

**Proud Real Estate Public Company Limited and its subsidiaries**

**Notes to interim consolidated financial statements**

**For the three-month and nine-month periods ended 30 September 2022**

**1. General information**

**1.1 General information of the Company**

Proud Real Estate Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in real estate development. The registered office of the Company is at 900, Tonson Tower Building, 6th Floor, Ploenchit Road, Lumpini, Patumwan, Bangkok.

**1.2 Coronavirus disease 2019 Pandemic**

The Coronavirus disease 2019 pandemic is adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the group operates. The Group’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

**1.3 Basis for the preparation of interim financial information**

This interim financial information is prepared in accordance with Thai Accounting Standard 34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial information is intended to provide information additional to that included in the latest annual financial statements. Accordingly, it focuses on new activities, events, and circumstances so as not to duplicate information previously reported. This interim financial information should therefore be read in conjunction with the latest annual financial statements.

The interim financial information in Thai language is the official statutory financial information of the Company. The interim financial information in English language has been translated from the Thai language interim financial information.

## 1.4 Basis of consolidation

This interim financial information includes the financial statements of Proud Real Estate Public Company Limited ("the Company") and its subsidiary companies ("the subsidiaries") (collectively as "the Group") and has been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2021. There have been no change in shareholding structure of the Group during the current period, except as described in Note 4 to the financial statements.

## 1.5 Significant accounting policies

The interim financial information is prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2021.

The revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2022, do not have any significant impact on the Group's financial statements.

## 2. Related party transactions

During the periods, the Group had significant business transactions with related parties. Such transactions, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties. There were no significant changes in the transfer pricing policy of transactions with related parties during the current period.

Summaries significant business transactions with related parties are as follows:

	(Unit: Million Baht)			
	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Transactions with subsidiary companies</b>				
(eliminated from the consolidated financial statements)				
Management income	-	-	22	8
Interest income	-	-	8	8
Other income	-	-	9	2
<b>Transactions with related companies</b>				
Rental fee	1	1	-	-
Other expenses	2	-	1	-
<b>Transactions with related persons</b>				
Return on cumulative and redeemable preference shares	1	-	-	-

(Unaudited but reviewed)

(Unit: Million Baht)

For the nine-month periods ended 30 September

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Transactions with subsidiary companies</b>				
(eliminated from the consolidated financial statements)				
Management income	-	-	53	25
Interest income	-	-	22	25
Other income	-	-	13	2
<b>Transactions with related companies</b>				
Rental fee	3	3	-	-
Other expenses	4	-	1	-
<b>Transactions with related persons</b>				
Return on cumulative and redeemable preference shares	1	-	-	-

The balances of the accounts as at 30 September 2022 and 31 December 2021 between the Group and those related parties were as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
<b>Other receivables and advance to related parties</b>				
Subsidiaries	-	-	30,992	7,618
Total other receivables and advance to related parties	-	-	30,992	7,618
<b>Interest receivables - related parties</b>				
Subsidiaries	-	-	44,257	22,744
Total interest receivables - related parties	-	-	44,257	22,744
<b>Other payables and advance receive from related parties</b>				
Subsidiaries	-	-	50,250	-
Related person	-	312	-	312
Related companies	1,689	1,839	12	-
Total other payables and advance receive from related parties	1,689	2,151	50,262	312

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
<b>Redeemable preference shares - related parties</b>				
Related persons	19,458	18,000	-	-
Total redeemable preference shares - related parties	19,458	18,000	-	-
<b>Other current liabilities - related party</b>				
Subsidiary	-	-	10,124	2,812
Total other current liabilities - related party	-	-	10,124	2,812
<b>Lease liabilities - related party</b>				
Related company	4,454	6,487	-	-
Total lease liabilities - related party	4,454	6,487	-	-

**Loans to related parties**

As at 30 September 2022 and 31 December 2021, the balances of loans between the Company and those related parties and the movements were as follows:

**Loans to subsidiary companies**

(Unit: Thousand Baht)

	Separate financial statements		
		Increase	
Short-term loans to subsidiary companies	31 December 2021	during the period	30 September 2022
Convent Beta Co., Ltd.	367,000	2,942	369,942
Proud Horseshoe Co., Ltd.	52,712	11,146	63,858
Hua Hin Sky Living Co., Ltd.	42,353	22,176	64,529
Total	462,065	36,264	498,329

Short-term loans to subsidiary companies are due at call, carrying interest at the rate of MLR-0.5% per annum.

(Unaudited but reviewed)

(Unit: Thousand Baht)

Long-term loan to subsidiary company	Separate financial statements		
	31 December 2021	During the period	30 September 2022
Hua Hin Sky Living Co., Ltd.	100,000	-	100,000
Total	100,000	-	100,000

Long-term loan to subsidiary company bears interest at the rate of MLR-0.5% per annum. The payment schedules of principal and interests are due within 31 December 2023.

### Directors and management's benefits

During the three-month and nine-month periods ended 30 September 2022 and 2021, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements	
	For the three-month periods ended	
	30 September	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	6,714	6,234
Post-employment benefits	279	132
Total	6,993	6,366

(Unit: Thousand Baht)

	Consolidated/Separate financial statements	
	For the nine-month periods ended	
	30 September	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	24,347	18,871
Post-employment benefits	837	395
Total	25,184	19,266

**3. Real estate development costs**

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2022	2021	2022	2021
Land	2,333,412	2,625,032	-	1,642
Construction in progress and design expenses	919,323	624,956	-	1,844
Promotion costs	-	194	-	193
Capitalised borrowing costs	105,494	94,473	-	104
Total	3,358,229	3,344,655	-	3,783

During the three-month and nine-month periods ended 30 September 2022 and 2021, the subsidiaries capitalised borrowing costs to be included in the cost of land and construction in progress which were calculated from capitalisation rate from weighted average rate of loans as follows:

	Consolidated financial statements			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2022	2021	2022	2021
Borrowing costs included in the cost of land and construction in progress (Million Baht)	9	13	35	26
Capitalisation rate (%)	3.25 - 5.08	3.25 - 5.08	3.25 - 5.08	3.25 - 5.08

As at 30 September 2022 and 31 December 2021, the subsidiaries have pledged some land and construction thereon as collateral for credit facilities of the subsidiaries which have net book value as follows:

	(Unit: Million Baht)	
	Consolidated financial statements	
	30 September	31 December
	2022	2021
Net book value of land and construction that has been pledged as collateral	2,948	2,855

#### 4. Investments in subsidiaries

##### *Establishment of new subsidiary*

On 23 February 2022, a meeting of the Company's Board of Directors passed a resolution to approve the establishment a new subsidiary under the name "Prompt Solution Management Co., Ltd.", which engages in property management service and has registered share capital of 5,000 ordinary shares of Baht 100 each, totaling Baht 0.5 million. The shares are 99.94 percent held by the Company. The establishment of the new company was registered with the Ministry of Commerce on 20 April 2022 and 100 percent of which have been called up. On 18 April 2022, the Company paid for such share capital of Baht 0.5 million.

##### *Subsidiary's capital increase and additional called-up capital*

On 6 July 2022, Hua Hin Sky Living Co., Ltd., a subsidiary company, called up the remaining 75 percent of existing capital shares, or equivalent to Baht 0.75 million. The Company paid for such share capital on 8 July 2022.

On 6 July 2022, the Extraordinary General Meeting of Shareholders of Hua Hin Sky Living Co., Ltd., a subsidiary, passed a resolution approving the increase in the registered capital in the amount of Baht 49 million (0.49 million ordinary shares of Baht 100 each) from the existing registered capital of Baht 1 million (10,000 ordinary shares of Baht 100 each) to the new registered capital of Baht 50 million (0.5 million ordinary shares of Baht 100 each) and 100 percent of which have been called up. The shares are 99.99 percent held by the Company. The said company registered the capital increase with the Ministry of Commerce on 18 July 2022.

#### 5. Long-term loans from financial institutions

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Long-term loans	1,323,348	1,362,326	1,932	2,900
Less: Deferred front end fee	(8,899)	(3,638)	-	-
Add: Finance cost - Interest expenses on borrowings	598	2,158	-	-
Net	1,315,047	1,360,846	1,932	2,900
Less: Current portion	(342,755)	(101,936)	(1,932)	(1,936)
Long-term loans, net of current portion	972,292	1,258,910	-	964

Movements in the long-term loans account during the nine-month period ended 30 September 2022 were summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2022	1,360,846	2,900
Add: Additional borrowings	825,313	-
Amortisation of front end fee	1,360	-
Less: Repayment	(864,291)	(968)
Front end fee	(6,621)	-
Finance cost - Interest expenses on borrowings	(1,560)	-
Balance as at 30 September 2022	1,315,047	1,932

Under loan agreements, the Group must comply with the conditions stipulated in the agreements such as the maintenance of net debt to equity ratio.

As at 30 September 2022, the loan facilities of the Group which have not yet been drawn down amounted to Baht 1,958 million (31 December 2021: Baht 1,068 million).

## 6. Deferred revenue from sale of real estate

Deferred revenue from sale of real estate comprises cash received in advance from customers which can be classified by entity as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2022	2021	2022	2021
Proud Real Estate Public Co., Ltd.	-	8,304	-	8,304
Hua Hin Alpha 71 Co., Ltd.	703,534	649,081	-	-
Hua Hin Sky Living Co., Ltd.	32,035	-	-	-
Total	735,569	657,385	-	8,304

## 7. Cumulative and redeemable preference shares

Movements of cumulative and redeemable preference shares net from the transaction cost for issuance of the cumulative and redeemable preference shares for the nine-month period ended 30 September 2022 were summarised below.

	(Unit: Thousand Baht)
	Consolidated financial statements
Balance as at 1 January 2022	611,405
Add: Amortisation of transaction cost for issuance of cumulative and redeemable preference shares	2,650
Financial cost - Return on cumulative and redeemable preference shares	34,561
Balance as at 30 September 2022	648,616

## 8. Income tax

Interim corporate income tax was calculated on profit (loss) before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses (income) for the three-month and nine-month periods ended 30 September 2022 and 2021 were made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September			
	Consolidated financial statements		Separate financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Current tax</b>				
Interim corporate income tax charge	13,356	-	-	-
<b>Deferred tax</b>				
Relating to origination and reversal of temporary differences	22,338	(4,946)	(163)	(694)
<b>Income tax expenses (income) reported in profit or loss</b>	<u>35,694</u>	<u>(4,946)</u>	<u>(163)</u>	<u>(694)</u>

	(Unit: Thousand Baht)			
	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Current tax</b>				
Interim corporate income tax charge	13,356	-	-	-
<b>Deferred tax</b>				
Relating to origination and reversal of temporary differences	19,514	(12,279)	(430)	134
<b>Income tax expenses (income) reported in profit or loss</b>	<u>32,870</u>	<u>(12,279)</u>	<u>(430)</u>	<u>134</u>

## 9. Segment information

The Group is principally engaged in the real estate development. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profit or loss and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

## 10. Commitments and contingent liabilities

**10.1** As at 30 September 2022, the Group had commitments in respect of service agreements payable in the future, which the terms of the agreements are generally between 1 and 3 years, of approximately Baht 4 million (31 December 2021: Baht 6 million) (Separate financial statements: Baht 3 million (31 December 2021: Baht 1 million)).

### 10.2 Commitments with respect to project development and related services

The Group had commitments in respect of property development cost and related services totaling Baht 259 million (31 December 2021: Baht 601 million) (Separate financial statements: Nil (31 December 2021: Baht 0.2 million)).

### 10.3 Bank guarantees

- 1) As at 30 September 2022, the Company has guaranteed bank credit facilities of its subsidiaries amounting to Baht 4,928 million (31 December 2021: Baht 3,833 million).
- 2) As at 30 September 2022, there were outstanding bank guarantees of approximately Baht 0.3 million (31 December 2021: Baht 0.3 million) issued by banks on behalf of the Company to guarantee contractual performance.

**11. Financial instrument**

**Fair value of financial instrument**

Since the majority of the Group's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, its fair value is not expected to be materially different from the amounts presented in the statement of financial position.

**12. Approval of interim financial information**

This interim financial information was authorised for issue by the Company's Board of Directors on 10 November 2022.