



IMPROVEMENT IS

**ENDLESS**

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED

ANNUAL REPORT 2012



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THE QUALITY OF  
**DESIGN** IS ENDLESS

THE QUALITY OF  
**CONSTRUCTION**  
IS ENDLESS



THE QUALITY OF  
MATERIALS DOES MATTER





THE QUALITY OF  
ENVIRONMENT AND SOCIETY  
DOES MATTER





THE QUALITY OF  
AFTER SALES SERVICE  
DOES MATTER



## YEARLY FINANCIAL INFORMATION

	2007	2008	2009	2010	2011	2012
Booking (million Baht)	13,646	16,187	22,775	38,752	25,554	29,396
Booking (units)	9,060	9,399	12,100	20,865	12,185	13,250
Unit transferred (units)	7,074	8,913	11,249	12,849	12,194	12,444
Paid - Up capital (million Baht) before Premium	2,180	2,191	2,207	2,207	2,209	2,213
No. of share (million share)	2,180	2,191	2,207	2,207	2,209	2,213

### Financial Statement Items (million Baht)

Assets	11,095	16,292	18,871	34,091	41,982	43,821
Liabilities	2,889	6,182	5,848	18,828	24,986	23,739
Equities	8,206	10,110	13,023	15,263	16,996	20,082
House Sale Transfer	9,055	12,969	18,943	23,280	23,231	26,993
Total Revenue	9,093	13,034	19,033	23,407	23,422	27,141
Gross Profit	3,174	4,948	7,284	8,846	8,698	9,250
SG & A	1,530	1,887	2,438	4,243	4,654	3,925
Net Profit	1,302	2,373	3,622	3,488	2,835	3,898

### Per Share basis (Baht per share)

Book Value per share	3.8	4.6	5.9	6.9	7.7	9.1
Earning per share at current par	0.60	1.08	1.65	1.58	1.28	1.76
Dividend per share (performance year)	0.22	0.33	0.55	0.5	0.4	0.5
Dividend yield (%)	2.60	7.50	3.10	2.70	3.40	2.37
Market Price at Year-end	8.4	4.4	17.8	18.5	11.6	21.1
P/E (X)	14	4	11	12	9	12
P/BV (X)	2.2	1	3	2.7	1.5	2.3
Market Cap. (million Baht)	18,314	9,598	39,281	40,826	25,629	46,694

### Financial Ratio from Consolidated Financial Statement :

Average Asset Turnover (%)	89	95	108	88	62	63
Average ROA (%)	13	17	21	13	7	9
Average ROE (%)	17	26	31	25	18	21
Gross Profit Margin (%)	35	38	38	38	37	34
Net Profit Margin (%)	14	18	19	15	12	14
Cash & S-T investment (million Baht)	1,082	1,530	3,151	1,630	2,031	1,566
Liabilities : E ratio (X)	0.35	0.61	0.45	1.23	1.47	1.18
Liabilities - Cash : E ratio (X)	0.22	0.46	0.21	1.13	1.35	1.10
Interest Bearing Debt (million Baht)	1,219	3,600	2,100	13,111	20,307	17,527
Interest Bearing Debt : E (X)	0.15	0.36	0.16	0.86	1.19	0.87
Interest Bearing Debt - Cash Ending : E (X)	0.02	0.2	-0.08	0.75	1.08	0.79

## 5 YEARS FINANCIAL HIGHLIGHTS

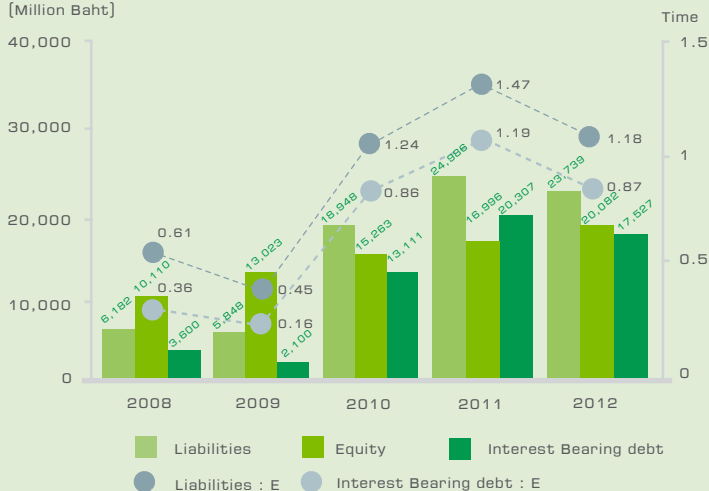
### PAID-UP SHARE CAPITAL

(Million share and Million Baht)

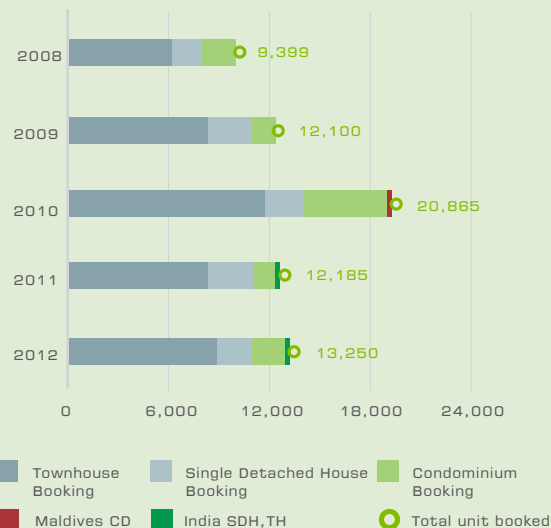


### LIABILITIES AND DEBT RATIO

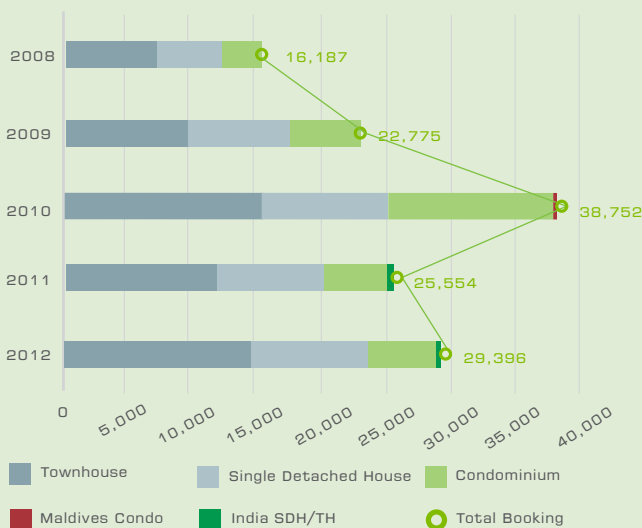
(Million Baht)



### TOTAL BOOKING (unit)



### TOTAL BOOKING (Million Baht)

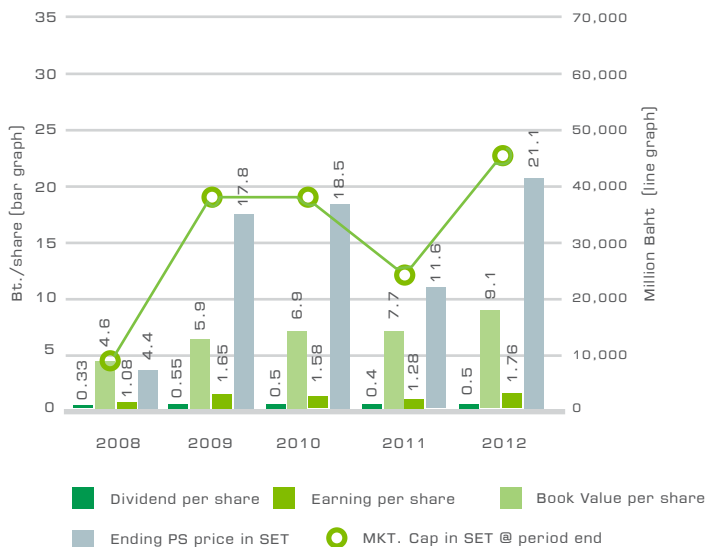


### CONSOLIDATED ASSETS, LIABILITIES, EQUITIES

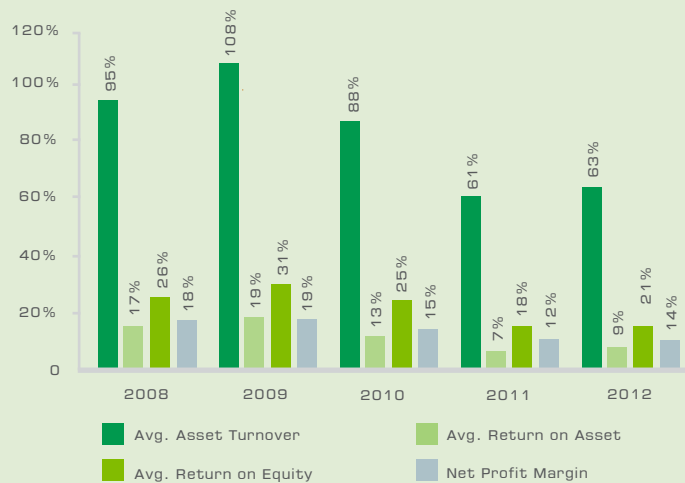
(Million Baht)



### PER SHARE & RETURN PERFORMANCE



## RETURN AND TURNOVER RATIO



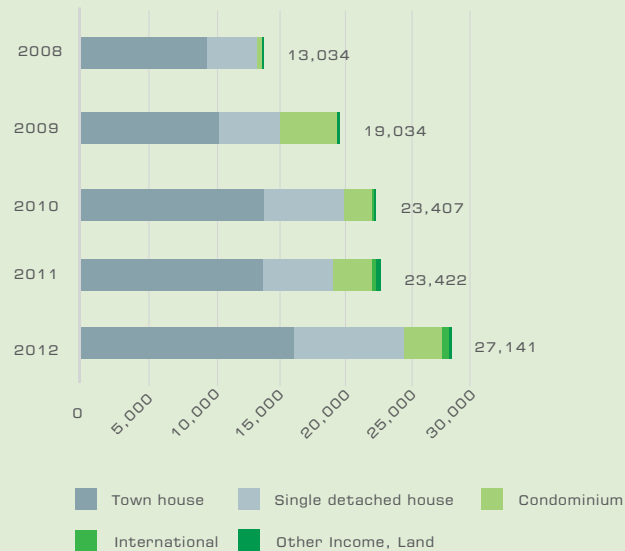
## NET PROFIT [Million Baht]



## UNITS TRANSFERRED [unit]



## TOTAL REVENUE [Million Baht]



## PROJECTS OPENED

	TOWNHOUSE	SINGLE DETACHED HOUSE	CONDO	INTERNATIONAL	TOTAL PROJECT OPEN
2008	21	11	6	-	38
2009	17	12	5	-	34
2010	44	15	11	2	72
2011	31	14	5	-	50
2012	21	5	4	-	30
2013 Plan	47	16	13	2	78



Thai economy demonstrated positive signs in 2012 after it was adversely affected by the flood crisis in late 2011. The overall positive sentiment favored real estate business to become even more attractive.

In 2012, the overall sales in Bangkok and vicinity, which dominates the housing market in Thailand, rose by approximately 6 percent.

For Prukpa, 2012 marked another year which we recorded impressive operating results. Our growth is higher than that of the market, reaching our revenue target. The total presale were 29.396 billion Baht, an increase of 15 percent. The total revenue was 27.141 billion Baht, a rise of 16 percent from the previous year. The figure marks the highest total revenue Prukpa has ever accomplished.

A black ink signature of Dr. Pisit Leeahtam.

**Dr. Pisit Leeahtam**  
Chairman of the Board of Directors

A black ink signature of Mr. Thongma Vijitpongpan.

**Mr. Thongma Vijitpongpan**  
Authorised Director

## MESSAGE FROM THE CHAIRMAN

Over the past 19 years, Pruksha has seen positive operating results and steady growth because our management and staff have determined to improve the quality of our operation in all aspects especially research and development to improve the products and services to respond to the demands of every group of customers. Therefore, quality and service are an integral part of our policy that every unit has to place high priority on. For instance, the Company has set up a working committee to improve efficiency and introduce state-of-the-art technology to control the quality such as Pruksha Real Estate Manufacturing home building system in the construction process. The Company's goal is to achieve Zero Defect.

In the past year, Pruksha has also proactively implemented the projects to ensure the continuous development in terms of economy, environment and society by working with our partners from both the public and private sectors.

We realize that our business has involved many groups of stakeholders including customers, trading partners, employees, shareholders, the government sector, communities and society. We have not only aimed to expand the business to create the best return to the shareholders but also place high importance on social development. Pruksha has carried out the social responsibility projects every year. In 2012, Pruksha teamed up with Faculty of Architecture, Chulalongkorn University, to organize the seminar on constructive co-inhabitation for sustainable society to provide the information and knowledge to the members of housing project committees and residents about how to oversee the housing projects. In addition, the Company has worked with the government sector to protect the canals and waterways and raise awareness on environmental protection. Pruksha also joined hands with the business operators to promote the understanding of ISO 26000 to encourage our trading partners, business partners and employees to carry out their duties in line with the social responsibility standard.

Thanks to our determination and dedication to improve the quality and support social activism, Pruksha has collected many awards in the world stage together the regional and national levels this year, including "2012 International Team Excellence Award Finalist" and "Attendee Choice Award" from American Society for Quality at the World Conference on Quality and Improvement in the US. Pruksha is the first and only Thai company that participated in the global event in 2012. In addition, the company received an Asian award entitled "Asian CSR Award 2012" in "Product Responsibility & Consumer Rights" category which praises the company's effort in developing quality residential projects, respecting the consumers' rights and demonstrating clear social responsibility policies with concrete actions. In Thailand, Pruksha received the Real Estate Project Awards from Agency for Real Estate Affairs (AREA) in 2012.

2012 marks another year which we have recorded positive operating result. Our growth is higher than that of the market, reaching the sales revenue target.

In 2013, Pruksha predicts that the real estate market in Thailand will see the sales turnover of around 715 billion Baht, an increase by approximately 16 percent compared to 2012. Bangkok and its vicinity will continue to dominate the biggest market share of 46 percent with the market value of 326 billion Baht. The eastern region and southern region of Thailand are likely to enjoy the highest growth.

For the residential projects in Bangkok and vicinity in 2013, it is expected the condo market with the price of less than 2 million Baht will dominate the market. The townhouse project, priced less than 1 million Baht per unit, will be decreasing and hard to find. Townhouse projects with the price of up to 2 million Baht will be sprouting in the suburban area. The single-detached housing project with the price ranging from 3-7 million Baht will command the biggest proportion. The overall

and price rise by 15-20 percent will make the space of each residential unit smaller. Nonetheless, the price will remain close to that of in 2012 because the consumers' purchasing power does not increase by the same proportion as the price rise.

Regarding the factors affecting the real estate business in 2013, the positive factor is the steady demand for residential housing. An expansion of transportation networks to the suburban area will make condominium projects expand outside the city center. The home purchasing behavior is changing. The first home is not the last. The commercial banks will see fiercer competition in residential loan approvals with expected lower interest rates.

The negative factors include the new land price appraisal for 2012-2015 which will increase the cost of construction and land purchase. The new city planning of Bangkok contains more restrictions. The income of consumers does not rise in the same rate as the rising home prices. The outstanding household debts are expected to increase. The inflation and overall global economic slowdown are likely to negatively impact the market.

On behalf of the Company's board of directors, I would like to express our appreciation to all organizations, consumers and employees who have contributed to the prosperity of Pruksha as well as trading partners, business partners, financial institutions, shareholders and all stakeholders who have taken part in strengthening Pruksha. I would like to express our commitment that Pruksha will continue to develop quality products and carry out the business with caution, prudence, transparency and adherence to corporate governance and sustainable development principles to create the maximum benefits for all parties to make Pruksha a leading Asean organization as we have visioned.

## PRESTIGIOUS AWARDS

PRUKSA HAS BEEN DEVELOPING REAL ESTATE PROJECTS FOR A LONG TIME. THROUGHOUT THE YEARS, THE COMPANY HAS CREATED A VARIETY OF RESIDENTIAL PROJECTS COVERING TOWNHOUSES, SINGLE-DETACHED HOUSES AND CONDOMINIUMS. THE COMPANY HAS CONSTANTLY IMPROVED THE QUALITY OF THE PRODUCTS AND SERVICES TO EARN THE PUBLIC TRUST. THE EFFORT HAS CONTRIBUTED TO THE COMPANY'S SUCCESS TO STAY AHEAD IN PROPERTY DEVELOPMENT BUSINESS IN THAILAND. THE COMPANY'S ACHIEVEMENT IS ALSO EVIDENT BY NUMEROUS AWARDS AND ACCOLADES THAT THE COMPANY HAS RECEIVED FROM LOCAL AND INTERNATIONAL INSTITUTIONS. THIS IS THE TESTAMENT OF THE COMPANY'S ACCOMPLISHMENT AND PRIDE.



### Asian CSR Award 2012

Asian CSR Awards 2012 is organized by Asian Institute of Management Corporate Responsibility Award (IACRA) to recognize the contribution that the company has made to the society, which should serve as an exemplary model of corporate governance. Pruksa is the only Thai company which received the prestigious award in 2012 by winning the Product Responsibility & Consumer Rights category because the company has placed significance on continually improving the quality of residential projects, respecting the consumers' right and implementing clear social responsibility policies with the consistency in policy execution.



### 2012 BCI Asia Top 10 Developers Award

Pruksa has won BCI Asia Awards for second year in a row. The company received BCI Asia Top 10 Developers Awards in 2012 because the company has applied outstanding design with state-of-the-art innovation to improve the quality of home building to meet the world-class standard.



### 2012 International Team Excellence Award Finalist

Pruksa Real Estate Manufacturing (REM), an innovation to control the quality of house construction developed by Pruksa, received the 2012 International Team Excellence Award Finalist and Attendee Choice Award in the category of Organizational Impact from ASQ during the World Conference on Quality and Improvement at Anaheim, California, USA. The company has introduced REM technology in property development business and the innovation has earned the company the world-class award. The award marks another achievement of the company because Pruksa is the first and only property developer from Thailand which has participated in this international event.



### 2012 Outstanding Real Estate Project

Pruksa received the "2012 Real Estate Project Awards" from Agency for Real Estate Affairs (AREA). The award is to recognize the excellence of 2 projects developed by Pruksa namely The Plant Pattanakarn 38 and Pruksa Ville 42 Terdthai.



### 2012 Rasadakornpipat Award

Pruksa received the "2012 Rasadakornpipat Award" from Prime Minister Yingluck Shinawatra for cooperating with the government in paying taxes. The award is to honor Pruksa for being a large corporate entity which has been honestly paying taxes at an average of 1 billion Baht per year.

# Vision

“ Pruksa is one of the top ten residential real estate companies in Asia focusing in World Class Quality Management with strong fundamental and sustainable growth.

We maximize customers and employees satisfaction and returns to shareholders and uphold the social responsibilities in all the countries we do business in.”

## Goals

- ▶ Be one of the top ten residential developers in Asia
- ▶ Generate at least 25% per year revenue growth
- ▶ Generate at least 20% net profit growth
- ▶ Revenue hit 85,000 million Baht in 2017

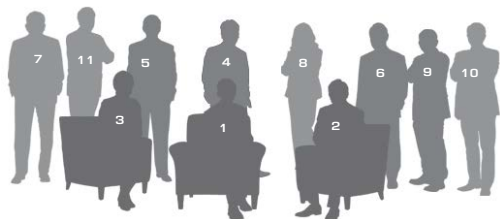


### CULTURE :

1. Empathy
2. Customer Focus
3. Think it Right
4. Execute
5. Deliver Excellence



## BOARD OF DIRECTOR



### 1. DR. PISIT LEEAHTAM

Chairman of the Board of Directors /  
Member of Nomination and Remuneration Committee /  
Independent Director

### 2. MR. THONGMA VIJITPONGPUN

Authorised Director / Executive Vice Chairman of the Board  
of Directors / Chairman of Executive Committee /  
Member of Risk Management Committee /  
Member of Corporate Governance Committee /  
Member of Nomination and Remuneration Committee /  
Chief Executive Officer

### 3. PROFESSOR EMERITUS DR. TRUNGJAI BURANASOMPHOP

Independent Director / Chairman of the Audit Committee



**4. MR. WEERACHAI NGAMDEEVILAIKAK**

Independent Director / Member of the Audit Committee /  
Chairman of Risk Management Committee /  
Chairman of Nomination and Remuneration Committee

**5. MR. ADUL CHANDANACHULAKA**

Independent Director / Member of the the Audit Committee /  
Chairman of Corporate Governance Committee

**6. MR. WISUDHI SRISUPHAN**

Independent Director

**7. MR. PRASERT TAEDULLAYASATIT**

Authorised Director / Member of Executive Committee /  
Member of Risk Management Committee /  
Member of Corporate Governance Committee /  
Chief Business Officer

**8. MRS. RATTANA PROMSAWAD**

Authorised Director

**9. MR. PIYA PRAYONG**

Authorised Director / Member of Executive Committee/  
Chief Business Officer

**10. MR. MAYTA CHANCHAMCHARAT**

Authorised Director / Member of Executive Committee /  
Chief Business Officer

**11. MR. EDWARD JOSEPH COOPER, JR.**

Authorised Director / Member of Executive Committee /  
Member of Risk Management Committee /  
Chief Finance & Risk Officer

## Company Name

Pruksa Real Estate Public Company Limited

## Head Quarter

27<sup>th</sup> Floor, SM Tower, 979/83, Phaholyothin Road,  
Samsennai, Phayathai, Bangkok 10400. Thailand.

## Type of Business [Thailand and Overseas]

Real estate development for residential purposes : Townhouse [row house], Single Detached house and Condominium in Thailand and several countries in Asia [Maldives, India, Vietnam]



## Founder, Major Shareholder, and Chief Executive Officer

Mr. Thongma Vijitpongpun

## Establishment / Status in Securities Exchange of Thailand [SET]

Founded in 1993 / listed in SET since  
2005 and is in SET 50

## Capital Registered [shares, Baht]

2,250.8 million Baht

## Company Registration

No. Bor. Mor. Jor.

0107548000307

## Paid-up Capital

2,213.2 million Baht

Tel : [66] 2298 0101

Investor Relations #1863

## Total Revenues and Sales in 2012

Revenue

27,141 million Baht

Fax : [66] 2298 0789

[www.pruksa.com](http://www.pruksa.com)

Booking

29,396 million Baht

## BUSINESS OPERATIONS

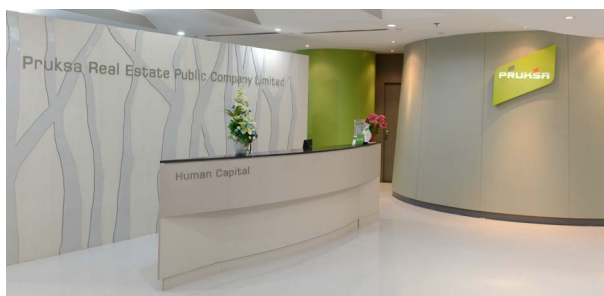
### Background

Pruksa Real Estate Public Company Limited was founded by Mr.Thongma Vijitpongpun on April 20, 1993 with the initial registered capital of Baht 50 million. It concentrates on developing projects for townhouses, single-detached houses and condominiums. Mr. Thongma Vijitpongpun, the founder, brought his experience and expertise in construction from government and private projects into the business of the Company. Such factors together with a professional management team, an appropriate business strategy, utilizing consultants for continuous development of entire corporate operation processes, resulted in the Company's positive profitability every year even during flooding and economic downturn. **The Company focuses on residential house located in various potential and high growth areas of Bangkok and its vicinities, including downtown of Bangkok. Projects in Thailand and overseas are as follows:**

Townhouse / Duplex	Single Detached House	Condominium
Baan Pruksa	Passorn	Citi Ville
The Connect	Pruksa Village	IVY
Pruksa Ville	The Plant	The Seed
The Plant Citi	Pruksa Nara	The Tree
Pruksa Town	Pruksa Puri	Be You
Urbano Townhouse	Pruksa Gallery	Urbano Condo
Pruksa Nara	Silvana (India)	Chapter One
Silvana (India)	Pruksa Town	Condolette
Villette	Natura	Fuse
The Reno		Coral Ville (Maldives)
We/2		
Patio		Plum

Unlike most other real estate developers who generally hire contractors to handle construction work for the entire project, the Company is a real estate developer that adopts modern construction technologies from foreign countries to construct low rise houses and manages the construction of projects itself. In operating a project, the Company sets up project specifications and detailed design. With respect to construction, the Company manages its own construction by dividing work into parts and hiring contractors to perform specific tasks such as constructing foundation, concrete work, building installation, tiling and roofing, whereas raw materials are bought in bulk by the Procurement department. Engineers and foremen oversee the construction work to ensure it is in compliance with the standards and specifications. With in-house construction management and adoption of such technologies, the Company can effectively control the quality, manage construction time and cost. As such, the Company becomes a low cost leader among real estate developers.

As approved from its Extraordinary General Meeting of Shareholders on April 22, 2005, the Company then increased its registered capital by issuing 532.5 million new shares with par value of Baht 1. On April 27, 2005, the Company converted itself into a public company. Later on December 6, 2005, it started trading on the Stock Exchange of Thailand (SET) under the ticker "PS".



**On 5 February 2009,**

the Company registered the increase in paid-up capital and shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 5,169,900 Baht and shares, so the Company's paid-up capital increased to 2,196,564,100 Baht and shares.

**On 7 August 2009,**

the Company registered the increase in paid-up capital and shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 5,086,500 Baht and shares, so the Company's paid-up capital increased to 2,201,650,600 Baht and shares.

**On 4 December 2009,**

the Company registered the increase in paid-up capital and shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 5,161,400 Baht and shares, so the Company's paid-up capital increased to 2,206,812,000 Baht and shares.

**On 27 April 2010,**

the Company's annual shareholders' meeting approved the decrease in the Company's registered capital from 2,224,753,400 to 2,206,812,000 million Baht by decreasing the common stocks of 17,941,000 shares, at the par value of 1 Baht per share, previously issued for serving exercises of ESOP warrants. The Company's annual shareholders' meeting also approved the increase in the Company's registered capital from 2,206,812,000 Baht to 2,228,812,000 million Baht, at the par value of 1 Baht per share, to serve the exercises of 22,000,000 ESOP warrants by the company's directors and management.

**On 7 March 2011,**

the Company registered the increase in paid-up capital and

shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 667,700 Baht and shares, so the Company's paid-up capital increased to 2,207,479,700 Baht and shares.

**On 27 April 2011,**

the Company's annual shareholders' meeting approved the increase in the Company's registered capital from 2,228,812,000 Baht to 2,250,812,000 million Baht, at the par value of 1 Baht per share, to serve the exercises of 22,000,000 ESOP warrants by the company's directors and management.

**On 6 June 2011,**

the Company registered the increase in paid-up capital and shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 947,900 Baht and shares, so the Company's paid-up capital increased to 2,208,427,600 Baht and shares.

**On 8 September 2011,**

the Company registered the increase in paid-up capital and shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 979,600 Baht and shares, so the Company's paid-up capital increased to 2,209,407,200 Baht and shares.

**On 11 September 2012,**

the Company registered the increase in paid-up capital and shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 1,784,700 Baht and shares, so the Company's paid-up capital increased to 2,211,191,900 Baht and shares.

**On 13 December 2012,**

the Company registered the increase in paid-up capital and shares with the Ministry of Commerce. The capital increase through exercises of warrants amounted to 2,030,100 Baht and shares, so the Company's paid-up capital increased to 2,213,222,000 Baht and shares.

**As at 30 December 2012,**

the Company had registered capital of 2,250,812,000 Baht (2,250,812,000 ordinary shares at the par value of 1 Baht per share) with issued and paid-up share capital of 2,213,222,000 Baht (2,213,222,000 ordinary shares at the par value of 1 Baht per share).

The Company's affiliates both domestic and overseas which were already incorporated as at 31 December 2012.

No.	Founded	Name of affiliates	Location	Registered Capital	Paid-up capital	% shareholding
1	2005	Kaysorn Construction Co.,Ltd.	Bangkok	100 million Baht	100 million Baht	100%
2	2006	Putthachart Estate Co., Ltd.	Bangkok	1,000 million Baht	500 million Baht	100%
3	2006	Phanalee Estate Co., Ltd.	Bangkok	1,000 million Baht	500 million Baht	100%
4	2008	Prukha Overseas Co., Ltd.	Bangkok	600 million Baht	450 million Baht	100%
5	2009	Prukha International Co., Ltd.	Bangkok	1,000 million Baht	625 million Baht	100%
6	2009	Prukha India Housing Ltd.	Bangalore, India	Equivalent to USD 10 million	Equivalent to USD 10 million	100%
7	2010	Prukha Overseas Services Co., Ltd.	Bangkok	10 million Baht	2.5 million Baht	100%
8	2010	Prukha India Construction Private Ltd.	Bangalore, India	Equivalent to USD 0.2 million	Equivalent to USD 0.1 million	100%
9	2010	Prukha Vietnam Construction Company Limited	Haiphong, Vietnam	Equivalent to USD 1.5 million	Equivalent to USD 1.5 million	100%
10	2010	Prukha-Luxora Housing Pvt.	Mumbai, India	Equivalent to USD 10 million	Equivalent to USD 0.01 million	50%
11	2010	Prukha-HDC Housing Private Ltd.	Maldives	Equivalent to USD 10 million	Equivalent to USD 5 million	80%
12	2010	Kaysorn Construction Ltd., Maldives Branch <sup>(1)</sup>	Maldives	-	-	100%
13	2011	Prukha - Mohan Mutha Real Estate Pvt.	Chennai, India	Equivalent to USD 2 million	Equivalent to USD 0.1 million	95%

Note : <sup>(1)</sup> is a branch of Kaysorn Construction Co., Ltd.

## 5.1 Major Developments during the past 8 years

### YEAR 2005

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- The Precast Concrete Factory was completed and started producing housing parts.
- The Precast Fence and Pillar Factory, with approximately Baht 150 million project cost (excluding the value of the land at location), was completed and commenced production
- The Company set up Kaysorn Construction Company Limited to be a contractor for housing decoration.
- The Company set up the Business Processes Improvement and Workforce Management Systems, a solution offered by IBM (Thailand) Co., Ltd. The value of the project is Baht 12.7 million. The systems are designed to improve the business processes (including construction, sales, marketing and services) of the Company and personnel management. The purpose of this improvement is to support the business expansion, to increase the competitive edge in the future and to reduce the operating cost.
- The Company converted itself into a public company and increased its registered capital from Baht 1,700 million to Baht 2,232.5 million and reduced the par value from Baht 100 to Baht 1
- The Stock Exchange of Thailand has granted a listing of common shares of Pruksa Real Estate Public Company Limited under the ticker "PS" of which trading began on December 6, 2005.

### YEAR 2006

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- The Company increased its paid-up capital from Baht 2,125.0 million to Baht 2,159.7 million on January 9, 2006.
- The Company increased its paid-up capital to Baht 2,166.7 million on July 5, 2006, to accommodate the first exercises of warrants from ESOP scheme.
- The Company has adopted Business Process Improvement (BPI), Business Intelligence (BI) and Balance Score card Software to enhance the Company's operations and management. Precast Concrete Factory was modified for more efficiency in production process.
- The Company has set up two new subsidiaries named Putthachart Estate Company Limited and Phanalee Estate Company Limited, with an initial registered share capital of Baht 1 million each and later registered to increase the authorized share capital to Baht 50 million on November 22, 2006
- The Company was granted approval to issue short-term Bill of Exchange (BE) (within 270 days) to investors for Baht 1,000 million.

### YEAR 2007

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- The Company increased its paid-up capital from Baht 2,166.7 million to Baht 2,173.8 million on January 10, 2007, to accommodate the second exercise of warrants from ESOP scheme.
- As per the 2007 Annual General Shareholders' Meeting's approval, the Company registered the decrease in authorized share capital through eliminating non-traded

shares of the Company in the amount of 7,746,600 shares at a par value of Baht 1, and also registered the Amendment of Memorandum of Association Article no.4 to be in line with the decrease of the Company's registered capital, from Baht 2,232.5 million to Baht 2,224.75 million, with the Ministry of Commerce, on April 20, 2007.

- As per the 2007 Annual General shareholders' Meeting's approval, the Company registered the increase in authorized share capital and also registered the Amendment of Memorandum of Association Article no.4 to be in line with the increase of the Company's registered capital, from Baht 2,224.75 million to Baht 2,255.75, with the Ministry of Commerce, on April 23, 2007.
- As per the 2007 Annual General shareholders' Meeting's approval, the Company registered the Amendment of Memorandum of Association Article no.3 in respect of the Company's Objectives, from 36 to 42 clauses, with the Ministry of Commerce, on April 23, 2007.
- The Company issued 2 Tranche of unsubordinated and unsecured debentures in an aggregate amount of Baht 1,000 million (however the outstanding balance as at 31 December 2009 is Baht 600 million) as follow:  
  
Tranche 1: Debenture of Baht 600 million (600,000 units at Baht 1,000), issued on August 8, 2007, bears interest at 4.91% per annum, semi-annually payable and matures on August 9, 2010.  
  
Tranche 2: Debenture of Baht 400 million (400,000 units at Baht 1,000), issued on August 15, 2007, bears

interest at 4.68% per annum, semi-annually payable and already matured on August 17, 2009.

- The Company has adopted a SBU (Strategic Business Unit) structure to accommodate its long-term growth.
- The Company increased its paid-up capital from Baht 2,173.8 million to Baht 2,180.2 million on August 9, 2007, to accommodate the third exercise of warrants from ESOP scheme.
- A subsidiary named Phanalee Estate Company Limited had registered to increase authorized share capital on September 22, 2007, from Baht 50 million to Baht 200 million (2,000,000 shares at Baht 100 par value) with the Ministry of Commerce without additional cash received.

## YEAR 2008

- The Company increased its paid up capital from Baht 2,180.2 million to Baht 2,185.95 million on 6 February 2008 to accommodate the fourth exercise of warrants from ESOP scheme.
- The Company built a plant manufacturing precast steel-reinforced concrete panel with special element. The project value is Baht 90 million excluding land cost and is on stream in June 2008 with 400-cubic-metre-per-month capacity. This is located in the same area of the first and second plants.
- The Company increased its paid up capital from Baht 2,185.95 million to Baht 2,191.39 million on 8 August 2008 to accommodate the fifth exercise of warrants by the Company's directors, employees and advisors and/or the subsidiaries (PS-WA), in a total amount of 5,441,500 units on July 31, 2008.

## YEAR 2009

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- The Company officially launched its 3 new brands: The Tree, the Plant Citi, and Be You.
- On 29 January 2009, the Company issued Baht 1,500 million debentures with 3 years tenor. The redemption date is 29 January 2012.
- The Company increased its paid up capital from Baht 2,191.39 million to Baht 2,196.6 million on 5 February 2009, 7 August 2009, 4 December 2009 to accommodate the 6<sup>th</sup> – 8<sup>th</sup> exercise of warrants from ESOP scheme.

## YEAR 2010

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- The Company's English name changed from "Preuksa Real Estate Pcl." to "Pruksa Real Estate Pcl.". The Company's brands also change to reflect new name and re-branding.
- After announcing 2009 audited financial statement, the Company became the largest residential developer in Thailand in term of revenue.
- The Company launched new brand "Baan Pruksa Nara" in up-country including Ayudthaya and Chonburi. In June 2010, it released the the first project in Ayudthaya.
- The Company officially launched several local condo brands : Chapter One, Condolette, Fuse, Urbano (Townhouse and Condo) and its first international brand "Coral Ville" in Maldives
- In Hulhumale, Maldives, after signing the JV agreement with Housing Development Corporation (HDC), the Company started launching low rise condominiums "Coral Ville" and achieved 93% sales.
- In Bangalore, India, the Company acquired its first land plot successfully ~ 65 Rai (26 Acres) , got all licenses approval and started doing pre launch the first phase of row houses and Villas project at Budigere
- In Mumbai, India, the Company signed Joint Venture Agreement with SOHAM Group of Companies to start developing the 1st project of row houses, twin homes and villas at Pimpas Thane.
- In Hai phong, Vietnam, the Company signed 85% Joint Venture Agreement with Hoang Huy Service Investment Co.
- The Company finished construction of (Precast Concrete Factory-PCF) PCF #4 and PCF #5 with the construction cost of 1,050 million Baht. The test run began in the middle of December 2010. The possible nameplate capacity of PCF # 5 is 400 houses per month. When combining with PCF # 1, both of PCF # 1 and PCF # 5 can produce 640 houses per month together. The PCF # 5 is the maximum capacity precast factory in the world. It has production area of 14,200 square metre and stock area of 9,800 square metre.

## YEAR 2011

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- The Precast Concrete Factory (PCF) #4 and #5 which were on test run since 2010 were developed to be ready for 100% possible nameplate capacity in the middle of 2011.
- The Company newly launched the following brands:
  - o Townhouse : Vilette , The Rino and Patio to serve middle-to-high home buyers.

- o Single Detached House : Natura, Prukha Puri to serve middle-to-high home buyers.
- o Condominium : Plum condo to serve middle-to-low income.
- New projects are expanded to other provinces such as Phuket (Prukha Ville) and Khon Kaen (Single Detached House/ Duplex houses) brand “ Pukha Nara”
- In Bangalore, the company transferred its very first low-rise unit from project “Prukha Silvana” in December 2011. The total accumulated booking since 2010 hit 469 million Baht
- At Maldives, the company started to transfer condominium units in its first 2 building from 9 buildings from “Coral Ville” project on Hulumale , Maldives.
- In November 2011, Bangkok's suburbs and its vicinity suffered from severe floods, which resulted in increased cancellation of booking and transfers. However, the Company still recorded the highest ownership transfer of 23,231 million baht, which was no. 1 in the industry. In addition, the company's booking of 25,554 million baht ranked the second highest in its history. The Precast Concrete Factory was temporarily closed for 40 days due to slight flooding. The production was resumed in December 2011.

## YEAR 2012

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- The Company implemented new construction technology called “Real Estate Manufacturing (REM)” in order to reduce not only dependence on labor and working hours but increase productivity. REM process is similar to car manufacturing process. During the construction period, a contractor is assigned and responsible for only a job in which he is skilled. With this method, the average construction time of low rise project is estimated to reduce from 45 days to 21 days.
- Due to 2011 floods, the Company set necessary procedures, which help reduce risk and prepare for future floods such as soil modification at construction sites (low plains, slopping land, etc.), landfill at either main road level or past flooding level, improvement of drainage system and flood protection system of projects, and new designs for 1st or 2nd floor to be suitable for living during flooding.
- In 2012, the Company issued and offered two tranches of debentures for sale, with the total value of 5,000 million baht. The first tranche is worth 3,000 million baht, with three and a half-year maturity and the second tranche is worth 2,000 million baht, with five-year maturity. The redemption is due in 2016 and 2017, respectively.

## 5.2 Business Structure

The Company has two business structures.

### 1. DOMESTIC REAL ESTATE BUSINESS

### 2. OVERSEAS REAL ESTATE BUSINESS

For both domestic and overseas real estate business the Company focuses its expertise in residential housing project development a business in which the Company has many years' experience.

#### 1. Domestic real estate business

The Company has been developing residential housing projects primarily in metropolitan Bangkok and suburban areas. The Company focuses on high growth potential areas with high population growth rate. Starting in year 2010, the Company launched its first upcountry projects in Ayudhaya, Nakhon Pathom, Chonburi, and Phuket. In 2011, the Company launched its first North-Eastern project in Khon Kaen and more projects in Phuket. Launching new projects in upcountry is on-going strategy of the company's business plan.

#### 2. Overseas real estate business

In 2010, the Company started its international projects firstly in Maldives, followed by India. The Company is currently studying the housing market in Indonesia.

##### 2.1 India: Townhouse / Single Detached House / Duplex in Bangalore, brand "Silvana" [100% own by PS subsidiary].

Total low rise 401 units (321 single detached houses and 80 townhouses) with a project value of 1,625 million Baht. The first unit was transferred in December 2011. The 2012 booking and transfer were 123 and 252 million Baht respectively. The accumulated booking and transfer were 720 and 256 million Baht respectively.

The Company plans to buy land for another project focusing on single detached house to serve upper-middle income group building on the "Silvana" brand.

Mumbai and Chennai are on feasibility study.

##### 2.2 Maldives : Condominium in Hulumale, brand "Coral Ville" [80% Joint Venture with Housing Development Corporation (HDC)]

The Company built nine 5-storey condominiums in Hulumale totaling 180 units with a project value of 489 million Baht. All units are fully booked and 70% are transferred. The Company expects to completely transfer all units by the second quarter of 2013.

##### 2.3 Vietnam : Condominium in Haiphong, 85% Joint Venture with Hoang Huy Service Investment Company

The investment license was obtained in January 2013. 70% of land has been collected and to be developed as a condominium project in Hai Phong and will open for booking in 2013.

## 5.3 Revenue Structure

From the 1993 to 31 December 2012, the Company has launched 329 residential housing projects. The revenues of the Company are divided as follows:

Categories of Products by Project name	For the year ended 31 December							
	2009		2010		2011		2012	
	million Baht	%	million Baht	%	million Baht	%	million Baht	%
Townhouses (Thailand)	9,729	51	11,948	51	11,504	50	14,908	55
Single-detached houses (Thailand)	5,619	30	7,723	33	7,140	31	8,775	33
Condominiums (Thailand)	3,595	19	3,608	16	4,487	19	2,837	11
Maldives (Condo)	-	-	-	-	96	0.4	222	0.8
India (low rise project)	-	-	-	-	4	0.02	252	0.9
<b>Total revenues from Sales</b>	<b>18,943</b>	<b>100</b>	<b>23,280</b>	<b>100</b>	<b>23,231</b>	<b>100</b>	<b>26,993</b>	<b>100</b>

Existing residential housing projects as of 31 December 2012

Active Project 31 December 2012	No. of Projects	Total Project Value		Sold		Unsold	
		Units	million Baht	Units	million Baht	Units	million Baht
Bann Prukha	22	12,055	13,977	8,233	9,439	3,822	4,539
Prukha Nara	3	919	2,769	419	1,291	500	1,478
Prukha Ville	24	8,563	15,540	6,032	10,651	2,531	4,889
The Connect	8	2,855	7,233	1,546	3,880	1,309	3,352
Passorn	10	3,528	13,856	1,955	7,750	1,573	6,106
The Plant	10	2,607	11,727	1,208	6,052	1,399	5,675
Prukha Villaga	14	3,940	11,476	2,129	5,977	1,811	5,499
Prukha Town	16	4,635	10,876	2,494	5,745	2,141	5,130
Natura	2	350	1,262	134	443	216	819
Reno	1	128	254	111	218	17	36
Prukha Puri	3	616	2,486	255	940	361	1,546
IVY	3	495	2,849	436	2,305	59	543
The Tree	3	2,444	5,870	2,032	4,572	412	1,298
Plum Condo	3	1,726	1,659	1,420	1,372	306	286
Urbano	2	804	3,244	767	2,964	37	280
Patio	3	670	2,848	247	1,050	423	1,798
The Seed	2	531	1,777	495	1,651	36	126
Chapter One	1	1,875	4,006	1,599	3,451	276	555
Condonlette	4	1,127	3,937	905	2,896	222	1,041
Villette	2	740	2,365	206	654	534	1,711
FUSE	3	2,591	5,686	1,676	3,726	915	1,960
CORAL VILL (Maldives)	1	180	473	180	473	-	-
Silvana Bangalore (India)	1	401	1,338	197	720	204	618
<b>Total</b>	<b>141</b>	<b>53,780</b>	<b>127,506</b>	<b>34,676</b>	<b>78,220</b>	<b>19,104</b>	<b>49,286</b>

## 1. TOWNHOUSES

Townhouse market is around 14% of total housing market by newly registered housing units in Bangkok and vicinities registered in 2012. It accounted for 55% of the company's revenue. In addition, the Company's townhouse market share is 71%. The Company opened totally 21 new townhouse projects in 2012.

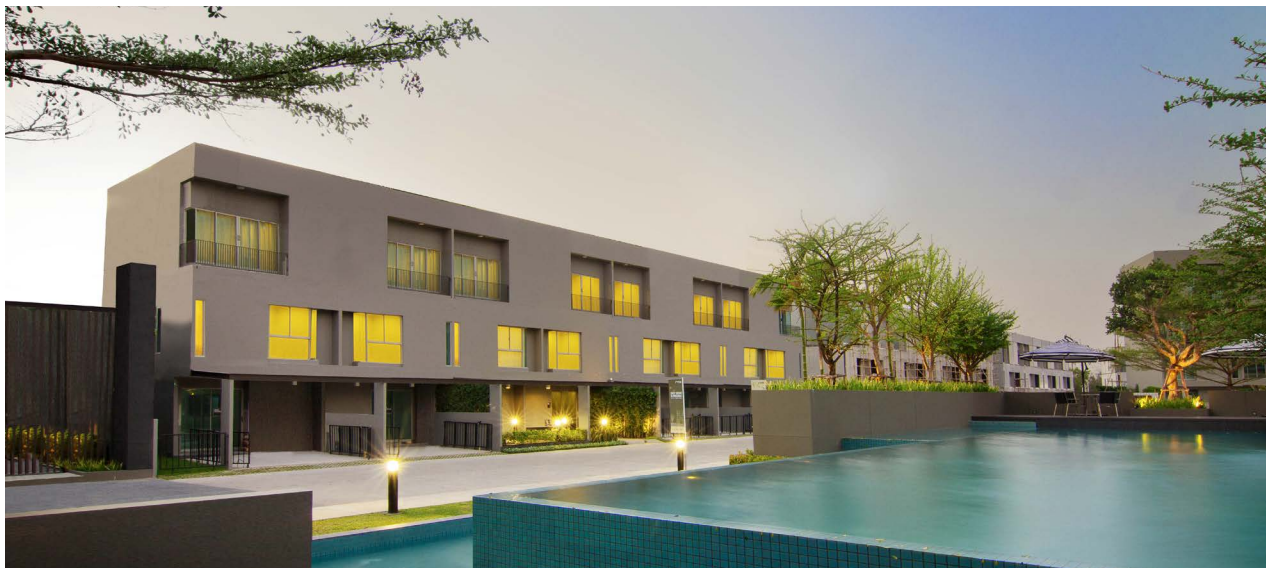


The Company develops many brands of townhouses with various models. It set prices ranging from 0.6 million Baht to 4.5 million Baht. Three latest brands launched in 2010 and one in 2011 were VILLETTE, The Reno, Patio and We/2 in 2012, respectively. The Company's market share in townhouse-unit-transfer has been No. 1 among Thailand residential developers for several consecutive years.

The Company focuses on low to upper-middle income earners who desire to have their own houses and are not buying for speculation. The Company has constructed townhouses under the concept "A House for Everyone" in order to respond to basic needs of customers for housing of comparable quality but lower prices when compared to other developers' housing of similar designs, sizes, and locations. Generally, the Company's sale prices for townhouses are 15-20% lower than those offered by other developers. This is because the Company manages the construction itself and, as a result, it can efficiently control the costs of construction and in shorten the construction period.

The Company endeavors grow its share in townhouses as planned. It also conducts researches to find customers' needs and adopt such need into its design and feature. Thus, the market share of the company is successfully as high as 60-70%. As townhouses show short cash business cycle, including government's stimulus measures to boost the property sector through tax package, low housing loan interest rates, assistance to affected residential areas in the form of either low interest rates of long-term loan, the company then focuses on the continuous improvement of its townhouse projects so that house buyers can receive such advantages.

In 2010, the Company further expanded on townhouse development under the existing brands to new market areas covering both Bangkok areas and its suburbs, including the continuity of service and product improvement. The new brand of townhouse, Urbano, has been introduced in in-town area. In addition, townhouse projects under the brand 'Pruksa Nara' have been developed in Ayutthaya, Chon Buri and Khon Kaen while 'The Connect' has been expanded into new city areas of Bangkok, which have no Pruksa's projects yet. Besides, 'Pruksa Ville' has been expanded into provinces such as Phuket.



The Company has launched townhome style with larger areas in its three or four stories such as VILLETTE, Patio and We/2 brands targeting on middle-to-high income earners and located closer to town with higher selling price. The projects are in Pattanakarn Soi 38 zone and in Muang Thong Thani, Chaeng Wattana zone which are close to prime area, no flooding and sold at attractive price. Moreover, there are few developers selling low rise houses in the neighborhood at present as most of them rather offer condominium. The Company has competitive land cost from the auction sale by Thai Asset Management Corporation (TAMC), therefore, the Company can sell low rise houses with attractive price starting from 2.5 million Baht.

Ownership Transfer	2010	2011	2012
Total Units of Townhouse Projects (units)	9,150	8,384	9,140
Revenues from sales of townhouses (million Baht)	11,948	11,504	14,908
Total Registered townhouses, commercial buildings, and duplex houses in Bangkok Metropolis and its suburbs from the Real Estate Information Center - built by developers (units)	13,827	12,995	12,402
Market share in Bangkok and vicinities (%)	66	65	71

### Future Plan – Townhouses

The Company's business plan in 2013 is targeting to launch 47 townhouse projects, four of them located in up-country with total booking target at 16,325 million Baht.

After 2011 inundation, the Company has developed its townhouse design for 2012 both in overall project and house re-design to be more capable during flooding. For example, the landfill level and first floor are lifted up to avoid flooding level in the past. In addition, housing fence is made of water proof material and sanitation is re-arranged to avoid flood.

## 2. SINGLE-DETACHED HOUSES

Single-detached house market is around 12.7 % of total housing market by newly registered housing units in Bangkok and vicinities registered each year and is 33% of the company's revenue. In 2012, the Company's Single-detached house market share was 18% and total five new single-detached house projects were launched.



The Company's single-detached house brands are Passorn, Pruksa Village and The Plant. Due to the Company's penetration and marketing strategy in single detached house market for many years, its market share has risen dramatically from 4% in 2005 to 18% in 2012.

Ownership Transfer	2010	2011	2012
Total Units of Single-detached house Projects (units)	2,416	2,085	2,213
Revenues from sales of single-detached house projects (million Baht)	7,723	7,140	8,775
Total Registered single-detached houses in Bangkok Metropolis and its suburbs from the Real Estate Information Center - built by developers (units)	11,461	13,999	11,260
Market share (%)	21	15	18



### Future Plan – Single-Detached Houses

The Company's business plan in 2013 is targeting to launch 16 single-detached house projects with the booking target at 9,105 million Baht.

In order to increase the single-detached house market share, the Company has developed single-detached houses located near urban areas to supply middle and high income earners at launching prices from 4 to 10 million Baht. Since 2012, the Company has fully developed two large land plots which are in Pattanakarn Soi 38 zone and Chaeng Wattana zone because the Company estimates its new single-detached house projects are in high demand for both places due to close to prime area, no flooding and sold at attractive price starting at 5 million Baht. Moreover, there are few developers selling low rise houses in the neighborhood at present. Therefore, both projects will be source of revenues for the Company in the future.

The Company has launched new brand or series at higher price, i.e the Palm and Passorn Prestige. The Company plans to open more in town or prime up-country such as Chonburi, Khon Khaen, Phuket, Chiang Mai, Samutsakorn, Ayutthaya, Nakon Pathom etc. However, the revenue and booking generating from up-country in 2012 is approximately 4 - 5% and will gradually rise later. In the long run, it is believed that most home buyers will buy and transfer ownership of houses which were flooded as they are close to work places and industrial estates.

After 2011 inundation, the Company has developed its low rise design for 2012 both in overall project and house re-design to be more capable during flooding. For example, the landfill level and first floor are lifted up to avoid flooding level in the past. In addition, housing fence is made of water proof material and sanitation is re-arranged to avoid flood.

### 3. CONDOMINIUM

The condominium market is around 73% of total housing market by newly registered housing units in Bangkok and vicinities registered in 2012 and is 11% of the company's revenue. In 2012, the Company's condominium market share was 1.4% and total four new condominium projects were launched.



The Company has adjusted its marketing strategy and revenue structure due to dramatic change in housing demand in Bangkok and its vicinities. In addition, the development of public mass transit such as sky train and subway has caused high demand for condominium along both elevated and underground trains since 2007.

In 2009, the Company developed a new market by constructing boutique condominium using "The Seed Theme" as its brand. "The Seed Musee Sukhumvit 26" and "The Seed Memory Siam" were such successful projects that not only both high-end condominiums were rapidly sold out but Pruksa was also known and accepted by high-income buyers.

The Company has been developing further condominium projects to serve the promotion privileges granted by the Board of Investment (BOI) aiming at low and middle residents with selling prices of not over one million Baht together with utility space of not less than 28 square meters.

Ownership Transfer	2010	2011	2012
Total Units of Condominium Projects (units)	1,283	1,686	930
Revenues from sales of condominium projects (million Baht)	3,608	4,487	2,837
Total Registered condominiums in Bangkok Metropolis and its suburbs from the Real Estate Information Center - built by developers (units)	57,167	34,734	64,716
Market share (%)	2.2	5	1.4



In 2009, the Company has penetrated into condominium markets for low and middle income buyers called “BOI condominium market” using “The Tree” and “BE YOU” as its brands. “The Tree Ladprao” was the first project which was very successful. In 2010, the Company dramatically continued expanding the existing condominium market and found a new business model in various segments of middle and low income market, with part of which are under BOI tax privilege.

The new brands launched in 2010 are Condolette, Chapter One, Fuse, Urbano, and Coral Ville (Maldives). Due to the four-year consecutive success, the Company recorded 12,910 million Baht in booking which was the highest value in the industry.

In late 2010, condominium market showed sign of slowdown due to oversupply and strict loan to value (LTV) criteria. Therefore, the Company did not focus on condominium much in 2011. Only 1 new brand, “PLUM” was introduced in the market serving mid-to-low income earners at selling price around 1 – 2 million Baht.

Throughout the year 2011, there were many factors discouraging condominium sellers such as oversupply and delay with rather ambiguous government incentive for home buyers. Such hesitation diminished condominium booking as foreseen by the Company. Therefore, the Company kept focusing on construction and successful for reaching new high record of condominium transfer as mentioned.

The recovery sign in condominium market was shown in 2012 because of the economic recovery after 2011 floods, demand for condominiums located along the current or new extension to the mass transit lines as the second home and desire for reducing the commuting time to work. As a result, the total booking and ownership transfer achieved the target.

### Future Plan – Condominiums

The Company’s business plan in 2013 is targeting to launch 12 condominium projects in Bangkok and its vicinities and one in upcountry. Expected all condominium presale will reach 9,140 million Baht or 27% of total revenue.

#### Investment Promotion Policy announced by BOI-Townhouse and Condominium

Previous Investment Promotion Policy	Amendment of Investment Promotion Policy for BOI Baht 1.0 million [Condominium]	Amendment of Investment Promotion Policy for BOI Baht 1.2 million [Townhouse or Single house]
<ul style="list-style-type: none"> <li>Projects must comprise a minimum of 150 residential units in Zone 1 and 75 residential units in Zone 2 and Zone 3</li> </ul>	<ul style="list-style-type: none"> <li>Projects must comprise a minimum of 50 residential units in every location</li> </ul>	<ul style="list-style-type: none"> <li>Projects must comprise a minimum of 50 residential units in every location</li> </ul>
<ul style="list-style-type: none"> <li>For any residential project, area per unit must not be less than 31 square meters</li> </ul>	<ul style="list-style-type: none"> <li>For Zone 1, a minimum area per unit must not be less than 28 square meters and for Zone 2 and Zone 3, a minimum area per unit must not be less than 31 square meters</li> </ul>	<ul style="list-style-type: none"> <li>For Zone 1, a minimum area per unit must not be less than 70 square meters</li> </ul>
<ul style="list-style-type: none"> <li>Its sale price per unit must not exceed 600,000 Baht (including land cost)</li> </ul>	<ul style="list-style-type: none"> <li>Its sale price per unit must not exceed Baht 1.0 million (including land cost) for Zone 1 and not exceed 600,000 Baht for Zone 2 and Zone 3</li> </ul>	<ul style="list-style-type: none"> <li>Its sale price per unit must not exceed Baht 1.2 million (including land cost) for Zone 1 and not exceed 600,000 Baht for Zone 2 and Zone 3</li> </ul>
<ul style="list-style-type: none"> <li>Projects must obtain building permits under the Building Control Act or other related laws</li> </ul>	<ul style="list-style-type: none"> <li>Projects must obtain building permits under the Building Control Act or other related laws</li> </ul>	<ul style="list-style-type: none"> <li>Projects must obtain building permits under the Building Control Act or other related laws</li> </ul>

**Note :** Zone 1 comprise 6 provinces such as Bangkok, Samutprakan, Samutsakhon, Pathumthani, Nonthaburi and Nakhonpathom  
Zone 2 comprise 10 provinces such as Chonburi, Chachoengsao, Samutsongkhram, Nakhonnayok, Saraburi, Ayutthaya, Ratchaburi, Angthong, Suphanburi and Kanchanaburi  
Zone 3 encompasses the remaining 60 provinces and Laemchabang Industrial Park

## 5.3.1 Production and Marketing Management

### CONSTRUCTION MANAGEMENT – TOWNHOUSES

The Company organizes construction management into two departments as follows:

#### 1] Construction Management Department:

This department supervises and implements the construction of all projects under the agreed plans and models. It manages the construction costs within the budget and coordinates with the Company's Budget Department.

#### 2] Quality Assurance Department:

This department inspects the quality of each individual housing unit to ensure that it is up to the standards required. The Company has central departments to support construction management for both townhouse and single detached house projects. The support departments are as follows:

- Contractor Recruiting Department: This department recruits specialized contractors and laborers for each project as required.
- Research and Development Department: This department utilizes appropriate technologies for application in design and construction work.
- Engineering Department: This department is responsible for designs and solving technical problems.
- Project Development Department: This department serves as the coordinator and participates in the development of housing designs.
- Purchasing Department: This department purchases materials for use in construction.

House Design: In designing housing units for each project, the Marketing and Sales Department will coordinate with the Project Development Department to determine conceptual design guidelines, including the construction budgets and techniques. After that the Project Development Department will assign outside architects to design the project under the guidelines on the agreed conceptual design. If the Project Development Department agrees with the project design proposed by the architect, the architect will continue with the detailed design to ensure completeness of the design before the launch of each project.

In a townhouse construction project, the Company divides the work into production lines, each of which is able to build about 40 townhouse units per month. In each project, there may be more than one production line, depending on the project size. The Company assigns about 10 staff members to supervise the construction work at each production line, with the project manager being the project supervisor, and project engineers, field engineers, and foremen supervising construction work at each stage and specialized contractors hired to carry out detailed work, such as foundation work, masonry, parts installation, floor tiling, and roofing. The Company hires specialized contractors and laborers at appropriate numbers for each production line. During the construction period, the Company's quality assurance department inspects the house quality periodically and the overall quality after completion of the house construction, prior to sale or delivery to the customer.

The Company is able to build this type of house with comparable quality and more useable area and with similar designs, sizes and locations, at a cost lower than those of other operators. In addition, the ability to manage construction work by itself, the Company has another advantage, i.e., it employs production technologies to reduce the construction period. This can save costs and labor expenses, while maintaining work quality. The Company uses the Cast-Institu Load Bearing Wall Structure system in the construction of Baan Prukha projects and the RC Load Bearing Wall Prefabrication system in the construction of single-detached houses in the "Prukha Ville" and "The Connect" projects.

For the Cast-Institu Load Bearing Wall Structure system, the Company purchased this technology from France. This system uses walls to bear the weight in place of pillars and beams, skipping the step of cement pouring for pillars and beams. The walls are assembled and installed at the construction site. Then the walls are tied with a steel structure into which cement is poured. The steel frame is subsequently removed and a bearing wall is created. By this method, the work is done more quickly. The Company was among the first few developers which employed this system in the construction of one-story townhouses which required about 30 days from the commencing date to complete the construction of a house, which is more efficient than the conventional method of construction which require about 180 days. The Company had used the conventional method in the construction of early townhouse projects such as Baan Prukha 1 and Baan Prukha 2.

Later, the Company has developed new construction technologies to boost house construction efficiency. It has employed the Tunnel Technology in the construction of two-story townhouses. The construction starts with the fitting of steel-framed walls and the upper floor at the same time, followed by structure steel bar wire tying and concrete pouring for the lower walls and the upper floor, also in one step. Then the upper walls and roof frames are fitted in. By this method, the outside working period is much shorter than the conventional method and a solid, strong and beautiful house is obtained. By using Tunnel Technology in construction, a house is completed in about 60-80 days. This method is much quicker, compared with the conventional method, which requires about 180 days. The Company has used this technology in the construction of Baan Prukha 3 project and the subsequent projects. In addition to the construction of townhouses, this technology can be used in the construction of 8-storey condominiums.

The advantages of this technology are as follows:

- 1) The house structure is solid and strong because the pre-cast steel-reinforced concrete walls are longer lasting than conventional brick walls.
- 2) Easier quality control as the system has a firmly established procedure.
- 3) The construction period can be easily controlled as unnecessary construction steps are skipped, thus requiring shorter time for construction than the conventional method.
- 4) It is appropriate for major products which have the same models.
- 5) It depends less on skilled labor, which is an important part of the construction cost.
- 6) Bricklaying and masonry on walls is omitted in addition to concrete pouring for beams and pillars.
- 7) The problem on wastes from work - which is a major problem in construction - is reduced, resulting in cost saving and an orderly working condition in the construction site.

Details of RC Load Bearing Wall Prefabrication can find in topic 'Construction Management - Single-Detached House'

The Company has a factory which uses a battery mold system to produce precast fences and pillars for single-detached houses and townhouses ("Prukha Ville" and "The Connect" projects).

Therefore, the Company is able to build townhouses in mass to meet market demands and in effect to manage construction costs efficiently, thus achieving the economies of scale.

### Construction Management – Single-Detached House

Managing a single-detached house project is similar to managing a townhouse construction project. However, for the construction of each project, the Company assigns staff by project rather than by product line, as the number of housing units in each single-detached house project is smaller than that of a townhouse project. About 30-40 staff members are assigned to supervise the construction of each project and specialized contractors and daily-wage workers are hired for each project as appropriate.

RC Load Bearing Wall Prefabrication: At the beginning, the Company cooperated with the Asian Institute of Technology (AIT) in developing the RC Load Bearing Wall Prefabrication technology (or “precast wall technology” as it is often referred to) for its construction work at each site. Later, in 2004, the Company built its own Precast Concrete Factory by purchasing the technology from Germany, which uses the Semi-Automated Pallet Circulating System, the most advanced system in Thailand. The Company has used this construction technology with two-story single-detached house projects as single-detached houses have diverse wall designs. Each house has 30-60 parts, which under this technology are precast in the factory and delivered to the construction site for assembly.

This technology not only has the similar advantages to those of Cast-Institu Load Bearing Wall Structure but it also has other major advantages including more useable area rather than a space for beams and pillars. Moreover, the walls are better fire-proof, heat insulating, sound-opaque, and water-proof than those built by light weight bricks. In addition, houses built under this technology require low maintenance as it has a precast structure and the insurance premium is low as a precast structure house is better fire resistant, more solid and more durable. Pruksa and the Asian Institute of Technology (AIT) jointly studied and developed this construction technology and have been able to construct houses which can withstand an earthquake measuring up to 6 on the Richter scale.

Under this technology, the construction period is about 75-90 days for a house, compared with approximately 180 days required for constructing a house by a conventional method. However, in the early stage of using this technology, each part was cast on the construction site and not all of the parts were able to be cast. Therefore, the early housing projects had to use parts produced under this technology and those produced under conventional methods (except for single-detached houses under Passorn 11 projects, which were entirely built under conventional methods). The Company built the Precast Concrete Factory by using this technology in producing the parts. The factory, built in 2004 and completed in January 2005, has a capacity to build parts for up to 3, 600 single-detached houses per year. It has started production of parts and the production increased from 60 % to 80 % of the total capacity in June 2006.

The Company also has a factory to produce finished fences and pillars by using the battery mold system. In the production process, steel molds are placed and removed by a hydraulic control system to ensure the exact distance required between the molds before cement pouring. The factory has a total capacity to produce fences and pillars for 12 houses per day. At present, production of pillars fences for single-detached house projects and townhouse projects, and decoration pillars and townhouse parapets has been successfully increased.

When the Company entered into the condominium market in 2007, PCF3 (Precast Concrete Factory No. 3) was built to produce external walls. The existing construction method was applied for internal walls and the main structure. In 2010, the Company applied the fully precast construction method for condominium. In order to support this plan, PCF3 was modified to produce Pre-stress slabs.

In 2010 the Company finished new PCF # 4 and # 5 construction. The test-run began in middle of December. The PCF # 5 possible name plate capacity of 430 houses per month enable the total capacity of the company to be 690 houses per month as the company existing PCF # 1's is 260 houses per month. The new PCF # 2 has the maximum world scale capacity with production area of 14,200 square meters and stock area of 9,800 square meters.

In 2011, the PCF # 4 and PCF# 5 were ready for its full capacity. However, there was a severe flood inundation in Bangkok and 6 vicinities. The company has prepared in advance to lift all important machines and equipment up successfully away from water level. The highest water in PCF # 1 and # 5 was less than 10 cm. All plants shut down for 40 days. The damage was ~ 28 million Baht in which the Company can claim ~ 21 million Baht from insurance. In the middle of January, all PCF can be able to resume at its possible nameplate capacities after December re-start.

#### Summary of Existing plants and new plants

Factory	Production System	Product	Name Plate Capacity/ month	Expected
PCF1 (Carrousel I)	Semi Automated Carrousel System	House Wall	88,000 sqm. (gross area) or 300 houses	76,000 sqm. (gross area) or 240 houses
PCF2 (Fence Factory)	Fixed Mould System	Fence House & Townhouse	3,000 m3 or 1,400 houses	2,600 m3 or 1,200 houses
PCF3 (Slab & Special Element Factory)	Fixed Mould System	Slab & Special Element House	5,600 m3 or 800 houses	4,800 m3 or 690 houses
PCF4 (Condo & Façade Factory)	Fixed Mould System	Wall Condo Townhouse Façade	20,000 sqm. or 400 unit/month 2,400 m3 or 1,100 houses	16,000 sqm. or 320 unit/month 2,000 m3 or 900 houses
PCF5 (Carrousel II)	Fully Automated Carrousel System	House Wall	146,000 sqm. (gross area) or 500 houses	126,000 sqm. (gross area) or 400 houses

#### Distribution and Channels of Distribution of All Products

The Company has strategies to promote its products as follows:

**Product strategies:** In 2007, the Company developed a number of new products and expanded coverage areas with the objective of being the leader in middle-to-low income market in all products covering of the whole Bangkok Metropolis, its suburbs and also in town areas. The Company has consistently sought more efficient construction technologies in order to fulfill homebuyers' requirements. This partly explains its ability to complete the construction quickly, to achieve good quality and to deliver houses to customers as scheduled. The Company also has inventory management methods to maintain the inventory level appropriate to the sales of housing units.

**Pricing strategies:** The Company has focused on low-to-middle income earners. The Company's construction costs are also lower than those of other developers as it manages construction work itself and uses advanced and efficient construction technologies. It is therefore able to maintain low production costs and shorten the construction time, Thus, it is able to offer prices lower than those of other developers by 15-20% for townhouses and single-detached houses. Since one of our objective is to build housing units for low income earners, in order to help society, the Company is one of the very few real estate developers granted BOI promotional privileges, with corporate income tax exemption for income from sales of housing units with a price not exceeding 1.2 million Baht each.

Advertising and public relations strategies: To support sales, the Company has launched advertising and public relations campaigns through

- 1) Medias such as radio, television, newspaper
- 2) Mass transportation such as BTS, MRT
- 3) Show booths
- 4) Billboards that advertise the Company's projects in the localities
- 5) Brand Building Aiming to boost public awareness, the Company has been sponsoring various TV programs, such as "Faen Phan Thae" and applying the concept of Customer Relations Management, through various activities, such as offering scholarships to children of dwellers in the Company's housing projects, providing mobile medical services to the Company's housing project dwellers for free health check-ups and organizing various activities in the housing projects.
- 6) Mobile telephone systems
- 7) The Internet (e.g., the Company's website [www.pruksa.com](http://www.pruksa.com) or Facebook, and many other linkage pages).

Distribution Strategies: The Company has a direct channel of distribution, mainly through its sales offices, in addition to sales offered at housing fairs. It offers the sales of new housing projects to expand the customer base by various means, such as the "Members Get Members" project, where the customer who introduces new customers to the Company are entitled to referral fees. Currently, the Company has a customer base of over 80,000 households.

## Procurement of New Products and Services

### 1. LAND PURCHASE

The Company has no policy to hold a land bank. If it is interested in developing a real estate in a certain area, it will conduct a project feasibility study, and market condition and competition surveys, including the customer demand in the target location. Then it will negotiate the land purchase directly with the land owner or broker, comparing the proposed price with the official appraisal price or market price, to ensure that the land prices are not unreasonably high.

### 2. CONSTRUCTION MATERIALS

Since the Company manages construction work itself, it is the direct buyer of construction materials. After the Purchasing Department is informed of the material requirements in detail, it will contact each material producer directly to compare prices. Generally, the Company is given a considerable discount as its purchases are of high volumes. After the Company has agreed with the producer on the material quantities and prices, it will order the materials through the producer's agent for delivery to the project sites. The Company has a credit term of 30-60 days. Since 2006, it made change to the procurement of major construction materials, such as cement, steel, and tiles, by inviting tenders and entering into long-term price agreements; up to one year. These methods have reduced the risks of price fluctuations. Having good relationship with many suppliers, the Company is able to obtain construction materials at a desired quantity and has never suffered a shortage of construction materials. However, it does not rely on any one supplier of construction materials.

### **3. CONSTRUCTION CONTRACTORS**

The Company is one of the very few real estate developers who manage construction work themselves. It determines the project concept and details of the design. For project construction, it manages the construction work by dividing it into parts such as foundation work, masonry, parts installation, floor tiling, and roofing. It hires specialized contractors to implement the work and supervises the implementation by assigning its engineers and foremen to work at the project site to ensure that construction specifications and standards are met. The Company is also able to manage construction costs efficiently as it procures construction materials itself.

Nevertheless, in order to better manage the construction capacity, the Company has begun to hire outside contractors for construction of condominiums, starting with the Ivy Thonglor project.

### **4. PRODUCTION TECHNOLOGIES**

The Company utilizes several technologies in building townhouses, single detached houses and condominiums. For 2-storey townhouses, the Tunnel Technology is implemented. Single detached houses are built with RC Load Bearing Wall which is constructed by precast concrete sheets. The precast sheets are also used for condominium walls and ornaments.

In order to continually improve Real Estate Manufacturing (REM), started in 2011, and traditional construction, the supply chain namely property search, designing, budget, procurement, transportation, manpower management and quality control, has to operate harmoniously. As a result, productivity can be achieved and leads to the efficiency of cost, time and quality control.

### **5. ENVIRONMENTAL IMPACT**

The project's housing and utilities constructions are subject to the Ministry of Natural Resources and Environment's Notification on the Criteria, Methods, Procedures, and Guidelines on the Preparation of the Report on Environmental Impact Analysis issued by virtue of the Environment Quality Promotion and Maintenance Act B.E.2535. The notification requires companies engaged in land development for housing or commercial purpose in a plot divided into 500 or more sub-plots or in a plot of over 100 rai to submit a report on the Environment Impact Assessment (EIA) together with the application for land development under the land development law. Prior to the project construction, the companies must also submit the EIA report to the Office of Natural Resources and Environment Plans and Policy. On this matter, the Company has the required EIA report prepared by outside experts and has never had any problem on environment impact.

In housing construction, especially in a single-detached house project, there may be environment impact from waste water. The Company therefore has provided waste water treatment system for each individual house and set up a central waste water treatment system for each project, so as to avoid any impact on public water sources.

As for the Company's Precast Concrete Factory, which is subject to the provisions of the Factory Act B.E. 2535, the Company has established standards and methods to control the release of pollutants or any substances that may impact the environment as a result of the factory's operations. To ensure that the Company operates with responsibility for environmental impact, its three pollution control measures are:

- (a) Water pollution control measure-waste water from concrete production process is controlled to flow to water sediment ponds. Sorted stones and sand are brought back to production as well as water. None of waste of water is released to community areas or public streams.
- (b) Air pollution control measure-to prevent dust in the adjacent community and the factory, water spray nozzles are arranged at the concrete mixing plant during piling up sand and stones and hauling them into the concrete mixing process. In addition, dust collectors are installed in the production process as well as floor scrubbers are used to reduce dust left in the building. Before roads in the factory areas are cleaned, water sprays are applied to prevent the spread of dust.
- (c) Noise pollution control measure-since noise resulting from the production process is mainly caused by concrete compression machines, noise barrier was installed in 2008. Later, new concrete compression machines with shaking system were bought to replace the original ones with vibrating system. This can reduce sound intensity very much. Moreover, decibel level at the factory areas and adjacent community is inspected yearly.

## 5.4 Capital structure

### COMPANY'S SECURITIES:

#### 1. Common Shares

As at 29 December 2012, Pruksa Real Estate Public Company Limited had registered capital of Baht 2,250,812,000 (2,250,812,000 ordinary shares with Baht 1 par value) with issued and paid-up share capital of Baht 2,213,222,000 (2,213,222,000 ordinary shares with Baht 1 par value).

After the ordinary shares started trading in Securities Exchange of Thailand, there have been chronological changes as follows:

	Capital Registered [Baht]	Warrants exercised [Unit]	Shares Purchased from warrants exercised [Share, Baht]	Registration at Ministry of Commerce	Paid-Up Capital [Baht]
30 Jun 06	2,232,500,000	6,992,400	6,992,400	5 Jul 06	2,166,745,800
31 Jan 07	2,232,500,000	7,104,600	7,104,600	Feb 07	2,173,850,400
20 Apr 07 <sup>(1)</sup>	2,224,753,400	Decrease Registered Capital	-	20 Apr 07 <sup>(1)</sup>	2,173,850,400
23 Jun 07 <sup>(2)</sup>	2,255,753,400	Increase Registered Capital to serve ESOP	-	23 Jun 07 <sup>(2)</sup>	2,173,850,400
31 Jul 07	2,255,753,400	6,327,800	6,327,800	9 Aug 07	2,180,178,200
31 Jan 08	2,255,753,400	5,774,500	5,774,500	6 Feb 08	2,185,952,700
31 Jul 08	2,255,753,400	5,441,500	5,441,500	8 Aug 08	2,191,394,200
30 Jan 09	2,255,753,400	5,169,900	5,169,900	5 Feb 09	2,196,564,100
23 Apr 09 <sup>(3)</sup>	2,224,753,400	Decrease Registered Capital by cutting unused ESOP	-	23 Apr 09 <sup>(3)</sup>	2,196,564,100
31 Jul 09	2,224,753,400	5,086,500	5,086,500	7 Aug 09	2,201,650,600
30 Nov 09	2,224,753,400	5,161,400	5,161,400	4 Dec 09	2,206,812,000
3 May 10 <sup>(4)</sup>	2,206,812,000	Decrease Registered Capital by cutting unused ESOP	-	3 May 10 <sup>(4)</sup>	2,206,812,000
6 May 10 <sup>(5)</sup>	2,228,812,000	Increase Registered Capital to serve ESOP	-	6 May 10 <sup>(5)</sup>	2,206,812,000
28 Feb 11	2,228,812,000	667,700	667,700	7 Mar 11	2,207,479,700
3 May 11	2,250,812,000	Increase Registered Capital to serve ESOP	-	3 May 11	2,207,479,700
31 May '11	2,250,812,000	947,900	947,900	6 Jun '11	2,208,427,600
31 Aug '11	2,250,812,000	979,600	979,600	8 Sep '11	2,209,407,200
31 Aug '12	2,250,812,000	1,275,500	1,275,500	11 Sep '12	2,210,682,700
31 Aug '12	2,250,812,000	509,200	509,200	11 Sep '12	2,211,191,900
30 Nov '12	2,250,812,000	1,475,000	1,475,000	13 Dec '12	2,212,666,900
30 Nov '12	2,250,812,000	555,100	555,100	13 Dec '12	2,213,222,000

## 2. Warrants [PS-WC]

The Company has issued a number of warrants to the Company's directors, management, employees, advisors and/or the subsidiaries (PS-WC) as per the following details:

<b>Name</b>	Warrants to purchase the ordinary shares of Prukso Real Estate Public Company Limited (PS-WC)
<b>Number of Warrants Issued</b>	22,000,000
<b>Offering Price Per Unit</b>	-0-
<b>Exercise Price Per Unit</b>	Baht 14.35
<b>Term of Warrants</b>	Three years from the date of issuance
<b>Exercise Ratio</b>	1 : 1 (One Warrant per one ordinary share)
<b>Offering Period</b>	Within a year as of the approval of the shareholder meeting
<b>Exercise Period</b>	4 times per year (February, May, August and November of each year)
<b>Control Dilution</b>	The effect to the profit sharing or voting right of existing shareholders (control dilution) is decreased by 0.99% (22,000,000/2,228,812,000 shares)

<b>Name</b>	Warrants to purchase the ordinary shares of Prukso Real Estate Public Company Limited (PS-WD)
<b>Number of Warrants Issued</b>	22,000,000
<b>Offering Price Per Unit</b>	-0-
<b>Exercise Price Per Unit</b>	Baht 15.30
<b>Term of Warrants</b>	Four years from the date of issuance
<b>Exercise Ratio</b>	1 : 1 (One Warrant per one ordinary share)
<b>Offering Period</b>	Within a year as of the approval of the shareholder meeting
<b>Exercise Period</b>	4 times per year (February, May, August and November of each year)
<b>Control Dilution</b>	The effect to the profit sharing or voting right of existing shareholders (control dilution) is decreased by 0.99% (22,000,000/2,228,812,000 shares)

### 3. Debenture

As at 31 December 2012, there was Baht 12,500 million. outstanding which can be divided into three tranches as follows:

Name of Debentures: Debentures of Pruksa Real Estate Public Company Limited	No. 1/2010 Due 2013 and 2015	No. 2/2010 Due 2013 and 2015	No. 1/2012 Due 2016 and 2017
Type of Debentures	Name Registered Debenture		
Status	Unsubordinated and unsecured		
Lead Underwriter Registrar and Paying Agent	Bangkok Bank Plc. Kasikorn Bank Plc. CIMB Thai Bank Plc.	Bangkok Bank Plc. Kasikorn Bank Plc. CIMB Thai Bank Plc.	Bangkok Bank Plc. Kasikorn Bank Plc.
Par Value	Baht 1,000		
Issue Price	Baht 1,000		
Issue Size	Baht 2,500,000,000	Baht 5,000,000,000	Baht 5,000,000,000
No. of Debenture	2,500,000 units	5,000,000 units	5,000,000 units
Duration	3 years and 5 years from issuing date	3 years and 5 years from issuing date	3.5 years and 5 years from issuing date
Issuing Date	24 June 2010	10 November 2010	21 September 2012
Maturity Date	Series 1: 24 June 2013 Series 2: 24 June 2015	Series 1: 10 November 2013 Series 2: 10 November 2015	Series 1: 21 March 2016 Series 2: 21 September 2017 Series 3: 21 March 2016 Series 4: 21 September 2017
Coupon Rate	Series 1: 3.00% per annum of Baht 1,500,000,000 Series 2: 3.75% per annum of Baht 1,000,000,000	Series 1: 3.10% per annum of Baht 3,000,000,000 Series 2: 3.75% per annum of Baht 2,000,000,000	Series 1: 4.22% per annum of Baht 600,000,000 Series 2: 4.50% per annum of Baht 600,000,000 Series 3: 4.22% per annum of Baht 2,400,000,000 Series 4: 4.50% per annum of Baht 1,400,000,000
Coupon Payment Date	Quarterly	Quarterly	Quarterly
Redemption	The issuer shall redeem the debentures with the single payment of principal and the final unpaid interest (if any) at maturity.		
Repurchase of Debenture	The issuer is entitled to repurchase the debentures from the secondary market or otherwise at any time.		
Credit Rating by TRIS	"A" as issued on 7 May 2010	"A" as issued on 7 May 2010	"A" as issued on 14 August 2012

## 5.5 Business trends and impacting factors

### 5.5.1 ECONOMIC OVERVIEW FOR 2012 AND ECONOMIC TRENDS FOR 2013

#### Thailand economic trends

	2011	2012F	2013F
<b>Thailand</b>			
Gross Domestic Product value (USD million)	347,172	371,476	401,186
Gross Domestic Product Growth Rate (%)	0.10	5.50	4.5 - 5.5
Domestic Public Bond value (USD million)	155,880	164,081	185,187
Domestic Public Bond to Gross Domestic Product Ratio (%)	44.90	44.17	46.16
Inflation Rate (%)	3.80	3.00	2.5 - 3.5
Interest Rate Policy (%)	3.25	2.75	2.5 - 2.75

Sources : NESDB , BOT , IMF , Bloomberg

\* Exchange rate used: THB 30.36 for USD 1.00 \*

According to Bank of Thailand (BOT) or some other source, Thailand economic conditions in 2012 will expand in the range of 5.5% with supporting factors arising from the acceleration of the industrial product sector in the second half of the year, the continuous growth trend of domestic demand for both consumption and private investments, coupled with pressures from oil price and inflation being in the low range. These encompass the supporting factors for the implementation of relaxed financial policy that favors economic recovery while in general the inflation in 2012 was in the range of 3.0%.

The Thai economy in 2013 tends to decelerate to a more normal rate of expansion. Demand from the domestic private sector continues to increase. At the same time, the progress of the world economic conditions allows the export sector to have a greater role in driving the economic expansion. The economic stability is still in positive trends. Based on forecasts, the Thai economy in 2013 will expand in the range of 4.5 – 5.5% while the inflation in general in 2013 will be in the range of 2.5 - 3.5%.

The Bank of Thailand has estimated that the world economy in the next year will slowly progress, but there might be some uncertainties that may impact the export recovery in the periods that follow. While domestic expenditures and investments of the private sector have been expanding well, they have slowed down after the completion of investments regarding flood rehabilitation programs. As for the private loan sector, expansion is in the high level and must be followed up. With regards to inflation pressures remain in the acceptable range. The Bank of Thailand views that in the situation where inflation risk is at the low level, while the world economy is still weak and bears high risks, the financial policy should be relaxed further to cope with potential risks from world economy and to maintain the momentum of domestic demand that may weaken in the periods that follow. The policy therefore allowed for an interest rate cut by 0.25% from 3.00% to 2.75% in last October, and the trend of the interest rate policy in 2013 is likely to lead to further interest rate cut although the world economy is sending out better signals.

The Domestic Public Bond ratio to GDP is at the level of 46.16% which is a low level, and therefore allows for a continuing implementation of financial policy by the government.

### Supporting factors for economic expansion

1. **The private sector consumption is still in the expanding trend** although the stimulus from monetary compensation for those affected by floods has started to decline in the second half of the year. However, household expenditures are still in a satisfactorily increasing trend, following the production sector in a continuous recovery trend, inflation in the economic system is still in the low range, the implementation of relaxed financial policy, measures to stimulate the economy of the governmental sector especially the measures to increase salary and minimum wages, including price intervention for agricultural produce, and measures on tax return for first-car buyers.
2. **The expansion of the industrial production sector** which tends to accelerate in the second half of the year through receiving supporting factors from the recovery of the production capacity in the industrial sector. According to forecasts, recovery will be accelerated to render the industrial production sector to expand in a fuller capacity. The base of expansion for the industrial sector was unusually low in the last quarter of 2011. Governmental measures, especially the extension of deadline for tax return for first-car buyers, support the growth of the car industry in a continuing fashion. Also the progress of the construction of dams around industrial parks provide assurance to the business for installing machines and utilizing more capacity of the production bases in Thailand.
3. **Investments in the private sector remain in the growing trend.** The supporting factors stem from investments for the rehabilitation of production capacity of the industrial sector that was delayed in the first half of the year, investments for the change of domestic production bases in order to mitigate risks from flood problems, and the private sector investments for self-protection regarding flood problems.
4. **Pressures from oil price and low-level inflation** support the implementation of relaxed financial policy favoring economic recovery both within the nation and in important countries that represent export markets for Thailand.
5. **Interest Rate remains in steady level.** Most commercial banks are competing in housing loan expansion which reflects the purchasing power of domestic consumers.
6. **The acceleration of large projects,** such as electric train system for mass transportation, flood prevention system, and high-speed electric train project.

### Risk factors and limitations

1. **Although the world economy is in a better trend, it is developing at a slow pace,** among worries about European economic crises and the progress of measures taken to solve problems by the EU countries, the budget deficit of the United States, and the economic challenges in Asia. The said slow recovery trend of the world economy constitutes limitations to the growth of export and the use of production capacity of the industrial sector.
2. **The European economies** still reflect risks and several important incidents may become obstacles to solving problems of economic crises in Europe. In turn, this may result in more serious crises and may impact the stability of the world economic and financial systems. Such situation must be closely monitored and evaluated.

3. **The recovery of some industries is delayed.** In addition, worries about the trend of the world economy constitute risk regarding entrepreneurs' decision to delay recovering the production capacity and delay the utilization of production capacity, especially production in group of industries using high-cost machines.
4. **The industrial sector that employs large work force has the tendency to shrink.** This is due to the loss of competitiveness in the work force and the tendency to increase the minimum wage nationwide. Furthermore, the production from industries that employ large work force and have export markets in Europe, is likely to be impacted by decreasing demand from abroad. Such conditions constitute the limitation to production growth in the industrial sector.
5. **Excess liquidity in the economic and world financial systems** results from the monetary expansion measures of various countries, and involves risk in creating pressure to strengthen the Thai Baht. Capital flows from low interest developed countries into the bond and stock markets of developing countries are difficult to manage, and can cause asset risk bubbles in the local economy.
6. **Problems of work force and the quality of education.** In terms of the quality of education, Thailand is seen as lacking behind other countries. Also the Thai work force lacks necessary skills for working whether it pertains to IT knowledge, English language, analytical ability, or creativity. Despite these deficiencies, the work force is selective when seeking jobs.

Details on economic situations and important data summarized as follows:

Important data of the Thai economy	2006	2007	2008	2009	2010	2011	2012F	2013F
Gross National Product for current year (billion Baht)	2013F	8,525.1	9080.4	9,041.5	10,104.8	10,539.4	11,278	12,180
Gross National Product for base year 1988 (billion Baht)	4,054.5	4,259.0	4,364.8	4,263.1	4,596.1	4,599.6	4,921.5	5,315.2
Gross National Product Growth Rate (%)	5.1	5.0	2.5	-2.3	7.8	0.1	5.5	4.5 - 5.5
Interest Rate Policy (RP) (%)	5.0	3.25	2.75	1.25	2.0	3.25	2.75	2.5 - 2.75
1 year bank saving rate (%)	4.0	2.3	1.7	0.7	1.4	2.7	2.5	2.5 - 3.0
Minimum Lending Rate (MLR) (%)	7.68	6.86	6.75	5.85	6.12	7.25	7.0	7.0 - 7.5
Inflation Rate (CPI) (%)	4.6	2.2	5.4	-0.9	3.3	3.8	3.0	2.5 - 3.5

**Sources** : The Bank of Thailand, Macroeconomic Strategy and Planning Office, Office of the National Economic and Social Development Board (NESDB), IMF, Bloomberg

## Group of countries where the Company has invested:

### Economic trends in India

	2011	2012F	2013F
<b>India</b>			
Gross Domestic Product value (USD million)	251,344	263,660	279,479
Gross Domestic Product Growth Rate (%)	6.80	4.90	6.00
Domestic Public Bond value (USD million)	126,929	178,208	186,329
Domestic Public Bond to Gross Domestic Product Ratio (%)	50.50	67.59	66.67
Inflation Rate (%)	8.90	10.20	9.60
Interest Rate policy (%)	8.50	8.00	7.50

Sources : IMF , Bloomberg

In 2012, GDP will grow to 4.9% and will grow further to 6.0%. The basic domestic economic factors remain in a weak condition, especially problems arising from budget deficit and current account deficit that resulted in the weakening of the currency and the constraints from inflation are at high level. The Bank of India has lowered the policy on interest rate from 8.5% in the second quarter to 8.0%, and subsequently announced the Interest Rate policy to be maintained at 8.0% in the attempt to curve down the inflation.

While the inflation in 2012 will remain at 10.2%, it will slow down in 2013 to 9.6%. With regards to Domestic Public Bond to GDP ratio, it is still at a low level and therefore allows for a continuous implementation of financial policy by the Indian Government.

### Economic trends in Vietnam

	2011	2012F	2013F
<b>Vietnam</b>			
Gross Domestic Product value(USD million)	16,286	17,117	18,126
Gross Domestic Product Growth Rate (%)	5.90	5.10	5.90
Domestic Public Bond value (USD million)	7,948	8,230	8,800
Domestic Public Bond to Gross Domestic Product ratio (%)	48.80	48.08	48.55
Inflation Rate (%)	18.70	8.10	6.20
Interest Rate Policy (%)	9.00	9.00	n/a

Sources : IMF , Bloomberg

In 2012, GDP will grow to 5.1% in 2012 and will grow further to 5.9%, while pressures from inflation have started to relax following the oil price decline and consumer goods in the world market. Thereby the inflation in 2012 will be at 8.1% and tends to decline in 2013 to 6.2%. The Bank of Vietnam has been maintaining the same interest rate at 9.0% consecutively since 2011. With regards to Domestic Public Bond to GDP ratio, it is still at a low level and therefore allows for a continuous implementation of financial policy by the Vietnamese Government.

### 5.5.2 THE SUMMARY OF HOUSING MARKET IN THAILAND IN 2012

In 2012, the rise in growth of housing market in the provinces was due to stronger economic growth and an increase in household income of upcountry people caused by expansion of investment and government policies to increase personal income. In addition, real estate developers have expanded a lot more in the regional development, especially condominium projects. After the flood in 2011, not only consumers' confidence in Bangkok and its vicinity improved, but the government stimulus packages expired on 31 December 2012 also helped consumers start making a decision to buy houses. Such stimulus package was personal income tax reduction measures for first time home buyers of which prices do not exceed 5 million Baht. Another was housing loan support schemes, 0% interest rate for 3 years, for low income consumers buying houses of which prices do not exceed 1 million Baht. Hence, all the mentioned factors contributed to the growth of housing market.

Thai housing market value in 2012 was about 626,000 million Baht of which the northern areas account for 4%. The south, the east, the northeast and the central region account for 9%, 16%, 9% and 12%, respectively. Another 50% of Thai housing market value belongs to Bangkok and its vicinity.

Table 1: Thai Housing Market Value in 2012 by Region

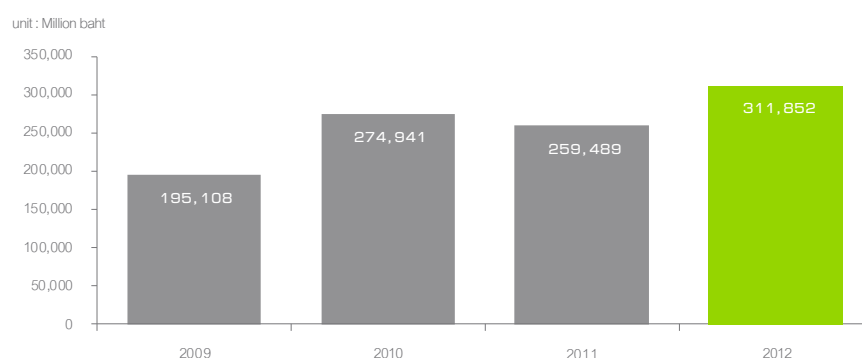
	The North	The South	The East	The Northeast	The Central Region	Bangkok and Vicinity	Total
Market Value (million Baht)	23,000	55,000	99,000	57,000	80,000	312,000	626,000
Proportion (%)	4	9	16	9	12	50	100

Source: Consumer & Market Intelligence Division , Pruksa Real Estate PCL.

### OVERVIEW OF THE HOUSING MARKET IN BANGKOK AND VICINITY

In 2012, the housing market in Bangkok and its vicinity was back to normal after its slowdown caused by the inundation in 2011. Its market value was 312,000 million Baht, an increased of 20% from previous year

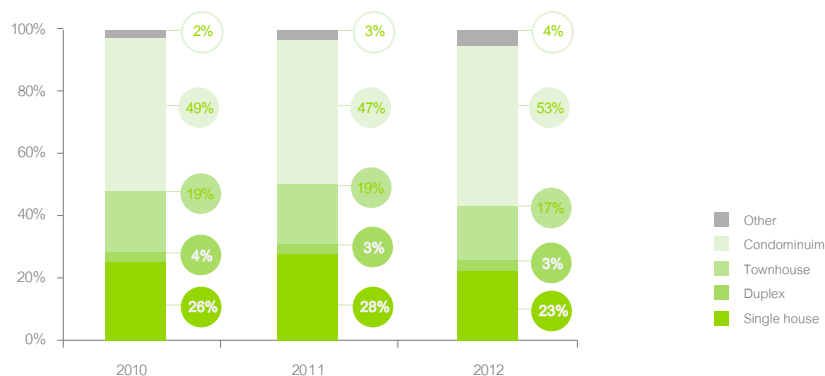
Figures 1: Housing Market Value and Its Growth in Bangkok and Vicinity (2010-2012)



Source: Consumer & Market Intelligence Division, Pruksa Real Estate PCL.

In 2012, the Company's housing market proportion in Bangkok and vicinity did not change as compared to the year before. Condominium acquires the highest housing market proportion of 53%, followed by a single detached house, 23%, townhouse, 17%, and duplex, 3%. Because of the development of mass rapid transit in Bangkok Metropolitan region and surrounding areas, especially the opening of elevated train extension on Sukhumvit line from Mo Chit to Bearing and on Silom line from National Stadium to Talad Plo, including the Purple line estimated to open for the public in 2015, the Company has developed more projects in suburb of Bangkok.

Figures 2: Housing Market Proportion in Bangkok and Vicinity (2010-2012)

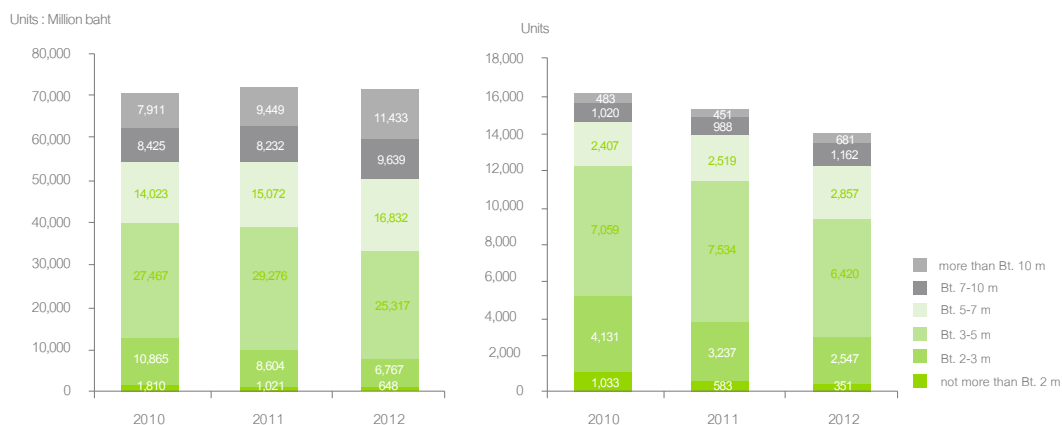


Source: Consumer & Market Intelligence Division, Pruksa Real Estate Pcl.

## OVERVIEW OF SINGLE DETACHED HOUSE MARKET IN BANGKOK AND VICINITY

In 2012, the market value of single detached house slightly decreased from previous year to 70,500 million Baht because single detached house projects affected by the floods in 2011 were under restoration in the first quarter. The market has been back to normal since the second quarter. In 2012, its selling price, in the range of 3-5 million Baht, acquired 36% market value of single detached house, which was the highest. When compared to 2010, the market value of selling price, in the range of 5-7 million Baht, increased by 11%.

Figures 3-4: Market Value and Unit Sold of Single Detached Houses in Bangkok and Vicinity (2010-2012)



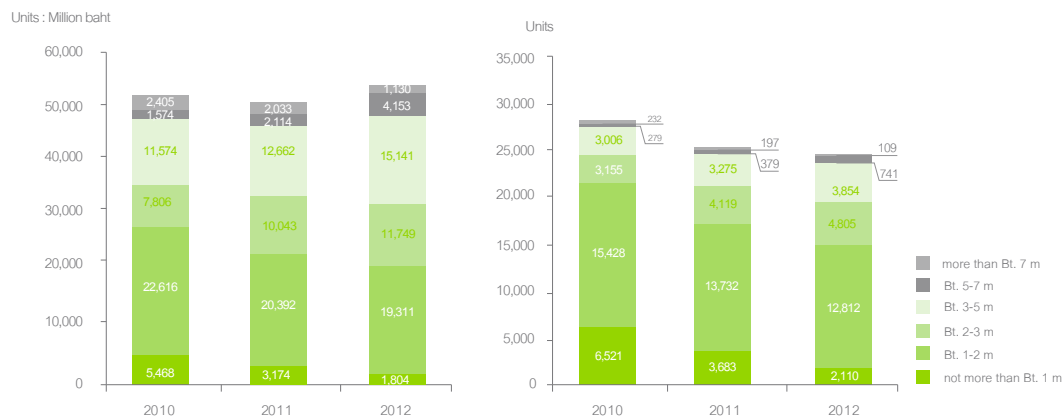
Source: Consumer & Market Intelligence Division, Pruksa Real Estate PCL.

When compared to 2011, the number of units sold in 2012 dropped by 8% while the average selling price increased from 4.68 million Baht in 2011 to 5.04 million Baht in 2012. All range of selling prices of new single detached houses projects also moved up.

## OVERVIEW OF TOWNHOUSE MARKET IN BANGKOK AND VICINITY

In 2012, the market value of townhouse in Bangkok and vicinity increased from last year by 6% to 53,288 million Baht. The Company has acquired the highest market shares of townhouse market due to short periods of remedy to townhouse projects affected by the inundation, including increase in consumers' confidence. In 2012, its selling price, in the range of 1-2 million baht, acquired the highest market value of 36%. When compared to 2011, the market value of its selling price, in the range of 3-5 million Baht, increased by 20%. With the selling price of 3-5 million Baht, most townhouse projects are located at city fringe suburbs.

Figures 5-6: Market Value and Unit Sold of Townhouses in Bangkok and Vicinity (2010-2012)



Source: Consumer & Market Intelligence Division, Pruksa Real Estate PCL.

When compared to 2011, the number of units sold in 2012 dropped by 4% while the average selling price increased from 1.19 million Baht in 2011 to 2.18 million Baht in 2012. All range of selling prices of new townhouse projects also moved up

## OVERVIEW OF CONDOMINIUM MARKET IN BANGKOK AND VICINITY

In 2012, the market value of condominium in Bangkok and vicinity increased from last year by 38 % to 166,785 million Baht because home buyers changed to buy condominiums rather than houses after the floods in 2011. In addition, the development of mass rapid transit in Bangkok Metropolitan region and surrounding areas has been progressing. As a result, condominiums projects with the selling prices lower than 2 million Baht have been constructed around the areas. In 2012, condominium projects with the selling prices lower than 2 million Baht acquired 34% of condominium market shares, which was the highest. Home buyers have still been interested in condominium projects, located in inner city and around interchange of both elevated and underground trains, with the selling price, in the range of 2-3 million Baht and 3-5 million Baht. This caused market value of condominium projects with the selling price, in the range of 2-3 million Baht and 3-5 million Baht to increase by 204% and 47%, respectively.

Figures 7-8: Market Value and Unit Sold of Condominiums in Bangkok and Vicinity (2010-2012)



Source: Consumer & Market Intelligence Division, Pruksa Real Estate PCL.

When compared to 2011, the number of units sold in 2012 increased by 48% while the average selling price decreased from 2.68 million Baht in 2011 to 2.49 million Baht in 2012. The decrease in selling prices resulted from location of new condominium projects. Most of them are scattered around city fringe of which property price is lower.

## OVERVIEW OF HOUSING MARKET IN PROVINCES

In 2012, the growth of housing market in provinces was higher than that in Bangkok and vicinity because of the government's large-scale infrastructure investment, higher wages, and expansion of businesses and creating more jobs in regions to support AEC, including demands for the second house after the inundation. In addition, real estate developers have expanded a lot more the regional development. All these factors cause the growth of provincial housing market to be higher when compared with last years. Housing market in important economic and educational cities in each region is growing rapidly, which conforms to the rise in income per capita of each mentioned province. Overall, the market value of provincial housing market accounts for 314, 000 million Baht or 50% which equals the housing market value in Bangkok and vicinity.

## HOUSING MARKET TREND IN 2013

Housing market value in Thailand is forecast to be around 715,000 million Baht in 2013. Bangkok and vicinity will acquire the highest market share at 330,000 million Baht or 46%. The central region will acquire the second market share at 137,000 million Baht or 19% as a result of production base expansion, increase in home buyers' purchasing power and strong growth of provinces in the region. Other regions will acquire the market share at less than 100,000 million Baht; however, they continue growing. In terms of products, the market shares of single detached house and townhouse will be higher when compared to that in 2012 while the market share of condominium will drop and be back to normal. Its selling price, in the range of 3-7 million Baht, will acquire the highest market share of condominium.

Table 2: Thai Housing Market Value in 2013 by Region

	The North	The South	The East	The Northeast	The Central Region	Bangkok and Vicinity	Total
Market Value (million Baht)	26,000	65,000	137,000	60,000	98,000	330,000	715,000
Proportion (%)	4	9	19	8	14	46	100

**Source:** Consumer & Market Intelligence Division, Pruksa Real Estate PCL.

It is estimated that residential development will move towards provinces where industries, tourism and educational centers are located owing to high level of investment and high income population. Furthermore, the investment will be much more attractive if transportation and logistics have been developed in those areas. However, factors that impact patterns of residential development and purchasing power affecting selling prices are culture, behavior, attitudes and population's different demands: permanent residents, temporary residents or investors etc.

## 5.6 Risk Factors

### 5.6.1. RISK FACTORS - LOCAL

#### 1.1] Risks resulting from changes of loan approval policy of commercial banks

Summary Table from the Bank of Thailand news release no. 55/2553 imposed on commercial banks:

Existing regulations	Risk weighted assets required for commercial banks
For loan amount > THB10 million	
Loan ≤ 80% of house price	At least 35%
Loan > 80% of house price	At least 75%

New regulations [additional to existing regulations]	Risk weighted assets required for commercial banks	Effective for contract dated on / onwards
For loan amount > THB10 million		
Condominium loan ≤ 90% of house price	At least 35%	1 January 2011
Condominium loan > 90% of house price	At least 75%	1 January 2011
Low-rise house ≤ 95% of house price	At least 35%	1 January 2013
Low-rise house > 95% of house price	At least 75%	1 January 2013

1st Housing scheme	Loan Submission Period	Date of house transfer	Interest benefit	Tax benefit [ 5 years ]
Not more than 5 MB	within 30 Sep. 55	within 31 Dec. 55	No	Not more than 500,000 baht
Not more than 1 MB	within 30 Sep. 55	within 31 Dec. 55	GHB 0% for the first 3 years	Not more than 100,000 baht
	within 29 Mar. 56 (update)	within 28 Jun. 56 (update)		

For low-rise house, the Company requires buyers to make at least 5% down payment. For condominium open after 2010, the Company collects a down payment of 12 – 15%.

More than 90 percent of the Company customers use mortgage loan financing to buy their homes. If banks restrict mortgages then, customers will have more difficult to get loans, and thus will limit customers' ability to buy homes, which in turn will impact the Company's revenues.

In this regard, the Company has required its sales staff to fill out a form initially on important information of home buyers when they show the intention to book for a house and apply for mortgage, through submission to the bank. The bank will return a Pre-Approved form within 7 working days stating whether a loan can be granted or not, in order to mitigate risks for both the buyers and the Company. In addition, the Company provides housing units with a rather large number of medium to low price ranges for selection. Customers thus can opt for a lower price house in accordance with the stricter regulations or policy.

Furthermore, the Company has set up a working team to regularly monitor the economic situations and the formulation of various bank policies that may impact the performance of the Company. The Company's strategy will be adjusted in accordance with the changes and situations, such as the inundation in 2011, including discussions with commercial banks and the Government Housing Bank in facilitating the customers' application for loan, and setting up measures to help customers obtain a loan quickly.

### 1.2] Risks from construction costs and construction materials shortage

Most of the Company's sales are made prior to construction. The Company has set the selling price on a

cost-plus basis. Thus, if there are any changes in the construction material prices or change in wages after the Company has set up the selling price and that customers have already booked for the housing units, the Company's costs will increase, and thereby lowering the profit margin.

Construction materials are considered major costs of construction. The price of construction materials have been increasing from higher demand in the real estate sector and various large infrastructure projects that have impacted the costs of construction and transportation, and finally have driven the Company to higher costs. The Company may not be able to adjust the selling price spontaneously, or in case the Company can adjust the price up in accordance with the said higher costs, this may impact the sales volume, and as such will impact the financial position and the performance of the Company.

Furthermore, the fact that there are more construction projects may cause construction material shortage vis-à-vis of the demand. If such shortage occurs and the Company may have to pay higher price or wait for the materials to the point that it cannot proceed to complete the housing construction within the required timeframe, it will as well impact the business, financial position, and the performance of the Company.

But the fact that the Company has acquired a quick construction process, it can construct townhouses and low-rise houses within 45 and 70 days respectively, and can thereby reduce the risk to a certain degree. The Company can therefore fix the price for construction materials that will be used in the next few months. The setting of selling prices is adjusted according to the said costs. With regards to the condominium units, the Company is still at risk because of the longer construction period. However, in order to mitigate risk, since 2006 the Company has been using the selection

strategy for main suppliers of construction materials by bidding practice among groups of all suppliers of construction materials. This measure allows the Company to maintain consistent gross profit margin throughout the year.

And furthermore, the Company has been organizing monthly meeting on changes of major construction materials, while considering the impact on selling costs in order to consider price adjustment or other materials for substitution.

### 1.3] Risk from shortage of workforce

The problem of construction worker shortage will remain a problem for the real estate sector for at least another couple of years. Currently, there are a number of construction projects, including several large infrastructure projects. These may lead to the shortage of contractors and skilled workers in some specialized areas. If the Company cannot find specialized contractors to undertake the Company's projects, constructions of the Company may be delayed, and thus the transfer of housing units to the buyers cannot be made within the scheduled time.

Based on the construction method for low-rise houses designed for assembly at construction sites, precast concrete panel is used as the main construction structure. Also, the Company manages the main construction by itself for its various projects, by having its own engineers and foremen to supervise and oversee the construction work. Therefore, the Company only hires specialized contractors or labor contractors to undertake each part of the construction work, such as laying foundation, installing building parts, tiling, roofing, and painting, which are supervised and overseen by the engineers who are in turn controlled by the Company's staff.

Regarding condominium units, since 2009 the Company has been hiring for a turn-key construction of high-rise buildings or condominium for the first time. This is to

mitigate risk in the expansion of production capacity or construction to support the Company's jump in the future.

In order to reduce dependency on labor, working hours, and to use the existing limited labor for the utmost benefits, the Company has introduced a construction technology called Real Estate Manufacturing (REM). This is to supervise the construction of low-rise house in a sequential process during construction so as to attain quality house. REM represents a system that uses the work force effectively by having the contractors work only on their areas of expertise, such as tiling by tiling workers only, or painting by painters only. Thus, the production process is similar to car manufacturing. It is expected to reduce the construction period to 21 days only from the average construction period of 45 days.

### 1.4] Risk from shortage of knowledgeable and experienced staff to perform the work.

The housing construction process of the Company is the construction that uses Cast-Institu Load Structure with tunnel-like technology or Tunnel Technology and RC Load Bearing Wall Fabrication Technology. These are unique construction systems, therefore the Company must rely on experienced, knowledgeable, capable, and skillful staff, especially engineers and foremen. Transfer of such engineers or foremen may negatively impact the continuity of the business, which in turn will negatively and substantially impact the financial position and performance of the Company.

The Company has therefore set up a training policy to enhance know-how and competency of the staff in a consistent manner. Training programs are in place to strengthen capabilities according to the positions of the employees. The training programs are developed such that the employees can immediately apply to their jobs, i.e. trainings in the area of construction in practice where Puksa School has signed a Memorandum of

Understanding (MOU) with the Faculty of Engineering, King Mongkut's University of Technology Thonburi, in a joint-development program for developing employees in the positions of Foreman, Site Engineer, Project Engineer, and Project Manager. Trainings are also provided in the areas of functional in practice for employees in different positions. Also, a training program on Technical Learning is organized, such as Skilled Worker Carrier, brick foundation dinging and rendering, water-proof tiling, and painting. These will enhance the readiness for contractors at sites, including staff in the precast factory. In addition, the Company has coordinated with some educational institutions in order to accept students for internship and provide knowledge in construction work supervising and overseeing in the new aspect to cope with future expansion of the Company.

The Company has also established fair hiring rules and fringe benefits. Labor relationship activities have been organized so as to create a continuous hiring for those knowledgeable, skilled and experienced to remain with the Company.

#### 1.5] Risk from the acquisition of land for development.

The Company has no policy in creating land bank for various projects in the future. This is in view that the Company purchasing land without any obvious construction planning with cause a financial burden that may lead to problems of liquidity for the Company. In the past, the Company would buy land only when it wants to develop such land within four months. When the Company wants to buy land in the area desired, the Company may have to buy land at higher prices than it has envisaged, or may not be able to buy as many plots of land as desired, or may not be able to buy any plots of land at all. In such case, this will impact the Company for higher cost of construction because the fixed cost of precast wall from manufacturing factory will become

higher if construction amount is less than forecasted, or may not be able to start any projects at all. This will also impact the performance based on the business plan, the financial results and the performance of the Company.

Regarding land procurement in the past, the Company purchased land from several agents at the appropriate market prices. Thereafter, the Company would start developing the land at a lower cost of production than many other developers. Therefore, the land bought at the market price would reflect in the selling price of housing units of the Company, which would be lower than the general market price. Thus, the Company has more opportunities for selling than other developers. As the Company has more opportunities to buy plots of land than other developers, coupled with its greater purchasing power than medium to small developers, and the on-time payment of land purchased, the land agencies are thus more willing to offer the land to the Company. Currently, there are about 2,100 agencies offering land plots and the Company also makes direct purchase from the owners. Also, the Company has increased the development for a variety of housing models and prices, allowing it to have more flexibility in considering land purchase to suit each diversified project.

#### 1.6] Risk from undertaking business under stringent laws and regulations

The business of the Company pertains to housing construction and is therefore under stringent laws and regulations such as obtaining land appropriation permission, land trading permission and construction permission from the relevant government authorities. In case of sizeable projects, the Company must submit the Environment Impact Assessment (EIA) report to the Office of Natural Resources and Environment Plans and Policy. If the concerned governmental authorities do not issue the relevant permits in timely manner or disapprove, it may result in implementation delays, or the Company

may not be able to undertake the projects, which will significantly affect the Company's business, financial results, and performance.

Therefore, any enactment or amendments of laws, regulations or policies, will impact the Company. For example, the governmental requirement for implementing the law governing escrow account is being reviewed by the Juridical Council Office, for enactment. The said law will require real estate developers not to use down payments or installment payments they receive from buyers as capital funds, but must maintain such payments in a separate escrow account. This will require the developers to have sufficient working capital or have sufficient funding sources to complete construction. If the Company cannot find sufficient funding sources to be used for working capital, or the loans bear high interest rates, this may impact the Company's financial position and performance.

In this regards, the Company has set up a working team to study related laws and amendments. The working team meets regularly for updates and to improve the working process, especially on the Escrow Account law which has limited impact on the Company. In addition, the impact from the 2011 severe inundation may lead to major changes in laws and regulations of the industry, such as city plan, application for construction permit, etc. All these may possibly form the risk factors to the business in the future.

#### **5.6.2. RISKS FROM BUSINESS UNDERTAKINGS ABROAD**

Real estate development for sales is a business that needs knowledge and understanding of the economic conditions, the understanding of needs for each type of housing and in each cities, including the understanding of lifestyle, taste, and income levels of the local inhabitants. Furthermore, the regulations and application for construction and allocation permit may differ from city to city. Therefore, the Company has done studies and has

expanded its businesses to different countries with precautions.

In 2010 the Company started to develop overseas projects in three countries: Bangalore of the Republic of India; HulhuMale of the Republic of Maldives, and Haiphong of the Democratic Republic of Vietnam. The Company has also signed a Joint Venture Agreement with business partners for housing development projects in other two cities: Mumbai and Chennai of the Republic of India. The projects in Bangalore and HulhuMale have opened for bookings, and part of them has been transferred

#### **SUBSTANTIAL RISKS IN CONDUCTING BUSINESS ABROAD CLASSIFIED AS FOLLOWS:**

##### **2.1] Risks in competitiveness in cities with operations undertaken**

In this regards, The Company has launched studies and conducted market surveys through its own teams, as well as hiring consulting firms specialized in the property business to conduct market surveys to ensure that each city is a potential market for housing needs, in order to support future business expansion of the Company. In addition, the Company can bring knowledge and expertise into each city so as to be able to compete with local competitors.

##### **2.2] Risk from land allocation in prime areas at reasonable prices as a crucial factor in project development**

As a foreign investor, the Company realizes the weakness of lacking understanding and experience in negotiating for the purchase of land. As a result, the Company has urgently built a network with local real estate agents, real estate consulting companies, and financial institutions for providing advice and coordinating with interested land sellers, and acquiring desired size of land plots required by the Company. Besides, local joint venture partners also assist in seeking for land and presenting it to the Company as another channel.

### 2.3] Risk from shortage of construction craftsmen and workers

Since the Company's construction policy is to use Precast Concrete wall construction method, as becoming successful in Thailand, this will help speed up construction with good qualities. However, this may not be a system familiar to local construction workers. The Company has therefore sent some Thai foremen and construction craftsmen to supervise the construction, so that local workers can have the opportunities to learn the Company's construction process and quality standard.

### 2.4] Risk from capital control policy of regulators of each country where the Company undertakes business.

The issue is beyond the Company's control, but may impact fund transfers of the Company's dividends from overseas operations, or repatriation of loans or capital to Thailand. However, a study conducted by our consultants has shown that there are no capital control restrictions or regulations for repatriation of capital from countries where the Company operates.

In India, foreign companies investing in property development business must retain their capital investment funds for at least three years. After the three-year period, there are no restrictions on repatriation of capital funds.

There are no restrictions on outward remittance of foreign currencies arising from capital investments in the Republic of Maldives.

In Vietnam, foreign capital investments must be specified in the investment conditions and the project timeframe. There are no restrictions of capital repatriation when projects are completed.

As for dividends, interests, and loans, all the said three countries have no specified restrictions. And based on past studies, no amendments on capital control restrictions have been found to be an obstacle to the investments. Therefore, it is estimated that the risk of the issue is rather low.

### 2.5] Risk from applicable business laws and regulations, and application for licenses

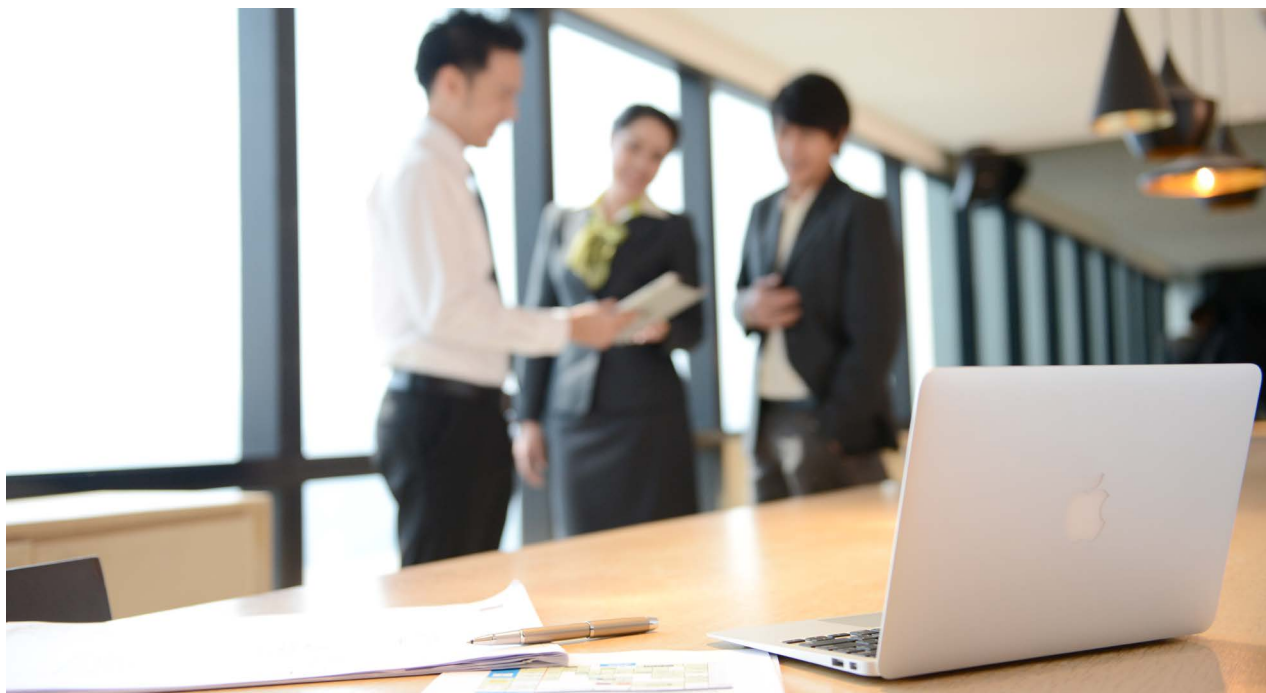
The Company is considered as a full investor in overseas markets, and is among the pioneer developers of Thailand. The Company's policy is to operate its business in compliance with each country's business laws and regulations. For investments in wholly-owned subsidiaries, consulting firms are hired to proceed for license application.

For joint ventures, the Company has required its partners to coordinate with governmental agencies and to provide support regarding the application for various permits related to the project development. This starts from the acquisition of land, investments especially in the Asean Economic Community (AEC) group - where several countries possess regulations on land development - application for permits regarding construction, environment protection, etc. that are more complicate, delayed, and lacking clarity than those of Thailand.

### 2.6] Risk Associated with Fluctuation of Foreign Exchange Rate

As of 31 December 2012, Prukso Inter Co., Ltd. and Prukso Overseas Co., Ltd. have totally authorized share capital of Baht 1,600.00 million, which partly was invested in the affiliating companies in foreign countries with the payment of Baht 630.50 million or 1.45% of total assets from the consolidated financial statement of Prukso Real Estate Co., Ltd. Also the company has received the revenue from overseas residential transferring equivalent to Baht 474.00 million or 1.76% of total transferring.

Hedging policy is controlled and managed by the Risk Management Committee. The company mitigates its foreign currency exposure through a natural hedging, forward contracts, options and swaps where appropriate.



#### 5.6.1. OTHER RISK FACTORS

##### 3.1 Risk from the Company's performance being under the control of Major Shareholders

As at 30 December 2012, the largest group of shareholders is Mr. Thongma Vijitpongpun's Group, who hold 1,642,746,700.00 shares, or 74.22% of the total paid-up capital of the Company. Therefore, the Group is able to control shareholders' resolutions in relation to major matters, which are required by the laws or Articles of Association of the Company to be passed by a majority vote of shareholders with voting rights being present at the meetings. Moreover, Mr. Thongma Vijitpongpun, a major shareholder of the Company by holding 1,305,300,000 shares or 58.98% of the paid up capital of the Company, will remain the Chairman of the Executive Committee, Chief Executive Officer and Authorized Director of the Company. Therefore, other shareholders may not be able to obtain sufficient votes to counter check or provide equilibrium among major shareholders.

### 3.2 Risks from impact on share price and controlling power in exercising the rights as per warrants of the Company capital increase.

The Company had issued warrants to buy ordinary shares of the Company to Directors, employees, and consultants, and/or subsidiaries with the following details:

<b>Securities Name</b>	Warrants to purchase the ordinary shares of Prukso Real Estate Public Company Limited (PS-WC)
<b>Total number of warrants offered</b>	22,000,000 units
<b>Percentage to shares already sold</b>	1 percent (22,000,000 / 2,206,812,000)
<b>Offering price</b>	THB -
<b>Exercise price</b>	THB 14.35
<b>Term</b>	3 years form date of warrant issuance
<b>Exercise Ratio</b>	1 warrant : 1 ordinary share
<b>Offering period</b>	Within 1 year from the date on which the Shareholders' Meeting approved
<b>Exercise period</b>	4 times / year (February, May, August, and November of each year)
<b>Price and Control Dilution</b>	Decreased by 0.99 (22,000,000 / 2,228,812,000 shares)

<b>Securities Name</b>	Warrants to purchase the ordinary shares of (PS-WD)
<b>Total number of warrants offered</b>	22,000,000 units
<b>Offering price</b>	THB -
<b>Exercise price</b>	THB 15.30
<b>Term</b>	4 years form date of warrant issuance
<b>Exercise Ratio</b>	1 : 1
<b>Offering period</b>	Within 1 year from the date on which the Shareholders' Meeting approved
<b>Exercise period</b>	4 times / year (February, May, August, and November of each year)
<b>Price and Control Dilution</b>	Decreased by 0.99 (22,000,000 / 2,228,812,000 shares)

## SHAREHOLDING STRUCTURES

### 6.1 Major Shareholders

As reported in the latest Ministry of Commerce's certification dated 13 December, 2012, Pruksa Real Estate Public Company Limited had registered capital of Baht 2,250,812,000 comprising 2,250,812,000 ordinary shares at Baht 1 par value with issued and paid-up share capital of Baht 2,213,222,000 comprising 2,213,222,000 ordinary shares at Baht 1 par value.

The top ten shareholders of the Company as of the latest share register book closing, on December 31, 2012, are as follows:

	Shareholders (a)	Shares held	%
1	Vijitpongpun Group <sup>(b)</sup>	1,642,746,700	74.22
2	CHASE NOMINEES LIMITED 28	62,590,900	2.83
3	Thai NVDR	48,968,464	2.21
4	HSBC (SINGAPORE) NOMINEES PTE LTD	24,851,900	1.12
5	Employees Provident Fund, the Electricity Generating Authority of Thailand	24,578,000	1.11
6	STATE STREET BANK EUROPE LIMITED	22,298,400	1.01
7	Social Securities Office (2 cases)	20,329,300	0.92
8	Kijtanamongkolchai Family	14,040,000	0.63
9	GOLDMAN SACHS & CO	11,534,000	0.52
10	THE BANK OF NEW YORK MELLON	11,417,900	0.52
	Total Top 10 Shareholders	1,880,555,564	85.10
	Top paid-up share capital	2,213,222,000	100
	Shareholders (a)	Shares held	%

**Notes:**

(a) There are no of nominees of Mr.Thongma Vijitpongpun Group in the top ten shareholders list

(b) Vijitpongpun Group consists of 1) Mr.Thongma Vijitpongpun 2) Mrs.Tipsuda Vijitpongpun 3) Chanya Vijitpongpun 4) Mrs.Rattana Promsawad 5) Mr.Chamlong Promsawad 6) Miss Malinee Vijitpongpun 7) Mr.Thavorn Vijitpongpun 8) Ms. Anchalee Vijitpongpun 9) Mrs. Patcha Vijitpongpun

## 6.2 Restriction on Foreigners' Shareholding

The foreign shareholders are able to hold in an aggregate portion of no more than 40% of the Company's total issued and paid-up shares. As of December 31, 2012, foreign shareholders held approximately 10 % of the Company's issued and paid-up capital.

## 6.3 Dividend Payment Policy & Information

The Company's Board of Directors may consider paying annual dividends, subject to approval by a shareholders meeting. However, due to the fact that Federation of Accounting Professions (FAP) announced that the Thai Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" under which FAP announcement No. 26/2006 requires a parent company has to record investments in a subsidiaries and associates with the cost method instead of the equity method. By this respect the Company has adopted the accounting change according to foregoing announcement since January 1, 2007, which resulted that the net profit amount shown in the Company's Consolidated Financial Statements are not equivalent to the Company's Separate Financial Statements. In order to ensure the same understanding between the Company and its shareholders and investors, the Board of Directors at the meeting No.5/2007 on August 7, 2007 has approved the Company's dividend payment policy of making annual dividend payment to its shareholders at a rate of not less than 30.0% of the Company's net profit after deduction of all legal reserves, however, are subject to change depending on the Company's investment plans, necessities as well as other justifications and considerations that the Board of Directors deems appropriate.

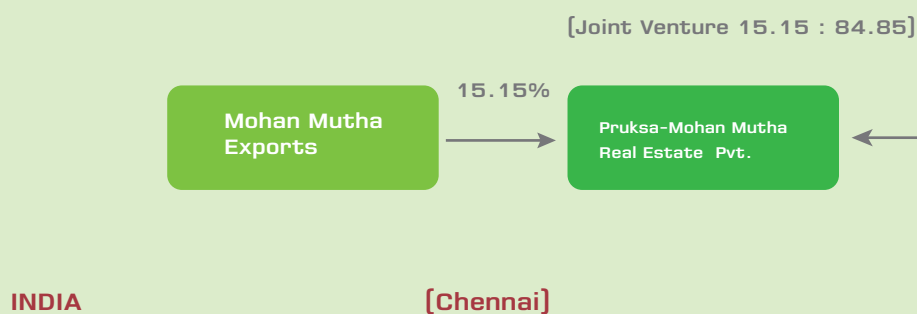
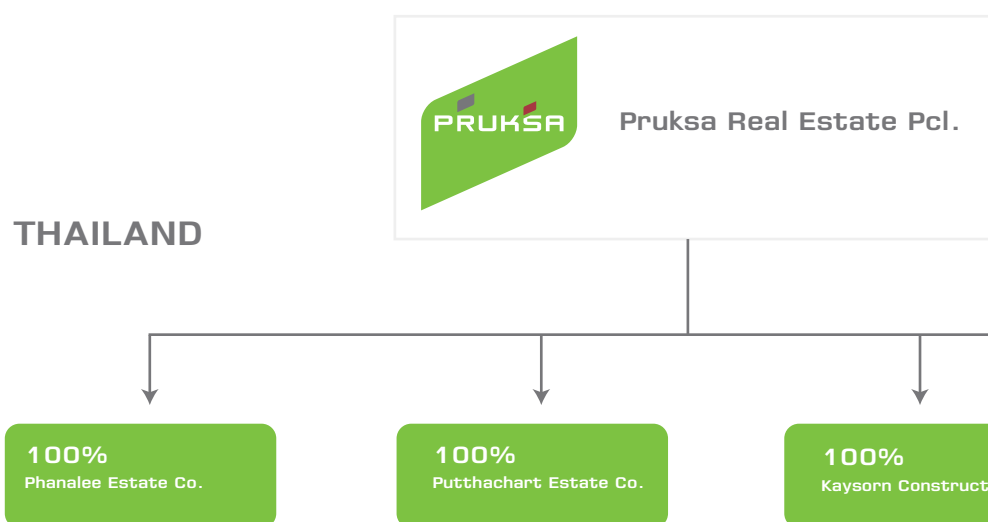
In respect of dividend payment policy by the subsidiaries, such subsidiaries will pay dividends to the Company from their net profits. The dividend payment is, however, subject to many factors such as their financial condition and results of operations, liquidity, business expansion and factors related to the operation of their business.

Moreover, dividends from net profits from the businesses with BOI privileges are exempted from income tax and the Company is not obligated to deduct withholding tax from such dividend payments.

The following are dividends that the Company paid to its shareholders:

Performance of the year	Consolidated Net Profit [million Baht]	Company's Net Profit [million Baht]	% of dividend payment	Dividend per share [Baht]	Payment Date
2012	3,898	3,267	33.8	0.50	17 May 2013
2011	2,835	2,844	31.0	0.40	17 May 2012
2010	3,488	3,546	31.1	0.50	13 May 2011
2009	3,622	3,341	36.4	0.55	13 May 2010
2008	2,373	1,978	36.7	0.33	23 April 2009

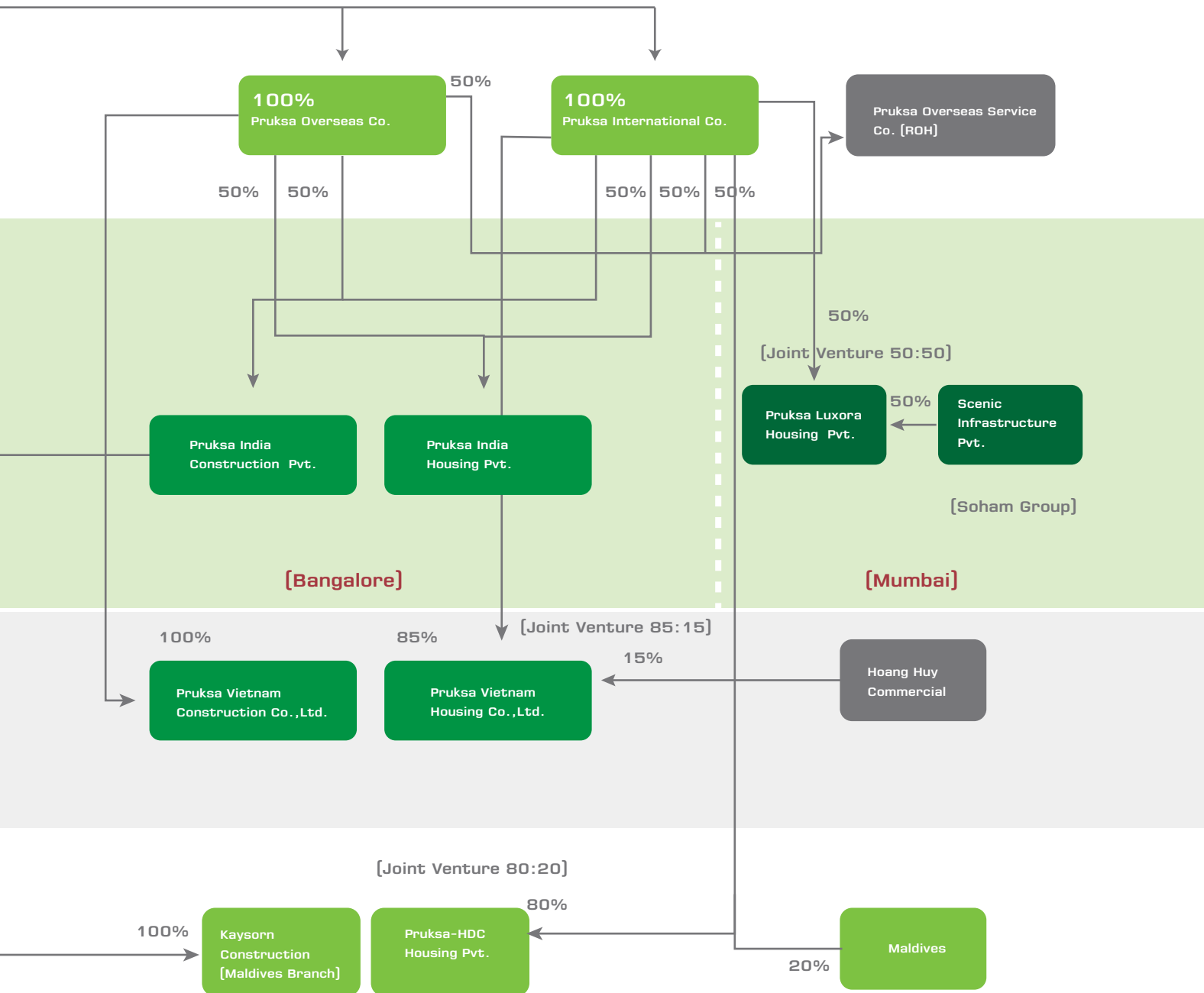
## 6.4 Subsidiaries' Structure

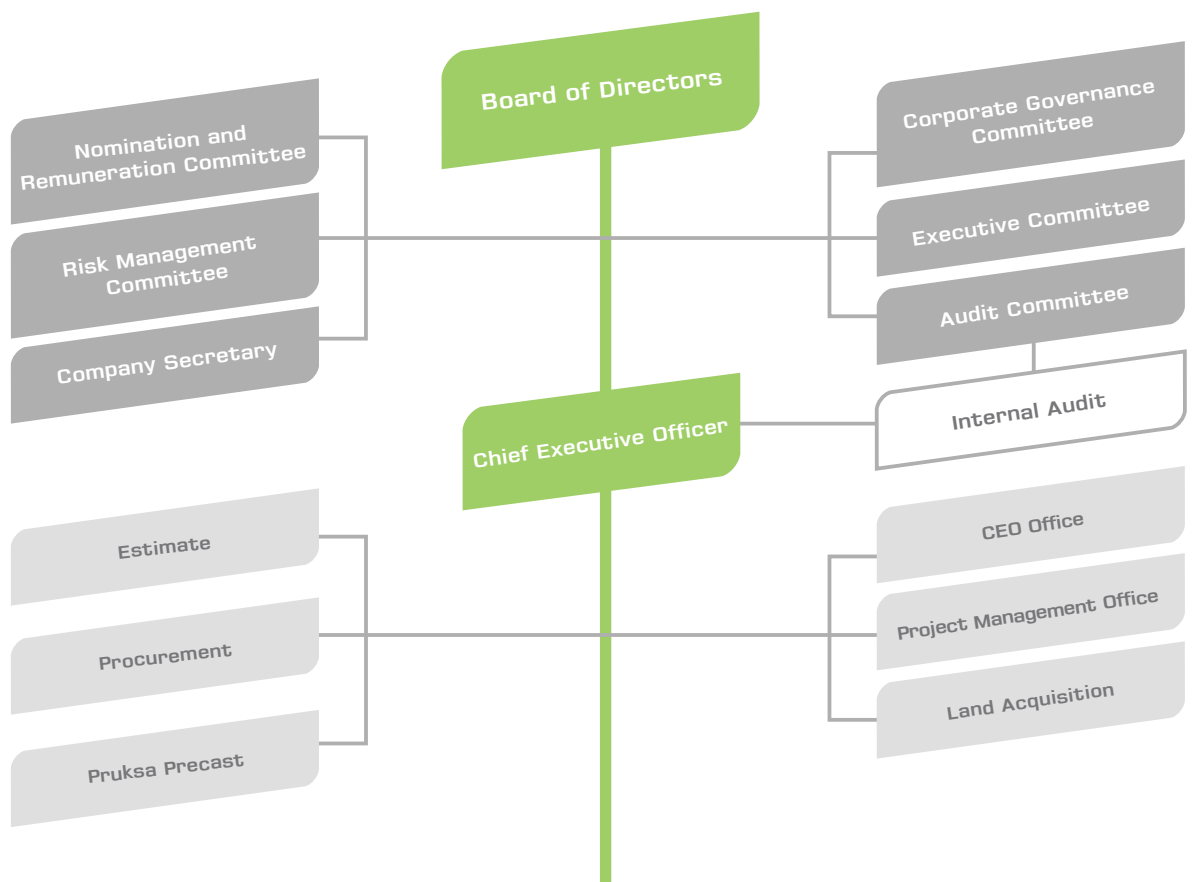


Vietnam

Maldives

as of 31 Dec 2012

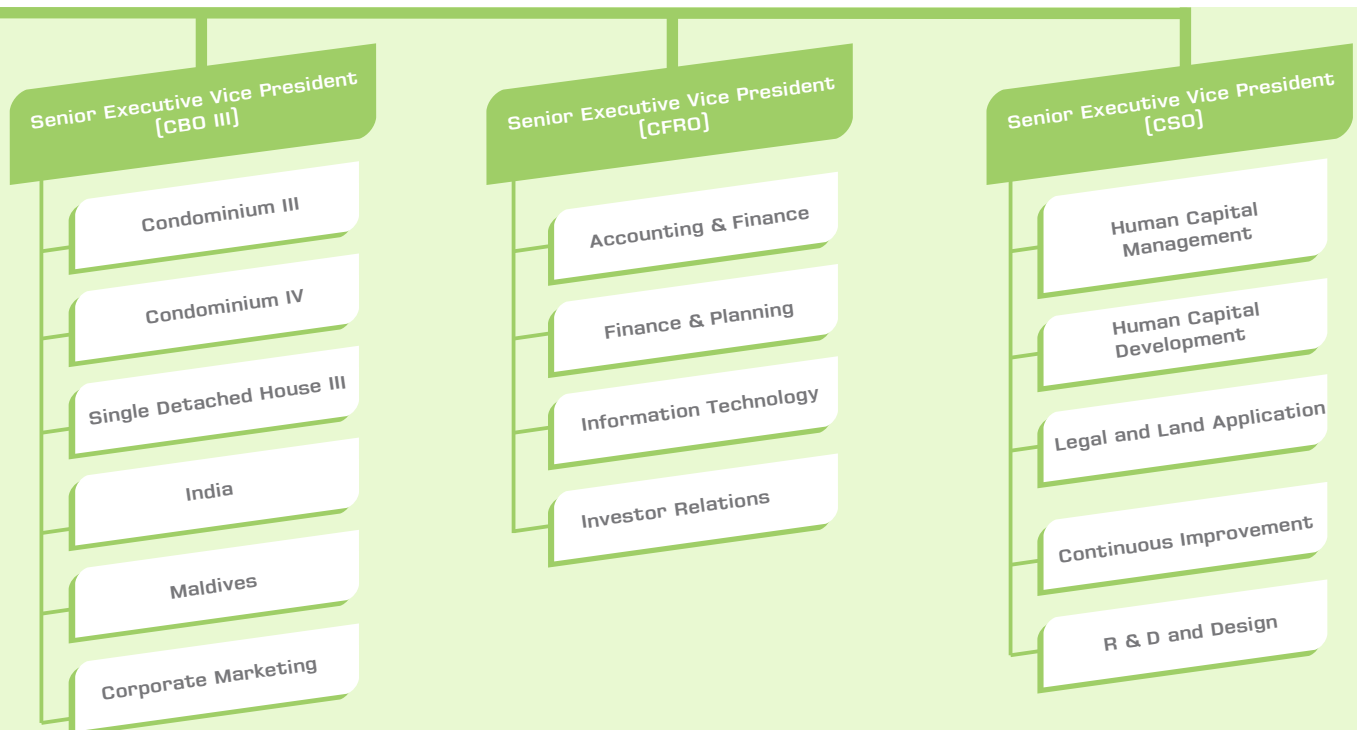




## MANAGEMENT STRUCTURE

### 7.10 ORGANIZATION CHART PRUKSA REAL ESTATE PCL.

as of 31 Dec 2012



## 7.2 The Board of Directors

According to the Articles of Association of the Company, the Board of Directors shall consist of not less than five Directors. Not less than one half of the total number of Directors shall have domicile in the Kingdom. The directors are integral part of corporate governance. They must provide unbiased views and opinions to the Board of Directors and protect the mutual interest of all shareholders. The Directors must foster accountability and integrity.

As reported in the latest Ministry of Commerce's certification dated 13 December 2012, the Board of Directors of Pruksa Real Estate Public Company Limited, who possessed qualifications in accordance with Section 68 the Public Company Act B.E.2535 and the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), consists of 11 members as follows:

Name	Position
1. Dr. Pisit Leeahtam	Chairman and Independent Director
2. Mr. Thongma Vijitpongpan	Executive Vice Chairman
3. Professor Emeritus Dr.Trungjai Buranasomphop	Independent Director
4. Mr. Weerachai Ngamdeevilaiak	Independent Director
5. Mr. Adul Chandanachulaka	Independent Director
6. Mr. Wisudhi Srisuphan	Independent Director
7. Mr. Prasert Taedullayasatit	Director
8. Mrs. Ratana Promsawad	Director
9. Mr. Piya Prayong	Director
10. Mr. Mayta Chanchamcharat	Director
11. Mr. Kanchit Bunajinda <sup>(1)</sup>	Director
12. Mr. Edward Joseph Cooper, Jr.	Director

**Remark -** (1) Resigned on 12 March 2012

### Authorized Directors who can sign on behalf of the Company

Authorized Directors who can jointly sign and bind the Company are either Mr. Thongma Vijitpongpan or Mr. Prasert Taedullayasatit or Mrs. Rattana Promsawad signing with Mr. Piya Prayong or Mr. Mayta Chanchamcharat or Mr. Edward Joseph Cooper, Jr. Total is two directors with the Company's seal affixed jointly.

### Separation of Function Roles

The Chairman is not an Executive Director, and has no relations with the management team. The roles of making Director Policies and management of the Company are clearly defined. The Chairman has the role of the leader and presides over the Board of Directors' Meeting to ensure effectiveness and efficiency by encouraging all the directors to participate in the meeting, helping, advising and supporting to ensure smooth operation of the management. The Chairman also has the freedom to propose agendas for the meetings, provide opinions on the Company's operation in various ways, conducts himself with integrity and avoids conflict of interests.

## SCOPE OF POWERS AND DUTIES OF THE BOARD OF DIRECTORS

1. The Board of Directors shall perform with responsibility, caution, and faithfulness and conduct the Company's business according to the laws, Company's objectives, Articles of Association, and resolutions of the shareholders' meeting, except for matters required by law to be approved at shareholders' meetings, entering into connected transactions, and any purchase or sale of material assets pursuant to the regulations of the SET or those prescribed by other government authorities.
2. To consider approval of the business policies, targets, operation plans, business strategies and annual budgets of the Company.
3. To consider appointment of a person who possesses qualifications and does not possess any characteristics prohibited under the Public Company Act B.E. 2535 and the laws governing securities and exchange and any relevant rules, regulations and/or notifications, to be Director in case there is a vacancy due to a cause other than retirement by rotation.
4. To consider appointment of Independent Directors by taking into consideration qualifications and prohibited characteristics under the laws governing securities and exchanges, notifications of the Capital Market Supervisory Board, including relevant rules, regulations and /or notifications of the Capital Market Supervisory Board SET or propose to a shareholders' meeting for such appointment.
5. To consider appointment of Audit Committee members who have qualifications under the laws governing securities and exchange notifications of the Capital Market Supervisory Board, including rules, regulations and /or notifications of the SET.
6. To consider appointment of Executive Directors from among the directors or the management of the Company and prescribe their roles, powers, duties and responsibilities.
7. To consider appointment of sub-committee to assist in the operation according to the Board of Director's responsibilities.
8. To appoint and change the names of Directors who can have the power to sign to bind the Company.
9. The Board of Directors may nominate other person to manage the operations of the Company under the control of the Board or authorize the person to have power for the time period, as the Board deems appropriate. The Board may remove or change the power of the person.
10. To consider approval of transactions relating to acquisition or disposition of assets, except where such transactions require approval by a shareholders' meeting. Such approval must be in compliance with the notifications of the Capital Market Supervisory Board, and/or SET's relevant rules, regulations and/or notifications.
11. To consider approval of connected transactions, except where such transactions require approval from a shareholders' meeting. Such approval must be in compliance with the Capital Market Supervisory Board and/or SET's relevant rules, regulations and/or notifications.
12. To consider approval for interim dividend payment when it considers that the Company has sufficient profits to do so and to report such payment to the following shareholders' meeting.

The Board of Directors shall elect a Director to be the Chairman. If it is deemed appropriate, the Board of Directors may consider electing a Vice Chairman or Vice Chairmen, who shall be assigned by the Chairman to perform duties to conduct the Company's business according to the Articles of Association. The Board of Directors shall meet at least once every three months.

However, in granting of powers, duties and responsibilities, the Board of Directors shall not be granted power, or sub-grant powers to a grantee to approve transactions in which the Board of Directors, or any person who may have any conflict of interest (as defined in the notification of the SEC), have a vested interest, or may have any other conflict of interest with the Company or its subsidiaries, except where the approval of such transaction is consistent with the policy and criteria approved by the meeting of shareholders or of the Board of Directors.

### Structure and Appointment of the Board of Directors

The structure of the Board of Directors and appointment, removal or release of Directors as stipulated in the Company's Articles of Association can be summarized as follows:

1. The Company shall consist of not less than five Directors. Not less than one half of the total number of Directors shall have domicile in the Kingdom.
2. The election of Directors by the shareholders' meeting shall be in accordance with the following rules and procedures:
  - (1) Each shareholder shall have one vote per share.
  - (2) Each shareholder shall use all his or her votes under
    - (2.1) To elect one or several persons as a Director. However, he or she may not divide his or her votes among the candidates.
  - (3) The persons who received the highest number of votes in their respective order of the votes in a number not exceeding the number of directors to be elected at that meeting, shall be appointed as directors. In the event of equal votes for the last person, the Chairman of the meeting shall exercise a casting vote.
3. At the Annual General Meeting, the Directors shall retire by one-third. If the number of Directors is not divisible by three, it has to be the nearest one-third. Directors to be retired from their office in the first and second year after the registration of the Company, they shall be retired by drawing. After that, the Directors who have stayed in the office longest shall be retired. Directors who retired may be re-elected.
4. A Director may resign from office by submitting a resignation letter to the Company. The resignation shall become effective from the day the resignation letter arrives at the Company.
5. A resolution for any Director to leave office prior to the expiration of his term requires the votes of at least three-fourths of the number of the shareholders attending the meeting and having voting rights and holding in aggregate shares amounting to not less than half of the number of shares held by shareholders who attend the meeting and have voting rights.

### Independent Directors

The current Board of Directors consists of five Independent Directors, which is in accordance with the regulation issued by Capital Market Supervisory Board, SEC and SET. The regulation states that not less than one-third of all of the directors of the Company must be independent directors, and it shall not be less than three. The Board of Directors determined the qualifications of the independent directors, as regulated by the SEC, as follows:

- 1) Holding not more than one percent of the total shares with voting right of the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest. The amount of shares includes those held by the Independent Director's related persons.
- 2) Has not been involved in management, inclusive of not being an employee, staff or advisor receiving regular salary or a person with controlling interest in the Company, a subsidiary, associated company or affiliate thereof, or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years.
- 3) Has no relation by blood or lawful registration as father, mother, spouse, sibling, offspring, including spouse of the offspring of an executive, a major shareholder, a person with controlling interest or a person being nominated as an executive or a person with controlling interest of the Company and a subsidiary thereof.
- 4) Does not have or has never had a business relationship with the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest in a manner that may impede the exercise of his/her independent judgment, including a person being or having been a major shareholder, a Non-Independent Director, or an Executive with a business relationship with the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years prior to the appointment.

The business relationship in the first paragraph includes normal transactions of business, rent or lease of real property, transactions related to assets or services, or a provision or receipt of financial assistance by receiving or granting a loan, guarantee, allowing the use of an asset as collateral for a debt, including other similar acts that result in the Company or its party being liable to the other party from three percent of a tangible asset or twenty million Baht, whichever is smaller. The calculation of such obligation shall comply with the method used in the calculation of connected transactions under the Office of the Securities and Exchange Commission's Notification Re: Information Disclosure and Practices of Listed Companies on Connected Transactions. The amount of the obligation shall include the amount incurred one year prior to the date of business relationship with the same person.

- 5) Is not or has never been an auditor of the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest and not being a major shareholder, Non-Independent Director or managing partner of an audit firm which has its auditor as an auditor of the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years.
- 6) Is not or has never been a provider of any professional service including legal service or financial advisor service with a service fee amounting to over two million Baht per year from the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest. In case the professional service provider is a juristic person, a major shareholder, Non-Independent Director, Executive, or Managing partner of the professional service provider is included, except that such characteristics have lapsed for at least two years prior to the appointment.
- 7) Is not appointed to represent a Director, major shareholder or related person of a major shareholder of the Company.
- 8) Not having any other characteristics in a manner that may not be able to offer an independent opinion on the Company's operations. After being appointed as an Independent Director with qualifications in the items 1-8 above, the Independent Director may be assigned by the Board of Directors to decide on an operation of the Company, a subsidiary, associated company or affiliate thereof, or a juristic person with a potential conflict of interest, in a collective decision.

## 7.3 Sub-committee

### 7.3.1 AUDIT COMMITTEE

The Company's Audit Committee consists of Independent Directors with qualifications in accordance with Section 68 the Public Company Act B.E. 1992, the Announcements of the Capital Market Supervisory Board and the regulations of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The Committee must consist of at least 3 members, with at least one who is qualified in accounting or finance and has adequate experience to ascertain the integrity of the financial statements of the Company. The current Audit Committee comprises of 4 Independent Directors as follows:

NAME	POSITION
1. Professor Emeritus Dr.Trungjai Buranasomphop	Chairman of the Audit Committee
2. Mr. Wisudhi Srisuphan <sup>(1)</sup>	Member
3. Mr. Adul Chandanachulaka	Member
4. Mr.Weerachai Ngamdeevilaisak	Member

**Remark** - (1) Mr. Wisudhi Srisuphan was appointed on 8 May 2012

#### SCOPE OF POWERS, DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. To review the Charter of the Audit Committee at least once a year and make adjustments as deemed necessary and appropriate.
2. To conduct reviews of financial reports and disclosure of financial statements in accordance with accounting standards stipulated by laws in a transparent, accurate and sufficient manner.
3. To consider and approve any changes in significant accounting principles or procedures as proposed by management of the Company.
4. To conduct reviews to ensure that the Company has appropriate and effective internal control and an internal audit system in accordance with generally accepted procedures and standards.
5. To review the independency of the Internal Audit Unit and to give consent to the appointment, transfer and termination of the Vice President, Internal Audit.
6. To review Internal Audit reports submitted to management and to review management's action plan to correct the internal audit finding.
7. To have unrestricted access to management and employees and relevant information.
8. To conduct reviews with relevant units (such as Legal) to ensure that the Company complies with laws related to securities and the Stock Exchange and any other laws related to the Company's business.
9. To select and nominate independent persons to act as External Auditors of the Company and propose their remuneration.
10. To have at least one meeting a year with External Auditors without management's presence.

11. To review any connected transactions or any transactions with potential conflict of interest for compliance with the laws and requirements of the Stock Exchange in order to ensure that the transactions are reasonable and most beneficial to the Company.
12. To prepare a report of the Audit Committee for disclosure in the Company's annual report. The report, which is to be signed by the Chairman of the Audit Committee, shall include at least the following information;
  - 12.1 An opinion regarding accuracy, completeness and integrity of the Company's financial reports.
  - 12.2 An opinion regarding adequacy of the internal control system of the Company.
  - 12.3 An opinion regarding compliance with the laws relevant to securities and the stock market, the requirements of the Stock Exchange of Thailand or the laws related to the business of the Company.
  - 12.4 An opinion regarding the suitability of the auditors.
  - 12.5 An opinion regarding transactions which may have conflict of interest.
  - 12.6 The number of Audit Committee's meetings and the attendance of each member of the Audit Committee.
  - 12.7 An opinion or an observation of the Audit Committee drawn from the performance of their duties according to the Charter.
  - 12.8 Any other matters within the scope of duties and responsibilities specified by the Company's Board of Directors which the shareholders and general investors should know.
13. To perform other tasks within the scope of its duties and responsibilities stipulated in its Charter, including any tasks as may be assigned by the Board of Directors upon which the Audit Committee agrees.
14. In performing the duties, if the Audit Committee finds or suspects that there is a transactions with conflict of interest, a fraud case, an irregularity, or deficiency of a significant magnitude in the internal audit system or any violation of laws and regulations related to securities or the Stock Exchange or any laws related to the business of the Company which may significantly affect the financial position and the performance of the Company, the Audit Committee is required to submit a report to the Board of Directors for improvement or correction within a timeframe considered appropriate by the Audit Committee.

### Selection of the Audit Committee

The Board of Directors shall appoint at least 3 Audit Committee members from the Independent Directors of the Company who have qualifications as stipulated by the laws governing securities and exchange and the announcements of the Capital Market Supervisory Board, including the notifications rules, and/or regulations of the Stock Exchange of Thailand governing qualifications and the scope of power and duties of the Audit Committee. At least one member of the Audit Committee must be qualified in accounting or finance and has adequate experience to ascertain the integrity of the financial statements of the Company. The term of each member of the Audit Committee shall be 3 years and shall terminate upon the directors' retirement by rotation.

### 7.3.2 RISK MANAGEMENT COMMITTEE

The Board of Directors appointed the Risk Management Committee which is tasked with ensuring that the Company's risks are managed appropriately and efficiently. The current Risk Management Committee consists of 4 members as follows:

NAME	POSITION
1. Mr. Weerachai Ngamdeevilaisak	Chairman of the Risk Management Committee
2. Mr. Thongma Vijitpongpan	Member
3. Mr. Prasert Taedullayasatit	Member
4. Mr. Somboon Wasinchutchawal <sup>(1)</sup>	Member
5. Mr. Edward Joseph Cooper, Jr.	Member

Remark - (1) Mr.Somboon Wasinchutchawal resigned on 31 May 2012

### SCOPE OF POWERS, DUTIES AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee has a duty to set policy guidelines and provide recommendations to the Board of Directors with respect to the management of the Company's external and internal risks to ensure they are within the appropriate and acceptable levels.

### 7.3.3 CORPORATE GOVERNANCE COMMITTEE

The Board of Directors appointed the Corporate Governance Committee on February 22, 2006. The Corporate Governance Committee consists of 4 members as follows

NAME	POSITION
1. Mr. Adul Chandanachulaka	Chairman of the Corporate Governance Committee
2. Mr. Thongma Vijitpongpan	Member
3. Mr. Prasert Taedullayasatit	Member
4. Mr. Kanchit Bunajinda <sup>(1)</sup>	Member
5. Mr. Wirasak Kaewnoo	Member
6. Mr. Somboon Wasinchutchawal <sup>(2)</sup>	Member

Remarks - (1) Mr. Kanchit Bunajinda resigned on 12 March 2012  
(2) Mr. Somboon Wasinchutchawal resigned on 31 May 2012

## SCOPE OF POWERS, DUTIES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for overseeing and reviewing the Company's code of conduct to ensure its compliance with good governance; making recommendations on business ethical requirements and best practices for the Directors, management and employees, ensuring that such requirements are continually met, reporting to the Board of Directors about the Company's corporate governance; giving opinions and making recommendations on best practices adopted in order to improve or adjust them as needed reviewing and proposing publicizing of the Company's announcements with respect to good corporate governance.

### 7.3.4 NOMINATION AND REMUNERATION COMMITTEE

To comply with the principles of corporate governance and the code of conduct of directors of listed companies, the Board of Directors appointed a Nomination and Remuneration Committee on December 28, 2005. The committee consists of four members as follows:

NAME	POSITION
1. Mr.Weerachai Ngamdeevilaisak	Chairman of the Nomination and Remuneration Committee
2. Mr.Thongma Vijitpongpun	Member
3. Dr. Pisit Leeahtam	Member
4. Mr.Wirasak Kaewnoo	Member

## SCOPE OF POWERS, DUTIES AND RESPONSIBILITIES OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is responsible for nominating persons to be appointed as new Directors, Chairman of the Executive Committee and the Chief Executive Officer or as replacements at the end of the term of office or when vacancies occur due to other reasons. The Nomination and Remuneration Committee also has the responsibility to propose policies, guidelines and methods for payment of remuneration and other benefits to the Directors, Committee Members, the Chairman of the Executive Committee, and/or the Chief Executive Officer. The Committee also set criteria for appraisal and performance of the Board members. Executive Chairman and/or Managing Director. The Committee also reviews the Company's remuneration structure to make it commensurate with respective duties and responsibilities and in line with the overall business performance of the Company and the general market condition.

## 7.4 Executive Committee

For the best management serving the Company's policies, objectives to achieve long term goal, Executive Committee, with qualifications in accordance with the Public Company Act B.E.2535 and the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand, currently consists of 6 members as follows:

NAME	POSITION
1. Mr. Thongma Vijitpongpan	Chairman of Executive Committee
2. Mr. Prasert Taedullayasatit	Executive Committee
3. Mr. Mayta Chanchamcharat	Executive Committee
4. Mr. Piya Prayong	Executive Committee
5. Mr. Wirasak Kaewnoo	Executive Committee
6. Mr. Edward Joseph Cooper, Jr.	Executive Committee

### SCOPE OF POWERS AND DUTIES OF EXECUTIVE COMMITTEE

1. To prepare and propose business policies, strategies, targets, operation plans, strategy, and the annual budget to the Board of Directors for approval.
2. To set up business plan, budget and administrative powers and to propose to the Board of Directors.
3. To oversee business performance operation according to the policies of the Company, targets, business strategy, and budget as approved by the Board of Directors in an efficient manner and corresponding to the condition of the business.
4. To consider and approve capital expenditure or operating expenses, borrowing or seeking credit facilities from financial institutions, including acting as a guarantor in the normal course of business in an amount not exceeding Baht 500 million or equivalent.
5. To establish an organization structure and efficient management and administration, covering recruitment, training, hiring and termination of employees, who are executives or members of senior management The Executive Committee may authorize Chief Executive Officer of the Company to act on the Company's behalf in signing employment agreements.
6. To supervise, control and approve matters relating to the operations of the Company. The Executive Committee may appoint or authorize one or more persons to take any action on behalf of the Executive Committee as it may deem appropriate and may terminate, change or amend such authority.
7. To carry out other duties as assigned by the Board of Directors. However, in the granting of powers, duties and responsibilities, the Executive Committee shall not be granted or sub-grant power to a grantee that causes the Executive Committee or the grantee to approve transactions in which the Executive Committee or the grantee, or any person who may have any conflict of interest (as defined in the notification of the SEC), may have a vested interest, or any other conflict of interest with the Company or its subsidiaries. Approval of such transaction is required to be presented to the Board of Directors Meeting and/or the Shareholders. Meeting as the case may be, for approval, as required by the Articles of Association of the Company or the subsidiaries or the relevant laws, except where the approval of such transactions is consistent with normal business practice and has a clearly defined scope.

### Selection of Executive Committee

Board of Director will appoint the Executive Committee by selecting from directors and managements who has knowledge and capability of managerial practice.

## 7.5 Management

Executive (who has qualifications in accordance with the Public Company Limited Act B.E. 2535 (1992) and the related notifications of the Office of the Securities and Exchange Commission). As of December 31, 2011, The Company's executive consists of 9 persons as follows:

NAME	POSITION
1. Mr.Thongma Vijitpongpun	Chief Executive Officer
2. Mr. Piya Prayong	Chief Business Officer 1
3. Mr. Prasert Taedullayasatit	Chief Business Officer 2
4. Mr. Mayta Chanchamcharat	Chief Business Officer 3
5. Mr. Wirasak Kaewnoo	Chief Corporate Services Officer
6. Mr. Edward Joseph Cooper, Jr.	Chief Finance & Risk Officer
7. Ms. Suporn Treewichayapong	Executive Vice President – Accounting & Finance
8. Mrs. Narisa Wetpanyawong	Senior Vice President – Financial Planning

**Notes:** Management (as defined by SEC) mean Chief Executive Officer or person (s) in the next four executive levels immediately under Chief Executive Officer including every person (s) who is equivalent to that fourth level and also include the Financial Officer in the case that the Financial Officer is not in the same level as the fourth-executive level

### SCOPE OF POWERS AND DUTIES OF CHIEF EXECUTIVE OFFICER

1. To be responsible for overall and day-to-day operations of the business.
2. To coordinate with Internal Audit Department in relation to accounts and payment procedures of the Company should he find or suspect that it is not in accordance with the Company's policy.
3. To establish an organization structure and efficient management in accordance with the guidelines which is may be set up by the Executive Committee. This shall include recruitment; training, hiring and termination of employees who are not Management or members of senior management. The Chief Executive Officer is authorized to sign employment agreements on behalf of the Company.
4. To consider and approve any capital expenditure or operating expenses for the Company's business operation or any borrowing or credit facilities from financial institutions, including acting as a guarantor in the normal course of business, in an amount not exceeding 20 million Baht, or equivalent.
5. To conduct any other affairs necessary for operation of the Company as assigned by the Board of Directors or Executive Committee.
6. To participate in the budget review with the Executive Committee and later with the Board of Directors.
7. To negotiate and review agreements or documents in relation to the normal business operations of the Company, advise and propose such matters to the Board of Directors and/or Executive Committee and/or persons in charge of such matters for consideration, review and finding solutions.
8. To have the power to authorize and/or appoint a person or persons to undertake specific business on his behalf, provided that such authorization and/or appointment is subject to the scope of authority given under the power of attorney and/or in accordance with the rules, regulations or orders empowered by the Board of Directors and/or Executive Committee and/or the Company or Chief Executive Officer to cancel, change or amend such powers.

However, the granting of powers, duties and responsibilities to Chief Executive Officer shall not empower Chief Executive Officer to approve transactions in which he or any person who may have a conflict of interest may have a vested interest or any other conflict of interest with the Company or subsidiaries (as defined in the notification of the SEC). Approval of such transactions is required to be reported to the Board of Directors Meeting or Shareholders' Meeting, as the case may be, for approval as prescribed by the Articles of Association of the Company or the subsidiaries or the relevant laws, except where the approval of such transaction is consistent with normal business practice and has a clearly defined scope.

### **COMPANY SECRETARY**

The Board of Directors appoints a person as Company Secretary to be responsible for organizing the Board of Directors and Shareholders' meetings and other activities of the Board of Directors to ensure that the Board of Directors and the Company properly comply with the related laws and regulations, including the promotion of good governance practices. At present, the Board of Directors has appointed Mr Paisarl Rumphon as the Company Secretary, effective May 9, 2008.

### **DUTIES AND RESPONSIBILITIES**

1. Organize the meetings of Shareholders, the Board of Directors and Specific Committees in accordance with laws, the Company's Articles of Association, each Committee's Charter and best practices
2. Inform the related management of the resolutions and policies of the Board of Directors and Shareholders and follow up on the implementation of the resolutions and policies
3. Give initial advice and recommendations to the Board of Directors and Specific Committees on issues in regard to laws, regulations, the Company's Articles of Association and best practices on good governance, follow up on the implementation to ensure correctness and continuity, including report on significant changes to the Board of Directors
4. Take the minutes of the meeting of the Shareholders and the Board of Directors and follow up on the implementation of the resolutions of the Shareholders and the Board of Directors' meetings
5. Supervise the disclosure and report of information under responsibility to the regulatory agencies to ensure compliance with laws and regulations and the Company's information disclosure policy
6. Communicate with the Shareholders to ensure they are informed of their rights and have access to the Company's information
7. Keep reports on stake holding submitted by directors or management and other important documents such as the Register of the Company's Directors, notices and minutes of the meetings of Board of Directors and the Company's annual reports, including the notices and minutes of the Shareholders' meetings
8. Supervise the Company's Secretariat to serve as the center of corporate records such the Company's Certificate of Juristic Person Registration, Memorandum of Association, Articles of Association, Shareholders' Register, etc.
9. Give suggestions and advice to newly appointed directors on their directorship
10. Supervise the activities of the Board of Directors and carry out other matters as provided by law or assigned by the Board of Directors or as announced by SEC.

## 7.6 The Board & Management Profile



**Dr. Pisit Leeahtam**

Chairman of the Board of Directors /  
Member of Nomination and Remuneration  
Committee / Independent Director

<b>Age</b>	62 years
<b>Shareholding</b>	None (as of 30 December 2012)
<b>Family Relationship - Among the Executives</b>	
<b>Education</b>	<p>Doctorate Degree (Economics), Erasmus University, Rotterdam, The Netherlands</p> <p>Master Degree (Economics), Erasmus University, Rotterdam, The Netherlands</p> <p>Bachelor Degree (Economics), Erasmus University, Rotterdam, The Netherlands</p>
<b>Other Position[s]</b>	<p>Dean - Faculty of Economics, Chiang Mai University</p> <p>Chairman - Netherlands-Thai Chamber of Commerce</p> <p>Chairman - Thai Tank Terminal Limited</p> <p>Country Chairman (Thailand) - Jardines Matheson (Thailand) Ltd.</p> <p>Vice Chairman of the Board of Directors / Chairman of the Audit Committee - KGI Securities (Thailand) Plc.</p> <p>President - Provident Fund Association</p> <p>Council Member - Rajamangala University of Technology Krungthep</p> <p>Council Member - King Mongkut's University of Technology, Thonburi</p> <p>Director / Chairman of the Audit Committee - Synchrotron Light Research Institute (Public Organization)</p> <p>Council Member - Faculty of Commerce and Accountancy, Thammasart University</p> <p>etc.</p>
<b>Work Experience</b>	<p>2001-2003 President &amp; CEO, TT&amp;T pcl.</p> <p>1997-2001 Deputy Minister of Finance, Ministry of Finance</p> <p>1995-1997 Executive Vice President, Head of Investment Banking Group, Bangkok Bank pcl.</p> <p>1991-1994 Director, Office of the Governor, Bank of Thailand</p> <p>1987-1990 Economist, Exchange and Trade Relations Department, The International Monetary Fund, Washington D.C., USA</p>
<b>Training</b>	Directors Certification Program - DCP 18/2002, Thai Institute of Director (IOD)



<b>Age</b>	55 years
<b>Shareholding</b>	58.977% (1,305,300,000 shares as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	Elder brother of Mrs.Rattana Promsawad
<b>Education</b>	Bachelor Degree (Engineering), Chulalongkorn University
<b>Other Position[s]</b>	Director - Pruksa Overseas Co.,Ltd. Director - Pruksa International Co.,Ltd. Director - Pruksa Overseas Service Co.,Ltd.
<b>Work Experience</b>	1998 - 2004 Managing Director - Kaysorn Restaurant Co., Ltd. (stopped operating the business on January 28, 2005) 1985 - 1991 Manager - Siam Engineering Limited Partnership
<b>Training</b>	Directors Certification Program - DCP 51/2004, Thai Institute of Director (IOD) Finance for Non-Finance Directors, Thai Institute of Director (IOD)

### Mr. Thongma Vijitpongpun

Authorised Director/ Executive Vice  
Chairman of the Board of Directors/  
Chairman of Executive Committee/  
Member of Risk Management Committee/  
Member of Corporate Governance  
Committee/ Member of Nomination and  
Remuneration Committee/ Chief Executive  
Officer



### Mr. Prasert Taedullayasatit

Authorised Director /  
Member of Executive Committee /  
Member of Risk Management  
Committee / Member of Corporate  
Governance Committee /  
Chief Business Officer

<b>Age</b>	45 years
<b>Shareholding</b>	None (as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Master Degree (Business Administration (Marketing & Finance), Chulalongkorn University  Bachelor Degree (Accountancy: 2nd class Honor), Thammasat University
<b>Other Position(s)</b>	Director - Kaysorn Construction Co.,Ltd. Director - Prukso International Co.,Ltd. Director - Prukso Overseas Service Co.,Ltd. Director - Prukso Vietnam Construction Co.,Ltd. Director - Thai Condominium Association Director - Housing Business Association Advisor - Thammasat Property Management Board of Directors Advisor - MBA Alumni Association Chulalongkorn University Director - Chulalongkorn University Demonstration School Parents and Teachers Association Advisor - Mater Dei Parents - Teachers Association
<b>Work Experience</b>	2010 - 2011 Director - Thai Investor Relations Club  2008 - 2009 Director / Senior Executive Vice President / Chief Operating Officer (COO) Prukso Real Estate Public Company Limited  2007 - 2008 Director / Senior Executive Vice President / Chief Business Officer (CBO) Prukso Real Estate Public Company Limited  2005 - 2007 Director / Executive Vice President (Marketing / Sales & Business Development) Prukso Real Estate Public Company Limited  2002 - 2005 Director / Executive Director / Executive Vice President (Business Development) Lalin Property Public Company Limited  1999 - 2002 Senior Marketing and Business Development Manager Lalin Property Co., Ltd  1993 - 1999 Marketing and Business Development Manager - Lalin Property Co., Ltd
<b>Training</b>	Directors Certification Program - DCP 56/2005, Thai Institute of Director (IOD) Director Accreditation Program - DAP 1/2003, Thai Institute of Director (IOD) Public Economic Management for Executives Program - 5/2007, King Prajadhipok's Institute Property Management for Executives Program - RECU10, Faculty of Architecture, Chulalongkorn University



**Mrs. Rattana Promsawad**

Authorised Director /  
Director of CEO Office

<b>Age</b>	51 years
<b>Shareholding</b>	3.639% (80,541,700 shares as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	Younger sister of Mr.Thongma Vijitpongpan
<b>Education</b>	Bachelor Degree (Law), Ramkhamhaeng University
<b>Other Position[s]</b>	Director - Prukse Overseas Co.,Ltd. Director - Prukse International Co.,Ltd. Director - Kaysorn Construction Co.,Ltd. Director - Prukse India Housing Private Limited
<b>Work Experience</b>	2003 - 2005 Finance Advisor - Prukse Real Estate Co., Ltd. 1998 - 2004 Director - Kaysorn Restaurant Co., Ltd. (stopped operating the business on January 28, 2005) 1993 - 2003 Finance Manager - Prukse Real Estate Co., Ltd. 1986 - 2001 Finance Manager - Siam Engineering Limited Partnership
<b>Training</b>	Directors Certification Program – DCP 52/2004, Thai Institute of Director (IOD)



### Mr. Piya Prayong

Authorised Director /  
Member of Executive Committee /  
Chief Business Officer

<b>Age</b>	43 years
<b>Shareholding</b>	0.011 % (246,800 shares as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Bachelor Degree (Engineering), Kasetsart University
<b>Other Position(s)</b>	Director - Kaysorn Construction Co.,Ltd. Director - Pruksa Overseas Service Co.,Ltd.
<b>Work Experience</b>	2003 Production Manager - Siam Engineering Limited Partnership 2002 Assistant Director - Siam Engineering Limited Partnership
<b>Training</b>	Directors Certification Program - DCP 59/2005, Thai Institute of Director (IOD)



**Mr. Wisudhi Srisuphan**

Independent Director /  
Member of the Audit Committee

<b>Age</b>	52 years
<b>Shareholding</b>	None (as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	M.A.A. Business Economics, Thammasat University Master of Engineering (Civil Engineering), Lamar University, U.S.A Bachelor of Engineering (Civil Engineering), Chulalongkorn University LL.B. (Second Class Honour), Ramkhamhaeng University Diploma (Class 38), National Defence College of Thailand Certificate in Politics and Governance in Democratic Systems for Executives Course (Class 6), King Prajadhipok's Institute Capital Market Academy Leadership Program (Class 6), Capital Market Academy, The Stock Exchange of Thailand
<b>Other Position[s]</b>	Chairman of the Board, Real Estate Information Center Director, Office of the Council of State
<b>Work Experience</b>	2010 - 2011 Chairman of the Board, CAT Telecom Public Company Limited 2009 - 2010 Chairman of the Board, Siam City Bank Public Company Limited 2009 Director-General, The Customs Department, Ministry of Finance 2008 - 2010 Deputy Chairman, Dhipaya Insurance Public Company limited 2009 - 2010 Director, The Electricity Generating Authority of Thailand 2008 - 2009 Deputy Permanent Secretary, Ministry of Finance 2007 - 2008 Director-General, The Customs Department, Ministry of Finance 2007 Director-General, The Excise Department, Ministry of Finance 2006 - 2009 Chairman of the Board, The Government Saving Bank 2006 - 2009 Director, Thai Airways International Public Company Limited 2006 - 2008 Chairman of the Board of Director, Thailand Tobacco Monopoly, Ministry of Finance 2005 - 2006 Chairman of the Board, CAT Telecom Public Company Limited 2003 - 2007 Director-General, The Treasury Department, Ministry of Finance 2002 - 2006 Director, PTT Exploration And Production Public Company Limited 2002 - 2003 Director General, Fiscal Policy Office, Ministry of Finance 2000 - 2006 Chairman of the Board, The Government Housing Bank 2000 - 2006 Director, PTT Public Company Limited 1999 - 2002 Comptroller-General, The Comptroller's Department, Ministry of Finance
<b>Training</b>	Directors Certification Program - DCP 3/2000, Thai Institute of Director (IOD) Role of the Chairman Program - RCP 12/2005, Thai Institute of Director (IOD)



**Professor Emeritus**  
**Dr. Trungjai Buranasomphop**

Independent Director /  
Chairman of the Audit Committee

<b>Age</b>	70 years
<b>Shareholding</b>	None (as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	<p>Diplome de 3 eme Cycle d' Architecture, Ecole Des Beaux Arts, Paris, France</p> <p>Doctorate Degree (City Planning Mention Tres Bien), Pantheon-Sorbonne , Paris, France</p> <p>Post Grad Certificate (Energy Conscious Building Design), Sogesta, Italy</p> <p>Post Grad Diploma (Housing Planning and Building), Bouwcentrum, The Netherlands</p> <p>Master Degree (Tropical Architecture), Pratt Institute, New York, USA</p> <p>Bachelor Degree (Architecture), Chulalongkorn University</p> <p>Advanced Certificate, Public Administration and Law ( King Prajadhipok's Institute)</p> <p>Honorable Ph.D Architectural Heritage Management and Tourism, Silpakorn University.</p>
<b>Other Position[s]</b>	<p>President - NT Estate International Co., Ltd.</p> <p>Senator, Chairman of Advisory Board of the Standing Committee on Religions, Moral, Ethics, Arts and Culture, Senate.</p> <p>Chairman of The Committee on Settlement and City Planning, Senate</p> <p>Committee member of The Association of Simese Architects Fund.</p> <p>Part time lecturer, Graduate School, Silpakorn University.</p>
<b>Work Experience</b>	<p>1968 - 2008 Professor Emeritus Level 11 - Faculty of Architecture, Silpakorn University</p> <p>2002 - 2008 Chairman of the International Programs of Master and Doctorate Degrees in "Architectural Heritage Management and Tourism" - Silpakorn University</p> <p>2006 - 2007 Advisor of the Governor of Bangkok</p> <p>2002 - 2007 Vice President - Council of Thai Architects</p> <p>2004 - 2006 President - Zonta International Association Bangkok 7</p> <p>1996 - 2000 President - Silpakorn University</p> <p>1988 - 1992 Dean, Faculty of Architecture - Silpakorn University</p> <p>1989 - 2000 Committee Member of Building Control - Civil and City Planning Department</p> <p>1989 - 2000 Committee Member of Energy Conservation Fund - Office of Energy Plan and Policy</p> <p>1989 - 2000 President of Land Readjustment Association - Civil and City Planning Department</p> <p>1975 - 1981 Committee Member of The Association of Simese Architects</p> <p>1966 - 1967 Architect - Alfred Easton Poor, New York, USA</p> <p>1965 - 1966 Architect - Louis Berger Inc. / Ammann &amp; Whitney Inc. / Intaren Co.,Ltd.</p>
<b>Training</b>	<p>Directors Certification Program - DCP 67/2005, Thai Institute of Director (IOD)</p> <p>Directors Accreditation Program - Thai Institute of Director (IOD)</p> <p>Audit Committee Program - Thai Institute of Director (IOD)</p>



**Mr. Weerachai Ngamdeevilaisak**

Independent Director /  
Member of the Audit Committee /  
Chairman of Risk Management  
Committee /  
Chairman of Nomination and  
Remuneration Committee

<b>Age</b>	50 years
<b>Shareholding</b>	None (as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Bachelor Degree (Commerce and Accountancy), Thammasat University Advanced Certificate, Public Administration and Law ( King Prajadhipok's Institute)
<b>Other Position[s]</b>	Director - Professional Outsourcing Solutions Co., Ltd Director - Accounting & Business Advisory Co., Ltd. Director - Audit One Co., Ltd. Director - Associated One Co., Ltd.
<b>Work Experience</b>	1999 - 2003 Executive Director - Arthur Andersen Thailand's Group of companies 1996 - 1999 Assistant Director - SGV-Na-Thalang Co., Ltd 1992 - 1996 Audit Manager - SGV-Na-Thalang Co., Ltd 1985 - 1992 Assistant Auditor - SGV-Na-Thalang Co., Ltd
<b>Training</b>	Directors Certification Program - DCP - Train the Trainer, Thai Institute of Director (IOD) Role of the Compensation Committee 3/2007, Thai Institute of Director (IOD) Successful Formulation & Execution of Strategy 4/2009, Thai Institute of Director (IOD)



**Mr. Adul Chandanachulaka**

Independent Director /  
Member of the Audit Committee /  
Chairman of Corporate Governance  
Committee

<b>Age</b>	67 years
<b>Shareholding</b>	0.007% (150,000 shares as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Bachelor Degree (Commerce and Accountancy), Chulalongkorn University
<b>Other Position[s]</b>	Independent Director and Audit Committee of Jutha Maritime Public Company Limited
<b>Work Experience</b>	2003 - 2004 Director - Siam Press Management Co., Ltd. 2001 - 2002 Chairman of the Board of Directors - Siam Integrated Service Co., Ltd. Director - Dusit Sinthorn Co., Ltd 2000 - 2002 Director - Jalapathan Cement Plc 1968 - 2002 Last Position: Executive Vice President - Siam Commercial Bank Plc
<b>Training</b>	Directors Accreditation Program - DAP 5/2003, Thai Institute of Director (IOD) Audit Committee Program - ACP 7/2005, Thai Institute of Director (IOD) Role of the Compensation Committee - 3/2007, Thai Institute of Director (IOD)



**Mr. Mayta Chanchamcharat**

Authorised Director /  
Member of Executive Committee /  
Chief Business Officer

<b>Age</b>	48 years
<b>Shareholding</b>	0.021 % (458,200 shares as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Master Degree (Business Administration), Indiana University, USA Bachelor Degree (Finance and Banking), Faculty of Commerce and Accountancy, Chulalongkorn University
<b>Other Position[s]</b>	Director - Prukso Overseas Co.,Ltd. Director - Prukso Overseas Service Co.,Ltd. Director - Prukso International Co.,Ltd. Director - Prukso-Mohan Mutha Real Estate Private Limited Director - Prukso-HDC Housing Private Limited Director - Prukso-Luxora Housing Private Limited
<b>Work Experience</b>	2005-April 2009 Chief Executive Officer - Plus Property Co., Ltd. 2004-2005 Managing Director - Plus Property Co., Ltd. 2002-2004 Vice President; Corporate Finance and Investor Relations Department - Sansiri Public Company Limited 1997-2002 Senior Manager;Head of Corporate Department - Fortis Bank - BIBF, Bangkok
<b>Training</b>	Directors Certification Program – DCP 124/2009, Thai Institute of Director (IOD)



**Mr. Edward Joseph Cooper, Jr.**

Authorised Director /  
Member of Executive Committee /  
Member of Risk Management Committee /  
Chief Finance & Risk Officer

<b>Age</b>	64 years
<b>Shareholding</b>	None (as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Master in Business Administration (International Finance), New York University, Stern Graduate School of Business Bachelor of Arts, (Economics, Minor Asian History), Princeton University
<b>Other Position[s]</b>	N/A
<b>Work Experience</b>	<p>2001 – 2009 AIG Consumer Finance Group, Inc.</p> <p>2003 – 2009 President, New York</p> <p>2001 – 2002 Asia Region Executive, Consumer Finance, Hong Kong</p> <p>1970 – 2000 Chase Manhattan Bank</p> <p>1997 – 2000 Senior Vice President, Asia Region Retail Banking Executive, Hong Kong</p> <p>1988 – 1996 Senior Executive, New York</p> <p>1985 – 1988 Deputy General Manager, Tokyo</p> <p>1983 – 1985 Asia Banking Division Executive, New York</p> <p>1979 – 1983 Country Manager, Bangkok</p> <p>1974 – 1979 Deputy General Manager, Singapore</p> <p>1970 – 1974 Trainee and Officer, New York</p>
<b>Training</b>	<p>Directors Accreditation Program - DAP 88/2011, Thai Institute of Director (IOD)</p> <p>Directors Certificate Program - DCP153/2011, Thai Institute of Director (IOD)</p>



### Mr. Wirasak Kaewnoo

Member of Executive Committee /  
Member of Corporate Governance  
Committee /  
Member of Nomination and  
Remuneration Committee /  
Chief Corporate Services Officer

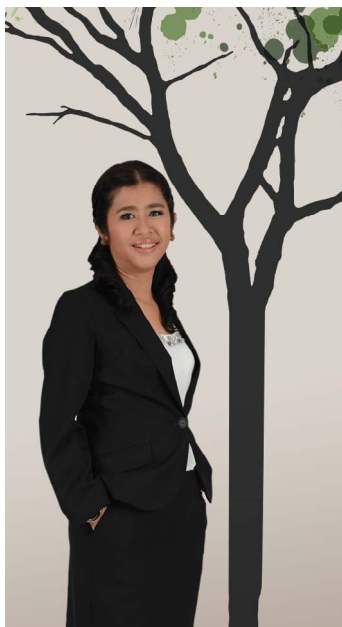
<b>Age</b>	54 years
<b>Shareholding</b>	None (as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Bachelor Degree (BA), Srinakharinwirot University Bachelor Degree (BA), Ramkhamheng University Master Degree (MBA), National Institute of Development Administration (NIDA)
<b>Other Position[s]</b>	Director - Pruksa Overseas Co.,Ltd. Director - Pruksa Overseas Service Co.,Ltd. Director - Pruksa India Construction Private Limited
<b>Work Experience</b>	Director, Human Resources, Microchips Technology (Thailand) Co., Ltd. Director, Human Resources, Toshiba Semiconductors (Thailand) Co., Ltd. Senior Manager, Human Resources, Chromalloy Corporation (Thailand) Co., Ltd. Manager, Training & Development, AT&T Microelectronics (Thailand) Co.,Ltd. Manager, Quality Improvement Program, AT&T Microelectronics (Thailand) Co.,Ltd. Supervisor, Production, Philips Semiconductors (Thailand) Co., Ltd.
<b>Training</b>	Role of the Compensation Committee, Thai Institute of Director (IOD) Executive Development Program by Sasin Mini MRE (Master Real Estate) by Thammasat University Quality College, Signetics Corporation (USA) Quality Control Circle, Toshiba Semiconductor (Japan) Building the Aggregate System, Microchip Technology (USA)



**Ms. Suporn Treewichayapong**

Executive Vice President - Accounting  
and Finance Business Unit

<b>Age</b>	52 years
<b>Shareholding</b>	0.001 % (15,000 shares as of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Master Degree (Finance), Thammasat University Master Degree (Accounting), Thammasat University Bachelor Degree (Commerce and Accountancy), Thammasat University
<b>Work Experience</b>	2011 – Present EVP - Accounting and Finance - Pruksa Real Estate Public Company Limited 1997 - 2005 EVP - Accounting and Finance - Pruksa Real Estate Public Company Limited 1992 - 1994 System Development Manager - American Engineering Co., Ltd 1988 - 1992 Accounting Manager - Bradford Contracting & Engineering (Thailand) Co., Ltd. 1983 - 1988 Senior Accountant - Nava Finance & Securities Co.,Ltd.
<b>Training</b>	CFO (Chief Finance Officer Certification Program) from Federation of Accounting Professions DCP (Directors Certification Program) from Thai Institute of Directors



**Mrs. Narisa Wetpanyawong**

Senior Vice President of Financial  
Planning Business Unit

<b>Age</b>	47 years
<b>Shareholding</b>	0.010% (215,700 As of 30 December 2012)
<b>Family Relationship Among the Executives</b>	-
<b>Education</b>	Master Degree in Economics / Thammasat University Bachelor Degree in Economics (First Class Honour) / Thammasat University
<b>Other Position[s]</b>	N/A
<b>Work Experience</b>	<p>2011 – Present Senior Vice President, Financial Planning Business Unit, Pruksa Real Estate Public Co., Ltd.</p> <p>2009 – 2011 Vice President, Financial Planning &amp; Analysis Division, Pruksa Real Estate Public Co., Ltd.</p> <p>2006 - 2008 Vice President, Project Finance &amp; Budget Division, Pruksa Real Estate Public Co., Ltd.</p> <p>2000 - 2006 Vice President, Investment Division, Muang Thai Life Assurance Public Co., Ltd. Subcommittee of Investment Board, The Thai Life Assurance Association Committee of Housing Finance Board, Housing Finance Association</p> <p>1997 – 1999 Deputy Vice President, Project Loan Division, Phatra Thanakit Finance and Securities Public Co., Ltd.</p>
<b>Training</b>	<p>Successful Formulation &amp; Execution of Strategy-SFE 17/2013, Thai Institute of Directors</p> <p>Financial Statement for Director - FDS 19/2013, Thai Institute of Directors</p> <p>Directors Accreditation Program- DAP 99/2012, Thai Institute of Directors (IOD)</p> <p>Corporate Credit Risk Analysis 2009, Standard &amp; Poor's Ratings</p>

## 7.7 Controlling Persons of the Company and its Subsidiaries [As at 31 December 2012]

Name	The Company	Kaysorn Construction Co.,Ltd	Phanalee Estate Co.,Ltd	Putthachart Estate Co.,Ltd	Pruksa International Co.,Ltd.	Pruksa Overseas Co.,Ltd.	Pruksa Overseas Services Co.,Ltd.
1. Dr. Pisit Leeahtam	X	-	-	-	-	-	-
2. Mr. Thongma Vjittpongpan	/ & //	-	-	-	X	X	X
3. Professor Emeritus Trungjai Buranasomphop	/	-	-	-	-	-	-
4. Mr. Adul Chandanachulaka	/	-	-	-	-	-	-
5. Mr. Weerachai Ngamdeevilaisak	/	-	-	-	-	-	-
6. Mr. Wisudhi Srisuphan	/	-	-	-	-	-	-
7. Mr. Prasert Taedullayasatit	/ & //	/	-	-	/	-	/
8. Mr. Mayta Chanchamcharas	/ & //	-	-	-	/	/	/
9. Mrs. Rattana Promsawad	/	/	-	-	/	/	-
10. Mr. Piya Prayong	/ & //	/	-	-	-	-	/
11. Mr. Kanchit Bunajinda	/	-	-	-	-	-	-
12. Mr. Edward Joseph Cooper, Jr.	/ & //	-	-	-	-	-	-
13. Mr. Wirasak Kaewnoo	//	-	-	-	-	/	/
14. Mr. Somboon Wasinchutchawal	-	-	-	-	/	/	-
15. Miss. Suporn Treewichayapong	-	-	/	/	-	-	-

**Remarks :** 1) X = Chairman, / = Director // = Executive Director

2) Mr. Prasert Taedullayasatit has been appointed as director of Pruksa International Co.,Ltd. since June 14, 2012 onward.

3) Mr. Mayta Chanchamcharas has been appointed as director of Pruksa International Co.,Ltd. since June 14, 2012 onward.

4) Mr. Kanchit Bunajinda has resigned from the company director from March 12, 2012.

5) Mr. Somboon Wasinchutchawal has resigned from the Company, the director post in Pruksa International Co.,Ltd. and Pruksa Overseas Co.,Ltd. from May 31, 2012

## 7.8 Meeting attendance of the Directors in 2012 and 2011

Name	Board of Director		Audit Committee		Risk Management Committee		Corporate Governance Committee		Nomination Remuneration Committee	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1. Dr. Pisit Leeahtam	6 / 7	6 / 7	-	-	-	-	-	-	3 / 3	- / 1
2. Mr. Thongma Vijitpongpun	7 / 7	7 / 7	-	-	8 / 12	9 / 12	1 / 4	4 / 4	3 / 3	1 / 1
3. Professor Emeritus Dr. Trungjai Buranasomphop	7 / 7	7 / 7	13 / 13	12 / 12	-	-	-	-	-	-
4. Mr. Weerachai Ngamdeevilaiak	7 / 7	7 / 7	13 / 13	12 / 12	12 / 12	12 / 12	-	-	3 / 3	1 / 1
5. Mr. Adul Chandanachulaka	6 / 7	7 / 7	13 / 13	12 / 12	-	-	4 / 4	4 / 4	-	-
6. Mr. Wisudhi Srisuphan <sup>(1)</sup>	7 / 7	7 / 7	7 / 7	-	-	-	-	-	-	-
7. Mr. Prasert Taedullaysatit	7 / 7	7 / 7	-	-	12 / 12	10 / 12	4 / 4	4 / 4	-	-
8. Mr. Piya Prayong	7 / 7	6 / 7	-	-	-	-	-	-	-	-
9. Mrs. Rattana Promsawad	7 / 7	7 / 7	-	-	-	-	-	-	-	-
10. Mr. Kanchit Bunajinda <sup>(2)</sup>	1 / 2	7 / 7	-	-	-	-	1 / 1	4 / 4	-	-
11. Mr. Mayta Chanchamcharat	7 / 7	7 / 7	-	-	-	-	-	-	-	-
12. Mr. Edward Joseph Cooper, Jr.	7 / 7	7 / 7	-	-	11 / 12	12 / 12	-	-	-	-
13. Mr. Somboon Wasinchutchawal <sup>(3)</sup>	-	-	-	-	5 / 5	12 / 12	2 / 2	2 / 4	-	-
14. Mr. Wirasak Kaewnoo	-	-	-	-	-	-	3 / 4	4 / 4	3 / 3	1 / 1

**Remarks :** (1) Mr. Wisudhi Srisuphan, was appointed as a member of Audit Committee on 8 May 2012

(2) Mr. Kanchit Bunajinda resigned from Board of Director and Corporate Governance Committee on 12 Mar 2012

(3) Mr. Somboon Wasinchutchawal resigned from Risk Management Committee and Corporate Governance Committee on 31 May 2555

## REMUNERATION OF DIRECTORS AND MANAGEMENT

### 8.1. Monetary Remuneration of Independent Directors

#### 8.1.1 REMUNERATION OF INDEPENDENT DIRECTOR

The 2012 Annual General Shareholders' Meeting, held on 27 April 2012, has approved 2012 remuneration of Directors. Such amount is not exceed Baht 22 million (in 2011 the amount was set at Baht 18 million maximum and 2010 the amount was set not to exceed Baht 21 million each year). Such remuneration is to pay only to Independent Directors and Non - executive Directors who are Board members, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, and Corporate Governance Committee. For Non - executive Directors who are entitled to receive such remuneration must not be any shareholder's representative. The directors other than the mentioned qualification will not receive any. The details of remuneration paid in 2012 compared to that of 2011, 2010 are as follows:

Unit = Baht

Name/Position	2012		2011		2010	
	Remuneration	Bonus <sup>(1)</sup>	Remuneration	Bonus <sup>(1)</sup>	Remuneration	Bonus <sup>(1)</sup>
1. Dr.Pisit Leeahtam Chairman of the Board of Directors and Nomination and Remuneration Committee	3,804,000	1,371,415.96	3,120,000	523,772	3,140,000	1,200,725
	5,175,415.96		3,643,772		4,340,725	
2. Professor Emeritus Dr.Trungjai Buranasomphop Director and Chairman of Audit Committee	2,246,400	822,849.57	1,747,200	293,312	1,742,400	672,402
	3,069,249.57		2,040,512		2,414,806	
3. Mr. Abdul Chandanachulaka Director, audit committee, and Chairman of Corporate Governance Committee	2,020,000	731,421.84	1,540,000	251,410	1,485,000	576,348
	2,751,421.84		1,791,410		2,061,348	
4. Mr. Weerachai Ngamdeevilaisak Director, audit committee, and Chairman of Risk Management and Chairman of Nomination and Remuneration Committee	2,378,100	731,421.84	1,831,600	251,410	1,851,150	576,348
	3,109,521.84		2,083,010		2,427,498	
5. Mr. Wisudhi Srisuphan Independent Directors	1,500,000	548,566.39	1,500,000	251,410	360,000	88,618
	2,048,566.39		1,751,410		448,618	
Grand Total	11,948,500	4,205,675.6	9,738,800	1,571,314	8,578,550	3,114,444
	16,154,175.6		11,310,114		11,692,994	

**Note** <sup>(1)</sup> Bonus of the year is paid in 2 tranches: first and second half of the year. The second half-year bonus is paid in January in the next year and is included in the amount.

### 8.1.2 REMUNERATION OF EXECUTIVE DIRECTORS AND MANAGEMENT

Total remuneration of Executive Directors and Management details of which are as follows:

Nature of Compensation	2012		2011		2010	
	No. of Management	Amount in Baht	No. of Management	Amount in Baht	No. of Management	Amount in Baht
Salary / Wage	8	53,532,844	9	52,044,900	8	40,070,882
Bonus <sup>(1)</sup>	8	21,818,167	9	9,294,369	8	13,624,168
Contribution to Provident Fund	8	1,901,305	9	1,817,393	8	1,410,421
Others	8	10,682,102	9	9,688,768	8	5,799,666
Total	8	87,934,418	9	72,845,430	8	60,905,137

**Note** <sup>(1)</sup> Bonus of the year is paid in 2 tranches: first and second half of the year. The second half-year bonus is paid in January in the next year and is included in the amount.

## 8.2 Other Remuneration

Other remunerations are in the form of warrants to purchase ordinary shares offered to the Company's directors and management, and/or the subsidiaries. The Company's annual shareholders' meeting approved the third issuance of 22,000,000 warrants (PS-WC) and the fourth issuance of 22,000,000 warrants (PS-WD) with the exercise ratio of one warrant per one ordinary share (1:1) to the Company's directors and management, and/or the subsidiaries in 2010 and 2011, respectively. The exercise of both warrants can be done four times a year, from 8.30 am. to 15.30 pm., on the last business day of February, May, August and November each year. However, the final exercise can be done on the maturity date of warrants. The warrants to purchase ordinary shares were allocated to seven directors and management (management means Chief Executive Officer, the next four Senior Executive Vice President, those whose positions equal to the fourth rank, including management level in Accounting and Finance department whose positions are upper or equivalent level to Department Manager). From the total warrant of 7,639,700 units, there were allocated as 4,181,400 warrants (PS-WC) and 3,458,300 warrants (PS-WD). The exercise of warrants by the Company's directors and management in 2012 is shown as follows:

The warrants allocated (PS-WC and PS-WD) and warrants exercised in 2012

Name	No. of Warrant Allocated [unit]		No. of Warrant Exercised [Unit]	
	PS-WC	PS-WD	PS-WC	PS-WD
1. Mr. Prasert Taedullayasatit	830,100	924,100	-	-
2. Mr. Piya Prayong	830,100	1,040,300	276,700	260,100
3. Mr. Mayta Chanchamcharat	559,200	341,600	186,400	85,400
4. Mr. Edward Joseph Cooper, Jr.	626,700	356,200	100,000	-
5. Mr. Wirasak Kaewnoo	463,800	348,900	-	-
6. Ms. Suporn Treewichayapong	-	210,800	-	30,000
7. Mrs. Narisa Wetpanyawong	201,000	214,800	67,000	53,700
Total	3,510,900	3,436,700	630,100	429,200

## PERSONNEL

As at 31 December 2012, the Company employed the total of 2,737 employees. Details are as follows:

Pruksa Real Estate Public Company Limited	Number of Employees
CEO Office (Chief Executive Officer)	454
CBO 1 Office (Chief Business Officer)	930
CBO 2 Office (Chief Business Officer)	711
CBO 3 Office (Chief Business Officer)	193
CFRO Office (Chief Finance & Risk Officer)	145
CSO Office	304
Total	2,737

**THE CHANGE OF NUMBER OF EMPLOYEES, EXCLUDING THE MANAGEMENT, IN THE LAST SEVEN YEARS WAS SHOWN AS FOLLOWS:**

- As at 31 December 2006, the total number of employees was 1,056.
- As at 31 December 2007, the total number of employees was 1,104.
- As at 31 December 2008, the total number of employees was 1,377.
- As at 31 December 2009, the total number of employees was 1,579.
- As at 31 December 2010, the total number of employees was 2,054.
- As at 31 December 2011, the total number of employees was 2,619.
- As at 31 December 2012, the total number of employees was 2,737.

**EMPLOYEE BENEFITS (EXCLUDING THE MANAGEMENT)**

The Company has provided employees benefits in the form of salaries, overtime payment, bonuses, contributions to provident fund etc. Furthermore, other benefits such as annual leave, military service leave, maternity leave, and financial assistance for funerals, housing, medical treatment and child's education etc. are provided to employees.

As at 31 December 2012, the overall employees' benefits were shown as follows:

Benefits	As at	
	31 December 2012	31 December 2011
Salaries	973,035,273	787,634,054
Bonuses <sup>(1)</sup>	391,850,770	132,747,485
Contributions to provident fund	28,891,866	20,994,975
Contribution to the social security fund	15,501,715	21,413,820
Overtime payment	50,687,914	70,583,278
Other benefits	244,534,976	145,689,764
Total	1,704,502,514	1,179,063,376

**Remark :** <sup>(1)</sup> Bonuses are paid twice a year. Bonuses based on performance of the first half of a year are paid on 31 July of that year while those of the second half of a year are paid on 31 January next year. Bonus figures shown above are the amount paid twice a year.

Besides, the Company registered a provident fund, which complied with Provident Fund Act B.E. 2530 (1987), in 2000. The Company (employer) and employees make equal contributions, 4%, to the Fund.

## GOOD CORPORATE GOVERNANCE

The Company adheres to corporate governance principles which are consistent with international principles and the Stock Exchange of Thailand's policy. The Company has established "The Principles of Good Corporate Governance" in order to ensure the ethical conduct of its business. The Company strongly believes that its good corporate governance procedures are beneficial to the Company's performance, being one of the keys to achieving its objectives. The Company's Corporate Governance Policy is divided into seven categories, as follows:

- 1.) The Board of Directors
- 2.) Rights of shareholders
- 3.) Equitable Treatment of Shareholders
- 4.) Role of Stakeholders
- 5.) Disclosure and Transparency
- 6.) Internal Controls and Risk Management
- 7.) Philosophy and Code of Conduct

The Company communicated "The Principles of Good Corporate Governance" on the Company's website, [www.pruksa.com](http://www.pruksa.com), and has encouraged the Directors, Management and employees to acknowledge and observe.

### 1) The Board of Directors

The Board of Directors is accountable to the shareholders for ensuring that the business of the Company is managed properly in the best interests of the shareholders and other stakeholders, as well as the general public. The Board of Directors has a key role in making sure that management commit themselves to performance excellence, with due consideration to the risk exposure of the Company.

#### 1.1 STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors of Pruksa Real Estate Public Company Limited, as of 31st December 2012, consists of 11 members which nine members are men and two members are women. Four of directors are between 30-50 years old and other directors are over 50 years old. The Board of Directors comprises 5 non-management Directors (5 Independent Directors: Dr.Pisit Leeahtam, Professor Emeritus, Dr.Trungjai Buranasomphop, Mr.Wisudh Srisuphan, Mr.Weerachai Ngamdeevilaiakand and Mr.Adul Chandanachulaka, which exceeds one - third of the entire Board) and 6 management Directors. Besides, Chairman of the Board of Directors (Dr.Pisit Leeahtam) and Chairman of the Executive Committee (Mr.Thongma Vijitpongpun) is not the same person.

#### 1.2 DIRECTOR QUALIFICATIONS

Directors on the Board of Directors shall possess all the qualifications stated in the public company law and other related laws. They shall not possess any characteristic unsuitable to manage business which the general public is the shareholders pursuant to the notifications of the Office of the Securities and Exchange Commission.

Directors must also have sufficient knowledge and expertise, and a high standard of integrity and business ethics. In addition, they must be able to commit enough time to contribute their knowledge and expertise to perform their duties for the Company.

Independent Directors must additionally meet the independence criteria adopted by the Company and in compliance with the same qualifications in accordance with the Notification of the Stock Exchange of Thailand on Qualifications and Scope

of Work of the Audit Committee. By making unconditional opinions, independent directors are expected to be capable of safeguarding the interests of all the shareholders without the conflict of interest.

### **1.3 TERM OF SERVICE**

#### **Number of term of being a Director**

A Board of Director's term of service is fixed for three years. A period of one year is hereby defined as the period between the Annual General Meeting of Shareholders of the year of appointment and the Annual General Meeting of Shareholders of the following year. Upon the expiration of the term, a director may be re-elected by the shareholders.

Sub-Committees' term of service is in line with the term of the Boards'. Upon the expiration of the term, a committee may be re-elected by the Boards.

#### **Number of consecutive term of a Director.**

The Company understands that all of their directors are qualified, knowledgeable, capable, ethical, and moral with good practices all through their services. If the Company's shareholders are still trust them so that they re-elect such directors to resume their services, the Company must comply to shareholders' desire. Thus, the Company doesn't strictly fix the number of consecutive term of being a Director.

### **1.4 SUB-COMMITTEES**

The Company has established the Audit Committee pursuant to the regulations of the SET and has also established the following sub-committees to carry out duties as assigned by the Board of Directors: the Risk Management Committee, the Corporate Governance Committee, and the Nomination and Remuneration Committee.

#### **1.4.1 Audit Committee**

The Audit Committee is responsible for reviewing the Company's financial statements and financial reports to ensure the accuracy and completeness of the financial statements and the reports with adequate and effective internal control and internal audit system; reviewing the independence of internal audit and also approve the appointment, removal and termination of the Chief Internal Auditor or any other function responsible for internal auditing; Considering the disclosures of information, connected transaction(s) and transactions with a potential conflict of interest pursuant to laws and the regulations of the Stock Exchange of Thailand to ensure the reasonableness of the transaction and to the benefit of the Company; Preparing the Audit Committee Report for disclosure in the Company's Annual Report; Reviewing to ensure compliance with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand or laws and regulations relevant to the business of the Company; Making recommendations on the appointment of external auditors of the Company and propose their remuneration for consideration of the Board of Directors; Performing any other tasks within the scope assigned by the Board; Reviewing and giving opinions in an independent and objective manner on any internal auditing tasks performed by Internal Audit Department; and Consulting regularly with the external auditors.

#### 1.4.2 Risk Management Committee

The Risk Management Committee is responsible for prescribing policy and guidelines and providing recommendations to the Board with respect to the management of external and internal risks to Company operations to ensure they are within the appropriate and acceptable level.

#### 1.4.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for nominating persons to be appointed as new Directors, Chairman of Executive Committee and Managing Director or as replacements at the end of the term of office or when vacancies occur for other reasons.

The Nomination and Remuneration Committee has the responsibility to propose guidelines and methods for payment of remuneration and other benefits to the Directors, Committee Members, Chairman of Executive Committee and Managing Director. The Committee also set an evaluation method and appraises the work performance of the Board member, Chairman of Executive Committee and Managing Director. This includes setting criteria for review and evaluation of benefit to make it commensurate with their duties and responsibilities, overall business performance of the Company and the general business circumstances.

#### 1.4.4 Corporate Governance Committee

The Corporate Governance Committee is responsible for overseeing and reviewing major best practices of the Company to ensure its compliance with good governance. This includes reviewing corporate governance policy, principles and practices; making recommendations on business ethical requirements and best practices for directors, executives, employees; ensuring that such requirements are met effectively; making reports to the Board of Directors about the Company's corporate governance, giving opinions on be practices adopted in order to improve or adjust them as needed, reviewing and proposing publicizing the Company's efforts with respect to good corporate governance.

### 1.5 CHARTER OF THE BOARD OF DIRECTORS

The Company has established a charter for the Board of Directors and for the sub-committees in order for each to have a clearly-defined operating procedure.

### 1.6 CONFLICT OF INTEREST

The Company attaches great importance to proper management of conflicts of interests of parties concerned in both corporate level and employee level, handling them in a careful, fair and transparent manner and determine best practice in handling the conflict of interest. Full disclosure of information thereof is required in all cases. Where a member of the Board of Directors or an executive has an interest in a matter under consideration, he or she shall leave the meeting room or no vote in that agenda.

## **1.7 REMUNERATION FOR DIRECTORS AND MANAGEMENT**

The Company remunerates the directors for their service at an appropriate and motivating level in order to retain quality directors. The remuneration is offered both in monetary and non-monetary forms. The Nomination and Remuneration Committee is responsible for reviewing and proposing appropriate remuneration for directors, for approval by shareholders annually.

Management directors shall only be remunerated only for their service in the capacity of Management. Such remuneration shall be based on the Company's operation performance and their individual performance.

## **1.8 KNOWLEDGE DEVELOPMENT AND TRAINING FOR BOARD OF DIRECTORS**

A newly appointed director shall be firstly served their first orientation so he or she is adequately informed of the rules and regulations and business of the Company on a continual basis. In addition, the Board of Directors shall participate in training courses regularly as their increased knowledge and expertise have contributed to the efficient oversight of Company business.

In addition, from the total of 11 company's directors, 10 directors have attended the Director Certification Program (DCP), 4 attended the Director Accreditation Program (DAP), 1 attended Role of the Chairman Program (RCP), 3 attended Audit Committee Program (ACP), 2 attended the Role of Compensation Committee, 1 attended Successful Formulation & Execution of Strategy, and 1 attended Finance for Non-Finance Directors. All of such programs are arranged or advised by the Thai Institute of Directors (IOD).

## **1.9 APPRAISAL OF THE BOARD OF DIRECTORS' PERFORMANCE**

Board of Directors has a self – appraisal by The Board members. This enhances the overall Board's works. Moreover, it shows that the Board can do more benefit to the Company. The objective of such appraisal is to enhance the Board's efficiency and improvement on their operation.

## **1.10 APPRAISAL OF CHIEF EXECUTIVE OFFICER'S PERFORMANCE**

The Nomination and Remuneration Committee appraises the work performance of Chief Executive Officer from the Company's performance, the practice according to the policy assigned from Board of Directors. The Company can get the result to set the Chief Executive officer's compensation.

## **1.11 THE NON-EXECUTIVE BOARD MEETING**

The Board of Directors has assigned the Non-Executive Board members to hold meetings as appropriated without any management (both Board and non-Board). The purpose is to open review any issues (business/non business) that are of interest. In 2012, there is such a meeting held on 29<sup>th</sup> November 2012

## 2) Rights of shareholders

Recognizing the importance of the rights of shareholders, the Company refrains from any act that may violate or curtail the rights of the shareholders, for instance, rights to attend shareholders' meeting and vote, rights to grant proxy to anyone to attend the meeting and vote on behalf, rights to ask make comments and ask questions in the shareholders' meeting, rights to appoint directors and rights to appoint external auditors and determine auditors' fees, etc.

### 2.1 SHAREHOLDERS' MEETING

#### 2.1.1 Date, time, and venue of the meeting

The Company shall hold an annual general shareholders' meeting within four months of the annual account closing date, and will fix the date, time, and venue of the meeting that are convenient for the shareholders to attend. The Company may call an extraordinary meeting of the shareholders if the Board of Directors deems this necessary.

#### 2.1.2 Invitation of the meeting

According to the Company's article of Association, the Company shall send an invitation to shareholders to attend the meeting at least 7 days in advance. However, in practice the Company shall send an invitation to the shareholders to attend the meeting at least 14 days in advance to allow sufficient time for shareholders to consider the agenda and prepare details of the matters they wish to propose for consideration at the meeting. Each agenda item shall clearly indicate whether it is a matter for acknowledgement, deliberation or approval, and shall be accompanied by opinions of the Board of Directors.

In addition, the Company shall publish the invitation in a Thai daily newspaper for at least three consecutive days as well as in the Company's website, [www.pruksa.com](http://www.pruksa.com) (Investor Relations / Shareholders' Meeting), complete with details of the date, time, venue and agenda of the meeting, downloadable proxy form B and proxy form C and sufficient information pertaining to the matters to be considered at the meeting.

#### 2.1.3 Shareholders' attendance and Registration Process.

In attending a meeting, shareholders should carry a document showing their identity, for example, an ID card or passport. In case of attendance by a proxy of a natural person, the documents of the appointer must also be produced, i.e. a filled-out proxy, a copy of ID card or passport. In case of proxy of a juristic person, the documents of the appointer must be produced, i.e. a filled-out proxy form and a certified copy of the juristic person registration. The Company will arrange for the shareholders to register for the meeting in advance of the meeting time.

#### **2.1.4 Board of Directors' attendance in shareholders' meeting**

Shareholders' Meeting is considered very important and the directors will normally attend such a meeting, which is usually chaired by the Chairman of the Board of Directors. In addition, the Chairman of Executive Committee, Managing Director, Chairman of each sub-committee, and the Company's auditors or representative and legal advisor will also attend the meeting to listen to comments and answer queries of the shareholders.

#### **2.1.5 Queries and comments from the shareholders, voting, and minutes of the meeting**

At a shareholders' meeting, the Company shall explain to shareholders voting and vote-count procedures prior to the meeting. During the meeting every shareholder is offered an opportunity to make comments and ask questions on a fair basis. In voting, one share is represented by one vote and the resolution is passed by majority of votes. In the event of a tie, the chair shall have a second and casting vote. The Company shall record the resolutions passed at each meeting, clearly indicating the "yes," "no," and "abstain" votes in the minutes of the meeting, together with the details of questions, answers and comments raised during the meeting. A shareholder who has an interest in a matter being considered shall refrain from voting, except in the vote to appoint or remove a Director.

### **2.2 DIVIDEND PAYMENT**

The annual dividend payment must be approved at a shareholders meeting. Dividends can be paid to shareholders only when the Company has earned profit from its operation and registered no accumulated losses. The dividend amount is divided equally by the number of Company shares.

In case the Company has earned profit from its operation enough to pay dividend, from time to time the Board may consider interim dividend payment and inform shareholders in the next shareholders' meeting. The residual amount of annual dividend payment or interim payment shall be allocated to reserves and is subject to justification and consideration that the Board of Directors deems appropriate.

The payment of dividends shall be made within one month of the date of the shareholders' resolution, or one month of the date of the Board of Directors' resolution in case of interim dividend payment. The shareholders will be informed in writing of the dividend payment, which will also be announced in a newspaper.

### **2.3 APPOINTMENT OF THE COMPANY'S AUDITORS AND FIX THE AUDIT FEE**

The Shareholders' Meeting will appoint the Company's external auditors and also fix the audit fee, proposed by the Board of Directors. The Company's auditors shall not be a director, officer or employee of the Company.

### 3] Equitable Treatment of Shareholders

The Company is responsible for the fair and equitable treatment of all the shareholders in order to uphold their basic rights.

#### 3.1 NOMINATION OF CANDIDATES FOR DIRECTORSHIP

A process for a shareholder to nominate a candidate for directorship has been established, according to which a shareholder can nominate a qualified person to be elected as director by submitting background information as well as the consent of the nominee to the Chairman of the Board of Directors in advance of the shareholders' meeting

For the 2013 Annual General Meeting of shareholders, the Company has invited shareholders to nominate a person deemed qualified, knowledgeable and competent as their representatives to be a director since 1 October 2012 until 31 December 2012. The Company announced such notice to Securities Exchange of Thailand and on its website [www.pruksa.com](http://www.pruksa.com) click "Investor Relations".

#### 3.2 SHAREHOLDERS' MEETING

##### 3.2.1 Agenda

Prior to each Shareholders' Meeting, the Company will invite the shareholders to propose agenda items in advance through the Company's website so that the Board of Directors can consider the appropriateness of the proposed agenda items for inclusion in the meeting agenda.

The Company invited shareholders to propose the agenda of the 2013 Annual General Shareholders' in advance since 1<sup>st</sup> October 2012 until 30<sup>th</sup> December 2012. The Company also announced such notice to Securities Exchange of Thailand and on its website [www.pruksa.com](http://www.pruksa.com) click "Investor Relations".

##### 3.2.2 Appointment of proxy to attend and vote at Shareholders' Meeting

If a shareholder is not able to attend a meeting, he or she can appoint a proxy to attend and vote on his or her behalf by completing a proxy form provided with explanation in the invitation to a meeting. In the invitation, the Company will propose at least one Independent Director as a choice for the shareholders to appoint as their proxy. (Proxy form B and Proxy form C can be downloaded from the Company's website: [www.pruksa.com](http://www.pruksa.com) (Investor Relations/Shareholders' Meeting))

#### 3.3 PREVENTION OF THE USE OF INSIDE INFORMATION

The Company has set out and communicated guidelines for safeguarding inside information and the use thereof to the employees for their observance. The Company also requires that the directors and executives who are required by law to hold securities report on their holdings to the Board regularly.

## 4] Role of Stakeholders

The Company recognizes and respects the rights of all stakeholders and has established a code of conduct outlining the guidelines in this respect. The purpose is to ensure that the lawful rights of stakeholders, whether it be shareholders, employees, executives, customers, partners, creditors, or the general public, are properly protected and cooperation among these groups is promoted and benefits generated to all concerned in a fair manner. It is believed that these factors will ensure the sustainable growth of Company's business.

**Shareholders:** The Company intends to be good representative of shareholders operates business in such a way that satisfy shareholders the most; to ensure long-term growth of the Company's value with sustainable growth of return on equity as well as disclosure and transparency

**Employees:** The Company recognized value of human resources and genuinely wants its employees to feel proud of the organization by maintaining an atmosphere in which employee participation is promoted. In addition,

the Company offers equal opportunities in respect of career advancement to its employees and consistently supports their endeavors to learn and gain new skills so that the Company can add value and uphold business excellence.

**Customers:** The Company aims to build customer engagement and gain their confidence from its quality services and products at affordable prices, and to maintain good relationship with the customers. Guidance is as follows:

**Products & Services :** The Company has paid attention to and has been responsible for customers. It has produced product with quality and up to standards

**Customers' confidential information** Directors, Management, and employees at all levels are committed to keep the customers' information confidential, despite permission granted, or it is required by the law and regulations to disclose information to concerned parties

**Competitors:** The Company supports an ethical way of business competition. It seeks to outperform its competitors within the good competition framework, on the basis of fairness and honesty, and will refrain from acting in bad faith to the detriment of competitors.

**Business Partners and Creditors:** The Company and its business partner carry out business with justifiability and impartiality in accordance with the ethical framework and for the mutual interest and for value chain delivery. The Company will refrain from acting in bad faith to the detriment of its reputation.

The Company has complied with the conditions as agreed in the borrowing arguments to repay principal and interest. Moreover, it will look after collateral (if any).

**Social: Social Responsibility :** The Company aims for growth with sustainability. Therefore, it focuses Social Responsibility continuously realizing growth can be maintained from vision, strategy, moral, ethic, good corporate governance and social responsibility. The Company set a policy for operational framework for Directors, Management and staffs to follow to ensure corporate social responsibility (CSR) for every process.

Externally, the Company works with society to enhance sustainability through 4 aspects of CSR.  
1) Educational and youth development, 2) Social Environment, 3) Religious, art and culture.  
4) Emergency help and support for the underprivileged. (Details in CSR Report)

In 2012, the Company initiates CSR more by arranging a seminar called “Sustainability Community 2012: Live together with creativity for social sustainability. The purpose of this seminar is to understand more about how to manage legal entity in housing projects, community management, and legal issue for home buyers. Moreover, the Company arrange the activity called “Thais for clear canal” to enhance participation from the community to maintain cleanliness in canal. Furthermore, the company set up an ISO 26000 CSR alliance operation to enhance ISO 26000 perceptions for its vendors for CSR standard.

The Company developed its standard of business operation in term of CSR that it completed the report in line with the Global Reporting Initiative (GRI version 3.1) covering economics, social, environment to support social sustainability in more clear manner.

With such continuous CSR, the company received “Asian CSR Award 2012” for its’ care in products and consumers’ right. The Company also focuses on house quality’s improvement and be the only company who get this renowned award from Thailand in 2012.

## 5) Disclosure and Transparency

It is a policy of the Company to fully and sufficiently disclose useful information, both financial and non-financial, in a timely, manner in accordance with the rules and regulations of the SEC and the SET, as well as relevant laws.

The Company has established an Investor Relations Department, tasked with coordinating with shareholders, securities analysts, investors, government agencies and other parties concerned, on an equitable basis. The Company information is reported via the ELCID platform of the SET for displaying on its website, [www.set.or.th](http://www.set.or.th). Relevant information is also reported to the SEC and displayed in both Thai and English on the Company’s own website, [www.pruksa.com](http://www.pruksa.com) (Investor Relations).

In 2012, the Investor Relations Department arranged investor relations activities on a regular basis as follows:

- Dissemination of news and information annually and quarterly; for instance, the Financial Statements, the Annual Report, the Annual Registration Statement (Form 56-1), Notice of the Annual General Meeting of shareholders as well as letters inviting shareholders to propose agenda items and/or to nominate persons deemed capable and suitable to represent them as members of the Board of Directors 3-4 months in advance of the shareholders' meeting, notification to the SET, documents such as those for analyst & investor meetings, Company visits and presentations for road shows which are displayed on the Company's website, [www.pruksa.com](http://www.pruksa.com) click "Investor Relation".
- Organizing Analyst & Investor Meetings to convey quarterly operating result (4 times/year) and the Company's annual business plan announcement (once a year), after submission of the Financial Statements and the Analytical Report of Operating Results to the SEC and the SET.
- Producing and publicizing information and documents pertaining to the Annual Business Plan and the Company's operating results to securities analysts, investors and interested parties on a quarterly basis.
- Creating opportunities for securities analysts and investors to pay a Company visit or have a conference call with the executives to discuss policies, strategies and business plans, as well as financial information (audited by the Certified public Auditor) external auditor, following notification to the SET and the SEC), non-financial issues and progress of the implementation of various projects of the Company, including exchange of business views on a regular basis. In 2012, there were 55 company visits and 7 Conference Calls and 2 site & plant visits.
- Organizing visits for securities analysts and investors to the precast concrete factory which uses the Semi-Automated Pallet Circulating System, the most advanced system in Thailand, as well as visits to various single-detached house, townhouse projects and condominium.
- Conducting road shows domestically and internationally at the invitation of the SET and/or securities companies to provide information and attend to queries of shareholders, securities analysts and corporate investors. In 2012, there were 7 local roadshows and 6 international roadshows.
- Arrangement of executive interviews on newspaper, journal, and television such as TNN to participate in activities of the Thai IR Club to exchange knowledge and share experiences with a view to further developing the Company's Investor Relations function.

For enquiries, shareholders, securities analysts, investors, Government agencies and parties concerned should contact the Investor Relations Department at (66) 2298 0101 Extension 1863 or Email: [ir@pruksa.com](mailto:ir@pruksa.com).

## 6) Internal Control and Risk Management

The Company has comprehensive internal control and internal audit systems, covering matters concerning finance, operations, compliance, and risk management.

### 6.1 INTERNAL CONTROL AND INTERNAL AUDIT SYSTEMS

The Company requires that its internal control system be reviewed and reported by responsible executives regularly while the Internal Audit Department, which is an independent unit, is responsible for internal auditing on a regular basis, to ensure that management and employees strictly comply with the rules and regulations, as well as the Management Authorities. These functions are under the supervision of the Audit Committee.

### 6.2 RISK MANAGEMENT

The Company's risk management policy requires that internal and external risk factors be reviewed regularly in order to contain risk within appropriate and acceptable levels. Such a review shall cover strategic risks, financial risks, construction management risks, and other operational risks. The review also includes an assessment of risk exposure and possible impacts, prevention and impact mitigation measures, the assignment of responsible persons, and the setting up of reporting and follow-up procedures. The Risk Management Committee provides recommendations on guidelines and/or policies on the handling of critical risks.

## 7) Philosophy and Code of Conduct

The Company has a firm intention to encourage all the executives and employees to adopt the same standard of conduct. Toward this purpose, in 2006, we have announced "Code of Conduct" and established a department to be responsible specifically for promoting ethics and loyalty in creative ways covering security of community and environment, anti-corruption, anti-bribery, clear from political interference and conflicted interest, legal validity and human right. All employees will get such manual of CG and business conduct with their signed & endorsement of acceptance to follow.

In 2010, the # 8/2010 Board Meeting held on 12 November, approved the development on "Code of Conduct" manual to cover all up to date practice and to serve the SET's corporate governance. Moreover, it will bring up the standard of Board, management, employee practice comprising ethics and moral to be socially accepted. The release of such manual is on intranet and [www.pruksa.com](http://www.pruksa.com) (the Company's website) click "Investor relations".

Beside in 2011, the Company has made a video (VDO) to promote and encourage business ethics through various medias for the employees' awareness. The event is also arranged for new employee's orientation. The company continuously review such manual and VDO to fit with current situations.

## INTERNAL CONTROL AND CONTROL OF INFORMATION EXPLOITATION

### 10.1 Control of Internal Information

The Board of Directors emphasizes the necessity of internal control system that is appropriate and commensurate with the level of risk exposure and working environment.

At every Board of Directors' meeting the Audit Committee is invited to present their views on the adequacy and appropriateness of the company's internal controls, and suggest changes and/or improvement to the internal control system to management.

The Board of Directors and the Audit Committee mutually agree that the current system of internal control is satisfactory.

#### INTERNAL CONTROL ENVIRONMENT

The Company maintains the environment and organization structure which facilitate the internal control function. The business objectives and targets, as approved by the Board of Directors, which are guidelines for employees to follow in the conduct of their business, are clearly-defined and measurable. The organizational structure is also arranged so that management can perform their duties with efficiency while adhering to the principle of integrity and high ethical standards. The Corporate Governance Policy and the Code of Conduct were established since 2006 as best practices for members of the Board of Directors, Management, and employees to observe by distributing through the Company's annual report, the code of conduct and the Company website: [www.pruksa.com](http://www.pruksa.com). In 2010, the Code of Conduct was improved to be apt for not only economic climate but also domestic and oversea business expansions in accordance with the Corporate Governance Policy.

#### RISK ASSESSMENT

The Company's Risk Management Committee has the duty to give advice to the management on setting a framework and guidelines for systematic risk management. Risk management has been emphasized

by the Board of Directors and the management. As a result, risk factors have been assessed and specific precautionary measures initiated, so as to minimize possible adverse effects on the Company's operations. At meetings of the Risk Management Committee, representatives of line functions are invited to report on what they have done in accordance with the established risk management guidelines so that the committee members can perceive their problems and constraints. Then they will arrive at suggestion/solution afterward. The Risk Management Committee meeting was held 12 times each in 2011 and 2012. In 2011, The Company has provided the Enterprise Risk management (ERM) course for the executives and the middle management in order to enhance knowledge and share risk management experience, including the existing and future principles of risk management.

#### CONTROL ACTIVITIES

The Balanced Scorecard System (Balanced Scorecard) and the Key Performance Indicators (KPI) have been introduced as planning and control tools, whereby lines of responsibility and accountability between departments have been clearly defined to achieve proper checks and balances. The Operational Procedures have been issued to provide guidelines for systematic and effective operations to prevent or mitigate risks caused by the various departments in the course of performing their duties. Management Authorities have been established, where the scope, authority and financial approval limit at each level has been defined for the purpose of flexibility and clarity. In regard to compliance, the Company has devised methods to ensure compliance with related laws and regulations. For example, stringent measures have been implemented in cases where the Company transacts business with major shareholders, directors etc, including the requirement that such a transaction be subject to approval by persons having no vested interest. Moreover, the Company has strictly complied with the regulations on information disclosure of the

Securities Exchange Commission (SEC), Securities Exchange of Thailand (SET), and Thai Generally Accepted Accounting Standard regarding connected/related persons or businesses.

#### **INFORMATION AND COMMUNICATION**

The Company has continually improved the information system by maintaining effective and efficient information and communication channels, internal and external, ensuring that the information, financial and otherwise, is complete, accurate, timely and sufficient for sound decision making. For internal communication, information necessary for conducting Company business is readily available for all employees on the Company's Intranet.

For external communication, there is a communication system that enables the Company to provide information via the Company website ([www.pruksa.com](http://www.pruksa.com)) and operational reports which are in accordance with the regulation issued by Capital Market Supervisory Board, the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) to various authorities required in a timely manner.

Entry and dissemination of information is subject to effective control, whereby tasks are clearly defined, responsible persons designated and access restricted to only individuals requiring such information to perform their duties

#### **FOLLOW-UP AND EVALUATION**

The Company has the system and procedure follow-up its operations. The executives in each division always compare actual results with the target periodically. The purpose is to be able to change strategy in time. The Board of director attending quarterly board meeting will get such comparative results of the operations are in the line with plan.

## **10.2 Control of information exploitation**

The Company has a policy and methods of governing utilization of the Company's inside information by Directors and Management as follows:

1. The Company has informed its Directors and Management of their duties to disclose their holding of securities of the Company and provisions on penalties stipulated in the Securities and Exchange Act B.E 2535 and the regulations of the SET.
2. The Company requires its Management to report any change in their holding of Company securities to the Office of the Securities and Exchange Commission (SEC) in accordance with Section 59 of Securities and Exchange Act B.E. 2535, and to submit one copy of the securities disclosure report to Company on the same day.
3. The Company has instructed its Management who have access to inside information which may affect changes in the Company share price to exercise caution in selling or buying securities of the Company 15 days before and one day after the disclosure of financial statements or such inside information to the public.

The Company will instruct persons involved with any inside information not to disclose it to other persons until it is reported to the SET. Sanctions by the Company for breach of the above rules include appropriate disciplinary sanctions, i.e., verbal warning, written warning, salary cut, work suspension, employment termination and legal actions.

## CONNECTED TRANSACTIONS

The Company enters into connected transactions as it may consider appropriate by complying with the laws governing securities and exchange, regulations, notifications, orders or rules of the SET as well as accounting standards regarding information disclosure of related persons or business as prescribed by the Certified Public Accountant Association of Thailand.

In case of transactions that occur regularly and continuously in the future, the Company prescribed a policy and practice guidelines to be in accordance with the general business conditions, in reliance upon prices and conditions that are suitable, fair and appropriate and can be inspected and can prevent siphoning. Such guidelines shall be proposed to the Audit Committee for consideration and approval after which execution can be made.

Should the Company enter into a connected transaction? It will arrange for the Audit Committee to give an opinion as to the appropriateness of such transaction. In case the Audit Committee has unprofessional on practice in occur connected transactions. The Company will arrange the specialists such CPAs or evaluator who can give an independent opinion. Such appraisal will be considered by the Board or shareholders so that they are confident that it will not cause siphoning of benefits between the Company and its shareholders, and that the transaction is conducted in the best interests of all shareholders.

The Company entered into connected transaction as follows:

### 11.1 Disclosure of Connected Transactions

Related person	Relationship with the Company	Type of transaction and business requirement	Connected transaction value (Million Baht)		
			31/12/2012	31/12/2011	Price and Detail
Item 1  Mr. Thongma Vijitpongpun	Director and Shareholder of the Company	The Company leased space in Laksi Plaza, 10th Floor, from Mr.Thongma Vijitpongpun to use as a training center.	3.2	3.2	<ul style="list-style-type: none"> <li>Lease and Service Agreement of 425.68 square Metre area, effective from October 1, 2010 to September 30, 2013 is charged at 268,148 Baht per month.</li> </ul> <p>In summary - Such rental and service fees are at the rates comparable to the market rates and conditions that are not different from the cases the Company enters into agreements.</p>

## **11.2 Necessity and Appropriateness of Connected Transactions**

The Audit Committee has issued the opinion regarding the connected transaction as mentioned was under normal business practice and no benefit to a related person or a person who might have a conflict of interest.

## **11.3 Measures or Procedures for Approving Connected Transactions**

For any connected transaction of the Company, or the Company together with a person who may have a vested interest or may potentially have a conflict of interest, the Audit Committee will provide an opinion on the necessity of entering into the transaction and appropriateness of the pricing aspect of the transaction by considering various conditions to determine whether it is in accordance with the normal course of business in the industry. Further, there shall be a price comparison with a third party or the market price. In the event that the Audit Committee does not have appropriate expertise to consider the connected transaction, the Company will arrange for an independent expert or the Company's Auditor to provide an opinion as input for the Audit committee's decision. The opinion of the Audit Committee or the expert will be used by the Board of Directors or the Shareholders, as the case may be, to make a decision. The Director who has a vested interest shall have no voting right in the consideration of the transaction, which will be disclosed in the Notes to the Financial Statements, audited or reviewed by the auditors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### TOTAL REVENUE

For the year 2012, the company and its subsidiaries generated total revenue of 27,140.7 million Baht, increased by 3,718.4 million Baht or 15.9% as compared to 2011. The increase was mainly due to higher revenue from sale of real estate of 3,760.4 million Baht. Revenue from sale of real estate accounted for 99.6% of total revenues. Meanwhile, other income fell 42 million Baht as compared to 2011.

Revenue from sales of real estate increased by 3,760.4 million Baht in 2012 or 16.2% higher as compared to 2011. Revenues from townhouses increased by 3,274 million Baht or 26.6%, revenue from single-detached house increased by 1,750.3 million Baht or 27.7%, while revenue from condominium was declined by 1,637.4 million Baht or 36.6% as compared to last year as revenue from projects under construction was unable to be recognized during the year. Meanwhile, the company recognized the revenue from oversea by 451.4 million Baht, increased by 329.1 million Baht as compared to last year.

### COST OF REAL ESTATE SALES

For the year 2012, cost of real estate sales was 17,890.4 million Baht or 66.2% of the revenue from real estate sales compared to 63.3% in 2011, because of the increase of the cost of construction material, wages and the additional cost effected from last year flooding. Furthermore, the company has redesigned its products to meet the customer's needs, which has had some impact on the costs of real estate sales.

### SELLING & ADMINISTRATIVE EXPENSE

For the year 2012, the selling and administrative expenses were 3,924.7 million Baht declined of 729.4 million Baht or 15.7% from last year. Selling expenses decreased by 228.2 million Baht or 10.5% from last year. The major factor was the decrease of advertising and sale promotion expenses 358.6 million Baht or 29.5%. Meanwhile, the special business tax and transferred fee increased by 117.8 million Baht and 18.5 million Baht, respectively, due to higher volume of the revenue from real estate sales.

The administrative expenses decreased by 501.2 million Baht or 20.2% from last year, because of the better control on expenses and reducing of the impairment of land servitude and provision of litigation.

### FINANCE COST

For the year 2012, finance cost was 304.7 million Baht, increased by 167.2 million Baht from last year. During the year 2012, the company issued long-term unsecured debenture amount of 5,000 million Baht for its business expansion and repayment of short term loans in order to align with the long term investment plan of 3-5 years. During the year, the company has long term unsecured debenture maturing in an amount of 1,500 million Baht.

### INCOME TAX EXPENSES

Income tax expense for 2012 was 1,122.9 million Baht or 4.1% of total revenue, compared to last year was 1,071.4 million Baht or 4.6% of total revenue. The decline was due to the reduction of corporate income tax rate from 30% to 23%.

### NET PROFIT

The company and its subsidiaries generated a net profit of 3,898 million Baht in 2012 or 14.4% of total revenue, an increase of 1,063.2 million Baht or 37.5% from last year. The major reason was due to higher revenue from sale of real estate and controlling costs and expenses.

## THE RESPONSIBILITY FOR THE FINANCIAL REPORTING OF THE BOARD OF DIRECTORS

The Board of Directors of Pruksa Real Estate Public Company Limited takes responsibilities of the consolidated Financial Statements including financial data presenting in this Annual Report. In preparing the Financial Statements, the Company and its subsidiaries have used appropriate accounting standards policies and consistently applied. The Financial Statements are adequately disclosed of significant data in notes to Financial Statements, also audited with unqualified opinion from independent auditors, thus, reflects a true and fair view of Balance Sheet, Income Statement and Cash Flow Statement of the Company and subsidiaries.

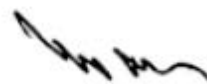
The Board of Directors set up and maintained effective risk management and internal audit system to ensure that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy, completeness and adequacy of financial positions, to safeguard assets of the Company and its subsidiaries, to be aware of weakness, and to prevent any risk from material irregularities.

In so doing, the Board of Directors appointed the Audit Committee taking responsibilities of the quality of Financial Statements and effective internal audit system. This is to ensure the correct, adequate, timely accounting booking and also to prevent fraud or irregularity. The opinion of the Audit Committee has shown in Audit Committee Report attributed in this Annual Report.

The Board of Directors is of the opinion that the Company's internal audit system is generally satisfactory and should assure the creditability of the consolidated Financial Statements of the Company and its subsidiaries as of December 31, 2012.



Dr. Pisit Leeahtam  
Chairman of the board of Directors



Mr. thongma Vijitpongpan  
President and Chief Executive Officer

## AUDIT COMMITTEE REPORT

Pruksa Real Estate Public Company Limited's Audit Committee comprises Professor Emeritus Dr.Trungjai Buranasomphop as Chairman, and Mr. Abdul Chandanachulaka and Mr.Weerachai Ngamdeevilaiak as Members.

The Audit Committee performed the duties in accordance with the scope of the responsibilities assigned by the Company's Board of Directors, in supervising the operations of the Company to ensure that the Company is clearly managed by the Executive Committee or Management with appropriate levels of integrity and accountability to the shareholders, and that the Executive Committee and Management followed the Company's policies properly, completely, and up to professional standards. In 2012, 13 meetings were held, with the attendance of executives, internal auditors, and the Auditor, during which presentations, discussions and exchanges of views on relevant subjects were included. Below is a summary of the main points:

**1. Approval of the audited Financial Statements** - The Audit Committee approved the Quarterly Financial Statements and the 2012 Financial Statements prior to submission to the Board of Directors for approval. Inquiries were made to the Auditors on the accuracy and completeness of the Financial Statements and the sufficiency of information disclosure. The Auditors' Management Letter which made recommendations on the internal control system and the 2012 Audit Schedule were also reviewed. The Audit Committee is of the opinion that the Company's process of accounting and financial reporting procedures are under sufficient control for ensuring that the financial reports on its financial positions and operations are accurate and up to the legally required accounting standards, and that the Financial Statements disclose sufficient information.

**2. Review and approval of the practice guidelines for entering into connected transactions** - The Audit Committee reviewed the adequacy of the practice guidelines for entering into connected transactions or transactions with potential conflicts of interest, including reviews of transactions which could be categorized as connected, or ones with potential conflicts of interest, which took place during the year, as well as reviews of the disclosure of pertinent information to ensure that it was accurate, complete and in compliance with the Stock Exchange of Thailand's relevant notifications, regulations and guidelines. The Audit Committee is of the opinion that Management entered into such transactions for the Company's best interests, on an arm's length basis, at reasonable prices, and with sufficient disclosure of information.

**3. Reviews of compliance with laws** - The Company's operational review and monitoring of compliance with securities laws, the Stock Exchange of Thailand's regulations and other major laws related to the Company's core business were set by the Audit Committee. The Internal Audit Committee was instructed to include compliance audit as one of its key tasks. The meetings with the Company's Legal Department regarding its performance are held quarterly. According to the review, the Audit Committee found no indications leading to a belief that the Company intended to be in non-compliance and/or practices conflicting with or violating provisions of laws significantly, except lawsuits were filed against the Company by customers. In order to avoid disputes over misunderstanding between the Company and customers, the Audit Committee suggested that the Company should be more careful to present information of projects.

**4. Reviews of the internal control system and risk management** - The Audit Committee reviewed the internal control system and risk management to assess its adequacy and effectiveness in accordance with the guidelines of the Office of the Securities and Exchange and the standard of the system, including the consideration of the internal audit report against the approved work plan and the audit report of the external consultant firm. In addition, The Company has hired an internal auditor for both its subsidiaries and the joint venture companies in oversea. In 2012, the internal auditor was hired to audit the key task of the Company. No significant weaknesses or deficiencies were found. The Audit Committee is of the opinion that the Company has an appropriate, sufficient and effective internal control system.

**5. Supervision of the internal control function** – The Audit Committee considered the mission, the scope of operations of internal audit unit, duties and responsibilities, auditor independence, organization and manpower, as well as reviewed and approved the 2012 Audit Schedule, prepared in accordance with the risks assessment of the Company's departments, the Audit Quality Improvement Plan, the development of the knowledge skills and expertise of the internal audit personnel, and the survey of satisfaction of executives and the audited departments at all levels. The Audit Committee is of the opinion that the operation of Company's internal audit unit is satisfactorily independent, sufficient and effective and is in line with the set objectives.

**6. The report on the operational performance** – The Audit Committee reported the Quarterly reports on the operation of the Audit Committee to the Board of Directors. Opinions and recommendations for managerial purposes were presented to Management, who has made appropriate improvements and adjustments as recommended. Furthermore, the self-assessment on the operation of the Audit Committee was arranged in order to use as a guideline to improve their operational performance.

**7. Review of the Audit Committee Charter** – In 2012, The Audit Committee charter was reviewed in order to assess the scope of duties, responsibilities, and authority as assignment of the Board of Director. The charter is the key to support the duties and responsibilities of the Audit Committee as the Audit Committee can operate effectively in accordance to the regulation of the Stock Exchange of Thailand. The Audit Committee is of the opinion that the charter is suitable and complies with the policy of good corporate governance outline.

**8. Selection of the Auditors for 2013;** nominating the Auditors and proposing their fee to the Board of Directors for submission to the 2013 Shareholders' Meeting for approval. The Audit Committee considered the independence, performance and service of the Auditors, as well as the appropriateness of the fee and was of the opinion that the Auditors had expressed opinions and made recommendations beneficial for the preparations of financial reports and internal control. It was therefore deemed appropriate to propose that the Board of Directors request approval from the Shareholders' Meeting to re-appoint the auditors from KPMG Phoomchai Audit Ltd, as the Company's Auditors, for 2013.

In 2012, the Audit Committee performed its assigned duties and responsibilities, using the members' knowledge and competence with carefulness and sufficient independence, without limitation to access to information from the executives, staff members or the relevant people. The Committee also expressed opinions and made recommendations for equitable benefits to all relevant stakeholders.

As a summary of the overall perspective, the Audit Committee is of the opinion that the Company's Board of Directors and its executives are ethical and committed to performing their duties to achieve its objectives, and have placed utmost importance to managing the operation under an effective internal control environment, appropriate and watertight risk management, sufficient good corporate governance with transparency and trustworthiness, as well as continual improvement of the operations systems.

This Audit Committee Report was reviewed and approved by the Audit Committee on 22nd January 2013

On behalf of the Audit Committee



Professor Emeritus Dr.Trungjai Buranasomphop

Chairman, Audit Committee Pruksa Real Estate Public Company Limited

22nd January 2013

## AUDIT FEE

Pruksa Real Estate Public Company Limited and its subsidiaries have paid for the 2012 audit expenses to KPMG Phoomchai Auditing Company Limited for audit review and for auditing the financial statements of the Company and its subsidiaries in Thailand. As for audit expenses for subsidiaries in foreign countries such as India, Maldives, and Vietnam, the Company has paid to KPMG as per the following details:

Unit : THB	2012	2011	2010	2009	2008
Audit expenses for the Company and its subsidiaries in Thailand	3,600,000	3,900,000	3,850,000	3,750,000	3,960,000
Audit expenses for subsidiaries in foreign countries	1,077,536	1,342,345	840,078	-	-
Other expenses	245,500	131,760	105,205	202,356	116,000
Total	4,923,036	5,374,105	4,795,283	3,952,356	4,076,000

In addition, there are other expenses on services as follows:

### 1. KPMG Phoomchai Auditing Co., Ltd.

Unit : THB	2012	2011	2010	2009	2008
Audit Report as per BOI requirements	1,675,115	721,220	1,504,563	595,802	430,920

### 2. KPMG Phoomchai Business Consultant Company Limited

Unit : THB	2012	2011	2010	2009	2008
Projects on studies and suggestions of means to develop reporting system	-	-	-	2,996,000	-
Advices on financial report preparation according to IFRS	-	-	-	1,819,000	-
Audit expenses on receivables and payables	-	107,877	-	1,551,500	-
Expenses on tax advisory service for investments in India	-	-	-	2,876,000	-
Total	-	-	-	9,242,500	-

### 3. KPMG Phoomchai Tax Agency Company Limited

Unit : THB	2012	2011	2010	2009	2008
Expenses on investment advisory service	-	-	3,969,700	-	-
Expenses on Indian law reporting	-	32,100	-	-	-

**Remarks :** KPMG Phoomchai Business Consultant Company Limited and KPMG Phoomchai Tax Agency Company Limited are different legal entities than KPMG Phoomchai Auditing Co., Ltd. Also, the scope of work on the said advisory service is not redundant to the audit work.

## CORPORATE SOCIAL RESPONSIBILITY

Pruksa Real Estate Public Company Limited has determined not only to build quality residential projects for the consumers but also to carry out policies to give back to the society and to create social sustainability. Throughout 2012, the company has continued social activities to ensure co-prosperity in 4 areas as follows:

- **EDUCATION AND YOUTH DEVELOPMENT**
- **SOCIAL AND ENVIRONMENT**
- **RELIGION, ART AND CULTURE**
- **EMERGENCY ASSISTANCE AND SUPPORT FOR UNDERPRIVILEGED PEOPLE**

### Education

The company has realized that education is important for the youth. Therefore, the company has organized various educational and youth development projects such as “Pruksa Scholarships Project” and “Small Condo Design Contest” to encourage students to use their knowledge and hone their design skill to create an innovation according to their lesson plan. Pruksa Precast Factory Learning Center is opened for interested persons and students to enable them to learn from the onsite visit. In 2012, a total of 830 people visited the center. In addition, the company sponsored “Junior Civil Engineering Camp” organized by the Civil Engineering Department, Faculty of Engineering, King Mongkut’s Institute of Technology Thonburi.

### Social and Environment

The company has placed an importance on social activism and environment protection to ensure the happiness and sustainability in the communities. A number of activities were arranged to realize this effort, including “Pruksa Living Healthy”, a mobile medical check-up service for the customers and nearby communities, “Protect the Waterways Project” to engage the community in an effort to protect the community from flooding and “ISO 26000 Campaign” to raise awareness of ISO 26000 and encourage trade partners to observe the social responsibility standard.

### Region, Art and Culture

The religion support is an essential element in the globalization era because people need spiritual guidance to cope with the changes that are happening in the world. Therefore, Pruksa has supported the religious activities and long-standing traditions according to the company’s religion, art and culture promotion policy by participating in merit makings during the religious days. In addition, the company organized activities to observe the religious events and traditions for customers and nearby communities such as Songkran Festival, Buddhist Lent Day and Kathin Festival. Pruksa also supported the renovation work of His Royal Highness Crown Prince Maha Vajiralongkorn Building in Wat Thai Bodhgaya, a religious site in India.

### Emergency Assistance and Support for Underprivileged People

Pruksa has also determined to serve the best interest of all stakeholders by providing emergency assistance and supporting underprivileged people. Pruksa’s charitable activities include blood donation, disaster victim assistance and grants for various agencies.

## GENERAL INFORMATION

### Corporate Information

<b>Name</b>	Pruksa Real Estate Public Company Limited
<b>Current Type of Business</b>	Real estate development for residential purposes, including townhouses, single-detached houses, and condominiums
<b>Head Office</b>	979/83, SM Tower, 27 <sup>th</sup> Floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400
<b>PS Precast Factory</b>	54/1 Moo 4, Lamlookka Road, Tambon Ladsawai, Amphur Lamlookka, Pathumthani
<b>Registration No.</b>	Bor. Mor. Jor. 0107574800307
<b>Home Page</b>	www.pruksa.com
<b>Telephone</b>	(66) 2298 0101
<b>Facsimile</b>	(66) 2298 0102
<b>Ordinary Shares and Registered Capital [shares, baht]</b>	2,250,812,000
<b>Ordinary Shares and Paid-up Capital [shares, baht]</b>	2,213,222,000
<b>Purpose</b>	Investment in Property Development

### GENERAL INFORMATION AND SUBSIDIARY INFORMATION

#### 1] Pruksa Real Estate Public Company Limited

Head Office Address 27<sup>th</sup> Floor, SM Tower, 979/83, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400

Business Type Real estate development for residential purposes, including townhouses, single-detached houses, and condominiums

Registration No. Bor. Mor. Jor. 0107574800307

Telephone 0-2298-0101 Fax 0-2298-0102

Homepage: www.pruksa.com

#### 2] PS Precast Factory

Address 54/1 Moo 4, Lamlookka Road, Tambon Ladsawai, Amphur Lamlookka, Pathumthani

Business Type Precast concrete factory and Precast fence and pillar factory

Telephone 0-2532-8124-32 Fax 0-2532-8123

#### 3] Kaysorn Construction Co., Ltd. [Subsidiary]

Address 29<sup>th</sup> Floor, SM Tower, 979/95, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400

Business Type Contractor for housing decoration

Telephone 0-2298-0101 Extension 172

#### 4] Putthachart Estate Co., Ltd. [Subsidiary]

Address 30<sup>th</sup> Floor, SM Tower, 979/99, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400

Business Type Real estate development

Telephone 0-2298-0820

#### 5] Phanalee Estate Co., Ltd. [Subsidiary]

Address 30<sup>th</sup> Floor, SM Tower, 979/97, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400

Business Type Real estate development

Telephone 0-2298-0010

6] **Pruksa Overseas Co., Ltd. [Subsidiary]**  
Address 30<sup>th</sup> Floor, SM Tower, 979/99, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400  
Business Type Real estate development in other countries  
Telephone 0-2298-0101 Fax 0-2298-1000

7] **Pruksa International Co., Ltd. [Subsidiary]**  
Address 30<sup>th</sup> Floor, SM Tower, 979/98, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400  
Business Type Real estate development in other countries  
Telephone 0-2298-0101 Fax 0-2298-1000

8] **Pruksa Overseas Services Co., Ltd. [Subsidiary]**  
Address 27<sup>th</sup> Floor, SM Tower, 979/84, Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400  
Business Type Regional Operating supports & services  
Telephone 0-2298-0101

9] **Pruksa India Housing Private Limited [Subsidiary]**  
Address Ferns Icon, Unit No. 7, 1<sup>st</sup> Floor, Daddanekundi Village, Next to Akme Ballet, Marathahalli Outer Ring Road, Bangalore-560 037 Karnataka, India  
Business Type Real estate development in India  
Telephone +91 9632707654

10] **Pruksa India Construction Private Limited [Subsidiary]**  
Address Ferns Icon, Unit No. 28, 1<sup>st</sup> Floor, Daddanekundi Village, Next to Akme Ballet, K.R Puram Hobli, Outer Ring Road, Bangalore-560 037, India  
Business Type Construction contractor in India  
Telephone +91 9632707654

11] **Pruksa-Mohan Mutha Real Estate Private Limited [Joint Venture Company]**  
Address Brooklyn Business Centre, 6<sup>th</sup> Floor West Wing, 103-105, Poonamallee High Road, Chennai-600085 Tamil Nadu, India  
Business Type Real estate development in India

12] **Pruksa-Luxora Housing Private Limited [Joint Venture Company]**  
Address Soham House, Hari Om Nagar, Off. Eastern Express Highway, Mulund (East), Mumbai-400081 Maharashtra, India  
Business Type Real estate development in India

13] **Pruksa Vietnam Company Limited [Joint Venture Company] [Incorporated on 2 January 2013]**  
Address Unit A, 8<sup>th</sup> Floor, No. 116 Nguyen Duc Canh, Cat Dai Ward, Le Chan District, Hai Phong, Vietnam  
Business Type Real estate development in Vietnam

**14] Pruksa Vietnam Construction Co., Ltd  
[Subsidiary]**

Address Unit A, 8<sup>th</sup> Floor, No. 116 Nguyen Duc Canh,  
Cat Dai Ward, Le Chan District, Hai Phong, Vietnam

Business Type Construction contractor in Vietnam

**15] Pruksa-HDC Housing Private Limited  
[Joint Venture Company]**

Address Second Floor, HDC Building, Hulhumale,  
Republic of Maldives

Business Type Real estate development in Maldives

**16] Kaysorn Construction Limited, Maldives  
Branch [Subsidiary]**

Address Second Floor, HDC Building, Hulhumale,  
Republic of Maldives

Business Type Contractor for housing decoration in  
Maldives

**Security Registrar**

Address Second Floor, HDC Building, Hulhumale,  
Republic of Maldives

Business Type Contractor for housing decoration in  
Maldives

**Debenture No. 1 / 2009 Registrar**

Name Kasikornbank Public Company Limited

Head Office 1 Soi Kasikornthai, Rajburana Road,  
Rajburana, Rajburana, Bangkok

Telephone 0-2222-0000, 0-2888-8888

**Debenture No. 1 / 2010 Registrar**

Name CIMB Thai Bank Public Company Limited

Head Office 44 Langsuan Road, Lumpini, Patumwan,  
Bangkok 10330

Telephone 0-2626-7000

**Auditor**

1.Miss Vipavan Pattavanvivek

Certified Public Accountant Registration  
No. 4795 and/or

2.Miss Somboon Supasiripinyo

Certified Public Accountant Registration  
No. 3731 and/or

3.Mr. Supot Singhasaneh

Certified Public Accountant Registration  
No. 2826 and/or

4.Miss Wanaporn Jongpeeradechanon

Certified Public Accountant  
Registration No. 4098 and/or

5.Mr. Charoen Phosamritert

Certified Public Accountant Registration No. 4068

**KPMG Poomchai Audit Ltd.**

Head Office 195 Empire Tower, 22<sup>nd</sup> Floor, South  
Sathon Road, Yannawa, Sathon,

Bangkok 10120

Telephone 0-2677-2000

**Legal Advisor**

Name Baker & McKenzie Ltd.

Head Office 25 Fl., Abdulrahim Place, 990 Rama 4  
Road, Bangkok 10500

Telephone 0-2636-2000

## ANNUAL FINANCIAL STATEMENTS AND AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITOR'S REPORT

#### To the shareholders of Prukso Real Estate Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Prukso Real Estate Public Company Limited and its subsidiaries, and of Prukso Real Estate Public Company Limited, respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2012, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Consolidated and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 judgment, 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 consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position as at 31 December 2012 and the financial performance and cash flows for the year then ended of Prukso Real Estate Public Company Limited and its subsidiaries, and of Prukso Real Estate Public Company Limited, respectively, in accordance with Thai Financial Reporting Standards.



(Vipavan Pattavanvivek)  
Certified Public Accountant  
Registration No. 4795

KPMG Phoomchai Audit Ltd.  
Bangkok  
22 February 2012

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

		Consolidated financial statements		Separate financial statements	
		31 December		31 December	
Assets	Note	2012	2011	2012	2011
(in Baht)					
<b>Current assets</b>					
Cash and cash equivalents	6	715,679,289	837,374,701	500,549,513	713,505,960
Current investments	7	850,301,163	1,193,141,594	452,434,150	901,067,906
Receivable from subsidiaries	5	-	-	461,658,550	261,350,055
Short-term loans and accrued interest income-subsidiaries	5	-	-	2,785,705,619	2,069,845,773
Real estate projects under development	8	37,817,665,897	36,159,787,065	31,763,251,610	31,711,424,838
Deposits for purchase of land		804,561,206	184,980,349	804,561,206	120,834,667
Advance payment for goods		521,334,997	383,899,927	501,597,434	363,042,314
Other current assets		279,569,102	156,928,932	137,744,603	64,635,904
<b>Total current assets</b>		<b>40,989,111,654</b>	<b>38,916,112,568</b>	<b>37,407,502,685</b>	<b>36,205,707,417</b>
<b>Non-current assets</b>					
Investments in subsidiaries	9	-	-	2,174,998,800	1,774,998,800
Investment property	11	127,829,591	127,829,591	127,829,591	127,829,591
Property, plant and equipment	12	2,219,886,546	2,468,581,709	2,101,540,908	2,301,795,656
Intangible assets	13	187,012,185	172,694,594	180,156,058	163,393,791
Deferred tax assets	14	182,123,111	156,352,448	156,344,591	92,031,627
Other non-current assets		114,955,259	140,728,952	83,382,535	91,486,067
<b>Total non-current assets</b>		<b>2,831,806,692</b>	<b>3,066,187,294</b>	<b>4,824,252,483</b>	<b>4,551,535,532</b>
<b>Total assets</b>		<b>43,820,918,346</b>	<b>41,982,299,862</b>	<b>42,231,755,168</b>	<b>40,757,242,949</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
Liabilities and equity		2012	2011	2012	2011
(in Baht)					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans					
from financial institutions	15	1,528,753,925	5,988,091,826	1,278,753,925	5,333,091,826
Trade accounts payable					
- Subsidiaries	5, 16	-	-	323,410,435	327,848,909
- Others	16	1,527,041,715	1,083,327,364	1,307,540,585	959,855,264
Payables for purchase of land		468,095,545	395,897,036	468,095,545	395,897,036
Short-term loans and accrued interest expense-subsidiaries	5, 15	-	-	507,556,073	477,224,697
Current portion of long-term loans	15	3,229,560,000	1,838,410,000	3,229,560,000	1,838,400,000
Current portion of long-term debentures	15	4,500,000,000	1,500,000,000	4,500,000,000	1,500,000,000
Current portion of finance lease liabilities	15	10,023,318	6,962,501	10,023,318	6,962,501
Customers' deposits		1,968,499,439	1,603,956,865	1,663,860,808	1,304,308,439
Income tax payable		527,027,994	363,869,119	414,528,370	271,924,702
Other current liabilities	17	1,522,321,901	1,046,060,766	1,305,242,649	875,574,692
<b>Total current liabilities</b>		<b>15,281,323,837</b>	<b>13,826,575,477</b>	<b>15,008,571,708</b>	<b>13,291,088,066</b>
<b>Non-current liabilities</b>					
Long-term loans	15	250,020,000	3,461,620,000	250,020,000	3,461,620,000
Long-term debentures	15	8,000,000,000	7,500,000,000	8,000,000,000	7,500,000,000
Finance lease liabilities	15	8,142,219	11,675,774	7,616,366	11,372,271
Employee benefit obligations	18	93,751,870	75,694,514	92,359,862	74,759,274
Provision for litigation and claims	34	105,895,000	110,388,917	105,895,000	109,588,917
<b>Total non-current liabilities</b>		<b>8,457,809,089</b>	<b>11,159,379,205</b>	<b>8,455,891,228</b>	<b>11,157,340,462</b>
<b>Total liabilities</b>		<b>23,739,132,926</b>	<b>24,985,954,682</b>	<b>23,464,462,936</b>	<b>24,448,428,528</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

	Note	Consolidated financial statements		Separate financial statements	
		31 December		31 December	
		2012	2011	2012	2011
Liabilities and equity					
		(in Baht)			
<b>Equity</b>					
Share capital	19				
Authorised share capital		2,250,812,000	2,250,812,000	2,250,812,000	2,250,812,000
Issued and paid-up share capital		2,213,222,000	2,209,407,200	2,213,222,000	2,209,407,200
Premium on ordinary shares	19	1,451,559,091	1,396,241,273	1,451,559,091	1,396,241,273
Warrants	20	17,192,869	-	17,192,869	-
Retained earnings					
Appropriated					
Legal reserve	21	225,575,340	225,575,340	225,575,340	225,575,340
Unappropriated		16,248,182,209	13,233,801,687	14,859,706,488	12,476,666,344
Other components of equity	21	(74,300,136)	(69,184,269)	36,444	924,264
<b>Equity attributable to owners of the Company</b>		<b>20,081,431,373</b>	<b>16,995,841,231</b>	<b>18,767,292,232</b>	<b>16,308,814,421</b>
Non-controlling interests		354,047	503,949	-	-
<b>Total equity</b>		<b>20,081,785,420</b>	<b>16,996,345,180</b>	<b>18,767,292,232</b>	<b>16,308,814,421</b>
 <b>Total liabilities and equity</b>		 <b>43,820,918,346</b>	 <b>41,982,299,862</b>	 <b>42,231,755,168</b>	 <b>40,757,242,949</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME

		Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
	Note	2012	2011	2012	2011
		(in Baht)			
Continuing Operations					
Income					
Revenue from sale of real estate	22	27,023,451,025	23,262,984,548	23,199,682,838	20,639,547,504
Revenue from sale of raw materials	5	-	-	197,175,848	155,680,911
Dividend income	5, 9	-	-	89,999,940	119,999,880
Other income		117,284,989	159,330,208	280,402,826	273,829,982
Total income		27,140,736,014	23,422,314,756	23,767,261,452	21,189,058,277
Expenses					
Cost of real estate sales		17,890,439,665	14,724,493,757	15,337,160,873	13,121,975,536
Cost of raw material sales		-	-	182,129,642	136,221,036
Selling expenses	23	1,950,035,900	2,178,243,481	1,720,872,498	1,946,212,698
Administrative expenses	24	1,974,694,601	2,475,900,603	2,082,905,740	2,106,525,459
Finance costs	27	304,676,496	137,437,564	314,892,021	133,410,037
Total expenses		22,119,846,662	19,516,075,405	19,637,960,774	17,444,344,766
Profit before income tax expense		5,020,889,352	3,906,239,351	4,129,300,678	3,744,713,511
Income tax expense	28	(1,122,895,852)	(1,071,423,754)	(862,497,654)	(900,415,129)
Profit for the year		3,897,993,500	2,834,815,597	3,266,803,024	2,844,298,382

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME

		Consolidated financial statements		Separate financial statements	
		For the year ended 31 December		For the year ended 31 December	
	Note	2012	2011	2012	2011
		(in Baht)			
Other comprehensive income					
Foreign currency translation differences for					
foreign operations		(4,723,409)	(36,352,503)	-	-
Net change in fair value of available-for-sale					
investments		(392,458)	664,383	(887,820)	907,505
Other comprehensive income for the year,					
net of income tax		(5,115,867)	(35,688,120)	(887,820)	907,505
Total comprehensive income for the year					
		3,892,877,633	2,799,127,477	3,265,915,204	2,845,205,887
Profit (loss) attributable to:					
Owners of the Company		3,898,143,402	2,834,816,196	3,266,803,024	2,844,298,382
Non-controlling interests		(149,902)	(599)	-	-
Profit for the year					
		3,897,993,500	2,834,815,597	3,266,803,024	2,844,298,382
Total comprehensive income attributable to:					
Owners of the Company		3,893,027,535	2,799,128,076	3,265,915,204	2,845,205,887
Non-controlling interests		(149,902)	(599)	-	-
Total comprehensive income for the year					
		3,892,877,633	2,799,127,477	3,265,915,204	2,845,205,887
Earnings per share					
Basic earnings per share	30	1.76	1.28	1.48	1.29
Diluted earnings per share	30	1.76	1.28	1.48	1.29

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

Consolidated financial statements										
		Retained earnings		Other components of equity						

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENT OF CHANGES IN EQUITY

Consolidated financial statements												
		Retained earnings		Other components of equity								
				Fair value changes in			Equity					
				available-for-sale investments		Currency translation differences		Total other components of equity		Equity attributable to owners of the Company		

For the year ended 31 December 2012

Balance at 1 January 2012

Transactions with owners, recorded directly in equity

Contributions by and distributions to owners of the Company

Dividends to owners of the Company

Share-based payment transaction

Warrants exercised

Total transactions with owners, recorded directly in equity

Comprehensive income for the year

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Balance at 31 December 2012

## STATEMENT OF CHANGES IN EQUITY

		Seperate financial statements					
		Retained earnings			Other components of equity		

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENT OF CHANGES IN EQUITY

Separate financial statements								
		Retained earnings			Other components of equity			

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
Note	2012	2011	2012	2011
	(in Baht)			
<b>Cash flows from operating activities</b>				
Profit for the year	3,897,993,500	2,834,815,597	3,266,803,024	2,844,298,382
Adjustments for				
Allowance for decline in value of real estate projects under development (reversal)	(348,481,849)	171,836,415	(22,540,612)	34,229,438
Allowance for impairment loss on property, plant and equipment	-	9,985,469	-	9,985,469
Allowance for impairment loss on deposits for purchase of land	22,938,600	12,200,000	22,938,600	12,200,000
Depreciation and amortisation	368,019,051	339,267,149	313,715,355	285,823,895
Loss (gain) on disposal of equipment	(152,015)	(1,696,749)	4,798,991	(1,669,314)
Dividend income from subsidiary	-	-	(89,999,940)	(119,999,880)
Currency translation differences	(2,469,604)	(57,321,983)	-	-
Employees benefits	18,057,356	25,356,678	17,600,588	27,602,318
Shared-based payment transaction	20,572,022	-	20,572,022	-
Provision for litigation and claims	(4,493,917)	96,293,917	(3,693,917)	95,493,917
Gain on disposal of current investments	(19,902,880)	-	(12,612,034)	-
Finance costs	304,676,496	137,437,564	314,892,021	133,410,037
Income tax expense	1,122,895,852	1,071,423,754	862,497,654	900,415,129
	5,379,652,612	4,639,597,811	4,694,971,752	4,221,789,391

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS

	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December		For the year ended 31 December	
Note	2012	2011	2012	2011
	(in Baht)			
<i>Changes in operating assets and liabilities</i>				
Receivable from subsidiaries	-	-	(200,308,495)	(150,251,596)
Real estate projects under development	(678,635,632)	(7,677,572,379)	465,773,073	(5,805,165,856)
Deposits for purchase of land	(642,519,457)	934,834,507	(706,665,139)	940,556,942
Advance payment for goods	(137,435,070)	41,304,961	(138,555,120)	62,162,574
Other current assets	(122,640,170)	91,221,821	(129,889,128)	(25,986,117)
Other non-current assets	25,773,693	(22,724,923)	8,103,532	(8,172,315)
Trade accounts payable-subsidiaries	-	-	(4,438,474)	60,546,903
Trade accounts payable-others	443,714,351	(335,210,173)	347,685,321	(275,289,859)
Payables for purchase of land	72,198,509	(1,176,061,027)	72,198,509	(1,176,061,027)
Customers' deposits	364,542,574	375,881,182	359,552,369	220,469,681
Other current liabilities	480,571,886	(53,180,705)	442,194,070	(42,554,159)
Cash generated from (used in) operating activities	5,185,223,296	(3,181,908,925)	5,210,622,270	(1,977,955,438)
Income tax paid	(987,917,808)	(968,616,013)	(784,206,949)	(884,105,975)
Net cash from (used in) operating activities	4,197,305,488	(4,150,524,938)	4,426,415,321	(2,862,061,413)
<i>Cash flows from investing activities</i>				
Increase in property, plant and equipment	(129,822,606)	(640,210,890)	(117,767,958)	(597,372,870)
Proceeds from sale of equipment	37,302,555	5,173,638	22,233,496	3,828,047
Purchase of intangible assets	(38,387,481)	(71,324,674)	(38,433,234)	(69,004,754)
Increase in investments in subsidiaries	-	-	(400,000,000)	(500,000,000)
Dividend received from subsidiary	-	-	89,999,940	119,999,880
Purchase of current investments	(19,823,498,499)	(15,454,792,396)	(16,284,142,031)	(12,325,980,582)
Sale of current investments	20,185,701,663	14,453,257,839	16,744,500,000	11,430,723,358
Increase in short-term loans to subsidiaries	-	-	(1,864,438,375)	(2,729,867,184)
Cash received from short-term loans to subsidiaries	-	-	1,205,358,958	2,149,527,198
Net cash from (used in) investing activities	231,295,632	(1,707,896,483)	(642,689,204)	(2,518,146,907)

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS

	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December		For the year ended 31 December	
Note	2012	2011	2012	2011
	(in Baht)			
<b>Cash flows from financing activities</b>				
Finance costs paid	(942,499,216)	(864,822,299)	(817,012,623)	(712,758,950)
Dividends paid	(883,762,880)	(1,103,739,850)	(883,762,880)	(1,103,739,850)
Increase in short-term loans from subsidiaries	-	-	989,897,094	232,014,615
Repayment of short-term loans from subsidiaries	-	-	(966,779,719)	(24,210,280)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions, net	(4,459,337,901)	2,487,241,080	(4,054,337,901)	1,832,241,080
Proceeds from issue of ordinary shares	55,753,465	37,745,069	55,753,465	37,241,120
Proceeds from long-term loans	1,537,550,000	5,536,633,053	1,537,550,000	5,536,633,053
Repayment of long-term loans	(3,358,000,000)	(836,643,053)	(3,357,990,000)	(836,643,053)
Proceed from long-term debentures	5,000,000,000	-	5,000,000,000	-
Repayment of long-term debentures	(1,500,000,000)	-	(1,500,000,000)	-
Net cash from (used in) financing activities	<u>(4,550,296,532)</u>	<u>5,256,414,000</u>	<u>(3,996,682,564)</u>	<u>4,960,777,735</u>
Net decrease in cash and cash equivalents	(121,695,412)	(602,007,421)	(212,956,447)	(419,430,585)
Cash and cash equivalents at beginning of year	<u>837,374,701</u>	<u>1,439,382,122</u>	<u>713,505,960</u>	<u>1,132,936,545</u>
Cash and cash equivalents at end of year	<u>6</u> <u>715,679,289</u>	<u>837,374,701</u>	<u>500,549,513</u>	<u>713,505,960</u>
<b>Non-cash transaction:</b>				
Equipment payable which have not yet been paid	(3,054,669)	(2,479,775)	(1,749,257)	(2,479,775)

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

Note	Contents
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## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 22 February 2013.

#### 1 General information

PrukSA Real Estate Public Company Limited, the "Company", is incorporated in Thailand and has its registered office at 979/83, SM Tower 27th floor, Phaholyothin Road, Samsennai, Phayathai, Bangkok.

The Company was listed on the Stock Exchange of Thailand in December 2005.

The Company's major shareholder during the financial year was Vjittpongpun family (74.14% shareholding).

The principal activity of the Company is sale of real estate in Thailand. Details of the Company's subsidiaries and jointly-controlled entities as at 31 December 2012 and 2011 are disclosed in notes 5, 9 and 10 to the financial statements.

#### 2 Basis of preparation of the financial statements

##### (a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS) and guidelines promulgated by the Federation of Accounting Professions ("FAP"), applicable rules and regulations of the Thai Securities and Exchange Commission.

As at 31 December 2012, the FAP had issued a number of new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in note 35 to the financial statements.

##### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- Available-for-sale financial assets are measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- The present value of the defined benefit obligation.

##### (c) Presentation currency

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### (d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 3	Impact of severe flooding in Thailand
Note 4(s)	Current and deferred taxation
Note 14	Utilisation of tax losses
Note 18	Measurement of defined benefit obligations
Note 20	Warrants
Note 32	Valuation of financial instruments
Note 34	Contingent liabilities

#### 3 *Impact of severe flooding in Thailand*

The Group's operations were affected by the unusually severe flooding in parts of Thailand during 2011. Various projects of real estate under development were inundated by flood waters. Management assessed the damage suffered and developed those projects to be ready for sale during 2012.

On 29 October 2011, areas surrounding the Company's plants were inundated by flood waters and production at these plants ceased. However, the impact of the flooding was not material and the plants restarted in December 2011. Insurance reimbursements are recognised when, and only when, it is virtually certain that the reimbursement will be received. At 31 December 2012, the Company is still negotiating insurance reimbursements for losses resulting from the flood damage with the insurance company. The Group has not recognised any insurance reimbursement amount in the current period results.

#### 4 *Significant accounting policies*

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### (a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries and proportionately-consolidated jointly-controlled entities (together referred to as the "Group").

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *Jointly-controlled entities*

Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, income and expenses combined with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

#### *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### **(b) Foreign currencies**

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

##### *Foreign entities*

The assets and liabilities of foreign entities are translated to Thai Baht at the foreign exchange rates ruling at the reporting date.

The income and expenses of foreign entities are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investment.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

#### (c) *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate arising from investing and financing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

##### *Hedge of interest rates*

Derivatives are recognised on an accrual basis in the same aspect as interest expense of the hedged loans. Interest differentials under swap arrangements are accrued and recorded as adjustments to the interest expense relating to the hedged loans.

#### (d) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activity for the purpose of the statement of cash flows.

#### (e) *Other accounts receivable*

Other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

#### (f) *Real estate projects under development*

Real estate projects under development are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and estimated net realisable value.

Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

The cost of real estate projects under development comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

The cost of construction materials is calculated using the moving-weighted average cost principle.

The cost of sample houses and real estate projects under development is calculated using standard cost adjusted to approximate average cost which includes an appropriate share of production overheads based on normal operating capacity.

The cost of land is calculated using specifically identified costs.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### (g) *Investments*

##### *Investments in subsidiaries and jointly-controlled entities*

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method. Investments in jointly-controlled entities in the consolidated financial statements are accounted for using the proportionate consolidation method.

##### *Investments in mutual fund*

Mutual funds are marketable equity securities, classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in the profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the profit or loss.

The fair value of investments in mutual fund is determined as the net asset value at the reporting date.

##### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

#### (h) *Investment properties*

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties comprised land, which is stated at cost less impairment losses.

#### (i) *Property, plant and equipment*

##### *Recognition and measurement*

##### *Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within profit or loss.

#### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

#### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvement	10	years
Building	3 - 27	years
Machinery and equipment	3 - 20	years
Furniture, fixtures and office equipment	3, 5	years
Public utilities	20	years
Transportation equipment	5	years

No depreciation is provided on freehold land or assets under construction and installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### **(j) Intangible assets**

##### *Software licenses*

Software licenses that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

##### *Amortisation*

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are 10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### (k) *Impairment*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### (l) *Interest-bearing liabilities*

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

#### (m) *Trade and other accounts payable*

Trade and other accounts payable are stated at cost.

#### (n) *Employee benefits*

##### *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (provident fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

##### *Defined benefit plan*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

##### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### *Share-based payments*

The grant-date fair value of share-based payment warrants granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the warrants. The amount recognised as an expense is adjusted to reflect the actual number of qualified warrants for which the related service and non-market vesting conditions are expected to be met.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### (o) *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### (p) *Revenue*

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

##### *Sale of goods and services rendered*

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

##### *Construction contracts*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

##### *Real estate development projects*

When the contract meets the criteria for a sale of goods, or if control and significant risks and rewards of ownership of the work in progress are transferred to the buyer at a single time, for example at completion or after delivery, revenue is recognised when the criteria described above for sales of goods and services are met.

##### *Dividend income*

Dividend income is recognised in the profit or loss on the date the Group's right to receive payments is established.

##### *Interest and other income*

Interest and other income are recognised in the profit or loss as they accrue.

#### (q) *Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### (r) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

#### (s) *Income tax*

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (t) *Earnings per share*

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### 5 *Related parties*

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries are described in notes 9 to the financial statements. Relationships with jointly-controlled entities, key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Prukso HDC Housing Private Limited	Maldives	Jointly-controlled entity, 80.00% shareholding by a subsidiary
Prukso - Luxora Housing Private Limited	India	Jointly-controlled entity, 50.00% shareholding by a subsidiary
Kaysorn Construction Company Limited	Maldives	Branch of Kaysorn Construction Company Limited
Thongma Vijiitpongpun	Thai	Major shareholder, 10% or more shareholding, and a director
Key management personnel		Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

**PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

Significant transactions and pricing policies for the years ended 31 December with the related parties were as follows:

Transactions	Pricing policies	Separate financial statements	
		2012	2011
		(in million Baht)	
Subsidiaries			
Sales of raw materials	Cost plus 5% to 10%	197.18	155.68
Dividend income	The declared amount	90.00	120.00
Interest income	MMR, MLR and MLR +1%	194.22	133.58
Other income	Cost plus 1% to 5%	5.69	6.33
Interest expense	MMR and MLR -1.5%	21.00	12.95
Management fee	Cost plus 5%	-	163.12

**Key management personnel compensation**

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<i>(in million Baht)</i>				
Short-term employee benefits	86.31	79.67	86.31	79.67
Share-based payments	6.19	-	6.19	-
<b>Total key management personnel compensation</b>	<b>92.50</b>	<b>79.67</b>	<b>92.50</b>	<b>79.67</b>

Balances as at 31 December with related parties were as follows:

	Separate financial statements	
	2012	2011
<i>(in million Baht)</i>		
<b>Receivable from subsidiaries</b>		
Phanalee Estate Co., Ltd.	303.03	202.87
Putthachart Estate Co., Ltd.	152.20	51.84
Kaysorn Construction Co., Ltd.	5.17	6.41
Prukha India Housing Private Limited	1.26	0.23
	<b>461.66</b>	<b>261.35</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

	Separate financial statements	
	2012	2011
	(in million Baht)	
<b><i>Short-term loans to subsidiaries</i></b>		
Phanalee Estate Co., Ltd.	1,138.26	717.88
Putthachart Estate Co., Ltd.	1,084.16	1,050.19
Kaysorn Construction Co., Ltd.	393.19	187.30
Pruksa HDC Housing Private Limited	0.07	0.07
Pruksa India Housing Private Limited	-	1.06
Pruksa Vietnam Construction Company Limited	-	0.10
	<b>2,615.68</b>	<b>1,956.60</b>
<b><i>Accrued interest income-subsidiaries</i></b>		
Phanalee Estate Co., Ltd.	49.78	58.70
Putthachart Estate Co., Ltd.	91.51	43.05
Kaysorn Construction Co., Ltd.	28.74	11.50
	<b>170.03</b>	<b>113.25</b>
<b><i>Total short-term loans and accrued interest income-subsidiaries</i></b>	<b>2,785.71</b>	<b>2,069.85</b>
<b><i>Trade accounts payable-subsidiaries</i></b>		
Kaysorn Construction Co., Ltd.	306.28	238.70
Phanalee Estate Co., Ltd.	1.33	78.41
Putthachart Estate Co., Ltd.	15.80	10.74
	<b>323.41</b>	<b>327.85</b>
<b><i>Short-term loans from subsidiaries</i></b>		
Pruksa International Co., Ltd.	250.00	240.00
Pruksa Oversea Co., Ltd.	220.00	220.00
Phanalee Estate Co., Ltd.	14.60	1.65
Kaysorn Construction Co., Ltd.	6.32	6.15
	<b>490.92</b>	<b>467.80</b>
<b><i>Accrued interest expense-subsidiaries</i></b>		
Pruksa International Co., Ltd.	0.30	4.89
Pruksa Oversea Co., Ltd.	15.88	4.07
Kaysorn Construction Co., Ltd.	0.46	0.46
	<b>16.64</b>	<b>9.42</b>
<b><i>Total short-term loans and accrued interest expense-subsidiaries</i></b>	<b>507.56</b>	<b>477.22</b>

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

Movements during the years ended 31 December of short-term loans to subsidiaries were as follows:

	Separate financial statements	
	2012	2011
	<i>(in million Baht)</i>	
At 1 January	1,956.60	1,376.26
Increase	1,864.44	2,729.87
Decrease	(1,205.36)	(2,149.53)
<b>At 31 December</b>	<b>2,615.68</b>	<b>1,956.60</b>

Movements during the years ended 31 December of short-term loans from subsidiaries were as follows:

	Separate financial statements	
	2012	2011
	<i>(in million Baht)</i>	
At 1 January	467.80	260.00
Increase	989.90	232.01
Decrease	(966.78)	(24.21)
<b>At 31 December</b>	<b>490.92</b>	<b>467.80</b>

#### *Significant agreements with related parties*

The Company entered into lease agreements covering office space (including related service charges) with a major shareholder and also a director of the Company, commencing October 2010 up to October 2013. The rental and service charges for the year ended 31 December 2012 amounted to Baht 3.2 million (2011: Baht 3.2 million).

The Company and subsidiaries have partly registered land servitude accumulative value at 31 December 2012 of Baht 4.2 million and Baht 496 million, respectively, which is subject to servitudes and restrictions to the projects of the Group for construction of the utilities of the projects with no time limit. During the year ended 31 December 2012, the Company and subsidiaries have registered land servitude and ceded land for the public interest amounting to Baht 4.2 million and Baht 210 million, respectively and for which the Company and subsidiaries have received compensation of Baht 4.2 million and Baht 211.8 million, respectively.

In 2011, the Company and subsidiaries entered into loan agreements for loan lines totaling Baht 4,100 million. In addition, the subsidiaries entered into advance agreement with the Company. Loans and advances under such agreements are repayable on demand and bear interest at rates referenced to interest rates quoted by financial institutions.

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

6 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
		(in million Baht)		
Cash on hand	11	17	9	15
Cash at banks-current accounts	4	(58)	-	(70)
Cash at banks-savings accounts	118	300	32	261
Highly liquid short-term investments	56	282	-	250
Cheques on hand	526	295	459	257
Others	1	1	1	1
<b>Total</b>	<b>716</b>	<b>837</b>	<b>501</b>	<b>714</b>

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
		(in million Baht)		
Thai Baht	603	768	501	714
India Rupee	58	22	-	-
Rufiyaa	29	27	-	-
US Dollars	26	20	-	-
<b>Total</b>	<b>716</b>	<b>837</b>	<b>501</b>	<b>714</b>

7 Current investments

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
		(in million Baht)		
<b>Current investments</b>				
Mutual fund-available for sale investments	849	1,192	451	900
Other	1	1	1	1
<b>Total</b>	<b>850</b>	<b>1,193</b>	<b>452</b>	<b>901</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

Movements during the years ended 31 December of mutual fund-available for sale investments were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
At 1 January	1,192	190	900	4
Purchases during the year	19,823	15,455	16,284	12,326
Sales during the year	(20,165)	(14,453)	(16,732)	(11,430)
Valuation adjustment	(1)	-	(1)	-
<b>At 31 December</b>	<b>849</b>	<b>1,192</b>	<b>451</b>	<b>900</b>

Current investments of the Group and the Company as at 31 December 2012 and 2011 were denominated entirely in Thai Baht.

8 Real estate projects under development

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Construction materials		417	416	343	362
Sample houses		681	592	588	522
Projects under development					
- land		16,116	15,923	13,132	13,881
- land improvements		953	884	747	741
- construction cost		4,891	3,099	5,108	3,142
- public utilities		1,418	1,326	1,193	1,164
- overhead costs		1,505	966	1,290	861
- interest costs		907	608	721	521
		25,790	22,806	22,191	20,310
Land, and land and houses for sale		4,485	5,371	3,844	4,651
Land held for development		6,646	7,524	4,979	6,071
<b>Total</b>		<b>38,019</b>	<b>36,709</b>	<b>31,945</b>	<b>31,916</b>
Less allowance for decline in value of real estate projects under development		(201)	(549)	(182)	(205)
<b>Net</b>		<b>37,818</b>	<b>36,160</b>	<b>31,763</b>	<b>31,711</b>
Finance costs capitalised during the year	27	519	574	495	579

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(projects)			
<i>Number of projects under development</i>				
Townhouse	107	105	77	78
Single house	41	39	39	38
Twin house	4	4	4	4
Condominium	15	15	15	15
Foreign	4	4	-	-
<b>Total projects</b>	<b>171</b>	<b>167</b>	<b>135</b>	<b>135</b>

Real estate projects under development (land and structure thereon) are used as collateral for credit facilities from banks (see note 15 to the financial statements).

9 Investments in subsidiaries

	Separate financial statements	
	2012	2011
	(in million Baht)	
At 1 January	1,775	1,275
Acquisitions	400	500
<b>At 31 December</b>	<b>2,175</b>	<b>1,775</b>

During the year 2012, Putthachart Estate Co., Ltd., a subsidiary of the Company, increased its authorised share capital from Baht 300 million (3 million shares at Baht 100 par value) to Baht 1,000 million (10 million shares at Baht 100 par value) and issued the new shares at par to the existing shareholders and called up the additional shares amounting to Baht 200 million (7 million shares at Baht 28.6 per share). The subsidiary registered the increase in share capital with the Ministry of Commerce in December 2012.

During the year 2012, Phanalee Estate Co., Ltd., a subsidiary of the Company, increased its authorised share capital from Baht 300 million (3 million shares at Baht 100 par value) to Baht 1,000 million (10 million shares at Baht 100 par value) and issued the new shares at par to the existing shareholders and called up the additional shares amounting to Baht 200 million (7 million shares at Baht 28.6 per share). The subsidiary registered the increase in share capital with the Ministry of Commerce in December 2012.

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

Investments in subsidiaries as at 31 December 2012 and 2011, and dividend income from those investments for the years then ended were as follows:

Separate financial statements													
Type of business			Country of incorporation		Ownership interest		Paid-up capital		Cost method		Dividend income		
			2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
(%)										(in million Baht)			
Subsidiaries													
Direct													
Kaysorn Construction Co., Ltd.	Services, management, home decoration and construction	Thai	100.00	100.00	100.0	100.0	100	100	-	-			
		Thai	100.00	100.00	500.0	300.0	500	300	-	-			
		Thai	100.00	100.00	500.0	300.0	500	300	90	120			
		Thai	100.00	100.00	450.0	450.0	450	450	-	-			
		Thai	100.00	100.00	625.0	625.0	625	625	-	-			
Indirect													
Pruksa India Housing Private Limited	Property development and construction	India	100.00	100.00	7.0	7.0	-	-	-	-			
		India	100.00	100.00	0.7	0.1	-	-	-	-			
		Vietnam	100.00	100.00	46.0	46.0	-	-	-	-			
		Thai	100.00	100.00	2.5	2.5	-	-	-	-			
		India	84.85	95.00	0.6	10.0	-	-	-	-			
Total										2,175	1,775	90	120

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Investments in jointly-controlled entities

The following summarised financial information on interests in jointly-controlled entities which have been proportionately consolidated in the consolidated financial statements represents the Group's share:

	Type of business	Ownership interest (%)	Current assets	Non-current assets	Total assets	Non-current liabilities					Total revenues	Total expenses	Net profit
						Current liabilities	Non-current liabilities	Total liabilities	Total				
(in million Baht)													
2012													
Pruksa HDC Housing Private Limited	Property development and construction	80	188	1	189	64	-	64	185	164	21		
Pruksa - Luxora Housing Private Limited	Property development and construction	50	-	-	-	-	-	-	-	-	-		
Total			188	1	189	64	-	64	185	164	21		
2011													
Pruksa HDC Housing Private Limited	Property development and construction	80	219	2	221	113	-	113	82	60	22		
Pruksa - Luxora Housing Private Limited	Property development and construction	50	-	-	-	-	-	-	-	-	-		
Total			219	2	221	113	-	113	82	60	22		

The joint venture agreement provides that the joint venturers have joint control and management even though the voting right is less than 50%.

**PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**1.1 Investment property**

Investment property comprises land held by the Company for which there is no specific intention to use in the future. Cost of investment property as at 31 December 2012 amounted to Baht 127.8 million (2011: Baht 127.8 million). The fair value of such land appraised by a firm of independent professional valuers in the report dated 18 January 2012, at market values was Baht 165.8 million.

*Collateral*

Investment property at book value of Baht 127.8 million as at 31 December 2012 and 2011 of the Company and the Group are used as collateral for credit facilities from banks (see note 15 to the financial statements).

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Property, plant and equipment

	Consolidated financial statements						
	Land and land improvement	Building	Machinery and equipment	Furniture, fixtures and office equipment	Public utilities	Transportation equipment	Assets under construction and installation
	<i>(in million Baht)</i>						
<i>Cost</i>							Total
At 1 January 2011	310	463	1,171	300	17	81	3,092
Additions	-	13	246	59	-	6	642
Transfers, net	(8)	418	530	5	-	-	-
Disposals	-	-	(13)	(7)	-	(10)	(30)
<b>At 31 December 2011 and</b>							
<b>1 January 2012</b>	<b>302</b>	<b>894</b>	<b>1,934</b>	<b>357</b>	<b>17</b>	<b>77</b>	<b>3,704</b>
Additions	-	1	79	32	-	2	140
Transfers, net	2	18	24	-	-	-	-
Disposals	-	(3)	(121)	(13)	-	(12)	(164)
Transfers to real estate projects under development	-	(24)	-	-	-	-	(24)
Effect of movements in exchange rates	-	-	6	2	-	-	8
<b>At 31 December 2012</b>	<b>304</b>	<b>886</b>	<b>1,922</b>	<b>378</b>	<b>17</b>	<b>67</b>	<b>3,664</b>
<i>Accumulated depreciation and impairment losses</i>							
At 1 January 2011	1	134	567	148	17	66	933
Depreciation charge for the year	1	48	198	63	-	8	318
Disposals	-	(1)	(9)	(5)	-	(12)	(27)
Impairment losses	-	-	10	1	-	-	12
<b>At 31 December 2011 and</b>							
<b>1 January 2012</b>	<b>2</b>	<b>181</b>	<b>766</b>	<b>207</b>	<b>17</b>	<b>62</b>	<b>1,236</b>
Depreciation charge for the year	-	54	219	65	-	6	344
Disposals	-	(3)	(87)	(11)	-	(11)	(112)
Transfers to real estate projects under development	-	(24)	-	-	-	-	(24)
<b>At 31 December 2012</b>	<b>2</b>	<b>208</b>	<b>898</b>	<b>261</b>	<b>17</b>	<b>57</b>	<b>1,444</b>

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated financial statements						
	Land and land improvement	Building	Machinery and equipment	Furniture, fixtures and office equipment	Public utilities	Transportation equipment	Assets under construction and installation
							Total
<i>(in million Baht)</i>							
<b>Net book value</b>							
<b>At 1 January 2011</b>							
Owned assets	309	329	604	143	-	15	2,150
Assets under finance leases	-	-	-	9	-	-	9
	<b>309</b>	<b>329</b>	<b>604</b>	<b>152</b>	<b>-</b>	<b>15</b>	<b>2,159</b>
<b>At 31 December 2011 and 1 January 2012</b>							
Owned assets	300	713	1,168	132	-	15	2,450
Assets under finance leases	-	-	-	18	-	-	18
	<b>300</b>	<b>713</b>	<b>1,168</b>	<b>150</b>	<b>-</b>	<b>15</b>	<b>2,468</b>
<b>At 31 December 2012</b>							
Owned assets	302	678	1,024	99	-	10	2,202
Assets under finance leases	-	-	-	18	-	-	18
	<b>302</b>	<b>678</b>	<b>1,024</b>	<b>117</b>	<b>-</b>	<b>10</b>	<b>2,220</b>

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## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

*Net book value***At 1 January 2011**Owned assets  
Assets under finance leases

	Land and land improvement	Building	Machinery and equipment	Furniture, fixtures and office equipment	Public utilities	Transportation equipment	Assets under construction and installation	Total
	309	329	472	115	-	9	740	1,974
	-	-	-	9	-	-	-	9
	<u>309</u>	<u>329</u>	<u>472</u>	<u>124</u>	<u>-</u>	<u>9</u>	<u>740</u>	<u>1,983</u>

**At 31 December 2011 and****1 January 2012**Owned assets  
Assets under finance leases

	Land and land improvement	Building	Machinery and equipment	Furniture, fixtures and office equipment	Public utilities	Transportation equipment	Assets under construction and installation	Total
	300	707	1,049	110	-	9	109	2,284
	-	-	-	18	-	-	-	18
	<u>300</u>	<u>707</u>	<u>1,049</u>	<u>128</u>	<u>-</u>	<u>9</u>	<u>109</u>	<u>2,302</u>

**At 31 December 2012**Owned assets  
Assets under finance leases

	Land and land improvement	Building	Machinery and equipment	Furniture, fixtures and office equipment	Public utilities	Transportation equipment	Assets under construction and installation	Total
	302	678	930	80	-	7	86	2,083
	-	-	-	18	-	-	-	18
	<u>302</u>	<u>678</u>	<u>930</u>	<u>98</u>	<u>-</u>	<u>7</u>	<u>86</u>	<u>2,101</u>

The gross amount of the Company and the Group's fully depreciated property, plant and equipment but was still in use as at 31 December 2012 amounted to Baht 306 million and Baht 311 million, respectively (2011: Baht 239 million and Baht 240 million, respectively).

*Collaterals*

At 31 December 2012, the Company's property, plant and equipment with a net book value of Baht 690 million (2011: Baht 721 million) are used as collateral for credit facilities with banks (see note 15 to the financial statements).

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

13 Intangible assets

	Consolidated financial statements Software licenses (in million Baht)	Separate financial statements Software licenses
<i>Cost</i>		
At 1 January 2011	175	160
Additions	72	68
<b>At 31 December 2011 and 1 January 2012</b>	<b>247</b>	<b>228</b>
Additions	38	39
<b>At 31 December 2012</b>	<b>285</b>	<b>267</b>
<i>Accumulated amortisation</i>		
At 1 January 2011	52	46
Amortisation charge for the year	22	19
<b>At 31 December 2011 and 1 January 2012</b>	<b>74</b>	<b>65</b>
Amortisation charge for the year	24	22
<b>At 31 December 2012</b>	<b>98</b>	<b>87</b>
<i>Net book value</i>		
At 1 January 2011	123	114
<b>At 31 December 2011 and 1 January 2012</b>	<b>173</b>	<b>163</b>
<b>At 31 December 2012</b>	<b>187</b>	<b>180</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

14 Deferred tax

Movements in total deferred tax assets and liability during the years were as follows:

	Consolidated financial statements			
		(Charged) / credited to		
	As at 1 January 2012	Profit or loss (Note 28)	Other comprehensive income	As at 31 December 2012
		(in million Baht)		
<i>Deferred tax assets</i>				
Real estate projects under development	100	(51)	-	49
Property, plant and equipment	26	-	-	26
Employee benefit obligations	12	5	-	17
Customers' deposits	(30)	89	-	59
Provision for litigation and claims	25	(4)	-	21
Foreign currency translation for foreign operation	21	-	(2)	19
Others	2	8	-	10
<b>Total</b>	<b>156</b>	<b>47</b>	<b>(2)</b>	<b>201</b>
<i>Deferred tax liability</i>				
Property, plant and equipment	-	(19)	-	(19)
<b>Total</b>	<b>-</b>	<b>(19)</b>	<b>-</b>	<b>(19)</b>
<b>Net</b>	<b>156</b>	<b>28</b>	<b>(2)</b>	<b>182</b>

	Consolidated financial statements			
		(Charged) / credited to		
	As at 1 January 2011	Profit or loss (Note 28)	Other comprehensive income	As at 31 December 2011
		(in million Baht)		
<b>Deferred tax assets</b>				
Real estate projects under development	90	10	-	100
Property, plant and equipment	29	(3)	-	26
Employee benefit obligations	11	1	-	12
Customers' deposits	71	(101)	-	(30)
Provision for litigation and claims	4	21	-	25
Foreign currency translation				
for foreign operation	-	-	21	21
Others	-	2	-	2
<b>Total</b>	<b>205</b>	<b>(70)</b>	<b>21</b>	<b>156</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

	Separate financial statements		
	As at	(Charged) / credited to	As at
	1 January	Profit or	31 December
	2012	loss	2012
		(Note 28)	
		(in million Baht)	
<b>Deferred tax assets</b>			
Real estate projects under development	35	(1)	34
Property, plant and equipment	26	(1)	25
Employee benefit obligations	12	4	16
Customers' deposits	(8)	77	69
Provision for litigation and claims	25	(4)	21
Others	2	8	10
<b>Total</b>	<b>92</b>	<b>83</b>	<b>175</b>
<b>Deferred tax liability</b>			
Property, plant and equipment	-	(19)	(19)
<b>Total</b>	<b>-</b>	<b>(19)</b>	<b>(19)</b>
<b>Net</b>	<b>92</b>	<b>64</b>	<b>156</b>

	Separate financial statements		
	As at	(Charged) / credited to	As at
	1 January	Profit or	31 December
	2011	loss	2011
		(Note 28)	
		(in million Baht)	
<b>Deferred tax assets</b>			
Real estate projects under development	33	2	35
Property, plant and equipment	29	(3)	26
Employee benefit obligations	10	2	12
Customers' deposits	65	(73)	(8)
Provision for litigation and claims	4	21	25
Others	-	2	2
<b>Total</b>	<b>141</b>	<b>(49)</b>	<b>92</b>

As of 31 December 2012, deferred tax assets resulting from temporary differences on impairment loss of assets and loss carry forward were not recognized in the consolidated financial statements totalling Baht 15.6 million (2011: Baht 41.3 million) as the Group has significant tax losses and it is not probable that the Group will be able to utilise the benefits in the foreseeable future.

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

15 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
<b>Current</b>				
Bank overdrafts				
Unsecured	79	-	79	-
Short-term loans from financial institutions				
Secured	850	955	600	300
Unsecured	600	5,033	600	5,033
Current portion of long-term loans				
Secured	1,930	1,638	1,930	1,638
Unsecured	1,300	200	1,300	200
Current portion of long-term debentures				
Unsecured	4,500	1,500	4,500	1,500
Short-term loans from subsidiaries				
Unsecured	-	-	508	477
Current portion of finance lease liabilities	10	7	10	7
<b>Total current interest-bearing liabilities</b>	<b>9,269</b>	<b>9,333</b>	<b>9,527</b>	<b>9,155</b>
<b>Non-current</b>				
Long-term loans from financial institutions				
Secured	-	2,662	-	2,662
Unsecured	250	800	250	800
Long-term debentures				
Unsecured	8,000	7,500	8,000	7,500
Finance lease liabilities	8	12	8	11
<b>Total non-current interest-bearing liabilities</b>	<b>8,258</b>	<b>10,974</b>	<b>8,258</b>	<b>10,973</b>
<b>Total</b>	<b>17,527</b>	<b>20,307</b>	<b>17,785</b>	<b>20,128</b>

**PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

The periods to maturity of interest-bearing liabilities as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Within one year	9,269	9,333	9,527	9,155
After one year but within five years	8,258	10,974	8,258	10,973
<b>Total</b>	<b>17,527</b>	<b>20,307</b>	<b>17,785</b>	<b>20,128</b>

As at 31 December 2012 the Group and the Company had unutilised credit facilities totalling Baht 14,392 million and Baht 14,277 million, respectively (2011: Baht 9,548 million and Baht 9,166 million, respectively).

Credit facilities of the Company and subsidiaries that used assets as collateral as at 31 December were as follows:

- Loan lines from banks of Baht 9,601 million (2011: Baht 10,496 million) for the Company, and Baht 9,637 million (2011: Baht 10,884 million) for the Group.
- Overdraft lines of Baht 61 million (2011: Baht 131 million) for the Company, and Baht 61 million (2011: Baht 166 million) for the Group.
- Letter of guarantee lines of Baht 5,798 million (2011: Baht 4,870 million) for the Company, and Baht 6,521 million (2011: Baht 7,233 million) for the Group.
- Promissory note lines of Baht 9,145 million (2011: Baht 8,967 million) for the Company and the Group.
- Other credit facilities of Baht 55 million (2011: Baht 55 million) for the Company and Baht 555 million (2011: Baht 55 million) for the Group.

Credit facilities were secured on the following assets at carrying value:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Property, plant and equipment	690	721	690	721
Investment property	128	128	128	128
Real estate projects under development (Land and properties)	10,105	9,439	9,689	9,200
<b>Total</b>	<b>10,923</b>	<b>10,288</b>	<b>10,507</b>	<b>10,049</b>

In addition, some part of credit facilities are guaranteed by the Company.

*Loans from financial institutions*

Loans from financial institutions bear interest at market rates.

Certain loans contain restrictions on financial ratios, interest-bearing liabilities to equity ratio and payment of dividends.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### Debtenture

Debtentures of the Group as at 31 December 2012 and 2011 were unsubordinated and unsecured with face value of Baht 1,000 per unit. At shareholders' meetings of the Company, the shareholders approved the issuance and offer for sale of debt securities as follows:

Type of debtenture	Interest rate (% per annum)	Interest payment due	Term	Issuance date	Maturity date	Consolidated financial statements / separate financial statements				
						Units			Amount	
						2012 (million units)	2011	2012 (in million Baht)		
<b>No. 1/2009</b>										
Set 1	5.25% for the first 1 year 6 months 5.75% for the following 1 year and 6 months	every 3 months every 3 months	3 years	January 2009	January 2012	-	1.5	-	1,500	
<b>No. 1/2010*</b>										
Set 1	3.20% (former 3.00%)	every 3 months	3 years	June 2010	June 2013	1.5	1.5	1,500	1,500	
Set 2	3.95% (former 3.75%)	every 3 months	5 years	June 2010	June 2015	1.0	1.0	1,000	1,000	
<b>No. 2/2010*</b>										
Set 1	3.30% (former 3.10%)	every 3 months	3 years	November 2010	November 2013	3.0	3.0	3,000	3,000	
Set 2	3.95% (former 3.75%)	every 3 months	5 years	November 2010	November 2015	2.0	2.0	2,000	2,000	
<b>No. 1/2012**</b>										
Set 1	4.22%	every 3 months	3 years 6 months	September 2012	March 2016	0.6	-	600	-	
Set 2	4.50%	every 3 months	5 years	September 2012	September 2017	0.6	-	600	-	
Set 3	4.22%	every 3 months	3 years 6 months	September 2012	March 2016	2.4	-	2,400	-	
Set 4	4.50%	every 3 months	5 years	September 2012	September 2017	1.4	-	1,400	-	
Total						12.5	9.0	12,500	9,000	
Less current portion of long-term debtentures						(4.5)	(1.5)	(4,500)	(1,500)	
<b>Unsubordinated and unsecured debtentures - net of current portion</b>						<b>8.0</b>	<b>7.5</b>	<b>8,000</b>	<b>7,500</b>	

\* At the meeting of the debtentures' holder of the Company held on 24 April 2012, the debtenture holders approved the increase in interest rate by 0.20% from the original rate, effective from the approval date to the maturity date and approved the adjustment of liabilities to equity ratio that the Company is required to maintain from 1.5:1 to 2:1.

\*\* At the annual general meeting of the shareholders of the Company held on 27 April 2012, the shareholders approved the issue and offer for sales of debt securities not exceeding Baht 7,000 million to decrease the financial costs and support the expansion of project development. Such debtentures will be offered to public investors and / or private investors following the declaration of the Securities and Exchange Commission that the Company may offer one-time sales and/or separate sales from time to time. During the third quarter of 2012, the Company issued debtenture no. 1/2012 amounting to Baht 5,000 million.

**PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

Movements during the years ended 31 December of debentures were as follows:

	Consolidated financial statements / separate financial statements	
	2012	2011
	(in million Baht)	
At 1 January	9,000	9,000
Issued during the period	5,000	-
Matured during the period	(1,500)	-
<b>At 31 December</b>	<b>12,500</b>	<b>9,000</b>

Interest-bearing liabilities of the Group and the Company as at 31 December 2012 and 2011 are in Thai Baht.

**16 Trade accounts payable**

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		(in million Baht)			
Related parties	5	-	-	323	328
Other parties		1,527	1,083	1,308	960
<b>Total</b>		<b>1,527</b>	<b>1,083</b>	<b>1,631</b>	<b>1,288</b>

The currency denomination of trade accounts payable as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Thai Baht	1,490	1,054	1,631	1,285
US dollars	22	14	-	-
India Rupee	7	10	-	-
Singapore dollar	-	3	-	3
Rufiyaa	8	1	-	-
Others	-	1	-	-
<b>Total</b>	<b>1,527</b>	<b>1,083</b>	<b>1,631</b>	<b>1,288</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

17 Other current liabilities

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Accrued for real estate projects				
under development	298	164	228	117
Accrued for public utility	404	290	359	255
Accrued bonus	245	-	233	-
Retention payable	174	140	157	126
Accrued interest expense	40	48	40	48
Accrued withholding tax	38	17	35	16
Others	323	387	253	314
<b>Total</b>	<b>1,522</b>	<b>1,046</b>	<b>1,305</b>	<b>876</b>

18 Employee benefit obligations

The Group and the Company operate a defined benefit pension plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The statement of financial position obligation was determined as follows:

	Consolidated financial statements				
	2012	2011	2010	2009	2008
	<i>(in million Baht)</i>				
Present value of unfunded obligations	<u>94</u>	<u>76</u>	<u>50</u>	<u>41</u>	<u>31</u>

	Separate financial statements				
	2012	2011	2010	2009	2008
	<i>(in million Baht)</i>				
Present value of unfunded obligations	<u>92</u>	<u>75</u>	<u>47</u>	<u>39</u>	<u>29</u>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

Movement in the present value of the defined benefit obligations:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Defined benefit obligations at 1 January	76	50	75	47
Current service costs	16	10	16	8
Interest cost	3	2	2	2
Benefits paid by the plan	(1)	-	(1)	-
Others	-	14	-	18
<b>Defined benefit obligations at 31 December</b>	<b>94</b>	<b>76</b>	<b>92</b>	<b>75</b>
<i>Expense recognised in profit or loss</i>				
Current service cost	16	10	16	8
Interest on obligation	3	2	2	2
Others	-	14	-	18
<b>Total</b>	<b>19</b>	<b>26</b>	<b>18</b>	<b>28</b>

Principal actuarial assumptions at the reporting date:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Discount rate (%)	3.6	3.6	3.6	3.6
Future salary increase (%)				
Employees	5 and 8	5 and 8	5 and 8	5 and 8
Daily wage staffs	3.5 and 5	3.5 and 5	3.5 and 5	3.5 and 5
Retirement age (year old)	60	60	60	60

Assumptions regarding future mortality are based on published statistics and mortality tables.

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

19 Share capital

	Par value per share (in Baht)	2012 Number	2012 Amount (million shares / in million Baht)	2011 Number	2011 Amount
<b>Authorised</b>					
At 1 January					
ordinary shares	1	2,251	2,251	2,229	2,229
Issue of ordinary shares	1	-	-	22	22
<b>At 31 December</b>					
ordinary shares	1	<u>2,251</u>	<u>2,251</u>	<u>2,251</u>	<u>2,251</u>
<b>Issued and paid-up</b>					
At 1 January					
ordinary shares	1	2,209	2,209	2,207	2,207
Warrant exercise	1	4	4	2	2
<b>At 31 December</b>					
ordinary shares	1	<u>2,213</u>	<u>2,213</u>	<u>2,209</u>	<u>2,209</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

*Increase of authorised ordinary share capital*

At the annual general meeting of the shareholders of the Company held on 22 April 2011, the shareholders approved the increase in the Company's authorised share capital from Baht 2,229 million (2,229 million ordinary shares with a par value of Baht 1 per share) to Baht 2,251 million (2,251 million ordinary shares with a par value of Baht 1 per share). The Company registered the increase in the authorised share capital with the Ministry of Commerce on 3 May 2011.

*Issue of ordinary shares*

During the year ended 31 December 2012, holders of 2.8 million (2011: 2.6 million) PS-WC warrants exercised their option to purchase 2.8 million (2011: 2.6 million) ordinary shares of the Company at the exercise price of Baht 14.35 per share and holders of 1.0 million (2011: - million) PS-WD warrants exercised their option to purchase 1.0 million (2011: - million) ordinary shares of the Company at the exercise price of Baht 15.3 per share.

*Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### 20 Warrants

##### PS-WC

At the annual general shareholders' meeting held on 27 April 2010, the shareholders passed resolutions to approve the issuance of 22 million units of warrants under the Employee Stock Option Program (ESOP) to directors (who had been allotted as the Company's management) and management of the Company and/or its subsidiaries. The details are as follows:

Description	Details
Type of warrants	No value
Terms of warrants	3 years from the issuance date of warrant
Propose to	Directors (who had been allotted as the Company's management) and management of the Company and/or its subsidiaries
Issued and allotted as at 31 December 2012	14,796,000 units (actual units granted)
Exercise ratio	1 warrant to 1 ordinary share
Exercise price	Baht 14.35 per share
Exercise period and proportion	Four times a year in February, May, August and November of each year (first year is 2011), the exercise rights are not to exceed 1/3 of total rights in each year for the period of 3 years. In case of partial exercise, the holders can roll over to the next period.

As at 31 December 2012, the holders of 5.3 million warrants had exercised their options to purchase 5.3 million ordinary shares of the Company (2011: 2.6 million units). In addition, there was a cancellation of warrants of resigned employees of 4.2 million units. As a result, there were 5.3 million outstanding warrants in issue but not yet exercised as at 31 December 2012 (2011: 12.2 million units).

##### PS-WD

At the annual general shareholders' meeting held on 22 April 2011, the shareholders passed resolutions to approve the issuance of 22 million units of warrants under the Employee Stock Option Program (ESOP) to directors (who had been allotted as the Company's management) and management of the Company and/or its subsidiaries as followings:

Description	Details
Type of warrants	No value
Terms of warrants	4 years from the issuance date of warrant
Propose to	Directors (who had been allotted as the Company's management) and management of the Company and/or its subsidiaries
Issued and allotted as at 31 December 2012	11,689,700 units (actual units granted)
Exercise ratio	1 warrant to 1 ordinary share
Exercise price	Baht 15.30 per share
Exercise period and proportion	Four times a year in February, May, August and November of each year (first year is 2012), the exercise rights are not to exceed 1/4 of total rights in each year for the period of 4 years. In case of partial exercise, the holders can roll over to the next period.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

The Company granted the rights to directors (who had been allotted as the Company's management) and management of the Company and/ or its subsidiaries on 19 April 2012, which is the date that the Company informed conditions and agreements of the rights to exercise options to the directors and employees.

As at 31 December 2012, the holders of 1.0 million warrants had exercised their options to purchase 1.0 million ordinary shares of the Company. There was a cancellation of warrants of resigned employees of 0.8 million units. As a result, there were 9.9 million outstanding warrants in issue but not yet exercised as at 31 December 2012.

The Thai Financial Reporting Standard 2 (TFRS2): Share-based Payment was effective for share-based payment awards granted on or after 1 January 2011. Therefore, according to TFRS2, the Company has to measure the fair value of the PS-WD Project warrants on the grant date.

#### *Measurement of fair value*

The fair value of the PS-WD warrants granted was measured based on the Binomial option pricing model. Expected volatility is estimated by considering historic at average share price volatility during the period 19 April 2010 to 19 April 2012.

The inputs used in the measurement of the fair values of PS-WD warrants were as follows:

Average fair value at grant date (Baht)	3.55
Share price at grant date (Baht)	14.6
Exercise price (Baht)	15.3
Expected volatility (%)	45.0
Expected dividends (%)	3.1
Risk-free interest rate (%)	3.00-3.53
Termination rate (%)	10.0

The expense recognised in respect of share-based payment transactions for the year ended 31 December 2012 was Baht 20.6 million and Baht 20.6 million, respectively, for the consolidated and separate financial statements.

Movements during the year ended 31 December 2012 and 2011 in the fair value of PS-WD warrants were as follows:

	2012	2011
	(in million Baht)	
At 1 January	-	-
Warrants granted during the year	20.6	-
Warrants exercised during the year	(3.4)	-
At 31 December	<u>17.2</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 21 Reserves

Reserves comprise:

#### *Appropriations of profit and/or retained earnings*

##### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

##### *Other components of equity*

##### **Currency translation differences**

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

##### **Fair value changes in available-for-sale investments**

The fair value changes in available-for-sale investments account within equity comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

### 22 Segment reporting

#### ***Business segments***

Management considers that the Group operates in a single line of business, namely real-estate business, and has, therefore, only one major business segment.

#### ***Geographic segments***

In presenting information on the basis of geographical segments, segment revenue is based on the geographic location of customers. Segment assets are based on the geographical location of the assets.

The followings are the main geographical locations:

<i>Segment 1</i>	Thailand
<i>Segment 2</i>	India
<i>Segment 3</i>	Vietnam
<i>Segment 4</i>	Maldives

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated financial statements	
	2012	2011
	(in million Baht)	
<b>Segment revenue</b>		
Thailand	26,572	23,141
India	251	4
Maldives	200	118
<b>Total</b>	<b>27,023</b>	<b>23,263</b>
<b>Investment property, property, plant and equipment and intangible assets</b>		
Thailand	2,466	2,684
India	21	25
Vietnam	4	13
Maldives	44	47
<b>Total</b>	<b>2,535</b>	<b>2,769</b>

23 Selling expenses

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Advertising expenses	574	804	512	725
Specific business tax	880	762	766	679
Sales promotion	284	413	254	361
Transfer fee	180	162	157	144
Others	32	37	32	37
<b>Total</b>	<b>1,950</b>	<b>2,178</b>	<b>1,721</b>	<b>1,946</b>

24 Administrative expenses

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Personnel expenses	1,249	1,144	1,198	1,052
Allowance for impairment loss on assets	37	194	30	56
Professional fee	87	103	77	90
Rental fee	110	130	99	108
Depreciation	99	123	81	105
Provision for litigation and claims	-	96	-	96
Utilities expense	85	86	71	69
Repair fee	23	35	23	31
Others	285	565	504	500
<b>Total</b>	<b>1,975</b>	<b>2,476</b>	<b>2,083</b>	<b>2,107</b>

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

25 Employee benefit expenses

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
<b>Management</b>				
Wages and salaries	63	69	63	69
Contributions to provident fund	2	2	2	2
Others-bonus and welfare	28	9	28	9
	<u>93</u>	<u>80</u>	<u>93</u>	<u>80</u>
<b>Other employees</b>				
Wages and salaries	1,032	993	959	852
Contributions to provident fund	30	27	28	24
Others-bonus and welfare	670	497	611	410
	<u>1,732</u>	<u>1,517</u>	<u>1,598</u>	<u>1,286</u>
<b>Total</b>	<u>1,825</u>	<u>1,597</u>	<u>1,691</u>	<u>1,366</u>

*Defined benefit plan*

Details of the defined benefit plan are given in note 18 to the financial statements.

*Defined contribution plan*

The defined contribution plan comprises provident fund established by companies in the Group for their employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rate 4% of their basic salaries and by the Group at rate 4% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

26 Expenses by nature

The financial statements include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirement of various TFRS were as follows :

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Changes in land, and land and houses for sale and real estate projects under development	2,187	(10,228)	1,141	(8,625)
Raw materials and consumables used	10,790	15,290	8,348	13,175
Employee benefit expenses	1,825	1,597	1,691	1,366

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

Depreciation and amortisation	368	339	314	285
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27 Finance costs

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Finance costs				
Subsidiaries (note 5)	-	-	21	13
Financial institutions	824	711	789	699
Total	824	711	810	712
Less: amounts included in the cost of qualifying assets:				
- real estate projects under development	(519)	(574)	(495)	(579)
Net	305	137	315	133

28 Income tax expense

Income tax recognised in profit or loss

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		(in million Baht)			
<b>Current tax expense</b>					
Current year		1,146	1,000	921	850
Adjustment for prior years		5	1	5	1
		1,151	1,001	926	851
<b>Deferred tax expense</b>	14				
Movements in temporary differences		(47)	40	(82)	42
Income tax reduction – deferred		19	30	18	7
		(28)	70	(64)	49
Total		1,123	1,071	862	900

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

*Reconciliation of effective tax rate*

Consolidated financial statements				
	2012		2011	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit for the year		3,898		2,835
Total income tax expense		1,123		1,071
Profit before tax		5,021		3,906
Income tax using the Thai corporation tax rate	23	1,155	30	1,172
Income tax reduction - deferred		19		30
Income not subject to tax		(105)		(270)
Expenses not deductible for tax purposes		26		30
Eliminated income		26		106
Under provided in prior years		5		1
Others		(3)		2
Total	22	1,123	27	1,071

Separate financial statements				
	2012		2011	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit for the year		3,267		2,844
Total income tax expense		<u>862</u>		<u>900</u>
Profit before tax		<u>4,129</u>		<u>3,744</u>
Income tax using the Thai corporation tax rate	23	950	30	1,123
Income tax reduction - deferred		18		7
Income not subject to tax		(130)		(254)
Expenses not deductible for tax purposes		22		26
Under provided in prior years		5		1
Others		(3)		(3)
Total	21	862	24	900

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

*Income tax recognised in other comprehensive income*

	Consolidated financial statements					
	2012			2011		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in million Baht)</i>					
Foreign currency translation differences for foreign operations	(3)	(2)	(5)	(57)	21	(36)

*Income tax reduction*

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

**29 Promotional privileges**

By virtue of the provisions of the Investment Promotion Act of B.E. 2520, the Group has been granted privileges by the Board of Investment relating to developing a housing project for persons who have low or middle income (where the usable area in each unit shall not be less than 31 square meters and the contracted sale amount is less than Baht 600,000).

On 10 June 2009, the Board of Investment added a new condition in respect to pricing for projects located in zone 1 requiring that any apartment building must have area per unit of at least 28 square meters and with a maximum selling price of Baht 1 million (including land cost) and any town house or detached house, area per unit must not be less than 70-square meters with a maximum selling price of Baht 1.2 million (including land cost).

The principal privilege is the exemption from corporate income tax for a period of 5 years from the start of business operations related to these privileges.

As promoted companies, the Company and its subsidiaries must comply with certain terms and conditions prescribed in the promotional certificates.

PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

30 Earnings per share

*Basic earnings per share*

The calculations of basic earnings per share for the years ended 31 December 2012 and 2011 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht / million shares)</i>			
Profit attributable to equity holders of the Company (basic)	<u>3,898.14</u>	<u>2,834.82</u>	<u>3,266.80</u>	<u>2,844.30</u>
Number of ordinary shares at 1 January	2,209.41	2,206.81	2,209.41	2,206.81
Effect of shares issued 7 March 2011	-	0.55	-	0.55
Effect of shares issued 9 June 2011	-	0.53	-	0.53
Effect of shares issued 8 September 2011	-	0.31	-	0.31
Effect of shares issued 30 August 2012	1.18	-	1.18	-
Effect of shares issued 30 November 2012	<u>0.50</u>	<u>-</u>	<u>0.50</u>	<u>-</u>
Weighted average number of ordinary shares outstanding (basic)	<u>2,211.09</u>	<u>2,208.20</u>	<u>2,211.09</u>	<u>2,208.20</u>
Earnings per share (basic) (in Baht)	<u>1.76</u>	<u>1.28</u>	<u>1.48</u>	<u>1.29</u>

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### *Diluted earnings per share*

The calculations of diluted earnings per share for the years ended 31 December 2012 and 2011 were based on the profit for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years after adjusting for the effects of all dilutive potential ordinary shares as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht / million shares)</i>			
Profit attributable to equity holders of the Company (diluted)	<u>3,898.14</u>	<u>2,834.82</u>	<u>3,266.80</u>	<u>2,844.30</u>
Weighted average number of ordinary shares				
outstanding (basic)	2,211.09	2,208.20	2,211.09	2,208.20
Effect of dilutive equivalent ordinary shares-warrants	<u>0.36</u>	<u>1.79</u>	<u>0.36</u>	<u>1.79</u>
Weighted average number of ordinary shares				
outstanding (diluted)	<u>2,211.45</u>	<u>2,209.99</u>	<u>2,211.45</u>	<u>2,209.99</u>
Earnings per share (diluted) (in Baht)	<u>1.76</u>	<u>1.28</u>	<u>1.48</u>	<u>1.29</u>

The Company did not adjust the effect of exercise of share options in PS-WD project warrant to calculate diluted earnings per share for the year ended 31 December 2012 because the Company's warrant's exercise price per unit was higher than the average market price for the year.

#### 31 Dividends

At the annual general meeting of the shareholders of the Company held on 27 April 2012, the shareholders approved the appropriation of dividend of Baht 0.4 per share, amounting to Baht 884 million. The dividend was paid to shareholders on 17 May 2012.

At the annual general meeting of the shareholders of the Company held on 22 April 2011, the shareholders approved the appropriation of dividend of Baht 0.5 per share, amounting to Baht 1,104 million. The dividend was paid to shareholders on 11 May 2011.

## NOTES TO THE FINANCIAL STATEMENTS

### 32 Financial instruments

#### *Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

#### *Capital management*

The primary objectives of the Company and its subsidiaries' capital management are to maintain their ability to continue as a going concern and to maintain an appropriate capital structure. In addition, the Company has to maintain interest-bearing liabilities to equity ratio as stipulated in loan facility agreements.

As at 31 December 2012, interest-bearing liabilities to equity ratio in the consolidated financial statements is 0.87:1 (2011: 1.19:1) and 0.95:1 (2011: 1.23:1) for the separate financial statements, calculated in accordance with conditions stipulated in loan facility agreements.

#### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Group is primarily exposed to interest rate risk from its borrowings (note 15). The Group mitigates this risk by entering that the majority of its borrowings at fixed interest rates and uses derivative financial instrument, interest rate swaps, to manage exposure to fluctuations in interest rates on specific borrowings.

#### *Foreign currency risk*

The Group has risk from foreign currency as stated in related notes to financial statements. Management believes that the Group has minimal interest rate risk. However, the Group enters into forward exchange rate contracts to hedge risks from financial transactions with foreign subsidiaries.

#### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### *Determination of fair values*

The Group uses the following methods and assumptions in estimating the fair values of financial instruments.

Cash and cash equivalents, and current investments and receivables and payables approximate their fair values due to the relative short-term maturity of these financial instruments.

Bank overdrafts and short-term loans and long-term loans approximate their fair values because these financial instruments bear interest at market rates.

As at 31 December 2012, the carrying and fair value of debentures amounted to Baht 12,500 million and Baht 12,554 million, respectively (2011: Baht 9,000 million and Baht 8,874 million, respectively). The fair value is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest for similar liabilities at the reporting date.

#### 33 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b>Office building operating lease commitments</b>				
Within one year	60	40	56	32
After one year but within five years	146	28	140	22
<b>Total</b>	<b>206</b>	<b>68</b>	<b>196</b>	<b>54</b>
<b>Other operating lease commitments</b>				
Within one year	48	57	46	51
After one year but within five years	39	70	38	61
<b>Total</b>	<b>87</b>	<b>127</b>	<b>84</b>	<b>112</b>
<b>Other commitments</b>				
Land purchasing agreements	3,804	1,730	3,804	1,394
Development and construction agreements	1,967	401	1,693	114
Services and professional consulting agreements	63	33	63	32
Forward contract	65	-	-	-
<b>Total</b>	<b>5,899</b>	<b>2,164</b>	<b>5,560</b>	<b>1,540</b>

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

#### *Interest rate swap contract*

As at 31 December 2012, the Company had interest rate swap contract for loan of Baht 2,000 million (2011: Baht 2,000 million) with a bank to hedge anticipated future interest rate of loan payable on a monthly basis at the fixed rate of approximately 4.43 percent per annum (2011: 4.43 percent per annum).

#### *Others*

As at 31 December 2012;

- (a) the Company and its subsidiaries had commitment for letters of guarantee issued by certain local banks totalling Baht 5,110 million (2011: Baht 5,429 million).
- (b) The Company had commitment as a guarantor of overdraft lines of Baht 80 million, loan lines from banks of Baht - million, letters of guarantee lines of Baht 723 million, promissory note lines of Baht 900 million, and other credit facilities of Baht 500 million of the subsidiaries (2011: Baht 80 million, Baht 198 million, Baht 591 million, Baht 655 million and Baht - million, respectively).

### 34 Contingent liability

At 31 December 2012, the Company and its subsidiaries have been sued by other companies and persons in cases of alleged violation of agreements, prosecution claims and other cases totaling Baht 297 million (2011: Baht 205 million). Presently, the cases are being considered by the court. However, the Group has set aside provision of Baht 106 million (2011: Baht 110 million) for liabilities that may arise as a result of these cases, based on the opinion of their management and legal department.

### 35 Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table.

TFRS	Topic	Year effective
TAS 20	Accounting for Government Grants and Disclosures of Government Assistance	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TFRS 8	Operating Segments	2013

## PRUKSA REAL ESTATE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of those new standards assessed to have the greatest potential impact on the financial statements in the period of initial application. These standards are as follows:

#### *TAS 20 - Accounting for government grants and disclosures of government assistance*

Management is of the opinion that the adoption of TAS 20 from 1 January 2013 will not have a significant impact on the Group's financial statements.

#### *TAS 21 (revised 2009) – The effects of changes in foreign exchange rates*

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 is not expected to have a significant impact on the Group's reported assets, liabilities, or retained earnings.

#### *TFRS 8 – Operating segments*

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Group's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Group's financial statements.

### 36 Event after the reporting period

At the Board of Directors' meeting held on 22 February 2013, the Board passed a resolution proposing to the annual general shareholders' meeting the payment of dividends for the year 2012, at the rate of Baht 0.5 per share, amounting to Baht 1,106.6 million. The proposed dividends shall be approved by the shareholders on 26 April 2013.





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