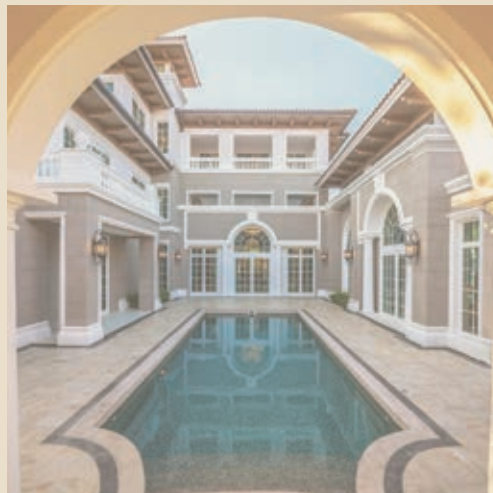
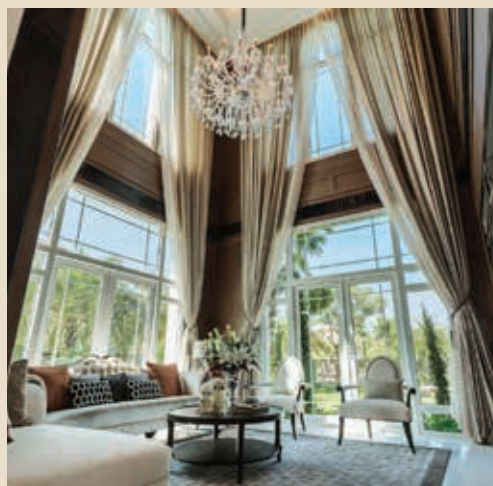
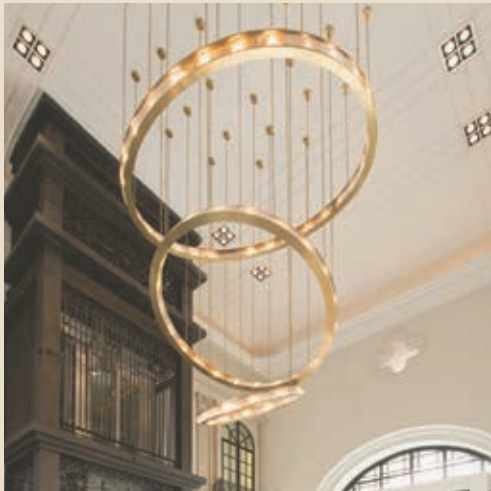




# Annual Report 2016

Land and Houses Public Company Limited



# Content

“

THE ULTIMATE  
LIFE,  
FOR A BETTER  
LIVING

”

## Business Operation

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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)



# Highlights of the Year 2016

## LAND AND HOUSES PUBLIC CO., LTD. & SUBSIDIARIES

	2016	2015	change
<b>OPERATING RESULT</b>			
NUMBER OF ACTIVE PROJECTS	78	76	2.6
<b>EARNING ABILITY</b>			
RETURN ON TOTAL REVENUES	27.06%	27.29%	(0.9)
<b>HIGHLIGHT OF THE FINANCIAL STATEMENT</b> (million baht)			
TOTAL REVENUES	31,853	29,025	9.7
NET PROFIT	8,618	7,920	8.8
INVENTORIES	48,926	48,118	1.7
TOTAL ASSETS	101,506	98,070	3.5
TOTAL SHAREHOLDERS' EQUITY INCLUDING MINORITY INTEREST	47,952	46,895	2.3
<b>PER SHARE DATA</b>			
EARNING PER SHARE	0.73	0.69	5.8
BOOK VALUE	3.98	3.89	2.3
MARKET PRICE(AT YEAR END)	9.80	9.45	3.7
<b>NUMBER OF OUTSTANDING SHARES (million shares)</b>	<b>11,787</b>	<b>11,730</b>	<b>0.5</b>

# Overview of Business Operation

## Policy and Overall Business

### 1.1 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.

### 1.2 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, 2016, the Asavabhokhin family remained the largest shareholder group, with 31.16% of all shares, while GIC controlled 17.01%.

From 2011 to the latest register-book closing date on August 29, 2016, there were key changes and developments in the shareholding structure and capital as follows:

Shareholder	Shareholding (%)					
	August 2011	November 2012	August 2013	September 2014	August 2015	August 2016
1. Mr. Anant Asavabhokhin's group						
1.1 Mr. Anant Asavabhokhin	23.76	23.76	23.76	22.07	24.43	24.27
1.2 Mayland Co., Ltd.*	5.62	5.62	5.62	5.22	5.78	5.74
1.3 Ms. Piangjai Harnpanij**	1.14	1.14	1.14	1.03	1.15	1.15
Total: Mr. Anant's group	30.52	30.52	30.52	28.32	31.36	31.16
2. GIC Private Limited C.	16.27	16.01	16.12	14.96	16.55	17.01
3. Others	52.93	53.47	53.36	56.72	52.09	51.83
Total	100.00	100.00	100.00	100.00	100.00	100.00
Paid-up capital (million baht)	10,025.90	10,025.90	10,025.90	10,798.20	11,694.90	11,779.10

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

\*\* Mr. Anant Asavabhokhin's mother

### 1.3 Shareholding structure of the group

The Company directly holds shares in 11 subsidiaries. It also indirectly holds shares in 6 other subsidiaries through its subsidiaries (see chart "Shareholding structure in subsidiaries and associated companies" on page 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, Udon Thani, 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 5 associated companies:**

- (1) Two of its associated companies operate property development businesses. They are 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, asset management and securities 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 2 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) Two of its subsidiaries engage in interesting businesses with potential to yield appropriate returns. They are investment consultancy services and a holding company whose subsidiaries operate commercial banking, asset management and securities businesses.

### **Policy of investment in subsidiaries and associated companies**

The Company has the policy of investing in subsidiaries and associated companies which develop real estate and conduct businesses related to the Company's core business such as retail and construction material manufacturing businesses, as well as commercial banks with the policy of extending loans to retail homebuyers. The Company may also consider investing in any interesting, high-return business but such investments will need to be considered by the Board of Directors.

As for the policy of managing subsidiaries and associated companies, the Company sends directors representing it to join the management of its subsidiaries and associated companies based on its shareholding. The objective is to help determine key policies and control the operations of the subsidiaries and associated companies to ensure they are in the right directions and generate profit for the Company.

#### **Legal disputes**

As of December 31, 2016, 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.

# Message from the Board of Directors

Dear Shareholders,

In 2016, the Company booked revenue of 23,908 million baht from the residential business, down 3% from the level in 2015. Of the total, 79% were detached houses, 8% were townhouses and 13% were condominium units. Realized revenue from residential unit transfers was 27,372 million baht, up 13% from 2015, with detached houses making up 72%, townhouses 7% and condominium units 21%. Moreover, the Company received rentals and service fees from hotels, malls and apartments of 2,536 million baht, up 25% from the level in 2015. Lastly, the Company received share of profit from investment in associated companies of 2,964 million baht, up 22% from the level in 2015.

During the year, the Company launched 10 projects, with total value of 18,590 million baht. Of all new projects, 5 were detached, 3 were townhouse projects and 1 was condominium project.

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

- Two lots of debentures, 5,000 million baht and 7,250 million baht, totaling 12,250 million baht, were issued, with an average annual (weighted) average coupon rate of 2.06%.
- An interim dividend was paid for the operation in the first six months of 2016 at 0.35 baht a share. Dividend for the last six months of 2016 at 0.30 baht a share was then approved on February 28, 2017 by the board.
- Land and Houses USA, Inc., a 100%-owned subsidiary of the Company, bought two apartments, The Parc at Pruneyard for US\$100 (3,575 million baht) and The Yard for US\$127 (4,555 million baht) for rentals.
- LH Muang Mai Co., Ltd., a 55%-owned subsidiary, sold its land located in Mai Khao, Phuket and received profit (before tax) of 1,240 million baht, according to proportion of shareholding, the Company received profit of 682 million baht.
- Grande Centre Point Sukhumvit 55 (Thonglor) began its full operation on November 11, 2016 with total 442 units and project value of 2,000 million baht.

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



# Financial Overview

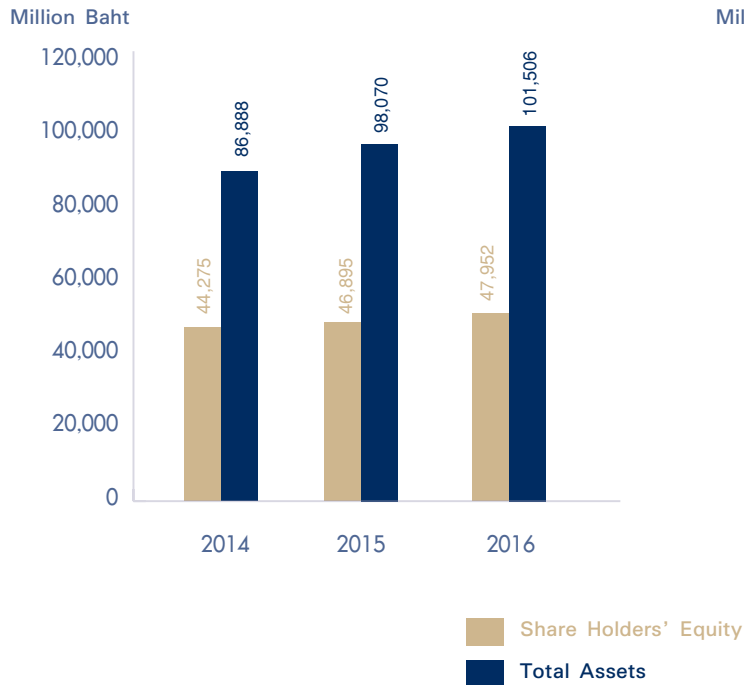
Land and Houses Public Company Limited and its subsidiaries  
Financial Ratio  
As at 31 December 2016, 2015 and 2014

		31-Dec-16	31-Dec-15	31-Dec-14
<b>Liquidity Ratio</b>				
Current Ratio	(Times)	2.72	3.49	3.21
Quick Ratio	(Times)	0.16	0.60	0.43
Quick Ratio (Cash Basis)	(Times)	0.46	0.16	0.26
Account Receivable Turnover	(Times)	-	-	-
Average Collection Period	(Days)	-	-	-
Inventory Turnover	(Times)	0.37	0.35	0.41
Average Sales Period	(Days)	980	1,030	877
Account Payable Turnover	(Times)	5.45	5.07	5.71
Payment Period	(Days)	66	71	63
Cash Cycle	(Days)	914	959	817
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	34.35%	34.07%	35.71%
Operating Profit Margin	(%)	20.61%	20.45%	21.44%
Other Profit Margin	(%)	15.41%	17.92%	18.24%
Operating Profit Margin (Cash Basis)	(%)	137.98%	50.64%	68.57%
Net Profit Margin	(%)	27.06%	27.29%	26.38%
Return On Equity	(%)	18.62%	17.91%	22.05%
Basic Earnings Per Share	(Baht/Share)	0.73	0.69	0.80
Diluted Earnings Per Share	(Baht/Share)	0.72	0.67	0.74
<b>Efficiency Ratio</b>				
Return On Asset	(%)	8.64%	8.56%	10.38%
Return On Fixed Asset	(%)	64.28%	98.75%	95.71%
Total Assets Turnover	(Times)	0.32	0.31	0.39
<b>Financial Policy Ratio</b>				
Dept to Equity Ratio	(Times)	1.12	1.09	0.96
Interest Coverage Ratio	(Times)	6.42	2.00	2.52
Obligation Coverage Ratio	(Times)	0.48	0.67	1.31
Dividend Payout	(%)	89.23%	88.85%	84.27%

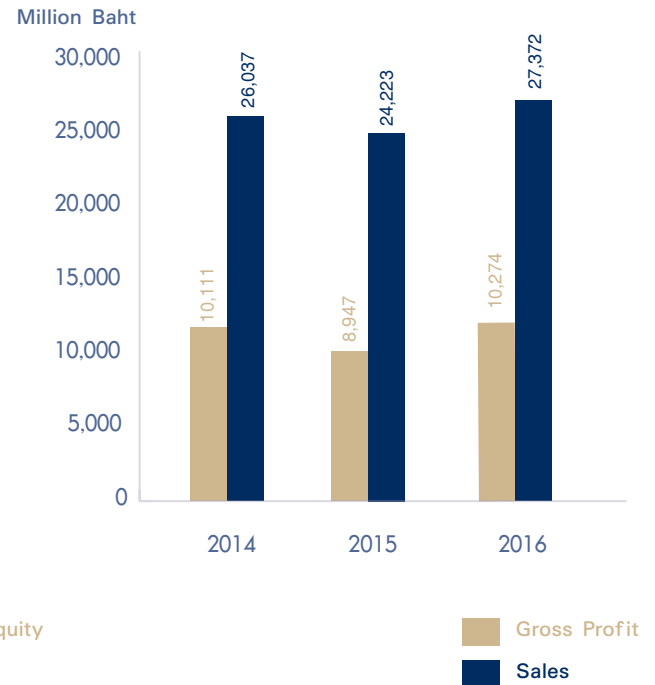
# Financial Comparative 3 years

ASSETS (MILLION BAHT)	2016	2015	2014
TOTAL ASSETS	101,506	98,070	86,888
INVENTORIES	48,926	48,118	43,487
INVESTMENT	25,771	24,174	22,878
LIABILITIES AND SHARE HOLDERS'EQUITY (MILLION BAHT)			
SHORT TERM LOAN (Interest Bearing Debt)	11,075	9,162	9,965
LONG TERM LOAN (Interest Bearing Debt)	32,581	32,489	25,206
TOTAL LIABILITIES	53,554	51,175	42,613
PAID UP SHARE CAPITAL	11,787	11,730	10,986
SHARE HOLDERS' EQUITY	47,952	46,895	44,275
RESULT OF OPERATION (MILLION BAHT)			
SALES	27,372	24,223	26,037
TOTAL REVENUES	31,853	29,025	31,932
GROSS PROFIT	10,274	8,947	10,111
NET PROFIT	8,618	7,920	8,423
PER SHARE FIGURE(BAHT)			
BOOK VALUE	3.98	3.89	3.90
EARNING	0.73	0.68	0.77
RATIO			
CURRENT RATIO	2.72	3.49	3.21
QUICK RATIO	0.16	0.60	0.43
PROFITABILITY RATIO			
GROSS PROFIT MARGIN	34.35%	34.07%	35.71%
OPERATION PROFIT MARGIN	20.61%	20.45%	21.44%
NET PROFIT MARGIN	27.06%	27.29%	26.38%
RETURN ON EQUITIES	18.62%	17.91%	22.05%
EFFICIENCY RATIO			
RETURN ON ASSETS	8.64%	8.56%	10.38%
FINANCIAL POLICY RATIO			
DEBT / EQUITIES RATIO	1.12	1.09	0.96
INTEREST COVERAGE RATIO	6.42	2.00	2.52
NUMBER OF OUTSTANDING SHARES (million shares)	11,787	11,730	10,986

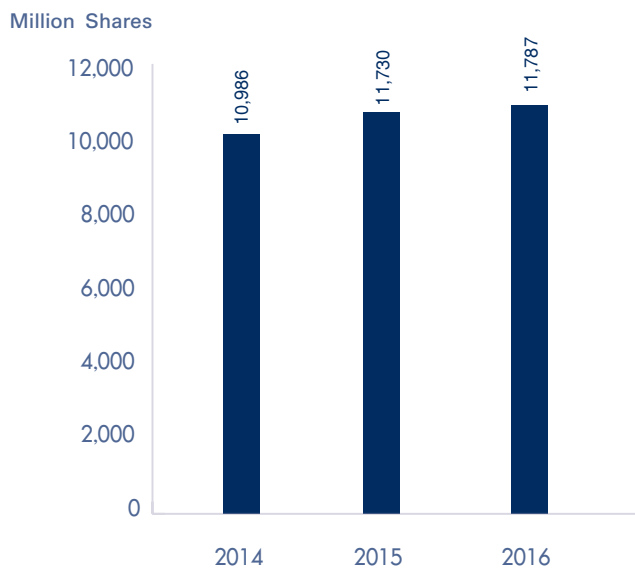
## Total Assets and Share Holders' Equity



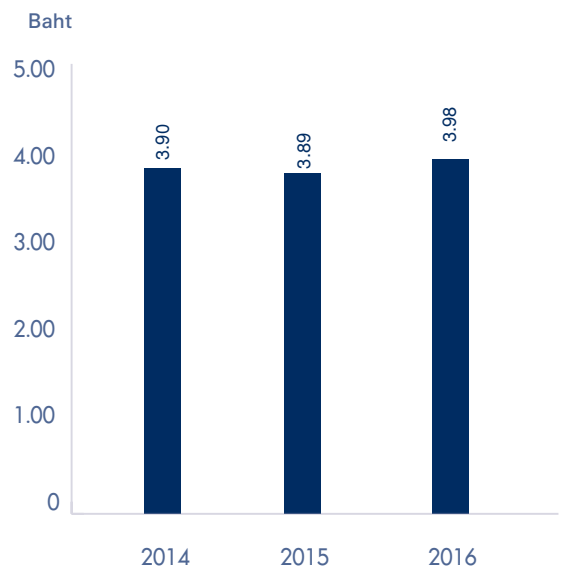
## Result of Poeration



## Number of Outstanding shares



## Book Value



# Operating Results

## Revenue Structure

Product	Operated by	% Hold	2016		2015		2014	
			Million Baht	%	Million Baht	%	Million Baht	%
1. Real Estate Business								
Detached houses	The Company		19,178	62.7	16,227	60.1	17,891	62.2
	Subsidiary : Atlantic Real Estate Co.,Ltd.	100	-	-	-	-	187	0.6
	Subsidiary : Land & Houses Northeast Co.,Ltd.	100	5	0.0	-	-	8	
	Subsidiary : LH Muang Mai Co.,Ltd.	55	226	0.7	319	1.2	428	1.5
	Subsidiary : LH Asset Co.,Ltd.	100	138	0.4	121	0.5	98	0.3
	Subsidiary : Siam Thanee Property	100	-	-	-	-	201	0.7
Total revenue from detached house			19,547	63.8	16,668	61.8	18,813	65.4
Townhouses	The Company		1,763	5.8	993	3.7	801	2.8
	Subsidiary : LH Asset Co.,Ltd.	100	-	-	37	0.1	394	1.4
	Subsidiary : Land & Houses Northeast Co.,Ltd.	100	274	0.9	309	1.2	478	1.7
Total revenue from Townhouses			2,037	6.7	1,338	5.0	1,673	5.8
Condominiums	The Company		5,771	18.9	6,199	23.0	5,348	18.6
Total revenue from Condominiums			5,771	18.9	6,199	23.0	5,348	18.6
Land	The Company		16	0.0	10	0.0	158	0.5
	Subsidiary : Land & Houses Northeast Co.,Ltd.	100			8	0.0	-	
	Subsidiary : LH Asset Co.,Ltd.	100			-	-	5	-
	Subsidiary : LH Muang Mai Co.,Ltd.	55			-	-	40	0.1
	Subsidiary : Atlantic Real Estate Co.,Ltd.	100	1	0.0				
Total revenue from Land			17	0.0	18	0.1	203	0.7
Total revenue from Real Estate Business			27,372	89.4	24,223	89.8	26,037	90.5
2. Rental income	Subsidiary : L&H Property Co.,Ltd.	60	1,707	5.6	1,589	5.9	2,002	7.0
	Subsidiary : Land and Houses U.S.A. Inc.	100	619	2.0	427	1.5	278	0.9
	Subsidiary :LH Mall and Hotel Co.,Ltd.	100	210	0.7	20	0.1	-	-
Total revenue from Rental income			2,536	8.3	2,036	7.5	2,280	7.9
3. Other income			704	2.3	729	2.7	467	1.6
4. Total revenue (1+2+3)			30,612	100.0	26,988	100.0	28,784	100.0
5. Share of income from investment in associates			2,964	9.7	2,437	9.0	2,210	7.7
6. Gain on sales of assets to REIT	Subsidiary : L&H Property Co.,Ltd.	60	-	-	2,037	7.5	3,148	10.9
7. Gain on sales of assets to REIT	Subsidiary : LH Muang Mai Co.,Ltd.	55	1,240	4.1	-	-	-	-
Total revenue (4+5+6+7)			34,816	113.8	31,462	116.5	34,142	118.6

# Business Highlight

## **Policy and marketing** **Competitive strategies**

The Company has maintained the pre-built policy for detached houses and townhome projects. For condominiums, it has adopted the policy of allowing customers to book units before completing projects to minimize operating risk. This is because the whole 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 detached-house and townhome projects, 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, boosting brand image as well as building customer satisfaction for both products and services. Research has been steadily conducted to innovate in the area of residential living and to meet customers' demands. Also, innovation has been applied to improving products and services to better respond to customers' needs, giving the Company a sustainable competitive strategy as an edge over other 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 in both Bangkok and provinces. Moreover, the Company put strong emphasis on innovation for better living, such as:

- The "Breathable House" innovation under the Air Plus campaign, which has already been patented. In the future, the innovation will become a standard of all detached-house brands of the Company.
- New design suitable for the elder, such as, wheelchair ramps in central property buildings and bedroom on the first floor of the house for 5 million baht and above segment, which has no precedent in the industry

Another key emphasis of the Company's strategies is the increase of personnel's efficiencies. The Company has constantly improved its work systems to be more flexible and speedy, by adopting IT system in work processes. This ultimately results in better reaction to sales, constructions, services and other departments in form of increased efficiency and shortened respond time.

The core marketing strategy of the Company remains the pre-built strategy as consumers have more confidence when they see real projects, as well as their surroundings, facilities, plots and house plans. More importantly, ownerships can readily be transferred and customers can move in immediately. The Company has taken care of every detail to ensure that a house is indeed ready to move in. Customers can appreciate for themselves the quality of units and projects. 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 Service" policy, there are improvements of our services in terms of quality and efficiency. With the aim of ensuring comfort and security of our consumers' living in our houses and fulfilling our consumers' future needs, IT and Smart Phone systems have been adopted in some work processes, including, house plan system and service contact centre. Moreover, "LH Inspector" project, also known as, "Teachers from LH" project has been introduced to maintain standard and devise an effective security system as the Company has strong awareness and emphasis on consumers' security. For instance, both before and after the establishment of juristic person, K9 project, where trained dogs are used in the security system.

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.

Based on its ongoing study and research, the pre-built strategy of the Company remains a good strategy, which 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 "Target Customer Groups".

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:

- **Locations** 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 a land bank by purchasing plots with high potential for future development. The practice gives the Company an edge in terms of land costs, thereby enhancing its competitiveness and returns.

- **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 AirPlus innovation also helps differentiates the Company's products.

- **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.

- **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 location 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.

- **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 projects.

- 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, Maha Sarakham, Udon Thani and Phuket. The projects in these 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 segmentation.

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 security 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 2016, the Company has further expanded its customer base by entering the new market segment with price starting at 3 million baht with its new design. In this segmentation where detached house is not suitable, the Company has introduced duplex house to meet this segment's demands.

In managing sales, the Company has consistently improved its the concept of customer relationship management (CRM), which gives it insights into real demand of each customer group, helping improve sales and marketing processes. 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, 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, billboard and especially the Internet, which a system has been developed to better reach customers.

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.



## Housing market in 2016

With only the number of subdivision units increased subtly from 101,455 units in 2015 to 101,469 in 2016, the overall residential market was rather constant. Compared to the past three years, the number of registered housing units was only slightly changed as showed in the table below:

**Comparative data of newly registered housing units**  
by type from 2013 to 2016

Unit: units

Type	2013	2014	2015	2016	1995*
Self-Built	23,286	24,446	22,375	21,914	32,118
%Change	-0.6%	5.0%	-8.5%	-2.1%	
Subdivision	109,017	108,993	101,455	101,469	146,735
%Change	7.3%	0%	-6.9%	0%	
Total	132,303	133,439	123,830	123,383	178,753
%Change	5.8%	0.9%	-7.2%	-0.4%	

Source: Real Estate Information Center, Government Housing Bank

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

% change is year-on-year basis.

In 2016, only the number of subdivision units increased when compared to that of 2015. Key changes of each type are:

- Detached houses rose 7.8% to 12,761 units in 2016 compared to 11,837 units in 2015 (but declined 2.3% and 8.0% when compared to 2014's and 2013's number respectively).
- Duplexes declined 19.9% to 1,895 in 2016 from 2,366 units in 2015 (declined 32.8% and 23.3% when compared to 2014's and 2013's number respectively).
- Townhouses and commercial buildings declined 12.8% to 17,117 units in 2016 from 19,624 units in 2015 (declined 5.2% and 19.4% when compared to 2014's and 2013's number respectively).
- Condominiums rose 3.1% to 69,696 units from 67,628 units in 2015 (declined 7.1% and 2.4% when compared to 2014's and 2013's number respectively).

Comparative data of newly registered housing units  
by subdivision type from 2013-2016

Unit: units

Type of subdivision	2013	2014	2015	2016	1995**
Detached House	13,869	13,056	11,837	12,761	20,793
% Change	27.4%	-5.9%	-9.3%	7.8%	
Duplex	2,470	2,820	2,366	1,895	938
% Change	131.1%	14.2%	-16.1%	-19.9%	
Townhouse and commercial building	21,238	18,059	19,624	17,117	58,093
% Change	89.3%	-15.0%	8.7%	-12.8%	
Condominium	71,440	75,058	67,628	69,696	66,911
% Change	-8.9%	5.1%	-9.9%	3.1%	
Total	109,017	108,993	101,455	101,469	146,735
% Change	7.3%	0.0%	-6.9%	-6.9%	

Source : Real Estate Information Center, Government Housing Bank

\*% change is year-on-year basis.

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

Various factors affected the residential market in 2016. Among them were:

- Office of the National Economics and Social Development Board expected the economy in 2016 to expand by 3.2% compared to 2.8% in 2015. The quarterly economic growth rates in 2016 were -3.2%, 3.5%, 3.2% and 2.9% respectively. Q4 economic growth rate was a forecasted figure.
- Inflation was slightly positive in 2016, averaging 0.2% for the whole year, compared to the negative inflation in 2015 at -0.9%.
- 2016 Interest rate
  - o The policy interest rate was at 1.5% for the whole year 2016.
  - o The minimum lending rate (MLR) of The Siam Commercial Bank was 6.525% in the first 4 months of 2016 before sliding to 6.275% in the remaining months of the year.
- The average construction material prices fell 2.75% from 2015. The overall construction material price index was 116.9 on average in 2016 compared to 120.2 in 2015.
  - o The price indices for steel and steel products declined slightly from 97.4 in 2015 to 95.7 in 2016.
- The slowing economy resulted in a decline in confidence index of future income and income quality of consumers, affecting their demand to purchase luxury goods, including properties.
- With rising NPL and household debt, commercial banks imposed stricter housing loan policy for small enterprises and retailers resulted in higher rejection rate. Also small and medium enterprises were more affected by the commercial banks' policy than large enterprises, deterring developments of many projects.
- Land prices increased sharply, affecting the costs of new projects and difficulty in finding new lands, resulting in a decline in the number of new projects.

## 2016 Operating Results

In 2016, the Company's operating results categorized by types and price level are as follows:

By property type		By price	
Type	Share	Price range	Share
Detached houses	78%	Less than 2.0 million baht	1%
Townhouses	9%	2.0-4.0 million baht	12%
Condominiums	13%	4.01-6.0 million baht	26%
		6.01-10.0 million baht	20%
		10.01-25.0 million baht	21%
		25 million baht or more	20%
Total	100%		100%
Bangkok and vicinities	87%		
Provinces	13%		

At the beginning of 2016, the Company had 68 projects. Of the total, 43 were in Bangkok and the vicinities and 25 projects were in the provinces. During the year, 10 more projects were launched, bringing the total number of operating projects in 2016 to 78.

The 10 projects launched in 2016 were valued at 18,590 million baht. The details are:

- Detached houses      5 projects
- Townhouses            1 project
- Detached houses  
and Townhouses      3 projects
- Condominium          1 project

Operating projects in 2016-2017

January 1	2016	2017*e
Total number of projects	68	69
- Bangkok and its vicinities	43	42
- Provinces	25	27
New project launched during the year/ (provinces)	10(3)	12(3)
Project value (million baht)	18,590	14,900
Total operating projects	78	81

Remark: Projects in Mahachai and Nakhon Pathom are in Bangkok and its vicinities.

The Company's market shares by property type in Bangkok and the vicinities based on the 2016 accumulated total are:

- Single house market 14.6%
- Duplex market 1.8%
- Townhouse market 2.9%
- Condominium market 1.1%

**New projects launched in 2016**

Unit: units

Project	Type	Size (Rai)	No. of units	Villaggio Ayutthaya	Project value (million baht)	Quarter launched
1. Villaggio Ayutthaya	DH	39.9	179	4.5	800	Q1
	TH	13.5	192	2.3	450	
2. Chaiyapruk Srinakarin	DH	66.0	289	5.3	1,520	Q2
3. Nantawan Udonthani	DH	38.4	84	11.9	1,000	
4. Chaiyapruk Chatuchot-Watcharapol	DH	46.0	212	6.6	1,400	
5. The Bangkok Thonglor	CD	1.5	148	27.0	4,000	
6. Villaggio Rangsit Klong 3	DH	28.1	129	4.3	550	
	TH	15.3	206	2.2	450	
7. Indy Bangna Km7 (2)	TH	20.0	222		710	Q3
8. Villaggio Pinklao-Salaya	DH	80.1	364	4.9	1,800	Q4
	Semi DH	80.9	558	3.2	1,800	
9. Nantawan Serene Lake Chiangmai		51.0	98	20.5	2,010	
10. Mantana Maha Chesadabodin Bridge	DH	60.0	216	9.7	2,100	
<b>Total</b>		<b>540.7</b>	<b>2,897</b>	<b>(Average) 6.4</b>	<b>18,590</b>	

### Residential market outlook in 2017

The overall subdivision housing market will remain constant compared to 2016 at around 100,000 units. The single house, duplex and townhouse markets should expand slightly while the condominium market is expected to drop marginally.

The factors influencing the housing market in 2017 are:

- The Thai economy is forecasted to grow in a range between 3.5% and 4%, supported by:

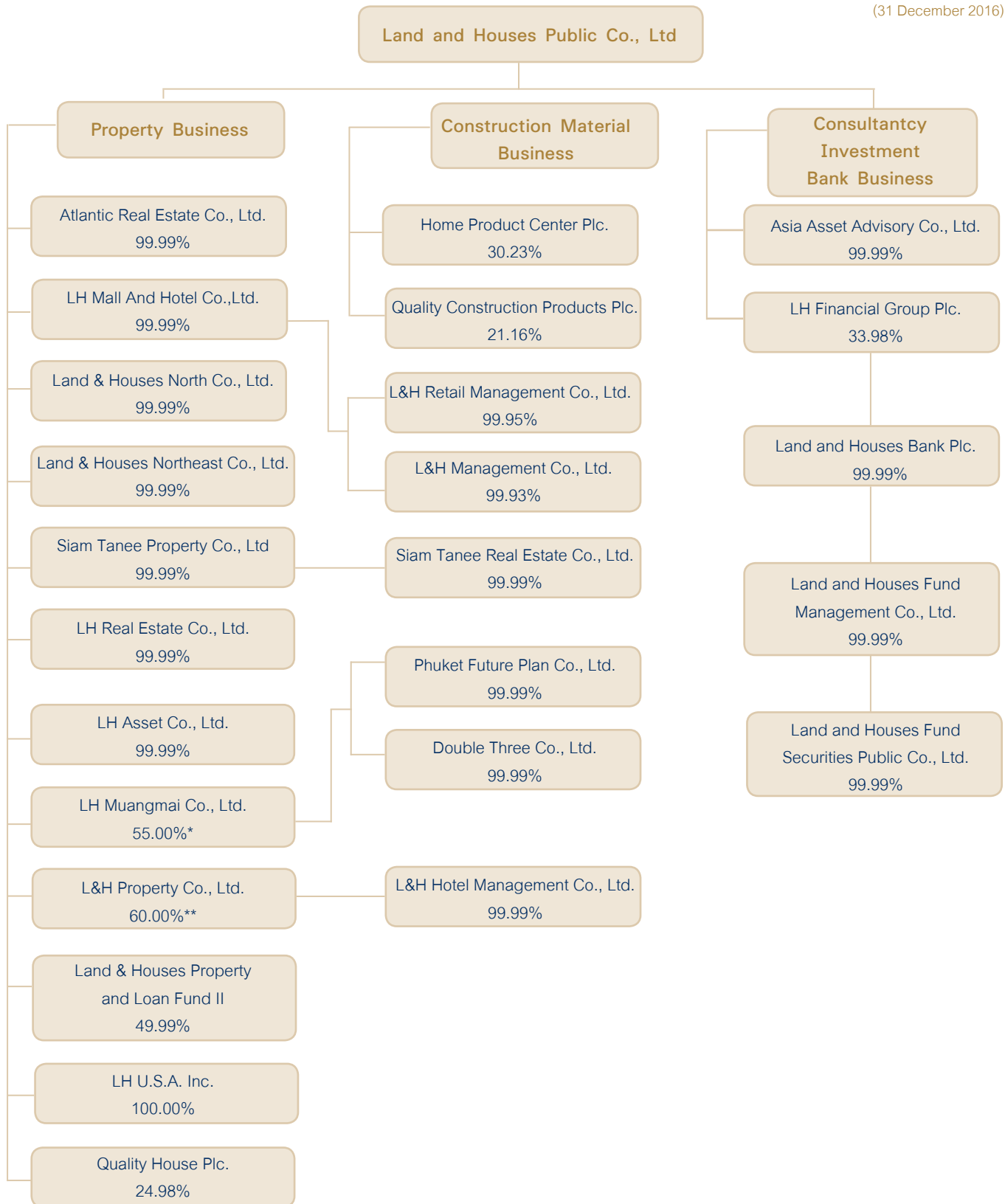
Factors influencing economic growth in 2017

- o Increasing household spending trend
  - o Infrastructure investment by the government following 2016 Action Plan. 36 projects, including railways, suburban rail, mass rapid transport, motorway and highway, which are worth 896 Billion Baht, are expected to push Thai economic growth
  - o Expanding private sector investment
  - o Tourism promotion
  - o Dull export following US's trade protectionism and China's slowing economy
- Interest rate is expected to inch up in the latter half of 2017 by .25% - .50%. Expected FED rate hike in 2017 should be put into consideration.
  - Inflation is likely to rise, but is still expected to remain low at 1.0% - 2.0%.
  - Construction costs, which are likely to remain rather constant compared to 2016, except some costs in new projects, for instance, land filling cost.
  - Construction of infrastructure by the government, both ongoing and scheduled.
  - Hiking land price due to expansion of infrastructure by the government and condominium markets
  - Strict commercial banks' policies on pre finance and post finance analysis. Housing loans for small enterprises remain rigid.
  - Rising residential properties in some locations due to soaring land price

# Supplementary Information

## Overall Picture of Businesses of the Company and Its Subsidiaries and Associates

(31 December 2016)



Note

\*LH Muang Mai Co.,Ltd. is owned by Mr. Pittaya Tantipiriyakit's Group (45.00%)

\*\*L&H Property Co.,Ltd. is owned by GIC (40.00%)

# Investment in Subsidiaries and Affiliates

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.	10,714	2,675,945,601	1	24.98
4. HOME PRODUCT CENTER PLC.	13,151	3,975,878,432	1	30.23
5. LH FINANCIAL GROUP PLC.	13,639	4,634,761,967	1	33.98
<b>NON-LISTED COMPANY</b>				
1. LAND AND HOUSES PROPERTY AND LOAN FUND II	1,486	74,278,549	10	49.99
2. L H MUANG MAI CO.,LTD.	900	49,499,995	10	55.00
3. L&H PROPERTY CO.,LTD.	1,638	15,599,994	63	60.00
4. ASIA ASSET ADVISORY CO.,LTD.	5	499,994	10	99.99
5. ATLANTIC REAL ESTATE CO.,LTD.	15	149,979	100	99.99
6. LAND AND HOUSES NORTH CO.,LTD.	14	134,998	100	99.99
7. LH MALL AND HOTEL CO.,LTD.	2,000	19,999,995	100	99.99
8. SIAM TANEE PROPERTY CO.,LTD.	100	999,994	100	99.99
9. L H ASSET CO.,LTD.	100	999,994	100	99.99
10. L H REAL ESTATE CO.,LTD.	58	579,994	100	99.99
11. LAND AND HOUSES NORTH-EAST CO.,LTD.	150	1,499,994	100	99.99
12. LAND AND HOUSES U.S.A., INC. (USD)	40	40,000,000	1	100.00
<b>Holding by SIAM TANEE PROPERTY CO.,LTD.</b>				
1. SIAM TANEE REALESTATE CO.,LTD.	88	1,749,994	50	99.99
<b>Holding by LH MUANG MAI CO., LTD.</b>				
1. PHUKET FUTURE PLAN CO.,LTD.	53	524,994	100	55.00
2. DOUBLE THREE CO.,LTD.	48	474,994	100	55.00
<b>Holding by L&amp;H PROPERTY CO., LTD.</b>				
1. L&H HOTEL MANAGEMENT CO.,LTD.	1	99,997	10	60.00
<b>Holding by LH MALL AND HOTEL CO., LTD.</b>				
1. L&H RETAIL MANAGEMENT CO.,LTD.	0.10	9,995	10	99.99
2. L & H MANAGEMENT CO., LTD.	0.10	9,993	10	99.99
<b>Holding by LH FINANCIAL GROUP PLC.</b>				
1. LAND AND HOUSES BANK PLC.	14,000	1,399,999,900	10	33.98
2. LAND AND HOUSES SECURITIES PLC.	637	635,900,646	1	33.98
3. LAND AND HOUSES FUND MANAGEMENT CO.,LTD.	300	2,999,995	100	33.98
<b>Holding by Subsidiaries of LH FINANCIAL GROUP PLC.</b>				
1. LAND AND HOUSES ADVISORY CO.,LTD.	20	1,999,998	10	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	14th Floor Q.House Sathon Building, 11 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.lhpf-pf.com	0 2286 3484 0 2679 2155	0 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	(035) 221-271	(035) 221-270	BUILDING MATERIAL	400 Common million shares of Baht 1 each	21.16
3.	QUALITY HOUSE PLC.	7th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.qh.co.th	0 2677 7000	0 2677 7005	PROPERTY DEVELOPMENT	10,714.4 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	0 2832 1000	0 2832 1400	TRADING OF CONSTRUCTION MATERIAL	13,151.2 Common million shares of Baht 1 each	30.23
5.	LH FINANCIAL GROUP PLC.	5th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : lhfg.co.th	0 2359 0000	0 2677 7223	FINANCIAL BUSINESS	13,638.7 Common million shares of Baht 1 each	33.98
6.	LAND AND HOUSES PROPERTY AND LOAN FUND II	130-132 Wireless Road, 15th, 17th Floor Sindhorn Building Tower III, Bangkok Thailand 10330	0 2688 7777	0 2688 7700	PROPERTY FUND	148.6 million units of Baht 10 each	49.99
7.	L H MUANG MAI CO.,LTD.	9/9 Moo 6 Thepkasadtree Tumbonratsada Aumphoemuang Phuket Thailand 83000	(076) 381-150-3	(076) 381-112	PROPERTY DEVELOPMENT	90 Common million shares of Baht 10 each	55.00
8.	L&H PROPERTY CO., LTD.	15th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8899	0 2343 8890	PROPERTY DEVELOPMENT	26 Common million shares of Baht 63 each	60.00
9.	ASIA ASSET ADVISORY CO.,LTD.	15th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8899	0 2343 8890	INVESTMENT ADVISOR	0.5 Common million shares of Baht 10 each	99.99
10.	ATLANTIC REAL ESTATE CO.,LTD.	37-38th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8900	0 2230 8131	PROPERTY DEVELOPMENT	0.15 Common million shares of Baht 100 each	99.99
11.	LAND AND HOUSES NORTH CO.,LTD.	319 Moo 4 ThumbonnongJom Aumphoesansang Chiang Mai Thailand 50210	(053) 498-911-3	(053) 354-349 (053) 111 - 111	PROPERTY DEVELOPMENT	0.14 Common million shares of Baht 100 each	99.99
12.	LH MALL AND HOTEL CO.,LTD.	15th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.lhmf.co.th	0 2343 8899	0 2343 8890	PROPERTY DEVELOPMENT	12.41 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
13.	SIAM TANEER PROPERTY CO.,LTD.	37-38th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8900	0 2230 8131	PROPERTY DEVELOPMENT	1 Common million shares of Baht 100 each	99.99
14.	L H ASSET CO.,LTD.	37-38th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8900	0 2230 8131	PROPERTY DEVELOPMENT	1 Common million shares of Baht 100 each	99.99
15.	L H REAL ESTATE CO.,LTD.	37-38th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8900	0 2230 8131	PROPERTY DEVELOPMENT	0.58 Common million shares of Baht 100 each	99.99
16.	LAND AND HOUSES NORTH-EAST CO.,LTD.	114/39 Ratchasima-Pakthongchai Road Tumbonhnongjabok Aumphoemuang Nakhonratchasima Thailand 30000	(044) 465-294 (043) 258-282-3	(044) 349-344-5 (043) 258-282-3	PROPERTY DEVELOPMENT	1.5 Common million shares of Baht 100 each	99.99
17.	LAND AND HOUSES U.S.A., INC.	17485 Monterey Road Suite 308 Morgan Hill, CA 95037 USA	408 796 7337		PROPERTY INVESTMENT	40 Common million shares of USD 1 each	100.00
18.	SIAM TANEER REAL ESTATE CO.,LTD.	37-38th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8900	0 2230 8131	PROPERTY DEVELOPMENT	1.75 Common million shares of Baht 50 each	100.00
19.	PHUKET FUTHER PLAN CO.,LTD.	9/17 Moo 6 Thepkrasadtree Tumbonratsada Aumphoemuang Phuket Thailand 83000	(076) 381-150-2	(076) 381-111	PROPERTY DEVELOPMENT	0.5 Common million shares of Baht 100 each	55.00
20.	DOUBLE THREE CO.,LTD.	9/17 Moo 6 Thepkrasadtree Tumbonratsada Aumphoemuang Phuket Thailand 83000	(076) 381-150-2	(076) 381-111	PROPERTY DEVELOPMENT	0.5 Common million shares of Baht 100 each	55.00
21.	L & H HOTEL MANAGEMENT CO.,LTD.	15th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8899	0 2343 8890	HOTEL	100,000 Common shares of Baht 10 each	60.00
22.	L & H RETAIL MANAGEMENT CO.,LTD.	15th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8899	0 2343 8890	RETAIL	10,000 Common shares of Baht 10 each	99.99
23.	L & H MANAGEMENT CO.,LTD.	15th Floor Q.House Lumpini Building, 1 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2343 8899	0 2343 8890	MANAGEMENT	10,000 Common shares of Baht 10 each	99.99
24.	LAND AND HOUSES BANK PLC.	G, 1st, 5th, 6th Floor Q.House Lumpini Bldg.,No. 1 South Satom Road, Tungmahamek, Satom, Bangkok Thailand 10120 Website : www.lhbank.co.th	0 2359 0000	0 2677 7223	BANK	1,400 Common million shares of Baht 10 each	33.98
25.	LAND AND HOUSES FUND MANAGEMENT CO.,LTD.	14th Floor Q.House Sathon Building, 11 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.lhfund.co.th	0 2286 3484 0 2679 2155	0 2286 3585	MANAGEMENT FUND	3 Common million shares of Baht 100 each	33.98
26.	LAND AND HOUSES SECURITIES PLC.	M, 10th Floor Q.House Sathon Building, 11 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120 Website : www.lhsec.co.th	0 2352 5100	0 2286 2681 0 2286 2682	MANAGEMENT FUND	637.2 Common million shares of Baht 1 each	33.98
27.	LAND AND HOUSES ADVISORY PLC.	14th Floor Q.House Sathon Building, 11 South Sathon Road Thungmahamek Sathon Bangkok Thailand 10120	0 2286 3484 0 2679 2155	0 2286 3585	ADVISORY	20 Common million shares of Baht 10 each	33.98

# Securities and Shareholders

## Equities and Shareholders

### 1. Registered and Paid-up Capital

(1) As of December 31, 2016, the Company had registered capital of 12,031,105,828 baht, of which 11,786,545,992 baht was paid up, divided into 11,786,545,992 ordinary shares with a par value of one baht each.

According to Thai NVDR Co. Ltd.'s February 9, 2017 data, 2,265,644,946 of the Company's ordinary shares were held by investors investing through non-voting depository receipts (NVDRs), representing 19.05% of all 11,893,544,146 paid-up shares as of February 9, 2017. 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 23.53% more of the voting right. As a result, holders of only 20.24% 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-

### 2. Warrants

The details of warrants that can be exercised to buy the Company's ordinary shares as of December 31, 2016 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:	1 warrant = 1 common share
Exercise price:	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:	130,562,233 units
Outstanding number of underlying ordinary shares:	137,561,682

### 3. Shareholders

On the latest register book-closing date on August 29, 2016, the 10 largest shareholders of the Company were:

Rank	Individual/Juristic person	Number of shares held	Percentage of all sold shares
1.	Mr. Anant Asavabhokhin*	2,859,167,547	24.27
2.	Thai NVDR Co., Ltd.**	1,082,313,763	9.19
3.	GIC PRIVATE LIMITED***	2,003,570,193	17.01
4.	CHASE NOMINEES LIMITED**	816,930,141	6.94
5.	Mayland Co., Ltd.*	676,289,269	5.74
6.	Social Security Office (two instances)	311,815,300	2.65
7.	STATE STREET BANK AND TRUST COMPANY**	301,230,672	2.56
8.	Miss Piangjai Harnpanij*	134,900,000	1.15
9.	STATE STREET BANK EUROPE LIMITED**	401,663,445	3.41
10.	THE BANK OF NEW YORK MELLON**	211,012,199	1.79
	<b>รวม</b>	<b>8,798,892,529</b>	<b>74.71</b>

Notes : \* The shareholders under Mr. Anant Asavabhokhin's group held a combined 31.16%.

\*\* 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.

\*\*\* This includes shares held under Thai NVDR

### 4. Other securities

#### 4.1 Debentures

The Company had outstanding senior unsecured debentures worth 36,250 million baht as of December 31, 2016:

Debentures	Amount (million baht)	Coupon rate per year	Maturity/Due Date
Series 1/2557	500	3.63%, paid every 6 months	3 years/February 27, 2017
Series 2/2557	3,500	3.59%, paid every 6 months	3 years/April 4, 2017
Series 4/2557	1,000	3.70%, paid every 6 months	3 years and 6 months/March 17, 2018
Series 5/2557	4,000	3.50%, paid every 6 months	3 years/October 6, 2017
Series 1/2558	1,000	3.02% paid every 6 months	3 years and 6 months/September 25, 2018
Series 2/2558 Lot 1	7,000	2.81% paid every 6 months	3 years/April 2, 2018
Series 2/2558 Lot 2	1,000	3.31% paid every 6 months	5 years/April 2, 2020
Series 3/2558 Lot 1	4,000	2.41% paid every 6 months	3 years/October 8, 2018
Series 3/2558 Lot 2	1,000	2.66% paid every 6 months	4 years/October 8, 2019
Series 3/2558 Lot 3	1,000	2.99% paid every 6 months	5 years/October 8, 2020
Series 1/2559 Lot 1	5,000	1.82% paid every 6 months	3 years/April 29, 2019
Series 3/2559 Lot 1	7,250	2.23% paid every 6 months	3 years/October 28, 2019

All debentures were last rated A+ stable by TRIS Rating Co., Ltd. on October 7, 2016.

As a condition of the issuances, the Company must maintain its debt-to-equity ratio at not more than 1.50:1.

#### 4.2 Short-term bills of exchange/financial institution borrowings in the form of bills of exchange

As of December 31, 2016, the Company has no outstanding short-term bills of exchange/short-term borrowings from financial institutions in the form of bills of exchange.

### **5. 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.

# Management Structure

## Board of Directors

The Company had 5 boards as of December 31, 2016. 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, at least half of whom are domiciled in Thailand.

In conducting business, the directors must perform their duties according to laws, the objectives and the 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 was designed with adequate checks and balances:

a. The Board of Directors has 3 independent directors, or 37.5% of all directors, and 5 executive directors.

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.

c. Clear delegation and authorization has been established as detailed and disclosed in the Corporate Governance section.

As of December 31, 2016, the names and meeting-attendance records of the directors in 2014, 2015 and 2016 were as follows:

Name	Position	Number of attended meetings/all meetings		
		2014	2015	2016
1. Mr. Anant Asavabhokhin	Chairman and Chief Executive Officer	6/8	9/9	9/9
2. Mr. Pratip Wongnirund	Director, Chairman of the Audit Committee and Independent Director <i>(Resigned on April 23, 2015)</i>	8/8	1/1	-
3. Mr. Pakhawat Kovithvathanaphong	Director, Chairman of the Audit Committee, Independent Director	8/8	8/9	9/9
4. Mr. Soong Hee Sang	Director <i>(Resigned on April 23, 2015)</i>	4/8	0/1	-
5. Mr. Chalerm Kietitanabumroong	Director, Risk Management Director	8/8	9/9	9/9
6. Mr. Adisorn Thananan-narapool	Director and secretary to the Nominating and Compensation Committee	8/8	9/9	9/9
7. Mr. Naporn Sunthornchitcharoen	Director	7/8	9/9	8/9
8. Mr. Nantawat Pipatwongkasem	Director, Company Secretary and Risk Management director	8/8	9/9	9/9
9. Mr. Chadchart Sittipunt	Director, Audit Director and Independent Director <i>(appointed on August 14, 2014 and resigned on December 23, 2014)</i>	4/4	-	-

Name	Position	Number of attended meetings/all meetings		
		2014	2015	2016
10. Mr. Wisanu Subsompon	Director, Audit director, independent director, Nominating and Compensation director and Chairman of the Risk Management Committee <i>(resigned on July 1, 2014 and re-joined on February 24, 2015 and resigned on May 1, 2016)</i>	4/4	8/8	3/3
11. Mr. Piphob Veeraphong*	Director, Audit Director, Independent Director, Chairman of the Nominating and Compensation Committee	-	8/8	9/9
12. Mr. Bundit Pitaksit**	Director, Audit Director, Independent Director and Chairman of the Risk Management Committee	-	8/8	8/9
Total number of meetings		8	9	9

\* Mr. Piphob Veeraphong was named director on April 23, 2015 and was appointed Audit director, Independent director and Nomination and Compensation director on May 12, 2015.

\*\* Mr. Bundit Pitaksit was named director on April 23, 2015, was appointed Independent director on May 12, 2015, was appointed Audit director May 12, 2016 and Chairman of the risk management committee on December 1, 2016.

### Authorized signatories

One of the following directors may sign to bind the Company: Mr. Anant Asavabhokhin, Mr. Adisorn Thananan-narapool, 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 to approve the following:
  - 3.1 Borrowings or loan application 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 transactions such as important investments and asset purchases or sales and other actions required by law
  - 3.5 Connected transactions and asset acquisitions and disposals except those 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 law 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 detailed meeting agenda at least 5 days ahead of the meeting dates so that the directors have 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, 2016, the Company had 11 executives:

Mr. Anant	Asavabhokhin	Chairman of the Executive Board
Mr. Adisorn	Thananan-narapool	President
Mr. Naporn	Sunthornchitcharoen	President
Mr. Chalerm	Kietitanabumroong	Senior Executive Vice President and top executive for operations
Mr. Wit	Tantiworawong	Executive Vice President and top executive for finance
Mr. Adul	Chuvanichanon	Executive Vice President
Mr. Lersuk	Suwannaton	Executive Vice President
Mr. Watcharin	Kasinrerk	Executive Vice President
Mr. Chokchai	Walitwarangkoon	Executive Vice President
Mr. Narong	Kongkavana	Executive Vice President
Mr. Prajak	Harnsakulbuntherng	Executive Vice President

## 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. The Nominating and Compensation Committee also considers and screen the packages 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 2015 and 2016 are as follows:

Name of director	Position	2015		2016	
		Meeting attendance rate %	Compensation (million baht)	Meeting attendance rate %	Compensation (million baht)
1. Mr. Anant Asavabhokhin	President Chairman of the Executive Board	100%	2.60	100%	3.16
2. Mr. Pratip Wongnirund*	Director, Chairman of the Audit Committee and Independent Director	100%	1.62	-	-
3. Mr. Pakhawat Kovithvathanaphong	Director, Chairman of the Audit Committee and Independent Director	89%	2.14	100%	2.05
4. Mr. Soong Hee Sang*	Director	0%	0.90	-	-
5. Mr. Chalerm Kietitanabumroong	Director and Risk Management Director	100%	1.30	100%	1.58
6. Mr. Adisorn Thananan-narapool	Director and Secretary to the Nomination and Compensation	100%	1.30	100%	1.58
7. Mr. Naporn Sunthornchitcharoen	Director	100%	1.30	89%	1.58
8. Mr. Nantawat Pipatwongkasem	Director, Company Secretary and Risk Management Director	100%	1.30	100%	1.58
9. Mr. Wisanu Subsompon**	Director, Audit Director, Independent Director, Nomination and Compensation Director and Chairman of Risk Management Committee	100%	1.11	100%	1.25
10. Mr. Piphob Veeraphong***	Director, Audit Director, Independent Director, Chairman of the Nomination and Compensation Committee	100%	0.73	100%	2.08
11. Mr. Bundit Pitaksit****	Director, Audit director, Independent Director and Chairman of the Risk Management Committee	100%	0.58	89%	1.98
Total			14.88		16.84

\* Mr. Pratip Wongnirund and Mr. Soong Hee Sang resigned on April 23, 2015.

\*\* Mr. Wisanu Subsompon resigned on July 1, 2014 and reappointed director, Audit Director, Independent Director and Nomination and Compensation Director on February 24, 2015 and then resigned from all positions on May 1, 2016.

\*\*\* Mr. Piphob Veeraphong was appointed director on April 23, 2015 and named member of the Audit Committee, independent director, and member of the Nominating and Compensation Committee on May 12, 2015.

\*\*\*\* Mr. Bundit Pitaksit was named director on April 23, 2015, was appointed independent director on May 12, 2015, was appointed audit director May 12, 2016 and chairman of the risk management committee on December 1, 2016.

The details of directors' compensation by category in 2016 are as follows: (Unit: baht)

Position	Name	Compensation		Total
		Annual pay	Bonus	
Audit/independent directors	1. Mr. Pakhawat Kovithvathanaphong	680,000	900,000	1,580,000
	2. Mr. Wisanu Subsompon	200,000	900,000	1,100,000
	3. Mr. Piphob Veeraphong	680,000	900,000	1,580,000
	4. Mr. Bundit Pitaksit	680,000	900,000	1,580,000
Executive directors	1. Mr. Anant Asavabhokhin	1,360,000	1,800,000	3,160,000
	2. Mr. Naporn Sunthornchitcharoen	680,000	900,000	1,580,000
	3. Mr. Adisorn Thananun-narapool	680,000	900,000	1,580,000
	4. Mr. Chalerm Kietitanabumroong	680,000	900,000	1,580,000
	5. Mr. Nantawat Pipatwongkasem	680,000	900,000	1,580,000
Total				15,320,000

Meeting allowances (unit: baht)

Name	Meeting allowances				
	Board of Directors	Audit Committee	Nominating and Compensation Committee	Risk Management Committee	Total
1. Mr. Pakhawat Kovithvathanaphong	270,000	200,000	N/A	N/A	470,000
2. Mr. Wisanu Subsompon	90,000	30,000	30,000	-	150,000
3. Mr. Piphob Veeraphong	270,000	150,000	80,000	N/A	500,000
4. Mr. Bundit Pitaksit	270,000	90,000	N/A	40,000	400,000
Total	900,000	470,000	110,000	40,000	1,520,000

Executive compensation in the form of salaries and bonuses linked to the operating results of the Company and individual job evaluation in 2015 and 2016 is as follows:

	2015		2016	
	Number of executives	Total amount (million baht)	Number of executives	Total amount (million baht)
Salary	9	74.67	11	91.31
Bonuses*	9	65.04	11	81.26
Total	9	139.71	11	172.57

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 the contribution at the same rate. The registered fund is managed by a licensed fund manager in compliance with the Act on Provident Funds B.E. 2542 (1999). In 2016, the Company contributed 3.21 million baht to the portion owned by the 11 executives.

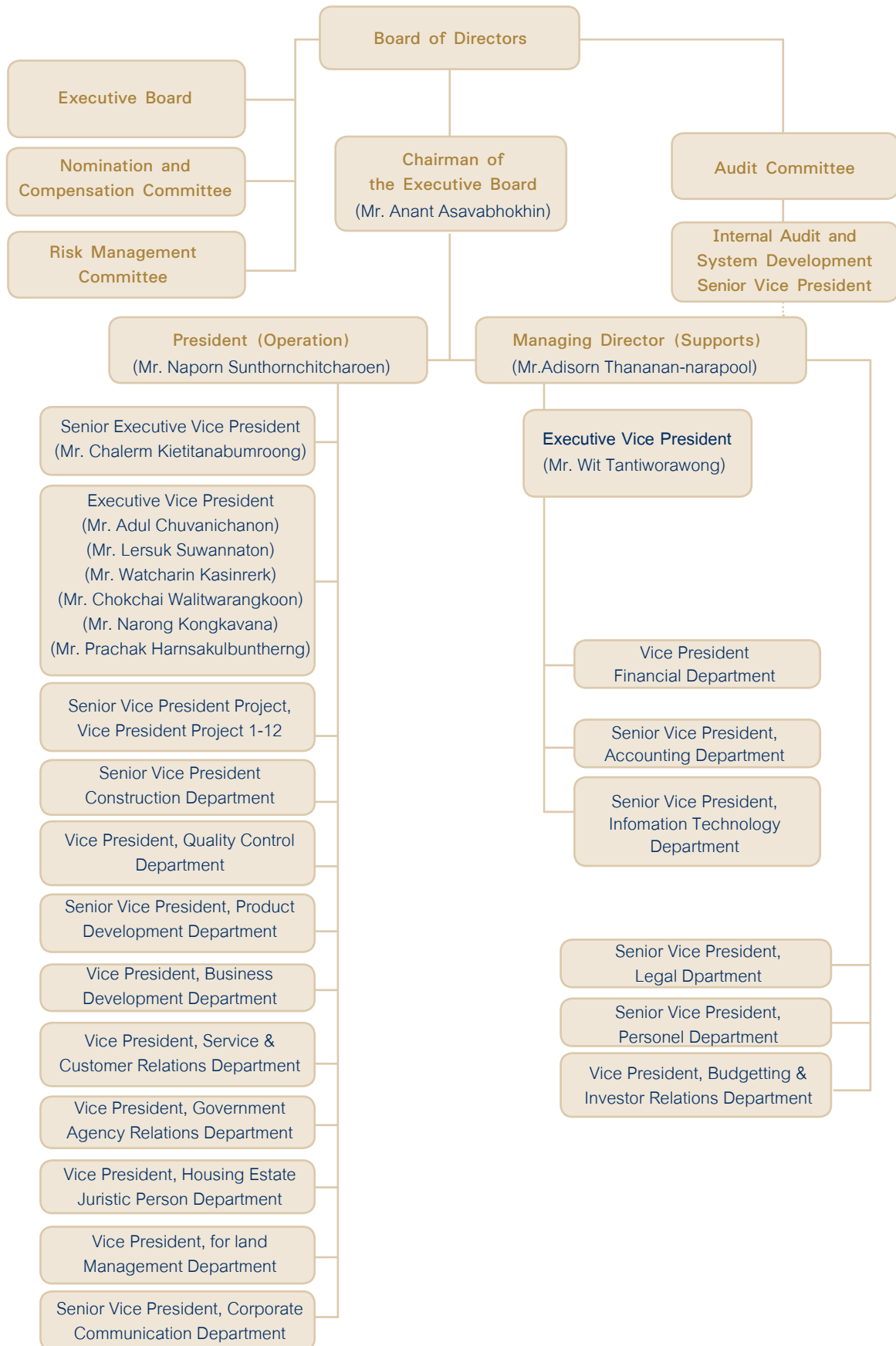
2. Welfare is provided in various forms such as medical care, health insurance, annual physical checkups by age groups, life insurance for all employees, allowances for weddings and funerals of employees' family members, uniforms, annual vacation trips and parties, as well as discounts on company products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

**Human resources (as of December 31, 2016)**

- Total number of employees 793
- Number of employees in each line
  - Management 11
  - Operations 674
  - Support 108
- Total compensation and types of compensation
  - Salary, bonuses and other compensation in 2016 totaled 1,110.5 million Baht
  - Benefits on health care and recreation, as well as a provident fund and discounts for purchases of company products, were also provided.
- Total number of employees at subsidiaries 680
- Divided by company
  - L H Muang Mai Co. Ltd. 28
  - LAND AND HOUSES U.S.A., INC. 6
  - L H Mall and Hotel Co., Ltd. 94
  - L&H Hotel Management Co., Ltd. 395
  - L&H Retail Management Co., Ltd. 112
  - L&H Management Co., Ltd. 45

# Management Structure

Organization Structure as of December 31, 2016



# Board of Directors

**MR. ANANT ASAVABHOKHIN Age 66**

## 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-16**

- 24.28

## Relationship

-

## Working Experience

### Listed Company

May 13-Present	Chairman of the Board of Directors, Land and Houses PCL. (Real Estate) Chairman of the Executive Board
1985-Apr 13	President, Land and Houses PCL. (Real Estate)
1988-Apr 13	Chief Executive Officer, Land and Houses PCL. (Real Estate)
2005-Present	President, Land and Houses Bank PCL. (Bank)
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	Director, L&H PROPERTY CO.,LTD. (Real Estate)
2004-Present	Director, L H Real estate 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 62**

## Position

- Director and authorized signatory
- Managing Director

**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-16**

- 0.71

## 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

1991-Present	Director, LH Mall & Hotel Co.,Ltd. (Real Estate for Lease Business)
2001-Present	Director, LH Muang Mai Co.,Ltd. (Real Estate)
2002-Present	Director, Land and Houses Property Fund II (Property Fund)
2004-Present	Director, L H Real estate Co.,Ltd. (Real Estate)
2004-Present	Director, LH Asset Co.,Ltd. (Real Estate)
2005-Present	Director, L&H Property Co., Ltd. (Real Estate)
2012-Present	Director, Land And Houses U.S.A.,INC. (Real Estate)

**MR. NAPORN SUNTHORNCHITCHAROEN Age 58**

**Position**

- Director and authorized signatory
- President

**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-16**

- 0.23

**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)
2005-Present	Director, Land and Houses Bank PCL. (Bank)
Dec 2013-Present	Director, Land and Houses Securities PCL. (Securities)

**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)

**MR. CHALERM KIETITANABUMROONG Age 63**

**Position**

- Senior Executive Vice President&Chief Operation Officer
- Risk Management Director

**Appointed Date 12 December 1992**

**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-16**

- 0.08

**Relationship**

-

**Working Experience**

**Listed Company**

May 13-Present	Senior Executive Vice President&Chief Operation Officer, Land and Houses PCL. (Real Estate)
2014-Present	Risk Management Director, 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 57**

**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-16**

- 0.00

**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-Present	Risk Management Director, 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. PAKHAWAT KOVITHVATHANAPHONG Age 67**

**Position**

- Director
- Independent Director
- Chairman of The Audit 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-16**

- 0.00

**Relationship**

-

**Working Experience**

**Listed Company**

Present	Chairman of The Audit Committee, Land and Houses PCL. (Real Estate)
1999-Present	Director, Independent Director, Audit Director, Land and Houses PCL. (Real Estate)
2001-Present	Chief Executive Officer and Director, Trinity Watthana PCL. (Holding Company)
2011-Present	Director of Independent , Risk Management and The Nominating and Compensation, 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

**PROFESSOR PIPHOB VERAPHONG Age 54**

**Position**

- Director
- Independent Director
- Member of Audit Committee
- Chairman of Nominating and Compensation Committee

**Appointed Date 12 May 2015**

**Education**

- LL.M. Harvard University
- LL.M. Taxation, Boston University
- Certificate of International Taxation, Harvard University
- Bachelor of Law (Honors), Chulalongkorn University
- Barrister - at - Law
- Director Accreditation Program by Thai Institute Of Directors (IOD)

**% of Shareholding as 31-Dec-16**

- -

**Relationship**

- 

**Working Experience**

**Listed Company**

2015-Present	Director, Independent Director & Member of Audit Committee & Chairman of Nominating and Compensation Committee, Land and Houses PCL. (Real Estate)
2005-2008	Independent Director & Member of Audit Committee, Land and Houses Retail Bank PCL. (Banking)
2004-Present	Independent Director & Member of Audit Committee, Bangkok Chain Hospital PCL. (Health Care Service)
2003-2010	Independent Director & Member of Audit Committee, Quality Construction Products PCL. (Produce and Trade Construction Materials)

**Non-Listed Company**

2002-Present	Partner, LawAlliance Ltd.
1998-2002	Partner, Linklaters, Bangkok

**MR. BANDIT PITAKSIT Age 51**

**Position**

- Independent Director
- Chairman of Risk Management Committee

**Appointed Date 12 May 2015**

**Education**

- B.(Eng.), Civil Engineer, Chulalongkorn University
- Politics and Democracy for Executive, King Prajadhipok's Institute (KPI 14<sup>th</sup>)
- Program Executives Capital Market Academy (CMA. 12<sup>nd</sup>)
- The Program for Senior Executives on Justice Administration Batch 17<sup>th</sup>
- The National Defence College (NDC 57<sup>th</sup>)

**% of Shareholding as 31-Dec-16**

- -

**Relationship**

- 

**Working Experience**

**Listed Company**

Present	Chairman of Risk Management Committee, Land and Houses PCL. (Real Estate)
2015-Present	Independent Director, Land and Houses PCL. (Real Estate)

**Non-Listed Company**

Present	Chairman of the Advisory, Isuzu Sanguanthalai Group
Present	Chief Advisor, Siam Car Rent Co., Ltd.
2005-2009	Director, Isuzu Sanguanthalai Sraburi Co., Ltd.

**MR. WIT TANTIWORAWONG Age 58**

**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-16**

- 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)
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 58**

**Position**

- Executive Vice President

**Appointed Date 20 February 2009**

**Education**

- Bachelor of Civil Engineering Kasetsart University

**% of Shareholding as 31-Dec-16**

- 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 61**

**Position**

- Executive Vice President

**Appointed Date 1 January 2014**

**Education**

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

**% of Shareholding as 31-Dec-16**

- 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 10, Land and Houses PCL. (Real Estate)
2003-2008	Vice President Project 10, Land and Houses PCL. (Real Estate)

**MR. WATCHARIN KASINRERK Age 55**

**Position**

- Executive Vice President

**Appointed Date 1 January 2015**

**Education**

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

**% of Shareholding as 31-Dec-16**

- -

**Relationship**

-

**Working Experience**

**Listed Company**

Present	Executive Vice President, Land and Houses PCL. (Real Estate)
2013-2014	Senior Vice President Project 2, Land and Houses PCL. (Real Estate)

**MR. PRACHAK HANSAKULBUNTHERNG Age 54**

**Position**

- Executive Vice President

**Appointed Date 1 May 2016**

**Education**

- Bachelor of Architecture, Chulalongkorn University

**% of Shareholding as 31-Dec-16**

- -

**Relationship**

-

**Working Experience**

**Listed Company**

Present	Executive Vice President, Land and Houses PCL. (Real Estate)
2013-2015	Senior Vice President Product Design Department, Land and Houses PCL. (Real Estate)

**MR. CHOKCHAI WALITWARANGKON Age 54**

**Position**

- Executive Vice President

**Appointed Date 1 January 2015**

**Education**

- Bachelor of Business Administration (Marketing), Chulalongkorn University

**% of Shareholding as 31-Dec-16**

- 0.00

**Relationship**

-

**Working Experience**

**Listed Company**

Present	Executive Vice President, Land and Houses PCL. (Real Estate)
2013-2014	Senior Vice President Corporate Communication Department, Land and Houses PCL. (Real Estate)

**MR. NARONG KONGKAVANA Age 54**

**Position**

- Executive Vice President

**Appointed Date 1 May 2016**

**Education**

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

**% of Shareholding as 31-Dec-16**

- 0.00

**Relationship**

-

**Working Experience**

**Listed Company**

Present	Executive Vice President, Land and Houses PCL. (Real Estate)
2013-2015	Senior Vice President Project 8, Land and Houses PCL. (Real Estate)

**MR. TEERA BENJASILARAK Age 57**

<b>Position</b>	
<ul style="list-style-type: none"> <li>Senior Vice President Accounting Department</li> </ul>	
<b>Appointed Date 12 December 1992</b>	
<b>Education</b>	
<ul style="list-style-type: none"> <li>Bachelor of Science Kasetsart University</li> <li>M.B.A. Thammasat University</li> </ul>	
<b>% of Shareholding as 31-Dec-16</b>	
<ul style="list-style-type: none"> <li>0.01</li> </ul>	
<b>Relationship</b>	
-	
<b>Working Experience</b>	
<b>Listed Company</b>	
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 57**

<b>Position</b>	
<ul style="list-style-type: none"> <li>Vice President Finance Department</li> </ul>	
<b>Appointed Date 22 January 2014</b>	
<b>Education</b>	
<ul style="list-style-type: none"> <li>Bachelor of Communication Arts Sukhothai Thammathirat Open University</li> </ul>	
<b>% of Shareholding as 31-Dec-16</b>	
<ul style="list-style-type: none"> <li>-</li> </ul>	
<b>Relationship</b>	
-	
<b>Working Experience</b>	
<b>Listed Company</b>	
Present	Vice President Finance Department, Land and Houses PCL. (Real Estate)
2002-2013	Assistant Vice President Finance Department, Land and Houses PCL. (Real Estate)

# Shareholdings of directors and executives (2016)

Rank	Name	Position	Number of shares held as of 31/12/2015	Number of shares held as of 31/12/2016	Change	% shareholding	Appointment Date
1	Mr. Anant Asavabhokhin	Chairman of the Executive Board	2,862,167,547	2,862,167,547	-	24.28	12/12/1992
	Spouse and minor children						
2	Mr. Adisorn Thananan-narapool	Managing Director	83,233,106	83,233,106	-	0.71	12/12/1992
	Spouse and minor children						
3	Mr. Naporn Sunthornchitcharoen	President	27,487,859	27,487,859	-	0.23	12/12/1992
	Spouse and minor children						
4	Mr. Chalerm Kietitanabumroong	Senior Executive Vice President	9,048,030	9,048,030	-	0.08	12/12/1992
	Spouse and minor children						
5	Mr. Nantawat Pipatwongkasem	Director and Secretary	12,099	12,099	-	0.00	12/12/1992
	Spouse and minor children						
6	Mr. Pakhawat Kovithathanaphong	Independent Director	152,998	152,998	-	0.00	03/12/1999
	Spouse and minor children						
7	Mr. Piphob Veraphong	Independent Director	-	-	-	-	12/05/2015
	Spouse and minor children						
8	Mr. Bandit Pitaksit	Independent Director	-	-	-	-	12/05/2015
	Spouse and minor children						
9	Mr. Wit Tantiworawong	Executive Vice President	1,477,101	1,160,417	(316,684)	0.01	24/04/2013
	Spouse and minor children						
10	Mr. Lersuk Suwannaton	Executive Vice President	1,914,000	1,694,200	(219,800)	0.00	20/02/2009
	Spouse and minor children						
11	Mr. Adul Chuvanichanon	Executive Vice President	879,280	1,055,136	175,856	0.00	01/01/2014
	Spouse and minor children						
12	Mr. Watcharin Kasinrerk	Executive Vice President	-	-	-	-	01/01/2015
	Spouse and minor children						
13	Mr. Chokchai Walitwarangkoon	Executive Vice President	795	795	-	0.00	01/01/2015
	Spouse and minor children						
14	Mr. Prachak Hansakulbuntherng	Executive Vice President	-	-	-	-	01/05/2016
	Spouse and minor children		-	2,000	2,000	0.00	
15	Mr. Narong Kongkavana	Executive Vice President	-	273,753	273,753	0.01	01/05/2016
	Spouse and minor children						
16	Mr. Teera Benjasilarak	Senior Vice President, Accounting Department	1,260,417	1,160,417	(100,000)	0.01	12/12/1992
	Spouse and minor children						
17	Mr. Visit Tantichaipakorn	Vice President, Financial Department	15,000	-	(15,000)	0.00	22/01/2014
	Spouse and minor children						

# The Nomination and Compensation Committee's Report

## To Shareholders,

The Nomination and Compensation Committee comprises three directors, two of whom are independent directors and one of whom is executive director of the Company namely;

- |                                  |  |
|----------------------------------|--|
| 1. Mr. Piphob Veraphong          | Chairman of Nomination and Compensation Committee                            |
| 2. Mr. Wisanu Subsompon          | Member of Nomination and Compensation Committee.<br>(Resigned on 1 May 2016) |
| 3. Mr. Adisorn Thananan-narapool | Member of Nomination and Compensation Committee.                             |

The Nomination and Compensation Committee has performed its duties and responsibilities, which was defined in the Charter of the Nomination and Compensation Committee, as assigned by the Board of Directors.

In 2016, the Nomination and Compensation Committee held 2 meetings to consider various agendas and proposed the report of meeting together with comments and recommendation to the Board of Directors' Meeting as follows;

1. To nominate qualified person as the company's directors replacing those who retired by rotation.
2. To consider and allocate bonus to directors.
3. To determine and fix remuneration for directors.
4. To review salary increase and bonus to the Chairman of Executive Committee.

Your sincerely,



(Mr. Piphob Veraphong)  
Chairman of the Nomination and  
Compensation Committee

# 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 bolster the Company's operating result growth sustainably. It is also 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 internally adopted by the Company. They should provide assurances that the business can compete effectively under the business ethics in compliance with international standards, 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 2016, except with regards to the following issues:

(1) The policies on limiting the number of listed companies of which each director holds a position and 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 losses or lost 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 as the Company still needs a person with knowledge, competence, long experience and leadership to lead it so it can achieve its goals. In any case, the Company adheres to 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 on setting a 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 2016 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.

### (a) 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 backgrounds in accounting or financial degrees and experiences, Mr. Pakhawat Kovithvathanaphong have the knowledge and competency required to review creditability of financial statements. The names and meeting attendance records of the Audit Committee in 2014, 2015 and 2016 are as follows:



Name	Position	Number of attended meetings/all meetings		
		2014	2015	2016
1. Mr. Pratip Wongnirund*	Chairman of the Audit Committee	6/6	1/1	-
2. Mr. Pakhawat Kovithvathanaphong**	Chairman of the Audit Committee	6/6	6/6	6/6
3. Mr. Wisanu Subsompon***	Member of the Audit Committee	2/2	5/5	1/1
4. Mr. Piphob Veeraphong****	Member of the Audit Committee	-	3/4	6/6
5. Mr. Bundit Pitaksit*****	Member of the Audit Committee	-	-	4/4
Total number of meetings		6	6	6

\* Mr. Pratip Wongnirund resigned in April 23, 2015.

\*\* Mr. Pakhawat Kovithvathanaphong was appointed chairman of the Audit Committee on May 12, 2015.

\*\*\* Mr. Wisanu Subsompon resigned on July 1, 2014, was re-appointed on February 24, 2015 and resigned on May 1, 2016.

\*\*\*\* Mr. Piphob Veeraphong was appointed on May 12, 2015.

\*\*\*\*\* Mr. Bundit Pitaksit was appointed on May 12, 2016.

Mr. Pornchai Kiatkajornvirat, senior 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 the 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, nominate, reinstate and terminate the employment of external auditors and propose 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 comprehensiveness 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

(b) Nomination and Compensation Committee

The Nomination and Compensation Committee consists of 2 members, 1 of whom is an independent director. The names and meeting-attendance records of the Nomination and Compensation Committee for 2014, 2015 and 2016 are as follows:

Name	Position	Number of attended meetings/all meetings		
		2014	2015	2016
1. Mr. Piphob Veeraphong*	Chairman of the Nominating and Compensation Committee	-	0/1	2/2
2. Mr. Pakhawat Kovithvathanaphong**	Chairman of the Nominating and Compensation Committee	3/3	1/1	-
3. Mr. Chadchart Sittipunt***	Member of the Nominating and Compensation Committee	1/1	-	-
4. Mr. Adisorn Thananan-narapool	4. Mr. Adisorn Thananan-narapool Member of the Nominating and Compensation Committee	3/3	2/2	2/2
5. Mr. Wisanu Subsompon****	Member of the Nominating and Compensation Committee	2/3	1/1	1/1
Total number of meetings		3	2	2

\*Mr. Piphob Veeraphong was appointed on May 12, 2015.

\*\* Mr. Pakhawat Kovithvathanaphong resigned on May 12, 2015.

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

\*\*\*\*Mr. Wisanu Subsompon resigned on July 1, 2014, was re-appointed on February 24, 2015 and resigned on May 1, 2016.

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 Nomination and Compensation Committee**

1. Set the policy on nomination the Company's directors, subcommittees and high-level executives, as well as their compensation, to be proposed to the Board of Directors for approval
2. Screen for persons with suitable qualifications and value 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 to 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 nomination and compensation 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

**(c) 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. The names and meeting records of the Risk Management Committee's members in 2014, 2015 and 2016 are as follows:

Name	Position	No. of attended meetings/ all meetings		
		2014	2015	2016
1. Mr. Wisanu Subsompon*	Chairman of the Risk Management Committee	1/1	2/2	1/1
2. Mr. Chadchart Sittipunt**	Chairman of the Risk Management Committee	1/1	-	-
3. Mr. Chalerm Kietitanabumroong	Member of the Risk Management Committee	2/2	2/2	2/2
4. Mr. Nantawat Pipatwongkasem	Member of the Risk Management Committee	2/2	2/2	2/2
5. Mr. Bundit Pitaksit***	Chairman of the Risk Management Committee	-	-	1/1
Total number of meetings during the year		2	2	2

\* Mr. Wisanu Subsompon resigned on July 1, 2014, was re-appointed on February 24, 2015 and resigned on May 1, 2016.

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

\*\*\* Mr. Bundit Pitaksit was appointed chairman of risk management committee on December 1, 2016.

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

1. Consider the risk management policies, guidelines and framework 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 the improvement and development of the Company's internal risk management system consistently and uninterruptedly
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

(d) **Executive Board**

The Executive Board consists of 4 members. The names and meeting-attendance records of the Executive Board for 2014, 2015 and 2016 are as follows:

Name	Position	Number of attended meetings/all meetings		
		2014	2015	2016
1. Mr. Anant Asavabhokhin	President	11/11	12/12	12/12
2. Mr. Adisorn Thananan-narapool	Executive Director	10/11	12/12	12/12
3. Mr. Naporn Sunthornchitcharoen	Executive Director	11/11	12/12	12/12
4. Mr. Wit Tantivorawong	Executive Director	10/11	11/12	12/12
5. Mr. Soong Hee Sang*	Executive Director	4/11	0/1	-
Total number of meetings during the year		11	12	12

\* Mr. Soong Hee Sang resigned on February 24, 2015

**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 assigned 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 Nomination 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 having appropriate qualifications in line with the Company's Articles of Association and business strategies, they should have special knowledge and expertise, as well as the necessary skills to enhance the strengths and effectiveness of the Board of Directors. These criteria were set to ensure a diversity of professional directors, taking into account the structure, size and composition of the board. The Nomination 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 Directors 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 mail to the Secretary to the Board of Directors, who will forward the proposals to the Nomination and Compensation Committee. The Company will notify the timeframe for accepting such proposals through the Stock Exchange of Thailand.
- 2) Majority shareholders may propose suitable director candidates to the Nomination and Compensation Committee.
- 3) The Nomination and Compensation Committee will consider submitting the names of 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 General 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 Nomination and Compensation Committee for endorsement and then to the Board of Directors for approval.

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

Five 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.

There is no director representing The Government of Singapore Investment Corporation (GIC).

### **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 for personal gains. They are informed of their duty to report the holdings of the Company's shares by them and their spouses and minor children. 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 shareholdings 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 form-filled reports must be submitted to the company secretary within 30 days after they have been appointed directors or executives. They need to be submitted them 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 2016, the Company made the following payments to EY Office Limited

Audit fee of the Company	1,600,000 Baht
Audit fee of subsidiaries	2,550,000 Baht
<b>Total</b>	<b>4,150,000 Baht</b>

6.2 Non-audit fee in 2016 - None

Each year, the Company invites audit companies to make offers for their services for price comparisons. The Company hires independent auditors with acceptable qualifications as its auditors. They must be approved by the Securities and Exchange Commission and be rotated every 5 years in line with the SEC's regulations.

## 7. Compliance 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 institutional investors, to attend shareholders' meetings through coordination with its investors' relations unit.

In 2016, the Company held one shareholders' meeting, the 2016 annual general shareholders' meeting, at 13.30 on April 26, 2016. 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 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 shareholders to attend. Appropriate and ample time was also allocated. As a result, the Company held the meeting at its head office at 1 South Sathorn Road, Thung Maha Mek 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 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 the votes were cast.

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 secretary 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.

#### After the meeting

The 1/2016 annual general shareholders' meeting was attended by 1,284 shareholders and proxies, representing 5,512,267,012 shares, or 46.92%, more than one third of all 11,747,583,203 shares. Mr. Anant Asavabhokhin was the chairman of the meeting and Mr. Nantawat Pipatwongkasem, secretary to the Company and its Board of Directors, was the secretary of the meeting. Nine directors attended the meeting. They were

1. Mr. Anant	Asavabhokhin	Chairman
2. Mr. Pakhawat	Kovithathanaphong	Independent Director and Chairman of the Audit Director
3. Mr. Wisanu	Subsompon	Independent Director, Audit Director, Chairman of the Risk Management Committee, and Nomination and Compensation Director
4. Mr. Piphob	Veeraphong	Independent Director, Audit Director and Chairman of the Nomination and Compensation Committee
5. Mr. Bundit	Pitaksit	Independent Director, Audit Director and Chairman of the Risk Management Committee
6. Mr. Naporn	Sunthornchitcharoen	Director and President
7. Mr. Adisorn	Thananan-narapool	Director, Managing Director and Nomination and Compensation Director
8. Mr. Chalerm	Kietitanabumroong	Director, Senior Executive Vice President and Risk Management Director
9. Mr. Nantawat	Pipatwongkasem	Director, Risk Management Director, and Secretary to the Board of Directors

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, as well as the resolution in detail 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 on 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 not approved by the Board of Directors, the Company will notify the shareholders, along with the reasons and explanations for the rejections, on 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 Nomination 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, on its website or through other appropriate communication channels. In 2016, no shareholder proposed an additional agenda item or nominate a director.

4. The Company proposes the names of all of its independent directors as a choice 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 shareholdings and those of their spouses and minor children. They must also submit a report each time such shareholdings change. The measure is detailed under "Supervision 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 that 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 are entitled to appropriate and fair compensation and welfare. The remuneration is suitable for their duties and responsibilities and in line with the labor market's mechanisms. It also matches the Company's operating results in both the short term and long term. Incentives are taken into consideration to encourage employees to perform duties to their full knowledge and capacities. Performance evaluation is done by supervisors and a portion of the compensation is allocated as bonuses to the employees based on the operating results and sustainable growth of the Company.

**The Company provides the following welfare and benefits:**

- 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 claims

- Dental care claims

- 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 efficiencies and content in the workplace through meditation. The project provides fundamental training for 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 2016, 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 set up the Welfare Committee to represent the employees in talks on welfare with the Company. 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 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 regularly held for site engineers and related staff, as well as other employees 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 to offices is allowed only through finger-scanning. A physical checkup is also provided each year. In 2016, 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 help subordinates grow is taken into consideration.
- 6) The Company supports cooperation with educational institutions and other 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 2016, the Company steadily supported skill and competency development by organizing training at all levels from holding internal training, inviting experts to conduct 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 2016, the Company provided 16 hours of training per employee on average.

#### - Trading partners

The Company has laid down business ethics to be used as the guideline on appropriately treating its trading partners. It selects trade partners indiscriminately and fairly. 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, a supply chain system has been adopted in ordering goods to improve convenience and speed while reducing

**- 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 avails 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 repayment.

**- 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 8 consecutive years (2006-2013, the award ended in 2013) 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. These values are embedded 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 to commit 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.

**Whistle-blowing measures and informant protection**

The Company has a policy to protect all groups of its stakeholders by putting into practice a whistle-blowing procedure and a mechanism to protect informants. It accepts information 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 the information 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> floors, South Sathorn Road, Thung Maha Mek, Sathorn, Bangkok 10120".

For employees, the Company arranged a channel to give information 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 tip-offs, 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 information 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 subcommittees, as well as their meeting attendance records, are disclosed under Item, "Management structure" and "Subcommittees". Also disclosed is the report of the chairman 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 2014 to 2016, the Company's high-ranking executives, along with the Investors' Relations Officer, disclosed information to shareholders, investors and stock analysts several times as follows:

	2014	2015	2016
- Domestic, international road shows	9	7	10
- Analyst Meeting	5	5	5
- Company Visit	60	57	52
- Conference Call	7	8	9

**(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, 2016, the Board of Directors consists of 8 members:

Executive directors	5
Independent directors	3

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".

**Separation of roles, duties and responsibilities**

The Company has separated the roles, duties and responsibilities of 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 reviewed by the Board of Directors, of which at least one third of all members are independent directors.

**Composition of the Board of Directors**

The Board of Directors focuses on skill diversity when screening its members. The criteria involve necessary skills and the expertise which is lacking. The structure and composition of the Board of Directors at present consists of directors with expertise in diverse fields; namely, engineering, business administration, economics and law. The diversity of their professions and experiences benefits the Company's operations and provides a fine balance among the directors.

**2. Subcommittees**

The Board of Directors set up 4 subcommittees to help follow up on 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 Nomination 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 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, executives 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 also holds activities to promote compliance with the Code of Conduct and foster the culture of good corporate governance. It effectively communicates the guidelines among employees and follows up on their compliance with the Code of Conduct. Such activities include:

- During the orientation of new employees, the principles of good corporate governance and the 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 compliance through the supervision of the head of each unit and the mechanisms of the Internal Audit and System Development Department in monitoring and evaluating

The Company follows up on compliance with 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. In 2016, the Company's auditors, an independent unit outside the organization evaluated ethical compliance and had no recommendations.

### 3.4 Elimination of conflicts of interests

The Company's Board of Directors has set management tools in place to ensure effective and transparent business so that maximum benefits for the shareholders can be achieved. The Company has set the following measures to eliminate conflicts of interest:

#### **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 enforces compliance with the regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission. Disclosures of transactions with potential conflicts of interest are also 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:

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. Prices must also be set appropriately, as if the transactions were made with a third party.
2. In setting a price to prevent a potential conflict of interest, a fair, appropriate price in line with normal trade practices shall be used.
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. 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 are made in Form 56-1 and the Annual Report. They are also included in the financial statements in line with accounting standards.



### 3.5 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". The Company has set the following risk management policies:

#### Risk management policy

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

### 4. 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".

### 5. 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 2016, the performance of the Board of Directors was evaluated at its 9/2559 meeting on December 19, 2016. 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:

**5.1 Collective performance evaluation** At the Board of Directors' meeting on December 19, 2016, 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.

**5.2 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.



#### 6. 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.

#### 7. Compensation

The Company has clearly determined its policy on the remuneration of directors and president, to be considered and screened by the Nomination 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".

#### 8. Development of directors and executives

The Board of Directors recognizes the importance of director development. It does so by sending directors to attend courses on knowledge and competency improvements 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 2016, the Company held an internal training organized by various internal and external trainers as follows

Director	Date	Course
Executive Vice President	August 26, 2016	Transformative Leadership Workshop:
Operation Executives		Excellence In Work Risk
Support Executives, Senior Vice Presidents	October 17, 2016	Risk Monitoring Tools and EIS System
and Vice Presidents		Workshop
totaling 32	November 8, 2016	Service Excellence

In 2016, the following executives attended the following seminars:

Name	Date	Seminar title
Mr. Naporn Sunthornchitcharoen	January 27, 2016	Speaker on "Changes in Real Estate Market Direction in 2016" of Chiang Mai University
	February 28, 2016	Speaker on "Real Estate and Cities on Operational Level" of Chiang Mai University
	March 6, 2016	Speaker on "Real Estate Development and Cities Workshop on Operational Level" of Chiang Mai University
	March 18, 2016	Speaker on "The Next Real #1" "Professionals with Entrepreneurial Hearts"
	October 14, 2016	Speaker on "The Next Real #2" "Professionals with Entrepreneurial Hearts"
	November 20, 2016	Speaker on "Real Estate and Cities on Operational Level #2" of Chiang Mai University

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 2016, the Company sent its executives to attend courses both inside and outside the Company, including meditation and Dharma courses. Furthermore, the Company sent its executives to attend long-term courses such as master's degree on business administration or executive MBA (11 executives).

#### 9. 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.

#### 10. 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 2016, they met once on December 16, 2016.

#### 11. 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 2016, the Audit Committee met with auditors on December 16 to discuss their independence and exchange views on the internal control system.

# Corporate Social Responsibilities' Report

The Company recognizes the importance of complying with good corporate governance in line with the Principles of Good Corporate Governance for Listed Companies of the Stock Exchange of Thailand. It involves 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 gains for themselves or others, refrain from doing anything illegitimately, 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. It also aims to enhance morality and ethics among its employees by holding meditation training and sermons.

### Guidelines on managing and evaluating corruption risk

- 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 to appropriately evaluate compliance with the Code of Conduct.

- A procedure was set to evaluate internal corruption risk and policy compliance evaluated through the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s model 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 also 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 reviewed and upgraded regularly. Each department head monitors, reviews and follows up on the operation of his unit and assigns his subordinates to do the same.

- The internal control unit checks compliance with regulations and work procedures and ethics. It also evaluates corruption risks, early-warning warnings, adequacy of the internal control system in preventing, monitoring and detecting corruption risk. It reports the audit review at least once every 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 whistleblowers, complainers or collaborators 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.

New employees are informed of the standards on good behaviors and ethics on their first days at work and through employee orientations. In 2016, the Company held an in-house training for executive vice president, operation executives support executives, senior vice presidents and vice presidents on risk monitoring tools so that they can follow up and assess risks more effectively.

### 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) Respect the privacy 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:

- 1) Respect the rights of employees based on human rights principles. More details are under "Human rights observation".

- 2) Determine compensation that matches 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.

- 3) 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".

- 4) Promote the development of employees' potential by organizing training and educating employees at all levels.

- 5) 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 eight consecutive years (2006-2013, the award ended in 2013) 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 property development brand that won the Platinum Award.

### 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 them 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 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 and environmental-friendly.

##### Air Plus Technology: Breathable homes

The air ventilation and circulation system helps replace home with fresh new air. The technology utilizes a hybrid system, switching between solar cells during daytime and electricity during nighttime automatically. This prevents the homes from damp air even when all windows are shut. This technology of building breathable homes is exclusive to the Company under the registered patent.

## 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. The new Auto Washlet is also introduced for better sanitation and comfort.

### 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 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

- 1) Baan Sabai is pre-built before they are sold to customers, allowing customers to set their house-moving schedules conveniently.
- 2) Sells quality products and services to customers at fair prices
- 3) Creates a green environment for each project, with large common gardens for cool atmosphere for residents
- 4) Provides data on projects and products, gives advice to residents and contact customers with courtesy and no exaggerated claims.
- 5) Guarantees products and has an after-sale service to serve residents and provides house checks during warranty periods.
- 6) 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.
- 7) Respect customer privacy and does not reveal their data or exploit them illegitimately
- 8) Holds activities to strengthen ties among project residents, as well as their relationship with the Company in the long run
- With our determination to serve customers and our diligence to improve products, in 2016, Villaggio Rama 2 Project was nominated to receive award as the project of highest quality and reasonable price in the mid-price (3-5 Million Baht) single house category

## **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".

The Company has developed an innovation, "AirPlus: air ventilation control system for breathable homes" to further improve residents' quality of life and to help reduce the energy usage. The new design by the name "LH SMART: A Concept for Better Life" was also introduced. More information can be found under "Innovation and innovative CSR propagation."

The Company conducts environmental impact assessments (EIAs) as required by the Office of Natural Resources and Environmental Policy and Planning, Ministry of Natural Resources and Environment, and complied with the guidelines on mitigating the impacts stipulated in the EIAs. It also takes action and ensures compliance with all 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. Energy-efficient light bulbs are also used at its offices.

#### 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 arranges for training both internally and externally 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 and Tourism Authority of Thailand was invited to give talks on "Ecosystem and Nurturing love for Nature." 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 2016, it organized the following activities:

- "Term Fun Pun Nam Jai" project

On June 8, 2016, the Company has organized "Term Fun Pun Nam Jai" project to give out necessities and funds to students at Ban Dek Ramindra School (Home for the Blind with Multiple Disabilities). Following the first visit, the Company aims to organize the event annually as a society outreach project where our staff can provide mental supports to the children.

- Scholarships for children and rewards for good workers

Scholarships are given every year to help support education for the children of construction workers in all projects and to reward hard-working workers. In 2016, 245 scholarships were given.

## 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. Adapt to modern life style (matching the needs of the new generation)
6. Live-in with good nature (good environment)

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.



On September 27 – 29, 2016, the Company was invited to speak on AirPlus in SEGA-05, the 5th International Conference on Sustainable Energy and Green Architecture 2016 (Theme: Smart technologies and built environment. The seminar was organized with the co-operation between five universities, namely, Faculty of Architecture of Kasetsart University, Faculty of Architecture and Design of King Mongkut's University of Technology North Bangkok, Bangkokthonburi University, Faculty of Industrial Technology of Suan Sunandha Rajabhat University and Faculty of Architecture of Wacana Duta Christian University (Indonesia). The Company was invited as a keynote speaker on "Hybrid Solar-Based System Ventilation System" to speak to both Thai and foreign professors, scholars and students. The history and benefits of AirPlus, together with its design concept that makes use of technology to allow for automatic operations and convenient usage were discussed. With AirPlus, the solar energy was used to generate electricity for internal air ventilation to reduce heat, assist air-conditioners, save energy, lower dampness and further purify the air for better quality of life of residents.

After SEGA-05, the Company organized workshop where a group of Thai and Indonesian professors, students and scholars were invited to see AirPlus in real houses on September 29, 2016 at Nantawan Bangna km7 site.

Apart from AirPlus system that is installed in single houses and townhouse, the company has also invented a new design concept, "LH SMART: A Concept for Better Life" that is used in condominium. Details are as follows:

1. Air Post (Air Ventilation Box), registered as the No. 1402001110 Design Patent, and Vertical Box, registered as No. 1403000438 Petty Patent, are installed in condominium projects. The box would serve multiple purposes, including, mailbox, doorbell, house number plate with lighting, car key shelf and air ventilation channels. This helps improve the efficiency of air ventilation by 35% even with closed doors. The box is now installed in The Room Sukhumvit 69, The Room Rama 4, The Room Sathorn (Pan Road), The Room Sathorn (St. Louis), The Room Charoenkrung, The Bangkok Sathorn and 333 Riverside.

2. Monsoon Window, which is an air ventilation window, is installed along hallway and is always opened to help reduce dampness, and strong odor from new furniture and cooking as well as act as rain shades. It is now installed in The Room Sukhumvit 69, The Room Rama 4, The Key Sathorn-Charoenraj and 333 Riverside.

These two new inventions are already tested for its efficiency in air ventilation by Assistant Professor Dr. Atch Sreshthaputra from Faculty of Architecture, Chulalongkorn Univeristy and his team. The process of calculations and design which aimed for highest efficiency lasted for a year.

# Risk Management Committee's Report

**Dear Shareholders,**

In 2016, the Risk Management Committee met 2 times. Summary of what the Committee had done is as follows:

1. Considering approving the annual risk management plan prepared by executives from related departments, where there were risk assessment, risk prioritization, risk consequences' studies and risk mitigation so that the results are acceptable or less likely
2. Considering approving systems and tools to monitor risk management operations in compliance with the established risk management process
3. Considering approving plans to monitor, review and revise the risk management operations in line with the Company's policy and the established risk management framework to ensure the efficiency of Company's overall risk management system

From the above mentioned actions, The Committee is confident that overall defined risks are sufficient and adequately covered all Company's business operations. Company's risk management process is continuous, efficient and in compliance with good corporate governance principles and guidelines, so the Company could achieve its business goals and for the utmost benefits of shareholders and all stakeholder groups.

Your sincerely,



(Bundit Pitaksit)

Chairman, Risk Management Committee

# 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 always pays 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 makes 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 have 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. 9/2559 on Dec 19, 2016, the Board of Directors considered the preliminary report on the evaluation of the adequacy of the internal control system in 2016 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 5 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 adopted 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 dharma 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 Kiatkajornvirat, Senior Vice President, Internal Audit and System Development. The Audit Committee found Mr. Pornchai Kiatkajornvirat 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.

# 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 the Company and its subsidiaries have 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. The Company is therefore exposed to the risk of not being able to sell all the residential units after they have been built, 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 30 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

### **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. While the overall construction-material price index rose by 0.9% on average in 2016 from 2015, 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, 2016, the Company and its subsidiaries had 68 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 begins 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.

## 3. Financial risks

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

As of December 31, 2016, long-term investments of the Company and its subsidiaries totaled 5,512.1 million baht, representing 5.4% of total assets (Details in Item 3 of Financial Position and Operating Results and Item 14 of the Analysis and Explanations of Management). Most of them were in equity securities. Among the major items are: (1) Starmall Inc. in the Philippines (3,654.1 million baht); (2) Land and Houses Property Fund (443.0 million baht); (3) Quality Houses Property Fund (333.4 million baht); (4) Bangkok Mass Transit System Plc. (178.2 million baht); (5) LH Shopping Centers Leasehold Real Estate Investment Trust (615.0 million baht); and (6) LH Hotel Real Estate Investment Trust (372.6 million baht). 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 110.5 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, 2016, the Company extended short-term loans to 3 of its subsidiaries. The principal and outstanding interest of these loans totaled 265.8 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 (%)
LH Mall and Hotel Co., Ltd.	99.99	132.8	3.5
Atlantic Real Estate Co., Ltd.	99.99	17.2	3.5
LH Asset Co., Ltd.	99.99	115.5	3.5
<b>Total</b>		<b>265.8</b>	

Long-term loans to subsidiaries As of December 31, 2016, the Company had extended a long-term loan with accrued interest receivable 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	8,986.1	4.0-4.48

As of December 31, 2016, 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\$367.2 million or approximately 8,986.1 million baht at a 4%-4.48% annual interest rate, due to be repaid when property is sold or loan from financial institutions is secured.

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 4 apartments for rent, 3 in California and 1 in Oregon, which will generate a long-term return for the Company in future.

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, 2016, 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 192 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 156 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.

# Connected 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, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
Quality Construction Product Plc. (Q-CON)	<ul style="list-style-type: none"> <li>- Land &amp; Houses Plc. (LH) is a majority shareholder of Q-CON (21.16% of all sold shares).</li> <li>- Mr. Naporn Sunthornchitcharoen serves on the Boards of Directors of both companies.</li> </ul>	<ul style="list-style-type: none"> <li>- LH its subsidiaries bought construction materials from Q-CON. <ul style="list-style-type: none"> <li>- Goods purchases 44.3</li> <li>- Trade accounts payable 7.1</li> </ul> </li> <li>- Dividends receivable 11.8</li> </ul>	44.3 7.1 11.8	24.9 3.8 11.8	<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.</li> </ul>
Home Product Center Plc. (HMPRO)	<ul style="list-style-type: none"> <li>- LH is the majority shareholder of HMPRO (30.23%).</li> <li>- Mr. Anant Asavabhokhin and Mr. Naporn Sunthornchitcharoen serve on the Boards of Directors of both companies.</li> </ul>	<ul style="list-style-type: none"> <li>- LH and its subsidiaries bought home-decoration items from HMPRO. <ul style="list-style-type: none"> <li>- Goods purchases 50.2</li> <li>- Trade accounts payable 0.8</li> <li>- Other accounts payable 0.4</li> </ul> </li> <li>- Dividends receivable 670.9</li> </ul>	50.2 0.8 0.4 670.9	60.7 1.6 0.1 1,073.5	<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>
Quality Houses Property Fund (QHPF)	<ul style="list-style-type: none"> <li>- Mr. Anant Asavabhokhin's group - Mr. Anant Asavabhokhin / Mayland Co., Ltd. / and Ms. Piangjai Harnpanij - holds a combined 31.16% in QHPF as of August 29, 2016.</li> </ul>	<ul style="list-style-type: none"> <li>- LH and its subsidiaries rented office building space from QHPF for their head offices. <ul style="list-style-type: none"> <li>- Rentals and service fees 54.9</li> <li>- Advance payments 15.3</li> </ul> </li> </ul>	54.9 15.3	63.7 14.6	<ul style="list-style-type: none"> <li>- According to the evaluation by the Audit Committee and executives, the rentals were comparable to the rates QHPF charged its other customers.</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
Quality Houses Property Fund (QHPPF)	<ul style="list-style-type: none"> <li>- The Company is the majority shareholder of QH (24.98%).</li> <li>- QH is the majority shareholder of QHPPF (25.66%).</li> <li>- Mr. Anant Asavabhokhin and Mr. Adisorn Thananan-narapool serve on the boards of both the Company and QH.</li> </ul>	- Dividends receivable	21.7	24.9	- The dividends are in proportion to the Company's holding.
Land and Houses Bank Plc. (LH Bank)	<ul style="list-style-type: none"> <li>- LH is the majority shareholder (33.98%) of LH Financial Group (LHFG), which owns 99.99% of LH Bank and Land and Houses Fund Management Co., Ltd. (LH Fund)</li> <li>- Quality Houses Plc., an associated company of LH, holds 21.34% of shares in LHFG.</li> <li>- Ms. Piangjai Harnpanij, Mr. Anant Asavabhokhin's mother, holds 16.20% of shares in LHFG</li> </ul>	- The Company and its subsidiaries had savings and current accounts with LH Bank.	4,996.2	1,490.0	<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</li> <li>- Returns were the same as what other investors got.</li> </ul>
Land and Houses Fund Management Co., Ltd. (LH Fund)		Short-term bills of exchange and deposits			
		- Interest income	31.7	29.6	
		- Accrued interest	6.4	0.8	
		- Dividends	16.6	152.9	
		- Investment in funds	601.8	-	
Quality Houses Plc. (QH)	<ul style="list-style-type: none"> <li>- LH holds 24.98% of shares in QH. Mr. Anant Asavabhokhin and Mr. Adisorn Thananan-narapool are directors of both LH and QH.</li> <li>- Government of Singapore Investment Corporation Pte. Ltd. (GIC) is a majority shareholder in both LH (17.01%) and QH (10.77%).</li> </ul>	Dividends receivable	176.3	428.2	- The dividends were in proportion to the Company's holding and at the same rate as paid to other shareholders.
Land and Houses Freehold and Leasehold Property Fund 2 (LHPPF2)	- LH holds 49.99% of LHPPF2	Dividends receivable	-	52.0	- The dividends were in proportion to the Company's holding and at the same rate as paid to other shareholders.



Individual/juristic person	Relationship (as of Dec. 31, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
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. Government of Singapore Investment Corporation Pte. Ltd. (GIC) is a major shareholder of LH (17.01%) and LHP (40%).</li> <li>- Mr. Anant Asavabhokhin serves as a director of both LHP and AAA.</li> <li>- LH holds 99.99% in AAA.</li> </ul>	<ul style="list-style-type: none"> <li>- AAA provides property procurement and management services for LHP, a subsidiary of LH for 1 year, from January, 2015 to December, 2015 for a fee not more than 65 million baht.</li> <li>- Management fees</li> <li>- Service fees at Terminal 21 shopping center</li> </ul>	<p>62.9</p> <p>29.4</p>	<p>-</p> <p>-</p>	<ul style="list-style-type: none"> <li>- The Board of Directors of the Company resolved at its December 22, 2014 meeting that the terms were normal business practices, comparable to the same transactions with outsiders, as agreed by the Audit Committee.</li> </ul>
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 LH.</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 expenses</li> </ul>	<p>57.4</p> <p>2.0</p>	<p>-</p> <p>0.7</p>	<ul style="list-style-type: none"> <li>- According to the evaluation of executives, the interest rate charged for the loans was a market rate of (5.5%)</li> </ul>
Siam Retail Development Co., Ltd. (SRD) and LH Retail Management Co., Ltd. (a subsidiary which Company indirectly holds 99.99%)	<ul style="list-style-type: none"> <li>- Mr. Anant Asavabhokhin holds 24.27% in LH and 27% in SRD.</li> </ul>	<ul style="list-style-type: none"> <li>- SRD was hired by LHR to provide consulting services related to management of Terminal 21 mall for 3 years, from December 23, 2014 to December 2017 for not more than 127 million baht. (The contract was cancelled on December 31, 2016)</li> <li>- Terminal 21 shopping center management fee</li> <li>- Brokerage fee</li> <li>- Other accounts payable</li> </ul>	<p>28.4</p> <p>16.4</p> <p>9.8</p>	<p>2.4</p> <p>0.8</p> <p>-</p>	<ul style="list-style-type: none"> <li>- The Board of Directors' meetings on May 12 and December 22, 2014 were of the opinion that the transactions and their terms were normal trade practices.</li> <li>- The Audit Committee also shared the same opinion.</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
Siam Retail Development Co., Ltd. (SRD) and LH Mall and Hotel (LHMH) (a subsidiary which Company indirectly holds 99.99%)	<ul style="list-style-type: none"> <li>- Mr. Anant Asavabhokhin holds 24.27% in LH and 27% in SRD.</li> </ul>	<ul style="list-style-type: none"> <li>- LHMH was hired by LHR to provide consulting and management services to SRD for 1 year, from March 1, 2016 to February 28, 2017 for not more than 35 million baht.</li> <li>- Management Fees</li> <li>- Trade receivable</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>23.0</li> <li>5.6</li> </ul>	<ul style="list-style-type: none"> <li>- The Board of Directors' meeting on February 29, 2016 was of the opinion that the transactions and their terms were normal trade practices.</li> <li>- The Audit Committee also shared the same opinion.</li> </ul>
Land and Houses Freehold and Leasehold Property Fund (LHPF)	<ul style="list-style-type: none"> <li>- Government of Singapore Investment (GIC) has 17.01% in LH and 15% in LHPF.</li> <li>- LH holds 15% in LHPF.</li> </ul>	<ul style="list-style-type: none"> <li>- The income guarantee was in proportion to the assets sold to the fund by LH and Reco Plaza Pte. Ltd, a subsidiary of GIC, at 52:48 for 3 years from 2013 to 2015 as detailed in the prospectus.</li> <li>- Realized provision for guaranteed income of the fund</li> <li>- Unrealized provision for guaranteed income of the fund</li> <li>- Dividends receivable</li> </ul>	<ul style="list-style-type: none"> <li>32.1</li> <li>18.2</li> <li>34.6</li> </ul>	<ul style="list-style-type: none"> <li>18.2</li> <li>-</li> <li>37.2</li> </ul>	<ul style="list-style-type: none"> <li>- The Board of Directors' meeting on February 28, 2016 was of the opinion that the transactions and their terms were normal trade practices.</li> <li>- The Audit Committee also shared the same opinion.</li> <li>- The dividends were in proportion to the Company's holding and at the same rate as paid to other shareholders.</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 owns 50% of LHPF 2 and 17.01% in LH.</li> <li>- LHH is a subsidiary of LH (60%) and GIC (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. The contract was extended by another 3 years from January 1, 2016 to December 31, 2018 for a rent not more than 500 million baht.</li> <li>- Rentals payable</li> <li>- Trade payables</li> <li>- Other creditors</li> </ul>	<ul style="list-style-type: none"> <li>120.0</li> <li>5.7</li> <li>17.7</li> </ul>	<ul style="list-style-type: none"> <li>163.5</li> <li>-</li> <li>39.6</li> </ul>	<ul style="list-style-type: none"> <li>- The Board of Directors of the Company on August 14, 2014 viewed the transaction was based on general trade terms.</li> <li>- The Board of Directors on December 21, 2015 was of the opinion that transaction was done at a fair price.</li> <li>- The Audit Committee shared the same view.</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
L&H Hotel Management Co., Ltd. (LHH) and LH Mall and Hotel (LHMH) (a subsidiary which Company indirectly holds 99.99%)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder in LH (17.01%).</li> <li>- LHH is a subsidiary of LH in which it indirectly owns 60%. GIC owns 40% in LHH.</li> <li>- LHMH is 99.99% owned by LH.</li> </ul>	<ul style="list-style-type: none"> <li>- LHMH was hired to manage Centre Point Phloenchit Hotel by LHH for 1 year and 2 months, from November 1, 2014 to December 31, 2015, for a fee of 16.2 million baht. The contract was extended by 3 years from January 1, 2016 to December 31, 2018 for the following fees:</li> <li>- Consultant and hotel management fee of not more than 100 million baht</li> <li>- Consulting and management fee for Grande Centre Point Terminal 21 for three years, from December 16, 2015 to December 15, 2018, totaling not more than 200 million baht.</li> </ul>	15.4	29.4	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
L&H Property Co., Ltd. (LHP) (LH holds 60%); L&H Management Co., Ltd. (LHM) (LH holds 99.99%) and QH International Co., Ltd. (QHI) (Subsidiary of QH)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder of LHP (40%) and of QH (10.77%).</li> <li>- LH owns 60% of LHP and 99.99% of LHM.</li> <li>- QHI is a subsidiary of QH.</li> </ul>	<ul style="list-style-type: none"> <li>- 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</li> <li>- Paid by LHP</li> <li>- Paid by LHM</li> </ul>	22.4 9.2	- -	<ul style="list-style-type: none"> <li>- The Board of Directors of the Company on November 11, 2014 viewed the transaction was based on general trade terms.</li> <li>- The Audit Committee also shared the same view.</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
L&H Property Co., Ltd. (LHP) (LH holds 60%) and L&H Hotel Management Co., Ltd. (LHH)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder of LHP (40%) and LH (17.01%).</li> <li>- LHH is indirectly owned by LH (60%) and GIC (40%).</li> </ul>	<p>LHH was hired to provide staff for the operations of 2 hotels for LHP</p> <ol style="list-style-type: none"> <li>1. Grande Centre Point Ratchadamri</li> <li>2. Grande Centre Point Terminal 21 - 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.</li> </ol>	150.5	69.6	<ul style="list-style-type: none"> <li>- 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.</li> <li>- On December 16, 2015, some parts of the Grande Centre Point Terminal 21 contract worth 266.8 million baht were cancelled, effective on December 16, 2015 since the hotel was sold.</li> </ul>
L&H Management Co., Ltd. (LHM) (LH indirectly holds 99.9%) and QH International Co., Ltd. (QHI) (Subsidiary of QH)	<ul style="list-style-type: none"> <li>- LHMH is 99.99% owned by LH.</li> <li>- GIC is a majority shareholder of LH (17.01%) and of QH (10.77%).</li> </ul>	<p>LHM agreed to procure staff for QHI for 3 years</p> <ul style="list-style-type: none"> <li>- January 1, 2015 to December 31, 2017</li> <li>- for a fee not more than 8 million baht.</li> </ul> <p>(The contract was cancelled on May 30, 2015)</p>	0.5	-	<p>The Board of Directors on December 22, 2014 viewed the price as appropriate.</p> <ul style="list-style-type: none"> <li>- The Audit Committee also shared the same view.</li> </ul>
LH Mall and Hotel Co., Ltd. (LHMH) (Subsidiary of LH where LH holds 99.99%) and QH International Co., Ltd. (QHI) (Subsidiary of QH)	<ul style="list-style-type: none"> <li>- LHMH is 99.99% owned by LH.</li> <li>- GIC is a majority shareholder of LH (17.01%) and of QH (10.77%).</li> </ul>	<ul style="list-style-type: none"> <li>- LHMH was hired to provide consulting services of 3 hotels from April 1, 2015 to December 31, 2015.</li> <li>- LHMH agreed to manage retail spaces for QHI from May 2016 to December 31, 2016.</li> </ul>	7.2	-	<ul style="list-style-type: none"> <li>- Transaction was based on general trade terms.</li> <li>- Transaction was based on general trade terms</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
L&H Property Co., Ltd (LHP) and LH Mall and Hotel Co., Ltd. (LHMH) (Subsidiary of LH where LH holds 99.9%)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder of LH (17.01%).</li> <li>- LHP is owned by LH (60%) and GIC (40%).</li> </ul>	<p>LHMH was hired to manage the Grande Centre Point Hotel Ratchadamri and Grande Centre Point Hotel Terminal 21 (only in 2015) from April 1, 2015 to December 31, 2017 for a fee not more than 161 million baht.</p> <ul style="list-style-type: none"> <li>- On December 21, 2015, the contract was extended to December 31, 2018. An additional fee for 2016-2018 was not more than 110 million baht.</li> </ul>	36.5	48.9	<ul style="list-style-type: none"> <li>- The Board of Directors on February 24, 2015 viewed the price as appropriate.</li> <li>- The Board of Director on December 21, 2015 viewed the price as appropriate</li> <li>- The Audit Committee shared the same view.</li> </ul>
L&H Hotel Management Co., Ltd. (LHH) and LH Mall and Hotel Co., Ltd. (LHMH)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder of LH (17.01%)</li> <li>- GIC indirectly owns 40% of LHH</li> </ul>	LHMH hired LHH to procure staff for operations of Grand Centre Point Sukhumvit 55 Hotel for 2 years and 9 months— April 1, 2016 to December 31, 2018 — for a fee not more than 200 million baht	-	18.8	<ul style="list-style-type: none"> <li>- The Board of Directors on May 12, 2016 viewed the price as appropriate.</li> <li>- The Audit Committee shared the same view.</li> </ul>
L&H Management Co., Ltd. (LHM) (Subsidiary of LH where LH holds 99.99%) and Land and Houses Freehold and Leasehold Property Fund (LHPF)	<ul style="list-style-type: none"> <li>- GIC is a majority shareholder of LH (17.01%).</li> <li>- GIC owns 15% of LHPF</li> </ul>	<ul style="list-style-type: none"> <li>- LHM was hired to recruit staff for the implementation of 3 property projects for LHPF for 3 years (April 1, 2015 to December 31, 2018) for a fee not more than 81 million baht.</li> <li>- Actual recruitment costs, plus a 15% service fee</li> <li>- Advances</li> </ul>	<p>23.6</p> <p>-</p> <p>3.4</p>	<p>25.6</p> <p>-</p> <p>4.1</p>	<p>The Board of Directors of the Company on February 24, 2015 viewed the transaction was based on general trade terms.</p> <ul style="list-style-type: none"> <li>- The Audit Committee also shared the same view.</li> </ul>

Individual/juristic person	Relationship (as of Dec. 31, 2016)	Nature of transaction	Value (million baht)		Opinion of directors
			2015	2016	
L&H Property Co., Ltd. (LHP) (LH holds 60%) and Land and Houses Freehold and Leasehold Property Fund 2 (LHPF2)	- GIC is a majority shareholder of LH (17.01%) and of LHPF (50%).	LHP bought a 781.82-square-meter condominium unit of the River Haven project for 23 million baht.	23.0	-	<ul style="list-style-type: none"> <li>- The Board of Directors of the Company on August 13, 2015 viewed the price, assessed by an independent appraiser, was appropriate.</li> <li>- The Audit Committee also shared the same view.</li> </ul>

\* Pacific Real Estate Co., Ltd. changed its name to LH Mall and Hotel Co., Ltd.

In the year 2016, the Company also had the following Related-party transactions

Transaction	Value (million baht)
LHR* received management fees for Terminal 21 mall from LH Shopping Centers Leasehold Real Estate Investment Trust (LHSC) (LH holds 9% of LHSC)	127.2
-Trade receivables	18.3
L&H Hotel Management Co., Ltd. (LHH) (Subsidiary of LH where LH holds 60%) paid rent for Grand Centre Point Terminal 21 to LH Hotel Leasehold Real Estate Investment Trust (LHHOTEL)	375.6
-Trade payables	96.0

\* LHR = LH Retail Management Co., Ltd. holds 99.99% of LHHM (a 99.99%-owned subsidiary of LH)

## 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 shareholders' meetings, depending on each 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 the 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 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

##### LH Financial Group Plc. (LHFG)

As of December 31, 2015, the shareholders of LHFG, which holds 100% of shares in Land and Houses Bank Plc. were:

- (1) Land and Houses Plc. (33.98%)
- (2) Quality Houses Plc. (21.34%)
- (3) Ms. Piangjai Harnpanij (16.20%)
- (4) Groups of executives and other retail shareholders (28.48%)

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. Anant Asavabhokhin. A group led by Mr. Anant is the majority shareholder of LH, with 31.36% (as of August 29, 2016). 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 16.20% 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) 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.

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

(d) 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.

As of December 31, 2016, capital raising of LHFG by Taiwan's CTBC Bank Company Limited is pending approval from Bank of Thailand and Bank of Taiwan. Upon completion of the deal, CTBC Bank would hold 35% while the Company's hold 21.9% of LHFG.



# Report on the Board of Directors’ Financial Responsibilities

The Board of Directors is responsible for 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 Thai Financial Reporting Standards. An appropriate accounting policy was adopted and adhered to consistently. Discretion was applied cautiously and reasonable projections were made. Adequate disclosures of significant information were also made in the Notes to the Financial Statement for the benefits of shareholders and investors. The financial statement had been audited by independent auditors, who issued an unqualified opinion. The Company’s auditor has reviewed and audited the financial statements and expressed an unqualified opinion in the auditor’s report.

The Board of Directors, with the duties of overseeing and improving corporate governance and morality, has set up and maintained an appropriate and effective risk management system and internal control system so it can be reasonably confident the Company’s accounting information is accurate, comprehensive and adequate to maintain assets and prevent corruption or significant irregularities. The Board of Directors also set up the Audit Committee comprising 3 independent directors to supervise and review the quality of financial reporting, and to assess internal control and internal audit. The Audit Committee also considers disclosing connected transactions. Its opinions on these matters are expressed in the Audit Committee report in the Annual Report.

The Board of Directors is of the opinion that the internal control system of the Company is adequate and appropriate, which should inspire reasonable confidence that the consolidated financial statement of the Company and its subsidiaries and that the separate financial statement of the Company for the year ending December 31, 2016 gives fair view in accordance with Thai Financial Reporting Standards.

Your sincerely,



(Mr. Anant Asavabhokhin)  
Chairman of the Executive Board

# The Audit Committee's Report

## Dear Shareholders,

The Audit Committee of Land and Houses Plc. consists of independent directors with expertise and experiences in law, accounting, finance and management. In 2016, it had three members: Mr. Pakhawat Kovithvathanaphong as a chairman, Mr. Piphob Veeraphong and Mr. Bundit Pitaksit, replacing Mr. Wisanu Subsompon who resigned earlier. All of them are not executives or employees of the Company.

In 2016, the Audit Committee held 6 meetings:

Name	Attendance/ Total Number of Meetings	Appointment Date	Resignation Date
1. Mr. Pakhawat Kovithvathanaphong	6/6		
2. Mr. Piphob Veeraphong	6/6		
3. Mr. Bundit Pitaksit	4/4	May 12, 2016	
4. Mr. Wisanu Subsompon	1/1		May 1, 2016

The Audit Committee performed its duties assigned by the Board of Directors and Auditors and in line with the Articles of Association on criteria and guidelines for the Audit Committee, which are in accordance with the guidelines of the Stock Exchange of Thailand, by focusing on compliance with good corporate governance and a good internal audit system. To optimize its efficiencies, the external auditors, the senior vice presidents of the Accounting Department and executives from other departments were invited to join the meetings to discuss related issues. The sixth meeting was held exclusively with the external auditors without management or executives from other departments as the Audit Committee wanted to learn about their work environment and to exchange views with them.

## The major activities of the Audit Committee were:

1. To review the credibility of the Company's quarterly and annual financial statements for the benefits of investors or the users of financial statement.
2. Reviewing and constantly following up on the internal control and audit systems by asking the external auditors and the Company's Internal Audit and System Development Department to regularly report their concerns to the Committee. The objective was to ensure adequate and prompt actions could be taken at all times in line with the constantly changing situation.

The Audit Committee did not find any significant internal control flaw and the external auditors and Internal Audit and System Development Department shared the same view.

3. Reviewing and following 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 violations of government rules and regulations or related laws. It has merely suggested that the Company be more cautious regarding legal disputes with buyers on transferring of central property to building juristic person and housing juristic person.

4. Reviewing 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 Audit Committee found the Company had complied with the rules and these transactions were normal and comparable to those conducted with other operators.

5. Selecting the external auditors based on their independence, reputation and past performances, as well as their remuneration, for this year. The Audit Committee proposed the appointment of the external auditors from EY Office Limited to the Board of Directors and the Company's shareholders approved it at the 2016 annual general shareholders meeting.
6. Constantly emphasizing 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 intention and determination to fight all forms of corruption.
7. This year, the Audit Committee was notified by risk management committee of the Company's monitoring process, that helps manage risks as well as eliminate those short-term and long-term risks regularly. The Audit Committee has provided additional suggestions for increased efficiency of the process.
8. 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 applied its knowledge, capabilities and adequate caution in the best interests of all stakeholders indiscriminately. It was of the opinion that the Company had recognized the importance of the interests of all shareholders and had performed its duty within the framework of the established good corporate governance principles with no significant flaws.

Your sincerely,



(Pakhawat Kovithvathanaphong)  
Chairman of the Audit Committee  
February 20, 2017

# Analysis of Operating Results and Financial Status

## (a) Overall picture of past performances

### Operating results

In 2014, revenue rose 13.50%, or 3,097.21 million baht, to 26,036.70 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. In 2015, sales revenue slowed down amid dwindling purchasing power and a lack of confidence in the country's overall economy. Sales revenue fell 6.97%, or 1,813.56 million baht, to 24,223.14 million baht during the year.

With the sluggish purchasing power in 2015 recovering in the first 6 months, total revenue of 2016 increased by 13.00% or 3,149.24 million baht from 24,223.14 million baht in 2015 to 27,372.38 million baht.

Gross Profit : In 2014, the Company booked gross profit of 10,110.88 million baht and gross profit margin of 35.71%, down 0.52% from the previous year. In 2015, gross profit totaled 8,946.67 million baht while gross profit margin stood at 34.07%, down 1.64% from the previous year.

In 2016, Company booked gross profit of 10,273.81 million baht and gross profit margin of 34.35%, up 0.27% from the previous year.

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

In 2015, the purchasing power declined again in line with the lackluster world economy, resulting in a slowdown in domestic spending.

In 2016, consumer confidence and purchasing power rose following improved confidence in economic conditions. Together with the sluggish demand for residential products in 2015, the improved consumer confidence helped boost revenue growth for the Company.

### 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 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. In 2015, property revenue made up 83.46% to total revenue. The Company and its subsidiaries booked a profit from the sale of the leasehold right of the Grande Centre Points Terminal 21 hotel to the LH Hotel Real Estate Investment Trust, which made up 7.02% of total revenue. The sale of an apartment in California also made up 0.82% of total revenue. In 2016, the share of property in the consolidated revenue was 85.93%.

Sales Revenue: Booking revenue consists of revenue from the sales of detached houses, townhouses and condominiums. The revenue is realized when ownerships have been transferred to buyers. Most sales revenue from 2014 to 2016 came from the sales of detached houses or 72.3%, 69.3% and 71.5% respectively. While the Company and its subsidiaries focus on building detached houses for sale, they have expanded their customer bases by developing for sale other types of residential units - townhouses and condominiums - to meet customers' demand, while maintaining the proportion of detached houses at approximately 70%. In 2016, the booking revenue consisted of sales revenue of detached houses (71.5%) townhouses (7.4%) and condominiums (21.2%).

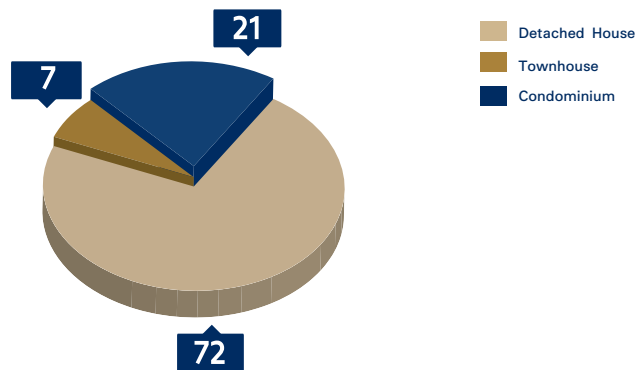
Booking revenue of the Company has declined in 2015 but rose back in 2016. Details are as follow:

In 2014, booking revenue increased by 13.50%, or 3,097.21 million baht, from the previous year to 26,036.70 million baht.

In 2015, booking revenue dropped 6.97%, or 1,813.56 million baht, from the previous year to 24,223.14 million baht.

In 2016, booking revenue increased by 13.00%, or 3,149.24 million baht, from the previous year to 27,372.38 million baht, following improved consumer confidence and sluggish demand in 2015.

Booking Revenue in 2016 by Type



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.

In 2015, lease revenue was 2,036.49 million baht, accounting for 7.02% of total revenue and down 10.67%, or 243.39 million baht, from the previous year.

In 2016, lease revenue was 2,536.13 million baht, representing 7.96% of total revenue, up 24.53% or 499.64 million baht from the previous year. The rise came as a result of increased lease revenue of apartment and hotels in the United States.

Share in the earnings (losses) of investments in associated companies: In 2014 and 2015, the share in the earnings (losses) of the Company's investments in associated companies was 2,210.22 million baht and 2,436.60 million baht respectively, up 101.46 million baht or 4.81% and up 226.38 million baht or 10.24% respectively. In 2016, the share in the earnings (losses) of the Company's investments in associated companies was 2,963.53 million baht, up 21.63% or 526.93 million baht from the previous year.

Share of profit from investments in associated companies (2014-2016)

Unit: thousand baht

Company	2014	2015	2016
LH Financial Group Plc.	404,868	561,293	916,316
Quality Construction Product Plc.	27,139	1,528	(22,794)
Home Product Center Plc.	1,001,709	1,057,823	1,247,172
Asia Asset Advisory Co., Ltd.	(121)	-	-
Land and Houses Property and Loan Fund-II	(54,917)	38,013	52,356
Quality Houses Plc.	831,543	777,941	770,484
<b>Total</b>	<b>2,210,221</b>	<b>2,436,598</b>	<b>2,963,534</b>

Other incomes: Other incomes consist of profits from the disposal of investments, reversals of investment impairment, reversals of losses from project impairment, interest income, utility services fee incomes, dividends receivable and other incomes. In 2014, other incomes jumped by 442.28%, or 2,946.72 million baht, year-on-year, to 3,614.97 million baht 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 million baht. In 2015, other incomes fell 23.49%, or 849.28 million baht, to 2,765.69 million baht, mainly due to profits from the sale of the leasehold right at the Grande Centre Point Terminal 21 hotel to the LH Hotel Real Estate Investment Trust (2,036.88 million baht) and from the sale of an apartment in California (239.95 million baht). In 2016, other incomes of the Company were at 1,944.44 million baht, down 29.69% or 821.23 million baht. This was due to the profit from sale of assets of 2,276.83 million baht in 2015 while in 2016, the profit from sale of land along Mai Khao Beach, Phuket province was 1,240.00 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).

In 2015, other incomes of 2,765.69 million baht consisted of profit from the asset sale to a real estate investment trust (2,036.88 million baht), profit from the sale of an apartment in California (239.95 million baht), utility fee income (254.53 million baht), dividends (81.34 million baht), interest and other incomes (152.98 million baht).

In 2016, other incomes of 1,944.44 million baht consisted of profit from the asset sale of land along Mai Khao Beach, Phuket province (1,240.00 million baht), utility fee income (249.30 million baht), dividends (147.21 million baht) and interest and other incomes (307.93 million baht).

Gross profit margin: In 2014, gross profit margin fell to 35.71% of revenue. The gross profit margin of revenue from building and land sales was 35.38% and that of lease revenue stood at 39.45%. In 2015, gross profit margin dropped further to 34.07% of revenue. The gross profit margin of revenue from building and land sales was 33.93% and that of lease revenue stood at 35.72%.

In 2016, gross profit margin improved slightly by 0.28% to 34.35%. The gross profit margin of revenue from building and land sales was 34.89% and that of lease revenue stood at 28.55%.

Management expenses: Management expenses in 2014 were 2,014.89 million baht, representing 6.31% of total revenue. In 2015, management expenses were 1,807.51 million baht, or 6.23% of total revenue, down 10.29%, or 207.38 million baht, year-on-year, due to declines in asset repair costs (90.16 million baht) and consultant and management fees (99.02 million baht).

In 2016, management expenses were 2,058.93 million baht, representing 6.46%, up by 13.91% or 251.42 million baht.

Sales expenses: Sales expenses, excluding special business taxes and transfer fees, in 2014 stood at 997.56 million baht, representing 3.12% of revenue. In 2014, they rose 9.82%, or 89.19 million baht, from 2013. In 2015, the expenses stood at 887.71 million baht, or 3.06% of revenue, down 11.01%, or 109.84 million baht, from the previous year as a result of lower advertising and promotion expenses.

In 2016, sales expenses were at 920.13 million baht, representing 2.89% of total revenue. The figure was 3.65% or 32.42 million baht higher year-on-year.

Special business taxes and transfer fees: 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 higher sales. In 2015, special business taxes and transfer fees stood at 878.51 million baht, or 3.03% of revenue. They fell 11.49%, or 114.07 million baht, from the previous year due to declining sales and the tax break and transfer fee reduction in late 2015.

In 2016, special business taxes and transfer fees were 991.49 million baht, or 3.11% of total revenue. Compared to 2015, they increased by 112.98 million baht, or 12.86% following the improved sales and expiration of tax break and transfer fee reduction.

Losses from project impairment: Losses from project impairment from 2014 to 2016 stood at 33.12 million baht, 2.50 million baht and 5.96 million baht respectively.

Earnings before interest and corporate income tax: Earnings before interest and corporate income tax in 2014 and 2015 stood at 9,685.97 million baht and 8,136.13 million baht respectively. In 2014, earnings before interest and corporate income tax jumped by 57.49%, or 3,535.83 million baht, year-on-year due to profit from the sale of its leasehold rights at Terminal 21 shopping center of 3,148.20 million baht. In 2015, earnings before interest and corporate income tax dropped 16%, or 1,549.84 million baht, from the previous year due to an 871.37 million-baht decline in profit from asset sales and lower booking revenue.

In 2016, earnings before interest and corporate income tax were at 8,109.16 million baht, down 0.33% or 26.97 million baht compared to the previous year.

Earnings before corporate income tax: Earnings before corporate income tax in 2014 and 2015 were 11,393.12 million baht and 10,268.03 million baht respectively. In 2014, they surged by 48.17%, or 3,703.98 million baht, year-on-year. For 2015, earnings before corporate income tax fell 9.87%, or 1,125.09 million baht, from the previous year.

In 2016, earnings before corporate income tax were at 10,699.53 million baht, up 4.20% or 431.50 million baht compared to the previous year.

Net profit: Net profit of the Company and its subsidiaries from 2014 to 2015 was 8,423.08 million baht and 7,920.23 million baht respectively. In 2016, net profit was 8,617.97 million baht, down by 8.81% or 697.74 million baht.

Based on the aforementioned operating results and the profitability ratios of the Company in 2014 and 2015, its gross profit margin stood at 35.71% and 34.07% respectively. Net profit margin was 26.38% and 27.29% respectively. In 2016, the Company's gross profit margin and net profit margin were 34.35% and 27.06%

Earnings per share: Based on the average number of shares in 2014 and 2015 at 10,985.57 million and 11,730.03 million shares respectively, basic earnings per share were 0.80 and 0.69 baht respectively. In 2016, based on the average number of shares used in the calculation of 11,786.55 million, basic earnings per share were 0.73 baht.

Dividends payable: Based on the operating results, the Company considered paying dividends for its performances in 2014, 2015 and 2016 as follows:

	Dividend rate (%)	Dividends (million baht)	Payment date
Dividends for 2014 operations	84.27	2,700 4,678	September 12, 2014 May 22, 2015
Dividends for 2015 operations	88.85	2,926 4,111	September 10, 2015 May 24, 2016
Dividends for 2016 operations	89.23	4,123 3,856	September 9, 2016 May 24, 2017

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 approved on February 24, 2015 the total dividend of 0.65 baht a share for 2014 operations, leaving outstanding dividend to be paid in May 22, 2015 of 0.40 baht a share or 4,678 million baht. Total dividends paid for 2014 operations were 84.27% of net earnings



Dividend payment for 2015 operations The Board of Directors approved on August 13, 2015 the payment of an interim dividend of 0.25 baht per share (at one-baht par) for the 2015 operations, totaling 2,926 million baht. The board approved on February 29, 2016 the total dividend for the 2015 operations at the rate of 0.60 baht (at one-baht par) to be approved at the shareholders' meeting, leaving the outstanding dividend to be paid in May 24, 2016 of 0.35 baht a share or 4,111 million baht. Total dividends paid for 2015 operations were 88.85% of net earnings.

Dividend payment for 2016 operations The Board of Directors approved on August 11, 2016 the payment of an interim dividend for the first six months of 0.35 baht per share (at one-baht par) for the 2016 operations, totaling 4,123 million baht paid on September 9, 2016. The board approved on February 28, 2017 the total dividend for the 2016 operations at the rate of 0.65 baht (at one-baht par) to be approved at the shareholders' meeting, leaving the outstanding dividend to be paid of 0.30 baht a share or 3,568 million baht. Total dividends paid for 2016 operations were 89.23% of net earnings.

## (b) Financial position

### Assets

Total assets of the Company and its subsidiaries as of the end of 2014, 2015 and 2016 stood at 86,887.56 million baht, 98,069.75 million baht and 101,505.54 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, real estate for investment and leasehold rights and properties under leasehold rights. Details of the Company's assets are as follows:

Inventories: Outstanding inventories as of the end of 2014, 2015 and 2016 were valued at 43,486.57 million baht, 48,117.96 million baht and 48,925.72 million baht, representing 50.05%, 49.07% and 48.20% of total assets respectively. The Company separated the accounts of undeveloped land of its own and its subsidiaries, as well as its related expenses, totaling 4,131.68 million baht, 4,093.70 million baht and 3,215.94 million baht as of the end of 2014, 2015 and 2016 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 2014, 2015 and 2016 were 172.13 million baht, 184.02 million baht and 156.93 million baht respectively and were under the leasing business.

Investment in associated companies Investments in associated companies under the equity method as of December 31 of 2014, 2015 and 2016 are as follows:

Unit: thousand baht

Company	2014	2015	2016
LH Financial Group Plc.	5,543,973	6,109,613	6,913,223
Quality Construction Products Plc.	425,860	412,906	378,263
Home Product Center Plc.	5,365,640	5,728,752	5,906,439
Land and Houses Property Fund	32,402	-	-
Land and Houses Property and Loan Fund-II	482,209	466,998	467,359
Quality Houses Plc.	5,646,905	6,245,449	6,593,696
<b>Total</b>	<b>17,496,989</b>	<b>18,963,718</b>	<b>20,258,980</b>
<b>% of total assets</b>	<b>20.14</b>	<b>19.34</b>	<b>19.96</b>

Long-term investments: Long-term investments at the end of 2014, 2015 and 2016 were valued at 5,380.54 million baht, 5,209.97 million baht and 5,512.97 million baht, accounting for 6.19%, 5.31% and 5.43% of total assets, respectively.

In 2014, long-term investments stood at 5,380.54 million baht, up 2,530.92 million baht from the previous year, mainly due to higher valuation of Starmall Inc. shares (2,118.09 million baht) and investment in LH Shopping Centers Leasehold Real Estate Investment Trust (LHSC) (443.65 million baht).

In 2015, long-term investments stood at 5,209.97 million baht, down 170.57 million baht from the previous year. Among the key items were an investment in Starmall Inc. in the Philippines of 3,662.20 million baht and investments in property funds and real estate investment trusts totaling 1,444.02 million baht

In 2016, long-term investments stood at 5,212.07 million baht, up 302.1 million baht from the previous year. Among the key items were an investment in Starmall Inc. in the Philippines of 3,654.11 million baht and investments in property funds and real estate investment trusts totaling 1,857.96 million baht

Land pending development: As of the end of 2014, 2015 and 2016, land pending development was valued at 4,131.68 million baht, 4,093.70 million baht and 3,215.94 million baht, representing 4.76%, 4.17% and 3.17% of total assets respectively.

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

At the end of 2015, land pending development totaled 4,093.70 million baht after an impairment allowance of 802.93 million baht.

At the end of 2016, land pending development totaled 3,215.94 million baht after an impairment allowance of 808.89 million baht.

In June 2016, two subsidiaries, which the Company indirectly owns 55%, sold a piece of land pending development along Mai Khao Beach, Phuket province at 2,185 million baht. With the cost of 945 million baht, the Company booked and realized profit of 1,240 million baht in 2016 fiscal year.

#### Real estate for investment

In 2014, 2015 and 2016, the Company had immovable assets for investment worth 3,726.50 million baht, 6,418.44 million baht and 14,545.30 million baht respectively. As of the end of 2015 and 2016, the Company's immovable asset for investment was apartments in California, bought by its subsidiary Land and Houses U.S.A. Inc. (LH USA) had fair value of 7,003.0 million baht (US\$194 million) and 15,055.0 million baht (US\$420 million) respectively. The fair value of immovable assets for investment was calculated based on the following criteria:

- For vacant plots and apartments for rent bought in 2016, the fair value was based on purchase prices. Management believed there was no significant difference in the purchase prices and the fair value.

- The apartments for rent bought before 2016 were appraised in 2015 by an independent appraiser using the market comparison approach and the income approach.

By the end of 2016, the Company had pledged real estate for investment worth 6,277 million baht as collateral for loans from foreign financial institutions. (December 31, 2015: 2,620 million baht)

#### Land, buildings and equipment:

In 2014, the net value of land, buildings and equipment stood at 288.33 million baht, down 327.96 million baht from the previous year, as clubs at projects were booked as inventories.

In 2015, the net value of land, buildings and equipment was 310.86 million baht, up 22.53 million baht from the end of 2014.

In 2016, the net value of land, buildings and equipment was 574.09 million baht, up 263.23 million baht from the end of 2015

#### Leasehold rights

In 2014, 2015 and 2016, the Company and its subsidiaries had leasehold rights worth 3,667.33 million baht, 2,402.47 million baht and 3,778.86 million baht respectively. As of December 31, 2016, the Company held the leasehold rights for the Grande Centre Point Ratchadamri hotel (1,514.20 million baht), the Grande Centre Point Thong Lor hotel (1,613.20 million baht) and vacant plots 651.45 million baht). For the leasehold rights of land and buildings of the Grande Centre Point Ratchadamri hotel and the Grande Centre Point Thong Lor hotel project, which had accounting value of 1,514.20 million baht and 1,613.20 million baht respectively as of December 31, 2016, the Company's subsidiaries pledged them as collateral for overdraft and long-term loans.

#### Asset Quality

##### (1) Inventories

As of December 31, 2014, net outstanding inventories stood at 43,646.48 million baht, up 4,822.94 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 43,486.58 million baht.

As of December 31, 2015, net outstanding inventories stood at 48,278.40 million baht, up 4,631.92 million baht from the end of 2014, due to project development. Product impairment allowances were 160.44 million baht and outstanding inventories had a net book value of 48,117.96 million baht.

As of December 31, 2016, net outstanding inventories stood at 49,083.27 million baht, up 808.87 million baht from the end of 2015, due to project development. Product impairment allowances were 804.87 million baht and outstanding inventories had a net book value of 48,925.72 million baht.

##### (2) Long-term investments: Long-term investments as of the end of 2016 are as follows:

Unit: million baht			
	Securities available for sale	General investments	Total
Equity securities	3,882.62	204.40	4,087.02
Less: Allowances for revaluation	1,535.55	-	1,535.55
Less: Allowances for impairment of investments	-	110.50	110.50
<b>Total</b>	<b>5,418.17</b>	<b>93.90</b>	<b>5,512.07</b>

#### 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 : million baht)	2014	2015	2015
Cash flow from operating activities	2,301.42	1,557.02	7,278.48
Cash flow from investing activities	5,636.82	1,873.97	(5,979.52)
Cash flow from financing activities	(2,649.51)	(752.96)	(7,774.62)

In 2014, cash and cash equivalents rose by 5,288.73 million baht from increases in operating activities (2,301.42 million baht) and investing activities (5,636.82 million baht). It was spent on financing activities (2,649.51 million baht).

In 2015, cash and cash equivalents rose by 2,678.03 million baht from operating activities (1,557.02 million baht) and investing activities (1,873.97 million baht). It was spent on financing activities (752.96 million baht).

In 2016, cash and cash equivalents declined by 6,475.66 million baht from investing activities (5,980.84 million baht), financing activities (7,773.30 million baht) and foreign exchange rate effect (119.49 million baht). It rose on operating activities (7,278.48 million baht).

In 2014, cash flow from operating activities was 2,301.42 million baht in surplus, mainly earning before tax (11,393.11 million baht), an increase in inventory (3,701.21 million baht) and non-cash share of profit from investment in associated companies (2,210.22 million baht), as well as profit from the sale of leasehold right at the Terminal 21 shopping center (3,148.20 million baht), which was not operating profit.

In 2015, cash flow from operating activities was 1,557.02 million baht in surplus, mainly earning before tax (10,268.03 million baht), an increase in inventories (3,689.09 million), non-cash share of profit from investment in associated companies (2,436.60 million baht) and profit from the sale of the leasehold rights of the Grande Centre Point Terminal 21 (2,036.88 million baht), which was not operating profit. A corporate income tax of 1,162.45 million baht was also paid.

In 2016, cash flow from operating activities was 7,278.48 million baht in surplus, mainly earning before tax (10,699.53 million baht), non-cash share of profit from investment in associated companies (2,963.53 million baht) and profit from the sale of land pending development (1,240.00 million baht), which was not operating profit. A corporate income tax of 1,227.32 million baht was also paid.

Cash flow from investing activities in 2014 was 5,636.83 million baht in surplus, mainly from the sales of immoveable assets and leasehold rights (5,808.62 million baht), dividends from associated companies (629 million baht), additional investments in subsidiaries and associated companies (139.96 million baht), long-term investments (448.05 million baht) and investments in immoveable assets and leasehold rights (315.13 million baht).

Cash flow from investing activities in 2015 was 1,873.97 million baht in surplus, mainly from the sales of immoveable assets and leasehold rights (4,394.04 million baht), dividends from associated companies (875.64 million baht), additional long-term investments (282.30 million baht) and investments in immoveable assets and leasehold rights (3,319.91 million baht).

Cash flow from investing activities in 2016 was 5,980.84 million baht in deficit, mainly from the purchase of immoveable assets and leasehold rights (8,302.35 million baht). The cash inflow is from the sales of land pending development (2,185.00 million baht) and dividends from associated companies (1,718.43 million baht).

Cash flow from financing activities in 2014 was minus 2,649.51 million baht, mainly due to dividend payments (4,192.35 million baht) and short-term loan repayments (2,690 million baht). The Company received 7,100 million baht from debenture issues and repaid a net 3,491.7 million baht in long-term loans. It received 3,396.01 million baht from capital increase and paid 1,537.95 million baht in interest and 931.01 million baht in dividend payments to minority shareholders.

Cash flow from financing activities in 2015 was minus 752.96 million baht, mainly dividend payments (7,582.75 million baht), debenture redemption (7,600 million baht), net repayments of long-term loans (2,379.01 million baht) and interest payments (1,356.93 million baht). It received 2,629.80 million baht from capital increase, raised 15,000 million baht from debenture issues and drew 1,022.51 million baht in long-term borrowings.

Cash flow from financing activities in 2016 was minus 7,773.30 million baht, mainly dividend payments (8,202.10 million baht) and debenture redemption and interest payments (2,801.48 million baht). It raised 3,750 million baht from domestic debenture issues.

#### Important liquidity ratios

Liquidity ratio in 2014 was 3.21 times while quick ratio 0.43 times. The liquidity and quick ratios rose in 2013 before improving in the following year due to an increase in current assets, especially cash. In 2015, the liquidity and quick ratios climbed to 3.49 and 0.60 respectively. In 2016, the liquidity and quick ratio therefore dropped to 2.72 and 0.16 respectively.

In 2014, the liquidity ratio was 3.21 times while the quick ratio stood at 0.43 times. They rose due to an increase in current assets, especially cash and inventories, which grew by 5,270.91 million baht and 4,990.49 million baht respectively while current liabilities climbed by only 2,538.23 million baht from the previous year. The quick ratio increased from 2013 as a result of a cash increase of 5,270.91 million baht.

In 2015, the liquidity ratio was 3.49 times while the quick ratio was 0.60. The liquidity ratio rose as a result of year-on-year increases in current assets, especially cash (2,520.31 million baht) and inventories (4,631.39 million baht) while current liabilities grew by only 855.69 million baht. The quick ratio also climbed from 2014 as a result of an increase of cash by 2,520.31 million baht.

In 2016, the liquidity ratio was 2.72 times while the quick ratio was 0.16. The liquidity ratio dropped as a result of year-on-year decline in current assets, especially cash (6,256.17 million baht) while current liabilities grew by 2,295.78 million baht. The quick ratio therefore dropped on a year-on-year basis.

The creditor ratio in 2014 was 5.71 times, with repayment periods standing at 63 days respectively. In 2015, the creditor ratio dropped to 5.07 times, while the repayment period stood at 71 days.

In 2016, the creditor ratio was 5.45 times, with repayment periods standing at 66 days respectively.

#### 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 2014, the Company received cash dividends from Atlantic Real Estate Co. Ltd. (70.49 million baht), Land and Houses North Co., Ltd. (8 million baht) and L&H Property Co., Ltd. (1,396.50 million baht). 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 2 existing shareholders, totaling 3 million baht. The transaction transformed Asia Asset Advisory Co., Ltd. into a 99.99%-owned subsidiary of the Company.

In 2015, the Company received a dividend from Atlantic Real Estate Co., Ltd. (59.99 million baht), Siam Tanee Property Co., Ltd. (99.99 million baht) and L&H Property Co., Ltd. (1,381.80 million baht). It also fully paid for 13.8 million new shares issued by LH Mall & Hotel Co., Ltd. (formerly Pacific Real Estate Co., Ltd.) at 45 baht each, totaling 621 million baht.

On December 31, 2015, LH Muang Mai Co., Ltd. pledged the ordinary shares of its subsidiaries (Phuket Future Plan Co., Ltd. and Doubletree Co., Ltd.) as collateral for its long-term borrowing.

In November 2015, L&H Property Co., Ltd. sold all of its investment worth 1.7 million baht in its subsidiaries (L&H Management Co., Ltd. and L&H Retail Management Co., Ltd.) to LH Mall & Hotel Co., Ltd. (formerly Pacific Real Estate Co., Ltd.). The transaction resulted in an increase in the Company's indirect holdings in L&H Management Co., Ltd. and L&H Retail Management Co., Ltd. from 60% to 99.99%.

In 2016, the Company received dividends from LH Muang Mai Co., Ltd. (284.62 million baht), L&H Property Co., Ltd. (305.76 million baht) and Asia Asset Advisory Co., Ltd. (39.6 million baht). Investment expenses in subsidiaries are as follows:

The company subscribed to newly issued shares of its 99.99%-owned subsidiary LH Mall & Hotel Co., Ltd and paid 759 million baht in exchange for 13.8 million shares at 55 baht each on January 8, 2016. LH Mall & Hotel Co., Ltd now has 20 million issued shares, valued at 100 baht per share, making its registered capital worth 2,000 million baht.

A 60%-owned subsidiary L&H Property Co., Ltd has approved the following changes with regards to its registered shares:

- Issued 10 million new shares at 15 baht each, totaling 150 million baht. The Company has purchased new shares according to the proportion of ownership and paid 90 million baht on June 15, 2016.

- Amended price per share from 100 baht per share to 63 baht per share. After the change, the subsidiary had registered capital of 1,638 million baht, in form of common stocks (26 million shares at 63 baht each). The Company has received 577 million baht on June 16, 2016 from the mentioned capital decrease.

Land and House U.S.A., Inc, which is a 100%-owned subsidiary, has approved of a capital increase from \$20 million to \$40 million. The Company paid approximately 727 million baht on January 20, 2016.

#### Fund sources

The Company's debt-to-equity ratio as of the end of 2014, 2015 and 2016 was 0.96, 1.09 and 1.12 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 in 2016.

As of the end of 2014, shareholders' equity was 44,274.95 million baht, up 9,431.92 million baht, on net operating profit (8,423.08 million baht). The shareholders' equity fell after dividend payments (4,192 million baht), a dividend payment to minority shareholders (931 million baht), an increase of unrealized profit/loss of investment in Starmalls Inc. (1,666.30 million baht) and a capital increase (3,396.01 million baht).

As of the end of 2015, shareholders' equity stood at 46,895.12 million baht, up 2,620.18 million baht. The increase came from net operating profit (7,920.23 million baht), minority interest (746.42 million baht) and capital increase (2,629.80 million baht). It dropped after dividend payments (7,582.75 million baht) and dividend payments to minority shareholders (921.21 million baht).

As of the end of 2016, shareholders' equity stood at 47,951.55 million baht, up 1,056.43 million baht. The increase came from net operating profit (8,617.97 million baht) and minority interest (509.87 million baht). It dropped after dividend payments (8,202.10 million baht) and increased from others (130.69 million baht).

#### Liabilities

Consolidated liabilities as of the end of 2014 and 2015 stood at 42,612.62 million baht and 51,174.63 million baht respectively. As of the end of 2016, they were 53,553.99 million baht. Major liabilities were long-term borrowings (4,331.06 million baht), debentures (28,250 million baht), current portion of long-term debts (11,078.55 million baht) and trade accounts payable (3,317 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, 2016

Company	Type	Unit	Amount	Interest rate	Collateral	Due date
LH	Overdraft	baht	-	MOR	None	Upon call
	Promissory notes	baht	-	MOR-1.5%	None	Upon call
	Long-term loans (5 contracts)	baht	3,075.18 MLR 2.25%	Years 1-3 = 3.95% Years 4-5 = 3.85%	None	Within 3 years from the date the first lot is drawn
	Local debenture 1/2557	baht	500.0	Fixed at 3.63%	None	3 years to be redeemed on February 27, 2017
	Local debenture 2/2557	baht	3,500.0	Fixed at 3.59%	None	3 years to be redeemed on April 4, 2017
	Local debentures 4/2557	baht	1,000.0	Fixed at 3.70%	None	3.5 years to be redeemed on March 17, 2018
	Local debenture 5/2557	baht	4,000.0	Fixed at 3.50%	None	3 years to be redeemed on October 6, 2017
	Local debenture 1/2558	baht	1,000.0	Fixed at 3.02%	None	3.5 years to be redeemed on September 25, 2018
	Local debenture 2/2558 - 1	baht	7,000.0	Fixed at 2.81%	None	To be redeemed on April 2, 2018
	Local debenture 2/2558 - 2	baht	1,000.0	Fixed at 3.31%	None	To be redeemed on April 2, 2020
	Local debenture 3/2558 - 1	baht	4,000.0	Fixed at 2.41%	None	To be redeemed on October 8, 2018
	Local debenture 3/2558 - 2	baht	1,000.0	Fixed at 2.66%	None	To be redeemed on October 8, 2019
	Local debenture 3/2558 - 3	baht	1,000.0	Fixed at 2.99%	None	To be redeemed on October 8, 2020
	Local debenture 1/2559	baht	5,000.0	Fixed at 1.82%	None	To be redeemed on April 29, 2019
	Local debenture 2/2559	baht	7,250.0	Fixed at 2.23%	None	To be redeemed on October 28, 2019
LHMH	Long-term loan	baht	1,126.0	MLR-2.5%	Project land and buildings	March 2018 – December 2027 (40 installments)

Company	Type	Unit	Amount	Interest rate	Collateral	Due date
LHM & subsidiaries	Long-term loan	baht	-	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
LH-USA	Long-term loan	baht	1,254.0	3- or 5-year swap rate (Bloomberg) + 1.29% whichever is lower	Apartments for rent of project	Repaid in full in 5 years from the first drawing date
	Long-term loan	baht	1,951.0	Fed fund rate or Prime rate +0.5 of LIBOR rate +0.5 whichever is the highest + 0.5%	Apartments for rent of project	Repaid in full in 3 years from the first drawing date, renewable for 2 years
	Total		43,656.18			

LH = Land & Houses Plc., LHMH = LH Mall & Hotel Co., Ltd., LHM = LH Muang Mai Co., LH-USA= Land and Houses U.S.A.,Inc.

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

#### Future obligations and liabilities

1. As of December 31, 2016, the Company and its subsidiaries had obligations under construction contracts worth 3,546 million baht.
2. As of December 31, 2016, L&H Property Co., Ltd. and its subsidiaries had obligations under land and buildings lease contracts to construct buildings for rent as follows:

#### A) Lease agreement for land with buildings

Agreement date	Agreement period	Maturity date	Rental rate
June 7, 2005	30 years*	May 31, 2038	From June 1, 2008 but if the construction of buildings completes before this date, the rental period shall begin immediately in which case the following progressive monthly rental rates shall apply: - 1 <sup>st</sup> -5 <sup>th</sup> year, total rental payment of 33.15 million baht (Full amount has been paid) - 6 <sup>th</sup> -10 <sup>th</sup> year, total rental payment of 42.31 million baht (As at 31 December 2016 : already paid Baht 29 million in total) - 11 <sup>th</sup> -15 <sup>th</sup> year, total rental payment of 54.00 million baht - 16 <sup>th</sup> -20 <sup>th</sup> year, total rental payment of 68.92 million baht - 21 <sup>st</sup> -25 <sup>th</sup> year, total rental payment of 87.97 million baht - 26 <sup>th</sup> -30 <sup>th</sup> year, total rental payment of 112.27 million baht

\* The lease term started from June 1, 2008 (3 years after construction).



As of December 31, 2016 and December 31, 2015, L&H Property Co., Ltd., one of the Company's subsidiaries, was committed to paying security fees at the rate of 11,160 baht a month throughout the construction period and the lease term.

b) Land lease agreement

Agreement date	Agreement period	Rental and leasehold rights fee
March 10, 2006	30 years*	<ul style="list-style-type: none"> <li>- Leasehold rights fee of 500 million baht (already paid in lump sum)</li> <li>- Rental fee is to be monthly paid as follows: <ul style="list-style-type: none"> <li>- 1<sup>st</sup>-5<sup>th</sup> total rental of 20.16 million baht (Full amount has been paid)</li> <li>- 6<sup>th</sup>-10<sup>th</sup> total rental of 23.18 million baht (As at 31 December 2016 : already paid Baht 6 million in total)</li> <li>- 11<sup>th</sup>-15<sup>th</sup> total rental of 26.66 million baht</li> <li>- 16<sup>th</sup>-20<sup>th</sup> total rental of 30.66 million baht</li> <li>- 21<sup>st</sup>-25<sup>th</sup> total rental of 35.25 million baht</li> <li>- 26<sup>th</sup>-30<sup>th</sup> total rental of 40.54 million baht</li> </ul> </li> </ul>

\* Although the lease term is from September 1, 2010 to August 31, 2040, the lessor agreed to allow L&H Property Co., Ltd. to enter the plot to develop and construct buildings from September 1, 2007 to August 31, 2010, with L&H Property agreeing to pay 160,000 baht a month as an additional leasehold rights fee.

The subsidiary has booked the liabilities and obligations under land lease contracts in the financial statements based on current prices since the rents are considered part of the expenses in selling assets to a real estate investment trust.

c) Land lease contract

Agreement date	Agreement period	Ending Date	Rentals and leasehold rights fees
October 3, 2013	30 years*	March 31, 2047	Starting from April 1, 2017, rentals are paid annually: <ul style="list-style-type: none"> <li>- 1<sup>st</sup>-7<sup>th</sup> total rental of 35.0 million baht</li> <li>- 8<sup>th</sup>-17<sup>th</sup> total rental of 100.0 million baht</li> <li>- 18<sup>th</sup>-27<sup>th</sup> total rental of 150.0 million baht</li> <li>- 28<sup>th</sup>-30<sup>th</sup> total rental of 75 million baht</li> </ul>

\* Lease term starts from April 1, 2017 (3 years after construction).

As of December 31, 2016 and December 31, 2015, LH Mall & Hotel Co., Ltd., one of the Company's subsidiaries, was obliged to pay a contract fee of 5 million baht a year in the second and third years of the construction

d) Land lease contract

Agreement date	Agreement period	Rentals
August 4, 2015	30 years*	Rentals are paid monthly: 1 <sup>st</sup> – 3 <sup>th</sup> total rental of 71.0 million baht 4 <sup>th</sup> – 6 <sup>th</sup> total rental of 78.0 million baht 7 <sup>th</sup> – 9 <sup>th</sup> total rental of 86.0 million baht 10 <sup>th</sup> – 12 <sup>th</sup> total rental of 95.0 million baht 13 <sup>th</sup> – 15 <sup>th</sup> total rental of 104 million baht 16 <sup>th</sup> – 18 <sup>th</sup> total rental of 115 million baht 19 <sup>th</sup> – 21 <sup>st</sup> total rental of 126 million baht 22 <sup>nd</sup> – 24 <sup>th</sup> total rental of 139 million baht 25 <sup>th</sup> – 27 <sup>th</sup> total rental of 153 million baht 28 <sup>th</sup> – 30 <sup>th</sup> total rental of 168 million baht

\* Lease term starts on the date after the 3-year construction is completed. The lessor agreed to allow LH Mall & Hotel Co., Ltd. (formerly Pacific Real Estate Co., Ltd.), one of the Company's subsidiaries, to enter the plot to develop and construct buildings for 3 years after the land is handed over and the lease is registered. The subsidiary is obliged to pay the lessor 1.72 million baht a month in the first and second years of the construction and 1.98 million baht a month in the third year.

3. As of December 31, 2016 and 2015, L&H Hotel Management, one of the Company's subsidiaries, was obliged to pay fixed and variable rentals under contracts with funds and/or trusts as follows:

Fund and/or trust	Project	Agreement period
Land and Houses Property and Loan Fund-II	Grande Centre Point Hotel Phloenchit	January 1, 2016 to December 31, 2018
LH Hotel Real Estate Investment Trust	Grande Centre Point Hotel Terminal 21	January 1, 2016 to December 31, 2018

The subsidiary has to pay minimum fixed rentals under the contracts:

Payable :	2016	2015
In 1 year	317	317
More than 1 year but not more than 3 years	317	633

4. As of December 31, 2015, the Company was obliged to pay its share of the unpaid capital in L&H Property Co., Ltd. of 90 million baht and in LH Mall and Hotel Co., Ltd. (formerly Pacific Real Estate Co., Ltd.) of 759 million baht (2016: None).

5. As of December 31, 2016, the Company and its subsidiaries were obliged to buy land worth 2,380 million baht (2015: 582 million baht).

6. As of December 31, 2016, the Company and its subsidiaries were obliged to develop common utility systems at operating projects at the cost of 1,311 million baht (2015: 1,283 million baht).

7. As of December 31, 2016, the subsidiaries had projects with public servitudes totaling 96 rai. The cost of the servitude land was added to the project costs (2015: 90 rai).

8. The Company and its subsidiaries had to enter into a servitude 3-year operating lease and service contracts when it rented building space.

As of December 31, 2016 and 2015, the Company and its subsidiaries have the following payables under lease agreements and service agreements that cannot be cancelled.

Unit: million baht

	Consolidated financial statement	
	December 31, 2016	December 31, 2015
Payable in :		
1 year	57	50
1-3 years	19	51

9. As of December 31, 2016 and 2015, the Company and its subsidiaries had the following guarantee letters issued by banks on behalf of the Company and its subsidiaries. They involved normal obligations.

Unit: million baht

	Consolidated financial statement	
	December 31, 2016	December 31, 2015
Guarantee letters for the provision and maintenance of utilities	2,647	2,301
Guarantee letters for electricity usage	71	70
	2,718	2,371

As of December 31, 2016, the Company had a guarantee burden for its customers worth 7 million baht.

10. The Company had liabilities involving financial support in the form of letters of comfort when two of its subsidiaries borrowed from banks and bank guarantee letters to be used for projects of its subsidiaries. As of December 31, 2016, the two subsidiaries had outstanding debts worth 1,131 million baht in proportion to the Company's guarantee. (December 31, 2015: 8 million baht)

#### Maintenance of debt to equity ratio

From the No. 2/2556 debenture onward, the calculation has been based only on liabilities with interest burden.

Unit: million baht

	Consolidated financial statements as of December 31		
	2014	2015	2016
Interest bearing liabilities	35,171.06	41,579.80	43,676.74
Shareholders' equity	44,274.95	46,895.13	47,951.55
Debt-to-equity ratio	0.79	0.89	0.91

In the consolidated financial statements as of December 31 in 2014, 2015 and 2016, the Company maintained the debt-to-equity ratio within the required levels for debenture issuances.

Debenture	Required rate	Calculated as of December 31		
		2014	2015	2016
Debenture issued after No.2/2556	1.50	0.79	0.89	0.91

Summary of factors that may affect future operations or financial position

1. Revenue The lackluster economic growth in 2015, which is likely continue into 2016, may affect the Company's booking and land sales revenue in the future due to eroding consumers' confidence. Its rental business may also be impacted as foreign tourists are not confident of their safety when travelling to Thailand.

2. Returns from investments in associated companies The Company invested 20,258.98 million baht, or 19.96% of its total assets, in associated companies as of December 31, 2016. Profits from these associated companies made up 34.39% of the Company's 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. 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 192 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. The Company and its subsidiaries were sued in other cases with damages totaling 512 million baht. The Company set aside an allowance of 157 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.

# Financial Statements

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

### Opinion

I have audited the accompanying consolidated financial statements of Land and Houses Public Company Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Land and Houses Public Company Limited for the same period.

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 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

#### *Recognition of revenue from sales of real estate*

The accounting policy for recognition of revenue from sales of real estate is disclosed in Note 4.1 to the financial statements. The amount of revenue from sales of real estate that the Group recognises in each period forms a significant portion of total revenue. In addition, the Group has a large number of real estate development projects. I therefore identified the recognition of revenue from sales of real estate as a key audit matter and focused my audit on the occurrence and timing of the revenue recognition.

I have examined the recognition of revenue from sales of real estate of the Group by:

- Assessing and testing the effectiveness of the Group's IT general controls and internal controls with respect to the cycle of revenue from sales of real estate by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select land sale agreements and condominium sale agreements to assess whether the recognition of revenue was consistent with the conditions of the relevant agreements, and whether it was in compliance with the Group's policy.
- On a sampling basis, examining supporting documents for actual sales transactions occurring during the year and near the end of the accounting period.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions of revenue from sale throughout the period.

*Allowance for diminution in value of real estate development costs (Inventories)*

Estimating the net realisable value of real estate development costs, as disclosed in Note 4.6, Note 5 and Note 10 to the financial statements, is an area of significant management judgment, particularly with regard to the estimation of allowance for diminution in the value of real estate development costs. This requires detailed analysis of the nature, circumstances and life cycle of real estate development projects, and the competitive environment and economic circumstances. Therefore, there is a risk that the allowance for reduce cost to net realisable value of real estate development costs will be inadequate.

I evaluated and gained an understanding of the management's determination of the allowance for diminution in value of real estate development costs (inventories) by:

- Gaining an understanding of the basis applied in determining the allowance for diminution in value of real estate development costs, and reviewing the consistency of the application of that basis, and the rationale for the recording of specific allowance for diminution in the value of real estate development costs.
- Comparing the holding periods of the real estate development projects and their movements with indicators of lower than normal turnover.
- Reviewing gross profit margin of real estate development projects which had actual sales during the year and the transaction after the date of the financial statements.
- Comparing real estate development costs with no actual sales occurring during the year and the latest sale transaction, or the transaction after the date of the financial statements in order to consider the adjustment of real estate development costs by the management to the net realisable value.

*Acquisitions of investment properties*

As disclosed in Note 15 to the financial statements. During the year 2016, the Group acquired two additional apartments overseas and presented them as investment properties in the statement of financial position. I have focused on these acquisitions since they are material to the financial statements as a whole in the current period.

I worked with an auditor of the subsidiary to examine the acquisition, measurement and classification of investment properties and their compliance with the relevant financial reporting standards by:

- Examining the terms and conditions of the purchase agreements of the apartments and inquiring with management as to the nature and objectives of the acquisitions in order to evaluate the recognition and classification as investment properties.
- Checking the supporting documents and related payments.
- Reviewing the disclosures in the notes to financial statements.

**Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Miss Rungnapa Lertsuwankul.



Rungnapa Lertsuwankul  
Certified Public Accountant (Thailand) No. 3516

EY Office Limited  
Bangkok: 28 February 2017

# Statement of financial position

Land and Houses Public Company Limited and its subsidiaries

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Assets					
Current assets					
Cash and cash equivalents	6, 7	2,600,578,204	8,956,752,456	1,443,056,428	7,108,991,052
Current investments	6, 8	410,280,270	1,201,839,366	-	1,201,839,366
Trade and other receivables	9	156,928,862	184,022,380	26,064,907	32,622,554
Short-term loans and accrued interest receivables - related parties	6	762,282	6,388,321	265,794,246	951,082,657
Inventories	10	48,925,723,725	48,117,960,983	47,273,349,106	46,355,530,484
Advance payment for constructions		540,772,758	1,047,650,091	412,882,788	930,369,272
Deposits for purchase of land and others		341,280,511	301,396,914	337,787,703	111,340,229
Other current assets		364,321,517	565,772,281	65,684,946	80,141,567
Total current assets		53,340,648,129	60,381,782,792	49,824,620,124	56,771,917,181
Non-current assets					
Restricted deposit at financial institutions		-	12,000,000	-	12,000,000
Investments in subsidiaries	11	-	-	5,193,016,753	4,194,516,531
Investments in associates	12	20,258,979,670	18,963,717,536	10,233,517,237	10,233,517,237
Other long-term investments	13	5,512,076,323	5,209,973,662	4,430,573,822	4,373,959,336
Long-term loans and accrued interest receivables - related party	6	-	-	9,868,138,524	4,238,932,078
Land held for development	14	3,215,935,916	4,093,701,900	3,086,393,187	3,019,159,171
Investment properties	15	14,545,297,858	6,418,436,095	208,963,217	207,853,417
Property, plant and equipment	16	574,092,627	310,861,748	281,643,693	227,594,061
Leasehold rights	17	3,778,856,056	2,402,474,577	-	-
Other intangible assets	18	45,665,421	41,061,373	20,319,801	23,067,908
Deferred tax assets	31	215,617,475	212,116,245	134,633,407	135,553,600
Other non-current assets		18,373,399	23,633,059	11,540,472	12,270,207
Total non-current assets		48,164,894,745	37,687,976,195	33,468,740,113	26,678,423,546
Total assets		101,505,542,874	98,069,758,987	83,293,360,237	83,450,340,727

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



# Statement of financial position (continued)

Land and Houses Public Company Limited and its subsidiaries

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	19	-	219,798,663	-	-
Trade and other payables	20	3,317,003,463	3,218,437,639	2,759,390,870	2,862,152,842
Retention guarantees		574,143,969	503,448,490	492,142,649	471,626,177
Short-term loans and accrued interest payables - related parties	6	-	71,467,293	-	-
Current portion of financial lease liabilities		3,364,835	3,241,417	-	-
Current portion of long-term loans	21	3,075,180,000	371,155,130	3,075,180,000	-
Current portion of debentures	22	8,000,000,000	8,500,000,000	8,000,000,000	8,500,000,000
Income tax payable		667,247,422	498,385,984	491,187,644	488,753,434
Provisions	23	656,838,547	648,694,324	632,918,656	623,712,025
Advance received from customers		2,737,848,599	2,446,548,609	2,706,540,835	2,398,469,718
Other current liabilities		573,491,849	828,166,041	517,695,733	659,664,203
Total current liabilities		19,605,118,684	17,309,343,590	18,675,056,387	16,004,378,399
Non-current liabilities					
Financial lease liabilities - net of current portion		17,146,305	20,235,950	-	-
Long-term loans - net of current portion	21	4,331,056,115	8,489,265,870	-	6,966,486,000
Debentures - net of current portion	22	28,250,000,000	24,000,000,000	28,250,000,000	24,000,000,000
Provision for long-term employee benefits	24	330,868,745	280,529,631	260,469,527	236,233,403
Deferred tax liabilities	31	964,490,091	1,004,292,596	-	-
Other non-current liabilities		55,306,682	70,964,804	-	-
Total non-current liabilities		33,948,867,938	33,865,288,851	28,510,469,527	31,202,719,403
Total liabilities		53,553,986,622	51,174,632,441	47,185,525,914	47,207,097,802

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

# Statement of financial position (continued)

Land and Houses Public Company Limited and its subsidiaries

As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
<b>Shareholders' equity</b>					
Share capital	25				
Registered					
12,031,105,828 ordinary shares of Baht 1 each		12,031,105,828	12,031,105,828	12,031,105,828	12,031,105,828
Issued and paid-up					
11,786,545,992 ordinary shares of Baht 1 each					
(2015: 11,730,034,787 ordinary shares of Baht 1 each)		11,786,545,992	11,730,034,787	11,786,545,992	11,730,034,787
Premium on ordinary shares		15,044,936,256	14,903,658,244	15,044,936,256	14,903,658,244
Cash receipts from share subscription	27	374,493,539	61,419,456	374,493,539	61,419,456
Retained earnings					
Appropriated - Statutory reserve	29	1,203,110,583	1,203,110,583	1,203,110,583	1,203,110,583
Unappropriated		15,673,941,565	15,287,288,650	5,174,251,121	5,873,814,611
Other components of shareholders' equity		2,852,043,128	2,440,879,066	2,524,496,832	2,471,205,244
Equity attributable to the shareholders of the Company		46,935,071,063	45,626,390,786	36,107,834,323	36,243,242,925
Non-controlling interests of subsidiaries	11.3	1,016,485,189	1,268,735,760	-	-
<b>Total shareholders' equity</b>		<b>47,951,556,252</b>	<b>46,895,126,546</b>	<b>36,107,834,323</b>	<b>36,243,242,925</b>
<b>Total liabilities and shareholders' equity</b>		<b>101,505,542,874</b>	<b>98,069,758,987</b>	<b>83,293,360,237</b>	<b>83,450,340,727</b>

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

# Income statement

Land and Houses Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Revenues					
Sales income		27,372,383,745	24,223,136,705	26,741,542,902	23,428,979,635
Rental and services income		2,536,132,934	2,036,489,284	-	-
Other income					
Dividend from subsidiaries and associates	11.1, 12.3	-	-	2,348,412,849	2,417,426,816
Dividend from other companies		147,213,458	81,344,621	72,874,317	74,040,259
Interest income		40,886,796	78,043,791	257,810,928	274,206,836
Infrastructure service income		249,305,306	254,533,991	220,876,465	216,121,221
Gain on sales of assets to REIT	6, 17	-	2,036,883,236	-	-
Gain on sales investment		6,110,663	12,248,731	6,110,663	53,293,999
Gain on exchange rate		652,091	278,426	103,982,689	133,520,580
Gain on disposal of property, plant and equipment and investment properties					
		-	239,946,872	-	8,219,304
Gain on sale of project		77,925,817	-	77,925,817	-
Gain on sale of land held for development	14	1,240,000,000	-	-	-
Others		182,345,981	62,412,479	170,347,255	47,270,886
Total revenues		31,852,956,791	29,025,318,136	29,999,883,885	26,653,079,536
Expenses					
Cost of sales and services		17,822,656,195	16,003,911,848	17,350,201,850	15,431,002,457
Cost of rental and services		1,812,043,760	1,309,048,254	-	-
Selling expenses		920,135,301	887,706,533	801,031,122	774,489,834
Specific business tax and transfer fee		991,495,072	878,505,128	964,649,703	849,223,504
Administrative expenses		2,058,926,416	1,807,512,226	1,643,421,907	1,521,821,261
Other expenses					
Loss on impairment of other long-term investment	14	10,000,000	-	10,000,000	-
Loss on diminution in value of land held for development		5,957,229	2,499,839	5,957,229	-
Loss on sales of property, plant and equipment		681,475	-	1,373,902	-
Loss on derivatives		121,908,513	-	121,908,513	-
Total expenses		23,743,803,961	20,889,183,828	20,898,544,226	18,576,537,056

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

# Income statement (continued)

Land and Houses Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit before share of profit from investments in associates,					
finance cost and income tax expenses		8,109,152,830	8,136,134,308	9,101,339,659	8,076,542,480
Share of profit from investments in associates	12.3	2,963,533,747	2,436,597,651	-	-
Profit before finance cost and income tax expenses		11,072,686,577	10,572,731,959	9,101,339,659	8,076,542,480
Finance cost		(373,158,227)	(304,703,652)	(278,572,962)	(261,858,652)
Profit before income tax expenses		10,699,528,350	10,268,028,307	8,822,766,697	7,814,683,828
Income tax expenses	31	(1,571,686,021)	(1,601,385,789)	(1,305,476,275)	(1,076,819,276)
Profit for the year		9,127,842,329	8,666,642,518	7,517,290,422	6,737,864,552
Net income attributable to:					
Equity holders of the Company		8,617,974,498	7,920,226,209	7,517,290,422	6,737,864,552
Non-controlling interests of the subsidiaries	11.3	509,867,831	746,416,309		
		9,127,842,329	8,666,642,518		
Earnings per share	32				
Basic earnings per share					
Profit attributable to equity holders of the Company		0.73	0.69	0.64	0.58
Diluted earnings per share					
Profit attributable to equity holders of the Company		0.72	0.67	0.63	0.57

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

# Statement of comprehensive income

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Profit for the year</b>		9,127,842,329	8,666,642,518	7,517,290,422	6,737,864,552
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Gain (loss) on change in value of available-for-sale investments					
- net of income taxes	28	249,682,128	(358,749,207)	53,291,588	(371,676,331)
Exchange rate differences on translation of					
financial statements in foreign currency		111,325,120	199,223,950	-	-
Share of other comprehensive income of associates	12.3	51,177,399	5,777,959	-	-
		412,184,647	(153,747,298)	53,291,588	(371,676,331)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial loss - net of income taxes	24	(21,641,758)	-	(6,574,388)	-
Share of other comprehensive income of associates	12.3	(1,020,536)	(14,384,647)	-	-
		(22,662,294)	(14,384,647)	(6,574,388)	-
<b>Other comprehensive income for the year</b>		389,522,353	(168,131,945)	46,717,200	(371,676,331)
<b>Total comprehensive income for the year</b>		9,517,364,682	8,498,510,573	7,564,007,622	6,366,188,221
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		9,008,096,501	7,752,094,266	7,564,007,622	6,366,188,221
Non-controlling interests of the subsidiaries		509,268,181	746,416,307		
		9,517,364,682	8,498,510,573		

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

# Statement of changes in shareholders' equity

Land and Houses Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

Consolidated financial statements																			
Equity attributable to the shareholders of the Company																			
Other components of shareholders' equity																			
Other comprehensive income																			
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		Premium on share capital of associates		Other surplus		Total 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	
Appropriated - Statutory reserve		Unappropriated																	
Issued and paid-up share capital	Premium on ordinary shares	Cash receipts from share subscription																	
10,985,568,017	13,042,491,319	37,254,053	1,203,110,583	14,953,981,884	1,341,026,279	(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							
Profit for the year																			
Other comprehensive income for the year																			
Total comprehensive income for the year																			
25	744,466,770	1,861,166,925	-	7,920,226,209	(358,749,205)	199,223,950	(8,606,688)	-	(168,131,943)	(168,131,943)	7,752,094,266	8,498,510,573							
Cash receipts from share subscription																			
35	-	-	24,165,403	-	-	-	-	-	-	-	24,165,403	24,165,403							
Dividend paid																			
Subsidiaries paid dividend to non-controlling interests of subsidiaries																			
11.3	-	-	-	-	-	-	-	-	-	-	(7,582,749,354)	(7,582,749,354)							
Income tax from unpaid dividend																			
Income tax from unpaid dividend																			
Balance as at 31 December 2015																			
Balance as at 1 January 2016																			
Profit for the year																			
Other comprehensive income for the year																			
Total comprehensive income for the year																			
Converted warrants to share capital																			
25	56,511,205	141,278,012	(61,419,456)	-	-	-	-	-	-	-	136,369,761	136,369,761							
27	-	-	374,493,539	-	-	-	-	-	-	-	374,493,539	374,493,539							
35	-	-	-	(8,202,103,915)	-	-	-	-	-	-	(8,202,103,915)	(8,202,103,915)							
Subsidiary additional called up share capital from non-controlling interests of subsidiaries																			
11	-	-	-	-	-	-	-	-	-	-	-	-							
Capital refund of subsidiary to non-controlling interests of subsidiaries																			
11	-	-	-	-	-	-	-	-	-	-	-	-							
Subsidiaries paid dividend to non-controlling interests of subsidiaries																			
11.3	-	-	-	-	-	-	-	-	-	-	-	-							
Income tax from unpaid dividend																			
Income tax from unpaid dividend																			
Balance as at 31 December 2016																			

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

# Statement of changes in shareholders' equity (continued)

Land and Houses Public Company Limited and its subsidiaries  
For the year ended 31 December 2016

(Unit: Baht)

		Separate financial statements							
		Other components of shareholders' equity							
	Note	Issued and paid-up share capital	Premium on ordinary shares	Cash receipts from share subscription	Retained earnings		Other comprehensive income		Total other components of shareholders' equity
					Appropriated - Statutory reserve	Unappropriated	Surplus/deficit on change in value of available-for-sale investments	Other surplus	
<b>Balance as at 1 January 2015</b>		10,985,568,017	13,042,491,319	37,254,053	1,203,110,583	6,722,869,502	1,341,026,279	1,501,855,296	2,842,881,575
<b>Profit for the year</b>		-	-	-	-	6,737,864,552	-	-	-
Other comprehensive income for the year		-	-	-	-	-	(371,676,331)	-	(371,676,331)
<b>Total comprehensive income for the year</b>		-	-	-	-	6,737,864,552	(371,676,331)	-	(371,676,331)
Converted warrants									
to share capital	25	744,466,770	1,861,166,925	-	-	-	-	-	-
Cash receipts from share subscription		-	-	24,165,403	-	-	-	-	-
<b>Dividend paid</b>	35	-	-	-	-	(7,582,749,354)	-	-	(7,582,749,354)
Income tax from unpaid dividend		-	-	-	-	(4,170,089)	-	-	(4,170,089)
<b>Balance as at 31 December 2015</b>		11,730,034,787	14,903,658,244	61,419,456	1,203,110,583	5,873,814,611	969,349,948	1,501,855,296	2,471,205,244
<b>Balance as at 1 January 2016</b>		11,730,034,787	14,903,658,244	61,419,456	1,203,110,583	5,873,814,611	969,349,948	1,501,855,296	36,243,242,925
<b>Profit for the year</b>		-	-	-	-	7,517,290,422	-	-	-
Other comprehensive income for the year		-	-	-	-	(6,574,388)	53,291,588	-	53,291,588
<b>Total comprehensive income for the year</b>		-	-	-	-	7,510,716,034	53,291,588	-	53,291,588
Converted warrants									
to share capital	25	56,511,205	141,278,012	(61,419,456)	-	-	-	-	-
Cash receipts from share subscription	27	-	-	374,493,539	-	-	-	-	-
Dividend paid	35	-	-	-	-	(8,202,103,915)	-	-	(8,202,103,915)
Income tax from unpaid dividend		-	-	-	-	(8,175,609)	-	-	(8,175,609)
<b>Balance as at 31 December 2016</b>		11,786,545,992	15,044,936,256	374,493,539	1,203,110,583	5,174,251,121	1,022,641,536	1,501,855,296	2,524,496,832
									36,107,854,323

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

# Cash flow statement

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Profit before income tax expenses	10,699,528,350	10,268,028,307	8,822,766,697	7,814,683,828
<b>Adjustments to reconcile profit before income tax expenses</b>				
to net cash provided by (paid from) operating activities:				
<b>Inventories and land held for development decrease from</b>				
transfer to cost of sales	17,114,443,701	14,929,917,833	16,684,202,194	14,412,205,825
Depreciation and amortisation	390,450,529	381,676,914	46,738,372	53,550,780
<b>Share of profit from investments in associates</b>	(2,963,533,747)	(2,436,597,651)	-	-
Provision for guarantee income of fund	-	7,845,000	-	7,845,000
<b>Provision for legal cases</b>	36,641,103	10,510,593	36,641,103	10,510,593
Gain on sales of assets				
to REIT	-	(2,036,883,236)	-	-
<b>Gain on sales of long-term investments</b>	-	-	-	(17,570,400)
Gain on liquidation and share reduction of associate	-	(5,345,172)	-	(28,874,336)
<b>Gain on liquidation and share reduction of long-term investments</b>	-	(22,738)	-	-
<b>Loss on diminution in value of projects</b>	-	649,839	-	-
Loss on diminution in value of land held for development	5,957,229	1,850,000	5,957,229	-
Loss (gain) on sales of property, plant and equipment				
and investment property	681,475	(239,946,872)	1,373,902	(8,219,304)
Loss on impairment of other long-term investment	10,000,000	-	10,000,000	-
Gain on sales of land held for development	(1,240,000,000)	-	-	-
Gain on exchange rate	-	-	(103,330,598)	(133,242,154)
Provision for after-sale maintenance expenses	64,221,530	42,269,388	63,306,598	42,794,523
Provision for compensation for Housing Estate Juristic Persons	28,525,283	30,306,690	27,523,936	29,529,523
Provision for public utilities maintenance	46,441,016	41,008,461	45,985,019	39,311,619
Provision for long-term employee benefits	28,362,066	26,987,564	20,923,139	19,765,318
Amortisation of withholding tax deducted at source	1,730,625	-	-	-
Interest income	(40,886,796)	(78,043,791)	(257,810,928)	(274,206,836)
Dividend received	(147,213,458)	(81,344,621)	(2,421,287,166)	(2,491,467,075)
Interest expenses	363,545,562	290,537,699	268,960,297	247,692,700
<b>Profit from operating activities before change in operating</b>				
<b>assets and liabilities</b>	24,398,894,468	21,153,404,207	23,251,949,794	19,724,309,604
<b>Decrease (increase) in operating assets</b>				
Current investment	791,559,096	(900,424,153)	1,201,839,366	(900,424,153)
Trade and other receivables	25,009,735	(11,518,711)	4,006,688	(4,525,403)
Inventories	(17,104,696,148)	(18,619,015,502)	(16,799,467,693)	(17,937,149,708)
Land held for development	-	(1,850,000)	-	-
Other current assets	383,389,691	(192,201,112)	305,495,630	89,811,873
Other non-current assets	5,259,659	6,603,077	729,735	(2,995,935)
<b>Increase (decrease) in operating liabilities</b>				
Trade and other payables	69,312,214	39,786,570	(60,809,147)	285,572,032
Retention guarantees	70,695,479	62,354,531	20,516,472	57,929,532
Other current liabilities	(112,887,865)	1,273,732,785	152,868,207	863,220,130
Other non-current liabilities	(20,733,272)	(91,397,640)	(4,905,000)	(75,021,142)
<b>Cash flows from operating activities</b>	8,505,803,057	2,719,474,052	8,072,224,052	2,100,726,830
Cash paid for income tax	(1,227,320,510)	(1,162,450,353)	(1,321,976,782)	(895,240,835)
<b>Net cash flows from operating activities</b>	7,278,482,547	1,557,023,699	6,750,247,270	1,205,485,995

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



# Cash flow statement (continued)

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from investing activities</b>				
Decrease (increase) in restricted deposit at financial institutions	12,000,000	(12,000,000)	12,000,000	(12,000,000)
<b>Decrease (increase) in short-term loans to related parties</b>	-	-	470,293,778	(536,373,706)
Increase in long-term loan to related party	-	-	(5,468,457,000)	(719,620,200)
<b>Cash paid for share subscription of subsidiary</b>	-	-	(1,575,700,000)	(621,000,000)
Cash received from share reduction of subsidiary	-	-	577,199,778	-
<b>Cash paid for purchase of other long-term investments</b>	-	(282,299,000)	-	-
Cash received from liquidation and share reduction of associates	-	90,971,091	-	90,971,091
<b>Cash received from share reduction of other investments</b>	-	56,007	-	-
Cash received from sales of other investments	-	-	-	465,615,600
<b>Dividend received from subsidiaries</b>	-	-	629,984,371	1,541,790,436
Dividend received from associates	1,718,428,478	875,636,380	1,718,428,478	875,636,380
<b>Dividend received from other companies</b>	147,213,458	81,344,621	72,874,317	74,040,259
<b>Proceeds from sales of land held for development</b>	2,185,000,000	-	-	-
Cash received from sales of assets to REIT	-	3,692,773,627	-	-
Proceed from sales of property, plant and equipment and investment property	6,797,329	701,267,521	4,543,750	16,231,312
Cash paid for purchase of investment properties	(8,302,352,018)	(2,679,646,908)	(1,109,800)	(3,457,150)
Cash paid for purchase of leasehold rights, property, plant, equipment and intangible assets	(1,778,354,450)	(640,261,635)	(109,725,842)	(103,110,361)
Cash paid for guarantee income of fund	(18,171,045)	(32,079,803)	(18,171,045)	(32,079,803)
Cash received from interest income	48,596,617	78,206,929	285,093,131	265,847,231
<b>Net cash flows from (used in) investing activities</b>	<b>(5,980,841,631)</b>	<b>1,873,968,830</b>	<b>(3,402,746,084)</b>	<b>1,302,491,089</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(219,798,663)	100,638,088	-	-
Cash paid for financial lease liabilities	(2,966,227)	-	-	-
Decrease in short-term loans from related parties	(46,301,300)	-	-	(585,000,000)
Cash paid for debentures repayment	(8,500,000,000)	(7,600,000,000)	(8,500,000,000)	(7,600,000,000)
Cash received from issuance of debentures	12,250,000,000	15,000,000,000	12,250,000,000	15,000,000,000
Cash paid for long-term loans repayment	(4,533,440,000)	(2,379,009,000)	(3,891,306,000)	(1,000,500,000)
Cash received from drawdown loans	3,056,074,440	1,356,501,000	-	-
Cash received from convert warrants to share capital	136,369,761	2,568,379,643	136,369,761	2,568,379,643
Cash received from share subscription	374,493,539	61,419,456	374,493,539	61,419,456
Interest paid	(1,324,112,104)	(1,356,926,405)	(1,180,889,194)	(1,288,796,070)
Cash received from additional called up capital from non-controlling interests of subsidiaries	60,000,000	-	-	-
Cash paid for capital refund to non-controlling interests of subsidiaries	(384,800,522)	-	-	-
Subsidiaries paid dividend to non-controlling interests of subsidiaries	(436,718,230)	(921,211,333)	-	-
<b>Dividend paid</b>	<b>(8,202,103,916)</b>	<b>(7,582,749,354)</b>	<b>(8,202,103,916)</b>	<b>(7,582,749,354)</b>
<b>Net cash flows used in financing activities</b>	<b>(7,773,303,222)</b>	<b>(752,957,905)</b>	<b>(9,013,435,810)</b>	<b>(427,246,325)</b>
Exchange differences on translation of financial statements in foreign currency	119,488,054	(157,726,452)	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6,356,174,252)</b>	<b>2,520,308,172</b>	<b>(5,665,934,624)</b>	<b>2,080,730,759</b>
Cash and cash equivalents at beginning of year	8,956,752,456	6,436,444,284	7,108,991,052	5,028,260,293
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>2,600,578,204</b>	<b>8,956,752,456</b>	<b>1,443,056,428</b>	<b>7,108,991,052</b>

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

# Cash flow statement (continued)

Land and Houses Public Company Limited and its subsidiaries

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Supplemental cash flow information</b>				
Non-cash items				
Purchases of building and equipment and leasehold rights recorded as liabilities	147,932,544	90,051,741	6,327,159	13,621,951
Acquisition of assets under financial lease	-	23,477,367	-	-
Transfer land held for development to inventories (book value)	-	37,254,085	-	37,254,085
Transfer inventories to land held for development (book value)	73,191,244	-	73,191,244	-
Transfer inventories to property, plant and equipment (book value)	1,526,500	-	1,526,500	-
Transfer inventories to investment properties (book value)	-	198,181,706	-	198,181,706
Transfer plant, property and equipment to investment properties (book value)	-	6,214,560	-	6,214,560
Interest expenses recorded as cost of projects	892,228,039	1,103,139,297	877,270,867	1,070,221,066
Interest expenses recorded as leasehold rights	14,545,316	718,771	-	-
Increase (decrease) in revaluation surplus on change in value of available-for-sale investments - net of income taxes	249,682,128	(358,749,207)	53,291,588	(371,676,331)
Actuarial loss	(27,076,199)	-	(8,217,985)	-
Exchange differences on translation of financial statement in foreign currency	111,325,120	199,223,950	-	-
Share of other comprehensive income of associates	50,156,865	(8,606,688)	-	-

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 2016

## 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	
			2016	2015
			(Percent)	(Percent)
<u>Held by the Company</u>				
Atlantic Real Estate Co., Ltd.	Real estate business	Thailand	99.99	99.99
LH Mall & Hotel Co., Ltd. and its subsidiaries	Real estate for lease 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 subsidiary	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	99.99

Company’s name	Nature of business	Country of incorporation	Percentage of shareholding	
			2016	2015
			(Percent)	(Percent)
<u>Held by subsidiary companies</u>				
L&H Retail Management Co., Ltd. (99.95 percent held by LH Mall & Hotel Co., Ltd.)	Project administration	Thailand	99.99	99.99
L&H Management Co., Ltd. (99.93 percent held by LH Mall & Hotel Co., Ltd.)	Project administration	Thailand	99.99	99.99
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 Hotel Management Co., Ltd. (99.99 percent held by L&H Property Co., Ltd.)	Project administration	Thailand	60.00	60.00

b) The Company is deemed to have control over an investee or subsidiaries 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.

c) 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.

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

e) 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.

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

g) 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 present investments in subsidiaries and associates under the cost method.

### 3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. 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 standards.

The management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

**TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

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 it is adopted.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### **(a) Sales of real estate**

Sales of land and houses and sales of residential condominium units are recognised as revenue when the significant risks and rewards of ownership have been transferred to buyer, whereby construction works are completed 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 as revenue on a straight line basis over the lease term on an accrual basis.

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 real estate 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 the projects 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

Inventories 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 Real estate development costs (inventories)

Real estate development costs which are presented as inventories consist of land, construction in progress and utilities. Inventories 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 (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. 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. No depreciation is provided on land.

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 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 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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#### 4.12 Long-term lease

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

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 individuals or enterprises 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 or enterprises 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.



#### 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.

#### 4.22 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## 5. Significant accounting judgements and estimates

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

### **Allowance for diminution in value of real estate development costs (inventories) and land held for development**

The Company and its subsidiaries treat real estate development costs and land held for development as impaired when the management judges that there has been a significant decline in the fair value below their cost. The management determines the devaluation of real estate development costs and land held for development based on net recognised value. The determination of what is “significant” and such devaluation requires the management to exercise judgement.

### **Real estate 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 and utilities maintenance expense**

The Company and its subsidiaries estimate provision for after-sale and utilities maintenance expenses based on actual historical maintenance expenses and/or currently available information related to the cost of various types of repair 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.

### **Impairment of investments**

The Company and its subsidiaries treat 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 judgement 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 judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **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 recognised. 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.

### **Leases**

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

#### Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position or disclosed in note to the financial statements that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position or disclosed in note to the financial statements and disclosures of fair value hierarchy.

#### Litigations

The Company and its subsidiaries have contingent liabilities as a result of litigations. The management of the Company and its subsidiaries has used judgement to assess of the results of the litigation and provision for the related liabilities which the management deem to be an appropriate amount has been recorded as at the end of reporting period. However, actual results could differ from the estimates.

### 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
LH Mall & Hotel Co., Ltd.	Subsidiary
L&H Retail Management Co., Ltd.	Subsidiary (99.95 percent held by LH Mall & Hotel Co., Ltd.)
L&H Management Co., Ltd.	Subsidiary (99.93 percent held by LH Mall & Hotel Co., Ltd.)
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.)
Double Tree Co., Ltd.	Subsidiary (99.99 percent held by L H Muang Mai Co., Ltd.)
L&H Property Co., Ltd.	Subsidiary
L&H Hotel Management Co., Ltd.	Subsidiary (99.99 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 LH Financial Group Plc.)
Quality Construction Products Plc.	Associate
Home Product Center Plc.	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	Related company
LH Hotel Leasehold Real Estate Investment Trust	Related company
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 afinancial statements		Transfer pricing policy
	2016	2015	2016	2015	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Interest income	-	-	233.4	205.2	3.50% - 5.50% p.a. (2015: 4.00% - 5.50% p.a.)
Management fee income	-	-	8.1	10.1	Approximate cost
Dividend income	-	-	630.0	1,541.8	Declared rate
Sales of land	-	-	12.1	177.7	Approximate cost
Cash paid for use of land	-	-	55.9	3.7	Approximate cost
Interest expenses	-	-	1.3	3.6	2.00% p.a. (2015: 2.00% - 3.00% p.a.)
Purchase of land	-	-	3.7	-	Approximate cost
Rental and service expenses	-	-	-	0.5	Market price
Sales of other long-term investment	-	-	-	465.6	Market price
<u>Transactions with associates</u>					
Management fee	2.7	-	-	-	Contract price
Interest income	29.6	31.7	15.1	25.3	The interest rate as declared by the bank
Dividend income	1,718.4	875.6	1,718.4	875.6	Declared rate
Purchases of goods	85.6	94.5	79.3	90.0	Cost plus margin
Property rental fee expenses	163.5	120.0	-	-	Contract price
Project management fee expenses	-	19.6	-	-	Contract price
Cancellation of agreement expenses	-	10.0	-	-	Contract price
Purchase investment property	-	23.0	-	-	Approximate cost
<u>Transactions with related companies</u>					
Property management fee income	152.2	110.7	-	-	Contract price
Human-resources management income	25.6	24.1	-	-	Contract price
Dividend income	141.1	74.0	72.9	74.0	Declared rate
Sale of assets to REIT	-	3,715.2	-	-	Contract price
Rental and services expenses	63.7	54.9	52.6	47.5	Baht 250 - 880 per square meter per month (2015: Baht 750 - 880 per square meter per month)
Property rental fee expenses	375.6	20.4	-	-	Contract price
Interest expenses	0.2	0.5	-	-	5.50% p.a.
Commission expenses	0.8	16.4	-	-	Contract price
Project management fee expenses	2.4	28.4	-	-	Contract price
Provision for guarantee					
Income of fund	-	7.8	-	7.8	Contract price
<u>Transactions with directors of subsidiaries</u>					
Interest expenses	0.7	2.0	-	-	5.50% 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 180 million and the actual net income for the year 2012 and Baht 243 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 2015, the outstanding provision to guarantee income of the fund is represented as short-term provisions at Baht 18 million (2016: Nil).

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Deposit at financial institution</b> (shown under cash and cash equivalents)				
<u>Associate</u>				
Land and Houses Bank Plc.	1,420.0	4,996.2	588.9	3,518.9
<b>Current investments (Note 8)</b>				
<u>Associate</u>				
Land and Houses Bank Plc.	70.0	600.0	-	600.0
Land and Houses Fund Management Co., Ltd.	-	601.8	-	601.8
	70.0	1,201.8	-	1,201.8
<b>Amounts due from and accounts receivables - related parties (Note 9)</b>				
<u>Subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
L H Asset Co., Ltd.	-	-	0.1	-
Land and Houses Northeast Co., Ltd.	-	-	0.1	0.8
	-	-	0.2	0.8
<u>Associates</u>				
Q.H. International Co., Ltd.	0.6	-	-	-
	0.6	-	-	-

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<u>Related companies</u>				
Quality Houses Leasehold Property Fund	0.3	-	-	-
Land and Houses Freehold and Leasehold Property Fund	4.1	3.4	-	-
Siam Retail Development Co., Ltd.	5.6	-	-	-
LH Shopping Centers Leasehold Real Estate Investment Trust	18.6	17.2	-	-
	28.6	20.6	-	-
Total	29.2	20.6	0.2	0.8
<b>Short-term loans and accrued interest receivables - related parties</b>				
<u>Subsidiaries</u>				
(Eliminated from the consolidated financial statements)				
LH Mall & Hotel Co., Ltd.	-	-	132.8	381.0
Atlantic Real Estate Co., Ltd.	-	-	17.2	50.2
Land and Houses Northeast Co., Ltd.	-	-	-	130.4
L H Asset Co., Ltd.	-	-	115.8	95.7
L H Muang Mai Co., Ltd.	-	-	-	108.2
Land and Houses U.S.A., Inc.	-	-	-	180.5
	-	-	265.8	946.0
<u>Associate</u>				
Land and Houses Bank Plc.	0.8	6.4	-	5.1
Total	0.8	6.4	265.8	951.1
<b>Long-term loans and accrued interest receivables - related party</b>				
<u>Subsidiary</u>				
(Eliminated from the consolidated financial statements)				
Land and Houses U.S.A., Inc.	-	-	9,868.1	4,238.9
<b>Deposit to related companies (shown under other non-current assets)</b>				
<u>Related company</u>				
Quality Houses Leasehold Property Fund	14.6	15.3	11.5	12.3
<b>Trade accounts payable - related parties (Note 20)</b>				
<u>Associates</u>				
Quality Construction Products Plc.	3.8	7.1	3.8	7.1
Home Product Center Plc.	1.6	0.8	1.1	0.3
Land and Houses Property and Loan Fund-II	-	5.7	-	-
	5.4	13.6	4.9	7.4
<u>Related companies</u>				
Quality Houses Leasehold Property Fund	-	1.1	-	-
Total	5.4	14.7	4.9	7.4

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Amounts due to related parties (Note 20)</b>				
<u>Associates</u>				
Home Product Center Plc.	0.1	0.4	0.1	0.3
Land and Houses Property and Loan Fund-II	39.6	17.7	-	-
	39.7	18.1	0.1	0.3
<u>Related companies</u>				
LH Shopping Centers Leasehold				
Real Estate Investment Trust	-	0.1	-	-
Siam Retail Development Co., Ltd.	-	9.8	-	-
Quality Houses Leasehold Property Fund	0.1	0.1	0.1	0.1
LH Hotel Leasehold Real Estate Investment				
Real Estate Investment Trust	96.0	21.6	-	-
	96.1	31.6	0.1	0.1
Total	135.8	49.7	0.2	0.4
<b>Short-term loans and accrued interest payables - related parties</b>				
<u>Related companies/persons</u>				
Muang Mai Property Co., Ltd.	-	14.1	-	-
Directors of subsidiaries	-	57.4	-	-
Total	-	71.5	-	-
<b>Provision for guarantee income of fund (shown under short-term provisions)</b>				
<u>Related company</u>				
Land and Houses Freehold and Leasehold Property Fund	-	18.2	-	18.2

Short-term loans from/to - related parties are unsecured loans in the form of promissory notes without collateral. The loans are due within one year or at call.

Long-term loans - related party are unsecured loans to Land and Houses U.S.A. Inc. ("LH USA") in the form of promissory notes without collateral. Interest charged at the rate between 4% and 4.48% per annum. The current portion of long-term loans is presented in long-term loans - related party due to the Company has no intension to call for such loans from LH USA within next in 12 months.



During the year 2016, movements of loans to/loans from the Company, subsidiaries and related companies were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	1 January 2016	Increase	Decrease	31 December 2016
Short-term loans and accrued interest receivables - related party				
<u>Associate</u>				
Land and Houses Bank Plc.	6.4	26.2	(31.8)	0.8
Short-term loans from and accrued interest payables to related parties				
<u>Related companies/persons</u>				
Muang Mai Property Co., Ltd.	14.1	0.2	(14.3)	-
Directors of subsidiaries	57.4	0.7	(58.1)	-
Total	71.5	0.9	(72.4)	-

(Unit: Million Baht)

	Separate financial statements			
	1 January 2016	Increase	Decrease	31 December 2016
Short-term loans and accrued interest receivables - related parties				
<u>Subsidiaries</u>				
Atlantic Real Estate Co., Ltd.	50.2	26.7	(59.7)	17.2
LH Mall & Hotel Co., Ltd.	381.0	734.6	(982.8)	132.8
Land and Houses Northeast Co., Ltd.	130.4	2.0	(132.4)	-
L H Asset Co., Ltd.	95.7	48.7	(28.6)	115.8
L H Muang Mai Co., Ltd.	108.2	52.3	(160.5)	-
Land and Houses U.S.A., Inc.	180.5	1.2	(181.7)	-
	946.0	865.5	(1,545.7)	265.8
<u>Associate</u>				
Land and Houses Bank Plc.	5.1	11.7	(16.8)	-
Total	951.1	877.2	(1,562.5)	265.8
Long-term loan and accrued interest receivables - related party				
<u>Subsidiary</u>				
Land and Houses U.S.A., Inc.	4,238.9	5,830.1	(200.9)	9,868.1

(Unit: Million Baht)

	Separate financial statements			
	1 January 2016	Increase	Decrease	31 December 2016
Short-term loans and accrued interest payables - related parties				
<u>Subsidiaries</u>				
L H Real Estate Co., Ltd.	-	47.1	(47.1)	-
Siam Tanee Property Co., Ltd.	-	265.1	(265.1)	-
Land and Houses North Co., Ltd.	-	45.1	(45.1)	-
Total	-	357.3	(357.3)	-

#### Directors and management's benefits

During the year ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Short-term employee benefits	243,284	164,184	187,891	154,416
Post-employment benefits	17,353	5,843	5,481	4,587
Total	260,637	170,027	193,372	159,003

#### Commitments and contingent liabilities of related parties

The Company and its subsidiaries had commitments related to project management, consulting, and operating lease and service agreement with related companies as described in Note 36.

The Company 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	
	2016	2015	2016	2015
Cash	4,128	4,006	2,015	2,020
Bank deposits	2,261,662	3,740,570	1,312,945	3,295,218
Cheques in transit	128,096	318,115	128,096	311,753
Fixed deposits receipt	206,692	4,894,061	-	3,500,000
Total	2,600,578	8,956,752	1,443,056	7,108,991

As at 31 December 2016, bank deposits and fixed deposits receipt carried interests between 0.25% and 1.40% per annum (2015: 0.375% and 2.00% per annum).

## 8. Current investments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Fixed deposits over three months but not over one year	410,280	600,000	-	600,000
Investments in LH Money Market Fund, Cost	-	600,000	-	600,000
Add: Unrealised gain on changes in value of investments	-	1,839	-	1,839
Trading securities - fair value	-	601,839	-	601,839
Total	410,280	1,201,839	-	1,201,839

As at 31 December 2016, fixed deposits carried interests between 1.35% and 1.40% per annum (2015: 2.00% per annum).

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<u>Trade receivables - unrelated parties</u>				
Not yet due	-	-	-	-
Past due				
Less than 3 months	84,776	123,688	-	-
3 - 6 months	2,255	2,345	-	-
6 - 9 months	-	2,245	-	-
9 - 12 months	-	2,248	-	-
Over 12 months	8,622	87	-	-
Total trade receivables - unrelated parties, net	95,653	130,613	-	-
<u>Other receivables</u>				
Amounts due from and accounts receivables - related parties	29,178	20,642	157	812
Other	32,098	32,767	25,908	31,811
Other receivables	61,276	53,409	26,065	32,623
Total trade and other receivables - net	156,929	184,022	26,065	32,623

## 10. Real estate development cost (inventories)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Land	23,578,984	24,573,651	22,847,644	23,703,490
Land improvements	2,072,918	2,259,856	1,978,379	2,174,432
Construction in progress	16,863,267	15,133,322	16,483,431	14,717,462
Interest cost	2,492,738	2,328,479	2,388,184	2,220,330
Public utilities	3,953,719	3,897,644	3,624,025	3,589,506
Deferred development cost	126	592	-	414
Houses held for sales	121,523	84,857	10,711	10,711
Total	49,083,275	48,278,401	47,332,374	46,416,345
Less : Allowance for reduce cost to net realisable value	(157,551)	(160,440)	(59,025)	(60,815)
Inventories - net	48,925,724	48,117,961	47,273,349	46,355,530

In 2016, the Company transferred-out inventories with net book value of Baht 73 million and Baht 2 million to land held for development and property, plant and equipment, respectively (2015: the Company transferred-in land held for development with net book value of Baht 37 million to inventories).

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	
	2016	2015	2016	2015
Borrowing costs included in cost of land and construction in progress (Million Baht)	892	1,103	877	1,070
Capitalisation rate (Percent)	3.0	3.6	3.0	3.6

As at 31 December 2016 and 2015, 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	
	2016	2015	2016	2015
Net book value of land and structures thereon mortgaged as collateral	819	7,253	-	6,419

Movements in the allowance for loss on diminution in value of projects during the year ended 31 December 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2016	160,440	60,815
Less: Transferred to property, plant and equipment	(334)	(334)
Less: Reversal due to sale	(2,555)	(1,456)
Balance as at 31 December 2016	157,551	59,025

## 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
			(Percent)	(Percent)						
Atlantic Real Estate Co., Ltd.	15,000	15,000	99.99	99.99	14,998	14,998	-	-	14,998	14,998
LH Mall & Hotel Co., Ltd. and its subsidiaries	2,000,000	1,241,000	99.99	99.99	2,000,000	1,241,000	-	-	2,000,000	1,241,000
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 Tane 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 subsidiary	1,638,000	2,450,000	60.00	60.00	1,078,800	1,566,000	-	-	1,078,800	1,566,000
Land and Houses U.S.A., Inc.	(a)	(a)	100.00	100.00	1,343,127	616,427	-	-	1,343,127	616,427
Asia Asset Advisory Co., Ltd.	5,000	5,000	99.99	99.99	5,000	5,000	-	-	5,000	5,000
					5,243,017	4,244,517	(50,000)	(50,000)	5,193,017	4,194,517

(a) As at 31 December 2016 and 2015, Land and Houses U.S.A., Inc. had paid-up capital amounted to USD 40 million and USD 20 million, respectively.

During the years 2016 and 2015, the Company received dividend income from subsidiaries as detailed below.

(Unit: Thousand Baht)

Company's name	2016	2015
Atlantic Real Estate Co., Ltd.	-	59,992
Siam Tanee Property Co., Ltd.	-	99,999
L H Muang Mai Co., Ltd.	284,625	-
L&H Property Co., Ltd.	305,760	1,381,799
Asia Asset Advisory Co., Ltd.	39,599	-
Total	629,984	1,541,790

## 11.2 Significant changes in investments in subsidiaries

### LH Mall & Hotel Co., Ltd. and its subsidiaries

LH Mall & Hotel Co., Ltd., the Company's 99.99% owned subsidiary, called for the remaining of shares registered capital in the amount of Baht 759 million (13.8 million ordinary shares at Baht 55 each). As a result, the paid-up capital of the subsidiary is now 20 million ordinary shares at price of 100 baht per share, totaling Baht 2,000 million. The Company has already paid the subscription on 8 January 2016.

### Siam Tanee Property Co., Ltd. and its subsidiary

Siam Tanee Property Co., Ltd., the Company's 99.99% owned subsidiary, received cash dividend from Siam Tanee Real Estate Co., Ltd. (99.99% held by Siam Tanee Property Co., Ltd.) amounting Baht 1 million on 19 May 2016.

### L H Muang Mai Co., Ltd. and its subsidiaries

L H Muang Mai Co., Ltd, the Company's 55% owned subsidiary received capital refund and cash dividends from Phuket Future Plan Co., Ltd. and Double Tree Co., Ltd. (99.99% held by L H Muang Mai Co., Ltd.) as the following details

a) To receive capital refund from Phuket Future Plan Co., Ltd. and Double Tree Co., Ltd. amounting Baht 158 million and Baht 143 million, respective on 29 November 2016.

b) To receive cash dividends from Phuket Future Plan Co., Ltd. and Double Tree Co., Ltd. amounting Baht 592 million and Baht 78 million, respective on 23 May 2016.

### &H Property Co., Ltd. and its subsidiary

L&H Property Co., Ltd., the Company's 60% owned subsidiary passed following resolutions in relation to its registered share capital:

a) To call for the remaining of shares registered capital in the amount of Baht 150 million (10 million ordinary shares at Baht 15 each). The Company has already paid the subscription in relation to its shareholding percentage amounting to Baht 90 million on 15 June 2016.

b) To decrease the registered share capital by change of the par value of the subsidiary's ordinary shares from Baht 100 each to Baht 63 each. As a result, the subsidiary's share registered will be Baht 1,638 million, comprise of 26 million ordinary shares at Baht 63 each. The Company received capital refund in relation to its shareholding percentage amounting to Baht 577 million on 16 June 2016.

### Land and Houses U.S.A., Inc.

Land and Houses U.S.A., Inc., the Company's 100% owned subsidiary, passed a resolution to increase its registered capital from USD 20 million to USD 40 million. The Company has already paid the subscription amounting to approximately Baht 727 million on 20 January 2016.

11.3 Details of investments in subsidiaries that have material non-controlling interests

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Profit/loss allocated to non-controlling interests during the year		Dividend paid to non-controlling interests during the year	
	2016	2015	2016	2015	2016	2015	2016	2015
	(%)	(%)						
L H Muang Mai Co., Ltd. and its subsidiaries	45	45	575	373	435	(15)	233	-
L&H Property Co., Ltd. and its subsidiary	40	40	442	896	75	761	204	921

11.4 Summarised financial information that based on amounts before inter-company elimination about subsidiaries that have material non-controlling

Summarised information about financial position

(Unit: Million Baht)

	L H Muang Mai Co., Ltd. and its subsidiaries		L&H Property Co., Ltd. and its subsidiary	
	2016	2015	2016	2015
Current assets	1,347	854	893	1,971
Non-current assets	131	1,073	1,561	1,647
Current liabilities	(191)	(832)	(341)	(302)
Non-current liabilities	(11)	(268)	(1,009)	(1,075)

Summarised information about comprehensive income

(Unit: Million Baht)

	For the year ended 31 December			
	L H Muang Mai Co., Ltd. and its subsidiaries		L&H Property Co., Ltd. and its subsidiary	
	2016	2015	2016	2015
Revenue	1,491	338	1,742	3,642
Profit (loss)	967	(34)	185	1,904
Other comprehensive income	-	-	1	-
Total comprehensive income	967	(34)	186	1,904

Summarised information about cash flow

(Unit: Million Baht)

	For the year ended 31 December			
	L H Muang Mai Co., Ltd. and its subsidiaries		L&H Property Co., Ltd. and its subsidiary	
	2016	2015	2016	2015
Cash flow from operating activities	1,674	48	574	135
Cash flow from investing activities	(2)	-	919	3,685
Cash flow used in financing activities	(1,172)	(48)	(1,321)	(3,486)
Net increase in cash and cash equivalents	500	-	172	334

## 12. Investments in associates

### 12.1 Details of investments in associates

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2016	2015	2016	2015	2016	2015
			(Percent)	(Percent)				
LH Financial Group Plc.	Holding company	Thai	33.98	33.98	4,538,712	4,538,712	6,913,223	6,109,613
Quality Construction Products Plc.	Manufacture of construction materials	Thai	21.16	21.16	179,178	179,178	378,263	412,906
Home Product Center Plc.	Trading of construction materials	Thai	30.23	30.23	1,489,020	1,489,020	5,906,439	5,728,752
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	743,925	743,925	467,359	466,998
Quality Houses Plc.	Real estate business	Thai	24.98	24.98	3,282,682	3,282,682	6,593,696	6,245,449
					10,233,517	10,233,517	20,258,980	18,963,718



(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			2016	2015	2016	2015
			(Percent)	(Percent)		
LH Financial Group Plc.	Holding company	Thai	33.98	33.98	4,538,712	4,538,712
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
Land and Houses Property and Loan Fund-II	Real estate business	Thai	49.99	49.99	743,925	743,925
Quality Houses Plc.	Real estate business	Thai	24.98	24.98	3,282,682	3,282,682
					10,233,517	10,233,517

## 12.2 Significant changes in investments in associates

### LH Financial Group Public Company Limited

On 29 March 2016, LH Financial Group Public Company Limited ("LHFG") entered into a memorandum of understanding in relation to a share subscription agreement ("SSA MOU") with CTBC Bank Co., Ltd. ("CTBC"). Under the SSA MOU, LHFG agrees in principle to issue 7,545 million new ordinary shares ("Shares") through a private placement to CTBC and CTBC agrees in principle to subscribe to the Shares at Baht 2.20 per share (the "Transaction"), provided that certain conditions precedent are met. Moreover, the price and the Transaction are subject to change or cancellation should due diligence uncover material adverse findings related to the business or financial position of LHFG.

On the same date, a meeting of the Board of Directors of the Company passed a resolution to approve a memorandum of understanding in relation to the shareholders agreement ("SHA MOU") with Quality Houses Public Company Limited ("QH") and CTBC, in order to stipulate the respective rights and obligations as the shareholders of LHFG upon the completion of the Transaction. The SHA MOU was executed by the Company, QH and CTBC on 29 March 2016.

On 8 June 2016, LHFG entered into a share subscription agreement ("SSA") with CTBC, whereby key terms and conditions are in accordance with the SSA MOU. On the same date, a meeting of the Board of Directors of the Company passed a resolution to approve the entering into the shareholders agreement ("SHA") with QH and CTBC, in order to stipulate the respective rights and obligations as the shareholders of LHFG upon the completion of the Transaction, whereby key terms and conditions are in accordance with the SHA MOU.

Upon the completion of the Transaction, CTBC will hold 35.6% of the issued and paid-up share capital of LHFG and the Company's shareholding in LHFG will be diluted to 21.9%. However, up to the date of the authorisation of these financial statements, the Transaction is still in process to perform under the terms and conditions as agreed.

On 23 December 2016, a meeting of the Board of Directors of LHFG has passed a resolution to agree the extension of the co-investment with CTBC period from 31 December 2016 to 30 September 2017 for the flexibility of the operational processes period.

## 12.3 Share of comprehensive income 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/loss from investments in associates during the year		Share of other comprehensive income from investments in associates during the year		Dividend received during the year	
	2016	2015	2016	2015	2016	2015
LH Financial Group Plc.	916,316	561,293	40,241	20,942	152,947	16,595
Quality Construction Products Plc.	(22,794)	1,528	-	(2,634)	11,848	11,848
Home Product Center Plc.	1,247,172	1,057,823	4,002	(23,794)	1,073,487	670,917
Land and Houses Property and Loan Fund-II	52,356	38,013	-	-	51,995	-
Quality Houses Plc.	770,484	777,941	5,914	(3,121)	428,151	176,276
Total	2,963,534	2,436,598	50,157	(8,607)	1,718,428	875,636

#### 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 2016 and 2015 are as follows:

(Unit: Million Baht)

Company's name	Country of listing	Fair values as at 31 December	
		2016	2015
LH Financial Group Plc.	Thai	7,972	7,647
Quality Construction Products Plc.	Thai	418	420
Home Product Center Plc.	Thai	40,156	27,036
Quality Houses Plc.	Thai	6,904	6,101
Total		55,450	41,204

12.5 Summarised financial information about material associates

Summarised information about financial position

(Unit: Million Baht)

	LH Financial Group Plc.		Home Product Center Plc.		Quality Houses Plc.	
	2016	2015	2016	2015	2016	2015
Current assets	212,147	199,667	15,900	13,367	32,349	33,029
Non-current assets	-	-	35,846	33,624	20,665	19,969
Current liabilities	(191,831)	(181,716)	(22,491)	(19,474)	(11,083)	(12,671)
Non-current liabilities	-	-	(11,764)	(10,614)	(18,992)	(18,781)
<b>Net assets</b>	<b>20,316</b>	<b>17,951</b>	<b>17,491</b>	<b>16,903</b>	<b>22,939</b>	<b>21,546</b>
Shareholding percentage (%)	33.98	33.98	30.23	30.23	24.98	24.98
<b>Share of net assets</b>	<b>6,904</b>	<b>6,100</b>	<b>5,287</b>	<b>5,110</b>	<b>5,730</b>	<b>5,382</b>
Goodwill	9	9	619	619	864	864
<b>Carrying amounts of associates based on equity method</b>	<b>6,913</b>	<b>6,109</b>	<b>5,906</b>	<b>5,729</b>	<b>6,594</b>	<b>6,246</b>

Summarised information about comprehensive income

(Unit: Million Baht)

	For the year ended 31 December					
	LH Financial Group Plc.		Home Product Center Plc.		Quality Houses Plc.	
	2016	2015	2016	2015	2016	2015
Revenue	6,967	5,543	61,144	56,243	20,908	21,788
Profit (loss)	2,696	1,652	4,125	3,499	3,085	3,106
Other comprehensive income	119	61	13	(78)	24	(4)
<b>Total comprehensive income</b>	<b>2,815</b>	<b>1,713</b>	<b>4,138</b>	<b>3,421</b>	<b>3,109</b>	<b>3,102</b>

12.6 Aggregate amount of share of comprehensive income from other associates (exclude associates named in Note 12.5)

(Unit: Million Baht)

	For the year ended 31 December	
	2016	2015
Share of comprehensive income:		
Profit/loss from continuing operations	30	40
Other comprehensive income	6	(3)
<b>Total comprehensive income</b>	<b>36</b>	<b>37</b>

12.7 The Company's consolidated financial statements for the years ended 31 December 2016 and 2015 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	
	2016	2015	2016	2015
<b>Audited by auditor and other auditors of the same firm</b>				
LH Financial Group Plc.	6,913,223	6,109,613	916,316	561,293
Home Product Center Plc.	5,906,439	5,728,752	1,247,172	1,057,823
Land and Houses Property and Loan Fund-II	467,359	466,998	52,356	38,013
Quality Houses Plc.	6,593,696	6,245,449	770,484	777,941
<b>Audited by other auditors</b>				
Quality Construction Products Plc.	378,263	412,906	(22,794)	1,528
<b>Total</b>	<b>20,258,980</b>	<b>18,963,718</b>	<b>2,963,534</b>	<b>2,436,598</b>

### 13. Other long-term investments

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Available-for-sale securities</b>				
Equity securities - Overseas	2,368,704	2,368,704	2,368,704	2,368,704
Unit trust - Domestic	1,513,912	1,513,912	783,568	783,568
Add: Changes in fair value of securities	1,535,556	1,223,454	1,278,302	1,211,687
Available-for-sale securities - net	5,418,172	5,106,070	4,430,574	4,363,959
<b>Other investments</b>				
Equity securities - Domestic	204,239	204,239	26,000	26,000
Unit trust - Domestic	165	165	-	-
Less: Allowance for impairment	(110,500)	(100,500)	(26,000)	(16,000)
Other investments - net	93,904	103,904	-	10,000
<b>Total</b>	<b>5,512,076</b>	<b>5,209,974</b>	<b>4,430,574</b>	<b>4,373,959</b>

## 14. Land held for development

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Land held for development	4,024,823	4,896,632	3,782,529	3,709,338
Less: Allowance for loss on diminution in value	(808,887)	(802,930)	(696,136)	(690,179)
Land held for development - net	3,215,936	4,093,702	3,086,393	3,019,159

In June 2016, the two subsidiaries sold their land held for development. The subsidiaries had gain on such transactions totaling Baht 1,240 million, and recognised in profit or loss.

In 2016, the Company transferred-in inventories with net book value of Baht 73 million from land held for development (2015: the Company transferred-out land held for development with net book value of Baht 37 million to inventories).

In 2015, the Company and its subsidiaries engaged independent valuers to appraise the fair value of certain plots of land held for development of the Company and its subsidiaries, using the Market Comparison Approach as the basis of determining the valuation of assets. The fair values of land held for development appraised by the independent appraiser exceeded their net carrying amount. As at 31 December 2016, the management believes that there are no material differences in the fair value of land held for development from the year 2015.

As at 31 December 2016 and 2015, the Company and its subsidiaries have mortgaged some of the land held for development to secure long-term loans with net book value as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net book value of mortgaged land held for development to secure loans	2,551	3,496	2,551	2,551

Movements in the allowance for loss on diminution in value of land held for development during the year ended 31 December 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statement	Separate financial statement
Balance as at 1 January 2016	802,930	690,179
Add: Additional set up	5,957	5,957
Balance as at 31 December 2016	808,887	696,136

## 15. Investment properties

The net book value of investment properties as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Vacant Land	Apartments	Total	Vacant Land	Apartments	Total
As at 31 December 2016:						
Cost	208,963	14,754,936	14,963,899	208,963	-	208,963
Less: Accumulated depreciation	-	(418,601)	(418,601)	-	-	-
Net book value	208,963	14,336,335	14,545,298	208,963	-	208,963
As at 31 December 2015:						
Cost	207,853	6,437,769	6,645,622	207,853	-	207,853
Less: Accumulated depreciation	-	(227,186)	(227,186)	-	-	-
Net book value	207,853	6,210,583	6,418,436	207,853	-	207,853

In 2016, Land and Houses U.S.A., Inc. ("LH USA"), the Company's 100% owned subsidiary, had acquired two apartments in the USA with the following details:

- On 20 January 2016, LH USA acquired an apartment in Campbell, California at the amount of USD 100 million (approximately Baht 3,575 million).

- On 14 December 2016, LH USA acquired an apartment in Portland, Oregon at the amount of USD 127 million (approximately Baht 4,555 million).

As at 31 December 2016, the management believes that there are no material differences between the book value of the above apartments and their fair value.

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2559	2558	2559	2558
Net book value at beginning of year	6,418,436	3,726,501	207,853	-
Acquisition of assets	8,302,352	2,679,647	1,110	3,457
Transfer in from inventory	-	198,181	-	198,181
Transfer in from plant, property and equipment	-	6,215	-	6,215
Depreciation charged	(190,025)	(124,323)	-	-
Disposals - net book value at disposal date	-	(426,108)	-	-
Translation adjustment	14,535	358,323	-	-
Net book value at end of year	14,545,298	6,418,436	208,963	207,853

Depreciation of investment properties for the year 2016 of Baht 190 million (2015: Baht 124 million) included in cost of rental and services.

The fair value of the investment properties as at 31 December 2016 and 2015 stated below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Vacant land	209	208	209	208
Apartments	15,055 <sup>(1)</sup>	7,003 <sup>(1)</sup>	-	-

<sup>(1)</sup> As at 31 December 2016 the fair value is USD 420 million (2015: USD 194 million).

As at 31 December 2016 and 2015, the fair values of investment properties have been determined using the following approach.

- Vacant land and apartments which are acquired in the year 2016 have been determined based on acquisition cost. The management believes that there are no material differences between the book value and its fair value.

- Apartments which are acquired before the year 2016 have been determined by an accredited independent valuer in the year 2015 using the Market Comparison Approach and the Income Approach.

During the years 2016 and 2015, LH USA gained rental income and had direct operating expenses arising from its apartments which are recorded in profit or loss as detailed below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Rental income	619	427	-	-
Direct operating expenses	425	261	-	-

The apartments with a total net book value as at 31 December 2016 of Baht 6,277 million (2015: Baht 2,620 million) have been used as collateral for long-term loans from overseas financial institutions.

## 16. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							
	Land	Building and building improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Other	Assets under construction	Total
<u>Cost</u>								
1 January 2015	26,997	67,336	159,346	404,397	123,878	240,842	56,870	1,079,666
Purchase	-	24,388	10,565	5,908	31,495	14,480	94,053	180,889
Disposal/Write-off	-	(45,532)	(30,344)	(77,041)	(10,405)	(69,866)	-	(233,188)
Transfer in (out)	-	-	-	22,750	-	-	(28,965)	(6,215)
Translation adjustment	-	-	15	55	-	-	-	70
31 December 2015	26,997	46,192	139,582	356,069	144,968	185,456	121,958	1,021,222
Purchase	-	9,530	17,629	147,347	11,737	67,785	89,397	343,425
Disposal/Write-off	-	-	(1,567)	(26,368)	(20,544)	(4,557)	-	(53,036)
Transfer in (out)	1,860	-	7,103	23,434	-	-	(30,537)	1,860
Translation adjustment	-	-	(2)	(4)	-	-	-	(6)
31 December 2016	28,857	55,722	162,745	500,478	136,161	248,684	180,818	1,313,465
<u>Accumulated depreciation</u>								
1 January 2015	-	44,151	130,860	342,083	81,564	191,495	-	790,153
Depreciation for the year	-	2,461	16,281	27,426	19,314	23,825	-	89,307
Depreciation on disposal/Write-off	-	(16,578)	(26,561)	(64,063)	(9,189)	(52,749)	-	(169,140)
Translation adjustment	-	-	13	27	-	-	-	40
31 December 2015	-	30,034	120,593	305,473	91,689	162,571	-	710,360
Depreciation for the year	-	2,295	10,965	24,546	20,235	16,196	-	74,237
Depreciation on disposal/Write-off	-	-	(1,345)	(22,275)	(17,460)	(4,476)	-	(45,556)
Translation adjustment	-	-	(1)	(1)	-	-	-	(2)
31 December 2016	-	32,329	130,212	307,743	94,464	174,291	-	739,039

(Unit: Thousand Baht)

	Consolidated financial statements							
	Land	Building and building improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Other	Assets under construction	Total
<u>Allowance for impairment</u>								
31 December 2015	-	-	-	-	-	-	-	-
Increase	334	-	-	-	-	-	-	334
31 December 2016	334	-	-	-	-	-	-	334
<u>Net book value</u>								
31 December 2015	26,997	16,158	18,989	50,596	53,279	22,885	121,958	310,862
31 December 2016	28,523	23,393	32,533	192,735	41,697	74,393	180,818	574,092
<u>Depreciation for the year</u>								
2015 (Baht 33 million included in cost of sales, and the balance in administrative expenses)								89,307
2016 (Baht 20 million included in cost of sales, and the balance in administrative expenses)								74,237



(Unit: Thousand Baht)

	Separate financial statements							
	Land	Building and building improvement	Office equipment	Furniture, fixture and equipment	Motor vehicles	Other	Assets under construction	Total
<u>Cost</u>								
1 January 2015	-	49,633	121,500	194,383	112,021	61,597	53,842	592,976
Purchase	-	1,399	5,910	1,147	7,858	1,287	94,052	111,653
Disposal/Write-off	-	(10,350)	(12,732)	(14,325)	(10,405)	(4,524)	-	(52,336)
Transfer in (out)	-	-	-	21,018	-	-	(27,233)	(6,215)
31 December 2015	-	40,682	114,678	202,223	109,474	58,360	120,661	646,078
Purchase	-	1,595	5,202	4,781	7,363	3,394	79,068	101,403
Disposal/Write-off	-	-	(1,009)	(23,994)	(13,123)	(4,557)	-	(42,683)
Transfer in (out)	1,860	-	-	18,913	-	-	(18,913)	1,860
31 December 2016	1,860	42,277	118,871	201,923	103,714	57,197	180,816	706,658
<u>Accumulated depreciation</u>								
1 January 2015	-	27,626	103,744	158,521	72,542	50,660	-	413,093
<u>Depreciation for the year</u>	-	2,109	11,270	14,328	17,778	4,230	-	49,715
Depreciation on disposal/Write-off	-	(5,212)	(12,686)	(12,772)	(9,190)	(4,464)	-	(44,324)
31 December 2015	-	24,523	102,328	160,077	81,130	50,426	-	418,484
Depreciation for the year	-	2,091	7,331	14,738	14,914	3,889	-	42,963
Depreciation on disposal/Write-off	-	-	(1,009)	(20,702)	(10,579)	(4,476)	-	(36,766)
31 December 2016	-	26,614	108,650	154,113	85,465	49,839	-	424,681
<u>Allowance for impairment</u>								
31 December 2015	-	-	-	-	-	-	-	-
Increase	334	-	-	-	-	-	-	334
31 December 2016	334	-	-	-	-	-	-	334
<u>Net book value</u>								
31 December 2015	-	16,159	12,350	42,146	28,344	7,934	120,661	227,594
31 December 2016	1,526	15,663	10,221	47,810	18,249	7,358	180,816	281,643
<u>Depreciation for the year</u>								
2015 (The balance included in administrative expenses)								49,715
2016 (The balance included in administrative expenses)								42,963

As at 31 December 2016, the subsidiary had vehicles with net book value of Baht 19 million (2015: Baht 23 million) which were acquired under financial lease agreements.

As at 31 December 2016 and 2015, 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	
	2016	2015	2016	2015
Building and equipment items have been fully depreciated but are still in use	528	584	246	297

## 17. Leasehold rights

(Unit: Thousand Baht)

Project	Consolidated financial statements				
	Remaining periods of leasehold rights (years)	1 January 2016	Increase	Amortisation	31 December 2016
Grande Centre Point Hotel Ratchadamri	21	1,604,671	257	(90,725)	1,514,203
Grande Centre Point Hotel Thonglo	31	701,759	925,113	(13,671)	1,613,201
Vacant land	11 and 32	96,044	566,044	(10,636)	651,452
Total		2,402,474	1,491,414	(115,032)	3,778,856

The amortisation of leasehold rights for the year 2016 of Baht 115 million (2015: Baht 161 million) included in cost of rental and services.

During the year 2016, the subsidiary included borrowing costs in leasehold rights totaling Baht 14.5 million (2015: Baht 0.7 million) with the capitalisation rate of 3.5 percent (2015: 4 percent)

The subsidiary has pledged their land leasehold rights of Grande Centre Point Hotel Ratchadamri and Grande Centre Point Hotel Thonglo project with construction as collateral for bank overdrafts and long-term loans.

### Grande Centre Point Terminal 21

On 16 December 2015, L&H Property Co., Ltd. ("LHP"), the subsidiary which the Company hold 60% of shares, entered into an agreement to transfer the leasehold rights and an agreement to sell movable assets which consist of furniture, fixture and equipment of Grande Centre Point Hotel Terminal 21 Project to LH Hotel Leasehold Real Estate Investment Trust ("LHHOTEL") at a total price of Baht 3,715 million. LHP had gains on such transactions totaling Baht 2,037 million (net of relevant sales expenses), and recognised such transactions in the profit or loss for the year 2015.

As at 31 December 2016, LH Mall & Hotel Co., Ltd., the Company's 99.99% owned subsidiary shares, acquired 9% of the registered unit of LHHOTEL. The investment was presented as other long-term investments.

### Grande Centre Point Ratchadamri

LHP wishes LHHOTEL to invest in the Grande Centre Point Hotel Ratchadamri Project through a sublease of the immovable assets at a term of approximately 21 years, and a purchase of the movable assets of such project from LHP. At present, the management is considering the terms and conditions of the relevant agreements to be entered into with LHHOTEL.

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.

## 18. Other intangible assets

The net book value of intangible assets (computer software) as at 31 December 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cost	86,002	70,149	50,303	49,276
Less: Accumulated depreciation	(40,337)	(29,088)	(29,983)	(26,208)
Net book value	45,665	41,061	20,320	23,068

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Net book value at beginning of year	41,061	34,115	23,068	25,221
Acquisition of computer software	15,942	18,370	1,027	1,683
Disposal and amortised during the year				
- net book value as at disposal date	-	(4,742)	-	-
Amortisation	(11,156)	(6,643)	(3,775)	(3,836)
Translation adjustment	(182)	(39)	-	-
Net book value at end of year	45,665	41,061	20,320	23,068
Amortisation for the year charged to				
Cost of rental and services	629	444	-	-
Administrative expenses	10,527	6,199	3,775	3,836

## 19. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (Percent per annum)	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Bank overdrafts	-	MOR	-	19,799	-
Promissory notes	-	MOR - 1.5	-	200,000	-
Total bank overdrafts and short-term loans from financial institutions	-	-	219,799	-	-

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	
	2016	2015	2016	2015
Trade payables - unrelated parties	1,813,285	2,071,134	1,609,412	1,933,324
Trade payables - related parties	5,369	14,708	4,881	7,387
Other payables - related parties	135,840	49,715	162	380
Accrued expenses	1,030,037	1,039,939	860,889	902,469
Others	332,472	42,942	284,047	18,593
Total trade and other payables	3,317,003	3,218,438	2,759,391	2,862,153

## 21. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Long-term loans	7,406,236	8,860,421	3,075,180	6,966,486
Less: Current portion	(3,075,180)	(371,155)	(3,075,180)	-
Net	4,331,056	8,489,266	-	6,966,486

Movements in the long-term loans during the year 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2016	8,860,421	6,966,486
Add: Additional borrowing	3,056,074	-
Less: Repayment	(4,533,440)	(3,891,306)
Add: Translation adjustment	23,181	-
Balance as at 31 December 2016	7,406,236	3,075,180

As at 31 December 2016 and 2015, 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
	2016	2015	2016	2015			
<u>The Company</u>	-	361	-	361	Year 1-5: MLR - 2.25	Repayments within 5 years from the first drawdown date	Land
	3,075	3,330	3,075	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 4 years from the first drawdown date	Land and premises of project
<u>Subsidiaries</u>							
L H Mall & Hotel Co., Ltd.*	1,126	5	-	-	MLR - 2.5	First repayment at end of March 2018 to December 2027, totaling 40 periods	Land and premises of project
L H Muang Mai Co., Ltd.	-	159	-	-	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
	-	260	-	-	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	-	-	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 and ordinary shares of the company and the related company
Land and Houses U.S.A., Inc.	1,254	1,263	-	-	3% or 5 years Swap Rate (Bloomberg) +1.29 whichever is higher rate	Repayment within 5 years for the first drawdown date (USD 35 million)	Apartments of project
	1,951	-	-	-	Federal Fund Rate + 1 or Prime Rate of Bank of America + 0.5 or LIBOR + 0.5 whichever is higher rate	Repayment within 3 years for the first drawdown date (USD 54.45 million)	Apartments of project
Total	7,406	8,860	3,075	6,966			
Less: Current							
portion	(3,075)	(371)	(3,075)	-			
Net	4,331	8,489	-	6,966			

\* The Company, as shareholders of L H Mall & Hotel Co., Ltd. ("LHMH") holding 99.99% of shares, agreed to provide assurance to the lender of LHMH whereby there are certain covenants pertaining to, among other things, the maintenance of the Company's level of shareholding, the provision of financial support. In addition, the Company needs to obtain the written consent from the lender should the Company sells, transfers or pledges the shares of LHMH.

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 2016 and 2015, there were available long-term loan facilities from financial institutions as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statement	
	2016	2015	2016	2015
Undrawdown loan facilities	290	3,628	70	1,795

## 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 2016, the Company has unissued debentures under the above mentioned approval totaling Baht 3,750 million (2015: Baht 7,500 million).

The outstanding balance of debentures as at 31 December 2016 and 2015 are detailed below.

No.	Interest rate per annum	Age	Repayment	Maturity	Consolidated and Separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					2016	2015	2016	2015
Unsubordinated and unsecured debentures								
No. 1/2013	Fixed rate 3.59%	3 years	At maturity	31 March 2016	-	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
No. 1/2014	Fixed rate 3.63%	3 years	At maturity	27 February 2017	500,000	500,000	500,000	500,000
No. 2/2014	Fixed rate 3.59%	3 years	At maturity	4 April 2017	3,500,000	3,500,000	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 3.70%	3.5 years	At maturity	17 March 2018	1,000,000	1,000,000	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	4,000,000	4,000,000
No. 1/2015	Fixed rate 3.02%	3.5 years	At maturity	25 September 2018	1,000,000	1,000,000	1,000,000	1,000,000
No. 2/2015 (1)	Fixed rate 2.81%	3 years	At maturity	2 April 2018	7,000,000	7,000,000	7,000,000	7,000,000
No. 2/2015 (2)	Fixed rate 3.31%	5 years	At maturity	2 April 2020	1,000,000	1,000,000	1,000,000	1,000,000
No. 3/2015 (1)	Fixed rate 2.41%	3 years	At maturity	8 October 2018	4,000,000	4,000,000	4,000,000	4,000,000
No. 3/2015 (2)	Fixed rate 2.66%	4 years	At maturity	8 October 2019	1,000,000	1,000,000	1,000,000	1,000,000
No. 3/2015 (3)	Fixed rate 2.99%	5 years	At maturity	8 October 2020	1,000,000	1,000,000	1,000,000	1,000,000
No. 1/2016	Fixed rate 1.82%	3 years	At maturity	29 April 2019	5,000,000	-	5,000,000	-
No. 2/2016	Fixed rate 2.23%	3 years	At maturity	28 October 2019	7,250,000	-	7,250,000	-
Total					36,250,000	32,500,000	36,250,000	32,500,000
Less: Current portion of debentures							(8,000,000)	(8,500,000)
Net							28,250,000	24,000,000

Movements in the debentures during the year 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements
Balance as at 1 January 2016	32,500,000
Add: Issue of new debenture	12,250,000
Less: Redemption	(8,500,000)
Balance as at 31 December 2016	36,250,000

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						
	After-sale maintenance expenses	Legal cases	Guarantee income of fund	Compensation for Housing Estate Juristic Persons	Public utilities maintenance	Other	Total
As at 1 January 2015	42,694	315,011	42,459	173,055	109,511	15,000	697,730
Increase during the year	42,269	10,511	7,845	30,307	41,008	-	131,940
Utilised	(39,109)	-	(32,080)	(31,597)	(78,190)	-	(180,976)
As at 31 December 2015	45,854	325,522	18,224	171,765	72,329	15,000	648,694
Increase during the year	64,222	36,641	-	28,525	46,441	-	175,829
Revert	-	-	(53)	-	-	-	(53)
Utilised	(41,501)	(12,132)	(18,171)	(37,678)	(58,150)	-	(167,632)
As at 31 December 2016	68,575	350,031	-	162,612	60,620	15,000	656,838

(Unit: Thousand Baht)

	Separate financial statements						
	After-sale maintenance expenses	Legal cases	Guarantee income of fund	Compensation for Housing Estate Juristic Persons	Public utilities maintenance	Other	Total
As at 1 January 2015	38,481	315,011	42,459	156,980	105,632	-	658,563
Increase during the year	42,794	10,511	7,845	29,529	39,312	-	129,991
Utilised	(36,597)	-	(32,080)	(23,151)	(73,014)	-	(164,842)
As at 31 December 2015	44,678	325,522	18,224	163,358	71,930	-	623,712
Increase during the year	63,307	36,641	-	27,524	45,985	-	173,457
Revert	-	-	(53)	-	-	-	(53)
Utilised	(40,794)	(12,132)	(18,171)	(35,130)	(57,970)	-	(164,197)
As at 31 December 2016	67,191	350,031	-	155,752	59,945	-	632,919

## 24. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Provision for long-term employee benefits at beginning of year	280,529	261,038	236,233	222,648
Included in profit or loss:				
Current service cost	19,366	18,636	13,345	12,640
Interest cost	8,996	8,351	7,578	7,125
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	(5,747)	-	(6,983)	-
Financial assumptions changes	60	-	-	-
Experience adjustments	32,763	-	15,201	-
Benefits paid during the year	(5,099)	(7,496)	(4,905)	(6,180)
Provision for long-term employee benefits at end of year	330,868	280,529	260,469	236,233

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cost of sales and cost of rental and services	12,065	11,191	5,634	5,292
Selling and administrative expenses	16,297	15,796	15,289	14,473
Total expenses recognised in profit or loss	28,362	26,987	20,923	19,765

The Company and its subsidiaries expect to pay Baht 4.5 million of long-term employee benefits during the next year (Separate financial statements: Baht 4.5 million) (2015: Baht 3 million, separate financial statements: Baht 3 million).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 12 years (Separate financial statements: 12 years) (2015: 13 years, separate financial statements: 13 years).

Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Discount rate	3%	3.2%	3%	3.2%
Salary increase rate	6% - 6.5%	6% - 7%	6.5%	7%
Turnover rate	0% - 25%	0% - 25%	0% - 20%	0% - 20%



The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

(Unit: Million Baht)

	31 December 2					
	Discount rate		Salary increase rate		Turnover rate	
	Increase 0.5%	Decrease 0.5%	Increase 1%	Decrease 1%	Increase 10%	Decrease 10%
Consolidated financial statements	(16)	18	17	(16)	(5)	6
Separate financial statements	(12)	13	12	(11)	(4)	4

(Unit: Million Baht)

	31 December 2015					
	Discount rate		Salary increase rate		Turnover rate	
	Increase 0.5%	Decrease 0.5%	Increase 1%	Decrease 1%	Increase 10%	Decrease 10%
Consolidated financial statements	(14)	16	31	(27)	(5)	7
Separate financial statements	(11)	13	28	(23)	(4)	5

## 25. Share capital

The increase in share capital of the Company during the year 2016 resulting from exercising of warrants are summarised below.

Date of exercised	Type of warrant	Number of exercised warrants	Ordinary shares issued for exercised warrants	Exercise price	Date of registration of share capital with the Ministry of Commerce	Date of the Stock Exchange of Thailand approved ordinary shares as listed securities
				(Baht per		
30 December 2015	LH-W3	17,548,416	17,548,416	3.50	6 January 2016	11 January 2016
31 March 2016	LH-W3	24,722,411	24,722,411	3.50	5 April 2016	11 April 2016
30 June 2016	LH-W3	6,765,815	6,765,815	3.50	6 July 2016	8 July 2016
30 September 2016	LH-W3	7,474,563	7,474,563	3.50	5 October 2016	11 October 2016
Total		56,511,205	56,511,205			

Reconciliation of number of shares

(Unit: Shares)

	Consolidated and separate financial statements	
	2016	2015
Registered share capital	12,031,105,828	12,031,105,828
Issued and paid-up share capital		
Balance beginning of year	11,730,034,787	10,985,568,017
Increased due to exercise of warrants	56,511,205	744,466,770
Balance ending of year	11,786,545,992	11,730,034,787

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 which will be expired in 3 years from issuance date. 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	Exercise ratio per 1 warrant	Number of warrants outstanding as at 1 January 2016	Number of warrants exercised during the year	Number of warrants outstanding as at 31 December 2016
LH-W3	3.50	5 existing shares per 1 unit of warrant	276,523,176	(145,960,943)	130,562,233

## 27. Cash receipts from share subscription

As at 31 December 2016, the Company received cash from exercise of warrants to purchase its ordinary shares as follows.

Date of exercise	Type of warrant	Number of exercised warrants	Ordinary shares issued for exercised warrants	Exercise price	Date of registration of share capital with the Ministry of Commerce	Date of the Stock Exchange of Thailand approved ordinary shares as listed securities
		(Unit)	(Shares)	(Baht per share)		
30 December 2016	LH-W3	106,998,154	106,998,154	3.50	6 January 2017	11 January 2017

As at 31 December 2016, the Company record cash received from exercised of warrants Baht 374 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 2016 and 2015, movement of surplus (deficit) on changes in value of available-for-sale investments are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Balance as at beginning of year	982,277	1,341,026	969,350	1,341,026
Changes during the year due to				
- Revaluation	312,103	(452,829)	66,614	(464,595)
- Income taxes	(62,421)	94,080	(13,323)	92,919
Balance as at end of year	1,231,959	982,277	1,022,641	969,350

## 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 profit 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. At present, the statutory reserve has fully been set aside.

## 30. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Purchase of land and land held for development and payment of construction in progress during year	17,430	19,407	17,125	18,706
Changes in land, constructions in progress and land held for development	70	(4,593)	(985)	(4,397)
Salaries and wages and other employee benefits	1,248	1,083	1,111	1,018
Depreciation and amortisation expenses	390	382	47	54
Rental expenses from operating lease agreements	63	55	52	48

### 31. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Current income tax:</b>				
Current income tax charge	1,670,308	1,205,854	1,316,235	1,075,920
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(98,622)	395,532	(10,759)	899
<b>Income tax expenses reported in the statements of income</b>	<b>1,571,686</b>	<b>1,601,386</b>	<b>1,305,476</b>	<b>1,076,819</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Deferred tax relating to gain/loss on changes in value of available-for-sale investments	(62,421)	94,080	(13,323)	92,919
Deferred tax relating to actuarial gain/loss	5,410	-	1,644	-
	(57,011)	94,080	(11,679)	92,919

The reconciliation between accounting profit and income tax expense is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Accounting profit before tax	10,699,528	10,268,028	8,822,767	7,814,684
Applicable tax rate	20% and 40%	20% and 42.84%	20%	20%
Accounting profit before tax multiplied by income tax rate	2,139,906	2,085,788	1,764,553	1,562,937
Effects of:				
Change in value of investments accounted for the equity method	(249,021)	(312,192)	-	-
Exempt dividend income	(373,128)	(191,396)	(484,257)	(494,762)
Non-deductible expenses	34,773	12,998	9,655	9,486
Additional expense deductions allowed	(15,748)	(3,663)	(2,056)	(813)
Unused tax losses	34,389	10,117	-	-
Exempt income	(14,524)	-	(14,309)	-
Items treated as revenue under the Revenue Code	31,262	-	31,262	-
Others	(16,223)	(266)	628	(29)
Total	(568,220)	(484,402)	(459,077)	(486,118)
Income tax expenses reported in the statement of income	1,571,686	1,601,386	1,305,476	1,076,819

The components of deferred tax assets and deferred tax liabilities as at 31 December 2016 and 2015 are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Deferred tax assets</b>				
Allowance for diminution in value of inventories and land held for development	205,890	192,664	151,032	150,199
Loss on change in value of available-for-sale investments	-	1,161	-	-
Allowance for impairment of investments	22,100	20,100	5,200	3,200
Allowance for asset impairment	3,867	4,000	3,867	4,000
Accumulated depreciation - Clubhouse and pool	89,370	88,527	82,667	81,542
Accumulated amortisation - Leasehold rights	784,985	811,748	-	-
Accumulated amortisation - Intangible assets	8,145	9,696	-	-
Financial lease liabilities	4,102	4,695	-	-
Provisions	98,845	95,434	95,433	92,071
Advance received from customers	-	661	-	-
Provision for long-term employee benefits	62,964	52,970	52,094	47,247
Unused tax loss	-	2,079	-	-
Accrued land rental	15,967	12,331	-	-
Total	1,296,235	1,296,066	390,293	378,259

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Deferred tax liabilities</b>				
Assets under finance lease	(3,738)	(4,686)	-	-
Gain on change in value of available-for-sale investments	(303,597)	(242,705)	(255,660)	(242,705)
Advance received from sale of assets to REIT	(1,737,773)	(1,811,362)	-	-
Deferred tax liabilities of an overseas subsidiary	-	(29,490)	-	-
<b>Total</b>	<b>(2,045,108)</b>	<b>(2,088,243)</b>	<b>(255,660)</b>	<b>(242,705)</b>
<b>Deferred tax assets (liabilities)</b>				
- net	(748,873)	(792,177)	134,633	135,554

As at 31 December 2016, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 135 million (2015: Baht 357 million) (The Company only: Baht 50 million, 2015: Baht 50 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 used.

As at 31 December 2015, the unused tax losses amounting to Baht 224 million (2016: Nil).

### 32. 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	
	2016	2015	2016	2015	2016	2015
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the parent	8,617,974	7,920,226	11,772,130*	11,535,499*	0.73	0.69
<b>Effect of dilutive potential ordinary shares</b>						
Warrants (LH-W3)	-	-	155,802	299,643		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders						
assuming the conversion of						
warrants to ordinary shares	8,617,974	7,920,226	11,927,932	11,835,142	0.72	0.67

\* 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	
	2016	2015	2016	2015	2016	2015
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the parent	7,517,290	6,737,865	11,772,130*	11,535,499*	0.64	0.58
<b>Effect of dilutive potential ordinary shares</b>						
Warrants (LH-W3)	-	-	155,802	299,643		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	7,517,290	6,737,865	11,927,932	11,835,142	0.63	0.57

\* Included ordinary shares from cash receipts from share subscription

### 33. 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 recognise 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 and total assets 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 2016 and 2015, respectively.

(Unit: Million Baht)

	For the year ended 31 December 2016					
	Real estate business	Rental and service business	Others	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Revenue from external customers	27,372	2,536	-	29,908	-	29,908
Inter-segment revenue	-	146	-	146	(146)	-
Interest revenue	265	11	-	276	(235)	41
Infrastructure service income	249	-	-	249	-	249
Interest expense	(288)	(321)	-	(609)	236	(373)
Depreciation and amortisation	(49)	(342)	-	(391)	-	(391)
Loss on diminution in value of project and land held for development	(69)	-	-	(69)	63	(6)
Gain (loss) on sales of assets	1,316	1	-	1,317	-	1,317
Share of profit from investments in associates	748	52	2,163	2,963	-	2,963
<b>Segment profit</b>	<b>8,314</b>	<b>55</b>	<b>2,163</b>	<b>10,532</b>	<b>(36)</b>	<b>10,496</b>
<b>Unallocated revenue and expenses:</b>						
Other income						336
Other expenses						(132)
Income tax expenses						(1,572)
Non-controlling interests of the subsidiaries						(510)
<b>Profit for the year</b>						<b>8,618</b>

The following table present assets information regarding the Company's and its subsidiaries' operating segments for the year ended 31 December 2016, respectively.

(Unit: Million Baht)

	Real estate business	Rental and service business	Others	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
<b>Segment assets</b>	<b>53,053</b>	<b>18,528</b>	<b>-</b>	<b>71,581</b>	<b>29,924</b>	<b>101,505</b>
Investments under the equity method	6,972	467	12,820	20,259	-	20,259
Increase (decrease) in non-current assets (other than financial instruments and deferred tax assets)	(770)	9,968	-	9,198	1,288	10,486



(Unit: Million Baht)

	For the year ended 31 December 2015					
	Real estate business	Rental and service business	Others	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Revenue from external customers	24,223	2,036	-	26,259	-	26,259
Inter-segment revenue	-	163	-	163	(163)	-
Interest revenue	278	9	-	287	(209)	78
Infrastructure service income	255	-	-	255	-	255
Interest expense	(283)	(230)	-	(513)	209	(304)
Depreciation and amortisation	(55)	(327)	-	(382)	-	(382)
Loss on diminution in value of project and land held for development	(2)	-	-	(2)	-	(2)
Gain (loss) on sales of assets	8	2,269	-	2,277	-	2,277
Share of profit from investments in associates	780	38	1,619	2,437	-	2,437
<b>Segment profit</b>	<b>6,044</b>	<b>2,561</b>	<b>1,619</b>	<b>10,224</b>	<b>(114)</b>	<b>10,110</b>
<b>Unallocated revenue and expenses:</b>						
Other income						157
Income tax expenses						(1,601)
Non-controlling interests of the subsidiaries						(746)
<b>Profit for the year</b>						<b>7,920</b>

The following table present assets information regarding the Company's and its subsidiaries' operating segments for the year ended 31 December 2015, respectively.

(Unit: Million Baht)

	Real estate business	Rental and service business	Others	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
<b>Segment assets</b>	<b>53,585</b>	<b>8,806</b>	<b>-</b>	<b>62,391</b>	<b>35,679</b>	<b>98,070</b>
Investments under the equity method	6,658	467	11,838	18,963	-	18,963
Increase (decrease) in non-current assets (other than financial instruments and deferred tax assets)	(1,221)	1,951	-	730	1,515	2,245

### Geographic information

Revenue from external customers is based on locations of the customers of the Company and its subsidiaries which are summarised as follow.

(Unit: Million Baht)

	2016	2015
<b>Revenue from external customers</b>		
Thailand	31,234	28,598
United States	619	427
<b>Total</b>	<b>31,853</b>	<b>29,025</b>
<b>Non-current assets (other than financial instruments and deferred tax assets)</b>		
Thailand	33,595	31,241
United States	14,354	6,223
<b>Total</b>	<b>47,949</b>	<b>37,464</b>

### Major customers

For the years 2016 and 2015, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

## 34. 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	
	2016	2015	2016	2015
Contribution to provident fund	49	37	33	31

### 35. Dividend

Dividends	Approved by	Approved dividend per share	Interim dividend per share	Additional dividend paid per share	Total additional dividend paid	Portion belonging to shareholders not entitled to dividend	Net dividend paid
		(Baht)	(Baht)	(Baht)	(Million Baht)	(Million Baht)	(Million Baht)
Final dividend for 2014	Annual General Meeting of the shareholders on 23 April 2015	0.65	(0.25)	0.40	4,678	(11)	4,667
Interim dividend for 2015	Board of Director's meeting on 13 August 2015	0.25	-	0.25	2,926	(10)	2,916
							7,583
Final dividend for 2015	Annual General Meeting of the shareholders on 26 April 2016	0.60	(0.25)	0.35	4,120	(12)	4,108
Interim dividend for 2016	Board of Director's meeting on 11 August 2016	0.35	-	0.35	4,122	(28)	4,094
							8,202

### 36. Commitments and contingent liabilities

#### 36.1 ommitments

36.1.1 As at 31 December 2016 and 2015, the Company and its subsidiaries have commitments under construction contracts as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Commitments under construction contracts	3,546	6,371	1,917	5,017

36.1.2 As at 31 December 2016 and 2015, L&H Property Company Limited ("LHP"), the subsidiary which the Company hold 60% of shares and LH Mall & Hotel Company Limited ("LHMH"), the subsidiary which the Company hold 99.99% of shares, have the following commitments under, land and construction lease agreement and land lease agreement as follows:

a) Land and construction lease agreement - LHP

Agreement date	Agreement period	Maturity date	Rental rate
7 June 2005	30 years*	31 May 2038	From 1 June 2008, the following rental is to be paid in monthly installments 1 <sup>st</sup> - 5 <sup>th</sup> year, total rental payment of Baht 33 million (Full amount has been paid) 6 <sup>th</sup> - 10 <sup>th</sup> year, total rental payment of Baht 42 million (As at 31 December 2016: already paid Baht 29 million in total) 11 <sup>th</sup> - 15 <sup>th</sup> year, total rental payment of Baht 54 million 16 <sup>th</sup> - 20 <sup>th</sup> year, total rental payment of Baht 69 million 21 <sup>st</sup> - 25 <sup>th</sup> year, total rental payment of Baht 88 million 26 <sup>th</sup> - 30 <sup>th</sup> year, total rental payment of Baht 112 million

\* The agreement runs from 1 June 2008 (3 years after the period of construction).

In addition, as at 31 December 2016 and 2015, LHP 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 - LHP

Agreement date	Agreement period	Rental rate
10 March 2006	30 years*	Land leasing fee is to be monthly paid as follows: 1 <sup>st</sup> - 5 <sup>th</sup> year, total rental of Baht 20 million (Full amount has been paid) 6 <sup>th</sup> - 10 <sup>th</sup> year, total rental of Baht 23 million (As at 31 December 2016: already paid Baht 6 million in total) 11 <sup>th</sup> - 15 <sup>th</sup> year, total rental of Baht 27 million 16 <sup>th</sup> - 20 <sup>th</sup> year, total rental of Baht 31 million 21 <sup>st</sup> - 25 <sup>th</sup> year, total rental of Baht 35 million 26 <sup>th</sup> - 30 <sup>th</sup> year, total rental of Baht 41 million

\* The agreement runs from 1 September 2010 to 31 August 2040. However, the lessor consented to allow LHP to develop or construct on the leased land between 1 September 2007 and 31 August 2010, and LHP agreed to pay additional ground rental fee of Baht 160,000 per month.

The rentals under the above land lease agreement are recognised as liabilities in the consolidated financial statement, at present value, as part of relevant expenses in the sales of assets to LH Shopping Centers Leasehold Real Estate Investment Trust and LH Hotel Leasehold Real Estate Investment Trust.

c) Land lease agreements - LHMH

Agreement date	Agreement period	Maturity date	Rental rate
3 October 2013	30 years*	31 March 2047	From 1 April 2017, the following rental is to be paid in annually installments 1 <sup>st</sup> - 7 <sup>th</sup> year, total rental payment of Baht 35 million 8 <sup>th</sup> - 17 <sup>th</sup> year, total rental payment of Baht 100 million 18 <sup>th</sup> - 27 <sup>th</sup> year, total rental payment of Baht 150 million 28 <sup>th</sup> - 30 <sup>th</sup> year, total rental payment of Baht 75 million

\* The agreement runs from 1 April 2017 (3 years after the period of construction).

In addition, as at 31 December 2016 and 2015, LHMH, is committed to pay commission at Baht 5 million per year in the second and third year of construction period.

d) Land lease agreements - LHMH

Agreement date	Agreement period	Rental rate
4 August 2015	30 years*	Land leasing fee is to be monthly paid as follows: 1 <sup>st</sup> - 3 <sup>rd</sup> year, total rental payment of Baht 71 million 4 <sup>th</sup> - 6 <sup>th</sup> year, total rental payment of Baht 78 million 7 <sup>th</sup> - 9 <sup>th</sup> year, total rental payment of Baht 86 million 10 <sup>th</sup> - 12 <sup>th</sup> year, total rental payment of Baht 95 million 13 <sup>th</sup> - 15 <sup>th</sup> year, total rental payment of Baht 104 million 16 <sup>th</sup> - 18 <sup>th</sup> year, total rental payment of Baht 115 million 19 <sup>th</sup> - 21 <sup>st</sup> year, total rental payment of Baht 126 million 22 <sup>nd</sup> - 24 <sup>th</sup> year, total rental payment of Baht 139 million 25 <sup>th</sup> - 27 <sup>th</sup> year, total rental payment of Baht 153 million 28 <sup>th</sup> - 30 <sup>th</sup> year, total rental payment of Baht 168 million

\* The agreement runs after the construction period of 3 years. However, the lessor consented to allow LHMH, to develop or construct on the leased land for 3 years after the transfer and lease registration date. LHMH is committed to pay commission at Baht 1,716,000 per month in the first and second year of construction period and Baht 1,980,000 per month in the third year of construction period.

36.1.3 As at 31 December 2016 and 2015, L&H Hotel Management Company Limited, the Company's subsidiary, is committed to pay a fixed rental fee and variable rental fee in accordance with the conditions stipulated in the lease agreements to lease assets of the followings:

Fund and/or REIT	Project	Term
Land and Houses Property and Loan Fund-II	Grande Centre Point Hotel Ploenchit	From 1 January 2016 to 31 December 2018
LH Hotel Leasehold Real Estate Investment Trust	Grand Centre Point Hotel Terminal 21	From 1 January 2016 to 31 December 2018

The subsidiary has the following future minimum lease payments required under the lease agreements for the fixed rental.

(Unit: Million Baht)

	Consolidated financial statements	
	2016	2015
Payable:		
In up to 1 year	317	317
In over 1 and up to 3 years	317	633

36.1.4 As at 31 December 2015, the Company had outstanding commitment of Baht 90 million in respect of uncalled portion of investments in L&H Property Co., Ltd. and LH Mall & Hotel Co., Ltd. Baht 759 million (2016: Nil).

36.1.5 As at 31 December 2016 and 2015, the Company has commitment related to purchase of land as follows.  
(Unit: Million Baht)

	Consolidated and separate financial statements	
	2016	2015
Commitment to purchase of la	2,380	582

Obligation and commitment to complete projects on hand

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Number of projects on hand at beginning of year	66	64	58	54
Number of closed projects during year	(11)	(10)	(10)	(8)
Number of new projects during year	12	12	12	12
Number of projects on hand at end of year	67	66	60	58
Accumulative value of sales already contracted (Million Baht)	90,541	77,906	84,870	71,752
As percentage of total sales of projects on hand	60	57	60	56
Value of sales already contracted during year (Million Baht)	27,304	23,175	26,677	22,421
As percentage of total sales of projects on hand	18	17	19	18
Commitments in respect of the installation of central utilities of projects on hand (Million Baht)	1,311	1,283	1,249	1,171

36.1.7 As at 31 December 2016, the subsidiaries have servitude over land of approximately 96 rai (2015: 90 rai) of which the cost is included in the cost of projects.

36.1.8 Operating lease commitments

The Company and its subsidiaries have 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 2016 and 2015, 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	
	2016	2015	2016	2015
Payable:				
In up to 1 year	57	50	45	38
In over 1 and up to 3 years	19	51	13	34

### 36.2 Bank guarantees

As at 31 December 2016 and 2015, 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	
	2016	2015	2016	2015
Letter of guarantees for arrangement and maintenance of public utilities	2,647	2,301	2,458	2,072
Letter of guarantees for electricity usage	71	70	58	52
	2,718	2,371	2,516	2,124

### 36.3 Guarantees

36.3.1 As at 31 December 2016 and 2015, the Company has the following obligations in respect of guarantees.

(Unit: Million Baht)

Guarantor	Guarantee	2016	2015
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 the subsidiaries company for loans and guarantee facilities obtained for development of the subsidiary's project. As at 31 December 2016, the subsidiaries have outstanding loans related to guarantee portion of the Company as specified in the letter of comfort amounting to Baht 1,130 million (2015: Baht 8 million).

### 36.4 Litigations

1) In 2006, two housing estate juristic persons and housing residents filed a lawsuit against the Company and Atlantic Real Estate Co., Ltd., the Company's 99.99% owned subsidiary for claim of Baht 1,013 million in relation to access to public thoroughfares. Subsequently, in June 2009, the plaintiffs requested to reduce the claim Baht 800 million. On 24 July 2014, the Court of First Instance dismissed the lawsuit. At present, the case is under the process of the Appeal Court. However, as at 31 December 2016, the Company has set aside a provision of Baht 25 million for liabilities arising as a result of this case (2015: Baht 25 million).

In February 2009, the Company and its subsidiary were additional sued in 2 lawsuits which were under the claims Baht 310 million and Baht 102 million, in accordance with the Customer Protect Act.

a) Currently, the Court has suspended the civil case amounting Baht 310 million while waiting for the Appeals Court decision of the civil case Baht 800 million.

b) The Court of First Instance issued a verdict on a civil case with the amount in dispute of Baht 102 million. The Court ordered the Company to pay for damages of Baht 104 million plus interest at a rate of 7.5% per annum, commencing from 8 December 2008 until the full amount is paid. Subsequently, the Appeals Court rendered a conflict judgement with the Court of First Instance, by instructing the Company to pay for damages of Baht 5 million plus interest at a rate of 7.5% per annum, commencing from 10 December 2008 until the full amount is paid. At present, the case is under the process of the Supreme Court. However, as at 31 December 2016, the Company has set aside a provision including interest of Baht 167 million for liabilities arising as a result of these cases (2015: Baht 160 million).

2) In 2010 - 2012, a housing estate juristic persons and housing residents filed totaling 9 lawsuits against the Company, involving the construction of a kindergarten demanding damages totaling Baht 492 million. The Court of First Instance ordered the Company to pay for damages of Baht 27 million plus interest at a rate of 7.5% per annum, commencing from 18 January 2008 until the full amount is paid. Subsequently, the Appeals Court rendered a conflict judgement with the Court of First Instance, by instructing the Company to pay for damages of Baht 13.5 million plus interest at a rate of 7.5% per annum, commencing from 18 January 2008 until the full amount is paid. At present, the case is under the process of the Supreme Court. However, as at 31 December 2016 the Company has set aside a provision including interest of Baht 156 million for liabilities arising as a result of these cases (2015: Baht 127 million).

3) As at 31 December 2016, the Company has been sued for breach of agreements, claiming for a total of Baht 20 million (2015: Baht 37 million). However, the Company has set aside a provision including interest of Baht 1 million for liabilities arising as a result of these cases (2015: Baht 14 million).

4) In August and September 2016, the Company has been sued by two condominium juristic persons in civil lawsuits (Consumer Protection legal cases) for breach of agreements, claiming for compensation total of Baht 544 million. The lawsuits are currently in the judicial process and the Company is during in negotiation with the plaintiffs. The management believes that the Company is in full compliance with such agreements, and the plaintiffs' claiming are unreasonable, without relevant evidences of demanding. However, for a reasons of prudence, the Company had set aside certain provision which the management deem to be an appropriate amount in the financial statements.

### 37. Fair value hierarchy

As at 31 December 2016 and 2015, the Company and its subsidiaries had the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows: ยุติธรรมแยกแยะแสดงตามลำดับชั้นของมูลค่ายุติธรรม ดังนี้

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Current investments - Trading securities				
Other long-term investments - Available-for-sale securities				
Equity securities - Overseas	3,654	-	-	3,654
Investment units - Domestic	1,764	-	-	1,764
<b>Assets for which fair value are disclosed</b>				
Investments in associates that are listed companies on the Stock Exchange	55,450	-	-	55,450
Investment properties	-	-	15,264	15,264
<b>Liabilities for which fair value are disclosed</b>				
Long-term loans	-	-	7,406	7,406
Debentures	-	33,685	-	33,685
Unfavourable cross currency and interest rate swap agreements	-	388	-	388



(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Current investments - Trading securities	-	602	-	602
Other long-term investments - Available-for-sale securities				
Equity securities - Overseas	3,662	-	-	3,662
Investment units - Domestic	1,444	-	-	1,444
<b>Assets for which fair value are disclosed</b>				
Investments in associates that are listed companies on the Stock Exchange	41,204	-	-	41,204
Investment properties	-	-	7,211	7,211
<b>Liabilities for which fair value are disclosed</b>				
Long-term loans	-	-	8,844	8,844
Debentures	-	30,727	-	30,727
Unfavourable cross currency and interest rate swap agreements	-	544	-	544

(Unit: Million Baht)

	Separate financial statements			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Current investments - Trading securities	-	-	-	-
Other long-term investments - Available-for-sale securities				
Equity securities - Overseas	3,654	-	-	3,654
Investment units - Domestic	777	-	-	777
<b>Assets for which fair value are disclosed</b>				
Investments in associates that are listed companies on the Stock Exchange	55,450	-	-	55,450
Investment properties	-	-	209	209
<b>Liabilities for which fair value are disclosed</b>				
Long-term loans	-	-	3,075	3,075
Debentures	-	33,685	-	33,685
Unfavourable cross currency and interest rate swap agreements	-	388	-	388

(Unit: Million Baht)

	Separate financial statements			
	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Current investments - Trading securities	-	602	-	602
Other long-term investments - Available-for-sale securities				
Equity securities - Overseas	3,662	-	-	3,662
Investment units - Domestic	702	-	-	702
<b>Assets for which fair value are disclosed</b>				
Investments in associates that are listed companies on the Stock Exchange	41,204	-	-	41,204
Investment properties	-	-	208	208
<b>Liabilities for which fair value are disclosed</b>				
Long-term loans	-	-	6,950	6,950
Debentures	-	30,727	-	30,727
Unfavourable cross currency and interest rate swap agreements	-	544	-	544

## 38. Financial instruments

### 38.1 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 their 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 2016 and 2015, 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 2016						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate
	At call	Within 1 year	1 - 5 years				
							(% p.a.)

**Financial assets**

Cash and cash equivalents	98	109	-	1,375	1,019	2,601	Note 7
Current investments	-	410	-	-	-	410	Note 8
Trade and other receivables	-	-	-	-	157	157	-
Other investments							
- Available-for-sale securities	-	-	-	-	5,418	5,418	Note 13

**Financial liabilities**

Trade and other payables	-	-	-	-	3,317	3,317	-
Long-term loans	-	-	-	7,406	-	7,406	Note 21
Debentures	-	8,000	28,250	-	-	36,250	Note 22

(Unit: Million Baht)

	Separate financial statements						
	As at 31 December 2016						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate
	At call	Within 1 year	1 - 5 years				
							(% p.a.)

**Financial assets**

Cash and cash equivalents	-	-	-	659	784	1,443	Note 7
Trade and other receivables	-	-	-	-	26	26	-
Loan to related parties	263	5,548	4,292	-	-	10,103	3.00 - 4.48
Other investments							
- Available-for-sale securities	-	-	-	-	4,431	4,431	-

**Financial liabilities**

Trade and other payables	-	-	-	-	2,759	2,759	-
Long-term loans	-	-	-	3,075	-	3,075	Note 21
Debentures	-	8,000	28,250	-	-	36,250	Note 22

(Unit: Million Baht)

	Consolidated financial statements						
	As at 31 December 2015						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate
	At call	Within 1 year	1 - 5 years				
							(% p.a.)

#### Financial assets

Cash and cash equivalents	2,600	2,259	-	3,552	546	8,957	Note 7
Current investments	-	600	-	-	602	1,202	Note 8
Trade and other receivables	-	-	-	-	184	184	-
Other investments							
- Available-for-sale securities	-	-	-	-	5,106	5,106	-

#### Financial liabilities

Bank overdrafts and short-term							
loans from financial institutions	-	-	-	220	-	220	Note 19
Trade and other payables	-	-	-	-	3,218	3,218	-
Short-term loans from related parties	47	-	-	-	-	47	5.50
Long-term loans	-	-	-	8,680	-	8,860	Note 21
Debentures	-	8,500	24,000	-	-	32,500	Note 22

(Unit: Million Baht)

	Separate financial statements						
	As at 31 December 2015						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate
	At call	Within 1 year	1 - 5 years				
							(% p.a.)

#### Financial assets

Cash and cash equivalents	2,600	900	-	3,263	346	7,109	Note 7
Current investments	-	600	-	-	602	1,202	Note 8
Trade and other receivables	-	-	-	-	33	33	-
Loan to related parties	910	-	4,224	-	-	5,134	4.00 - 5.50
Other investments							
- Available-for-sale securities	-	-	-	-	4,364	4,364	-

#### Financial liabilities

Trade and other payables	-	-	-	-	2,862	2,862	-
Long-term loans	-	-	-	6,966	-	6,966	Note 21
Debentures	-	8,500	24,000	-	-	32,500	Note 22

### Foreign currency risk

The Company and its subsidiaries exposure to foreign currency risk arise mainly from investment transactions and borrowings/loans that are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2016 and 2015 are summarised below

Foreign currency	Consolidated financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	2016	2015	2016	2015	2016	2015
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
Philippines Peso	5,134	4,851	-	-	0.7248	0.7691
US Dollar	4	8	90	35	35.8307	36.0886

Foreign currency	Separate financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	2016	2015	2016	2015	2016	2015
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
Philippines Peso	5,134	4,851	-	-	0.7248	0.7691
US Dollar	278	153	-	-	35.8307	36.0886

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 2016 and 2015 are as follows:

As at 31 December 2016				
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 3,075.0 million	Floating rate MLR-2.25%	USD 95.8 million	Floating rate LIBOR 6 month plus 3.19%	8 December 2017

As at 31 December 2015				
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

### 38.2 Fair values of financial instruments

estimated fair values of financial instruments as at 31 December 2016 and 2015, 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	
	2016	2015	2016	2015	2016	2015	2016	2015
<u>Financial assets</u>								
Cash and cash equivalents	2,601	8,957	2,601	8,957	1,443	7,109	1,443	7,109
Current investment	410	1,202	410	1,202	-	1,202	-	1,202
Trade and other receivables	157	184	157	184	26	33	26	33
Loans to related parties	-	-	-	-	10,103	5,134	10,103	5,134
Other investments								
- Available-for-sale securities	5,418	5,106	5,418	5,106	4,431	4,364	4,431	4,364
<u>Financial liabilities</u>								
Bank overdrafts and short-term								
loans from financial institutions	-	220	-	220	-	-	-	-
Trade and other payables	3,317	3,218	3,317	3,218	2,759	2,862	2,759	2,862
Short-term loans from related parties	-	47	-	47	-	-	-	-
Long-term loans	7,406	8,860	7,406	8,844	3,075	6,966	3,075	6,950
Debentures	36,250	32,500	33,685	30,727	36,250	32,500	33,685	30,727

The estimated fair value of the derivatives is as follows:

(Unit: Million Baht)

	As at 31 December 2016	As at 31 December 2015
	Fair value	Fair value
	Gain (loss)	Gain (loss)
Cross Currency and Interest Rate Swap agreements	(388)	(544)

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

- 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.
  - For equity securities, their fair value is generally derived from quoted market prices.
  - 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.
  - 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.
  - For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves.
- During the current period, there were no transfers within the fair value hierarchy.

### 39. 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 2016, the Group's debt-to-equity ratio was 1.14:1 (2015: 1.12:1) and the Company's was 1.31:1 (2015: 1.30:1).

### 40. Subsequent events after reporting period

40.1 On 6 January 2017, 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 2016, as described in Note 27, which increased the Company's paid-up share capital from Baht 11,787 million to Baht 11,894 million. The Stock Exchange of Thailand approved the additional ordinary shares as listed securities on 11 January 2017.

40.2 On 28 February 2017, 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 2016 of Baht 0.65 per share. However, since the Board of Directors previously approved an interim dividend from profit of the year 2016 amounting to Baht 0.35 per share, the Board will propose the remaining dividend payment of Baht 0.30 per share, amounting to Baht 3,568 million. The payment of such dividend shall be made within May 2017.

### 41. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2017.

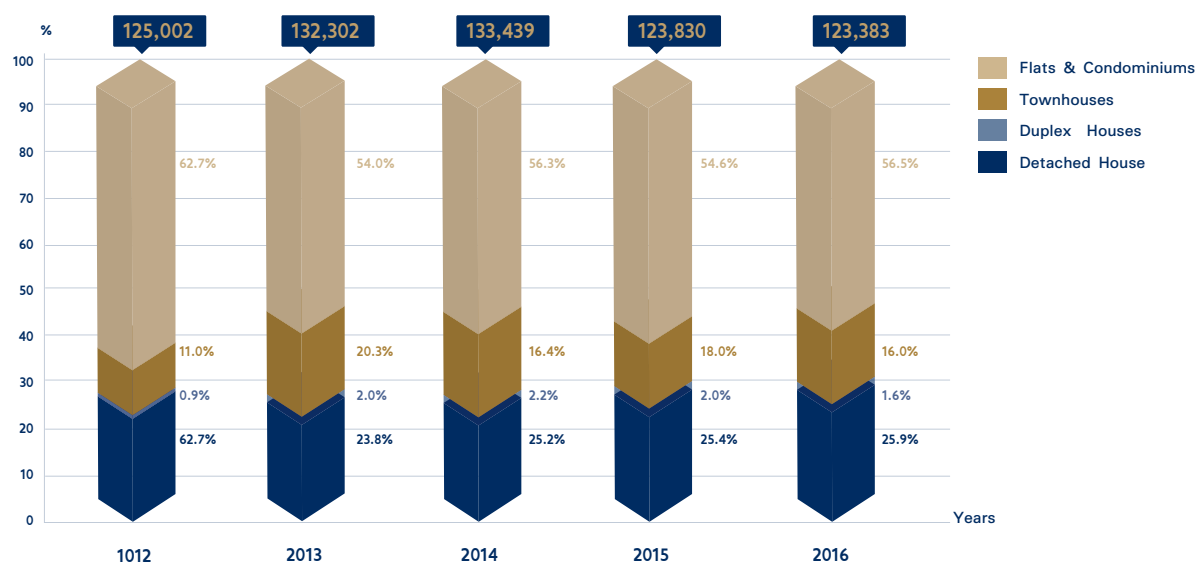
# Number of Resgistered Housing Unit in Bangkok Metropolitan Region During 2012-2016

Unit : Unit

Type	2012	2013	2014	2015	2016
<b>Housing Registered by Built Type</b>					
Owner- Built	23,437	23,285	24,446	22,375	21,914
Developer- built	101,565	109,017	108,993	101,455	101,469
Total Housing Registered (Owener & Developer)	125,002	132,302	133,439	123,830	123,383
<b>Classified by Type - Owner built</b>					
Detached House	20,858	17,596	20,537	19,591	19,151
Duplex Houses	104	131	86	95	119
Townhouses	2,475	5,558	3,823	2,689	2,644
Flats & Condominiums	0	0	0	0	0
Classified by Type - by Developer built	23,437	23,285	24,446	22,375	21,914
<b>Total Housing Registered by Owner - built</b>					
Detached House	10,887	13,869	13,056	11,837	12,761
Duplex Houses	1,069	2,470	2,820	2,366	1,895
Townhouses	11,218	21,238	18,059	19,624	17,117
Flats & Condominiums	78,391	71,440	75,058	67,628	69,696
Total Housing Registered by developer built	101,565	109,017	108,993	101,455	101,469

Source : Housing Registered from Government Housing Bank  
Greater Bangkok : Bangkok provinces and 5 Perimeter area included.

## Number of Housing Registered Units in Greater Bangkok





# Reference

## Auditor

### **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 9090 Fax : 66 (0) 2264 0789

## Securities registra

### **Thailand Securities Depository Co., Ltd.**

93 The Stock Exchange of Thailand Building,

Ratchadaphisek Rd, Din Daeng, Bangkok 10400 Thailand

Tel. : 66 (0) 2009 9000 Fax : 66 (0) 2009 9991

## Debentures registra

### **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

## Financial Institutions

**Siam Commercial Bank Public Company Limited**

**Land and Houses Bank Public Company Limited**

**Kasikornbank Public Company Limited**

## Appraisal Company

### **Grand Asset Advisory Co., Ltd.**

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### **TAP Valuation Co., Ltd.**

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121/101 Rajadapisek Road

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# Summary of Form 56-2's Required Items in Land and House Plc.'s 2016 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, 2015. They are as follows:

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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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