

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

**Notes to interim consolidated financial statements**

**For the three-month period ended 31 March 2023**

**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 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.

**1.3 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 2022. There have been no change in shareholding structure of subsidiaries during the current period, except as described in Note 4 to the financial statements.

## 1.4 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 2022.

The revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2023, 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 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Transactions with subsidiary companies</b>				
(eliminated from the consolidated financial statements)				
Management income	-	-	23	8
Interest income	-	-	8	7
Other income	-	-	-	2
<b>Transactions with related companies</b>				
Rental fee	1	1	-	-
Other expenses	1	-	-	-
<b>Transactions with related persons</b>				
Return on cumulative and redeemable preference shares	1	-	-	-

The balances of the accounts as at 31 March 2023 and 31 December 2022 between the Group and those related parties were as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	31 March	31 December	31 March	31 December
	2023	2022	2023	2022
<b>Other receivables and advance to related parties</b>				
Subsidiaries	-	-	62,700	37,901
Total other receivables and advance to related parties	-	-	62,700	37,901
<b>Interest receivables - related parties</b>				
Subsidiaries	-	-	57,163	48,761
Total interest receivables - related parties	-	-	57,163	48,761
<b>Prepaid expenses - related parties</b>				
Related companies	22,836	-	22,836	-
Total prepaid expenses - related parties	22,836	-	22,836	-
<b>Other payables and advance receive from related parties</b>				
Related person	160	110	160	110
Related companies	2,485	819	58,410	24,773
Total other payables and advance receive from related parties	2,645	929	58,570	24,883
<b>Interest payable - related party</b>				
Subsidiary	-	-	476	131
Total interest payable - related party	-	-	476	131
<b>Redeemable preference shares - related parties</b>				
Related persons	20,371	20,028	-	-
Total redeemable preference shares - related parties	20,371	20,028	-	-
<b>Lease liabilities - related party</b>				
Related company	2,798	3,084	-	-
Total lease liabilities - related party	2,798	3,084	-	-

**Loans to related parties**

As at 31 March 2023 and 31 December 2022, the balances of loans between the Company and those related parties and the movements were as follows:

***Loans to subsidiary companies***

(Unit: Thousand Baht)

Short-term loans to subsidiary companies	Separate financial statements		
	31 December 2022	During the period	31 March 2023
Convent Beta Co., Ltd.	369,942	-	369,942
Proud Horseshoe Co., Ltd.	64,288	-	64,288
Hua Hin Sky Living Co., Ltd.	34,670	-	34,670
Total	468,900	-	468,900

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

(Unit: Thousand Baht)

Long-term loan to subsidiary company	Separate financial statements		
	31 December 2022	During the period	31 March 2023
Hua Hin Sky Living Co., Ltd.	100,000	-	100,000
Total	100,000		100,000
Less: Current portion	(100,000)		(100,000)
Long-term loan to related party, net of current portion	-		-

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.

***Loan from subsidiary company***

(Unit: Thousand Baht)

Short-term loan from subsidiary company	Separate financial statements		
	31 December 2022	Increase during the period	31 March 2023
Hua Hin Alpha 71 Co., Ltd.	-	200,000	200,000
Total	-	200,000	200,000

On 30 March 2023, the Extraordinary General Meeting of Shareholders of Hua Hin Alpha 71 Co., Ltd., a subsidiary, passed a resolution approving a loan to the Company. The purpose of the loan is to redeem the subsidiary's cumulative and redeemable preference shares in the amount of Baht 600 million. The redemption will be divided into 3 installments, with the first installment of Baht 200 million to be paid on 31 March 2023. The remaining amount will be paid in the second and third installments, which are scheduled to occur within the third quarter of 2023. As at 31 March 2023, the Company received a loan from the subsidiary to redeem the preference shares of Baht 200 million. Therefore, the Company's investment in preference shares of the subsidiary increased by Baht 200 million, as described in Note 4 to the financial statements.

Short-term loans from subsidiary company bears interest at the rate of MLR-0.5% per annum. The payment schedules of principal and interests are due within 30 March 2024.

#### Directors and management's benefits

During the three-month period ended 31 March 2023 and 2022, 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		
31 March		
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	13,278	8,391
Post-employment benefits	291	279
Total	<u>13,569</u>	<u>8,670</u>

### 3. Real estate development costs

(Unit: Thousand Baht)		
Consolidated financial statements		
	<u>31 March 2023</u>	<u>31 December 2022</u>
Land	1,743,508	1,998,408
Construction in progress and design expenses	404,758	636,213
Capitalised borrowing costs	78,096	86,829
Total	<u>2,226,362</u>	<u>2,721,450</u>

During the three-month period ended 31 March 2023 and 2022, 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	
	ended 31 March	
	<u>2023</u>	<u>2022</u>
Borrowing costs included in the cost of land and construction in progress (Million Baht)	13	13
Capitalisation rate (%)	4.95 - 5.38	3.25 - 5.08

As at 31 March 2023 and 31 December 2022, 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	
	<u>31 March 2023</u>	<u>31 December 2022</u>
Net book value of land and construction that has been pledged as collateral	1,659	1,630

#### 4. Investments in subsidiaries

##### *Redemption of subsidiary's cumulative and redeemable preference shares*

As described in Note 2 to the financial statements, on 30 March 2023, the Extraordinary General Meeting of Shareholders of Hua Hin Alpha 71 Co., Ltd., a subsidiary, passed a resolution approving a loan to the Company for the purpose of redeeming the subsidiary's cumulative and redeemable preference shares. On 31 March 2023, the subsidiary paid dividends and accumulated accrued dividends of preference shares to investors (net of withholding tax). On the same day, the Company exercised its right to partially purchase the preference shares from investors at a price equal to the par value of the shares plus a portion of the legal reserve, for a total of Baht 200 million. As a result, the Company's investment in preference shares in the subsidiary increased by Baht 200 million.

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2023	2022	2023	2022
Long-term loans	1,004,369	999,991	480	1,206
Less: Deferred front end fee	(11,333)	(7,394)	-	-
Net	993,036	992,597	480	1,206
Less: Current portion	(480)	(1,206)	(480)	(1,206)
Long-term loans, net of current portion	992,556	991,391	-	-

Movements in the long-term loans account during the three-month period ended 31 March 2023 were summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2023	992,597	1,206
Add: Additional borrowings	5,104	-
Amortisation of front end fee	611	-
Less: Repayment	(726)	(726)
Front end fee	(4,550)	-
Balance as at 31 March 2023	993,036	480

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 31 March 2023, the loan facilities of the Group which have not yet been drawn down amounted to Baht 1,719 million (31 December 2022: Baht 1,724 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 financial statements	
		31 March 2023	31 December 2022
Hua Hin Alpha 71 Co., Ltd.		129,963	345,682
Hua Hin Sky Living Co., Ltd.		107,282	54,285
Convent Beta Co., Ltd.		4,257	-
Total		241,502	399,967

**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 three-month period ended 31 March 2023 were summarised below.

		(Unit: Thousand Baht)	
		Consolidated financial statements	
Balance as at 1 January 2023			663,740
Add: Financial cost - Return on cumulative and redeemable preference shares			15,287
Less: Repayment			(200,000)
Paid for financial cost - Return on cumulative and redeemable preference shares			(78,863)
Balance as at 31 March 2023			400,164



**8. Income tax**

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

Income tax expenses (income) for the three-month period ended 31 March 2023 and 2022 were made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Current tax</b>				
Interim corporate income tax charge	39,788	-	-	-
<b>Deferred tax</b>				
Relating to origination and reversal of temporary differences	1,618	(3,994)	(52)	(133)
<b>Income tax expenses (income) reported in profit or loss</b>	<u>41,406</u>	<u>(3,994)</u>	<u>(52)</u>	<u>(133)</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 31 March 2023, 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 18 million (31 December 2022: Baht 21 million) (Separate financial statements: Baht 16 million (31 December 2022: Baht 19 million)).

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

The subsidiary companies had commitments in respect of property development cost and related services totaling Baht 223 million (31 December 2022: Baht 257 million).

### **10.3 Bank guarantees**

- 1) As at 31 March 2023, the Company has guaranteed bank credit facilities of its subsidiaries amounting to Baht 2,823 million (31 December 2022: Baht 2,823 million).
- 2) As at 31 March 2023, there were outstanding bank guarantees of approximately Baht 0.3 million (31 December 2022: 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 8 May 2023.