



Quality Houses Public Company Limited

CONTENTS

1. Financial Highlights for the year 2010 - 2012.....	5
2. Message from President and Chief Executive Officer.....	6
3. Responsibilities of the Board of Directors in Regards to Financial Report.....	12
4. Report from the Audit Committee.....	13
5. The Board of Directors and Executives.....	15
6. The Profile of Directors and Executives.....	16
7. Nature of Business.....	22
8. The Company's Investments.....	30
9. Marketing and Competition.....	32
10. Revenue Structure.....	39
11. Risk Factors.....	41
12. Shareholder Structure and Management.....	46
12.1 Shareholders	
12.2 Management	
12.2.1 Structure of the Board of Directors	
12.2.2 Remuneration for Directors and Executives	
12.2.3 Corporate Governance	
12.2.4 Supervision of the Use of Insider Information	
12.2.5 Personal	
12.3 Dividend Payment Policy	
12.4 Internal Control	
13. Connected Party Transactions.....	76
14. Explanation and Analysis of Financial Position and Operation Results.....	109
15. Financial Statements	
15.1 Report of Independent Auditor.....	121
15.2 Financial Statements.....	122
15.3 Remuneration for the Auditor.....	177
16. Other References	178
17. Head Office and Projects Location.....	180
18. Content Summary of Transaction Specified in the Annual Report 2012 (Form 56-2).....	184



Quality Houses Public Company Limited



Q TWELVE



Q TWELVE

VISION

To be the top-of-mind real estate development company for customers in all segments for its leadership in product quality and services

MISSIONS

- Product Quality and Service Quality

: Always improve and develop the Company's 5 qualities to satisfy the consumer .

- Work Life Quality

: Create work environment and company culture and improve employee benefits to achieve maximum performance.

- Personnel Quality

: Operate legally with a transparency which can be checked at every stage.

: Encourage and support employees to develop their potential in various fields in accordance with their responsibilities.

- Social Quality

: Promote accountability to the communities and the surroundings of areas where the Company, Quality Houses Plc., and its subsidiaries operate, as well as society.

: Seek for new and better ways to create and build sustainability for products, environment, organization and society.

- Investment Quality

: Improve operational efficiency in order to achieve growth in profitability.

: Find new ways to generate sustainable long-term profitability.

OUR PROJECTS



Q Twelve



Q.House Avenue Phraram 5

PRUKPIROM



Prukpirom Ratchapruk
Rattanathibet



Prukpirom Regent
Ratchapruk Rattanathibet

LADDAROM



Laddarom Elegance Outer
Ring Road - Sathorn



Laddarom Elegance
Ratchapruk Rattanathibet



Laddarom Watcharapol -
Rattanakosin



Laddarom Ratchapruk-
Rattanathibet 2



Laddarom Chaipayruk-
Chaengwattana

VARAROM



Vararom Premium
Watcharapol-Chatu Chot

CASA



Casa Grand Outer Ring Road-
On Nuch



Casa Grand Petchkasem-Sai 1



Casa Grand Taksin-Phraram 2



Casa Grand Chaipayruk-
Chaengwattana



Casa Grand Rattanathibet-
Ratchapruk



Casa Legend Kaset-
Nawamintr



Casa Premium Ratchapruk-
Pharam 5



Casa Premium Ratchapruk-
Chaengwattana



Casa Presto Pharam 2



Casa Presto Ratchapruk-
Chaengwattana



Casa Ville Ratchapruk
Pharam 5



Casa Ville Ramkamhaeng -
Outer Ring Road



Casa Ville Ramintra-Outer Ring
Road



Casa Ville Rangsit Khong 2



Casa Ville Ratchapruk-
Chaengwattana



Casa Ville Watcharapol -
Sukhaphiban 5



The Trust Ville Kanchanapisek-
Hathairat



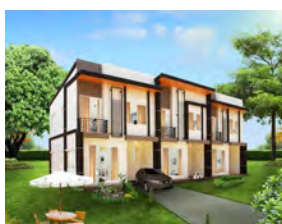
The Trust Ville Watcharapol-
Hathairat



The Trust City Ngamwongwan 25



The Trust Town Outer Ring Road
- Lumlukka



Gusto Ramkhamhang



Gusto Thanam-nont



Gusto Pinklao



Laddarom Elegance Middle Ring Road - Mahidol Junction



Vararom Kaewnawarat



Vararom Charoen Muang



Casa Legend Sriracha



Casa Ville Sriracha



Casa Seaside Rayong



Casa Seaside Cha-Am



CONDOMINIUM



Q Langsuan

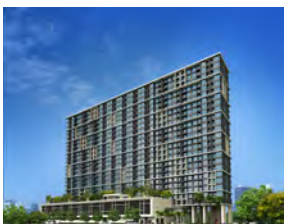


Q.House Sukhumvit 79

CASA



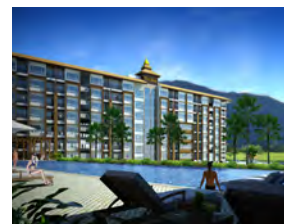
Casa Condo Ratchada-Ratchapruk



Casa Condo Asoke Dindang



Casa Condo Sukhumvit 97



Casa Condo Chang Puak (Chiangmai)

THE TRUST



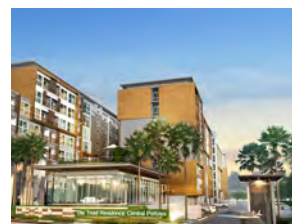
The Trust Residence Ratchada-Phraram3



The Trust Residence Pinklao



The Trust Condo Hua-Hin



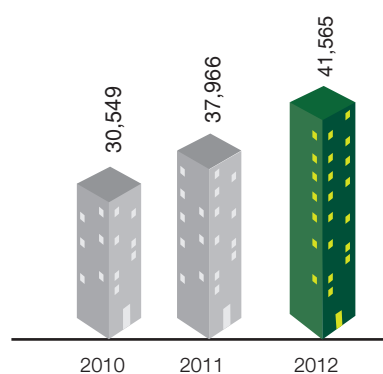
The Trust Condo Central Pattaya

FINANCIAL HIGHLIGHTS FOR THE YEAR 2010 - 2012

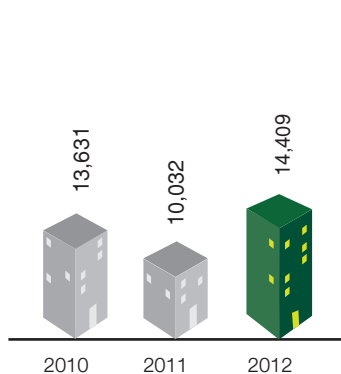
(Unit : million baht)

	2010	2011	2012
Summary of Financial Statements Information			
• Total Assets	30,549	37,966	41,565
• Total Liabilities	17,176	24,799	26,076
• Shareholders' Equity	13,373	13,167	15,489
• Net Sales	13,241	9,849	13,077
• Total Revenues	13,631	10,032	14,409
• Gross Profit	3,882	2,868	4,049
• Net Profit	2,003	853	2,386
Financial Ratio			
• Net Profit Margin (%)	14.7	8.5	16.6
• Return on Equity (%)	15.5	6.4	16.7
• Return on Assets (%)	6.8	2.5	6.0
• Basic Earning per Share (baht)	0.24	0.09	0.26
• Dividend per Share (baht)	0.12	0.09	n.a.
• Debt to Equity Ratio (Time)	1.3	1.9	1.7
• Time Interest Earned Ratio (Time)	0.7	(9.7)	0.1
• Book Value per Share (Baht)	1.58	1.55	1.69

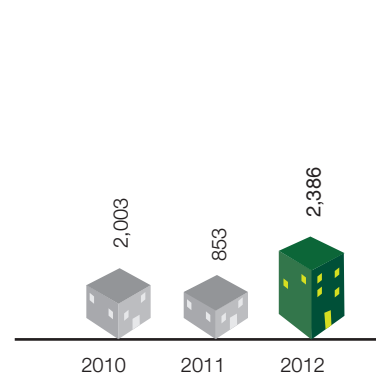
Total Assets
(million baht)



Total Revenues
(million baht)



Net Profit
(million baht)



MESSAGE FROM PRESIDENT AND CHIEF EXECUTIVE OFFICER



Dear Shareholders,

In 2012, Thailand's overall economy expanded more than last year due to the recovery of the manufacturing sector, which had been affected by flooding, the growth of consumption and investment in the private sector, government spending, and the expansion of non-industrial manufacturing, especially in agriculture, construction, retail trading, hotel and restaurant sectors. However, industrial manufacturing and exports shrank due to the impacts of the economic crisis in Europe and a slowdown in the global economy, which reduced demand in the world market.

In the first half of 2012, demands of real estate in flooded areas were soft since consumers still lacked confidence and delayed their decisions on purchasing houses located in the flooded areas of Bangkok and its vicinity. However, the performance of Quality House Public Company Limited and its affiliates ("Company") in 2012 was better than the previous year as summarized below:

1. Revenue from operations by business segment

(Unit : million baht)

	2012	2011	Difference (million baht)	Difference(%)
Revenues from sale of real estate	11,984	8,814	3,170	36
Revenue from rental of units in office buildings and related service income	347	331	16	5
Revenue from rental of units in residential buildings and related service income	746	704	42	6
Gain on sales of properties and transfer of leasehold rights to building	1,183	-	1,183	n.a.
Other revenues	149	184	(35)	(19)
Total revenues	14,409	10,033	4,376	44

The total revenue of the Company for the years 2012 and 2011 were 14,409 million baht and 10,033 million baht, respectively, which increased by 4,376 million baht or 44 % compared to the same period of the year 2011 as per the following details:

- 1.1 **Revenue from sales of real estate** for the year 2012 increased by 3,170 million baht or 36% compared to the year 2011. For the year 2012, the revenue from sale of residential condominium units of the Company increased by 2,168 million baht or 184% compared to the year 2011 due to an increase in condominium unit demands after the flood crisis in the central region including Bangkok and vicinities. At the end of the third quarter of the year 2012, The Trust Residence Pinklao also started to be recognized the revenue from sales and transfer of ownership. Moreover the revenue from sales of land and houses increased by 1,002 million baht or 13% compared to the year 2011 because the customers had more confidence to purchase real estate because of relaxation on concerns of the 2011 flood crisis. As a result, the revenue from sales of land and houses increased. In addition, the Company also increased the portion of low and medium price houses and expanded more to upcountry.

In the year 2012, the Company launched 13 new housing projects value 14,783 million baht and 5 new condominium projects value 6,496 million baht . Three housing projects and one condominium project were sold out.

- 1.2 **Revenue from rental of units in the office buildings and related service income** for the year 2012 increased by 16 million baht or 5% compared to the year 2011 because the overall rental and occupancy rate of the office rental buildings improved.
- 1.3 **Revenue from rental of units in the residential buildings and related service income** for the year 2012 increased by 42 million baht or 6% compared to the year 2011 because the Company reopened Centre Point Hotel and Residence Langsuan in the fourth quarter of the year 2011 resulting in an increase in the revenue from rental of units in residential buildings and related service income after this project had been temporary closed for renovation since November 2010. In the year 2012, the hotel and service apartment business improved as Thailand did not encounter any flood as in the year 2011 and any political unrest so more businessmen and tourists came to Thailand.
- 1.4 **Gain on sales of properties and transfer of leasehold rights to building** : In July 2012, the Company sold the land, buildings, building component parts and movable properties of Centre Point Hotel and Residence Petchburi and Centre Point Hotel and Residence Sukhumvit. In addition, the Company also transferred the leasehold right and sold movable properties of Centre Point Hotel and Residence Langsuan to Quality Houses Hotel and Residence Freehold and Leasehold Property Fund (“QHHR”) in the total amount of 3,342 million baht. The Company had gain on sales of properties and transfer of leasehold right of the three Centre Point Hotel and Residence projects in the total amount of 1,183 million baht (net of related selling expenses). However, the Company has treated 601 million baht of its gain on sales of properties and transfer of the leasehold right to building to QHHR as unrealized gain, in proportion to its investment in QHHR at the rate of 31.33% of the total value of investment units. This amount is deducted from the investment in associates and presented in the statements of financial position.
- 1.5 **Other income** for the year 2012 decreased by 35 million baht or 19% compared to the year 2011 because in the year 2012, the Company had no gain from change in shareholders’ equity of 82 million baht in LH Financial Group Public Company Limited from the first public offering of ordinary shares in 2011. Meanwhile, other income earned by the Company and its subsidiaries from management of the Grand Centre Point Hotel and Residence Sukhumvit-Terminal 21 and Centre Point Sukhumvit-Thonglor increased by 23 million baht. The income from for feiture of booking and down payments, interest income and others increased by 24 million baht.

2. Share of profit from investments in associates

For the year 2012, the Company took sharing of income from investments in associated companies in the amount of 804 million baht, which increased by 165 million baht or 26% compared to the year 2011. The Company's sharing of income from investments in 4 associated companies is shown below;

(Unit : million baht)

	2012	2011	Difference (million baht)	Difference (%)
Home Product Center Plc.	530	401	129	32
Quality Houses Freehold and Leasehold Property Fund	122	119	3	3
LH Financial Group Plc.	147	119	28	24
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	5	-	5	n.a.
Total	804	639	165	26

3. Cost of sales by business segment

(Unit: million baht)

	2012	2011	Difference(million baht)	Difference (%)
Cost of real estate sold	8,309	6,317	1,992	32
Cost of rental and related services				
- Office buildings	177	168	9	5
Cost of rental and related services				
- Residential buildings	541	496	45	9
Total costs of sale	9,027	6,981	2,046	29

The total cost of sales for the year 2012 increased by 2,046 million baht or 29% from the same period of the year 2011. Variation in the total cost of sales depend on the revenue of each business as shown in the table under Revenue from operations by business segment.

4. Expenses

(Unit : million baht)

	2012	2011	Difference (million baht)	Difference(%)
Selling expenses	1,112	954	153	17
Administrative expenses	1,526	1,393	133	10
Financial cost	295	309	(14)	(5)
Provision for loss arising from guarantee of minimum rental income of projects	77	-	77	n.a.
Income tax expenses	790	182	608	334

- 4.1 **Selling expenses** for the year 2012 increased by 158 million baht or 17% compared to the year 2011 because the expenses relating to specific business taxes and transfer fees increased by 132 million baht corresponding to the increasing sales volume of real estate, and sale promotion expenses increased by 40 million baht, while the advertising and public relations expenses decreased by 14 million baht.
- 4.2 **Administrative expenses** for the year 2012 increased by 133 million baht or 10% compared to the year 2011 because the employee remuneration and welfare expenses increased by 82 million baht, the expenses for repair of the project common utilities and after sale service expenses increased by 35 million baht, the office expenses increased by 13 million baht and other administrative expenses increased by 3 million baht.
- 4.3 **Finance cost** consisted of interest expenses, fees, and financial advisor fees. The finance cost for the year 2012 decreased by 14 million baht or 5% since the interest expenses recorded as the project cost increased due to the Company and its subsidiaries developed more vacant land as new projects.
- 4.4 **Provision for loss arising from guarantee of minimum rental income of projects:** In July 2012, the Company made an agreement for guarantee of minimum rental income for three years from the sales of immovable and movable properties and transfer of leasehold right of the three Centre Point Hotel and Residence projects to QHHR as mentioned in “1.4 Gain on sales of properties and transfer of leasehold right to building”. In this respect, the Company estimated that the expense arising from the event that the actual rental lower than the rental guaranteed by the Company to QHHR for three years would be in the approximate amount of 111 million baht which would be recorded in the comprehensive income statement as expenses of 77 million baht, net of the investment in QHHR at the rate of 31.33%.
- 4.5 **Income tax expenses** for the year 2012 increased by 608 million baht or 334% from the same period of the year 2011, corresponding to the Company’s increase in profit before tax as per the details as mentioned above.

5. Profit for the year

(Unit: million baht)				
	2012	2011	Difference(million baht)	Difference(%)
Profit for the year	2,386	853	1,533	180

The Company’s profit for the year 2012 increased by 1,533 million baht or 180% compared to the year 2011. The major drivers can be summarized as follows: The gross profit from sales of real estate earned by the Company increased by 1,178 million baht, the gross profit from rental business increased by 4 million baht, and the gain on sales of properties and transfer of leasehold right increased by 1,183 million baht. In addition, the profit sharing from investment as per the equity method increased by 165 million baht and the finance cost decreased by 14 million baht, while other revenue decreased by 35 million baht, the selling and administrative expenses increased by 291 million baht, the expenses from provision for loss arising from guarantee of minimum rental income of project increased by 77 million baht, and the corporate income tax increased by 608 million baht.

(Unit : million baht)

	31 Dec 2012	31 Dec 2011	Difference(million Baht)	Difference(%)
Total Assets	41,565	37,966	3,599	9
Total Liabilities	26,076	24,798	1,278	5
Shareholders' equity	15,489	13,168	2,321	18

6. Financial position

Financial Position

As of December 31, 2012, the total assets of the Company increased from the year 2011 (as of December 31, 2011) of 3,599 million baht or 9% because in the year 2012, the Company purchased the land to accommodate future projects and invested in developing new projects in the net amount of 3,625 million baht. In addition, the Company also invested 1,053 million baht in QHHR. Meanwhile, the land, plant, equipment and leasehold right decreased by 1,512 million baht as a result of the sales of immovable and movable property and leasehold right of the three Centre Point Hotel and Residence projects as mentioned above and others.

The total liabilities increased from the year 2011 (as of December 31, 2011) of 1,278 million baht or 5% since the Company's accrued corporate income tax increased by 517 million baht, corresponding to an increase in its profit, advance payments from customers increased by 267 million baht which was mainly from booking and down payments for condominium units, and other liabilities increased by 493 million baht.

Shareholders' Equity

As of December 31, 2012, the Company's total shareholders' equity increased from the year 2011 (as of December 31, 2011) of 2,321 million baht or 18% because:

- Issued and fully paid-up registered share capital increased by 706 million baht as the Company made share dividend payment from its unappropriated retained earnings at the end of the year 2010 as per the resolution of the 2012 Annual General Meeting of Shareholders held on April 22, 2012.
- The profit of the Company and its subsidiaries for the year amounted to 2,386 million baht.
- Other components of the shareholders' equity increased due to an increase in the gain on changes in value of available-for-sale investment in associated companies by 22 million baht and the loss of 8 million baht from actuarial losses.
- In May 2012, the Company paid cash dividend of 79 million baht and share dividend of 706 million baht from the unappropriated retained earnings at the end of the year of 2010 as per the resolution of the 2012 Annual General Meeting of Shareholders held on April 22, 2012.

7. Summary of Major Changes and Developments in the Past Year

7.1 The Company held 100 percent shares in Centre Point Hospitality Company Limited. This subsidiary was established in June 15, 2012 with initial registered and fully paid-up capital of 5.0 million baht with objective to operate hotel and serviced apartment businesses.

7.2 In 2012, the Company has issued unsubordinated and unsecured debentures with the total value of 5,012 million baht in order to redeem off the existing debenture which reached its mutuality during the year, repaying loans from financial institutions and investing in real estate for sale.

7.3 In July 2012, the Company sold the land, buildings, building component parts and movable properties of Centre Point Hotel and Residence Petchburi and Centre Point Hotel and Residence Sukhumvit. In addition, the Company also transferred the leasehold right and sold movable properties of Centre Point Hotel and Residence Langsuan to Quality Houses Hotel and Residence Freehold and Leasehold Property Fund ("QHHR"). The transactions were approved by the Securities and Exchange Commission on July 2, 2012. In addition, the Company invested back in this fund by buying 105.28 million units worth 1,050.28 million baht at the amount accounted for 31.33% of the total value of investment units.

After QHHR's already set up, Centre Point Hospitality Co., Ltd. which the company held 100 percent shares will lease and sublease the above assets from the Fund

Thereafter, Centre Point Hospitality Company Limited employed Q.H. International Company Limited, a subsidiary in which the Company held 100 percent to operate and manage hotels and serviced apartments onwards.

In 2012, the Company and its affiliates put their focus on the establishment of financial and performance stability as appropriate levels according to the economic situation that fluctuated as a result of global economic uncertainties and flood disaster concerns. For this purpose, the Company intended to keep good liquidity, cost control while still maintaining the quality of its products and services. While the Company focused the creation of financial sustainability and maximized value added for itself and its affiliates, the Company did not overlook social responsibilities. Among others, the Company provided financial support to the Drug Suppression Foundation and donated money to temples for use in fostering Buddhism. Apart from this, the Company had the policy to promote the development of human resources and information technology of itself and its affiliates. The Company also promoted good governance and transparency so that investors, shareholders and all other stakeholders could follow up and examine the operations of the Company and its affiliates.

The Company's Board of Directors would like to take this opportunity to thank all customers, shareholders, business partners, debenture holders, commercial banks, financial institutions, employees and all other stakeholders for their continuous support to the Company and its affiliates. The support of all these people and institutions was the major key to the success of the Company and its affiliates so far.



(Mr. Rutt Phanijphand)
President and Chief Executive Officer

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN REGARDS TO FINANCIAL REPORT

Following the guidance set by the Board of Directors' policies, the financial statements of Quality Houses Public Company Limited have been prepared in accordance with the generally accepted accounting principles by using the appropriate accounting policies consistently, whereas careful judgment and best estimates for the financial statements have been applied to reflect the correct operating results of the Company.

The Board of Directors have relied on the high quality of the company's financial statement by having established appropriate measures to review the financial information while important information is also disclosed in the notes of the financial statements. Hence, shareholders and the other interested stakeholders are able to find useful information in this financial statement.

For this purpose, the Board of Directors have appointed an Audit committee which is comprised of expert independent directors whom are directly in charge of the quality of the Company's financial statement. The Audit Committees' opinion which originates from the Audit committee's report has been disclosed in the annual report.

Through the above mentioned internal control structure, the Board of Directors believe that the auditor will have an unqualified opinion about the financial statement and that the Quality Houses Public Company limited financial statements as at 31 December 2012 is presenting the Company's financial position, the results of the operations and cash flows of the year fairly and in accordance to generally accepted accounting principles.



(Mr. Rutt Phanijphand)

Director and President and Chief Executive Officer

REPORT FROM THE AUDIT COMMITTEE

To Shareholders,

The Company's Audit Committee consists of 3 independent directors , In 2012 held 7 meetings to discuss and to independently consider the Company's operations within the scope of duties of the Audit Committee. The details of the Audit Committee's members and their meetings in year 2012 were as follows:

Audit Committee		Position in the Audit Committee	Attendance / Total Meetings (Times)
1. Mr. Adul	Vinaiphat	Chairman of the Audit Committee	7/7
2. Mr. Rachai	Wattanakasaem	Audit Committee	7/7
3. Mr. Krit	Phanratnamala	Audit Committee	7/7

The Audit Committee is guided by the duties as delegated by The Company's board of directors and governed by SET would like to report the Audit Committee's operation as follows:

1. Review the Company's quarterly and Year ended financial statement with the internal auditor & the management , the Audit Committee has an opinion that the Company's financial statement presents fairly in accordance with the generally accepted accounting principles and has adequately disclosed accurate information.

The external auditor did not provide any specific auditor's opinion on the financial statement.

In year 2012, the Audit Committee has 4 private meetings with the external auditors without the presence of the management team in order to exchange opinions , acknowledge the significant comments and suggestions and pursue timely preparedness for adoption of the accounting standard changes. All of which are for the accuracy of the financial statement for the financial statement' users.

2. Review internal audit's operations: considered annual audit plan which based on the determination of the Company operation system's risk, approved the annual audit plan, gave opinions on internal control systems in the internal auditor's report with the aim to prevent possible risks, gave suggestions for developing the internal audit's operations including valued the importance of the audited result monitoring ensured that the Company has a suitable and efficient internal audit system. For the year 2012, no significant flaws were found in the Company's internal control system.
3. Consider the Company's compliance with the applicable regulations and laws by assigned to the Secretary of the Audit Committee to report regularly to the Audit Committee about changes to the applicable regulations and laws. In year 2012, there is no incident indicating significant violation of these rules , related laws and regulation were found.

4. Consider the appointment of the Company's external auditors and their remuneration base on their expertise, independent, past performance and service including the appropriate remuneration. In the year 2012, the Audit Committee proposed the external auditors from Ernst & Young for proposal for approved by the board of the directors and which was subsequently approved by shareholders at the Annual General Meeting in 2012.
5. Review the connected transactions and set the guidelines for these transactions in order to make certain that the conditions for these transactions have been treated according to the rules of an arm's length basis transaction for maximizing the Company's profits and for preventing any conflicts of interest. And review the any connected transactions are fully disclosed by the rules. The Company has acted thoroughly ,reasonably, fairly and complying with the regulations.
6. Emphasize the company's corporate governance ensures that the company complies with The Stock Exchange of Thailand's and Securities and Exchange Commission's principles of good corporate governance. The Company has set up the Whistle Blowing system and encouraged staffs to comply with rules, regulations and Code of Conduct and including pursue reservation for the environments which enhance of good corporate governance and rise reliance among shareholders, investors and other stakeholders.
7. The Audit Committee has performed these duties as conducted by "The Charter of The Audit Committee" with be cautious and independently.

The Audit Committee, has considered and concluded that the Company was actively committed to the Corporate Governance Policy. This in turn resulted of no significant weakness in management system and the Company's operation performed for the best interest of the Company as assigned from the Board of Directors.



(Mr. Adul Vinaiphat)
Chairman of the Audit Committee

THE BOARD OF DIRECTORS AND EXECUTIVES

The Board of Directors

Pol. Gen. Pow	Sarasin	Chairman
Mr.Rutt	Phanijphand	Director and Chairman of Risk management Committee
Mr.Adul	Vinaiphat	Independent Director, Chairman of Audit Committee and Nominating and Remuneration Committee
Mr.Anant	Asavabhokhin	Director
Mr.Adisorn	Thananan-narapool	Director
Miss.Kanokvalee	Viriyaprapaikit	Director and Nominating and Remuneration Committee
Mr.Rachai	Wattanakasaem	Independent Director, Audit Committee and Chairman of Nominating and Remuneration Committee
Mr.Suri	Buakhom	Independent Director and Chairman of Corporate Governance Committee
Mr. Krit	Phanratanamala	Independent Director and Audit Committee
Mr.Suang	Chaisurote	Director
Mrs.Suwanna	Bhuddhapasart	Director, Risk management Committee and Corporate Governance Committee
Mr.Pravit	Choatewattanaphun	Director

The Executives

Mr.Rutt	Phanijphand	President and Chief Executive Officer
Mr.Suang	Chaisurote	Senior Executive Vice President
Mrs.Suwanna	Bhuddhapasart	Senior Executive Vice President
Mr.Pravit	Choatewattanaphun	First Executive Vice President
Mr.Saenphin	Sukhee	Executive Vice President
Mr.Ravee	Mongkoltavee	Executive Vice President
Mr.Somchai	Warunpantulak	Senior Vice President Financial and Accounting Department
Mr.Somsak	Jirungruangvong	Senior Vice President Treasury and Customer Transaction Serviced Department

THE PROFILE OF DIRECTORS AND EXECUTIVES



Pol. Gen. Pow Sarasin [83 years]

- Chairman of Board of Director

Education

- B.S. in Chemistry John Hopkins University, USA
- B.S. in Criminology University of California, USA
- National-Defence Curriculum National Defence College of Thailand
- Ph.D. (Honorary) in Political Science Ramkhamhaeng University
- Director Certification Program : Program for Professional Director (DCP), IOD

Experiences

- Mar 2010-Present Vice Chairman and Chairman of Audit Committee, Charoen Pokphand Foods Plc.
- 2002-Present Chairman of the Corporate Governance Committee, Kasikornbank Plc.
- 2000-Present Advisory Director to the Management Committee, Kasikornbank Plc.
- 1995-Present Chairman, Mitsubishi Elevator Asia Company Limited.
- 1992-Present Vice Chairman, Kasikornbank Plc.
- 1994-Present Chairman of Nominating and Remuneration Committee, Charoen Pokphand Foods Plc.

Shareholding Staus (as of 14 May 2012)

10,183,403 Shares representing 0.12012%



Mr. Rutt Phanijphand [65 years]

- Director
- President and Chief Executive Officer
- Chairman of Risk management Committee

Education

- B.S. Kasetsart University
- M.S. in Business Ad., Fort Hays Kansas State University, Hays, Kansas, USA
- National Defence College Class 388
- Director Accreditation Program : Governance Training for Listed Company Director (DAP), IOD
- Director Certification Program : Program for Professional Director (DCP), IOD
- Financial Institutions Governance Program (FGP), IOD

Experiences

- 2010-Present Chairman of Director, Land and Houses Fund Management Co.,Ltd. Director, Land and Houses Fund Management Co.,Ltd.
- 2009-Present Chairman of Executive Director, LH Financial Group Plc. Director, LH Financial Group Plc.
- 2007-Present Executive Director, Home Product Center Plc. Chairman of The Remuneration and Compensation, Home Product Center Plc.
- 2005-Present Director, Banpu Plc. Chairman of The Compensation Committee, Banpu Plc. Director, Land and Houses Bank Plc. Chairman of Executive Director, Land and Houses Bank Plc.
- 2001-Present Director, Home Product Center Plc.
- 2006-2009 Audit Committee, IRPC Plc. Director, IRPC Plc.

Shareholding Staus (as of 14 May 2012)

4,808,884 Shares representing 0.05673%

THE PROFILE OF DIRECTORS AND EXECUTIVES



Mr. Adul Vinaiphath [66 years]

- Independent Director
- Chairman of Audit Committee
- Nominating and Remuneration Committee

Education

- B.A. in Economics Thammasat University
- MA (ECON) University of Texas at Austin. Texas, USA
- Senior Administrator Course, the Office of Civil Service Commission
- National Defence College Class 388
- Capital Market Academy (CMA) Class 14
- Director Certification Program : Program for Professional Director (DCP), IOD
- Audit Committee Program (ACP), IOD
- Role of The Compensation Committee (RCC), IOD
- Financial Institutions Governance Program (FGP), IOD

Experiences

- Present Director and Vice President, Thai Tapioca Development Institute (TTDI)
Director and Audit Committee, Land and Houses Bank Plc.
Chief of Nominating and Remuneration Committee, Land and Houses Bank Plc.
Chairman of the Executive Committee, Thai Packaging and Printing Plc.
- 2010-Present Director, Thai Packaging and Printing Plc.
- 2009-Present Director Audit Committee and Chief of nominating and Remuneration Committee, LH Financial Group Plc.
Chairman of Executive Director, Evergreen Plus Plc.
- 2008-Present Director, Tapioca Development Institute (Huay Bong)
- 2007-Present Director, I.G.S Plc.
- 2002-2007 President and Chief Executive Officer, Panjapol Paper Industry Company Limited and Panjapol Pulp Industry Plc.

Shareholding Status (as of 14 May 2012)

101,942 Shares representing 0.00120%



Mr. Anant Asavabhokhin [62 years]

- Director

Education

- B.S. Engineering (Civil work) Chulalongkorn University
- M.S. Industrial Engineering Illinois Institute of Technology Chicago, USA
- MBA Thammasat University
- Director Certification Program : Program for Professional Director (DCP), IOD

Experiences

- 2009-Present Chairman, LH Financial Group Plc.
- 2005-Present Chairman, Land and Houses Bank Plc.
- 1995-Present Director, Q.H. International Company Limited.
Chairman, Home Product Center Plc.
- 1992-Present Director, Siam Thani Property Company Limited.
- 1988-Present President and Chief Executive Officer, Land & Houses Plc.
- 1994-2010 Director, Quality Construction Products Plc.
- 1994-2009 Director, The Confidence Co., Ltd.

Shareholding Status (as of 14 May 2012)

81,083,194 Shares representing 0.95647%

THE PROFILE OF DIRECTORS AND EXECUTIVES



Mr. Adisorn Thananun-narapool [58 years]

- Director

Education

- Bachelor of Accounting, Thammasat University
- MBA Thammasat University
- Capital Market Academy (CMA) Class 2
- Stanford Executive Program (SEP) Graduate School of Business , Stanford University
- Director Certification Program : Program for Professional Director (DCP), IOD
- Director Accreditation Program : Governance Training for Listed Company Director (DAP), IOD

Experiences

- 2002-Present Director and Senior Executive Vice President, Land & Houses Plc.
- 2001-Present Director, L&H Property Co.,Ltd.
Director, Land and Houses Property Fund I
Director, Land and Houses Property Fund II
- 2004-2010 Director and Chairman of Audit Committee, MFC Asset Management Plc.

Shareholding Status (as of 14 May 2012)

872 Shares representing 0.00001%



Ms. Kanokvatee Viriyaprapaikit [47 years]

- Director
- Nominating and Remuneration Committee

Education

- Bachelor of Finance, Chulalongkorn University
- Master Degree, Investment Banking, University of Wisconsin - Madison
- Director Certification Program : Program for Professional Director (DCP), IOD
- Role of the Compensation Committee (RCC), IOD

Experiences

- 2003-Present Director, Asia Asset Advisory Co.,Ltd.
- 1998-2003 Vice President, GIC Real Estate Pte Ltd.

Shareholding Status (as of 14 May 2012)

-None-

THE PROFILE OF DIRECTORS AND EXECUTIVES



Education

- Honors Degree
- MBA Industrial Management II class, Pacific States University, California, USA
- Director Certification Program : Program for Professional Director (DCP), IOD
- Role of the Compensation Committee (RCC), IOD

Experiences

- 2009 Chairman, KTB Securities Co., Ltd
Director, Krung Thai Computer Services Co., Ltd.
Director, Kasetsart University Activity Support Committee
- 2006-2007 Executive Director, Krung Thai Bank Plc.

Mr.Rachai Wattanakasaem [65 years]

- Independent Director
- Audit Committee
- Chairman of Nominating and Remuneration Committee

Shareholding Staus (as of 14 May 2012)

109,350 Shares representing 0.00129%



Education

- B.S. in Economics , Kasetsart University
- MBA. Thammasat University
- Diploma of Information Technology ,Harvard University
- National Defence College Class 4010
- Director Certification Program : Program for Professional Director (DCP), Chair Person Certificate, IOD

Experiences

- 2010-Present Chairman and Chairman of Audit Committee, Thaiwire Products Plc.
- 2009-Present Director, Zhengxin Bank Co.,Ltd
- 2005-Present Advisor of Computer Online systems, The Comptroller General's Department
- 2004-Present Advisor of Computer Online systems, The Revenue Department
- 2007-2009 Chairman, Krungthai Computer Services Plc.
- 2005-2009 Vice Chairman, Krungthai Panich Insurance Company Limited. Director, Krungthai Bank Plc.

Mr.Suri Buakhom [68 years]

- Independent Director
- Chairman of Corporate Governance Committee

Shareholding Staus (as of 14 May 2012)

-None-

THE PROFILE OF DIRECTORS AND EXECUTIVES



Mr. Krit Phunratnamala [44 years]

- Independent Director
- Audit Committee

Education

- B.S. Engineering Chulalongkorn University
- MBA , University of Florida
- Master of Engineering, Imperial College London
- CFA Institute (Previously American Investment Management Research "AIMR")
Chartered Financial Analyst
- Director Certification Program : Program for Professional Director (DCP), IOD
- Certificate of Completion : Advanced Audit Committee Program, IOD

Experiences

- 2011-Present Director, Diamond Building Products Plc.
Director, Biodegradable Packaging for Environment Co.,Ltd
Independent Director and Audit Committee,
Group Lease Public Company Limited.
- 2006-Present Independent Director and Audit Committee, Union Mosaic Industry Plc.
- 2005-Present Director, Thai Prosperity Advisory Co.,Ltd.

Shareholding Staus (as of 14 May 2012)

-None-



Mr. Suang Chaisurote [57 years]

- Director
- Senior Executive Vice President

Education

- B.S. in Engineering, Chiang Mai University
- MBA, Thammasat University
- Director Accreditation Program : Governance Training for Listed Company Director (DAP), IOD
- Executive Education Program : Stanford University
- Director Certification Program : Program for Professional Director (DCP), IOD

Experiences

- 2003-Present Director, Siam Retail Development Co.,Ltd.
- 2011-2012 Director, Casa Ville (Chonburi 2554) Co.,Ltd.
Director, Casa Ville (Prachuabkhirkhan 2554) Co.,Ltd.
Director, Property Host Co.,Ltd.
- 2010-2012 Director, Idea Fitting Co.,Ltd.
Director, Casa Ville (Rayong 2553) Co.,Ltd.
Director, Casa Ville (Petchburi 2553) Co.,Ltd.
- 2003-2012 Director, Q.H. International Co.,Ltd.
- 1998-2012 Director, Q.H. Management Co.,Ltd.
Director, Casa Ville Co.,Ltd.
- 2003-Feb 2010 Director, Quality Construction Products Plc.
- 2003-2009 Director, The Confidence Co.,Ltd.

Shareholding Staus (as of 14 May 2012)

4,982,884 Shares representing 0.05878%

THE PROFILE OF DIRECTORS AND EXECUTIVES



Mrs. Suwanna Bhuddhaprasart [57 years]

- Director
- Senior Executive Vice President
- Risk Management Committee
- Corporate Governance Committee
- Company Secretary

Education

- Bachelor of Accounting, Chulalongkorn University
- MBA, Chulalongkorn University
- Director Accreditation Program : Governance Training for Listed Company Director (DAP), IOD
- Director Certification Program : Program for Professional Director (DCP), IOD
- Financial Institutions Governance Program (FGP), IOD

Experiences

- 2011-Present Director Centre Point Hospitality Co., Ltd.
- 2010-Present Director, Idea Fitting Co., Ltd.
- 2008-Present Director, L&H Management Co., Ltd.
Nominating and Remuneration Committee, Land & Houses Bank Plc.
- 2003-Present Director, Home Product Center Plc.
Director, Q.H. Management Co., Ltd.
Director, Casa Ville Co., Ltd.
- 2000-Present Director, Q.H. International Co., Ltd.
Director, The Confidence Co., Ltd.
- 2005-Feb. 2012 Director, Land & Houses Bank Plc.

Shareholding Status (as of 14 May 2012)

5,669,346 Shares representing 0.06688%



Mr. Pravit Choatewattanaphun [55 year]

- Director
- First Executive Vice President

Education

- B.S. in Engineering, Chiang Mai University
- MBA, Thammasart University
- Director Certification Program : Program for Professional Director (DCP), IOD

Experiences

- 2011-Present Director, Casa Ville (Chonburi 2554) Co., Ltd.
Director, Casa Ville (Prachuabkhirikhan 2554) Co., Ltd.
- 2010-Present Director, Idea Fitting Co., Ltd.
Director, Casa Ville (Rayong 2553) Co., Ltd.
Director, Casa Ville (Petchburi 2553) Co., Ltd.
Director, Q.H. International Co., Ltd.
- 2005-Present Director, Casa Ville Co., Ltd.
- 2003-Present Director, Q.H. Management Co., Ltd.
- 2009-Sep. 2012 Director, The Confidence Co., Ltd.
- 2001-2007 Executive Vice President, Quality Houses Plc.

Shareholding Status (as of 14 May 2012)

1,000,033 Shares representing 0.01180 %

NATURE OF BUSINESS

Quality Houses Public Company Limited has operated the real estate business for sale and for rent with its head office located on the 6th and 7th Floor of Q. House Lumpini Building, No. 1 South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120, under Public Company Limited Registration No. 131, Telephone Number 0-2677-7000, Fax Number 0-2677-7011, Website “www.qh.co.th” As of December 31st 2012, the Company has issued and paid up capital of 9,183.8 million baht, divided into 9,183.8 million common share at the par value of 1 baht per share.

1. Background and significant changes and developments:

The background and significant changes and developments of Quality Houses Public Company Limited can be summarized in chronological order as follows:

- **Year 1983** : The Company was incorporate with an initial registered capital of 1.0 million baht on October 21st, 1983, with its primary objective to provide integrated construction services of building houses on customers' land;
- **Year 1990** : The Company started its business of property development for rent comprising 2 sections, serviced apartments and office buildings for rent;
- **Year 1991** : The Company was approved as a listed company to trade its common shares in the Stock Exchange of Thailand on September 11th, 1991;
- **Year 1992** : The Company started its business of property development for sale;
- **Year 1993** : The Company was registered as a public company limited on June 28th, 1993;
- **Year 1997** : The Company encountered business problems during the country's financial crisis;
- **Year 1999-2000** : The Company entered into debt restructuring agreements with banks and financial institutions and was able to comply well with the conditions set forth under the restructuring agreements;
- **Year 2001** : The Company increased its capital and offered to sell 20% of its total shares to the Government of Singapore Investment Corporation Pte Ltd. (GIC), at the total value of 812.0 million baht;
- **Year 2005** : The Company repaid all the aggregated amount of loans under the original restructuring terms to the banks and financial institutions.

Furthermore, the Company set up its subsidiary, Casa Ville Co. Ltd., and held 100% of the share in this subsidiary in order to operate the business of property development for sales, focusing on the segment of detached houses and townhouses with the price range of 4.0-6.0 million baht;

- **Year 2006** : The Company and its subsidiaries sold the properties together with related equipment and component parts and / or gave the leasehold right and / or transferred the property leasehold rights for 2 office building projects, namely Q. House Ploenjit and Q. House Lumpini to the Quality Houses Leasehold Property Fund (formerly known as “Quality Houses Property Fund” (“Property Fund”), of which the Securities and Exchange Commission (SEC) granted its approval on December 7th, 2006. Besides, the Company also invested the total of 204.5 million units in the Property Fund, equal to 25.66% of its total investment units at the value of 2,045.1 million baht.

Furthermore, the Fund Manager appointed Q. H. International Co., Ltd., a subsidiary of the Company to be the property manager of all properties that the Property Fund invested in with 5 years contract and with the condition that contractual parties may renew the contract for not exceeding 5 years at a time;

- **Year 2006** : The Company carried out major renovation of Centre Point Hotel and Residence Petchburi and Sukhumvit 10 Projects, which was completed in 2007, in order that the Projects were in good and modern condition, and were able to compete in the market;
- **Year 2007** : The Company carried out the major renovation of Center Point Silom Project, which was completed in 2010, in order that the Project was in good and modern condition, and was able to compete in the market;
- **Year 2010** : The Company carried out major renovation of the Center Point Hotel and Residence Langsuan, which was completed in 2011, so that the project was in good and modern conditions, and was able to generate more income and to be more competitive in the market. The Company also issued and offered to sell 4 sets of unsubordinated and unsecured debentures, amounted to 5,000 million baht, with the “A” rating of debentures assigned by Tris Rating Co., Ltd. Besides, during the year, the Company and its subsidiaries also changed the investment proportions with the following details:
 - 1) **Casa Ville Co., Ltd.** : The Company held 100% shares of Casa Ville Co., Ltd., which operated the business of real estate for sale. On July 22nd, 2010, this subsidiary company increased its registered capital from 100 million baht to 3,000.0 million baht by purchasing total new ordinary shares at the amount of 2,900.0 million baht, thus it could remain holding 100% shares of its subsidiary.
 - 2) **The Confidence Co., Ltd.** : The Company held 100% of its shares via Casa Ville Co. Ltd. Currently, this subsidiary company operates the business of property development for sale. On July 22nd, 2010, this subsidiary company increased its registered capital from 100 million baht to 1,000 million baht and the Company, via Casa Ville Co., Ltd., purchased total new ordinary shares amounted to 900 million baht so that it still held 100% shares of this subsidiary.
 - 3) **Casa Ville (Rayong 2553) Co., Ltd.** : The Company held 100% of its shares via Casa Ville Co. Ltd. This subsidiary company was established on June 15th, 2010, with the initial registered and paid-up capital of 5.0 million baht with the objective to operate the business of property development for sale in Rayong Province.
 - 4) **Casa Ville (Petchburi 2553) Co., Ltd.** : The Company held 100% of its shares via Casa Ville Co. Ltd. This subsidiary company was established on June 15th, 2010, with the initial registered and paid-up capital of 5.0 million baht with the objective to operate the business of property development for sale in Petchburi Province.
 - 5) **Idea Fitting Co., Ltd.** : The Company held 100% of its shares via Casa Ville Co. Ltd. This subsidiary company was established on December 8th, 2010, with the initial registered and paid-up capital of 5.0 million baht with the objective to operate the business of distributing, interior decorating, furnishing and installing of related electrical household appliances for the Company and its subsidiaries’ housing projects and condominium projects.
 - 6) **Quality Construction Products Plc.** : The Company and Q.H. International Co.,Ltd. collectively held 26% of the shares and sold the total investments in this company to SCG Construction Products Co., Ltd. (of which shares were 100% held by Siam Cement Plc.) on February 23rd, 2010. Total shares sold were 103.1 million shares at the value of 4.0 baht per share, amounted to 412.5 million baht.

7) L.H. Financial Group Plc. : The Company held 26% of the shares. In March 2010, this associated company allocated common shares to increase its capital and offered to existing shareholders at the proportion of 1 existing share to 1 new share at the price of 1.0 baht per share. The Company received the allotment of 709.0 million shares at the total price of 709.0 million baht, of which the Company paid up on April 1st, 2010. Consequently, at the end of 2010, the Company still held 25.71% share of this associated company.

In November 2010, this associated company has allocated new common shares to offer to existing shareholders at the proportion of 5 existing shares to 4 new shares at the price of 1.0 baht per share. The Company received the allotment of 1,134.4 million share with the total price of 1,134.4 million baht, of which the Company paid up on February 4th, 2011.

- **Year 2011** : The Company and its subsidiary had significant changes and developments which can be summarized as follows:

1) Unsubordinated and unsecured debentures : The Company issued and offered to sell the total of 4 sets of unsubordinated and unsecured debentures as follows:

1.1) Unsubordinated and unsecured debentures No. 1/2011 Tranche 1

In March 2011, the Company issued and offered to sell 3- year unsubordinated and unsecured debentures with the maturity date on March 10th, 2014, bearing a fixed interest rate of 3.90% per annum at the amount of 2,000.0 million baht. The debentures was rated “A” by TRIS Rating Co., Ltd.

1.2) Unsubordinated and unsecured debenture No. 2/2011 Tranche 1

In August 2011, the Company issued and offered to sell 3.5 year debentures with the maturity date on February 25th, 2015, bearing a fixed interest rate of 4.70% per annum for the first 1-2 years and a fixed rate of 5.00% per annum for the last 1.5 year at the total amount of 1,600.0 million baht. This debenture was rated “A” by TRIS Rating Co., Ltd.

1.3) Unsubordinated and unsecured debenture No. 2/2011 Tranche 2

In August 2011, the Company issued a 5-year debenture with the maturity dated on August 25th, 2016, bearing a fixed interest rate of 5.00% per annum for the first 1-3 year and a fixed rate of 5.30% per annum for the year 4-5, at the total amount of 1,400.0 million baht. This debenture was rated “A” by TRIS Rating Co., Ltd.

1.4) Unsubordinated and unsecured debenture No. 3/2011

In December 2011, the Company issued a 1-year debenture with the maturity dated on December 23rd, 2012, bearing a fixed interest rate of 3.90% per annum at the total amount of 1,300.0 million baht. This debenture was rated “A” by TRIS Rating Co.,Ltd.

2) Being granted licenses for hotel operation : The Company was granted licenses to operate hotel businesses for the following 3 residential buildings for rent, The Centre Point Hotel and Residence Petchburi, the Centre Point Hotel and Residence Sukhumvit 10 and the Centre Point Hotel and Residence Langsuan.

3) Gusto Village Co.,Ltd. : The Company held 100% of its shares via Casa Ville Co.,Ltd. This subsidiary was established on April 1st, 2011, with the initial registered and paid-up capital of 5.0 million baht with the objective to operate business of property development for sales in Bangkok and suburban area.

- 4) **Casa Ville (Chonburi 2554) Co.,Ltd.** : The Company held 100% of its shares via Casa Ville Co.,Ltd. This subsidiary was established on April 22nd, 2011, with the initial registered and paid-up capital of 5.0 million baht with the objective to operate business of property development for sales in Chonburi Province.
 - 5) **Property Host Co.,Ltd.** : The Company held 100% of its shares. This subsidiary was established on May 20th, 2011, with the initial registered and paid-up capital of 5.0 million baht with the objective to operate business of property development for sales and for rent.
 - 6) **Casa Ville (Prachuabkhirikhan 2554) Co.,Ltd.** : The Company held 100% of its shares via Casa Ville Co.,Ltd. This subsidiary was established on June 17th, 2011, with the initial registered and paid-up capital of 5.0 million baht with the objective to operate business of property development for sales in Prachuabkhirikhan Province.
 - 7) **L.H. Financial Group Plc.** : The Company held 25.7% of the shares. In May 2011, this subsidiary company undertook its initial public offering (IPO) of 1,443 million shares with par value of 1 baht at the price of 1.40 baht. As a result, the proportion of shares held by the Company was reduced to 22.25% (as of December 31st, 2011).
- **Year 2012:** The Company and its subsidiary had significant changes and developments which can be summarized as follows:
 - 1) **Business of land and houses for sales** : The Company and its subsidiaries launched the total of 13 new projects of land and houses for sales with the total sales value of approximately 14,783 million baht. These comprised 4 projects launched by the Company at the total sales value of approximately 5,086 million baht, and 9 projects launched by its subsidiaries at the total sales value of approximately 9,697 million baht. Furthermore, the Company and its subsidiaries paid the deposit and the purchase of plots of land intended for developing additional 12 projects, as well as plots of land for future expansion of the existing 7 projects in 2011, totaling to the amount of 2,951 million baht.
 - 2) **Business of condominium units for sales** : The Company and its subsidiaries launched 5 new projects of condominium units for sales at the approximate total value of 6,496 million baht. Furthermore, the Company and its subsidiaries also paid the deposit and the purchase of plots of land intended for developing the additional 5 projects, as well as plots of land for future expansion of the existing 1 project in 2011, totaling to the amount of 1,232.5 million baht.
 - 3) **The Centre Point Hospitality Co., Ltd.** : The Company held 100% of its share. This subsidiary company was established on June 15th, 2012, with the initial registered and paid-up capital of 5.0 million baht with the objective to conduct the business of hotels and service apartments.
 - 4) **Unsubordinated and unsecured debentures** : The Company issued and offered to sell the total of 3 sets of unsubordinated and unsecured debentures as follows :
 - 4.1) **Unsubordinated and unsecured debentures, No. 1/2012**
In April 2012, the Company issued and offered to sell 4- year unsubordinated and unsecured debentures with the maturity date on April 27th, 2016, bearing a fixed interest rate of 4.59% per annum at the amount of 2,212.0 million baht. The debentures was rated “A⁻” by TRIS Rating Co., Ltd.
 - 4.2) **Unsubordinated and unsecured debentures No. 2/2012 Tranche 1**
In August 2012, the Company issued and offered to sell 3.5 year unsubordinated and unsecured debentures with the maturity date on February 23rd, 2016, bearing a fixed interest rate of 4.16% per annum at the amount of 800.0 million baht. The debentures was rated “A⁻” by TRIS Rating Co., Ltd.

4.3) Unsubordinated and unsecured debentures No.2/2012, Tranche 2

In August 2012, the Company issued and offered to sell 5- year unsubordinated and unsecured debentures with the maturity date on August 25th, 2017, bearing a fixed interest rate of 4.55% per annum at the amount of 2,000.0 million baht. The debentures was rated “A-” by TRIS Rating Co., Ltd.

- 5) **Quality House Hotel and Residence Leasehold Property Fund (“QHHR”)** The Company sold properties together with the related equipment and component parts and/ or gave the leasehold rights and /or transferred the property leasehold rights for 3 hotel and service apartment projects, namely Centre Point Hotel and Residence Petchburi; Centre Point Hotel and Residence Sukhumvit, and; Centre Point Hotel and Residence Langsuan to QHHR, of which the Securities and Exchange Commission (SEC) granted its approval on July 2nd, 2012. Besides, the Company also invested the total of 105.28 million units in the Property Fund, equal to 31.33% of its total investment units at the value of 1,050.28 million baht.

After having invested in those properties, QHHR will offer the properties of which the rights and leasehold rights have been granted for rent or for lease to Centre Point Hospitality Co., Ltd., a subsidiary in which Quality Houses Plc. holds 100% of shares.

In this regards, Centre Point Hospitality Co., Ltd. will employ Q.H. International Co., Ltd., a subsidiary in which Quality Houses Plc. holds 100% of shares, to manage the hotels and service apartments.

2. Shareholders of the Company

There were significant changes regarding the shareholders with at least 4% of shares with the voting right during 2011-2012 as follows:

Shareholders	As of May 12 th , 2011		As of March 14 th , 2012		As of May 14 th , 2012	
	No. of shares	%	No. of shares	%	No. of shares	%
Land and Houses Plc.	2,107,539,377	24.86	2,107,539,377	24.86	2,107,539,377	24.86
Government of Singapore Investment Corporation Pte Ltd.	922,101,500	10.88	922,101,500	10.88	922,101,500	10.88
Thai NVDR Co., Ltd.	605,192,272	7.14	533,450,775	6.29	599,978,978	7.08
HSBC Group	453,263,861	5.35	311,162,418	3.67	226,585,518	2.67
CHASE	409,333,470	4.83	249,389,000	2.94	126,145,400	1.49

3. The business enterprises

3.1 Overview of business operations of the Company, Subsidiaries and Associated Companies

Quality Houses Public Company Limited, its subsidiaries and associated companies have operated the business of real estate development for sales and for rent and have jointly invested with other companies which can be classified as follows:

1. Business of land and houses for sales;
2. Business of condominium units for sales;
3. Business of residential buildings for rent (service apartments/ hotels);
4. Business of office buildings for rent;

5. Business of providing management services for office buildings, service apartments and rented houses;
6. Investment business;
7. Other businesses.

(Details as per Marketing and Competition Section 1.1 Nature of Products and Services a) to e))

3.2 Policies in dividing the operations of the Companies, Subsidiaries and Associated Companies

The Company has a policy in dividing the operations of the Group as follows:

1) Subsidiaries

The Company has invested in the following 13 companies:

- 1.1) The Confidence Co., Ltd.** : 100% of its shares is held by Casa Ville Co., Ltd. (which is a subsidiary that the Company holds 100% of shares.) It is currently conducting the business of property development for sales, including land and houses for sales and residential condominium units for sales;
- 1.2) Q.H. Management Co., Ltd.** : The Company holds 81% of its shares, while the other 19% of its shares is held by the Confidence Co., Ltd. Currently, it is conducting the business of managing utilities of housing projects of the Company and its subsidiaries;
- 1.3) Casa Ville Co., Ltd.** : The Company holds 100% of its shares. It is currently conducting the business of property development for sales, including land and houses for sales, with a focus on detached houses, townhomes, and residential condominium units for sales;
- 1.4) Q.H. International Co., Ltd.** : The Company holds 100% of its shares. This subsidiary operates business of residential building units for rent, building management, and making investments in various companies;
- 1.5) Q.H. International (BVI) Co., Ltd.** : 100% of its shares is held by Q.H. International Co., Ltd. Currently, this subsidiary conducts the business of investment in Harbour View Co., Ltd., which comprises the hotel and office building for rent businesses in Haiphong City, Vietnam, with a share ownership of 14.15%;
- 1.6) Casa Ville (Rayong 2553) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. At present, this subsidiary operates the business of property development for sales, including detached houses and condominiums in Rayong Province;
- 1.7) Casa Ville (Petchburi 2553) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. At present, this subsidiary operates the business of property development for sales, including detached houses and condominiums in Petchburi Province;
- 1.8) Idea Fitting Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. with the objective to operate the business of interior decorating, furnishing and installing of related electrical household appliance for the Company's and its subsidiaries' housing projects and condominium projects;
- 1.9) Gusto Village Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. in order to operate the business of property development for sales, including townhomes and detached houses in Bangkok and suburban areas;
- 1.10) Casa Ville (Chonburi 2554) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. in order to operate the business of property development for sales, including detached houses and condominiums in Chonburi Province;
- 1.11) Property Host Co., Ltd.** : The Company holds 100% of its shares with the objective to operate the business of property for rent;

- 1.12) Casa Ville (Prachuabkhirikhan 2554) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. At present, this subsidiary operates the business of property development for sales, including detached houses and condominiums in Prachuabkhirikhan Province;
- 1.13) Centre Point Hospitality Co., Ltd.** : The Company holds 100% of its share with the objective to take a lease of immovable properties and movable properties from the Quality House Hotel and Residence Leasehold Property Fund for operation in the business of hotels and service apartments.

2) Associated Companies

The Company has invested in 2 associated companies and 2 property funds as follows:

- 2.1) Home Product Center Plc.** : The Company had the policy of long-term investment and, as of December 31st, 2012, the Company held 19.78% of the shares. This associated company operates the business as a retailer of home improvement, decoration and construction products and services. With the service of One Stop Shopping to achieve ultimate customer satisfaction, this associated company offers its buyers a full selection of over 60,000 items. Besides, it also established a Training center to enhance knowledge and skills for staff at all levels to ensure better service delivery. Moreover, a Distribution Center was established to increase efficiency of the logistic system.
- 2.2) L.H. Financial Group Plc.** : The Company holds 22.02% of its shares (as of December 31st, 2012). This associated company was established as a holding company with an objective of long-term investment by holding 100% shares in Land and House Retail Bank, Plc., which operates the business of retail banking that provides services of deposits, mortgages, corporate loans and personal loans. On December 19th, 2011, the bank was approved by the Ministry of Finance to upgrade the status from retail banking to become commercial banking under the name “**Land and Houses Bank, Plc.**” and can provide customers with full range of financial services as a commercial bank.
- 2.3) Quality Houses Leasehold Property Fund** : This is another long-term investment in which the Company holds 25.66% of shares. It operates a business of property for rent and has registered as a closed-end Property Fund, with the total capital of 7,970 million baht. Properties invested by the Quality Houses Leasehold Property Fund include office buildings for rent under the project names of Q. House Lumpini, Q. House Ploenjit, and Wave Place.
- 2.4) Quality House Hotels and Residence Freehold and Leasehold Property Fund (QHHR)** : This long-term investment in which the Company holds 31.33% of shares was established in July 2012. It operates a business of property for rent and has registered as a closed-end Property Fund, with the total capital of 3,360 million baht. Properties invested by QHHR include Centre Point Hotel and Residence Petchburi Project, Centre Point Hotel and Residence Sukhumvit Project and Centre Point Hotel and Residence Langsuan.

3) Other companies

Other companies include Harbour View Co., Ltd., which operates hotel and office buildings for rent in Haiphong City, Vietnam. Previously, Q.H. International (BVI) Co., Ltd., a subsidiary company, invested 21% in Harbour View Co., Ltd. However the current proportion of share ownership has been reduced to 14.15% since the Company did not subscribe for additional shares when Harbour View Co., Ltd. offered additional proportionate shares to existing shareholders due to the fact that this company has continuously operated at loss.

3.3 Goals of business operation

Currently, the Company and its subsidiaries focus the operation in 3 core businesses: the business of land and houses and residential condominium units for sales; the business of residential buildings for rent/ service apartments/ hotels, and; the business of office buildings for rent. The Company's policy of main business operation during the next 3 years period (2012 - 2014) is to focus the investment in the business of land and houses for sales and residential condominium units for sales because the business is highly profitable and able to generate cash within a shorter period, which increases the Company's liquidity and allows faster amortization of financial burdens. Additionally, the Company also has a policy for its subsidiaries to expand investments in the business of land and houses for sales and residential condominium units for sales in the price range of 1.0-2.5 million baht in order to increase business opportunities to support the growth of the Company and its subsidiaries.

THE COMPANY'S INVESTMENT

1. The investments of Quality Houses Plc.

Company	Type of Business	Paid-up Capital (million baht)	Shareholding %
1) Subsidiary companies			
1.1 Q.H. International Co., Ltd.	Serviced apartment, contracted to manage of serviced apartments, office building for rent and investing in other companies	76.8	100
1.2 Casa Ville Co., Ltd.	Developing properties for sale	3,000.0	100
1.3 Q.H. Management Co., Ltd.	Managing of common area utilities at housing projects and developing properties for sale	380.0	81
1.4 Property Host Co., Ltd.	Developing properties for sale and for rent	5.0	100
1.5 Centre Point Hospitality Co., Ltd.	Hotel and serviced apartments	5.0	100
2) Associated companies			
2.1 Home Products Center Plc.	Supplier of construction materials and home decorations	7,041.4	20
2.2 LH Financial Group Plc.	Holding Business	11,978.9	22
2.3 Quality Houses Leasehold Property Fund ^{1/}	Investing in office building for rent	7,863.1	26
2.4 Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	Investing in hotel and serviced apartments	3,360.0	31

Note ^{1/} On November 08, 2011, the Quality Houses Property Fund had received an approval from the SEC to amend the fund's name to "Quality Houses Leasehold Property Fund (QHPPF)".

2. The investments of Q.H. International Co., Ltd. (Subsidiary)

Company	Type of Business	Paid-up Capital (million baht)	Shareholding %
Q.H. International (BVI) Co., Ltd.	Investing in foreign companies	30.8	100

3. The investment of The Confidence Co., Ltd. (Subsidiary)

Company	Type of Business	Paid-up Capital (million baht)	Shareholding %
Q.H. Management Co., Ltd.	Managing of common area utilities at housing projects and developing properties for sale	380.0	19

4. The investment of Casa Ville Co.,Ltd. (Subsidiary)

Company	Type of Business	Paid-up Capital (million baht)	Shareholding %
1) The Confidence Co., Ltd .	Lease of office building and developing properties for sale	1,000.0	100
2) Casa Ville (Rayong 2553) Co.,Ltd.	Developing properties for sale	5.0	100
3) Casa Ville (Petchburi 2553) Co.,Ltd.	Developing properties for sale	5.0	100
4) Idea Fitting Co.,Ltd.	Distribution and installation of furniture	5.0	100
5) Gusto Village Co.,Ltd.	Developing properties for sale	5.0	100
6) Casa Ville (Prachuabkhirikhan 2554) Co.,Ltd.	Developing properties for sale	5.0	100
7) Casa Ville (Chonburi 2554) Co.,Ltd.	Developing properties for sale	5.0	100

5. The investment of Q.H. International (BVI) Co., Ltd.

Company	Type of Business	Paid-up Capital (million USD)	Shareholding %
Harbour View Co., Ltd.	Hotels and office buildings for rent in rental in Haiphong City, Vietnam	6.8	14

MARKETING AND COMPETITION

1. Marketing and competition

1.1 Nature of products or services

The Company and its subsidiaries classify its products according to the nature of their businesses and use different competitive strategies to accommodate each business. The Company's approach can be summarized as follows:

(A) Business of Real Estate for sales,

Land and houses for sales

The Company and its subsidiaries have developed the land and houses for sales by considering the lands which are in potential locations, subdividing the estate into plots, building houses on those plots and constructing related infrastructure in the project. Currently, the Company and its subsidiaries focus on developing land and houses for sales in the located near the main roads that people use to commute to the city both in Bangkok and suburb areas.

The Company and its subsidiaries have a policy to expand the target market by offering the wider range of the products from low-end, middle-end, and high-end customers as shown below:

• High-end product

(Price per unit)

Company	Detached House Project				
	Q Twelve	Q House Avenue	Prukpirom / Prukpirom Regent	Laddarom / Laddarom Elegance	Vararom/ Vararom Premium
	> 100 million baht	24-80 million baht	30-85 million baht	7-30 million baht	4-12 million baht
1. Quality Houses Plc.					
2. Casa Ville Co.Ltd.					




• Middle-end product

(Price per unit)

Company	Detached House Project				Town House Project
	Casa Grand / Legend	Casa Premium	Casa Ville/ Presto	Casa Seaside	Casa City
	7-12 million baht	5-7 million baht	4-6 million baht	3-6 million baht	2-5 million baht
1. Quality Houses Plc.					
2. Casa Ville Co.,Ltd.					
3. Casa Ville (Petchburi 2553) Co.,Ltd.					
4. Casa Ville (Rayong 2553) Co.,Ltd.					

• **Low-end product**

(Price per unit)






Company	Single House Project	Town House Project	
	The Trust	Gusto	The Trust
	3-5 million baht	2-3 million baht	3-4 million baht
1. The Confidence Co.,Ltd.			
2. Gusto Village Co.,Ltd.			

Business of condominium units for sales

The Company and its subsidiaries have a policy to expand the business of condominium units for sales by considering the projects with favorable return on investment and by focusing on locations in Central Business District (CBD) or near mass transit lines, namely the Sky Train (BTS) and Subway (MRT), both on the existing routes and the future expansions, as well as the areas in residential communities with easy access to town. Besides, the subsidiaries also consider the expansion of projects to high potential areas in other provinces.

This policy is made to satisfy the needs of customers who look for convenience in commuting to work and to enjoy their lifestyles. The target customers include entrepreneurs, middle management and above, as well as companies' employees or new generations who want convenience in commuting to work and to spend their time in the city. The projects' name are divided by types of products as follows:

(Unit price)

Company	High-end Product		Medium Product	Low-end Product
	Q. Condo	Q. House Condo	Casa Condo	The Trust Residence
	14-140 million baht	3-7 million baht	2-5 million baht	1.5-4 million baht
1. Quality Houses Plc.				
2. Casa Ville Co.,Ltd.				
3. The Confidence Co.,Ltd.				

b) Business of property development for rent

Residential buildings/ service apartments/ hotels for rent

The Company and its subsidiaries have built and rented out residential buildings under the brand "Centre Point" in order to provide residential services to expatriates who come to work or travel in Thailand and have need for short term and long term rental with services and facilities. Therefore, the Company and its subsidiaries select the project locations near various facilities or at the city centers or business centers. Moreover, the Companies and its subsidiaries have also emphasized on the service beyond other rental projects in general, such as by providing meeting rooms, business centers, restaurants, room cleaning service, and effective security system. Moreover, public utilities and state of the art communication devices are also provided in order to facilitate the residents' activities.

The assets used in operating the business of residential buildings for rent are divided into 2 types as follows:

1. Assets owned by the Company;
2. Assets leased for business operation under the terms of agreement between 1-3 years.

Office buildings for rent

The Company and its subsidiaries have constructed high-rise buildings on its own land and on long-term leased land which are located in Central Business District (CBD) and fully equipped with public utilities and telecommunication facilities in order to provide office space rental services to customers. In addition, the Company also emphasizes on the standard quality of the buildings, the quality services and the proper lay-out within the buildings to ensure more effective business operations.

C) Business of providing management services for office buildings, residential buildings, hotels and houses for rent:

The Company and its subsidiaries provide services in managing office buildings, residential buildings, hotels and houses for rent as follows:

- Management of office buildings for: Wave Place Building, Q. House Lumpini Building, and Q. House Ploenjit Building for the Quality House Leasehold Property Fund;
- Management of residential buildings for rent: Centre Point Residence Prompong Project for Land and Houses Property and Loan Fund II to March 21st, 2012, and management of the same project for Land and Houses Freehold and Leasehold Property Fund after buying and receiving the transfer of right in such project from Land and Houses Property and Loan Fund II as of the date of March 22nd, 2012;
- Management of residential buildings for rent : Grand Centre Point Hotel and Residence Ratchadamri Project and Grand Centre Point Hotel and Residence Sukhumvit-Terminal 21 Project for L&H Property Co., Ltd.
- Management of houses for rent: L&H Villa Sathorn Project for L&H Sathorn Co. Ltd. To March 21st, 2012, and was hired to manage the same project for Land and Houses Freehold and Leasehold Property Fund (LHPF) after buying and receiving the transfer of right in such project from Land and Houses Property and Loan Fund II as of the date of March 22nd, 2012.
- Management of residential buildings for rent : Centre Point Hotel and Residence Petchburi, Centre Point Hotel and Residence Sukhumvit and Centre Point Hotel and Residence Langsuan for Quality Houses Hotel and Residence Freehold and Leasehold Property Fund (QHHR) as of date of July 20th, 2012.
- Management of residential buildings for rent : Centre Point Sukhumvit Thonglor for L&H Property Co.,Ltd.

In addition, the Company and its subsidiaries are also hired to provide accounting services of the Center Point Hotel and Residence Project to L&H Sathorn Co. Ltd., L&H Property Co., Ltd., and L&H Management Co., Ltd.

D) Investing Business

The Company is holding 100% of the shares of Q.H. International (BVI) Co., Ltd. through Q.H. International Co., Ltd., a subsidiary of which the Company holds 100% of share of ownership.

Q.H. International (BVI) Co., Ltd. has invested in the Harbour Vie Co.,Ltd., which operates a hotel and office building rental business in Haiphong, Vietnam, and is holding 14.15% of common stock in that company.

E) Other businesses

The Company has invested in 2 companies and 2 property funds as follows:

1. Home Product Center Plc.;
2. L.H. Financial Group Plc., which is a holding company for long-term investment in the Land and Houses Bank Plc. with 100% of the shares;
3. Quality Houses Leasehold Property Fund.
4. Quality Houses Hotel and Residence Freehold and Leasehold Property Fund.

1.2 Pricing policy

The Company and its subsidiaries have a competitive pricing policy.

1.3 Distribution and distribution channels

1.3.1 Land and houses and residential condominium units for sale

The Company and its subsidiaries use the distribution channel through their sales offices located at each project site, as well as through their sales booths in exhibitions as appropriate.

1.3.2 Residential building for rent/ serviced apartments/ hotels

The Company and its subsidiaries utilize several distribution channels as follows:

- The Company's sale officers: Customers are able to contact the central sales office or our sales officer may meet the customers at their office. Our sale officers can provide details of every project. At present, most of the Company's sales volume is generated from this channel in order to focus on keeping good relationship with the customer and building customers satisfaction;
- Sale agents : The Company provides opportunities to all agents to seek customers to rent rooms and the commission rate is 100% of the first month rental fee because this channel helps increase the number of customers;
- The Company's website : The Company has facilitated foreign customers who are interested in our residential units to make their reservations through the Company's website. This channel has gradually become a higher potential channel of selling every year;
- Sale agents' website : Since there is an increasing trend of foreign customers using internet for room reservation, the Company therefore provide another distribution channel through sale agents' website.

1.3.3 Office buildings for rent

The Company's main channel for sales is through corporate agents since they have a network with extensive numbers of customers and products to enable the customers to choose before making decision. In addition, the Company's customers can also directly contact the Company's sales officers.

1.4 Target customers and their characteristics

The Company and its subsidiaries cater to retail needs which may differ according to the business types as follows:

1.4.1 Business of land and houses for sales and residential condominium units for sales

The target customers include top executives, business owners, government officials, state enterprise and private company employees.

1.4.2 Business of properties for rent, including:

- Office buildings for rent : The target customers include Thai and foreign companies with medium to large in size who require office space in Central Business District (CBD).
- Residential buildings for rent/ service apartments/ hotels : The main target customers include foreign business people visiting or working with private companies or organizations, as well as foreign tourists who plan for short term and long term stay.

1.5 Environmental impact

With regard to the implementation of all the Company's and its subsidiaries' projects, for any project requiring permission from the Environmental Board, the Company and its subsidiaries shall duly comply with the prescribed criteria and completely licensed. As for the projects that do not require any permission from the Environmental Board, the Company and its subsidiaries have also controlled the following factors which may affect the environment:

- Construction : The Company and its subsidiaries adopt noise control measures to control and prevent noise pollution which might affect the communities during the project development. Tools and equipment are stored in safe places. Construction sites are controlled to ensure safety, dust prevention and orderly work site. Construction zones were divided in order to minimize the impact on finished houses and their residents.
- Office buildings for rent and residential buildings for rent : The Company and its subsidiaries have preventive and control measures to minimize impacts of public utility problems such as measures to inspect and replace equipment to reduce energy consumption, as well as garbage management and sewage testing.

Therefore, none of the projects which are operated by the Company and its subsidiaries create any negative environmental impact.

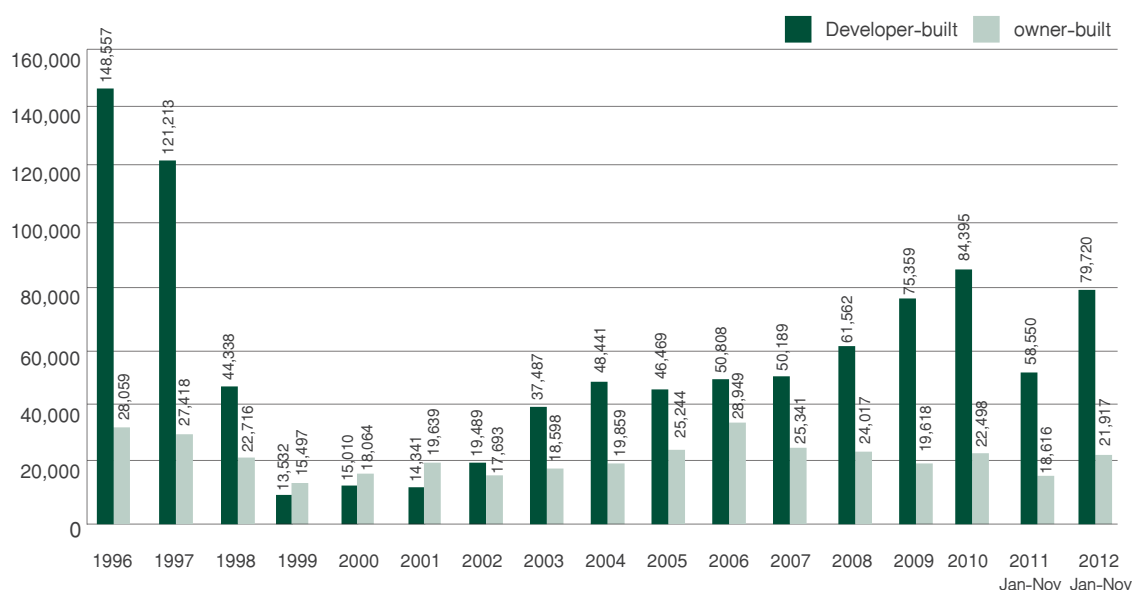
2. Industrial situation and competition

Classified according to the nature of businesses operated by the Company as follows:

2.1 Business of land and houses for sale

The housing market in 2012 was increasing as reflected by the total of 101,637 units of house registration during January-November, 2012, or 31.7% increase in comparison to the total of 77,166 units during the same period of 2011. When considering the specific types of construction, the number of developer-built houses was 79,720 units, increasing by 36.2%, while the number of owner-built houses was 21,917 units, increasing by 17.7% from the same period of the year 2011.

Increase in Residential Unit Registration in Bangkok and Metropolitan Area



Source : Information Center, Government Housing Bank

Additional developer-built house registrations classified by types of housing between 2007-2012

Additional developer-built house registrations classified by types of housing	2007	2008	2009	2010	2011 (Jan-Nov)	2012 (Jan-Nov)	% changes of 2012/2011
Detached houses	16,390	13,437	10,863	11,403	13,424	10,030	-25.28%
Duplexes	1,436	2,133	1,000	1,366	1,221	998	-18.26%
Townhouses and commercial buildings	14,931	11,943	9,771	11,707	10,642	10,603	-0.37%
Condominium	17,432	34,049	53,725	59,919	33,263	58,089	+74.64%
Total additional developer-built house registration	50,189	61,562	75,359	84,395	58,550	79,720	+36.16%

Source : Information Center, Government Housing Bank

From the above figures of additional developer-built house registration, it was found that the markets of detached houses and duplexes were decreasing since customers delayed their decision making to buy detached houses due to wait and see the flood situation in 2012, particularly in the areas affected by flood at the end of 2011. Meanwhile, the markets of townhouses and commercial buildings were slightly decreased, while condominium market was expanding thanks to the availability of finished condominium and the favorable trend toward living in condominium among the customers.

As for the trend of housing market in 2013, it is expected that the situation will be better than last year thanks to the increase in the government budget for rehabilitation and economic recovery of the country. Besides, there are also flood prevention and alleviation projects which require a large amount of money, as well as the government's large scale public infrastructure projects to stimulate continuous economic growth in the year 2013. Besides, another factor that promote real estate business is the interest rate which is expected to remain low.

2.2 Office buildings for rent

In 2012, total supply of rental office building space in Bangkok was 8.080 million square meters, an increase of only 0.059 million square meters. The overall rental office building market was improved from the previous year. That is, the total occupied office space was approximately 7.09 million square meters, an increase of 0.150 million square meters from the previous year, with the improve starting from the second quarter of 2012. The rental space was occupied by both transnational and Thai firms which were enthusiastic towards the ASEAN Economic Community (AEC) scheduled to start in the next few years and would lead to an improvement in rental office building market.

As for the average rental rate, by the end of the third quarter of 2012, the rental rate was increased in every location, in comparison with the end of 2011. That is, the average rental rate for "A" Grade office buildings in CBD area increased from 688 baht per square meters per month to 750 baht per square meter per month, while the average rental rate for "A" Grade office buildings in non-CBD area increased from 553 baht per square meter per month to 573 baht per square meter per month. As for "B" Grade office buildings in CBD, the average rental rate increased from 477 baht per square meter per month to 517 baht per square meter per month, and the average rental rate of "B" Grade office buildings in non-CBD area increased from 431 Baht per square meter per month to 483 Baht per square meter per month. The continuous improvement of the rental office building market in general resulted in the increasing trend of the average rental rate to the end of 2012.

As for the trend of rental office building market in 2013, it is forecasted that the available rental space will increase for 0.190 million square meters, comprising 0.050 million square meters in CBD area and 0.140 million square meters in non-CBD area. Therefore, the limited available rental office space in CBD area tends to be decreased while the rental rate will be increased. As for the office buildings in non-CBD area, it is expected that competition will be higher due to the significant increase in rental office space in the market. However, in general, the office building market still has a potential growth, particularly the office buildings with over 95% occupied rental space and being located in the sky train locations, of which the rental rate tends to be increased.

CBD : Central Business District - Silom, Sathorn, Surawongse, Rama IV, Ploenchit, Wireless, Down Town Sukhumvit, and Asoke Roads, etc.

Non CBD : Sukhumvit, Petchburi, Rachadapisek, Paholyothin, Vibhavadee-rangsit, Rama III, Bangna-Trad Roads, etc.

2.3 Residential buildings for rent/ service apartments/ hotels

In 2012, the total market of residential units comprises 20,347 units available, an increase of 823 units or 4% in comparison with 19,524 units in 2011. During January-September, 2012, the number of foreigners who received working permits to work in promoted investment type of firms and temporary type in Bangkok area was 68,666, showing an increase of 7,410 persons or 12% in comparison with 61,256 persons in 2011. In comparing with the increasing number of rental units in 2012, it is notable that the increasing percentage of foreigners who received work permit in Bangkok is higher than the increasing percentage of the available residential units for rent. Therefore, the trend of this market competition should be less intensified.

The main target group for residential units for rent and serviced apartments is still the Japanese and other Asian nationalities. Which are the biggest group of foreign investors in Thailand. In 2012 the number of Japanese investors working in Thailand was the highest among other foreigners, representing 24% of total foreigners working in Thailand.

In 2012, Thailand surpassed flood crisis which took place in the central area of the country during the 4th quarter of 2011, besides, there was no political turmoil in the country, resulting in the increasing number of returning foreign investors and tourists in Thailand. The number of tourists who travelled to Thailand during January-September 2012 was 16.0 million, an increase of 1.3 million tourists or 9% in comparison with 14.7 million tourists during the same period of 2011. It is expected that the number of inbound tourists will increase continuously in 2013.

In general, the expansion of investment in Thailand is continuing. In accordance with the information from the Board of Investment of Thailand, during January - December 2012, foreign investors submit the requests for investment promotion of 1,584 projects at the total investment value of 648.0 million baht, in comparison with the same duration of the year 2011, in which there were the request for investment promotion of 1,059 projects at the total investment value of 396.3 million baht. That is, there was an increase of 525 projects, or 50%, and the total investment value in 2012 increased from 2011 by 251.7 million baht or 64%. Therefore, continuous growth is expected for the investment in 2013.

*Source : Alien Section, Work Provision Department;
The Office of Board of Investment;
The Tourism Department;
Information gathered by Quality Houses Plc.*

*Remark : * The number of residential units has been adjusted to be as actual as possible since some projects were during the development phase and the project design was still unclear.*

REVENUE STRUCTURE

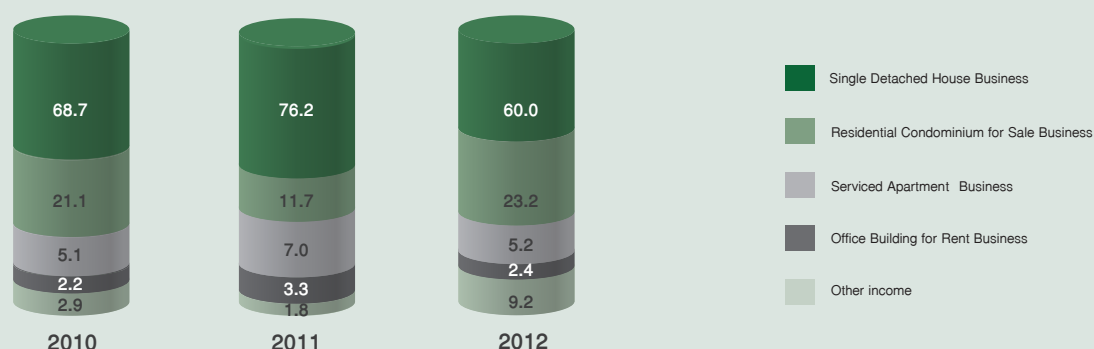
Revenue structure of Quality Houses Public Company Limited and its Subsidiaries

(Unit : million baht)

1/ Revenue by Business		Operate by	2010		2011		2012	
			Revenue	%	Revenue	%	Revenue	%
1. Real Estate Business								
1.1	Single Detached House Business	Quality Houses Plc., Casa Ville Co.,Ltd. and its Subsidiaries. ^{2/}	9,364.2	68.7	7,637.4	76.2	8,639.6	60.0
1.2	Residential Condominium for Sale Business	Quality Houses Plc. and Casa Vill Co.,Ltd.	2,870.3	21.1	1,176.3	11.7	3,344.8	23.2
1.3	Serviced Apartment Business	Quality Houses Plc., The Confidence Co.,Ltd. and Q.H. International Co.,Ltd.	696.2	5.1	704.3	7.0	745.8	5.2
1.4	Office Building for Rent Business	Quality Houses Plc.	310.0	2.2	331.0	3.3	346.6	2.4
Total revenue from real estate businesses			13,240.7	97.1	9,849.0	98.2	13,076.8	90.8
2. Other income		Quality Houses Plc., and its Subsidiaries.						
2.1	Gain on sales of properties and transfer of leasehold rights to building		-	-	-	-	1,183.6	8.2
2.2	Other income	Quality Houses Plc., and its Subsidiaries.	390.5	2.9	183.6	1.8	149.0	1.0
Total of other Income			390.5	2.9	183.6	1.8	1,332.6	9.2
Total			13,631.2	100.0	10,032.6	100.0	14,409.4	100.0

Note : 1/ The Company's revenue is entirely from domestic sales.

2/ Subsidiaries are Casa Vill Co.,Ltd., The Confidence Co.,Ltd., Casa Ville (Petchburi 2553) Co.,Ltd. and Casa Ville (Rayong 2553) Co.,Ltd and Gusto Village Co.,Ltd.



The structure of profit (loss) from associated companies through equity method

(Unit : million baht)

Project	Operate by	% Owned by the Company as at 31 Dec 2012	2010		2011		2012	
			Income (Expenses)	%	Income (Expenses)	%	Income (Expenses)	%
1. Office buildings for rent business								
Q. House Lumpini Building, Q. House Ploenjit Building and Wave Place Building	Quality Houses Leasehold Property Fund ^{2/}	25.66	109.8	20.2	118.8	18.6	121.7	14.8
	Sub-total		109.8	20.2	118.8	18.6	121.7	14.8
2. Serviced apartment/ hotel Business								
- Centre Point Hotel and Residence Petchburi, Centre Point Hotel and Residence Sukhumvit and Centre Point Hotel and Residence Langsuan	Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	31.33	-	-	-	-	24.2	2.9
	Sub-total		-	-	-	-	24.2	2.9
3. Construction Material business								
	Quality Construction Products Plc.	-	(0.3)	-	-	-	-	-
	Home Product Center Plc.	19.89	338.8	62.4	400.5	62.7	530.4	64.4
	Sub-total		338.5	62.4	400.5	62.7	530.4	64.4
4. Holding Business								
	LH Financial Group Plc. ^{1/}	22.25	94.3	17.4	119.3	18.7	147.3	17.9
	Sub-total		94.3	17.4	119.3	18.7	147.3	17.9
	Total		542.6	100.0	638.6	100.0	823.6	100.0

Note : 1/ On 21 April 2009, the Annual General Meeting of the Company's shareholders passed a resolution acknowledging the process of changing the direct investment in Land and Houses Retail Bank Plc. to an indirect investment through LH Financial Group Plc.

2/ On 28 November 2011, the Quality Houses Property Fund had received an approval from the SEC to amend the fund's name to "Quality Houses Lease hold Property Fund (QHPF)".

RISK FACTORS

1. Financial Risk

Risk from investments, lending, and guarantees made to the related company, Harbour View Co., Ltd.

Harbour View Co., Ltd. is a related company. Q.H. International (BVI) Co., Ltd., is a subsidiary company (in which the Company holds 100% shares through its subsidiary company Q. H. International Co., Ltd.), having 14.15% shares in Harbour View Co., Ltd. (it formerly held 21% shares).

As of December 31st, 2012, the net investment in Harbour View Co., Ltd., after allowance for impairment of investment, was zero, in comparison with the investment costs of 32.6 million baht. The Company reserved an allowance for loss impairment of that investment for the full amount. This is because Harbour View Co., Ltd., which operates hotel businesses and rental office buildings in Haiphong, Vietnam, had continually operated at loss.

At the end of 2011 and 2012 the subsidiary company, Q.H. International (BVI) Co., Ltd., have lent the Harbour View Co., Ltd. the amount of 3.5 million baht and 8.6 million baht respectively (details in Section : connected party transaction, item (1.21) financial support to other companies). As a result, the subsidiary company is vulnerable to losses pertaining to these loans because Harbour View Co., Ltd. has continued to run at an operating loss. Moreover, the Company has guaranteed the loans for Harbour View Co., Ltd. since 1997 because each shareholder is obligated to provide financial support to Harbour View Co., Ltd. in the proportion to shareholder's accumulation. Therefore, Q.H. International (BVI) Co., Ltd. and one of the shareholders was committed to a loan of 2.0 million USD from a financial institution and jointly guaranteed the loan in the proportion of 50% each or the equivalent to 1.0 million USD. However, the ratio of financial support liabilities to Harbour View Co., Ltd. of the Company and its subsidiaries and of other shareholders is equivalent to the percentage of ownership of Q.H. International (BVI) Co., Ltd., which was equivalent to 21%. Later on, there was a capital increase to the existing shareholders in the proportion of percentage of shareholding, but the subsidiary (Q.H. International (BVI) Co., Ltd.) did not invest in this right issuing because of the operation loss. As a result, the percentage of shares held was reduced to 14.15% at the end of 2007. In 2002 and 2008, the Company reserved the allowance for contingent liability from the loan guarantee at the amount of 35.0 million baht and 26.0 million baht respectively, totaling to the amount of 61.0 million baht. The Company already recorded the burden of that contingent liability in that full amount. In the case that the Company has to pay for the loans on behalf of Harbour View Co., Ltd. due to the guarantee agreement, it would be in the amount of 30.5 million baht as of December 31st, 2012 (1.0 million USD as of December 31st, 2012). However, Harbour View Co., Ltd. restructured its debt with a financial institution which resulted in the extension of the repayment period to 2017. Consequently, the Company's risk from the guarantee to this loan has been reduced. Additionally, the Company also closely monitors the financial situation, performance, and the implementation of the debt-restructuring plan of Harbour View Co., Ltd.

Risks of liabilities of the issuance of the Company bond

As of December 31st, 2012, the Company had loans from financial institutions and debentures with the total number of 22,363.9 million baht, comprising 5,271.9 million baht short-term loans from financial institutions, 80.0 million baht long-term loan due within one year, 2000.0 million baht debentures due within one year and 15,012.0 million baht debentures net of current portion due within one year. The debt to equity ratio was 1.68. If the Company cannot achieve its sales target, there may be an impact on the repayment of debenture. However, the Company expects to achieve the revenue goals as planned. As of December 31st, 2012, the Company and its subsidiaries operated the total of 42 projects of land and houses for sales with the total value of approximately 62,327 million baht, and with the remaining sales value of approximately 37,365 million baht, as well as the total of 11 projects of residential condominium units for sale with the total value of 17,836 million baht and with the remaining sales value of 6,359 million baht. These are sources of future revenue in addition to the regular businesses of residential units for rent and office buildings for rent. This will help enhance cash flow of the Company. Besides, the Company and its subsidiaries have long-term credit under the loan agreement which has not been drawn from the bank with the total amount of 7,514 million baht (as of December 31st, 2012), which can be used as a source of funding for the Company.

Risks of interest rate volatility and access to capital

Since the Company and its subsidiaries need to use a large amount of fund in property development, parts of this funding are loans from banks or financial institutions and debenture issuances. Therefore, the market interest rates have an important impact on the Company's cost of funds used in operations and project development.

Due to the interest rate fluctuations, the Company and its subsidiaries have adopted several preventive measures depending on the trend of interest rates at that particular period. Those measures include the issuance of debentures with fixed interest rates in order to repay the loans that bear floating rate and higher interest costs and the issuance of short-term bill of exchange with lower interest rates to be sold to institutional investors. This measure helps reduce the cost of interest and is suitable for the business of land and houses for sales that needs short-term fund for project development. Another measure that the Company adopts is to improve the efficiency of project planning and construction to shorten the project development period and to reduce the burden of interest bearing loans. In addition, there is also the allocation of loans, with both fixed interest rate and floating interest rate, to be used in the business operation of each particular company in accordance with the business type and asset type of such company. The Company and its subsidiaries also monitor the interest rate trend both at present and in the future, and consider the use of appropriate financial tools in order to manage the risk from interest rate volatility.

Additionally, the Company has also increased its capacity and its access to capital for project development by building strong relationship with several commercial banks to compare deals and the most appropriate cost.

2. Business Risk

Risk incurred from pre-built home construction

The Company and its subsidiaries operate a business of property development with the main revenue generated from the sales of land and houses. In 2011 and 2012, the Company and its subsidiaries' revenue from sales of land and houses was 77.5% and 66.1 % of generated total revenue from their property business respectively. The Company and its subsidiaries have the operating policy to insure that housing constructions were complete before selling for houses at the medium-price

range, as opposed to building a house after receiving deposit payments from customers (or tailor-made houses). Due to this policy, the Company and its subsidiaries require more working capital during the construction period. Therefore, this could affect the liquidity and profitability of the Company and its subsidiaries due to the high initial investment and interest expenses incurred from loans made for such projects.

However, the Company and its subsidiaries put measures in place to prevent or to reduce the above-mentioned risk as follows:

- The Company and its subsidiaries have conducted consumer behavior study by surveying the customers who visited the projects with regards to their budget, price, design, specifications, plot size, quality of materials, environment and security, etc. In addition, the information obtained from the previous projects has also been analyzed to find more details of customer needs. This enables the Company and its subsidiaries to develop pre-built houses which can meet the customer needs and are well accepted among the customers who are assured that they will receive the transfer of housing right as stated in the agreement and who have seen the quality of the product before making purchase decision;
- The Company and its subsidiaries are major long term property developers and therefore are widely recognized and well accepted among target customers;
- The Company and its subsidiaries have evaluated the demand for houses, the national economic situation and other related factors before reviewing and planning for construction of houses or investing in new projects with important consideration placed on optimizing stock levels of the Company and its subsidiaries at that period of time. Planning of construction by phases in accordance with the market demands also helps reduce the risk of high working capital utilization.

Risk incurred from pre-sale home construction

In 2010, the Company had a policy to have its subsidiaries sell the houses and condominiums before completion of its construction (pre-sale), for the lower to medium priced range under the following project names: “Casa Ville”, “Casa City”, “The Trust Ville”, “The Trust Town”, “The Trust City”, “Casa Seaside” and “Gusto”. The pre-sale approach was aimed at increasing sales opportunities and increasing the liquidity of the Company’s subsidiaries. However, there is a risk in controlling construction cost since the pre-sale house is priced at the beginning of the project prior to construction. Therefore, the Company and its subsidiaries adopt measures to mitigate such risk by entering into a turnkey construction contract with the contractor and making a deal for construction material cost in advance for a period of 6-12 months. Moreover, since the pre-sale houses are not large in size, the time required for construction is shorter than the high-priced project, which enables the Company to control its cost to a certain extent.

Additionally, the Company has also used the methods of Pre-casted, Prefabrication, and Tunnel to build the houses with price lower than 3 million baht and 2-storey townhouses to reduce construction time and to ensure the best cost control.

Risk incurred from highly competitive market

At present, the real estate developing industry is highly competitive due to increasing number of developers and the launching of new projects by major operators which results in the rapidly increasing supplies in the market. Various marketing strategies have been introduced to the market continuously in order to boost sales, hence intensifying the market competition. Fortunately, the Company and its subsidiaries have long been the major operators in the market and have had a reputation for top-level and medium-high house building projects, resulting in the competitive advantage

in terms of reputation, trustworthiness, quality and standards. The Company and its subsidiaries have also been studying the feasibility of each project before making an investment, including location, project communication, population growth, market situation, competitors and targeted customers, etc., to better serve the needs of the customers. In addition, the Company and its subsidiaries have also expanded their investment in the business of land and houses, as well as residential condominium units, in the price range of 1.0-2.5 million baht in order to reach for larger customer base. Consequently, the Company and its subsidiaries are still able to maintain the growth of sales and are able to reduce the risk from highly competitive market situation.

3. Production Risk

Risk from construction material costs and project development costs

The crude oil prices in the world markets are volatile and are likely to increase in the future. This may result in the higher production costs of both construction material and project development. However, the Company and its subsidiaries might be unable to increase the sale prices of land and houses, which might affect the Company's and its subsidiaries' profitability in the future.

However, the pre-built housing sales policy allows the Company and its subsidiaries to plan for construction and to purchase construction materials in advance so that they can control the costs of products and the quantities of inventories more effectively. Additionally, the Company and its subsidiaries have future contracts and make advance payments for those specific construction materials which are expected to have higher prices in the future. Moreover, since the Company and its subsidiaries use a lot of construction materials, they have significant bargaining power over the suppliers, resulting in the lower cost of materials. The Company and its subsidiaries believe that the above mentioned measures can help reduce costs and expenses for project developments. In addition, the use of construction methods such as Pre-casted, Prefabrication, and Tunnel for building houses with the prices of lower than 3 million baht helps reduce construction time, and thus they are more able to save financial cost and construction cost. As a result, the profit margin of the Company and its subsidiaries can be maintained to a certain extent.

Risk from shortage of contractors and skilled labor

To build houses and to develop housing projects depend a lot on contractors and skilled labor, in particular, for the products of the Company and its subsidiaries which are mid-level to high end products focusing on quality. The number of qualified contractors and skill labor for construction of the houses or public infrastructure of the projects in the market are considerably limited and might not be sufficient for the need of the Company and its subsidiaries, especially when the real estate industry is growing.

The shortage of contractors and skilled labor may become a drawback for production, for the growth of sales, and for quality control of the products. However, the Company and its subsidiaries have a policy to recruit new contractors who are qualified to work for the Company, as well as to provide knowledge and skill development for both existing and new contractors regularly. Furthermore, the Company and its subsidiaries also provide financial supports to the contractors to ensure their liquidity as appropriate and according to the situation.

4. Risks that may occur due to flood in the 4th quarter of 2011

The major flooding in the central region of Thailand, as well as in Bangkok and vicinity, affected most of the residential projects located in Bangkok and its vicinity, and led to a massive slow-down in the business of property for sales in the 4th quarter of 2011.

For the Company's and its subsidiaries' projects located in the zones of Ratchapruet Road, Chaipruek road and other flooded areas, the total of 12 projects were affected as follows:

- The Company and its subsidiaries had considerably low recognized revenue from the sales or the transfer of land and house projects located in the flooded zones.
- The Company and its subsidiaries were obliged to provide a fund for projects to rehabilitate the project environment, to repair houses that had completely been build but not yet sold or transferred, and to repair the public infrastructure within the affected projects. The amount of fund may exceed the forecast.

In addition, the overall market for the business of land and houses for sales slowed down, especially the projects located in the flooded zones. This may have short term impact to the Company's and its subsidiaries' revenue from the sales of land and houses in a few years since customers who have a need to buy land and houses have postponed their buying decision in order to study more and to determine whether or not the location will be safe from the flood as in 2011.

The above mentioned impact may also affect the cash in-flow of the Company and its subsidiaries, which may decline because the number of houses transfer does not meet the set target. However, the Company and its subsidiaries have a policy to reduce cash outflow and to accelerate cash in-flow as follows:

1. Focus on building houses and condominiums for sale in the projects with good sale performance and that are not located in the flood zones. Accelerate the expansion of property for sale business in provincial areas where the subsidiaries operate.
2. Decrease/ delay/ postpone the buying of new plots of land and any investment in large assets.
3. Reduce selling and administrative expenses which are not urgent or necessary.
4. Manage cash flow of each project separately by accelerating the sales in order to acquire money for the construction of houses in the project to be in line with its demand.
5. The Company established Quality House Hotel and Residence Freehold and Leasehold Property Fund at the value of 3,360 million baht. The Company also sold the projects namely: the Centre Point Hotel and Residence Petchburi; the Centre Point Hotel and Residence Sukhumvit, and the Centre Point Hotel and Residence Langsuan, to such Fund for the price of 3,342 million baht and invested some of the acquired money in the Fund at the proportion of 31.33%, or 1,053 million baht in July 2012.

SHAREHOLDER STRUCTURE AND MANAGEMENT

1. Shareholders

List of the top 10 shareholders with the number of shares held and the proportion of shareholding at the closing date of Shareholder Registration on May 14th, 2012:

Names of Shareholders	Number of Shares	% of the paid-up Capital
1. Land and Houses Plc.	2,107,539,377	24.86
2. Government of Singapore Investment Corporation Pte Ltd.	922,101,500	10.88
3. Thai NVDR Co., Ltd.	599,978,978	7.08
4. Bangkok Bank Plc.	237,000,676	2.80
5. STATE STREET BANK AND TRUST COMPANY	233,518,206	2.75
6. HSBC GROUP	226,585,518	2.67
7. USB AG	132,973,926	1.57
8. CHASE	126,145,400	1.49
9. PICTET & CIE	117,017,400	1.38
10. THE BANK OF NEW YORK	109,672,772	1.29
Total of the Top 10 shareholders	4,812,533,753	56.77
Total of the shareholders	8,477,339,715	100.00

Remark The 2012 Annual General Shareholder Meeting No. 1/2012, which was held on April 20th, 2012, resolved to pay the dividend at the rate of 12:1 on May 18th, 2012, resulting in the increased number of shares from 8,477,339,715 to 9,183,767,553.

2. Management

2.1 Structure of Management

As of December 31st, 2012, the structure of the Company's management comprised 5 committees including: The Board of Directors; the Audit Committee; the Nominating and Remuneration Committee; the Corporate Governance Committee, and; the Risk Management Committee.

Each committee has the list of members with scope of authority and responsibility as follows:

(A) The Board of Directors

As of December 31st, 2012, the Company's Board of Directors consisted of 12 members including:

Executive Directors:	4 persons
Non-executive directors:	4 persons
Independent Directors:	4 persons (equivalent to one - third of the total directors)

List of Directors:































Board of Directors		Position
1. Pol.Gen.Pow	Sarasin	Chairman
2. Mr.Rutt	Phanijphand	Director
3. Mr.Adul	Vinaiphat	Independent Director
4. Mr.Anant	Asavabhokhin	Director
5. Mr.Adisorn	Thananan-narapool	Director
6. Miss.Kanokvalee	Viriyaprapaikit	Director
7. Mr.Rachai	Wattanakasaem	Independent Director
8. Mr.Suri	Buakhom	Independent Director
9. Mr.Krit	Phanratnamala	Independent Director
10. Mr.Suang	Chaisurote	Director
11. Mrs.Suwanna	Bhuddhaprasart	Director
12. Mr.Pravit	Choatewattanaphun	Director

The Company's Board of Directors meeting N. 3/2008 held on March 21st, 2008, had a resolution to appoint Mrs. Suwanna Bhuddhaprasart, as the corporate secretary effective as of March 22nd, 2008. The Corporate Secretary has responsibilities to ensure that activities of the Board of Directors comply with relevant legislations, regulations and orders relating to the new Securities and Exchange Act. The Company determines the roles and major responsibilities of the Corporate Secretary as follows:

- 1) To give primary advice to directors relating to the laws, rules and regulations of the company, including significant changes of requirements so that the Board of Directors shall be able to work smoothly and have sufficient information to consider and make decision to perform their duties and responsibilities with care and honesty.
- 2) To prepare and keep the following documents
 - List of Directors Registration
 - The Board of Directors' Meeting: Invitation for Meeting, Minutes of the Board of Directors meeting and Annual reports of the Company
 - Shareholders' Meeting: Invitation for Meeting, Minutes of the Shareholders' Meeting
- 3) To supervise the disclosure of information and reports under the responsibilities to the supervising units to adhere to corporate governance rules and regulations of the government.

- 4) To keep the reports on the interest of directors and executives and to submit copies of reports to the Chairman and the Chairman of the Audit Committee within 7 days from the date the Company received such report.
- 5) To provide a system for storing documents and related evidences in an accurate, completed manner and can be rechecked.
- 6) To contact and communicate with general shareholders for acknowledgement of their rights and the Company's information.

Summary of Directorship of Members in the Board of Directors and other committees:

Name	Director	Executive and Authorized Director	Audit Committee and Independent Director	Independent Director	Nominating and Remuneration Committee	Corporate Governance Committee	Risk Management Committee
1. Pol. Gen. Pow Sarasin							
2. Mr.Rutt Phanijphand							
3. Mr.Adul Vinaiphat							
4. Mr.Anant Asavabhokhin							
5. Mr.Adisorn Thananan-narapool							
6. Miss.Kanokvalee Viriyaprapaikit							
7. Mr.Rachai Wattanakasaem							
8. Mr.Suri Buakhom							
9. Mr.Krit Phanratanamala							
10. Mr.Suang Chaisurote							
11. Mrs.Suwanna Bhuddhapasart							
12. Mr.Pravit Choatewattanaphun							

The Company's Board of Directors shall consist of not less than 5 directors but not exceeding 15 directors and at least half of the directors must have their domiciles in the Kingdom.

Directors shall vacate the office upon:

- (1) Death
- (2) Resignation
- (3) Disqualification or having any characteristics as prohibited by law
- (4) Termination by the shareholders' meeting resolution
- (5) Termination by the Court's order

The selection of the Company's Directors shall be done through the nomination process defined by the Nominating and Remuneration Committee which includes the nomination from all shareholders. The Nominating and Remuneration Committee will consider the candidate's qualifications and finally propose to the shareholders' meeting to get final approval before the formal appointment.

Most of the directors received training from the Thai Institute of Directors (IOD) as shown in the section “Brief Details of Committees and Executives”. Moreover, in 2012, the directors attended the training programs and seminars to enrich their work knowledge continuously, including Miss Kanokvalee Viriyaprapaikit, who attended the course of “Role of the Compensation Committee(RCC)”.

In general practice, each director will be in the position for the term of 3 years. According to the Company’s regulation, one-third of the total directors on the Board shall be retired at every Annual General Meeting. If the number of directors is not a multiple of three, the number of director closest to one-third shall be retired. The Company does not determine the number of times that a director is in office or the number of other companies in which a director holds a position with. The Company believes that each director has discretion to allocate adequate time to be devoted to the Company in the said position of director. The Company is also confident that each director has the required capabilities, knowledge and experience in areas that can benefit the determination of business direction and company policies and can provide counseling to resolve problems of business operations according to the standard expected by the Company.

Definitions of independent directors

The independent directors have important roles in enhancing investors’ confidence, imposing a balance on major shareholders’ power and promoting the corporate governance under the principle of international standard. The Company therefore defined the following requirements for its independent directors, which is in accordance with the minimum regulations prescribed by the Security and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). These requirements are:

- (A) An independent director must hold no more than 1% of shares with voting rights in the Company, parent company, subsidiaries, associated companies, major shareholders or controlling persons of the company including the shareholding of related person of that particular independent director.
- (B) An independent director must not be or had not been the Company’s executive director, nor serve as temporary employee, permanent employee, advisor on regular payroll, and controlling person of the Company, parent company, subsidiaries, associated companies, same-level subsidiary companies or major shareholders, unless the foregoing status has ended not less than 2 years prior to being appointed as an independent director. This prohibition shall not apply to the independent directors who were government officials or advisors to the government office which is the Company’s major shareholder or controlling person of the Company.
- (C) An independent director must not be a blood relative or by legal registration in the nature of father, mother, spouse, wife, sibling, child, son- or daughter- in law of other directors, executives, major shareholders, authorized persons, or individuals who are about to be nominated as directors, management members or controlling persons of the Company or its subsidiaries.
- (D) An independent director must not have or use to have business relationship with the Company, parent company, subsidiaries, associated companies, major shareholders or controlling persons in a way that will prevent independent judgment. Furthermore, independent directors must not be or had been major shareholders, or controlling person of any parties who have business relationship with the Company, parent company, subsidiaries, associated companies or major shareholders or controlling persons of the company, unless the foregoing status has ended not less than 2 years prior to being appointed as an independent director.

The business relationship mentioned in the first paragraph includes transactions of normal business transaction, rental or lease immovable property, transactions relating to assets or services or granting or receipt of financial assistance through loans, guarantees, using assets as loan collateral including other similar practices that can result in the Company or contractual partner having to take liability that must be repaid to the other party of more than 3% of net tangible asset of the Company or more than 20 million baht, whichever amount is lower. The calculation of such indebtedness is to be done in according to the method of calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions. But the consideration of such indebtedness shall include indebtedness occurring during the period of one year prior to the date on which the business relationship with the same person.

- (E) An independent director must not be or had not been an auditor of the Company, parent company, subsidiaries, associated companies or controlling parties of the Company. And an independent director must not be or had not been major shareholder, controlling person or having partnership of the auditor office of the auditor of the Company, parent company, subsidiaries, associated companies, major shareholders or controlling parties of the Company, unless the foregoing relationship has ended at least 2 years prior to being appointed as an independent director.
- (F) An independent director must not be or has not been servicing professionals including legal advisors and financial advisors, receiving more than 2 million baht per annum in remuneration for the service from the Company, parent company, subsidiaries, associated companies, major shareholders or controlling parties of the Company; and must not be the major shareholder, controlling person or holding shares of those servicing professionals, unless the foregoing relationship has ended at least 2 years prior to being appointed an independent director
- (G) An independent director must not be appointed as representative of director of the Company, major shareholder, or related parties of the major shareholders of the Company;
- (H) An independent director must not operate the business with the same nature as and competing with the business of the Company or its subsidiaries, or must not be a managing partner of the partnership, or being an executive director, temporary employee, permanent employee, advisor on regular payroll, or holding more than 1% of the shares with voting right of any companies which operate the business with the same nature as and competing with the business of the Company or its subsidiaries
- (I) An independent director must not have any other characteristics which cause the inability to express independent discretion, relating to the Company's operations.

After being appointed as a independent director with characteristics under (A) to (I), the independent director may be assigned by the Board of Directors to make collective decisions relating to the business operations of the Company, parent company, subsidiaries, associated companies, same-level subsidiaries or major shareholders or controlling parties of the company.

Authorities, duties and responsibilities of the Board of Directors

- Possess authorities and duties as stated in the Company's regulations, including supervising and managing the Company in accordance with the laws, the Company's objectives and regulations, as well as resolutions of the shareholders' meetings;
- Determine vision, missions, goals, strategies and policies of the Company;

- Approve strategies, important policies, objectives and goals of assets management, financial management and the Company's business plans, as well as, overseeing to ensure the effective implementation of such plans;
- Scope of operational authorities such as application for permissions relating to property development as well as submission and receipt of tax documents from the Revenue Department, reporting of complaints to the police officers or inquiry officials, revocation of complaints, compromise, making a statement, as well as sending and receiving of documents relating to legal cases, etc.;
- Scrutinizes the transactions required to be submitted for shareholders' approvals in the shareholders' meetings, with main session in the Annual General Meeting as follows:
 - 1) Consider the Board of Director's reports showing the Company's performances which will be proposed to the meeting;
 - 2) Consider and approve the financial statements;
 - 3) Consider profit appropriation;
 - 4) Nominate new directors to replace the retiring directors;
 - 5) Nominate the auditor and determine the auditor's remunerations;
 - 6) Consider the transaction with possible conflicts of interest which must be approved by shareholders;
 - 7) Other matters.

The Company has convened the Board of Directors' meeting to approve the vision, strategies, goals, policies, business plans, and budgets of the Company, as well as, to follow up the management's work to ensure that the Company's goals and business plans are achieved. In 2011 and 2012, the Board of Directors convened 8 and 8 meetings, respectively. The procedure for these meetings is that the corporate secretary would send out an invitation to the meeting together with meeting agendas and relevant documents to the directors in advance so that the directors shall have enough time to study the data before participating in the meeting; whereby, all directors are able to express their opinions freely and are not subject to any person or a group of persons. Minute of the meetings,

including directors' opinions, are recorded clearly in writing. Details on meeting attendance of the Board of Directors are as follows:

Name		Titles	Meeting Attendance/ Total Meetings (Times)	
			2011	2012
1. Pol. Gen. Pow	Sarasin	Chairman	6/8	7/8
2. Mr.Rutt	Phanijphand	Director	8/8	7/8
3. Mr.Adul	Vinaiphat	Independent Director	8/8	8/8
4. Mr.Anant	Asavabhokhin	Director	7/8	8/8
5. Mr.Adisorn	Thananan-narapool	Director	8/8	8/8
6. Miss. Kanokvalee	Viriyaprapaikit	Director	7/8	8/8
7. Mr.Rachai	Wattanakasaem	Independent Director	8/8	8/8
8. Mr.Suri	Buakhom	Independent Director	8/8	7/8
9. Mr.Krit	Phanratanamala	Independent Director	8/8	8/8
10. Mr.Suang	Chaisurote	Director	8/8	7/8
11. Mrs.Suwanna	Bhuddhaprasart	Director	8/8	8/8
12. Mr.Pravit	Choatewattanaphun	Director	8/8	8/8

Internal meeting among non-executive directors

On September 24th, 2012, non-executive directors have convened an internal meeting to discuss on interesting issues without the management's attendance.

Vision and Mission of the Company

The Company's Board of Directors has prescribed the vision and missions of the Company as the goals and guidelines to determine business strategies and plans with the following details:

Corporate Vision

"To be the top-of-mind real estate development company for customers in all segments for its leadership in product quality and services."

Corporate Mission

- Product and service quality: Always improve and develop the Company's 5 qualities to satisfy the consumers;
- Work life quality: Create work environment and company culture and improve the employee benefits to achieve maximum performance;
- Personnel
 - Operate legally with a transparency which can be checked at every stage;
 - Encourage and support employees to develop their potential in various fields in accordance with their responsibilities;

- Social quality
 - Promote accountability to the communities and the surroundings of areas where Quality Houses Plc. and its subsidiaries operate, as well as the general society;
 - Seek for new and better ways to create and to build sustainability for products, environment, organization, and society;
- Investment quality
 - Improve operational efficiency in order to achieve growth in profitability;
 - Find new ways to generate sustainable long-term profitability.

Executive and authorized directors

The authorized directors of the Company are Mr. Rutt Phanijphand, or Mr. Suang Chaisurote or Mrs. Suwanna Bhuddhaprasart, or Mr. Pravit Choatewattanaphun. To validate the document, two out of the four authorized to sign on behalf of the company must sign together and affix the Company seal.

(B) Audit Committee

The Company's Audit Committee consists of 3 independent directors as of 31st December 2012, as follows:

Namelist		Program/Seminar topic
1. Mr. Adul	Vinaiphat	Chairman of the Audit Committee and Independent Director
2. Mr. Rachai	Wattanakasaem	Audit Committee Director and Independent Director
3. Mr. Krit	Phanratanamala	Audit Committee Director and Independent Director

The Secretary of the Audit Committee is Mr. Korasut Piyambut.

Details of the Audit Committee meetings attendance in 2011 and 2012 are as follows:

Name of Directors			Meeting Attendance/ Total Meetings (Times)	
			2011	2012
1. Mr. Adul	Vinaiphat	Chairman	6/6	7/7
2. Mr. Rachai	Wattanakasaem	Director	6/6	7/7
3. Mr. Krit	Phanratanamala	Director	6/6	7/7

Remark : Mr. Krit Phanratanamala is a director who has the knowledge and experience in accounting or finance. The Audit Committee has convened 4 meetings in 2011 and 4 meetings in 2012 with the Company's auditors without the presence of the Company's management team

Authorities and duties of the Audit Committee

The Company's Audit Committee has authorities, duties, and responsibilities to report to the Board of Directors as follows:

- 1) To review and ensure that the Company's financial reports have been prepared accurately and adequately;
- 2) To review and ensure that the Company has proper and effective internal controls and internal audit systems; and to review independency of the internal audit unit; and to give approval of appointment, transfer and termination of the chief of the internal audit unit or any other units responsible for internal audit;
- 3) To review and ensure that the Company has complied with the Securities and Exchange Act, the Stock Exchange's regulations and related laws of the Company's businesses;
- 4) To consider, select and nominate independent person to act as the Company's auditor; and to propose the remuneration for such person; and to attend meetings with the auditor for at least twice a year without the management's attendance;
- 5) To consider the compliance with laws and with the Stock Exchange of Thailand's regulations, in the case of related transactions or transactions which may have a conflict of interest to ensure that such transactions are reasonable and giving highest benefits to the Company;
- 6) To prepare and disclose reports of the Audit Committee in the Company's annual reports. The Chairman of the Audit Committee shall sign in such reports, which are required to include the following information:
 - (a) Comments about the accuracy, completeness and reliability of the Company's financial statements;
 - (b) Comments about the adequacy of the internal control system in the Company;
 - (c) Comments about the Company's compliance with the applicable law and regulations i.e the Securities and Exchange Act, the regulations of the Stock Exchange of Thailand and other laws that relate to the Company's business;
 - (d) Comments about the suitability of the Company's auditors;
 - (e) Comments on transactions which might be conflicts of interest;
 - (f) Number of the Audit Committee meetings and the attendances of each committee member;
 - (g) Comments or observations in general that the Audit Committee derived during their performing of duties under "The Charter of the Audit Committee";
 - (h) Other transactions which the committee considered that the Company's shareholders and public investors should be acknowledged within the boundaries of their duties and responsibilities assigned by the Board of Directors.
- 6) To perform other duties assigned by the Board of Directors with the consent of the Audit Committee.

(C) Nominating and Remuneration Committee

As of December 31st, 2012 the Company's Nominating and Remuneration Committee consists of 3 members, including:

Nominating and Remuneration Committee		Title
1.Mr. Rachai	Wattanakasaem	Chairman
2.Mr. Adul	Vinaiphat	Director
3. Miss. Kanokvalee	Viriyaprapaikit	Director

Authorities, duties and responsibilities of the Nominating and Remuneration Committee as prescribed in the Charter

- 1) To determine procedures and criteria in nominating the Company's directors or senior management, from the Managing Director position and above, in alignment with the Good Corporate Governance policy;
- 2) To select persons appropriate to be nominated as new directors or search for senior management, from the Managing Director position and above, to propose for consideration by the Board of Directors;
- 3) To determine procedures and criteria for fair and reasonable payments of remunerations and other fringe benefits to the Board of Directors and other committees as appointed by the Board of Directors and to propose such pay package for approval in the Shareholders' meeting;
- 4) To consider, recommend and determine the remunerations and other fringe benefits by taking account of duties and responsibilities of the senior management (from the position of Managing Director and above) and to consider the criteria for performance appraisal in order to determine appropriate annual compensation;
- 5) To consider and review the structure and criteria relating to compensation under no. 3 and no. 4 to ensure that they are appropriate for the responsibilities required and the operating results of the Company, thus, in accordance with the market condition;
- 6) To consider budgets for wage increases, annual bonuses, and other benefits for the Company's employees;
- 7) To prepare the operational reports for the consideration of the Board of Directors at least once a year;
- 8) To perform any other duties as assigned by the Board of Directors.

In addition, the Nominating and Remuneration Committee has required that the Company shall prepare the Company's summary for orientation of new directors with the supporting documents, as follows:

1. Public Limited Companies Act;
2. Securities and Exchange Act;
3. Certificates, Objectives and Regulations of the Company;
4. Good Corporate Governance Policy;
5. Director's Handbook;
6. Organization Structure;
7. The Company's businesses.

In addition, the Company has also prepared the succession plan of the President and Chief Executive Officer.

The number of meeting attendances of the Nominating and Remuneration Committee in 2011 and 2012 are as follows:

Name of Directors		Title in the Nominating and Remuneration Committee	Meeting Attendance/ Total Meetings (Times)	
			2011	2012
1. Mr. Rachai	Wattanakasaem	Chairman	6/6	4/4
2. Mr. Adul	Vinaiphat	Director	6/6	4/4
3. Miss. Kanokvalee	Viriyaprapaikit	Director	6/6	4/4

(D) Corporate Governance Committee

As the Board of Directors' Meeting No.7/2553 convened on December 21st, 2012, has passed the resolution to establish the Corporate Governance Committee which consists of 4 members selected from directors and executives as follows:

Corporate Governance Committee		Title
1. Mr. Suri	Buakhom	Chairman
2. Mrs. Suwanna	Bhuddhaprasart	Director
3. Mr. Somchai	Warunpantulak	Director
4. Mr. Korasut	Piyumbut	Director

Authorities and Duties of the Corporate Governance Committee

- 1) To determine and review the policies, requirements and work procedures to be in accordance with the principle of good governance;
- 2) To determine policies and plans relating to the Corporate Social responsibilities (CSR) activities of the Company;
- 3) To monitor the progress of the corporate governance and the social responsibilities work plans; and to give recommendations and necessary supports to related work teams in order to achieve the set objectives of each plan;
- 4) To carry out the internal evaluation under the corporate governance criteria in order to determine areas for improvement;
- 5) To represent the Company in communication and execution of corporate governance activities with the executives, employees and external units;
- 6) To perform any other duties as assigned by the Board of Directors with consent from the Corporate Governance Committee.

The number of meeting attendances of the Corporate Governance Committee in 2011 and 2012 are as follows:

Name of Directors		Title in the Corporate Governance Committee	Meeting attendance/ Total meetings (Times)	
			2011	2012
1. Mr. Suri	Buakhom	Chairman	4/4	4/4
2. Mrs. Suwanna	Bhuddhaprasart	Director	4/4	4/4
3. Mr. Somchai	Warunpantulak	Director	4/4	4/4
4. Mr. Korasut	Piyumbut	Director	4/4	4/4

(E) Risk Management Committee

As the Board of Directors' Meeting No.7/2010 convened on December 21st, 2010, has passed its resolution to establish the Risk Management Committee which consists of directors and executives, totally 4 persons, as follows:

Corporate Governance Committee		Title
1. Mr. Rutt	Phanijphand	Chairman
2. Mrs.Suwanna	Bhuddhaprasart	Director
3. Mr.Sanpin	Sukhee	Director
4. Mr.Somsak	Jirarungruangvong	Director

Authorities and Duties of the Risk Management Committee

- 1) To determine criteria, policies and processes of evaluation and management of risks which have impacts on the Company;
- 2) To evaluate, analyze and prioritize the risks and to determine guidelines and strategies for risk management so that the risks shall be at an acceptable level under proper costs;
- 3) To follow up and evaluate the risk management and to report the result of risk evaluation to the Audit Committee;
- 4) To make decisions and to give advice on major problems occurred in the risk management process;

(F) The Executives

The Company's Executives as of December 31st, 2012 are as follows:

Corporate Governance Committee		Title
1. Mr. Rutt	Phanijphand	President and Chief Executive Officer
2. Mr. Suang	Chaisurote	Senior Executive Vice President
3. Mrs. Suwanna	Bhuddhaprasart	Senior Executive Vice President
4. Mr. Pravitt	Choatewattanaphun	First Executive Vice President
5. Mr. Sanpin	Sukhee	Executive Vice President
6. Mr. Ravee	Mongkholtavee	Executive Vice President
7. Mr. Somchai	Warunpantulak	Senior Vice President, Financial and Accounting Department
8. Mr. Somsak	Jirarungruangvong	Senior Vice President, Customer Transaction Serviced and Treasury Financial and Accounting Department

2.2 Remunerations for Directors and Executives

(A) Money Compensation

Remuneration for Directors

The annual general meeting of shareholders No.1/2012 on April 20th, 2012 approved the new directors' remuneration and bonus with following details:

1. Monthly remuneration: The Company's directors will receive monthly remuneration whether or not there is a meeting in such month. Details are as follows:

1. The Chairman's remuneration is 45,000 Baht/month
2. The director's remuneration is 30,000 Baht/month

2. Meeting remuneration: The directors who attend the Company's Committee Meetings: the Board of Directors; the Audit Committee; the Nominating and Remuneration Committee, and; the Corporate Governance Committee will receive meeting remuneration as follows:

1. The Chairman's remuneration is baht 30,000 per each meeting. The Chairman means the chairman of each board/ committee: the Chairman of the Board of Directors; the Chairman of the Audit Committee; the Chairman of the Nominating and Remuneration Committee and the Chairman of the Corporate Governance Committee.
2. The directors' remuneration for each meeting is 20,000 baht.

For the director who is also an executive director will not receive any meeting remuneration. The directors' meeting remuneration will be paid to the member of each committee for not more than 12 times per year. In case that such committee has arranged more than 12 meetings in a year, the meeting remuneration will be paid for maximum of 12 months only.

Remuneration for Executives

In 2011 and 2012, the total remunerations for each top 4 executives from the Managing Director and below, and any person holding equivalent position at the fourth executives including the level of Vice President, totally 6 persons, were amounted to 49.6 million baht and 54.8 million baht respectively. The details can be summarized as follows:

Type of Remuneration	2011	2012
Salary	38.8	38.6
Bonus	8.7	14.1
Provident Fund	2.1	2.2
Total	49.6	54.8

(B) Other remuneration

The Company and its subsidiaries set up a Provident Fund for employees where each employee contributes voluntarily 3-6% of his/her salary to the Provident Fund. The Company and its subsidiaries will match the same amount to the Provident Fund. The Provident Fund is registered to be managed by a licensed fund management company that is in compliance with the Provident Fund Act B.E. 2542.

2.3 Corporate Governance

The Company realizes the importance of good corporate governance and therefore acts according to the guidelines of the Stock Exchange of Thailand for good corporate governance. The details of each principle are as follows:

2.3.1 Shareholders' rights and

2.3.2 Equitable treatment to shareholders

The Company has a policy to treat all shareholders with equal rights in all matters including rights to obtain share certificates, to transfer shares and to receive the Company's information, to attend and vote in shareholders' meeting, etc.

In addition, the Company considers each shareholder as equal. Therefore, in order to promote good corporate governance and to show that the Company treats every shareholder equally, the Company has a policy to confer participation rights to shareholders in the Shareholder's Annual General Meeting of 2012 as follows:

- Propose additional agendas to the Shareholders' Annual General Meeting of 2012 according to the Company's rules;
- Nominate qualified candidates to be elected as the Company's directors in the Shareholders' Annual General Meeting of 2012 according to the Company's rules.

The Company arranged the Shareholders' Annual General Meeting on April 20th, 2012. The Company assigned Thailand Securities Depository Co., Ltd. to send shareholders the invitation for the Shareholders' Meeting on April 5th, 2012, and also disseminated this invitation and supporting details of each meeting agenda (both in Thai and in English languages) through the Company's website, www.qh.co.th, on the same date. In addition, the Company also facilitated the shareholders to attend the Annual General Meeting by selecting convenient venue for shareholders to commute, which was Thammast Association under the Royal Patronage, Soi Ngarm-duplee, Rama IV Road, Sathorn, which was near Lumpini MRT station.

In the Annual General Meeting of 2011 and 2012, there were 12 directors attending the meetings from the total of 12, including 4 independent directors, 4 executive directors and 4 non-executive directors. Moreover, the licensed auditor of the Company was also invited to attend the Annual General Meeting as an observer. All shareholders attending such meetings had equal rights in all aspects.

At the meeting, the time given for each point in the agenda was allotted appropriately. There was no additional agenda besides the agenda sent to the shareholders in the invitation letter. The Company also encouraged shareholders to express opinions and ask questions extensively. Depending on their shareholdings, the shareholders had one vote per share at the meeting. Vote counting was conducted through bar code system. The summary of the vote count was made with transparency and accuracy, and the result was displayed on a monitor. In addition, when voting was carried out for the director appointment agenda, the voting was done for one candidate at a time.

The Company prepared the memorandum of the Shareholders' Annual General Meeting within 14 days. The Company recorded accurate and concise details of the meeting and the resolution made. Shareholders can review the meeting notes at "www.qh.co.th".

Supervision of the use of insider information

Details as written in the Section: Management No. 2.4 Supervision of the Use of Insider Information.

Procedure for connected transactions and conflicts of interest transaction

The Company has the policy that its operations must be in accordance with the highest standards of laws, relevant regulations, and business ethics.

The Audit Committee has regularly reviewed the connected transactions or the related transactions and has ensured that the conditions for the transactions serve the best interest of the Company by treating them as transactions with outsiders ("arm's length basis.") The Audit Committee also supervises the Company to proceed and disclose relevant information of these related transactions completely and in compliance with official regulations.

In addition, the Company has ensured that the shareholding structures among the Company, subsidiaries, associated and related companies will not pose any conflicts of interests. The Company has made an announcement of the acquisition / disposal of assets and of related transactions for all employees in order to these employees to be aware of the guidelines for compliance with the official regulations. The details of connected transactions are shown in the Section Connected Party Transactions.

Reporting the stakeholding of directors

At the Board of Directors' Meeting No.6/2009 convened on June 25th 2009, the Board of Directors has approved the criteria and procedures of reporting of the stake holding of directors and executives and the disclosure of data relating to the stake holding of directors and related parties to the Company, according to the criteria and procedures of reporting, as follows:

- 1) Directors and executives must report their stake holding and/or the stake holding of related parties to the Company according to the form of reporting as prescribed by the Company;
- 2) Directors and executives must report under 1) when:
 - Within 30 days after the date of assuming the office;
 - Within 30 days upon changes of data in the latest report;
- 3) The person who reported under 1) must send a written report to the Corporate Secretary within 3 working days as from the date of preparing the report;
- 4) The Corporate Secretary shall send a copy of the report of stake holding under 3) to the Chairman of the Board of Directors and the Chairman of the Audit Committee within 7 working days as from the date when the Company has received such report.

2.3.3 Roles of stakeholders

The Company has a detailed policy regarding treatment and responsibility for each group of stakeholders under the Company's policy of good corporate governance. The treatments towards each group of stakeholders are as follows:

Employees

The Company has realized that employees are one of the most crucial factors that promote the Company's successes and growth; therefore, the Company had its policy to promote and support the development of all personnel of the Company to obtain proper knowledge and abilities; and have the equitable treatment of its employees; and to respect the human rights; to create good and safe working environment; and to give fair and reasonable remuneration and welfare to its employees according to the positions, duties and responsibilities; for example:

Employee welfare

- The Company has provided welfare of uniforms for receptionists or sales clerks stationed at the housing projects, of office building for rent projects and serviced apartment/ hotel projects;
- The Company has provided welfare of medical expense reimbursement in the case of outpatients for not exceeding 6,000 baht/ person/ year;
- The Company has provided welfare of flower basket to visit employees in cases of work-related illness and child delivery;
- The Company has established a provident fund as morale in return for the employees' devotion to their works;
- The Company has established the employees' welfare committee to take care of welfare and health issues of employees. Examples include providing nursing rooms stationed with professional nurses to give advice, recommendations and first-aids to employees, and to provide welfare of annual health checkups of employees;
- The Company has provided life insurances, group accident insurances and group health insurances (in case of in-patients);
- The Company has provided the system of other welfares covering the employees' family members such as welfare of funeral allowances, in case of death, for employees and family members (spouses and children); welfare of scholarships for employees' children, etc.

Furthermore, the Company provides communication channels to provide information about these benefits to employees, the Company's rules and regulations by publishing all these information on the Company's intranet. The Company provides E-mail addresses to each employee so that it becomes another channel for both internal and external communication.

Moreover, in order to learn more about challenges and problems that the staff facing in day-to-day operations, the Company sets up a suggestion box to receive communication from employees regarding their opinions or any complaint relating to their work. All the information and suggestions received are seriously considered by the management committee in determining ways to correct and improve things that are of best interest of all stakeholders.

Training and employee development

For sustainable and continuous development and growth of the Company, the Company had its policy of personnel development by assigning the Human Resource Department to organize proper training courses and guideline for development of knowledge, abilities and skills to each level of employees to ensure that the Company's personnel shall have adequate work knowledge and abilities and shall be able to compete with other entrepreneurs in the markets efficiently and effectively.

The Company has set up Core Courses for employees in different levels, which include:

- Orientation of new employees : All new employees shall receive the orientation in order to know the policies, rules, regulations, business structure of the Company and the data relating to the line operations of such employees, including welfare and benefits that the employees shall receive from the Company;
- Customer complain management course: To provide operational employees whose work requires direct contact with customers from all lines of business with sufficient skills to manage and correct the customers' complaints. In this course, employees are allowed to participate by contributing ideas and opinions on how to satisfy customers which can later be adapted to use in real operations effectively and efficiently. This is done to create maximum benefits to customers and for the Company. Furthermore, there are courses in Emotional Quotient Development for basic operation and basic quality services;

- Basic and advanced team building courses: To allow employees to develop capabilities to work as a team effectively. This includes development of Emotional Quotient for work;
- Basic and intermediate management skills course: To develop leadership in employees so that they can work at their full potential. The programs include specific skills for employees in supervisor levels; basic supervisory skills, personal development, coordination skill, coaching skill, delegation skill, how to follow-up work progress and to control work quality control, Development of Emotional Quotient for Effective Management and Arts of Problem Solving and Decision Making. These programs aim to enhance the employees in supervisor role and the abilities to manage their team effectively and efficiently.

Training and education relating to environment and effective use of resources

The Company has continuously supported the implementation of “5S Activity” to enhance sanitation and healthy habits in workplaces, which will also increase work efficiency, higher productivity and better customer services, and help promoting good environment in workplaces and effective use of resources. Employees shall receive training before starting the implementation of any “5S Activity”. The Company has arranged at least twice monitoring and evaluation per year. Examples of activities to improve working environment and to reduce wastes include reusing empty pages of used paper, reusing of binders, launching a campaign of “switch-off the light during the lunch break or after use during the day” and a campaign to maintain all equipment in good conditions. These activities have helped promoting the better and safer environment in workplaces and have developed better work quality and more efficiency among employees throughout the organization.

In addition, the Company has also given souvenir rings to employees who have been working with the Company for 10 years and 20 years in recognition of their long-time physical and mental devotions to the Company.

Customer groups

The Company has prescribed its guidelines for treatment of customers in the company’s Code of Conduct, which is available at “www.qh.co.th”; and the Company has strictly complied with those guidelines and its responsibilities to customers by producing quality products and services under the policy “5-Quality Houses” (including modern design, quality materials, good neighborhood, high security and sincere and honest services), provided that the quality of products shall be subject to the level of prices of products sold. The Company has strictly adhered to this policy.

In 2012, the Company’s Laddarom Elegance Project on Ring Road-Sathorn was rewarded as the Distinguished Property Project on the type of detached houses at high price level from the Information Center for Research and Evaluation of Thai Real Estate, Agency for Real Estate Affairs, Co., Ltd. (AREA). The project was described as follows: “This project is worth buying in accordance with the criteria set by the Committee in terms of location, materials, design, environment, as well as the price level and promotion in comparison to over 1,300 projects being surveyed.”

In addition, the Company has also carried out various activities with customers which can be classified by business segments as follows:

Business of land and houses for sale

- The Company had its policy to create good and quality neighborhoods for happiness of all families staying with us. The Company and its affiliates have organized a variety of activities, focusing on creative entertainment during the spare time in order to promote the family relationship and to give opportunities for neighbors to get acquainted with each other through selective activities which are suitable to each project, such as photo frame making and merit making during the New Year Festival, etc.

- In 2012, the Company and its subsidiaries have liaised for establishment of the juristic person of 3 housing projects which have successfully closed their sales, and have handed over the common facilities and have given financial supports and some as sets to juristic persons of 12 housing projects

Business of residential buildings for rent (service apartment/ hotel business)

The Company has organized customer relations events and activities for all projects on a monthly basis and during festivals in order to build up good relationship between the Company and its customers. Examples include:

- The Centre Point Hotel and Residence Sukhumvit 10 organized an activity called “Roti Delighted” on March 31st, 2012. Participants included 62 Asian and European long-term residents of the project. On Saturday, July 30th, 2012, the Company organized an activity called “Somtam Paradise”, which received attention from 45 participants who were long-term residents from Asia, Japan and Europe.
- The Centre Point Silom Project organized an event called “A View of Firework” on December 31st, 2012, in the area of 23rd floor. The event allowed the customers to see beautiful fireworks in several locations at the night of New Year Eve. The Company also provided free snack and food for a large number of participants.
- The Centre Point Hotel and Residence Langsuan organized the Christmas activity on December 23rd, 2012, providing dinner and various performances including music, magic show, shows by the Company’s employees, along with game booths to entertain approximately 50 participating customers.

Business of office buildings for rent

The Company has organized events and activities as appropriate to the business segments and the locations in order to build up good relationship between the Company and its customers, for example:

- In New Year’s Day Alms giving Event, the Company has invited its customers to jointly give alms and to listen to sermons on a yearly basis.
- In order to promote and maintain Thai tradition, in Songkran Festival, the Company has prepared the premises and Buddha images to be watered by its customers on a yearly basis for good lucks.
- The management of Q. House Lumpini Building, in cooperation with the National Blood Donation Center, the Thai Red Cross Society, organized the blood donation activity in honor of His Majesty the King and to express the people’s wish for good recovery of the King’s health. In this regard, the Office Building Department invited its customers and Q. House staff members to participate in the blood donation which was organized on a quarterly basis at Sathorn Rooms 1-2, 4th Floor, Q. House Lumpini Building.

The customers of housing projects and condominium projects who have any complaint may make a telephone contact to number 1388 during the operating hours, or email to info@qh.co.th.

For the office building project or the residential building project, customers can directly contact the building manager or responsible person in such building.

Business partners

The Company and its subsidiaries have adhered to the value of business practices that uphold honesty, transparency and equality on the basis of fair competition, thus, for highest collective benefits, whereas business partners must not impair the Company’s reputations and must not breach the laws, good morals and traditions. The purchase of products and

operational procedures must be transparent and can be audited, and the business partner agreements must strictly be complied. The Company has used the Supply Chain system when ordering products to reduce steps, time and documents in the transaction allowing partners time to prepare and deliver products within agreed time frame.

Moreover, the Company also provided proper and reasonable assistances to its partners. For instance, if the material prices increase higher than those specified in the contract, the Company will make price adjustment or provide financial assistance to the contractors. In the past year, the Company never made a late payment except when its partners did not act according to the contract or breached the conditions agreed upon. The Company also arranged a Thank you party to show our appreciation of the contractors who have supported the Company which helped building good relationships. The Company is well aware that its partners are key factors of the success and support in order to produce good products and provide attractive services with good quality and fair prices.

Banks, financial institutions, holders of debentures and loan creditors

The Company adheres to the value of acting toward banks, financial institutions, holders of debentures and loan creditors with honesty, and it always repays capital and interest on a timely basis. The Company also strictly follows the conditions and rules that are specified in the lending contract and in other agreements. Whenever the problems arise which may affect the banks, financial institutions and lenders, or whenever the Company is not able to comply with the conditions stated in the loan agreement, the Company will issue a written document to clarify the situation to the banks, the financial institutions and the lenders in advance. Then it will be followed by a meeting to get consensus about the solutions. In addition, the Company also adheres to the rules of good corporate governance, for example:

- Follow the agreements with business partners and lenders. In the case that such agreement cannot be followed, the Company will consult with the contract partners and lenders at the earliest possible timeline in order to find solutions and damage prevention strategies;
- Provide accurate and complete financial information;
- Not demand, accept, or offer any dishonest advantages when contracting with the lenders;
- Ensure that the money lent from the lenders will not be used against the loan objectives.

In the past 3 years, the Company has never made any late payment.

Society, community and environment

The Company always provide appropriate supports to the activities that are beneficial to the society, the community and to the environment. In 2012, the Company provided supporting fund to the Narcotics Control Foundation and donated money to various temples to preserve Buddhism.

In addition, the Company also had the policy to promote and implant the employees' awareness on responsibilities to the society, community and environment. The details are provided in Section 3.3 Procurement of products or services, Sub-clause (B) Environmental impacts, as follows:

1. The Company had its policy not to take any action which may destroy the country's reputation, natural resources and the environment;
2. The Company shall not give its cooperation or support to any person who operates illegal businesses or who is a threat to the society or the national security;

3. The Company has continuously implanted the awareness of responsibilities to communities and the society as a whole, within the Company and among employees at all levels
4. The Company has supervised or controlled the strict compliance with the related laws
5. The Company has realized its responsibility to the society and the environment as follows:
 - Office buildings for rent and serviced apartment projects have cooperated in conservation of energy by installing new air-conditioners replacing the old air-conditioners when it was detected that the use of energy exceeded the standard of energy consumption and the quality of the used water in buildings was tested before draining the wastewater to BMA's pipes, etc.
 - Q. House Avenue Rama V Project has contributed to the reduction of global warming by installing biogas release pipes at all treatment tanks of all houses in the Project in order to reduce the volume of Methane gas which was released to the atmosphere; moreover, the aerosol interception system was installed at the central wastewater treatment system to intercept aerosol from emission in the aeration pond by circulating air from the aeration tank to the aerosol interception tank to reduce air contaminants, etc.

Respect for human rights

Nowadays, the problems of human rights become more severe and have impacts on the society and on the freedom of occupation and of business operations. The Company has had the policy to counter any violations of human rights in conformity with the "legal state" society. That is, people shall have rights and freedom under the provisions of law. The Company's guidelines in this regard are as follows:

1. The Company shall not neglect the human rights, but shall respect the dignity of individual human. The Company shall not discriminate people due to differences of genders, races, religions, personal statuses, economic or social status. Besides, the Company shall apply the said criteria to its employment, job assignments, promotion, giving of work-related rewards, including the employment conditions;
2. The Company shall fight against human trafficking, the use of child labor aged lower than the criteria prescribed by the labor law, and shall not do any business with the producers of products or services who get involved in human trafficking or the use of child labor;
3. The Company shall support, respect and protect human rights by auditing and preventing the Company's business operation with the third parties from any violation of human rights and from any action which may violate employees' rights as protected by the law.

Infringement of intellectual property or copyrights

The Company had its policy, which was clearly documented, not to support its employees to infringe the intellectual property or copyrights of other persons such as by means of reproduction, modification, dissemination of computer programs to the general public, release of original or copy of such works for rent without permission from the copyright owners, and the Company has not allowed its employees to use any software which infringed the copyrights.

In order to protect and to assume responsibilities for all groups of stakeholders, the Company welcomes complaints or opinions of all groups of stakeholders through the following channels:

1. E-mail: info@qh.co.th;
2. The Company's website: "www.qh.co.th" (for recommendations/ complaints);
3. Submission of matters by hand or by post to the Corporate Secretary at the address below:
Quality Houses Plc.
No. 1, Q. House Lumpini Building, 7th Floor,
Thungmahamek Sub-district, Sathorn District, Bangkok 10120

2.3.4 Disclosure of information and transparency

The Company has disclosed information that affect stakeholders' decision making with regards to various issues of the Company. The information is disclosed under various topics in the annual report, Form 56-1 and on the Company's website, "www.qh.co.th". These include the name and backgrounds of the Board of Directors, remunerations for directors, shareholding structure of top 10 shareholders, corporate governance, financial statement, risk factors, nature of business, management and financial position, and operating results. The information about the Company can be downloaded from "www.sec.or.th" and www.set.or.th.

Remuneration for Directors and Executives

The remuneration for directors and Sub-committees are comparable to the general practice within the same industry. The Audit committee has received remuneration according to their duties and responsibilities, which has been approved by the Nominating and Remuneration Committee prior to being submitted for approval by the shareholders in the Shareholders' Annual General Meeting. As for the executives of the Company, they receive remuneration linked to their performance and the performance of the Company. The Company has fully disclosed the remuneration for the directors, sub-committees and top management of the Company in the Annual Reports, under Clause 2.2 - Remuneration for Directors and Executives.

Board of Directors' Report on Financial Reporting

The Board of Directors realizes the importance of producing high quality financial statements for the company. Therefore, the Board of Directors has appointed the Audit Committee to review all of the company's financial statements to ensure full disclosure to investors. The Company also presents the report of responsibilities of the Board of Directors in the preparation and disclosure of financial statements in the Annual Reports. This is shown alongside the audited financial statements with opinions that the Company has prepared the report in accordance to generally accepted accounting standards. The Auditor has not given opinions that the financial statements of the Company had any significant notices.

The Board of Directors has given its importance on the disclosure of accurate, complete, transparent and thorough data by disseminating data and information through the data transmission channels of the Stock Exchange of Thailand and through the Company's website. The Board of Directors has reported the responsibilities on financial reports as mentioned in "Report on Responsibilities of the Board of Directors to Financial Report".

Relationship with investors

The Company has given its importance on the disclosure of transparent and thorough data, including the Company's operating results as well as significant data affecting the prices of the Corporate securities by disseminating data and information through Set Community Portal or SCP system of the Stock Exchange of Thailand and through the media so that investors, analysts and related parties can receive complete data. Moreover, the Company has also disseminated the Company's business data through websites "www.qh.co.th" to provide interested persons with an access to general

information and the information concerning the Company's products. Another channel for further inquiry to the Company is Telephone No.0-2677-7000.

In 2012, the Company presented the following information:

- Presentation to investors through 3 road shows in foreign countries;
- Organizing 11 site visits for investors and analysts;
- Organizing 4 Analyst Meetings to clarify the annual and quarterly operating results to investors and analysts;
- Organizing 49 Company Visits for investors and analysts who requested information on the status of the Company's business operation;
- Organizing 1 Press Conferences to clarify the annual business plan;
- Participating in several seminar activities with the business sectors, including:
 - "Tisco Corporate Day", organized by TISCO Securities Co., Ltd.;
 - "Thailand Focus 2012", organized by Phatra Securities Plc.;
 - "Thai Property Day", organized by Bualuang Securities Plc.
 - "Opportunity Day", organized by the Stock Exchange of Thailand.
 - "Property Day 2012", organized by UBS Securities (Thailand) Co., Ltd.

Moreover, the Company has also assigned the Investor Relations Office to assume responsibilities for dissemination of significant data affecting the prices of the Company's securities as well as other important data; whereas, the Investor Relations Office is under the supervision of Mrs. Suwanna Bhuddhaprasart, Director and Senior Executive Vice President. Investors may contact the Investor Relations Office at:

- "www.qh.co.th" in Section "Company's Data", and in Section "Inquiry of Investors' Data" in the topic of "Contact the Investment Relations Officer", or by;
- Email : arpaporn.e@qh.co.th and Supaphan@qh.co.th

2.3.5 Board of Directors' Responsibilities

Corporate Governance Policy

The Company has prescribed its corporate governance policy in writing and the Board of Directors has approved the latest revised corporate governance policy in the Board of Directors' Meeting No.8/2011 convened on December 26th, 2011. The Company has disseminated its corporate governance policy in the Company's website, " www.qh.co.th"

The said policy has emphasized the roles of the Board of Directors, rights and equality of shareholders, treatment to stakeholders, transparent business transactions and code of conduct, internal control and risk management, as well as prevention against conflicts of interest and disclosure of data to enable acknowledgement among all related parties.

Business Ethics

The Company prescribed the requirements on ethics and the code of conduct since 2002. Afterward, it has also revised the business ethics. The Board of Directors approved the latest revised business ethics in the Board of Directors' Meeting No.1/2010 convened on February 23rd, 2010. In this regards, the Company has disseminated the ethics and the code of conduct in the Company's website "www.qh.co.th".

The said business ethics were prepared for all employees to uphold as guidelines for their performance of duties according to the Company's missions with honest and justice, as well as equitable treatment to the Company, all stakeholders, the general public and the society. This is to prevent possible conflicts of interest, and to promote transparent business operations among the employees. The Company has followed up the result of compliance with the said business ethics regularly and on a yearly basis.

Leadership and Vision

Members of the Board of Directors of the Company have possessed work knowledge, abilities, skills and experiences from different fields of study. The roles, duties and responsibilities between the Board of Directors and the Management have clearly been divided. The Board of Directors' meetings have been convened regularly to approve the Company's visions, strategies, goals, policies, business plans and budgets and to follow up the administration of work of the Management to be in accordance with the Company's goals. Details of missions and visions of directors can be found in Section 2.1 "Structure of Management: (A) Board of Directors; Subject: Visions and Missions of the Company".

Balance of power of non-executive directors

As of December 31st, 2012, the Company comprised the following 12 directors :

4	Executive Directors
4	Non-executive Directors who were representatives of shareholders
4	Independent Directors (equivalent to one third of the total directors)

Aggregation or segregation of positions

The Chairman of the Board of Directors is not the same person as the Managing Director in order to segregate clearly the monitoring from daily management. The Chairman will ensure that important matters are raised for consideration at the meeting. The Board of Directors sets the right emphasis on reviewing and approving strategies presented by management and monitors that the strategies are implemented. The Managing Director is to lead his management team to implement the approved strategies under the framework determined by the Board of Directors.

Board of Directors' Meetings

The Board of Directors has its independence in giving approvals of the Company's visions, missions, strategies, goals, business plans and budgets, and has provided the mechanism to supervise and follow up short-term and long-term operations of the management to be in accordance with the Company's goals and business plans for the highest benefits of shareholders and in consideration of interests of all stakeholders. The details of meeting attendances of the Board of Directors and subcommittees are shown in Section 2.1 Structure of Management: (A) (B) and (C) respectively.

Internal meeting of Non-executive Directors

Non-executive directors have convened internal meeting to discuss on interesting issues without the management's attendance. In 2012, an internal meeting of non-executive directors was held on September 24th, 2012.

Self-evaluation of annual performance

The Board of Directors has arranged self-evaluation of the whole Board of Directors. In the Board of Directors' Meeting No.1/2013 convened on February 26th, 2013, the Board of Directors evaluated the performances of work of the whole Board of Directors for the year 2012 by considering 6 main areas as follows:

- Structure and qualifications of Directors;
- Roles, duties and responsibilities of the Board of Directors;
- Meetings of the Board of Directors;
- Performance of duties of the Board of Directors;
- Relationship with the Management;
- Self-development of directors and development of executives.

Sub-committees

As of December 31st, 2012, the Company had 4 sub-committees to consider related matters, including:

- 1) The Audit Committee;
- 2) The Nominating and Remuneration Committee;
- 3) The Corporate Governance Committee;
- 4) The Risk Management Committee.

Scope of powers, duties, responsibilities and details of meetings of the above-mentioned subcommittees is presented in the Section "Management" Sub-clause 2.1 "Structure of Management (B) (C) (D) and (E)" respectively.

Internal Controls and Audit Systems

The Company established the internal control systems by setting up the internal audit division as a separate unit, which directly reports to the Audit Committee. The Company's policy relating to internal controls is concise and effective.

The Audit Committee has evaluated and given its opinions on the adequacy and suitability of the internal control system of the Company according to the audit reports of the Internal Audit Division. The reports are proposed to the Board of Directors for acknowledgement on a quarterly basis. The Audit Committee also regularly convened meetings with the licensed auditor of the Company to acknowledge the results of reviews and audits, evaluation of internal control system and summary of issues of amendments of the Accounting Standards, law, rules and other related regulations.

Details of Internal Controls are presented in Section 4 Internal Controls

Risk management: There is a management team who performs regular evaluations of risks and sets out measures to minimize them. At minimum, the following risk factors are to be assessed

1. Financial risks:- risks from investment, provision of loans and guarantee of related companies, risks from the liabilities of the issuance debentures, risks from interest rate volatility and access to capital;
2. Risks of business operation:- risks from construction of houses before sale, risks from Pre-sale houses, risk from highly competitive market situations
3. Risks of production:- risks from costing of construction materials and project development; and risks from shortage of construction contractors and skilled workers
4. Risks of the consequences of the major flooding situation in the fourth quarter of 2011

The above details have already been presented in the topic "Risk Factors."

2.4 Supervision of the use of inside information

The Company had the policy to control the use of the Company's internal data for personal benefits by prohibiting the executives to use the Company's data for personal benefits and prohibiting the trading of the Company's securities during 1 month before the announcement of financial statements to the public. In addition to the above-mentioned prohibition, the Company had no policy to prohibit the executives' trading of the Company's securities. However, directors and/or executives of the Company shall be obliged to prepare report of holding of the Company's securities by spouses and minor children and the related parties of directors and/or executives under Section 59 of the Securities and Exchange Act B.E.2535 within 3 working days as from the date of changes of holding of the Company's securities. Directors and/or executives must always report such changes of holding of the Company's securities. The Company had no measures of punishment, in case, it was found that any executive has violated the Company's policies. However, in case directors and/or executives has breached the law and caused damage to the Company and the third parties, the Company shall cooperate and coordinate with the regulatory authorities to take legal actions

2.5 Personnel

(A) At the end of 2011 and 2012, the Company and its subsidiaries had the total of 1,071 and 1,151 employees respectively. They can be grouped by the Company's business lines as follows

(Unit: persons)

Business lines	Number of employees	
	2011	2012
1. Line of the Managing Director:	30	71
2. Line of house projects:	615	686
3. Line of office buildings for rent and residential buildings for rent:	327	303
4. Line of operation support:	99	91
Total	1,071	1,151

(B) Labor dispute in the past 4 years (year 2009 - 2012)

- None -

(C) Total compensation and types of compensation to employees

Company and its subsidiaries provide compensation to employees according to their duties, responsibilities and performance by comparing their performance with the set target in each year. The compensation includes salary, annual bonus, and provident fund. The details of total compensation for employees in 2011 and 2012 are shown below:

(Unit : million baht)

Type of compensation	2011	2012
1. Salary	30	71
2. Bonus	615	686
3. Provident Fund	327	303
4. Others ^{1/}	99	91
Total	1,071	1,151

Remark : ^{1/} Other compensations include training expenses, medical expenses, health & life insurance premiums and other benefits.

(D) Policy on human resource development

The Company and its subsidiaries have a policy to train and develop its human resources continually in order to enhance their knowledge and capabilities. There are training programs available for employees at every level. Information of some of these programs are provided in Section 2.3.3 Roles of Stakeholders, sub-clause: Employees

3. Dividend policy

The Company had the policy to pay dividend for not exceeding 50% of earnings in the consolidated financial statements after deduction of all kinds of reserves as prescribed by the Company and according to the law.

Regarding to the dividend payment policy of subsidiaries, the Company's subsidiaries shall pay dividend to the Company from the earnings of subsidiaries, whereas the Board of Directors and/or subsidiaries shall consider the dividend payment policy as suitable to the management of capital structure and overall financial management.

4. Internal control

In the Board of Directors' Meeting No.1/2013 convened on February 26th, 2013, and attended by all 3 independent directors and members of the Audit Committee. The Board of Directors evaluated the internal control system by considering the data and inquiring different issues from the Management in order to evaluate 5 aspects of the internal control system of the Company, which are:

1. Organization and environment;
2. Risk management;
3. Operation control by management;
4. Information system and data communication, and;
5. Monitoring system

The Board of Directors concluded that the Company had its sufficient and proper internal control relating to business transactions with the majority shareholders, directors, executives or related parties and the third parties. The independent directors and members of the Audit Committee had the same opinion with the Board of Directors.

The details of the internal control of the five areas are as follows:

1. Organization and environment

The Management and employees had positive attitudes in favor of the internal control. The Management has given the importance on business ethics and integrity as may be suitable for circumstances and according to the audit report on each particular incident. In case that there is any employee of the Company breaching the code of conduct or performing his/her duty which may affect the business ethics and integrity, the Management will treat such case fairly and transparently

In general, the Company had proper and favorable environment which promoted the sufficient and effective internal control, for examples:

- The Company has clearly defined its goals of business operations, which can be assessed and used as guidelines for performance appraisal in different aspects;

- The Company has reviewed its operational goals to ensure that they are properly prescribed; and are achievable. The Company has also considered the patterns of motivations or compensations which are suitable for the set goals, not offering excessive benefits for employees, which might lead to employee's fraud or misconduct;
- The Company has provided the organizational structure which supports the Management to operate efficiently and effectively;
- The Company has defined the code of conduct and written regulations prohibiting the Management and employees to behave themselves in the manner which may cause conflicts of interest with the Company's businesses, including punishments in case of violation thereof;
- The Company has provided the policy and written procedures for work relating to high risk transactions such as finance, purchasing and management, etc., in order to prevent any fraud attempts and any potential damage;
- The Company has clearly provided the operation control and monitoring system operated by the responsible units, including the Internal Audit Department which has the autonomy in auditing and reporting directly to the Audit Committee. Meanwhile, the Audit Committee has its duty to make the audit plan according to the importance of risk levels, covering critical work processes in the Company and its subsidiaries.

The Audit Committee has supervised the internal audit work by giving approvals of the annual audit plans, acknowledging the audit results, giving opinions on the concise internal control in order to prevent or reduce potential risks, and giving guidelines for reporting and following up the result of improvement so that the internal audit work shall be proceeded properly and effectively. In 2012, no significant errors relating to the internal control have been found.

2. Risk management

The Company has given the importance on the risk management and has set up "the Risk Management Committee" to evaluate and follow up both the overviews and the details of risk management plans of each unit in the Company on regular basis. The Company has provided proper and timely system of reporting and following up of risk management; provided that the Company's executives have evaluated the situations and risks and have analyzed the events which may have impacts on, and cause damage to, the Company. The Company has prescribed the preventive and corrective measures and has followed up events which are the causes of risk factors, as well as measures to mitigate those risks. Moreover, the Company has notified all units to comply with the risk management plan as prescribed, by taking account of risks on the said matters as proposed in the Section "Risk Factors".

3. Operation control by the management

The management control of operation is critical and is the factor to ensure the Company and shareholders that the guidelines provided by the Management have been responded and followed by all employees of the Company, including:

- The Company has prescribed the scope of powers and duties, as well as financial allowance and limit of approval powers of the Management at each level clearly and in written in the form of regulations on payment approval authority;

- The Company has divided duties and job responsibilities into 3 functions as follows:

- (1) Approval;
- (2) Recording of accounting transactions and information;
- (3) Checking and taking responsibilities of assets.

The objective of such division is to separate authority and provide verification processes.

- In case of having its business transactions with the related parties, the Company shall have the concise measures to monitor and ensure that such business transactions are done in accordance with the processes prescribed by the authorities and shall be considered on the arm's length basis for the highest benefits of the Company;
- In case of the approved business transactions with the related parties that shall be binding the Company in the long term, the Company has regularly audited and followed up the compliance with the agreed conditions;
- In case of the Company's investments in subsidiaries or associated companies, the Company shall regularly analyze and evaluate the operating results of the subsidiaries and associated companies;
- The Company had measures to control its business operations to comply with the related laws, thus, to reduce risks in business operations and to preserve the Company's reputations.

4. Information system and data communication

The Company has continuously developed and improved the information system to support business operation and expansion. It has also developed and updated the platform to enable working through mobile devices such as iPad and iPhone. The majority of the information system is operated on the Oracle platform. In the previous year, the Company migrated the database to version 11G, a supporting system for multi-company operation. Payment was controlled by computer system, including budgeting system and approval authority of each position. All systems, both account payables and account receivables, were linked to each other and to the accounting and financial system for easy, non-overlapping, accurate, rapid and effective operations of work. Moreover, the Company also increase convenience in operation by sending automatic reports to the management and retailers, as well as by sending SMS to the customers.

With regards to security control, the automatic password request was added by sending SMS to the telephone number submitted to Employee Affairs Department. The automatic disable account system would also be effective with the resignation of employees.

The Company also conducted the backup of data into a tape format to be kept outside the organization on a daily basis. Besides, crucial data was sent to the Data Backup Center every 30 minutes. The latest data sent to the Data Backup Center was checked by sending automatic e-mail to the responsible person 9 times a day. In addition, there were also the test of Disaster Recovery and the Data Backup Center twice a year. According to the latest test, the Data Backup Center can be operated within 1 hour.

Work systems can be classified by business segments as follows:

1) Business of land and house for sale and condominium units for sale

The information system cover the land purchasing system, supply-chain employment system, construction work system, selling and ownership transfer system, and the marketing activities system like "Friend Gets Friend" and Electronic Direct Mail, which can provide analysis of customer's interest in the sending messages. All information

system are linked to the relevant parts of the accounting and financial system. Moreover, the Company has developed the Executive Information System (EIS) to support its executives. The data from EIS system are processed on daily basis so that the executives shall have the data ready for consideration and use in business decision making. The EIS system also enables the Company to keep track of the progress in project layouts. Besides, Microsoft Project is also utilized in managing construction projects so that the operation can be as planned. Each unit shall update the progress of its work and inform other units on the progress of the projects.

In the previous year, the system was improved so that it would be able to support modern methods of construction, namely Tunnel, Prefab, and Precast, as well as to enhance capacity of working system in other areas, such as automatic e-mail to retailers, automatic thank you message to customers via SMS, as well as the addition of automatic e-mail alert to various units.

2) Business of residential buildings for rent (service apartment/ hotel business)

The information system comprehensively supports the hotel management and residential buildings for rent. For the sales management, the system can manage the sales of all buildings from one point, regardless of sales channels, such as direct contacts, via internet or other points of sales such as restaurants and spa, etc. The system is linked to various smart devices, such as the use of keycards for breakfast services and for the control of elevator service for safety of the residents. The system is also linked to PABX to retrieve the data of telephone use to the automatic system, and to retrieve credit card data to the automatic payment system in order to accelerate the service provision. Meanwhile, the data are also linked to the Company's accounting and financial system. Moreover, data from the Executive Information System (EIS) are processed daily to provide the executives with data promptly for consideration. Reports are also automatically submitted to the executives every morning.

In the previous year, the system was improved so that it would be more able to support the hotel systems, including the group tour rate management. Additional reports for operation according to the contingency plan were also made. Such reports are to be automatically submitted 3 times a day.

3) Business of office buildings for rent

The information system supports the management of all office buildings, including contract execution, receipt of payments from contracts and other receipt, as well as debt-pressing. The system is linked to the accounting and financial system. Presently, the Company is implementing the Preventive Maintenance system to support the reporting and planning of machine and equipment maintenance.

4) Back office operation

The information system supports the operation of all units in the organization, including the budget system, financial management system, accounting and related systems such as the purchasing system, fixed asset system, durable articles requisition control system, control of petty cash withdrawal and payments. The budget shall be controlled as approved by the Board of Directors, and audit of hierarchical approval powers as prescribed in the Company's Regulations to ensure that the control system, the audit and prevention of potential damage are available.

In the previous year, the Company added the channel for connection and coordination between the Company and retailers through the supply chain system in order to provide the details regarding payment of products and services.

As for personnel management, the Company has developed the system to enable the Company to manage a large number of employees by encouraging employees to help themselves, such as by recording their own sick leave, late arrival, absence, as well as by recording the reimbursement of medical fees and printing their own pay-slip. Security control is enabled by the use of one time password.

5. Monitoring system

The Company has followed up and evaluated the internal control and evaluation of the operation quality and has prescribed the work procedures and continuously followed up the result of compliance with the internal control system, which is part of the normal operation of the management, work supervisors and related personnel. The Company has also evaluated the result of internal audit performed by an independent unit and has reported the audit results to the Audit Committee directly.

In 2012, the Audit Committee has convened 7 meetings to consider and follow up the financial status and operating results regularly, to give significant recommendations which have impacts on the executive organization periodically, and to follow up the operation of work according to the prescribed goals. The internal control system shall continuously be reviewed and improved promptly to be in line with the changing situations.

Moreover, the Company's auditor, Ernst & Young Office Limited, represented by Mrs. Gingkarn Atsawarangsalit, the auditor of financial statements of 2012, has not given its opinions in the Auditor's Report that the Company had any defects relating to the internal control system.

CONNECTED PARTY TRANSACTIONS

1. Transactions between Quality Houses Plc. and its Subsidiaries and Related Companies/Persons

1.1 Land and Houses Property and Loan Fund II (“the Fund”)

Type of Business

Own 1 building (as of December 31st, 2012), which is the Centre Point Hotel and Residence Wireless Road (Business of hotel and serviced apartment for rent)

Relationship

1. Land and Houses Plc., and its 4 subsidiaries, including Siam Thani Property Co., Ltd., Atlantic Real Estate Co., Ltd., Land and Houses North Co., Ltd., and Land and Houses North East Co., Ltd., hold 50% of investment units of the Fund; meanwhile Land and Houses Plc. is one of the major shareholders of Quality Houses Plc., holding 24.86% of the total shares as of May 14th, 2012. Land and Houses Plc., and the Company also have their joint directors, Mr. Anant Asavabhokhin and Mr. Adisorn Thananun-narapool.
2. Reco Group consisting of Reco Plaza Pte Ltd., Reco Metrosite Pte Ltd., Reco Peak Pte Ltd., Reco Thai Park Pte Ltd., and Reco Pagoda Pte Ltd., which has the same group of major shareholders as the Government of Singapore Investment Corporation Pte Ltd. (GIC), hold 50% of investment units of the Fund; meanwhile GIC is one of the major shareholder of Quality Houses Plc., holding 10.88% of the total shares as of May 14th, 2012. GIC is also one of the major shareholders of Land and Houses Plc., holding 15.97% of the total shares as of August 28th, 2012.
3. Asia Asset Advisory Co., Ltd., of which its major shareholders are Land and Houses Plc., holding 40% of the total shares, Government of Singapore Investment Corporation Pte Ltd. (GIC), holding 40% of the total shares, and Miss Kanokvalee Viriyaprapaikit, holding 20% of the total shares. The Company and Asia Asset Advisory Co., Ltd., have their joint directors, Mr. Anant Asavabhokhin and Miss Kanokvalee Viriyaprapaikit. Besides, Asia Asset Advisory Co., Ltd., is also the project advisor and project management of the Fund.
4. The Company and the Fund have their joint directors, Mr. Anant Asavabhokhin and Mr. Adisorn Thananun-narapool.

1.1.1 Transaction: Q.H. International Co., Ltd. (“Subsidiary”) has leased properties from the Fund

Connected Transactions

(A) Centre Point Hotel & Residence Wireless Road Project

Type of Lease Contract

The Subsidiary has taken on lease of the hotel building including fixtures, furniture, system works and equipments from the Fund. The Subsidiary owns the right to renew the lease agreement by notifying in written in order to negotiate the term and condition of the agreement as deemed necessary.

Total lease payment paid to the fund

The subsidiaries shall pay the rental fee for the period of 3 years which total up to, but not exceeding 340.0 million baht with the following details:

- Year 2011 (Jan 1st - Dec 31st): 94.5% of profit from monthly operation or not lower than 4.0 million baht deducted by the add-back costs in each month. Total rental fee for the whole year shall be approximately 95.0 million baht.
- Year 2012 (Jan 1st - Dec 31st): 94.5% of profit from monthly operation or not lower than 4.2 million baht deducted by the add-back costs in each month. Total rental fee for the whole year shall be approximately 114.0 million baht.
- Year 2013 (Jan 1st - Dec 31st): 94.5% of profit from monthly operation or not lower than 4.41 million baht deducted by the add-back costs in each month. Total rental fee for the whole year shall be approximately 131.0 million baht.

The add-back costs include property tax, signboard tax, depreciation, building insurance premium and other expenses, which adding up to 2% of total revenues.

Terms of agreement

3 years (Jan 1st, 2011 - Dec 31st, 2013)

Properties rentals

Year 2011	72,972,320	Baht
Year 2012	73,026,807	Baht

Accrued Expense

As of Dec 31 st , 2011	4,270,018	Baht
As of Dec 31 st , 2012	7,229,989	Baht

Opinions of the Audit Committee

The Audit Committee has considered and agreed that the entering into such related transactions was reasonable and beneficial to the business of residential buildings for rent of the Company and its subsidiaries, which is the normal business operation of the Company and its subsidiaries. The Company and its subsidiaries shall receive benefits of incomes from rentals and service charges obtained from customers of the property for rent business and service charges from the hotel business. Additionally, all these activities will increase awareness among the target customers of the brand "Centre Point Hotel & Residence Wireless Road". The Audit Committee has given its opinions that such transactions were reasonable and made with fair prices

Connected Transactions

(B) Centre Point Sukhumvit-Thonglor Project

Type of Lease Contract

The Subsidiary has taken on lease of the residential building/serviced apartment, including fixtures, furniture, system works and equipments from the Fund.

Type of Agreement

The agreement covers the lease of the buildings as well as fixtures, furniture, system work and equipment.

Total Lease Payments paid to the Fund	<p>The subsidiaries shall pay for rental fee of the properties to the Fund for the period of 1 year and 1 month totaling to the amount of not exceeding 92 million baht with the following details:</p> <p>The Subsidiary shall pay, as the rental fee, 94.5% of profit from monthly operation or not lower than 3 million baht deducted by the add-back costs in each month. Total rental fee for the whole year shall be approximately 92 million baht. The add-back costs include property tax, signboard tax, depreciation, building insurance premium and other expenses, which adding up to 2% of total revenues.</p>		
Terms of agreement	<u>1st Agreement</u>	3 years (Dec 1 st , 2008 - Nov 30 th , 2011)	
	<u>2nd Agreement</u>	1 year (Dec 1 st , 2011- Dec 31 st , 2012) : The Fund terminated the lease agreement as from March 22 nd , 2012, since it had sold such project to Land and Houses Leasehold Property Fund ("LHPF").	
Properties rentals	Year 2011	57,907,047	Baht
	Year 2012 (Jan- Jun 21 st)	15,957,305	Baht
Renovation Fees	Year 2011	3,363,355	Baht
	Year 2012 (Jan- Jun 21 st)	-	Baht
Accrued Expense	As of Dec 31 st , 2011	17,929,727	Baht
	As of Dec 31 st , 2012	6,465,461	Baht
Other Receivables	As of Dec 31 st , 2011	446,200	Baht
	As of Dec 31 st , 2012	-	Baht

Opinions of the Audit Committee

The Audit Committee has considered and agreed that the entering into such related transactions was reasonable and beneficial to the business of residential buildings for rent of the Company and its subsidiaries, which is the normal business operation of the Company and its subsidiaries. The Company and its subsidiaries shall receive benefits of incomes from rentals and service charges obtained from customers of the property for rent business and service charges from the hotel business. Additionally, all these activities will increase awareness among the target customers of the brand "Centre Point Sukhumvit-Thonglor". The Audit Committee has given its opinions that such transactions were reasonable and made with fair prices.

1.1.2 Transactions: The Company and Q.H. International Co., Ltd. ("its Subsidiary") provided management services for buildings and other services to the Fund

Contractual Parties The Fund and the Company and Q.H. International Co., Ltd. ("Its Subsidiary"), of which the Company has held its total share.

Connected Transactions (A) The Centre Point Residence Phromphong Project (Apartment for rent)

The Company and its subsidiary have provided management services, accounting and sales agent services for the Fund by using the trademark "Centre Point Resident" for the said building. However, The Fund terminated the lease agreement as from March 22nd, 2012, since it had sold such project to Land and Houses Leasehold Property Fund ("LHPF").

Management Revenues	In 2011	3,596,400	Baht
(Management Fee and Accounting Service Fee)	In 2012 (Jan-Jun 21 st)	802,423	Baht

Other Service Revenues	In 2011	1,365,160	Baht
(Commission Fee)	In 2012 (Jan-Jun 21 st)	130,321	Baht

Other Receivables	As of Dec 31 st , 2011	676,929	Baht
	As of Dec 31 st , 2012	295,963	Baht

Other Payables	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	287,665	Baht

Pricing Policy The Company and its subsidiary have charged the prices at the general market rate of outsourcing personnel or at the lump sum fee rate by combining costs and profits.

Reason for entering into transactions As the Company and its subsidiary had experiences and expertise in the business of residential buildings for rent and office buildings for rent; and their entering into the said transactions has increased the business opportunities to generate more incomes, expand its market and strengthen the trademark among the general customers. In case the Fund launches new projects in the future, the Fund can utilize this trademark only when it continues the contract with the Company and/or its subsidiary to manage such project.

Opinions of the Audit Committee

The Audit Committee was of the opinion that it would be rational to enter into the agreement, since the transaction would yield reasonable rates of return to the Company.

Connected Transactions (B) Centre Point Sukhumvit-Thonglor Project

The Subsidiary has leased tricycles for the said project. However, The Fund terminated the lease agreement as from March 22nd, 2012, since it had sold such project to Land and Houses Leasehold Property Fund ("LHPF").

Tricycle Rental Revenues	In 2011	34,970	Baht
	In 2012 (Jan-Jun 21 st)	6,828	Baht

Other Receivables	As of Dec 31 st , 2011	125,521	Baht
	As of Dec 31 st , 2012	-	Baht

Pricing Policy The Subsidiary set the prices according to the general trading conditions.

Reason for entering into transactions As the Subsidiary already own the resources, it is reasonable for the Company to use the said resources to generate incomes.

Opinions of the Audit Committee

The Audit Committee was of the opinion that it would be rational to enter into the transaction, since it would yield reasonable return to the Company.

1.2 M & A Guard Service Co., Ltd.

Type of Business	Providing security services		
Relationship	<ul style="list-style-type: none"> - Mr. Kanit Sarasin, Mr. Kasin Sarasin, Pol. Maj. Gen. Chinnapat Sarasin and Mrs. Amara Sarasin hold 20.0%, 0.0025%, 15.0% and 20.0% of the total shares respectively (as of April 30th, 2012). Mr. Kanit Sarasin, Mr. Kasin Sarasin and Pol. Maj. Gen. Chinnapat Sarasin are sons of Pol.Gen. Pow Sarasin, Chairman of the Company. - Mrs. Amara Sarasin, wife of Mr. Kanit Sarasin, is a director of M&A Guard Service Co., Ltd. 		
Terms of agreement	<u>1st Hiring Agreement</u>	1 year period (Jan 1 st , 2011 - Mar 31 st , 2012)	
	<u>2nd Hiring Agreement</u>	1 year period (Apr 1 st , 2012 - Mar 31 st , 2013)	
Rate of service fee	<u>1st Hiring Agreement</u>	Monthly service fee is 128,202 Baht (with total number of 8 security guards) and daily service fee of 410 Baht per working day in each month (with total number of 8 security guards.	
	<u>2nd Hiring Agreement</u>	Monthly service fee is 183,000 Baht (with total number of 10 security guards) and daily service fee of 600 Baht per working day in each month (with total number of 8 security guards.	
Total service fee paid	In 2011	2,326,405	Baht
	In 2012	3,116,483	Baht
Service Payables	As of Dec 31 st , 2011	212,245	Baht
	As of Dec 31 st , 2012	308,802	Baht
Accrued Expense	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	293,983	Baht
Pricing policy	The above service fees are market prices which are comparable.		

Opinions of the Audit Committee

The Audit Committee was of the opinion that it would be rational to enter into the transaction since the prices are competitive with other service providers as well as the other company that the Company is also hiring i.e. Ranger Investigation Co., Ltd.

1.3 M&A Business Center Co. Ltd.

Type of Business	Providing services of office spaces and equipments		
Relationship	<ul style="list-style-type: none"> - Mr. Kanit Sarasin, Pol Gen. Pao Sarasin and Mrs. Amara Sarasin are holding 33.0%, 7.7% and 4.79% of the total shares of M&A Business Center Co. Ltd., respectively. - Mrs. Amara Sarasin, wife of Mr. Kanit Sarasin, son of Pol.Gen. Pow Sarasin, Chairman of the Company, is a director of M&A Business Center Co., Ltd. 		

Shareholding Structure	As of March 19 th , 2012, M&A Business Center Co., Ltd., had the total of 30,000 paid-up shares, and major shareholders are as follows: 1. Mr. Kanit Sarasin, holding 9,900 shares, or equal to 33.0% of the total shares; 2. Pol Gen. Pao Sarasin, holding 2,310 shares, or equal to 7.70% of the total shares; 3. Mrs. Amara Sarasin, holding 1,437 shares, or equal to 4.79% of the total shares.		
Connected Transactions	M&A Business Center Co., Ltd. has rented space in Q. House Convent Building for the location of its office.		
Terms of agreement/Rental and Service Fees	Period: 3 years (Aug 16 th , 2010 - Aug 15 th , 2013) for the total areas and Service Fees of 917 square meters, at the rate of rental and service fees of 450 Baht/ square meter/month;		
Rental and Service Revenues	In 2011	5,519,367	Baht
	In 2012	5,603,633	Baht
Account Receivables for Rental and Service Fees	As of Dec 31 st , 2011	46,815	Baht
	As of Dec 31 st , 2012	3,884	Baht
Deposit for Rental and Service fees	As of Dec 31 st , 2011	412,650	Baht
	As of Dec 31 st , 2012	412,650	Baht

1.4 M&A Advisory Co., Ltd.

Type of Business	Giving advice relating to business operations.		
Relationship	<ul style="list-style-type: none"> - Pol.Gen. Pow Sarasin, Chairman of the Company; Mr. Kanit Sarasin, Son of Pol. Gen. Pow Sarasin, and; Mrs. Amara Sarasin are holding 7.5%, 33.0% and 4.79% of the total shares of M&A Advisory Co., Ltd respectively (as of March 15th, 2012). Mrs. Amara Sarasin is the wife of Mr. Kanit Sarasin. - Mr. Kanit Sarasin and Mrs. Amara Sarasin are directors of M&A Advisory Co., Ltd. 		
Shareholding Structure	As of March 15 th , 2012, M&A Advisory Co. Ltd. had the total of 400,000 paid-up shares, and major shareholders were as follows: 1. Mr. Kanit Sarasin, holding 132,000 shares equaling to 33.0% of the total shares; 2. Miss Hiroko Tominaga, holding 56,520 shares equaling to 14.13% of the total shares; 3. Pol.Gen. Pow Sarasin, holding 30,000 shares equaling to 7.5% of the total shares.		
Connected Transactions	M&A Advisory Co., Ltd., has leased office spaces in Q. House Convent Building.		

Terms of agreement/Rental and Service Fees 1st Agreement Period: 3 years (Jul 1st, 2009 – Jun 30th, 2012) total rented space was 322 square meters; rate of rental and service fees was 420 Baht/square meter/month;

2nd Agreement Period: 3 years (Jul 1st, 2012 – Jun 30th, 2015) total rented space was 322 square meters; rate of rental and service fees was 470 Baht/square meter/month.

Rental and Service Revenues	In 2011	1,874,785	Baht
	In 2012	1,986,582	Baht
Account Receivables for Rental and Service fees	As of Dec 31 st , 2011	17,938	Baht
	As of Dec 31 st , 2012	2,536	Baht
Deposit for Rental and Service fees	As of Dec 31 st , 2011	135,240	Baht
	As of Dec 31 st , 2012	151,340	Baht

1.5 M&A Accounting and Tax Co. Ltd.

Type of Business	Accounting and tax services		
Relationship	Pol.Gen. Pow Sarasin, (Chairman of the Company, and Mr. Kanit Sarasin, Son of Pol.Gen. Pow Sarasin, are holding 16.28% and 13.05% of the total shares of M&A Accounting & Tax Co., Ltd respectively (as of June 18th, 2012), together with Mrs. Amara Sarasin, wife of Mr. Kanit Sarasin, who is also a director in this company.		
Connected Transactions	M&A Accounting and Tax Co., Ltd. has leased the office spaces in Q. House Convent Building.		
Terms of agreement/Rental Service Fees	Period: 3 years (Apr 1 st , 2011 – Mar 31 st , 2014) total rented space was 474 and square meters; rate of rental and service fees was 470 Baht/square meter/month.		
Rental and Service Revenues	In 2011	2,232,806	Baht
	In 2012	2,974,805	Baht
Account Receivables for Rental and Service Fees	As of Dec 31 st , 2011	1,650	Baht
	As of Dec 31 st , 2012	5,211	Baht
Deposit for Rental and Service Fees	As of Dec 31 st , 2011	668,340	Baht
	As of Dec 31 st , 2012	668,340	Baht

1.6 Land and Houses Fund Management Co.,Ltd.

Type of Business	Operating securities business and derivative business and being a derivative fund manager and derivative advisor.
-------------------------	---

Relationship

- The Company and Land and Houses Plc., are the shareholders in LH Financial Group Plc., holding 22.23% and 35.4% respectively of the total shares (as of May 2nd, 2012). Meanwhile, LH Financial Group Plc., is the shareholder of Land and Houses Bank Plc., holding 100% of the total shares; and the Land and Houses Bank Plc. is holding 100% shares of Land and Houses Fund Management Co.,Ltd.
- Mr. Rutt Phanijphand and Mr. Adisorn Thananun-narapool are joint directors of Land and Houses Fund Management Co.,Ltd

Connected Transactions

Land and Houses Fund Management Co. Ltd. has leased office spaces in Q. House Sathorn Building.

Terms of agreement/Rental and Service Fees

1st Agreement: Period: 3 years (Oct 28th, 2010 - Oct 27th, 2013) total rented space was 240 square meters; rate of rental and service fees was 450 Baht/square meter/month;

2nd Agreement: Period: 3 years (Sep 1st, 2012 - Aug 31st, 2015) total rented space was 219 square meters; rate of rental and service fees was 450 Baht/square meter/month.

Rental and Service Revenues	In 2011	1,831,686	Baht
	In 2012	2,531,800	Baht

Account Receivables for Rental and Service Fees	As of Dec 31 st , 2011	30,538	Baht
	As of Dec 31 st , 2012	53,804	Baht

Deposit for Rental and Service Fees	As of Dec 31 st , 2011	342,271	Baht
	As of Dec 31 st , 2012	638,388	Baht

1.7 Land and Houses Bank Plc.

Type of Business

Operating a business of commercial bank, including all businesses relating to or in connection with commercial banks or businesses permitted by the law governing commercial banks, both in Thailand and in foreign countries.

Relationship

- The Company and Land and Houses Plc. are the shareholders in LH Financial Group Plc., holding 22.23% and 35.4% respectively (as of May 2nd, 2012); meanwhile, LH Financial Group Co., Ltd. is the shareholder of Land and House Bank Plc., holding 100% of the total share;
- Land and Houses Plc., the group of Mr. Anant Asavabhokhin (including Miss Alisa Asavabhokhin and Mr. Achawin Asavabhokhin, children of Mr. Anant Asavabhokhin) and Miss Piangjai Hanpanich (mother of Mr. Anant Asavabhokhin) are holding 24.86%, 0.00019% and 0.95% respectively of the total shares of Quality Houses Plc. (as of May 14th, 2012). Mr. Anant Asavabhokhin is one of the major shareholders of Land and Houses Plc., holding 23.76% of the total shares (as of November 28th, 2012);

- Mr. Anant Asavabhokhin, Mr. Rutt Phanijphand and Mr. Adul Vinaiphat are joint directors of the Company and Land and Houses Bank Plc.;
- Mr. Rutt Phanijphand is joint director of Land and Houses Bank Plc. and the Company's subsidiaries,(of which the Company holding the 100% shares both directly and indirectly) which are Q.H. Management Co., Ltd. and Q.H. International Co., Ltd.

Connected Transactions

(a) Transaction relating to the Bank

Contractual Parties

The Company and its subsidiaries have opened bank accounts in the category of current deposits, savings deposits, short-term demand deposits and sales promotion with customers of the Company and its subsidiaries through the Land and Houses Bank Plc.

Bank Deposits

As of Dec 31 st , 2011	779,229,162	Baht
As of Dec 31 st , 2012	937,420,639	Baht

Interest Incomes

In 2011	13,058,651	Baht
In 2012	13,273,858	Baht

Bank Charges

In 2011	873,918	Baht
In 2012	395,390	Baht

Connected Transactions

(b) Lease of spaces in Q. House Asoke Building

Contractual Parties

Land and Houses Bank Plc. has leased office spaces in Q. House Asoke Building.

Terms of agreement/ Rental and Service Fees

Period: 3 years (Oct 1st, 2009 - Sep 30th, 2012) total rented space was 71 square meters; rate of rental and service fees was 500 Baht/square meter/month, and the contract renewal was made for another 3 years (Oct 1st, 2012 - Sept 30th, 2015) with the rate of rental and service fees of 550 Baht/ square meter/ month.

Rental and Service Revenues

In 2011	608,150	Baht
In 2012	576,899	Baht

Account Receivables for Rental and Service Fees

As of Dec 31 st , 2011	401	Baht
As of Dec 31 st , 2012	122,569	Baht

Deposit for Rental and Service Fees

As of Dec 31 st , 2011	106,500	Baht
As of Dec 31 st , 2012	106,500	Baht

Connected Transactions

(c) Service Fees for Landscape Maintenance and Gardening

Contractual Parties

Q.H. Management Co., Ltd., a subsidiary that the Company holds 100% of the total shares both directly and indirectly, has provided maintenance and gardening of landscape service to Land and Houses Bank Plc.

Terms of agreement and service fees	<u>1st Agreement</u>	1 st Floor, Terms of agreement: 1 year (Jun 2011- May 2012), at service fee of 15,000 Baht/month
	<u>2nd Agreement</u>	5 th and 24 th Floors, Terms of agreement: 1 year (Jun 2011- May 2012), at service fee of 1,000 Baht/month. The 3 rd renewal of agreement was made with the terms of agreement of 1 year (Jun 2012- May 2013) at the service fee of 1,000 Baht/month.

Service Revenues	In 2011	192,000 Baht
	In 2012	196,000 Baht

Receivables from trading	As of Dec 31 st , 2011	17,120 Baht
	As of Dec 31 st , 2012	115,025 Baht

Connected Transactions	<u>(d) Sales promotion expense for customers who bough properties</u>	
	The Company and its subsidiaries had the sales-promotional campaign for customers who bought their real properties covering loans and interest expenses for a period of time, only for customers who took on loan from Land and Houses Bank Plc. The Company and its subsidiaries shall repay such customers' loans or interest expenses to Land and Houses Bank Plc., according to the sales promotion campaign at that time	

Sales promotion period	Depending on the period of sales-promotional campaign of each project in such year.
-------------------------------	---

Sales promotion expenses	Sales promotion expenses provided to customers such as:	
	1. The Company and its subsidiaries paid the sales promotion expenses to each customer who bought their real properties with monthly installment repayments of housing loans not exceeding 3,100 Baht per one million baht of loans per installment, totally 12 installments as from the first installment that customers repaid the loans to Land and Houses Bank Plc.;	
	2. The Company and its subsidiaries paid the sales promotion expenses to each customer who bought their real properties as the interest expense of housing loans, totally 12 installments as from the date when customers already registered the mortgage of the sold property as guarantee for their repayment of debts.	

Sales promotion expenses	In 2011	35,114,206 Baht
	In 2012	3,470,827 Baht

Accrued Expense	As of Dec 31 st , 2011	627,428 Baht
------------------------	-----------------------------------	--------------

Other payables	As of Dec 31 st , 2012	885,014 Baht
-----------------------	-----------------------------------	--------------

Opinions of the Audit Committee

The Audit Committee has summed up transactions in (1.3) - (1.7) to consider the rates of rentals and service fees, rates of interest income, rates of bank fee, related service fees for maintenance and gardening of landscape and sales promotion expenses to customers who bought real properties and has given the opinions classified by transactions, as follows:

Banking Transactions

The Audit Committee has considered the opening of each type of bank accounts, rates of interest income and normal bank charges as normal and in the same practice as other individuals or companies which were generally announced such as interest rates for bank deposits, rates of bank service charges, including methods and supporting documents for consideration of the opening of bank accounts or business transactions with the bank.

Rentals of Spaces in Office Buildings

The Audit Committee has considered the rates of rentals and service fees of spaces for rent to individuals or other companies and found that they were equivalent to those rates prescribed for general customers. Moreover, the Audit Committee has inquired the executives of the Company regarding the necessity to use the above-mentioned rates of rentals. Therefore, the Audit Committee has given its opinions that there were proper reasons to enter into those transactions and the Company has received the compensation at fair market prices.

Service Fees for Maintenance and Gardening of Landscape

The Audit Committee has considered the contract rates of service fees and found that they were in accordance with the ordinary course of business and were reasonable and under the fair market prices when compared to those of the same business

Sales Promotion Expenses to Customers who Bought Properties

The Audit Committee has considered the transactions of sale promotion expenses to customers who bought properties for the repaid principal and interest expenses, which were in accordance with the ordinary course of business when compared to the value of other sales promotion campaigns prescribed by the Management and given to other customers who bought real property. Therefore, such transactions were proper and comparable to customers of the same type. Moreover, the Audit Committee has inquired the executives of the Company regarding the reasons and necessities of all of the above-mentioned business transactions, and has given its opinions that the transactions were in accordance with the ordinary course of business and were reasonable and under the fair market prices.

1.8 Home Products Center Plc.

Type of Business	Retail business, distributing construction materials and home decorating accessories.
Relationship	<ul style="list-style-type: none">- Land and Houses Plc. is the major shareholder of the Company and Home Products Center Plc., holding 24.86% of the total shares (as of May 14th, 2012) and 30.11% of the total shares (as of October 17th, 2012) respectively;- The Company is the major shareholder of Home Products Center Plc., holding 19.78% of the total shares (as of October 17th, 2012);- Mr. Anant Asavabhokhin is a joint director of the three companies; meanwhile, Mr. Rutt Phanijsphand and Mrs. Suwanna Buddhprasart are joint directors of the Company and Home Products Center Plc.
Connected Transactions	Quality Houses Plc. and its subsidiaries have purchased products and services from Home Products Center Plc.

Value of purchased products and services	In 2011	10,149,836	Baht
	In 2012	10,288,748	Baht
Accounts payable	As of Dec 31 st , 2011	340,010	Baht
	As of Dec 31 st , 2012	1,372,793	Baht

Pricing policy Prices of products that Home Products Center Plc., has sold to the Company and its subsidiaries were wholesale prices for the third parties in general and could be freely bargained.

Opinions of the Audit Committee

The Audit Committee has given its opinions that there was a proper reason to enter into the said transactions as the Company and its subsidiaries were able to select a variety of products and other construction materials from Home Products Center Plc., and had their freedom to bargain the prices and to select the products. The Company and its subsidiaries did not execute any product sale agreement with special conditions to be binding the said company in the long term. Therefore, the Company and its subsidiaries were able to purchase the same type of products or replacement products from other companies, in case, prices of the said products were cheaper than those offered by Home Products Center Plc.

1.9 Quality Construction Products, Plc.

Type of Business	Manufacturing and distributing autoclaved aerated concrete		
Relationship	Land and Houses Plc. is the major shareholder of the Company and Quality		
Construction	Products Plc. ("Q-CON"), holding 24.86% of the total shares (as of May 14 th , 2012) and 21.16% of the total shares (as of April 3 rd , 2012) respectively.		
Connected Transactions	Quality Houses Plc. and its subsidiaries have purchased products from Quality Construction Products Plc.		
Value of purchased products and services	In 2011	90,634,806	Baht
	In 2012	70,092,910	Baht
Accounts payable	As of Dec 31 st , 2011	2,048,244	Baht
	As of Dec 31 st , 2012	10,338,451	Baht
Accounts receivable (Advance payment)	As of Dec 31 st , 2011	196,953	Baht
	As of Dec 31 st , 2012	196,953	Baht
Pricing policy	Prices of products that Quality Construction Products Plc. has sold to the Company and its subsidiaries were the sale prices prescribed in details of Product Sale Agreement incorporated as part of the conditions of the Sale of Q-Con Share Agreement		

Remark

The Company and its subsidiary (Q.H. International Co., Ltd.) held 25.78% and 1.45% of the total shares in Q-CON (as of December 31st, 2009) respectively. On February 23rd, 2010, the Company and its subsidiary signed the Sale of Q-CON Share Agreement with SCG Construction Products Co., Ltd., which Siam Cement Plc., has held 100% of the shares. The whole payment was made and all shares were transferred on February 24th, 2010. Moreover, on March 2nd, 2010, the Company signed the Product Sale Agreement with Q-CON, with the term of Agreement of 3 years. The Company agreed to purchase light-weight bricks at the minimum quantity and prices as prescribed in the Product Sale Agreement incorporated as part of the conditions of the Sale of Q-CON Share Agreement.

Opinions of the Audit Committee

The Audit Committee has given its opinions that there was a proper reason to enter into the said transactions as they were in accordance with the conditions agreed under the Sale of Quality Construction Products Plc. Share Agreement, and with independence of both parties. And the Company and its subsidiary also gained the profits from the sale of shares of Quality Construction Products Plc. Moreover, the Company and its subsidiary have used the light-weight brick products in construction of houses, exceeding the minimum quantity prescribed in the Product Sale Agreement and the contractual prices were not different from the market prices at that time. When the contractual period has become due, or when the Company and its subsidiary did not breach the Product Sale Agreement, the Company may purchase the same type of products or replacement products from other companies, in case they were cheaper than those purchased from Quality Construction Products Plc.

1.10 Siam Retail Development Co., Ltd.

Type of Business	Shopping Center		
Relationship	Mr. Suang Chaisurote is a joint director of the two companies		
Connected Transactions	Q.H.International Co.,Ltd., the Subsidiary, whose 100% shares are directly owned by the Company, has hired Siam Retail Development Co.,Ltd. to manage the rental space for retail commercials in Q. House Lumpini Building.		
Terms of agreement	3 years (May 15 th , 2009 - May 14 th , 2012) 1 year (May 15 th , 2012 - May 14 th , 2013)		
Rates of service fees	<u>1st Term:</u> 219,840 Baht/month (Jan 1 st , 2010 - May 14 th , 2012) <u>2nd Term:</u> 297,000 Baht/month (May 15 th , 2012 - May 14 th , 2013)		
Administrative expenses	In 2011	2,638,080	Baht
	In 2012	3,220,514	Baht
Accounts payable	As of Dec 31 st , 2011	470,458	Baht
	As of Dec 31 st , 2012	317,790	Baht
Pricing policy	Siam Retail Development Co., Ltd., has fixed the prices with the trading conditions used in the markets in general for outsourcing of personnel or at the lump sum rates under the method of costs plus profits		

Opinions of the Audit Committee

The Audit Committee has given its opinions that there was a proper reason to enter into the said transactions at the market prices freely agreed by both parties.

1.11 L&H Property Co., Ltd.

Type of Business

Developing properties for rent with the following 2 projects:

1. Grande Centre Point Hotel and Residence Sukhumvit - Terminal 21 Project (Hotel, service apartment for rent and department store);
2. Grande Centre Point Hotel and Residence Ratchadamri Project (Hotel, service apartment for rent).

Relationship

The Company had its major shareholders including Land and Houses Plc., and Government of Singapore Investment Corporation Pte Ltd. (GIC); meanwhile, Land and Houses Plc., and Reco Resort Pte Ltd., the major shareholder of which is the same group as GIC, holding shares in L&H Property Co., Ltd. and having joint directors with the following details

- (1) Land and Houses Plc., holding 60% of the total shares in L&H Property Co., Ltd., and being a major shareholder of Quality Houses Plc., holding 24.86% of the total shares (as of May 14th, 2012);
- (2) Reco Resort Pte Ltd., holding 40% of the total shares in L&H Property Co., Ltd., while GIC is a major shareholder of the Company, holding 10.88% of the total shares (as of May 14th, 2012). GIC is also a major shareholder of Land and Houses Plc., holding 15.97% of the total shares (as of November 28th, 2012);
- (3) Mr. Anant Asavabhokhin and Mr. Adisorn Thananun-narapool are directors of the Company and L&H Property Co., Ltd.;
- (4) Mr. Anant Asavabhokhin and Miss Kanokvalee Viriyaprapaikit are directors of the Company and Asia Asset Advisory Co., Ltd. Land and Houses Plc. and Reco Resort Pte Ltd. are holding equal proportions of shares, equal to 40% of the total shares, in Asia Asset Advisory Co., Ltd.

Connected Transactions

Quality Houses Plc. is hired by L&H Property Co.,Ltd. to co-ordinate and prepare project proposal during the design and construction phases of the hotel construction project, as well as to be an inspector for project's public utilities, to implement computer systems and to do the company's bookkeeping, with the following details:

Connected Transactions

(a) Agreement to provide accounting services

Nature of agreement

Outsourced to do bookkeeping and related services

Terms of agreement

<u>1st term</u>	2 years	(July 1 st , 2009 - Jun 30 th , 2011)
<u>2nd term</u>	6 month	(July 1 st 2011 - Dec 31 st , 2011)
<u>3rd term</u>	6 month	(Jan 1 st , 2012 - Jun 30 th , 2012)

Service rates

<u>1st term</u>	149,533	Baht/ month
<u>2nd term</u>	163,551	Baht/ month
<u>3rd term</u>	163,551	Baht/ month

Service revenue	In 2011	1,878,505	Baht
	In 2012	981,308	Baht

Connected Transactions

Service rates

(b) Space rental and document maintenance services

Calculated from the number of employees using the space at the rate of 5,500 Baht/person/month, and the area for document maintain at the rate of 5,400 Baht/month (excluding VAT).

Service revenue	In 2011	-	Baht
	In 2012	208,400	Baht

Accounts receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	222,988	Baht

Connected Transactions

Nature of agreement

(c) Grande Centre Point Hotel and Residence Sukhumvit-Terminal 21 Project

- Hiring contract to coordinate and design the project

To prepare proposals for decision making and development of the new hotel or residential buildings for rent, as well as to coordinate with the designer and construction contractor of the project.

Service rates	1,000,000 Baht
----------------------	----------------

Service revenue	In 2011	1,000,000	Baht
	In 2012	-	Baht

Accounts receivable	As of Dec 31 st , 2011	1,070,000	Baht
	As of Dec 31 st , 2012	-	Baht

- Hiring contract for project management

Service rates

Project management fee is to be calculated from 2% of current year income plus 5.5% of accumulated profit at year-end of current year minus the accumulated profit at year-end of the previous year.

Service revenue	In 2011	1,486,904	Baht
	In 2012	23,617,057	Baht

Advance payment	As of Dec 31 st , 2011	13,684	Baht
	As of Dec 31 st , 2012	8,852,304	Baht

Accounts receivable	As of Dec 31 st , 2011	1,590,987	Baht
	As of Dec 31 st , 2012	2,469,238	Baht

- Hiring contract for project management service of personnel

Service rates

The fee is calculated from the monthly compensation and fringe benefit of each person plus 20% add-up.

Service revenue	In 2011	1,168,920	Baht
	In 2012	389,640	Baht

Account receivable	As of Dec 31 st , 2011	1,250,744	Baht
	As of Dec 31 st , 2012	-	Baht
Nature of agreement	<ul style="list-style-type: none"> Hiring contract for computer system project implementation To implement the hotel management computer system and to provide consultations relating to the usage of such program.		
Terms of agreement	During October 1 st , 2011 - June 30 th , 2012		
Service rates	1,953,000 Baht (Excluding VAT)		
Service revenue	In 2011	820,000	Baht
	In 2012	1,133,000	Baht
Accounts receivable	As of Dec 31 st , 2011	877,400	Baht
	As of Dec 31 st , 2012	-	Baht
Nature of agreement	<ul style="list-style-type: none"> Hiring contract for inspecting and testing of the project's public utility system To inspect and test the project's public utility system		
Terms of agreement	<u>1st contract</u> within December 31 st , 2011 <u>2nd contract</u> within January 31 st , 2012		
Service rates	<u>1st contract</u> 325,000 Baht (excluding VAT) <u>2nd contract</u> 921,500 Baht (excluding VAT)		
Service revenue	In 2011	1,157,000	Baht
	In 2012	89,500	Baht
Accounts receivable	As of Dec 31 st , 2011	1,237,990	Baht
	As of Dec 31 st , 2012	-	Baht
Nature of agreement	<ul style="list-style-type: none"> Hiring contract for computer system operation and provision of computer system consultation To provide service on Back Office operation system and to provide consultation on related computer system		
Terms of agreement	1 year (Jan 1 st , 2012 - Dec 31 st , 2012)		
Service rates	900,000 Baht (excluding VAT)		
Service revenue	In 2011	-	Baht
	In 2012	900,000	Baht
Service rates	<ul style="list-style-type: none"> Hiring contract for program development and computer system management 705,600 Baht (excluding VAT)		
Service revenue	In 2011	-	Baht
	In 2012	705,600	Baht

Connected Transactions**(d) Grande Centre Point Hotel and Residence Ratchadamri Project**

- Hiring contract for computer software maintenance

Terms of agreement3 years (Oct 1st, 2010 – Sep 30th, 2013)**Service rates**

100,000 Baht/month

Service revenue

In 2011	1,200,000	Baht
In 2012	1,200,000	Baht

- Hiring contract for project management

Service rates

Project management fee is to be calculated using the formula of 2% of current year income plus 5.5% of accumulated profit at year-end of current year minus the accumulated profit at year-end of the previous year.

Service revenue

In 2011	20,652,187	Baht
In 2012	24,117,560	Baht

Accounts receivable

As of Dec 31 st , 2011	9,092,383	Baht
As of Dec 31 st , 2012	10,489,656	Baht

- Hiring contract for project management service of personnel

Service rates

The fee is calculated from the monthly compensation and fringe benefit of each person plus 20% add-up

Service revenue

In 2011	6,297,018	Baht
In 2012 (Jan – Jun)	4,553,212	Baht

- Other expenses

Service rates

As per advances paid by the Company

Service revenue

In 2011	75,426	Baht
In 2012	-	Baht

Accounts receivable

As of Dec 31 st , 2011	780,115	Baht
As of Dec 31 st , 2012	351,978	Baht

Opinions of the Audit Committee

The Audit Committee has given its opinions that the entering into such related transactions was reasonable and beneficial to the business of hotel/residential buildings for rent of the Company, which is the normal business operation of the Company. The Company shall receive benefits from revenues of provision of service and provision of project management; as a result, the target groups of customers have increasingly recognized the product brand under the name of “Grande Centre Point Hotel and Residence”. The service fees collected by the Company were in accordance with the market prices.

1.12 L&H Sathorn Co., Ltd.

Type of Business	Properties for rent		
Relationship	<p>1. Land and Houses Plc. holds 60% of the total shares in L&H Property Co., Ltd. and L&H Property Co., Ltd. holds 100% of the total shares in L&H Sathorn Co., Ltd.;</p> <p>2. Land and Houses Plc. holds 24.86% of the total shares in the Company (as of May 14th, 2012);</p> <p>3. Mr. Anant Asavabhokhin and Mr. Adisorn Thananun-narapool are joint directors of the three companies.</p>		
Connected Transactions	<u>(a) Quality House Plc. provide services of supplying customers who have a need for single house for L&H Villa Sathorn Project by L&H Sathorn Co., Ltd. (which is not the real estate project operated by the Company and its subsidiaries but the customers' requirement identified by the Company's sales team).</u>		
Service revenue	In 2011	1,508,596	Baht
	In 2012	-	Baht
Account receivable	As of Dec 31 st , 2011	641,365	Baht
	As of Dec 31 st , 2012	-	Baht
Connected Transactions	<u>(b) Q.H. International Co., Ltd. is hired to manage L&H Villa Sathorn Project</u>		
Terms of agreement	2 years (Jan 1 st , 2011 - Dec 31 st , 2012): The project management hiring contract was terminated by L&H Sathorn Co., Ltd. as of March 22 nd , 2012, since the project had been sold to Land and Houses Leasehold Property Fund ("LHPF").		
Service rates	209,000 Baht/month		
Building management revenue	In 2011	2,508,000	Baht
	In 2012	559,581	Baht
Other receivable	As of Dec 31 st , 2011	223,630	Baht
	As of Dec 31 st , 2012	-	Baht
Pricing policy	The said service fees were comparable to market prices.		
Connected Transactions	<u>(c) Other expenses</u>		
Service rates	As per advance paid by the Company		
Service revenue	In 2011	19,297	Baht
	In 2012	-	Baht
Other receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	-	Baht

Opinions of the Audit Committee

The Audit Committee has given its opinions that there was a proper reason to enter into the said transactions at the fair market prices.

1.13 L&H Management Co., Ltd.

Type of Business

Providing personnel services in management of real estate

Relationship

1. Asia Asset Advisory Co., Ltd. holds 100% of the shares in L&H Management Co., Ltd.;
2. Land and Houses Plc. holds 40% of the total shares in Asia Asset Advisory Co., Ltd.;
3. Land and Houses Plc. and the group of Mr. Anant Asavabhokhin (Mr. Achawin Asavabhokhin, son of Mr. Anant Asavabhokhin) and Miss Piangjai Hanpanich, mother of Mr. Anant Asavabhokhin, are shareholders of Quality Houses Plc., holding 24.86%, 0.00019% and 0.95% of the total shares respectively (as of May 14th, 2012)
4. Mr. Anant Asavabhokhin holds 23.76% of the total shares in Land and Houses Plc. (as of November 28th, 2012);
5. Mr. Anant Asavabhokhin is a joint director of the three companies; and Miss Kanokvalee Viriyaprapaikit is a joint director of Quality Houses Plc. and Asia Asset Advisory Co., Ltd

Connected Transactions

(a) Outsourced and supporting in preparation of accounts

Quality Houses Plc. was outsourced to do bookkeeping and support the preparation of related document for L&H Management Co., Ltd

Terms of agreement

<u>1st term</u>	2 years (Oct 1 st , 2009 - Sep 30 th , 2011)
<u>2nd term</u>	1 year (Oct 1 st , 2012 - Sep 30 th , 2012)

Service rates

<u>1st term</u>	(Oct 1 st , 2009 - Sep 30 th , 2011)	51,402	Baht/month
<u>2nd term</u>	(Oct 1 st , 2011 - Sep 30 th , 2012)	56,075	Baht/month

Service revenue

In 2011	630,841	Baht
In 2012	504,673	Baht

Other receivable

As of Dec 31 st , 2011	120,000	Baht
As of Dec 31 st , 2012	-	Baht

Connected Transactions

(b) Personnel recruitment service fees

Q.H. International Co., Ltd. ("the subsidiary") has hired L&H Management Co., Ltd. to recruit personnel for the Centre Point Hotel and Residence Wireless Road Project and the Centre Point Sukhumvit-Thonglor Project (The provision of personnel management service to the Centre Point Hotel and Residence Wireless Road Project was terminated as of March 1st, 2012, and provision of personnel management service to the Centre Point Hotel and Residence Sukhumvit Thonglor Project was terminated as of March 22nd, 2012).

Restricted by the law, the Land and Houses Property and Loan Fund II ("the Fund"), (of which 50% of its total shares are held by Land and Houses Plc. and its 4

subsidiaries, Siam Thani Property Co.,Ltd., Atlantic Real Estate Co.,Ltd, Land and Houses North Co.,Ltd and Land and Houses Northeast Co.,Ltd., altogether holding 50% shares of the Fund), is not allowed to manage its own serviced apartment projects but can only rent out the properties, Centre Point Hotel and Residence Wireless Road Building and Centre Point Hotel and Residence Sukhumvit-Thonglor Building.

Therefore, Q.H. International Co., Ltd. ("the Subsidiary") has taken on lease of both hotel/ service apartment buildings including fixtures, furniture, system works and equipment from the Fund in order to manage and operate the rental business to the general customers for the period of not exceeding 3 years. To mitigate the risk of paying severance pay for employees working for this short-term project, the Subsidiary agreed to hire L&H Management Co., Ltd. to undertake the responsibility of hiring work forces to work under the project which is still supervised and managed by the Subsidiary, while the Subsidiary paid the personnel management fee to L&H Management Co., Ltd.

Terms of agreement	3 years (Jan 1 st , 2011 - Dec 31 st , 2012)		
Service rates	L&H Management Co., Ltd. set the price that is comparable to commercial condition and generally adopted in the market for outsourcing of personnel or at the lump sum rates under the method of costs plus profit		
Personnel management fee	In 2011	15,435,318	Baht
	In 2012	3,114,694	Baht
Other payable	As of Dec 31 st , 2011	29,866	Baht
	As of Dec 31 st , 2012	31,037	Baht
Pricing policy	The said service fees were comparable to market prices.		

Opinions of the Audit Committee

The Audit Committee has given its opinions that there was a proper reason to enter into the said transaction at the fair market prices.

1.14 Quality House Leasehold Property Fund ("QHPPF")

Type of Business	Investing in real estates for rent (summary on details of the Fund can be viewed in Section 3: Business operation of each project line: 3.1 Nature of business or service (e) Other businesses)
Relationship	1. On December 7 th , 2006, Quality Houses Plc. invested 25.66% of the total shares, or 204.5 million units at the unit price of 10 Baht, amounted to Baht 2,045 million in the Fund; and on November 26 th , 2012, the Company still held 25.66% in the Fund;

2. Land and Houses Plc. held 24.86% of the total shares of the Company (as of May 14th, 2012) and invested 3.67% in the Fund (as of November 26th, 2012) respectively;
3. Government of Singapore Investment Corporation Pte Ltd. (GIC) held 10.88% of the total shares of the Company (as of May 14th, 2012) and invested 3.67% in the Fund (as of November 26th, 2012) respectively.

Connected Transactions

- The Company has given the leasehold right of land and building and related equipment of Q. House Ploenjit Building and has transferred the ownership of the building, public utility systems and related equipments, as well as the leasehold right of land of Q. House Lumpini Project to QHPFT;
- The Company and Q.H. International Co., Ltd., a subsidiary, of which shares were 100% held by the Company, have been hired to manage 3 office buildings for rent, including Q. House Lumpini, Q. House Ploenjit and Wave Place;
- The Company has rented its office spaces in Q.House Lumpini Building.

Terms of lease for Q.House Ploenjit Building

30 years (Dec 8th, 2006 - Dec 7th, 2036)

Terms of lease for Q. House Lumpini

1st Term 6th and 7th Floor: 3 years (Oct 1st, 2008 - Sep 30th, 2011)
16th Floor: 3 years (Jun 1st, 2010 - May 31st, 2013)

2nd Term 6th and 7th Floor: 3 years (Oct 1st, 2011 - Sep 30th, 2014)

Terms of building management agreement

1st Term 5 Years (Dec 8th, 2006 - Dec 31st, 2011)

2nd Term 5 Years (Jan 1st, 2012 - Dec 31st, 2016)

Long-term rental fee for Q. House Ploenjit Building

819 million baht (fully paid)

Rental fees for Q. House Lumpini Building

1st Term 6th and 7th Floor, total of 2,848.80 square meters, with the rental rate during Oct 1st, 2008 - Sep 30th, 2011 of 660 Baht/square meter/month;

16th Floor, total of 421 square meters, with the rental rate during Jun 1st, 2010 - May 31st, 2013, of 725 Baht/square meter/month

2nd Term 6th and 7th Floor, total of 2,848.80 square meters, with the rental rate during Oct 1st, 2011- Sep 30th, 2014 of 700 Baht/square meter/month

Building management income

Calculated from base fee plus special management fee, as follows:

a) Base fee:

- 1% of net operating income, and;
- 2.4% of net profit (in case, the guaranteed net profit of Q.House Lumpini Project is higher than the actual net profit, the higher amount shall be used for calculation.

b) Special management fee:

- 30% of the difference between the actual net profit and the estimated net profit in the Annual Action Plan

Provided that the Fund has guaranteed the base fee as the difference of (a) amounted to 18.25 million baht and (b) sum of base fee and special management fee according to operating results

Rental income received	As of Dec 31 st , 2011	677,413,979	Baht
in advance	As of Dec 31 st , 2012	650,247,312	Baht
(Land, building and equipment of Q. House Ploenjit Building)			
Rental Expenses	In 2011	33,003,279	Baht
(Q. House Lumpini Building)	In 2012	34,424,266	Baht
Rental income	In 2011	27,166,667	Baht
(Land, building and equipment of Q. House Ploenjit Building)	In 2012	27,166,667	Baht
Income from building management fees (Q. House Ploenjit Building, Q. House Lumpini Building and Wave Place Building)	In 2011	24,809,254	Baht
	In 2012	25,250,328	Baht
Income from other service fees	In 2011	5,021	Baht
	In 2012	20,706	Baht
Accrued Expense	As of Dec 31 st , 2011	335,407	Baht
	As of Dec 31 st , 2012	264,252	Baht
Deposit for rental and service fees	As of Dec 31 st , 2011	6,583,589	Baht
	As of Dec 31 st , 2012	6,927,347	Baht
Advance payment	As of Dec 31 st , 2011	736,160	Baht
	As of Dec 31 st , 2012	-	Baht
Other receivable	As of Dec 31 st , 2011	2,138,168	Baht
(Management fees)	As of Dec 31 st , 2012	2,103,918	Baht

Opinions of the Audit Committee

The Audit Committee has given its opinions that the distribution and/or giving of leasehold right in land, building and the related equipments to the Quality House Leasehold Property Fund (formerly known as "Quality House Property Fund") was operated in accordance with the resolutions of the Board of Directors' Meeting No.10/2006 convened on 19 October 2006, approving the Company and its subsidiary to distribute real property and fixtures and the related equipments and/or to give the leasehold right and/or to transfer the leasehold right of real property for 2 office building projects operated by the Company and its subsidiary, i.e., Q. House Ploenjit and Q. House Lumpini, with the returns from letting out the land, building and equipments of Q. House Ploenjit, for a period of 30 years. The Company and

its subsidiary have already received the full amount of money, totally 819 million baht, when having registered the leasehold right with the Department of Lands; and the returns from sale of buildings and transfer of the leasehold right in the land of Q. House Lumpini, totally 5,102 million baht, which was regarded as fair prices because the Company has compared the price with each prospective buyer and has selected the bidder who has offered the best proposals and conditions, including the highest returns to the Company. The Audit Committee has also considered the report of 2 independent valuers at that time, estimating the asset value of the two projects, as follows

Valuers	Estimated Price	
	Q. House Ploenjit	Q. House Lumpini
CB Richard Ellis (Thailand) Co., Ltd.	838.6 million baht	5,566.8 million baht
Bangkok Property Appraisal Co., Ltd.	800.4 million baht	5,240.9 million baht

The Audit Committee was of opinion that there was a proper reason to enter into the said transactions at the fair prices, and the rates of rentals and service fees collected by the Fund from the Company were at the fair market prices.

1.15 Kasikorn Bank Plc.

Type of Business	Operating a business of commercial bank, including all businesses relating to or in connection with commercial bank or businesses permitted under the law governing commercial banks both in Thailand and in foreign countries	
Relationship	Pol.Gen. Pow Sarasin is the authorized director and the Vice Chairman of Kasikorn Bank Plc. and is the Chairman of the Company	
Connected Transactions	<u>(a) Transactions relating to the Bank</u> The Company and its subsidiaries have opened bank accounts in the category of current deposits, savings deposits, short-term demand deposits, loans and payment of loan interest to Kasikorn Bank Plc. Details of the connected transactions are as follows:	
Bank deposit	As of Dec 31 st , 2011	10,066,166 Baht
	As of Dec 31 st , 2012	53,759,527 Baht
Interest expense	In 2011	5,924,048 Baht
	In 2012	- Baht
Loan provision fees	In 2011	68,116 Baht
	In 2012	- Baht
Bank fee and letter of guarantee fee	In 2011	1,724,065 Baht
	In 2012	411,437 Baht
Accrued Expense (Loan provision fees)	As of Dec 31 st , 2011	177,513 Baht
	As of Dec 31 st , 2012	- Baht

Connected Transactions
(b) Lease of space and services in Q. House Asoke Building

Kasikorn Bank Plc. has leased advertising space and other space for ATM installation in Q. House Asoke Building.

Terms of agreement

2011	1 year (Jan 1 st , 2011 - Dec 31 st , 2011)
2012	1 year (Jan 1 st , 2012 - Dec 31 st , 2012)

Rates of rental and service fees

- Advertising space	3,000 Baht/month
- Space for ATM installation	5,000 Baht/month
- Other services	As per actual usage

Rental and Service Revenues

In 2011	118,374 Baht
In 2012	122,207 Baht

Deposit for Rental and Service Fees

As of Dec 31 st , 2011	60,000 Baht
As of Dec 31 st , 2012	60,000 Baht

Opinions of the Audit Committee

(a) Transaction relating to the Bank

The Audit Committee considered the opening of each type of savings accounts, rates of interest income, interest expense and bank service charges and found that the said transactions were in accordance with normal practice, which was the same for individuals or other companies that Kasikorn Bank Plc. had announced to the general public, including interest rates, bank deposit, rates of interest expense, rates of bank service charges, as well as methods and supporting documents for opening of bank accounts or transactions with the Bank. Consequently, the Audit Committee was of opinion that, while making such transactions, the transactions were reasonable and were made with fair market prices

(b) Lease of space in Q. House Asoke Building

The Audit Committee considered the rates of rental and service fees of office building spaces let out to individuals or other companies and found that they were equivalent to those rates prescribed for general customers. Moreover, the Audit Committee inquired the executives of the Company regarding the necessity to use the above-mentioned rates of rentals. Therefore, the Audit Committee was of opinion that there were proper reasons to enter into those transactions and that the compensation received was at fair market prices.

1.16 Mr. Rutt Phanijphand
Relationship

Mr. Rutt Phanijphand is the President and Chief Executive Officer of the Company and director of the subsidiaries.

Connected Transactions

Casa Ville Co., Ltd., a subsidiary, which the Company has held 100% of the shares, sold land and house located in Rayong province to Mr. Rutt Phanijphand.

Total Value of Return

Fair market prices with general trading conditions.

Income from sale of land and houses

In 2011	3,122,000 Baht
In 2012	- Baht

Opinions of the Audit Committee

The Audit Committee consider the total value of returns of entering into the said connected transactions and found that they were reasonable and in accordance with the criteria and conditions of giving discounts to employees and directors in buying land with structure and condominium units as usual, provided that directors who were the related parties did not attend the meeting and cast their votes in such session of the meeting. Therefore, the Audit Committee was of opinion that such transactions were reasonable.

1.17 Land and Houses Plc.

Relationship	<ul style="list-style-type: none">- Land and Houses Plc. is the major shareholder of the Company, holding 24.86% of the total shares (as of May 14th, 2012);- The Company and Land and Houses Plc. have joint directors, namely Mr. Anant Asavabhokhin and Mr. Adisron Thananun-narapool.		
Connected Transactions	Land and Houses Plc., has leased a residential unit of Centre Point Sukhumvit 10 Project		
Rental rate and service fees	40,000 Baht/month (inclusive of VAT)		
Rental and Service Revenues	In 2011	75,785	Baht
	In 2012	411,215	Baht
Accounts receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	37,419	Baht

Opinions of the Audit Committee

The Audit Committee has considered the rates of rentals and service fees of the same type of residential unit that the Company has let out to individuals or companies in general and found that the Company has collected the rentals and service fees from Land and Houses Plc., at the rate comparable to the market prices of long-term rent of residential unit in projects located on Sukhumvit Road.

Moreover, the Audit Committee inquired the executives of the Company regarding the reasons and necessities to let out the above-mentioned residential unit, and was of opinion that they were normal business transactions of the Company; and the Company received the compensation at the market prices. Therefore, the Audit Committee was of opinion that there were proper reasons to enter into those transactions.

1.18 L&H Hotel Management Co., Ltd.

Type of Business	Providing personnel recruitment service to the business of service apartments, hotels and apartments.
-------------------------	---

Relationship

- Land and House Plc. (“LH”) is a major shareholder of Quality Houses Plc., holding 24.86% of total shares (as of May 14th, 2012), and indirectly holds 59.98% shares of L&H Hotel Management Co., Ltd. (“LHH”) through L&H Property Co., Ltd. (“LHP”) (a subsidiary of which LH is holding 60% shares), which holds 99.97% shares of LHH.

In addition, the Company and LH also have joint directors, Mr. Anant Asavabhokhin and Mr. Adisorn Thananun-narapool, while the Company and LHH have joint directors namely Mrs. Suwanna Bhuddhprasart and Miss Kanokwalee Viriyaprapaikit.

- Government of Singapore Investment Corporation (Realty)Pte Ltd. (“GICR”) and Government of Singapore Investment Corporation Pte Ltd. (“GIC”) have joint major shareholder, and GIC is a major shareholder of Quality House Plc., holding 10.84% of total shares (as of May 14th, 2012).

GICR holds 39.998% shares of LHH indirectly through LHP, which holds 99.97% shares of LHH.

Connected Transactions

Q. H. International Co., Ltd. (“the Subsidiary”) has hired L&H Hotel Management Co., Ltd. in recruitment of personnel for Centre Point Hotel and Residence Wireless Road Project.

Terms of agreement

1 year (Mar 1st, 2012 - Feb 28th, 2013)

Service rates

Actual expenses of the personnel plus 10% service fee excluding VAT. The service rate can be adjusted later upon agreement of both parties of the contract.

Personnel management fee

In 2011	- Baht
In 2012	12,079,802 Baht

Other receivable

As of Dec 31 st , 2011	- Baht
As of Dec 31 st , 2012	2,224,408 Baht

Pricing policy

The said service fee is the comparable market price.

Opinions of the Audit Committee

The Audit Committee considered and agreed that the entering into such related transactions was reasonable and beneficial to the business of service apartment and hotels of the Subsidiary, which is the normal business operation of the Company and its subsidiaries. The Subsidiary shall receive benefit from involving such employees in business operation in order to generate income from the business of service apartments and hotels.

1.19 Quality House Hotel and Residence Freehold and Leasehold Property Fund (“QHHR”)

Type of Business

Investing in real estate in the type of hotel and service apartment. QHHR held the assets in the form of 3 projects (as of December 31st, 2012), Centre Point Hotel and Residence Petchburi, Sukhumvit and Langsuan Projects.

Relationship

Quality House Plc. sold the assets used in the operation of the Centre Point Hotel and Residence Petchburi, Sukhumvit and Langsuan Projects, and proceeded to enable QHHR to enter into the property lease agreement of Centre Point Hotel and Residence Langsuan Project. In this regard, the Company received the total of 3,342.0 million baht in return.

In addition, on July 18th, 2012, the Company also invested in 31.33%, or 105.28 million unit of QHHR at the unit price of 10 Baht, amounted to 1,053 million baht, and as of December 31st, 2012, the Company still invested in 31.33% shares of QHHR (as of December 31st, 2012).

Connected Transactions

- The Centre Point Hospitality Co., Ltd. (a subsidiary in which the Company holds 99.99% shares) has taken a lease and sublease of Centre Point Hotel and Residence Petchburi, Sukhumvit and Langsuan projects for business operation from QHHR.
- The Company guaranteed the minimum rental income for QHHR from selling the assets of Centre Point Hotel and Residence Petchburi, Sukhumvit, and Langsuan Projects, and proceeding to enable QHHR to make lease agreement for the Centre Point Hotel and Residence Langsuan for the period of approximately 3 years from the date on which QHHR invested in the asset at the amount of not exceeding 837.0 million baht.

Terms of agreement for rental and subcontract agreement

3 years (Jul 18th, 2012 – Jul 19th, 2015), and the contractual parties have the right to renew the agreement for another 3 years per term.

Rate of rental fees

<u>Fixed rate</u>	168.0 million baht/ year
<u>Variable rate</u>	90.0% of total income minus total expenses, including sale cost, expenses in sale and administration, other related expenses and fixed rental fees relating to the operation of hotel and service apartment business.

Rental fees

In 2011	- Baht
In 2012	76,066,667 Baht

Advance payment

As of Dec 31 st , 2011	- Baht
As of Dec 31 st , 2012	1,853,623 Baht

Accrued Expense

As of Dec 31 st , 2011	- Baht
As of Dec 31 st , 2012	42,000,000 Baht

Accrued minimum guarantee for rental fees

As of Dec 31 st , 2011	- Baht
As of Dec 31 st , 2012	62,333,333 Baht

Opinions of the Audit Committee

The Audit Committee was of opinion that the distribution of properties together with fixture and related equipment and/ or giving of leasehold right and/ or transferring of leasehold right over properties to Quality House Hotel and Residence Freehold and Leasehold Property Fund was operated in accordance with the resolutions of the Board of Directors' Meeting No. 4/2012 convened on June 19th, 2012, approving the Company and its subsidiary to distribute real property and fixture and the related equipment and/ or to give the leasehold right and/ or to transfer the leasehold right of real property for the three hotel and service apartment projects operated by the Company, including Centre Point Hotel and Residence Petchburi, Sukhumvit and Langsuan Projects. The total return of 2,647.0 million baht from distribution of the 3 projects used in operation of Centre Point Hotel and Residence Petchburi, Sukhumvit and Langsuan Projects were received totally after having registered with the Department of Lands, while the total return of 695.0 million baht from transferring the leasehold right of Centre Point Hotel and Residence Langsuan was a fair price.

The Company compared the price with each prospective buyer and selected the bidder who has offered the best proposals and conditions, including the highest returns to the Company. The Company also considered the reports of 2 independent valuers at that time, estimating the asset value of the 3 projects as follows:

(Unit : million baht)

Valuers	Estimated prices of Centre Point Hotel and Residence Projects			
	Petchburi	Sukhumvit	Langsuan	Total
Grand Asset Advisory Co., Ltd.	1,144.0	1,549.0	725.0	3,418.0
TAP Valuation Co., Ltd.	1,204.0	1,700.0	724.0	3,628.0

The Audit Committee was of opinion that there was a proper reason to enter into the said transactions at the fair prices.

1.20 Land and Houses Freehold and Leasehold Property Fund ("LHPF")

Type of Business

Holding assets in 3 projects as follows:

1. Centre Point Sukhumvit-Thonglor Service Apartment Project;
2. Centre Point Residence Promphong Residential Building for Rent Project;
3. L&H Villa Sathorn Rental House Project.

Relationship

- (1) Land and Houses Plc. is a major shareholder of the Company with 24.86% shares (as of May 14th, 2012) and invested in LHPF with 15.0% shares (as of August 29th, 2012);
- (2) Government of Singapore Investment Corporation Pte Ltd. (GIC) was a major shareholder of the Company with 10.88 shares (as of May 14th, 2012) and was a major shareholder of Land and House Plc. with the shares of 15.97% (as of November 28th, 2012). Besides, GIC invested in LHPF with 15.0% shares (as of August 29th, 2012).

Connected Transactions

The Company and Q.H. International Co. Ltd., ("the Subsidiary") was hired to manage the buildings and to provide services to LHPF as the following details:

Connected Transactions	<u>(a) Centre Point Sukhumvit-Thonglor Service Apartment Project</u>		
	• Contract for appointment of property management		
Service rates	2% of total income plus 5.5% of accumulated profit at year-end of the current year minus the accumulated profit at year-end of the previous year.		
Building management revenue	In 2011	-	Baht
	In 2012	6,015,644	Baht
Accounts receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	1,714,074	Baht
Other receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	673,789	Baht
Accounts payable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	6,339,365	Baht
	• Project management in terms of personnel		
Service rates	The fee is calculated from the monthly compensation and fringe benefit of an employee plus 20%.		
Service revenue	In 2011	-	Baht
	In 2012	1,218,882	Baht
	• Contract for project management and administration		
Service rates	350,000 Baht/month		
Service revenue	In 2011	-	Baht
	In 2012	3,262,903	Baht
Other receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	3,491,306	Baht
Advanced payment	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	270,679	Baht
Connected Transactions	<u>(b) Centre Point Residence Prompong Residential Building for Rent Project</u>		
	The Company and its subsidiary is hired to manage the building, to provide accounting service and to be an agent to find residents, as well as to allow LHPF to use the trademark "Centre Point Resident" .		
Building management revenue	In 2011	-	Baht
	In 2012	1,637,477	Baht
Personnel service revenue	In 2011	-	Baht
	In 2012	1,047,765	Baht
Other service revenue (agency fee)	In 2011	-	Baht
	In 2012	542,425	Baht

Accounts receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	1,899,534	Baht
Other receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	542,425	Baht

Connected Transactions (c) L&H Villa Sathorn House For Rent Project

The Company and its subsidiary is hired to manage the building, to provide accounting service and to be an agent to find residents, as well as to allow LHPF to use the trademark "Centre Point Resident."

Building management revenue	In 2011	-	Baht
	In 2012	1,466,919	Baht
Personnel service revenue	In 2011	-	Baht
	In 2012	436,229	Baht
Other service revenue (agency fee)	In 2011	-	Baht
	In 2012	444,726	Baht
Accounts receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	851,430	Baht
Other receivable	As of Dec 31 st , 2011	-	Baht
	As of Dec 31 st , 2012	444,726	Baht

Opinions of the Audit Committee

The Audit Committee has given its opinions that the entering into such related transactions was reasonable and beneficial to the business of residential buildings for rent of the Company, which is the normal business operation of the Company. The Company and its subsidiaries shall receive benefits from revenues of project management and agent fees from all of the above mentioned projects.

1.21 Financial Assistance to Associated Company ; Harbour View Co., Ltd.

Type of Business	Hotel and office building for rent in Hai Phong City of Viet Nam.
Relationship	<p>- Q.H. International Co., Ltd., a subsidiary (which the Company has held 100% of the shares), holds 99% of the total shares of Q.H. International (BVI) Co., Ltd. and Q.H. international (BVI) Co., Ltd. operates a business of investment in properties in foreign countries, and holds 14.15% of the total shares of Harbour View Co., Ltd .</p> <p>- Mrs. Suwanna Bhuddhaprasart is a joint director of the Company and Q.H. International Co., Ltd.</p>
Connected Transactions	<p><u>(a) Loan provision</u></p> <p>Q.H. International (BVI) Co., Ltd., a subsidiary of the Company, has provided loans to Harbour View Co., Ltd.</p>

Loan	As of Dec 31 st , 2011	2.5	million baht
	As of Dec 31 st , 2012	7.5	million baht
	Policy of interest calculation LIBOR + 2%, 8%		
Interest incomes	In 2011	60,568	Baht
	In 2012	87,778	Baht
Accrued interest	As of Dec 31 st , 2011	1,008,419	Baht
	As of Dec 31 st , 2012	1,061,223	Baht

(b) Loan guarantee

Quality Houses Plc. is the loan guarantor of Harbour View Co., Ltd., according to the proportion of shareholding in the subsidiary (21% of total shares) amounted to US\$ 2.10 million. However, since Harbour View Co., Ltd. has increased the capital to existing shareholders, and the subsidiary has not subscribed for the said right issue, the proportion of shareholding is now decreased to 14.15%, but the burden of guarantee remains unchanged. That is, it depends on the amount of such loan, and can be increased or decreased in accordance with the capacity of Harbour View Co., Ltd. in paying back the capital and incurred interests. (Details are as per Risk Factor, Sub-clause 1 Financial risk: Subject: Risk from investment, loan provision, and guarantee of related company, Harbour View Co., Ltd.)

Years of guarantee 1997- Present

Opinions of the Audit Committee

The Audit Committee has given its opinions that there was a proper reason relating to the provision and guarantee of loans to Harbour View Co., Ltd., and it was made according to the proportion of shareholding.

Movements of loan provision from the end of 2011 to December 31st, 2012:

Unit : million baht				
Long-term loan	Dec 31 th , 2011	Increase	Decrease	Dec 31 th , 2012
Harbour View Co., Ltd.	3.5	5.0	-	8.5
Total	3.5	5.0	-	8.5

In 2012, interest incomes from the said provision of loans were amounted to 0.1 million baht.

Opinions of the Audit Committee on Parties with Co-benefits and Connected Transactions

The Audit Committee has considered that the structure of shareholding between the Company, its subsidiaries, associated companies and related companies did not cause any conflict of interest between the Company, directors and executives of the Company and did not have any nominee in the structure of shareholding or management of the group companies

The Audit Committee has considered and approved that the related transactions currently occurred between the Company and related parties with potential conflicts as defined by the Announcement of the Securities and Exchange Commission No.Gor.Jor.17/2008 on the Submission and Exceptions from Submission of the Form of Proposal of Securities dated December 15, 2008, were made with fair market value. Moreover, the Audit Committee and the

Company shall jointly supervise such related transactions which may occur in the future to be made with fair market value and shall disclose the types and value of related transactions of the Company and the related parties with potential conflicts under the announcements and regulations of the Securities and Exchange Commission.

2. Measures or Procedures for Approving Transactions among Connected Parties

Before the connected transactions shall be made, they must be proposed to the Audit Committee to consider whether they are suitable and in compliance with the law governing securities and stock exchange, regulations, announcements, orders or requirements of the Stock Exchange of Thailand. The Audit Committee shall then attend and give its opinions in the Board of Directors' meeting or the shareholders' meeting for consideration and approval, provided that parties with potential conflicts of interest or stakeholders of such connected transactions shall not be entitled to cast their votes in order to pass the resolution for such transactions.

3. Policies and Trends Incurring Connected Transactions in the Future

The Company and its subsidiaries still have the policy of incurring connected transactions currently and in the future depending on the suitability and necessities of the business and shall prescribe conditions according to the nature of normal business operation which can be compared with the market prices; or in case, the reference prices are not available, the Company and its subsidiaries shall use the cost prices plus the gross profits. Each and every connected transactions shall be proposed to the Audit Committee for consideration and approval to ensure that they are in accordance with the law governing securities and stock exchange, regulations, announcements, orders or requirements of the Stock Exchange of Thailand and the Office of Securities and Exchange Commission, as well as in compliance with the requirements on the disclosure of data of related transactions and acquisition or disposal of major assets of the Company or its subsidiaries.

Moreover, in case there are connected transactions of the Company or its subsidiaries with parties with conflicts of interest or potential conflicts of interest, the Company and its subsidiaries shall propose such transactions to the Audit Committee to give its opinions on the reasons, necessities and suitability of such transactions. In the event that the Audit Committee has no expertise to consider such potential transactions, the Company and its subsidiaries shall provide an independent expert or auditor of the Company and its subsidiaries to give opinions and to propose the related data and information to the Audit Committee for consideration and submission to the Board of Directors' meeting or the shareholders' meeting for consideration and decision making. The Company and its subsidiaries shall disclose the connected transaction in the Annual Report and Notes to the Financial Statements audited by the auditor of the Company and its subsidiaries.

4 . Reasons why parties with potential conflicts of interest have held more than 10% of the total shares in the subsidiaries or the associated companies and why the Company had the major shareholders who might do businesses in competition with the Company

Quality Houses Plc., has organized the structure of shareholding between the Company, its subsidiaries, associated companies and related companies to prevent any conflicts of interest between the Company, directors and executives of the Company. The Company shall not have any nominee in the structure of shareholding or management of the group companies. However, there is a party which might have conflicts of interest, Land and Houses Plc., the major shareholder of the Company holding 24.86% of the total shares (as of May 14th, 2012) due to the following reasons:

- Land and Houses Plc. operate the businesses of real estate development for sale and rent which are similar to the Company;

- Mr. Anant Asavabhokhin is a major shareholder of Land and Houses Plc., holding 23.76% of the total shares (as of November 28th, 2012) and is the Chairman and the President of Land and Houses Plc., while Mr. Adisorn Thananun-narapool is a director and an executive director of Land and Houses Plc. As the representatives of Land and Houses Plc., the major shareholder of the Company, both Mr. Anant Asavabhokhin and Mr. Adisorn Thananun-narapool are also joint directors of Land and Houses Plc., and Quality Houses Plc. overseeing the Company businesses among the total of 12 directors.
- Land and Houses Plc. and the Company are holding more than 10% shares in Home Products Center Plc; each company holding 30.11% of the total shares of Home Products Center Plc. (as of October 17th, 2012) and 19.78% (as of October 17th, 2012) respectively. The reason of this shareholding is due to the fact that Home Products Center Plc. was the joint investment between the Company and other parties since the date of its incorporation in year 1995. During the initial stage, QH International Co.,Ltd. (the subsidiary which the Company holding 100% of the total shares) held 30% of the total shares of Home Products Center Plc. Later in 2001 the Company bought all the shares, equaling to 27% of the total shares of this associated company from QH International Co.,Ltd. in order to support the Company's businesses for the construction materials and interior decoration equipments

In order to prevent or minimize the conflicts of interest which might incur from the fact that Land and Houses Plc. is the major shareholder of the Company and that the executive director and directors of Land and Houses Plc. are also joint directors of the Company, following guidelines have been set

1. The structure of shareholders of the Company includes the group of shareholders who are institutes or funds which holding total number of shares more than the number of shares held by Land and Houses Plc. In case there are any conflicts of interest or potential conflicts of interest which might cause any damages to the interest of shareholders, this group of institutional investors or the funds shall be able to cast their votes against such transactions in the General Shareholders' Meeting;
2. The Company's executive committee/management team is independent and liberated to manage the Company's businesses and to make decision in all aspects. There is no director, executive director, executive or employee of Land and Houses Plc. in the Company's executive committee so the business operations of both companies are totally separated.

In case there are any connected transactions of the Company or its subsidiaries with parties with conflicts of interest or potential conflicts of interest, the Company and its subsidiaries shall propose such transactions to the Audit Committee which consists of independent directors to examine and give its opinions on the reasons, necessities and suitability of such transactions. In the event that the Audit Committee has no expertise to consider such potential transactions, the Company and its subsidiaries shall provide an independent expert or auditor of the Company and its subsidiaries to give opinions and to propose the related data and information to the Audit Committee for consideration. This practice will also include any transactions that are critical or have high impact to the Company's businesses

EXPLANATION AND ANALYSIS OF FINANCIAL POSITION AND OPERATION RESULTS

A Overview of Performance

In 2012, Thailand's overall economy expanded more than last year due to the recovery of the manufacturing sector, which had been affected by flooding, the growth of consumption and investment in the private sector, government spending, and the expansion of non-industrial manufacturing, especially in agriculture, construction, retail, hotel and restaurants sectors. However, industrial manufacturing and exports shrank due to the impacts of the economic crisis in Europe and a slowdown in the global economy, which reduced demand in the world market.

In the first half of 2012, consumers still lacked confidence and delayed their decisions on purchasing houses located in the flooded areas of Bangkok and its vicinity. This caused a slowdown in sales of some land and house projects that located in flooded areas. However, the Company's and subsidiaries' revenue from sales of land and houses increased compared to the previous year because the Company and subsidiaries had more expansion to the medium-low Residential market and increased more projects to other provinces. In the third quarter of 2012, the subsidiaries also started to transfer the ownership of the "Trust Condo Pinklao" Project. In addition, revenue from the real estate for rent business rose because of increased rental fees, a higher occupancy rate of office buildings, and an recovery in residential building business in this year. Furthermore, the Company reopened the "Centre Point Hotel & Residence, Langsuan" Project in the fourth quarter of the year 2011, which increased the revenue from renting space in residential buildings and related services after the renovation of rooms and public areas of the entire project since November 2010.

In 2012, the Company's and its subsidiaries' revenue from the core business was 13,076.8 million baht, which increased by 3,227.8 million baht, or 32.8 % from last year. In addition, the total cost of sales was 9,027.5 million baht, which increased by 2,047.0 million baht, or 29.3 % from last year. Their net profit in years 2012 and 2011 was 2,385.7 million baht and 852.9 million baht respectively with a gross margin in 2012 and 2011 of 31.0% and 29.1 % respectively.

B Performance of Each Business Sector

The Company and its subsidiaries' performance relied on the country's economy, which can be categorized according to types of business as follows:

1) Revenue from Sales and Services

Real estate for sale

The Company and its subsidiaries recorded sales of real estate sales as revenue in the statement of comprehensive income once construction was completed under the contract and the ownership was transferred to the buyer after the full payment was received by the buyer (completion method).

In 2012, the total revenue from the sale of real estate rose by 3,170.7 million baht, or to a 36.0% increase from the year 2011. The revenue from the sales of residential condominium increased by 2,168.5 million baht, or 184% increase from the year 2011 due to a higher demand after flooding in Central Thailand, Bangkok and its vicinity. At the end of the third quarter of 2012, the "The Trust Residence Pinklao" Project started to recognize of the revenue from the sale and transfer of ownership to the customers, while the revenue from the sale of land and houses increased by 1,002.2 million baht, or for 13% compared to the year 2011 due to an increase in customers' confidence in purchasing real

estate. Decreased concerns about flooding in late 2011 led to a rise in the revenue from the sale of land and houses. In addition, the subsidiaries had more expansion to the medium-low ended products and increased more projects to other provinces.

In 2012, the Company and its subsidiaries launched 13 new housing projects with a total project value of 14,783 million baht and five new condominium projects with a total value of 6,496 million baht; and they closed three sold-out housing projects and one sold-out condominium project.

Residential building (serviced apartment/hotel)

Due to the fact that most residential tenants are foreigners working in Thailand, the serviced apartment business/hotel business relies on the growth of the domestic economy, especially foreign investment and the number of tourists in Thailand.

In 2012, the Company's and its subsidiaries' revenue from renting space in residential buildings and related services increased by 41.4 million baht, or 5.9 % increased from the year 2011. Due to the Company reopened the "Centre Point Hotel & Residence Project, Langsuan" in the fourth quarter of the year 2011, which resulted in increased revenue from space rentals in residential buildings and related services after the renovation of rooms and public areas of the entire project since November 2010. Without flooding as in 2011 or political unrest, the number of business people and tourists in Thailand increased, thus improving the business.

Office building for rent

In 2012, the market for office buildings for rent in Bangkok was better than last year due to the office space occupancy rates increased by approximately 0.150 million squaremeters from last year. It was improved from the second quarter of 2012, which came from the use of space of multinational and local companies due to the alert of the ASEAN Economic Community(AEC), which will start in the next few years.

In 2012, the revenue from office buildings and related service fees increased by 15.7 million baht, or 5% increased from the year 2011 as the overall rental rates and occupancy rates of office buildings improved.

2) Other Income and Share of Profits from Investments in Associated Companies

In 2012, the Company had other income and share of income from associated companies under the equity method as can be seen as follows:

- a) The Company's other revenue in 2012 increased by 1,149.1 million baht, or 626.1% compared with the same period of the year 2011 because:
 - In July 2012, the Company transferred and sold the land, buildings, building fixtures, and movable property of the "Centre Point Hotel & Residence Phetchaburi" Project and the "Centre Point Hotel & Residence Sukhumvit" Project. In addition, the Company transferred the lease rights and sold the movable property of the "Centre Point Hotel & Residence Langsuan" Project to the Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund (QHHR) for an amount of 3,342 million baht. The Company's earnings in selling property and transferring the lease rights for three "Centre Point Hotel & Residence" Projects totaled 1,183.6 million baht (net amount of the cost of related sales). The Company has not recorded the earnings of the sale of assets and transfer of the building lease rights of 601 million baht, which was deducted from the investment account in associated companies in the statements of the financial position because the earnings are unrealized gains from the unit trust in the QHHR valued at 31.33 % of the NAV.

- In 2012, the Company and its subsidiaries earned revenue from services providing to the “Grand Centre Point Hotel & Residence Sukhumvit-Terminal 21” Project and the “Centre Point Hotel & Residence Sukhumvit-Thong Lo” Project with an amount of 22.9 million baht.
- In 2012, the Company and its subsidiaries had other incomes increasing by 24.6 million baht.
- In 2012, the Company did not have an earnings from the change in the shareholder ; equity of LH Financial Group Plc. (IPO) in 2011, thus reducing other revenue by 82.0 million baht.

b) The Company’s revenue from the share of income of the investments in associated companies under the equity method increased by 165.4 million baht, or 26 % compared to the year 2011 as shown below.

(Unit: million baht)

Companies/Funds	Year 2011	Year 2012	Increased (decreased)
Home Product Center Plc.	400.5	530.4	129.9
Quality Houses Leasehold Property Fund	118.8	147.3	2.4
LH Financial Group Plc.	119.3	121.7	28.5
Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund	-	4.6	4.6
Total	638.6	804.0	165.4

3) Cost of Sales, Selling Expenses, Administrative Expenses and Provision for loss arising from Guarantee of minimum Rental Income of the Projects

Cost of sales In 2012 and 2011, the Company’s and its subsidiaries’ cost of real estate sales was 8,309.6 million baht and 6,316.8 million baht or accounted for 92.0% and 90.5% of total cost of sales and rental respectively. The rest was the costs of sales from the residential buildings for rent (serviced apartment/hotel) and office buildings for rent, totaled 541.2 million baht and 176.7 million baht or 6.0% and 2.0% respectively.

Selling expenses In 2012, the selling expenses increased by 159.0 million baht, accounting for 17 % compared to the previous year because special business taxes and transfer fees increased by 131.8 million baht, which varied according to higher sales of real estate. The sales promotion expenses increased by 41.0 million baht, but the advertising and public relations decreased by 13.8 million baht.

Administrative expenses In 2012, administrative expenses increased by 133.3 million baht, or 9.6% compared to the previous year as employee salary and benefits expenses increased by 82.4 million baht, the expenses of maintenance of facilities in the projects and after-sale service expenses increased by 34.8 million baht, the office-related expenses increased by 12.7 million baht, and other administrative expenses increased by 3.4 million baht.

Provision for less arising from guarantee of minimum rental income of the project In July 2012, the Company made a contract to commit a minimum guaranteed rental income from the sale of real estate and movable property of the “Centre Point Hotel & Residence Phetchaburi and Sukhumvit” Project for a period of three years, and it transferred the lease rights for the “Centre Point Hotel & Residence Langsuan” Project to the QHHR. According to the contract, the Company’s estimated cost that may arise in case the rental income is lower than the minimum guaranteed rental

income for the QHHR under a period of three years would be approximately 111.5 million baht. This amount was recorded as expenses in the statement of comprehensive income with an amount of 76.6 million baht, which was the net amount of the investment of 31.33 % in the QHHR.

4) Gross Profit Margin

The details of the gross profit margin from real estate for sales, serviced apartments/hotels, and office buildings for rent for the years 2011 and 2012 areas follows:

(Unit: %)		
Gross profit	Year 2011	Year 2012
Real estate for sale	28.3	30.7
Residential building for rent (serviced apartment/hotel)	29.6	27.4
Office building for rent	49.2	49.0

Real estate for sale In 2012, the Company's and its subsidiaries' gross profit margin from real estate for sale grew to 30.7% compared to the year 2011, which to 28.3%. This was because the Company and its subsidiaries increased the prices of land and houses for sale during 2012.

Residential building for rent In 2012, the Company's and its subsidiaries' gross profit margin decreased to 27.4% compared to the year 2011, which was equaled to 29.6%. In 2012, the Company sold the real estate and movable property of the "Centre Point Hotel & Residence Phetchaburi" and "Centre Point Hotel & Residence Sukhumvit" Project and transferred the lease rights of the "Centre Point Hotel & Residence Langsuan" Project to the QHHR. In addition, the Company leased the three projects to Center Point Hospitality Co., Ltd, a subsidiary holding 100% of the equity, for three years to operate the serviced apartments/hotel service, thus increasing its rental costs due to the rental contract from July 2012.

Office building for rent In 2012, the Company's gross profit margin from office building rentals decreased to 49.0 % compared the year 2011, which equaled to 49.2 %. This came from a higher cost of hiring a security guard company as a result of an increased daily wage of 300 baht as well as the building insurance premium due to the effects of the major flooding at the end of 2011.

5) Finance Costs

The finance costs were composed of interest, fees and financial advisory fees. In 2012, these costs decreased by 14.3 million baht, or 5 % compared to the year 2011 because the average interest rate paid was higher due to the Company and its subsidiaries required more land for the development of projects.

6) Operating Results

In 2012, the Company's and its subsidiaries' net profit increased by 1,532.7 million baht, or 180% compared to the year 2011 mainly from the gross profit from real estate for sale increased by 1,177.9 million baht, the gross profit from real estate for rent increased by 2.9 million baht, extra gain from the sale of assets and transfer of the lease rights increased by 1,183.6 million baht, the share of profits of the investments under the equity method increased by 165.40 million baht, while the financial expenses decreased by 14.3 million baht. The Company's and its subsidiaries' other types of revenue decreased by 34.5 million baht, the sales and administrative expenses increased by 292.3 million

baht, the provision of guarantee minimum income of projects increased by 76.6 million baht and corporate income tax increased by 608.0 million baht.

7) Return on Equity

The Annual General Meeting of shareholders of the Company no. 1/2012 held on 20 April 2012 approved the distribution of dividend payment to the shareholders for the operations in 2011 as the Company's ordinary shares from the unappropriated retained earnings at the end of 2010 in an amounting of not exceeding 706.5 million shares, with a par value of 1 baht per share. The rate was 12 existing shares to one dividend stock in the total amount of not over 706.5 million baht, representing a dividend of 0.08333 baht per share. For the shareholders that had some of the existing shares after dividend stock allotment, instead of being paid dividend stocks at a rate of 0.08333 baht per share, they would be paid cash at a rate of 0.00926 baht per share, the total amount of not exceed 78.5 million baht.

C Financial Status

1) Assets

The total assets of the Company and its subsidiaries as at 31 December 2011 and 2012 was 37,966.2 million baht and 41,564.8 million baht respectively. At the end of the year 2012, total assets increased by 3,598.6 million baht, or 10% from the end of the year 2011. The details of major assets include:

Current Assets

Cash and cash equivalent

The Company and its subsidiaries have a policy to hold cash as required. The cash at the end of year 2011 and 2012 was 1,113.3 million baht and 1,649.8 million baht respectively. The cash at the end of year 2012 increased by 536.5 million baht, or 48.1 % compared to the year 2011. The reason that the Company's and its subsidiaries' have high amount of cash on hand was the Company's and its subsidiaries have accelerated the transfer of ownership of houses and condominium units during the year-end period.

Trade account receivables and other receivables

At the end of the years 2011 and 2012, the Company's and its subsidiaries' trade account receivables and other receivables of 67.3 million baht and 86.1 million baht respectively, increased 18.8 million baht, or 28% due to the Company and its subsidiaries had an increasing trade accounts receivables and other receivables from Business of residential for rent / service apartment / hotels.

The Company and its subsidiaries had a policy to provide 30-day credit terms to their customers, and they had a unit to monitor customers' payment patterns so that receivables are not overdue for more than one month. Most account receivables are in the group of payments overdue for not more than three months.

Land and construction in progress-net

Land and construction in progress - net at the end of the years 2011 and 2012 were 16,426.9 million baht and 21,697.2 million baht respectively, increasing by 5,270.2 million baht, or 32.1% compared to the year 2011. This was because the Company and its subsidiaries launched 13 new housing projects valued at 14,783.0 million baht and five condominium projects valued at 6,496.0 million baht. Therefore, the project costs which were non-current assets and recorded under the account "Land and Project Development Costs" were transferred to the current assets under the account "Land

and Construction in Progress” valued at 6,430.2 million baht. However, the proportion of “Land and Construction in Progress” to “Current Assets” at the end of the years 2011 and 2012 were 88.6% and 90.4% respectively. These were the major components of current assets and current assets which would generate income to the Company and its subsidiaries within approximately 1-3 years, depending on types and sizes of projects.

Non-Current Assets

Investments in associated companies

Investments in associated companies under the cost method at the end of 2011 and 2012 were 5,339.5 million baht and 6,392.3 million baht respectively. While according to the equity method, investments were 6,059.3 million baht and 7,015.2 million baht respectively.

(Unit: million baht)

Investments in associated companies	31 Dec 2011		31 Dec 2012		Profit (Loss)	
	Cost method	Equity method	Cost method	Equity method	Cost method	Equity method
Quality Houses Leasehold Property Fund	2,017.7	1,359.3	2,017.7	1,328.4	-	(30.9)
Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund	-	-	1,052.8	491.7	1,052.8	491.7
Home Product Center Plc.	650.8	1,738.9	650.8	2,074.1	-	335.2
LH Financial Group Plc.	2,671.0	2,961.1	2,671.0	3,121.0	-	159.9
Total	5,339.5	6,059.3	6,392.3	7,015.2	1,052.8	955.9

Investments in subsidiaries

The investments in subsidiaries for the financial statements of the Company under the cost method at the end of 2011 and 2012 were the same, of 3,383.0 million baht.

Investments in other companies

Q. H. International (BVI) Co., Ltd., a subsidiary of the Company’s subsidiaries invested in Harbour View Co., Ltd. with a proportion of 14.15 % (as detailed in Part : Risk Factors, Section 1 Financial Risk, Risk of Investment, Lending, and Guarantee of the Company Related to Harbour View Co., Ltd.).

Real estate for investment

The Company recorded real estate for investment at cost less accumulated depreciation and allowance for lessor impairment. At the end of 2011 and 2012, the amount of real estate for investment were 544.3 million baht and 529.4 million baht respectively, decreased 14.9 million baht, or 3%, by the deduction of depreciation.

At the end of 2011 and 2012, the Company had real estate for investment as one office building, “Q.House Ploenjit” Project, which was owned by the Company. In 2006, the Company granted the leasehold rights for the “Q.House Ploenjit” Project to the Quality Houses Leasehold Property Fund for the term of 30 years with the right to extend the contract for another term of 30 years. The contract started on 8 December 2006.

Lands, buildings and equipment/leasehold right

Lands, buildings and equipment/leasehold rights at the end of 2011 and 2012 were valued at 2,946.3 million baht and 1,433.8 million baht respectively, decreased by 1,512.5 million baht, or 51.3 % compared to the end of 2011. Due to in July 2012, the Company transferred and sold the land, buildings, building fixtures, and movable property of the “Centre Point Hotel & Residence Phetchaburi” Project and the “Centre Point Hotel & Residence Sukhumvit” Project and transferred the lease rights and sold movable property of the “Centre Point Hotel & Residence Langsuan” Project to the Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund (QHHR).

Lands and project development costs

The value of lands and project development costs at the end of the years 2011 and 2012 was 10,031.5 million baht and 7,915.5 million baht respectively. During 2011, the Company and its subsidiaries bought 15 pieces of land for housing projects and 4 pieces of land for condominium projects with a total value of 2,951.0 million baht. The majority of the assets were in the process of development for sale and were vacant lands waiting for development. Therefore, the assets were listed under this item were the assets that have not generate any revenue yet. The period for project development before generating revenue would be approximately 1-2 years, depending on the duration of licenses in allocation of land and construction, as well as the sizes and types of the project.

The lands and costs of project development are mostly for the housing projects and multi-unit condominium projects for sale that were under development and not ready to launch for sale. Therefore, the Company and its subsidiaries were not able to transfer the projects that were not open for sale to the current assets that generated revenue under the title “Land and Construction in Progress – Net.” However, the Company and its subsidiaries had launched 17 projects, which resulted in the transfer of land and the net development project cost of 6,430.2 million baht, to be recorded under the title “Land and Construction in Progress.”

The total value of lands and construction in progress/real estate for investment/ lands, buildings and equipment/ leasehold rights/land and project development costs at the end of the years 2011 and 2012 were 29,949.0 million baht and 31,575.8 million baht respectively, or 79.0% and 76% of the total assets. These assets shall be used to generate income to the Company and its subsidiaries in both short-term and long-term and were presented according to the net cost after being deducted by the provision for loss on diminution in value of the project at a value of 506.6 million baht.

In order to set the provision for allowance for loss on diminution in value of the project, the Company and its subsidiaries used the book value to compare with the appraised value by independent assessors. In the case that the value of the book value was higher than the appraised value, a higher difference would be recorded as an expense under the account “Allowance for Loss on Diminution in Value of the Project.”

2) Providing Financial Assistance for Associated and Related Companies

Subsidiaries provided Harbour View Co., Ltd., a related company, with loans of 3.5 million baht and 8.8 million baht at the end of the years 2011 and 2012 respectively. At the end of year 2011, the related company had an outstanding loan of 2.0 million US dollars, with a bank based on the financial statement which was prepared by their management department and was not reviewed by an auditor. The Company recorded a provision for liabilities from loan guarantees as mentioned at the end of year 2009, and it was worth a total of 61.0 million baht (as detailed in Part 2: Risk Factors, Section 2.1 Financial Risk, Risk of Investment, Lending, and Guarantee of the Company Related: Harbour View Co., Ltd

3) Liquidity

Cash flows from financial activities in the past were as follows:

(Unit: million baht)

Cash flows	Year 2011	Year 2012
Cash flows from (used in) operation	(5,685.2)	(1,681.9)
Cash flows from (used in) investments	(1,033.4)	2,339.8
Cash flows from (used in) financial assistance activities	6,717.8	(121.5)

In 2012, the Company's and its subsidiaries' net cash flow used in operating activities was 1,681.9 million baht; they used cash flow to purchase land and speed up the development of many new launched projects both projects of house and condominium for sale due in other to support sales growth in the following time. However, in 2012 properties market started to recover to customers' being less concerned about flooding. The Company and its subsidiaries gained higher sales and higher rates of transfer of the ownership of land and houses and condominiums than in 2011. This made the cash flow used in operations in this year less than the year 2011, Which the cash flow used in operations amounted of 5,685.2 million baht due to the impacts of the major flooding at the end of 2011.

In 2012, the Company's and its subsidiaries' net cash flow used in investments was 2,339.8million baht as the Company transferred and sold the land, buildings, building fixtures, and movable property of the "Centre Point Hotel & Residence Phetchaburi" Project and the "Centre Point Hotel & Residence Sukhumvit" Project and transferred the lease rights and sold movable property of the "Centre Point Hotel & Residence Langsuan" Project to the Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund (QHHR) for an amount of 3,342.0 million baht and the Company received dividends of 362.0 million baht from investments in associated companies. In addition, the Company spent 1,052.8 million baht on the investment in the Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund (QHHR) and 311.4 million baht in other investments. In 2011, the Company and its subsidiaries had a net cash flow of 1,033.4 million baht used in investments as the Company had paid off 1,134.4 million baht for the allocated new ordinary shares of LH Financial Group Plc. in February 2011 and paid 106.0 million baht for lands, buildings and equipment - net. In addition, the Company received dividends of 161.6 million baht from investments in associated companies; cash of 27.4 million baht, which was the payback from the Quality Houses Leasehold Property Fund; and cash of 17.6 million baht from other investment activities.

In 2012, the Company's and its subsidiaries' net cash flow used in financial assistance activities was 121.5 million baht. This was from redeeming debentures of 688.0 million baht and repaying long-term loans of 937.0 million baht. In May 2012, the Company paid dividends of 78.5 million baht and received a short-term loan of 1,582 million baht from financial institutions. In 2011, the Company's and its subsidiaries' net cash flow from financial assistance activities was 6,717.8 million baht, which was received from the increase in debentures of 3,700.0 million baht. Their long-term loans increased by 927.0 million baht and short-term loans from financial institutions increased by 3,108 million baht. Also, in May 2011 the Company paid dividends of 1,017.2 million baht.

4) Source of Funds

Optimal capital structure

Since the Company and its subsidiaries operate the business of real estate for sale and rent, the appropriateness of the capital structure must take into account the sources of funding, the proportion of funds from loans and shareholders' equity, as well as the management of the level of assets, liabilities, and shareholders' equity.

The total assets of the Company and its subsidiaries mainly generated short-and medium-term profits for 1-3 years. Therefore, the company and its subsidiaries managed cash flows of the business by sourcing long-term financing sources to invest in long-term projects and sourcing short-term financing sources to invest in short-term projects to ensure the appropriateness of funding.

The Company and its subsidiaries had a policy to utilize more long-term loan sources by issuing debentures to offer to financial institutions and individuals with a maturity date of 3-5 years. At the end of the years 2011 and 2012, the ratio of debentures to total loans equaled 79.0% and 76.1% respectively. Other sources of funding included long-term loans from banks or financial institutions and short-term promissory notes with low interest rates in order to manage the interest cost to be at an average low rate. At the end of the years 2011 and 2012, the ratio of these loans to total loans was equal to 4.7% and 23.9 % respectively. The loan details are described in Section (6) Liabilities.

The amount of loans and liabilities of the Company and its subsidiaries at the end of the years 2011 and 2012 was as follows:

(Unit: %)

Loans	31 December 2011	31 December 2012
Short-term loans	43	33
Long-term loans	57	67
Total	100	100

(Unit: %)

Liabilities	31 December 2011	31 December 2012
Current liabilities	45	39
Non-current liabilities	55	61
Total	100	100

To ensure the appropriate capital structure, the Company and its subsidiaries increased the ratio of non-current liabilities to total liabilities to be more than the ratio of current liabilities to total liabilities by using long-term sources of funding or issuing long-term debentures to repay long-term loans that were due within a year, as well as short-term loans and debentures that would be mature in 2013, which amounted to 7,351.9 million baht.

The Company's and its subsidiaries' had total liabilities to equity of shareholders at the end of the years 2011 and 2012 equaled 1.88 times and 1.68 times respectively. The decrease came from the fact that the Company sold 3 hotels, lease rights, and movable property to the Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund (QHHR) to repay loans and improve their performance.

5) Shareholders' Equity

Total shareholders' equity as of the end of 2011 and 2012 amounted to 13,167.6 million baht and 15,488.9 million baht respectively. It increased by 2,321.3 million baht, or 17.6% from the year 2011 due to the following:

- Registered and fully paid-up capital increased by 706.4 million baht because the Company paid dividend stocks from retained earnings at the end of 2010 according to the resolution of the Annual General Meeting of Shareholders for the Year 2012 on 22 April 2012;

- The Company and its subsidiaries had profits of 2,385.7 million baht
- Other components of the shareholders' equity increased because the earnings according to the measurement of the value of investments in the securities for sale in associated companies increased by 22.1 million baht and the loss based on the actuarial estimation was 8.0 million baht; and
- In May 2012, the Company paid dividends in cash of 78.5 million baht and dividend stocks valued at 706.4 million baht from retained earnings at the end of 2010, according to the resolution of the Annual General Meeting of Shareholders of Year 2012 held on 22 April 2012.

6) Liabilities

Most liabilities of the Company and its subsidiaries at the end of 2012 were loans from financial institutions/ commercial banks and debentures, which amounted to 22,363.9 million baht, accounting for 85.8% of total liabilities.

Details are as follows:

(Unit: million baht)

Loans	31 December 2011	Additional lending	Repayment	31 December 2012
Short-term loans from financial institutions	3,683.1	1,588.8	-	5,271.9
Long-term loans	1,017.0	1,257.6	2,194.6	80.0
Unsecured debentures	17,700.0	5,012.0	5,700.0	17,012.0
Total	22,400.1	7,851.6	8,614.6	22,363.9

The Company and its subsidiaries had mortgaged lands, leasehold rights with buildings, and part of leasehold rights as collateral to secure the loan agreements.

As of the end of 2011 and 2012, total liabilities of the Company and its subsidiaries were 24,798.6 million baht and 26,075.9 million baht respectively. At the end of 2012, total liabilities were composed of 10,186.2 million baht of current liabilities and 15,889.6 million baht of long-term liabilities. The liabilities to equity ratio was equal to 1.68 times, which decreased from 1.88 times at the end of 2011, (as presented in Section (4) Sources of Funding - Optimal Capital Structure.)

7) Commitments and Contingent Liabilities

As at 31 December 2011 and 2012, the Company and its subsidiaries had the following outstanding commitments and contingent liabilities as follows:

- The Company and its subsidiaries had outstanding commitments in respect of contracts to purchase land and to develop future projects as mentioned below:

(Unit: million baht)

Item	Year 2011	Year 2012
Contracts for construction projects	4,112	6,033
Contracts to purchase land for future projects	336	144

- The Company and its subsidiaries entered into several lease agreements to lease land and buildings, for approximate terms of 30 years and to lease motor vehicles and equipment, with terms ranging between 1-3 years.

As of 31 December 2011 and 2012, the Company and its subsidiaries had the future minimum lease payments required under those operating lease contracts as follows:

(Unit: million baht)

Payable within	Year 2011	Year 2012
Less than year	22	19
1 - 5 years	76	62
More than 5 years	133	65

- A subsidiary had entered into lease agreements to lease buildings and related assets from the Land and Houses Property and Loan Fund-II (related company), with a term of 1-3 years. The subsidiary was entitled to renew the lease contracts for a period of 3 years by giving the Fund a written notice of its intention at least 90 days before the expiration of the lease contracts.

As of 31 December 2011 and 2012, the subsidiaries had the following future minimum lease payments required under the lease agreements.

(Unit: million baht)

Payable within	Year 2011	Year 2012
Less than year	86	53
1 - 3 years	53	-

If either party wishes to terminate the contract prematurely, the party shall provide a written notice to the other party at least 30 days in advance, which will be effective only if the other party agrees.

- A subsidiary company entered into lease and sublease agreements on assets of the Quality Houses, Hotel and Residence Freehold and Leasehold Property Fund (an associated company) for the lease term of - years and was committed to lease for another three years including the right to renew the contracts for 3 years each from the end of each of the lease and sublease term under the same terms and conditions a formal agreements.

As of 31 December 2012 and 2011, the subsidiaries had the minimum amount required to pay for the fixed lease as follows

(Unit: million baht)

Payable within	Year 2011	Year 2012
Within 1 year	-	168
1 - 3 years	-	260

- The Company and its subsidiaries had commitments to various service contracts amounted to 17 million baht (in 2011: 19 million baht).
- The Company had commitments in respect of an uncalled portion of the investment in a subsidiary of approximately 19.0 million baht (in 2011: 19 million baht).
- The Company had contingent liabilities with respect to loan guarantees provided on behalf of Harbour View Company Limited for an amount of 50% of that company's obligations to a bank (as of 31 December 2012, that company had outstanding liabilities of US \$ 2 million to the bank based on the unaudited financial statements). However, as of 31 December 2012, the Company set aside a provision of 61 million baht for losses arising from such guarantees in its accounts (in 2011: 61 million baht).
- The Company had contingent liabilities to banks in relation to the financial support that it provided for a subsidiary company for loans obtained for development of the subsidiary's projects (as of 31 December 2012, the subsidiaries had outstanding loans of 80 million baht to the banks) (in 2011: 1,017 million baht).

As of 31 December 2012, the Company and its subsidiaries had servitude over land of approximately 35 rai (in 2011: 39 rai). The value of the land was included in the project costs.

D Major Factors and Influences on Future Business Operations or Financial Position

Factors that might affect the real estate business in the future include:

- 1) Consumers' anxiety regarding the country's ability to effectively handle flood situations so that it will not happen again in the future, which might result in a lack of confidence and their delay in making decisions to purchase real estate.
- 2) The rise in construction material prices and other project development costs due to a minimum daily wage rate of 300 baht, and a minimum 15,000 baht for the salary of a new graduate, could lead to higher construction and project development costs. Meanwhile, the Company and its subsidiaries cannot increase product prices to cover the higher costs due to increasingly fierce competition in the real estate businesses.

Despite the above-mentioned factors which might affect the Company's and its subsidiaries' operating results, the performance in the business of real estate for sale and rent were still strong, while the low-rise of real estate for sale has not significantly slowed down. It was expected that in 2013 the Company and its subsidiaries would expand their businesses continuously in terms of projects in other provinces and affordable-price housing projects in line with the economic trends in the future.

Nonetheless, the Company and its subsidiaries will continue the policy of operating its business with caution and vigilance by reducing unnecessary expenses, focusing on the quality of products and services provided for the customers, controlling and minimizing production and operating costs, and improving and developing construction methods to shorten production periods.

Furthermore, the Company and its subsidiaries will continue to study and research the expectations of different groups of customers in order to fully understand their target groups. In addition, the company will expand the markets of houses and condominium. To the middle-end and low-end consumers. The company also have a policy to adjust their financial structure to use more medium-term and long-term capital, which is compatible with the nature of business that requires medium-term and long-term sources of funding.

REPORT OF INDEPENDENT AUDITOR

To the Shareholders of Quality Houses Public Company Limited

I have audited the accompanying consolidated statements of financial position of Quality Houses Public Company Limited and its subsidiaries as at 31 December 2011 and 2010, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and have also audited the separate financial statements of Quality Houses Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quality Houses Public Company Limited and its subsidiaries and of Quality Houses Public Company Limited as at 31 December 2011 and 2010, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 3 to the financial statements, during the current year, the Company adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of the financial statements.

Gingkarn Atsawarangsarit
Certified Public Accountant (Thailand) No. 4496

Ernst & Young Office Limited Bangkok
27 February 2012

Quality Houses Public Company Limited and its subsidiaries
Statement of financial position
As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Current assets					
Cash and cash equivalents	6, 7	1,649,810,180	1,113,322,277	763,124,593	573,439,807
Trade and other receivables	6, 8	87,774,810	67,321,657	68,305,703	58,020,845
Land and construction in progress	9	21,697,163,358	16,426,938,092	8,783,894,231	6,840,172,302
Advance for construction work		809,655,336	292,147,056	152,888,744	19,839,529
Advance for construction material		57,355,994	59,600,472	13,689,197	30,612,638
Other current assets	6	194,717,365	216,745,572	127,355,077	140,607,983
Total current assets		24,496,477,043	18,176,075,126	9,909,257,545	7,662,693,104
Non-current assets					
Restricted bank deposits	10	30,306,964	22,528,123	26,426,249	22,208,123
Investments in subsidiaries	11	-	-	3,393,027,000	3,388,027,500
Investments in associates	12	7,015,172,957	6,059,309,034	6,392,345,749	5,339,545,750
Other long-term investments	13	1,998	1,998	1,998	1,998
Long-term loans to related parties	6	8,581,029	3,532,458	14,747,483,722	11,429,822,585
Investment properties	14	529,364,416	544,291,914	529,364,416	544,291,914
Property, plant and equipment	15	505,678,786	1,433,913,818	440,750,668	1,375,494,714
Leasehold rights	16	928,100,879	1,512,365,076	928,100,879	1,512,365,076
Land and project development costs	17	7,915,453,326	10,031,519,389	2,081,449,906	3,888,842,155
Deposits for lease of land and building		90,430,386	95,389,753	90,430,386	95,389,753
Deposits for purchase of land		9,922,500	56,130,824	-	4,720,000
Other non-current assets		35,272,356	31,097,121	20,361,888	20,898,824
Total non-current assets		17,068,285,597	19,790,079,508	28,649,742,861	27,621,608,392
Total assets		41,564,762,640	37,966,154,634	38,559,000,406	35,284,301,496

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

Quality Houses Public Company Limited and its subsidiaries
Statement of financial position (continued)
As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	18	700,000,000	-	700,000,000	-
Trade and other payables	6, 19	804,827,547	545,918,396	442,536,801	307,001,234
Current portion of long-term loans	20	80,001,000	294,353,000	-	-
Current portion of unsecured debentures	21	2,000,000,000	5,700,000,000	2,000,000,000	5,700,000,000
Short-term loans	18	4,571,860,851	3,683,131,730	4,571,860,851	3,683,131,730
Short-term loan from related party	6	-	-	145,310,561	142,793,342
Income tax payable		528,234,919	11,286,815	412,945,927	-
Short-term provisions	23	182,041,020	201,276,575	93,295,547	115,095,687
Advance received from customers		493,089,059	226,135,389	200,035,859	55,973,599
Deposits for rental and service	6	100,789,292	114,611,022	73,668,253	89,238,780
Retention guarantees		352,857,953	264,468,942	128,927,432	130,176,593
Current portion of rental income received					
in advance	6	27,224,000	27,224,000	27,224,000	27,224,000
Other current liabilities	6	345,303,617	201,017,573	145,085,302	104,528,220
Total current liabilities		10,186,229,258	11,269,423,442	8,940,890,533	10,355,163,185
Non-current liabilities					
Long-term loans, net of current portion	20	-	722,648,000	-	-
Unsecured debentures,					
net of current portion	21	15,012,000,000	12,000,000,000	15,012,000,000	12,000,000,000
Long-term loan from related parties	6	-	-	246,190,824	252,297,595
Provision for long-term employee benefits	22	108,476,747	77,171,843	84,383,947	70,262,516
Long-term provisions	6, 23	146,144,595	80,046,253	146,144,595	80,046,253
Rental income received in advance, net of					
current portion	6	623,023,312	649,266,935	623,023,312	649,266,935
Total non-current liabilities		15,889,644,654	13,529,133,031	16,111,742,678	13,051,873,299
Total liabilities		26,075,873,912	24,798,556,473	25,052,633,211	23,407,036,484

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

Quality Houses Public Company Limited and its subsidiaries
Statement of financial position (continued)
As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Shareholders' equity					
Share capital	24				
Registered					
9,183,784,692 ordinary shares of Baht 1 each					
(2011: 8,883,558,370 ordinary shares of					
Baht 1 each)		9,183,784,692	8,883,558,370	9,183,784,692	8,883,558,370
Issued and paid up					
9,183,767,553 ordinary shares of Baht 1 each					
(2011: 8,477,339,715 ordinary shares					
of Baht 1 each)		9,183,767,553	8,477,339,715	9,183,767,553	8,477,339,715
Share premium		379,246,114	379,246,114	379,246,114	379,246,114
Retained earnings					
Appropriated - statutory reserve	25	526,779,581	441,120,546	526,779,581	441,120,546
Unappropriated		5,316,478,185	3,814,064,409	3,416,572,653	2,579,557,343
Other components of shareholders' equity		82,617,295	55,827,377	1,294	1,294
Total shareholders' equity		15,488,888,728	13,167,598,161	13,506,367,195	11,877,265,012
Total liabilities and shareholders' equity		41,564,762,640	37,966,154,634	38,559,000,406	35,284,301,496

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

Quality Houses Public Company Limited and its subsidiaries
Statement of comprehensive income
For the year ended 31 December 2012

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Profits or loss:					
Revenues					
Sales of real estate		11,984,369,166	8,813,672,114	3,841,539,415	4,183,346,149
Rental of units in office buildings and related service income		346,645,596	330,989,266	348,479,744	334,454,125
Rental of units in residential buildings and related service income		745,794,966	704,370,381	362,504,626	421,656,183
Other income					
Dividend income	11, 12	-	-	361,986,743	461,590,067
Interest income		18,992,539	13,944,367	576,680,387	426,864,597
Income from forfeitures of booking and down payments		12,178,227	2,760,635	8,941,648	743,890
Gain on sales of investments		-	3,243,421	-	3,538,198
Gain on sales of properties and transfer of leasehold rights to building	15	1,183,613,564	-	1,784,339,542	-
Gain on changes in shareholders' equity of associated company		-	81,965,718	-	-
Others		117,838,415	81,621,376	88,897,963	61,213,358
Total revenues		14,409,432,473	10,032,567,278	7,373,370,068	5,893,406,567
Expenses					
Cost of real estate sold		8,309,566,826	6,316,775,119	2,628,472,493	2,978,518,780
Cost of rental and related services - office buildings		176,724,637	168,191,867	176,724,637	168,191,867
Cost of rental and related services - residential buildings		541,209,251	495,573,853	245,813,337	283,776,207
Selling expenses		1,112,486,780	953,455,789	369,811,809	393,836,479
Administrative expenses		1,526,161,873	1,392,852,908	903,783,747	942,592,372
Provision for loss arising from guarantee of minimum rental income of projects	15	76,562,647	-	111,499,000	-
Total expenses		11,742,712,014	9,326,849,536	4,436,105,023	4,766,915,705
Profit before share of profit from investments in associates, finance cost and income tax expenses					
Share of profit from investments in associates	12	804,050,373	638,610,164	-	-
Profit before finance cost and income tax expenses					
Finance cost		(294,807,114)	(309,096,639)	(726,087,495)	(598,343,166)
Profit before income tax expenses					
Income tax expenses		(790,294,971)	(182,310,808)	(497,996,847)	(42,401,816)
Profit for the year					
Other comprehensive income:					
Actuarial losses	22	(12,691,567)	-	(5,601,989)	-
Share of other comprehensive income of associates		26,789,918	52,017,351	-	-
Other comprehensive income for the year					
Total comprehensive income for the year					
Earnings per share	27				
Basic earnings per share					
Profit attributable to equity holders of the Company		0.26	0.09	0.19	0.05

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

Quality Houses Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2012

	Consolidated financial statements							(Unit: Baht)
	Issued and fully paid-up share capital	Share premium	Retained earnings		Other comprehensive of equity			
			Appropriated	Unappropriated	Other comprehensive income		Total other components of shareholders' equity	
					Surplus on changes in value of available-for-sale investments	Share of other comprehensive income of associates		
Balance as at 1 January 2011	8,477,339,715	379,246,114	416,833,252	4,002,628,837	1,294	3,808,732	3,810,026	13,279,857,944
Dividend paid (Note 30)	-	-	-	(1,017,197,593)	-	-	-	(1,017,197,593)
Total comprehensive income for the year	-	-	-	852,920,459	-	52,017,351	52,017,351	904,937,810
Unappropriated retained earnings transferred to statutory reserve	-	-	24,287,294	(24,287,294)	-	-	-	-
Balance as at 31 December 2011	8,477,339,715	379,246,114	441,120,546	3,814,064,409	1,294	55,826,083	55,827,377	13,167,598,161
Balance as at 1 January 2012	8,477,339,715	379,246,114	441,120,546	3,814,064,409	1,294	55,826,083	55,827,377	13,167,598,161
Stock dividend (Note 30)	706,427,838	-	-	(706,427,838)	-	-	-	-
Dividend paid (Note 30)	-	-	-	(78,476,531)	-	-	-	(78,476,531)
Total comprehensive income for the year	-	-	-	2,372,977,180	-	26,789,918	26,789,918	2,399,767,098
Unappropriated retained earnings transferred to statutory reserve	-	-	85,659,035	(85,659,035)	-	-	-	-
Balance as at 31 December 2012	9,183,767,553	379,246,114	526,779,581	5,316,478,185	1,294	82,616,001	82,617,295	15,488,888,728

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

Quality Houses Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2012

(Unit: Baht)

	Separate financial statements					
	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of equity	
			Appropriated	Unappropriated	Other comprehensive income	Total
					Surplus on changes in value of available-for-sale investments	
Balance as at 1 January 2011	8,477,339,715	379,246,114	416,833,252	3,135,296,350	1,294	12,408,716,725
Dividend paid (Note 30)	-	-	-	(1,017,197,593)	-	(1,017,197,593)
Total comprehensive income for the year	-	-	-	485,745,880	-	485,745,880
Unappropriated retained earnings transferred to statutory reserve	-	-	24,287,294	(24,287,294)	-	-
Balance as at 31 December 2011	8,477,339,715	379,246,114	441,120,546	2,579,557,343	1,294	11,877,265,012
Balance as at 1 January 2012	8,477,339,715	379,246,114	441,120,546	2,579,557,343	1,294	11,877,265,012
Stock dividend (Note 30)	706,427,838	-	-	(706,427,838)	-	-
Dividend paid (Note 30)	-	-	-	(78,476,531)	-	(78,476,531)
Total comprehensive income for the year	-	-	-	1,707,578,714	-	1,707,578,714
Unappropriated retained earnings transferred to statutory reserve	-	-	85,659,035	(85,659,035)	-	-
Balance as at 31 December 2012	9,183,767,553	379,246,114	526,779,581	3,416,572,653	1,294	13,506,367,195

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

Quality Houses Public Company Limited and its subsidiaries
Statement of cash flows
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before tax	3,175,963,718	1,035,231,267	2,211,177,550	528,147,696
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Decrease in land and construction in progress as a result of transfer to cost of sales	8,309,566,826	6,316,775,119	2,628,472,493	2,978,518,780
Depreciation	104,537,029	123,376,591	90,465,002	114,849,231
Amortisation of leasehold rights	111,744,629	115,341,280	111,744,629	115,341,280
Amortisation - others	4,959,367	4,959,367	4,959,367	4,959,367
Unrealised gain on exchange	(607,589)	(923,063)	(497,825)	(513,569)
Share of profit from investments in associates	(804,050,373)	(638,610,164)	-	-
Income from forfeitures of booking and down payments	(12,178,227)	(2,760,635)	(8,941,648)	(743,890)
Interest income	(18,992,539)	(13,944,367)	(576,680,387)	(426,864,597)
Dividend income	-	-	(361,986,743)	(461,590,067)
Loss (gain) on sales of equipments	3,960,446	400,302	4,054,135	(44,092)
Gain on sales of investments	-	(3,243,421)	-	(3,538,198)
Gain on changes in shareholders equity of associated company	-	(81,965,718)	-	-
Gain on sales of properties and transfer of leasehold rights to building	(1,183,613,564)	-	(1,784,339,542)	-
Provision for loss arising from litigation	19,145,249	15,444,268	19,145,249	15,444,268
Provision for long-term employee benefits	18,613,337	8,882,686	8,519,442	7,687,154
Provision for loss arising from guarantee of minimum rental income of projects	76,562,647	-	111,499,000	-
Provision for loss on diminution in value of projects	64,308,059	-	59,934,995	-
Reversal of provision for loss on diminution in value of projects	(30,882,983)	-	(22,326,444)	-
Interest expenses	253,674,462	274,408,608	698,871,984	574,414,495
Income from operating activities before changes in operating assets and liabilities	10,092,710,494	7,153,372,120	3,194,071,257	3,446,067,858
Operating assets decrease (increase)				
Trade and other receivables	(20,453,153)	(15,892,612)	(10,284,858)	(16,604,829)
Land and construction in progress	(6,548,928,399)	(5,103,317,043)	(1,892,338,693)	(2,008,881,939)
Advance for construction work	(517,508,280)	(277,157,802)	(133,049,215)	(16,064,560)
Advance for construction material	2,244,478	11,989,840	16,923,441	22,293,485
Other current assets	22,612,249	(44,908,018)	13,252,906	(30,035,231)
Land and project development costs	(4,140,085,274)	(5,999,366,238)	(589,085,766)	(1,194,514,430)
Deposits for purchase of land	10,143,500	56,828,454	-	(4,720,000)
Other non-current assets	(4,175,235)	(1,380,012)	536,936	(447,991)

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

Quality Houses Public Company Limited and its subsidiaries
Statement of cash flows (continued)
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Operating liabilities increase (decrease)				
Trade and other payables	171,468,937	(78,197,487)	47,918,012	(71,387,590)
Advance from customers	252,888,274	109,403,451	126,760,284	(29,150,706)
Deposits for rental and service	(13,821,730)	4,610,392	(15,570,527)	6,345,566
Retention guarantees	88,389,011	6,267,354	(1,249,161)	(13,224,645)
Other current liabilities	123,768,289	2,902,528	18,756,942	(37,155,084)
Compensation paid for litigation	(2,212,573)	-	(2,212,573)	-
Cash flows from (used in) operating activities	(482,959,412)	(4,174,845,073)	774,428,985	52,519,904
Cash paid for interest expenses	(926,270,578)	(812,404,393)	(909,982,657)	(808,979,545)
Cash paid for corporate income tax	(272,648,711)	(482,499,669)	(85,050,921)	(145,013,026)
Net cash flows used in operating activities	(1,681,878,701)	(5,469,749,135)	(220,604,593)	(901,472,667)
Cash flows from investing activities				
Increase in restricted bank deposits	(7,778,841)	(537,840)	(4,218,126)	(217,840)
Cash paid for purchase of additional shares of subsidiary companies	-	-	(4,999,500)	(4,999,600)
Cash received from return of capital from associated company	-	27,425,059	-	27,425,059
Cash paid for purchase of additional shares of associated companies	(1,052,800,000)	(1,134,432,000)	(1,052,800,000)	(1,134,432,000)
Proceeds from sales of investment in associated company	-	3,859,648	-	3,859,648
Decrease (increase) in long-term loans to related parties	(4,388,177)	799,526	(3,311,102,175)	(4,597,676,432)
Cash received from interest income	18,939,735	13,835,410	570,619,250	452,459,938
Dividend received from subsidiary	-	-	-	300,000,000
Dividend received from associates	361,986,743	161,590,067	361,986,743	161,590,067
Cash received from sales of properties and transfer of leasehold rights to building	3,159,671,030	-	3,159,671,030	-
Increase in leasehold rights	(50,891,215)	(215,408,907)	(50,891,215)	(215,408,907)
Increase in property, plant and equipment (net)	(84,896,141)	(105,957,167)	(64,408,788)	(64,232,201)
Net cash flows from (used in) investing activities	2,339,843,134	(1,248,826,204)	(396,142,781)	(5,071,632,268)

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

Quality Houses Public Company Limited and its subsidiaries
Statement of cash flows (continued)
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from financing activities				
Increase in short-term loans	1,582,000,000	3,108,000,000	1,582,000,000	3,108,000,000
Increase (decrease) in short-term loan from related party	-	-	(3,000,000)	7,000,000
Cash received from long-term loans	1,257,593,669	2,457,824,297	864,500,000	587,146,630
Repayment of long-term loans	(2,194,593,669)	(1,530,873,297)	(864,500,000)	(587,166,630)
Increase (decrease) in long-term loan from related parties	-	-	(6,091,310)	43,000,000
Proceeds from issuance of debentures	5,012,000,000	6,300,000,000	5,012,000,000	6,300,000,000
Cash paid for redemption of debentures	(5,700,000,000)	(2,600,000,000)	(5,700,000,000)	(2,600,000,000)
Dividend paid	(78,476,530)	(1,017,197,593)	(78,476,530)	(1,017,197,593)
Net cash flow from (used in) financing activities	(121,476,530)	6,717,753,407	806,432,160	5,840,782,407
Net increase (decrease) in cash and cash equivalents	536,487,903	(821,932)	189,684,786	(132,322,528)
Cash and cash equivalents at beginning of year	1,113,322,277	1,114,144,209	573,439,807	705,762,335
Cash and cash equivalents at end of year	1,649,810,180	1,113,322,277	763,124,593	573,439,807
Supplemental cash flows information				
Non-cash transactions				
Stock dividends	706,427,838	-	706,427,838	-
Transfer of land and project development costs to land and construction in progress	6,430,216,537	6,354,712,703	2,475,909,551	1,647,051,759
Transfer of property, plant and equipment to land and project development costs	88,640,490	2,435,000	88,640,490	2,435,000
Transfer of land and project development costs to property, plant and equipment	21,000,000	-	21,000,000	-
Transfer of deposit for purchase of land to land and project development costs	36,064,824	185,280,000	4,720,000	13,569,000
Adjustment of provision for long-term employee benefits with the beginning balance of retained earnings	-	92,774,512	-	62,575,362
Actuarial losses	12,691,567	-	5,601,989	-

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

Quality Houses Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the year ended 31 December 2012

1. General information

Corporate information

Quality Houses Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the property development. The registered office of the Company is at 7th Floor, Q. House Lumpini Building, No. 1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 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 Quality Houses Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries"):

<u>Subsidiary companies</u>	<u>Nature of business</u>	<u>Country of incorporation</u>	<u>Percentage of shareholding</u>	
			<u>2012</u>	<u>2011</u>
			%	%
Casa Ville Co., Ltd.	Real estate development	Thailand	100	100
Q.H. International Co., Ltd.	Lease of residential building and managing of service apartment	Thailand	100	100
Property Host Co., Ltd.	Lease of land	Thailand	100	100
Centre Point Hospitality Co., Ltd.	Lease of residential building	Thailand	100	-
The Confidence Co., Ltd.*	Real estate development	Thailand	-	-

<u>Subsidiary companies</u>	<u>Nature of business</u>	<u>Country of incorporation</u>	<u>Percentage of shareholding</u>	
			<u>2012</u>	<u>2011</u>
			%	%
Q.H. Management Co., Ltd. (19% held through The Confidence Company Limited)	Managing of public utilities of real estate business and land owner	Thailand	81	81
Q.H. International (BVI) Co., Ltd.**	Holding company	British Virgin Island	-	-
Casa Ville (Rayong 2553) Co., Ltd.*	Real estate development	Thailand	-	-
Casa Ville (Petchburi 2553) Co., Ltd.*	Real estate development	Thailand	-	-
Idea Fitting Co., Ltd.*	Distribution and installation of furniture	Thailand	-	-
Gusto Village Co., Ltd.*	Real estate development	Thailand	-	-
Casa Ville (Chonburi 2554) Co., Ltd.*	Real estate development	Thailand	-	-
Casa Ville (Prachuapkhirkhan 2554) Co., Ltd.*	Real estate development	Thailand	-	-

* 100% held through Casa Ville Co., Ltd.

** 100% held through Q.H. International Co., Ltd.

- b) Subsidiaries are fully consolidated being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

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

3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
--------	--------------------

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company and its subsidiaries' brought-forward retained earnings and other components of shareholders' equity of the year 2013 by approximately Baht 297 million in total (the Company only: approximately Baht 178 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29, TFRIC 4 and TFRIC 12 are not relevant to the

business of the Company. The management believes that TFRIC 13 will not have any significant impact on the financial statements for the year when they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

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

Sales of land and houses and sales of residential condominium units are recognised as revenue when the significant risks and rewards of ownership of the goods have passed to the buyer, whereby construction works are completed and the ownerships have been transferred to buyers after all payments received from the buyers.

(b) Rental and services income

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

(c) Interest income

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

(d) Dividends

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

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

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 on the basis of the salable area and to residential condominium units sold on the basis of the salable area weighted to the selling price of the unit, and then recognised as costs in the income statement concurrently with revenue from sales.

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

4.3 Cash and cash equivalents

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

4.4 Trade accounts receivable

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

4.5 Land and construction in progress

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

- | | |
|--------------------------|--|
| Land | - Cost of land using the weighted average method, calculating it separately for each project. |
| Construction in progress | - Construction in progress consists of the cost of construction, public utility costs and interest capitalised to cost of projects by records cost of construction and public utilities based on the actual cost incurred. |

4.6 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 comprehensive income, and will be recorded in profit or loss when the securities are sold.
- c) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- d) Investments in associates are accounted for in consolidated financial statements using the equity method.
- e) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method, net of allowance for impairment loss (if any).

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 yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts is determined from their net asset value.

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

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement.

4.7 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 15 - 60 years. Depreciation of the investment properties is included in determining income.

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

4.8 Property, plant and equipment/Depreciation

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

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Buildings	-	60 years
Architectural work	-	30 years
Interior work	-	10 - 15 years
Furniture, fixtures, equipment and office equipment	-	5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided on building and equipment under development.

The cost of linen, crockery, glass, silver and kitchen utensils purchased to meet the normal requirements of the residential buildings have been regarded as a base stock and subsequent purchases are expended when incurred.

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

4.9 Leasehold rights and amortisation

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

The amortisation is included in determining income.

4.10 Borrowing costs

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

Capitalisation rates are calculated based on the weighted average of the interest expenses incurring during the year on loans for development of projects.

4.11 Related party transactions

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

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

4.12 Long-term leases

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 other long-term payables, while the interest element is charged to profit or loss over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

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 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated 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 profit or loss.

4.14 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the investment properties, property, plant and equipment, land and construction in progress, land and project development costs and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. 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 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.

4.15 Employee benefits

Short - term employee benefits

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

Post - employee benefits

Defined contribution plans

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

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats 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.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

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

4.16 Provisions

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

4.17 Income tax

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.

5. Significant accounting judgments and estimates

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

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Leases

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

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of equity investments

The Company and its subsidiaries treat available-for-sale investments and other investments as impaired when the management judgment that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

Property, plant and equipment / Depreciation

In determining depreciation of plant and equipment, the management has to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment 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 cost. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Project development costs estimation

In calculating cost of land and houses 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 revisits the estimations on a periodical basis or when the actual costs incurred significantly vary from the estimated costs.

Provision for loss arising from loan guarantees

In recording provision for loss arising from guarantees of loans to related companies, the management estimates the expenses expected to be incurred as a result of providing such guarantees based on the ability of those companies to make payment of their debts to the creditors, and records the provision according to the proportion of guarantee provided.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan 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.

Provision for public utilities maintenance

In estimating the Company's and subsidiaries' provision for public utilities maintenance, management considered historical data and/or currently available information about the costs of various types of repairment work.

Provision for guarantee of minimum rental income

In recording provision for guarantee of minimum rental income of projects, the management needs to estimate the operating results of projects based on historical data on rental income and related expenses, and other current available information, and record the amount that is expected to be paid to the Fund as provision.

Compensation for Housing Estate Juristic Persons

The Company and its subsidiaries estimate the 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.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The management has exercised judgment to assess of the results of the litigation and recorded certain provision as at the end of reporting period. However, actual results could differ from the estimates.

6. Related party transactions

- 6.1 During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2012	2011	2012	2011	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Interest income	-	-	562	417	3.9% to 4.4%, MLR and MLR minus certain rates per annum
Rental and service income	-	-	2	4	Market price
Rental and service expenses	-	-	-	1	Market price
Other service expense	-	-	28	35	Market price
Building management income	-	-	10	9	Contract value
Dividend income	-	-	-	300	As declared
Interest expense	-	-	18	17	MLR minus certain rates per annum
<u>Transactions with associated companies</u>					
Material cost	10	10	5	6	Wholesale price charged by the related company to third parties
Rental expenses	111	33	34	33	Contract value
Bank charge	-	1	-	-	Market price
Rental and service income	28	28	28	28	Market price
Gain on sales of properties and transfer of leasehold rights to building	1,184	-	1,784	-	As detailed in Note 15
Provision for loss arising from guarantee of minimum rental income or projects	76	-	111	-	As detailed in Note 15
Building management income	25	25	8	7	1% of gross property operating revenue and 2.4% of net property profit
Interest income	13	13	10	10	0.3% to 3.5% per annum
Dividend income	-	-	362	162	As declared
Other service expenses	3	35	1	16	Contract value
<u>Transactions with related parties</u>					
Lease of land and building	89	134	-	-	Contract value which compared to the amounts as estimated by independent consultant
Material cost	116	147	26	53	Market price
Other service fee	22	23	3	4	Contract value
Rental and service income	14	12	13	12	Market price
Sales of real estate	-	3	-	-	Market price
Building management income	16	4	4	-	Contract value
Other service income	60	42	59	39	Contract value
Interest expenses	-	12	-	12	2.3% to 3.9% and MLR minus certain rates per annum

As at 31 December 2012 and 2011, the balances of the accounts between the Company and those related parties are as follows:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2012	2011	2012	2011
Deposits at financial institutions (shown under cash and cash equivalents)				
Associated company				
Land and Houses Bank Plc.	937,421	762,305	469,612	409,219
Related company (Common directors)				
KASIKORNBANK Plc.	53,759	10,076	6,903	8,375
Total	<u>991,180</u>	<u>772,381</u>	<u>476,515</u>	<u>417,594</u>
Trade and other receivable - related parties				
<u>Trade accounts receivable-related parties</u>				
Subsidiary companies	-	-	131	113
Associated companies	546	17	393	-
Related companies (Common directors or common shareholders)	1,779	127	66	127
Total trade accounts receivable - related parties	<u>2,325</u>	<u>144</u>	<u>590</u>	<u>240</u>
<u>Other receivables - related parties</u>				
Other receivable:				
Subsidiary companies	-	-	21,130	3,496
Associated companies	2,456	2,874	823	1,372
Related companies (Common directors or common shareholders)	30,585	18,291	27,138	17,423
	<u>33,041</u>	<u>21,165</u>	<u>49,091</u>	<u>22,291</u>
Advance:				
Subsidiary company	-	-	1,388	1,139
Associated company	1,699	-	1,699	-
Total other receivables - related parties	<u>34,740</u>	<u>21,165</u>	<u>52,178</u>	<u>23,430</u>
Total	<u>37,065</u>	<u>21,309</u>	<u>52,768</u>	<u>23,670</u>
Deposit for rental and service (shown under other current assets)				
Associated company	<u>6,926</u>	<u>6,926</u>	<u>6,926</u>	<u>6,926</u>
Trade and other payable-related parties				
<u>Trade accounts payable-related parties</u>				
Subsidiary company	-	-	24,216	11,686
Associated company	1,373	340	1,066	249
Related companies (Common directors or common shareholders)	39,057	15,410	2,403	5,633
Total trade accounts payables - related parties	<u>40,430</u>	<u>15,750</u>	<u>27,685</u>	<u>17,568</u>

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Other payables - related parties</u>				
Subsidiary company	-	-	9,373	748
Associated company	63,218	-	63,218	-
Related companies (Common directors or common shareholders)	339	-	51	-
Total other payables - related parties	63,557	-	72,642	748
Total	103,987	15,750	100,327	18,316
Accrued expenses-related parties (shown under other current liabilities)				
Subsidiary companies	-	-	801	800
Associated company	107	107	107	107
Related companies (Common directors or common shareholders)	1,930	1,618	1,931	1,618
Total	2,037	1,725	2,839	2,525
Accrued expenses-related parties (shown under other current liabilities)				
Subsidiary companies	-	-	1,306	1,001
Associated companies	42,892	450	264	335
Related companies (Common directors or common shareholders)	16,244	23,412	294	177
Total	59,136	23,862	1,864	1,513
Rental income received in advance				
Associated company (Note 6.3)				
Current portion	27,224	27,224	27,224	27,224
Non-current portion	623,023	649,267	623,023	649,267
	650,247	676,491	650,247	676,491
Provision for liabilities arising from guarantee of minimum rental income - related company (shown under long-term provision)				
Associated company	49,166	-	49,166	-

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Interest policy
	2012	2011	2012	2011	(% p.a.)
Long-term loans to related parties					
<u>Subsidiary companies</u>					
Q.H. International (BVI) Co., Ltd.	-	-	1,425	1,364	MLR
Casa Ville Co., Ltd.	-	-	14,737,674	11,420,386	3.9%, 4.1% and 4.4%
Property Host Co., Ltd.	-	-	8,385	8,073	3.9%
<u>Related party</u>					
Harbour View Co., Ltd. (Common directors)	8,581	3,532	-	-	LIBOR + 2% and 8%
Total	8,581	3,532	14,747,484	11,429,823	
Short-term loan from related party					
<u>Subsidiary company</u>					
Q.H. International Co., Ltd.	-	-	145,311	142,793	3.9% to 4.4% and MLR - 1%
Long-term loan from related parties					
<u>Subsidiary companies</u>					
Q.H. Management Co., Ltd.	-	-	229,101	252,298	MLR - 1%, 3.9% and 4.4%,
Centre Point Hospitality Co., Ltd.	-	-	17,090	-	4.1%
Total	-	-	246,191	252,298	

During the year 2012, the movements of loans to and loans from related parties were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2011	Increase	Decrease	31 December 2012
Long-term loan to related party				
<u>Related party</u>				
Harbour View Co., Ltd.	3,532	5,168	(119)	8,581

(Unit: Thousand Baht)

	Separate financial statements		
	31 December 2011	Increase	31 December 2012
Long-term loans to related parties			
<u>Subsidiary companies</u>			
Q.H. International (BVI) Co., Ltd.	1,364	61	-
Casa Ville Co., Ltd.	11,420,386	9,651,102	(6,333,814)
Property Host Co., Ltd.	8,073	312	-
Total	11,429,823	9,651,475	(6,333,814)
Short-term loan from related party			
<u>Subsidiary company</u>			
Q.H. International Co., Ltd.	142,793	37,518	(35,000)

Long-term loan from related parties

<u>Subsidiary companies</u>			
Q.H. Management Co., Ltd.	252,298	12,615	(35,812)
Centre Point Hospitality Co., Ltd.	-	37,091	(20,001)
Total	252,298	49,706	(55,813)

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Short-term employee benefits	54	67	54	67
Post-employment benefits	2	2	2	2
Total	56	69	56	69

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related party and provision of financial support to its subsidiary, as described in Note 31.

- 6.2 The Company and its subsidiaries have the following long-term agreements with property funds in which it or its related companies hold investment units: -

		(Unit: Million Baht)	
		Contract amount	
	Counterparty	2012	2011
a) Agreement relating to the lease of building and assets - Centre Point Hotel and Residence Wireless Road	Land and Houses Property and Loan Fund-II	151	151
b) Agreement relating to the lease of building and assets - Centre Point Hotel and Residence Sukhumvit - Thonglor	Land and Houses Property and Loan Fund-II	-*	39*
c) Agreement to lease immovable properties - Ploenchit Q. House Project	Quality Houses Leasehold Property Fund	819	819
d) Agreement to sale properties - Centre Point Hotel and Residence Petchburi	Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	1,142	-
e) Agreement to sale properties - Centre Point Hotel and Residence Sukhumvit	Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	1,470	-
f) Agreement to transfer leasehold rights to building, a procurement agreement with respect the Fund's acquisition of leasehold rights to building, and agreement to sell movable properties - Centre Point Hotel and Residence Langsuan	Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	730	-

* The lease agreement was cancelled since 22 March 2012.

- 6.3 On 21 November 2006, the Company entered into an agreement to lease immovable properties of Q. House Ploenchit project to Quality Houses Leasehold Property Fund, whereby the Company agreed to lease land, building and other related equipment to the Fund and in return received 30 years' rental for the land, building, public utilities and other related equipment of the project totaling Baht 819 million. The Company recorded this rental fees as "Rental income received in advance" in the statements of financial position, and it will be recognised as income over the period of the lease contract.

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash	13,644	6,425	8,794	3,098
Bank deposits	1,636,166	1,106,897	754,331	570,342
Total	1,649,810	1,113,322	763,125	573,440

As at 31 December 2012, bank deposits in current accounts, saving accounts and fixed deposits carried interests between 0.10% and 2.85% per annum (2011: between 0.50% and 2.50% per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Trade receivables - related parties</u>				
Aged of receivables				
Up to 3 months	1,128	144	590	240
3 - 6 months	584	-	-	-
6 - 12 months	613	-	-	-
Total trade receivables - related parties	2,325	144	590	240
<u>Trade receivables - unrelated parties</u>				
Aged of receivables				
Up to 3 months	36,136	33,833	11,573	26,057
3 - 6 months	1,699	4,478	290	4,210
6 - 12 months	670	3	670	1
Over 12 months	934	1,023	361	388
Total	39,439	39,337	12,894	30,656
Less: Allowance for doubtful debts	(613)	(770)	(323)	(381)
Total trade receivables - unrelated parties, net	38,826	38,567	12,571	30,275
Total trade receivable - net	41,151	38,711	13,161	30,515
<u>Other receivables</u>				
Advance to related parties (Note 6)	1,699	-	3,087	1,139
Other receivables - related parties (Note 6)	33,041	21,165	49,091	22,291
Other receivable - unrelated parties	11,884	7,446	2,967	4,076
Total other receivables	46,624	28,611	55,145	27,506
Total trade and other receivables - net	87,775	67,322	68,306	58,021

9. Land and construction in progress

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Land	10,788,801	8,352,104	4,145,157	3,155,949
Interest cost	1,411,980	975,657	716,622	477,239
Construction under development	9,560,821	7,130,191	3,986,554	3,233,815
Total	21,761,602	16,457,952	8,848,333	6,867,003
Less: Provision for loss on diminution in value of projects	(64,439)	(31,014)	(64,439)	(26,831)
Land and construction in progress - net	21,697,163	16,426,938	8,783,894	6,840,172

10. Restricted deposits at financial institutions

These represent fixed deposits pledged with the banks to secure credit facilities.

11. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	(Unit: Thousand Baht)							
	Separate financial statements							
	Shareholdings				Dividend received			
	Paid-up capital		percentage		Cost		during the year	
	2012	2011	2012	2011	2012	2011	2012	2011
			(%)	(%)				
Casa Ville Co., Ltd.	3,000,000	3,000,000	100	100	2,999,999	2,999,999	-	300,000
Q.H. International Co., Ltd.	76,836	76,836	100	100	76,836	76,836	-	-
Property Host Co., Ltd.	5,000	5,000	100	100	5,000	5,000	-	-
Centre Point Hospitality Co., Ltd.	5,000	-	100	-	4,999	-	-	-
The Confidence Co., Ltd.*	1,000,000	1,000,000	-	-	-	-	-	-
Casa Ville (Rayong 2553) Co. Ltd.*	5,000	5,000	-	-	-	-	-	-
Casa Ville (Petchburi 2553) Co. Ltd.*	5,000	5,000	-	-	-	-	-	-
Idea Fitting Co., Ltd.*	5,000	5,000	-	-	-	-	-	-
Gusto Village Co., Ltd.*	5,000	5,000	-	-	-	-	-	-
Casa Ville (Chonburi 2554) Co., Ltd.*	5,000	5,000	-	-	-	-	-	-

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholdings percentage		Cost		Dividend received during the year	
	2012	2011	2012	2011	2012	2011	2012	2011
			(%)	(%)				
Q.H. Management Co., Ltd. (and 19% held through The Confidence Co., Ltd.)	380,000	380,000	81	81	306,193	306,193	-	-
Q.H. International (BVI) Co., Ltd.**	30,796	30,796	-	-	-	-	-	-
					3,393,027	3,388,028	-	300,000

* 100% held through Casa Ville Co., Ltd.

** 100% held through Q.H. International Co., Ltd

On 15 June 2012, the Company established Centre Point Hospitality Co., Ltd. with a registered share capital of Baht 5 million (consisting of 50,000 ordinary shares with a par value of Baht 100 each). The Company made payment for such shares on 6 August 2012.

12. Investments in associates

12.1 Details of associates:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholdings percentage		Cost		Carrying amounts based on equity method	
			2012	2011	2012	2011	2012	2011
			(%)	(%)				
Quality Houses Leasehold Property Fund ⁽¹⁾	Investment in immovable properties	Thailand	26	26	2,017,695	2,017,695	1,328,366	1,359,343
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund ⁽²⁾	Investment in immovable properties	Thailand	31	-	1,052,800	-	491,704	-

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholdings		Cost		Carrying amounts based on equity method	
			percentage					
			2012	2011	2012	2011	2012	2011
			(%)	(%)				
Home Product Center Plc.	Trading	Thailand	20	20	650,819	650,819	2,074,095	1,738,907
LH Financial Group Plc.	Holding	Thailand	22	22	2,671,032	2,671,032	3,121,008	2,961,059
(held 100% in Land and Houses Bank Plc.)	company							
					6,392,346	5,339,546	7,015,173	6,059,309

(1) Carrying amounts are based on equity method, and presented net of unrealised gains on sales of building and transfer of leasehold rights to land of Q. House Lumpini project to the Fund.

(2) Carrying amounts are based on equity method, and presented net of unrealised gain on sales of properties of Centre Point Hotel and Residence Petchburi and Centre Point Hotel and Residence Sukhumvit, and transfer of leasehold rights to building of Centre Point Hotel and Residence Langsuan, addition with unrealised expenses on providing guarantee of minimum rental income of the three Centre Point projects to the Fund.

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholdings		Cost	
			percentage			
			2012	2011	2012	2011
			(%)	(%)		
Quality Houses Leasehold Property Fund	Investment in immovable properties	Thailand	26	26	2,017,695	2,017,695
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	Investment in immovable properties	Thailand	31	-	1,052,800	-
Home Product Center Plc.	Trading	Thailand	20	20	650,819	650,819
LH Financial Group Plc.	Holding	Thailand	22	22	2,671,032	2,671,032
(held 100% in Land and Houses Bank Plc.)	company					
					6,392,346	5,339,546

12.2 Share of profit/loss and dividend received

During the year, the Company has recognised its share of profit/loss from investments in associate companies in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associates during the year		Dividend received during the year	
	2012	2011	2012	2011
Quality Houses Leasehold Property Fund	121,650	118,846	152,628	128,638
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	4,694	-	-	-
Home Product Center Plc.	530,398	400,512	199,915	32,952
LH Financial Group Plc.	147,308	119,252	9,444	-
Total	804,050	638,610	361,987	161,590

12.3 Fair value of investments in listed associates

In respect of investments in associated companies that are listed companies on the Stock Exchange of Thailand, their fair values are as follows:

(Unit: Million Baht)

Company's name	Fair values as at 31 December	
	2012	2011
Quality Houses Leasehold Property Fund	2,331	1,697
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	1,105	-
Home Product Center Plc.	17,551	12,769
LH Financial Group Plc.	3,587	3,548
Total	24,574	18,014

12.4 Summarised financial information of associates

Financial information of the associated companies is summarised below:

Company's name	(Unit: Million Baht)									
	Paid-up capital		Total assets		Total liabilities		Total revenues		Net income	
	as at		as at		as at		for the year ended		for the year ended	
	31 December		31 December		31 December		31 December		31 December	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Quality Houses										
Leasehold										
Property Fund	7,863	7,863	8,882	8,944	296	286	959	919	524	542
Quality Houses Hotel and										
Residence Freehold and										
Leasehold Property Fund	3,360	-	3,483	-	4	-	140	-	119	-
Home Product Center Plc.	7,041	5,837	25,801	20,650	15,941	12,529	36,969	30,502	2,679	2,005
LH Financial Group Plc.	11,979	11,472	122,427	81,245	108,260	67,933	5,252	3,545	683	496

Quality Houses Hotel and Residence Freehold and Leasehold Property Fund

On 18 July 2012, the Company invested in 105.28 million units of Quality Houses Hotel and Residence Freehold and Leasehold Property Fund at par value of Baht 10 each, amounting to Baht 1,053 million, representing 31.33% of the registered units of the Fund.

Home Product Center Plc.

During the current year, the warrant holders of Home Product Center Plc. converted 10 million warrants to 32 million ordinary shares. The Company's shareholding in Home Product Center Plc. remained at approximately 20%.

On 5 October 2012, the Extraordinary General Meeting of the shareholders of Home Product Center Plc. passed a resolution to approve payment of dividend to its shareholders, comprising a stock dividend at a rate of 1 dividend shares for every 5 existing shares, or equivalent to Baht 0.20 per share, and payment of a cash dividend of Baht 0.022223 per share. The Company received 232 million shares of stock dividend and Baht 26 million of cash dividend in October 2012.

LH Financial Group Plc.

On 23 April 2012, the Annual General Meeting of the shareholders of LH Financial Group Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 30 existing shares, or equivalent to Baht 0.0333 per share, and a cash dividend of Baht 0.0037 per share. The Company received stock dividend 85 million shares and cash dividend Baht 9 million on 17 May 2012.

During the current year, the warrant holders of LH Financial Group Plc. converted 120 million warrants to 124 million ordinary shares. The Company's shareholding in LH financial Group Plc. remained 22%.

13. Other long-term investments

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2012	2011	2012	2011
Investments in marketable equity securities	2	2	2	2
Investment in other company				
<u>Held by Q.H. International (BVI) Co., Ltd.</u>				
Harbour View Co., Ltd. (Registered in Vietnam)	32,599	32,599	-	-
Less: Allowance for impairment of investment	(32,599)	(32,599)	-	-
Investment in other company - net	-	-	-	-
Total other long-term investment	2	2	2	2

As discussed in Note 31.7, the Company has an outstanding obligation in respect of loan guarantees provided on behalf of Harbour View Co., Ltd., equal to 50% of that company's obligations to its bank. For prudent reasons, the Company has set aside a provision of Baht 61 million for losses arising from the guarantees and believes that such provision should be appropriated under current situation.

14. Investment properties

The net book value of investment properties as at 31 December 2012 and 2011 is presented below.

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	2012	2011
Office building for rent		
Cost	888,957	888,957
Less: Accumulated depreciation	(259,287)	(238,281)
Less: Allowance for diminution in value	(100,305)	(106,384)
Net book value	529,365	544,292

A reconciliation of the net book value of investment properties for the years 2012 and 2011 is presented below.

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
Net book value at beginning of 1 January 2011		559,219
Depreciation charged		(21,006)
Depreciation adjustment		6,079
Net book value at beginning of 31 December 2011		544,292
Depreciation charged		(21,006)
Depreciation adjustment		6,079
Net book value at end of 31 December 2012		529,365

As at 31 December 2012, the net book value of rental income received in advance from lessee amounting to Baht 650 million (2011: Baht 676 million), and the fair value of investment properties as determined based on valuations performed by an accredited independent valuer was Baht 839 million (2011: Baht 860 million), which has been determined using the income approach. The main assumptions used in the valuation are yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates which has been determined based on rental information of tenants of building of Quality Houses Leasehold Property Fund that leased the building from the Company.

15. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Land and improvement	Leasehold improvement	Buildings	Office equipment	Operating supplies	Furniture and fixtures	Operating equipment	Vehicles and others	Building and equipment under development	Total
<u>Cost</u>										
1 January 2011	574,974	271,187	1,209,069	226,232	25,572	626,806	197,747	179,065	1,939	3,312,591
Transfer in (out)	-	-	1,961	2,061	-	1,836	12,300	-	(18,158)	-
Transfer to land and project development costs	-	-	(2,435)	-	-	-	-	-	-	(2,435)
Purchase	-	3,653	2,918	21,599	7,140	9,617	1,084	35,435	22,514	103,960
Disposal	-	(722)	(20)	(9,440)	(2,288)	(21,791)	(18,265)	(10,351)	-	(62,877)
31 December 2011	574,974	274,118	1,211,493	240,452	30,424	616,468	192,866	204,149	6,295	3,351,239
Transfer in (out)	-	-	4,576	-	-	-	965	454	(5,995)	-
Transfers from land and project development costs	27,053	-	-	-	-	-	-	-	-	27,053
Transfer to land and project development costs	(85,926)	-	-	-	-	-	-	-	(2,715)	(88,641)
Purchase	-	1,555	1,836	13,995	1,130	5,541	2,342	20,302	3,207	49,908
Disposal	(153,205)	(216,554)	(1,063,985)	(52,836)	(18,201)	(423,411)	(132,606)	(35,192)	(526)	(2,096,516)
31 December 2012	362,896	59,119	153,920	201,611	13,353	198,598	63,567	189,713	266	1,243,043
<u>Accumulated depreciation</u>										
1 January 2011	2,587	114,135	656,512	189,545	-	495,057	168,747	148,947	-	1,775,530
Depreciation for the year	492	9,880	18,717	14,207	-	36,216	10,145	12,712	-	102,369
Depreciation for disposal	-	(208)	(13)	(9,246)	-	(21,594)	(18,140)	(9,193)	-	(58,394)
31 December 2011	3,079	123,807	675,216	194,506	-	509,679	160,752	152,466	-	1,819,505
Depreciation for the year	492	7,109	11,724	14,931	-	25,327	7,294	16,653	-	83,530
Depreciation for disposal	-	(95,935)	(610,287)	(49,355)	-	(369,066)	(112,800)	(32,101)	-	(1,269,544)
31 December 2012	3,571	34,981	76,653	160,082	-	165,940	55,246	137,018	-	633,491
<u>Allowance for impairment</u>										
1 January 2011	97,820	-	-	-	-	-	-	-	-	97,820
31 December 2011	97,820	-	-	-	-	-	-	-	-	97,820
Transfer from land and project development costs	6,053	-	-	-	-	-	-	-	-	6,053
31 December 2012	103,873	-	-	-	-	-	-	-	-	103,873

(Unit: Thousand Baht)

Consolidated financial statements

	Land and improvement	Leasehold improvement	Buildings	Office equipment	Operating supplies	Furniture and fixtures	Operating equipment	Vehicles and others	Building and equipment under development	Total
<u>Net book value</u>										
1 January 2011	474,567	157,052	552,557	36,687	25,572	131,749	29,000	30,118	1,939	1,439,241
31 December 2011	474,075	150,311	536,277	45,946	30,424	106,789	32,114	51,683	6,295	1,433,914
31 December 2012	255,452	24,138	77,267	41,529	13,353	32,658	8,321	52,695	266	505,679
Depreciation for the year										
2011 (Baht 71 million included in cost of rental and services, and the balance in administrative expenses)										102,369
2012 (Baht 49 million included in cost of rental and services, and the balance in administrative expenses)										83,530

(Unit: Thousand Baht)

Separate financial statements

	Land and land improvement	Leasehold improvement	Buildings	Office equipment	Operating supplies	Furniture and fixtures	Operating equipment	Vehicles and others	Building and equipment under development	Total
<u>Cost</u>										
1 January 2011	574,910	268,866	1,208,863	212,638	21,478	623,378	194,277	153,144	1,939	3,259,493
Transfer in (out)	-	-	1,961	2,061	-	1,836	12,301	-	(18,159)	-
Transfer to land and project development costs	-	-	(2,435)	-	-	-	-	-	-	(2,435)
Purchase	-	2,484	1,592	15,120	5,637	8,260	531	7,707	20,779	62,110
Disposal	-	(165)	(20)	(9,112)	(2,253)	(21,786)	(17,884)	(10,021)	-	(61,241)
31 December 2011	574,910	271,185	1,209,961	220,707	24,862	611,688	189,225	150,830	4,559	3,257,927
Transfer in (out)	-	-	2,841	-	-	-	965	454	(4,260)	-
Transfers from land and project development costs	27,053	-	-	-	-	-	-	-	-	27,053
Transfer to land and project development costs	(85,026)	-	-	-	-	-	-	-	(2,715)	(88,641)
Purchase	-	1,554	1,836	6,313	950	2,415	2,017	9,066	3,207	27,358
Disposal	(153,205)	(216,553)	(1,063,985)	(52,145)	(17,335)	(421,569)	(132,606)	(34,592)	(526)	(2,092,516)
31 December 2012	362,832	56,186	150,653	174,875	8,477	192,534	59,601	125,758	265	1,131,181
<u>Accumulated depreciation</u>										
1 January 2011	2,543	113,774	656,491	183,305	-	493,933	165,949	132,103	-	1,748,098
Depreciation for the year	485	9,757	18,699	11,502	-	35,489	9,852	8,059	-	93,843

(Unit: Thousand Baht)

Separate financial statements

	Land and land improvement	Leasehold improvement	Buildings	Office equipment	Operating supplies	Furniture and fixtures	Operating equipment	Vehicles and others	Building and equipment under development	Total
Depreciation for disposal	-	(102)	(13)	(8,982)	-	(21,589)	(17,759)	(8,884)	-	(57,329)
31 December 2011	3,028	123,429	675,177	185,825	-	507,833	158,042	131,278	-	1,784,612
Depreciation for the year	485	6,962	11,562	11,144	-	24,733	6,963	7,607	-	69,456
Depreciation for disposal	-	(95,935)	(610,287)	(48,755)	-	(368,131)	(112,800)	(31,603)	-	(1,267,511)
31 December 2012	3,513	34,456	76,452	148,214	-	164,435	52,205	107,282	-	586,557
<u>Allowance for impairment</u>										
1 January 2011	97,820	-	-	-	-	-	-	-	-	97,820
31 December 2011	97,820	-	-	-	-	-	-	-	-	97,820
Transfer from land and project development cost	6,053	-	-	-	-	-	-	-	-	6,053
31 December 2012	103,873	-	-	-	-	-	-	-	-	103,873
<u>Net book value</u>										
1 January 2011	474,547	155,092	552,372	29,333	21,478	129,445	28,328	21,041	1,939	1,413,575
31 December 2011	474,062	147,756	534,784	34,882	24,862	103,855	31,183	19,552	4,559	1,375,495
31 December 2012	255,446	21,730	74,201	26,661	8,477	28,099	7,396	18,476	265	440,751

Depreciation for the year

2011 (Baht 71 million included in cost of rental and services, and the balance in administrative expenses)	93,843
2012 (Baht 49 million included in cost of rental and services, and the balance in administrative expenses)	69,456

On 19 July 2012, the Company entered into agreements to purchase and to sell, whereby it agreed to sell the land, buildings, related systems, furniture and equipment of Centre Point Hotel and Residence Petchburi Project and Centre Point Hotel and Residence Sukhumvit Project to Quality Houses Hotel and Residence Freehold and Leasehold Property Fund ("the Fund"), for total considerations of Baht 1,142 million and Baht 1,470 million, respectively (including value added tax). The Company registered the transfer of the ownership of the properties to the Fund on 20 July 2012.

In addition, the Company entered into an agreement to transfer the leasehold rights to the building of Centre Point Hotel and Residence Langsuan Project to the Fund, a procurement agreement enabling the Fund's acquisition of leasehold rights to that building, and an agreement to sell movable properties of the project to the Fund, whereby it is to receive a total consideration of Baht 730 million (including value added tax). On 20 July 2012, the Fund entered into a lease agreement for the building with the original lessor for a period of 3 years, 10 months and 12 days, and two further periods of 5 years each, based on rental rates and conditions for adjustment of rental rates in accordance with the agreement. The Company entered into an agreement to guarantee the performance of the Fund in accordance with the lease agreement throughout the lease period.

On 19 July 2012, Centre Point Hospitality Co., Ltd. (a subsidiary) entered into an agreement with the Fund to lease and sublease the assets of the three Centre Point Projects, for a period of three years as from the date on which the Fund assumes ownership and possession of the leased properties. The subsidiary provided assurance that if the Fund wishes and calls for the subsidiary to continue the lease and sublease of the properties after the expiration of the lease period, the subsidiary would continue leasing them for another 3 years. The agreements to lease and sublease can be extended for further periods of 3 years each time, counting from their expiry dates, with a fixed rental fee and variable rental fee in accordance with the conditions stipulated in the agreement.

The Company had gains on the sale of properties and transfer of the leasehold rights to the buildings of the three Centre Point Projects totaling Baht 1,784 million (net of related selling expenses). The Company recognised this transaction in profit or loss for the current year.

Furthermore, the Company entered into an agreement to guarantee the minimum rental income that the Fund will receive from Centre Point Hospitality Co., Ltd. with respect to the three Centre Point Projects, which over the period of 3 years totals Baht 836 million.

The Company has estimated provision for loss from the minimum rental income guarantee at the present value of the cash flows which it expects to pay to the Fund, a total of Baht 111 million, and recorded it as an expense in profit or loss for the current year.

As discussed in Note 12, the Company has acquired 31.33% of the registered units of Quality Houses Hotel and Residence Freehold and Leasehold Property Fund. The Company treated Baht 601 million of its gains on sales of properties and transfers of leasehold rights to buildings to the Fund as unrealised gains, in proportion to its investment in the Fund. This was presented as a deduction item in the investments in associated company account in the consolidated statements of financial position. In addition, the Company treated Baht 35 million of the expense of providing a minimum rental income guarantee with respect to the projects as unrealised expenses, in proportion to its investment in the Fund. This was included in the investments in associated company account in the consolidated statements of financial position.

During the current year, the Company hired an independent valuer to appraise the fair value of all of the Company's office building and serviced apartment projects, using the income approach for its active projects and the market approach and/or cost approach for non-active projects and projects under development but not yet generating income. The fair values of those assets as appraised by the independent appraiser exceeded their net book value.

As at 31 December 2012, certain plant 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 amounted to approximately Baht 337 million (2011: Baht 655 million) (the Company only: Baht 317 million, 2011: Baht 639 million).

The Company has mortgaged certain plots of land and structures thereon as collateral for credit facilities granted by financial institutions.

16. Leasehold rights

(Unit: Thousand Baht)

Projects	Consolidated and separate financial statements	
	2012	2011
Q. House Convent	348,395	347,216
Q. House Sathorn	502,063	499,729
Q. House Asoke	650,210	645,324
Centre Point Bangrak	1,018,340	1,013,489
Centre Point Langsuan	-	832,657
Total	2,519,008	3,338,415
Less: Accumulated amortisation	(1,590,907)	(1,826,050)
Leasehold rights - net	928,101	1,512,365
Amortisation of leasehold rights for the year	111,745	115,341

Baht 112 million of the amortisation of leasehold rights for the year 2012 (2011: Baht 115 million) has been charged to cost of rental and related services.

In July 2012, the Company proceeded with the transfer of leasehold rights of Centre Point Hotel and Residence Langsuan Project to Quality Houses Hotel and Residence Freehold and Leasehold Property Fund, as detailed in Note 15.

The Company has mortgaged its leasehold rights with structures thereon with a total net book value as at 31 December 2012 of Baht 445 million (2011: Baht 987 million) as collateral credit facilities granted by financial institutions.

17. Land and project development costs

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Land	6,780,424	8,686,183	1,822,476	3,010,595
Interest cost	415,875	521,430	292,372	443,931
Construction under development	957,127	1,067,932	204,575	678,342
Total	8,153,426	10,275,545	2,319,423	4,132,868
Less: Provision for loss on diminution in value of projects	(237,973)	(244,026)	(237,973)	(244,026)
Land and project development costs - net	7,915,453	10,031,519	2,081,450	3,888,842

During the current year, the Company hired an independent valuer to appraise the fair value of the Company and its subsidiaries' land and project development costs, using the market approach and/or cost approach. The fair

values of the land and project development costs appraised by the independent appraiser exceeded their net book values.

During the current year, the Company and its subsidiaries included borrowing costs of Baht 70 million (the Company only: Baht 7 million) (2011: Baht 86 million, the Company only: Baht 44 million) as cost of “Land and project development costs”. These were determined by applying a capitalisation rate of 3.1% (the Company only: 1.1% (2011: 2.8%, the Company only: 1.1%).

Movements in the provision for loss on diminution in value of projects during the year ended 31 December 2012 are summarised below.

	(Unit: Thousand Baht) Consolidated and Separate financial statements
Balance as at 1 January 2012	244,026
Less: Transfer of provision to property, plant and equipment	(6,053)
Balance as at 31 December 2012	237,973

During the current year, the Company has transferred a Baht 6 million provision for loss on diminution in value of projects to property, plant and equipment because it had its development plans for the project from a residential condominium for sale project, to a residential condominium units for rent project.

The Company and its subsidiaries have mortgaged certain plots of land and structures thereon as collateral for credit facilities granted by banks both short and long loans.

18. Short-term loans from financial institutions/Short-term loans

			(Unit: Thousand Baht) Consolidated and Separate financial statements	
	Interest rate	Repayment condition	2012	2011
<u>Short-term loans from financial institutions</u>				
Promissory notes	3.63% - 3.85%	Repayment per schedule in 2013	700,000	-
<u>Short-term loans</u>				
Bills of exchange	2.92% - 3.88%	Repayment per schedule in 2013	4,590,000	3,708,000
Less: Prepaid interest			(18,139)	(24,868)
Net			4,571,861	3,683,132

19. Trade and other payables

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade payables - related parties (Note 6)	40,430	15,750	27,685	17,568
Trade payables - unrelated parties	523,566	400,141	172,133	163,469
Other payable - related parties (Note 6)	63,557	-	72,642	748
Other payable - unrelated parties	34,800	12,659	27,648	8,072
Accrued interest	142,475	117,368	142,429	117,144
Total trade and other payables	<u>804,828</u>	<u>545,918</u>	<u>442,537</u>	<u>307,001</u>

20. Long-term loans

			Consolidated financial statements		Separate financial statements	
			2012	2011	2012	2011
- The security is under development and will generate income	Interest rate MLR minus certain rates	Repayment schedule Repayment when there is the transfer of ownership of real estate to project customers	1	732,001	-	-
- The security has not been developed yet or is under development but not yet generating income	MLR minus certain rates	Repayment when there is the transfer of ownership of real estate to project customers	80,000	285,000	-	-
Total			<u>80,001</u>	<u>1,017,001</u>	<u>-</u>	<u>-</u>
Less: Current portion			<u>(80,001)</u>	<u>(294,353)</u>	<u>-</u>	<u>-</u>
Long-term loans - net of current portion			<u>-</u>	<u>722,648</u>	<u>-</u>	<u>-</u>

Movements in the long-term loans account during the year ended 31 December 2012 are summarised below.

	Consolidated financial statements		Separate financial statements	
Balance as at 1 January 2012	1,017,001		-	
Add: Additional borrowings during the year	1,257,594		864,500	
Less: Repayment during the year	<u>(2,194,594)</u>		<u>(864,500)</u>	
Balance as at 31 December 2012	<u>80,001</u>		<u>-</u>	

Most of the loan agreements include covenants and restrictions. These pertain to, among other things, dividend payment, increases and reductions of share capital, the provision of guarantees to loans or aval to promissory notes of any other persons or companies, conducting any merger or acquisition with other companies, and the maintenance of certain financial ratios. Any actions performed by the Company and its subsidiaries which are not in compliance with these covenants and restrictions are to be reported to the lenders in writing to request the lenders consent.

In addition, the Company agreed to provide assurances to the lenders of a subsidiaries company, whereby there are certain covenants pertaining to, among other things, the maintenance of its level of shareholding in the subsidiaries, the provision of financial support to the subsidiaries if its lacks capital for development of its projects, the deferral of the application of any rights to demand payment of loans from the subsidiaries or the enforcement of rights over collateral, for as long as the subsidiaries has not made full repayment of credit facilities to the banks.

The Company and its subsidiaries have mortgaged certain plots of land, leasehold rights, and related buildings thereon, to secure these loans, in accordance with the loan agreements.

As at 31 December 2012, the long-term loan facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 7,514 million (2011: Baht 3,245 million).

21. Unsecured debentures

				Consolidated and separate financial statements			
				Number of		Amount	
				debentures (Units)		(Thousand Baht)	
Type of debenture	Interest rate	Age	Maturity date	2012	2011	2012	2011
Unsubordinated and unsecured debentures							
- No. 1/2008							
- Tranche II	Years 1-3: Fixed rate of 4.25% p.a. Year 4: Fixed rate of 4.70% p.a.	4 years	14 March 2012	-	600,000	-	600,000
- No. 1/2009	Fixed rate 5.30% p.a.	3 years	19 March 2012	-	1,300,000	-	1,300,000
- No. 2/2009	Fixed rate 4.55% p.a.	3 years	24 July 2012	-	2,500,000	-	2,500,000
- No. 1/2010							
- Tranche I	Fixed rate of 3.45% p.a.	3 years	17 May 2013	1,000,000	1,000,000	1,000,000	1,000,000
- Tranche II	Fixed rate of 3.45% p.a.	3 years	3 June 2013	1,000,000	1,000,000	1,000,000	1,000,000
- No. 2/2010	Fixed rate of 3.65% p.a.	5 years	9 July 2015	2,500,000	2,500,000	2,500,000	2,500,000
- No. 3/2010	Fixed rate of 3.65% p.a.	5 years	9 July 2015	500,000	500,000	500,000	500,000
- No. 4/2010	Fixed rate of 3.36% p.a.	3 years	11 April 2014	2,000,000	2,000,000	2,000,000	2,000,000
		6 months					
- No. 1/2011	Fixed rate of 3.90% p.a.	3 years	10 March 2014	2,000,000	2,000,000	2,000,000	2,000,000
- No. 2/2011							
- Tranche I	Years 1-2: Fixed rate of 4.70% p.a. Remaining 1.5 years: Fixed rate of 5.00% p.a.	3 years 6 months	25 February 2015	1,600,000	1,600,000	1,600,000	1,600,000
- Tranche II	Years 1-3: Fixed rate of 5.00% p.a. Years 4-5:	5 years	25 August 2016	1,400,000	1,400,000	1,400,000	1,400,000

Type of debenture	Interest rate	Age	Maturity date	Number of debentures (Units)		Amount (Thousand Baht)	
				2012	2011	2012	2011
	Fixed rate of 5.30% p.a.						
- No. 3/2011	Fixed rate of 3.90% p.a.	1 year	23 December 2012	-	1,300,000	-	1,300,000
- No. 1/2012	Fixed rate of 4.59% p.a.	4 years	27 April 2016	2,212,000	-	2,212,000	-
- No. 2/2012							
- Tranche I	Fixed rate of 4.16% p.a.	3 years	23 February 2016	800,000	-	800,000	-
		6 months					
- Tranche II	Fixed rate of 4.55% p.a.	5 years	23 August 2017	2,000,000	-	2,000,000	-
Total				17,012,000	17,700,000	17,012,000	17,700,000
Less: Current portion of debentures						(2,000,000)	(5,700,000)
Unsecured debentures - net of current portion						15,012,000	12,000,000

Movements in debentures accounts during the year ended 31 December 2012 are summarised below.

	(Unit: Thousand Baht)
	Consolidated and separate financial statements
Balance as at 1 January 2012	17,700,000
Add: Issuance of debentures during the year	5,012,000
Less: Redemption of debentures during the year	(5,700,000)
Balance as at 31 December 2012	17,012,000

All of unsecured debentures include covenants and restrictions. These pertain to, among other things, dividend payment and the maintenance of certain financial ratios.

On 20 April 2012, the Annual General Meeting of the Company's shareholders approved the issuance and offer of debentures in an amount of Baht 10,000 million or the equivalent in any other currency, with a maximum term of 10 years, further to the previous debentures of Baht 10,000 million which was approved by the Annual General Meeting of Shareholders No. 1/2011. The total issue is thus not exceed Baht 20,000 million. The debentures may be issued in one or several tranches and/or offered for sales as a program, from time to time or as revolving issue, by way of public offering and/or private placement and/or institutional investors/major investors. During the year, the Company issued debenture No. 1/2012 and 2/2012 amounting to Baht 2,212 million and Baht 2,800 million, respectively.

22. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Defined benefit obligation at beginning of year	77,172	68,289	70,263	62,575
Current service cost	15,457	6,294	5,687	5,368
Interest cost	3,627	3,210	3,303	2,941
Benefits paid during the year	(471)	(621)	(471)	(621)
Actuarial loss	12,692	-	5,602	-
Defined benefit obligation at end of year	108,477	77,172	84,384	70,263

Long-term employee benefit expenses included in the profit or loss was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Current service cost	15,457	6,294	5,687	5,368
Interest cost	3,627	3,210	3,303	2,941
Total expense recognised in profit or loss	19,084	9,504	8,990	8,309

Line items under which such expenses
are included in profit or loss

Selling and administrative expenses	19,084	9,504	8,990	8,309
-------------------------------------	--------	-------	-------	-------

Total actuarial losses recognised in the other comprehensive income of the Company and its subsidiaries as at 31 December 2012 amounted to Baht 13 million (2011: Baht 6 million).

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated and separate financial statements	
	2012	2011
	(% per annum)	(% per annum)
Discount rate	3.7%	4.7%
Future salary increase rate (depending on age)	6.0% - 10.0%	6.0% - 10.0%
Staff turnover rate	0% - 12.5%	0% - 12.5%

Amounts of defined benefit obligation for the current and previous three years are as follows:

(Unit: Thousand Baht)

	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial Statements
Year 2012	108,477	84,384	5,304	8,413
Year 2011	77,172	70,262	-	-
Year 2010	68,289	62,575	-	-
Year 2009	59,558	54,928	-	-

23. Provisions

(Unit: Thousand Baht)

	Consolidated financial statements							
	Short-term provisions				Long-term provisions			
	Compensation for Provision for public utility maintenance	Housing Estate Juristic Persons	Provision for repairment of houses after floods	Total	Guarantee of minimum rental income Loan guarantee	(Note 15)	Litigation	Total
As at 1 January 2011	84,859	68,266	-	153,125	61,000	-	3,602	64,602
Increase during the year	27,044	17,349	29,476	73,869	-	-	15,444	15,444
Utilised	(7,689)	(18,028)	-	(25,717)	-	-	-	-
At 31 December 2011	104,214	67,587	29,476	201,277	61,000	-	19,046	80,046
Increase during the year	30,486	19,084	-	49,570	-	49,166	19,145	68,311
Utilised	(26,362)	(12,968)	(29,476)	(68,806)	-	-	(2,212)	(2,212)
At 31 December 2012	108,338	73,703	-	182,041	61,000	49,166	35,979	146,145

(Unit: Thousand Baht)

	Separate financial statements							
	Short-term provisions				Long-term provisions			
	Provision for public utility maintenance	Compensation for Housing Estate Juristic Persons	Provision for repairment of houses after floods	Total	Loan guarantee	Guarantee of minimum rental income (Note 15)	Litigation	Total
As at 1 January 2011	55,040	45,034	-	100,074	61,000	-	3,602	64,602
Increase during the year	12,412	7,766	13,693	33,871	-	-	15,444	15,444
Utilised	(4,873)	(13,976)	-	(18,849)	-	-	-	-
At 31 December 2011	62,579	38,824	13,693	115,096	61,000	-	19,046	80,046
Increase during the year	9,433	5,619	-	15,052	-	49,166	19,145	68,311
Utilised	(17,158)	(6,001)	(13,693)	(36,852)	-	-	(2,212)	(2,212)
At 31 December 2012	54,854	38,442	-	93,296	61,000	49,166	35,979	146,145

During the year 2011, the Company and its subsidiaries recognised provision for repairment under warranty claims for customers' houses as a result of the floods in October and November 2011. In calculating this provision the Company and its subsidiaries took into account the number of houses damaged by the floods and currently available information about the cost of various types of repairment work.

24. Share capital

On 20 April 2012, the Annual General Meeting of the Company's shareholders passed the resolutions with respect to the Company's share capital, as follows:

1) Dividend payment

Approved the payment of a stock dividend of not more than 706,444,977 ordinary shares at a par value of Baht 1 each, a total value of Baht 706.5 million, to the Company's shareholders, at a rate of 1 dividend share for every 12 existing shares, or equivalent to Baht 0.08333 per share; and approved the payment of a cash dividend of Baht 0.00926 per share, or a total of not more than Baht 78.5 million. The total dividend is thus Baht 0.09259 per share, or a total of not more than Baht 785 million, and it is to be paid within 18 May 2012.

2) Decrease of registered capital

Approved the decrease of the registered capital of the Company from Baht 8,883 million to Baht 8,477 million by cancelling the 406 million registered ordinary shares with a par value of Baht 1 each remaining from the exercise of warrants to purchase ordinary shares of the Company.

3) Increase of registered capital

Approved the increase of the registered capital of the Company from Baht 8,477 million to Baht 9,184 million by issuing an additional 707 million ordinary shares with a par value of Baht 1 each, to support the payment of a stock dividend.

The Company registered the change of its share capital with the Ministry of Commerce on 18 May 2012.

Reconciliation of number of ordinary shares

	(Unit: Shares)	
	For the year ended 31 December	
	2012	2011
<u>Registered share capital</u>		
Number of ordinary shares as at 1 January	8,883,558,370	8,883,558,370
Decrease in share capital during the year	(406,218,655)	-
Increase in share capital during the year	706,444,977	-
Number of ordinary shares as at 31 December	<u>9,183,784,692</u>	<u>8,883,558,370</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares as at 1 January	8,477,339,715	8,477,339,715
Increase in share capital during the year	<u>706,427,838</u>	<u>-</u>
Number of ordinary shares as at 31 December	<u>9,183,767,553</u>	<u>8,477,339,715</u>

25. Statutory reserve

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

26. Expenses by nature

Significant expenses by nature are as follow:

	Consolidated financial		(Unit: Thousand Baht)	
	statements		Separate financial	
	2012	2011	2012	2011
Purchase of land and payment of construction during the year	11,461,281	11,771,292	2,764,802	3,424,400
Changes in land and construction in progress	(5,098,393)	(5,567,881)	(1,943,722)	(838,477)
Changes in land and project development costs	1,946,679	113,364	1,807,392	392,595
Salary and wages and other employee benefits	676,240	594,240	431,190	437,303
Depreciation	104,537	123,377	90,465	114,849
Amortisation expenses	111,745	115,341	111,745	115,341
Rental expenses from operating lease agreements	251,542	217,273	64,797	64,959
Expenses of pre-flood protection and post-flood repairment of houses	25,884	144,780	12,158	80,638

27. 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. The number of ordinary shares of the prior year used for the calculation, as presented for comparative purposes, has been adjusted in proportion to the change in the number of shares as a result of the distribution of the stock dividends of 706 million shares on 18 May 2012, as if the shares comprising such stock dividends had been issued at the beginning of the earliest year reported.

	For the year ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	(Restated)		(Restated)	
Profit for the year (Thousand Baht)	2,385,669	852,920	1,713,181	485,746
Weighted average number of ordinary shares (Thousand shares)	9,183,768	9,183,768	9,183,768	9,183,768
Earnings per share (Baht/share)	0.26	0.09	0.19	0.05

28. Segment information

The Company and its subsidiaries' main business is a real estate developer, which consist of land and house projects, residential condominium projects, service apartment for rent, and office building for rent. The Company and its subsidiaries have only one geographical segment because they operate only in Thailand.

The Company and its subsidiaries' financial information by segment of real estate business and rental and service business in the consolidated financial statements as of and for the years ended 31 December 2012 and 2011 are as follows:

(Unit: Million Baht)

	Real estate		Rental and		Others		Total		Elimination of inter- segment revenues		Consolidation	
	business		business									
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues from external customers	11,984	8,814	1,092	1,035	140	94	13,216	9,943		-	13,216	9,943
Inter-segment revenues	-	-	21	10	46	47	67	57	(67)	(57)	-	-
Total revenues	11,984	8,814	1,113	1,045	186	141	13,283	10,000	(67)	(57)	13,216	9,943
Segment income	1,473	544	134	145	140	94	1,747	783	-	-	1,747	783
Unallocated income												
(expenses):												
Interest income											9	4
Gain on sales of investments											-	3
Gain on sales of properties and transfer of leasehold rights to buildings											1,184	-
Gain on changes in shareholders' equity of associated company											-	82
Selling expenses											(10)	(5)
Administrative expenses											(212)	(186)
Provision for loss arising from guarantee of minimum rental income of projects											(77)	-
Share of profit from Investments in associates											804	639
Finance cost											(269)	(285)
Income tax expenses											(790)	(182)
Profit for the year											2,386	853
Land and construction												

(Unit: Million Baht)

	Real estate business		Rental and service business		Others		Total		Elimination of inter-segment revenues		Consolidation	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Land and construction												
in progress	21,707	16,442	-	-	-	-	21,707	16,442	(10)	(15)	21,697	16,427
Investment properties	-	-	529	544	-	-	529	544	-	-	529	544
Property, plant and equipment	89	223	397	1,189	20	22	506	1,434	-	-	506	1,434
Land and project development												
costs	7,947	10,064	-	-	-	-	7,947	10,064	(32)	(32)	7,915	10,032
Leasehold rights	-	-	928	1,512	-	-	928	1,512	-	-	928	1,512
Unallocated assets											9,990	8,017
Total assets											41,565	37,966

Transfer prices between business segment are set out in Note 6.

29. Provident fund

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees, and the Company and subsidiaries contributed to the fund monthly at the rates of 3 - 6% of basic salary. The fund, which is managed by Land and House Fund Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2012, the Company and its subsidiaries contributed Baht 17 million to the fund (the Company only: Baht 12 million) (2011: Baht 16 million, the Company only: Baht 12 million).

30. Dividend

Dividends declared in 2012 and 2011 consist of the following: -

	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
Dividend from the operating results of the year 2010	Annual General Meeting of the shareholders on 22 April 2011	1,017,197	0.12000	20 May 2011
Stock dividend from the operating results of the year 2011	Annual General Meeting of the shareholders on 20 April 2012	706,428	0.08333	18 May 2012
Dividend from the operating results of the year 2011	Annual General Meeting of the shareholders on 20 April 2012	78,476	0.00926	18 May 2012

31. Commitments and contingent liabilities

As at 31 December 2012 and 2011, the Company and its subsidiaries have the following outstanding commitments and contingent liabilities:

- 31.1 The Company and its subsidiaries have the following outstanding commitments in respect of agreements to purchase of land and construction of projects: -

	(Unit: Million Baht)	
	2012	2011
Construction contracts	6,033	4,112
Agreements to purchase land for development of future projects	114	336

- 31.2 The Company and its subsidiaries have entered into several lease agreements to lease land and buildings, for terms of approximately 30 years, and to lease motor vehicles and equipment, with terms of generally between 1 and 3 years.

As at 31 December 2012 and 2011, future minimum lease payments required under those operating leases contracts were as follows.

	(Unit: Million Baht)	
	2012	2011
Payable:		
in up to 1 year	19	22
in over 1 and up to 5 years	62	76
in over 5 years	65	133

- 31.3 A subsidiary has entered into lease agreements to lease buildings and related assets from Land and Houses Property and Loan Fund-II (related company), with terms of 1 - 3 years. The subsidiary is entitled to renew the leases by giving the Fund notice of its intention to renew in writing at least 90 days before the expiration of the lease.

As at 31 December 2012 and 2011, the subsidiary has the following future minimum lease payments for fixed rental fee as required under the lease agreements.

	(Unit: Million Baht)	
	2012	2011
Payable:		
in up to 1 year	53	86
in over 1 and up to 3 years	-	53

However, written notice of at least 30 days is required if either party wishes to terminate the agreement prior to the expiration, with termination considered effective when the counter party consents.

- 31.4 A subsidiary has entered into lease and sublease agreements to lease buildings and related assets from Quality Houses Hotel and Residence Freehold and Leasehold Property Fund (associated company), with terms of 3 years, and provided assurance that it would continue leasing them for another 3 years. The agreement to lease and sublease can be extended for further periods of 3 years each time, counting from their expiry dates, with a fixed rental fee and variable rental fee in accordance with the conditions stipulated in the agreement.

As at 31 December 2012 and 2011, the subsidiary has the following future minimum lease payments required under the lease agreements.

		(Unit: Million Baht)	
		2012	2011
Payable:			
	in up to 1 year	168	-
	in over 1 and up to 3 years	260	-

- 31.5 The Company and its subsidiaries have commitments totaling Baht 17 million in respect of various service commitments (2011: Baht 19 million).
- 31.6 The Company has commitment in respect of uncalled portion of investment in a subsidiary of approximately Baht 19 million (2011: Baht 19 million).
- 31.7 The Company has contingent liabilities in respect of loan guarantees provided on behalf of Harbour View Company Limited at an amount equal to 50% of that company's obligations to its bank. (As at 31 December 2012, that company has outstanding liabilities to the bank, based on the unaudited financial statements prepared by its management, of USD 2 million). As at 31 December 2012, the Company had set aside provision of Baht 61 million for losses arising from such guarantees in its accounts (2011: Baht 61 million).
- 31.8 The Company has contingent liabilities to banks in relation to the financial support it provided to subsidiary companies for loans obtained for development of the subsidiary's projects. (As at 31 December 2012, the subsidiaries have outstanding loans to the banks of Baht 80 million (2011: Baht 1,017 million)).
- 31.9 As at 31 December 2012, the Company and its subsidiaries have servitude over land of approximately 35 rai (2011: 39 rai) of which the cost is included in the cost of projects.

32. Bank guarantees

As at 31 December 2012 and 2011, there were the following outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and its subsidiaries.

		(Unit: Million Baht)	
		2012	2011
Letters of guarantee for allotment of project areas		2,267	1,145
Letters of guarantee for arrangement and maintenance of public utilities		74	74
Letters of guarantee for electricity usage		20	15
Other letter of guarantee		49	25
		<u>2,410</u>	<u>1,259</u>

33. Litigations

- 33.1 During the years 1998 to 2012, the Company's customers sued the Company and a subsidiary for the refund of payments made for land and houses in the Company and a subsidiary's projects, as at 31 December 2012, totaling Baht 12 million. The lawsuits are currently in the judicial process. For reasons of prudence, the Company has set aside provisions totaling Baht 1 million, which the Company deems appropriate, for the loss arising from these litigations.
- 33.2 During the year 2010, Housing Estate Juristic Person sued the Company for Housing Estate Subsidy and Public Utility Maintenance totaling Baht 32 million and Baht 102 million, respectively. The lawsuits are currently in the judicial process. For reasons of prudence, the Company has set aside provisions totaling Baht 24 million, which the Company deems appropriated, for the loss arising from these litigations.
- 33.3 During the year 2011, a Housing Estate Juristic Person sued the Company for compensatory damages amounting to Baht 16 million with respect to road construction work in the Company's project. The Company has set aside provisions totaling Baht 11 million, which the Company deems appropriated, for the loss arising from these litigations. In January 2013, the Company entered into a compromise agreement with the Housing Estate Juristic Person, whereby it agreed to pay a compensation totaling Baht 11 million. The Company made payment for such compensation on 7 January 2013.
- 33.4 During the year 2011 to 2012, individuals sued subsidiaries as defendant and/or co-defendant for compensatory damages totaling Baht 85 million with respect to tort and/or way of necessity. The lawsuits are currently being heard by the Civil Court. However, the management believes that there will be no material impact to the subsidiaries.
- 33.5 During the year 2011, the customers sued a subsidiary for compensatory damages and requested for the return of land and houses, with aggregated claim amounting to Baht 30 million. The lawsuits are currently being heard by the Civil Court. However, the management believes that there will be no material impact because the subsidiary company expects that it will be able to complete the repair of the houses to the customers.

34. Financial instruments

34.1 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, accounts receivable, loans, investments, accounts payable, short-term loans, long-term loans and debentures. The financial risks associated with these financial instruments and how they are managed in described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, loans, and other receivables. 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. In addition, the

Company and its subsidiaries do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans and other receivables as stated in the statement of financial position. Interest rate risk

The Company and its subsidiaries exposure to interest rate risk relates primarily to their cash at financial institutions, short-term loans, debentures and long-term borrowings. Most of these financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

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)

	As at 31 December 2012							
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)	
	Within	Over						
	1 year	1-5 years	5 years					
<u>Financial assets</u>								
Cash and cash equivalents		-	-	1,062	588	1,650	0.10% 2.85%	-
Trade and other receivables		-	-	-	88	88	-	
Restricted deposits at financial institutions		-	-	30	-	30	0.63% 1.75%	-
Long-term loans to related party		-	-	9	-	9	LIBOR + 2% and 8%	
<u>Financial liabilities</u>								
Short-term loans from financial institutions	700	-	-	-	-	700	Note 18	
Short-term loans	4,572	-	-	-	-	4,572	Note 18	
Trade and other payable		-	-	-	805	805	-	
Long-term loans		-	-	80	-	80	Note 20	
Unsecured debentures	2,000	15,012	-	-	-	17,012	Note 21	

(Unit: Million Baht)

As at 31 December 2011

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	834	279	1,113	0.50% - 3.45%
Trade and other receivable:	-	-	-	-	67	67	-
Restricted deposits at financial institutions	-	-	-	23	-	23	2.35% - 2.50%
Long-term loans to related party	-	-	-	4	-	4	LIBOR + 2%
<u>Financial liabilities</u>							
Short-term loans	3,683	-	-	-	-	3,683	Note 18
Trade and other payable	-	-	-	-	546	546	-
Long-term loans	-	-	-	1,017	-	1,017	Note 20
Unsecured debentures	5,700	12,000	-	-	-	17,700	Note 21

Foreign currency risk

As at 31 December 2012 and 2011, the Company and its subsidiaries have no material financial instruments which denominated in foreign currency.

34.2 Fair values of financial instruments

The estimated fair value of financial instruments in comparison with the related amounts carried in the statements of financial position, is as follows:

(Unit: Million Baht)

	As at 31 December 2012		As at 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Cash and cash equivalents	1,650	1,650	1,113	1,113
Trade and other receivables	88	88	67	67
Restricted deposits at financial institutions	30	30	23	23
Long-term loans to related party	9	9	4	4
<u>Financial liabilities</u>				
Short-term loans from financial institutions	700	700	-	-
Short-term loans	4,572	4,572	3,683	3,683
Trade and other payables	805	805	546	546
Long-term loans	80	80	1,017	1,017
Unsecured debentures	17,012	17,096	17,700	17,657

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

- a) For financial assets and liabilities which have short-term maturity, including cash and cash at financial institutions, accounts receivable, accounts payable and short-term loans, their carrying amounts in the statement of financial position approximate their fair value.
- b) For debts and equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- c) 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.
- d) For debentures and long-term loans carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.

35. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial capital structure in order to support its business and maximise shareholder value.

The Company manages its capital position with reference to its debt-to-equity ratio in order to comply with a condition in long-term loan agreements and a covenant of debentures, which requires the Company to maintain a debt-to-equity ratio of not more than 3:1 and 2:1, respectively (2011: 1.75:1 and 2:1, respectively).

No changes was made in the objectives, policies or processes during the years end 31 December 2012 and 2011.

36. Events after reporting period

On 26 February 2013, the meeting of the Company's Board of Directors approved the payment of a dividend of Baht 0.12 per share from the profit for the year ended 31 December 2012 to the Company's shareholders, or a total of Baht 1,102 million. The dividend will be paid on 13 May 2013.

The above dividend payment is to be proposed to the Annual General Meeting of the Company's shareholders for approval.

37. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2013.

REMUNERATION FOR THE AUDITOR

1. Audit Fee

The Company and its subsidiaries paid an audit fee to the auditor of Baht 4,806,000 in 2011 and Baht 5,236,000 in 2012 respectively. The Company has not other expenses relating to the reviewing of financial statements in 2011 and 2012.

2. Non-Audit Fee

In 2011 and 2012, there were no other fees paid since the company had not used any other services from the auditor.

OTHER REFERENCES

1. The Securities Registrar

Thailand Securities Depository Company Limited

Head Office

No. 62, 4th and 7th Floor, Stock Exchange of Thailand Building ,
Klong Toey Sub-District, Klong Toey District , Bangkok 10110

Tel: 0-2359-1200-49 Fax: 0-2359-1259

Branch

2nd Floor, Capital Market Academy Building,
2/7 Moo 4 (North Park Project), Vibhavadee-Rangsit Road,
Tungsonghong Sub-District , Laksi District , Bangkok 10210

Tel: 0-2596-9000 Fax: 0-2832-4994-6

2. The Auditor

2.1 Mr. Sapon Permsirivallop Licensed auditor registration no. 3182 and/or

2.2 Miss Sumalee Reewarabandith Licensed auditor registration no. 3970 and/or

2.3 Mrs. Gingkarn Atsawarangsalit Licensed auditor registration no. 4496

Ernst & Young Co., Ltd.

No. 193/136-137, 33rd Floor, Lake Rajada Office Complex ,
New Rajadapisek Road, Bangkok 10110

Tel: 0-2264-0777 Fax: 0-2264-0789-90

3. Debenture Registrar

3.1 Unsubordinated and Unsecured Debentures of Quality Houses Public Company Limited

No. 2/2010 ,Tranche 1 (QH157A)

No. 2/2011 ,Tranche 1 (QH152A) and Tranche 2 (QH168A)

No. 3/2011 ,Tranche 1 (QH12DA)

Siam Commercial Bank Company Limited

3rd Floor,Building 2,1060 New Pechaburi Road, Makhasan, Rachathevi, Bangkok 10400

Tel : 0-2256-2323-7, Fax 0-2256-2406

3.2 Unsubordinated and Unsecured Debentures of Quality Houses Public Company Limited

No.1/2010, Tranche 1 (QH135A) and Tranche 2 (QH136A)

No.1/2012, Tranche 1 (QH164A)

Kasikornbank Public Company Limited
1 Kasikornthai Ratburana Road, Bangkok 10140
Tel : 0-2888-8888 Fax : 0-2888-8882

3.3 Unsubordinated and Unsecured Debentures of Quality Houses Public Company Limited

No. 2/2010 , Tranche 1 (QH157B)
No. 4/2010 (QH144A)
No. 1/2011 (QH143A)

CIMB Thai Bank Public Company Limited
Langsuan Building 44 Langsuan Road, Lumpini, Patumwan, Bangkok 10330
Tel : 0-2626-7503 Fax : 0-2626-7543

3.4 Unsubordinated and Unsecured Debentures of Quality Houses Public Company Limited

No. 2/2012, Tranche 1 (QH162A) and Tranche 2 (QH178A)

Bank of Ayudhya Public Company Limited
1222 Rama III Road, Bang Phongphang, Yan Nawa, Bangkok 10120
Tel : 02-296-5695, 02-296-5696, 02-296-1520
Fax : 02-683-1582, 02-683-1293

4. Appraisal Company

Siam Phitiwat Co., Ltd.
569 Soi Ramkhamhaeng 39 (Thepleela 1)
Ramkhamhaeng Road , Phlapphla , Wang Thonglang , Bangkok 10310
Tel : 0-2530-7500-07 Fax : 0-2530-7515-16,0-2934-6623-24

Grand Asset Advisory Co.,Ltd.
1350/279 Thairong Tower, 16th Floor,
Pattanakarn Road, Suan Luang, Bangkok 10250
Tel : 0-2719-4500 Fax : 0-2719-5070-71

TAP Valuation Co.,Ltd.
121/101 RS Tower Building, 37th Floor, Rachadaphisek Road
Rachadaphisek Road, Dindaeng, Bangkok 10400
Tel : 0-2642-2712-14 , 0-2641-3631-35 Fax : 0-2642-2711

HEARD OFFICE AND PROJECTS LOCATION

Location of Head Office

Quality Houses Public Company Limited	7 th Floor , Q. House Lumpini Building , No.1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120	Tel 0-2677-7000 or 0-2343-8888 Fax 0-2677-7011
---------------------------------------	--	--

Location of Housing Projects [Call 1338 for all projects]

Q.House Avenue Phraram 5	Bangkuvien , Bangkruai , Nonthaburi
Q Twelve	Taling Chan , Taling Chan Bangkok
Prukpirom Regent Ratchapruk - Rattanathibet	Bang Phlap , Pak Kret , Nonthaburi
Prukpirom Ratchapruk - Rattanathibet	Omkret, Pak Kret, Nonthaburi
Laddarom Elegance Ratchapruk - Rattanathibet	Omkret, Pak Kret, Nonthaburi
Laddarom Elegance Outer Ring Road-Sathorn	Bang Khae, Bang Khae, Bangkok
Laddarom Elegance Middle Ring Road - Mahidol Junction	Middle Ring Road , Thasala , Meuang, Chiangmai
Laddarom Watcharapol - Rattanakosin	Khlong Thanon , Sai Mai ,Bangkok
Laddarom Chaiyapruk- Chaengwattana	Bangphlab, Klong Pra-Udom, Pak Kret-Bangbuathong, Nonthaburi
Laddarom Ratchapruk- Rattanathibet 2	Omkret, Pak Kret, Nonthaburi
Vararom Kaewnawarat	Sunpuloei , Doi Saket , Chiangmai
Vararom Charoen Muang	Tonpao, Sankamphaeng , Chiangmai
Vararom Premium Watcharapol-Chatu Chot	Orgern, Saimai, Bangkok
Casa Grand Chaiyapruk - Chaengwattana	Khlong Phra Udom , Pak Kret, Nonthaburi
Casa Grand Rattanathibet - Ratchapruk	Bang Rak Noi, Meuang Nonthaburi
Casa Grand Taksin-Phraram 2	Chom Thong ,Chom Thong, Bangkok

Location of Housing Projects [Call 1338 for all projects]

Casa Grand Petchkasem-Sai 1	Bang Duan, Phasi Charoen, Bangkok
Casa Grand Outer Ring Road-On Nuch	Dok Mai (Racha Thewa), Prawet (Bang Phli Yai), Bangkok
Casa Legend Kaset - Nawamintr	Tha Raeng, Bang Khen, Bangkok
Casa Legend Sriracha	Sri Racha Road, Surasak, Sri Racha, Chon Buri
Casa Premium Ratchapruk-Chaengwattana	Khlong Khoi ,Pak Kret , Nonthaburi
Casa Premium Ratchapruk-Pharam 5	Bang Krang, Mueang Nonthaburi, Nonthaburi
Casa Ville Ratchaphruk- Chaengwattana	Laharn, Bang Rak Noi , Bangbuathong, Pak Kret, Nonthaburi
Casa Ville Rachapruk-Param 5	Bang Krang, Mueang Nonthaburi, Nonthaburi
Casa Ville Bangna - Suvarnabhumi	Dokmai, Prawet, Bangkok
Casa Ville Watcharapol-Sukhaphiban 5	Orgern, Saimai, Bangkok
Casa Ville Rangsit Klong 2	Klongrangsit , Thanyaburi , Pathumthani
Casa ville Ramkumhaeng- Outer Ring Road	Ratpattana Rd., Saphan Sung , Saphan Sung, Bangkok
Casa Ville Ramintra-Outer Ring Road	Tha Raeng , Bang Khen , Bangkok
Casa Ville Sriracha	Sri Racha Road, Surasak, Sri Racha, Chon Buri
Casa Presto Ratchapruk-Chaengwattana	Om Kluea , Pak Kret , Nonthaburi
Casa Presto - Phraram 2	Tha Kham , Bang Khun Thian , Bangkok
The Trust Ville Watcharapol-Hathairat	Hathairat Rd., Bueng Kham Phroi , Lam Luk Ka , Pathumthani
The Trust Town Ratchaphruk-Rattanaibet	Ratchaphruk Rd., Omkret, Pak Kret, Nonthaburi
The Trust Town Outer Ring Road- Lamlukka	Liap Khlong 6, Bueng Kham Phroi, Lamlukka , Pathumthani
The Trust City Ngamwongwan 25	Ngamwongwan Rd., Bang Khen, Meuang, Nonthaburi
Casa Seaside Cha-Am	Cha-am, Petchburi
Casa Seaside Rayong	Taphong , Meuang Rayong, Rayong

Location of Condominium [Call 1338 for all projects]

Q Langsuan	Lumpini , Pathumwan , Bangkok
Q House Condo Sukhumvit 79	Sukhumvit Road , Phra Khanong , Wattana , Bangkok

Location of Condominium [Call 1338 for all projects]		
Casa Condo Ratchada-Ratchapruk	Ratchadapisek Road ,Thon Buri , Bangkok	
Casa Condo Sukhumvit 97	Sukhumvit Road , Bangchak ,Phra Khanong , Bangkok	
Casa Condo Asoke - Dindang	Asoke-Dindaeng Road., Dindaeng , Dindaeng , Bangkok	
Casa Condo Chang Puak	Chotana Road., Chang Phueak , Meuang Chiang Mai ,Chiang Mai	
The Trust Residence Pinklao	Borommaratchachonnani Road.,Arun Ammarin ,Bangkok Noi , Bangkok	
The Trust Residence Ratchada- Phraram 3	Nonsi Road., Chong Nonsi ,Yan Nawa, Bangkok	
The Trust Condo Central Pattaya	North Pattaya(Central Pattaya) Road, Naklua, Banglamung, Chon Buri	
The Trust Condo Hua-Hin	Hua-Hin, Hua-Hin, Prachuap Khiri Khan	
Location of Serviced Apartments / Hotel		
Centre Point Hotel & Residence Petchburi	Soi Somprasong 3, Petchburi Road , Bangkok	Tel 0-2254-1373-7
Centre Point Hotel & Residence Sukhumvit	Sukhumvit Soi 10, Bangkok	Tel 0-2653-1783
Centre Point Silom	Charoenkrung Road, Bangrak, Bangkok	Tel 0-2266-0521-49
Centre Point Hotel & Residence Langsuan	Langsuan Road, Bangkok	Tel 0-2657-2400-21
Centre Point Saladaeng	Pharam 4 Road, Soi Saladaeng 1, Bangkok	Tel 0-2267-5500-3
Centre Point Hotel & Residence Wireless	Wireless Road, Bangkok	Tel 0-2659-5000
Centre Point Sukhumvit-Thonglor	Sukhumvit Road, Soi Sukhumvit 55 (Thonglor), Bangkok	Tel 0-2365-8300
The Grande Centre Point Hotel & Residence Ratchadamri	Ratchadamri Road , Lumpini , Pathumwan , Bangkok	Tel 0-2670-5000

Location of Office Buildings for Rent

Q. House Convent	1 st Floor, Q. House Convent Building, No. 38 Convent Road, Silom, Bangrak, Bangkok	Tel 0-2234-7500-4
Q. House Asoke	16 th Floor, Q. House Asoke Building, No. 66 Sukhumvit 21, North Klongtoey, Wattana, Bangkok	Tel 0-2264-2245-7
Q. House Sathorn	Ground Floor, Q. House Sathorn Build- ing, No. 11 South Sathorn Road, Tungmahamek, Sathorn, Bangkok	Tel 0-2679-1621-2
Q. House Ploenjit	5 th Floor, Q. House Ploenjit Building, No. 598 Ploenjit Road, Lumpini, Pathumwan, Bangkok	Tel 0-2254-1020-1
Q. House Lumpini	7 th Floor, Q. House Lumpini Building, No.1 South Sathorn Road, Tungma- hamek, Sathorn, Bangkok	Tel 0-2677-7177

CONTENT SUMMARY OF TRANSACTION SPECIFIED IN THE ANNUAL REPORT 2012 (FORM 56-2)

1. General Information	
1.1. Company.....	180
1.2. Corporate that the Company held over 10 percent of shares.....	46
1.3. Other references.....	178
2. Message from President and Chief Executive Officer	6
3. Responsibility of the Board of Directors Regarding Financial Report	12
4. Report from the Audit Committee	13
5. Summary of the Company's financial information	
5.1. Financial information.....	5
5.2. Financial ratios.....	5
6. Business Operation	
6.1. Summary of the Company's businesses.....	22
6.2. Revenue structure by categories of business.....	39
6.3. Conclusion on the significant changes and developments during the prior year.....	22
6.4. Marketing and competition.....	32
7. Risk Factors	41
8. Shareholders Structure and Management	
8.1. Equity.....	22
8.2. Shareholders.....	46
8.3. The Board of Directors.....	47
8.4. The Audit Committee.....	53
8.5. The Nominating and Remuneration Committee.....	54
8.6. The Corporate Governance Committee.....	56
8.7. The Risk Management Committee.....	57
8.8. Executive Board of Directors.....	57
8.9. Selection of Directors and Executives.....	54
8.10. Remunerations of Directors and Executives.....	58
8.11. Corporate governance.....	59
8.12. Insider information control.....	70
8.13. Internal control.....	71
8.14. Dividend payment policy.....	71
9. Connected Parties and Transactions	
9.1. Conflicts of interest transaction.....	76
9.2. Necessity and accountability of the transactions.....	76
9.3. External Committee's or independent specialists' opinions on the transactions.....	76
9.4. Transactions among the Company, its subsidiaries, and associated companies when relevant parties have held more than 5 percent of shares in the Company's subsidiaries and associated companies, and have the right to vote the Company's resolutions	76
10. Explanation and Analysis of Financial Status and Operational Results	
10.1. Analysis of financial position and operational results.....	109
10.2. Reasons behind significant changes in transactions and important ratios.....	109
10.3. Special transactions or transactions outside normal practice that affect the Company's operation and financial positions.....	-
10.4. Significant changes taking place after the latest book-closing date and possible impacts on the Company's operation and financial status.....	-
11. Financial Statements	
11.1. Comparison on the separate financial statements and consolidated financial statements.....	121
11.2. Remunerations for the Auditor.....	177



Quality Houses Public Company Limited
7th Floor, Q.House Lumpini Building, No.1, South Sathorn Road,
Tungmahamek, Sathorn, Bangkok 10120
Tel : 0-2343-8888 and 0-2677-7000
www.qh.co.th