



## Vision

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

## Mission

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- |                                  |   |
|----------------------------------|---|
| Product and service quality      | > Always improve and develop the quality of products and services to satisfy the consumers.   |
| Work life quality and creativity | > Create work environment and culture, as well as improve the employee benefits to achieve maximum performance.   |
| Personnel                        | > Operate legally with a transparency which can be checked at every stage;<br>> 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;<br>> 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;<br>> Find new ways to generate sustainable long-term profitability.   |

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Note: Investors can get more information from 56-1 form by downloading from [www.sec.or.th](http://www.sec.or.th) or [www.qh.co.th](http://www.qh.co.th)

# Our Projects



Q.House Avenue Phraram 5



Q.House Villa Nakorn Ping



Q Twelve



Prukpirom  
Ratchapruk-Rattana Thibet



Prukpirom Regent  
Ratchapruk-Rattana Thibet



Laddarom Elegance  
Ratchapruk-Rattana Thibet



Laddarom Elegance  
Outer Ring Road-Sathorn



Laddarom Elegance Middle  
Ring Road-Mahidol Junction



Laddarom  
Watcharapol-Rattana Kosin



Laddarom  
Chaiyapruk-Chaeng Wattana



Laddarom  
Ratchapruk-Rattana Thibet 2



Vararom Charoen Muang



Vararom Premium  
Watcharapol-Chatu Chot



Vararom Premium Kawila



Vararom Premium City Hall



Casa Grand Taksin-Phraram 2



Casa Grand Petchkasem-Sai 1



Casa Grand  
Ratchapruk-Phraram 5



Casa Grand  
On Nut-Outer Ring Road



Casa Grand Sukhaphiban 5





Casa Legend Kaset-Navamint



Casa Legend Ratchapruck- Pinklao



Casa Premium Ratchapruck-Chaengwattana



Casa Premium Ratchapruck-Phraram 5



Casa Premium On Nut-Outer Ring Road



Casa Premium Phraram 2



Casa Presto Ratchapruck-Chaengwattana



Casa Presto Phraram 5-Ratchapruck



Casa Ville Ratchapruck-Chaengwattana



Casa Ville Ratchapruck-Phraram 5



Casa Ville Rangsit Klong2



Casa Ville Ramkhamhaeng-Outer Ring Road



Casa Ville Ramintra-Hathairat



Casa Ville Bangna-Teparak



Casa Ville Watcharapol-Permsin



Casa Ville Sukhumvit 103



Casa Seaside Rayong



Casa Grand Sriracha



Casa Grand Mitsumphan



Casa Legend Ban Bueng



Casa City Ratchapruck-Phraram 5



Casa City Outer Ring Road-Lamlukka



Casa City Sukhumvit-Samut Prakan



Casa city Watcharapol-Permsin



Casa City Nakhon Prathom



Casa City Don Mueang



Casa City Pracha Uthit 90



The Trust Ville Srinakarim-Praksa



The Trust Ville  
Kanchanaphisek-Hathairat



The Trust Ville Rangsit



The Trust Town  
Srinakarim-Praksa



The Trust Townhome  
Rangsit Klong 1



The Trust Townhome  
Ratchapruk-Rattanathibet 2



The Trust Town Bo Win



Gusto Thanam-non



Gusto Phraram 2



Gusto Phahon Yothin - Ramintra



Gusto Grand Ramkamheang



Gusto Ramkamheang



Gusto Suksawat



Gusto Teparak



Gusto Bangna-Suvarabhumi



Gusto Phahon Yothin-Saimai



Gusto Wongwean-Phraram 5



Condominium



Q Condo Asoke



Q Condo Sukhumvit





Q Seaside Hua Hin



Q House Condo  
Phahon Yothin Chiangrai

CASA

Condominium



Casa Condo @MRT  
T-Junction Bangyai



Casa Condo Chang Puak



Casa Condo @CMU



Condominium



The Trust Condo Nakhon Prathom



The Trust Condo Ngamwongwan



The Trust Condo Central Pattaya



The Trust Condo South Pattaya



The Trust Condo Hua Hin



The Trust Condo @BTS Erawan



The Trust Condo Amata-Chonburi



The Trust Condo North Pattaya



The Point Condo Laem Chabang



The Point Condo Rangsit Klong 6

# Financial Highlights for the year 2012-2014



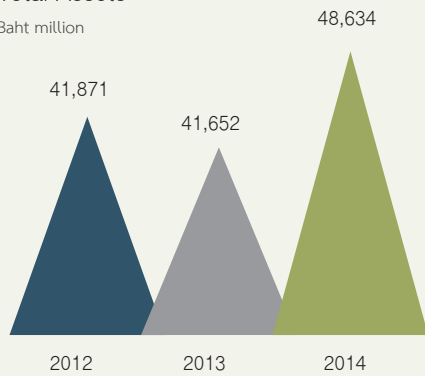
	(Unit : Baht million)		
Summary of Financial Statements Information	2012	2013	2014
Total Assets	41,871	41,652	<b>48,634</b>
Total Liabilities	26,076	24,375	<b>29,486</b>
Shareholders' Equity	15,795	17,277	<b>19,148</b>
Net Sales	13,077	19,699	<b>21,220</b>
Total Revenues	14,409	19,999	<b>21,377</b>
Gross Profit	4,049	6,387	<b>6,907</b>
Net Profit	2,450	3,307	<b>3,329</b>
<b>Financial Ratio</b>			
Net Profit Margin (%)	17.0	16.5	<b>15.6</b>
Return on Equity (%)	16.8	20.0	<b>18.3</b>
Return on Assets (%)	6.1	7.9	<b>7.4</b>
Basic Earning per Share (Baht)	0.27	0.36	<b>0.36</b>
Dividend per Share (Baht)	0.12	0.16	<b>n.a</b>
Debt to Equity Ratio (Time)	1.7	1.4	<b>1.5</b>
Time Interest Earned Ratio (Time)	0.0	5.6	<b>1.0</b>
Book Value per Share (Baht)	1.72	1.88	<b>2.09</b>

Note : The company and subsidiaries have restated 2012 financial statement, presented as comparative information, as though the company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. Because in 2013, the company and its subsidiaries have changed accounting policy about income taxes under TAS 12.



### Total Assets

Baht million



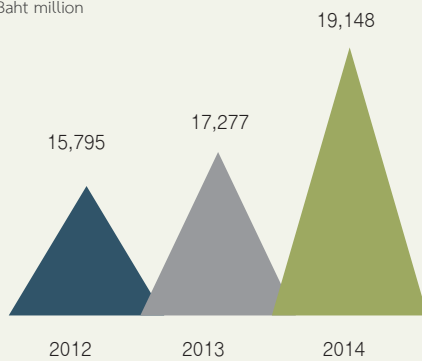
### Total Liabilities

Baht million



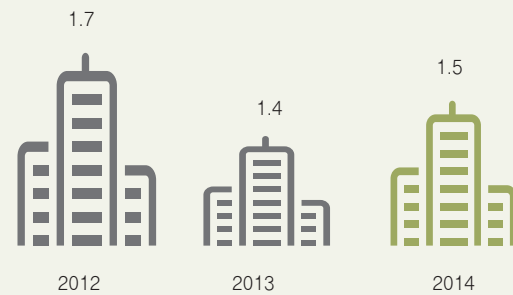
### Shareholders' Equity

Baht million



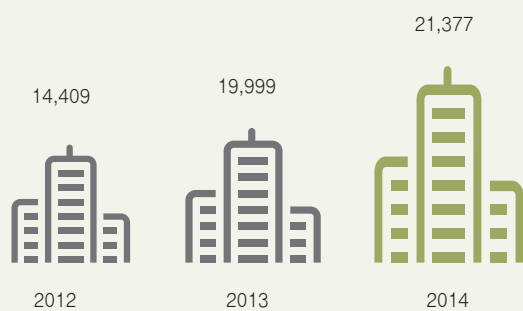
### Debt to Equity Ratio

Time



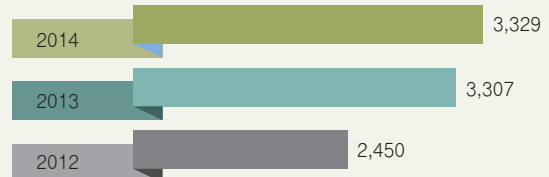
### Total Revenues

Baht million



### Net Profit

Baht million



# Message from the Board of Directors



Dear Shareholders,

Thailand's economy grew by 0.7 percent in 2014 over the preceding year due to various domestic and international factors. The country's political unrest had a significant impact on many sectors of the economy including the public sector, which suspended the implementation of many previously planned government policies. By the time the political situation finally stabilized in May 2014, there had been no real economic growth recorded during the first half of the year.

On the domestic front, the economy encountered a loss of consumer confidence from households, private business sectors, and the tourism industry. High levels of household debt contributed to both increasingly cautious consumer spending and conservative bank lending. The situation was further compounded by the tourism slump as foreign visitors avoided traveling to Thailand due to concerns about their personal safety and security of their belongings.

Thailand's export sector recovery remained slow, which was in line with low growth of demand from Thailand's trade partners and the country's own limitations in manufacturing sectors requiring high technology. These factors together resulted in the manufacturing sector cutting down on production and delaying new capital investments.

The second half of 2014 showed some signs of gradual economic recovery. There was a resurgence of tourists visiting the country after the political conditions had stabilized. Domestic spending returned to normal levels after previously suspended public spending were now implemented. The private sector also witnessed the telecommunications and retail businesses sectors expanding during this period to meet higher expected future demand.

Nevertheless, Thailand's overall economic recovery will remain slow as it also has to depend on the speed of improvement of the contracting export sector which can only rise upon the return to health of our primary trade partners' economies, particularly China, Japan, and European countries.

Thailand's domestic household spending continued to be held back by the ailing agricultural sector, high levels of household debt, and significantly lower foreign spending in the country since many countries continued to announce warnings against traveling to Thailand. Meanwhile, the majority of domestic businesses delayed further expansion and new investments, preferring to wait for the economy to recover and the public sector to resume investments in infrastructural projects.

Thailand's property market shrank in 2014 compared to 2013. This decline was due to a slowdown in business activities during the first half of the year. Both demand and supply dropped, compared to the previous year, resulting from consumer and property developers' concerns over domestic and international economic and political conditions.

The industry's deceleration was evident from the reduction in the number of new mortgage loans in the Bangkok Metropolitan Region as well as greater caution exercised by financial institutions in approving new mortgage loans. Consequently, many developers chose to launch and sell new property projects with smaller unit sizes.



Many developers have also been delaying new project launches as they prefer to wait and monitor property market conditions. This is particularly true of condominium projects, which showed rapid response to minor improvements in the political and economic situation during the latter half of 2014. This particular market segment's contribution to the overall growth of the property industry is illustrated by higher condominium sales figures, indicating that the market has significantly greater demand for these types of residences. The fact that many developers resumed the launch of new projects towards the end of the year is a positive signal of a revival of confidence in the property business' prospects.

In 2014, the Company and its subsidiaries continued to expand its business across all types of properties, bringing in total revenue of 22,437 million baht, or an increase of 7 percent, and generating net profits of 3,329 million baht, a 0.7 percent increase over the previous year.

The Company and its subsidiaries grew its business in 2014 through the sale of property developments in the Bangkok Metropolitan Area. Projects in the provinces have primarily been in the East, emphasizing locations with industrial estates and high levels of tourism such as Chonburi and Rayong. We regard these provincial projects as a way to lower our business risks and double as a high potential new channel and business opportunity that can increase our Company and its subsidiaries' revenues.

We will continue to focus on ensuring stability and generating the highest business value for our Company, its subsidiaries, and our shareholders without neglecting our duties to society and the community as discussed in detail in the 'Corporate social responsibility' section of this annual report.

Moreover, our Company and its subsidiaries will continue to manage the organization according to our policies, develop human resources and ensure that we use quality information technology systems by adhering to good and transparent corporate governance so that investors, shareholders, and related parties can monitor and audit our performance.

Finally, the Board of Directors would like to take this opportunity to express our gratitude to our customers, shareholders, business partners, debenture holders, banks and financial institutions, employees, and related parties for their ongoing support and for being a part of the success of our Company and its subsidiaries.

(Mr. Apisak Tantivorawong)

Chairman and Independent Director

# Report of the Board of Directors' Responsibility for the Financial Statements



The Board of Directors is responsible for Quality Houses Public Company Limited's financial statements and its subsidiaries' consolidated financial statements, including financial information provided in this Annual Report. These financial statements are prepared in accordance with generally accepted accounting standards, using careful and judgmental estimation that reflects an actual performance of the Company.

Emphasizing the quality of these financial reports, the Board of Directors established the financial information review systems. A sufficient disclosure of the related information is also ensured for shareholders and investors' best interests.

In this regard, the Board of Directors has appointed an Audit Committee, comprising qualified independent directors, to be directly responsible for overseeing and reviewing the quality of financial reports.

The Board of Directors considers the Company's overall internal control system, including an audited result from the external auditor satisfactory, and that the financial statements of Quality Houses Public Company Limited as of December 31, 2014 reflects the financial state, performance and cash flow of the Company in accordance with generally accepted accounting principles and related regulations.

A handwritten signature in black ink, appearing to read 'Apisak Tantivorawong', with a small dot at the end.

(Mr. Apisak Tantivorawong)

Chairman and Independent Director



# Report from the Audit Committee



To Shareholders,

The Audit Committee of Quality Houses Public Company Limited composes of 3 independent directors. In 2014, it held seven meetings to discuss and provide independent opinions of the Company's operations. The list of Audit Committee's members and the information of its meetings in 2014 were as follows:

Audit Committee		Position in the Audit Committee	Attendance/Total Meetings (Times)
Mr. Adul	Vinaiphat	Chairman of the Audit Committee	7/7
Mr. Rachai	Wattanakasaem	Audit Committee	7/7
Mr. Krit	Phanratanamala *	Audit Committee	1/1
Mr. Suri	Buakhom **	Audit Committee	5/5

*Remark -\* Mr. Krit Phanratanamala retired from his position as resolved by the Annual General Meeting of Shareholders No. 1/2014 held on April 11, 2014*

*-\*\* Mr. Suri Buakhom was approved and appointed to be Audit Committee as resolved by the Board of Directors' Meeting No. 3/2014 held on May 26, 2014.*

The Audit Committee performed its duties as delegated by the Company's Board of Directors and complied with the rules & regulations of the Stock Exchange of Thailand. Its performance of Year 2014 was summarized as follows:

- 1. Reviewing the Company's quarterly and yearly financial statement:** The Audit Committee reviewed the Company's quarterly and yearly financial statement with the internal auditor and the management and was of the opinion that the Company's financial statement presented in conformity with the generally accepted accounting principles and with fair disclosure of information. And, the external auditors did not provide any specific auditor's opinion on such financial statement.

In 2014, the Audit Committee held four private meetings with the external auditors, without the presence of any Executives of the Company, in order to exchange opinions and acknowledge the significant comments as well as suggestions of the external auditors. The meetings were also held to prepare for timely revision arrangement of accounting standard changes, in order to achieve the accuracy and creditability of the financial statement for the benefits of investors and users.

- 2. Monitoring internal audit's operations and reviewing annual audit plan:** The Audit Committee reviewed and approved the annual audit plan created by prioritizing the risk of significant operation systems.

The Audit Committee acknowledged the result of audit report and commented on increasing the precaution of internal control systems to prevent or decrease any possible risks, and suggested to improve the internal audit's operations. It also emphasized the follow up of any revisions of operation systems as recommended in the audit report in order to achieve the efficiency & effectiveness of internal audit system. In 2014, no significant flaws were found in the Company's internal control systems.

In 2014, the Risk Management Committee reported to the Audit Committee that the Risk Management Committee determined the Company's operating risks according to types of business, together with the guidelines of risk management.

- 3. Monitoring the Company's compliance with the Securities and Exchange law:** The Audit Committee monitored the Company's business conducts to ensure that they complied with the Securities and Exchange law as well as the regulations of the Stock Exchange of Thailand, the regulations of the Securities and Exchange Commission and any other relevant laws. The secretary of the Audit Committee was assigned to regularly report such laws and regulations including any updated laws to the Audit Committee. The Audit Committee believed that in 2014, there was no significant incident of violations of any laws or regulations.

- 4. Selecting Company's external auditors and considering their remuneration:** The Audit Committee selected and proposed the appointment of the Company's external auditors based on their expertise, independence, performance and service, as well as the appropriate remuneration.

In 2014, the Audit Committee recommended the appointment of EY Office Limited (formerly known as Ernst & Young Office Limited) to be the Company's external auditors. The proposal was approved by the Board of Directors and was subsequently approved by shareholders at the 2014 Annual General Meeting of Shareholders.

- 5. Reviewing and providing opinions on related party transactions:** The Audit Committee ensured that the Company had the establishment of procedures and guidelines for any related party transactions in accordance with the government regulations, by considering the upmost Company's benefits at arm's length basis to prevent any conflicts of interest. The Audit Committee also monitored the full and fair disclosure of all related party transactions. The Audit Committee believed that the Company performed thoroughly, reasonably, and fairly in compliance with government regulations.

- 6. Emphasis on the Company's corporate governance:** The Audit Committee emphasized the Company's corporate governance to ensure that the Company business practices complied with rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission in terms of principles of good corporate governance. The Company established the Whistle Blowing system and promoted staff's compliance with such rules, regulations and Code of Conduct, as well as encouraged staff's participation in the environmental reservation. The practice of Company's good corporate governance would enhance the Company recognition and trust among shareholders, investors and other stakeholders.
- 7. The Audit Committee properly performed** its duties cautiously and independently within the framework of "the Audit Committee Charter", and also regularly reviewed "the Audit Committee Charter" to make it appropriate and suitable for the current business situation.
- 8. Establishing the self-assessment system:** The Audit Committee established the self-assessment system for its members in following topics:
- The Audit Committee composition
  - Training and resources
  - Meetings
  - Activities of the Audit Committee
  - Relationship with Chief of internal auditor, external auditors and Executives

The assessment result was found that the Audit Committee completely performed in accordance with the Audit Committee Charter and effectively promoted good corporate governance.

The Audit Committee concluded that the Company conducted its business principally in line with the good corporate governance policy. As the result, the management system and internal control system had no significant fault. And the Company's business practices were conducted based on the upmost Company's benefits under the policies determined by the Board of Directors.



(Mr. Adul Vinaiphath)  
Chairman of the Audit Committee

# The Board of Directors and Executives



## The Board of Directors

Mr. Apisak	Tantivorawong	Chairman and Independent Director
Mr.Chadchart	Sittipunt	Director and Chairman of the Risk management Committee
Mr.Adul	Vinaiphat	Independent Director, Chairman of the 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, Chairman of the Nominating and Remuneration Committee and Audit Committee
Mr.Suri	Buakhom	Independent Director, Chairman of the Corporate Governance Committee and Audit Committee
Mr.Achanun	Asavabhokhin	Director
Mrs.Suwanna	Bhuddhapasart	Director, Risk management Committee and Corporate Governance Committee
Mr.Pravit	Choatewattanaphun	Director
Mr.Pornthep	Pipattangsakul	Director and Risk management Committee

## The Executives

Mr.Chadchart	Sittipunt	President and Chief Executive Officer
Mrs.Suwanna	Bhuddhapasart	Senior Executive Vice President
Mr.Pravit	Choatewattanaphun	First Executive Vice President
Mr.Pornthep	Pipattangsakul	First Executive Vice President
Mr.Pairoj	Wattanavarodom	First Executive Vice President
Mr.Sommart	Promkunakorn	Executive Vice President
Mr.Ravee	Mongkoltavee	Executive Vice President
Mr.Somchai	Warunpantulak	Senior Vice President, Financial and Accounting Department



# Board of Directors



- 3. Mr.Adul Vinaiphat**  
Independent Director , Chairman of the Audit Committee and Nominating and Remuneration Committee
- 
- 6. Miss Kanokvalee Viriyaprapaikit**  
Director and Nominating and Remuneration Committee
- 

**1. Mr. Apisak Tantivorawong**  
Chairman and Independent Director

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**4. Mr.Anant Asavabhokhin**  
Director

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**2. Mr.Chadchart Sittipunt**  
Director and Chairman of the Risk management Committee

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**5. Mr.Adisorn Thananan-narapool**  
Director

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# Board of Directors



## 7. Mr.Rachai Wattanakasaem

Independent Director,  
Chairman of the Nominating and  
Remuneration Committee and  
Audit Committee

## 8. Mr.Suri Buakhom

Independent Director, Chairman of  
the Corporate Governance Committee  
and Audit Committee

## 9. Mr.Achanun Asavabhokhin

Director

## 10. Mrs.Suwanna Bhuddhprasart

Director, Risk management  
Committee, Corporate  
Governance Committee and  
Company Secretary

## 11. Mr.Pravit Choatewattanaphun

Director

## 12. Mr.Pornthep Pipattangsakul

Director and Risk management  
Committee

# Executives



**1. Mr.Chadchart Sittipunt**  
President and  
Chief Executive Officer

**2. Mrs.Suwanna Bhuddhapasart**  
Senior Executive Vice President

**3. Mr.Pravit Choatewattanaphun**  
First Executive Vice President

**4. Mr.Pornthep Pipattangsakul**  
First Executive Vice President

**5. Mr.Pairoj Wattanavarodom**  
First Executive Vice President

**6. Mr.Ravee Mongkoltavee**  
Executive Vice President

**7. Mr.Sommart Promkunakorn**  
Executive Vice President

**8. Mr.Somchai Warunpantulak**  
Senior Vice President , Financial and  
Accounting Department

# The Profile of Directors and Executives



## 1. Mr. Anant Asavabhokhin



64 years old

**Position**

Director

**Education**

- B.S. Engineering (Civil work) Chulalongkorn University
- M.S.Industrial Engineering Illinois Institute of Technology Chicago ,USA
- MBA Thammasat University

**Training**

- Director Certification Program : Program for Professional Director (DCP),IOD

**Working Experience in the 5 preceding years**

May 2014-Present	- Chairman	Land & Houses Plc.
2009-Present	- Chairman	LH Financial Group Plc.
2005-Present	- Chairman	Land and Houses Bank Plc.
1995-Present	- Director	Q.H. International Co., Ltd.
	- Chairman	Home Product Center Plc.
1992-Present	- Director	Siam Thani Property Co., Ltd.
1988-May 2014	- President and Chief Executive Officer	Land & Houses Plc.
	- Director	Quality Construction Products Plc.

**Shareholding status (Closing the share register on September 4, 2014)**

88,156,825 Shares representing 0.95992% (Including shares held by mother and children)



## 2. Mr. Apisak Tantivorawong



61 years old

### Position

Independent Director

Chairman of the Board of Directors

### Education

- MBA., Industrial Management, University of Tennessee, U.S.A
- B. Eng. in Chemical Engineering, Chulalongkorn University, Thailand

### Training

- Diploma, National Defence College, The Joint State-Private Sectors Course, Class 16/2003
- Director Certification Program : Program for Professional Director (DCP 18/2002), IOD

### Working Experience in the 5 preceding years

Present	- Vice-Chairman, Finance Committee	Charoen Pokphand Group Co., Ltd.
	- Independent Director/ Chairman of the Risk Management Committee	Thai Oil Public Company Limited
	- Director / Member of the Nomination, Compensation and Corporate Governance Committee	The Siam Commercial Bank Public Company Limited
	- Independent Director	Indorama Ventures Public Company Limited
	- Independent Director	Synnex (Thailand) Public Company Limited
	- Independent Director/ Member of the Audit Committee / Chairman of the Risk Management Committee	Bangkok Glass Public Co., Ltd.
2012-Feb.2013	- Independent Director	CP All Public Company Limited
Nov.2004-Nov. 2012	- President	Krungthai Bank Public Co., Ltd.

### Shareholding status (Closing the share register on September 4, 2014)

-None-

### 3. Mr. Chadchart Sittipunt



48 years old

#### Position

Director  
 President and Chief Executive Officer  
 Chairman of Risk management  
 Committee

#### Education

- B.S. Engineering (Civil Engineering ) 1<sup>st</sup> Class Honors ,Chulalongkorn University
- M.S. Civil Engineering ( Structure ), Massachusetts Institute of Technology, USA
- MBA Chulalongkorn University
- Ph.D.in Civil Engineering, University of Illinois at Urbana, Champaign ,USA

#### Training

- Director Certification Program : Program for Professional Director (DCP 70/2006), IOD

#### Working Experience in the 5 preceding years

2005 -Present	- Assistant to the President	Office of Property Management, Chulalongkorn University
2004-Present	- Director	Faculty of Engineering, Chulalongkorn University
2003-Present	- Head of Fire Safety Research Center	Faculty of Engineering, Chulalongkorn University
1995-Present	- Faculty Member	Faculty of Engineering, Chulalongkorn University
Aug-Dec.2014	- Independent Director/ The Member of the Audit Committee & Member of Nominating and Remuneration Committee/ The Chairman of the Risk Management Committee	Land & Houses Plc.
Dec.2008-Jan 2012	- Independent Director/ The Member of the Audit Committee & Member of Nominating and Remuneration Committee	Land and Houses Plc.

#### Shareholding status (Closing the share register on September 4, 2014)

-None-

#### 4. Mr. Adul Vinaiphath



68 years old

##### Position

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

##### Training

- Senior Administrator Course, the Office of Civil Service Commission
- National Defense College Class 388
- Capital Market Academy (CMA 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

##### Working Experience in the 5 preceding years

2010-Present	- Chairman of the Executive Committee	Thai Packaging and Printing Plc.
2009-Present	- Director/ Audit Committee and Chairman of nominating and Remuneration Committee	LH Financial Group Plc.
2008-Present	- Chairman of Executive	Evergreen Plus Plc.
2007-Present	- Director	Tapioca Development Institute (Huay Bong)
2005-Present	- Director and Audit Committee	I.G.S Plc.
	- Chairman of Nominating and Remuneration Committee	Land and Houses Bank Plc.
2002-Present	- Director and Vice President	Land and Houses Bank Plc.
		Thai Tapioca Development Institute (TTDI)

##### Shareholding status (Closing the share register on September 4, 2014)

-None-

#### 5. Mr. Adisorn Thananan- narapool



60 years old

##### Position

Director

##### Education

- Bachelor of Accounting, Thammasat University
- MBA Thammasat University

##### Training

- Capital Market Academy (CMA 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

##### Working Experience in the 5 preceding years

Apr 2013-Present	- Managing Director	Land & Houses Plc.
2013-Present	- Director	Starmalls Inc., Philippines.
2010-Present	- Director and Chairman of Audit Committee	Land and Houses Fund Management Co.Ltd.
2001-Present	- Director	L&H Property Co. ,Ltd.
	- Director	Land and Houses Property Fund I
	- Director	Land and Houses Property Fund II
2002-Mar.2013	- Director and Senior Executive Vice President	Land & Houses Plc.
2004-2010	- Director and Chairman of Audit Committee	MFC Asset Management Plc.

##### Shareholding status (Closing the share register on September 4, 2014)

944 Shares representing 0.00001%

## 6. Miss Kanokvalee Viriyaprapaikit



49 years old

### Position

Director  
Nominating and Remuneration  
Committee

### Education

- Bachelor of Finance, Chulalongkorn University
- Master Degree, Investment Banking , University of Wisconsin - Madison

### Training

- Director Certification Program : Program for Professional Director (DCP),IOD
- Role of The Compensation Committee ( RCC ) , IOD

### Working Experience in the 5 preceding years

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

### Shareholding status (Closing the share register on September 4, 2014)

-None-

## 7. Mr. Rachai Wattanakasaem



67 years old

### Position

Independent Director  
Chairman of Nominating and  
Remuneration Committee  
Audit Committee

### Education

- Honors Degree, MBA Industrial Management II class, Pacific States University, California,USA

### Training

- Director Certification Program : Program for Professional Director (DCP),IOD
- Role of the Compensation Committee (RCC), IOD

### Working Experience in the 5 preceding years

- |                |                             |   |
|----------------|-----------------------------|---|
| 2013 - Present | - Advisor, Computer Systems | Thai Rubber Latex Corporation<br>(Thailand ) Public Company Limited |
| 2011           | - Advisor                   | Krungthai Bank Company Limited                                      |

### Shareholding status (Closing the share register on September 4, 2014)

-None-



## 8. Mr.Suri Buakhom



70 years old

### Position

Independent Director  
Chairman of Corporate Governance  
Committee  
Audit Committee

### Education

- B.S. in Economics , Kasetsart University
- MBA , Thammasat University

### Training

- Diploma of Information Technology ,Harvard University
- National Defense College Class 4010
- Director Certification Program : Program for Professional Director (DCP),  
Chair Person Certificate, IOD
- Anti Corruption The Practical Guide (ACPG 12/2014), IOD

### Working Experience in the 5 preceding years

2013 -Present	- Director and Chairman of Audit Committee	Bliss -Tel Public Company Limited
2010-Present	- Chairman and Chairman of Audit Committee	Thaiwire Products Plc.
2009-Present	- Director and Nominating Committee	Zhengxin Bank Co., Ltd
2005-Present	- Advisor, Computer Online Systems	The Comptroller General's Department
2004-Present	- Advisor, Computer Online Systems	The revenue Department
2013	- Data Center Development Subcommittee	National Broadcasting and Telecommunication Commission (NBTC)

### Shareholding status (Closing the share register on September 4, 2014)

-None-

## 9. Mr. Achanun Asavabhokhin



34 years old

### Position

Director

### Education

- Bachelor's Degree, Political Science, Boston College , USA
- MBA, Tsinghua University ,China

### Working Experience in the 5 preceding years

2009-Present	- Private Property Investor	
2004-2005	- Securities Analyst	Asia Plus Securities Plc.

### Shareholding status (Closing the share register on September 4, 2014)

-None-

## 10. Mrs.Suwanna Bhuddhapasart



59 years old

### Position

Director  
 Risk management Committee  
 Corporate Governance Committee  
 Senior Executive Vice President  
 Company Secretary

### Education

- Bachelor of Accounting, Chulalongkorn University
- MBA, Chulalongkorn University

### Training

- 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

### Working Experience in the 5 preceding years

2013-Present	- Director	Casa Ville (Chonburi 2554) Co., Ltd.
	- Director	Property Host Co.,Ltd.
2012-Present	- Director	L&H Hotel Management Co.,Ltd.
	- Director	Centre Point Hospitality Co.,Ltd.
	- Director	LH Financial Group Plc.
2010-Present	- Director	Q House Precast Co.,Ltd.
2008-Present	- Director	L&H Management Co.,Ltd.
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
2013-Feb.2015	- Director	Casa Ville ( Phetchaburi 2553 ) Co.,Ltd
	- Director	Casa Ville (Rayong 2553) Co., Ltd.
	- Director	Casa Ville (Prajubkirikhan 2554) Co., Ltd.
2013	- Director	Land and Houses Bank Plc.
2011-2012	- Nominating and Remuneration Committee	LH Financial Group Plc.
2005 - 2012	- Director	Land and Houses Bank Plc.
	- Nominating and Remuneration Committee	Land and Houses Bank Plc.

### Shareholding status (Closing the share register on September 4, 2014)

18,625,790 Shares representing 0.20281% (Including shares held by children and close relatives)

## 11. Mr. Pravit Choatewattanaphun



57 years old

### Position

Director  
First Executive Vice President

### Education

- B.S. in Engineering, Chiang Mai University
- MBA ,Thammasart University

### Training

- Director Certification Program : Program for Professional Director (DCP), IOD

### Working Experience in the 5 preceding years

2011-Present	- Director	Property Host Co.,Ltd.
2010-Present	- Director	Q House Precast Co.,Ltd.
	- Director	Casa Ville (Phetchaburi 2553) Co.,Ltd
2005-Present	- Director	Q.H .International Co.,Ltd
	- Director	Casa Ville Co.,Ltd
2003-Present	- Director	Q.H. Management Co.,Ltd
2011-Feb.2015	- Director	Casa Ville (Chonburi 2554) Co., Ltd.
	- Director	Casa Ville (Prajubkirikhan 2554) Co., Ltd.
2010- Feb.2015	- Director	Casa Ville (Rayong 2553) Co., Ltd.
2009- Sep.2012	- Director	The Confidence Co.,Ltd
2001-2007	- Executive Vice President	Quality Houses Plc.

### Shareholding status (Closing the share register on September 4, 2014)

1,083,369 Shares representing 0.01180%

## 12. Mr.Pornthep Pipattangsakul



49 years old

### Position

Director  
Risk management Committee  
First Executive Vice President

### Education

- B.S. in Engineering, Chiang Mai University
- MBA, Chulalongkorn University

### Training

- Advanced Certificate Course in Public Administration and Law for Executives, King Prajadhipok's Institute
- The Boss, Management & Psychology Institute.
- Director Certification Program : Program for Professional Director (DCP), IOD
- Financial Statements for Directors (FSD 24/2014 ), IOD

### Working Experience in the 5 preceding years

2013-Present	- Director	Property Host Co.,Ltd.
	- Director	Q.H. Management Co., Ltd.
	- Director	Casa Ville (Rayong 2553) Co., Ltd.
	- Director	Q.H.International Co., Ltd.
	- Director	The Confidence Co.,Ltd.
Apr. 2011-Present	- Director	Q.House Precast Co.,Ltd.
2005 - Present	- Director	Casa Ville Co. ,Ltd.
2013 -Feb. 2015	- Director	Gusto Village Co., Ltd.
	- Director	Casa Ville (Phetchaburi 2553) Co., Ltd.
	- Director	Casa Ville (Prajubkirikhan 2554) Co.,Ltd.
	- Director	Casa Ville (Chonburi 2554) Co., Ltd.
2013 -July 2014	- Executive Vice President	Quality Houses Plc.

### Shareholding status (Closing the share register on September 4, 2014)

100,004 Shares representing 0.00109%



Nature of Business

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# Nature of Business



Quality Houses Public Company Limited has operated the real estate business for sales and for rent with its head office located on the 6<sup>th</sup> and 7<sup>th</sup> 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; Facsimile Number, 0-2677-7011 up to 0-2677-7012; Website [“www.qh.co.th”](http://www.qh.co.th).

As of December 31, 2014, the Company has issued capital of Baht 9,183,784,692, and paid-up capital of Baht 9,183,767,553, thus accounting for 9,183,767,553 common shares at the par value of Baht 1 per share.

## 1. Company History, Breakthroughs and Developments

The company history, breakthroughs and developments attributed to “Quality Houses Public Company Limited” may be summarized in chronological order as follows:

- **Year 1983** The Company was incorporated with an initial registered capital of Baht 1.0 million on October 21, 1983, with its primary objective so as to provide one-stop, integrated construction services of housing projects on customers’ plots of land;
- **Year 1990** The Company began operating the business of property development for rent, which is comprised of 2 categories: service apartments for rent and office buildings for rent;
- **Year 1991** On September 11, 1991, the Company was granted to operate as a listed company to trade its common shares in the Stock Exchange of Thailand;
- **Year 1992** The Company began operating the business of land and houses for sales;
- **Year 1993** The Company was registered as a public company limited on June 28, 1993;
- **Year 1997** The Company encountered business problems during the trying time of Thailand’s financial crisis;
- **Year 1999** The Company entered into debt restructuring agreements with certain banks and financial institutions and was able to perform well and to observe the terms and conditions thereof; note that, in 2005, under the original restructuring terms and conditions the Company managed to make fully loan repayments to those banks and financial institutions;



- **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), for Baht 812.0 million in total value;
- **Year 2006** The Company and its subsidiaries sold the real estate properties together with the related equipment and components, and/or gave the leasehold rights, and/or transferred the property leasehold rights for 2 of its particular office building projects, i.e. Q. House Ploenjit and Q. House Lumpini, to the Quality Houses Leasehold Property Fund, such transaction of which was granted by the Securities and Exchange Commission (SEC) on December 7, 2006. In addition, the Company also invested the total of 204.5 million units in the Property Fund, accounting for 25.66% of its total investment units for Baht 2,045.1 million in total value. Furthermore, the Fund Manager appointed Q. H. International Co., Ltd., a subsidiary of the Company, to serve as property manager of all properties in which the Property Fund happened to make investments over the period of 5 years with an option to renew the contract for not exceeding 5 years each;
- **Year 2012** The Company and its subsidiaries sold the properties together with related equipment and components and/ or gave the leasehold rights and/or transferred the property leasehold rights for 3 of its particular hotel projects, i.e. the Centre Point Hotel Pratunam (formerly known as “Centre Point Hotel and Residence Petchburi”), the Centre Point Hotel Sukhumvit 10 (formerly known as “the Centre Point Hotel and Residence Sukhumvit”) and the Centre Point Hotel Chidlom (formerly known as “the Centre Point Hotel and Residence Langsuan”), to the Quality Houses Hotel and Residences Freehold and Leasehold Property Fund (QHHR) (“The Fund”), such transaction of which was granted by the Securities and Exchange Commission (SEC) on July 2, 2012. In addition, the Company also invested the total of 105.28 million units in the Property Fund, accounting for 31.33% of its total investment units for Baht 1,050.28 million in total value holds 100% of shares.

Having invested in those properties, QHHR was set to offer for rent or for lease the properties under its ownership and possession, and all of whose leasehold rights it has been granted, to Centre Point Hospitality Co., Ltd., a subsidiary of Quality Houses Plc.

Note that the Centre Point Hospitality Co., Ltd. would hire Q.H. International Co., Ltd., a subsidiary of whose 100% shares are held by Quality Houses Plc., to manage the hotels and service apartments.

## 2. Shareholding Structure of the Company

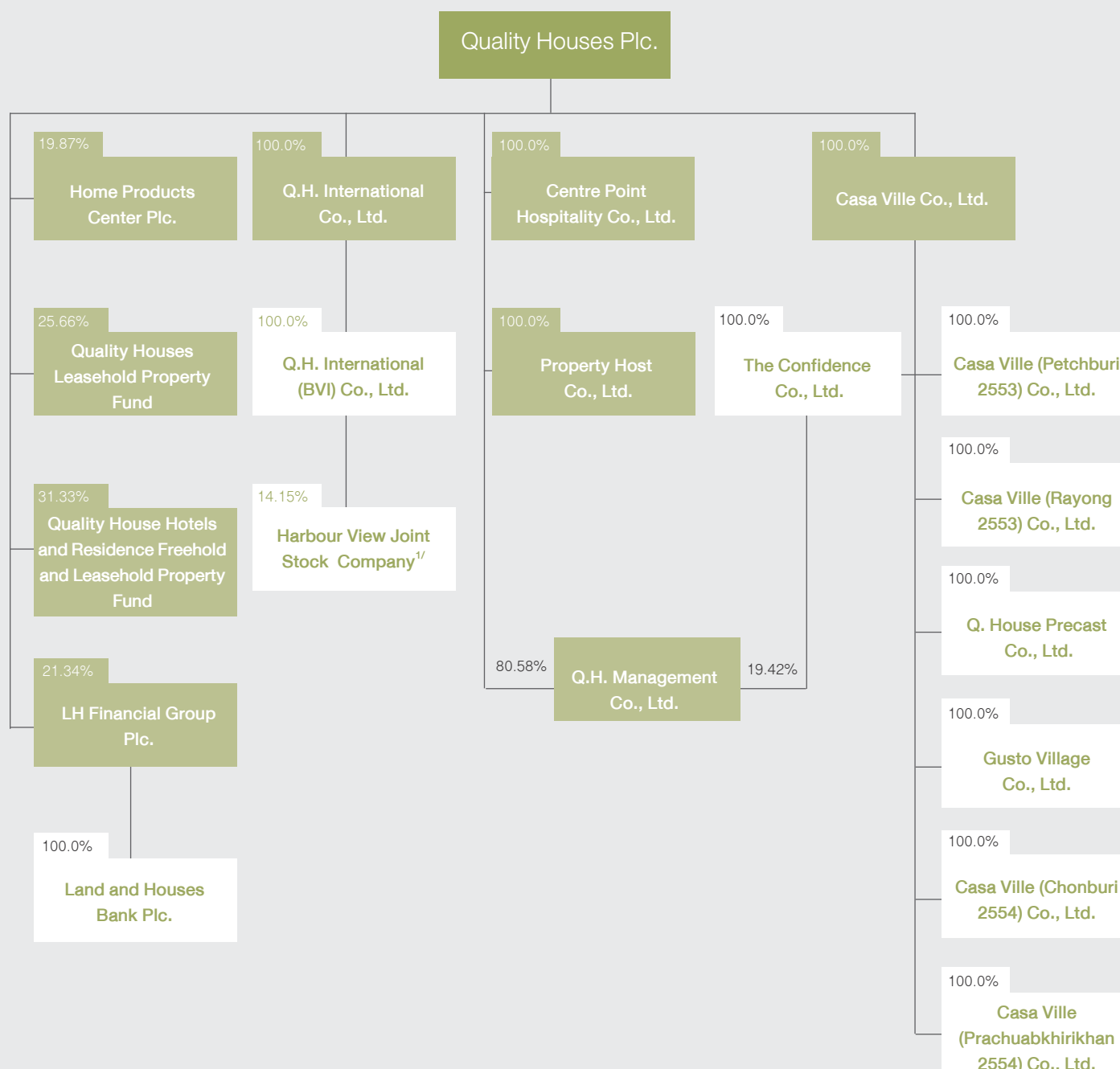
### 2.1 Overview of Business Operations of the Company, Subsidiaries and Associated Companies

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 and real estate property funds, the overview of whose business types may be classified as follows:

1. Land and houses for sales;
2. Condominium units for sales;
3. Hotel business;
4. Office building for rent;
5. Property management: Providing building/property management services for property for rent, including hotels, apartments, office buildings for rent and residential projects for rent;
6. Investment business;

(Details as per Marketing and Competition Section 1.1 “Nature of Products and Services”, Sub-section 1.1.1 (a) to (d).)

## 2.2 Structure of Shareholding (of the Company)



Remark: 1/ The remaining party of the shareholders who hold 85.85% of Harbour View Joint Stock Company shares and who are not identified as persons with potential conflicts are as follows:

- |               |        |
|---------------|--------|
| 1. Tradimexco | 23.63% |
| 2. IPEM       | 31.83% |
| 3. RGR        | 30.39% |

According to corporate policy, the Company's business operations, as well as those of both subsidiaries and associated companies, may be categorized as follows:

### 2.2.1 Subsidiaries

The Company has made investments in the following (13 companies):

1. **The Confidence Co., Ltd.** : 100% of its shares are held by Casa Ville Co., Ltd., (which is a subsidiaries that the Company holds 100% of shares). At present, The Confidence Co., Ltd. is conducting the business of property development for sales, including land and houses for sales such as detached houses and townhouses and condominium units for sales;
2. **Q.H. Management Co., Ltd.** : The Company holds 80.58% of its shares, while the remaining portion of 19.42%, is held by The Confidence Co., Ltd. At present, Q.H. Management Co., Ltd. is conducting the business of public utility management particularly for the housing projects belonging to both the Company and its subsidiaries;
3. **Casa Ville Co., Ltd.** : The Company holds 100% of its shares. At present, Casa Ville Co., Ltd. is conducting the business of property development for sales, including land and houses for sales, focusing upon the residential types of detached house, townhouse, and condominium units for sales;
4. **Q.H. International Co., Ltd.** : The Company holds 100% of its shares. At present, Q.H. International Co., Ltd. is conducting the business of residential building units for rent, building management, and making investments in various companies;
5. **Q.H. International (BVI) Co., Ltd.** : 100% of its shares is held by Q.H. International Co., Ltd. At present, Q.H. International (BVI) Co., Ltd. is conducting business investments in Harbour View Joint Stock Company, which is comprised of the hotel and office building for rent businesses in Haiphong City, Vietnam, with its share ownership of 14.15%;
6. **Casa Ville (Rayong 2553) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. At present, Casa Ville (Rayong 2553) Co., Ltd. is conducting the business of property development for sales, including detached houses and condominium units in Rayong province;
7. **Casa Ville (Petchburi 2553) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. At present, Casa Ville (Petchburi 2553) Co., Ltd. is conducting the business of property development for sales, including detached houses and condominiums in Petchburi province;
8. **Q. House Precast Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. with the business objectives so as to manufacture and market ready-made concrete sheets to the Company and its subsidiaries' housing projects;
9. **Gusto Village Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. with the objectives so as to operate the business of property development for sales, including townhouses and detached houses in Bangkok and its greater area;
10. **Casa Ville (Chonburi 2554) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. with the objectives so as to operate the business of property development for sales, including detached houses and condominium units in Chonburi province;
11. **Property Host Co., Ltd.** : The Company holds 100% of its shares with the objective so as to operate property for rent business;
12. **Casa Ville (Prachuabkhirikhan 2554) Co., Ltd.** : The Company holds 100% of its shares via Casa Ville Co., Ltd. At present, Casa Ville (Prachuabkhirikhan 2554) Co., Ltd. is conducting the business of property development for sales, including detached houses and condominiums in Prachuabkhirikhan province;
13. **Centre Point Hospitality Co., Ltd.** : The Company holds 100% of its share with the objective so as to run hotel and service apartment business operations.

### 2.2.2 Associated companies

The Company has invested in 2 associated companies and 2 property funds as per following details:

1. **Home Product Center Plc** : The Company had a long-term investment policy and, as of December 31, 2014, the Company was holding 19.87% of HMPRO shares. Home Product Center Plc. Co., Ltd. operates as a retailer of home improvement, decoration and construction products as well as providing One Stop Shopping service to inspire

as highest as possible a level of customer satisfaction, as well as provides rental space for rent. At present, this associated company has found success operating in total of 71 branches nationwide, 21 branches in Bangkok and the rest of which, that is, 50 branches, in upcountry; 4 branches being of “Mega Home” business model.


2. **LH Financial Group Plc.** : The Company holds 21.34% of its shares (as of December 31, 2014). LH Financial Group Plc. was established as a holding company with the business objective of making long-term investment by holding 100% shares in Land and Houses Bank, Plc., which operates the business of commercial banking services that provides services of deposits, mortgages, corporate loans and personal loans;
3. **Quality Houses Leasehold Property Fund** : With a long-term investment policy in which, the Company holds 25.66% of QHPF shares. Quality Houses Leasehold Property Fund operates in property for rent business and has registered as a closed-end Property Fund, with the capital of Baht 7,970 million in total. Properties in form of office buildings for rent invested by the Quality Houses Leasehold Property Fund include Q.House Lumpini, Q.House Ploenjit and Wave Place projects;
4. **Quality Houses Hotel and Residence Freehold and Leasehold Property Fund** : This long-term investment in which the Company holds 31.33% of shares was established in July 2012. Quality Houses Hotel and Residence Freehold and Leasehold Property Fund operates in property for rent business and has registered as a closed-end Property Fund, with the capital of Baht 3,360 million in total. Properties invested by the Quality Houses Hotel and Residence Freehold and Leasehold Property Fund include Centre Point Hotel Pratunam (formerly known as “Centre Point Hotel and Residence Petchburi”), Centre Point Hotel Sukhumvit 10 (formerly known as “Centre Point Hotel and Residence Sukhumvit”) and Centre Point Hotel Chidlom (formerly known as “Centre Point Hotel and Residence Langsuan”).

### 2.2.3 Other Companies (Harbour View Joint Stock Company)

Harbour View Joint Stock Company operates hotel and office buildings for rent in Haiphong City, Vietnam. Q.H. International (BVI) Co., Ltd., one of the Company’s subsidiaries, once held 21% of its shares. However, without the Company’s further subscription to any additional number of Harbour View’s shares being offered due to Harbour View Joint Stock Company was continually operating at loss, the current proportion of shareholding has decreased to 14.15%.

## 2.3 Business Goals

At present, the Company and its subsidiaries focus upon 3 core business operations: the land and houses and residential condominium units for sales; the hotel business, and; office buildings for rent. The Company’s corporate policy on its main business operation during the next 3-year period (2015-2017) focus upon investments in the enterprising of land and houses for sales and residential condominium units for sales due to its high profitability able to generate cash within shorter period and its profoundly accelerated level of liquidity, thus allowing for faster amortization of financial burdens. In addition, 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 within the price range between Baht 1.0-2.5 million, both in Bangkok and upcountry, in aims at increasing business opportunities and generating more of the revenues for both the Company and its subsidiaries.



The Company’s corporate policy on its main business operation during the next 3-year period (2015-2017) focus upon investments in the enterprising of land and houses for sales and residential condominium units for sales

# The Company's Investment



## 1. The investments of Quality Houses Plc.

Company	Type of Business	Paid-up Capital (Baht million)	Shareholding %
<b>1) Subsidiary companies</b>			
1.1 Q.H. International Co., Ltd.	Residential building units for rent , building management and making investments in various companies	76.8	100.00
1.2. Casa Ville Co., Ltd	Property development for sales	3,000.0	100.00
1.3 Q.H. Management Co., Ltd.	Managing utilities of housing projects of the Company and its subsidiaries	380.0	80.58
1.4 Property Host Co., Ltd.	Property for rent	5.0	100.00
1.5 Centre Point Hospitality Co., Ltd.	Hotels and service apartments	5.0	100.00
<b>2) Associated companies</b>			
2.1 Home Products Center Plc.	Supplier of construction materials and home decorations	12,329.3	19.87
2.2 LH Financial Group Plc.	Holding Business	13,198.7	21.34
2.3 Quality Houses Leasehold Property Fund	Investing in office building for rent	7,863.1	25.66
2.4 Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	Investing in hotel and serviced apartments	3,360.0	31.33

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

Company	Type of Business	Paid-up Capital (Baht million)	Shareholding %
Q.H. International (BVI) Co., Ltd.	Investing in foreign companies	30.8	100.00

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

Company	Type of Business	Paid-up Capital (Baht million)	Shareholding %
Q.H. Management Co., Ltd.	Managing utilities of housing projects of the Company and its subsidiaries	380.0	19.42

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

Company	Type of Business	Paid-up Capital (Baht million)	Shareholding %
1) The Confidence Co., Ltd .	Developing properties for sale	1,000.0	100.00
2) Casa Ville (Rayong 2553) Co.,Ltd.	Developing properties for sale	5.0	100.00
3) Casa Ville (Petchburi 2553) Co.,Ltd.	Developing properties for sale	5.0	100.00
4) Q.House Precast Co.,Ltd. <sup>1/</sup>	Manufacture and distribution precast concrete	5.0	100.00
5) Gusto Village Co.,Ltd. <sup>2/</sup>	Developing properties for sale	500.0	100.00
6) Casa Ville (Prachuabkhirikhan 2554) Co.,Ltd.	Developing properties for sale	5.0	100.00
7) Casa Ville (Chonburi 2554) Co.,Ltd.	Developing properties for sale	5.0	100.00

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

Company	Type of Business	Paid-up Capital (USD million)	Shareholding %
Harbour View Joint Stock Company	Hotels and office buildings for rent in rental in Haiphong City, Vietnam	6.8	14.15

Notes : 1/ The name of Idea Fitting Co.,Ltd. has been changed to Q.House Precast Co.,Ltd. on 28 March 2014.

2/ In June 2014 , Gusto Village Co.,Ltd. Increased its registered share capital from Baht 5 million to Baht 500 million through the issuance of 4,950,000 new ordinary shares with a par value of Baht 100 each. Casa Ville Co.,Ltd. Purchased all of these new ordinary shares for a total of Baht 495 million to maintain its shareholding.



# Marketing and Competition



## 1. Marketing and Competition

### 1.1 Nature of products and services

**Classification of products and services:** The Company and its subsidiaries classify its products according to the nature of business by using a variety of marketing strategies based on each business types. The Company's approaches may be summarized as follows:

#### A) Real Estate for Sales :

##### - Land and houses for sales

The Company and its subsidiaries have developed the land and houses for sales by taking the raw lands which are in good locations, subdividing the estate into plots, building houses on those land plots whilst developing a variety of infrastructures accordingly. At present, the Company and its subsidiaries focus upon developing projects in the locations in proximity to main roads that allow for better commutes in Bangkok and its greater area, as well as in other provinces including Chonburi, Petchburi, Chiangmai, Patumthani and Nakhon Prathom.









The Company and its subsidiaries have adopted the policies whereby to expand the target groups by offering a wider range of products from high-end, middle-end to low-end in order to cater to customers' needs and wants as follows:

#### • High-end products




(Unit price)

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

### • Middle-end products

Company name	Detached House Project				Townhouse Project	(Unit price)
	Casa Grand/ Legend	Casa Premium	Casa Ville/Presto	Casa Seaside	Casa City	
	Baht 7-12 million	Baht 5-7 million	Baht 4-6 million	Baht 3-6 million	Baht 2-5 million	
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 products

Company name	Detached House Project		Townhouse Project		(Unit price)
	The Trust Town Home	Gusto Town Home	The Trust		
	Baht 3-5 million	Baht 2-3 million	Baht 3-4 million		
1. The Confidence Co., Ltd.					
2. Gusto Village Co., Ltd.					

#### - Residential condominium units for sales

The Company and its subsidiaries have adopted a policy to expand the business in light of residential condominium units for sales by taking into account a number of lucrative projects and by focusing upon prime locations in the heart of the city or near BTS stations (BTS) and subway (MRT) in response to both currently existing routes and their future expansions, as well as for the benefits of better commutes from and to residential communities. In addition, our subsidiaries have also expanded into other provincial areas with high potential, such as Chonburi, Petchburi, Chiangmai and Nakhon Prathom.

This policy is strategically intended to inspire customer's satisfaction and cater to the needs and wants of those who are looking for modern-day convenience in terms of commuting from and to workplaces while at the same time making it possible to enjoy their lifestyles. The target group includes entrepreneurs, middle management and above, as well as company employees and younger generation who prefer convenience and city life. The projects may be classified by product types as follows:

Company name	High-end products		Middle-end products	Low-end products	(Unit price)
	Q Condo	Q House Condo	Casa Condo	The Trust Condo	
	Baht 14-140 million	Baht 3-7 million	Baht 2-5 million	Baht 1.5-4 million	
1. Quality Houses Plc.					
2. Casa Ville Co., Ltd.					
3. The Confidence Co., Ltd.					

**B) Business of Real Estate for rent :****- Hotel business**

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 and/or travel in Thailand on both short-term and long-term basis. Therefore, the Company and its subsidiaries have made selection of the best in terms of prime locations equipped with convenience and comfort within the heart of the city and central business district areas (CBD). Furthermore, the Company and its subsidiaries have also emphasized on other services, such as by providing meeting rooms, business centers and restaurants, etc.; the Company and its subsidiaries also focus upon providing high quality services, efficient security system, as well as state-of-the-art communication devices.

The assets used in operating the business of residential building for rent are divided into the following: 1. Ones used for long-term operation 2. Ones leased for business operation under the terms of agreement between 1-3 years.

**- Business of office buildings for rent**

The Company has constructed high-rise buildings on its own plots of land and on long-term leased land which are located in central business district areas (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 service for real estate for rent**

The Company and its subsidiaries provide management service for real estate for rent, including hotels, apartments, office buildings 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 Houses Leasehold Property Fund;
- Management of residential buildings for rent: Centre Point Residence Promphong Project and Centre Point Sukhumvit-Thonglor, as well as management of houses for rent in L&H Villa Sathorn Project for Land and Houses Freehold and Leasehold Property Fund;
- Management of residential buildings for rent: Grande Centre Point Hotel Ratchadamri (formerly known as “Grande Centre Point Hotel and Residence Ratchadamri”) and Grande Centre Point Hotel Terminal 21 (formerly known as “Grande Centre Point Hotel and Residence Sukhumvit-Terminal 21”) for L&H Property Co., Ltd;
- Management of Centre Point Hotel Pratunam (formerly known as “Centre Point Hotel and Residence Petchburi”), Centre Point Hotel Sukhumvit 10 (formerly known as “Centre Point Hotel and Residence Sukhumvit”) and Centre Point Chidlom (formerly known as “Centre Point Hotel and Residence Langsuan”) for Quality Houses Hotel and Residence Freehold and Leasehold Property Fund;
- Management of Mandarin Hotel for the Mandarin Hotel Public Company Limited.

**D) Investment business**

The Company has invested directly and indirectly through its subsidiaries and property funds as follows:

- **Harbour View Joint Stock Company (“HVC”)** : The Company has invested indirectly in HVC by holding 100% shares in Q.H. International Co., Ltd. (QHI), while in turn QHI owns 100% shares in Q. H. International (BVI) Co., Ltd. (“QHI (BVI)”) and QHI (BVI) is in possession of 14.15% shares in HVC, the last of which operates a hotel and office building rental business in Haiphong, Vietnam;
- **Home Product Center Plc.** : Of which the Company holds 19.87% shares (detail in Section of Nature of Business, 2.2.2 “Associated Companies”, Sub-section (1).);
- **LH Financial Group Plc.** : A holding company which has remained active in making long-term investments in the Land and Houses Bank Plc., holding 100% of shares; the Company holds 21.34% of its shares (detail in Section of Nature of Business, 2.2.2 “Associated Companies”, Sub-section (2)).
- **Quality Houses Leasehold Property Fund (“QHPPF”).**

The Company and its subsidiaries sold the property with components and relevant equipment and/ or transferred the office building leasehold rights of 2 projects, Q. House Ploenjit and Q. House Lumpini, to Quality Houses Leasehold Property Fund (previously “Quality Houses Property Fund”). The Company invested in QHPPF for 204.5 million unit, or 25.66% of QHPPF’s total investment unit, which amounted to 2,045.1 million Baht.

In addition, the management company has appointed the Company and/or Q.H. International Co., Ltd., which was the Company’s subsidiary, to be the Property Manager for all properties in which QHPPF would invest for the period of 5 years. The parties of agreement are given an option to renew the contract for no greater than 5 years each (under the same condition , except the fees) depending upon the result of operation by the Property Manager. The annual fee is to be calculated with reference to the result of business operation of each project.

In the 4<sup>th</sup> quarter of 2011, the Company and its subsidiary, Q.H. International Co., Ltd., extended the agreement as the Property Manager for another 5 years. The parties of agreement were able to extend the period of agreement for no more than 5 years each under the same conditions as previous agreement.

- **Quality Houses Hotel and Residence Freehold and Leasehold Property Fund**

The Board of Directors’ Meeting No.4/2012 dated June 19, 2012, has passed a resolution to establish Quality Houses Hotel and Residence Freehold and Leasehold Property Fund (“QHHR”), which was to be managed by Land and Houses Fund Management Co., Ltd. (“management company”), and on behalf of which the Company was in charge of distributing the real estate property, fixture and the related equipment and/or to give the leasehold right and/or to transfer the leasehold right of real estate property for the following (three) hotel and service apartment projects, i.e. Centre Point Hotel Pratunam, Centre Point Hotel Sukhumvit 10 and Centre Point Hotel Chidlom, and ensure that QHHR would enter into the property lease agreement “for” Centre Point Hotel Chidlom “from” The Crown Property Bureau. In addition, by virtue of the aforementioned resolution, approbation has been made in order that Company was to invest in QHHR whereby a number of not greater than 112 million investment units would be purchased at Baht 10 each, thus accounting for not greater than Baht 1,120 approximately, or not more than one-third of the total number of QHHR investment units. The Company has practically made investment in the aforementioned entity’s 105.3 million (investment) units worth Baht 1,053 million.

In addition, the Board of Directors has also adopted another resolution to grant one of the Company's subsidiaries "Centre Point Hospitality Co., Ltd.", whose shares amounting to not less than 99.99% being directly or indirectly held by the Company, to lease and sublease the aforementioned properties from QHHR over the period of 3 years commencing from the lease commencement date at the prescribed rates of rental and sublease fees. Centre Point Hospitality Co., Ltd. has also given a pledge to QHHR that it would lease and sublease from the latter following the completion of the lease and sublease period, whichever applicable, for the period of 3 years, were QHHR to desire accordingly; whereas the terms and conditions specified thereof were to be thoroughly the same as the currently existing ones, including an option to renew the lease and sublease terms for the other 3 years each, commencing from the lease and sublease expiry dates stated in the contracts. Furthermore, the resolution has also been given so as to approve that the Company entered into the process of guaranteeing that QHHR would observe all terms and conditions and thus act accordingly in honoring the agreements with the Crown Property Bureau, as the joint debtor. The initial total value of the aforementioned act of guarantee amounted to Baht 86.2 million.

Furthermore, the Board of Directors have also approved that the Company entered into agreement whereby to provide guarantee for the minimum rental fee of Baht 837 million, which was to be received by QHHR from the investments in all 3 Centre Point projects, and which would remain effective for a period of 3 years commencing from the date upon which QHHR had first entered into the business of making investment in the aforementioned property ("guarantee period").

## 1.2 Pricing policy

The Company and its subsidiaries have adopted the pricing policy in compliance with product types and market segmentation, as well as cost of production. Pricing strategies and tactics are to be determined appropriately and competitively.

## 1.3 Distribution and distribution channels

The Company and its subsidiaries allocate their distribution channels in accordance with types of business as follows:

### 1) Land and houses for sales and residential building units for sales

The Company and its subsidiaries utilize their sales office strategically situated in each project as well as through exhibition booths as deemed appropriate.

### 2) Hotel business

There are several channels of distribution for the Company and its subsidiaries as follows:

- **The Company's sales representatives** : Customers are able to contact the central sales office; alternatively, our sales representatives may visit the customers at their office. Our sale personnel will provide useful information on each and every project while ensuring that good relationship be maintained and that customer satisfaction be achieved through contacts being made with the customers.
- **Sales agents** : As an integral part to widen the customer base, the Company provides the opportunity for all agents/brokers to seek and locate customers for both the short- terms and long-term businesses.
- **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 an incrementally potential marketing means on annual basis.

- **Online representative website :** Given the current trend in which foreign customers are most likely to employ the Internet in making (room) reservation, the Company therefore provides another distribution channel through online representative website.

### 3) Office buildings for rent

The Company's and its subsidiaries' main sales distribution channel is predominantly implemented through corporate agents since they tend to be in possession of networks with an extensive number of customers and relevant products of which they may choose to conduct inspection prior to making decision. In addition, the Company's customers may directly contact the Company's sales representative office as well.

## 1.4 Target customers and their characteristics

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

### 1) Business of land and houses for sales and residential condominium units for sales

The target customers include senior executives, business proprietors, government officials, those working for state enterprise agencies and private company employees, etc.

### 2) Business of real estate for rent, including:

- **Office building for rent :** The target customers include medium-to-large companies, Thai and foreign, which require office space in the prime locations.
- **Hotel business :** The main target customers include foreign businesspersons visiting Thailand for business or working with private companies and/or organizations, as well as foreign tourists who may be planning on short- or long-term stay.

## 1.5 Environmental impact

The Company and its subsidiaries may have impact on the environment through each business type as follows:

### 1) Business of real estate for sales

In 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 ensure that they be properly and entirely licensed. Pertaining to the projects that do not require any permission from the Environmental Board, the Company and its subsidiaries also have an eye on the following factors which may affect the environment. For instance, the Company and its subsidiaries control the construction process by adopting noise control measure against audio pollutions which might affect the communities during the period of project development. In addition, tools and equipment are to be retained in safe places. Construction sites are to be controlled to ensure safety, dust prevention and orderly work site. Construction zones are to be properly allocated in order to minimize the negative impacts on finished houses and their residents.

### 2) Business of real estate for rent

The Company and its subsidiaries have preventive and control measures so as to minimize impacts of public utility problems, such as the ones whereby to inspect and replace equipment in aims at reducing energy consumption, as well as garbage management and sewage testing, etc.

As a result, none of the projects operated by the Company and its subsidiaries creates any negative environmental impact.



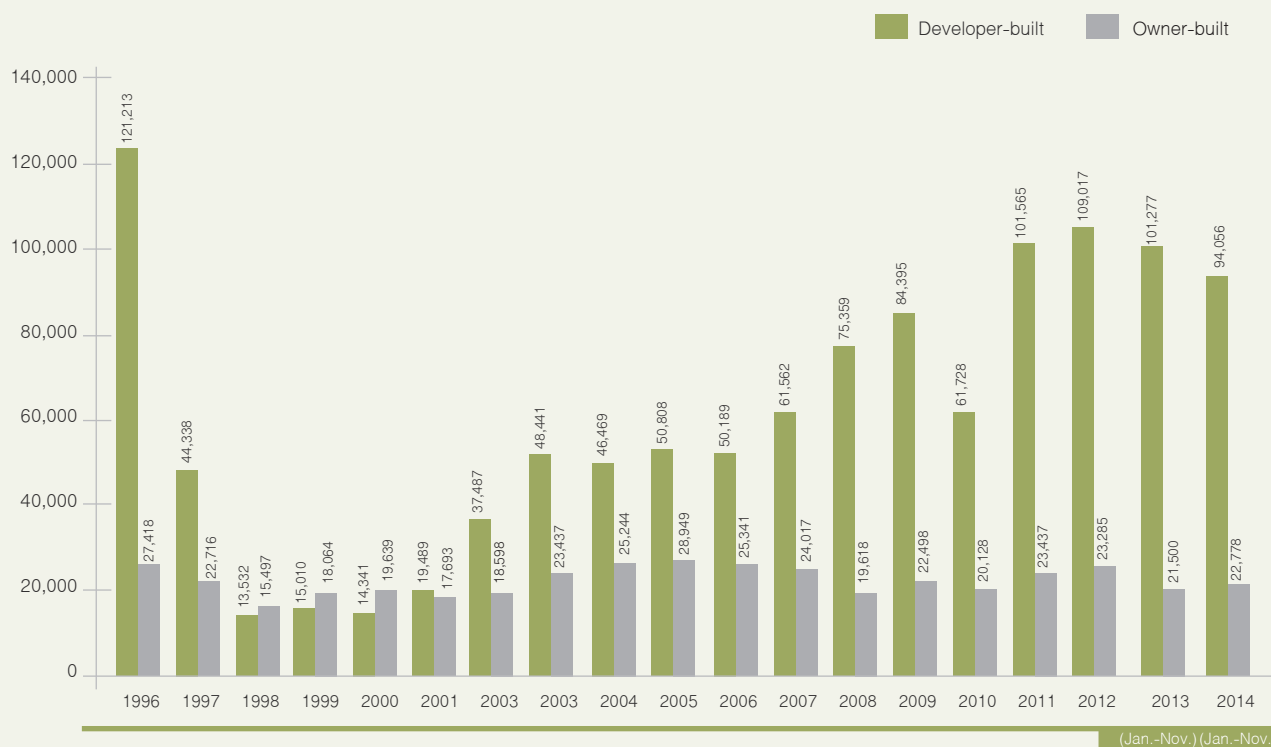
## 2. Industrial situation and competition

The Company and its subsidiaries classify the competition within the industry according to nature of business as follows:

### 1) Real estate for sales

Regarding the residential projects having been completed in 2013, the total number of related house registrations in 2013 accounted for 132,302 units, increasing by 6% in comparison with 125,002 units in 2012. The aforementioned projects, which had been completed in 2013, were comprised of the following: the number of developer-built houses being 109,017 units, increasing by 7%; and the number of owner-built counterparts amounting to 23,285 units, decreasing by 1%, both in comparison with year 2012.

In addition, in 2014 from January through November the total number of related house registrations accounted for 116,834 units, decreasing by 5% when compared to that of 122,777 units in 2013. The aforementioned projects, which had been completed in 2014, were comprised of the following: the number of developer-built houses being 94,056 units, decreasing by 7%; and the number of owner-built counterparts amounting to 22,778 units, increasing by 6%, both in comparison with that during the same period of the year 2013.



Source: Information Center, Government Housing Bank

Additional developer-built house registrations classified by types of housing from 2008 to November 2014

Additional developer-built house registrations classified by types of housing	2008	2009	2010	2011	2012	2013	2013 (Jan.-Nov.)	2014 (Jan.-Nov.)	% of changes in 2013/2012	% of changes in 2013/2014 (Jan.-Nov.)
Detached houses	13,437	10,863	11,403	13,999	10,887	13,869	13,226	11,603	+27%	-12%
Duplexes	2,133	1,000	1,366	1,381	1,069	2,470	1,988	2,667	+131%	+34%
Townhouses and commercial buildings	11,943	9,771	11,707	11,614	11,218	21,238	19,906	15,469	+89%	-22%
Condominiums	34,049	53,725	59,919	34,734	78,391	71,440	66,157	64,317	-9%	-3%
<b>Total number of additional developer-built house registrations</b>	<b>61,562</b>	<b>75,359</b>	<b>84,395</b>	<b>61,728</b>	<b>101,565</b>	<b>109,017</b>	<b>101,277</b>	<b>94,056</b>	<b>+7%</b>	<b>-7%</b>

Source: Information Center, Government Housing Bank

In comparison with the aforementioned data and information in year 2012, year 2013 witnessed the markets for the detached house, duplex, townhouse and commercial building growing more robust, as a sign of recovery for the overall low-rise project market residence after the flooding crisis in year 2011 and thanks to the ongoing telecommunication development in Bangkok. In addition, with the opening of the extended section of BTS service, life became relatively easier in greater Bangkok area, thus a series of modernization and gentrification being expanded into suburban areas along with residential needs. Au contraire, the condominium market has been facing a downturn from the shortage of both manpower and contractors, resulting in a delay of construction process as a whole.

Compared with the 11-month period of the year 2013, the period from January to November 2014 witnessed a decrease in terms of the number of residential projects particularly for the detached house, townhouse and commercial building due to the then political unrest ranging from January to May that year, worsened by the rise in household debts burden, both of which significantly contributed to more stringent loan policies among the financial institutions. This in turn affected consumer's behavior in terms of confidence or lack thereof and their decision-making process. However, duplex house market turned out to be increasing in number, the philosophy behind the incident being that, due to a surge in construction costs and the increased prices of plots of land, duplex house therefore served as an alternative to the detached type while the developers were also making an effort to ensure that both categories (detached and duplex houses) entailed as similar functions as possible.

Pertaining to the overall residential market trend in 2015, the Company estimates that the real estate/property business in general is most likely to recover and become robust due to the overall economic recovery, as well as the dawn of clearer pictures in terms of investments in basic infrastructures by belonging to the public sector regarding the issues of mass transit system and upcoming roadway construction projects, and the country's preparation for entering ASEAN Economic Community in year end 2015.

## 2) Business of Office building for rent

In year 2014 there existed in the market a total number of rental office building space of 8.32 million square meters,

increasing from the previous year by 0.21 million square meters due to virtually all of the construction projects having taken place in the (non-CBD)non-central business district areas.

In addition, the political unrest which had been lingering on in the capital city of Bangkok from year end 2013 to the first half of year 2014 also affected Thailand's overall economy and its business overview. Nevertheless, thanks to the puissant foundation having been laid down in Bangkok's property market as a whole, there were no grave impacts being felt. Meanwhile, the first half of the year (2014) witnessed the rental office building market recuperating, whereby in particular the third quarter marked the period during which the occupied office space accounted for approximately 7.48 million square meters, increasing by 0.15 million square meters when compared to year end 2013. The majority of the occupancy was attributed to that by foreign companies. In addition, due to limited office space in the CBD areas, there were expansions within the currently existing office building, both taking place in the non-CBD zones. Note that the prospects reportedly took immense interest in venues near BTS stations and the likes, as well.

By the end of the third quarter of 2014, the average rental rates were increased in each and every location in comparison with year end 2013. I.e., the average rental rate for A-grade office buildings in the CBD area surged from Baht 804 to Baht 845 per square meter per month whereas those top-tier counterparts in non-CBD area increased from Baht 598 Baht to Baht 636 Baht per square meter per month. Meanwhile, B-grade office buildings in the CBD area turned out to experience a rise in the average rental rate from Baht 561 to Baht 609 per square meter per month whereas the average rental rate of "B" Grade office buildings in non-CBD area increased from Baht 526 to Baht 552 per square meter per month.

Regarding the rental office building market trend in 2015, it has been estimated that the available rental space is likely to increase by 0.19 million square meters approximately, 0.086 million square meters of which is expected to derive from inventories within the CBD area, while the non-CBD counterpart is slated to be equal to 0.105 million square meters. Note that the non-CBD area has been witnessing a continually huge surge in terms of availability of office space for rent ever since 2014, thus its propensity for incrementally fierce competition thereof. In addition, it has also been estimated that in year 2016 another series of incremental inventories will take place in non-CBD area, thus accounting for an increase by 0.133 million square meters. The average rental rates are also expected to improve on continual basis, particularly those of office buildings in the CBD area. More than 90% of the office space has already been leased out, virtually all being located near BTS stations.

**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 and Bangna-Trad Roads, etc

### 3) Residential building for rent / Hotel Business

In year end 2014, the number of residential buildings available for rent within the market accounted for 20,285 units, increasing 192 units or 0.96% from 20,093 units in the previous year (2013). In addition, year 2014 witnessed the launches of 4 new projects whereas some other projects initially slated to be on general release in the same year (2014) have been postponed. As a result, there are 6 projects in total expected to be launched in year 2015, some of which account for 307 units (rooms), the rest of the aforementioned six having yet to be determined in terms of the number of

rooms available for rent. Taking into account the number of foreigners with work permit who have been working for BOI companies in relation with the temporary residential types in Bangkok, the accumulated number compiled in the end of December 2014 amounted to 84,819 (persons), increasing by 2,051 persons or by 2.4% in comparison with 82,768 persons in 2013. Note that the increased percentage of foreigners with work permit who were residing in Bangkok was higher than that of the residential units available for servicing. The market trend for residential buildings for rent or service apartments is likely to become less intensified; however, the number of condominiums for rent tends to be increased and become active in playing a vital role in the market competition accordingly.

Japanese nationals and other tenants from Asia remained loyal as the main target group of residential units for rent. In case of Japanese tenants, it was due to the fact that they represented the largest group of incoming visitors to Thailand; in December 2014, Japanese nationals with work permit who remained in the country accounted for 14,855 persons, followed suit by Chinese and Filipino counterparts respectively.

In regard to hotel market, in year 2014, the total number of rooms available was 39,960 in comparison with 38,759 in year 2013, thus signifying an increase of 1,201 rooms or by 3.10% arising from 2013. The middle-range hotels had the highest rates of rooms available in the market. Note that due to political unrest, year 2014 witnessed tourism industry in its stagnant state, thus resulting many projects, which would have launched that year, finding themselves in postponement accordingly. It has been expected that there will be 3,618 units being launched in year 2015, thus increasing by 9.08%.

From the 1st to the 2nd quarters of 2014, Thailand had undergone political turmoil and thus witnessed a stagnant state of incoming visitations by foreign investors to the country. In addition, a decline in the number of foreign tourists continued lingering on through the 3rd quarter due to the coup d'état in May; furthermore, to make the matter worse, with the martial law in effect at that time, a number of countries had no choice but to warn their citizens to take precautions as such. However, the 4<sup>th</sup> quarter witnessed little improvement due to certain supportive measures strategically imposed by the then administration so as to aim at regaining confidence in the prospective foreign visitors worldwide. All in all, in comparison with year 2013, the total number of foreign tourists was in decline on continual basis in 2014. Regarding the turnover statistics of incoming foreign tourists from January to November 2014, there were 21 million visitors traveling to Thailand in comparison with 24 million visitors in the previous year (2013), thus decreasing by 8.61% or by 3 million.

Pertaining to the overview of investment in Thailand, taking into account the information obtained from the Board of Investment of Thailand, from January to November 2014, foreign investors submitted the request for investment promotion of 816 projects, accounting for Baht 434,351 million in total investment value in comparison with the same period of the year 2013, during which there were petitions being made for 1,015 projects, amounting to Baht 386,671 million in total investment value, decreasing by 19.6% or by 199 projects. However, the investment value in 2014 has been in surge by Baht 47,680 million, accounting for 12.3%, which meant that the projects being petitioned this year (2014) were substantial in size and of higher value in terms of investment than those of the previous year (2013).

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

# Revenue Structure



## Revenue structure of Quality Houses Public Company Limited and its Subsidiaries

		(Unit : Baht million)					
Revenue by Business <sup>1/</sup>	Operate by	2012		2013		2014	
		Revenues	%	Revenues	%	Revenues	%
<b>1. Real Estate Business</b>							
1.1 Business of Real Estate for Sales	Quality Houses Plc. and its Subsidiaries <sup>2/</sup>	8,639	57	11,926	57	14,725	66
1.2 Residential Condominium for Sale Business	Quality Houses Plc. and its Subsidiaries <sup>3/</sup>	3,345	22	6,552	31	5,427	24
1.3 Serviced Apartment Business	Quality Houses Plc., Q.H. International Co.,Ltd.	746	5	863	4	700	3
1.4 Office Building for Rent Business	Quality Houses Plc.	347	2	359	2	367	2
<b>Total revenue from real estate businesses</b>		<b>13,077</b>	<b>86</b>	<b>19,700</b>	<b>94</b>	<b>21,219</b>	<b>95</b>
<b>2. Other income</b>							
2.1 Gain on sales of properties and transfer of leasehold rights to building	Quality Houses Plc.	1,183	8	140	1	-	-
2.2 Share of profit from investments in associates	Quality Houses Plc.	802	5	943	4	1,060	4
2.3 Other	Quality Houses Plc. and its subsidiaries	149	1	159	1	158	1
<b>Total of other Income</b>		<b>2,134</b>	<b>14</b>	<b>1,242</b>	<b>6</b>	<b>1,218</b>	<b>5</b>
<b>Total</b>		<b>15,211</b>	<b>100</b>	<b>20,942</b>	<b>100</b>	<b>22,437</b>	<b>100</b>

- Note :
- 1/ The Company's revenue is entirely from domestic sales.
  - 2/ Subsidiaries are Casa Ville Co.,Ltd., The Confidence Co.,Ltd., Casa Ville (Petchburi 2553) Co.,Ltd., Casa Ville (Rayong 2553) Co.,Ltd. and Gusto Village Co.,Ltd.
  - 3/ Subsidiaries are Casa Ville Co.,Ltd., The Confidence Co.,Ltd., Casa Ville (Prachuaphirikhan 2554) Co.,Ltd.

## The structure of Share of profit from investments in associates

(Unit : Baht million)

Project	Operated by	% Owned by the Company as at Dec. 31,2014	2012		2013		2014	
			Income	%	Income	%	Income	%
<b>1. Business of building for rent</b>								
- Q. House Lumpini Building, Q.House Ploenjit Building and Wave Place Building	Quality Houses Leasehold Property Fund	25.66	122	15	122	13	129	12
<b>Sub-total</b>			<b>122</b>	<b>15</b>	<b>122</b>	<b>13</b>	<b>129</b>	<b>12</b>
<b>2. Business of hotel</b>								
- Centre Point Hotel Pratunam, Centre Point Hotel Sukhumvit 10, Centre Point Hotel Chidlom	Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	31.33	5	1	32	3	29	3
<b>Sub-total</b>			<b>5</b>	<b>1</b>	<b>32</b>	<b>3</b>	<b>29</b>	<b>3</b>
<b>3. Business of construction material</b>								
	Home Product Center Plc.	19.87	528	66	606	64	648	61
<b>Sub-total</b>			<b>528</b>	<b>66</b>	<b>606</b>	<b>64</b>	<b>648</b>	<b>61</b>
<b>4. Business of investment</b>								
	LH Financial Group Plc.	21.43	147	18	183	20	254	24
<b>Sub-total</b>			<b>147</b>	<b>18</b>	<b>183</b>	<b>20</b>	<b>254</b>	<b>24</b>
<b>Total</b>			<b>802</b>	<b>100</b>	<b>943</b>	<b>100</b>	<b>1,060</b>	<b>100</b>



# Risk Factors



## 1. Financial Risk

### Risk from investments, lending, and guarantees made to the related companies Harbour View Joint Stock Company

Harbour View Joint Stock Company (“HVC”) is a related company since Q.H. International (BVI) (“QHI(BVI)”), 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 HVC (previously, it held 21% of shares).

As of December 31, 2014, the net investment after the allowance for impairment of investment in HVC amounted was zero, in comparison with the investment cost of Baht 33 million. The Company reserved an allowance for loss impairment of the aforementioned investment in full amount due to the fact that HVC, which operated hotel businesses and rental office buildings in Haiphong, Vietnam, had continually operated at loss.

In the end of 2013 and 2014, the subsidiary company “QHI(BVI)” lent HVC the amount of Baht 36 million and Baht 38 million respectively (details in the Section: Connected Party Transaction, Item (29) Harbour View Joint Stock Company). In consequence, the aforementioned subsidiary company appears to be risk-prone towards losing the total loan because HVC has continually operated at loss. In addition, the Company has guaranteed the loans for HVC since 1997 because each shareholder is obligated to provide financial support for HVC in proportion to its accumulation. Consequently, both “QHI(BVI)” and one of the shareholders have been committed to a loan of US\$ 3 million from a financial institution and jointly guaranteed the loan in the proportion of 50% each, or equivalent to US\$ 1.5 million. However, the liabilities that the Company and its subsidiaries had to provide financial support for HVC, was depended on the percentage of ownership of “QHI(BVI)”, which was equivalent 21%. Subsequently, there was a capital increase to the existing shareholders in the same proportion, whereas the subsidiary company (“QHI(BVI)”) did not exercise this right issuing because of the operation loss, thus the percentage of shares being held at year end of 2007 being reduced to 14.15%. In 2002 and 2008, the Company reserved the allowance for contingent liability from the loan guarantee at Baht 35.0 million and Baht 26.0 million respectively, accounting

for Baht 61.0 million in total, and resulting in the Company's record of the burden of that contingent liability in fully amount. In the case that the Company was required to make repayment for loans on behalf of HVC, it would amount to Baht US\$ 1.5 million or Baht 50 million as of December 31, 2014. In addition, HVC eventually being granted a debt-restructuring scheme by the financial institution(s) by extending the repayment period to the year 2017. As a result, the Company's risk from the guarantee to this loan has been reduced. Furthermore, the Company also closely monitors the financial status, performance and implementation of the debt-restructuring plan of HVC.

### Risk of obligation to issuance of the Company's bond

As of December 31, 2014, the Company had loans from financial institutions and debentures amounting to Baht 25,192 million, which is comprised of Baht 1,992 million short-term loan, of Baht 4,600 million long-term loan due within one year, of Baht 697 million long-term loan, as well as Baht 17,912 million debentures net of the current portion due within one year. The debt to equity ratio was 1.54 times, which meant that if the Company cannot achieve its sales target, there might be some impacts on debenture repayment. However, in practice the Company remained optimistic and thus expected to achieve its goals as planned in terms of income generation. For instance, as of December 31, 2014, the Company and its subsidiaries operated the total of 62 projects of land and houses for sales, thus generating sales revenue of Baht 80,235 million approximately, with the remaining transfer value of Baht 41,290 million; furthermore, the other 9 projects of residential condominium units for sales accounting for Baht 19,069 million with the remaining sales value of Baht 10,151 million have been achieved as well. These are sources of the company's future revenue. Meanwhile, the Company has proven robust in terms of generating continually stable income particularly from the hotel business and office building for rent, both of which would enhance its cash flow. In addition, the Company and its subsidiaries have kept the long-term credit intact and ready for use, if any, under the loan agreement at Baht 6,142 million in total (as of December 31, 2014), which might possibly serve as a source of funding for the Company as well.

The issuance of the Company's debenture has been implemented in accordance with the funding policy whereby finding sources of funds with lower financial costs than obtaining loans from financial institutions, while lowering the risk from fluctuating interest rates, was encouraged. The proven track record has revealed that the Company would normally be able to pay the interest and redeem its debentures as scheduled, and also maintained the debt to equity ratio at no more than 2:1 as prescribed in the debenture requirements.

### Risks of interest rate fluctuation and access to capital

The Company and its subsidiaries were required to spend a large amount of fund in property development, the part of which was derived from loans obtained from financial and banking institutions and issuance of debentures. In consequence, the market interest rates have played a vital role in creating impacts upon the Company's cost of funds required for its 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 - which is intended to help reduce the cost of interest and thus believed to be suitable for the business of land and houses for sales that requires short-term fund in light of project development. Another measure is to improve the efficiency of project planning and construction to shorten the project development period and to alleviate

the burden of interest bearing loans. Furthermore, the Company has also managed to establish the loan allocation scheme, for both fixed interest rate and floating interest rate, which is to be used in the business in accordance with the business type and asset type of the company and its subsidiaries by monitoring the interest rate trend both at present and in the future, and considering the use of appropriate financial tools in order to manage the risk accordingly.

In addition, the Company has increased its potential and access to capital for project development by creating good relationship with several commercial banks so as to compare business deals and to identify the most optimal costing scheme.

## 2. Business Risk

### Risk incurred from pre-built home construction

The Company and its subsidiaries operate a business of property development for sales and for rent with the major revenue being generated from the sales of land and houses. In 2013 and 2014, the Company's and its subsidiaries' revenue from sales of land and houses contributed 61% and 69% of total revenue from their real estate business for sales and for rent respectively. The Company and its subsidiaries have had the operational policies whereby to complete housing constructions prior to selling the houses with the medium price range upwards rather than building the project upon receiving deposit payments from customers (tailor-made houses). Naturally, with the aforementioned tactics (policies), the Company and its subsidiaries required more working capital during the construction period. As a result, this could possibly affect the liquidity and profitability of the Company and its subsidiaries due to the high initial investment and interest expenses incurred accordingly.

However, the Company and its subsidiaries have established preventive measures so as to address (prevent or reduce) the above mentioned elements of risk as follows:

- The Company and its subsidiaries have conducted consumer behavior study by soliciting the opinions of customers who visited the projects pertaining to their budget, price, design, specification, plot size, quality of construction materials, project's environment and security, etc. In addition, the information obtained from the previous projects has been analyzed so as to identify customers' needs and wants. This enables the Company and its subsidiaries to develop pre-built housing projects which could possibly cater to customers' needs and wants, and which have proven well accepted among the customers who apparently rest assured that they will receive the transfer of housing rights as stated in the contract, and who have seen the quality of the products prior to making (purchase) decision;
- The Company and its subsidiaries are major property developers with a time-honored, proven track record in the industry, which are widely recognized and well accepted among the target groups;
- The Company and its subsidiaries have evaluated the demand for houses, Thailand's economy and the related factors in light of reviewing and planning for construction of residences by focusing upon optimizing the benefits from the remaining inventory on hand at any given period so as to reduce the risk of excessive use of working capital. Planning of construction has been carefully designed in phases in response to the market demands, as well.

### Risk incurred from pre-sale home construction (pre-sale)

In 2010, the Company had a policy whereby to have its subsidiaries sell the residences prior to the completion of construction (pre-sale) for the lower- to medium-priced ranges under the following project names: “Case Ville”, “Casa Presto”, “Casa City”, “Casa Legend”, “Casa Grand”, “Casa Premium”, “The Trust Town Home”, “Gusto Town Home” and “Casa Seaside”, as well as condominium buildings. The pre-sale approach was aimed at increasing sales opportunity and accelerating the liquidity of the Company’s subsidiaries. However, there existed a risk in terms of controlling construction costs since the selling prices were to be established earlier prior to the construction. In consequence, the Company and its subsidiaries have adopted preventive measures against 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. Furthermore, since the pre-sale houses are relatively smaller in size and shorter construction period than higher-priced projects, the Company has managed to control its cost for a certain period of time.

In addition, the Company has also adopted the Pre-caste, Prefabrication and Tunnel methods in the residential projects with a price range lower than Baht 3 million and in 2-3-storey townhouses to shorten the construction period and to ensure the most optimal cost control.

### Risk incurred from high competition

At present, there remains high competition between the companies in the real estate development business due to the increased number of new developers and the new launching projects by major developers, resulting in rapidly increasing supplies in the market. In addition, various marketing strategies and tactics have been introduced incessantly in order to enhance the property sales, thus the situation becoming more high competition. With the time-honored proven track record and major status in the field, as well as the grand prestige for a series of top-tier and higher-middle-level residential projects, the Company and its subsidiaries having remained robust in the market and equipped with the competitive advantage in terms of reputation, trustworthiness, quality and standards. Furthermore, the Company and its subsidiaries have been earnestly conducting feasibility studies on each project prior to making an investment, including location of the project, transportation, population growth, market situation, competitors and targeted groups, etc., in order to cater well to the consumers’ needs and wants.

In addition, in order to reach for larger customer base, the Company and its subsidiaries have also expanded their investment in the business of land and houses, as well as residential condominium units within the price range between Baht 0.8-2.5 million. As a result, the Company and its subsidiaries have excelled in terms of sales turnover while at the same time being able to reduce the risk from highly competitive market situation.

## 3. Risk Incurred from Production

### Risk from shortage of contractors and skilled labor

Housing construction and development project significantly depends upon qualified contractors and skilled labors, particularly for the residential projects being marketed by the Company and its subsidiaries, all of which belong to mid-level to high-end products of superior quality. The number of qualified contractors and skilled labor for construction of the houses or public infrastructure of the projects within the market appears to be relatively sporadic and thus may not be able to properly satisfy the corporate needs of both the Company and its subsidiaries, especially when the real estate industry keeps growing on continual basis.

The shortage of contractors and skilled labor may become the obstacle to production, to the sales growth as well as quality control. However, the Company and its subsidiaries have a policy to recruit a horde of promising contractors so as to work for the Company and its subsidiaries, as well as interminably providing knowledge and skills development for both existing alliance and the newcomers.

In addition, the Company and its subsidiaries also provide financial supports for the contractors as occasion arises so as to ensure liquidity. The Company and its subsidiaries have also introduced the use of the following construction methods, i.e. Pre-cast, Prefabrication and Tunnel, for residential projects with prices lower than Baht 3 million and for 2-storey townhouses in order to reduce dependency upon human labor and to shorten the construction period.

#### 4. Risk from Prolonged Political Conflict

The prolonged political conflict that had come to an end in May 2014 by all means affected the country's GDP in the same year, hence causing it to experience an economic decline to a lower level than that of the previous year (2013). In addition, the incident also took its toll on the level of confidence in the business sector in terms of investment, consumer spending and real estate investments. Despite the coup d'etat by the National Council for Peace and Order (NCPO) on May 22, 2014 that put to an end the political unrest and conflicts, and in spite of a series of corrective policies and measures imposed by NCPO, at the end of the day the Thai economy remained stagnant in year 2014.

The aforementioned potential impacts may result in a decline in terms of liquidity for the Company and its subsidiaries in the future due to the possibility that the projected real estate sales volume and the income being generated from the hotel business may not develop as planned. However, the Company and its subsidiaries have been prepared for such predicaments in terms of supportive policies so as to particularly foster liquidity for better as follows:

1. Focusing upon working on a series of more profitable projects by accelerating the pace of construction for the current housing and condominium projects with lucrative sale performance;
2. Reducing sales and administrative expenditures which may prove redundant or not be taken as priority;
3. Managing cash flow so as to enable each project to be more independent by accelerating the marketing (sales) scheme for existing inventories as well as making use of the monetary funds obtained from those transactions in response to the law of supply and demand.

# Shareholders and dividend payment policy



## 1. Major shareholders

List of the top 10 shareholders at the closing date of Shareholder Registration on September 4<sup>th</sup>, 2014:

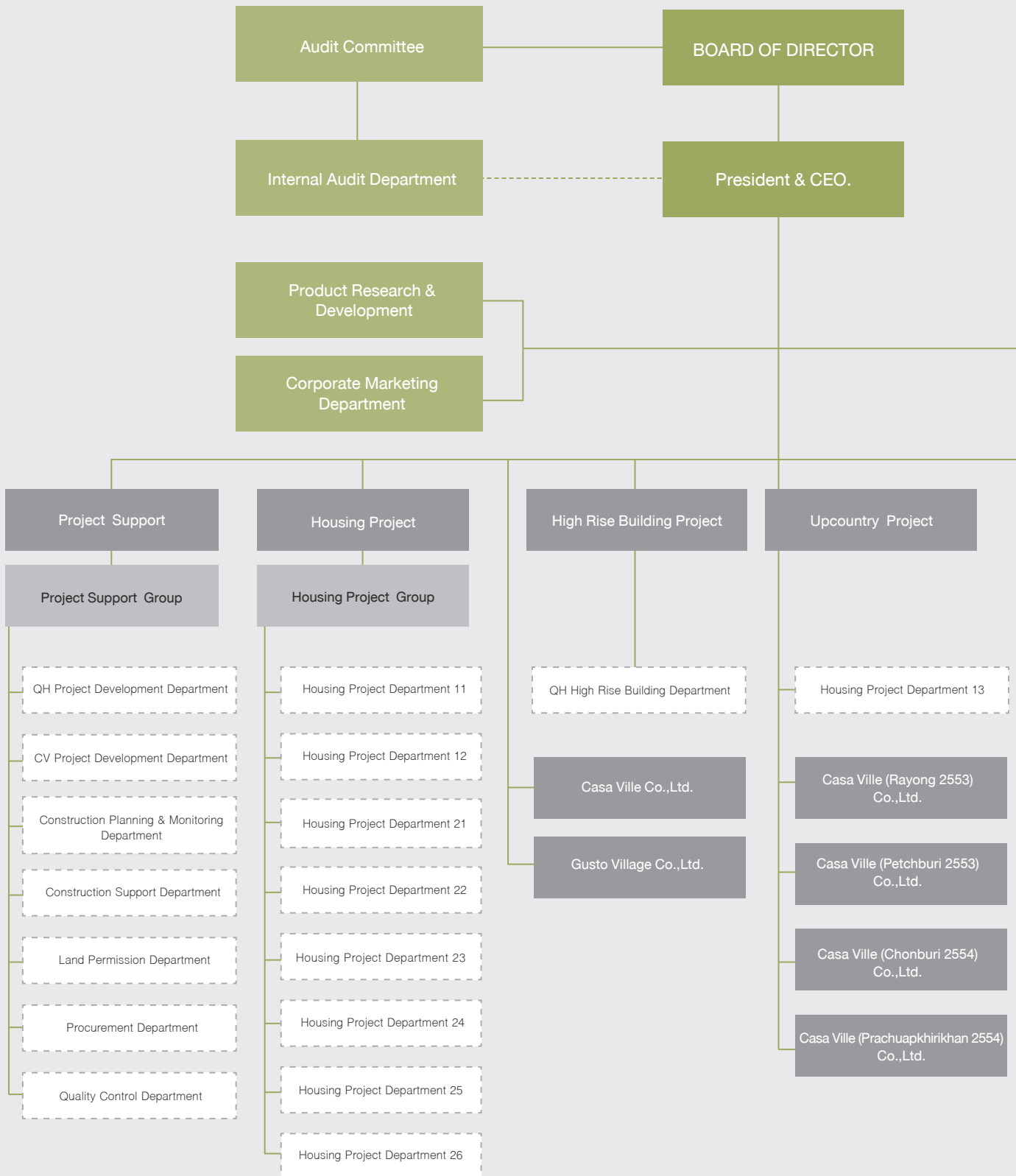
	Name of shareholders	Number of shares	% of the paid-up capital
1	Land and Houses Plc.	2,293,667,658	24.98
2	GIC PRIVATE LIMITED - C	989,504,100	10.77
3	Thai NVDR Company Limited	675,292,308	7.35
4	Krungsri Dividend Stock LTF	338,198,700	3.68
5	BANGKOK BANK PUBLIC COMPANY LIMITED	222,850,732	2.43
6	Krungsri Dividend Stock Fund	171,044,800	1.86
7	STATE STREET BANK EUROPE LIMITED	157,836,756	1.72
8	The Government Pension Fund (EQ-TH)	148,320,000	1.62
9	LITTLEDOWN NOMINEES LIMITED 5	129,135,700	1.41
10	CHASE NOMINEED LIMITED 42	121,668,989	1.32
	<b>Total of the top 10 shareholders</b>	<b>5,247,519,743</b>	<b>57.14</b>
	<b>Total of the shareholders</b>	<b>9,183,767,553</b>	<b>100.00</b>

## 2. Dividend payment policy

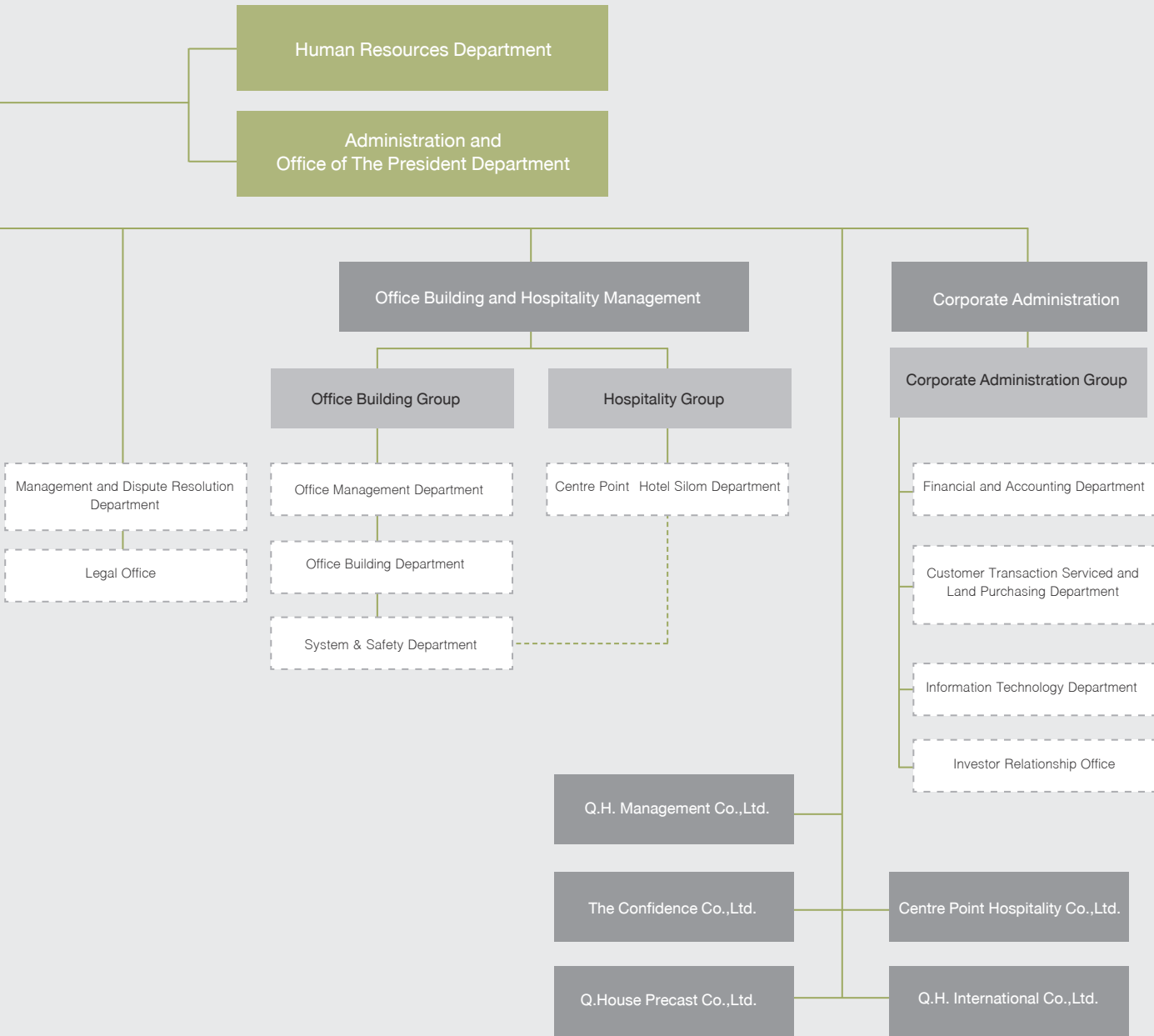
The Company has the policy to pay dividend for not exceeding 50% of earnings in the consolidated financial statement after deduction of all kinds of reserves as prescribed by the Company and according to the law.

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 of the Company and/ or subsidiaries shall consider the dividend payment policy as suitable to the management of capital structure and overall financial management.





# Organization Chart



# Management Structure



## 1. The Board of Directors

As of February 19, 2015, the Company's Board of Directors is comprised of 12 members as follows:

Executive Directors:	4 persons;
Non-executive Directors:	4 persons;
Independent Directors:	4 persons, equivalent to 4 in 12 of the total number of directors.

The name list of the board of directors and the date of appointment:

Name	Position	Date of Appointment
1. Mr. Apisak Tantivorawong	Chairman and Independent Director	May 28, 2013
2. Mr. Chadchart Sittipunt	Director	January 1, 2015
3. Mr. Adul Vinaiphat	Independent Director	August 22, 2001
4. Mr. Anant Asavabhokhin	Director	October 21, 1983
5. Mr. Adisorn Thananan-narapool	Director	May 9, 2003
6. Miss Kanokvalee Viriyaprapaikit	Director	August 9, 2001
7. Mr. Rachai Wattanakasaem	Independent Director	August 10, 2005
8. Mr. Suri Buakhom	Independent Director	April 20, 2010
9. Mr. Achanun Asavabhokhin	Director	April 11, 2014
10. Mrs. Suwanna Bhuddhapasart	Director	June 27, 2000
11. Mr. Pravit Choatewattanaphun	Director	April 20, 2010
12. Mr. Pornthep Pipattangsakul	Director	February 26, 2013

The Company's Board of Directors shall consist of not less than 5 directors but not exceeding 15 directors while at least half of the directors must have their domiciles in the Kingdom of Thailand. In addition, all members of the board of directors must possess legitimately suitable qualifications in compliance with the law of the land.

In general practice, each director shall remain in the position for the term of 3 years each. According to the Company's regulations, one-third of the total number of directors on the Board is to be retired at every Annual General Meeting. If the number of directors is not equal to a multiple of three, the number of director closest to one-third, shall be retired.

In addition to the expiry of the general term of office, the directors shall vacate the position upon the following reasons:

- (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.

#### Director selection criteria

In regard to making selection of directors, the Company regards as high the value of transparency in the selection process. The Company has established a policy for such matter whereby its shareholders are provided with the opportunity to nominate the candidate for the aforementioned post. From the nominated list of candidates, the Nominating and Remuneration Committee in turn shall take into account those with proper qualifications and thus make selection and nomination in accordance with the rules and regulations, as well as with the relevant laws, and make submission of the list of qualified candidates to the Board of Directors for their consideration. In the end, the name list of the candidates shall be proposed to the shareholders for their consideration during the shareholders' meeting.

#### Director qualifications

- 1.1 The candidate must possess knowledge and competency as well as relevant work experience at least in one of the integral disciplines to becoming part of the board of directors (such as finance, accounting, marketing, law, management, real estate, etc.) while proving highly skilled in such professional expertise;
- 1.2 The candidate must have business ethics;
- 1.3 The candidate must possess leadership traits;
- 1.4 The candidate must possess moral integrity and honesty, as well as being legally qualified in accordance with the law of the land (such as Public Company Limited Act, Securities and Exchange Act, etc.);
- 1.5 The candidate must be able to make deliberations in a legitimately straightforward manner and independently from the management team;
- 1.6 The candidate must be able to dedicate his/her time to the Company for which he/she holds a director post and be diligent at work and professionally responsible;

The Company has not prescribed the number of positions to be held in any of its other boards of directors; nor has it done so pertaining to the positions to be held in other companies, because the Company is confident in each of the selected members

of the Board of Directors and trusts that he/she must have carefully taken into account the matter of time constraints and the likes prior to making such important decision, and that his/her work experience, knowledge, skills and competency in various disciplines must by all means be of use in terms of establishing the Company's business policy and in terms of providing solutions to problems which may arise, while simultaneously being in compliance with the corporate standards.

### Process for Appointment of New Directors

The Nominating and Remuneration Committee shall nominate the candidates by taking into account those whose qualifications are in accordance with the rules and regulations as well as related laws while simultaneously making deliberation as to how indispensable the candidates may be in response to the Company's requirements, whereupon the list of the qualified candidates are to be submitted to the board of directors for their consideration and finally to the shareholders during the shareholders' meetings for their approval.

The Company also provides the opportunity for the shareholders to nominate the qualified candidates via its website(s) for the appointment.

In regard to the selection of directors implemented in replacement for those whose terms have come to expire or who have resigned from the position, the qualifications of the directorial replacements shall be mainly taken into account as to whether or not or how much their knowledge and expertise be required by the Company.

### Authorities, duties and responsibilities of the Board of Directors

- To exercise authority and perform duties in conformity with the Company's regulations, including supervising and managing the Company's operation so as to be in compliance with the laws, the Company's objectives and regulations, as well as the resolutions given during the shareholders' meetings;
- To determine vision, missions, goals, strategies and policies of the Company while having them reviewed on annual basis;
- To approve strategies, major policies, objectives and corporate goals in terms of assets management, financial management and the Company's business plans, as well as ensuring that operational plans be effectively implemented;
- To actualize the scope of authority such as requesting for permissions relating to property development as well as the submission and receiving of tax-related documents to/from the Revenue Department, filing complaints to police officers or interrogation officials, withdrawing complaints, reconciliation and making statements, as well as 'sending and receiving' documents relating to legal cases, etc.;
- To scrutinize the transactions required to be submitted for shareholders' approvals during the shareholders' meetings, with the following agendas included in the Annual General Meeting:
  - (1) Considering the Board of Director's reports being presented during the meeting in light of the Company's performance.
  - (2) Considering and approve the financial budgets.
  - (3) Considering the corporate profit appropriation.
  - (4) Nominating the new directors in replacement for those who are leaving at the end of the term.
  - (5) Nominating the auditor and determining the auditor's remuneration.
  - (6) Consider the transactions with possible conflicts of interest which require approval from the shareholders.
  - (7) Others.

### Executive and authorized directors

The authorized directors of the Company are Mrs. Suwanna Bhuddhapasart, or Mr.Pravit Choatewattanaphun, or Mr. Pornthep Pipattangsakul. To validate the document, two out of the three authorized (to sign) on behalf of the company must sign together and affix the Company seal.

### Board of Directors' Meeting

The Company has convened the Board of Directors' meeting so as to approve the vision, strategies, goals, policies, business plans, and budgets of the Company, as well as following up on the management team's administrative operations and ensuring that the Company's goals and business plans be incessantly achieved. In 2014, the Board of Directors managed to convene 8 meetings in total annually. The procedure for each of the aforementioned gatherings entailed that the corporate secretary would dispatch an invitation to the meeting together with meeting agendas 14 days in advance, and with all relevant documents to the directors 7 days in advance, in order that the directors had enough time to study the data/information prior to participating in the meeting, whereupon all directors would be able to independently express their professional opinions while not being subject to any person's will or that of a group of persons. Minutes of each of those meetings, including directors' opinions, were to be recorded clearly in writing.

The details of the Board of Directors' Meetings being held from 2013 to 2014 are shown in the following table:

No.	Name	Position	Meeting attendance / Total number of attendances (times)			
			Year 2013		Year 2014	
			Number of attendances	%	Number of attendances	%
1.	Pol. Gen. Pow Sarasin*	Chairman	0/3	0	-	-
2.	Mr. Apisak Tantivorawong*	Chairman and Independent Director	5/5	100	8/8	100
3.	Mr. Chadchart Sittipunt ***	Director	-	-	-	-
4.	Mr. Rutt Phanijphand***	Director	8/8	100	8/8	100
5.	Mr. Adul Vinaiphat	Independent Director	8/8	100	8/8	100
6.	Mr. Anant Asavabhokhin	Director	5/8	63	7/8	88
7.	Mr. Adisorn Thananan-narapool	Director	8/8	100	8/8	100
8.	Ms. Kanokvalee Viriyaprapaikit	Director	8/8	100	8/8	100
9.	Mr. Rachai Wattanakasaem	Independent Director	8/8	100	8/8	100
10.	Mr. Suri Buakhom	Independent Director	8/8	100	8/8	100
11.	Mr. Krit Phanratanamala**	Independent Director	8/8	100	2/2	100
12.	Mr. Achanan Asavabhokhin**	Director	-	-	5/6	83
13.	Mrs. Suwanna Bhuddhapasart	Director	8/8	100	8/8	100
14.	Mr. Pravit Choatewattanaphun	Director	8/8	100	8/8	100
15.	Mr. Pornthep Pipattangsakul	Director	7/7	100	8/8	100

Remarks \* Mr. Apisak Tantivorawong was approved and appointed as an independent director and Chairman of the Company by the resolution of the Board of Directors' Meeting No.3/2013 convened on May 28, 2013 in replacement for Pol. Gen. Pow Sarasin, the Company's Chairman, who passed away on March 7, 2013.

\*\* Mr. Achanan Asavabhokhin was approved and appointed as Director of the Board by the resolution of the Annual General Meeting No.1/2014 held on April 11, 2014, in replacement for Mr. Krit Phanratnamala, whose term of office had expired.

\*\*\* Mr. Chadchart Sittipunt was approved and appointed as Director, President, and Chief Executive Officer by the resolution of the Board of Directors' Meeting No.8/2014 convened on December 22, 2014 in replacement for Mr. Rutt Phanijphand, who has resigned from the position of Director effective from January 1, 2015 onwards.

## 2. The Executives

### 2.1 The executive group

The Company's Executive as of February 19, 2015, are as follows:

Name		Position
1. Mr. Chadchart	Sittipunt *	President and Chief Executive Officer
2. Mrs. Suwanna	Bhuddhaprasart	Senior Executive Vice President
3. Mr. Pravit	Choatewattanaphun	First Executive Vice President
4. Mr. Pornthep	Pipattangsakul	First Executive Vice President
5. Mr. Pairoj	Wattanavarodom	First Executive Vice President
6. Mr. Ravee	Mongkoltavee	Executive Vice President
7. Mr. Sommart	Promkunakorn	Executive Vice President
8. Mr. Somchai	Warunpantulak	Senior Vice President, Financial and Accounting Department

Remarks: \* Mr. Chadchart Sittipunt was approved and appointed as Director, President, and Chief Executive Officer by the resolution of the Board of Directors' Meeting No.8/2014 convened on December 22, 2014 in replacement for Mr. Rutt Phanijphand, who has resigned from the position of Director effective from January 1, 2015 onwards.

### Training courses for directors and executives

The Company has instrumentalized a policy whereby the directors and executives are encouraged to undergo training courses so as to enhance their work-related knowledge on continual basis such as the ones awarded by the Thai Institute of Directors (IOD) and other renowned institutes.

Below shown is the list of directors and executives who have undergone training courses in 2014:



Names of directors and/or executives		Training course
1. Mr. Suri	Buakhom	- Anti-Corruption the Practical Guide (ACPG 12/2014), IOD
2. Mr. Pornthep	Pipattangsakul	- The Boss (Class: 81 <sup>st</sup> ) (MPI: Management and Psychology Institute) - Advanced Certificate, Public Administration and Private Law (Class: 14 <sup>th</sup> ), King Prajadhipok's Institute - Financial Statements for Directors (FSD 24/2014) ,IOD
3. Mr. Pairoj	Wattanavarodom	- The Boss (Class: 81 <sup>st</sup> ) (MPI: Management and Psychology Institute) - Financial Statements for Directors (FSD 24/2014), IOD - Director Certification Program (DCP 202/2015), IOD
4. Mr.Somchai	Warunpantulak	- Anti-Corruption the Practical Guide (ACPG 12/2014), IOD - Financial Statements for Directors (FSD 25/2014), IOD

### 3. The Corporate Secretary

The Company's Board of Directors' meeting No.3/2008 held on March 21, 2008, has given a resolution to appoint Mrs. Suwanna Bhuddhapasart as the Corporate Secretary effective from March 22, 2008 onwards. The Corporate Secretary has responsibilities to ensure that the activities performed by the Board of Directors be in compliance with relevant legislations, regulations and orders relating to the new version of Securities and Exchange Act. The Company has determined the roles and major responsibilities of the Corporate Secretary as follows:

- 1) To provide basic consultancy and advice for directors in regard to legal issues and legislations, rules and regulations of the Company, including significant changes therein, so that the Board of Directors shall be able to operate smoothly with sufficient information whereby to take into account and make decisions with great care and honesty with responsibilities;
- 2) To prepare and compile the following documents:
  - List of Directors Registration;
  - The Board of Directors' Meeting: Invitation to Meeting, Minutes of the Board of Directors Meeting and Annual Reports of the Company;
  - Shareholders' Meeting: Invitation to Meeting and Minutes of the Shareholders' Meeting;
- 3) To supervise the disclosure of information and informational reports under the responsibilities of the supervisory units in light of corporate governance and ensure that they be in compliance with governmental rules and regulations;
- 4) To maintain reports on the interest of the directors or executives and to submit copies of the aforementioned reports to the Chairman and the Chairman of the Audit Committee for their examination within 7 days commencing from the date upon which the Company has received the documents;
- 5) To provide a system for keeping documents and related pieces of evidence in an accurate and verifiable manner;
- 6) To make business contacts and communicate with the shareholders in regard to their rights and the company-related news.

## 4. Remuneration for directors and executives

### (A) Monetary compensation

#### - Remuneration for Directors

The Nominating and Remuneration Committee shall take into account the remuneration scheme for directors based upon their responsibilities and performance, the Company's business type and the size of the business, market situations including competition, by ensuring that it be established at a suitable level and the incentives be good enough to attract and retain the talent pool of superior quality within the Company.

The Nominating and Remuneration Committee shall prescribe how the remuneration scheme should be and the type, the method of payment, and the suitable amount of such payment, all of which then shall be proposed to the board of directors for their consideration and approval, and to the shareholders during the shareholders' meeting for their approval. The package shall be disclosed to the public as well.

Remuneration for directors may be divided into two segments as follows:

#### 4.1. Monthly remuneration (Retainer)

This type of payment is made payable to the Company's directors on monthly basis whether or not there be directors' meeting.

#### 4.2 Attendance Fee

This type of payment is made payable to non-executive directors for each of the meetings they attend; note that payment shall be made to those who participate in the meeting only in order to reward those who take part in meetings on regular basis.

During the Annual General Meeting of shareholders (No.1/2014) held on April 11, 2014, a resolution has been passed to approve the monthly remuneration and attendance fee for the directors effective from May 2014 onwards with the following details:

**1. Monthly remuneration (Retainer) :** The Company's directors will receive monthly remuneration whether or not there be a meeting. Details of payment are shown as follows:

1. President's remuneration: Baht 50,000 per month
2. Director's remuneration: Baht 40,000 per month

**2. Attendance fee :** The directors who attend the Company's Committee Meetings: the Board of Directors; the Audit Committee; the Nominating and Remuneration Committee, the Corporate Governance Committee and the Executive Committee will receive attendance fees as follows:

1. The Chairman's remuneration is Baht 35,000 per meeting. The term "Chairman" denotes the chairman of each board/committee, namely: the Chairman of the Board of Directors; the Chairman of the Audit Committee; the Chairman of the Nominating and Remuneration Committee, the Chairman of the Corporate Governance Committee and the Chairman of the Executive Committee.
2. The directors' remuneration for each meeting is equal to Baht 28,000.

Note that attendance fee shall not be made payable to the director who is also an executive director in whatsoever case may be.

In years 2013 and 2014, the Company had made payment of remuneration for Baht 19.1 million and Baht 24.1 million respectively. Details of remuneration categories are shown as follows:

		(Unit: Thousand Baht)							
Name	Position	Year 2013				Year 2014			
		Monthly retainer	Attendance fee	Bonus	Others	Monthly retainer	Attendance fee	Bonus	Others
1. Pol. Gen. Pow Sarasin*	Chairman	90.0	-	1,320.0	-	-	-	257.6	-
2. Mr. Apisak Tantivorawong*	Chairman and Independent Director	356.7	175.0	-	-	600.0	280.0	1,020.8	-
3. Mr. Rutt Phanijphand****	Director and Chairman of Risk Management Committee	440.0	-	880.0	-	480.0	-	1,259.4	-
4. Mr. Adul Vinaiphath	Independent Director, Chairman of Audit Committee and Nominating and Remuneration Committee	440.0	557.0	880.0	-	480.0	665.0	1,259.4	-
5. Mr. Anant Asavabhokhin	Director	440.0	160.0	880.0	-	480.0	196.0	1,259.4	-
6. Mr. Adisorn Thananan-narapool	Director	440.0	228.0	880.0	-	480.0	224.0	1,259.4	-
7. Ms. Kanokvatee Viriyaprapaikit	Director and Nominating and Remuneration Committee	440.0	352.0	880.0	-	480.0	420.0	1,259.4	-
8. Mr. Rachai Wattanakasaem	Independent Director, Chairman of Nominating and Remuneration Committee and Audit Committee	440.0	553.0	880.0	-	480.0	665.0	1,259.4	-
9. Mr. Suri Buakhom	Independent Director, Audit Committee and Chairman of Corporate Governance Committee	440.0	393.0	880.0	-	480.0	504.0	1,259.4	-
10. Mr. Krit Phanratanamala***	Independent Director and Audit Committee	440.0	388.0	880.0	-	134.7	84.0	1,259.4	-
11. Mr. Achanan Asavabhokhin ***	Director	-	-	-	-	346.7	140.0	-	-
12. Mr. Suang Chaisurote**	Director	14.0	-	880.0	-	-	-	40.0	-
13. Mrs. Suwanna Buddhaprasart	Director, Corporate Governance Committee and Risk Management Committee	440.0	-	880.0	-	480.0	-	1,259.4	-
14. Mr. Pravit Choatewattanaphun	Director	440.0	-	880.0	-	480.0	-	1,259.4	-
15. Mr. Pornthep Pipattangsakul **	Director and Risk Management Committee	380.0	-	-	-	480.0	-	1,087.6	-
<b>Total</b>		<b>5,240.7</b>	<b>2,806.0</b>	<b>11,000.0</b>	<b>-</b>	<b>5,881.3</b>	<b>3,178.0</b>	<b>15,000.0</b>	<b>-</b>

Remarks: \* Mr. Apisak Tantivorawong was approved and appointed as an independent director and Chairman of the Company by the resolution of the Board of Directors' Meeting No.3/2013 convened on May 28, 2013 in replacement for Pol. Gen. Pow Sarasin, the Company's Chairman, who passed away on March 7, 2013.

\*\* Mr. Pornthep Pipattangsakul was approved and appointed as the Director of the Board by the resolution of the Board of Directors' Meeting No.1/2013 held on February 26, 2013, in replacement for Mr. Suang Chaisurote, who had resigned from the position of Director on January 15, 2013.

\*\* Mr. Achanan Asavabhokhin was approved and appointed as Director of the Board by the resolution of the Annual General Meeting No.1/2014 held on April 11, 2014, in replacement for Mr. Krit Phanratanamala, whose term of office had expired.

\*\*\* Mr. Chadchart Sittipunt was approved and appointed as Director, President, and Chief Executive Officer by the resolution of the Board of Directors' Meeting No.8/2014 convened on December 22, 2014 in replacement for Mr. Rutt Phanijphand, who has resigned from the position of Director effective from January 1, 2015 onwards.

### - Remuneration for Executives

In 2013 and 2014, the total remuneration for the top 4 executives below Chief Executive Officer and that for any person holding equivalent position as the fourth executives, including those at the level of Executive Vice President upward amounted to Baht 51.4 million and Baht 65.4 million respectively. The details of the remuneration types may be summarized as follows:

(Unit: Baht million)		
Type of remuneration	Year 2013	Year 2014
Salary	34.3	49.2
Bonus	15.3	14.4
Provident Fund	1.8	1.9
<b>Total</b>	<b>51.4</b>	<b>65.4</b>

### (B) Other remuneration

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

## 5. Personnel

(A) At the end of 2013 and 2014, there were 1,215 and 1,408 employees under the Company and its subsidiaries' payroll system respectively. They may be mainly grouped by the Company's business lines as follows:

(Unit: person)		
Business line	Dec.31, 2013	Dec.31, 2014
1. Managing Director	91	60
2. Housing projects	704	918
3. Office buildings for rent and residential condominium units for rent	323	329
4. Operational support	97	101
<b>Total</b>	<b>1,215</b>	<b>1,408</b>

(B) Labor disputes in the past 3 years (Jan. 1, 2012 - Dec. 31, 2014)

-None-

## (C) Total remuneration and types of remuneration payable to the employees.

The Company and its subsidiaries provide remuneration for employees in a fair manner according to their duties, responsibilities and annual performance appraisal. Payments include salary, annual bonus, and provident fund. Below shown are the details of the total amount of compensation for employees in years 2013 and 2014:

(Unit: Baht million)		
Type of remuneration	Year 2013	Year 2014
1. Salary	421.6	490.2
2. Bonus	191.9	226.4
3. Provident fund	17.8	20.2
4. Others <sup>1/</sup>	53.8	88.9
<b>Total</b>	<b>685.1</b>	<b>825.7</b>

Remark: 1/ Other types of remuneration include training expenses, medical expenses, health & life insurance premiums and other benefits.

## (D) Policy on human resource development

The Company and its subsidiaries have instrumentalized a policy to provide training for employees and for human resources development on continual basis in order to enhance their knowledge and competency. There are training programs available for employees working in every level. Examples of some of these programs are also provided in Section "Corporate Governance" in Clause 1.3 "Roles of Stakeholders", Sub-clause "Employees Group".

# Corporate Governance



## 1. Corporate Governance Policy

The Company always aims to develop its business based on the principle of good corporate governance, ethics and morality. Being well aware of how important they are and the preponderance of the roles and responsibilities assumed by the directors, executives and employees in light of business management, the Company therefore is not only committed to creating sustainable, added value to its shareholders, but focuses upon fair treatment to all stakeholders, as well.

The Company has established the guidelines for business operation based on the principle of good corporate governance, ethics and morality in the forms of Good Corporate Governance Policy and Ethical Code of Conducts and thus has remains interminably true to such professionalism. In addition, the Company has also improved and added the Code of Conducts in order to cover various operational guidelines to be on par with international standards in a timely manner. As a result, the conduct of directors, executives, and employees of Quality Houses Plc. will be in compliance with generally accepted standards and based upon appropriate ethics and values. The Board of Directors has approved the latest policy on corporate governance during the Board of Director's meeting No.8/2015 held on February 24, 2015.

The aforementioned policy emphasizes on the following issues: the rights of shareholders; equitable treatment to the shareholders; roles of the stakeholders; transparent business operation and good ethical conducts; internal control and risk management; roles and responsibilities of the Board of Directors, and; disclosure of information to all involved.

The Company has stipulated that all directors, executives and employees must be informed of, understand and strictly adhere to the prescribed corporate policy and code of conducts. The policy on corporate governance and business ethics is presented on the Company's website, "[www.qh.co.th](http://www.qh.co.th)", to provide additional channels of intelligence for all executives and employees to learn more about the instructions, rules and regulations so that they be able to take actions and eventually achieve the business goals for the benefits of all stakeholders.

The details of corporate governance policy are shown as follows:

### 1.1 Shareholders' rights

The Company has instrumentalized a policy to ensure that all of its shareholders be fairly treated accordingly the details of which are illustrated as follows:

#### 1. Basic rights of shareholders

- 1.1 The rights to obtain share certificates and make transference of shares;
- 1.2 The rights to attend and cast votes in a shareholders' meeting so as in association with making important decisions on the topic of the Company's policy change and as an exercise of their rights to make approval (or not), for which the Board of Directors are required to request prior to giving resolutions;
- 1.3 The rights to elect and remove any of the directors from the position and to give approval in regard to the matter of the appointment of independent auditors;
- 1.4 The rights to receive profit sharing;
- 1.5 The rights to take into account the topics of the approval of directors' remuneration and payment of dividends;
- 1.6 The rights to propose issues under concern to be additionally included as part of the agenda during the Annual General Meeting of Shareholders in accordance with the Company's rules and regulations;
- 1.7 The rights to nominate a list of qualified candidates for the election of directors in accordance with the Company's rules and regulations;
- 1.8 The rights to submit their enquiries in advance prior to the appointed date of the Shareholders' Meeting by doing so in accordance with the Company's rules and regulations;
- 1.9 The rights to receive a sufficient amount of information in its suitable format and in timely manner for their consideration and decision making upon the critical matters to the Company and the shareholders;
- 1.10 All of the other rights prescribed by laws.

#### 2. Shareholders' rights to attend the shareholders' meeting

The Company has instrumentalized the policy whereby to facilitate the participatory process by all shareholders in each and every category, both major and minor, as well as institutional shareholders, in light of the Company's shareholders' meeting.

In 2014, the Company has arranged the Shareholders' Annual General Meeting on Friday April 11, 2014, for which it had assigned Thailand Securities Depository Co., Ltd. to dispatch on March 26, 2014 to the shareholders the written invitations to the Shareholders' Meeting, and to publicize and disseminate the aforementioned documents along with detailed particulars of each of the meeting agenda (both in Thai and English) on the Company's website ("[www.qh.co.th](http://www.qh.co.th)") on March 12, 2014 so that the shareholders would afford time studying those pieces of information 30 days prior to the event.

In addition, the Company has also facilitated the process for the benefits of its shareholders in light of their participation in the Shareholders' Annual General Meeting, by strategically opting for such a convenient location for their commutes as Q. House Lumpini Building, No.1, South Sathorn Rd., Thungmahamek Sub-district, Sathorn District, Bangkok, which is located next to MRT Lumpini station.

The Company has placed importance upon each and every one of its shareholders so that they were provided with the opportunity to participate in the Annual General Meeting for Shareholders in 2014 in regard to the following:

- Proposing issues under concern to be included as part of the agenda;
- Nominating a list of qualified candidates for the election of directors;
- Submitting enquiries in advance prior to the Annual General Meeting of Shareholders in 2014.



The criteria for the aforementioned, therefore, had also been published and disseminated on the Company's website since September 27, 2013, whereby the duration of time for the additional agenda, the list of qualified candidates and the enquiries, was to be designated as from October 1, 2013 to December 31, 2013. However, there existed no information thereof having been directed towards the Company whatsoever.

#### **Preparation of the Invitation Letter**

The Company has prepared the invitation letter to the event of shareholders' meeting, in both Thai and English, in which the objectives, reasons, as well as the Board of Directors' professional opinions, were strategically included in supporting the deliberation of each of the meeting agenda in clear and the documents to the shareholders who participate in the event, in both cases of which the shareholders were to be present by themselves and which their proxies with the power of attorney were to make appearance during their absence, both cases also covering the shareholders categories of natural person, juristic person and institutional shareholder.

#### **Meeting Implementation**

Prior to commencing each of the meeting agenda, the Chairman would make announcement of the method of casting and counting votes, as well as those who abstained, due to their stakeholder status.

During the meeting, the shareholders were provided with the opportunity to give opinions and enquiries within a reasonable timeframe, the points of which the Company's executives were to address in clear and concise fashion in return.

Vote counting has been implemented with transparency and accuracy, whereupon the announcement of the result was to be publicized. In addition, the Company has employed independent counters for the service, and the election result was to be maintained for subsequent verification.

#### **Preparation of Shareholders' Meeting Report**

The report documented resolutions clearly and accurately and specified the vote counting result as to how many votes there were in regard to the shareholders who had provided consent or not, and those who abstained, not to mention in the event that certain shareholders were not entitled to vote due to themselves being stakeholders with possible conflicts of interest. In addition, the report also included the name list of all of the participatory directors. All information regarding the matter, annually, would become available for the shareholders on the Company's website "[www.qh.co.th](http://www.qh.co.th)" over the course of 14 days, as well.

### **1.2 Equitable treatment for the shareholders**

In the 2014 Annual General Meeting, there were 9 directors attending the meetings from the total number of 12, including 4 independent directors, 4 executive directors and 1 non-executive director. In addition, the certified auditor of the Company has been invited to attend the Annual General Meeting as an observer. All shareholders attending the meetings had equal rights in all aspects.

During the meeting, each of the agenda was properly provided with a suitable amount of time strategically allocated so as to allow for the smooth operation throughout. Not any of the additional agenda was added to the list other than the ones having initially been delivered to the shareholders in the invitation letter. The Company also encouraged shareholders

to express opinions and ask questions concerned with the relevant topics. Depending upon their shareholdings, the shareholders had the rights to cast one vote per share at the meeting. Vote counting was conducted through the implementation of bar code system, the summary of which was prepared with transparency and accuracy; the result was displayed on a monitor. In addition, when voting was being carried out in light of the issue of the director appointment, it was implemented on a one-on-one basis at a time.

In addition, the Company has provided supports for the shareholders in regard to their exercising of the rights to vote by means of the following facilitations:

- 1) Submitting to the shareholders the proxy form B and the invitation letter to the meeting with an attachment of Power of Attorney form, including the clear instructions and steps to take in regard to the matter. As for the proxy form A and C, the Company had provided them on the Company's website [www.qh.co.th](http://www.qh.co.th) ;
- 2) The Power of Attorney form earlier mentioned would also allow for the directions to be planned and made in advance by the shareholders as to the manner by which their proxies would give consent or not or simply abstain accordingly;
- 3) Proposing that two independent directors were to serve with the power of attorney on behalf of the absent shareholders who might find it inconvenient to appoint their own proxies, thus whereby the details of the aforementioned independent directors would be specified in the Power of Attorney form.

#### Monitoring of the use of internal information

The Company has prescribed the monitoring of the use of its internal information as follows:

1. The Company's internal information shall be kept confidential and not be used either for personal benefits or in such a way that is to incur damages to the Company with ill intent ; nor shall it be disseminated to the customers, vendors, competitors or other parties save for its signifying that which is intended for normal business operations or for public use;
2. The Company's classified information shall not be used for stock trading purposes;
3. The directors and executives shall accurately and entirely report stock trading transactions / their possession of the Company's securities in accordance with the rules and regulations prescribed, as well as submitting the report of all of the aforementioned transactions during the Board of Directors' Meeting;
4. The Company has a policy to prohibit its executive officers to trade stocks belonging to the Company for the period of one month prior to each of the public announcements of its financial statement being made so as to serve as measures against their misuse of the Company's internal information for their own benefits;

#### Conflicts of interest

In light of its policy on connected transactions, the Company takes actions so as to accurately reveal all connected transactions being implemented so as in conformity with the authorities' regulations, and in so doing and in aims at avoiding conflicts of interest, the Company has made an effort to treat the aforementioned activities as though they have been carried out with external parties, as well.

#### 1.3 Roles of stakeholders

With various groups of stakeholders and their interests being taken into account, The Company has a detailed policy regarding treatment and responsibility for each group of stakeholders based upon the Company's policy of good corporate governance as shown below:

## Employees

The Company has realized that employees signify one of the key factors to the Company's continual success and incessant proliferation. Therefore, the Company has taken the policy to promote and support the development of all personnel within the organization so that they be able to obtain proper knowledge and skill sets, as well as ensuring that they be equally treated with respect to the human rights. The Company also aims to create proper working environment with safety at its best, and to provide fair and reasonable remuneration and welfare to the employees according to their positions, duties and responsibilities; for instance:

### Employee welfare

- The Company has provided uniforms for receptionists and sales representatives on site in light of their commitment to the housing projects, office building for rent projects, hotels and serviced apartment projects;
- The Company has provided welfare of medical expense reimbursement in the case of outpatients;
- The Company has provided life insurances, group accident insurances and group health insurances (in case of in-patients);
- 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' dedication to their works;
- The Company has placed importance upon the matter of employees' welfare and their health, thus providing for nursing rooms in which with professional nurses are available for consultancy and giving first-aid advice to its employees, as well as conducting physical checkups for them on annual basis;
- The Company has provided for other elements of its employee welfare system, some of which cover the benefits for their family members, such as funeral service allowances in case of the employees and family members (spouses and children); welfare of scholarships for employees' children, etc.

Furthermore, the Company has allowed for communication channels to provide information on these benefits for employees, and that on the Company's rules and regulations, all details of which may be reached via the instrument of the Company's Intranet. The Company has also provided e-mail addresses for each employee so that online correspondence become another option for both internal and external communication.

In addition, in order to learn more about challenges and problems that the staff are facing in day-to-day operations, the Company has managed to set up a suggestion box via which written statements, factual information, suggestions and complaints, etc., regarding business-related matters, may be obtained from the staff members. All information and suggestions obtained are to be taken into account by the management committee so that proper resolutions be determined at best for the benefits of all involved.

### Training and personnel development

In accordance with the Company's policy on personnel development in response to its ongoing business expansion and sustainable development on long-term basis, the Company has established a series of training sessions and operational plan pertaining to human resources development for both of its executive officers and staff members. Corporate guidelines have been strategically established so as to help develop proper knowledge, skill sets and competency among employees in each and every level while a number of campaigns are in incessant development so as to encourage the Company's executives and employees to realize and learn how to make effective use of resources and to indirectly conserve the environment.

### Training

The Company has established a number of training courses whether it be of core course groups or specialist course ones to be provided for employees in various levels in accordance with the Company's policy as follows:

Orientation of new employees Orientation sessions shall be provided in order for the employees to be provided with the opportunity to learn of the Company's policies, rules and regulations, its business structure, as well as the information on employees' welfare and benefits to which they are entitled from the Company

Knowledge and operation standards - for the Construction Group employees: They are to be provided in order that the employees in question gain basic comprehension in the elements of residential (house) construction work according to the professional standards, the result of which in turn shall prove beneficial to the entire construction process, as well as allowing the construction personnel to cater to both the Company and customers' needs and wants in more effective fashion.

Proactive Leadership - for middle management team : Proactive Leadership is to be provided in aims at developing those in middle-management chain of command in terms of strategic thinking, attitude, as well as operational process. Middle management is critical to the Company in terms of linking the corporate policies and new missions with others within the chain of command and helping translate those notions into practice. The course is expected to help train them to properly manage their tasks and subordinates, as well as streams of conscience, so as in aims at creating benefits in terms of positive results and furthering business development.

Managerial Psychology - for executives: The course is intended to enhance executive officers' skills in terms of managerial psychology and allow them to manage a variety of personnel either their colleagues or subordinates, each of whose attitudes vary on individual basis; the idea is that, through this instrument, the trainee will be able to ensure that smooth operation be implemented by their colleagues and subordinates with highest efficiency (effectiveness).

#### **Personnel development and work environment campaigns**

The Company has established personnel development and work environment campaigns pertaining to proper hygiene and sanitation at workplace, as well as a number of projects whereby the executives and employees are to be provided the opportunity to learn from third-party organizations and institutes, thus enhancing their skills and making good use of their new knowledge to the daily operations as follows:

Five-S Activity: The Company has continually provided supports in terms of establishing "Five-S Activity" campaign so as to enhance proper hygiene and sanitation, as well as healthy habits at work. In addition, the campaign is also expected to help increase work efficiency and productivity, as well as strengthening the principle of customer service, while strategically promoting healthy environment at work and the effective use of resources. Training sessions are to be provided along with a series of monitoring and evaluation to be conducted twice a year.

Training courses provided by external academic institutes: The Company has a policy to provide the opportunity for its employees to train and develop various skill sets and knowledge from external academic institutes and organizations in order that the employees become more visionary and more knowledgeable, thus being able to adapt and make use of newfound knowledge at work and to enhance work efficiency (effectiveness) on continual basis.

Internal e-magazine project: : With its objectives to provide communication channel from both the Company and Human Resources Department to the executive officers and staff members, and also to allow for the latter group of both executives and employees to be able to obtain internal corporate information while being able to sporadically learn about the Company's latest developments, the project has come to take place. In addition, the project also serves as a channel via which Human Resources Development make communication with both executives and employees in regard to various organizational topics, including the Company's policy, rules and regulations, etc., so that they be able to comply in due

time. The e-magazine is quarterly-based and implemented through public relations channel by using the Company's email system and its Intranet scheme.

Employees' souvenirs project: The project has been established in response to the Company's policy and in light of its appreciation towards the employees who have been in association with the Company for 10 and 20 years respectively. The Company is delighted to present to the aforementioned loyal personnel souvenirs and gifts for their professional dedication and efforts at work; it is also hoping that the project will help boost morale at workplace and sustain a series of ongoing assiduous efforts for all involved.

**Table illustrating the number of hours spent in training by chain of command**

Level	Average time spent in training (Hour: Person: Year)	Objectives of personnel development
Employee	60	To provide knowledge and various skill sets relating to business operations in practice, as well as better understanding in their roles, duties and robust corporate culture, while making best efforts at work.
Middle management	80	To provide knowledge and various skill sets integral to team management and strategic planning, as well as allowing for systemic and effective implementation so as in accordance with the Company's policies.
Executive	67	To enable the executives to manage both operations and workforce under command in compliance with the Company's policies; the executives should also be able to become more visionary in terms of business administration and ready for the continual growth and expansion in the future.

### Customers

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](http://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 on continual basis.

In addition, the Company has also carried out various activities with customers as per the details in section : "Corporate Social Responsibility", Sub-clause 5: "Responsibility towards consumers".

The customers of housing projects and condominium projects who have any complaint may make a telephone contact to number 1388 during the working hours, or email to [info@qh.co.th](mailto:info@qh.co.th).

For the office building project or the residential building project for rent, customers are able to directly contact the building manager or responsible persons upon premises.

### 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 for the 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 has 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. Such action by all means has helped creating and maintaining good relationships and 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.

### Competitors

Even in the competition, the Company and its subsidiaries remain adhered to the principle of transparency, fairness and equality upon the basis of fair competition in aims at creating mutually utmost benefits as follows:

- 1) Providing competition within the framework of fair business practice;
- 2) Avoiding the illegal means of being in possession of competitor's classified information;
- 3) Avoiding the immoral means of tarnishing competitor's reputation or dishonest and unfair actions.

### Banks, financial institutions, holders of debentures and loan creditors

The Company adheres to the value of providing treatment for banks, financial institutions, holders of debentures and loan creditors with honesty, and it always repays principal 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, followed by a meeting in which the solutions will be mutually determined. In addition, the Company also adheres to the rules of good corporate governance, for instance:

- Following the terms and conditions in 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;
- Providing accurate and complete financial information;
- Not demanding, accepting, or offering any dishonest advantages when contacting with the lenders;
- Ensuring that the money obtained from the lenders shall not be used against the loan objectives.

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

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

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

#### 1.4 Disclosure of information and transparency

The Company has disclosed information that affects stakeholders' decision making with respect to various issues pertaining to the Company. The information has been revealed under various topics in the annual report, Form 56-1 and on the Company's website "[www.qh.co.th](http://www.qh.co.th)". This includes the name list and backgrounds of the Board of Directors, remuneration for directors, shareholding structure of top 10 shareholders, corporate governance, financial statement, risk factors, nature of business, management and financial position, and operating results. In addition, the information about the Company may be downloaded from "[www.sec.or.th](http://www.sec.or.th)" and "[www.set.or.th](http://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. Regarding the Company's executives, 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 Management Structure, Sub clause 4 Remuneration for directors and executives.

#### Board of Directors' report on financial transactions

The Board of Directors has placed importance upon the matter of quality of the Company's financial statement. Therefore, with the Audit Committee has properly exercised due diligence upon the issue of the quality of both quarterly and annual financial reports, users of the instruments can assured that they have acquired accurate and complete information. In addition, the Company has made presentation of the report on the Committee's responsibilities for the preparation and disclosure of the Company's financial report in the Annual Report together with the financial budget certified by an auditor so as to reveal that the Company's financial statement has been prepared according to generally certified accounting standards, and that the auditor has not taken note of anything irregular whatsoever.

The Board of Directors has also placed importance upon the matter of disclosure of entirely accurate, transparent and complete information by disseminating the information and news through communication channels of the Stock Exchange of Thailand and the Company's website. In addition, the Board of Directors has reported the responsibilities for the financial report as follows:



### Report on the Board of Directors' responsibilities for financial report

The financial statement of Quality Houses Plc. has been prepared under the Board of Director's policy in accordance with generally certified accounting standards. All accounts are recorded with great care together with a great deal of deliberation made in the preparation of the instrument so as to reflect upon the Company's actual performance.

The Board of Directors has placed importance upon the matter of quality of the Company's financial statement; therefore, due diligence has been properly performed upon financial transactions and financial information, and certain significant information has also been sufficiently and properly revealed as per details in the remarks included in the Financial Statement for the benefits of the shareholders and investors.

In consequence, the Board of Directors has appointed the Audit Committee, which is comprised of a group of qualified independent committee members, to directly be in charge of the issue of the quality of financial reports. The Audit Committee's opinions are herewith included in the Audit Committee Report as part of this year's Annual Report, as well.

By virtue of the availability of the aforementioned internal control system and the administrative structure, as well as the audition results by the unconditionally certified auditor, the Board of Directors has come to the conclusion that the Financial Statement of Quality Houses Plc. dated December 31, 2014, are accurately and properly presented in regard to the Company's financial status, performance and operation results, as well as cash flow, according to the generally certified accounting standards.

### Connected transactions and conflicts of interests

The Company has a major policy whereby its business operation must be in compliance with the highest possible, professional standard based upon relevant legislations and regulations, as well as business ethics.

The Audit Committee has regularly reviewed the connected or related transactions so as to ensure that the conditions for the transactions serve the best interest of the Company by treating them as though they were ones being conducted with outsiders on an "arm's length basis." The Audit Committee also supervises the Company and ensures that the latter proceed and disclose relevant information of these related transactions completely and in compliance with official regulations prescribed by the authorities.

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 for them to be aware of the guidelines for compliance with the official regulations prescribed by the authorities as per details shown in Section: "Connected Party Transactions".

### Report on stake holding of directors

At the Board of Directors' Meeting No.6/2009 convened on June 25, 2009, the Board of Directors has approved the criteria and procedures of stakeholders' report with respect to its directors and executives, whereby are required to disclose all information relating to their interests (stake holding), those belonging to their related parties, and then have it all submitted to the Company, as shown below:

- 1) Directors and executives must report their stake holding and/or that of their related parties, to the Company by utilizing the form of reporting as prescribed by the Company;
- 2) Directors and executives must report under 1) as follows:
  - Within 30 days after the date of assuming the office;
  - Within 30 days upon change of data in the latest report;
- 3) The person who is required to report under 1) must submit a written report to the Corporate Secretary within 3 working days from the date of report preparation;
- 4) The Corporate Secretary shall submit 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 from the date the Company has received the document.

### Report of the Acquisition and Distribution of the Company's Shares by the First Four Directors / Executives

Report of Changes in Shareholding of the Directors/Executives as of December 31, 2014

Name	Position	Dec. 31, 2013		Changes in 2014		Dec. 31, 2014	
		Number of shares	Proportion (%)	Acquisition (shares)	Distribution (shares)	Number of shares	Proportion (%)
1. Mr. Apisak Tantivorawong	Chairman and Independent Director	-	-	-	-	-	-
2. Mr. Chadchart Sittipunt*	Director, President, Chief Executive Officer and Chairman of Risk Management Committee	-	-	-	-	-	-
3. Mr. Anant Asavabhokhin	Director	88,156,825	0.95992	-	-	88,156,825	0.95992
4. Mr. Adul Vinaiphath	Independent Director, Nominating and Remuneration Committee and Chairman of Audit Committee	-	-	-	-	-	-
5. Mr. Adisorn Thananan-narapool	Director	944	0.00001	-	-	944	0.00001
6. Ms. Kanokvalee Viriyaprapaikit	Director and Nominating and Remuneration Committee	-	-	-	-	-	-
7. Mr. Rachai Wattanakasaem	Independent Director, Audit Committee and Chairman of Nominating and Remuneration Committee	-	-	-	-	-	-
8. Mr. Suri Buakhom	Independent Director, Audit Committee and Chairman of Corporate Governance Committee	-	-	-	-	-	-
9. Mr. Achanan Asavabhokhin	Director	-	-	-	-	-	-
10. Mrs. Suwanna Bhuddhprasart	Director, Senior Executive Vice President, Corporate Governance Committee and Risk Management Committee	18,625,790	0.20281	-	-	18,625,790	0.20281
11. Mr. Pravit Choatewattanaphun	Director and First Executive Vice President	1,083,369	0.01180	-	1,083,369	-	-
12. Mr. Pornthep Pipattangsakul	Director, Risk Management Committee and First Executive Vice President	100,004	0.00109	-	-	100,004	0.00109
13. Mr. Pairoj Wattanavarodom	Risk Management Committee and First Executive Vice President	2,000,000	0.00022	-	2,000,000	-	-
14. Mr. Sommart Promkunakorn	First Executive Vice President	-	-	-	-	-	-
15. Mr. Ravee Mongkoltavee	Executive Vice President	325,005	0.00354	-	-	325,005	0.00354
16. Mr. Somchai Warunpantulak	Corporate Governance Committee and Senior Vice President, Financial and Accounting Department	-	-	-	-	-	-

Remarks: 1. The number of shares held by each of the first four directors and executives includes those of their parents, spouse and close relatives.  
 2. \*Mr. Chadchart Sittipunt was approved and appointed as Director, President, and Chief Executive Officer by the resolution of the Board of Directors' Meeting No.8/2014 convened on December 22, 2014 in replacement for Mr. Rutt Phanijphand, who has resigned from the position of Director effective from January 1, 2015 onwards.

### Relationship with investors

The Company has placed importance upon the value of the disclosure of transparent and thorough data, including the Company's operational results as well as significant information possibly 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 in total. In addition, the Company has also disseminated the Company's business data through its website "[www.gh.co.th](http://www.gh.co.th)" to provide those who may take interest with an access to general information and that concerning its products. Another channel for further inquiry to the Company is via the telephone number 0-2677-7000.

In 2014, the Company has presented the following information:

- Presentation of information to investors during the event of 5 road shows overseas;
- Organizing 32 of the site visits and company visits for investors and analysts who made request for the information on the Company's business operation status;
- Organizing 4 Analyst Meetings to clarify the annual and quarterly operating results to investors and analysts;
- Participating in several conference activities with the business sector, including:

- |   |   |
|---|---|
| • Property Day with Tisco                 | organized by TISCO Securities Co., Ltd;               |
| • Property Day with Bualuang              | organized by Bualuang Securities Plc.;                |
| • Thailand Focus 2014                     | organized by Phatra Securities Plc. and SET;          |
| • Conference with UOB                     | organized by UOB Kay Hian Securities (Thailand) Plc.; |
| • JP Morgan Conference                    | organized by JP Morgan Securities (Thailand) Ltd.;    |
| • Opportunity Day with SET                | organized by the Stock Exchange of Thailand;          |
| • Press release about 2014 Business plan. |   |

In addition, the Company has also assigned the Investor Relations Office to assume responsibilities for the dissemination of significant data affecting the prices of the Company's securities as well as other important pieces of intelligence. Investor Relations Office operates under the supervision of Mrs. Suwana Buddhaprasart, Director and Senior Executive Vice President. Investors may contact the Investor Relations Office at:

- "[www.gh.co.th](http://www.gh.co.th)" in Section "Information on the Company", and in Section "Information Request " on the topic of "Contact the Investor Relations Officer", or by;
- E-mail: [arpaporn.e@qh.co.th](mailto:arpaporn.e@qh.co.th) and [supaphan@qh.co.th](mailto:supaphan@qh.co.th)

## 1.5 Responsibilities of the Board of Directors

### 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.1/2015 convened on December 24, 2015. The Company has disseminated its corporate governance policy on the Company's website: "[www.gh.co.th](http://www.gh.co.th)".

### Business ethics

The Company has managed to prescribe the requirements on ethics and the code of conduct since 2002. The instrument has also undergone a series of revision. The Board of Directors has approved the latest revised version of the business ethics at

the Board of Directors' Meeting (No.1/2015) convened on February 24, 2015. In this regard, the Company has disseminated the ethics and the code of conduct in the Company's website "[www.qh.co.th](http://www.qh.co.th)".

The aforementioned principle of business ethics has been 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 aforementioned business ethics regularly and on a yearly basis.

### Leadership and vision

Members of the Board of Directors of the Company have possessed knowledge, skills and competency, as well as work experiences, obtained from various fields of study. The roles, duties and responsibilities between the Board of Directors and the Management are clearly divided. The Board of Directors' meetings have been convened regularly so that due diligence be performed and approval be given in regard to the Company's visions, strategies, goals, policies, business plans and budgets, as well as following up on the administrative tasks of the management team and ensure that they be in accordance with the corporate goals.

### Balance of power of non-executive directors

As of February 19, 2015, the Company was comprised of the following 12 directors:

Executive Director: 4 persons;

Non-executive Director (shareholder's representative): 4 persons;

Independent Director: 4 persons (equivalent to four-twelfth of the total number of directors).

### Aggregation or segregation of positions

The position of Chairman of the Board of Directors is not to be held by the same person as the one assuming the responsibilities of that of the Managing Director in order that duties and the likes to be performed by the two are strategically separated for the benefits of day-to-day business operation. The Chairman is to 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 the tactical implementation of strategies. Managing Director is to lead his management team in light of implementing the already approved strategies under the framework determined by the Board of Directors.

### Board of Directors' Meetings

The Board of Directors has its independence in giving approval of the issues proposed by the management team in regard to the Company's visions, missions, strategies, goals, business plans and budgets. The Board also allows for the mechanism to take place whereby both short-term and long-term operations by the management team can be supervised and monitor in accordance with the Company's goals and business plans for utmost 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: Management Structure; Sub-clause 1 "The Board of Directors", and Sub-clause 2 "Sub-committee".

### Internal meeting of non-executive directors

Non-executive directors have convened internal meeting to discuss certain issues in which they took interest with no presence of the management team. In 2013, an internal meeting of non-executive directors was held on November 19, 2013, and in 2013, an internal meeting of non-executive directors was held on December 22, 2014.

### Board of Directors' performance evaluation

The Company has a policy whereby to have the Board of Directors evaluate their own performance as a group at least once a year in order to allow for self-revision and reflecting upon certain issues of concern and obstacles during the previous year. In addition, the evaluation is expected to help enhance the Board of Directors' work efficiency, as well.

In the Board of Directors' Meeting No.1/2015 convened on February 24, 2015, the Board of Directors have collectively assessed their own performances as a group for the entire period of the year 2014, using the "Board of Directors' Self-Assessment Form" prepared by the company under the principle of corporate governance and the SET guidelines. There were 6 main areas having been taken into account as follows:

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

## 2. Sub-committees

As of February 19, 2015, the Company's structure is comprised of 5 Committees: the Company's Board of Directors; the Audit Committee; the Nominating and Remuneration Committee; the Corporate Governance Committee, and; the Risk Management Committee. Below shown is the summary of the name list and positions of the directors in the Board of Directors and Committees:

Name		Director	Executive director with the authorized signature	Audit committee	Independent director	Nominating and remuneration committee	Corporate governance committee	Risk management committee
1. Mr. Apisak	Tantivorawong	✓			✓			
2. Mr. Chadchart	Sittipunt*	✓						✓
3. Mr. Adul	Vinaiphath	✓		✓	✓	✓		
4. Mr. Anant	Asavabhokhin	✓						
5. Mr. Adisorn	Thananan-narapool	✓						
6. Ms. Kanokvalee	Viriyaprapaikit	✓				✓		
7. Mr. Rachai	Wattanakasaem	✓		✓	✓	✓		
8. Mr. Suri	Buakhom	✓		✓	✓		✓	
9. Mr. Achanan	Asavabhokhin	✓						
10. Mrs. Suwanna	Bhuddhapasart	✓	✓				✓	✓
11. Mr. Pravit	Choatewattanaphun	✓	✓					
12. Mr. Pornthep	Pipattangsakul	✓	✓					✓

\* Mr. Chadchart Sittipunt was approved and appointed as Director, President, Chief Executive Officer and Chairman of Risk Management Committee by the resolution of the Board of Directors' Meeting No. 8/ 2014 convened on December 22, 2014 in replacement for Mr. Rutt Phaniiphand, who has resigned from the position of Director effective from January 1, 2015 onwards.

As of February 19, 2015, the Company has 4 sub-committees to take into account its business-related matters, including:

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

The scope of powers, duties, responsibilities and details of the sub-committees' meetings are shown as follows:

#### 1) The Audit Committee

The Audit Committee is comprised of 3 independent directors as of December 31, 2014. The name list and number of meeting attendances of each committee member in years 2013 and 2014 are shown as follows:

Name	Position	Meeting attendance / Total number of attendances (times)	
		2013	2014
Mr. Adul Vinaiphath	Chairman of Audit Committee	6/6	7/7
Mr. Rachai Wattanakasaem	Audit Committee	6/6	7/7
Mr. Krit Phanratanamala**	Audit Committee	6/6	1/1
Mr. Suri Buakhom*	Audit Committee	-	5/5

- Remarks:
- *Mr. Rachai Wattanakasaem is an audit committee member with knowledge and professional experience in accounting or finance;*
  - *Audit Committee Secretary: Mr. Korasuit Piyambuit;*
  - *\*Mr. Suri Buakhom was approved and appointed as Audit Committee by the resolution of the Board of Directors' Meeting No.3/2014 convened on May 26, 2014.*
  - *\*\*Mr. Krit Phanratanamala's term had come to an end by the resolution of the Annual General Meeting of Shareholders No.1/2014 convened on April 11, 2014.*

The Audit Committee has convened 4 meetings in 2013 and the other 4 in 2014 with the Company's auditors without the presence of the Company's management team.

### Scope of 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 shown below:

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 have implemented proper and effective internal controls and internal audit systems; and to review independency at work of the internal audit unit; and to give approval of the appointment, transfer and termination of the office of the chief of the internal audit unit or any other units responsible for internal audit;
3. To review and ensure that the Company have 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 an independent professional to act as the Company's auditor; and to propose the remuneration for the position; and to attend meetings with the auditor for at least twice a year with no presence of the management team;
5. To consider the matter of the compliance with laws and with the Stock Exchange of Thailand's regulations in light of related/connected transactions or those which may incur conflicts of interest so as to ensure that those activities were reasonably performed for utmost benefits to the Company;
6. Prepare and disclose the Audit Committee report and have it revealed as part of the Company's annual report. The Audit Committee report, which is to be signed by the Chairman of the Audit Committee, must be comprised of the following items:
  - (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 incur 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.
7. To perform other duties assigned by the Board of Directors with the consent of the Audit Committee



### Self-Assessment by Audit Committee

During the Audit Committee Meeting No.1/2015 held on February 24, 2015, the Audit Committee has collectively conducted self-assessment as a group for the entire period of the year 2014, using the "Audit Committee's Self-Assessment Form" prepared by the company under the principle of corporate governance and the SET guidelines. There were 5 main areas having been taken into account as follows:

- Components of Audit Committee;
- Training and resources;
- Meeting;
- Audit Committee's activities;
- Relationship with the Internal Audit Director, auditor and the management.

The self-assessment result has revealed that the Audit Committee performed their duties well and met all requirements under "The Charter of the Audit Committee" in accordance with general best practice of corporate governance.

### 2) Nominating and Remuneration Committee

The Nominating and Remuneration Committee is comprised of 3 independent directors as of December 31, 2014. The name list and number of meeting attendances of each committee member in years 2013 and 2014 are shown as follows:

Name	Position	Meeting attendance / Total number of attendances (times)	
		2013	2014
Mr. Rachai Wattanakasaem	Chairman of Nominating and Remuneration Committee	5/5	7/7
Mr. Adul Vinaiphath	Nominating and Remuneration Committee	5/5	7/7
Miss Kanokvatee Viriyaprapaikit	Nominating and Remuneration Committee	5/5	7/7

### 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 up, in alignment with the Good Corporate Governance policy;
2. To make selection of the qualified candidates for the position of new director or search for senior management from the executive pool, ranging from the Managing Director position up, whose names are to be proposed for the Board of Directors' executive decision;
3. To determine procedures and criteria for fair and reasonable payments of remuneration and other fringe benefits to the Board of Directors and to other committees, the latter having been appointed by the Board of Directors, and propose the aforementioned remuneration scheme for approval during the Shareholders' meeting;
4. To consider, recommend and determine the remuneration and other fringe benefits based upon the duties and responsibilities of the senior management (from the position of Managing Director up) and to take into account 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) so as to ensure that they be appropriate for the responsibilities required and the operating results of the Company, thus, in accordance with the market condition;
6. To consider budgets for pay raises, 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.

### New Committee Orientation

The Committee has assigned the Corporate Secretary to organize the orientation session for all new committee members in which the following documents are to be provided as well:

1. Major legislations and regulations issued by authorities;
2. Certificates, objectives and, rules and regulations of the Company;
3. Good corporate governance policy;
4. Director's handbook;
5. Organization chart and the Company's business;
6. Other necessary documents.

### Key succession plan

The Company has prepared the key succession plan with a proper and transparent instrument of recruitment and selection scheme. The Nominating and Remuneration Committee shall prepare the successive plan for senior management positions for the Board of Directors' approval.

### Performance evaluation for Executive Officers and Chief Executive Officer

The Nominating and Remuneration Committee shall conduct performance evaluation for the President and Chief Executive Officer, as well as taking into account the matter of remuneration, and then have the instrument submitted to the Board of Directors for the latter's approval. Note that the evaluation shall be made once a year based upon the following key issues:

1. Administration in accordance with the business goals and annual business plan;
2. Administration, systemization and goal attainment;
3. Administration and human resources development for the benefits of business growth.

### 3) Corporate Governance Committee

Corporate Governance Committee is comprised of 4 members as of December 31, 2014. The name list and number of meeting attendances of each committee member in years 2013 and 2014 are shown as follows:

Name	Position	Meeting attendance / Total number of attendances (times)	
		2013	2014
Mr. Suri Buakhom	Chairman of Corporate Governance Committee	4/4	4/4
Mrs. Suwanna Bhuddhprasart	Corporate Governance Committee	4/4	4/4
Mr. Somchai Warunpantulak	Corporate Governance Committee and Corporate Governance Secretary	4/4	4/4
Mr. Korasuit Piyambuit	Corporate Governance	4/4	4/4

### 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 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.

### 4) Risk Management Committee

Risk Management Committee is comprised of 5 members as of December 31, 2014. The name list and number of meeting attendances of each committee member in years 2013 and 2014 are shown as follows:

Name	Position	Meeting attendance / Total number of attendances (times)	
		2013	2014
Mr. Rutt Phanijphand*	Chairman of Risk Management Committee	-	3/3
Mrs. Suwanna Buddhaprasart	Risk Management Committee	-	3/3
Mr. Pornthep Pipattangsakul	Risk Management Committee	-	3/3
Mr. Pairoj Wattanavarodom	Risk Management Committee	-	3/3
Mr. Somsak Jirarungruangvong	Risk Management Committee and Risk Management Committee Secretary	-	3/3

\* Mr. Chadchart Sittipunt was approved and appointed as Director, President, and Chief Executive Officer by the resolution of the Board of Directors' Meeting No.8/2014 convened on December 22, 2014 in replacement for Mr. Rutt Phanijphand, who has resigned from the position of Director effective from January 1, 2015 onwards.

### 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 cost schemes;
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.

## 3. Nomination and appointment of directors and top executives

The Nomination and Remuneration Committee shall prescribe the qualifications of those who will be appointed for the positions of director or top executives of the Company from Chief Executive Officer up so as to be in compliance with the good governance policy and within the scope of power and duties of the Nomination and Remuneration Committee as stipulated in the Charter. The details are presented in Section 2) Nomination and Remuneration Committee. In addition, the Company

also provides an opportunity for shareholders to nominate the qualified candidates through the channel of the Nomination and Remuneration Committee in light of taking into account a set of qualifications prior to the further submission for resolutions in the shareholder meeting.

### 1) 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 defines 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). Below shown are the requirements:

- (A) An independent director must hold no more than 1% of shares with voting rights in the Company, parent company, subsidiaries, associated companies or parties with possible conflicts of interest including the shareholding of related individuals of that independent director.
- (B) An independent director must not be or had not been the Company's executive directors, nor served as permanent employees, advisors on regular payroll, and authorized persons of the Company, parent company, subsidiaries, associated companies and same level subsidiaries of the parent company except when the previous association has been terminated at least for more than two years prior to the submission to request for permission from SEC.
- (C) Independent directors must not be a "blood relative" or by legal registration in the nature of father, mother, husband, wife, sibling, child, son or daughter-in-law of the management, major shareholders, authorized persons, or individuals who are about to be nominated as the management or authorized persons who have control over the Company or its subsidiaries.
- (D) Independent directors must not or have not had business relationship with the Company, parent company, subsidiaries, associated companies or parties with possible conflicts of interest in a way that will prevent independent judgment. Furthermore, independent directors must not be or had been major shareholders, directors that were not independent directors, or the management of any party who has a business relationship with the Company, parent company, subsidiaries, associated companies or parties with possible conflicts of interest except when the previous association has been terminated at least for more than two years prior to the submission to request for permission from SEC.

The business relationship earlier mentioned in Clause I includes transactions of normal trading business of rental or real estate for rent, transactions relating to assets or services or the giving or receiving of financial assistance in terms of loans, guarantees, using assets as loan collateral including other similar practices that can result in permit seeker 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 permit seeker or more than Baht 20 million, whichever amount is lower. For the calculation of that loan, it is granted to use the method of calculating value of related transactions according to the Notification of the Security and Exchange of Thailand (SET) Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transaction. However, in light of summing up the liability, it must take in all liabilities that occurred during one year prior to the starting date of the business relationship with the same individual.

- (E) Independent directors must not be or had not been auditors of the Company, parent company, subsidiaries, associated companies or parties with possible conflicts of interest. Independent directors must not be or had not been major shareholders, directors that are not independent directors, the management, or managing partners of auditors'

company in which auditors of the Company, parent company, subsidiaries, associated companies or parties with possible conflicts of interest, belong to, except when the previous association has been terminated for at least for more than two years prior to submission to request for permission from SEC.

- (F) Independent directors must not be or have been servicing professionals including legal advisors and financial advisors, receiving more than Baht 2 million per annum in remuneration for the service from the Company, parent company, subsidiaries, associated companies or parties with possible conflicts of interest. If the servicing professional is a legal entity, it must include major shareholders, directors that are not independent directors, the management, or managing partners of those servicing professionals, except when the previous association was terminated for at least for more than two years prior to submission to request for permission from SEC.
- (G) Independent directors must not be directors who are representative of directors of the Company, major shareholders, or shareholders that are related to major shareholders of the Company.
- (H) Independent directors must not have other characteristics prohibiting independent judgment on the Company's operation.

After being appointed as independent directors whose characteristics meet the requirements earlier mentioned in the (A) through (H) clauses, independent directors will be assigned by the Board of Directors to make collective decisions together on business operation of the Company, parent company, subsidiaries, associated companies or same level subsidiaries of the parent company or parties with possible conflicts of interest.

## 2) Directors and top executives

The appointment of the Company's directors or top executives, from Chief Executive Officer up, shall be done through the Nominating and Remuneration Committee, which will consider the candidates' qualifications in terms of knowledge, experience, expertise from varieties of professions, as well as the qualifications specified by the laws. In this regards, the appointment of the Company's directors must receive the vote of no less than half of the total number of shareholders who attend the meeting and have the rights to vote.

### Roles and duties of Chairman and Chief Executive Officer

- 1) The Company's Chief Executive Officer is responsible as leader of the Board of Directors, serving as chairman of the Board of Directors' Meeting and that of the Shareholders' Meeting.
- 2) The Chairman, elected by the Board of Directors, presides over the meeting and ensures that various issues under concern be properly taken into consideration, and that the Board of Directors be properly focusing on the right ones in regard to the revision and approval of the strategies earlier proposed by the management team, as well as ensuring that the aforementioned strategies be implemented.
- 3) The Chief Executive Officer, appointed by the Board of Directors, serves as leader of his or her management team in ensuring the implementation of the strategies already approved while ably regulating the actions within the framework stipulated by the Board of Directors.
- 4) The Chairman shall visualize the Company's overview of how the directors are operating; in addition, Chairman shall inspire confidence in the Company's business operation by which the Board of Directors and/or the Committees, who are comprised of personnel of high caliber, are able to effectively work as a group; while also ensuring that all directors, executive or non-executive, be eagerly supported in their implementations both in terms of business administration and supervision.

- 5) The Chief Executive Officer, as an executive, must be most well informed about and most committed to the Company, as well as being unique and different from other top executives in the sense that, with his or her leadership and outstanding vision, he or she is able to capture the Company's overview as an organization at its best.
- 6) The Company clearly distinguishes between Chief Executive Officer and Chairman; both must be able to compromise and trust each other, being respectful to each other in order to provide mutual support in light of the Company's business operation.

## 4. Supervision of the subsidiaries' and associated companies' operation

The Company's directors shall approve the establishment of vision, strategies, policies, business plan and budget of the Company to be used as frameworks or goals of the management for operation to achieve the result prescribed by the Company's Board of Directors. All of the approvals by the Company's Board of Directors include the subsidiaries and associated companies as appropriate in management. Details are as follows:

- 1) **Subsidiaries:** The Companies hold 100% shares in its subsidiaries both directly and indirectly. The Company has a policy to supervise the operation of its subsidiaries in the same manner as it does for the Company. The Company's management team shall be the authorized directors and executives of the subsidiaries so that the establishment of vision, strategies, policies, business plans and budget will be in compliance with the approval of the Company's Board of Directors. The Company shall convene regular meetings among the executives of the subsidiaries in order to control and supervise the subsidiaries to operate in compliance with the Company's goals. Besides, the Company's Audit Committee also allows the Company's Internal Control Department to audit the internal control system of the subsidiaries and report the result of such audits in all subsidiaries as planned to the Audit Committee.
- 2) **Associated companies:** The Company dispatches its executives or management team to be directors in its associated companies in accordance with the proportion of shareholding in order that they represent the Company's interests, and that they participate in establishing major policies in business operation. In this regard, the Company has not yet established the regulations or requirements of the Company that call for approval from the meeting of the Company's Board of Directors in light of appointing its representatives to a position in the associated companies; the aforementioned appointment, however, still requires an approval from the Company's management.

## 5. Supervision of the use of inside information

The Company has 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 restriction, the Company has 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 on holding of the Company's securities by their spouses and minor children and those related parties to the directors and/or executives under Section 59 of the Securities and Exchange Act 2535 BE 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.

# Corporate Social Responsibility



The Company remains incessantly resolute in providing supports for a variety of activities that prove beneficial to the society, community and environment. In addition, the Company also has the policy to promote and implant good conscience, awareness and a sense of responsibility among its employees for the benefits of the Thai society, community and environment as follows:

- The Company has the policy not to take any action which may result in tarnishing reputation of the country and/or cause damages to natural resources and the environment;
- The Company shall not provide cooperation or support for any person who operates illegal businesses or who poses a threat to the society and/or homeland security;
- The Company has implanted on continual basis social awareness and a sense of responsibility for communities and Thai society as a whole, within the Company and among employees at all levels;
- The Company operates and takes control so as to insure that all are in compliance with the related laws.

## 1. Fair business operation

- The Company selects contractors and subcontractors based on equality and fairness with no discrimination in terms of physical traits, mental condition, nationality, religion, gender, age, education or other issues, hence the opportunity for fair competition without prejudice;
- The Company provides appropriate assistance to its trading 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;
- The Company adheres to the value of acting toward financial and banking institutions, debentures holders and loan creditors with honesty, and it always makes repayments of principal 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 financial and banking institutions and the lenders in advance. Then it will be followed by a meeting to get the solutions;
- The Company has the policy, which has been 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 does not its employees to use any software which has proven to infringe the copyrights.

## 2. Anti-corruption activities

The Company has introduced the anti-corruption policy whereby its personnel are to strictly observe the law, rules and regulations of the Company, as well as business ethics, in association with anti-corruption issue so as to ensure the stakeholders that the Company operate upon a basis of business ethics, with transparency and integrity, while earnestly taking actions in light of anti-corruption issue.

In addition, in response to the anti-corruption campaign organized by the Thai Institute of Directors Association (IOD) in light of private sector's anti-corruption activities, the Board of Directors of the Company has given a resolution for the Company to participate in the Collective Action Against Corruption Declaration, the act of which, as acknowledged by the IOD's Coalition Committee, were to officially commence from December 26, 2014 onwards.

The Company's code of conduct in regard to business ethics is shown in five categories as follows:

### 1. Political Aid

- 1.1 The Company remains in its politically neutral state, providing no supports for any political party in particular;
- 1.2 In the event that the Company may have intent to provide political supports in the name of democracy, such action shall not fail to comply with the legal codes (laws) related to the issue; nor shall the Company be doing so as in expectation of being provided with special treatment. Corporate procedures in light of the matter must be strictly observed;
- 1.3 The employees are free to participate in political activities under the Thai Constitutional laws provided that one's position, the Company's property or anything including tools, equipment, etc., belonging to the Company, shall not be cited to strategically produce satisfactorily political results or benefits; in addition, good care must be taken to ensure that no miscomprehension be made in regard to the Company's non-partisan, good principle.

### 2. Donation for charity

- 2.1 The Company has a policy on donation for charity both in terms of financial supports and others such as donation of goods, participating in various activities, etc., so as in remaining adhered to its ethical framework of social responsibility;
- 2.2 The employees must take precautions and ensure that donations for charity not be directed towards corruptive behaviors such as bribery and the likes, and that their good deeds be done with transparency and in compliance with the laws;
- 2.3 The Company's money or property must be spent or used in light of donation for charity 'only' in the Company's name, typically for the good of such establishments as foundation, public charity organization, temple, hospital or other social benefit organizations, all of which must also be in possession of official certificate and verifiable in entity; implementations are to be made according to the Company's rules and regulations.

### 3. Monetary support

- 3.1 Being a sponsor signifies one of public relations instruments rightfully adopted by the Company; it, however, differs from making donation for charity;
- 3.2 The employee must ensure with good care that, in case of donation, it be made strictly for charity purpose in order that the Company's sponsorship shall not be misused as another means of avoiding being labeled as giving bribes, and so that actions have been taken with transparency in accordance with the laws;



- 3.3 The employee must ensure with good care that the Company's money or property spent or used in providing supports for certain projects be credited to the Company's name only, and that the aforementioned actions must have been taken strictly for the benefits of the Company's reputation and positive brand image, etc.

#### 4. Gifts/presents, service fees and other expenses

- 4.1 The employee shall not collect or receive money, goods or any other forms of benefits from those involved in conducting businesses with the Company;
- 4.2 The employee may receive or give presents as suggested by the good, traditional customs provided that those gifts/presents obtained do not affect the recipient's business decisions whatsoever;
- 4.3 The presents received from others should be moderate in financial value and not in form of cash or its equivalent;
- 4.4 In the event that employees happens to have received customary gifts or presents of extraordinarily high value from those involved in conducting businesses with the Company, they must report their superior(s) within the chain of command;
- 4.5 Giving and receiving gifts/presents may be done with transparency in public.

#### 5. Whistle-blowing and Protection of Whistleblowers

The Company has placed importance upon such issue whereby superiors in each and every level within the organization take actions on ensuring that their subordinates be informed, understand and comply with the Company's business ethics, rules and regulations stipulated in the articles of association, the corporate governance, as well as a series of legislations and legal codes, in practice; in addition, the Company has established guidelines for deliberation and interrogation with transparency and verifiability in light of complaints and such.

To gain confidence from petitioners in terms of corporate judicial process whereby all stakeholders are to be treated equally and in fairness, the Company has established a series of channels through which petitions and complaints, as well as suggestions and feedbacks, may be directed in the event that - due to the Company's business operations or to its employees' possible misconducts - certain impacts have been made upon the petitioners or any of the stakeholders regardless of the groups to which they may belong. Those possible misconducts include suspicious behaviors deemed corruptive or ones prone towards becoming illegitimate, as well as negligence, etc.

The petitioners' complaints and messages may be 'directly' submitted via 'e-mail' to each of the Audit Committee members, whose information on official e-mail address can be found on the Company's website.

The petitioners, all of who are the Company's employees, customers, those hired by the Company and/or the stakeholders possibly representing other concerned groups, shall be protected by laws and/or the Company's guidelines and regulations.

### 3. 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 difference in terms of gender, race, religion, personal standing, economic or social status. In addition, the Company shall apply the aforementioned 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 are involved in such conducts;
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.

## 4. Fair treatment towards employees

The Company has prescribed the guideline of fair treatment towards employees in accordance with the international standards as follows:

- Providing appropriate compensation in accordance with each employee's knowledge, ability, responsibility and performance;
- Encouraging, developing and enhancing knowledge and ability of employees so that they can achieve job advancement and security in their career;
- Promoting participation of the employees in determining the directions in working and problem solving in the Company;
- Maintaining work environment so that it remain safe for the life, health, and properties of the employees;
- The reward and punishment for employees must be based on righteousness and fairness, and must be made honestly;
- Adhering to the laws and other regulations regarding legal laws and employees' welfare;
- Managing the employees by avoiding any unfair and wrong acts which may affect the job advancement and career security of the employees;
- Treating the employees based on the dignity of human beings, and respect their individual human rights and duties.

## 5. Responsibility towards the consumers

The Company's guidelines are shown as follows:

### Hotel business

- A series of campaigns have been strategically established to discourage retail outlets upon hotel premises from selling all kinds of alcohol beverage for the purpose of health and safety of the customers;
- Insect repellent spray used in the hotels has been distilled from herbs in order to avoid dangers to hotel guests and employees and to reduce the process involving locomotion of customers and/or employees out of the area since the aforementioned herbal insect repellent has proven to have no negative impact on customers or employees;
- There are facilities provided for people (guests) with disability, including accommodations, designated parking space, lavatories and wheelchair ramps;
- Guest speakers were/are invited to provide fire extinguisher training, as well as knowledge of fire escape and first aids for employees and customers;
- New employees have been provided with advance-level fire extinguisher training course on annual basis; in addition, fire drills have been held on monthly basis upon the premise so as to gain customers' confidence in light of the building's fire prevention system

### Real estate for sales

- After the customers have moved into the new home for 1-3 months, the Maintenance Service team will be sent to meet with them to provide instructions for home equipment maintenance at home, as well as checking the overall conditions of their residences;
- “Thank you Party” for the customers is organized, with snacks, food and drink, as well as souvenirs, being provided; the customers also being able to invite their friends to the party (in order to create good relationship between the Company and its customers);
- In regard to high-end home projects, the design will focus on maximum privacy for customers, such as by using Double Security system so as to prevent any of the external party’s intrusions;
- “Home Automation “design is in use, by which the light will be turned on and off automatically for more convenience, safety, and energy saving, as well as environmental friendliness; alternatively, the system may be controlled through other types of controller as well;
- Strict security system at the entrance of the project is being in use: visitors are to be checked thoroughly, and they are also required to exchange ID cards for the rights to enter the project. Visitor’s card must be properly stamped every time prior to exiting the project, which helps increase customers’ confidence in the project’s security system;
- Meeting sessions are held for the tenants in order to provide the opportunity for their opinions, feedbacks and suggestions to be heard, as well as participating in finding solutions to problems upon the premises; bulletin boards are made available for public relations purposes, and suggestion boxes are strategically being placed in return for tenants’ opinions, feedbacks and suggestions; all for peace and order within the community with an aim to alleviate the situations of complaint in the future;
- The building designs for condominium projects are in compliance with environmental standards and laws. Both the designs and reports on environmental impacts of the projects are submitted in order to obtain permissions. In addition, the Environmental Impact Analysis (EIA) reports are prepared as specified by the law. Other rules and regulations are also strictly observed;
- Training on the roles and responsibilities of after-sales service officers are provided so as to enable those holding the position to understand their roles and responsibilities towards customers and to enhance quality in all aspects of the after-sales service to be provided to the customers;
- Energy-saving and environment-friendly building equipment is to be used, including water-saving sanitary ware, LED lights instead of incandescent lights, number 5 air conditioners and water pump, solar-cell, etc. to reduce excessive energy consumption.
- Call center ‘1388’ has been established with the objectives to serve customers through a pneumatic contact number, as well as providing basic information for them including that on promotional packages available at the time, project locations, details of projects (house, condominium and townhouse) to be given at an initial stage in aims at helping them make subsequent buying decisions; in addition, the call center also serves as a strategic place towards which complaint and feedbacks may be directed as well.

## 6. Environmental conservation

The Company remains incessantly resolute in providing supports for a variety of activities that prove beneficial to the society, community and environment. In addition, the Company also has the policy to promote and implant good conscience, awareness and a sense of responsibility among its employees for the benefits of the Thai society, community and environment as follows:

- Office buildings for rent, hotels and serviced apartment projects have cooperated well in light of energy conservation by installing new air-conditioners in replacement for the previous ones every time it was detected that the use of energy exceeded the standard of energy consumption; in addition, the quality of the used water supplies in buildings has been tested before draining to the public wastewater system, etc.;
- Waste water treatment system has been utilized in office buildings for rent, hotels and serviced apartment projects so as to treat waste liquid prior to releasing it to public pipes. The Company has made delivery of supplies of already treated wastewater to Environment and Laboratory Co., Ltd. for testing in order to ensure that the process of waste water treatment has been conducted in accordance with the established criteria;
- Employees are encouraged to classify wastes before have them disposed;
- Training courses have been provided for the employees whose tasks are related to housekeeping, which include the properties of floor cleaning products that are suitable for each type of surface or materials, as well as the appropriate amount required to reduce both the residue and the amount of water used in cleaning; as a result, the amount of waste water affecting the environment has proven to be in decline;
- Only materials by the manufacturers who have proven to care about environment, and who have made efficient use of natural resources in aims at alleviating environmental impacts, are to be used. (Verification may be conducted by examining their certified environment standards;
- Prukpirom Regent Rachaprak-Ratanathibet project has enjoyed the privilege of the waste water treatment system installed upon the premises; the system, being certified, has proven to be of use such as in making reusing of the treated water supplies possible (for instance, in watering plants); furthermore, sieve plates have also been installed so as to prevent trash from falling into canals or obstruct the waterway;
- Social and environmental activity titled "Life Center Fun Trip 2014" was being held; in addition, mongrel forest cultivation activities were organized in aims at helping to return life to the sea on behalf of Samutprakarn Conservation and Volunteers Coalition Foundation.

## 7. Participation in social/community development

- Participating in alliance with "Kidzania", the world-renowned edutainment center that provides great learning experience for children aged 4-14 years of age by role play and make-belief in a selection of occupations: Q. House has provided the project with a studio design hall (on 2<sup>nd</sup> floor of Kidzania, Siam Paragon), where children are to be provided with the opportunity to learn more about Interior Design, as well as various ways to decorate their own rooms;
- The lighting system has been installed surrounding the project area, as well as that of traffic lights in the public-roadway junction area for safety of customers and neighboring community residents;
- Donating portable calendars to the Foundation for the Blind in Thailand under the Royal Patronage of HM the Queen so as to be utilized as teaching media (for Braille letter printing) for visually impaired students;
- Quality Houses employees, as well as those of the subsidiaries, participated in blood donation campaign for the charitable benefits of the Thai Red Cross Society at 'Q. House Lumpini' (4<sup>th</sup> floor) on November 3, 2014;
- On September 19, 2014, 20 scholarships, each of which amounted to Baht 2,500, thus Baht 50,000 in total, were awarded to students in need who are well-behaved and were studying in primary-school level within the jurisdiction of Chiang Mai Province's Educational Service Area 2, at Wat Nhong On School, Mae Taeng district, Chaing Mai province.

## 8. Availability of innovations and dissemination of innovations obtained from the operations that are responsible for the society, environment and stakeholders

### Hotel business

- Changing the chlorine-based swimming pools to salt-based ones instead in light of reducing the use of chemical products and enhancing health benefits for the customers;
- Changing halogen lights to LED lights in order to reduce energy consumption in the rooms and customer service areas.

### Business of real estate development for sales

- Q. House Avenue Phraram 5 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. In addition, the aerosol interception system has been installed at the central wastewater treatment system to intercept aerosol from emitting in the aeration pond by circulating air from the aeration tank to the aerosol interception tank to reduce the quantities of air contaminants;
- Using pre-cast concrete system to reduce construction time and to minimize impacts from construction work on surrounding communities, as well as decreasing the amount of garbage or waste from the construction work;
- Using alternative materials in construction instead of natural materials in aims at reducing impacts on environment and saving the installation time; for instance, the use of artificial wood or wooden-designed tiles instead of real wood, or that of ready-made stairs rather than wooden stairs, as well as selection of vinyl doors and windows in replacement for wood in order to alleviate the burden of natural materials consumption;
- Constructing more of central wastewater treatment tanks than the number specified by laws, as well as providing for minor wastewater treatment tanks in all households and buildings in order that wastewater can be treated prior to being released to public drainage systems;
- Architectural design work having been made in accordance with the principle of tropical architect design, with eaves projecting beyond the side of the building so as to help alleviate heat within the interiors, in addition to the use of thermal insulation and lightweight brick wall for heat prevention, etc, thus reducing consumption of electricity from air conditioners and electric fans;
- Project layout also being strategically planned in accordance with the principle of tropical architect design, with the focus being made upon directions of sunlight, wind, rainfall and seasonal climates; the house structures located along the line of north and south directions are good for natural light to shine in, as well as for better ventilation and saving mechanical energy; cultivation of perennial plants and trees, as well as green landscape, creates peaceful ambience with a sense of comfort while simultaneously serving as a dust filter and reducing noise pollution; housing projects are also designed with energy-saving in mind based upon directions of sunlight and wind.

# Internal Control and Risk Management



During the Board of Directors' Meeting No.1/2015 convened on February 24, 2015 in which 3 Audit Committee members have carried out participation, the board of directors managed to evaluate the internal control system based upon taking into account certain pieces of relevant information and intelligence as well as a number of enquiries obtained from a group of executive officers. Below shown are the five disciplines of the Company's internal control system having undergone the process of evaluation accordingly:

1. Control Environment;
2. Risk Assessment;
3. Control Activities;
4. Information and Communication;
5. Monitoring Activities.

According to the board of directors' evaluation, the Company's internal control system has been found sufficiently established and properly maintained in light of its implementations pertaining to relevant issues. Accordingly, the Company has also succeeded in providing for a sufficient number of personnel in regard to taking control of the aforementioned in entirely efficient manner while properly maintaining the status of ably supervising and monitoring its subsidiaries' business operations and simultaneously preventing from any illegitimate utilization of both the Company and its subsidiaries' corporate resources and against conducting transactions with parties with potential conflicts and the likes. As for internal control in other subjects, the Board of Directors also had the opinion that there was sufficient control.

The independent directors and members of the Audit Committee had the same opinion with the board of directors.

Below shown are the five disciplines of the internal control system:

## 1. Control Environment

The management team and employees have proven optimistic and in possession of positive attitudes rightfully in favor of the internal control criteria. The management team have placed the importance upon business ethics and integrity; therefore, in the event that there stood a breach of the codes of conduct, thus affecting the elements of business ethics and integrity, the incidents were to be treated with fairness and transparency in response to the given circumstances and in accordance with the audit report on case-by-case basis.

In general, the Company's internal control system has been found suitable and efficient thus in favor of its implementation as a whole as exemplified in the following examples:

- The board of directors has managed to ensure that the Company have a set of well-defined business goals, all of which are assessable and practically utilized as guidelines for performance appraisal and business conducts by both the management team and employees at operational level;
- The board of directors has managed to ensure that the Company prescribe the duties and responsibilities of both the committees and executive officers in compliance with the law and the charter;
- The board of directors has proven knowledgeable in the Company's business operations and in possession of expertise of use accordingly, or at least resourceful enough to solicit professional pieces of advice and opinions by specialists and the likes with no difficulty; in addition, the board of directors is comprised of independent directors of note with knowledge, competency and trustworthiness all of who are able to independently operate as well;
- The Company has provided for an instrument of the organizational chart which is proven of great use to the Management team/executive officers' tasks in terms of both effectiveness and efficiency;
- Duties and responsibilities have been determined and assigned properly while authority thereof have been addressed in strictly legitimate manner, which allows for operations to have been as optimally carried out within the organization as possible, i.e. among the board of directors, executive officers and management team, as well as the company employees at operational level;
- The Company has reviewed its operational goals so as to ensure that they be properly and prudently prescribed in addition to a well-defined paradigm of performance appraisal process, incentive scheme, as well as disciplinary actions upon tardiness and ineffectiveness when and where necessary, all of which are to be communicated and made known to the employees and their superiors (including executive officers and management team);
- The Company has defined and established the Code of Conduct in writing to be properly observed by both management team and employees, as well as monitoring their observance accordingly; this includes prohibiting the aforementioned groups from acquitting in such manner that may cause conflicts of interest with the Company's businesses, as well as preventing from any of corruptive behaviors and misconducts, with which failure to comply shall be addressed in form of disciplinary actions and such;
- The Company has also prescribed the rules and regulations, as well as policies, all in writing, in dealing with risk-prone transactions including financial, procurement and administrative ones, etc., in aims at preventing from corruptions and damages that could have incurred;
- The Company has managed to provide the operation control and monitoring systems for those in charge, including the Internal Audit Department, the latter of which retains autonomy in auditing and reporting directly to the Audit Committee,

whose duties include making inspection in accordance with business risk priority, covering critical work processes within 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, providing opinions on how to implement the well-defined internal control system in order to prevent or reduce potential risks, as well as drawing up guidelines for reporting the follow-up results of revisions so that the internal audit work shall be proceeded properly and effectively. In 2014, no significant errors related to the internal control have been found.

## 2. Risk Assessment

The Company has placed the importance upon the issue of risk management and thus established “the Risk Management Committee” in association with the comprehensive risk categories so as to evaluate and follow up both the overview and the details of risk management plans pertaining to each individual unit within the Company on regular basis. In addition, the Company has managed to ensure that the systems of risk management report be implemented in proper and timely manner. The Company’s executives have thus evaluated the situations and risks and analyzed the incidents which may have had impacts on, and caused damage to, the Company. In response, the Company has prescribed the preventive and corrective measures against those risks while assiduously monitoring and following up with the incidents attributed to the risk factors, as well as implementing the measures in aims at reducing the risks accordingly. Furthermore, the Risk Management Committee has approved the instrumentalization and initiated communications of risk management policy with the executive officers/management team and all staff members for their acknowledgement and actions to such an extent that it will have become integral a part to the organization as a whole. Note that the detailed information may be located in another chapter “Risk Factors”.

The Company has proven to be in compliance with generally certified accounting standards, an act of which is of good use to its business operations, as well. In regard to this matter, the Company has specified a list of essential items of financial transactions by taking into account such important factors as users of those financial transactions, transaction size and business trends.

The Company’s financial report reflects upon how its business operations and activities have been implemented in practice whereby a complete list of financial transactions are revealed, as well as the rights and obligations to be honored by the Company, all of which are accurately and completely manifested.

## 3. Control Activities

Managerial/executive control of operation by management team/executive officers signifies an important factor so as to ensure the Company and its shareholders that the guidelines stipulated by the Management be responded and observed by all employees as follows:

- The Company has determined the scope of authority, as well as financial limits and power of attorney, to be exercised by the management team at each level in writing and well-defined manner in the form of regulations on payment approval authority;
- The Company has allocated professional duties and responsibilities into 3 areas as follows:



- (1) Approval;
- (2) Recording of accounting transactions and information;
- (3) Asset management.

The objective of such allocation is intended to provide for delegation and cross examination.

- Safety control in light of IT system has been properly addressed whereby user levels are determined and categorized strictly in accordance with an employee's scope of duties and responsibilities; the rights to make use of certain programs have also been determined in compliance with the chain of command;
- In case of business transactions being carried out with the related parties, the Company has established a set of concise measures in light of monitoring and ensuring that the aforementioned activities be performed in compliance with the processes prescribed by the authorities while being strictly treated as a case of normal transactions conducted with external parties, thus upon the so-called arm's length basis, all for the Company's utmost benefits;
- In the event that business transactions with the related parties are to be approved in such manner that they shall become [legally] bound with the Company on long term basis, the Company has managed to audit and monitor on regular basis as to whether or not the terms and conditions upon which both or all parties have been agreed are being strictly observed;
- In the event that the Company has made investments in subsidiaries or associated companies, the Company shall ensure that their performances be regularly analyzed and evaluated on regular basis;
- The Company has established controlling measures in light of its business operations so as to ensure that they be in compliance with the related laws, thus in aims at reducing the operational risks and preserving the Company's great name and reputation.

## 4. Information and Communication

The Company has made a continually concentrated effort to develop and improve the information system in response to its business operation and expansion in light of facilitating employees' workflows, alleviating manual tasks, and enhancing work efficiency while being in compliance with governmental regulations.

The Company's IT system has proven of use in terms of providing supports for the so-called multi-company business implementation, whereby payment controlling measures are to be strategically imposed upon the basis of budget system and that of authority being exercised within the scope of each individual job position. Receipt and payment systems are to be interconnected ranging from the front office to accounting departments so as to allow for accuracy and efficiency at work. In addition, the Company has managed to facilitate the entire process at each work station through the instrumentalization of automatic e-mail delivery made immediately to the executives and retail outlets, as well as that of SMS transmission carried out to the customers.

Regarding the issue of security/safety control, various systems have been designed to be connected to the 'central log-in' server, which allows for the following: for instance, a username (account) is to be automatically disabled upon the person's resignation, and in case of password being forgotten, a new one may be obtained upon request, to which in response, it (new password) is to be delivered via SMS at the authorized telephone number that had been provided for the Employee Affairs Department.

In regard to data/information backup system, the following is to be implemented

1. Information on daily activities shall be 'backed up' and maintained in another server;
2. The backup database shall be taped, transferred and maintained to an external location outside the organization on daily basis;
3. Data and information shall be transmitted to Data Backup Center every 30 minutes while the latest pieces of data and information thereof are being examined so that automatic e-mail messages shall be re-transmitted to those in charge 9 times a day.

Pertaining to a variety of applications including EIS, Extranet, Intranet, as well as the organization's main applications, they are to be replicated and transferred to Data Backup Center on daily basis. Note that 'disaster recovery' backup program is to be tested at Data Backup Center twice a year, whereby the most recent test result yields the response time of '1 hours 33 minutes', whereupon the recovered database is ready for use at Data Backup Center once again.

Work systems may be classified by business segments as follows:

#### 1) Business of land and houses for sales and condominium units for sales

The information system covers the following areas: land agent/broker registration system (for the benefits of business transparency); land purchase system; land deeds control system; construction-work request system (in response to planning of construction work, stock control and sales activities); supply-chain-based procurement system; supportive construction-work system including Q-Con and Pre-cast approaches, as well as construction quality control system; LG management system whereby, in light of enhancing construction work efficiency, all involved are to be on alert when and where LG projects become expired or closed, and whereby the 'payment' column is to be controlled by automatic budget-and-approval system.

In addition, the Company has introduced 'Microsoft Project' at work so as to be particularly utilized in managing construction projects in order that the operation be implemented as planned whereby all relevant units are to have their work-in-progress updated and to keep other work stations posted accordingly.

In regard to sales and marketing, a variety of supportive systems are available as follows: the site inspection database system; property sales-and-transference system whereby customers' personal identifications are to be located via automatic ID card scanners; various marketing systems such as CRM, "Friend Gets Friend", "Electronic Direct Mail", as well as the automatic thank-you notes delivered by means of SMS to the customers; advertisement media system also being utilized so as to prevent overlaps and redundancy while simultaneously measuring the ad-feedback result; and after-sales service.

Furthermore, all information systems are interconnected with the accounting and financial system so as to ensure accuracy and eliminate redundancy. The systems are also automatically implemented such as in terms of report delivery via automatic e-mail correspondence, submitting purchase order and making payment automatically to retail outlets, as well as transmitting e-mail alerts to various agencies.

Meanwhile, the project information system has been developed so as to make storage of various pieces of important information and documentations ranging from land procurement to requesting for construction permits, construction

process and selling, all of which are to be minutely implemented. In addition, the Executive Information System (EIS) is also utilized to provide supports for executive decisions in light of business operations, whereby the EIS database shall be processed on daily basis. The EIS system also enables the Company to keep track of work in progress and project layouts.

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

The information system provides comprehensive supports for hotel management and residential buildings for rent, whereby sales operations pertaining to all properties can be managed at ease from a vantage point. The system has also proven of use in supporting passport scanners, whereby customers' contact details including names and addresses shall be auto-scanned into the system. In addition, the system is linked to various smart devices in aims at facilitating the following activities: issuance of master room keycards, the use of keycards for breakfast services and for the elevator control for tenants' safety. The system is also linked to PABX in order that the data of telephone call records may be retrieved and input into the automatic system, and that public utilities may be recorded on mobile and interfaced with the system, and that the system will also allow for the automatic credit-card payment system to be implemented.

In regard to CRM (customer relationship management), online questionnaires have been used and been automatically transmitted to the tenants upon checking out. The information has proven beneficial in light of improving hotel service by means of information analysis program. Electronic direct mail system is also available and of use in keeping customers and/or various groups' members posted in regard to the establishments-related promotional information, etc.

Meanwhile, the data are also linked to the Company's accounting and financial system and processed into the Executive Information System on daily basis. The aforementioned data from the Executive Information System (EIS) then shall be automatically submitted to the executive officers on daily basis, every morning, in form of report, which shall be utilized so as to facilitate the executive decision-making process. Due to the fact that hospitality service industry requires professional readiness and preparation around the clock, the system therefore has also managed to automatically submit selections of important reports to executive officers stationing at each hotel branch three times a day in response to the BCP plan.

## 3) Business of office building for rent

The information system provides supports for office building management, including contract execution, receiving contractual payments (other types of receipt included), as well as bill collection. The system is linked to the accounting and financial system. The Preventive Maintenance system has also been introduced so as to be utilized in terms of planning of repairs notification, as well as machinery and equipment maintenance.

## 4) Back Office operation

The information system provides supports for the operation of all units within the organization as follows: budget system; procurement system; fixed asset system, thus allowing for a more convenient way to make an inventory counting of assets by means of QR Code scanning; durable articles requisition control system; controlling of petty cash withdrawal and payments; and the payment and receipt system. Budget control shall be implemented as approved by the Board of Directors, while hierarchical authority in association with making executive approval is being audited in conformity with the articles of association so as to ensure that the control system, the audit and "prevention of potential damage" be available at service when necessary. Loan service system is also available, with networks of information being linked to automatic financial management and accounting systems, thus allowing retailers to examine the details of payments for products and services through the Supply Chain system, as well as helping to reduce the number of incoming calls from retail

outlets while simultaneously providing for the availability of the organization's telephone directory in light of administrative and payment control.

In regard to financial and accounting system, the system allows for bank statements to be retrieved also and reconciled accordingly; in addition, retrospective accounting reports can be produced without any part of the database and information being revised. The system takes control of overseeing monetary flow of contractors' reimbursements and certain deductible items; with its cost-accounting system at work, comprehensive details are made possible to compile as well. Documentation is controlled using the barcode system.

Regarding personnel administration, the Company has made an effort to develop the system that allows for self-service implementation such as in medical reimbursement, timekeeping, records of leave, and pay slip documentation, all of which are to be managed and protected by means of onetime password utilization, the aforementioned password to be delivered via SMS to the initially specified telephone number.

## 5. Monitoring Activities

The Company has followed up on the internal control system in use and conducted the evaluation accordingly; in addition, performance appraisal has also been carried out whereby practice guidelines are prescribed while internal control system is being monitored on continual basis. This constitutes part of the normal business operation of the management team, supervisors and those involved in the process.

The Company has also evaluated the result of internal audit performed by an independent consultancy unit and reported the audit results to the Audit Committee directly.

In the event that there existed incidents or doubts in which gross misconducts had been committed against the law or any other irregularities, which could have significantly affected the Company's reputation and financial status, the executives/management team were to report the board of directors immediately, as well as properly providing corrective measures for the board of directors/the Audit Committee for their further consideration.

In 2014, the Audit Committee has convened 7 meetings so as to take into account and follow up on the financial status and operational results on regular basis, as well as making significant recommendations which have had impacts on the "organization and executive officers" periodically, while simultaneously monitoring and ensuring that the corporate goals were to be attained. The internal control system would be continually reviewed and improved promptly in response to the ever-changing situations.

Furthermore, the Company's auditor, EY Office Limited (formerly known as Ernst & Young Office Limited), represented by Ms. Pimjai Manitkajohnkit, who serves as the auditor of year 2014 financial statements, has 'not' taken note in the Auditor's Report that the Company had any defects related to the issue of internal control system whatsoever.

# Connected Party Transactions



## 1. Connected party transaction with persons with potential conflicts

The previous year witnessed the Company and its subsidiaries conducting a number of connected party transactions with persons with potential conflicts (please consult with the remarks included in the financial statement). Below shown is the summary of connected party transactions carried out by the Company and its subsidiaries during the aforementioned period:

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<b>1) Land and Houses Property and Loan Fund - II ("LHPF II")</b>				
<p>1. Major shareholders include the following:</p> <ul style="list-style-type: none"> <li>- Land and Houses Plc. ("LH") and its subsidiaries jointly hold 50% of investment units of LHPF II, with LH signifying the major shareholder of QH, thus holding 24.98% of its shares.</li> <li>- Reco Group: the Group has the Government of Singapore Investment Corporation Pte Ltd. (GIC) as an indirect major shareholder with 100% of shares in its possession. The Reco Group also holds 50% of investment units in LHPF II while GIC signifies a major shareholder of QH holding 10.77% of its shares. In addition, GIC is also a major shareholder of LH holding 18.26% of the latter's shares.</li> </ul> <p>2. Mr. Anant Asavabhokhin is joint directors.</p>	<p>Q.H. International Co., Ltd., ("QH") (QH holding 100% of its shares) produced lease agreements, provided building management services as well as other services as per the following details:</p> <p>1. Leasing of the hotel buildings or service apartments, including fixtures, furniture, system-work and equipment in light of the following projects:</p> <p>1.1 Centre Point Hotel Ploenchit (formerly known as "Centre Point Hotel &amp; Residence Wireless Road"). Terms of lease agreement: 4 months (Jan. 1, 2014 - Apr. 30, 2014).</p> <ul style="list-style-type: none"> <li>- Property rental fee.</li> <li>- Revenue from building management service fees.</li> <li>- Accrued expenses.</li> <li>- Other receivables.</li> </ul> <p>Summary of property leasing agreement shall be presented as follows:</p> <p>The subsidiaries shall make payment of remuneration for the property rental fee to the Fund in accordance with the following:</p> <ul style="list-style-type: none"> <li>- Year 2013 (Jan. 1 - Dec. 31): 96% of monthly income (net) or not less than Baht 4.41M per month, to be deducted with the add-back costs on monthly basis. The add-back costs include property tax, signboard tax, depreciation, building insurance premium, as well as other expenses at the rate of 2% of total revenue</li> </ul>	17.02	75.30	<p>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 Ploenchit" and "Centre Point Sukhumvit - Thonglor".</p>
		1.75	7.33	
		-	1.89	
		3.69	-	

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
	<p>-Note that on August 1, 2014, the written notification has been drawn up so as to terminate the contract of Centre Point Hotel Ploenchit service due to the aforementioned project being under renovation and on account of the transition (change) of its project management team; the termination of such contract is effective from September 1, 2014 onwards.</p> <p>2. Providing building management service and other services. LHPF II has terminated the service agreement as of Mar. 22, 2012 with the aforementioned project already sold to LHPF, the details of whose service to be provided are as follows</p> <p>2.1. Center Point Residence Phromphong (Apartment for rent).Terms of Agreement: 2 years ( Jan. 1, 2011 - Dec. 31, 2012).</p> <p>- Other receivables.</p> <p>- Other payables.</p>	0.30	0.30	The Audit Committee was of the opinion that it would be rational to carry out these transactions as it would yield reasonable rates of return to the Company.
		-	0.29	
<b>2) M &amp; A Guard Service Co., Ltd.</b>				
- Mr. Kanit Sarasin and his wife; Mr. Kalin Sarasin and Pol. Maj. Gen. Chinnapat Sarasin hold 40.0%, 0.0025% and 15.0% of the total shares in M&A Guard Service Co., Ltd. respectively (as of Apr. 30, 2012). The three aforementioned male shareholders are all sons of Pol. Gen. Pow Sarasin, former Chairman of QH (whose terms as the Company's Chairman ended on Mar. 7, 2013 when he passed away).	<p>Providing professional security service for office buildings.</p> <p><b>Terms of Hiring Agreement and the rate of service fees.</b></p> <p><b>1<sup>st</sup> Hiring Agreement :</b> 1 year (Jan. 1, 2011 - Mar. 31, 2012); service fee can be calculated upon the basis of Baht 410 per person per day multiplied by the number of security guards accordingly.</p> <p><b>2<sup>nd</sup> Hiring Agreement :</b> 1 year (Apr. 1, 2012 - Mar. 31, 2013); service fee can be calculated upon the basis of Baht 600 per person per day multiplied by the number of security guards accordingly.</p>			The Audit Committee was of the opinion that it would be rational to enter into the transaction since the prices have proven competitive in comparison with other service providers as well as the one hired by the Company i.e. Ranger Investigation Co., Ltd.
- Mrs. Amara Sarasin, wife of Mr. Kanit Sarasin, is a director of M&A Guard Service Co., Ltd.	<p><b>3<sup>rd</sup> Hiring Agreement :</b> 1 year (Apr. 1, 2013 - Mar. 31, 2014); service fee can be calculated upon the basis of Baht 620 per person per day multiplied by number of security guards accordingly.</p>			
	<p><b>4<sup>th</sup> Hiring Agreement:</b> 1 year (Apr. 1, 2014 - Mar. 31, 2015); service fee can be calculated upon the basis of Baht 635 per person per day multiplied by number of security guards accordingly.</p> <p>- Total service fees paid.</p> <p>- Service payables / Accrued expenses</p>	-	3.43	
		-	0.62	

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<b>3) M &amp; A Business Center Co. Ltd.</b>				
<p>- Pol. Gen. Pow Sarasin had vacated the position of Chairman of QH due to his passing on Mar. 7, 2013. His son and daughter-in-law hold the total of 45.49% shares in M&amp;A Business Center Co. Ltd. (as of Mar. 15, 2012).</p> <p>- Mrs. Amara Sarasin (wife of Mr. Kanit Sarasin, the latter being son of Pol.Gen. Pow Sarasin) is a director of M&amp;A Business Center Co., Ltd.</p>	<p>Renting the space in Q. House Convent Building as business center for the location of its office.</p> <p><b>Summary of the Lease/Service Agreement.</b>  <b>1<sup>st</sup> Agreement:</b>  3 years (Aug.16,2010 - Aug.15, 2013). The total rental space was 917 square-meters at the rental rate (service fee included) of Baht 450 per square-meter per month.</p>			<p>The Audit Committee was of opinion that, with such rental and service fees of the aforementioned office building's rental space, it was deemed reasonable to enter into the transaction. The prices, which have proven competitive enough in comparison with the offers made to other tenants with similar size of space, were also being offered within a fair market value price range.</p>
	<p><b>2<sup>nd</sup> Agreement :</b>  3 years (Aug.16, 2013 - Aug. 15, 2016). The total rental space was 917 square-meters at the rental rate (service fee included) of Baht 500 per square-meter per month.</p> <p>- Revenue from rental and service fees. - 5.83  - Deposit for rental and service fees. - 0.46</p>			
<b>4) M &amp; A Advisory Co., Ltd.</b>				
<p>- Pol. Gen. Pow Sarasin had vacated the position of Chairman of QH due to his passing on Mar. 7, 2013. His son and daughter-in-law hold the total of 45.29% shares in M &amp; A Advisory Co. Ltd. (as of Mar. 15, 2012).</p> <p>- Mr. Kanit Sarasin and his wife (Mrs.Amara Sarasin) are directors M&amp;A Advisory Co.,Ltd.</p>	<p>Renting the space in Q. House Convent Building as business center for the location of its office.</p> <p><b>Summary of the Lease/Service Agreement.</b>  <b>1<sup>st</sup> Agreement :</b>  3 years (Jul. 1, 2009 - Jun. 30, 2012). ). The total rental space was 322 square-meters at the rental rate (service fee included) of Baht 420 per square-meter per month.</p>			<p>The Audit Committee was of opinion that, with such rental and service fees of the aforementioned office building's rental space, it was deemed reasonable to enter into the transaction. The prices, which have proven competitive enough in comparison with the offers made to other tenants with similar size of space, were also being offered within a fair market value price range.</p>
	<p><b>2<sup>nd</sup> Agreement:</b>  3 years (Jul. 1, 2012 - Jun. 30, 2015). The total rental space was 322 square-meters at the rental rate (service fee included) of Baht 470 per square-meter per month.</p> <p>- Revenue from rental and service fees. - 2.08  - Deposit for rental and service fees. - 0.15</p>			
<b>5) M &amp; A Accounting and Tax Co., Ltd.</b>				
<p>- Pol. Gen. Pow Sarasin had vacated the position of Chairman of QH due to his passing on Mar. 7, 2013. His son holds the total of 29.33% shares in M &amp; A Accounting and Tax Co., Ltd. (as of Jun. 18, 2012).</p>	<p>Renting the office space in Q. House Convent Building for business purpose.</p> <p><b>Summary of the Lease/Service Agreement</b>  <b>1<sup>st</sup> Agreement :</b>  3 years (Apr. 1, 2011 - Mar. 31, 2014). The total rental space was 474 square-meters at the rental rate (service fee included) of Baht 470 per square-meter per month.</p>			<p>The Audit Committee was of opinion that, with such rental and service fees of the aforementioned office building's rental space, it was deemed reasonable to enter into the transaction. The prices, which have proven competitive enough in comparison with the offers made to other tenants with similar size of space, were also being offered within a fair market value price range.</p>

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
- Mrs. Amara Sarasin (wife of Mr. Kanit Sarasin, the latter being son of Pol.Gen. Pow Sarasin) is a director of this company.	<p><b>2<sup>nd</sup> Agreement :</b> 3 years (Apr. 1, 2014 - Mar. 31, 2017). The total rental space was 474 square-meters at the rental rate (service fee included) of Baht 510 per square-meter per month.</p> <ul style="list-style-type: none"> <li>- Revenue from rental and service fees. - 3.10</li> <li>- Receivables (rental and service fees). - 0.04</li> <li>- Deposit for rental and service fees. - 0.67</li> </ul>			
<b>6) Land and Houses Fund Management Co., Ltd.</b>				
- QH and LH are the shareholders of LH Financial Group Plc. ("LHFG"), holding 34.12 % and 21.43 % of the total shares respectively (as of Apr. 29, 2014). Meanwhile, LHFG is the shareholder of Land and Houses Bank Plc., holding 100% of the total shares; and in turn, the LH Bank is holding 100% shares of Land and Houses Fund Management Co., Ltd.	<p>Renting the office space in Q. House Sathorn Building for business purpose.</p> <p><b>Summary of the Lease/Service Agreement.</b></p> <p><b>1<sup>st</sup> Agreement:</b> 4 years, 10 months and 4 days (Oct. 28, 2010 - Aug. 31, 2015) The total rental space was 240 square-meters at the rental rate (service fee included) of Baht 475 per square-meter per month.</p> <p><b>2<sup>nd</sup> Agreement:</b> 3 years (Sep. 1, 2012 - Aug. 31, 2015). The total rental space was 219 square-meters at the rental rate (service fee included) of Baht 450 per square-meter per month.</p> <ul style="list-style-type: none"> <li>- Revenue from rental and service fees. 3.43 3.40</li> <li>- Receivables (rental and service fees). - 0.05</li> <li>- Deposit for rental and service fees. 0.64 0.64</li> </ul>			The Audit Committee was of opinion that, with such rental and service fees of the aforementioned office building's rental space, it was deemed reasonable to enter into the transaction. The prices, which have proven competitive enough in comparison with the offers made to other tenants with similar size of space, were also being offered within a fair market value price range.
- Mr. Rutt Phaniyphand and Mr. Adisorn Thananan-narapool are joint directors of this company.				
<b>7) Land and Houses Bank Plc.</b>				
- QH and LH are the shareholders of LH Financial Group Plc. ("LHFG"), holding 34.12% and 21.43% of the total shares respectively (as of Apr. 29, 2014). Meanwhile, LHFG is the shareholder of Land and Houses Bank Plc. (LHBANK), holding 100% of the total shares.	<p><b>(A) Bank transaction:</b></p> <ul style="list-style-type: none"> <li>- Bank deposit. 905.98 1,071.92</li> <li>- Interest income. 17.27 12.31</li> <li>- Bank charge. 1.71 1.24</li> <li>- Revenue from automobile sales. 2.71 -</li> </ul>			<b>Banking transaction</b> The Audit Committee was of the opinion that the opening of each type of bank accounts, rates of interest income and normal bank charges were normal and implemented in the same manner as other persons or companies as has been generally announced.
- Mr. Anant Asavabhokhin, Mr. Rutt Phaniyphand, Mrs. Suwanna Bhuddhaprasart and Mr. Adul Vinaiphath are joint directors of this company.	<p><b>(B) Leasing of space in Q House Asoke Building.</b></p> <p><b>1<sup>st</sup> Agreement:</b> 3 years (Oct. 1, 2009 - Sep. 30, 2012). The total rental space was 71 square-meters at the rental rate (service fee included) of Baht 500 per square-meter per month.</p>			<b>Rental of spaces in office buildings</b> The Audit Committee was of the opinion that the rates of rentals and service fees of spaces for rent were reasonable and thus suitable for entering into transaction. In addition, the fees were found comparable to other operators with similar size of spaces, thus constituting those of fair market value as well.
- Mr. Rutt Phaniyphand and/or Mrs. Suwanna Bhuddhaprasart are/is the joint director(s) with the subsidiaries of QH.	<p><b>2<sup>nd</sup> Agreement:</b> 3 years (Oct. 1, 2012 - Sep. 30, 2015). The total rental space was 71 square-meters at the rental rate (service fee included) of Baht 550 per square-meter per month.</p> <ul style="list-style-type: none"> <li>- Revenue from rental and service fees. 0.65 0.62</li> <li>- Deposit for rental and service fees. 0.12 0.12</li> </ul>			



Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<p>Remark: Below shown are the subsidiaries, with both direct and indirect shareholdings: QH Management Co. Ltd., QH International Co. Ltd., The Confidence Co. Ltd., Casa Ville Co. Ltd., Q.House Precast Co.,Ltd, Casa Ville (Petchburi 2553) Co. Ltd., Casa Ville (Rayong 2553) Co. Ltd., Casa Ville (Chonburi 2554) Co. Ltd., Casa Ville (Prachuabkhirikhan 2554) Co. Ltd., Property Host Co. Ltd., (and) Centre Point Hotel and Residence Co. Ltd.</p>	<p><b>(C) Leasing of space in Q House Sathorn Building.</b> <b>Terms of Agreement:</b> 3 years (Apr. 1, 2014 - Mar. 31, 2017). The total rental space was 2,665 square-meters at the rental rate (service fee included) of Baht 550 per square-meter per month.</p> <ul style="list-style-type: none"> <li>- Revenue from rental and service fees.</li> <li>- Receivables (rental and service fees).</li> <li>- Deposit for rental and service fees.</li> </ul>	16.67	-	
	<p>0.09</p>	-		
	<p>4.47</p>	-		
	<p><b>(D) Service fees for landscape maintenance and gardening.</b> Q.H. Management Co., Ltd., a subsidiary whose shares are held both directly and indirectly in total of 100% by the Company, has provided landscape maintenance and gardening service to Land and Houses Retail Bank Plc. (LHBANK).</p> <p><b>1<sup>st</sup> Agreement:</b> (1<sup>st</sup> Floor) Terms of Agreement: 1 year (Jan. 2014 - Dec. 2014), the service fee amounting to Baht 15,000 per month.</p> <p><b>2<sup>nd</sup> Agreement:</b> (5<sup>th</sup> and 24<sup>th</sup> Floors) Terms of Agreement: 1 year (Jan. 2014 - Dec. 2014), the service fee amounting to Baht 1,000 per month.</p> <ul style="list-style-type: none"> <li>- Service revenue.</li> <li>- Account receivables.</li> </ul>	0.19	0.19	<p><b>Service Fees for Landscape Maintenance and Gardening</b> The Audit Committee was of the opinion that the service fees stipulated under the instrument of agreement/contract were in accordance with the ordinary course of business as usual, thus deemed reasonable and of the fair market value when compared to those of the same business nature.</p>
	<ul style="list-style-type: none"> <li>- Account receivables.</li> </ul>	0.02	0.02	
	<p><b>(E) Sales promotion expenses incurred from the activities related to customers who bought properties by QH and its subsidiaries.</b></p> <ul style="list-style-type: none"> <li>- Sales promotion expenses (principal and interest expenses).</li> </ul>	3.90	18.80	<p><b>Sales promotion expenses incurred from the activities related to customers who bought properties</b> The Audit Committee was of the opinion that the transactions of sales promotion expenses incurred from the activities related to customers who bought properties, in regard to the repaid principal and interest expenses, were in accordance with the ordinary course of business as usual and also found to be in the approximate value to that of other sales promotion campaigns given to other real-estate customers. Thus, it was deemed proper and reasonable to carry out the aforementioned transactions.</p>
<b>8) Home Products Center Plc. ("HMPRO")</b>				
- LH is the major shareholder of QH and HMPRO, holding 24.98% (as of Sep. 4, 2014) and 30.23%	<p><b>Purchasing products and services.</b></p> <ul style="list-style-type: none"> <li>- Value of purchased products and services.</li> <li>- Account payables from the purchase of products and services.</li> </ul>	48.43	29.39	<p>The Audit Committee was of the opinion that such transaction was deemed reasonable and based on the principle</p>
		5.11	6.78	

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<p>(as of Oct. 27, 2014) respectively.</p> <ul style="list-style-type: none"> <li>- QH is the major shareholder of HMPRO, holding 19.77% (as of Oct. 27, 2014).</li> <li>- HMPRO's joint directors are listed as follows: <ul style="list-style-type: none"> <li>Mr. Anant Asavabhokhin,</li> <li>Mr. Rutt Phanijsphand, and</li> <li>Mrs. Suwanna Bhuddhaprasart</li> </ul> </li> </ul>				of fair market value. In addition, QH and its subsidiaries are entitled to opt for products and construction materials from other companies in the event that the rivals' offers are found more reasonably priced.
<b>9) Quality Construction Products Plc. ("Q-CON")</b>				
<p>The major joint shareholder is LH, holding shares of both QH and Q-CON at the ratio of 24.98% (as of Sep. 4, 2014) and 21.16% (as of Apr. 2, 2014) respectively.</p>	<p><b>Purchasing products.</b></p> <ul style="list-style-type: none"> <li>- Value of purchased products and services. 72.23</li> <li>- Account payables from the purchase of products and services. 13.62</li> <li>- Account receivables from the purchase of products and services (advanced payment). 0.27</li> </ul> <p><i>Remark: QH and its subsidiary (Q.H. International Co., Ltd.) held 25.78% and 1.45% of the total shares in Q-CON (as of Dec. 31, 2009) respectively. On Feb. 23, 2010, QH and its subsidiary had entered into business agreement upon the shares of Q-CON with SCG Construction Products Co., Ltd., the latter of whose shares were being held in total of 100% by Siam Cement Plc. The entire amount of payment was implemented and all shares were transferred on Feb. 24, 2010. In addition, on Mar. 2, 2010, QH had signed the Product Sales Agreement with Q-CON, with the terms of Agreement being the period of 3 years. QH also agreed to purchase light-weight bricks at the minimum quantity and for the prices as prescribed in the aforementioned instrument, the obligation being incorporated as part of the terms and conditions of the Q-CON Share Agreement.</i></p>	72.23	62.33	<p>The Audit Committee was of the opinion that it was justifiable to enter into the aforementioned transactions since it was in accordance with the terms and conditions stipulated under the Q-CON Share Agreement. Both QH and its subsidiaries also benefited from the profit obtained from selling Q-CON shares. Meanwhile, both QH and its subsidiaries were still utilizing a larger number of the light-weight bricks in construction of housing projects than contractually prescribed by the product sales agreement. In addition, the price range of the products appeared relatively similar to the fair market value at that time. Upon completion of the contractual period, QH and its subsidiary would be entitled to make purchase of the same products from other companies that might make more attractive offers in terms of pricing.</p>
<b>10) L &amp; H Property Co., Ltd. ("LHP")</b>				
<p>1. The joint major shareholders are listed as follows:</p> <ul style="list-style-type: none"> <li>- LH, holding shares of LHP and QH at 60% and 24.98% respectively (as of Sep. 4, 2014).</li> </ul>	<p><b>(A) Grande Centre Point Hotel Terminal 21</b></p> <p><b>1. Hiring contract for hotel management.</b></p> <p>Hotel management fee is to be calculated at the rate of 2% of total income plus 4% of gross profit from operation (Nov. 2011 - Dec. 2014.).</p>			<p>The Audit Committee was of the opinion that it was justifiable and commercially beneficial to the business of hotel/residential buildings for rent to enter into</p>

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<p>- Reco Resort Pte Ltd., a subsidiary of GIC, holding 40% of LHP shares and 10.77% of GIC shares (as of Sep. 4, 2014).</p> <p>2. The joint directors include the following: Mr. Anant Asavabhokhin and Mr. Adisorn Thananan-narapool.</p>	<ul style="list-style-type: none"> <li>- Service revenue.</li> <li>- Advance payment.</li> <li>- Service receivables.</li> </ul>	-	24.38	<p>such transactions, which constituted part of QH's business as usual. QH would benefit from being paid the remuneration for its services including project management tasks.</p> <p>In addition, all these activities are most likely to be of use in terms of enhancing corporate brand awareness among the target groups particularly for "Grande Centre Point". The service fees collected by the Company were mutually agreed upon by both parties in accordance with the market prices.</p>
	<p>On Jan. 20, 2014, Quality Houses Plc. had made a written notification to terminate the project's service agreement effective from Jan. 1, 2014 so that project management would be re-assigned to Q.H. International Co., Ltd. ("QHI"; QH holding the shares at 100%) for a one-year contractual period (Jan. 1, 2014 - Dec. 31, 2014).</p>	-	0.36	
	<ul style="list-style-type: none"> <li>- Service revenue.</li> <li>- Service receivables.</li> <li>- Other payables.</li> </ul>	-	6.29	
	<ul style="list-style-type: none"> <li>- Service revenue.</li> <li>- Service receivables.</li> <li>- Other payables.</li> </ul>	23.25	-	
	<ul style="list-style-type: none"> <li>- Service receivables.</li> <li>- Other payables.</li> </ul>	4.71	-	
	<ul style="list-style-type: none"> <li>- Other payables.</li> </ul>	-	0.53	
	<p><b>2. Broker fees.</b></p> <ul style="list-style-type: none"> <li>- Revenue from broker fees.</li> <li>- Receivables from broker fees.</li> </ul>	-	0.48	
	<ul style="list-style-type: none"> <li>- Receivables from broker fees.</li> </ul>	-	0.51	
	<p>Quality Houses Plc. had transferred its staff members in Marketing department to Q.H. International Co., Ltd. effective from Jan. 1, 2014 whereas the latter would also be responsible for collecting payments of broker fees.</p>	-	-	
	<ul style="list-style-type: none"> <li>- Broker fees.</li> </ul>	0.13	-	
	<p><b>(B) Grande Centre Point Hotel Ratchadamri.</b></p> <p><b>1. Hiring contract for hotel management.</b></p> <p>Hotel management fee is to be calculated at the rate of 2% of total income plus 4% of gross profit from operation.</p>			
	<ul style="list-style-type: none"> <li>- Service revenue.</li> <li>- Service receivables.</li> </ul>	-	20.80	
	<ul style="list-style-type: none"> <li>- Service receivables.</li> </ul>	-	8.73	
	<p>On Jan. 20, 2014, Quality Houses Plc. had made a written notification to revise the project management agreement so that project management would be re-assigned to Q.H. International Co., Ltd. ("QHI"; QH holding the shares at 100%) for a one-year contractual period (Jan. 1, 2014 - Dec. 31, 2014).</p>			
	<ul style="list-style-type: none"> <li>- Service revenue.</li> <li>- Service receivables.</li> <li>- Other payables.</li> </ul>	18.18	-	
	<ul style="list-style-type: none"> <li>- Service receivables.</li> </ul>	8.38	-	
	<ul style="list-style-type: none"> <li>- Other payables.</li> </ul>	-	0.67	
	<p><b>2. Broker fees.</b></p> <ul style="list-style-type: none"> <li>- Revenue from broker fees.</li> <li>- Receivables from broker fees.</li> </ul>	-	4.43	
	<ul style="list-style-type: none"> <li>- Receivables from broker fees.</li> </ul>	-	4.74	

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
	Quality Houses Plc. had transferred its staff members in Marketing department to Q.H. International Co., Ltd. effective from Jan. 1, 2014 whereas the latter would also be responsible for collecting payments of brokerage fees. - Broker fees.	0.35	-	
	<b>3. Other expenses.</b> - Advance payment receivables.	-	0.25	
<b>11) L &amp; H Management Co., Ltd. ("LHM")</b>				
1. The joint major shareholders are LH and GIC, each equally holding 40% of Asia Asset Advisory Co., Ltd. ("AAA"). In addition, AAA holds 100% shares of LHM.	<b>(A) Personnel recruitment fees.</b> QHI has hired LHM for personnel recruitment and central administration for the period of 2 years (Jan. 1, 2013 - Dec. 31, 2014). - Personnel management fees. - Other payables	2.02 -	1.97 0.27	The Audit Committee was of the opinion that, with the fair market value being identified herewith, it is fair to enter into the said transactions accordingly.
2. Ms. Kanokvalee Viriyaprapaikit holds 20% shares of AAA, the latter of which in turn holds 100% of LHM shares.	<b>(B) Location service fees.</b> Summary of Service Agreement Terms of Agreement: 2 years (Jan. 1, 2013 - Dec. 31, 2014), based upon the calculation of the number of employees utilizing the space at the rate of Baht 5,500 per person per month (excluding VAT) - Service revenue. - Other receivables.	0.19 0.02	0.19 -	
3. Mr. Anant Asavabhokhin is a joint director in LH, LHM, QH, while Ms. Kanokvalee Viriyaprapaikit is a joint director in QH and AAA.				
<b>12) Quality House Leasehold Property Fund ("QHPF")</b>				
QH is the major shareholder of QHPF, holding 25.66% of total shares (as of Nov. 12, 2014).	<b>(A) Long-term leasehold right.</b> QH gives the leasehold right for land and building, as well as other relevant equipment of Q. House Ploenchit Project for 30 years (Dec. 8, 2006 - Dec. 7, 2036), for which QH received the rental fee of Baht 819 million in full. - Unearned revenue from rental fee. - Revenue from rental fees.	595.91 27.17	623.08 27.17	The Audit Committee was of the opinion that the distribution and/or giving of the leasehold right for land, building and the related equipment of the 2 projects, namely, Q. House Ploenchit and Q. House Lumpini, to QHPF have been carried out in accordance with the resolution of the Board of Directors' Meeting No.10/2006 convened on October 19, 2006. The transaction was carried out at fair market value whereby the Company has already made price comparison with that being offered by each prospective buyer and thus has selected the bidder who has offered the best proposals, as well as most
	<b>(B) QH and QHI</b> (QH holding 100% shares) were hired to manage 3 office buildings for rent, including Q. House Lumpini, Q. House Ploenchit and Wave Place. - Revenue from Building management fees. - Revenue from other services. - Other receivables.	27.66 0.05 2.48	25.94 - 2.29	

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee												
		Dec. 31, 2014	Dec. 31, 2013													
	<p><b>(C) QH rented office spaces from Q.House Lumpini Building</b> for its business purpose.</p> <ul style="list-style-type: none"> <li>- Space rental fee.</li> <li>- Accrued expenses.</li> <li>- Deposit for rental and service fees.</li> </ul> <p><i>Notes: The estimated value of Q. House Ploenjit ("PJ") and the Q. House Lumpini ("LU") reported at that time by 2 certain independent consultants were as follows:</i></p> <p style="text-align: right;">Unit: Million</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>PJ</th> <th>LU</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>CBRE</td> <td>838</td> <td>5,566</td> <td>6,404</td> </tr> <tr> <td>BKKAP</td> <td>800</td> <td>5,240</td> <td>6,040</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>- CB Richard Ellis (Thailand) Co., Ltd. ("CBRE").</li> <li>- Bangkok Property Appraisal Co., Ltd. ("BKKAP")</li> </ul>		PJ	LU	Total	CBRE	838	5,566	6,404	BKKAP	800	5,240	6,040	<p>30.28</p> <p>0.29</p> <p>6.61</p>	<p>32.74</p> <p>0.22</p> <p>6.01</p>	<p>attractive terms and conditions, including the highest return to the Company. The Audit Committee has taken into account the reports submitted at that time by 2 independent consultants, as well.</p> <p>Therefore, the Audit Committee has come to draw the conclusion that the aforementioned transaction was justifiable with the fair market value that also covered the rental fee rates and service fees payable to QHPF.</p>
	PJ	LU	Total													
CBRE	838	5,566	6,404													
BKKAP	800	5,240	6,040													
<b>13) Ms. Napatara Phanijsphand</b>																
Mr. Rutt Phanijsphand's daughter, Director, Chief Executive Officer and Executive Director of the Company. (Mr. Rutt Phanijsphand has vacated the positions as CEO and Executive Director on Dec. 31, 2014).	Purchasing and transferring condominium units in Q. Langsuan Project.	-	18.5	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.												
<b>14) Mrs. Dusadeeporn Phanijsphand</b>																
Mr. Rutt Phanijsphand's spouse, Director, Chief Executive Officer and Executive Director of the Company. (Mr. Rutt Phanijsphand has vacated the positions as CEO and Executive Director on Dec. 31, 2014).	Making purchase reservation of 3 condominium units in Q. Condo Asoke Project for Baht 23.7 million. - Deposit and down payment.	2.81	1.10	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace within the fair market price range.												
<b>15) Ms. Napatara Phanijsphand and her spouse</b>																
Mr. Rutt Phanijsphand's daughter, director(s), Chief Executive Officer and Executive Director of the Company. (Mr. Rutt Phanijsphand has vacated the positions as CEO and Executive Director on Dec.31, 2014).	Making purchase reservation of 2 condominium units in Q. Condo Asoke Project for Baht 17.4 million. - Deposit and down payment.	2.05	1.43	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.												

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<b>16) Ms. Natinee Phanijphand</b>				
Mr. Rutt Phanijphand's daughter, Director, Chief Executive Officer and Executive Director of the Company. (Mr. Rutt Phanijphand has vacated the positions as CEO and Executive Director on Dec. 31, 2014).	Making purchase reservation of 1 condominium unit in Q. Condo Asoke Project for Baht 10.1 million. - Deposit and down payment.	-	0.82	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>17) Mrs. Suvimol Chotewattanaphan</b>				
Mr. Pravit Chotewattanaphan's spouse, Director and Executive Vice President.	Making purchase reservation of 1 condominium unit in Q. Condo Asoke Project for Baht 9.6 million. - Deposit and down payment.	1.12	0.77	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented in light of business as usual but outside the general terms and conditions of marketplace upon the basis of employee's fringe benefits.
<b>18) Mr. Pairoj Wattanarodom and Mrs. Parkpak Wangkarnjana</b>				
Executive Vice President, Quality Houses Plc., and his spouse.	Purchasing and transferring the "Laddarom Elegance Outer Ring Road-Sathorn.	15.39	-	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>19) Ms. Athigaya Wattanarodom</b>				
Younger sister of Mr. Pairoj Wattanarodom, Executive Vice President	Purchasing and transferring the condominium unit(s) of The Trust Residence Ratchada-Rama III.	1.60	-	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>20) Mr. Supasan Wattanarodom</b>				
Younger brother of Mr. Pairoj Wattanarodom, Executive Vice President	Purchasing and transferring the condominium unit(s) of The Trust Residence Ratchada-Rama III.	1.60	-	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>21) Mr. Vasin Pipattangsakul</b>				
Son of Mr. Pornthep Pipattangsakul, Director and Executive Vice President.	Reserving and purchasing a condominium unit of Q. Condo Asoke for Baht 9.3 million. - Deposit and down payment.	0.76	-	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>22) Ms. Arin Vinaiphath</b>				
Daughter of Mr. Adul Vinaiphath, Independent Director, Nominating and Remuneration Committee, and Chairman of Audit Committee.	Reserving and purchasing a condominium unit of Q. Condo Asoke for Baht 6.6 million. - Deposit and down payment.	0.74	-	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<b>23) Mr. Somsak Jirarungruangvong</b>				
Senior Director, Financial Administration and Transference Division, Quality Houses Plc.	Reserving and purchasing both a condominium unit and another retail unit of The Trust Condo Ngamwongwan for Baht 5.5 million. - Deposit and down payment.	0.01	-	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>24) Mr. Parkorn Jirarungruangvong</b>				
Son of Mr. Somsak Jirarungruangvong, Senior Director, Financial Administration and Transference Division, Quality Houses Plc.	Purchasing and transferring the condominium unit(s) of Casa Condo Ratchada-Ratchaphruek.	1.85	-	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>25) Land and Houses Plc. ("LH")</b>				
- LH is a major shareholder of QH, holding 24.98% shares (as of Sep. 4, 2014)  - The joint directors are listed as follows: Mr. Anant Asavabhokhin and Mr. Adisorn Thananan-narapool	Rental and service fees. - Revenues from rental and service fees. - Other revenues. - Trading receivables.	- - -	1.52 0.16 0.05	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.
<b>26) L &amp; H Hotel Management ("LHH")</b>				
- Joint major shareholders are LH and GIC which hold 24.98% and 10.77% of QH shares respectively (as of Sep. 4, 2014). LH and the Government of Singapore Investment Corporation (Realty) Pte Ltd. ("GICR") [both GICR and GIC have the same major shareholder] indirectly hold the shares through channel instrumentalization of LHP at the ratio of 59.98% and 39.998% respectively, while LHP holds 99.97% of LHH shares.  - The joint directors are listed as follows: Mrs. Suwanna Bhuddhprasart and Ms. Kanokvalee Viriyaprapaikit.	<b>(A) Hiring contract for personnel management.</b> Q. H. International Co., Ltd. ("QH" holding 100% shares) hired LHH to recruit personnel and manpower for the Centre Point Hotel Ploenchit (Jan. 1, 2014 - Dec. 31, 2014). - Personnel management fee. - Other payables. - Other receivables.  <b>(B) Space rental and document collection fees.</b> Service fee can be calculated upon the basis of the number of employees utilizing the premises for Baht 5,500 per person per day as well as the documentation storage fees for Baht 5,400 per month (excluding VAT) (Jan. 1, 2013 - Dec. 31, 2014). - Service revenue	8.82 0.06 0.14  0.63	22.32 1.99 -  0.52	The Audit Committee was of the opinion that such transaction was deemed to be justifiably implemented under the general terms and conditions of marketplace and in accordance with the fair market value.

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee																				
		Dec. 31, 2014	Dec. 31, 2013																					
<b>27) Quality House Hotel and Residence Freehold and Leasehold Property Fund ("QHHR")</b>																								
<p>- QH had sold the assets used in the operation of the Centre Point Hotel Projects in Pratunam, Sukhumvit 10 and Chidlom ("assets"), and proceeded to enable QHHR to enter into the property lease agreement for Centre Point Hotel Chidlom. Accordingly, QH received payment in total of Baht 3,342 million in return. In addition, on July 18, 2012, the Company had made investment in QHHR for 31.33%, that is, 105.28 million units of QHHR at the unit price of Baht 10, amounting to Baht 1,053 million; note that as of September 11, 2013, the business ratio of investment made in QHHR by the Company accounted for 31.33% (of QHHR shares).</p> <p>- The Centre Point Hospitality Co., Ltd. ("CPH") (QH holding 99.99% shares) has leased the property from QHHR for its hotel business operation.</p>	<p><b>(A) Hotel leasing.</b> CPH has taken a lease and sublease of properties from QHHR for its hotel business operations, which included the Centre Point Hotel projects at Pratunam, Sukhumvit 10 and Chidlom.</p> <ul style="list-style-type: none"> <li>- Rental fees.</li> <li>- Accrued rental fees.</li> </ul> <p><b>(B) Minimum rental income guaranteed</b> QH guaranteed the minimum rental income for QHHR from selling the assets to enable QHHR and CPH to make lease agreement for such assets for the period of 3 years from the date on which QHHR invested in the asset at the amount not exceeding Baht 837 Million.</p> <ul style="list-style-type: none"> <li>- Paid minimum guarantee for rental fees.</li> <li>- Accrued minimum guarantee for rental fees.</li> </ul> <p><i>Remark: The estimated value of the Centre Point Hotel Pratunam ("CP1"), the Centre Point Hotel Sukhumvit 10 ("CP2") and the Centre Point Hotel Chidlom ("CP3") reported at that time by 2 certain independent consultants were as follows:</i></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="4">Unit: Million.</th> </tr> <tr> <th></th> <th>CP1</th> <th>CP2</th> <th>CP3</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>GAA</td> <td>1,144</td> <td>1,549</td> <td>725</td> <td>3,418</td> </tr> <tr> <td>TAP</td> <td>1,204</td> <td>1,700</td> <td>724</td> <td>3,628</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>- Grand Asset Advisory Co.,Ltd. ("GAA").</li> <li>- TAP Valuation Co., Ltd. ("TAP")</li> </ul>		Unit: Million.					CP1	CP2	CP3	Total	GAA	1,144	1,549	725	3,418	TAP	1,204	1,700	724	3,628	197.94	210.32	<p>The Audit Committee was of the opinion that the distribution of properties together with fixture and related equipment and/or providing for leasehold right and/or transferring of leasehold right over the properties to QHHR was implemented in accordance with the resolution of the Board of Directors' Meeting No.4/2012 dated Jun. 19, 2012, thus approving the Company and its subsidiary to distribute the real estate property, fixture and the related equipment and/or to give the leasehold right and/or to transfer the leasehold right of real estate property for the following (three) hotel and service apartment projects operated by the Company: Centre Point Hotel Pratunam, Centre Point Hotel Sukhumvit 10 and Centre Point Hotel Chidlom.</p> <p>In addition, these transactions were also collectively deemed reasonable and conducted within a fair price range due to the fact that QH had already taken into account the price comparison of quotations and the offers made by each and every one of the prospective buyers, and thus selected the bidder who offered the best proposals, terms and conditions, including the highest return to the Company. Furthermore, the appraisal reports produced at that time by 2 certain independent consultants were also taken into account by QH. In consequence, the Audit Committee was of the opinion that, during such period, the transactions were deemed reasonable and conducted within a fair price range.</p>
	Unit: Million.																							
	CP1	CP2	CP3	Total																				
GAA	1,144	1,549	725	3,418																				
TAP	1,204	1,700	724	3,628																				
		63.37	53.72																					
		83.46	88.66																					
		34.08	117.54																					
<b>28) Land and Houses Freehold and Leasehold Property Fund ("LHPF")</b>																								
<p>Joint major shareholders are LH and GIC, holding 24.98% and 10.77% of QH shares respectively (as of Sep. 4, 2014), each also making investments in the Investment units of LHPF in the equal amount of 15.0% (as of Aug. 14, 2014).</p>	<p>Below shown are the detailed accounts of lease agreements and building management contract produced by QH International Co., Ltd. ("QH") ("QH" holding 100% shares):</p> <p><b>(A) Centre Point Sukhumvit-Thonglor Service Apartment Project.</b></p> <p><b>1. Property management contract (appointing of property management team).</b> Service fees were calculated at 2% of total income plus 5.5% of profit obtained from the project operation.</p>			<p>The Audit Committee was of the opinion that it was deemed justifiable to enter into the aforementioned transactions and thus beneficial to the commerce of residential buildings for rent of QH and/or its subsidiaries as in business as usual, whereby QH and its subsidiaries would benefit from revenues generated</p>																				



Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee	
		Dec. 31, 2014	Dec. 31, 2013		
	<ul style="list-style-type: none"> <li>- Revenue from Building management fees.</li> <li>- Service receivables.</li> <li>- Other receivables.</li> </ul>	7.81	7.90	by their services in building (project) management and brokerage in regard to all of the above mentioned projects.	
	<b>2. Personnel fees.</b> <ul style="list-style-type: none"> <li>- Service revenue.</li> </ul>	1.24	1.25		
		0.24	0.02		
	<b>3. Project management and administration contract.</b> <ul style="list-style-type: none"> <li>- Service revenue.</li> <li>- Other receivables.</li> <li>- Advanced payment.</li> </ul>	1.52	1.44		
		2.80	4.20		
		0.16	0.59		
		0.24	0.16		
	<b>(B) Centre Point Residence Promphong Residential Building for rent.</b> <p>QH and its subsidiaries were hired to manage the building, to provide accounting service and to serve as an agent in locating tenants, as well as allowing LHPF to use the trademark "Centre Point Resident".</p>				
	<ul style="list-style-type: none"> <li>- Revenue from Building management fees.</li> <li>- Personnel service revenue.</li> <li>- Other service fees (broker fee).</li> <li>- Service receivables.</li> <li>- Other receivables (broker fee).</li> </ul>	2.05	2.05		
		0.94	0.94		
		-	0.97		
		1.50	1.24		
		1.62	1.62		
	<b>(C) L &amp; H Villa Sathorn House for Rent Project</b> <p>QH and its subsidiaries were hired to manage the building, to provide accounting service and to serve as an agent in locate tenants, as well as allowing LHPF to use the trademark "Centre Point Resident".</p>				
	<ul style="list-style-type: none"> <li>- Revenue from Building management fees.</li> <li>- Personnel service revenue.</li> <li>- Other service fees (broker fee).</li> <li>- Service receivables.</li> <li>- Other receivables (broker fee).</li> </ul>	1.87	1.87		
		0.39	0.39		
		-	2.31		
		0.90	0.69		
		2.95	2.95		
<b>29) Harbour View Joint Stock Company ("HVC")</b>					
- Q.H. International Co., Ltd. ("QHI") (QH holding 100% shares) holds 99% shares of Q. H. International (BVI) Co. Ltd. ("QHI (BVI)"), while QHI (BVI) holds 14.15% of HVC shares.	<b>(A) Loan provision.</b>	- Loans.	33.97	33.84	The Audit Committee was of the opinion that the provision and guarantee of loans for Harbour View Joint Stock Company (HVC) was justifiable in accordance with the proportion of shareholding.
		- Interest income.	1.85	0.91	
		- Accrued interest.	3.98	2.09	

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
- Mrs. Suwanna Bhuddhaprasart is a joint director of QH, QHI and HVC.	<b>(B) Loan guarantee.</b> QH has served as the loan guarantor for HVC in proportion with shareholding in QHI (BVI) (21%), amounting to US\$ 1.3M from the year 1997 to present. However, due to an increment in capital by HVC for the benefits of its current shareholders whereas QHI(BVI) has not made purchase thereof, the proportion of shareholding has been decreased to the current proportion of 14.15% while burden of guarantee remains unchanged. Such burden is also subjected to fluctuation depending upon HVC's ability to make repayment of both principal and interest accordingly. (details are as per Risk Factor, Clause 3.1 "Financial risk: Risk from Investment, lending and guarantees made to the related companies HVC).			
<b>30) The Mandarin Hotel Plc.</b>				
- Ms. Piengchai Harnpanich is the major shareholder of The Mandarin Hotel Plc, holding 34.53% shares (as of Mar. 19, 2014), as well as serving in the positions of Chairman of the Board, CEO and Managing Director.	Q.H.International Co.,Ltd. ("QHI") (QH holding 100% shares) has entered into building management contract.  Term of Agreement: 2 years (Oct 1, 2013 - Sep. 30, 2015), the service fee being 2% of total revenue and 4% of gross operational profit. - Revenue from Hotel management fees. - Other receivables.	7.26 3.60	0.55 0.59	The Audit Committee was of the opinion that it was deemed justifiable to enter into the aforementioned transactions and thus beneficial to the Company's operations in regard to the business as usual. The Company and its subsidiaries would benefit from income generated in light of the service charges obtained from the hotel property's tenants. In addition, all these activities are most likely to be of use in terms of enhancing corporate brand awareness of "The Mandarin Hotel Plc."
- Ms. Piengchai Harnpanich is the mother of Mr. Anant Asavabhokhin, the latter of who is the director of QH.				
<b>31) Land and Houses Securities Plc.</b>				
- QH and LH are the shareholders of LH Financial Group Plc. ("LHFG"), holding 34.12 % and 21.43 % of the total shares respectively (as of Apr. 29, 2014). In addition, LHFG is the shareholder of Land and Houses Securities Plc. holding 99.79% shares (as of Dec. 30, 2014).	Renting the office space in Q. House Sathorn Building for business purpose.  <b>Terms of Agreement :</b> 3 years (Apr. 1, 2014 - Mar. 31, 2017). , the total rental space being 577 square-meters at the rental rate (service fee included) of Baht 550 per square-meter per month. - Revenue from rental and service fees. - Receivables from rental and service fees. - Deposit for rental and service fees.	4.18 0.15 0.97	- - -	The Audit Committee was of opinion that, with such rental and service fees of the aforementioned office building's rental space, it was deemed reasonable to enter into the transaction. The prices, which have proven competitive enough in comparison with the offers made to other tenants with similar size of space, were also being offered within a fair market value price range.

Relation	Nature of Transaction	Value in Thai Baht (Million)		Opinions of the Audit Committee
		Dec. 31, 2014	Dec. 31, 2013	
<b>32) Land and Houses Advisory Co., Ltd.</b>				
- QH and LH are the shareholders of LH Financial Group Plc. ("LHFG"), holding 34.12 % and 21.43 % of the total shares respectively (as of Apr. 29, 2014). In addition, LHFG is the shareholder of Land and Houses Securities Plc. holding 99.79% shares whereas Land and Houses Securities Plc. are currently holding 99.99% shares of Land and Houses Advisory Co., Ltd.	Renting the office space in Q. House Sathorn Building for business purpose.			The Audit Committee was of opinion that, with such rental and service fees of the aforementioned office building's rental space, it was deemed reasonable to enter into the transaction. The prices, which have proven competitive enough in comparison with the offers made to other tenants with similar size of space, were also being offered within a fair market value price range.
	<b>Term of Agreement:</b> 3 years (Apr. 1, 2014 - Mar. 31, 2017). , the total rental space being 30 square-meters at the rental rate (service fee included) of Baht 550 per square-meter per month.			
	- Revenue from rental and service fees.	0.15	-	
	- Deposit for rental and service fees.	0.05	-	

#### Opinions of the Audit Committee on Parties with Mutual Benefits and Connected Party Transactions

According to the Audit Committee, the structure of shareholding between the Company, its subsidiaries, associated companies and related companies does not contribute to any conflict of interest between the Company, directors and executives of the Company; nor does the aforementioned paradigm necessarily entail any incident of nominative shares pertaining to the currently designed structure of shareholding or that of executive management within the group.

The Audit Committee has undergone a series of deliberation and come to conclude in favor that the connected transactions currently taking place between the Company and the parties/persons with potential conflicts as legally defined by the Announcement of the Securities and Exchange Commission (Ref: Gor.Jor.17/2008) on the Definition in the Announcement of the Issuance and Proposal of Securities dated December 15, 2008, have been conducted at fair market value. In addition, the Audit Committee and the Company shall jointly monitor and supervise the aforementioned operations (connected party transactions) which may occur in the future as well as ensuring that they be carried out at fair market value while simultaneously disclosing the types and value of those connected party transactions under the announcements and regulations of the Securities and Exchange Commission.

## 2. Measures or Procedures for Approving the Connected Party Transactions

Prior to carrying out any of the connected party transactions, an official procedure are to be undergone whereby petitions for approval are submitted to the Audit Committee as to whether or not they be deemed 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 cite the aforementioned topic and provide its collectively professional opinion during the Board of Directors' meeting or the shareholders' meeting for their consideration and their approval, provided that parties with potential conflicts of interest or stakeholders of such connected transactions be not entitled to cast their votes in order to pass the resolution accordingly.

### 3. Policies and Future Trends Pertaining to Connected Party Transactions

The Company and its subsidiaries are carrying out the policy of implementing connected party transactions at present and in the future depending upon the suitability and necessities for the business operations. In addition, a number of terms and conditions shall be prescribed in accordance with the nature of normal business operation which can be compared with the market prices. Alternatively, should the reference to market price indices become unavailable, the Company and its subsidiaries are to apply the cost prices plus the gross profits. Each and every connected party transactions shall be proposed to the Audit Committee for its consideration and approval to ensure that they be 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.

In addition, should any of the connected party transactions carried out by the Company or its subsidiaries with parties with conflicts of interest or potential conflicts of interest ever take place, the Company and its subsidiaries are to submit the aforementioned to the Audit Committee for its collectively professional opinion on the reasons, necessities and suitability of such commercial activities. In the event that the Audit Committee may be in possession of no specific expertise or knowledge of such potential transactions, the Company and its subsidiaries shall provide an independent expert or auditor of the Company and its subsidiaries accordingly so that professional opinions as well as all related data and information be presented to the Audit Committee for its consideration, whereupon the latter shall in turn make submission thereof to the Board of Directors and/or shareholders, during the Board of Directors' meeting and/or the shareholders' meeting for their consideration on case-by-case basis. 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 that parties with potential conflicts of interest may have held more than 10% of the total shares in the subsidiaries or the associated companies and that the Company may have had the major shareholders who could become competitors

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 allow for the structure of shareholding or management of the group companies that include nominative-shares scheme. However, a party which might incur conflicts of interest is Land and Houses Plc., the major shareholder of the Company holding 24.98% of the total shares (as of September 4, 2014) due to the following reasons:

- Land and Houses Plc. operates the businesses in real estate development for sales and rent which are of the same nature of business as the Company's;
- Mr. Anant Asavabhokhin is a major shareholder of Land and Houses Plc., holding 23.76% of the total shares (as of March 17, 2014), and also serves as the Chairman and the President of Land and Houses Plc., while Mr. Adisorn Thananan-narapool is a director and an executive director of Land and Houses Plc. As the representatives of Land

- and Houses Plc., which is the Company's major shareholder, both Mr. Anant Asavabhokhin and Mr. Adisorn Thananan-narapool are also joint directors of Quality Houses Plc., overseeing the Company's businesses among the total of 12 directors.
- Land and Houses Plc. was holding 30.23% of the shares (as of October 27, 2014) in Home Products Center Plc., thus exceeding 10% accordingly. The Company was holding 19.77% of the shares (as of October 27, 2014) in the aforementioned associated company for joint investment purpose. Home Products Center Plc. has been the joint investment between the Company and other parties since the date of its incorporation in year 1995. During the initial stage, Q.H. International Co., Ltd. (the subsidiary whose 100 % of the total shares are held by the Company) was holding 30% of the total shares of Home Products Center Plc. Later in 2001, the Company bought all the shares, equal to 27% of the total shares of this associated company from Q.H. International Co., Ltd. in order to support the Company's businesses in light of the construction materials and interior decoration equipment, as well as serving to be part of the Company's long-term investment.

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, the following guidelines have been set:

1. The structure of shareholders of the Company includes the group of shareholders who are institutes and/or funds all of which hold the total number of shares more than that being held by Land and Houses Plc. Therefore, in case of any conflicts of interest or potential conflicts of interest which might cause any damages to the interest of shareholders, the aforementioned group of institutional investors and/or the funds shall be able to cast their votes during the General Shareholders' Meeting in aims at preventing the incidents;
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 aforementioned entity; therefore, the business operations of both companies are totally separated;
3. Regarding the possibility of any of connected transactions of the Company or its subsidiaries with parties with conflicts of interest or potential conflicts of interest to be occurring in the future, the Company and its subsidiaries shall request in advance for consideration and professional opinion from the Audit Committee, all of whose members are to be independent directors, so as to address the situation in terms of necessities and suitability of such transactions accordingly. In the event that the Audit Committee has no sufficient expertise thereof, the Company and its subsidiaries shall provide an independent expert or auditor of the Company and its subsidiaries so that professional opinions on the related data and information be given in turn to the Audit Committee for the latter's further consideration. This practice will also include any transactions that are critical to or have high impact on the Company's businesses.

# Explanation and Analysis of Financial Position and Operation Results



## Analysis of operation result

### (A) Overview of the Past Performance

Thailand's economy grew by 0.7 percent in 2014 over the preceding year due to various domestic and international factors. There had been no real economic growth recorded during the first half of the year because the country's political unrest that had a significant impact on many sectors of the economy including the public sector, a loss of consumer confidence from private business sectors, households, and the tourism industry. Moreover high levels of household debt contributed to both increasingly cautious consumer spending and conservative bank lending. Thailand's export sector recovery remained slow in line with low demand growth from our trade partners and our own limitations in manufacturing sectors requiring high technology. These factors together resulted in the manufacturing sector cutting down their production and delaying new capital investments.

The second half of 2014 showed some signs of gradual economic recovery when there was a resurgence of tourists after political conditions stabilized. Domestic spending returned to normal levels after previously suspended public spending were implemented. The private sector also witnessed the telecommunications and retail businesses sectors expanding during this period to meet higher expected future demand. Nevertheless, Thailand's overall economic recovery will remain slow as it also has to depend on the speed of improvement of the contracting export sector which can only rise upon the return to health of our primary trade partners' economies, particularly China, Japan and European countries. Thailand's domestic household spending continued to be held back by the ailing agricultural sector, high levels of household debt, and significantly lower foreign spending in the country since many countries continued to announce warnings against traveling to Thailand. Meanwhile, the majority of domestic businesses delayed further expansion and new investments, preferring to wait for the economy to recover and the public sector to resume investments in infrastructural projects.

In 2014, the Company's and its subsidiaries' total revenues from major businesses were Baht 21,220 million, increasing by Baht 1,521 million or 8% from the year 2013. Meanwhile, the total cost of sale was Baht 14,313 million, increasing by Baht 1,001 million or 8% increase from the year 2013. The net profits for the year 2014 and 2013 were Baht 3,329 million and Baht 3,307 million respectively, while the gross profit margins in 2014 and 2013 were 33% and 32% respectively.

## (B) Operation result by the business group

The Company's and its subsidiaries' results of operation are based on the country's economic situation and can be categorized by types of businesses as follows:

### (1) Revenue from sales and services

#### - Business of real estate for sales

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

In 2014, the Company and its subsidiaries' revenues from sales of real estate was Baht 20,153 million, increasing by Baht 1,676 million or by 9% in comparison to 2013 due to an increasing in revenues from sales of land-and-houses by Baht 2,799 million or 23 % also in comparison with the year 2013 due to an incremental number of new housing projects for sales launched in 2014. Meanwhile, the revenues from sales of condominium units decreased by Baht 1,123 million or 17% in comparison with the year 2013 due to in the year 2014, the company and its subsidiaries completed in sales of condominium projects and transfer ownership of condominium units of the following projects, namely, (1) Q. House Condo Sukhumvit 79, (2) Casa Condo Ratchada-Ratchaphruek, (3) Casa Condo Asoke-Dindaeng, (4) The Trust Residence Pinklao, and (5) The Trust Residence Ratchada-Praram 3, the realization of the revenues from sales and transfer of ownership of condominium units in certain 3 projects this year has proven to be lower than that of the aforementioned completed projects.

In 2014, the Company launched 22 new housing projects worth Baht 15,534 million and 7 condominium projects worth Baht 8,871 million, while 9 housing projects and 5 condominium projects were sold out respectively.

#### - Business of real estate for rent

In 2014, the Company and its subsidiaries' total revenues from rental and service fees amounted to Baht 1,067 million, decreasing by Baht 155 million or by 13% in comparison to the year 2013, the reasons for which may be described as follows:

##### A. Hotel business

In 2014, revenues from hotel business were in decline by Baht 162 million or by 19% in comparison with year 2013 due to a decreased number of foreign customers. The first reason is due to Thailand's domestic

political instability, particularly the government's 'State of Emergency' announcement. Secondly, the country has witnessed significant curtailment of Chinese tourists as a result of the Chinese government's enforcement of its new tourism law that more stringently monitors package tour standards offered by Chinese operators which became effective since October 2013. Lastly, Centre Point Ploenchit was closed for extensive renovations since May 2014 and the hotel lease agreement has been terminated since the end of August 2014.

#### B. Office building for rent business

In 2014, the office building for rent market in Bangkok was improved when compared to the previous year, mainly because most foreign companies expanded space in the existing buildings or moved to other office building located along the sky train or subway areas in the Central Business District ("CBD").

In 2014, the Company's revenues from office building for rent business amounted to Baht 366 million, increasing by Baht 7 million or 2% when compared to year 2013 due to higher rental rates and improvements in occupancy rates across all projects.

#### (2) Gain on sales of properties and transfer of leasehold rights to building

In 2014, the Company did not sell any relevant assets in this category. However the Company did dispose of its Centre Point Saladaeng property in 2013, with its assets comprising land, buildings, public utilities, fixtures, furniture, equipment and various related facilities.

#### (3) Other revenues

In 2014, the Company and its subsidiaries have generated other revenues amounting to Baht 157 million, decreasing by Baht 3 million or 2%, in comparison with 2013 due to a decline in revenues from managing residential buildings and hospitality projects which are linked to those projects' revenue, performance and occupancy rates particularly for hotels, whereas the Company in turn has incurred an increase of interest received of Baht 4 million.

#### (4) Sharing of profit from investment in Associated companies

The Company's sharing of profit from investment in Associated companies increased by Baht 117 million, or 12% increase when compared to the year 2013. The details are as follows:

(Unit: Baht million)			
Company/Fund	2013	2014	Increase (Decrease)
Home Products Center Plc.	606	648	42
Quality Houses Leasehold Property Fund	122	129	7
LH Financial Group Plc.	183	254	71
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	32	29	(3)
<b>Total</b>	<b>943</b>	<b>1,060</b>	<b>117</b>



**(5) Cost of sales, expenses and minimum rental assurance****A. Cost of sales**

In 2014 and 2013, the Company's and its subsidiaries' cost of real estate sale for property amounted to Baht 13,606 million and Baht 12,489 million respectively, or accounted for 95% and 94% of total cost of sales respectively. The rest was the cost of sale from the business of real estate for rent which totaled to Baht 707 million and Baht 823 million, or accounted for 5% and 6% of total cost of sale respectively.

**B. Selling expenses**

In 2014, selling expenses increased by Baht 239 million or by 14% in comparison to year 2013 due to an increase in the specific business tax and transfer fees increased by Baht 60 million in tandem with sales and higher ownership transfer rates, as well as sales promotion expenses increased by Baht 158 million, that accelerated the transfer of ownership to buyers of both houses and condominiums. In addition, the expenses allocated for advertising and public relations increased by Baht 23 million due to a number of new housing and condominium projects being launched during the period while other selling expenses decreased by Baht 2 million.

**C. Administrative expenses**

In 2014, total administrative expenses increased by Baht 248 million, or by 15%, in comparison to year 2013 due to an increase in higher employees' salaries and benefits payments by Baht 147 million, whereas after-sales service expenses in regard to the project maintenance, project security and public utility, including water and electricity supplies. Additionally, with the Company's provision being set aside for the matter, thus customers' house repairs and maintenance expenses also increased by Baht 65 million while public-utility repairs and maintenance expenses were witnessing a decline by Baht 30 million. Other operating expenses decreased by Baht 15 million as well.

**D. Provision for less arising from guarantee of minimum rental income of the projects.**

In the year 2014, decreased by Baht 34 million or 52% in comparison with the year 2013 because the Company reviewed a provision from an agreement for guarantee of the minimum rental for three consecutive years (July 20, 2012 - July 19, 2015) from the sales of properties, and movable properties, and the transfer of leasehold right of the three Center Point Hotel projects to QHHR. Accordingly, the Company had estimated that the provision would not be sufficient, so it was necessary to record the additional by the amount of Baht 45 million specifically in the case of the remaining period of the minimum rental fee guarantee; this particular account was to be recorded as an 'expense' item in the income statement (P/L), amounting to Baht 31 million, net of the Company's investment in QHHR at the rate of 31.33%. The year 2013 had witnessed the Company's provision amounting to Baht 95 million to be recorded as an 'expense' item in the income statement (P/L), amounting to Baht 65 million, net of the Company's investment in QHHR at the rate of 31.33%.

**(6) Gross profit margin**

The details of the gross profit margin from real estate for sales and real estate for rent are as follows:

	(Unit: %)	
Gross profit	2013	2014
Real estate for sales	32.4	32.5
Real estate for rent	32.7	33.7

**Business of Real estate for sale**

In 2014, the Company's and its subsidiaries' gross profit margin from real estate for sales increased to 32.5% when compared to the year 2013, which was 32.4%. This was because the Company and its subsidiaries increased the selling price of housing projects and condominium units in compliance with the market price.

**Business of real estate for rent**

In 2014, the Company and its subsidiaries' gross profit margin from the real estate for rent business increased by 33.7% when compared to that in year 2013, which was 32.7%, due to Thailand's political unrest having come to an end, whereupon hotel room rates could be increased in the second half of 2014.

**(7) Financial cost**

In the year 2014, the finance cost, which was comprised of interest expenses, bank charges and financial advisor fees, increased by Baht 27 million or 12% in comparison with the year 2013. The figures are higher because the Company and its subsidiaries increased their borrowings to expand their investments in new real estate projects in anticipation of future sales growth. There are condominium projects completed during the year. Therefore, interest expenses cannot be booked as project costs, this result in having to report higher financing costs.

**(8) Operating results**

In 2014, the Company and its subsidiaries' total revenue from real estate for sales and real estate for rent amounted to Baht 21,220 million, increasing by Baht 1,521 million, or by 8%, hence resulting in the net profit of Baht 3,329 million in 2014, increasing by Baht 22 million, or by 1%, in comparison with year 2013. The major factors for the aforementioned positive outcome included the following: gross profit from the real estate for sales increased by Baht 559 million whereas that from real estate for rent business decreased by Baht 39 million; profit sharing scheme also revealed the satisfactory result from investments made in associate companies, with an increase by Baht 117 million; financial expense, however, rose by Baht 27 million whereas other revenues decreased by Baht 2 million; the provisions made as a guarantee minimum rental income of the projects decreased by Baht 34 million; income tax expenses also decreased by Baht 7 million whereas the gain on sales of properties and transfer of the leasehold rights of the buildings was in decline by Baht 140 million; the sale and administrative expenses also increased by Baht 487 million as well.

**(9) Return on equity**

The Annual General Meeting of shareholders of the Company No. 1/2014 held on April 11, 2014 approved the distribution of dividend payment to shareholders from the operations in 2013 in cash at the rate of 0.09 Baht per share, totaling to not exceeding Baht 826 million. In September 16, 2014, the Company also paid the interim dividend at the amount of Baht 643 million from the operation result of 6 months ending as of June 30, 2014 in accordance with the resolution of the meeting of the Company's Board of Director No.5/2014 held on August 19, 2014.

## Financial status

**(1) Assets**

The total assets of the Company and its subsidiaries as of December 31, 2013 and 2014 were Baht 41,652 million and Baht 48,634 million respectively. At the end of year 2014, the total assets of the Company and its subsidiaries increased by Baht 6,982 million or by 17% in comparison with year 2013. Details of major assets are shown as follows:

**- Cash and cash equivalent**

The Company and its subsidiaries have a policy to hold cash as required. The cash being held at the end of the year 2013 and 2014 amounted to Baht 2,458 million and Baht 1,630 million respectively. The cash at the end of year 2014 decreased by Baht 172 million, or by 11% in comparison with year 2013. The reason for the high amount of cash on hand at the end of the year was that the Company and its subsidiaries have managed to accelerate the transfer of ownership of houses and condominium units sold during the year-end period.

**- Trade account receivables and other receivables**

At the end of years 2013 and 2014, the Company and its subsidiaries' trade account receivables and other receivables amounted to Baht 91 million and Baht 74 million respectively, decreasing by Baht 17 million Baht, or by 19%, due to a shorter period of time spent in making repayments to the Company by certain trade receivables (unrelated businesses).

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 pattern so that the receivables are not overdue for more than one month. Most account receivables are in the group of payment overdue for not more than three months.

**- Land and work in progress/land and cost of project development**

Land and work in progress/land and cost of project development at the end of the years 2013 and 2014 amounted to Baht 29,138 million and Baht 34,444 million respectively, increasing by Baht 5,306 million or by 18% when compared to year 2013, mainly because in 2013, the Company and its subsidiaries had purchased more plots

of land and made increasingly additional investments strategically in response to their forecasted sales growth in the future. The land and work in progress/land and cost of project development accounted for 70% and 71% of the total assets of the Company and its subsidiaries respectively.

In 2013 and 2014, the Company and its subsidiaries had “Land and Work in Progress”, both of which were recorded as current assets for Baht 22,558 million and 24,949 million respectively. The Land and Work in Progress were expected to generate income for the Company and its subsidiaries within 1-3 years approximately depending upon the type and size of the projects. When compared to the current assets of the Company and its subsidiaries, their proportion accounted for 91% and 90% respectively. On the other hand, the “Land and Cost of Project Development”, which was recorded as non-current assets, amounted to Baht 6,581 million and Baht 9,495 million respectively at the end of the years 2013 and 2014. The majority of the assets were in process of development for sales, some of which were vacant plots of land awaiting development. In consequence, at the moment, the aforementioned assets were being recorded as not generating income in such account names. It could possibly take approximately 1-2 years of time for the aforementioned assets prior to fruitfully generating income while being utilized for project development, depending upon the duration of time spent petitioning for and obtaining permits and licenses in light of land allocation and construction, as well as the size and type of the projects.

#### - Investment in associated companies

Investment in associated companies under the cost method at the end of 2013 and 2014 amounted to Baht 6,480 million and Baht 6,680 million respectively, whereas under the equity method, the investments were Baht 7,638 million and Baht 8,534 million respectively. The details of investments in associated companies are as follows:

Investment in associated companies	(Unit: Baht million)					
	Dec. 31, 2013		Dec. 31, 2014		Increase (Decrease)	
	Cost Method	Equity Method	Cost Method	Equity Method	Cost Method	Equity Method
Quality Houses Leasehold Property Fund	2,017	1,301	2,017	1,280	-	(21)
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	1,053	479	1,053	444	-	(35)
Home Product Center Plc.	651	2,638	760	3,335	109	697
LH Financial Group Plc.	2,759	3,220	2,850	3,475	91	255
<b>Total</b>	<b>6,480</b>	<b>7,638</b>	<b>6,680</b>	<b>8,534</b>	<b>200</b>	<b>896</b>

**- Investments in subsidiaries**

The investments in subsidiaries for the financial statement of the Company under the cost method at the end of years 2013 and 2014 were unchanged and thus amounted to Baht 3,393 million.

**- Other long term investment**

Q. H. International (BVI) Co., Ltd., a subsidiary of the Company, has invested in Harbour View Joint Stock Company in the proportion of 14.15% (please consult with Topic "Risk Factor", Clause 1 "Financial risk" - risk from investment, loaning and the guarantee by the Company in regard to Harbour View Joint Stock Company).

**- Real estate for investment**

The Company recorded real estate for investment at cost deducted by accumulated depreciation and impairment allowance. At the end of 2013 and 2014, the value of real estate for investment amounted to Baht 514 million and Baht 500 million respectively. As of December 31, 2014, its value decreased by Baht 14 million, or by 3%, by the deduction of depreciation during the year.

At the end of the years 2013 and 2014, the Company's real estate for investment was a building called Q. House Ploenjit Project, which was owned by the Company. In 2006, the Company granted the leasehold rights of Q. House Ploenjit Project to 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 December 8, 2036.

**- Lands, building and equipment / leasehold right**

Lands, buildings and equipment/ leasehold rights at the end of 2013 and 2014 were valued at Baht 1,188 million and Baht 1,344 million respectively, increasing by Baht 156 million, or by 13%, when compared to year 2013, due to investments in a readymade concrete manufacturing plant was being constructed, amounting to Baht 255 million, whereas the Company and its subsidiaries were reducing depreciation expenses of annual leasehold rights, hence resulting in an increase in value when compared to the previous year (2013).

The total value of lands and construction in progress/ lands and project development cost/ real estate for investment/ lands, buildings and equipment/ leasehold rights at the end of the year 2013 and 2014 were Baht 30,841 million and Baht 36,288 million, or 74% and 75% of total assets respectively. These assets shall be used to generate both short-term and long-term income to the Company and its subsidiaries, and are presented according to the net cost after being deducted by the provision for loss on diminution in value of the project, which is Baht 306 million.

In order to set the provision 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 book value was higher than the appraised value, a higher difference would be recorded as an expense provision for loss on diminution of the project value in the financial statement under the account "administrative expenses".

**(2) Providing financial assistance for associated and related companies**

At the end of years 2013 and 2014, the subsidiaries provided Harbour View Joint Stock Company, as a related company, with loans of Baht 36 million and Baht 38 million respectively. On December 31, 2014, the related company had an outstanding loan amounting to US\$ 3 million with a bank based on the financial statement which had been prepared by their management and had not yet to be reviewed by an auditor. The Company had recorded a provision for liabilities from loan guarantees at the end of the year 2009 for Baht 61 million in total (Detail in “Risk Factor” topic, Clause 1 “Financial risk” - risk from investment, loaning and the guarantee by the Company in regard to Harbour View Joint Stock Company).

**(3) Liquidity**

Cash flow from financial activities in the past is shown as follows:

(Unit: Baht million)		
Cash flow	2013	2014
Cash flow from (used in) operational activities	3,284	(3,481)
Cash flow from (used in) investment activities	501	(109)
Cash flow from (used in) financing activities	(3,805)	3,418

In 2014, the Company and its subsidiaries' net cash flow used in operational activities amounted to Baht 3,481 million mainly due to the spending in land purchase, investments in property development for housing and condominium projects strategically in aims at accelerating the opening of new projects in response to the forecasted sales growth in the future, whereas in 2013, the Company and its subsidiaries had net cash flow from the operational activities amounting to Baht 3,284 million due to an increase in revenue generated from real estate sales accounting for Baht 6,493 million, increasing by 54%. In addition, in the same year (2013) the Company and its subsidiaries were able to realize the revenue and transfer ownership rights of the residential units in three new condominium projects, namely, the Trust Residence Rachada-Praram III, Casa Condo Asoke-Dindaeng and Casa Condo Chang Puak. As a result, the net cash flow from operation of investment in land and real estate project development, as well as other operating expenses increased (in a positive result).

In 2014, the Company and its subsidiaries' net cash flow used in investment activities amounted to Baht 109 million mainly due to investments being made by one of the subsidiaries, by which a readymade concrete manufacturing plant was being constructed, with plots of land purchased, costs of plant construction and those of equipment included, while the Company and its subsidiaries were making purchase of tools and equipment for operations, amounting to Baht 294 million in total. The Company and its subsidiaries had also purchased capital increase shares in Home Products Center Plc. for Baht 109 million and in LH Financial Group Plc. for Baht 91 million. There were also additional investments made in leasehold rights in an increase of Baht 17 million. The Company, meanwhile, has received the dividends from its subsidiaries amounting to Baht 379 million and the interest received amounting to Baht 21 million. However, in 2013, the Company and its subsidiaries' net cash flow used in investment activities amounted to Baht 501 million due to the former having received the dividends from its subsidiaries for Baht 367 million as well as having received cash from selling assets of Centre Point Saladaeng for Baht 327 million, whereas the Company and its subsidiaries' investments in land, buildings and equipment, as well as leasehold rights, increased by Baht 94 million, in addition to cash payment made to purchase capital increase shares in L.H. Financial Group Plc. for Baht 88 million, as well as other investments amounting to Baht 11 million.

In 2014, the Company and its subsidiaries' net cash flow used in financing activities amounted to Baht 3,418 million due to the Company having been on short-term loan worth Baht 1,675 million in total, long-term loan worth Baht 697 million, as well as having received payment from issuance of debentures worth Baht 2,515 million net, whereas it managed to pay dividends of Baht 1,469 million. Meanwhile, in 2013, the Company's and its subsidiaries' net cash flow used in financing activities amounted to Baht 3,805 million. The Company had made repayment of short-term and long-term loan for Baht 4,965 million and Baht 80 million respectively. In May 2013, the Company had paid dividends worth Baht 1,745 million and received payment from issuance of debentures worth Baht 2,985 million net.

#### (4) Source of fund

##### Optimal capital structure

Since the Company and its subsidiaries operate the business of real estate for sales and rent, the appropriateness of the capital structure must take into account the source 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.

Total assets of the Company and its subsidiaries mainly generated short term 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 year 2013 and 2014, the ratio of debentures to total loans equaled 89% and 98% 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 2013 and 2014, the ratio of these loans to total loans was equal to 11% and 2% respectively. The details of loans are described in Section (5) Liabilities.

At the end of 2013 and 2014, the Company and its subsidiaries had the ratio of short-term to long-term loans and that of short-term to long-term liabilities as follows:

	(Unit: %)	
Loan	December 31, 2013	December 31, 2014
Short-term loan	21	26
Long-term loan	79	74
<b>Total</b>	<b>100</b>	<b>100</b>

	(Unit: %)	
Liability	December 31, 2013	December 31, 2014
Short-term liability	30	34
long-term liability	70	66
<b>Total</b>	<b>100</b>	<b>100</b>

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. At the end of 2014, the Company and its subsidiaries prepared the source of fund from long-term debenture to repay short-term loans from financial institutions, as well as long-terms loans that were due within a year and unsecured short-term debentures which were due within one year and short-terms loans at the total amount of Baht 6,592 million.

In addition, at the end of 2013 and 2014, the Company and its subsidiaries' ratio of total liabilities to shareholders' equity accounted for 1.41 times and 1.54 times respectively, apparently a slight increase in proportion, due to the fact that during the period, the Company and its subsidiaries had increasingly borrowed in order to make investments in land purchase, property development for housing and condominium projects in aims at accelerating the opening of new projects in response to the forecasted sales growth in the future.

According to the requirements of the rights and duties of debenture issuers, the Company must maintain the ratio of liabilities to shareholder equity in the overall financial statement of the Company at no more than 2:1 as of the end of accounting period in each quarter. In this regard, liabilities do not include the advanced receipt and the advanced rental payment, deposit from customers, and liabilities from the guarantees that issuers of debentures have towards external parties and subsidiaries, of which the liabilities are presented in their financial statement. Therefore, at the end of the years 2013 and 2014, the Company and its subsidiaries had total liabilities to shareholders' equity in accordance with the requirement of rights and duties of debenture issuers at 1.23 times and 1.39 times respectively.

## (5) Liabilities

At the end of 2014, most of the Company's and its subsidiaries' liabilities comprised short-terms loans from financial institutions/ banks and debentures, which amounted to Baht 25,192 million, accounting for 85% of total liabilities. The details are as follows:

Loan	(Unit: Baht million)						
	Dec. 31, 2012	Increase in loaning	Repayment	Dec. 31, 2013	Increase in loaning	Repayment	Dec. 31, 2014
Short-term loans from financial institutions/ short-term loans	5,272	12,175	17,124	323	13,840	12,171	1,992
Long-term loan	80	-	80	-	1,691	994	697
Unsecured debentures	17,012	5,000	2,015	19,997	6,491	3,985	22,503
<b>Total</b>	<b>22,364</b>	<b>17,175</b>	<b>19,219</b>	<b>20,320</b>	<b>22,022</b>	<b>17,150</b>	<b>25,192</b>

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

At the end of the years 2013 and 2014, the Company's and its subsidiaries' total liabilities were Baht 24,375 million and Baht 29,485 million respectively. At the end of 2014, total liabilities comprised Baht 10,124 million of current liabilities and Baht 19,361 million of long-term liabilities.



**(6) Shareholders' equity**

As of December 2014, the Company and its subsidiaries' shareholder equity has increased by Baht 1,872 million or by 11% in comparison with year 2013 (as of December 31, 2013) due to the following reasons:

- The Company and its subsidiaries had annual profit of Baht 3,329 million;
- Other components of the shareholders' equity increased due to the loss from valuation of investment in securities for sales in associated companies decreasing by Baht 1 million;
- The Company and its subsidiaries managed realize the profit upon the basis of estimation by the principle of actuarial science from income tax regarding "employee benefits", amounting to Baht 11 million;
- In May 2014, the Company had paid dividends of Baht 828 million in accordance with the resolution of the 2014 Annual General Meeting of Shareholders held on April 11, 2014. Furthermore, in September 2014, the Company paid interim dividends of Baht 641 million for the operation result during 6-month period ending as of June 30, 2014 in accordance with the resolution of the meeting of the Company's Board of Directors held on August 19, 2014.

**(7) Commitments**

As of 31 December 2013 and 31 December 2014, the Company and its subsidiaries had the following outstanding commitments and contingent liabilities as follows:

- The Company and its subsidiaries had outstanding commitments with respect to contracts to purchase lands and to develop future projects as follows:

(Unit: Baht million)		
Item	Dec. 31, 2013	Dec. 31, 2014
Contracts for construction projects	5,320	6,553
Contracts to purchase land for future projects	726	2,518

- 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 for the terms ranging between 1-4 years.

As of December 31, 2013 and December 31, 2014, the Company and its subsidiaries had the future minimum lease payment required under those operating lease contracts as follows:

(Unit: Baht million)		
Payable (within)	Dec. 31, 2013	Dec. 31, 2014
Within 1 year	23	26
From 1 to 5 years	61	65
More than 5 years	51	39

- 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 lease term of 1-3 years. The subsidiary was entitled to renew the lease agreement for another year by submitting to the Fund a written notice of its intention at least 90

days prior to the lease expiry date. Subsequently, on August 20, 2014, the aforementioned company (subsidiary) had terminated the lease agreement with the Fund effective from August 31, 2014 onwards.

As of December 31, 2013 and December 31, 2014, the subsidiary had the future minimum lease payments required under the lease contracts as follows:

(Unit: Baht million)		
Payable (within)	Dec. 31, 2013	Dec. 31, 2014
Within 1 year	53	-

As of December 31, 2013 and December 31, 2014, the subsidiary had the minimum amount require to pay for the fixed leased as follows:

(Unit: Baht million)		
Payable (within)	Dec. 31, 2013	Dec. 31, 2014
Within 1 year	168	92
From 1 to 3 years	92	-

- At the end of 2013 and 2014, the Company and its subsidiaries had committed to various service agreements amounting to Baht 13 million and 17 million respectively;
- At the end of 2013 and 2014, the Company had commitments with respect to an uncalled portion of investment in a subsidiary each year for Baht 19 million equally;
- The Company had contingent liabilities with respect to loan guarantees provided on behalf of Harbour View Joint Stock Company at the amount of 50% of the aforementioned company's obligation to a bank. As of December 31, 2013, the aforementioned company had outstanding liabilities of principal and interest to the bank based on the un-audited financial statements amounting to US\$ 2 million and US\$ 1 million respectively. However, as of December 31, 2014, the Company has set aside a provision of Baht 61 million against loss arising from such guarantee; the amount of provision was equal to that being made at the end of the year 2013 as well;
- As of December 31, 2013 and December 31, 2014, the Company and its subsidiaries had servitude over plots of land of approximately 34 Thai rai and 35 Thai rai respectively. The value of the land was included in the project costs.

## Major factors and influences on future financial position or business operation

-None-



## Financial Statements

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# Independent Auditor's Report

## To the Shareholders of Quality Houses Public Company Limited

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

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

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

Pimjai Manitkajohnkit

Certified Public Accountant (Thailand) No. 4521

EY Office Limited

Bangkok: 24 February 2015

Quality Houses Public Company Limited and its subsidiaries

## Statement of financial position

As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6, 7	1,458,191,027	1,630,327,013	589,660,150	478,376,890
Trade and other receivables	6, 8	73,975,676	91,177,925	20,695,634	51,176,671
Land and construction in progress	9	24,949,320,686	22,557,805,114	7,088,474,334	9,222,109,469
Advance for construction work		1,102,099,072	520,885,342	146,204,500	168,581,009
Advance for construction material		9,133,369	65,115,481	4,823,283	50,106,861
Other current assets		115,794,906	36,180,538	17,765,456	18,304,064
<b>Total current assets</b>		<b>27,708,514,736</b>	<b>24,901,491,413</b>	<b>7,867,623,357</b>	<b>9,988,654,964</b>
<b>Non-current assets</b>					
Restricted deposits at financial institutions	10	27,573,190	30,695,883	22,920,376	26,710,407
Investments in subsidiaries	11	-	-	3,393,027,020	3,393,027,000
Investments in associates	12	8,534,266,194	7,638,221,250	6,680,253,816	6,480,264,230
Other long-term investments	13	1,998	1,998	1,998	1,998
Long-term loans to and interest receivables					
- related parties	6	37,950,958	35,930,676	19,686,510,678	14,040,195,357
Investment properties	14	499,509,422	514,436,919	499,509,422	514,436,919
Property, plant and equipment	6, 15	574,934,380	339,123,312	236,615,753	250,023,733
Leasehold rights	16	768,729,671	848,411,187	768,729,671	848,411,187
Land and project development costs	17	9,495,041,733	6,580,693,616	3,072,759,545	935,341,495
Deposits for lease of land and building		76,711,652	85,471,019	76,711,652	85,471,019
Deposits for purchase of land		560,712,429	317,259,000	-	-
Deferred tax assets	25	302,128,888	321,245,335	148,814,851	191,139,487
Other non-current assets	6	47,659,180	38,795,134	23,031,006	20,117,713
<b>Total non-current assets</b>		<b>20,925,219,695</b>	<b>16,750,285,329</b>	<b>34,608,885,788</b>	<b>26,785,140,545</b>
<b>Total assets</b>		<b>48,633,734,431</b>	<b>41,651,776,742</b>	<b>42,476,509,145</b>	<b>36,773,795,509</b>

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 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	18	1,000,000,000	-	1,000,000,000	-
Trade and other payables	6, 19	1,049,825,934	882,391,863	437,737,969	360,259,199
Current portion of unsecured debentures	21	4,600,000,000	3,985,000,000	4,600,000,000	3,985,000,000
Short-term loans	18	991,858,779	323,358,012	991,858,779	323,358,012
Short-term loan from and accrued interest					
- related party	6	-	-	72,007,317	156,350,701
Income tax payable		192,137,547	303,182,697	51,061,267	28,737,971
Short-term provisions	6, 23	394,144,607	232,170,577	193,570,433	105,135,806
Advance received from customers	6	649,840,400	677,820,518	459,410,368	559,384,859
Deposits for rental and service	6	104,305,811	101,713,100	82,567,387	75,867,569
Retention guarantees		544,376,411	450,432,537	210,806,067	172,578,400
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	570,157,997	497,566,644	192,563,458	202,476,252
<b>Total current liabilities</b>		<b>10,123,871,486</b>	<b>7,480,859,948</b>	<b>8,318,807,045</b>	<b>5,996,372,769</b>
<b>Non-current liabilities</b>					
Long-term loans, net of current portion	20	697,000,000	-	697,000,000	-
Unsecured debentures, net of current portion	21	17,903,165,961	16,012,000,000	17,903,165,961	16,012,000,000
Long-term loan from and accrued interest					
- related parties	6	-	-	301,884,729	272,814,985
Provision for long-term employee benefits	22	103,109,920	110,830,925	69,194,232	81,227,362
Long-term provisions	6, 23	88,708,929	174,569,709	88,708,929	174,569,709
Rental income received in advance, net of					
current portion	6	568,689,979	595,856,645	568,689,979	595,856,645
Deferred tax liabilities	25	499,775	363,282	-	-
<b>Total non-current liabilities</b>		<b>19,361,174,564</b>	<b>16,893,620,561</b>	<b>19,628,643,830</b>	<b>17,136,468,701</b>
<b>Total liabilities</b>		<b>29,485,046,050</b>	<b>24,374,480,509</b>	<b>27,947,450,875</b>	<b>23,132,841,470</b>

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 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Shareholders' equity</b>					
Share capital					
Registered					
9,183,784,692 ordinary shares of Baht 1 each		9,183,784,692	9,183,784,692	9,183,784,692	9,183,784,692
Issued and fully paid-up					
9,183,767,553 ordinary shares of Baht 1 each		9,183,767,553	9,183,767,553	9,183,767,553	9,183,767,553
Share premium		379,246,114	379,246,114	379,246,114	379,246,114
Retained earnings					
Appropriated - statutory reserve	24	729,292,114	611,866,251	729,292,114	611,866,251
Unappropriated		8,869,884,821	7,117,006,693	4,236,751,195	3,466,072,827
Other components of shareholders' equity		(13,502,221)	(14,590,378)	1,294	1,294
<b>Total shareholders' equity</b>		<b>19,148,688,381</b>	<b>17,277,296,233</b>	<b>14,529,058,270</b>	<b>13,640,954,039</b>
<b>Total liabilities and shareholders' equity</b>		<b>48,633,734,431</b>	<b>41,651,776,742</b>	<b>42,476,509,145</b>	<b>36,773,795,509</b>

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 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales of real estate	6	20,152,615,212	18,477,407,811	7,912,602,643	5,274,431,732
Rental and service income	6	1,066,933,000	1,221,514,731	518,765,128	522,237,940
Other income					
Dividend income	6, 11, 12	-	-	1,492,607,868	1,266,610,427
Interest income	6	20,833,222	16,359,086	704,455,315	578,680,843
Income from forfeiture of booking and down payments		8,722,651	11,444,809	960,825	194,773
Gain on sale of residential assets	15	-	139,879,477	-	139,879,477
Others	6	128,040,375	132,017,116	21,529,106	88,288,895
<b>Total revenues</b>		<b>21,377,144,460</b>	<b>19,998,623,030</b>	<b>10,650,920,885</b>	<b>7,870,324,087</b>
<b>Expenses</b>					
Cost of real estate sold	6	13,605,511,676	12,488,845,404	5,422,430,539	3,594,002,144
Cost of rental and services	6	707,146,399	822,839,170	299,433,708	301,115,923
Selling expenses		1,999,040,443	1,759,685,961	672,721,256	560,757,880
Administrative expenses	6	1,882,092,914	1,634,136,867	857,891,603	814,176,692
Provision for loss arising from guarantee of minimum rental income of projects	6, 23	30,900,000	65,033,513	45,000,000	94,709,000
<b>Total expenses</b>		<b>18,224,691,432</b>	<b>16,770,540,915</b>	<b>7,297,477,106</b>	<b>5,364,761,639</b>
<b>Profit before share of profit from investments in associates, finance cost and income tax expenses</b>		<b>3,152,453,028</b>	<b>3,228,082,115</b>	<b>3,353,443,779</b>	<b>2,505,562,448</b>
Share of profit from investments in associates	12	1,059,885,137	943,151,875	-	-
<b>Profit before finance cost and income tax expenses</b>		<b>4,212,338,165</b>	<b>4,171,233,990</b>	<b>3,353,443,779</b>	<b>2,505,562,448</b>
Finance cost	6	(254,772,025)	(228,061,815)	(766,258,122)	(663,215,214)
<b>Profit before income tax expenses</b>		<b>3,957,566,140</b>	<b>3,943,172,175</b>	<b>2,587,185,657</b>	<b>1,842,347,234</b>
Income tax expenses	25	(628,367,156)	(635,843,001)	(238,668,395)	(140,613,825)
<b>Profit for the year</b>		<b>3,329,198,984</b>	<b>3,307,329,174</b>	<b>2,348,517,262</b>	<b>1,701,733,409</b>
<b>Other comprehensive income:</b>					
Actuarial gains - net of income taxes	22, 25	10,239,033	-	8,720,995	-
Share of other comprehensive income of associates - net of income taxes	12, 25	1,088,157	(80,315,723)	-	-
<b>Other comprehensive income for the year</b>		<b>11,327,190</b>	<b>(80,315,723)</b>	<b>8,720,995</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>3,340,526,174</b>	<b>3,227,013,451</b>	<b>2,357,238,257</b>	<b>1,701,733,409</b>
<b>Earnings per share</b>	27				
Basic earnings per share					
Profit attributable to equity holders of the Company		0.36	0.36	0.26	0.19

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 2014

(Unit: Baht)

	Consolidated financial statements									
	Retained earnings					Other components of equity				
	Issued and paid-up share capital	Share premium	Appropriated - statutory reserve		Unappropriated	Surplus on changes in value of available-for-sale investments	Share of other comprehensive income of associates	Total other components of shareholders' equity	Total	
			- statutory reserve	- statutory reserve						
<b>Balance as at 1 January 2013</b>	9,183,767,553	379,246,114	526,779,581	526,779,581	5,639,646,936	1,294	65,724,051	65,724,051	15,795,165,529	
Profit for the year	-	-	-	-	3,307,329,174	-	-	-	3,307,329,174	
Other comprehensive income for the year	-	-	-	-	-	-	(80,315,723)	(80,315,723)	(80,315,723)	
Total comprehensive income for the year	-	-	-	-	3,307,329,174	-	(80,315,723)	(80,315,723)	3,227,013,451	
Dividend paid (Note 30)	-	-	-	-	(1,744,882,747)	-	-	-	(1,744,882,747)	
Unappropriated retained earnings transferred to statutory reserve	-	-	85,086,670	85,086,670	(85,086,670)	-	-	-	-	
<b>Balance as at 31 December 2013</b>	9,183,767,553	379,246,114	611,866,251	611,866,251	7,117,006,693	1,294	(14,591,672)	(14,590,378)	17,277,296,233	
<b>Balance as at 1 January 2014</b>	9,183,767,553	379,246,114	611,866,251	611,866,251	7,117,006,693	1,294	(14,591,672)	(14,590,378)	17,277,296,233	
Profit for the year	-	-	-	-	3,329,198,984	-	-	-	3,329,198,984	
Other comprehensive income for the year	-	-	-	-	10,239,033	-	1,088,157	1,088,157	11,327,190	
Total comprehensive income for the year	-	-	-	-	3,339,438,017	-	1,088,157	1,088,157	3,340,526,174	
Dividend paid (Note 30)	-	-	-	-	(1,469,134,026)	-	-	-	(1,469,134,026)	
Unappropriated retained earnings transferred to statutory reserve	-	-	117,425,863	117,425,863	(117,425,863)	-	-	-	-	
<b>Balance as at 31 December 2014</b>	9,183,767,553	379,246,114	729,292,114	729,292,114	8,669,884,821	1,294	(13,503,515)	(13,502,221)	19,148,688,381	

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 (continued)**

For the year ended 31 December 2014

(Unit: Baht)

	Separate financial statements						
	Issued and paid-up share capital	Share premium	Retained earnings		Surplus on changes in value of available-for-sale investments	Other components of equity	
			Appropriated - statutory reserve	Unappropriated		Other comprehensive income	Total
<b>Balance as at 1 January 2013</b>	9,183,767,553	379,246,114	526,779,581	3,594,308,835	1,294	13,684,103,377	
Profit for the year	-	-	-	1,701,733,409	-	1,701,733,409	
Total comprehensive income for the year	-	-	-	1,701,733,409	-	1,701,733,409	
Dividend paid (Note 30)	-	-	-	(1,744,882,747)	-	(1,744,882,747)	
Unappropriated retained earnings transferred to statutory reserve	-	-	85,086,670	(85,086,670)	-	-	
<b>Balance as at 31 December 2013</b>	9,183,767,553	379,246,114	611,866,251	3,466,072,827	1,294	13,640,954,039	
<b>Balance as at 1 January 2014</b>	9,183,767,553	379,246,114	611,866,251	3,466,072,827	1,294	13,640,954,039	
Profit for the year	-	-	-	2,348,517,262	-	2,348,517,262	
Other comprehensive income for the year	-	-	-	8,720,995	-	8,720,995	
Total comprehensive income for the year	-	-	-	2,357,238,257	-	2,357,238,257	
Dividend paid (Note 30)	-	-	-	(1,469,134,026)	-	(1,469,134,026)	
Unappropriated retained earnings transferred to statutory reserve	-	-	117,425,863	(117,425,863)	-	-	
<b>Balance as at 31 December 2014</b>	9,183,767,553	379,246,114	729,292,114	4,236,751,195	1,294	14,529,058,270	

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 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Profit before tax	3,957,566,140	3,943,172,175	2,587,185,657	1,842,347,234
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	13,605,511,676	12,488,845,404	5,422,430,539	3,594,002,144
Depreciation	72,913,891	76,258,872	44,379,707	51,835,012
Amortisation of leasehold rights	97,069,078	94,590,985	97,069,078	94,590,985
Amortisation - others	8,759,367	4,959,367	8,759,367	4,959,367
Unrealised exchange gain	(773,889)	(1,864,925)	(162,720)	(267,157)
Share of profit from investments in associates	(1,059,885,137)	(943,151,875)	-	-
Income from forfeiture of booking and down payments	(8,722,651)	(11,444,809)	(960,825)	(194,773)
Interest income	(20,833,222)	(16,359,086)	(704,455,315)	(578,680,843)
Dividend income	-	-	(1,492,607,868)	(1,266,610,427)
Gain on sales of equipment	(388,472)	(2,012,435)	(193,165)	(2,047,602)
Gain on sale of residential assets	-	(139,879,477)	-	(139,879,477)
Provision for loss arising from litigation	2,230,000	-	2,230,000	-
Provision for loss arising from guarantee of minimum rental income of projects	30,900,000	65,033,513	45,000,000	94,709,000
Provision for loss on diminution in value of projects	124,600	-	-	-
Reversal of provision for loss on diminution in value of projects	(43,479,753)	(39,983,296)	(43,479,753)	(39,983,296)
Provision for long-term employee benefits	17,080,719	15,542,678	10,843,314	10,031,915
Interest expenses	227,838,483	186,337,933	749,700,233	633,252,580
Income from operating activities before changes in operating assets and liabilities	16,885,910,830	15,720,045,024	6,725,738,249	4,298,064,662
Decrease (increase) in operating assets				
Trade and other receivables	17,202,249	(3,403,115)	30,481,037	17,129,033
Land and construction in progress	(8,574,884,104)	(7,652,711,742)	(2,441,805,793)	(2,398,792,603)
Advance for construction work	(581,213,730)	288,769,994	22,376,509	(15,692,265)
Advance for construction material	55,982,112	(7,759,488)	45,283,578	(36,417,665)
Other current assets	(10,060,278)	160,175,902	538,588	109,049,559
Land and project development costs	(9,191,217,764)	(3,644,385,700)	(2,669,478,406)	(209,587,836)
Deposits for purchase of land	(560,712,429)	(317,259,000)	-	-
Other non-current assets	(8,864,045)	(3,522,679)	(2,913,293)	244,175
Increase (decrease) in operating liabilities				
Trade and other payables	115,111,947	104,871,961	25,156,645	(55,015,984)
Advance from customers	(46,424,134)	169,009,602	(126,180,332)	332,377,107
Deposits for rental and service	2,592,710	923,809	6,699,818	2,199,316
Retention guarantees	93,943,873	97,574,585	38,227,667	43,650,968
Other current liabilities	181,835,267	202,393,965	25,791,716	69,231,209
Paid for loss arising from guarantee of minimum rental income of projects	(83,459,823)	(88,663,699)	(83,459,823)	(88,663,699)
Paid for litigation compensation	-	(10,500,000)	-	(10,500,000)
Paid for long-term employee benefits	(12,002,933)	(13,188,500)	(11,975,200)	(13,188,500)
<b>Cash flows from (used in) operating activities</b>	<b>(1,716,260,252)</b>	<b>5,002,370,919</b>	<b>1,584,480,960</b>	<b>2,044,087,477</b>
Cash paid for interest expenses	(972,409,813)	(831,992,819)	(982,197,803)	(850,617,635)
Cash paid for income tax	(792,273,214)	(886,369,631)	(176,200,713)	(538,223,633)
<b>Net cash flows from (used in) operating activities</b>	<b>(3,480,943,279)</b>	<b>3,284,008,469</b>	<b>426,082,444</b>	<b>655,246,209</b>

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 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Cash flows from investing activities</b>				
Decrease (increase) in restricted deposits at financial institutions	3,122,693	(388,918)	3,790,031	(284,159)
Dividend received from subsidiaries	-	-	1,113,589,932	900,000,000
Dividend received from associates	379,017,936	366,610,427	379,017,936	366,610,427
Cash paid for purchases of investments in associates	(199,989,586)	(87,918,480)	(199,989,586)	(87,918,480)
Decrease (increase) in long-term loans to related parties	(1,246,393)	(25,484,722)	(5,648,938,787)	707,554,254
Interest income	20,833,222	16,359,086	707,241,501	578,682,111
Cash received from sale of residential assets	-	326,595,977	-	326,595,977
Increase in leasehold rights (net of disposals)	(17,387,562)	(14,901,293)	(17,387,562)	(14,901,293)
Increase in property, plant and equipment (net of disposals)	(293,408,991)	(79,479,966)	(15,851,064)	(30,849,477)
<b>Net cash flows from (used in) investing activities</b>	<b>(109,058,681)</b>	<b>501,392,111</b>	<b>(3,678,527,599)</b>	<b>2,745,489,360</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans from financial institutions	1,000,000,000	(700,000,000)	1,000,000,000	(700,000,000)
Increase (decrease) in short-term loans	675,000,000	(4,265,000,000)	675,000,000	(4,265,000,000)
Increase (decrease) in short-term loan from related company	-	-	(84,137,559)	19,128,703
Cash received from long-term loans	2,100,724,800	-	1,691,000,000	-
Repayment of long-term loans	(1,403,724,800)	(80,001,000)	(994,000,000)	-
Increase in long-term loan from related parties	-	-	30,000,000	20,270,772
Cash received from issuance of debentures	6,500,000,000	5,000,000,000	6,500,000,000	5,000,000,000
Cash paid for redemption of debentures	(3,985,000,000)	(2,015,000,000)	(3,985,000,000)	(2,015,000,000)
Dividend paid	(1,469,134,026)	(1,744,882,747)	(1,469,134,026)	(1,744,882,747)
<b>Net cash flows from (used in) financing activities</b>	<b>3,417,865,974</b>	<b>(3,804,883,747)</b>	<b>3,363,728,415</b>	<b>(3,685,483,272)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(172,135,986)</b>	<b>(19,483,167)</b>	<b>111,283,260</b>	<b>(284,747,703)</b>
Cash and cash equivalents at beginning of year	1,630,327,013	1,649,810,180	478,376,890	763,124,593
<b>Cash and cash equivalents at end of year</b>	<b>1,458,191,027</b>	<b>1,630,327,013</b>	<b>589,660,150</b>	<b>478,376,890</b>
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Transfer of land and project development costs to land and construction in progress	6,703,992,170	5,029,476,365	584,940,659	1,358,593,501
Transfer of deposit for purchase of land to land and project development costs	317,259,000	9,922,500	-	-
Interest expenses recorded as cost of projects	784,659,343	667,724,214	271,449,502	237,745,237
Transfer of short-term provision to other payable - related party	26,354,362	29,453,522	26,354,362	29,453,522
Actuarial gains - net of income taxes	10,239,033	-	8,720,995	-
Increase (decrease) in share of other comprehensive income of associates - net of income taxes	1,088,157	(80,315,723)	-	-

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 2014

### 1. General 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 Thai Financial Reporting 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”):

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
			%	%
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	100
The Confidence Co., Ltd.*	Real estate development	Thailand	-	-

Subsidiary companies	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
			%	%
Q.H. Management Co., Ltd (19% held through The Confidence Co., Ltd.)	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	-	-
Q. HOUSE PRECAST Co., Ltd.* (Formerly known as "Idea Fitting Co., Ltd.")	Manufacture and distribution precast concrete	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 financial reporting standards

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

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

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

Financial Reporting Standards:

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

Accounting Standard Interpretations:

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

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies

TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

#### Accounting Treatment Guidance for Stock Dividend

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

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

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

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

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

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

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

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 Consolidated and Separate Financial Statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it



holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

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

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

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

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

Based on the preliminary analysis, the management of the Company and its subsidiaries believes that this standard will not have any significant impact on the Company's and its subsidiaries' financial statements.

## **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 contracts.

(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 profit or loss 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 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.
- b) 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).
- c) Investments in associates are accounted for in consolidated financial statements using the equity method.

d) 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 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 in profit or loss.

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

Depreciation of buildings and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Land improvement	-	10 years
Leasehold improvement	-	5 - 20 years
Buildings and building improvement	-	5 - 60 years
Equipment and operating equipment	-	1 - 5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

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 Deferred financial fees**

Financial expenses related to borrowings that are typically incurred on or before signing facility agreements and before actual draw down of the loans are recorded as deferred financial fees. A portion of deferred financial fees proportionate to the amount of the loan facility already drawn is presented as a deduction against the related loan account and amortised using the effective interest rate method over the term of the loans.

The amortisation of deferred financial fees is included in profit or loss.

#### **4.12 Related party transactions**

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

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

#### **4.13 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.

#### **4.14 Foreign currencies**

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

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 determining income.

#### **4.15 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 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.

#### **4.16 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-employment benefits*

##### Defined contribution plans

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

##### Defined benefit plans

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

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

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

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

#### **4.17 Provisions**

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

#### **4.18 Income tax**

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

##### **Current tax**

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

#### **Deferred tax**

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

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

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

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

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

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

#### **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 judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

#### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement 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 judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

**Impairment of equity investments**

The Company and its subsidiaries treat available-for-sale investments and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement 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 judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

**Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

**Project development costs estimation**

In calculating cost of land and houses sold and cost of residential condominium units sold, the Company and its subsidiaries have to estimate all project development costs, comprising land and land improvement costs, design and construction costs, public utility costs, borrowing costs and other related costs. The management estimates these costs based on their business experience and 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/housing maintenance**

In estimating the Company's and subsidiaries' provision for public utilities maintenance/housing 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 judgement 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		Separate		Transfer pricing policy
	financial statements		financial statements		
	2014	2013	2014	2013	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of land	-	-	18	-	Approximately cost
Interest income	-	-	691	570	3.90% to 4.63% and MLR per annum
Rental and service income	-	-	1	1	Market price
Other service expenses	-	-	33	26	Market price
Building management income	-	-	-	2	Contract value
Other service income	-	-	-	2	Contract value
Dividend income	-	-	1,114	900	As declared
Interest expenses	-	-	16	19	3.90% to 4.40% and MLR minus certain rates per annum
<u>Transactions with associates</u>					
Material cost	48	29	11	12	Wholesale price charged by the related company to third parties
Rental expenses	228	243	30	33	Contract value
Bank charge	2	1	1	1	Market price
Rental and service income	44	28	44	28	Market price
Provision for loss arising from guarantee of minimum rental income of projects	31	65	45	95	Contract value
Building management income	28	26	8	8	1% of gross property operating revenue and 2.4% of net property profit
Interest income	17	12	13	7	0.875% to 2.85% per annum
Dividend income	-	-	379	367	As declared
Sales of assets	3	-	3	-	Market price
Other service expenses	4	19	-	-	Contract value
<u>Transactions with related companies</u>					
Lease of land and building	17	75	-	-	Contract value which compared to the amounts as estimated by independent consultant
Material cost	72	62	20	19	Market price
Interest income	2	1	-	-	LIBOR+2.00%, LIBOR+3.00% and 8.00% per annum
Other service fee	11	24	-	-	Contract value
Rental and service income	8	5	8	5	Market price
Sales of condominium units	20	19	20	19	Market price
Building management income	66	29	3	8	Contract value
Other service income	3	52	1	51	Contract value

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Deposits at financial institutions (shown under cash and cash equivalents)</b>				
Associate				
Land and Houses Bank Plc.	905,978	1,071,916	362,206	313,033
<b>Trade and other receivables - related parties</b>				
<u>Trade accounts receivable - related parties</u>				
Subsidiaries	-	-	109	61
Associates	114	74	97	3
Related companies (Common directors or common shareholders)	554	800	554	800
Total trade accounts receivable - related parties	668	874	760	864
<u>Other receivables - related parties</u>				
<i>Other receivables:</i>				
Subsidiaries	-	-	590	8,118
Associates	2,480	2,810	738	685
Related companies (Common Directors or common shareholders)	29,595	29,812	5,149	25,824
	32,075	32,622	6,477	34,627
<i>Advance:</i>				
Subsidiary	-	-	1,602	1,448
Associate	375	375	375	375
Total other receivables - related parties	32,450	32,997	8,454	36,450
<b>Total</b>	<b>33,118</b>	<b>33,871</b>	<b>9,214</b>	<b>37,314</b>
<b>Deposit for rental and service (shown under other non-current assets)</b>				
Associate	6,610	6,012	6,610	6,012
<b>Trade and other payables - related parties</b>				
<u>Trade accounts payable - related parties</u>				
Subsidiary	-	-	12,332	3,903
Associates	5,112	6,808	699	1,885
Related companies (Common directors or common shareholders)	13,624	13,774	3,604	4,498
Total trade accounts payables - related parties	18,736	20,582	16,635	10,286
<u>Other payables - related parties</u>				
Subsidiary	-	-	415	69
Associate	26,354	29,453	26,354	29,453
Related companies (Common directors or common shareholders)	-	1,494	-	-
Total other payables - related parties	26,354	30,947	26,769	29,522
<b>Total</b>	<b>45,090</b>	<b>51,529</b>	<b>43,404</b>	<b>39,808</b>
<b>Advance received from customers - related parties</b>				
Related persons	7,549	4,123	7,476	4,123

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Deposit for rental and service - related parties</b>				
Subsidiaries	-	-	5	805
Associate	4,590	755	4,590	755
Related companies (Common directors or common shareholders)	1,661	-	1,661	-
<b>Total</b>	<b>6,251</b>	<b>755</b>	<b>6,256</b>	<b>1,560</b>
<b>Accrued expenses - related parties (shown under other current liabilities)</b>				
Subsidiary	-	-	315	1,461
Associates	63,684	54,307	293	371
Related companies (Common directors or common shareholders)	-	4,148	-	-
<b>Total</b>	<b>63,684</b>	<b>58,455</b>	<b>608</b>	<b>1,832</b>
<b>Rental income received in advance - related party</b>				
Associate (Note 6.3)				
Current portion	27,224	27,224	27,224	27,224
Non-current portion	568,690	595,857	568,690	595,857
<b>Total</b>	<b>595,914</b>	<b>623,081</b>	<b>595,914</b>	<b>623,081</b>
<b>Provision for liabilities arising from guarantee of minimum rental income - related company (shown under provision)</b>				
Associate	52,730	88,091	52,730	88,091

(Unit: Thousand Baht)

	Consolidated		Separate		Interest policy (% p.a.)
	financial statements		financial statements		
	2014	2013	2014	2013	
<b>Long-term loans to and interest receivables - related parties</b>					
<u>Subsidiaries</u>					
Q.H. International (BVI) Co., Ltd.	-	-	1,544	1,486	MLR
Casa Ville Co., Ltd.	-	-	19,682,940	14,038,709	3.90%, 4.10% and 4.40%
Property Host Co., Ltd.	-	-	2,026	-	4.63%
<u>Related party</u>					
Harbour View Joint Stock Company (Common directors)	37,951	35,931	-	-	LIBOR+2.00%, LIBOR+3.00% and 8.00%
<b>Total</b>	<b>37,951</b>	<b>35,931</b>	<b>19,686,510</b>	<b>14,040,195</b>	

(Unit: Thousand Baht)

	Consolidated		Separate		Interest policy (% p.a.)
	financial statements		financial statements		
	2014	2013	2014	2013	
<b>Short-term loan from and accrued interest - related party</b>					
<u>Subsidiary</u>					
Q.H. International Co., Ltd.	-	-	72,007	156,351	3.90%, 4.10% and 4.40%
<b>Long-term loans from and accrued interest - related parties</b>					
<u>Subsidiaries</u>					
Q.H. Management Co., Ltd.	-	-	261,840	256,802	3.90%, 4.40% and MLR 1.00%
Centre Point Hospitality Co., Ltd.	-	-	40,045	16,013	4.10%
<b>Total</b>	<b>-</b>	<b>-</b>	<b>301,885</b>	<b>272,815</b>	

During the year 2014, the movements of loans to and interest receivables and loans from and accrued interest with related parties were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	1 January 2014	Increase	Decrease	31 December 2014
	<b>Long-term loan to and interest receivables - related party</b>			
<u>Related party</u>				
Harbour View Joint Stock Company	35,931	2,020	-	37,951

(Unit: Thousand Baht)

	Separate financial statements			
	1 January 2014	Increase	Decrease	31 December 2014
	<b>Long-term loans to and interest receivables - related parties</b>			
<u>Subsidiaries</u>				
Q.H. International (BVI) Co., Ltd.	1,486	58	-	1,544
Casa Ville Co., Ltd.	14,038,709	11,967,231	(6,323,000)	19,682,940
Centre Point Hospitality Co., Ltd.	-	41,125	(41,125)	-
Property Host Co., Ltd.	-	6,026	(4,000)	2,026
<b>Total</b>	<b>14,040,195</b>	<b>12,014,440</b>	<b>(6,368,125)</b>	<b>19,686,510</b>
<b>Short-term loan from and accrued interest - related party</b>				
<u>Subsidiary</u>				
Q.H. International Co., Ltd.	156,351	100,242	(184,586)	72,007
<b>Long-term loans from and accrued interest - related parties</b>				
<u>Subsidiaries</u>				
Q.H. Management Co., Ltd.	256,802	18,169	(13,131)	261,840
Centre Point Hospitality Co., Ltd.	16,013	129,389	(105,357)	40,045
<b>Total</b>	<b>272,815</b>	<b>147,558</b>	<b>(118,488)</b>	<b>301,885</b>

Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Short-term employee benefits	63	53	63	53
Post-employment benefits	26	2	26	2
Total	89	55	89	55

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related party and provision of financial support to its subsidiaries, as described in Notes 20 and 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)

	Counterparty	Contract amount	
		2014	2013
a) Agreement relating to the lease of building and assets - Centre Point Hotel Ploenchit (formerly known as "Centre Point Hotel and Residence Wireless Road")	Land and Houses Property and Loan Fund-II	- *	151*
b) Agreement to lease immovable properties - Q. House Ploenchit Project	Quality Houses Leasehold Property Fund	819	819
c) Agreement relating to the lease and sublease of building and assets - Centre Point Hotel Pratunam, Sukhumvit 10 and Chidlom (formerly known as "Centre Point Hotel and Residence Petchburi, Sukhumvit and Langsuan")	Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	504**	504**

\* Contract amount is calculated based on minimum rental fee (The agreement was terminated on 31 August 2014).

\*\* Contract amount is not included variable rental fee.

- 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	
	2014	2013	2014	2013
Cash	8,795	12,340	2,733	7,183
Bank deposits	1,449,396	1,617,987	586,927	471,194
Total	1,458,191	1,630,327	589,660	478,377

As at 31 December 2014, bank deposits in current accounts, saving accounts and fixed deposits carried interests between 0.10% and 2.85% per annum (2013: between 0.10% and 2.50% per annum).

## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<u>Trade receivables - related parties</u> (Note 6)				
Aged of receivables				
Up to 3 months	668	874	760	864
Total trade receivables - related parties	668	874	760	864
<u>Trade receivables - unrelated parties</u>				
Aged of receivables				
Up to 3 months	27,821	35,480	10,160	7,523
3 - 6 months	912	5,193	3	2,764
6 - 12 months	182	109	162	20
Over 12 months	-	505	-	2
Total	28,915	41,287	10,325	10,309
Less: Allowance for doubtful debts	-	(290)	-	-
Total trade receivables - unrelated parties, net	28,915	40,997	10,325	10,309
Total trade receivables - net	29,583	41,871	11,085	11,173

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<u>Other receivables</u>				
Advance to related parties (Note 6)	375	375	1,977	1,823
Other receivables - related parties (Note 6)	32,075	32,622	6,477	34,627
Other receivables - unrelated parties	11,943	16,310	1,157	3,554
Total other receivables	44,393	49,307	9,611	40,004
Total trade and other receivables - net	73,976	91,178	20,696	51,177

## 9. Land and construction in progress

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Land	12,047,402	11,087,299	3,375,362	4,492,907
Interest cost	1,703,767	1,679,697	767,148	834,500
Construction under development	11,333,067	9,969,205	3,080,880	4,073,098
Total	25,084,236	22,736,201	7,223,390	9,400,505
Less: Provision for loss on diminution in value of projects	(134,916)	(178,396)	(134,916)	(178,396)
Land and construction in progress - net	24,949,320	22,557,805	7,088,474	9,222,109

During the current year, the Company and its subsidiaries included borrowing costs of Baht 675 million as cost of "Land and construction in progress" (the Company only: Baht 219 million) (2013: Baht 627 million, the Company only: Baht 235 million). These were determined by applying a capitalisation rate of 3.4% (the Company only: 1.2%) (2013: 3.1%, the Company only: 1.1%).

Movements in the provision for loss on diminution in value of projects during the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated and separate	
	financial statements	
	2014	2013
Balance at beginning of year	178,396	64,439
Transfer of provision from land and project development costs	-	153,940
Provision reversal according to revenue recognition during the year	(43,480)	(39,983)
Balance at end of year	134,916	178,396



The Company and its subsidiaries have mortgaged certain plots of land and structures thereon with net book values as at 31 December 2014 amounting to Baht 4,142 million (the Company only: Baht 1,633 million) (2013: Baht 4,294 million, the Company only: Baht 1,149 million) as collateral for credit facilities granted by banks.

Additional information of the Company and its subsidiaries' projects.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Total estimated sales value of projects on hand of which contracts have been signed	124,505	104,775	44,636	45,058
Total value of contracts signed according to the letters reserving plots of land and structures thereon	68,543	60,598	28,462	28,689
Percentage of total estimated sales value of projects	55%	58%	64%	64%
Total value of contracts signed according to the letters reserving plots of land and structures thereon not yet recognised as income	3,838	9,407	1,159	5,853

## 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:

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholdings		Cost		Dividend received	
	2014	2013	2014	2013	2014	2013	2014	2013
		(%)	(%)					
Casa Ville Co., Ltd.	3,000,000	3,000,000	100	100	2,999,999	2,999,999	1,004,100	900,000
Q.H. International Co., Ltd.	76,836	76,836	100	100	76,836	76,836	109,490	-
Property Host Co., Ltd.	5,000	5,000	100	100	5,000	5,000	-	-
Centre Point Hospitality Co., Ltd.	5,000	5,000	100	100	4,999	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	-	-	-	-	-	-
Q.HOUSE PRECAST Co., Ltd.* (Formerly known as "Idea Fitting Co., Ltd.")	5,000	5,000	-	-	-	-	-	-
Gusto Village Co., Ltd.*	500,000	5,000	-	-	-	-	-	-
Casa Ville (Chonburi 2554) Co., Ltd.*	5,000	5,000	-	-	-	-	-	-
Casa Ville (Prachuapkhirkhan 2554) Co., Ltd.*	5,000	5,000	-	-	-	-	-	-
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	-	-	-	-	-	-
Total					<u>3,393,027</u>	<u>3,393,027</u>	<u>1,113,590</u>	<u>900,000</u>

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

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

#### Gusto Village Co., Ltd.

In June 2014, Gusto Village Co., Ltd. increased its registered share capital from Baht 5 million to Baht 500 million through the issuance of 4,950,000 new ordinary shares with a par value of Baht 100 each. Casa Ville Co., Ltd. purchased all of these new ordinary shares for a total of Baht 495 million to maintain its shareholding.

## 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		Cost		Carrying amounts based	
			percentage				on equity method	
			2014	2013	2014	2013	2014	2013
			(%)	(%)				
Quality Houses Leasehold Property Fund <sup>(1)</sup>	Investment in immovable properties	Thailand	26	26	2,017,695	2,017,695	1,279,821	1,301,409
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund <sup>(2)</sup>	Investment in immovable properties	Thailand	31	31	1,052,800	1,052,800	444,353	479,383
Home Product Center Plc.	Trading	Thailand	20	20	759,959	650,819	3,335,167	2,637,759
LH Financial Group Plc. (held 100% in Land and Houses Bank Plc.)	Holding company	Thailand	21	21	2,849,800	2,758,950	3,474,925	3,219,670
<b>Total</b>					<b>6,680,254</b>	<b>6,480,264</b>	<b>8,534,266</b>	<b>7,638,221</b>

<sup>(1)</sup> Carrying amounts are based on equity method, and presented net of unrealised gain on sales of building and transfer of leasehold rights to land of Q. House Lumpini project to the Fund.

<sup>(2)</sup> Carrying amounts are based on equity method, and presented net of unrealised gain on sales of properties of Centre Point Hotel Pratunam and Centre Point Hotel Sukhumvit 10, and transfer of leasehold rights to building of Centre Point Hotel Chidlom, 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 percentage		Cost	
			2014	2013	2014	2013
			(%)	(%)		
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	31	1,052,800	1,052,800
Home Product Center Plc.	Trading	Thailand	20	20	759,959	650,819
LH Financial Group Plc. (held 100% in Land and Houses Bank Plc.)	Holding company	Thailand	21	21	2,849,800	2,758,950
Total					6,680,254	6,480,264

## 12.2 Share of profit (loss) and dividend received

During the year, the Company has summarised its share of profit (loss) from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	For the year ended 31 December					
	Consolidated financial statements				Separate financial statements	
	Share of income from investments in associates		Share of other comprehensive income of associates		Dividend received	
	2014	2013	2014	2013	2014	2013
Quality Houses Leasehold Property Fund	128,524	121,929	-	-	150,112	148,885
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	28,777	31,762	-	-	77,907	73,759
Home Product Center Plc.	648,509	606,473	-	-	60,241	56,136
LH Financial Group Plc.	254,075	182,988	1,088	(80,316)	90,758	87,830
Total	1,059,885	943,152	1,088	(80,316)	379,018	366,610

## 12.3 Fair value of investments in listed associates

In respect of investments in associates 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	
	2014	2013
Quality Houses Leasehold Property Fund	1,892	1,830
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	884	969
Home Product Center Plc.	20,088	17,632
LH Financial Group Plc.	5,520	3,325
Total	28,384	23,756

## 12.4 Summarised financial information of associates

Financial information of the associates is summarised below:

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues for the year		Profit for the year	
	as at 31 December		as at 31 December		as at 31 December		ended 31 December		ended 31 December	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Quality Houses Leasehold Property Fund	7,863	7,863	9,042	8,907	338	316	1,056	1,004	698	584
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund	3,360	3,360	3,585	3,740	2	3	280	268	94	494
Home Product Center Plc.	12,329	9,590	44,313	35,942	28,611	23,225	51,209	42,830	3,313	3,068
LH Financial Group Plc.	13,199	12,716	164,970	149,099	148,684	134,078	8,400	7,085	1,201	893

**Quality Houses Leasehold Property Fund**

On 18 February 2015, the meeting of the Investment Committee of Quality Houses Leasehold Property Fund approved the payment of a dividend of Baht 0.18 per share to its unitholders from the operating results for the period as from 1 October 2014 to 31 December 2014. The dividend is to be paid on 21 March 2015.

**Quality Houses Hotel and Residence Freehold and Leasehold Property Fund**

On 2 October 2013, the meeting of unitholders of Quality Houses Hotel and Residence Freehold and Leasehold Property Fund approved the allotment of approximately 45 - 69 million of the additional investment units to be offered for sale to be offered to existing unitholders, proportionately to their unitholding (Rights Offering). Subsequently, in December 2014, the meeting of unitholders approved to cancel the issuing and offering the additional investment units.

**Home Product Center Plc.**

During the year 2013, the warrant holders of Home Product Center Plc. converted 1.2 million warrants to 4.6 million ordinary shares. The Company's shareholding in Home Product Center Plc. remained at 20%.

On 5 April 2013, the Annual General Meeting of the shareholders of Home Product Center Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 6 existing shares, or equivalent to Baht 0.1667 per share, and a cash dividend of Baht 0.0186 per share. The Company received 232 million shares and Baht 26 million on 30 April 2013.

On 22 October 2013, the Extraordinary General Meeting of the shareholders of Home Product Center Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 6 existing shares, or equivalent to Baht 0.1667 per share, and a cash dividend of Baht 0.0186 per share. The Company received 271 million shares and Baht 30 million on 15 November 2013.

On 10 April 2014, the Annual General Meeting of the shareholders of Home Product Center Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 7 existing shares, or equivalent to Baht 0.1429 per share, and a cash dividend of Baht 0.0159 per share. The Company received 271 million shares and Baht 30 million on 8 May 2014.

Subsequently, on 15 October 2014, the Extraordinary General Meeting of the shareholders of Home Product Center Plc. approved the payment of dividend to its shareholders. This comprised a stock dividend at a rate of 1 dividend share for every 8 existing shares, or equivalent to Baht 0.125 per share, and payment of a cash dividend of Baht 0.013889 per share. The Company received 271 million shares and Baht 30 million on 13 November 2014.

In addition, during the current year, the Company acquired an additional 12 million ordinary shares of Home Product Center Plc. for a total of Baht 109 million.

**LH Financial Group Plc.**

During the year 2013, the warrant holders of LH Financial Group Plc. converted 318 million warrants to 330 million ordinary shares. The Company's shareholding in LH Financial Group Plc. decreased to 21%.

On 22 April 2013, the Annual General Meeting of the shareholders of LH Financial Group Plc. approved the allotment of new ordinary shares to be offered to its existing shareholders in a ratio of 1 new share for every 30 existing shares, at a price of Baht 1 per share. The Company received 88 million of new ordinary shares from this allotment, or a total of Baht 88 million and made payment for such shares on 22 May 2013.

During the current year, the warrant holders of LH Financial Group Plc. converted 56 million warrants to 59 million ordinary shares. The Company's shareholding in LH Financial Group Plc. remained at 21%.

On 21 April 2014, the Annual General Meeting of the shareholders of LH Financial Group Plc. approved the allotment of new ordinary shares to be offered to its existing shareholders in a ratio of 1 new share for every 30 existing shares, at a price of Baht 1 per share. The Company received 91 million of new ordinary shares for this allotment, or a total of Baht 91 million and made payment for such shares on 27 May 2014.

**13. Other long-term investments**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Investments in marketable equity securities</b>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>Investment in other company</b>				
(Held by Q.H. International (BVI) Co., Ltd.)				
Harbour View Joint Stock Company				
(Registered in Vietnam)	32,599	32,599	-	-
Less: Allowance for impairment of investment	<u>(32,599)</u>	<u>(32,599)</u>	<u>-</u>	<u>-</u>
<b>Investment in other company - net</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other long-term investments</b>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>

As discussed in Note 31.7, the Company has an outstanding obligation in respect of loan guarantees provided on behalf of Harbour View Joint Stock Company, 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 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	2014	2013
<b>Office building for rent</b>		
Cost	888,957	888,957
Less: Accumulated depreciation	(301,301)	(280,294)
Less: Allowance for diminution in value	(88,147)	(94,226)
Net book value - net	<u>499,509</u>	<u>514,437</u>

A reconciliation of the net book value of investment properties for the years 2014 and 2013 is presented below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements
Net book value at 1 January 2013	529,365
Depreciation charged	<u>(14,928)</u>
Net book value at 31 December 2013	514,437
Depreciation charged	<u>(14,928)</u>
Net book value at 31 December 2014	<u><u>499,509</u></u>

As at 31 December 2014, the net book value of rental income received in advance from lessee amounting to Baht 596 million (2013: Baht 623 million), and the fair value of investment properties as determined based on valuations performed by an accredited independent valuer was Baht 848 million (2013: Baht 828 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 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						Total
	Land and land improvement	Leasehold improvement	Buildings and building improvement	Equipment and operating equipment	Motor vehicles	Assets under installation	
<u>Cost</u>							
1 January 2013	362,896	59,119	153,920	618,015	48,827	266	1,243,043
Purchase	1,364	1,087	589	35,050	45,563	-	83,653
Disposals/write-off	(107,168)	(45,049)	(137,458)	(153,948)	(9,455)	-	(453,078)
31 December 2013	257,092	15,157	17,051	499,117	84,935	266	873,618
Purchase	72,647	4,994	49	41,829	4,392	190,374	314,285
Transfer in (out)	-	1,976	3,020	42,614	-	(47,610)	-
Disposals/write-off	-	(4,555)	(3,268)	(90,143)	(10,100)	(6,406)	(114,472)
31 December 2014	329,739	17,572	16,852	493,417	79,227	136,624	1,073,431
<u>Accumulated depreciation</u>							
1 January 2013	3,571	34,981	76,653	484,550	33,736	-	633,491
Depreciation for the year	495	1,724	1,278	48,365	9,469	-	61,331
Depreciation for disposals/ write-off	-	(27,474)	(72,189)	(134,172)	(8,365)	-	(242,200)
31 December 2013	4,066	9,231	5,742	398,743	34,840	-	452,622
Depreciation for the year	622	1,685	805	41,889	12,985	-	57,986
Depreciation for disposals/ write-off	-	(833)	(419)	(87,353)	(5,381)	-	(93,986)
31 December 2014	4,688	10,083	6,128	353,279	42,444	-	416,622
<u>Allowance for impairment</u>							
1 January 2013	103,873	-	-	-	-	-	103,873
Decrease during the year	(22,000)	-	-	-	-	-	(22,000)
31 December 2013	81,873	-	-	-	-	-	81,873
Decrease during the year	-	-	-	-	-	-	-
31 December 2014	81,873	-	-	-	-	-	81,873
<u>Net book value</u>							
31 December 2013	171,153	5,926	11,309	100,374	50,095	266	339,123
31 December 2014	243,176	7,489	10,724	140,138	36,783	136,624	574,934
<b>Depreciation for the year</b>							
2013 (Baht 21 million included in cost of rental and services, and the balance in administrative expenses)							61,331
2014 (Baht 11 million included in cost of rental and services, and the balance in administrative expenses)							57,986

(Unit: Thousand Baht)

	Separate financial statements						
	Land and land improvement	Leasehold improvement	Buildings and building improvement	Equipment and operating equipment	Motor vehicles	Assets under installation	Total
<u>Cost</u>							
1 January 2013	362,832	56,186	150,653	536,476	24,769	265	1,131,181
Purchase	-	9	589	13,884	20,416	-	34,898
Disposals/write-off	(107,168)	(45,049)	(137,458)	(152,453)	(7,956)	-	(450,084)
31 December 2013	255,664	11,146	13,784	397,907	37,229	265	715,995
Purchase	-	-	-	19,140	1,024	7,821	27,985
Disposals/write-off	-	(1,000)	-	(76,600)	(7,344)	(6,406)	(91,350)
31 December 2014	255,664	10,146	13,784	340,447	30,909	1,680	652,630
<u>Accumulated depreciation</u>							
1 January 2013	3,513	34,456	76,452	454,147	17,989	-	586,557
Depreciation for the year	486	1,544	1,114	29,446	4,318	-	36,908
Depreciation for disposals/ write-off	-	(27,474)	(72,189)	(132,772)	(6,932)	-	(239,367)
31 December 2013	3,999	8,526	5,377	350,821	15,375	-	384,098
Depreciation for the year	486	1,014	689	21,592	5,671	-	29,452
Depreciation for disposals/ write-off	-	(163)	-	(76,573)	(2,672)	-	(79,408)
31 December 2014	4,485	9,377	6,066	295,840	18,374	-	334,142
<u>Allowance for impairment</u>							
1 January 2013	103,873	-	-	-	-	-	103,873
Decrease during the year	(22,000)	-	-	-	-	-	(22,000)
31 December 2013	81,873	-	-	-	-	-	81,873
Decrease during the year	-	-	-	-	-	-	-
31 December 2014	81,873	-	-	-	-	-	81,873
<u>Net book value</u>							
31 December 2013	169,792	2,620	8,407	47,086	21,854	265	250,024
31 December 2014	169,306	769	7,718	44,607	12,535	1,680	236,615
<b>Depreciation for the year</b>							
2013 (Baht 16 million included in cost of rental and services, and the balance in administrative expenses)							36,908
2014 (Baht 8 million included in cost of rental and services, and the balance in administrative expenses)							29,452

On 21 February 2013, the Company entered into agreement to purchase and to sell, whereby it agreed to sell the land, building, related systems, furniture and equipment of Serviced Apartment Centre Point Saladaeng Project to third party, for total considerations of Baht 340 million (including value added tax). The Company registered the transfer of the ownership of the property to buyer on 28 March 2013. The Company had gain on the sale of property of that project amounting to Baht 140 million (net of related selling expenses). The Company recognised this transaction in profit or loss for the year 2013.

As at 31 December 2014, certain plant and equipment items of the Company and its subsidiaries were 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 309 million (the Company only: Baht 288 million) (2013: Baht 325 million, the Company only: Baht 297 million).

## 16. Leasehold rights

(Unit: Thousand Baht)

Projects	Consolidated and separate financial statements	
	2014	2013
Q. House Convent	332,949	349,776
Q. House Sathorn	490,369	502,270
Q. House Asoke	618,672	655,183
Centre Point Hotel Silom	1,031,746	1,026,680
Total	2,473,736	2,533,909
Less: Accumulated amortisation	(1,705,007)	(1,685,498)
Leasehold rights - net	768,729	848,411
Amortisation of leasehold rights for the year (included in cost of rental and related services)	97,069	94,591

During the current year, the Company wrote off leasehold rights that were fully amortised and not used, with cost of Baht 78 million (2013: Nil).

The Company has mortgaged its leasehold rights with structures thereon with a total net book value as at 31 December 2014 of Baht 373 million (2013: Baht 411 million) as collateral credit facilities granted by the banks.

On 20 August 2013, the meeting of the Company's Board of Directors approved in principle the transfer of the sub-leasehold right of the building of Centre Point Hotel Silom Project to Quality Houses Hotel and Residence Freehold and Leasehold Property Fund ("the Fund"), for an estimated consideration of

Baht 450 - 550 million. In addition, the Company may consider investing in up to 1/3 of the additional investment units of the Fund to be offered for sale and guaranteeing of the minimum rental revenue that the Fund should receive. Subsequently, on 18 November 2014, the meeting of the Company's Board of Directors approved to cancel the transfer of the sub-leasehold right and the investment of the additional units.

## 17. Land and project development costs

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Land	8,247,043	5,720,580	2,822,115	634,474
Interest cost	360,293	289,106	227,409	198,944
Construction under development	971,864	655,041	107,269	185,956
Total	9,579,200	6,664,727	3,156,793	1,019,374
Less: Provision for loss on diminution in value of projects	(84,158)	(84,033)	(84,033)	(84,033)
Land and project development costs - net	9,495,042	6,580,694	3,072,760	935,341

During the current year, the Company and its subsidiaries included borrowing costs of Baht 110 million (the Company only: Baht 53 million) (2013: Baht 40 million, the Company only: Baht 3 million) as cost of "Land and project development costs". These were determined by applying a capitalisation rate of 3.4% (the Company only: 1.2%) (2013: 3.1%, the Company only: 1.1%).

Movements in the provision for loss on diminution in value of projects during the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Balance at beginning of year	84,033	237,973	84,033	237,973
Additional provision during the year	125	-	-	-
Transfer of provision to land and construction in progress due to opening of projects for sale	-	(153,940)	-	(153,940)
Balance at end of year	84,158	84,033	84,033	84,033

The Company and its subsidiaries have mortgaged certain plots of land and structures thereon with net book values as at 31 December 2014 amounting to Baht 3,088 million (The Company only: Baht 2,502 million) (2013: Baht 253 million, the Company only: Nil) 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)

	Interest rate (% p.a.)	Repayment condition	Consolidated and separate financial statements	
			2014	2013
<b>Short-term loans from financial institutions</b>				
Promissory notes	2.65 - 3.18	Repayment per schedule within 1 year	1,000,000	-
<b>Short-term loans</b>				
Bills of exchange	2.43 - 2.96	Repayment per schedule within 1 year	1,000,000	325,000
Less: Prepaid interest			(8,141)	(1,642)
Net			991,859	323,358

## 19. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade payables - related parties (Note 6)	18,736	20,582	16,635	10,286
Trade payables - unrelated parties	771,806	668,847	185,359	167,162
Other payables - related parties (Note 6)	26,354	30,947	26,769	29,522
Other payables - unrelated parties	29,462	13,969	5,507	5,242
Accrued interest	203,468	148,047	203,468	148,047
Total trade and other payables	1,049,826	882,392	437,738	360,259

## 20. Long-term loans

(Unit: Thousand Baht)

	Interest rate (% p.a.)	Repayment schedule	Consolidated financial statements		Separate financial statements	
			2014	2013	2014	2013
- The security is under development and will generate income	MLR minus certain rates	Repayment when there is the transfer of ownership of real estate to project customers	697,000	-	697,000	-
Total			697,000	-	697,000	-
Less: Current portion			-	-	-	-
Long-term loans - net of current portion			697,000	-	697,000	-

Movements in the long-term loans account during the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Balance at beginning of year	-	80,001	-	-
Add: Additional borrowings during the year	2,100,725	-	1,691,000	-
Less: Repayment during the year	(1,403,725)	(80,001)	(994,000)	-
Balance at end of year	697,000	-	697,000	-

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. However, 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 subsidiaries, 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 2014, the long-term loan facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 3,442 million (2013: Baht 3,322 million).

## 21. Unsecured debentures

Type of debenture	Interest rate	Age	Maturity date	Consolidated and separate financial statements			
				Number of debentures (Units)		Amount (Thousand Baht)	
				2014	2013	2014	2013
<b>Unsubordinated and unsecured debentures</b>							
- 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	-	1,985,000	-	1,985,000
		6 months					
- No. 1/2011	Fixed rate of 3.90% p.a.	3 years	10 March 2014	-	2,000,000	-	2,000,000
- No. 2/2011							
- Tranche I	Years 1-2: Fixed rate of 4.70% p.a.	3 years	25 February 2015	1,600,000	1,600,000	1,600,000	1,600,000
	Remaining 1.5 years:	6 months					
	Fixed rate of 5.00% p.a.						
- Tranche II	Years 1-3: Fixed rate of 5.00% p.a.	5 years	25 August 2016	1,400,000	1,400,000	1,400,000	1,400,000
	Years 4-5: Fixed rate of 5.30% p.a.						
- No. 1/2012	Fixed rate of 4.59% p.a.	4 years	27 April 2016	2,212,000	2,212,000	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	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	2,000,000	2,000,000
- No. 1/2013							
- Tranche I	Fixed rate of 3.63% p.a.	3 years	9 May 2016	500,000	500,000	500,000	500,000
- Tranche II	Fixed rate of 4.16% p.a.	5 years	9 May 2018	2,500,000	2,500,000	2,500,000	2,500,000
- No. 2/2013	Fixed rate of 4.25% p.a.	3 years	22 November 2016	2,000,000	2,000,000	2,000,000	2,000,000
- No. 1/2014	Fixed rate of 3.80% p.a.	3 years	4 April 2017	2,000,000	-	2,000,000	-
- No. 2/2014	Fixed rate of 3.82% p.a.	3 years	8 August 2017	1,970,000	-	1,970,000	-
- No. 3/2014	Fixed rate of 3.84% p.a.	3 years	25 July 2017	530,000	-	530,000	-
- No. 4/2014	Fixed rate of 4.38% p.a.	5 years	8 August 2019	2,000,000	-	2,000,000	-
Total debentures - at face value				<u>22,512,000</u>	<u>19,997,000</u>	<u>22,512,000</u>	<u>19,997,000</u>
Less: Unamortised portion of deferred transaction costs						(8,834)	-
Debentures - net						<u>22,503,166</u>	<u>19,997,000</u>
Less: Current portion of debentures						<u>(4,600,000)</u>	<u>(3,985,000)</u>
Unsecured debentures - net of current portion						<u><u>17,903,166</u></u>	<u><u>16,012,000</u></u>

Movements in debentures accounts during the years ended 31 December 2014 and 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	2014	2013
Balance at beginning of year	19,997,000	17,012,000
Add: Issuance of debentures during the year	6,500,000	5,000,000
Less: Redemption of debentures during the year	(3,985,000)	(2,015,000)
Balance at end of year	<u>22,512,000</u>	<u>19,997,000</u>

All of unsecured debentures include covenants and restrictions. These pertain to, among other things, dividend payment and the maintenance of certain financial ratios.

On 11 April 2014, the Annual General Meeting of Shareholders No. 1/2014 passed the resolution to approve the issuance and offer of debentures in an amount of Baht 10,000 million, with a maximum term of 10 years, further to the previous debentures of Baht 20,000 million which was approved by the Annual General Meeting of Shareholders No. 1/2012. The total issue is thus not exceed Baht 30,000 million.

## 22. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Defined benefit obligation at</b>				
<b>beginning of year</b>	110,831	108,477	81,227	84,384
Current service cost	12,491	11,529	7,348	6,910
Interest cost	4,590	4,014	3,495	3,122
Benefits paid during the year	(12,003)	(13,189)	(11,975)	(13,189)
Actuarial gain	(12,799)	-	(10,901)	-
<b>Defined benefit obligation at end of year</b>	<u>103,110</u>	<u>110,831</u>	<u>69,194</u>	<u>81,227</u>



Long-term employee benefit expenses included in the profit or loss consist of the following:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Current service cost	12,491	11,529	7,348	6,910
Interest cost	4,590	4,014	3,495	3,122
Total expense recognised in profit or loss	17,081	15,543	10,843	10,032
Line items in profit or loss under which such expenses are included				
Selling and administrative expenses	17,081	15,543	10,843	10,032

As at 31 December 2014, cumulative actuarial gains (net of actuarial losses), which were recognised in other comprehensive income of the Company and its subsidiaries, amounted to Baht 0.1 million (the Company only: Baht 4.2 million) (2013: Losses of Baht 10.1 million, the Company only: Losses of Baht 4.4 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated and separate financial statements	
	2014	2013
	(% per annum)	(% per annum)
Discount rate	3.2	3.7
Future salary increase rate	6.0	6.0 - 10.0
Staff turnover rate (depending on age)	0 - 15.0	0 - 12.5

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

(Unit: Thousand Baht)

	Defined benefit obligations		Experience adjustments on the obligations	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2014	103,110	69,194	(12,799)	(10,901)
Year 2013	110,831	81,227	-	-
Year 2012	108,477	84,384	5,304	8,413
Year 2011	77,172	70,262	-	-
Year 2010	68,289	62,575	-	-

## 23. Provisions

(Unit: Thousand Baht)

Consolidated financial statements							
	Provision for public utility maintenance	Provision for housing maintenance	Compensation for Housing Estate Juristic Persons	Guarantee of Loan guarantee	Guarantee of minimum rental income (Note 6)	Litigation	Total
As at 1 January 2013	108,338	-	73,703	61,000	49,166	35,979	328,186
Increase during the year	38,219	-	26,213	-	94,709	-	159,141
Utilised	(6,281)	-	(8,021)	-	(55,784)	(10,500)	(80,586)
As at 31 December 2013	140,276	-	91,895	61,000	88,091	25,479	406,741
Increase during the year	47,598	64,180	27,293	-	45,000	2,230	186,381
Utilised	(5,400)	(21,366)	(3,061)	-	(80,361)	-	(110,188)
As at 31 December 2014	182,474	42,814	116,127	61,000	52,730	27,709	482,854
<b>2014</b>							
Current	182,474	42,814	116,127	-	52,730	-	394,145
Non-current	-	-	-	61,000	-	27,709	88,709
	182,474	42,814	116,127	61,000	52,730	27,709	482,854
<b>2013</b>							
Current	140,276	-	91,895	-	-	-	232,171
Non-current	-	-	-	61,000	88,091	25,479	174,570
	140,276	-	91,895	61,000	88,091	25,479	406,741

(Unit: Thousand Baht)

	Separate financial statements						
	Provision for public utility maintenance	Provision for housing maintenance	Compensation for Housing Estate Juristic Persons	Guarantee of Loan guarantee	Guarantee of minimum rental income (Note 6)	Litigation	Total
As at 1 January 2013	54,854	-	38,442	61,000	49,166	35,979	239,441
Increase during the year	13,711	-	8,677	-	94,709	-	117,097
Utilised	(3,603)	-	(6,945)	-	(55,784)	(10,500)	(76,832)
As at 31 December 2013	64,962	-	40,174	61,000	88,091	25,479	279,706
Increase during the year	15,756	21,123	5,229	-	45,000	2,230	89,338
Utilised	(270)	(6,134)	-	-	(80,361)	-	(86,765)
As at 31 December 2014	80,448	14,989	45,403	61,000	52,730	27,709	282,279
<b>2014</b>							
Current	80,448	14,989	45,403	-	52,730	-	193,570
Non-current	-	-	-	61,000	-	27,709	88,709
	80,448	14,989	45,403	61,000	52,730	27,709	282,279
<b>2013</b>							
Current	64,962	-	40,174	-	-	-	105,136
Non-current	-	-	-	61,000	88,091	25,479	174,570
	64,962	-	40,174	61,000	88,091	25,479	279,706

During the current year, the Company has reviewed the adequacy of the provision for loss from the minimum rental income guarantee based on the present value of future cash outflows, and recognised additional loss amounting to Baht 45 million (2013: Baht 95 million). The amount included the proportion of the Company's interest in Quality Houses Hotel and Residence Freehold and Leasehold Property Fund amounting to Baht 14 million (2013: Baht 30 million) as unrealised expense in consolidated financial statements.

## 24. 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 profit 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.

## 25. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Current income tax:</b>				
Current income tax charge	611,674	659,678	198,524	154,017
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	16,693	(23,835)	40,144	(13,403)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>628,367</b>	<b>635,843</b>	<b>238,668</b>	<b>140,614</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Deferred tax on actuarial gain	2,560	-	2,180	-
Deferred tax on share of other comprehensive income of associates	26	14,585	-	-
	<b>2,586</b>	<b>14,585</b>	<b>2,180</b>	<b>-</b>

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Accounting profit before tax	<u>3,957,566</u>	<u>3,943,172</u>	<u>2,587,186</u>	<u>1,842,347</u>
Applicable tax rate	0 - 20%	0 - 20%	20%	20%
Accounting profit before tax multiplied by income tax rate	791,513	788,699	517,437	368,469
Effects of:				
Change in value of investments accounted for the equity method	115,916	177,010	-	-
Exempt income	(333,742)	(373,322)	(298,522)	(253,322)
Non-deductible expenses	47,724	41,492	18,574	17,515
Additional expenses deduction allowed	(313)	(85)	(309)	(84)
Others	7,269	2,049	1,488	8,036
Total	<u>(163,146)</u>	<u>(152,856)</u>	<u>(278,769)</u>	<u>(227,855)</u>
Income tax expense reported in the statement of comprehensive income	<u>628,367</u>	<u>635,843</u>	<u>238,668</u>	<u>140,614</u>

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Deferred tax assets</b>				
Provision for loss on diminution in value of projects	54,348	63,043	43,790	52,486
Allowance for diminution in value of investment properties	17,629	18,845	17,629	18,845
Allowance for impairment of property, plant and equipment	16,374	16,374	16,374	16,374
Provision for long-term employee benefits	20,622	22,166	13,839	16,245
Provision for public utility maintenance	36,494	28,055	16,089	12,992
Provision for housing maintenance	8,563	-	2,998	-

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Provision for contingent liabilities arising from litigation	5,542	5,096	5,542	5,096
Provision for liabilities arising from guarantee of minimum rental income	15,817	23,509	15,817	23,509
Borrowing cost of projects	83,756	70,383	-	-
Recognition of installment income	44,158	72,637	25,372	53,515
Accumulated depreciation of investment properties and amortisation of leasehold rights	(6,869)	(7,923)	(6,869)	(7,923)
Others	5,695	9,060	(1,766)	-
<b>Total</b>	<b>302,129</b>	<b>321,245</b>	<b>148,815</b>	<b>191,139</b>
<b>Deferred tax liabilities</b>				
Income from rental of land	500	363	-	-

As at 31 December 2014 the Company and its subsidiaries had deductible temporary differences totaling Baht 94 million (the Company only: Baht 61 million) (2013: Baht 94 million, the Company only: Baht 61 million). No deferred tax assets had been recognised on these amounts as the Company and its subsidiaries considered that the temporary differences will be utilised in the future.

## 26. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Purchase of land and payment of construction during the year	18,912,582	12,014,727	5,426,213	2,886,109
Changes in land and construction in progress	(2,391,515)	(860,642)	2,133,635	(438,215)
Changes in land and project development costs	(2,914,348)	1,334,760	(2,137,419)	1,146,108
Salaries and wages and other employee benefits	807,097	714,118	435,478	394,929
Depreciation	72,914	76,259	44,380	51,835
Amortisation expenses	97,069	94,591	97,069	94,591
Rental expenses from operating lease agreements	299,148	365,431	56,682	54,801

## 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 following table sets forth the computation of basic earnings per share:

	For the year ended 31 December			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Profit for the year (Thousand Baht)	3,329,199	3,307,329	2,348,517	1,701,733
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)	0.36	0.36	0.26	0.19

## 28. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have three reportable segments as follows:

- Real estate business segment which consists of sales of land and houses and condominium units.
- Rental and service business segment which consists of rental of office buildings and residential buildings.
- Others segment which consists of providing management services for buildings.

No operating segments have been aggregated to form the above reportable operating segments.

Chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, the Company's and its subsidiaries' income taxes are managed on a Group basis and are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2014 and 2013, respectively.

(Unit: Million Baht)

	For the year ended 31 December 2014							
	Real estate business		Rental and service business			Total reportable segments	Other transactions and eliminations	Consolidated
	Sales of land and houses	Sales of condominium units	Office buildings	Residential buildings	Other business			
Revenue from external customers	14,726	5,427	367	700	96	21,316	-	21,316
Inter-segment revenue	10	18	-	-	87	115	(115)	-
Interest revenue	4	1	-	1	-	6	-	6
Interest expense	(143)	(84)	-	-	-	(227)	-	(227)
Depreciation and amortisation	34	2	75	56	9	176	-	176
Reversal of provision for loss on diminution in value of projects	43	-	-	-	-	43	-	43
Provision for loss arising from guarantee of minimum rental income of projects	-	-	-	(31)	-	(31)	-	(31)
<b>Segment profit</b>	<b>1,937</b>	<b>1,085</b>	<b>139</b>	<b>(42)</b>	<b>73</b>	<b>3,192</b>	<b>-</b>	<b>3,192</b>
Other income								18
Selling expenses								(31)
Administrative expenses								(272)
Share of profit from investments in associates								1,060
Finance cost								(10)
Income tax expense								(628)
Profit for the year								<u>3,329</u>
<b>Segment total assets</b>								
Additions to non-current assets other than financial instruments and deferred tax assets	4,160	3,806	21	27	311	8,325	2	8,327



(Unit: Million Baht)

	For the year ended 31 December 2013							Consolidated
	Real estate business		Rental and service business			Total reportable segments	Other transactions and eliminations	
	Sales of land and houses	Sales of condominium units	Office buildings	Residential buildings	Other business			
Revenue from external customers	11,926	6,551	359	863	102	19,801	-	19,801
Inter-segment revenue	3	-	-	-	73	76	(76)	-
Interest revenue	5	1	-	1	-	7	-	7
Gain on sale of residential assets	-	-	-	140	-	140	-	140
Interest expense	(140)	(46)	-	-	-	(186)	-	(186)
Depreciation and amortisation	(28)	(3)	(68)	(64)	-	(163)	-	(163)
Reversal of provision for loss on diminution in value of projects	40	-	-	-	-	40	-	40
Provision for loss arising from guarantee of minimum rental income of projects	-	-	-	(65)	-	(65)	-	(65)
<b>Segment profit</b>	<b>1,452</b>	<b>1,533</b>	<b>62</b>	<b>140</b>	<b>102</b>	<b>3,289</b>	<b>-</b>	<b>3,289</b>
Other income								14
Selling expenses								(65)
Administrative expenses								(219)
Share of profit from investments in associates								943
Finance cost								(19)
Income tax expense								(636)
Profit for the year								<u>3,307</u>
<b>Segment total assets</b>								
Additions to non-current assets other than financial instruments and deferred tax assets	3,267	792	14	20	-	4,093	-	4,093

The following table presents segment assets of the Company and its subsidiaries' operating segments as at 31 December 2014 and 2013.

(Unit: Million Baht)

	Real estate business		Rental and service business			Total reportable segments	Unallocated assets	Consolidated
	Sales of land and houses	Sales of condominium units	Office buildings	Residential buildings	Other business			
<b>Segment assets</b>								
As at 31 December								
2014	24,285	13,791	1,011	509	-	39,596	9,038	48,634
As at 31 December								
2013	20,742	11,002	1,088	565	-	33,397	8,255	41,652

#### Geographic information

The Company and its subsidiaries operate in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

#### Major customers

For the years 2014 and 2013, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

## 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 2014, the Company and its subsidiaries contributed Baht 19 million (the Company only: Baht 11 million) (2013: Baht 17 million, the Company only: Baht 10 million) to the fund.

### 30. Dividends

Dividends declared in 2014 and 2013 consist of the following:

	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)	Paid on
<b>Dividends declared in 2014</b>				
Interim dividend for the operating results of six-month period ended 30 June 2014 and /or retained earnings	Meeting of the Board of Directors on 19 August 2014	642,862	0.07	16 September 2014
Dividend from the operating results of the year 2013	Annual General Meeting of the shareholders on 11 April 2014	826,272	0.09	7 May 2014
Total		<u>1,469,134</u>	<u>0.16</u>	
<b>Dividends declared in 2013</b>				
Interim dividend for the operating results of six-month period ended 30 June 2013 and /or retained earnings	Meeting of the Board of Directors on 20 August 2013	642,850	0.07	17 September 2013
Dividend from the operating results of the year 2012	Annual General Meeting of the shareholders on 19 April 2013	1,102,033	0.12	13 May 2013
Total		<u>1,744,883</u>	<u>0.19</u>	

### 31. Commitments and contingent liabilities

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)

	As at 31 December	
	2014	2013
Construction contracts	6,553	5,320
Agreements to purchase land for development of future projects	2,518	726

- 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 4 years.

The Company and its subsidiaries have the following future minimum lease payments required under those operating leases contracts were as follows:

(Unit: Million Baht)

	As at 31 December	
	2014	2013
Payable:		
in up to 1 year	26	23
in over 1 and up to 5 years	65	61
in over 5 years	39	51

- 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 3 years. The subsidiary is entitled to renew the leases for another 1 year by giving the Fund notice of its intention to renew in writing at least 90 days before the expiration of the lease. Subsequently, on 20 August 2014, the subsidiary agreed to terminate the lease agreements with the Fund, effective on 31 August 2014.

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

(Unit: Million Baht)

	As at 31 December	
	2014	2013
Payable:		
in up to 1 year	-	53

- 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 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 agreements.

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

(Unit: Million Baht)

	As at 31 December	
	2014	2013
Payable:		
in up to 1 year	92	168
in over 1 and up to 3 years	-	92

31.5 As at 31 December 2014, the Company and its subsidiaries have commitments in respect of various service commitments totaling Baht 17 million (2013: Baht 13 million)

31.6 As at 31 December 2014, the Company has commitment in respect of uncalled portion of investment in a subsidiary of approximately Baht 19 million (2013: Baht 19 million).

31.7 The Company has contingent liabilities in respect of loan guarantees provided on behalf of Harbour View Joint Stock Company at an amount equal to 50% of that company's obligations to its bank. As at 31 December 2014, that company has outstanding principal and accrued interest to the bank, based on the unaudited financial statements prepared by its management, of USD 2 million and USD 1 million, respectively (2013: USD 2 million and USD 2 million, respectively). However, as at 31 December 2014, the Company had set aside provision of Baht 61 million (2013: Baht 61 million) for losses arising from such guarantees in its accounts.

31.8 As at 31 December 2014, the Company and its subsidiaries have servitude over land of approximately 35 rai (2013: 34 rai) of which the cost is included in the cost of projects.

## 32. Bank guarantees

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)

	As at 31 December	
	2014	2013
Letters of guarantee for arrangement and maintenance of public utilities	2,015	1,896
Letters of guarantee for electricity usage	16	17
Other letters of guarantee	50	49
Total	2,081	1,962

### 33. Litigations

- 33.1 During the years 1998 to 2014, the customers sued the Company and subsidiaries for compensatory damages from purchase of land and houses of the projects, as at 31 December 2014, totaling Baht 251 million (2013: Baht 73 million). The lawsuits are currently in the judicial process. For reasons of prudence, the Company and its subsidiaries have set aside provisions totaling Baht 3 million (2013: Baht 1 million), which the Company and its subsidiaries deem appropriate, for the loss arising from these litigations.
- 33.2 During the years 2009 and 2014, tenants of office buildings sued the Company as defendant and/or co-defendant for compensatory damage from breach of rental and service agreements, as at 31 December 2014, totaling Baht 4 million (2013: Baht 2 million). The lawsuits are currently in the judicial process. However, the management believes that there will be no material impact to the Company.
- 33.3 During the year 2010, Housing Estate Juristic Person sued the Company for Housing Estate Subsidy and Public Utility Maintenance, as at 31 December 2014, totaling Baht 32 million and Baht 102 million, respectively (2013: 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 (2013: Baht 24 million) which the Company deems appropriate, for the loss arising from these litigations.
- 33.4 During the year 2012, an individual sued the Company and its subsidiary as defendant and/or co-defendant for compensatory damages, as at 31 December 2014, totaling Baht 79 million (2013: Baht 79 million) with respect to tort and/or way of necessity. On 20 November 2013, the Civil Court dismissed the lawsuit. The plaintiff appealed to the Appeal Court on 8 May 2014. The lawsuit is currently in the judicial process. However, the management believes that there will be no material impact to the Company and its subsidiary.
- 33.5 During the year 2011, the customers sued the Company for compensatory damages and requested for the return of land and houses, with aggregated claim, as at 31 December 2014, amounting to Baht 15 million (2013: Baht 15 million). The lawsuits are currently in the judicial process. However, the management believes that there will be no material impact to the Company.
- 33.6 During the years 2013 and 2014, individuals sued the Company and its subsidiary as defendants for compensatory damages, as at 31 December 2014, totaling Baht 6 million (2013: Baht 5 million). The lawsuit are currently in the judicial process. However, the management believes that there will be no material impact to the Company and its subsidiary.
- 33.7 During the year 2014, a contractor company sued the Company as defendant for payment of outstanding payables and compensatory damages, as at 31 December 2014, totaling Baht 28 million (2013: Nil). The lawsuit is currently in the judicial process. However, the management believes that there will be no material impact to the Company.

33.8 During the year 2014, a Housing Estate Juristic Person sued a subsidiary as defendant for breach of agreement in accordance with the Land Development Act B.E. 2543 in the project of the subsidiary, as at 31 December 2014, totaling Baht 48 million (2013: Nil). The lawsuit is currently in the judicial process. However, the management believes that there will be no material impact to the subsidiary.

33.9 During the year 2014, an individual sued a subsidiary seeking the revocation of a name and a legal act relating to land which is owned by the plaintiff, and to have the title to that land, which has an official appraisal value of Baht 23 million (2013: Nil), transferred back to the plaintiff. The lawsuit is currently in the judicial process. However, the management believes that there will be no material impact to the subsidiary.

## **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 to, 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 management manages 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 2014						
<u>Fixed interest rates</u>						
	<u>Within</u>	<u>1-5</u>	<u>Floating interest</u>	<u>Non-interest</u>		
	<u>1 year</u>	<u>years</u>	<u>rate</u>	<u>bearing</u>	<u>Total</u>	<u>Interest rate</u>
						(% p.a.)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	1,083	375	1,458	0.10 - 2.85
Trade and other receivables	-	-	-	74	74	Note 8
Restricted deposits at financial institutions	-	17	11	-	28	0.375 - 1.10
Long-term loans to and interest receivables - related party	-	-	34	4	38	LIBOR+2.00, LIBOR+3.00 and 8.00
<u>Financial liabilities</u>						
Short-term loans from financial institutions	1,000	-	-	-	1,000	Note 18
Short-term loans	992	-	-	-	992	Note 18
Trade and other payables	-	-	-	1,050	1,050	Note 19
Long-term loans	-	-	697	-	697	Note 20
Unsecured debentures	4,600	17,903	-	-	22,503	Note 21

(Unit: Million Baht)

As at 31 December 2013						
<u>Fixed interest rates</u>						
	<u>Within</u>	<u>1-5</u>	<u>Floating interest</u>	<u>Non-interest</u>		
	<u>1 year</u>	<u>years</u>	<u>rate</u>	<u>bearing</u>	<u>Total</u>	<u>Interest rate</u>
						(% p.a.)
<u>Financial assets</u>						
Cash and cash equivalents	-	-	1,204	426	1,630	0.10 - 2.85
Trade and other receivables	-	-	-	91	91	Note 8
Restricted deposits at financial institutions	-	-	31	-	31	0.50 - 1.70
Long-term loans to and interest receivables - related party	-	-	34	2	36	LIBOR+2.00, LIBOR+3.00 and 8.00
<u>Financial liabilities</u>						
Short-term loans	323	-	-	-	323	Note 18
Trade and other payables	-	-	-	882	882	Note 19
Unsecured debentures	3,985	16,012	-	-	19,997	Note 21



**Foreign currency risk**

As at 31 December 2014 and 2013, 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 2014		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Cash and cash equivalents	1,458	1,458	1,630	1,630
Trade and other receivables	74	74	91	91
Restricted deposits at financial institutions	28	28	31	31
Long-term loans to and interest receivables - related party	38	38	36	36
<u>Financial liabilities</u>				
Short-term loans from financial institutions	1,000	1,000	-	-
Short-term loans	992	992	323	323
Trade and other payables	1,050	1,050	882	882
Long-term loans	697	697	-	-
Unsecured debentures	22,503	22,974	19,997	20,166

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 fixed rate debentures and long-term loans, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- c) For 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 appropriate 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 2:1 and 2:1, respectively (2013: 3:1 and 2:1, respectively).

No changes were made in the objectives, policies or processes during the years end 31 December 2014 and 2013.

### 36. Events after reporting period

On 24 February 2015, the meeting of the Company's Board of Directors passed the following resolutions to propose to the Annual General Meeting of the Company's shareholders for approval.

1. To approve allocations of the Company's dividend payment from operating results for 2014 Baht 0.25519 per share to the Company's shareholders, or a total of Baht 2,344 million. The Company paid an interim dividend of Baht 0.07 per share or Baht 643 million on 16 September 2014 and will pay a final dividend as follows:
  - Paid dividend by the Company's ordinary shares in the ratio of 6 existing shares per 1 dividend share, not exceeding 1,531 million shares, or in the total amount not exceeding Baht 1,531 million or shall be converted as dividend payment at Baht 0.16667 per share. In case that any shareholder holds the indivisible share remaining after such allocation, the dividend shall be paid by cash in the amount of Baht 0.16667 per share.
  - Paid dividend by cash at the rate of Baht 0.01852 per share or in the total amount not exceeding Baht 170 million.

The payment of such stock dividend and cash dividend shall be made within May 2015.

2. To decrease the registered capital of the Company by cancelling the registered ordinary shares remaining after the stock dividend allocation of 17,139 ordinary shares with a par value of Baht 1 each, previously made in accordance with the resolution of the Annual General Shareholders Meeting No. 1/2555.
3. To increase the registered capital from the previous registered capital of Baht 9,184 million to be the new registered capital of Baht 10,714 million by issuing an additional 1,531 million ordinary shares at the par value of Baht 1 each to support the payment of a stock dividend.

### 37. Approval of financial statement

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2015.

# Remuneration for the Auditor

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## 1. Audit Fee

The Company and its subsidiaries paid an audit fee to the auditor of Baht 5,750,000 in 2013 and Baht 5,952,000 in 2014 respectively. The Company has not other expenses relating to the reviewing of financial statements in 2013 and 2014.

## 2. Non-Audit Fee

In 2013 and 2014, 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, 4<sup>th</sup> and 7<sup>th</sup> 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

2<sup>nd</sup> 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. Sophon Permsirivallop
- 2.2 Miss Rungnapa Lertsuwankul
- 2.3 Mr. Chayapol Suppasetanon
- 2.4 Miss Pimjai Manitkajohnkit

Certified Public Accountant Registration No. 3182 and/or  
Certified Public Accountant Registration No. 3516 and/or  
Certified Public Accountant Registration No. 3972 and/or  
Certified Public Accountant Registration No. 4521

EY Office Limited

No. 193/136-137, 33<sup>rd</sup> 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. 1/2014 (QH174A)

Siam Commercial Bank Public  
Company Limited

3<sup>rd</sup> Floor, Building 2, 1060 New Petchburi 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.1/2012, Tranche 1 (QH164A)

Kasikornbank Public  
Company Limited

1, 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. 3/2014, Tranche 1 (QH177A)

CIMB Thai Bank Public  
Company Limited

No. 2/2014, Tranche 1 (QH178B)

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)

No. 2/2013, Tranche 1 (QH165A) and Tranche 2 (QH185A)

No. 2/2013 (QH16NA)

No. 4/2014, Tranche 1 (QH198A)

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, 16<sup>th</sup> 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, 37<sup>th</sup> Floor,  
Rajadapisek Road, Dindaeng, Bangkok 10400  
Tel : 0-2642-2712-14, 0-2641-3631-35 Fax : 0-2642-2711

# Head Office and Projects Location



## Head Office

**Quality Houses Public Company Limited**

7<sup>th</sup> 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 1388 for all projects

Q.House Avenue Phraram 5

Q Twelve

Prukpirom Regent Ratchapruk-Rattana-thibet

Prukpirom Ratchapruk-Rattana-thibet

Laddarom Elegance Ratchapruk-Rattana-thibet

Laddarom Elegance Outer Ring Road-Sathorn

Laddarom Elegance Middle Ring Road-Mahidol Junction

Laddarom Watcharapol-Rattana-kosin

Laddarom Chaipayruk-Chaengwattana

Laddarom Ratchapruk-Rattana-thibet 2

Vararom Charoen Muang

Vararom Premium Watcharapol-Chatu Chot

Casa Grand Taksin-Praram 2

Casa Grand Petchkasem-Sai 1

Casa Grand Outer Ring Road-On Nuch

Bangkuvieng, Bangkruai, Nonthaburi

Taling Chan, Taling Chan, Bangkok

Bang Phlap, Pak Kret, Nonthaburi

Omkret, Pak Kret, Nonthaburi

Omkret, Pak Kret, Nonthaburi

Bang Khae, Bang Khae, Bangkok

Middle Ring Road, Mahidol Junction, Thasala, Muang, Chiangmai

Khlong Thanon, Sai Mai, Bangkok

Bangphlab, Klong Pra-Udom, Pak Kret, Bangbuathong, Nonthaburi

Omkret, Pak Kret, Nonthaburi

Tonpao, Sankamphaeng, Chiangmai

Orgern, Saimai, Bangkok

Chom Thong, Chom Thong, Bangkok

Bang Duan, Phasi Charoen, Bangkok

Dok Mai (Racha Thewa), Prawet (Bang Phli Yai), Bangkok



TEL 1388  
for all projects

## Location of Housing Projects

## Call 1388 for all projects

Casa Grand Sriracha

Casa Grand Mitsumphan

Casa Legend Kaset-Nawamintr

Casa Legend Rachapruk-Pinklao

Casa Legend Ban Bueng

Casa Legend Sriracha

Casa Premium Ratchapruk-Chaengwattana

Casa Premium Ratchapruk-Phraram 5

Casa Premium Phraram 2

Casa Presto Ratchapruk-Chaengwattana

Casa Presto Phraram 5-Ratchaphruk

Casa Ville Ratchapruk-Chaengwattana

Casa Ville Rachapruk-Phraram 5

Casa Ville Rangsit-Klong 2

Casa Ville Ramkumhaeng-Outer Ring Road

Casa Ville Ramintra-Hathairat

Casa Ville Bangna-Teparak

Casa Ville Sukhumvit 103

Casa Seaside Rayong

The Trust Ville Ratchaphruk-Rattanathibet

The Trust Ville Rangsit Klong 4

Surasak, Sriracha, Chonburi

Ban Puek, Mueang Chonburi, Chonburi

Tha Raeng, Bang Khen, Bangkok

Wat Chaiyapruk, Taling Chan (Bang Yai), Bangkok

Ban Bueng, Chonburi

Sri Racha Road, Surasak, Sri Racha, Chonburi

Khlong Khoi, Pak Kret, Nonthaburi

Bang Krang, Mueang Nonthaburi, Nonthaburi

Tha Kham, Bang Khun Thian, Bangkok

Om Kluea, Pak Kret, Nonthaburi

Bang Khanun, Bang Kruai (Bang Yai), Nonthaburi

Laharn, Bang Rak Noi, Bangbuathong, Pak Kret, Nonthaburi

Bang Krang, Mueang Nonthaburi, Nonthaburi

Klongrangsit, Thanyaburi, Pathumthani

Ratpattana Road, Saphan Sung, Saphan Sung, Bangkok

Bueng Kham Phroi, Lam Luk Ka, Pathumthani

Bangphli Yai, Bangphli, Samutprakan

Nongbon, Prawet, Bangkok

Taphong, Mueang Rayong, Rayong

Wat Yai - Khun Mahatthai Road, Omkret, Pak Kret, Nonthaburi

Rural Road 3017, Lat Sawai, Lum Lukka, Pathumthani



## Location of Housing Projects Call 1388 for all projects

The Trust Ville Srinakarin - Praksa	Praksa Road, Praksa, Mueang Samut Prakan, Samutprakan
The Trust Ville Kanchanapisek - Hathairat	Hathairat Road, Bueng Kham Phroi, Lam Luk Ka, Pathumthani
Casa City Sukhumvit-Samut Prakan	Khlong Ta Khet East side, Sukhumvit Road, Paknam, Muang, Samutprakan
Casa City Pracha Uthit 90	Nai Khlong Bang Pla Kot, Phra Samut Chedi, Samutprakan
Casa City Outer Ring Road-Lamlukka	Lum Lukka Road, Bueng Kham Phroi, Lam Luk Ka, Pathumthani
Casa City Don Mueang	Thoetrachan Road, Sikan, Don Muang, Bangkok
Casacity Watcharapol-Permsin	Orgern, Saimai, Bangkok
The Trust Town Srinakarin-Praksa	Praksa Road, Mueang Samut Prakan, Samutprakan
The Trust Townhome Rangsit Klong 1	Rangsit-Nakhon Nayok Road, Prachathipat, Thanyaburi, Pathumthani
The Trust Townhome Ratchaphruk-Rattanaibet 2	Wat Yai-Khun Mahatthai Road, Omkret, Pak Kret, Nonthaburi
The Trust Town Bo Win	Wat Phan Sadet Nai, Bo Win , Sri Racha, Chonburi
Gusto Thanam-nont	Bangsrimuang, Mueang Nonthaburi, Nonthaburi
Gusto Pinklao	Bang Kruai-Sainoi Road, Watchalor, Bang Kruai, Nonthaburi
Gusto Phraram 2	Thakham, Bang Khun Thian, Bangkok
Gusto Phahon Yothin-Ramintra	Anusawari, Bang Khen, Bangkok
Gusto Grand Ramkumhaeng	Saphan Sung, Bangkok
Gusto Ramkumhaeng	Saphan Sung, Bangkok
Gusto Suksawat	Bangpakok, Rat Burana, Bangkok
Gusto Teparak	Bang Phli Yai, Bang Phli, Samutprakan
Gusto Bangna-Suvarnabhumi	Sisa Chorakhe Yai, Bang Sao Thong, Samutprakan
Gusto Phahon Yothin-Saimai	Saimai Road, Saimai, Bangkok

## Location of Condominium Call 1388 for all projects

Q Condo Asoke	New Petchburi Road, Makkasan, Ratchathewi, Bangkok
Q Seaside Hua Hin	Phet Kasem Road, Cha Am, Petchburi
Casa Condo @MRT T-Junction Bangyai	Rattanaibet Road, Sao thong Hin , Bang Yai, Nonthaburi
Casa Condo Chang Puak	Chotana Road, Chang Puak, Mueang Chiang Mai, Chiang Mai
The Trust Condo Ngamwongwan	Ngamwongwan Road, Banglane, Nonthaburi
The Trust Condo @BTS Erawan	Sukhumvit Road, Pak Nam, Mueang , Samutprakan
The Trust Condo Nakhon Pathom	Sanamchandra, Mueang Nakhon Pathom, Nakhon Pathom
The Trust Condo North Pattaya	Sukhumvit Road, Na Kluea, Bang Lamung, Chonburi
The Trust Condo Central Pattaya	North Pattaya(Central Pattaya) Road, Nakluea, Bang Lamung, Chonburi

## Location of Condominium Call 1388 for all projects

The Trust Condo South Pattaya	Nongprue, Bang Lamung, Chonburi
The Trust Condo Amata-Chonburi	Nong Mai Daeng, Mueang Chonburi
The Trust Condo Hua-Hin	Hua-Hin, Hua-Hin, Prachuabkhirikhan
The Point Condo Laem Chabang	Daothiam Road, Thung Sukla, Sri Racha, Chonburi
The Point Condo Rangsit Klong 6	Rangsit-Nakhon Nayok Road, Rangsit , Thanyaburi, Pathumthani

## Location of Hotel

Centre Point Hotel Pratunam	Soi Somprasong 3, Petchburi Road, Bangkok	Tel : 0-2254-1373-7
Centre Point Hotel Sukhumvit 10	Sukhumvit Soi 10, Bangkok	Tel : 0-2653-1783
Centre Point Hotel Silom	Charoenkrung Road, Bangrak, Bangkok	Tel : 0-2266-0521-49
Centre Point Hotel Chidlom	Langsuan Road, Bangkok	Tel : 0-2657-2400-21

## Location of Office Buildings for Rent

Q. House Convent	1 <sup>st</sup> Floor, Q. House Convent Building, No. 38 Convent Road, Silom, Bangrak, Bangkok	Tel : 0-2234-8448-51
Q. House Asoke	16 <sup>th</sup> 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 Building, No. 11 South Sathorn Road, Tungmahamek, Sathorn, Bangkok	Tel : 0-2679-1621-2
Q. House Ploenjit	5 <sup>th</sup> Floor, Q. House Ploenjit Building, No. 598 Ploenjit Road, Lumpini, Pathumwan, Bangkok	Tel : 0-2254-1020-1
Q. House Lumpini	7 <sup>th</sup> Floor, Q. House Lumpini Building, No.1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok	Tel : 0-2677-7177



**Quality Houses Public Company Limited**

7<sup>th</sup> Floor, Q.House Lumpini Building,

No.1, South Sathorn Road,

Tungmahamek, Sathorn, Bangkok 10120

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