

1.3 Property plant and equipment

As at December 31, 2023, property plant and equipment according to the company's financial statements consist of

Project	Project details	Project locations	Total area of project (Rai)	Net book value As at 31Dec23 (Million Baht)	Obligations
Rama III project	International School	Industrial ring road Chong Nonsi Subdistrict, Yan Nawa District, Bangkok	19-2-13.9 ^{1/}	1,682.35	Liable to mortgage ^{2/}
Other assets				170.20	-
Total				1,852.55	

Remark

^{1/}The land has appraisal value of Baht 2,500.45 million which is appraised by an appraiser who has been approved by the Office of the Securities and Exchange Commission as of July 6, 2023.

^{2/}The Company has mortgaged some areas of land including component parts and building in the future as a collateral of long-term debenture of Country Group Development Public Company Limited No.1/2020 which will be due in 2024 with the right of mortgage capital of Baht 2,000 million.

1.4 Lease of assets for use in operation

A. Office building lease agreements

The Company entered into an office building lease agreement with a person who is not related to the Company and its subsidiaries at No.898 Ploenchit Tower, 20th Floor, Ploenchit Road, Lumpini Sub-district, Pathumwan District, Bangkok.

The lease term was 3 years, ending on November 15, 2026. The rent and utility service charges throughout the contract period was Baht 26.97 million.

B. Car lease agreements

As of December 31, 2023, the Company has entered into 3 car rental agreements from persons who are not related to the Company and its subsidiaries with a rental period of 4-5 years, ending July 2025, 1 car, total value of rent throughout the contract period was Baht 3.16 million, ending April 2025, 1 car, total value of rental throughout the contract was Baht 3.33 million, and ending April 2028, 1 car. The total value of the rent throughout the contract period were Baht 4.54 million.

2. INVESTMENT POLICY IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The Company will invest in subsidiaries and associated companies, whereby the Company will invest in a large proportion.

This will enable the company to participate in the management and formulate business guidelines. In addition, representatives from the company will be appointed as the directors of the investment company as appropriate.

As at December 31, 2023, the investment in subsidiaries consist of:

Subsidiaries	Country of registration	Type of business	Percentage of holding (%)
Direct subsidiaries			
Landmark Holdings Co., Ltd. ^{1/}	Thailand	Trading, rent and real estate operation and holding company	70.00
BCEG Country Group Engineering Co., Ltd.	Thailand	Construction and wholesaler of equipment and furniture used in construction	99.99
CGD Digital Partners Limited	Mauritius	Holding company	100.00
Leading Schools Partnership Limited	Guernsey	Holding company	96.45
Indirect subsidiaries			
Chao Phraya Estate Residences Co., Ltd.	Thailand	Real estate management of Chao Phraya Estate Project Real estate	41.69 ⁽¹⁾
CGUK 1 Limited	Guernsey	Real estate	96.45 ⁽²⁾

⁽¹⁾ The Company holds shares indirectly through Landmark Holdings Co., Ltd.

⁽²⁾ The Company holds shares indirectly through Leading Schools Partnership Limited.

Remark

^{1/} Commitment of investment in subsidiary: As at December 31, 2023, the Company has pledged the whole amount of Landmark Holdings Company Limited as collateral for repayment of construction payable.

RISK FACTORS

The Company pays close attention to management of risks that may have significant impacts on its business operations, by ensuring that they are at the level, which is controllable and acceptable to the Company. In this connection, the main risk factors facing the Company could be summarized as follows:

1. STRATEGIC RISK

1.1 Risk arising from discontinuity of revenue recognition

The Company started operating real estate business in 2010, and its source revenue are from "For Sales Assets" and "Income Assets". At present, its main source of revenue from for sale assets includes Elements Srinakarin Project which its construction is already completed and its revenue has been gradually recognized since 2013. The project was already sold out, and closed in year 2018. In addition, Four Seasons Private Residences Bangkok at Chao Phraya River which its construction was almost completed and started to recognize income since 4 quarter 2019. In addition, the Company has revenue from rental of Ovingdean Hall project before recognizing its revenue from selling the asset.

In 2021, the Company has entered into the assets disposal transaction; Capella Hotel Bangkok and Four Seasons Hotel Bangkok at Chao Phraya River, in order for a cash flow to accelerate debt repayment according to the Company's policy. As a result, the recognition of future continuous income is missing.

However, the Company realizes the importance of continuous revenue recognition. The Company then has a policy to develop new project in the near term; on the land situated right on Rama III area; a 22-3-93.6 rai (9.1 acres) mixed use development. The development components are the residential towers (For Sale Asset), and the first tier international school (Income Asset).

In this regard, the revenue recognition from the project Four Seasons Private Residences at Chao Phraya River, including the developing new projects in both the residential towers and the international school, will be the Group's policy to support continuous revenue recognition in the future.

1.2 Risk arising from investing in various projects

Main business of the Company is real estate investment and development, which may arise risk from unexpected return from company investment. In relation to the selection of projects that offer good potential for its investment, the Company has to take into consideration several factors in order to acquire the projects that give attractive returns at an acceptable level of risk. As a result, the Company has adopted a strict policy requiring a feasibility study, risk and return considerations, detailed due diligence, and hiring of experts in various areas such as legal advisors, financial advisors and marketing advisors in order to obtain adequate information for investment decision making. In addition, the Company established a clear operational plan, which was designed and considered impacting from external factors and their solutions. The Company has monitored the implementation of the plan constantly and systematically.

In this connection, the various investment projects are not only subject to careful consideration by the management but also subject to consideration by the Company's board of directors who possess both knowledge and skills. The objective is to ensure that the projects are worthy of investment by the Company.

2. OPERATIONAL RISK

2.1 Risk associated with construction cost control

Construction cost control is one of important factors resulting to project return. Construction material cost is crucial major cost. Construction cost has changed. However, the Company makes a detailed estimate of the construction cost of each project, aiming to get information about the construction cost as close to the actual cost as possible from the start of the project. The information enables the Company to determine the overall construction prices in the contracts to be signed with sub-contractors. As regards some items of construction materials, which are purchased by the Company, it will compare various prices quoted by several suppliers. As well, when contracts are signed, prices will be fixed in advance. The objective is for the Company to ensure that it gets the best prices and the best terms as possible. As a result, throughout the construction period of each project, the Company does not run the risk of price volatility.

2.2 Risk arising from sales of projects being lower than originally estimated

The Company has estimated the sales of the project Four Seasons Private Residences at Chao Phraya River. The Company's related sales plans have been developed by teams of experienced and skilled staff. The plans were forecasted with consideration of unexpected impact. In addition, to achieve the plans, the Company sells through many sales channels. The Company collaborated with real estate brokers who have extensive networks of customers, both local and overseas. As a result, the Company is confident that it is able to reach the established targets. Moreover, the Company closely monitors the project performance and analyzes the situation. It stands ready to adjust its sales plans in a timely manner, ensuring that the revised plans are appropriate in view of the prevailing economic conditions.

3. FINANCIAL RISK

3.1 Risk arising from limited access to funding sources

The Company's projects require large investments for development and construction. As a result, it is necessary for the Company to have access to several different funding sources including, among others, borrowings from financial institutions, offer of rights issues to raise capital, issuance of various types of debt instruments such as debentures and bills of exchange, as well as working capital based on sales of condominium units before the construction is completed. In case the Company is unable to obtain adequate funds in line with the plans established for project development, the failure may have an adverse impact on project implementation and performance.

However, the Company is confident that it is able to obtain adequate funds in line with the established targets. This is mainly because the Company has developed a watertight financial plan, taking into account the working capital of each project and regularly assessing the Company's ability to gain access to funding sources as well as its debt-to-equity ratio, which needs to be kept at an appropriate level.

3.2 Foreign exchange rate risk

The Company has adopted a policy to invest in various projects, both local and overseas. In this connection, it is well aware of potential impacts on the related project performance, which are created by the risk arising from interest rate volatility. The Company has also adopted a clear policy aiming at reducing the risk arising from interest rate volatility by placing emphasis on a method called 'natural hedge' as much as possible. The objectives are to cut costs and to minimize sophisticated transactions. To deal with any remaining currency risk, the Company has adopted a policy to hedge with currency forward contracts by taking into account trend directions as well as the delivery dates of the forward contracts. The objective is to cover the risk arising from the related transactions as much as possible. Furthermore, the Company has also adopted a clear policy to refrain from any speculative transactions in foreign currencies as they may give rise to uncertainties of the project performance.

3.3 Interest rate risk

Interest rate movements have an impact on the Company. If the interest rate rises, customers will postpone their purchases, mainly due to the customers' increasing cost of buying real estate. On the other hand, the Company's financial costs also increase since it needs financial support from financial institutions in the form of loans, the proceeds of which will be used for building real estate projects.

However, the Company has developed a plan aiming at closely monitoring and reducing the risk arising from rising interest rates. At present, most of the Company's loans are fixed interest rate loans. The objective is to reduce the risk arising from interest rate volatility. In case it has to get variable interest rate loans, the Company will consider using financial tools such as interest rate swap in order to reduce such risk. In addition, the Company has established business alliances with several commercial banks. The objective is to enable the Company to make comparison of different offers which lead to the financial costs appropriate to both the Company and its customers.

3.4 Risk arising from financial ratio maintaining

As at 31 December 2023, the Company did not have duty to maintain debt, deducted by cash and cash equivalents, to equity ratio according to loan agreement and CGD's debenture specifications. However according to CGD's secured debenture No. 1/2020, the Company has a duty to maintain interest bearing debt to equity ratio to be not more than 5.5 : 1 (five point five to one) at the end of quarterly fiscal period and end of fiscal year according to yearly financial statements.

As at 31 December 2023, interest bearing debt, deducted by cash and cash equivalents to equity ratio of the Company in compliance with debenture specifications was 1.1, which is considered to be low. In the future, the Company started residential project development at Rama III or the investment of international school. The Company will have plan to raise fund from institution loan and debenture issuance which might cause debt to equity ratio to rise and might be close to debenture specification.

The Company is confident that the Company will be able to maintain interest bearing debt, deducted by cash and cash equivalents, to equity ratio in compliance with debenture specifications. The Company has plan to reduce debt by continuous loan repayment from the revenue from Four Seasons Private Residences Bangkok at Chao Phraya River.

4. RISK ARISING FROM CAPABILITY FOR DEBT REPAYMENT

As at 31 December 2023, the Company's remaining value of bills of exchange with remaining age less than 270 days amounted to Baht 170 million, maturity date between 22 March 2024 to 23 April 2024, and remaining value of none-due debenture amounted to Baht 2,141.0 million, maturity date between 23 March 2024 to 19 October 2024. In addition, the company has construction payables and accrued interest of the Chao Phraya Estate Project as of December 31, 2023, amounting to Baht 5,484.65 million and Baht 572.61 million respectively which under the Repayment Agreement, such payables fall due by June 30, 2022.

However, the subsidiary considered that the project contractor has failed to perform its obligations as set forth in the construction agreement and ultimately failed to deliver the construction of the Chao Phraya Estate Project by the requisite due date of October 31, 2018. Pursuant to the construction agreement, the subsidiary and project contractor shall each submit their respective claims for delay damages and entitlement to an Extension of Time for Completion ("EoT") to the engineer who was appointed by both parties as specified in the construction agreement (the "Engineer"), whom in its capacity as the parties Claims Determiner, shall make such determination with binding effect. On April 20, 2023, the Engineer issued an official Engineer's Determination which concluded that the project contractor has not established entitlement to an EoT and therefore the time for completion of the work still remains unchanged being October 31, 2018 and that the project contractor has failed to comply the requirements of the construction contract and concluded that the subsidiary is entitled to delay damages of Baht 5,380.22 million and further noting that completion has not occurred.

The determination of such delay damages in favor of the subsidiary excludes other claims for damages and the subsidiary has made a preliminary assessment and found that the corresponding damages claim resulting from delays together with other breaches of the construction contract and shareholders contract, exceeds the amount of total construction payables and accrued interest. The Group's legal advisor's opinion has been formally obtained that as the construction contract is a reciprocal contract, therefore, the subsidiary as the debtor is not in default under the circumstances which the subsidiary is not responsible for pursuant to Section 205 of the Thai Civil & Commercial Code

The Company plans to repay the debt securities, loan from financial institution, and construction payable by cash flow from the sale of Four Seasons Private Residences Bangkok at Chao Phraya River.

5. RISK ARISING FROM STATE POLICIES

5.1 Risk arising from changes in laws and regulations related to real estate business

Changes in laws, rules and ministerial regulations in relation to real estate business have direct impacts on costs and expenditure related to the Company's project implementation. The changes include, among others, the change in the city planning requirements in relation to floor area ratio (FAR), the policy on determination of common areas, and the scope of assessment as well as preparation of environmental impact assessment (EIA) reports. If the regulations or requirements become more restrictive, the changes may have adverse impacts on the Company's performance.

However, the Company reduces such risk by regularly conducting surveys and studies on legal constraints and requirements related to real estate business. This enables the Company to prepare for possible changes and to make appropriate operational plans, taking into account the maximum benefits to be gained from future business operations.