

## Management Analysis

### Operating Performance

The 2003 consolidated financial results show a significant improvement with Net Income of Baht 1,383 million compared to a Net Income of Baht 625 million for the year 2002, representing a 121% increase. Earning per share was Baht 0.35 compared to Baht 0.18 per share in 2002, a 94% increase.

The increase in Net Profit was due to improved operating earnings of Baht 311 million and an increase in non operating earnings of net Baht 447 million realized through retired bonds, the sale of shares, foreign exchange gains, and others.

Total Operating Revenue was Baht 1,530 million compared to Baht 1,069 million in 2002, representing a 43% increase. Industrial land sales for 2003, being from the sale of 566 rai and 16 new customers, were Baht 854 million. This represents an increase in sales of 35% compared to Baht 633 million in sales from 358 rai and 21 new customers in 2002. Service Income from Utilities increased to Baht 377 million in 2003, reflecting an increase of 33% compared to Baht 284 million in 2002. The Income from the Sales and Lease of Mini Factories increased to Baht 188 million in 2003, reflecting an increase of 63% compared to Baht 116 million in 2002. This reflected a more balanced and growing revenue stream from all operations.

Total Revenue for 2003 were Baht 2,050 million compared with the same period of 2002 of Baht 1,653 million, representing a 24% increase.

### Financial Status

The consolidated Balance Sheet in 2003 is summarized as follows.

Total Assets in 2003 were Baht 7,061 million, a 24% increase from Baht 5,680 million in 2002.

Total Current Assets in 2003 were Baht 4,619 million compared to Baht 3,218 million in 2002, Land held for Real Estate development of Baht 3,057 million, increased from Baht 2,355 million in 2002.

Other Assets were Baht 2,442 million in 2003. This includes Land held for commercial purposes not under development of Baht 1,085 million, assets for rent of Baht 560 million, sinking funds of Baht 323 million, and long-term investment of Baht 249 million.

Total Liabilities in 2003 were Baht 2,532 million, reduced by Baht 1,061 million or a 30% decrease from Baht 3,593 million in 2002. The significant reductions were mainly from various debt prepayments and retirement of bonds. In October 2003, the Company fully prepaid US\$14.5 million of Guaranteed Bonds. In 2003, the Company cancelled US\$23.02 million of Euro-convertible bonds. At December 31, 2003, Gains from bond cancellations were Baht 724 million.

Hemaraj successfully raised Baht 960 million through a private placement of 120 million new shares in Quarter 3, 2003. In 2003, 703 million units of warrants were exercised which raised another Baht 197 million in Shareholders' Equity. The 2003 Net Debt to Equity ratio as a result of the new capital and reduced debt has improved to 0.32 times from 1.67 times in 2002. Total Shareholders Equity in 2003 was Baht 4,529 million versus Baht 2,087 million in 2002, or a 117% increase.

### Risk Factors & Others

#### Foreign Exchange

The company has limited foreign exchange risks. In 2003, the company has prepaid US\$14million of Guaranteed Bonds and retired US\$24.02 million of Euro-convertible Bonds (ECD). As at December 2003, there was only US\$26,000 of ECD outstanding and expected to be concluded within quarter 1, 2004.

#### External Risks

The company faces investment risks associated with the external political and economic environment. The company is dependent on the attraction of the investment levels in Thailand as opposed to other countries competing for foreign direct investment, particularly China. In addition, the company operates in a highly competitive marketplace with established competitors, some with resources greater than the company.

#### Management and Funding

The company is dependant on knowledge base employees and key management personnel, the access to capital, the cost of equity and debt financing, the impact of pricing level for materials and land, and the consistency of government policies for investment promotion.



## Management Structure

### Board of Directors

- |                                     |                                    |
|-------------------------------------|------------------------------------|
| 1. Mr. Sawasdi Horrurunguang        | Chairman of the Board of Directors |
| 2. Mr. Thavorn Anankusri            | Director                           |
| 3. Mr. David Richard Nardone        | Director                           |
| 4. Mr. Sudhipan Charumani           | Independent Director               |
| 5. Mr. Peter John Edmondson         | Independent Director               |
| 6. Mrs. Punnee Worawuthichongsathit | Independent Director               |
| 7. Mr. Vivat Jiratikarnsakul        | Director                           |
| 8. Ms. Pattama Horrurunguang        | Director                           |

The Board of Directors has the authority to formulate the strategy of the company to meet the objectives of the return of its shareholders of the company in accordance with the laws, objects and Articles of Association, and the principles of good governance including the resolutions of the shareholders' meeting.

### Executive Committee

- |                              |                                    |
|------------------------------|------------------------------------|
| 1. Mr. Sawasdi Horrurunguang | Chairman of the Board of Directors |
| 2. Mr. Thavorn Anankusri     | Vice Chairman of the Board         |
| 3. Mr. David Richard Nardone | Executive Director                 |
| 4. Mr. Vivat Jiratikarnsakul | Executive Director                 |
| 5. Ms. Pattama Horrurunguang | Executive Director                 |


The Executive Directors shall have the duty as assigned by the Board of Directors in formulating and reviewing specific strategic or policy issues in lieu of committees or more frequent meeting for the business activities of the company.

### Audit Committee

- |                                     |                                 |
|-------------------------------------|---------------------------------|
| 1. Mr. Sudhipan Charumani           | Chairman of the Audit Committee |
| 2. Mr. Peter John Edmondson         | Member                          |
| 3. Mrs. Punnee Worawuthichongsathit | Member                          |

The Audit Committee of the company has the scope of duties and responsibilities as outlined below, and shall report to the company's Board of Directors as follows:

1. To review that the Company has correct and sufficient financial reports;
2. To review that the Company has appropriate and efficient internal control and internal audit systems;
3. To review that the Company complies with laws relating to securities and securities markets, as well as with SET's rules and regulations and any other law relating to the Company's business;
4. To consider, select and propose the appointment of the Company's statutory auditor and to propose his professional fees;

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5. To consider the Company's correct and adequate disclosure of information with regards to third party transactions or any other transactions with a conflict-of-interest tendency;
  6. To include in the Company's annual report the result of the audit committee's review work, inclusive of an opinion on the Company's financial statements, information disclosure therein and the internal control system. This statement shall be signed by the audit committee chairman;
  7. To report the audit committee's work to the Company's Board of Directors at least on quarterly basis;
  8. To take part in giving opinion on the appointment, removal, work performance and remuneration of the internal auditor; and
  9. To perform any other work as may be assigned by the Company's Board of Directors with the consent of the audit committee.

### **Investment & Risk Management Committee**

The Company has not appointed a specific Investment and Risk Management Committee. The paramount responsibility of the Board of Directors is to formulate, examine, and assess the company strategy and investment decisions related to the appropriateness, return to shareholders, prudent levels of risk, and other criteria. The Board of Directors uses a number of safeguards in this risk scope with the Audit Committee, the outsourced internal auditor, the external auditor in terms of compliance with GAAP, and the use of professional legal advisors to safeguard the legal and regulatory compliance in Thailand that the Company is subject to. The Company fully utilizes, outside professional management and financial advisers in the assessment of alternative strategies and courses of action including financial, the diversity wisdom and experience level of the Board of Directors, and the professional management experience and qualifications of the Company management.

### **Remuneration Committee**

The Company has not appointed a Remuneration Committee to date. Remuneration is the responsibility of and approved by the Shareholders, the Board of Directors and the Company management as specified. The compensation for the Company management and employees is the responsibility of the President and CEO using internal Company, board directive and market guidelines. The compensation directive is to fairly compensate management and employees based on their performance, their contributions to the Company, and the company performance and to retain key employees as a strategic asset of the Company. The Board of Directors approves employment letters or agreements for any key executive management. The compensation to company Directors, Board Advisers, and Executive Committee are considered in the Board of Directors and approved by the Shareholders of the Company, or in some cases the Shareholders of the joint venture or subsidiary companies. The objective in assessing the compensation level of Directors is to be generally in line with the market and to compensate based on contribution and the performance of the Company.

### **Good Corporate Governance Committee**

The Company fully embraces the principles of Good Corporate Governance and this is the responsibility of the Board of Directors specifically to ensure its full adherence within

the organization. The underlying principles of good corporate governance relies on the principles of equitable treatment and fairness of all stakeholders, the full and meaningful disclosure, and the transparency of the Company its operations and information. The stakeholders beyond all sizes of shareholders include management and employees, customers, suppliers, external organizations and businesses, joint venture partners and the business community, regulatory bodies, creditors, and the communities where we operate in.

### **Company Management**

1. Mr. David Richard Nardone	President & Chief Executive Officer
2. Mr. Vivat Jiratikarnsakul	Executive Vice President
3. Ms. Pattama Horrungruang	Senior Vice President & Chief Financial Officer
4. Mr. Khamhoung Ratsamany	Director - Industrial Estate Operations
5. Mr. Tanin Subboonrueng	Director - Development
6. Mr. Sirisak Kijraksa	Director - Accounting
7. Ms. Somjai Wachiraha	Director - Finance
8. Mr. Niphone Harnpatanapanich	Director - Residential Project Planning
9. Mr. Paopitaya Smutrakalin	Director - Planning and Investor Relations
10. Ms. Jinnapat Tongviseskul	Director - Residential Customer Development
11. Mr. Apichat Trongasukson	Assistant Director - Information System & Services
12. Ms. Ladda Rojanavilavudh	Assistant Director - Customer Development
13. Ms. Anchalee Parsertchand	Assistant Director - Customer Development

The Management shall have the responsibilities as appropriately assigned by the President & CEO in order to manage the business of the company and to implement the strategies and policies as specified by the Board of Directors of the company.

### **Selection of Company's Director and Management**

The recommendation of new Directors to serve on the Board shall be deliberated by the Board of Directors. A Director nominee will be proposed by, any Director, shareholder, or others for consideration. The Board of Directors proposes the candidates to the Shareholders meeting for approval. The objective in selecting Directors is to be able to attract knowledgeable experienced members to the Board of the Company and the committees including independent Directors and the Audit Committee, who can assist the company in strategic initiatives to strengthen the company, maximize the return to all shareholders in a controlled way, in compliance with good corporate governance practices. The objective further is to provide a balance between the management of the Company represented on the Board with the Independent Directors and significant Director shareholder representatives. The Directors of the Company are provided with Directors liability insurance. The position of Chairman of the Board is separate from the President and CEO in order to safeguard the interests of the Shareholders and the management of the Company. The executive management appointment and selection is the responsibility of the President & CEO. The President is the Chief Executive Officer appointed by the Board of Directors.

## Remuneration for Director and Management

Monetary Remuneration during the fiscal year (January-December) 2003:

In 2003, the total remuneration for 8 directors was Baht 9,800,000.00

In 2003, the total remuneration for 16 Executive Committee and management was Baht 89,472,737.56

## Good Corporate Governance

The Board of Directors are collectively responsible for the Good Corporate Governance of the Company, and in their role to direct monitor and supervise the strategy policy and control of the Company provide this direction to the Management of the Company to be adhered to. Good Corporate Governance is developed in conformity with the 15 guidelines of the SET's Code of Best Practices.

### 1. Good Corporate Governance Policy

The Company policy is to fully embrace the principles of Good Corporate Governance and this is the responsibility of the Board of Directors specifically to ensure its full adherence within the organization and by practice within the management and organization of the Company. The underlying principles of good corporate governance relies on the principles of equitable treatment and fairness of all stakeholders, the full and meaningful disclosure, and the transparency of the Company its operations and information.

### 2. Rights and Equitable Treatment to Shareholders

All shareholders are invited to the annual shareholder's meeting. The company would send out an invitation letter and agenda of each meeting to the shareholders prior to the meeting for their consideration. Shareholders have voting rights equal to the number of shares owned and must exercise all eligible votes to safeguard their investment in voting for a resolution, an opinion for a significant decision making, for example, regulations amendment, capital increase. All shareholders have right to receive correct, up-to-date, fully disclosed information. Shareholders wishing to appoint a proxy representation may appoint any person or may elect to appoint the Independent Director and Chairman of the Audit Committee as recommended by the SEC.

### 3. Rights of Various Groups of Stakeholders

The company realizes and respects the rights of various groups of stakeholders, including shareholders, minority shareholders, employees, customers, creditors, vendors, the public and communities through various procedures such as the Shareholder's Meeting, providing information on employee's rights concerning welfare benefits, receiving all inquiries from customers and nearby communities, environmental education and community programs in the areas where we operate, contracts with customers and ongoing dialogue, and contracts entered with vendors and suppliers.

### 4. Shareholders' Meeting

A Shareholder's Meeting is to be held at least once a year. Prior to the meeting, not only does the company send an invitation letter along with the Shareholder's Meeting agenda in advance, but also publish the meeting in the local media to ensure the full disclosure of the scheduled meeting.

During the meeting, the Board of Directors provides Shareholder's information and gives opportunity to Shareholders to raise any concerns and/or issues related to the company's operation. Meanwhile the minute recorder will record all information disclosed, questions and answers given during the meeting and the minutes of the meeting will be distributed to all Shareholders for their own benefits afterward.

## **5. Leadership & Vision**

The company's Board of Directors, selected to have a broad experience level, formulates the company's vision, strategy, oversight of its business plan, and oversees a level of control and risk management of its operation. The Board of Directors objective is to maximize the return to shareholders in a controlled way.

## **6. Conflict of Interest**

### **\* Conflict of Interest**

The company's Board of Directors and Management have been informed for legal and ethical conflict of interest and related transactions guidelines. The company has disclosed, in accordance with the regulations of Stock Exchange of Thailand, such information, detail and reason/necessity, if any in the company's Annual Report and the 56-1 Form. The Company further uses the Audit Committee, internal auditors, external auditors, and external lawyers to review compliance.

### **\* Insider Trading Controls**

The Company informed all Board members and executive management about the Notification of SET concerning Rules, Procedures, and Disclosure of securities holdings.

## **7. Business Ethics**

The Company policy from the Board of Directors, communicated to both management and employees in the employee handbook is to conduct business with sound ethics toward the company, all stakeholders, the public, and the community.

## **8. Balance of Power for non-management Directors**

The company's Board of Directors consists of 8 directors which are:

- |   |   |         |
|---|---|---------|
| * Directors                               | 5 | persons |
| * Independent Directors - Audit Committee | 3 | persons |

Therefore, the company has 3 directors who are independent and are not involved in the daily operations of the company.

## **9. Aggregation or Segregation of Positions**

The company's Chairman of the Board of Directors is not the same person as the President & CEO and the structure of the Board of Directors consists of Independent Directors comprising 1/3 of the Board. This creates a balance between the interests and representation of the shareholders and the management as well as independent persons whom could review the company's business plans, controls, and create a balanced view.

## **10. Remuneration for Director and Management**

The remuneration of the company's Directors and Management has been considered and approved as outlined. This is in order to be competitive in the market in attracting highly qualified individuals, to reflect the contributions and performance of the



individuals in meeting the company objectives, and consistent with the performance of the Company.

### **11. Board of Directors' Meeting**

During 2003, from January to December, the company held 8 Board of Directors' Meetings and 25 Executive Committee Meetings. There were calls for regular meetings and/or for emergency meetings when need of the directors/committee's consideration, opinion and decision by sending out prior notice, invitation and agenda to all directors and committee.

### **12. Committee**

The authority and responsibility of the Board and its committees are clearly defined. The report of the committees' quarterly meeting as well as any items for further consideration are reviewed by the Board of Directors and Management of the company as appropriate for further action.

### **13. Controlling System & Internal Audit**

The Board of Directors Audit Committee controls the work of the external auditor, the outsourced internal audit function, the review of management information, reporting, risk controls, and systems, and the performance of the management specific to these areas. They meet and report quarterly to the Board of Directors. Ultimately, the management of the company with relevant professionals is tasked with providing a level of control to manage the performance of the company in a controlled way.

### **14. Report from the Board of Directors on the company's Financial Statements**

With a thoroughly consideration and carefully review the company's financial statements, the Board of Directors will ensure its follow the generally accepted accounting standard. The company has regularly exercised an appropriate accounting policy and standard. In addition, the Board of Directors has had a resolution to appoint the Audit Committee and the outsiders to be the internal Auditors to observe the company's internal control system and to verify the completeness and accuracy of the company's financial statements.

### **15. Relations with Investors**

Investor Relations Department has been established for individual investors or stockholders benefits and interests as the company sees the significant of their investments and values. The analyst meetings are held at least twice a year to meet with investors and analysts to provide on the updated company financial results and businesses.

A site visit or company visit are always welcome by contacting the Investor Relations Department. The company information and press releases can also be found in the company website at [www.hemaraj.com](http://www.hemaraj.com). Or email any concerns to [invest@hemaraj.com](mailto:invest@hemaraj.com).



## Audit Committee's Report

The Audit Committee of Hemaraj Land and Development PLC was set up in accordance with the resolution of Extraordinary General Meeting of Shareholders NO.1/1999.

The Committee comprises of the following members:-

Mr. Sudhipan Charumani                      Committee Chairman and Independent Director

Mr. Peter J. Edmondson                      Independent Director

Mrs. Punnee Worawuthichongsathit      Independent Director

The Audit Committee met formally on four occasions in 2003 to monitor the quarterly financial statements of the Company and its consolidated positions, check compliance and review internal control matters. Special attention was paid to the adequacy of provisions relating to contingent liabilities and adequacy of information disclosure in respect of related party transactions. Reports were received from and meetings held with the external auditors, the outsourced internal auditor, the external legal advisor and Company management.

The external auditors, A.M.T. & Associates, are in their second year of appointment and have now familiarized themselves with the Company's systems and procedures. It is gratifying to note that this year's external Auditor's Report is unquestionably clean with no reference to any unsolved matters. Of the two issues commented in their previous year's Report, the status of the IEAT sinking fund has been resolved, while virtually the entire Eurodollar convertible bond has been repurchased and cancelled. At the same time, the balance sheet has been strengthened through the issue of new shares, the exercise of warrants and through the Company's retained earnings. Debts have been reduced and foreign exchange exposure largely eliminated through the repurchase of the convertible bond and the early repayment of the guaranteed bond.

No further court litigations have arisen subsequent to the 2002 year end, and progress has been made in resolving the two outstanding cases, both of which have been provided for in full. Moreover, with the Company's significantly improved financial situation, the Management has expressed a strong intention to continue the promotion of corporate governance and transparency in a more active manner.

Internal audit work for the year covered detailed reviews of the Company's and its local subsidiaries' quarterly financial statements, in addition to a systematic test check on procedural matters, compliance with relevant law, regulations and Company accounting policy, as well as verification of control over financial and land title documents. No significant weaknesses were noted, however. As from 2004 onwards, the internal audit program will become more technical and analytical, with additional time allocated to governance aspects. With regard to the Account Department, much progress was made in meeting Management and Audit Committee requirements, especially on the important issue of speeding up the preparation of quarterly and annual financial statements for reviewer's convenience.

To the best of the Committee's knowledge, the financial statements in the Company's Annual Report for the year 2003 are fair and accurate.

The Committee has recommended to the Board of Directors, for proposal to the Annual General Meeting of Shareholders, that Professor Kesree Narongdej of A.M.T. & Associates be re-appointed as the Company's external auditor for the Financial Year ending 31 December 2004, at the same remuneration as in 2003.

  
*S. Charumani*

~~(Sudhipan Charumani)~~

Chairman of the Audit Committee

March 10, 2004

## Auditor's Report

### INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT

To the Shareholders of Hemaraj Land and Development Public Company Limited

I have audited the consolidated balance sheets of Hemaraj Land and Development Public Company Limited and its subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of changes in shareholders' equity, income and cash flows for the years then ended. I have also audited the financial statements for the same periods of Hemarej Land and Development Public Company Limited. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hemaraj Land and Development Public Company Limited and its subsidiaries and of Hemaraj Land Development Public Company Limited as of December 31, 2003 and 2002, the results of their operations, and cash flows for the years then ended in conformity with generally accepted accounting principles.



(KESREE NARONGDEJ)  
Certified Public Accountant  
Registration No. 76

A.M.T. & ASSOCIATES  
Bangkok, Thailand  
February 20, 2004