, utility services fee incomes, dividends receivable and other incomes. In 2012, other incomes fell by 2,580.14 million baht to 329.79 million baht since there were no disposal of investments and profits from the reversals of losses. For 2013, other incomes rose by 338.50 million baht to 668.25 million baht due largely to the sale of the right to buy land in the North Park project of 202.28 million baht and dividends of 126.66 million baht, up 78.46 million from 2012. In 2014, other incomes jumped by 440.96% or 2,946.72 million baht year-on-year due to profit from the sale of leasehold rights at Terminal 21 shopping center to the LH Shopping Centers Leasehold Real Estate Investment Trust worth 3,148.20 million baht.

In 2012, other incomes of 329.79 million baht comprised utility fee incomes (187.22 million baht), dividends (48.20 million baht) and other incomes (94.37 million baht).

In 2013, other incomes of 668.25 million consisted of utility fee incomes (226.32 million baht), dividends (126.66 million baht) and other incomes, including the income from selling the right to buy land in North Park project (315.27 million baht).

In 2014, other incomes of 3,614.97 million baht comprised profits from asset sales to a real estate investment trust (3,148.20 million baht), utility fee incomes (255.53 million baht), dividends (63.42 million baht), interest and other incomes (147.82 million baht)

**Sales cost:** In 2012, gross profit margin rebounded to 34.48% of total revenue, with that for sales of buildings and land standing at 34.01% and that of lease revenue at 40.30%. In 2013, gross profit margin rose further to 36.23% of total revenue while that for sales of buildings and land standing at 35.75% and that of lease revenue was 41.33%. In 2014, gross profit margin dropped to 35.71% of total revenue, with that of building and land sales standing at 35.38% and that of lease revenue at 39.45%.

**Management expenses:** Management expenses in 2012 and 2013 were 1,746.23 million baht and 1,645.06 million baht, representing 7.15% and 6.39% of total revenue respectively. In 2014, management expenses were 2,014.89 million baht, or 6.31% of total revenue, up 22.48% or 369.83 million baht year-on-year due to an increase in employees' compensation of 121.90 million baht and a rise in asset repairs costs of 119.40 million baht.

**Sales expenses:** Sales expenses, excluding special business taxes and transfer fees, in 2012 and 2013 stood at 909.08 million baht and 908.37 million baht respectively. In 2014, they rose to 997.56 million baht or 3.12% of revenue, up 9.82% or 89.19 million baht year-on-year on higher revenue.

**Special business taxes and transfer fees:** In 2012, special business taxes and transfer fees totaled 862.23 million baht, or 3.53% of total revenue, up by 20.36% or 145.87 million baht from the previous year, due to higher sales. In 2013, they stood at 882.37 million baht, representing 3.43% of total revenue. They rose by 2.33% or 20.14 million baht compared to the previous year in line with slightly higher sales than in 2012. In 2014, special business taxes and transfer fees were 992.58 million baht, or 3.11% of total revenue. Compared to 2013, they increased by 110.21 million baht, or 12.49%, in line with growing sales.

**Losses from project impairment:** Losses from project impairment from 2012 to 2014 stood at 81.19 million baht, 79.98 million baht and 33.12 million baht respectively.

**Earnings before interest and corporate income tax:** Earnings before interest and corporate income tax in 2012, 2013 and 2014 stood at 5,093.64 million baht, 6,150.14 million baht and 9,685.97 million baht respectively. In 2012, the Company's profit before interest and corporate income tax dropped by 1,039.77 million baht year-on-year, mainly due to a high base of the previous year when the Company booked a profit of 2,490.30 million baht from the disposal of its investment. In 2013, profit before interest and corporate income tax rose by 22.03%, or 1,110.50 million baht, from the previous year. In 2014, earnings before interest and corporate income tax jumped by 57.49% or 3,535.83 million baht year-on-year due to a profit from the sale of its leasehold rights at Terminal 21 shopping center of 3,148.20 million baht.

**Earnings before corporate income tax:** Earnings before corporate income tax in 2012, 2013 and 2014 were 6,836.34 million baht, 7,689.14 million baht and 11,393.12 million baht respectively. In 2012, earnings before corporate income tax fell by 1.33% or 92.18 million baht due to a high base since the Company booked a profit from the disposal of investment of 2,490.30 million baht in the previous year. In 2013, earnings before corporate income tax rose 12.47% or 852.80 million baht from the previous year. In 2014, they surged by 48.17% or 3,703.98 million baht year-on-year.

**Net profit :** Net profit of the Company and its subsidiaries from 2012 to 2014 was 5,681.83 million baht, 6,478.40 million baht and 8,423.08 million baht respectively. In 2014, net profit rose by 30.02% or 1,944.68 million baht.

Based on the aforementioned operating results and the profitability ratios of the Company in 2012, 2013 and 2014, its gross profit margin stood at 34.48%, 36.23% and 35.71% respectively. Net profit margin was 23.07%, 25.17% and 26.38% respectively.

**Earnings per share:** Based on the average number of shares in 2012 and 2013 at 10,025.92 million, basic earnings per share were 0.57 and 0.65 baht respectively. In 2014, based on the average number of shares used in the calculation of 10,465.15 million, basic earnings per share were 0.80 baht. Adjusted earnings per share for 2013 and 2014 were 0.54 and 0.74 baht respectively.

**Dividends payable:** Based on the operating results, the Company considered paying dividends for its performances in 2012, 2013 and 2014 as follows:

Company	Dividend rate (%)	Dividends (million baht)	Payment date
Dividends for 2012 operations	79.39	2,005	September 12, 2012
		1,002	December 12, 2012
		1,504	May 22, 2013
Dividends for 2013 operations	61.89	2,506	September 12, 2013
		1,504	May 22, 2014
Dividends for 2014 operations	84.27	2,700	September 12, 2014
		4,398	May 2015

**Dividend payment for 2012 operations** The Board of Directors approved on August 14, 2012 the payment of an interim dividend of 0.20 baht per share (at one-baht par) for the 2012 operations, totaling 2,005 million baht, paid on September 12, 2012. It also approved on November 13, 2012 an additional interim dividend for the 2012 operations at the rate of 0.10 baht (at one-baht par), totaling 1,002 million baht, paid on December 12, 2012. The Board of Directors also approved on February 28, 2013, an additional interim dividend of 0.15 baht, totaling 1,504 million baht. Total dividends for the year therefore amounted to 4,511 million baht, representing 79.39% of net profit.

**Dividend payment for 2013 operations** The Board of Directors approved on August 13, 2013 the payment of an interim dividend of 0.25 baht per share (at one-baht par), totaling 2,506 million baht. It also approved on February 27, 2014 an interim dividend of 0.15 baht a share, totaling 1,504 million baht. Total dividends paid for 2013 operations were therefore 4,010 million baht, or 81.57% of net profit.

**Dividend payment for 2014 operations** The Board of Directors approved on August 14, 2014 the payment of an interim dividend of 0.25 baht per share (at one-baht par), totaling 2,700 million baht. It also approved on February 24, 2015 a dividend of 0.65 baht a share for 2014 operations, leaving outstanding dividend to be paid in May 2015 of 0.40 baht a share or 4,398 million baht. Total dividends paid for 2014 operations were 84.27% of net profit.

## (b) Financial position

### Assets

Total assets of the Company and its subsidiaries as of the end of 2012, 2013 and 2014 stood at 65,040.48 million baht, 75,369.11 million baht and 86,887.57 million baht respectively. Since the Company operates the business of developing real estate by building pre-built houses and launching new projects regularly, its core assets are in the form of inventories, comprising land and projects under development. Next in importance are long-term investments, investments in subsidiaries and associated companies, leasehold rights and properties under leasehold rights. Details of the Company's assets are as follows:

**Inventories:** Outstanding inventories as of the end of 2012, 2013 and 2014 were valued at 32,536.63 million baht, 38,496.08 million baht and 43,023.67 million baht, representing 50.03%, 51.08% and 49.52% of total assets respectively. The Company separated the accounts of the undeveloped land of its own and its subsidiaries, as well as its related expenses, totaling 4,362.77 million baht, 4,126.21 million baht and 4,131.68 million baht as of the end of 2012, 2013 and 2014 respectively. The amounts were booked as land pending development and shown under non-current assets. They will be booked as inventories once development begins.

**Net accounts receivable** Net accounts receivable of the Company as of the end of 2012, 2013 and 2014 were 120.25 million baht, 136.25 million baht and 172.13 million baht respectively and were under the leasing business.

#### **Investment in associated companies**

As of the end of 2012, the Company and its subsidiaries had the following investments in associated companies totaling 14,204.28 million baht:

**(1) LH Financial Group Plc.** On April 23, 2012, LH Financial Group Plc approved at a shareholders' meeting a share dividend at a rate of 30 existing shares to one dividend share, the equivalent of 0.0333 baht a share, and a cash dividend at the rate of 0.0037 baht a share. The Company received 136 million dividend shares and 15 million baht in cash dividend. In May 2012, the Company averaged the cost of its investment in the associated company by combining the cost of the dividend shares with the original cost of the investment.

**(2) Home Product Center Plc.** During the year, the Company bought 12 million more Home Product Center shares at a cost of 162 million baht. Holders of Home Product Center warrants also exercised the right to convert the warrants into 32 million ordinary shares. These resulted in the Company's holding changing slightly to 30.11% from 30.07%.

**(3) Land and Houses Property and Loan Fund-II** Unit holders of the Land and Houses Property and Loan Fund-II resolved at its August 1, 2012 meeting a proportionate reduction of the fund's capital by 2,001 million baht. The Company was repaid in the same month 1,001 million baht for its investment in the fund based on its 49.99% holding.

**(4) Quality Houses Plc.** Shareholders of Quality Houses Plc. approved at its April 20, 2012 general meeting a share dividend at the rate of 12 existing shares to one dividend share, the equivalent of 0.08333 baht a share, and a cash dividend at the rate of 0.00926 baht a share. The Company received 176 million dividend shares and 20 million baht in cash dividend. In May 2012, the Company averaged the cost of its investment in Quality Houses Plc. by combining the cost of the dividend shares with that of its existing shares.

**(5) Starmalls, Inc.** (formerly Polar Property Holding Corporation) In June 2012, Polar Property Holding Corporation, one of the Company's associated companies, restructured its shareholding and raised capital to buy 99% of the paid-up capital of Manuela Corporation, which operates a shopping-mall business in the Philippines. Polar Property Holding Corporation also changed its name to Starmalls, Inc. The shareholding restructuring resulted in the Company's stake of 1,223 million shares, or 25% of paid-up capital, being changed to 808 million shares, or 9.6% of Starmalls, Inc.'s paid-up capital. The Company therefore re-classified the item as investment in securities available for sale instead of investment in associated companies. It was booked under investments in debt securities and equity securities, of which difference between book value and fair value shall be realized on the transfer date of shareholders' equity. The Company therefore realized a profit of 1,228 million baht from the reclassification of the item as investment in securities for sale in the shareholders' equity part of the consolidated financial statement and of 1,502 million baht in the Company's financial statement. The item is booked as capital surplus under other items in the shareholders' equity section of the Statement of Financial Position.

As of the end of 2013, the Company and its subsidiaries had investments worth 15,778.18 million baht in associated companies. They were:

**(1) LH Financial Group Plc.** In 2013, holders of LH Financial Group Plc.'s warrants exercised their rights to convert the warrants into 330 million ordinary shares, diluting the Company's holding from 35.07% to 34.14%. On April 22, 2013, LH Financial Group Plc.'s shareholders approved the allocation of new ordinary shares based on existing shareholding at

the ratio of 30 existing shares for one new share at the price of one baht each. The Company exercised its right to buy the new shares of LH Financial Group Plc. by paying 140 million baht for 140 million new shares. The payment was made in May 2013.

**(2) Home Product Center Plc.** In 2013, the Company bought 10 million more Home Product Center Plc shares for 152 million baht. Warrant holders of Home Product Center Plc also exercised their right to convert the warrants into 5 million ordinary shares. The conversion changed the Company's stake in Home Product Center Plc. from 30.11% to 30.23%.

On April 5, 2013, Home Product Center Plc.'s shareholders approved a share dividend at a general shareholders' meeting at the ratio of 6 existing shares to 1 dividend share, or the equivalent of 0.1667 baht a share, and a cash payment of 0.0186 baht a share. The Company received 355 million dividend shares and a cash dividend of 40 million baht on April 30, 2013. The Company averaged the cost of its investment in Home Product Center Plc by combining the dividend shares with its existing shares.

On October 22, 2013, Home Product Center Plc.'s shareholders approved a share dividend at the ratio of 6 existing shares to 1 dividend share, the equivalent of 0.1667 baht a share, and a cash dividend of 0.0186 baht a share. The Company received 414 million dividend shares and a cash dividend of 46 million baht on November 15, 2013. The Company averaged the cost of its investment in Home Product Center Plc by combining the dividend shares with its existing shares.

**(3) Quality Houses Plc.** In 2013, the Company bought 10.5 million more shares of Quality Houses Plc. for 30 million baht, resulting its stake changing from 24.86% to 24.98%.

In 2014, investments in associated companies by the Company and its subsidiaries were 17,496.99 million baht, the details of which are as follows:

**(1) LH Financial Group Plc.** In 2014, holders of warrants for ordinary shares of LH Financial Group Plc. exercised the right to buy 59.2 million ordinary shares in the company, resulting in the Company's holding in LH Financial Group diluted slightly from 34.14% to 33.98%.

On April 21, 2014, the shareholders of LH Financial Group Plc. approved at their ordinary meeting to allocated new shares from its capital increase to existing shareholders at the ratio of 30 existing shares to 1 new share (30:1). The Company bought all 145 million new shares of LH Financial Group Plc. under its quota for 145 million baht. The payment was made in May 2014.

**(2) Home Product Center Plc.** On April 10, 2014, Home Product Center Plc.'s shareholders approved a share dividend at a general shareholders' meeting at the ratio of 7 existing shares to 1 dividend share, or the equivalent of 0.1429 baht a share, and a cash payment of 0.0159 baht a share. The Company received 414 million dividend shares and a cash dividend of 46 million baht on May 8, 2014. The Company averaged the cost of its investment in Home Product Center Plc. by combining the dividend shares with its existing shares.

On October 15, 2014, Home Product Center Plc.'s shareholders approved a share dividend at the ratio of 8 existing shares to 1 dividend share, the equivalent of 0.1250 baht a share, and a cash dividend of 0.013889 baht a share. The Company received 414 million dividend shares and a cash dividend of 46 million baht on November 13, 2014. The Company averaged the cost of its investment in Home Product Center Plc by combining the dividend shares with its existing shares.

**(3) Asia Asset Advisory Co., Ltd.** On November 11, 2014, the Company's Board of Directors approved the purchases of more shares in Asia Asset Advisory Co., Ltd., which the Company had a 40% stake. The Company bought 300,000 shares of 10-baht par from two existing shareholders for 3 million baht. The purchases therefore became a 99.99% subsidiary of the Company.

Investments in associated companies under the equity method as of December 31 of 2012, 2013 and 2014 are as follows:

Unit: Thousand baht

Company	2012	2013	2014
LH Financial Group Plc.	4,976,725	5,137,099	5,543,973
Quality Construction Products Plc.	397,458	419,878	425,860
Home Product Center Plc.	3,470,119	4,463,111	5,365,640
Asia Asset Advisory Co., Ltd.	5,142	9,042	-
Land and Houses Property Fund	32,402	32,402	32,402
Land and Houses Property and Loan Fund-II	542,334	537,126	482,209
Quality Houses Plc.	4,780,100	5,179,520	5,646,905
Total	14,204,280	15,778,178	17,496,989

Long-term investments: Long-term investments at the end of 2012, 2013 and 2014 were valued at 3,208.56 million baht, 2,849.62 million baht and 5,380.54 million baht, accounting for 4.93%, 3.78% and 6.19% of total assets, respectively.

In 2012, the Company invested an additional 495 million baht in the Land and Houses Property and Loan Fund. It also reclassified its investment in Starmalls, Inc. as securities available for sale in the amount of 2,142.34 million baht instead of an investment in associated companies.

In 2013, the Company had long-term investment of 2,849.62 million baht, down 358.94 million baht from the previous year, due to downward adjustments of the fair value of its investments in Land and Houses Property Fund of 56.92 million baht, the Quality Houses Property Fund of 71.66 million baht and Starmalls, Inc. of 121.26 million baht, an allowance for permanent price discount of Bangkok Mass Transit System Plc. (BTSC) of 63.44 million baht and a write-off of 45.65 million baht as a result of BTSC's capital reduction.

Land pending development: As of the end of 2012, 2013 and 2014, land pending development was valued at 4,362.77 million baht, 4,126.21 million baht and 4,131.68 million baht, representing 6.71%, 5.47% and 4.76% of total assets respectively.

At the end of 2012, land pending development totaled 4,362.78 million baht. It comprised land pending development worth 4,165.06 million baht (after an impairment allowance of 792.85 million baht) and land under purchase/sale contracts, which had a net value of 197.71 million baht (after an impairment allowance of 84.72 million baht).



At the end of 2013, land pending development totaled 4,126.21 million baht after an impairment allowance of 802.86 million baht

At the end of 2014, land pending development totaled 4,131.68 million baht after an impairment allowance of 801.17 million baht.

In 2012, the Company hired an independent appraiser to evaluate the fair value of some land under development using the market comparison approach. The appraiser estimated prices were higher than the net accounting value of the projects.

As of December 31, 2014 and 2013, the Company and its subsidiaries put up some land under development as collateral for long-term loans with net accounting value of 3,496 million baht (2,116 million baht in 2012).

#### **Immovable assets for investment**

In 2012, 2013 and 2014, the Company had immovable assets for investment worth 313.68 million baht, 3,758.71 million baht and 3,726.50 baht respectively. In 2012, the Company sold the LH Villa Sathorn to the Land and Houses Freehold and Leasehold Property Fund. As of the end of 2012, the Company's immovable asset for investment was an apartment in California, the United States, bought by its subsidiary Land and Houses U.S.A. Inc. (LH USA) in December 2012. The fair value of immovable assets for investment as of December 21 of 2014 and 2013 was 3,618 million baht and 3,603 million baht respectively (as of December 31 of 2014 and 2013, the fair value was US\$ 110.25 million). The fair value of immovable assets for investment was calculated based on the following criteria:

- For properties for investment bought in 2013, the fair value was based on purchase prices. Management believed there was no significant difference in the purchase prices and the fair value.
- The properties for investment bought in 2012 were appraised by an independent appraiser using the market comparison approach.

#### **Land, buildings and equipment:**

In 2012, the net value of land, buildings and equipment stood at 650.99 million baht, up 12.57 million baht from the end of 2011.

In 2013, the net value of land, buildings and equipment stood at 616.29 million baht, down 34.70 million baht from the end of 2012.

In 2014, the net value of land, buildings and equipment stood at 751.24 million baht, up 134.95 million baht from the end of 2013.

#### **Leasehold rights**

In 2012, 2013 and 2014, the Company and its subsidiaries had leasehold rights worth 6,420.07 million baht, 6,280.25 million baht and 3,667.33 million baht respectively. They consisted of the leasehold rights for Grande Centre Point Ratchadamri Hotel and the L&H Sukhumvit project, which comprises Terminal 21 shopping center and Grande Centre Point Hotel & Residence-Terminal 21 Hotel. As of December 31, the Company had leasehold right of the Grand Centre Point Ratchadamri Hotel worth 1,678.61 million baht and of Grande Centre Point Hotel & Residence-Terminal 21 Hotel worth 1,677.25 million baht. It also had vacant land plots worth 311.47 million baht. There was also a disposal of leasehold rights worth 259.0 million baht (256 million baht in 2013) booked under leasehold and service costs.

A 2,612.92-million-baht decrease in leasehold rights was due to the sale of the rights at Terminal 21 shopping center to LH Shopping Centers Leasehold Real Estate Investment Trust in December 2014.



## Asset Quality

### (1) Inventories

As of December 31, 2012, net outstanding inventories stood at 32,650.26 million baht, up 1,104.22 million baht from the end of 2011, due to project development. Product impairment allowances were 113.63 million baht and outstanding inventories had a net book value of 32,536.63 million baht. During the year, the Company had an independent appraiser evaluate the fair value of some of the land and work under construction of the Company and its subsidiaries using the market comparison approach and the hypothetical development approach or residual technique as the criteria. The independent appraiser appraised the land and work under construction higher than the net accounting value of the projects. The Company and its subsidiaries also included borrowing costs in the costs of land and work under construction using the capitalization rate, which is the weighted average rate of the loans. Also during the year, the Company and its subsidiaries booked an additional 54 million baht as impairment allowances for unsold houses and land plots of their old projects based on market prices and conditions and book value.

As of December 31, 2013, net outstanding inventories stood at 38,663.13 million baht, up 6,013.37 million baht from the end of 2012, due to project development. Product impairment allowances were 167.55 million baht and outstanding inventories had a net book value of 38,496.08 million baht.

As of December 31, 2014, net outstanding inventories stood at 43,183.57 million baht, up 4,519.94 million baht from the end of 2013, due to project development. Product impairment allowances were 159.90 million baht and outstanding inventories had a net book value of 43,023.67 million baht.

### (2) Long-term investments: Long-term investments as of the end of 2014 are as follows:

(Unit: Thousand baht)	Securities available for sale	General investments	Total
Equity securities	3,600.31	204.44	3,804.75
Less: Allowances for revaluation	1,676.28	(100.50)	1,575.78
Less: Allowances for impairment of investments	-	-	-
Total	5,276.60	103.94	5,380.53

## Liquidity

The Company is prudent in its spending in order to maintain its liquidity by investing in housing projects, such as buying land and constructing more projects to suit the business environment and repaying its debts. The Company has a policy of managing its cash and cash equivalents to match the operating environment.

(Unit: Thousand baht)	2012	2013	2014
Cash flow from operating activities	5,007.95	612.35	2,589.72
Cash flow from investing activities	884.90	(2,817.25)	5,348.53
Cash flow from financing activities	(5,629.85)	1,944.68	(2,649.51)

In 2012, cash and cash equivalents fell by 263 million baht from operating and investing activities.

In 2013, cash and cash equivalents dropped by 260.22 million baht from investing activities.

In 2014, cash and cash equivalents rose by 5,288.74 million baht from investing activities.

In 2012, cash flow from operating activities was 5,007.95 million baht in surplus, primarily net profit of 6,836.34 million and non-cash share of investment in associated companies of 2,284.73 million baht.

In 2013, cash flow from operating activities was 612.35 million baht in surplus, mainly net profit of 7,689.14 million baht, an increase in inventory of 5,299.17 million baht and share of profit from investment in associated companies of 2,108.76 million baht, as well as profit from land purchase right sales of 202.28 million baht.

In 2014, cash flow from operating activities was 2,589.72 million baht in surplus, mainly net profit of 11,393.11 million baht, an increase in inventory of 3,526.65 million baht and non-cash share of profit from investment in associated companies of 2,210.22 million baht, as well as profit from the sale of leasehold rights at the Terminal 21 shopping center of 3,148.20 million baht, which was not operating profit.

Cash flow from financing activities in 2012 was 884.89 million baht in surplus, mainly due to the capital reduction of associated companies of 1,000.53 million baht, dividend payments by associated companies of 611.95 million baht, increases in long-term investments and immoveable assets for investment and leasing of 495 million baht and 732.90 million baht respectively.

Cash flow from financing activities in 2013 was minus 2,817.25 million baht in 2013, mainly due to purchases of immoveable assets for investment and leasing worth 3,731.24 million baht and investments in subsidiaries and associated companies of 321.68 million baht.

Cash flow from financing activities in 2014 was 5348.53 million baht in surplus, mainly from the sale of immoveable assets and leasehold rights of 5,808.62 million baht, as well as more investments in subsidiaries and associated companies, long-term investments and investments in immoveable assets and leasehold rights worth 139.96 million baht, 448.05 million baht and 603.43 million baht respectively.

Cash flow from financing activities in 2012 was minus 5,629.24 million baht, mainly due to dividend payments of 5,266.33 million baht.

Cash flow from financing activities in 2013 was 1,944.68 million baht in surplus, mainly due to dividend payments of 3,976.68 million baht. During the year, it booked net receipts from debenture issues of 3,000 million baht and net long-term borrowings worth 2,700 million baht.

Cash flow from financing activities in 2014 was minus 2,649.51 million baht, mainly due to dividend payments of 4,192.35 million baht and short-term loan repayments of 2,690 million baht. During the year, the Company booked net receipts from debenture issues of 7,100 million baht, net long-term loan repayments worth 3,491.70 million baht, interest payments of 1,537.95 million baht and dividend payments to minority shareholders worth 931.01 million baht.

#### **Important liquidity ratios**

Liquidity ratios in 2012 and 2013 were 3.06 and 3.02 times respectively while quick ratios over the two years were 0.14 and 0.10 times respectively. The liquidity and quick ratios dropped in 2011 and 2012 fell due to a decrease in current assets, particularly cash.

In 2013, the liquidity ratio was 3.02 times while the quick ratio stood at 0.10 times. They dropped from the levels in 2012 due to an increase in current assets, especially inventories, which grew by 5,959.45 million baht.

In 2014, the liquidity ratio was 3.18 times while the quick ratio stood at 0.43 times. They increased due to an increase in current assets, especially cash and inventories, which grew by 5,270.91 million baht and 4,527.59 million baht respectively while current liabilities climbed by only 2,538.23 million baht. The quick ratio improved from 2013 as a result of a cash increase of 5,270.91 million baht.

The creditor ratio in 2012 was 7.35 times before dropping to 5.95 times in the following year while repayment periods were 49 and 60 days respectively.

In 2014, the creditor ratio was 5.71 times, while the repayment period stood at 63 days.

### **Investment expenses**

Over the past few years, the Company invested more in land plots with high potential at reasonable prices for development into housing projects, which is its core business, and in companies engaged in operations related to its core business.

In 2012, the Company received dividends in the form of 136 million shares and 15 million baht in cash from LH Financial Group Plc in May. Holders of LH Financial Group warrants also exercised their rights to convert them into 124 ordinary shares. These changed the Company's holding from 35.43% to 35.07%. In 2012, the Company bought 12 million more shares of Home Product Center Plc. for 162 million baht. Holders of Home Product Center warrants also exercised their rights to convert them into 32 million shares. These changed the Company's holding from 30.07% to 30.11%. In August 2012, the Land and Houses Property and Loan Fund-II reduced its capital and the Company was repaid 1,001 million baht in proportion with its 49.99% holding. In April 2012, Quality Houses Plc. paid dividends in the form of ordinary shares and cash and the Company received 176 million dividend shares and 20 million baht in cash.

In 2013, the Company received a dividend of 139.88 million baht from LH Financial Group Plc. It also received dividends from Home Product Center Plc. in the form of 355 million ordinary shares and 40 million baht in cash on April 20, 2013. The Company averaged the cost of its investment in Home Product Center by combining the dividend shares it received during the year with the shares it already had. On October 22, 2013, Home Product Center Plc's shareholders approved at its extraordinary meeting dividends in the form of ordinary shares at the ratio of 6 existing shares for 1 new share, or the equivalent of 0.1667 baht a share, and cash at the rate of 0.0186 baht a share. The Company received 414 million dividend shares and 40 million baht in cash dividend on November 15, 2013. The Company averaged the cost of its investment in Home Product Center by combining the dividend shares it received during the year with the shares it already had. Also during the year, the Company received cash dividend of 434.54 million baht from Quality Houses Plc.

In 2014, the Company received cash dividends worth 70.49 million baht from Atlantic Real Estate Co. Ltd. and 8 million baht from Land and Houses North Co., Ltd. The Company also paid 614 million baht for 6.14 million new shares of Pacific Real Estate Co., Ltd. at 100-baht par under the company's capital increase program.

On April 21, 2014, LH Financial Group Plc. approved at its annual general shareholders' meeting proportionate allocation of new shares to existing shareholders under its capital increase program at the ratio of 30 existing ordinary shares for 1 new share at one baht (30:1). The Company fully exercised its right and bought 145 million new shares for 145 million baht.

On April 10, 2014, Home Product Center Co., Ltd, approved at its general shareholders' meeting a share dividend at the ratio of 7 existing share for 1 dividend share, the equivalent of 0.1429 baht a share, and a cash dividend at the rate of 0.0159 baht a share. The Company received 414 million dividend shares and 46 million baht in cash on May 8, 2014. The Company averaged the cost of its investment in Home Product Center by combining the dividend shares it received during the year with the shares it already had. On October 15, 2014, Home Product Center Co., Ltd, also approved at its general shareholders' meeting a share dividend at the ratio of 8 existing share for 1 dividend share, the equivalent of 0.1250 baht a share, and a cash dividend at the rate of 0.013889 baht a share. The Company received 414 million dividend shares and 46 million baht in cash dividend on November 13, 2014. The Company averaged the cost of its investment in Home Product Center by combining the dividend shares it received during the year with the shares it already had.

On November 11, 2014, the Board of Directors of the Company approved the purchase of 300,000 more shares at 10-baht par in Asia Asset Advisory Co., Ltd., a 40%-owned associated company, from two existing shareholders, totaling 3 million baht. The transaction transformed Asia Asset Advisory Co., Ltd, into a 99.99% owned subsidiary of the Company.

#### **Fund sources**

The Company's debt-to-equity ratio as of the end of 2012, 2013 and 2014 was 0.99, 1.16 and 0.96 times respectively. The upward trend was the result of higher borrowings for more investments in the subsidiaries and associated companies and investments in leasehold rights of immovable assets, resulting in a gradual increase of its debt-to-equity ratio. It began to decline as the Company received capital increase funds through the exercise of warrants and retained earnings increased, bringing down the ratio to 0.96 times.

As of the end of 2012, shareholders' equity was 32,602.54 million baht, up 2,130.30 million baht on net operating profit of 5,681.83 million baht. The shareholders' equity dropped after dividend payments totaling 4,511 million baht and a capital surplus from the reclassification from subsidiary to equity for sales of its investment in Starmalls, Inc. worth 1,227.78 million baht.

As of the end of 2013, shareholders' equity was 34,843.03 million baht, up 2,240.49 million baht, on net operating profit of 6,478.40 million baht. The shareholders' equity fell after dividend payments totaling 3,976.68 million baht.

As of the end of 2014, shareholders' equity was 44,274.95 million baht, up 9,431.92 million baht, on net operating profit of 9,528.93 million baht. The shareholders' equity fell after dividend payments totaling 4,192 million baht, a dividend payment to minority shareholders of 931 million baht, an increase of unrealized profit/loss of investment in Starmalls Inc. of 1,666.30 million baht and a capital increase of 3395.9 million baht.

#### **Liabilities**

Consolidated liabilities as of the end of 2012 and 2013 stood at 32,437.94 million baht and 40,526.08 million baht respectively. As of the end of 2014, they were 42,612.62 million baht. Major liabilities were long-term borrowings (7,706.28 million baht), debentures (17,500 million baht), current portion of long-term debts (9,776.65 million baht), trade accounts payable and others (3,088.83 million baht). So far, the Company and its subsidiaries have repaid debts on time.

Liabilities of the Company and its subsidiaries as of December 31, 2014

Unit: Million aht

Company	Type of debts	Amount	Interest rate	Collateral	Due date
LH	Overdraft	19.2	MOR	None	Upon call
	Promissory notes	100.0	MOR-1.5%	None	Upon call
	Long-term loans (5 contracts)	3,275.0	Years 1-3 = 3.95% Years 4-5 = 3.85%	None	Within 3 years from the date the first lot is drawn
	Long-term loan	361.0	Years 1-5 = 4.5% Subsequent years = MLR-2.25%	Land	Within 5 years from the date the first lot is drawn
	Long-term loan	1,000.0	Years 1-2 = 3.63%		Within 2 years from the date the first lot is drawn
	Long-term loan	3,330.0	Years 1-4 = 4.5% Subsequent years = MLR-2.25%	Land	Within 4 years from the date the first lot is drawn
	Local debenture 1/2552	2,000.0	Fixed at 4.50%	None	5.5 years, to be redeemed on June 19, 2015
	Local debenture 1/2555-2	3,100.0	Fixed at 3.99%	None	3 years, to be redeemed on March 30, 2015
	Local debenture 2/2555	2,500.0	Fixed at 4.1%	None	3 years, to be redeemed on September 30, 2015
	Local debenture 1/2556	3,500.0	Fixed at 3.59%	None	3 years to be redeemed on March 31, 2016
	Local debenture 2/2556	3,500.0	Fixed at 4.03%	None	3 years to be redeemed on September 30, 2016
	Local debenture 1/2557	500.0	Fixed at 3.63%	None	3 years to be redeemed on February 27, 2017
	Local debenture 2/2557	3,500.0	Fixed at 3.59%	None	3 years to be redeemed on April 4, 2017
	Local debenture 3/2557	1,500.0	Fixed at 3.25%	None	3 years to be redeemed on May 9, 2017
	Local debentures 4/2557	1,000.0	Fixed at 3.30%	None	3 years to be redeemed on March 17, 2018
	Local debenture 5/2557	4,000.0	Fixed at 3.50%	None	3 years to be redeemed on October 6, 2017
LHP	Long-term loan	508.0	Years 1-3 = MLR-1.5% Subsequent years = MLR-1.0% or fixed deposit rate+2.5%, whichever is higher	Leasehold right of project land and buildings	To be repaid in December 2017
	Long-term loan	675.0	Years 1-4 = MLR-1.5% Years 5-8 = MLR-1.0% Subsequent years = MLR- 0.75%	Project land and shares of the company and related companies	Within 12 years from the date the first lot is drawn, first repayment in January 2013
LHM & subsidi- aries	Long-term loan	171.0	MLR-1.5%	Project land and buildings	-Repaid 60% of home and land selling prices -Principal to be repaid in 5 years from the date the first lot is drawn
	Long-term loan	355.0	MLR-2.0%	Project land and buildings	-Repaid 60% of home and land selling prices -Principal to be repaid in 5 years from the date the first lot is drawn
	Long-term loan	207.0	Years 1 = MLR-1.5% Years 2-4 = MLR-1.0% Year 5 = MLR-1.25%	Project land and shares of the company and related companies	Repaid at 70% of land selling price
	Total	35,101.2			

LH =Land & Houses Plc., LHM =L&H Muang Mai Co., Ltd., LHP = L&H Property Co., Ltd.

**(3) Maintenance of debt to equity ratio**

In issuing the 1/2552 debenture due in June 2015 and the 1/2554 debenture due in January 2014, the Company was required to maintain its debt-to-equity ratio at not exceeding 1.25:1. For other debentures, the requirement was 1.50:1. The calculation is as follows:

Unit: Million baht

Item	Consolidated financial statements	
	December 31, 2013	December 31, 2014
Liabilities (including third-party guarantees)	38,702.76	40,797.87
Shareholders' equity	34,843.03	44,274.65
Debt-to-equity ratio	1.11	0.92
Liabilities under consolidated financial statements	40,526.08	42,612.68
<u>Plus</u> guarantee for customers borrowing from banks	7.00	7.00
<u>Minus</u> accounts payable	1,830.32	1,807.81
Total liabilities	38,702.76	40,797.87
Accounts payable - unrelated businesses	1,799.04	1,783.10
Accounts payable - related businesses	31.28	24.71
Total accounts payable	1,830.32	1,807.81

From the No. 2/2556 debenture onward, the calculation has been based on liabilities with interest burden. The debt-to-equity ratio as of December 31, 2013 was calculated as follows:

Liabilities with interest burden	=	34,611.07 million baht
Shareholders' equity	=	34,843.03 million baht
Debt-to-equity ratio	=	0.99 times

As of December 31, 2014, the calculation was:

Liabilities with interest burden	=	35,171.06 million baht
Shareholders' equity	=	44,274.65 million baht
Debt-to-equity ratio	=	0.79 times

In the consolidated financial statements as of December 31, 2013 and December 31, 2014, the Company maintained the debt-to-equity ratio within the required levels for debenture issuances.

Debenture	Required rate	Calculated rate	
		December 31, 2103	December 31, 2014
1/2552 debenture due to be redeemed in 2015	1.25	1.11	0.92
Debentures issued before No. 2/2556	1.50	1.11	0.92
Debentures issued after No. 2/2556	1.50	0.99	0.79

#### (4) Major factors and influences that may affect future operations or financial position

**1. Revenue** The lackluster economy which did not expand well in 2014 may affect the Company's housing-unit and land sales revenue in the future due to eroding consumers' confidence. Its rental business may also been impacted as foreign tourists are not confident of their safety when travelling to Thailand.

**2. Returns from investments in associated companies** The Company invested 17,496.99 million baht, or 20.1% of its total assets, in associated companies as of December 31, 2014. Its share of profits from these associated companies made up 26.2% of net profit. If these companies face problems, the Company's operations may be affected. However, the Company is well diversified in its investments in associated companies in line with its policy of diversifying risks.

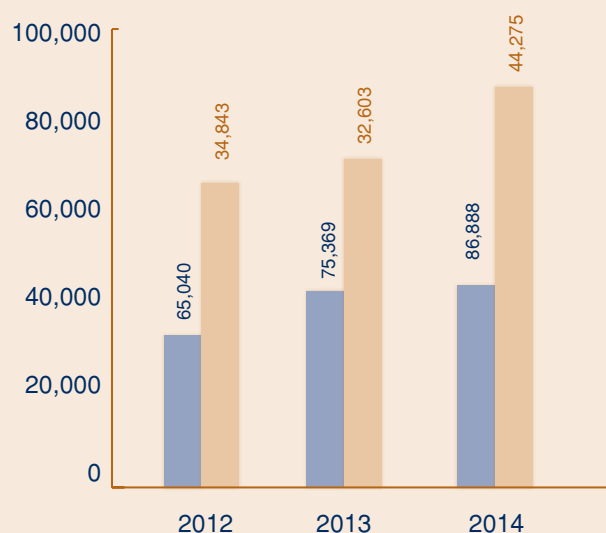
**3. Lawsuits** The juristic persons of two subdivision estates filed lawsuits against the Company involving public access, seeking damages totaling 1,212 million baht. The Company set aside an allowance of 177 million baht for the item. If the court rules against the Company and orders it to pay for the damages in full, its future operating results may be affected.

**4. A housing estate juristic person** filed a lawsuit against the Company over the construction of a kindergarten for damages worth 497 million baht. The Company has set aside a provision worth 104.2 million baht. If the court rules against it, the Company will have to pay the amount, which may affect its operating results in the future.

## Comparative 3 Years Financial Statistics

### TOTAL ASSETS and SHARE HOLDERS' EQUITY

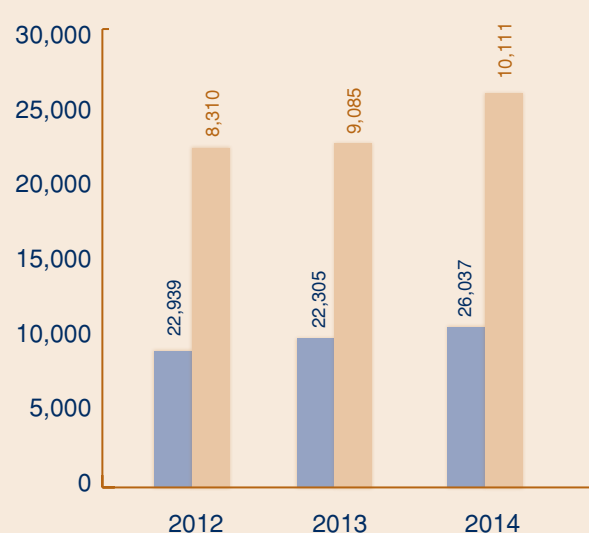
Million Baht



■ SHARE HOLDERS' EQUITY  
■ TOTAL ASSETS

### RESULT OF OPERATION

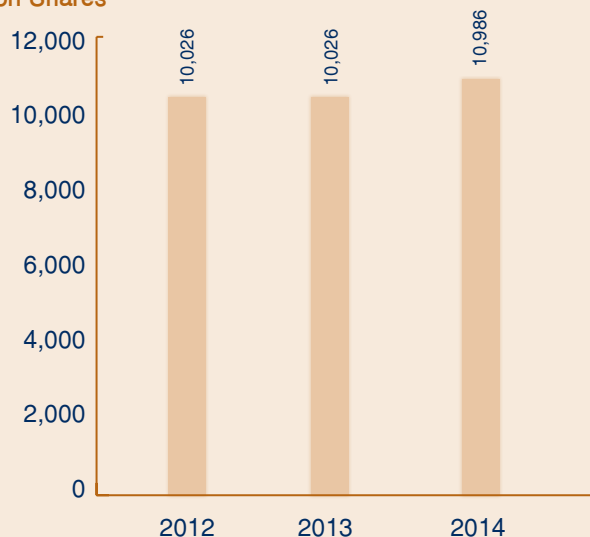
Million Baht



■ GROSS PROFIT MARGIN  
■ SALES

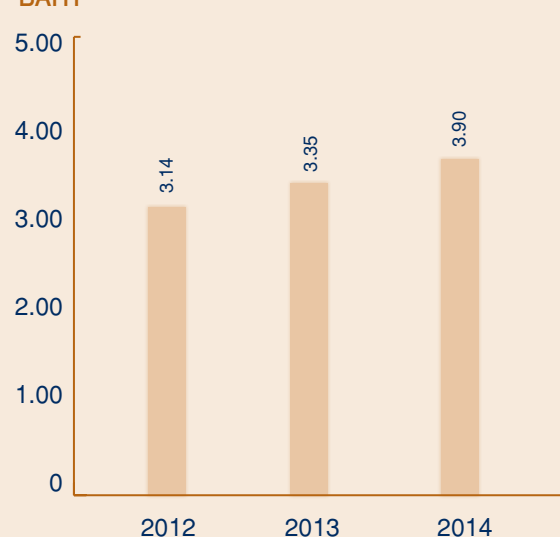
### NUMBER OF OUTSTANDING SHARES

Million Shares



### BOOK VALUE

BAHT





	2014	2013	2012
<b>ASSETS (MILLION BAHT)</b>			
TOTAL ASSETS	86,888	75,369	65,040
INVENTORIES	43,024	38,496	32,537
INVESTMENT	22,878	18,628	17,413
<b>LIABILITIES AND SHARE HOLDERS'EQUITY (MILLION BAHT)</b>			
SHORT TERM LOAN (Interest Bearing Debt)	9,965	8,507	7,319
LONG TERM LOAN (Interest Bearing Debt)	25,206	26,104	20,163
TOTAL LIABILITIES	42,613	40,526	32,438
PAID UP SHARE CAPITAL	10,986	10,026	10,026
SHARE HOLDERS' EQUITY	44,275	34,843	32,603
<b>RESULT OF OPERATION (MILLION BAHT)</b>			
SALES	26,037	22,939	22,305
TOTAL REVENUES	31,932	25,742	24,432
GROSS PROFIT	10,111	9,085	8,310
NET PROFIT	8,423	6,478	5,682
<b>PER SHARE FIGURE (BAHT)</b>			
BOOK VALUE	3.90	3.35	3.14
EARNING	0.80	0.65	0.57
<b>RATIO</b>			
CURRENT RATIO	3.18	3.02	3.06
QUICK RATIO	0.43	0.10	0.14
<b>PROFITABILITY RATIO</b>			
GROSS PROFIT MARGIN	35.71%	36.23%	34.48%
OPERATION PROFIT MARGIN	21.44%	21.87%	19.54%
NET PROFIT MARGIN	26.38%	25.17%	23.07%
RETURN ON EQUITIES	22.05%	19.93%	18.68%
<b>EFFICIENCY RATIO</b>			
RETURN ON ASSETS	10.38%	9.23%	9.03%
<b>FINANCIAL POLICY RATIO</b>			
DEBT / EQUITIES RATIO	0.96	1.16	0.99
INTEREST COVERAGE RATIO	3.02	2.04	5.45
<b>NUMBER OF OUTSTANDING SHARES (million shares)</b>			
	10,986	10,026	10,026

## Land and Houses Public Company Limited and its subsidiaries

### Financial Ratio

As at 31 December 2014, 2013 and 2012

		31-Dec-14	31-Dec-13	31-Dec-12
<b>Liquidity Ratio</b>				
Current Ratio	(Times)	3.18	3.02	3.06
Quick Ratio	(Times)	0.43	0.10	0.14
Quick Ratio (Cash Basis)	(Times)	0.28	0.15	0.48
Account Receivable Turnover	(Times)	-	-	-
Average Collection Period	(Days)	-	-	-
Inventory Turnover	(Times)	0.41	0.41	0.46
Average Sales Period	(Days)	872	868	783
Account Payable Turnover	(Times)	5.71	5.95	7.35
Payment Period	(Days)	63	60	49
Cash Cycle	(Days)	811	809	736
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	35.71%	36.23%	34.48%
Operating Profit Margin	(%)	21.44%	21.87%	19.54%
Other Profit Margin	(%)	18.24%	10.78%	10.70%
Operating Profit Margin (Cash Basis)	(%)	68.57%	34.60%	118.39%
Net Profit Margin	(%)	26.38%	25.17%	23.07%
Return On Equity	(%)	22.05%	19.93%	18.68%
Basic Earnings Per Share	(Baht/Share)	0.80	0.66	0.57
Diluted Earnings Per Share	(Baht/Share)	0.74	0.66	0.57
<b>Efficiency Ratio</b>				
Return On Asset	(%)	10.38%	9.23%	9.03%
Return On Fixed Asset	(%)	95.71%	77.47%	80.84%
Total Assets Turnover	(Times)	0.39	0.37	0.39
<b>Financial Policy Ratio</b>				
Debt to Equity Ratio	(Times)	0.96	1.16	0.99
Interest Coverage Ratio	(Times)	3.20	2.04	5.45
Obligation Coverage Ratio	(Times)	1.28	1.05	0.87
Dividend Payout	(%)	84.27%	61.89%	79.39%

# Accountability Report

## of The Board of Directors for Financial Reports

The Board of Directors takes responsibility for the financial statement of Land and Houses Plc. and the consolidated financial statement of Land and Houses Plc. and its subsidiaries, as well as the financial information in the Annual Report. These financial statements were prepared based on generally accepted accounting standards. An appropriate accounting policy was adopted and adhered to consistently. Discretion was applied cautiously and adequate disclosures of significant information were made in the Notes to the Financial Statement for the benefits of shareholders and general investors and for transparency.

The Board of Directors has set up a risk management system and put in place and maintained an appropriate and effective internal control system. The practice has allowed the Company to be reasonably confident its accounting information is accurate, comprehensive and sufficient to maintain assets and prevent corruption or significant irregularities.

The Board of Directors has appointed the Audit Committee, of which members are non-executive directors, to supervise and review the quality of financial reporting, internal control and internal audit. The Committee also considers disclosing connected transactions. The opinions of the Audit Committee on these matters are expressed in the Audit Committee report in the Annual Report.

The financial statement and consolidated financial statement of the Company were audited by its auditor, EY Office Limited. During the review, the Board of Directors provided information and documents so the auditor could perform its duty and express its opinions based on auditing standards. Its opinions appear in the Auditor's Report in the Annual Report.

The Board of Directors is of the opinion that the internal control system of the Company is at a satisfactory level, which should inspire reasonable confidence that the financial statement of Land and Houses Plc. and the financial statement of the Company and its subsidiaries for the year ending December 31, 2014 are credible and in line with generally accepted accounting standards and related regulations.



(Mr. Anant Asavabhokhin)

Chairman of the Executive Board

# Independent Auditor's Report

## To the Shareholders of Land and Houses Public Company Limited

I have audited the accompanying consolidated financial statements of Land and Houses Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Land and Houses Public Company Limited for the same period.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Land and Houses Public Company Limited and its subsidiaries and of Land and Houses Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

*Rungrapa Lertsuwankul*

Rungrapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 24 February 2015

# Statements of Financial Position

Land and Houses Public Company Limited and its subsidiaries

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6, 7	6,436,444,284	1,165,538,578	5,028,260,293	827,832,778
Current investment	6, 8	301,415,213	50,025,038	301,415,213	50,025,038
Trade and other receivables	9	172,127,805	136,248,379	27,377,151	28,974,136
Short-term loans to and accrued interest receivables from related parties	6	6,927,323	61,644	242,463,418	1,084,762,183
Inventories	10	43,023,671,018	38,496,083,375	41,479,584,629	36,628,018,414
Advance payment for constructions		1,103,527,336	960,806,236	1,069,109,075	953,287,517
Deposits for purchase of land and others		72,227,852	229,950,703	68,316,656	225,787,029
Other current assets		433,864,928	166,380,984	74,237,210	83,896,082
<b>Total current assets</b>		<b>51,550,205,759</b>	<b>41,205,094,937</b>	<b>48,290,763,645</b>	<b>39,882,583,177</b>
<b>Non-current assets</b>					
Investments in subsidiaries	11	-	-	3,573,516,531	2,954,326,591
Investments in associates	12	17,496,988,871	15,778,177,846	10,295,613,992	10,152,928,335
Other long-term investments	13	5,380,537,041	2,849,619,303	5,286,599,951	2,755,682,213
Long-term loans to and accrued interest receivables from related party	6	-	-	3,186,994,172	3,141,168,476
Land held for development	14	4,131,681,413	4,126,212,863	3,057,138,684	3,049,687,418
Investment properties	15	3,726,501,100	3,758,713,643	-	-
Property, plant and equipment	16	751,239,779	616,288,594	620,865,742	445,808,173
Leasehold rights	17	3,667,331,669	6,280,253,388	-	-
Other intangible assets	18	34,114,885	104,624,897	25,221,316	20,665,426
Deferred tax assets	32	118,728,076	617,679,027	43,534,037	491,841,181
Other non-current assets		30,236,136	32,445,690	9,274,272	9,272,772
<b>Total non-current assets</b>		<b>35,337,358,970</b>	<b>34,164,015,251</b>	<b>26,098,758,697</b>	<b>23,021,380,585</b>
<b>Total assets</b>		<b>86,887,564,729</b>	<b>75,369,110,188</b>	<b>74,389,522,342</b>	<b>62,903,963,762</b>

The accompanying notes are an integral part of the financial statements.

# Statements of Financial Position (continued)

Land and Houses Public Company Limited and its subsidiaries

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	19	119,160,575	421,669,434	-	300,180,000
Trade and other payables	20	3,088,835,216	2,805,849,917	2,534,228,253	2,412,312,292
Retention guarantees		441,093,959	319,619,923	413,696,645	281,073,793
Short-term loans from and accrued interest payables to related parties	6	68,975,793	460,245,790	588,009,863	129,182,685
Current portion of long-term loans	21	2,176,646,000	1,870,427,000	1,000,500,000	1,000,000,000
Current portion of debentures	22	7,600,000,000	3,400,000,000	7,600,000,000	3,400,000,000
Short-term loans	19	-	2,354,517,920	-	2,354,517,920
Income tax payable		337,814,549	477,226,834	303,904,424	424,582,382
Short-term provisions	23	400,164,210	328,735,153	395,951,058	322,937,906
Advance received from customers		1,567,806,436	962,091,382	1,510,608,350	907,501,565
Other current liabilities		394,066,263	255,941,740	256,702,856	218,943,113
Total current liabilities		16,194,563,001	13,656,325,093	14,603,601,449	11,751,231,656
Non-current liabilities					
Long-term loans - net of current portion	21	7,706,283,000	11,504,210,000	6,966,486,000	8,507,486,000
Debentures - net of current portion	22	17,500,000,000	14,600,000,000	17,500,000,000	14,600,000,000
Provision for long-term employee benefits	24	261,038,047	202,126,500	222,648,085	187,820,843
Long-term provisions	23	297,566,066	314,187,673	262,611,759	290,257,429
Deferred tax liabilities	32	608,087,615	-	-	-
Other non-current liabilities		45,079,349	249,231,244	-	-
Total non-current liabilities		26,418,054,077	26,869,755,417	24,951,745,844	23,585,564,272
Total liabilities		42,612,617,078	40,526,080,510	39,555,347,293	35,336,795,928

The accompanying notes are an integral part of the financial statements.

# Statements of Financial Position (continued)

Land and Houses Public Company Limited and its subsidiaries

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
<b>Shareholders' equity</b>					
<b>Share capital</b>	25				
<b>Registered</b>					
12,031,105,828 ordinary shares of Baht 1 each (2013: 10,354,268,670 ordinary shares of Baht 1 each)		12,031,105,828	10,354,268,670	12,031,105,828	10,354,268,670
<b>Issued and paid-up</b>					
10,985,568,017 ordinary shares of Baht 1 each (2013: 10,025,921,523 ordinary shares of Baht 1 each)		10,985,568,017	10,025,921,523	10,985,568,017	10,025,921,523
Premium on ordinary shares		13,042,491,319	10,643,375,083	13,042,491,319	10,643,375,083
Cash receipts from share subscription	27	37,254,053	-	37,254,053	-
<b>Retained earnings</b>					
Appropriated - Statutory reserve	29	1,203,110,583	1,080,673,720	1,203,110,583	1,080,673,720
Unappropriated		14,953,981,884	10,876,772,773	6,722,869,502	4,640,613,963
Other components of shareholders' equity		2,609,011,009	946,063,479	2,842,881,575	1,176,583,545
Equity attributable to the shareholders of the Company		42,831,416,865	33,572,806,578	34,834,175,049	27,567,167,834
Non-controlling interests of subsidiaries		1,443,530,786	1,270,223,100	-	-
<b>Total shareholders' equity</b>		<b>44,274,947,651</b>	<b>34,843,029,678</b>	<b>34,834,175,049</b>	<b>27,567,167,834</b>
<b>Total liabilities and shareholders' equity</b>		<b>86,887,564,729</b>	<b>75,369,110,188</b>	<b>74,389,522,342</b>	<b>62,903,963,762</b>

The accompanying notes are an integral part of the financial statements.

# Income Statements

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
		2014	2013	2014	2013
<b>Revenues</b>					
Sales income		26,036,700,869	22,939,490,876	24,197,171,278	21,435,258,396
Rental and services income		2,279,881,151	2,135,960,366	-	-
Other income					
Dividend from subsidiaries and associates	11.1, 12.3	-	-	2,103,986,768	1,033,926,346
Dividend from other companies		63,423,128	126,665,557	56,118,766	55,893,772
Gain on sales of assets to REIT	6, 17	3,148,195,916	-	-	-
Gain on sales of the right for purchase of land		-	202,285,000	-	202,285,000
Interest income		76,978,522	18,180,738	238,980,717	104,786,012
Infrastructure service income		255,529,951	226,325,661	214,968,219	195,701,440
Others		70,835,891	92,810,926	50,191,730	31,925,843
<b>Total revenues</b>		<b>31,931,545,428</b>	<b>25,741,719,124</b>	<b>26,861,417,478</b>	<b>23,059,776,809</b>
<b>Expenses</b>					
Cost of sales and services		16,825,293,161	14,736,868,769	15,628,287,678	13,811,808,253
Cost of rental and services		1,380,408,019	1,253,168,089	-	-
Selling expenses		997,554,242	908,371,340	784,383,490	695,953,143
Specific business tax and transfer fee		992,585,395	882,373,946	923,939,519	822,660,521
Administrative expenses		2,014,889,919	1,645,060,428	1,684,547,814	1,330,638,300
Other expenses					
Loss on impairment of other long-term investments		-	63,436,054	-	-
Loss on impairment of other asset		-	20,000,000	-	20,000,000
Loss on diminution in value of projects	10	33,123,056	43,274,220	-	-
Loss on diminution in value of land held for development		-	36,702,981	-	-
Loss on sales of property, plant and equipment		1,729,486	2,320,924	1,414,831	1,178,263
Loss on exchange rate		-	-	6,122,240	68,701,280
<b>Total expenses</b>		<b>22,245,583,278</b>	<b>19,591,576,751</b>	<b>19,028,695,572</b>	<b>16,750,939,760</b>
<b>Profit before share of profit from investments in associates, finance cost and income tax expenses</b>		<b>9,685,962,150</b>	<b>6,150,142,373</b>	<b>7,832,721,906</b>	<b>6,308,837,049</b>
Share of profit from investments in associates	12.3	2,210,220,669	2,108,760,267	-	-
<b>Profit before finance cost and income tax expenses</b>		<b>11,896,182,819</b>	<b>8,258,902,640</b>	<b>7,832,721,906</b>	<b>6,308,837,049</b>
Finance cost		(503,073,735)	(569,762,467)	(323,575,007)	(367,161,129)
<b>Profit before income tax expenses</b>		<b>11,393,109,084</b>	<b>7,689,140,173</b>	<b>7,509,146,899</b>	<b>5,941,675,920</b>
Income tax expenses	32	(1,864,179,224)	(1,101,574,090)	(1,084,665,740)	(983,254,796)
<b>Profit for the year</b>		<b>9,528,929,860</b>	<b>6,587,566,083</b>	<b>6,424,481,159</b>	<b>4,958,421,124</b>
<b>Net income attributable to:</b>					
Equity holders of the Company		8,423,066,282	6,478,400,375	6,424,481,159	4,958,421,124
Non-controlling interests of the subsidiaries		1,105,863,578	109,165,708	-	-
		<b>9,528,929,860</b>	<b>6,587,566,083</b>		
<b>Earnings per share</b>	33				
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company		0.80	0.65	0.61	0.49
<b>Diluted earnings per share</b>					
Profit attributable to equity holders of the Company		0.74	-	0.57	-

The accompanying notes are an integral part of the financial statements.



# Statements of Comprehensive Income

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
		2014	2013	2014	2013
<b>Profit for the year</b>		<b>9,528,929,860</b>	<b>6,587,566,083</b>	<b>6,424,481,159</b>	<b>4,958,421,124</b>
<b>Other comprehensive income:</b>					
Gain (loss) on change in value of available-for-sale investments					
- net of income taxes	28	1,666,298,030	(199,879,816)	1,666,298,030	(199,879,816)
Actuarial loss - net of income taxes	24	(29,611,542)	-	(25,220,034)	-
Exchange differences on translation of financial statements in foreign currency		(1,759,861)	(15,661,411)	-	-
Share of other comprehensive income of associates	12.3	(2,376,131)	(148,078,016)	-	-
<b>Other comprehensive income for the year</b>		<b>1,632,550,496</b>	<b>(363,619,243)</b>	<b>1,641,077,996</b>	<b>(199,879,816)</b>
<b>Total comprehensive income for the year</b>		<b>11,161,480,356</b>	<b>6,223,946,840</b>	<b>8,065,559,155</b>	<b>4,758,541,308</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		10,057,162,227	6,114,781,132	8,065,559,155	4,758,541,308
Non-controlling interests of the subsidiaries		1,104,318,129	109,165,708		
		<b>11,161,480,356</b>	<b>6,223,946,840</b>		

The accompanying notes are an integral part of the financial statements.

For the year ended 31 December 2014

Consolidated financial statements												(Unit: Baht)
Equity attributable to the shareholders of the Company												
			Other components of shareholders' equity					Total equity attributable to the shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity		
			Other comprehensive income			Premium on share capital of associates	Total other components of shareholders' equity					
			Retained earnings	Surplus (deficit) on change in value of available-for-sale investments	Exchange differences on translation of financial statements in foreign currency			Share of other comprehensive income of associates				
			Appropriated - Statutory reserve	Unappropriated								
			Cash receipts from share subscription									
			Premium on ordinary shares									
			Issued and paid-up share capital									
		Note										
Balance as at 1 January 2013			10,025,921,523									
Profit for the year			-	8,381,788,989	(306,444)	116,556,122	91,042,443	1,309,682,722	31,441,442,037	1,161,102,962	32,602,544,999	
Other comprehensive income for the year			-	6,478,400,375	-	-	-	-	6,478,400,375	109,165,708	6,587,566,083	
Total comprehensive income for the year			-	-	(15,661,411)	(148,078,016)	-	(363,619,243)	(363,619,243)	-	-	
Dividend paid		35	-	6,478,400,375	(15,661,411)	(148,078,016)	-	(363,619,243)	6,114,781,132	109,165,708	6,223,946,840	
Subsidiaries paid dividend to non-controlling interests of subsidiaries			-	(3,976,678,586)	-	-	-	-	(3,976,678,586)	-	(3,976,678,586)	
Income tax from unpaid dividend			-	-	-	-	-	-	-	(45,570)	(45,570)	
Balance as at 31 December 2013			10,025,921,523	10,876,772,773	(15,967,855)	(31,521,894)	91,042,443	946,063,479	33,572,806,578	1,270,223,100	34,843,029,678	
Balance as at 1 January 2014			10,025,921,523	10,876,772,773	(15,967,855)	(31,521,894)	91,042,443	946,063,479	33,572,806,578	1,270,223,100	34,843,029,678	
Profit for the year			-	8,423,066,282	-	-	-	8,423,066,282	1,105,863,578	1,105,863,578	9,529,929,860	
Other comprehensive income for the year			-	(28,066,093)	(1,759,861)	(2,376,131)	-	1,682,162,038	1,634,095,945	(1,545,449)	1,632,550,496	
Total comprehensive income for the year			-	8,395,000,189	(1,759,861)	(2,376,131)	-	1,682,162,038	10,057,162,227	1,104,318,129	11,161,480,356	
Converted warrants to share capital	25		-	-	-	-	-	-	3,358,782,730	-	3,358,782,730	
Cash receipts from share subscription	27		37,254,053	-	-	-	-	-	37,254,053	-	37,254,053	
Dividend paid	35		-	(4,192,351,521)	-	-	-	-	(4,192,351,521)	-	(4,192,351,521)	
Unappropriated retained earnings			-	-	-	-	-	-	-	-	-	
Transferred to statutory reserve	29		-	122,436,863	-	-	-	-	-	-	-	
Subsidiaries paid dividend to non-controlling interests of subsidiaries			-	-	-	-	-	-	-	(931,010,443)	(931,010,443)	
Income tax from unpaid dividend			-	(2,217,202)	-	-	-	-	(2,217,202)	-	(2,217,202)	
Transferred share of other comprehensive income of associate due to investment reclassification			-	(785,492)	-	-	-	785,492	-	-	-	
Balance as at 31 December 2014			10,985,588,017	14,953,381,884	(17,727,716)	(33,112,533)	91,042,443	2,609,011,009	42,831,416,865	1,443,530,786	44,274,947,651	

The accompanying notes are an integral part of the financial statements.

## For the year ended 31 December 2014

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# Cash Flow Statements

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Profit before income tax expenses	11,393,109,084	7,689,140,173	7,509,146,899	5,941,675,920
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities:				
Inventories and land held for development decrease from transfer to cost of sales	15,646,178,809	13,713,908,150	14,533,662,697	12,870,637,490
Depreciation and amortisation	573,717,793	509,139,678	163,148,207	151,927,377
Share of profit from investments in associates	(2,210,220,669)	(2,108,760,267)	-	-
Provision for guarantee income of fund	8,806,000	33,304,110	8,806,000	33,304,110
Provision for legal cases	94,110,593	10,510,593	94,110,593	10,510,593
Gain on sales of assets to REIT	(3,148,195,916)	-	-	-
Loss on impairment of other asset	-	20,000,000	-	20,000,000
Loss on impairment of other long-term investments	-	63,436,054	-	-
Loss on diminution in value of projects	33,123,056	43,274,220	-	-
Loss on diminution in value of land held for development	-	36,702,981	-	-
Loss on sales of property, plant and equipment	1,729,486	2,320,924	1,414,831	1,178,263
Loss on write-off of supplies	-	16,263,515	-	-
Loss on exchange rate	-	-	6,122,240	68,701,280
Gain on sales of the right for purchase of land	-	(202,285,000)	-	(202,285,000)
Provision for after-sale maintenance expenses	32,459,903	55,127,423	30,321,659	47,356,633
Provision for compensation for Housing Estate Juristic Persons	31,517,253	34,439,653	28,508,920	32,190,413
Provision for public utilities maintenance	71,264,060	85,237,485	69,544,117	79,018,895
Provision for long-term employee benefits	22,202,914	20,774,587	17,138,200	16,183,465
Amortisation of withholding tax deducted at source	3,390,263	500,123	-	-
Interest income	(76,978,522)	(18,180,738)	(238,980,717)	(104,786,012)
Dividend received	(63,423,128)	(126,665,557)	(2,160,105,534)	(1,089,820,118)
Interest expenses	488,005,967	558,982,812	308,507,239	356,381,474
Profit from operating activities before change in operating assets and liabilities	22,900,796,946	20,437,170,919	20,371,345,351	18,232,174,783
Decrease (increase) in operating assets				
Current investment	(251,390,175)	(50,025,038)	(251,390,175)	(50,025,038)
Trade and other receivables	(35,879,426)	(16,002,469)	1,596,985	(1,219,129)
Inventories	(19,172,834,599)	(19,013,088,851)	(18,396,465,466)	(17,858,633,893)
Land held for development	(10,352,729)	(5,380,000)	(10,352,729)	-
Other current assets	9,534,484	(293,965,922)	51,307,687	(281,414,223)
Other non-current assets	2,209,554	8,787,635	(1,500)	110,368
Increase (decrease) in operating liabilities				
Trade and other payables	209,817,650	604,340,381	77,859,553	593,128,968
Retention guarantees	121,474,037	43,955,114	132,622,853	37,643,983
Other current liabilities	693,751,985	349,083,720	575,533,236	216,660,113
Other non-current liabilities	(304,062,612)	(167,358,350)	(119,736,708)	(174,228,313)
Cash flows from operating activities	4,163,065,115	1,897,517,139	2,432,319,087	714,197,619
Cash paid for income tax	(1,573,348,705)	(1,285,164,746)	(1,169,523,256)	(1,164,748,804)
<b>Net cash flows from (used in) operating activities</b>	<b>2,589,716,410</b>	<b>612,352,393</b>	<b>1,262,795,831</b>	<b>(450,551,185)</b>

The accompanying notes are an integral part of the financial statements.

# Cash Flow Statements (continued)

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2014	2013	2014	2013
<b>Cash flows from investing activities</b>				
Decrease (increase) in short-term loans to related parties	-	-	750,000,000	(143,500,000)
Increase in long-term loan to related party	-	-	(32,900,000)	(3,075,180,000)
Cash paid for share subscription of subsidiary	-	-	(614,190,000)	(269,961,000)
Cash paid for purchases of investments in subsidiaries	-	-	(3,000,000)	-
Cash paid for purchases of investments in associates	(139,963,840)	(321,687,100)	(144,685,597)	(321,687,100)
Cash paid for purchase of other long-term investments	(448,045,200)	-	(448,045,200)	-
Cash received from share reduction of other investments	-	45,652,264	-	-
Dividend received from subsidiaries	-	-	1,474,989,416	325,454,430
Dividend received from associates	628,997,352	708,471,916	628,997,352	708,471,916
Dividend received from other companies	63,423,128	126,665,557	56,118,766	55,893,772
Cash received from sales of assets to REIT	5,808,615,693	-	-	-
Cash received from sales of the right for purchase of land	-	400,000,000	-	400,000,000
Proceed from sales of property, plant and equipment	2,475,880	1,004,000	2,400,000	1,004,000
Cash paid for purchase of investment properties, leasehold rights, plant, equipment and intangible assets	(603,430,226)	(3,756,727,298)	(340,239,438)	(156,517,129)
Cash paid for guarantee income of fund	(33,657,846)	(38,834,868)	(33,657,846)	(38,834,868)
Cash received from interest income	70,112,842	18,204,711	331,199,587	77,462,504
<b>Net cash flows from (used in) investing activities</b>	<b>5,348,527,783</b>	<b>(2,817,250,818)</b>	<b>1,626,987,040</b>	<b>(2,437,393,475)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(302,508,860)	96,608,561	(300,180,000)	180,000
Increase (decrease) in short-term loans from related parties	(330,000,000)	(100,000,000)	456,500,000	55,000,000
Increase (decrease) in short-term loans	(2,360,000,000)	1,460,000,000	(2,360,000,000)	1,460,000,000
Cash paid for debentures repayment	(3,400,000,000)	(4,000,000,000)	(3,400,000,000)	(4,000,000,000)
Cash received from issuance of debentures	10,500,000,000	7,000,000,000	10,500,000,000	7,000,000,000
Cash paid for long-term loans repayment	(6,942,508,000)	(2,919,866,000)	(4,815,500,000)	(2,390,000,000)
Cash received from drawdown loans	3,450,800,000	5,586,841,000	3,275,000,000	5,345,141,000
Cash received from convert warrants to share capital	3,358,762,730	-	3,358,762,730	-
Cash received from share subscription	37,254,053	-	37,254,053	-
Interest paid	(1,537,950,820)	(1,202,258,029)	(1,248,840,618)	(959,306,380)
Subsidiaries paid dividend to non-controlling interests of subsidiaries	(931,010,443)	(45,570)	-	-
Dividend paid	(4,192,351,521)	(3,976,678,586)	(4,192,351,521)	(3,976,678,586)
<b>Net cash flows from (used in) financing activities</b>	<b>(2,649,512,861)</b>	<b>1,944,601,376</b>	<b>1,310,644,644</b>	<b>2,534,336,034</b>
Exchange differences on translation of financial statements in foreign currency	(17,825,626)	(36,249,560)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,270,905,706</b>	<b>(296,546,609)</b>	<b>4,200,427,515</b>	<b>(353,608,626)</b>
Cash and cash equivalents at beginning of year	1,165,538,578	1,462,085,187	827,832,778	1,181,441,404
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>6,436,444,284</b>	<b>1,165,538,578</b>	<b>5,028,260,293</b>	<b>827,832,778</b>

The accompanying notes are an integral part of the financial statements.

## Cash Flow Statements (continued)

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2014	2013	2014	2013
<b>Supplemental cash flow information</b>				
Non-cash items				
Purchases of building and equipment and leasehold rights recorded as liabilities	63,980,172	25,826,316	32,163,376	25,826,316
Transfer land held for development to inventories (book value)	2,901,463	24,600,000	2,901,463	-
Transfer inventories to land held for development (book value)	-	31,322,981	-	-
Interest expenses recorded as cost of projects	1,029,170,730	696,014,999	985,861,983	650,104,037
Transfer provision for guarantee income of fund to short-term provisions	19,798,000	17,423,000	19,798,000	17,423,000
Income tax payable from unpaid dividend	2,217,202	6,738,005	2,217,202	6,738,005
Increase (decrease) in revaluation surplus on change in value of available-for-sale investments - net of income taxes	1,666,298,030	(199,879,816)	1,666,298,030	(199,879,816)
Actuarial loss - net of income taxes	(29,611,542)	-	(25,220,034)	-
Exchange differences on translation of financial statement in foreign currency	(1,759,861)	(15,661,411)	-	-
Share of other comprehensive income of associates	(2,376,131)	(148,078,016)	-	-

The accompanying notes are an integral part of the financial statements.

# Notes to Consolidated Financial Statements

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2014

## 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. The registered office of the Company is at No. 1 South Sathon Road, 37<sup>th</sup> Floor, Q. House Lumpini Building, Tungmahamek, Sathon, Bangkok.

## 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

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

### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Land and Houses Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2014 (Percent)	2013 (Percent)
<u>Held by the Company</u>				
Atlantic Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99
Pacific Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99
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
Siam Tanee Property Co., Ltd. and its subsidiary	Real estate business	Thailand	99.99	99.99
L H Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99
L H Asset Co., Ltd.	Real estate business	Thailand	99.99	99.99
L H Muang Mai Co., Ltd. and its subsidiaries	Real estate business	Thailand	55.00	55.00
L&H Property Co., Ltd. and its subsidiaries	Real estate for lease business	Thailand	60.00	60.00
Land and Houses U.S.A., Inc.	Real estate for lease business	USA	100.00	100.00
Asia Asset Advisory Co., Ltd.*	Investment advisor	Thailand	99.99	60.00

\* The Company reclassified the type of investment from investments in associates to investments in subsidiaries in November 2014.

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2014 (Percent)	2013 (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
L&H Retail Management Co., Ltd. (99.95 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	60.00
L&H Hotel Management Co., Ltd. (99.97 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	60.00
L&H Management Co., Ltd.** (99.93 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	60.00

\*\* The Company reclassified the type of investment from investments in associates to investments in subsidiaries in November 2014.

b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

d) The assets and liabilities in the financial statements of overseas subsidiary company are translated to Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity



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

f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

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

### 3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

#### (a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

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##### Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

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##### Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

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**Accounting Standard Interpretations:**


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TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

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**Financial Reporting Standard Interpretations:**


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TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

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**Accounting Treatment Guidance for Stock Dividend**

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

**(b) Financial reporting standards that will become effective in the future**

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company and its subsidiaries believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

**TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognised actuarial gains and losses immediately in other comprehensive income.

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#### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when they are adopted.

#### **TFRS 11 Joint Arrangements**

TFRS 11 supersedes TAS 31 Interests in Joint Ventures. This standard requires an entity to account for an investment in a jointly controlled that meets the definition of joint venture entity using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment.

The management of the Company and its subsidiaries believes that this standard will not have any impact on the Company's and its subsidiaries' financial statements as the Company and its subsidiaries have already applied the equity method to an investment in a jointly controlled entity.

#### **TFRS 12 Disclosure of Interests in Other Entities**

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiaries.

#### **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other accounting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

At present, the management of the Company and its subsidiaries is evaluating the impact to the financial statements in the year when this standard is adopted.

## 4. Significant accounting policies

### 4.1 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 significant risks and rewards of ownership have been transferred to buyer and the ownerships have been transferred to buyers after all payments received from the buyers.

#### b) Rendering of rental and services

Rental of area in 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.

Income related to hotel operations is recognised, excluding value added tax, when goods are supplied and services rendered.

#### c) Interest income

Interest income is recognised on an accrual basis based on the effective rate.

#### d) Dividends

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

### 4.2 Cost of land and houses sold and cost of residential condominium units sold

Cost of land and houses sold and cost of residential condominium unit sold consist of cost of land, land improvement, design fees, public utilities, construction and direct related interest and other related cost.

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.

Selling expenses directly associated with projects, such as specific business tax and transfer fee are recognised when sale incurred.

### 4.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest costs are determined by applying a capitalisation rate to the expenditures on that project. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the year.

### 4.4 Cash and cash equivalents

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

### 4.5 Trade accounts receivable

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 experience and analysis of debt aging.

#### 4.6 Inventories

Land and construction in progress are stated at lower of cost and net realisable value. 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 borrowing cost capitalised to cost of projects. The Company and its subsidiaries record cost of construction and public utilities based on the actual cost incurred.

The Company and its subsidiaries recognise loss on diminution in value of projects (if any) in profit or loss.

#### 4.7 Investments

a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.

b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.

c) 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/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

d) Investments in non-marketable equity securities, which the Company and its subsidiaries classify as other investments, are stated at cost net of allowance for impairment loss (if any).

e) Investments in associates are accounted for in the consolidated financial statements using the equity method.

f) 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. The fair value of debt instruments is determined based on 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 profit or loss.

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

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### 4.8 Land held for development

Land held for development is stated at cost less allowance for loss on diminution in value of projects. It consists of cost of land, land improvement, public utilities cost, project development cost and borrowing cost which occurred during the developed period in the past.

#### 4.9 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 - 40 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### 4.10 Property, plant and equipment/Depreciation

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

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

Building and building improvement	20	years
Office equipment	3 - 10	years
Furniture, fixture and equipment	5	years
Motor vehicles	5	years
Others	2 - 20	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

#### 4.11 Intangible assets

The intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Amortisation of intangible assets is calculated by reference to their cost on straight-line basis over the following estimated useful lives:

Computer software	5 and 10 years
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The subsidiary amortised the right to the use of the connecting walkway between Bangkok Mass Transit System and Terminal 21 Shopping Mall based on the remaining concession period granted by Bangkok Metropolitan Administration.

#### **4.12 Long-term lease**

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **4.13 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.

The amortisation expense is charged to profit or loss.

#### **4.14 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.15 Related party transactions**

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

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

#### **4.16 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities dominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### 4.17 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment, land held for development, investment properties, leasehold rights, investments and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### 4.18 Employee benefits

##### Short-term employee benefits

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

##### Post-employment benefits

##### Defined contribution plans

The Company, subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

##### Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.



#### **4.19 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.

#### **4.20 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.21 Derivatives**

##### **Interest rate swap contracts**

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

##### **Cross currency swap agreement**

Payables and receivables arising from cross currency swap agreements are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in profit or loss.

### **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures, and actual results could differ from these estimates. Significant judgments and estimates are as follows:

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

### **Impairment of equity investments**

The Company and its subsidiaries treat available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

### **Property plant and equipment / Investment properties / Leasehold rights and Depreciation**

In determining depreciation of building and equipment and investment properties, the management is required to make estimates of the useful lives and residual values of the Company’s and subsidiaries’ building and equipment and investment properties and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment, investment properties and leasehold rights for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Goodwill and other intangible assets**

The initial recognition and measurement of goodwill and other intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

#### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate

#### **Litigations**

The Company and its subsidiaries have contingent liabilities as a result of litigations. The management of the Company and its subsidiaries has used judgment to assess of the results of the litigation and provision for the related liabilities has been recorded as at the end of reporting period. However, actual results could differ from the estimates.

#### **Allowance for diminution in value of land, construction in progress and public utilities and land held for development**

The Company and its subsidiaries treat land, construction in progress and public utilities and land held for development, as diminution when the management judges that there have been significant or prolonged declines in the fair value below their cost. The management determines the devaluation of such land, construction in progress and public utilities and land held for development based on net realisable value. The determination of what is “significant” and such devaluation requires the management to exercise judgment.

#### **Project development costs estimation**

In calculating cost of land and houses sold and residential condominium units sold, the Company and its subsidiaries have to estimate all project development costs, comprising land and land improvement costs, design and construction costs, public utility costs, borrowing costs and other related costs. The management estimates these costs based on their business experience and revisit the estimations on a periodical basis or when the actual costs incurred significantly vary from the estimated costs.

#### **Provision for after-sale maintenance expense**

The Company and its subsidiaries estimate provision for after-sale maintenance expenses based on actual historical maintenance expenses and/or currently available information related to the cost of various types of repairment work.

#### **Provision for public utilities maintenance**

In determining provision for public utilities maintenance, the management considered historical data and/or currently available information related to the cost of various types of repairment work.

#### **Provision for compensation for Housing Estate Juristic Persons**

The Company and its subsidiaries estimate the provision for compensation for Housing Estate Juristic Persons using the rate specified by the regulator and the budgeted public utilities costs as a basis for the calculation.

#### Provision for guarantee income of fund

In recording provision for guarantee income of fund, the management estimates the expenses expected to be incurred as a result of providing such guarantee based on the profitability of the fund, and records the provision according to the proportion of guarantee provided.

#### 6. Related party transactions

The relationships between the Company and its related parties are summarised below.

Name of related parties	Relationship
Atlantic Real Estate Co., Ltd.	Subsidiary
Pacific Real Estate Co., Ltd.	Subsidiary
Land and Houses North Co., Ltd.	Subsidiary
Land and Houses Northeast Co., Ltd.	Subsidiary
Siam Tanee Property Co., Ltd.	Subsidiary
Siam Tanee Real Estate Co., Ltd.	Subsidiary (99.99 percent held by Siam Tanee Property Co., Ltd.)
L H Real Estate Co., Ltd.	Subsidiary
L H Asset Co., Ltd.	Subsidiary
L H Muang Mai Co., Ltd.	Subsidiary
Phuket Future Plan Co., Ltd.	Subsidiary (99.99 percent held by L H Muang Mai Co., Ltd.)

Name of related parties	Relationship
Double Tree Co., Ltd.	Subsidiary (99.99 percent held by L H Muang Mai Co., Ltd.)
L&H Property Co., Ltd.	Subsidiary
L&H Sathon Co., Ltd.	Subsidiary (99.99 percent held by L&H Property Co., Ltd.)
L&H Retail Management Co., Ltd.	Subsidiary (99.95 percent held by L&H Property Co., Ltd.)
L&H Hotel Management Co., Ltd.	Subsidiary (99.97 percent held by L&H Property Co., Ltd.)
L&H Management Co., Ltd.	Associate (99.93 percent held by L&H Property Co., Ltd.)
Land and Houses U.S.A., Inc.	Subsidiary
Asia Asset Advisory Co., Ltd.	Subsidiary
LH Financial Group Plc.	Associate
Land and Houses Bank Plc.	Associate (99.99 percent held by LH Financial Group Plc.)

Name of related parties	Relationship
Land and Houses Fund Management Co., Ltd.	Associate (99.99 percent held by the subsidiary of LH Financial Group Plc.)
Quality Construction Products Plc.	Associate
Home Product Center Plc.	Associate
Land and Houses Property Fund	Associate
Land and Houses Property and Loan Fund-II	Associate
Quality Houses Plc.	Associate
Q.H. International Co., Ltd.	Associate (99.99 percent held by Quality Houses Plc.)
Quality Houses Leasehold Property Fund	Associate of Quality Houses Plc.
Muang Mai Property Co., Ltd.	Shareholder of subsidiary
Reco Resorts Pte Ltd.	Shareholder of subsidiary
Siam Retail Development Co., Ltd.	Common shareholder
Land and Houses Freehold and Leasehold Property Fund	Common shareholder
LH Shopping Centers Leasehold Real Estate Investment Trust	Common shareholder
Trinity Securities Company Limited	Common director

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2014	2013	2014	2013	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Interest income	-	-	168.9	90.2	MLR - 1.5 and 4.00% - 5.50% p.a. (2013: MLR - 1.5% and 5.00% - 7.50% p.a.)
Management fee income	-	-	18.3	13.5	Approximate cost
Dividend income	-	-	1,475.0	325.5	Declared rate
Sales of land	-	-	-	56.8	Approximate cost
Cash paid for use of land	-	-	26.3	81.0	Approximate cost
Purchases of land	-	-	-	9.0	Approximate cost
Interest expenses	-	-	7.1	3.3	3.00% p.a.
Rental and service expenses	-	-	0.3	1.7	Baht 1,030 per square metre per month
<u>Transactions with associates</u>					
Interest income	24.9	16.7	21.9	13.7	Market rate
Dividend income	629.0	708.5	629.0	708.5	Declared rate
Purchases of goods	99.2	107.0	91.1	101.0	Market price
Commission expenses	0.5	4.4	-	-	Market rate
Services expenses	23.7	0.5	-	-	Contract price
Rental and service expenses	95.9	107.6	-	-	Contract price
<u>Transactions with related companies</u>					
Dividend income	56.1	55.9	56.1	55.9	Declared rate
Gain on sale of assets to REIT	3,148.2	-	-	-	Contract price
Rental and services expenses	43.8	42.1	43.8	42.1	Baht 750 - 800 per square meter per month (2013: Baht 500 - 800 per square meter per month)
Interest expenses	16.8	21.3	-	-	MLR - 1.5% and 5.50% p.a. (2013: MLR - 1.5% and 5.50% - 7.50% p.a.)
Commission expenses	14.8	14.6	-	-	Contract price
Project management fee expenses	23.3	23.7	-	-	Contract price
Provision for guarantee					
Income of fund	42.5	33.3	42.5	33.3	Contract price
<u>Transactions with directors of subsidiaries</u>					
Interest expenses	2.0	2.2	-	-	5.50% p.a. (2013: 5.50% - 7.50% p.a.)

According to the undertaking agreement with Land and Houses Freehold and Leasehold Property Fund, the Company and Reco Plaza Pte Ltd. guarantee income of such fund. They guarantee between the different amount of Baht 179.88 million and the actual net income for the year 2012 and Baht 243.16 million and the actual net income for the year 2013 - 2015. The Company and Reco Plaza Pte Ltd. guarantee at the portion of 52% and 48%, respectively. However, the guarantee income must not exceed 50% of actual net income before income guarantee. As at 31 December 2014, the outstanding provision to guarantee income of the fund is represented as a short-term provision at Baht 42.5 million (2013: Short-term provision and long-term provision at Baht 47.5 million and Baht 19.8 million, respectively).

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deposit at financial institution (shown under cash and cash equivalents)				
<b>Associate</b>				
Land and Houses Bank Plc.	3,152.2	651.9	2,851.4	499.5
Current investments (Note 8)				
<b>Associate</b>				
Land and Houses Fund Management Co., Ltd.	301.4	50.0	301.4	50.0
Amounts due from and accounts receivables - related parties (Note 9)				
<b>Subsidiaries</b> (Eliminated from the consolidated financial statements)				
L H Asset Co., Ltd.	-	-	0.3	0.1
Atlantic Real Estate Co., Ltd.	-	-	-	0.1
Land and Houses Northeast Co., Ltd.	-	-	0.2	0.5
L H Muang Mai Co., Ltd.	-	-	-	0.2
	-	-	0.5	0.9
<b>Associates</b>				
Q.H. International Co., Ltd.	-	3.3	-	-
Land and Houses Fund Management Co., Ltd.	0.1	-	-	-
Land and Houses Property and Loan Fund-II	7.5	-	-	-
	7.6	3.3	-	-



(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Related companies</b>				
Land and Houses Freehold and Leasehold Property Fund	1.8	-	-	-
LH Shopping Centers Leasehold Real Estate Investment Trust	7.3	-	-	-
	9.1	-	-	-
<b>Total</b>	<b>16.7</b>	<b>3.3</b>	<b>0.5</b>	<b>0.9</b>
Short-term loans to and accrued interest receivables from related parties				
<b>Subsidiaries</b>				
(Eliminated from the consolidated financial statements)				
Land and Houses Northeast Co., Ltd.	-	-	131.6	282.7
L H Asset Co., Ltd.	-	-	-	35.4
L H Muang Mai Co., Ltd.	-	-	104.0	99.9
L&H Property Co., Ltd.	-	-	-	590.8
Pacific Real Estate Co., Ltd.	-	-	-	75.9
	-	-	235.6	1,084.7
<b>Associate</b>				
Land and Houses Bank Plc.	6.9	0.1	6.9	0.1
<b>Total</b>	<b>6.9</b>	<b>0.1</b>	<b>242.5</b>	<b>1,084.8</b>
Long-term loans to and accrued interest receivables from related party				
<b>Subsidiary</b>				
(Eliminated from the consolidated financial statements)				
Land and Houses U.S.A., Inc.	-	-	3,187.0	3,141.2
Deposit to related companies				
<b>Related company</b>				
Quality Houses Leasehold Property Fund	9.3	9.3	9.3	9.3
<b>Total</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>
Trade accounts payables - related parties (Note 20)				
<b>Associates</b>				
Quality Construction Products Plc.	8.2	14.2	7.8	14.2
Home Product Center Plc.	0.5	0.8	0.4	0.6
Quality Houses Plc.	8.8	10.3	-	-
	17.5	25.3	8.2	14.8
<b>Related companies</b>				
Land and Houses Freehold and Leasehold Property Fund	-	2.7	-	-
Siam Retail Development Co., Ltd.	7.2	3.3	-	-
	7.2	6.0	-	-
<b>Total</b>	<b>24.7</b>	<b>31.3</b>	<b>8.2</b>	<b>14.8</b>

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Amounts due to related parties (Note 20)				
<b>Associates</b>				
Q.H. International Co., Ltd.	4.4	-	-	-
Quality Construction Products Plc.	0.1	-	-	-
Home Product Center Plc.	0.6	0.1	0.1	0.1
Land and Houses Bank Plc.	12.7	-	-	-
Quality Houses Plc.	-	10.6	-	-
Land and Houses Property and Loan Fund - II	1.1	-	-	-
	18.9	10.7	0.1	0.1
<b>Related companies</b>				
LH Shopping Centers Leasehold Real Estate Investment Trust	28.2	-	-	-
Siam Retail Development Co., Ltd.	9.0	9.6	-	-
Quality Houses Leasehold Property Fund	-	0.3	-	0.3
	37.2	9.9	-	0.3
<b>Total</b>	56.1	20.6	0.1	0.4
Short-term loans from and accrued interest payables to related parties				
<b>Subsidiaries</b>				
(Eliminated from consolidated financial statements)				
Pacific Real Estate Co., Ltd.	-	-	300.3	-
Siam Tanee Property Co., Ltd.	-	-	201.1	90.4
Land and Houses North Co., Ltd.	-	-	-	22.2
Atlantic Real Estate Co., Ltd.	-	-	86.6	-
LH Real Estate Co., Ltd.	-	-	-	16.6
	-	-	588.0	129.2
<b>Related companies/persons</b>				
Muang Mai Property Co., Ltd.	13.6	13.1	-	-
Reco Resorts Pte Ltd.	-	393.7	-	-
Directors of subsidiaries	55.4	53.4	-	-
	69.0	460.2	-	-
<b>Total</b>	69.0	460.2	588.0	129.2
Provision for guarantee income of fund (Note 23)				
<b>Related company</b>				
Land and Houses Freehold and Leasehold Property Fund	42.5	67.3	42.5	67.3

Short-term loans from/to related parties are in the form of promissory notes without collateral which are due at call.

Long-term loan to related party is unsecured loan which is due in December 2017.

During the year 2014, movements of loans to/loans from the Company, subsidiaries and related companies were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	1 January 2014	Increase	Decrease	31 December 2014
Short-term loans to and accrued interest receivables from related parties				
<b>Associate</b>				
Land and Houses Bank Plc.	0.1	21.8	(15.1)	6.8
Short-term loans from and accrued interest payables to related parties				
<b>Related companies/persons</b>				
Muang Mai Property Co., Ltd.	13.1	0.5	-	13.6
Reco Resorts Pte Ltd.	393.7	16.3	(410.0)	-
Directors of subsidiaries	53.4	2.0	-	55.4
<b>Total</b>	460.2	18.8	(410.0)	69.0

(Unit: Million Baht)

	Separate financial statements			
	1 January 2014	Increase	Decrease	31 December 2014
Short-term loans to and accrued interest receivables from related parties				
<b>Subsidiaries</b>				
Land and Houses Northeast Co., Ltd.	282.7	161.5	(312.6)	131.6
L H Asset Co., Ltd.	35.4	55.9	(91.3)	-
L H Muang Mai Co., Ltd.	99.9	4.1	-	104.0
L&H Property Co., Ltd.	590.8	24.4	(615.2)	-
Pacific Real Estate Co., Ltd.	75.9	87.6	(163.5)	-
	1,084.7	333.5	(1,182.6)	235.6
<b>Associate</b>				
Land and Houses Bank Plc.	0.1	21.8	(15.0)	6.9
<b>Total</b>	1,084.8	355.3	(1,197.6)	242.5
Long-term loans to and accrued interest receivables from related party				
<b>Subsidiary</b>				
Land and Houses U.S.A., Inc.	3,141.2	213.9	(168.1)	3,187.0
Short-term loans from and accrued interest payables to related parties				
<b>Subsidiaries</b>				
Pacific Real Estate Co., Ltd.	-	447.2	(146.9)	300.3
Siam Tanee Property Co., Ltd.	90.4	282.4	(171.7)	201.1
Land and Houses North Co., Ltd.	22.2	15.2	(37.4)	-
Atlantic Real Estate Co., Ltd.	-	156.9	(70.3)	86.6
L H Real Estate Co., Ltd.	16.6	15.1	(31.7)	-
<b>Total</b>	129.2	916.8	(458.0)	588.0

## Directors and management's benefits

During the years 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	2014	2013
Short-term employee benefits	124,182	83,620
Post-employment benefits	4,338	3,608
<b>Total</b>	<b>128,520</b>	<b>87,228</b>

## Commitments and contingent liabilities of related parties

The Company and its subsidiaries had commitments related to project management, finding lessees, consulting, operating lease and service agreement and agreement to purchase/sale of products with related companies as described in Note 36.

The Company and a subsidiary had outstanding guarantee obligations with its related parties, as described in Note 36.3.

## 7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cash	4,849	4,776	1,905	2,050
Bank deposits	2,481,180	695,888	1,345,127	380,799
Cheques in transit	296,207	264,875	281,228	244,984
Bills of exchange	3,654,208	200,000	3,400,000	200,000
<b>Total</b>	<b>6,436,444</b>	<b>1,165,539</b>	<b>5,028,260</b>	<b>827,833</b>

As at 31 December 2014, bank deposits and bills of exchange carried interests between 0.375% and 2.50% per annum (2013: 0.50% and 2.25% per annum).

## 8. Current investments

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	2014	2013
Investments in LH Money Market Fund, Cost	300,000	50,000
Add: Unrealised gain on changes in value of investments	1,415	25
<b>Trading securities - fair value</b>	<b>301,415</b>	<b>50,025</b>

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Trade receivables - unrelated parties</b>				
<b>Past due</b>				
Less than 3 months	115,802	94,960	-	-
3 - 6 months	3,712	3,918	-	-
6 - 9 months	3,043	2,706	-	-
9 - 12 months	2,241	2,480	-	-
Over 12 months	224	188	-	-
<b>Total</b>	<b>125,022</b>	<b>104,252</b>	<b>-</b>	<b>-</b>
Less: Allowance for doubtful debts	-	(105)	-	-
Total trade receivables - unrelated parties, net	125,022	104,147	-	-
<b>Other receivables</b>				
Amounts due from and accounts receivables - related parties	16,735	3,251	534	887
Other	30,371	28,850	26,843	28,087
Other receivables	47,106	32,101	27,377	28,974
Total trade and other receivables - net	172,128	136,248	27,377	28,974

## 10. Land, construction in progress and utilities (inventories)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Land	24,586,992	23,564,974	23,921,905	22,636,503
Land improvements	2,403,909	1,931,679	2,326,173	1,824,428
Construction in progress	11,082,347	8,952,298	10,634,660	8,428,246
Interest cost	1,855,185	1,520,064	1,762,140	1,443,111
Public utilities	3,174,691	2,652,358	2,884,806	2,364,445
Deferred development cost	719	832	414	414
Houses held for sales	79,730	41,430	10,413	-
<b>Total</b>	<b>43,183,573</b>	<b>38,663,635</b>	<b>41,540,511</b>	<b>36,697,147</b>
Less : Allowance for reduce cost to net realisable value	(159,902)	(167,552)	(60,926)	(69,129)
Inventories - net	43,023,671	38,496,083	41,479,585	36,628,018

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 as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Borrowing costs included in cost of land and construction in progress (Million Baht)	1,029	696	986	650
Capitalisation rate (Percent)	3.8	3.8	3.8	3.8

As at 31 December 2014 and 2013, the Company and a subsidiary have mortgaged land and structures thereon to secure the loans and the overdraft facilities of the Company and its subsidiary, of with net book values as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value of land and structures thereon mortgaged as collateral	9,834	5,559	8,924	4,576

Movements in the allowance for loss on diminution in value of projects during the year ended 31 December 2014 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2014	167,552	69,129
Add: Additional set up	33,123	-
Transfer from land held for development	1,690	1,690
Less: Reversal due to sale	(42,463)	(9,893)
Balance as at 31 December 2014	159,902	60,926

During the year 2014, the Company transferred-in land held for development with net book value of Baht 3 million to inventories (2013: the subsidiaries transferred-out inventories with net book value of Baht 31 million to land held for development and transferred-in land held for development with net book value of Baht 25 million to inventories).

## 11. Investments in subsidiaries

### 11.1 Details of investments in subsidiaries as presented in the separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Allowance for impairment		Carrying amount based on cost method - net	
	2014	2013	2014 (Percent)	2013 (Percent)	2014	2013	2014	2013	2014	2013
Atlantic Real Estate Co., Ltd.	15,000	15,000	99.99	99.99	14,998	14,998	-	-	14,998	14,998
Pacific Real Estate Co., Ltd.	620,000	5,810	99.99	99.99	620,000	5,810	-	-	620,000	5,810
Land and Houses North Co., Ltd.	13,500	13,500	99.99	99.99	13,500	13,500	-	-	13,500	13,500
Land and Houses Northeast Co., Ltd.	150,000	150,000	99.99	99.99	149,999	149,999	(50,000)	(50,000)	99,999	99,999
Siam Tanee Property Co., Ltd. and its subsidiary	100,000	100,000	99.99	99.99	64,859	64,859	-	-	64,859	64,859
L H Real Estate Co., Ltd.	58,000	58,000	99.99	99.99	25,000	25,000	-	-	25,000	25,000
L H Asset Co., Ltd.	100,000	100,000	99.99	99.99	52,734	52,734	-	-	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	-	-	495,000	495,000
L&H Property Co., Ltd. and its subsidiaries	2,450,000	2,450,000	60.00	60.00	1,566,000	1,566,000	-	-	1,566,000	1,566,000
Land and Houses U.S.A., Inc.	(a)	(a)	100.00	100.00	616,427	616,427	-	-	616,427	616,427
Asia Asset Advisory Co., Ltd.	5,000	-	99.99	-	5,000	-	-	-	5,000	-
					3,623,517	3,004,327	(50,000)	(50,000)	3,573,517	2,954,327

(a) As at 31 December 2014 and 2013, Land and Houses U.S.A., Inc. had paid-up capital amounted to USD 20.0 million.

During the years 2014 and 2013, the Company received dividend income from subsidiaries as detailed below.

(Unit: Thousand Baht)

Company's name	2014	2013
Atlantic Real Estate Co., Ltd.	70,490	325,454
Land and Houses North Co., Ltd.	8,000	-
L&H Property Co., Ltd.	1,396,499	-
<b>Total</b>	<b>1,474,989</b>	<b>325,454</b>

### 11.2 Pacific Real Estate Co., Ltd.

On 30 January 2014, the Extraordinary General Meeting of shareholders of Pacific Real Estate Co., Ltd., the Company's subsidiary, passed a resolution approving an increase in the registered share capital of Baht 614.19 million by issuing an additional 6,141,900 new ordinary shares at the par value of Baht 100 each. The meeting also passed a resolution approving to call up partial payment of 6,141,900 new ordinary shares at Baht 25 each, a total of Baht 153.55 million. The Company has already paid the subscription.

On 27 October 2014, the subsidiary, called for the remaining of shares registered capital in the amount of Baht 460.64 million (6,141,900 ordinary shares at Baht 75 each). The Company has already paid the subscription.

### 11.3 L&H Property Co., Ltd. and its subsidiaries

On 7 February 2014, the Board of Directors' meeting of L&H Sathon Co., Ltd., the subsidiary of L&H Property Co., Ltd., passed a resolution approving the dissolution of the Company. The subsidiary filed for deregistration on 18 March 2014. Currently, the subsidiary has been during the liquidation process.

On 11 November 2014, L&H Property Co., Ltd., the Company's 60% owned subsidiary, approving the additional acquisition in L&H Management Co., Ltd., the Company's associate (99.93% held by Asia Asset Advisory Co., Ltd.) from existing shareholder in the amount of Baht 0.1 million (9,993 ordinary shares at Baht 10 each). As a result, L&H Management Co., Ltd. will be changed from associate to be the Company's subsidiary (60% held by L&H Property Co., Ltd.)

#### 11.4 Asia Asset Advisory Co., Ltd.

On 11 November 2014, the Company's Board of Directors meeting passed a resolution approving the additional acquisition in Asia Asset Advisory Co., Ltd., the Company's 40% owned associate, from two existing shareholders in the amount of Baht 3 million (300,000 ordinary shares at Baht 10 each). As a result, Asia Asset Advisory Co., Ltd. will be changed from associate to be the Company's 99.99% owned subsidiary.

#### 11.5 L H Muang Mai Co., Ltd. and its subsidiaries

As at 31 December 2014 and 2013, L H Muang Mai Co., Ltd. pledged the ordinary shares of its subsidiaries, Phuket Future Plan Co., Ltd. and Double Tree Co., Ltd., as collateral of long-term loans.

## 12. Investments in associates

### 12.1 Details of investments in associates

(Unit: Thousand Baht)

Consolidated financial statements								
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			2014 (Percent)	2013 (Percent)	2014	2013	2014	2013
LH Financial Group Plc.	Holding company	Thai	33.98	34.14	4,538,712	4,394,026	5,543,973	5,137,099
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	179,178	179,178	425,860	419,878
Home Product Center Plc.	Trading of construction materials	Thai	30.23	30.23	1,489,020	1,489,020	5,365,640	4,463,110
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	-	40.00	-	2,000	-	9,043
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	20,692	20,692	32,402	32,402
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	785,330	785,330	482,209	537,126
Quality Houses Plc.	Real estate business	Thai	24.98	24.98	3,282,682	3,282,682	5,646,905	5,179,520
					10,295,614	10,152,928	17,496,989	15,778,178



(Unit: Thousand Baht)

Separate financial statements						
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost	
			2014 (Percent)	2013 (Percent)	2014	2013
LH Financial Group Plc.	Holding company	Thai	33.98	34.14	4,538,712	4,394,026
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	179,178	179,178
Home Product Center Plc.	Trading of construction materials	Thai	30.23	30.23	1,489,020	1,489,020
Asia Asset Advisory Co., Ltd.	Investment advisor	Thai	-	40.00	-	2,000
Land and Houses Property Fund	Real estate business	Thai	49.94	49.94	20,692	20,692
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	785,330	785,330
Quality Houses Plc.	Real estate business	Thai	24.98	24.98	3,282,682	3,282,682
					<u>10,295,614</u>	<u>10,152,928</u>

## 12.2 Significant changes in investments in associates

### 12.2.1 LH Financial Group Plc.

During the year 2014, the warrant holders of LH Financial Group Plc. exercised their rights to convert warrants to 59.2 million ordinary shares. As a result, the Company's shareholding percentage in that company has changed from 34.14% to 33.98%.

On 21 April 2014, the Annual General Meeting of the shareholders of LH Financial Group Plc. approved the allocation of additional ordinary shares to its existing shareholders in proportion of its shareholding in a ratio of 1 new share for each 30 existing shares (30:1) at a price of Baht 1 per share. The Company invested in ordinary shares of LH Financial Group Plc. for 145 million shares with a total value of Baht 145 million and made payment for such shares in May 2014.

### 12.2.2 Home Product Center Plc.

On 10 April 2014, the Annual General Meeting of the shareholders of Home Product Center Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at rate of 1 dividend share for every 7 existing shares, or equivalent to Baht 0.1429 per share and a cash dividend of Baht 0.0159 per share. The Company received 414 million stock dividend shares and cash dividend of Baht 46 million on 8 May 2014. The Company included this stock dividend in recalculating the average cost of investment in such company, using the total shares held after receiving stock dividend during the current year.

On 15 October 2014, the Extraordinary General Meeting of the shareholders of Home Product Center Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at rate of 1 dividend share for every 8 existing shares, or equivalent to Baht 0.1250 per share and a cash dividend of Baht 0.013889 per share. The Company received 414 million stock dividend shares and cash dividend of Baht 46 million on 13 November 2014. The Company included this stock dividend in recalculating the average cost of investment in such company, using the total shares held after receiving stock dividend during the current year.

### 12.2.3 Asia Asset Advisory Co., Ltd.

On 11 November 2014, the Company's Board of Directors meeting passed a resolution approving the additional acquisition in Asia Asset Advisory Co., Ltd., the Company's 40% owned associate, from two existing shareholders in the amount of Baht 3 million (300,000 ordinary shares at Baht 10 each).

As a result, Asia Asset Advisory Co., Ltd. will be changed from associate to be the Company's 99.99% owned subsidiary.

## 12.3 Share of profit and dividend received

During the years, the Company recognised its share of profit (loss) from investments in associate companies in the consolidated financial statements and dividend income from associated companies in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements				Separate financial statements	
	Share of profit from investments in associates during the year		Share of other comprehensive income of associates during the year		Dividend received during the year	
	2014	2013	2014	2013	2014	2013
LH Financial Group Plc.	404,868	288,222	1,862	(127,989)	144,541	139,878
Quality Construction Products Plc.	27,139	49,501	-	-	21,157	27,081
Home Product Center Plc.	1,001,709	927,113	(7,067)	(105)	92,113	85,805
Asia Asset Advisory Co., Ltd.	(121)	3,900	-	-	4,200	-
Land and Houses Property Fund *	-	-	-	-	-	-
Land and Houses Property and Loan Fund-II	(54,917)	15,963	-	-	-	21,171
Quality Houses Plc.	831,543	824,061	2,829	(19,984)	366,987	434,537
<b>Total</b>	<b>2,210,221</b>	<b>2,108,760</b>	<b>(2,376)</b>	<b>(148,078)</b>	<b>628,998</b>	<b>708,472</b>

\* Registered its termination on 11 December 2007.

#### 12.4 Fair values of investments in listed associates

In respect of investments in associated companies that are listed companies on the Stock Exchange, their fair values as at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

Company's name	Country of listing	Fair values	
		2014	2013
LH Financial Group Plc.	Thai	8,791	5,296
Quality Construction Products Plc.	Thai	732	804
Home Product Center Plc.	Thai	30,565	26,961
Quality Houses Plc.	Thai	8,395	6,009
<b>Total</b>		<b>48,483</b>	<b>39,070</b>

#### 12.5 Summarised financial information of associates

Financial information (after adjust the impact of using the different accounting policies) of the associated companies is summaries below:

(Unit: Million Baht)

Company's name	Paid-up capital as at 31 December		Total assets as at 31 December		Total liabilities as at 31 December		Total revenues for the year ended 31 December		Profit for the year ended 31 December	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
LH Financial Group Plc.	13,199	12,716	164,970	149,099	148,684	134,078	8,400	7,115	1,201	893
Quality Construction Products Plc.	400	400	2,335	2,402	323	418	2,121	2,282	128	234
Home Product Center Plc.	12,329	9,590	44,313	35,942	28,611	23,225	51,209	42,830	3,313	3,068
Asia Asset Advisory Co., Ltd.*	-	5	-	44	-	25	-	68	-	8
Land and Houses Property and Loan Fund-II	1,569	1,569	1,985	2,193	52	6	35	84	(255)	29
Quality Houses Plc.	9,184	9,184	48,634	41,652	29,485	24,374	21,377	19,999	3,329	3,307

\*The Company reclassified the type of investment from investments in associates to investments in subsidiaries in November 2014.

12.6 The Company's consolidated financial statements for the years ended 31 December 2014 and 2013 included investments in the following associates accounted for under the equity method, and share of profit from investments in associates under the equity method, determined based on financial statements of those companies which have been audited as follows.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Investments under the equity method as at 31 December		Share of profit from investments under the equity method for the year ended 31 December	
	2014	2013	2014	2013
<i>Audited by auditor and other auditors of the same firm</i>				
LH Financial Group Plc.	5,543,973	5,137,099	404,868	288,222
Home Product Center Plc.	5,365,640	4,463,110	1,001,709	927,113
Asia Asset Advisory Co., Ltd. <sup>(1)</sup>	-	9,043	(121)	3,900
Land and Houses Property Fund <sup>(2)</sup>	32,402	32,402	-	-
Land and Houses Property and Loan Fund-II	482,209	537,126	(54,917)	15,963
Quality Houses Plc.	5,646,905	5,179,520	831,543	824,061
<i>Audited by other auditors</i>				
Quality Construction Products Plc.	425,860	419,878	27,139	49,501
<b>Total</b>	<b>17,496,989</b>	<b>15,778,178</b>	<b>2,210,221</b>	<b>2,108,760</b>

<sup>(1)</sup> The Company reclassified the type of investment from investments in associates to investments in subsidiaries in November 2014.

<sup>(2)</sup> Registered its termination on 11 December 2007.

### 13. Other long-term investments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<i>Available-for-sale securities</i>				
Equity securities - Domestic	1,231,613	783,568	1,231,613	783,568
Unit trust - Overseas	2,368,704	2,368,704	2,368,704	2,368,704
Add (less): Changes in fair value of securities	1,676,283	(406,590)	1,676,283	(406,590)
Available-for-sale securities - net	5,276,600	2,745,682	5,276,600	2,745,682
<i>Other investments</i>				
Equity securities - Domestic	204,239	204,239	26,000	26,000
Unit trust - Domestic	198	198	-	-
Less: Allowance for impairment	(100,500)	(100,500)	(16,000)	(16,000)
Other investments - net	103,937	103,937	10,000	10,000
<b>Total</b>	<b>5,380,537</b>	<b>2,849,619</b>	<b>5,286,600</b>	<b>2,755,682</b>

## 14. Land held for development

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Land held for development	4,932,853	4,929,075	3,747,318	3,741,556
Less: Allowance for loss on diminution in value	(801,172)	(802,862)	(690,179)	(691,869)
Land held for development - net	4,131,681	4,126,213	3,057,139	3,049,687

As at 31 December 2014 and 2013, the Company and its subsidiaries have mortgaged land held for development to secure long-term loans with net book value as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value of mortgaged land held for development to secure loans	3,496	3,496	2,551	2,551

During the year 2014, the Company transferred-out land held for development with net book value of Baht 3 million to inventories (2013: the subsidiaries transferred-in inventories with net book value of Baht 31 million to land held for development, and transferred-out land held for development with net book value of Baht 25 million to inventories).

Movements in the allowance for loss on diminution in value of land held for development during the year ended 31 December 2014 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Balance as at 1 January 2014	802,862		691,869	
Less: Transfer to inventories	(1,690)		(1,690)	
Balance as at 31 December 2014	801,172		690,179	

## 15. Investment properties

The net book value as at 31 December 2014 and 2013 of investment properties, representing apartments of Land and Houses U.S.A., Inc., the Company's subsidiary is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	
	2014	2013
Cost	3,834,281	3,788,852
Less: Accumulated depreciation	(107,780)	(30,138)
Net book value	3,726,501	3,758,714

A reconciliation of the net book value of investment properties for the years 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	
	2014	2013
Net book value at beginning of year	3,758,714	313,683
Acquisition of assets	28,242	3,452,512
Depreciation charged	(76,473)	(28,049)
Disposals - net book value at disposal date	(48)	-
Translation adjustment	16,066	20,568
Net book value at end of year	3,726,501	3,758,714

Depreciation of investment properties for the year 2014 of Baht 76 million (2013: Baht 28 million) included in cost of rental and services.

The fair value of the investment properties as at 31 December 2014 and 2013 stated below:

(Unit: Million Baht)

	Consolidated financial statements	
	2014	2013
Apartments	3,618 <sup>(1)</sup>	3,603 <sup>(1)</sup>

<sup>(1)</sup> As at 31 December 2014 and 2013 fair value USD 110.25 million

As at 31 December 2014 and 2013, the fair values of investment properties have been determined using the following approach.

- Investment properties which are acquired in the year 2013 have been determined based on acquisition cost. The management believes that there are no material differences between the book value and its fair value.

- Investment properties which are acquired in the year 2012 have been determined by an accredited independent valuer in the year 2013 using the Market Comparison Approach.

During the years 2014 and 2013, the subsidiary gained rental income and had direct operating expenses arising from apartments of Land and Houses U.S.A., Inc. which are recorded in profit or loss as detailed below.

(Unit: Million Baht)

	Consolidated financial statements	
	2014	2013
Rental income	278	92
Direct operating expenses	181	66

## 16. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements								
	Land	Building and building improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse and pool	Other	Assets under construction	Total
<b>Cost</b>									
1 January 2013	26,997	64,392	160,365	413,532	113,651	834,403	249,958	38,133	1,901,431
Purchase	-	-	8,548	2,061	5,758	133,985	19,076	26,897	196,325
Disposal/Write-off	-	(1,891)	(1,136)	(14,339)	(5,856)	(98,850)	(18,223)	-	(140,295)
Transfer in (out)	-	4,835	-	20,734	-	8,915	-	(34,484)	-
Translation adjustment	-	-	6	24	-	-	-	-	30
31 December 2013	26,997	67,336	167,783	422,012	113,553	878,453	250,811	30,546	1,957,491
Purchase	-	-	14,180	1,205	10,451	294,265	18,307	47,592	386,000
Disposal/write-off	-	-	(27,186)	(34,847)	(6,088)	(58,371)	(28,783)	-	(155,275)
Transfer in (out)	-	-	4,568	16,024	5,962	7,639	507	(19,980)	14,720
Translation adjustment	-	-	1	3	-	-	-	-	4
31 December 2014	26,997	67,336	159,346	404,397	123,878	1,121,986	240,842	58,158	2,202,940
<b>Accumulated depreciation</b>									
1 January 2013	-	40,017	107,190	312,755	48,930	591,897	148,474	-	1,249,263
Depreciation for the year	-	2,304	20,407	31,257	18,154	105,977	32,820	-	210,919
Depreciation on disposal	-	(472)	(1,126)	(13,273)	(5,855)	(98,850)	(591)	-	(120,167)
Translation adjustment	-	-	3	7	-	-	-	-	10
31 December 2013	-	41,849	126,474	330,746	61,229	599,024	180,703	-	1,340,025

## 16. Property, plant and equipment (continued)

	Consolidated financial statements								Total
	Land	Building and building improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse and pool	Other	Assets under construction	
Depreciation for the year	-	2,302	20,727	33,409	19,754	119,715	27,680	-	223,587
Depreciation on disposal	-	-	(20,089)	(25,757)	(4,410)	(58,370)	(17,395)	-	(126,021)
Transfer in (out)	-	-	3,747	3,683	4,991	-	507	-	12,928
Translation adjustment	-	-	1	2	-	-	-	-	3
31 December 2014	-	44,151	130,860	342,083	81,564	660,369	191,495	-	1,450,522
<b>Allowance for impairment</b>									
31 December 2013	-	1,178	-	-	-	-	-	-	1,178
31 December 2014	-	1,178	-	-	-	-	-	-	1,178
<b>Net book value</b>									
31 December 2013	26,997	24,309	41,309	91,266	52,324	279,429	70,108	30,546	616,288
31 December 2014	26,997	22,007	28,486	62,314	42,314	461,617	49,347	58,158	751,240
<b>Depreciation for the year</b>									
2013 (Baht 151 million included in cost of sales and cost of rental and services, and the balance in administrative expenses)									210,919
2014 (Baht 160 million included in cost of sales and cost of rental and services, and the balance in administrative expenses)									223,587

(Unit: Thousand Baht)



## 16. Property, plant and equipment (continued)

	Separate financial statements							(Unit: Thousand Baht)	
	Building and building improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Clubhouse and pool	Other	Assets under construction	Total	
<b>Cost</b>									
1 January 2013	46,688	111,624	183,770	105,888	720,519	51,444	33,568	1,253,501	
Purchase	-	5,534	-	5,710	131,653	8,380	13,730	165,007	
Disposal/Write-off	(1,891)	(18)	(11,714)	(2,975)	(86,146)	(203)	-	(102,947)	
Transfer in (out)	4,835	-	18,769	-	-	-	(23,604)	-	
31 December 2013	49,632	117,140	190,825	108,623	766,026	59,621	23,694	1,315,561	
Purchase	-	10,685	242	9,262	273,622	2,450	42,137	338,398	
Disposal/write-off	-	(6,325)	(8,673)	(5,864)	(49,616)	(473)	-	(70,951)	
Transfer in (out)	-	-	11,988	-	-	-	(11,988)	-	
31 December 2014	49,632	121,500	194,382	112,021	990,032	61,598	53,843	1,583,008	
<b>Accumulated depreciation</b>									
1 January 2013	23,493	84,119	147,005	43,181	482,016	41,823	-	821,637	
Depreciation for the year	2,304	12,942	13,347	17,565	97,676	4,638	-	148,472	
Depreciation on disposal	(472)	(18)	(10,649)	(2,974)	(86,146)	(97)	-	(100,356)	
31 December 2013	25,325	97,043	149,703	57,772	493,546	46,364	-	869,753	
Depreciation for the year	2,301	13,011	15,540	18,955	105,119	4,599	-	159,525	
Depreciation on disposal	-	(6,310)	(6,722)	(4,185)	(49,616)	(303)	-	(67,136)	
31 December 2014	27,626	103,744	158,521	72,542	549,049	50,660	-	962,142	
<b>Net book value</b>									
31 December 2013	24,307	20,097	41,122	50,851	272,480	13,257	23,694	445,808	
31 December 2014	22,006	17,756	35,861	39,479	440,983	10,938	53,843	620,866	
<b>Depreciation for the year</b>									
2013 (Baht 98 million included in cost of sales, and the balance in administrative expenses)								148,472	
2014 (Baht 105 million included in cost of sales, and the balance in administrative expenses)								159,525	

As at 31 December 2014 and 2013, certain building and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Building and equipment items have been fully depreciated but are still in use	567	548	276	264

## 17. Leasehold rights

(Unit: Thousand Baht)

Project	Consolidated financial statements					
	Remaining periods of leasehold rights (years)	1 January 2014	Increase	Disposal - net book value at disposal date	Amortisation	31 December 2014
Grande Centre Point Hotel Ratchadamri	23	1,769,057	197	-	(90,657)	1,678,597
Terminal 21 Shopping Mall and Grande Centre Point Hotel Terminal 21	26	4,404,006	1,979	(2,565,910)	(162,807)	1,677,268
Vacant land	12 and 32	107,190	210,148	-	(5,871)	311,467
<b>Total</b>		<b>6,280,253</b>	<b>212,324</b>	<b>(2,565,910)</b>	<b>(259,335)</b>	<b>3,667,332</b>

The amortisation of leasehold rights for the year 2014 of Baht 259 million (2013: Baht 256 million) included in cost of rental and services

On 23 December 2014, L&H Property Co., Ltd., a subsidiary of the Company, entered into an agreement to transfer the leasehold rights including right to the use of the connecting walkway and an agreement to sell movable assets which consist of furniture, fixture and equipment of Terminal 21 Shopping Mall Project to LH Shopping Centers Leasehold Real Estate Investment Trust ("the Trust") at a total price of Baht 5,874 million. The subsidiary had gains on such transactions totaling Baht 3,148 million (net of relevant sales expenses), and recognised such transactions in the profit or loss for the year 2014. In addition, as at 31 December 2014 the Company acquired 9% of the registered unit of the Trust which was presented as other long-term investments.

Leasehold rights of Grande Centre Point Hotel Ratchadamri project included the value of premises thereon because a subsidiary has to transfer such premises located on the leasehold to the lessor when the construction of such premises completed, in accordance with the conditions stipulated in the agreement.

The subsidiaries have pledged their land leasehold rights with construction thereon with a total net book value as at 31 December 2014 of Baht 1,679 million (2013: Baht 1,769 million) as collateral for bank overdrafts and long-term loans.

## 18. Other intangible assets

The net book value of other intangible assets as at 31 December 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements	
	Right to the use of the connecting walkway	Computer software	Total	Computer software	Total
<b>As at 31 December 2014:</b>					
Cost	-	61,071	61,071	47,593	47,593
Less: Accumulated amortisation	-	(26,956)	(26,956)	(22,372)	(22,372)
Net book value	-	34,115	34,115	25,221	25,221
<b>As at 31 December 2013:</b>					
Cost	80,803	66,491	147,294	39,415	39,415
Less: Accumulated amortisation	(16,807)	(25,862)	(42,669)	(18,750)	(18,750)
Net book value	63,996	40,629	104,625	20,665	20,665

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	104,625	117,447	20,665	23,100
Acquisition of computer software	13,275	1,576	8,178	611
Disposal and amortised during the year				
- net book value as at disposal date	(69,463)	(605)	-	-
Amortisation	(14,322)	(13,793)	(3,622)	(3,046)
Net book value at end of year	34,115	104,625	25,221	20,665
Amortisation for the year charged to Cost of rental and services	7,569	7,689	-	-
Administrative expenses	6,753	6,104	3,622	3,046

### Right to the use of the connecting walkway

On 1 February 2011, L&H Property Co., Ltd., a subsidiary of the Company, entered into Connecting Walkway Agreement with the Bangkok Mass Transit System Public Company Limited ("BTS"). Under such agreement, the subsidiary agreed to construct the connecting walkway between Bangkok Mass Transit System and Terminal 21 Shopping Mall and to pay for consideration for using such walkway to BTS. In this regard, the subsidiary obtains the right to the use of the connecting walkway for a period equal to the remaining concession period granted to BTS by Bangkok Metropolitan Administration. The connecting walkway under the agreement is a part of the Bangkok Mass Transit System.

On 23 December 2014, the subsidiary transferred right to the use of the connecting walkway to the Trust, as described in note 17.

## 19. Bank overdrafts and short-term loans

(Unit: Thousand Baht)

	Interest rate (Percent per annum)		Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013	2014	2013
Bank overdrafts and short-term loans from financial institutions						
Bank overdrafts	MOR	MOR	19,161	21,669	-	180
Promissory notes	MOR - 1.5	MOR - 1.5	100,000	400,000	-	300,000
Total bank overdrafts and short-term loans from financial institutions			119,161	421,669	-	300,180
Short-term loans						
Bills of exchange	-	2.75 - 2.99	-	2,360,000	-	2,360,000
Less: Prepaid interest			-	(5,482)	-	(5,482)
<b>Total short-term loans</b>			<b>-</b>	<b>2,354,518</b>	<b>-</b>	<b>2,354,518</b>

Bank overdrafts and short-term loans from financial institutions are secured by the pledge of land leasehold rights and mortgage of land and structures thereon of projects of the subsidiaries.

## 20. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade payables - unrelated parties	1,783,101	1,799,037	1,613,131	1,635,094
Trade payables - related parties	24,713	31,283	8,256	14,815
Other payables - related parties	56,155	20,604	62	420
Accrued expenses	1,190,408	933,882	891,653	741,866
Others	34,458	21,044	21,126	20,117
<b>Total trade and other payables</b>	<b>3,088,835</b>	<b>2,805,850</b>	<b>2,534,228</b>	<b>2,412,312</b>

## 21. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Long-term loans	9,882,929	13,374,637	7,966,986	9,507,486
Less: Current portion	(2,176,646)	(1,870,427)	(1,000,500)	(1,000,000)
<b>Net</b>	<b>7,706,283</b>	<b>11,504,210</b>	<b>6,966,486</b>	<b>8,507,486</b>

As at 31 December 2014 and 2013, long-term loans of the Company and its subsidiaries from domestic financial institutions are shown below:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Interest rate per annum	Principal repayments	Guaranteed by
	2014	2013	2014	2013			
<b>The Company</b>	-	2,000	-	2,000	Year %4.11 :2-1 Thereafter: MLR - 1.75	Repayment within 4 years from the first drawdown date	-
	-	1,000	-	1,000	Year 1-3: 5% Year 4-5: 4.05%	Repayments within 5 years whereas repayments at least Baht 1,000 million per Year since the end of the third year	-
	1	1	1	1	Year 1-3: 4% Year 4: MLR - 1.75	Repayments within 4 years from the first drawdown date	Land and premises of project
	-	815	-	815	Year 1-2: 3.95% Thereafter: MLR - 1.75	Repayments within 4 years from the first drawdown date	Land and premises of projects
	361	361	361	361	Year 1-5: MLR - 2.25	Repayments within 5 years from the first drawdown date	Land
	1,000	1,000	1,000	1,000	3.63%	Repayments within 2 years from the first drawdown date	-
	-	1,000	-	1,000	3.62%	Repayment within 18 months from the first drawdown date	-
	3,330	3,330	3,330	3,330	Year 1-4: MLR - 2.25	Repayments within 4 years from the first drawdown date	Land
	440	-	440	-	Year 1-2: 3.95% Thereafter - MLR - 2.00	Repayments within 3 years from the first drawdown date	Land and premises of project
	805	-	805	-	Year 1-2: 3.95% Thereafter: MLR - 2.00	Repayments within 3 years from the first drawdown date	Land and premises of project
	560	-	560	-	Year 1-2: 3.95% Thereafter: MLR - 2.00	Repayments within 3 years from the first drawdown date	Land and premises of project
	470	-	470	-	Year 1-2 - 3.85% Thereafter: MLR - 2.00	Repayments within 3 years from the first drawdown date	Land and premises of project
	1,000	-	1,000	-	Year 1-2: 3.85% Thereafter: MLR - 2.00	Repayments within 3 years from the first drawdown date	Land and premises of project
<b>Subsidiaries</b>							
L&H Property Co., Ltd	508	668	-	-	Year 1-3: MLR - 1.5 Thereafter: MLR - 1.0 or fixed deposit interest rate plus 2.5% whichever is higher rate	Repayments within December 2017	Land leasehold of project which the bank granted the loan
	675	2,377	-	-	Year 1-4: MLR - 1.5 Year 5-8: MLR - 1.0 Thereafter: MLR - 0.75	Repayments within 12 years for the first drawdown date commencing from January 2013	Letter of comfort from shareholders <sup>a)</sup>
L H Muang Mai Co., Ltd.	171	226	-	-	MLR - 1.5	60 percent of proceeds from sale of land and premises whereas the total loan have to be repaid within 5 years from the first drawdown date	Land and premises of project
	355	385	-	-	MLR - 2	60 percent of proceeds from sale of land and premises whereas the total loan have to be repaid within 5 years from the first drawdown date	Land and premises of project
Double Tree Co., Ltd	207	211	-	-	Year 1: MLR - 1.5 Year 2-4: MLR - 1 Year 5: MLR - 1.25	70 percent of proceeds from sale of land	Land of project Ordinary shares of the company and the related company
<b>Total</b>	<b>9,883</b>	<b>13,374</b>	<b>7,967</b>	<b>9,507</b>			
<b>Less: Current portion</b>	<b>(2,177)</b>	<b>(1,870)</b>	<b>(1,001)</b>	<b>(1,000)</b>			
<b>Net</b>	<b>7,706</b>	<b>11,504</b>	<b>6,966</b>	<b>8,507</b>			

*a) The Company and Reco Resorts Pte Ltd., as shareholders of L&H Property Co., Ltd., agreed to provide assurance to the lender of L&H Property Co., Ltd. which is a subsidiary, whereby there are certain covenants pertaining to, among other things, the maintenance of its level of shareholding in the subsidiary, the provision of financial support to the subsidiary as may be required to ensure that the subsidiary is able to meet its payment obligations under this facility. In addition, the Company needs to obtain the written consent from the lender should the Company sells, transfers or pledges the shares of such subsidiary.*

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, the maintenance of certain financial ratios and formal reporting when the Company has a legal case which may affect its ability to repay loan.

As at 31 December 2014 and 2013, there were available long-term loan facilities from financial institutions as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Undrawdown loan facilities	2,201	1,183	1,795	86

## 22. Debentures

Details of approval to issue the debenture of the Company are as follows:

Approved by	The Annual General Meeting of the Company's shareholders held on 24 April 2014
Amount	Revolving amount of Baht 40,000 million or the equivalent in any other currencies
Term	Maximum terms of 10 years
Type	Any types of debentures such as unsubordinated and/or subordinated, unsecured and/or secured, with and/or without debenture holder representation
Method of issuance	To be issued in Thailand and/or offshore

As at 31 December 2014, the Company has unissued debentures under the above mentioned approval totaling Baht 14,900 million (2013: Baht 2,000 million).

The outstanding balance of debentures as at 31 December 2014 and 2013 are detailed below.

No.	Interest rate per annum	Age	Repayment	Maturity	Consolidated and Separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					2014	2013	2014	2013
<u>Unsubordinated and unsecured debentures</u>								
No. 1/2009	Fixed rate 4.50 %	5.5 years	At maturity	19 June 2015	2,000,000	2,000,000	2,000,000	2,000,000
No. 1/2011	Fixed rate 3.54 %	3 years	At maturity	20 January 2014	-	2,500,000	-	2,500,000
No. 1/2012 (1)	Fixed rate 3.85 %	2.5 years	At maturity	30 September 2014	-	900,000	-	900,000
No. 1/2012 (2)	Fixed rate 3.99 %	3 years	At maturity	30 March 2015	3,100,000	3,100,000	3,100,000	3,100,000
No. 2/2012 (1)	Fixed rate 4.10 %	3 years	At maturity	30 September 2015	2,500,000	2,500,000	2,500,000	2,500,000
No. 1/2013	Fixed rate 3.59 %	3 years	At maturity	31 March 2016	3,500,000	3,500,000	3,500,000	3,500,000
No. 2/2013	Fixed rate 4.03 %	3 years	At maturity	30 September 2016	3,500,000	3,500,000	3,500,000	3,500,000
No. 1/2014	Fixed rate 3.63 %	3 years	At maturity	27 February 2017	500,000	-	500,000	-
No. 2/2014	Fixed rate 3.59 %	3 years	At maturity	4 April 2017	3,500,000	-	3,500,000	-
No. 3/2014	Fixed rate 3.25 %	2 years	At maturity	9 May 2016	1,500,000	-	1,500,000	-
No. 4/2014	Fixed rate 3.30 %	3.5 years	At maturity	17 March 2018	1,000,000	-	1,000,000	-
No. 5/2014	Fixed rate 3.50 %	3 years	At maturity	6 October 2017	4,000,000	-	4,000,000	-
Total					25,100,000	18,000,000	25,100,000	18,000,000
Less: Current portion of debentures							(7,600,000)	(3,400,000)
Net							17,500,000	14,600,000

Prospectus contains certain covenants and restrictions regarding the maintenance of certain financial ratios, dividend payments and formal reporting when the significant events occurred such as a legal case.

## 23. Provisions

(Unit: Thousand Baht)

Consolidated financial statements									
Short-term provisions					Long-term provisions				
	After-sale maintenance expenses	Legal cases	Guarantee income of fund	Total	Compensation for Housing Estate Juristic Persons	Public utilities maintenance	Guarantee income of fund	Assets retirement obligation	Total
As at 1 January 2013	51,505	211,046	50,320	312,871	150,478	206,342	22,522	-	379,342
Increase during the year	55,127	10,511	18,605	84,243	34,440	85,237	14,699	-	134,376
Transfer in (out)	-	-	17,423	17,423	-	-	(17,423)	-	(17,423)
Utilised	(46,310)	(657)	(38,835)	(85,802)	(32,835)	(149,272)	-	-	-
As at 31 December 2013	60,322	220,900	47,513	328,735	152,083	142,307	19,798	-	-
Increase during the year	32,460	94,111	8,806	135,377	31,517	71,264	-	15,000	-
Transfer in (out)	-	-	19,798	19,798	-	-	(19,798)	-	-
Utilised	(50,088)	-	(33,658)	(83,746)	(10,545)	(104,060)	-	-	-
As at 31 December 2014	42,694	315,011	42,459	400,164	173,055	109,511	-	15,000	-

(Unit: Thousand Baht)

Separate financial statements									
Short-term provisions					Long-term provisions				
	After-sale maintenance expenses	Legal cases	Guarantee income of fund	Total	Compensation for Housing Estate Juristic Persons	Public utilities maintenance	Guarantee income of fund	Assets retirement obligation	Total
As at 1 January 2013	48,376	211,046	50,320	309,742	134,944	198,057	22,522	-	355,523
Increase during the year	47,357	10,511	18,605	76,473	32,190	79,019	14,699	-	125,908
Transfer in (out)	-	-	17,423	17,423	-	-	(17,423)	-	(17,423)
Utilised	(41,208)	(657)	(38,835)	(80,700)	(28,119)	(145,632)	-	-	(173,751)
As at 31 December 2013	54,525	220,900	47,513	322,938	139,015	131,444	19,798	-	290,257
Increase during the year	30,321	94,111	8,806	133,238	28,509	69,544	-	-	98,053
Transfer in (out)	-	-	19,798	19,798	-	-	(19,798)	-	(19,798)
Utilised	(46,365)	-	(33,658)	(80,023)	(10,544)	(95,356)	-	-	(105,900)
As at 31 December 2014	38,481	315,011	42,459	395,951	156,980	105,632	-	-	262,612

## 24. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Defined benefit obligation at beginning of year	202,127	181,829	187,821	172,115
Transfers from related companies	13,530	-	-	-
Current service cost	14,901	14,226	10,377	9,987
Interest cost	7,302	6,549	6,761	6,196
Benefits paid during the year	(13,836)	(477)	(13,836)	(477)
Actuarial loss	37,014	-	31,525	-
Defined benefit obligation at end of year	261,038	202,127	222,648	187,821

Long-term employee benefit expenses included in profit or loss was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current service cost	14,901	14,226	10,377	9,987
Interest cost	7,302	6,549	6,761	6,196
Total expenses recognised in profit or loss	22,203	20,775	17,138	16,183
Line items in profit or loss under which such expenses are included				
Cost of sales and cost of rental and services	8,592	7,899	4,335	4,066
Administrative expenses	13,611	12,876	12,803	12,117



As at 31 December 2014, cumulative actuarial loss (net of income taxes), which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 64 million (2013: Baht 34 million) (The Company only: Baht 57 million and 2013: Baht 32 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2014 (Percent per annum)	2013 (Percent per annum)	2014 (Percent per annum)	2013 (Percent per annum)
Discount rate	3.2	3.6 - 3.7	3.2	3.6
Future salary increase rate	6.0 - 7.0	6.0 - 7.5	7.0	6.5
Staff turnover rate (depending on age)	0 - 25	0 - 20	0 - 20	0 - 20

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments arising on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2014	261,038	222,648	20,450	11,787
Year 2013	202,127	187,821	-	-
Year 2012	181,829	172,114	68,972	64,317
Year 2011	131,651	126,190	-	-
Year 2010	120,256	116,132	-	-

## 25. Share capital

On 24 April 2014, the Annual General Meeting of the Company's shareholders passed the following resolutions in relation to the Company's registered share capital:

1. To approve a reduction of the registered capital by canceling the 328,347,147 unissued shares.
2. To approve the allocation of 2,005,184,305 warrants free of charge to existing shareholders, in a ratio of 1 warrant for every 5 existing shares. The warrants have an exercise price of Baht 3.50 per share, an exercise ratio of 1 warrant to 1 new ordinary share and a term of not more than 3 years as from the date of issuance.
3. To approve an increase of the registered capital by 2,005,184,305 additional shares, to be reserved for the exercise of the Company's warrants.

The increase in share capital of the Company during the year 2014 resulting from exercising of warrants are summarised below.

Date of exercised	Type of warrant	Number of exercised warrants (Units)	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
30 June 2014	LH-W3	772,275,689	772,275,689	3.50	4 July 2014	9 July 2014
30 September 2014	LH-W3	187,370,805	187,370,805	3.50	7 October 2014	10 October 2014
<b>Total</b>		<b>959,646,494</b>	<b>959,646,494</b>			

**Reconciliation of number of shares**

(Unit: Shares)

	Consolidated and separate financial statements	
	2014	2013
<b>Registered share capital</b>		
Balance beginning of year	10,354,268,670	10,354,268,670
Decreased in registered share capital	(328,347,147)	-
Increased in registered share capital	2,005,184,305	-
Balance ending of year	12,031,105,828	10,354,268,670
<b>Issued and paid-up share capital</b>		
Balance beginning of year	10,025,921,523	10,025,921,523
Increased due to exercise of warrants	959,646,494	-
Balance ending of year	10,985,568,017	10,025,921,523

The registered ordinary shares which are not issued and paid-up are the ordinary shares reserved for exercise of warrants

**26. Warrants**

On 6 May 2014, the Company issued of 1,998,184,856 registered warrants free of charge to existing shareholders (LH-W3) in a ratio of 5 existing shares per 1 unit of warrant. These warrants have an exercise price of Baht 3.50 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, beginning on 30 June 2014 and with a final exercise date of 4 May 2017. The Stock Exchange of Thailand accepted the warrants as listed securities, to be traded as from 30 May 2014.

Details of the warrants of the Company (LH-W3) are as follows:

Type of warrant	Exercise price (Baht per share)	Exercise ratio per 1 warrant	Number of warrants outstanding as at issuance dated 6 May 2014 (Units)	Number of warrants exercised during the year (Units)	Number of warrants outstanding as at 31 December 2014 (Units)
LH-W3	3.50	5 existing shares per 1 unit of warrant	1,998,184,856	(970,290,509)	1,027,894,347

## 27. Cash receipts from share subscription

During the year 2014, the Company received cash from exercise of warrants to purchase its ordinary shares as follows.

Date of exercised	Type of warrant	Number of exercised warrants (Units)	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
30 December 2014	LH-W3	10,644,015	10,644,015	3.50	9 January 2015	14 January 2015

As at 31 December 2014, the Company record cash received from exercised of warrants Baht 37 million. The amount is represented as cash receipts from share subscription in the statement of financial position.

## 28. Surplus (deficit) on changes in value of available-for-sale investments

During the years 2014 and 2013, movement of surplus (deficit) on changes in value of available-for-sale investments are as follows:

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	2014	2013
Balance as at beginning of year	(325,272)	(125,392)
Changes during the year due to		
- Purchase	(4,393)	-
- Revaluation	2,087,265	(249,850)
- Income taxes	(416,574)	49,970
Balance as at end of year	1,341,026	(325,272)

## 29. 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.

During the year 2014, the Company set aside a statutory reserve Baht 122 million.

## 30. 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 contribute to the fund monthly at the rate of 5 to 7 percent of basic salaries. The fund, which is managed by Land and Houses Fund 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 financial statements		Separate financial statements	
	2014	2013	2014	2013
Contribution to provident fund	34	32	29	28

### 31. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Purchase of land and land held for development and payment of construction in progress during year	20,179	19,770	19,393	18,509
Changes in land, constructions in progress and land held for development	(4,533)	(5,921)	(4,859)	(5,638)
Salaries and wages and other employee benefits	1,066	1,070	1,023	861
Depreciation and amortisation expenses	574	509	163	152
Loss on impairment of other long-term investments	-	63	-	-
Loss on impairment of other asset	-	20	-	20
Loss on diminution in value of projects	33	43	-	-
Loss on diminution in value of land held for development	-	37	-	-
Loss on disposal of property, plant and equipment	2	2	1	1
Loss on exchange rate	-	-	6	69
Rental expenses from operating lease agreements	48	89	44	49
Expenses related to flood	-	5	-	4

### 32. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Current income tax:</b>				
Current income tax charge	1,163,807	1,129,827	1,046,628	1,024,542
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	700,372	(28,253)	38,038	(41,287)
<b>Income tax expenses reported in the statements of income</b>	<b>1,864,179</b>	<b>1,101,574</b>	<b>1,084,666</b>	<b>983,255</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax relating to loss on changes in value of available-for-sale investments	(416,574)	49,970	(416,574)	49,970
Deferred tax relating to actuarial loss	7,402	-	6,305	-
	<b>(409,172)</b>	<b>49,970</b>	<b>(410,269)</b>	<b>49,970</b>

The reconciliation between accounting profit and income tax expense is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit before tax	11,393,109	7,689,140	7,509,147	5,941,676
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	2,278,682	1,537,828	1,501,829	1,188,335
Recognition of previously unrecognised deferred tax assets	-	(34,000)	-	-
Effects of:				
Change in value of investments accounted for the equity method	(316,245)	(280,058)	-	-
Exempt dividend income	(137,023)	(152,689)	(432,021)	(217,780)
Non-deductible expenses	16,314	21,245	13,976	12,558
Additional expense deductions allowed	(1,296)	(375)	(563)	(368)
Unused tax losses	13,380	6,538	-	-
Others	10,367	3,085	1,445	510
Total	(414,503)	(402,254)	(417,163)	(205,080)
Income tax expenses reported in the statement of income	1,864,179	1,101,574	1,084,666	983,255

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Deferred tax assets</b>				
Allowance for diminution in value of inventories and land held for development	192,205	194,073	150,221	152,200
Loss on change in value of available-for-sale investment	-	81,313	-	81,313
Allowance for impairment of investment	54,100	54,100	3,200	3,200
Allowance for asset impairment	4,236	4,236	4,000	4,000
Accumulated depreciation - Clubhouse and pool	85,463	76,376	76,806	69,220
Accumulated amortisation - Leasehold rights	496,329	-	-	-
Accumulated amortisation - Intangible assets	11,248	-	-	-
Short-term provisions	80,135	64,691	79,190	64,588
Advance received from customers	837	50,263	-	49,508
Provision for long-term employee benefits	44,805	31,845	38,225	29,496
Actuarial loss	7,402	8,580	6,305	8,068
Long-term provisions	25,322	31,745	21,126	30,248
Unused tax loss	-	35,385	-	-
Accrued land rental	6,933	-	-	-
<b>Total</b>	<b>1,009,015</b>	<b>632,607</b>	<b>379,073</b>	<b>491,841</b>

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Deferred tax liabilities				
Gain on change in value of available-for-sale investment	(335,539)	-	(335,539)	-
Accumulated depreciation - Leasehold rights	-	(14,928)	-	-
Advance received from sale of assets to REIT <b>Total</b>	(1,162,835)	-	-	-
Deferred tax assets - net	(1,498,374)	(14,928)	(335,539)	-
	(489,359)	617,679	43,534	491,841

As at 31 December 2014, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 378 million (2013: Baht 407 million) (The Company only: Baht 90 million, 2013: Baht 90 million), on which deferred tax assets have not been recognised as the Company and its subsidiaries believe that the temporary differences and unused tax losses will not be utilised.

### 33. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, plus 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.

	Consolidated financial statements					
	For the year ended 31 December					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2014 (Thousand Baht)	2013 (Thousand Baht)	2014 (Thousand shares)	2013 (Thousand shares)	2014 (Baht)	2013 (Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	8,423,066	6,478,400	10,465,148*	10,025,922	0.80	0.65
<b>Effect of dilutive potential ordinary shares</b>						
Warrants (LH-W3)	-		867,403			
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	8,423,066		11,332,551		0.74	

\* Included ordinary shares from cash receipts from share subscription

	Separate financial statements					
	For the year ended 31 December					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2014 (Thousand Baht)	2013 (Thousand Baht)	2014 (Thousand shares)	2013 (Thousand shares)	2014 (Baht)	2013 (Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	6,424,481	4,958,421	10,465,148*	10,025,922	0.61	0.49
<b>Effect of dilutive potential ordinary shares</b>						
Warrants (LH-W3)	-		867,403			
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	6,424,481		11,332,551		0.57	

\* Included ordinary shares from cash receipts from share subscription

### 34. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Company's Board of Directors

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have two reportable segments as follows

- Real estate business segment which consists of houses, townhouses and residence condominium projects for sale.
- Rental and service business segment which consists of shopping mall, hotel and apartment for rent.

The chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss in the financial statements. However, the Company and its subsidiaries' investments in associates and income taxes are managed on a Group basis and are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following table present revenue and profit information regarding the Company's and its subsidiaries' operating segments for the year ended 31 December 2014 and 2013, respectively.

(Unit: Million Baht)

	For the year ended 31 December 2014				
	Real estate business	Rental and service business	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Revenue from external customers	26,037	2,280	28,317	-	28,317
Inter-segment revenue	-	4	4	(4)	-
Interest revenue	246	6	252	(175)	77
Infrastructure service income	255	-	255	-	255
Interest expense	(346)	(332)	(678)	175	(503)
Depreciation and amortisation	(163)	(410)	(573)	-	(573)
Loss on diminution in value of project	(33)	-	(33)	-	(33)
Gain (loss) on sales of assets	(2)	3,148	3,146	-	3,146
<b>Segment profit</b>	<b>5,689</b>	<b>3,349</b>	<b>9,038</b>	<b>11</b>	<b>9,049</b>
<b>Unallocated revenue and expenses:</b>					
Other income					134
Share of profit from investments in associates					2,210
Other expenses					-
Income tax expenses					(1,864)
Non-controlling interests of the subsidiaries					(1,106)
<b>Profit for the year</b>					<b>8,423</b>

(Unit: Million Baht)

	For the year ended 31 December 2013				
	Real estate business	Rental and service business	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Revenue from external customers	22,939	2,136	25,075	-	25,075
Inter-segment revenue	62	2	64	(64)	-
Interest revenue	110	2	112	(94)	18
Infrastructure service income	226	-	226	-	226
Interest expense	(390)	(272)	(662)	92	(570)
Depreciation and amortisation	(162)	(347)	(509)	-	(509)
Loss on diminution in value of project	(53)	-	(53)	10	(43)
Loss on diminution in value of land held for development	(37)	-	(37)	-	(37)
Loss on sales of property, plant and equipment	(1)	(1)	(2)	-	(2)
<b>Segment profit</b>	<b>4,975</b>	<b>259</b>	<b>5,234</b>	<b>8</b>	<b>5,242</b>
<b>Unallocated revenue and expenses:</b>					
Other income					422
Share of profit from investments in associates					2,109
Other expenses					(84)
Income tax expenses					(1,102)
Non-controlling interests of the subsidiaries					(109)
<b>Profit for the year</b>					<b>6,478</b>



The following table present assets information regarding the Company's and its subsidiaries' operating segments for the year ended 31 December 2014 and 2013, respectively.

(Unit: Million Baht)

	Real estate business	Rental and service business	Total segments	Unallocated assets	Consolidated financial statements
<b>Segment assets</b>					
At 31 December 2014	48,880	7,524	56,404	30,484	86,888
At 31 December 2013	44,155	10,083	54,238	21,131	75,369

### Geographic information

Revenue from external customers is based on locations of the Company and its subsidiaries which are summarised as follow.

(Unit: Million Baht)

	2014	2013
<b>Revenue from external customers</b>		
Thailand	31,654	25,650
United States	278	92
<b>Total</b>	<b>31,932</b>	<b>25,742</b>
<b>Non-current assets (other than financial instruments, deferred tax assets and net defined benefit assets)</b>		
Thailand	31,492	29,787
United States	3,727	3,759
<b>Total</b>	<b>35,219</b>	<b>33,546</b>

### Major customers

For the years 2014 and 2013, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

## 35. Dividend

Dividends	Approved by	Approved dividend per share (Baht)	Interim dividend per share (Baht)	Additional dividend paid per share (Baht)	Total additional dividend paid (Million Baht)	Portion belonging to shareholders not entitled to dividend (Million Baht)	Net dividend paid (Million Baht)
Final dividend for 2012	Annual General Meeting of the shareholders on 23 April 2013	0.45	0.30	0.15	1,504	(14)	1,490
Interim dividend for 2013	Board of Director's meeting on 13 August 2013	0.25	-	0.25	2,506	(20)	2,486
							<b>3,976</b>

Dividends	Approved by	Approved dividend per share (Baht)	Interim dividend per share (Baht)	Additional dividend paid per share (Baht)	Total additional dividend paid (Million Baht)	Portion belonging to shareholders not entitled to dividend (Million Baht)	Net dividend paid (Million Baht)
Final dividend for 2013	Annual General Meeting of the shareholders on 24 April 2014	0.40	0.25	0.15	1,504	(5)	1,499
Interim dividend for 2014	Board of Director's meeting on 14 August 2014	0.25	-	0.25	2,700	(7)	2,693
							<u>4,192</u>

### 36. Commitments and contingent liabilities

#### 36.1 Commitments

36.1.1 As at 31 December 2014 and 2013, the Company and its subsidiaries have commitments under construction contracts as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Commitments under construction contracts	8,498	4,316	7,309	4,206

36.1.2 As at 31 December 2014 and 2013, L&H Property Co., Ltd. has the following commitments under, land and construction lease agreement and land 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	<p>From 1 June 2008, the following rental is to be paid in monthly installments</p> <p>1<sup>st</sup> - 5<sup>th</sup> year, total rental payment of Baht 33.15 million (Full amount has been paid)</p> <p>6<sup>th</sup> - 10<sup>th</sup> year, total rental payment of Baht 42.31 million (2014: already paid Baht 12.35 million in total) (2013: already paid Baht 4.47 million in total)</p> <p>11<sup>th</sup> - 15<sup>th</sup> year, total rental payment of Baht 54.00 million</p> <p>16<sup>th</sup> - 20<sup>th</sup> year, total rental payment of Baht 68.92 million</p> <p>21<sup>th</sup> - 25<sup>th</sup> year, total rental payment of Baht 87.97 million</p> <p>26<sup>th</sup> - 30<sup>th</sup> year, total rental payment of Baht 112.27 million</p>

\* The agreement runs from 1 June 2008 (3 years after the period of construction).

In addition, as at 31 December 2014 and 2013 L&H Property Co., Ltd. is committed 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 lease agreement

Agreement date	Agreement period	Rental rate
10 March 2006	30 years*	<p>Land leasing fee is to be monthly paid as follows:</p> <p>1<sup>st</sup> - 5<sup>th</sup> year, total rental of Baht 20.16 million (2014: already paid Baht 17.47 million in total) (2013: already paid Baht 13.44 million in total)</p> <p>6<sup>th</sup> - 10<sup>th</sup> year, total rental of Baht 23.18 million</p> <p>11<sup>th</sup> - 15<sup>th</sup> year, total rental of Baht 26.66 million</p> <p>16<sup>th</sup> - 20<sup>th</sup> year, total rental of Baht 30.66 million</p> <p>21<sup>st</sup> - 25<sup>th</sup> year, total rental of Baht 35.25 million</p> <p>26<sup>th</sup> - 30<sup>th</sup> year, total rental of Baht 40.54 million</p>

\* The agreement runs from 1 September 2010 to 31 August 2040.

c) Land lease agreements

Agreement date	Agreement period	Maturity date	Rental rate
3 October 2013	30 years*	31 March 2047	<p>From 1 April 2017, the following rental is to be paid in annually installments</p> <p>1<sup>st</sup> - 7<sup>th</sup> year, total rental payment of Baht 35 million</p> <p>8<sup>th</sup> - 17<sup>th</sup> year, total rental payment of Baht 100 million</p> <p>18<sup>th</sup> - 27<sup>th</sup> year, total rental payment of Baht 150 million</p> <p>28<sup>th</sup> - 30<sup>th</sup> year, total rental payment of Baht 75 million</p>

\* The agreement runs from 1 April 2017 (3 years after the period of construction).

In addition, as at 31 December 2014 and 2013, the subsidiary is committed to pay commission at Baht 5 million per year in the second and third year of construction period. Currently, the subsidiary paid full amount of land leasing fee.

The above land lease agreements contain conditions as specified in the agreements that, among other things, require the subsidiary to increase its registered share capital to be the new registered share capital at the amount not less than Baht 620 million within 31 January 2014. The Company is to maintain its shareholding in the subsidiary at not less than 90%, etc. During the year 2014, the subsidiary has increased its registered share capital as described in Note 11.2.

36.1.3 As at 31 December 2014, the Company had outstanding commitment of Baht 90 million in respect of uncalled portion of investments in L&H Property Co., Ltd. (2013: Baht 90 million).

36.1.4 As at 31 December 2014, L&H Property Co., Ltd. had no outstanding commitment to pay the management fee to Asia Asset Advisory Co., Ltd. (2013: Baht 36.7 million).

36.1.5 As 31 December 2014 and 2013, L&H Property Co., Ltd. is committed to pay project management fees to the following associates.

Associate	Project	Service fee rate	Term
Q.H. International Co., Ltd.	Grande Centre Point Hotel Ratchadamri	Revenue management fee: 2% of total revenues Operational management fee: 4% of net income	From 1 January 2015 to 31 December 2015
Q.H. International Co., Ltd.	Grand Centre Point Hotel Terminal 21	Revenue management fee: 2% of total revenues Operational management fee: 4% of net income	From 1 January 2015 to 31 December 2015

36.1.6 As at 31 December 2014 and 2013, the Company has commitment related to purchase of land as follows.

(Unit: Million Baht)

	Consolidated and separate financial statements	
	2014	2013
Commitment to purchase of land	988	2,836

36.1.7 Obligation and commitment to complete projects on hand

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Number of projects on hand at beginning of year	55	54	46	46
Number of closed projects during year	(14)	(16)	(11)	(13)
Number of new projects during year	23	17	19	13
Number of projects on hand at end of year	64	55	54	46
Accumulative value of sales already contracted (Million Baht)	79,755	91,684	73,140	81,231
As percentage of total sales of projects on hand	59	66	59	65
Value of sales already contracted during year (Million Baht)	25,823	22,857	24,038	21,327
As percentage of total sales of projects on hand	19	17	20	17
Commitments in respect of the installation of central utilities of projects on hand (Million Baht)	1,282	1,268	1,147	1,195

36.1.8 As at 31 December 2014, the subsidiaries have servitude over land of approximately 89 rai (2013: 88 rai) of which the cost is included in the cost of projects.

### 36.1.9 Operating lease commitments

The Company has entered into lease agreements and service agreements in respect of the lease of office building space. The terms of the agreements are 3 years.

As at 31 December 2014 and 2013, the future minimum lease payments and services fee payments required under these non-cancellable contracts were as follows.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Payable:				
In up to 1 year	40	35	40	35
In over 1 and up to 3 years	71	10	71	10

36.1.10 As at 31 December 2013, Land and Houses U.S.A., Inc. has a commitment regarding management fee paid to project manager for renovation project, which the fee rate is 20% of the total renovation cost (2014: none).

### 36.2 Bank guarantees

As at 31 December 2014 and 2013, there were the following outstanding bank guarantees issued by the banks in respect of certain performance bonds required in the normal course of business by the Company and its subsidiaries.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Letter of guarantees for arrangement and maintenance of public utilities	2,419	2,261	2,220	2,054
Letter of guarantees for electricity usage	59	42	42	33
Other letter of guarantees	-	30	-	22
	<u>2,478</u>	<u>2,333</u>	<u>2,262</u>	<u>2,109</u>

### 36.3 Guarantees

36.3.1 As at 31 December 2014 and 2013, the Company and its subsidiaries have the following obligations in respect of guarantees.

(Unit: Million Baht)

Guarantor	Guarantee	2014	2013
Land and Houses Plc.	Customers	7	7

36.3.2 The Company has contingent liabilities to a bank in relation to the financial support in form of issuance of a letter of comfort to provide to a subsidiary company for loan and guarantee facilities obtained for development of the subsidiary's project. As at 31 December 2014, the subsidiary has outstanding loans related to guarantee portion of the Company as specified in the letter of comfort amounting to Baht 715 million (2013: Baht 1,832 million).

### 36.4 Litigation

#### The Company and its subsidiaries

The following significant lawsuits had been filed against the Company and its subsidiaries.

a) In 2006, two housing estate juristic persons filed a lawsuit against the Company and a subsidiary for claim of Baht 1,013 million in relation to access to public thoroughfares. In June 2009, the plaintiffs requested to reduce the claim amount to Baht 800 million. In addition, in February 2009, the Company was additionally sued 2 lawsuits which are under the claims amounting to Baht 310 million and Baht 102 million, in accordance with the Land Allocation Act and Customer Protect Act. As at 31 December 2014, the Company has set aside a provision of Baht 25 million (2013: Baht 25 million) for liabilities arising as a result of these cases.

Subsequently, on 10 August 2012, the Court of First Instance issued a verdict on a civil case with the amount in dispute of Baht 102 million between the Company, and two housing estate juristic persons together with co-defendant. The Court ordered the Company to pay for damages of Baht 104 million plus interest at a rate of 7.5 percent per annum, commencing from 8 December 2008 until the full amount is paid. As at 31 December 2014, the Company has set aside a provision including interest of Baht 152 million (2013: Baht 144 million) for liabilities arising as a result of the cases, based on the opinion of the Company's management and its legal consultant. However, the Company had already filed an appeal against the judgment to clarify the case.

b) As at 31 December 2014, the Company and its subsidiaries have been sued for a total of approximately Baht 529 million (2013: Baht 534 million). To date, the Court of First Instance and the Appeal Court have ordered the Company and its subsidiaries to pay compensation plus interest totaling Baht 138 million (2013: Baht 52 million). As at 31 December 2014, the Company has set aside a provision of Baht 138 million (2013: Baht 52 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. The Court of First Instance and the Appeal Court dismissed the lawsuit. And in 2008, the plaintiff filed the petition to the Supreme Court. At current, the case is being heard by the Supreme 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.

## 37. Financial instruments

### 37.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investment, trade and other receivables, loans, trade and other payables, borrowings and debentures. 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 trade and other receivables and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables and loans as stated in the statements of financial position.

### Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its deposit at financial institutions, loans, bank overdrafts, borrowings and debentures which bearing of interest. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

As at 31 December 2014 and 2013, significant financial assets and liabilities 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.

(Unit: Million Baht)

Consolidated financial statements								
As at 31 December 2014								
	Fixed interest rates				Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	At call	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>								
Cash and cash equivalents	2,300	1,354	-	-	2,234	548	6,436	0.375 - 2.50
Current investment	-	-	-	-	-	301	301	-
Trade and other receivables	-	-	-	-	-	172	172	-
<b>Financial liabilities</b>								
Bank overdrafts and short-term loans from financial institutions	-	-	-	-	119	-	119	Note 19
Trade and other payables	-	-	-	-	-	3,089	3,089	-
Short-term loans from related parties	46	-	-	-	-	-	46	5.50
Long-term loans	-	1,000	3,275	-	5,608	-	9,883	Note 21
Debentures	-	7,600	17,500	-	-	-	25,100	Note 22

(Unit: Million Baht)

Separate financial statements								
As at 31 December 2014								
	Fixed interest rates				Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	At call	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>								
Cash and cash equivalents	2,300	1,100	-	-	1,274	354	5,028	0.375 - 2.50
Current investment	-	-	-	-	-	301	301	-
Trade and other receivables	-	-	-	-	-	27	27	-
Loans to related parties	205	-	3,176	-	-	-	3,381	4.00 - 5.50
<b>Financial liabilities</b>								
Trade and other payables	-	-	-	-	-	2,534	2,534	-
Short-term loans from related parties	585	-	-	-	-	-	585	3.00
Long-term loans	-	1,001	3,275	-	3,691	-	7,967	Note 21
Debentures	-	7,600	17,500	-	-	-	25,100	Note 22

(Unit: Million Baht)

Consolidated financial statements								
As at 31 December 2013								
	Fixed interest rates				Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	At call	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>								
Cash and cash equivalents	200	-	-	-	582	383	1,165	0.50 - 2.25
Current investment	-	-	-	-	-	50	50	-
Trade and other receivables	-	-	-	-	-	136	136	-
<b>Financial liabilities</b>								
Bank overdrafts and short-term loans from financial institutions	-	-	-	-	422	-	422	Note 19
Trade and other payables	-	-	-	-	-	2,806	2,806	-
Short-term loans from related parties	376	-	-	-	-	-	376	MLR - 1.5 and 5.50 - 7.50
Short-term loans	-	2,360	-	-	-	-	2,360	Note 19
Long-term loans	-	3,815	2,000	-	7,559	-	13,374	Note 21
Debentures	-	3,400	14,600	-	-	-	18,000	Note 22



(Unit: Million Baht)

Separate financial statements								
As at 31 December 2013								
	Fixed interest rates				Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	At call	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>								
Cash and cash equivalents	200	-	-	-	343	285	828	0.50 - 2.25
Current investment	-	-	-	-	-	50	50	-
Trade and other receivables	-	-	-	-	-	29	29	-
Short-term loans to related parties	955	-	3,131	-	-	-	4,086	MLR - 1.5 and 5.00 - 7.50
<b>Financial liabilities</b>								
Bank overdrafts and short-term loans from financial institutions	-	-	-	-	300	-	300	Note 19
Trade and other payables	-	-	-	-	-	2,412	2,412	-
Short-term loans from related parties	129	-	-	-	-	-	129	3.00
Short-term loans	-	2,360	-	-	-	-	2,360	Note 19
Long-term loans	-	3,815	2,000	-	3,692	-	9,507	Note 21
Debentures	-	3,400	14,600	-	-	-	18,000	Note 22

### Foreign currency risk

The Company exposure to foreign currency risk arises mainly from investment transactions and borrowings that are denominated in foreign currencies.

The balances of financial assets denominated in foreign currencies as at 31 December 2014 and 2013 are summarised below:

Foreign currency	Financial assets		Average exchange rate as at 31 December	
	2014 (Million)	2013 (Million)	2014 (Baht per 1 foreign currency unit)	2013 (Baht per 1 foreign currency unit)
Philippines Peso	4,139	2,926	0.73775	0.73975
US Dollar	20	20	32.9630	32.8136

The Company entered into Cross Currency and Interest Rate Swap agreements to manage risk associated with the financial liabilities carrying floating interest. The details of long-term loans from financial institutions are set out in Note 21. The details of the Cross Currency and Interest Rate Swap agreements outstanding as at 31 December 2014 and 2013 are as follows:

As at 31 December 2014 and 2013				
Currency and Interest Revenue Rate Swap agreement		Currency and Interest Expense Rate Swap agreement		Termination date
Principal amount	Interest rate	Principal amount	Interest rate	
Baht 346.0 million	Floating rate MLR-2.25%	USD 11.3 million	Floating rate LIBOR 6 month plus 3.25%	8 December 2017
Baht 3,075.0 million	Floating rate MLR-2.25%	USD 95.8 million	Floating rate LIBOR 6 month plus 3.19%	8 December 2017
Baht 15.5 million	Floating rate MLR-2.25%	USD 0.5 million	Floating rate LIBOR 6 month plus 3.19%	8 December 2017
Baht 254.4 million	Floating rate MLR-2.25%	USD 8.2 million	Floating rate LIBOR 6 month plus 3.19%	8 December 2017

### 37.2 Fair values of financial instruments

The estimated fair values of financial instruments as at 31 December 2014 and 2013, in comparison with the related amounts carried, are as follows:

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Financial assets</b>								
Cash and cash equivalents	6,436	1,165	6,436	1,165	5,028	828	5,028	828
Current investment	301	50	301	50	301	50	301	50
Trade and other receivables	172	136	172	136	27	29	27	29
Loans to related parties	-	-	-	-	3,381	4,086	3,381	4,086
<b>Financial liabilities</b>								
Bank overdrafts and short-term loans from financial institutions	119	422	119	422	-	300	-	300
Trade and other payables	3,089	2,806	3,089	2,806	2,534	2,412	2,534	2,412
Short-term loans from related parties	46	376	46	376	585	129	585	129
Short-term loans	-	2,360	-	2,360	-	2,360	-	2,360
Long-term loans	9,883	13,374	9,737	13,129	7,967	9,507	7,821	9,262
Debentures	25,100	18,000	23,822	16,919	25,100	18,000	23,822	16,919

The estimated fair value of the derivatives is as follows:

(Unit: Million Baht)

	As at 31 December 2014	As at 31 December 2013
	Fair value Gain (loss)	Fair value Gain (loss)
Cross Currency and Interest Rate Swap agreements	(197)	(272)

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 deposit at financial institutions, accounts receivables and accounts payables, their carrying amounts in the statements of financial position approximate their fair values.

b) 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.

c) For loans to and loans from carrying interest approximate to the market rate, their carrying amounts in the statements of financial position approximates their fair values.

d) For derivatives, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

### 38. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 0.96:1 (2013: 1.16:1) and the Company's was 1.14:1 (2013: 1.28:1).

### 39. Subsequent events after reporting period

39.1 On 9 January 2015, the Company registered the increase in its issued and paid-up share capital as a result of the warrant holders exercising their rights to convert warrants to ordinary shares in December 2014, as described in Note 27, which increased the Company's paid-up share capital from Baht 10,985 million to Baht 10,996 million. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities on 14 January 2015.

39.2 On 16 January 2015, Land and Houses U.S.A., Inc., the Company's 99.99% owned subsidiary, entered into an agreement to purchase new apartment in the United States at the amount of USD 73.6 million (approximately Baht 2,437 million). The subsidiary paid the deposit amounting to USD 3 million (approximately Baht 99 million). The subsidiary has expected that this transaction will be completed and the property right will be transferred within February 2015.

39.3 On 24 February 2015, the meeting of the Company's Board of Directors passed the resolution to propose Annual General Meeting of the Company's shareholders for approval the payment of a dividend for the year 2014 of Baht 0.65 per share. However, since the Board of Directors previously approved an interim dividend from profit of the year 2014 amounting to Baht 0.25 per share, the Board will propose the remaining dividend payment of Baht 0.40 per share, amounting to Baht 4,398 million. The payment of such dividend shall be made within May 2015.

### 40. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2015.

## Other References

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### Auditor

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#### Rungnapa Lertsuwankul

EY Office Limited

Certified Public Accountant (Thailand) No. 3516

33<sup>rd</sup> Floor, Lake Rajada Office Complex

193/136-137 Rajadapisek Road,

Klongtoey, Bangkok 10110 Thailand

Tel : 66 (0) 2264 0777 Fax : 66 (0) 2264 0790

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### Securities registra

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#### Thailand Securities Depository Co., Ltd.

62 The Stock Exchange of Thailand Building,

Rachadapisek Road, Klongtoey,

Bangkok 10110, Thailand

Tel : 66 (0) 2229 2800 Fax : 66 (0) 2359 1259

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### Debentures registra

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#### Siam Commercial Bank Public Company Limited

3<sup>rd</sup> Floor , Building 2 1060 New Pechaburi road

Makhasan Rachathevi Bangkok 10400 Thailand

Tel: 66 (0) 2256 2323-7 Fax: 66 (0) 2256 2405

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### Financial Institutions

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#### Siam Commercial Bank Public Company Limited

#### Land and Houses Bank Public Company Limited

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### Appraisal Company

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#### Grand Asset Advisory Co., Ltd.

16<sup>th</sup> Floor, Asoke Tower 219/52

Sukhumvit 21(Soi Asoke) Khlong Toei-Nue

Wattana Bangkok 10110

Tel: 66 (0) 2260 4499 Fax: 66 (0) 2260 0090-91

#### TAP Valuation Co., Ltd.

37<sup>th</sup> Floor, RS Tower

121/101 Rajadapisek Road

Dindang Bangkok 10320

Tel: 66 (0) 2642 2712-14 Fax: 66 (0) 2642 2711

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## Summary of items required under Form 56-2 in Land and Houses Plc.'s 2014 Annual Report

The items including in this Annual Report are in line with the Notification of the Capital Market Supervisory Board TorChor 44/2556 on the Rules, Conditions and Procedures for Disclosure regarding Financial Information and Operating Results of Securities Issuers, effective January 1, 2014. They are as follows:

	Pages
1. Policies and Overall Business	25-27
2. Business Overview	7
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4. General and Significant Information	1-6, 9-18, 19-21, 66-73, 177
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11. Connected Transactions	76-83
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13. Management Discussion and Analysis	84-99

Investors can find additional securities issuer information in the Company's Form 56-1 disclosed at [www.sec.or.th](http://www.sec.or.th) or the Company's website at [www.lh.co.th](http://www.lh.co.th).





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