



Risk Factors



Due to establishment of Pruksha Holding Public Company Limited (“Company”) to operate business as holding company that mainly generates revenue from holding shares in other companies, the contingent risks encountered by the Company are risks from business operations of its subsidiaries and/or future associated companies. The risk, preventive method and risk abatement aspects can be analyzed as per the following summary.

Risk from Core Business Operation of the Company

Risks as a Holding Company

As the incorporation objective of the Company is to mainly invest in other companies, its operating results are mostly derived from the operating results of the companies in which the Company makes investment. Hence, the decision on selecting the company for investment is highly crucial for operating results of the Company. At present, the Company has invested in two subsidiaries, including Pruksha Real Estate Public Company Limited (“Pruksha”), and the affiliated company of Vimut Hospital, without additional investment in other subsidiaries and associated companies in last year.

The Company recognizes its profit and loss from its jointly invested subsidiary which is Pruksha Real Estate Public Company Limited and the affiliated company of Vimut Hospital. If the subsidiary earns satisfactory operating results, the Company is profitable. However, on the other hand, if the operating results of the subsidiary and the associated company decline or get loss, the Company will be directly affected.

The Company’s dividend payment capability depends on dividend earned from the invested subsidiary and associated company of the Company

As the incorporation objective of the Company is to mainly invest in other companies, besides the operating result of the Company that depends on the operating results of the companies invested by the Company, the dividend payment capability of the Company also depends on dividend payment policy of its subsidiary and/or associated company invested by the Company. At present, the Company has invested in two subsidiaries, including Pruksha Real Estate Public Company Limited and the affiliated company of Vimut Hospital. Thus, the Company’s dividend payment capability mainly depends on dividend payment policy of both subsidiaries. Nevertheless, the dividend payment policy of both subsidiaries is not less than 50% of net profit from consolidated financial statements of each company after deduction of legal reserve capital.

The affiliated company of Vimut Hospital has still been unable to pay dividend to the Company since it has been under investment and construction of hospital to be opened for operation. It was expected to take another 1 - 2 years until the construction is completed and ready to be opened for operation and generate adequate dividend for dividend payment. Therefore, during this period, revenue and profit have been derived from Pruksha Real Estate Public Company Limited that operates real estate business with quite stable revenue, regular profit and continuous growing operating result. Pruksha is the main subsidiary which has been within the criteria of capability to pay dividend to all shareholders of the Company.

Risk from Core Business Operation of the Company’s Subsidiaries

I. Real Estate Business

I.1) Risk from land selection for development

- Risk from inadequate supply and purchase of land for demand according to target or business plan

The channel of most potential land acquisition for project development is land broker, and the other channel is from the land owner who offers for sale to Pruksha. Therefore, proactive plan is determined to stimulate or persuade the brokers who are existing alliances and new group of brokers to explore and propose maximum lands situated in targeted locations as quick as possible. In the event that the land owner offers for sale, there is quicker selection and decision process. However, the selection and decision process for land purchase remains focus on transparent and fair process for land owner whether the source of land is derived from any methods or channels. In addition, Pruksha has also determined preventive and eliminating measure of problems for benefit exploitation which is the cause of higher cost of land.



- Risk from mistake in land purchasing decision such as land without exit, land with inadequate element for applying the development permission, land that may affect community during construction, etc.

The most careful and circumspect preventive action without problem from the said risk is to arrange land physical survey team with knowledge and high experience in survey and inspection on every plot of land before making purchasing decision, hire external independent appraisal company to survey and appraise price, and procure the area measurement and relocation of boundary, and ground level measurement, and others.

In addition, if doubt raised in the aspect of width of right of way or public existence, or the aspect of the official prohibited rules, a separated team unit shall perform duty in communication and coordination to apply warranty from government agencies covering colorful plan, expropriation range, road connection and all of other related aspects.

- Risk from purchase of excessively expensive land or purchase of land in the vicinity of non-purchasing power vicinity or low demand

With circumspect process before purchasing decision, the business unit shall collect marketing data, conduct feasibility study and analysis on investment, study market and competitor, compare market price of targeted land, price of the plot of land in comparison with the appraisal

price of the official, and appraisal price of the independent appraiser to be supplementary data for preparation of feasibility study report of the project and audit by Finance Division. Therefore, it is abatement of risk that will cause damage from project development and then be nonsalable as planned or loss from development.

Moreover, land selection and purchase process shall be performed in form of the committee consisting of top executive who is specialized whether in the fields of land and land development, business, finance, law, and official requirement, risk control and others, so as to ensure that Pruksa can purchase quality land in appropriate period of time and number of plots so that Pruksa can generate revenues according to the determined business plan.

1.2) Risk from result of change in credit granting policy of commercial banks

According to BOT's determination on the rule of credit supervision for housing loans and other loans related to housing loans (top-up) as macroprudential measure, the purpose is (1) to supervise the person who desires to purchase residence to be able to purchase house in reasonable price, (2) to improve the housing loan consideration standard of the financial institution, and (3) to be the preventive measure for supervision of systematic risk as per the following summary.

Type of Residences	LTV Ratio Ceiling	LTV Ratio for Calculation of Risk-Weighted Assets	Risk Weight (RW)
In the event of collateral with selling price of below 10 million Baht			
Housing Loan of the First Contract	≤ 100%	High-rise Residence ≤ 90%	35%
		Low-rise Residence ≤ 95%	
		In the event of LTV ratio which is more than the aforesaid requirement	75%
Housing Loan of the Second Contract			35%
- Payment by installments for housing loan of the first contract for 3 years and more	≤ 90%	≤ 90%	
- Payment by installments for housing loan of the first contract for less than 3 years	≤ 80%	≤ 80%	
Housing Loan from the Third Contract onwards	≤ 70%	≤ 70%	
In the event of collateral with selling price from 10 million Baht and over			
Housing Loan of the First Contract or the Second Contract	≤ 80%	≤ 80%	35%
Housing Loan from the Third Contract onwards	≤ 70%	≤ 70%	35%

The aforesaid rule will start entering into force with the loan contract for housing purchase that is effective from 1 April 2019 onwards except the event of the sale contract before 15 October 2018 for abatement of impact on the person who has planned to purchase residence or paid by installments of down payment beforehand.

Low-rise residence has been low affected from such measure since most customers are the buyers of the first houses (housing loan of the first contract) for residential use as the actual first houses. High-rise residence has been somewhat affected for residence with price below 10 million Baht. High-end residence with price from 10 million Baht and more may not be much affected due to good financial position of the customer group whereas some of them make cash payment, and few number of requests for housing loans from the third contract onwards.

Pruksa has been prepared to support the impact from the BOT's measure of credit granting supervision of the commercial bank that will start entering into force with the loan contract for housing purchase that is effective from 1 April 2019, for instance, adjustment of down payment installment period to be longer, accelerated launch of the project, and distribution of products for more coverage of every group. In addition, Pruksa shall submit the application of loan approval to the bank for Pre-Approval when the customer expresses his/her intention to reserve residence and intends to request for borrowing of money so that risk of both customer and Pruksa will be reduced. Moreover, the considerable number of residences of Pruksa has been at variety of price ranges for selection by its customers. The customer can select cheaper residences to be consistent with regulation or policy of each commercial bank in each period of time.

Pruksa has currently established a team to monitor economy and adjust strategy to be consistent with changing situation from policy of each financial institution, and also applied information technology to support and facilitate customers for applying credit with the bank, and provide measure to support customers for early credit approval. The strategic partners are 13 commercial banks and government banks for selection by the customers of Pruksa to use their services.

1.3) Risk from high competition situation

At present, real estate development business has been highly competitive. This could be seen from the continuous launches of new projects by several real estate development companies and increasing entry of the new developers to capture market shares every year, affecting rapid increase in supply of real estate. Several large developers have evidentially adapted for enhancement of competitiveness by applying modern residential technology and innovation to drive business operation in order to create remarkableness and difference in residential development in the present era, and more fulfill the customer lifestyles of customers.

Pruksa is the large well-known residential developer in the market for long time in real estate development and accepted and trusted by the consumer group. Pruksa develops lands in various locations, matching lifestyles of various customer groups, and focuses on distribution of development in every price level, resulting in Pruksa's access to wider customer group. In addition, Pruksa has continuously developed construction quality by applying Real Estate Manufacturing (REM) innovation of house and construction quality control for house construction control. The contractor shall focus on only the construction works within his filed of skill and expertise. It is certain that house which is constructed by specialized workers will be quality, strong and durable under construction quality control in every procedure by Quality Improvement Team together with Quality Construction Service in entering to inspect and handle occurred problems during construction prior to house inspection and acceptance by the customer. In addition, the occurred problems are analyzed to find causes and adjust construction process to be more efficient together with modern design of houses and project areas to be corresponding to the preference of new customer groups. For sales and marketing work, New Marketing Approach Strategy has been formulated as new mode of marketing for low-rise business group both of single-detached



house and townhouse under focus on use of digital media for rapid access to potential customer group, enabling to create a trend of perceptions up to the competitor's tricks. It was deemed to be very successful in the past. Moreover, New Channel of Selling has been initiated without limitation of mode of sales particularly via the existing channel that the Company's employees are used. Customer recommendation or word of mouth via Pruksa Member, and sales via professional agents are applied as one of channels for generation of more sales. All of the said elements are therefore jointly assembled to be the key that makes Pruksa houses quality and strong to satisfy the demands of all customer groups and all lifestyles, and to be trusted by the consumers until present.

1.4) Risk concerning construction cost and construction material shortage

Construction materials are considered as essential construction cost. The prices of main construction materials have been increased due to demand and supply, and world economic situation, affecting higher cost of production and cost of transportation, and higher cost of land. The aforesaid higher costs will result in higher cost of house and land accordingly. Pruksa may be unable to immediately increase selling price, or in the event that selling price can be increased to be consistent with the said higher total costs, possibly affecting sales volume and the said cause will affect financial position and overall operation of Pruksa.

Pruksa has applied the strategy of selecting the vendors of main construction materials from all major categories of construction materials through bidding method to ensure that Pruksa has fixed construction cost throughout the year. For prevention of material shortage particularly main essential materials, Pruksa formulates the policy on creation of strategic partners by defining clear cut procedures from selection, supervision, evaluation as well as guideline of mutual operation. In addition, Pruksa holds the monthly meeting to report the change in prices of main construction materials and calculates the impact on cost of sales for consideration on adjusting selling price or supplying alternative materials. According to the replacement of the policy of house construction upon customer reservation, with "Ready to move in", Pruksa can plan construction and material purchase in advance, for prevention of material shortage and fluctuation of construction cost.

1.5) Risk from labor shortage

The construction labor shortage problem has still been the major issue in real estate sector due to the current large number of construction projects from several developers and stricter new issue of alien labor law promulgated by the government, resulting in confrontation of skilled labor shortage problem in some fields by several developers. Even Pruksa, it has also confronted with such problem. If Pruksa fails to supply specialized contractors and skilled labors to carry out the projects of Pruksa, construction works may be delayed and unable to transfer the units within the deadline, possibly resulting in poor quality of construction.

Pruksa therefore has invented low-rise properties construction method which is designed to have process of on-construction site installation system whereas Precast Concrete Panel is the main structure. Pruksa manages main construction works of the projects by itself under construction work supervision by the construction engineer and foreman of Pruksa, and hires of specialized contractors or labor contractors for construction in each part of work, such as foundation work, building element installation work, tiling work, roofing work, and painting work, etc. The construction is under supervision by Pruksa personnel. In condominium aspect, Pruksa began to hire turnkey contractors to carry out construction of high-rise buildings or condominiums since 2009, and forms the partnerships with the contractors that have outstanding and high quality performances for abatement of risk resulting from production capacity or construction expansion to support the skip growth of Pruksa business.

To reduce its reliance on workforce as well as the number of construction period, and to improve more quality of construction work, Pruksa has studied new innovation whether being the latest technology of the construction work management system or selection of materials or prefabricated composition such as prefabricated toilet.

1.6) Project from reliance on knowledgeable and specialized personnel in operation

Pruksa is the company that constructs houses with technology of prefabricated load bearing wall which is the latest construction system, requiring specialized and experienced personnel in specific fields such as business development team, product development team, designer, construction team, selling team, and marketing team. Pruksa designs the system to retain and stimulate those personnel

to have working expertise to ensure that the employees can efficiently perform their works and achieve the determined goals both in the current and future position.

Pruksa realizes on the factor of specialized personnel and preparation in coping with this risk by developing complete specialized personnel for all work sections, promoting transfer for development across the career to ensure that working can be replaced among them. Moreover, Pruksa determines the policy in relation to encouragement of career progress of the employees by giving the opportunity of equal growth to every employee under creation of career path instrument and system together with support system, building of self-preparedness for career growth of the employees together with corporate business growth, such as continuous personnel training and development, Succession Planning, Promotion, Talent Management, Leadership Opportunity Matching (LOM), and Leadership Competency Development. However, the policy of Pruksa is to grant proper welfare and reward to these specialized personnel, resulting in the ability of Pruksa to abate the said risk.

Personnel Development

Pruksa Real Estate Public Company Limited aims at continuous developing higher personnel potential and competence so that the employees can effectively work and achieve the setting goals both in the current and future positions under 70:20:10 development model of Pruksa as follows:

- **70 Experiential Learning.** It is the form of development derived from work experiences and problem solving thinking through actual working both derived from daily working or may be derived from assignment of new work or new project, resulting in requirement of learning and training of various skills for work success, such as being Project Leader of the Innovation Project, being Project Leader of the Improvement Project, being the Change Agent, being Team Leader in solving problems, etc.
- **20 Learning from Others.** It is the learning derived from all surrounding things, such as coaching from supervisor, feedback data acquisition from superior, mentor or from related person in working, observing other persons, peer reviewing, shadowing from expert, learning internet, or occasionally, the team meeting can be applied after mutual learning in working team. These methods are considered as learning from others.

- **10 Formal Learning.** It is the learning which is standard pattern familiar by us, such as learning from attending trainings and seminars whether classroom training, workshop training, attending trainings as determined by the Company and attending external trainings.

Succession Planning

The Company is prepared in the matter of Succession Planning for preparation of the person who will be the successor in the event of additional job vacancies, the event of business expansion and the event where key executive position is going to be vacant due to removal, resignation or retirement of the employee who works in that position. The monitoring of development progress, conclusion of development result, and review of development plan shall be performed once a year.

Future Leader Program

It is the program implemented by Pruksa for recruitment of Future Leader (Management Trainee) for selection of manager level executives of divisions that may be deficient in the future or is the skill which will be required in the future. The Program is opened for the graduate of master's degree and higher without limitation of program for application. The Program will select potential and high performance individual, create learning process and develop him/her to be prepared to be the corporate executive. Variety forms of the development system consist of classroom training, seminar, job coaching, and coaching from executives, as well as development through assignment of the important project of division. Throughout three years period, the mentor of the employee will advise and supervise to help him/her to be prepared to be in charge in executive position accordingly.

Pruksa Seedling Scholarship

It is the youth education support program of the Company for creation of strategic advantage against the business competitors in term of quality personnel recruitment through grant of scholarships since 2014 as per the following details.

- The students of Faculty of Engineering are granted for 10 scholarships per year in total.
- Each scholarship amounts 50,000 Baht per academic year for two academic years (Third Year and Fourth Year)
- On-the-job training in summer or cooperative education at Pruksa is provided to the students.

- After graduation, Prukسا will employ those scholars to be the Company's employees.

Until present, there have been total of 38 students who were granted for Prukسا Seedling Scholarships.

1.7) Risk from business operation under restricted laws
Prukسا Holding Public Company Limited ("Company") operates the business in the nature of Holding Company by holding shares in:

- a) Prukسا Real Estate Pcl. ("Prukسا") since 2016. The core business is real estate development, residential construction in type of townhouse, single-detached house, and condominium, for sales to general public; and
- b) Vimut Hospital Holding Co., Ltd. ("Vimut Holding"). The core business is to operate private hospital and clinic business by holding shares in Vimut International Hospital Co., Ltd. ("Vimut International").

In consistent business operation, Prukسا observes regulations of laws, rules, regulations and requirements of government agencies all the time. It is therefore confident that all types of Prukسا products are in line with laws, properly permitted by the related government agencies, and complies with advice or order of the government agencies or other clearinghouse organizations until being well acceptable by both customers and shareholders.

However, Prukسا Holding Public Company Limited is assured that Prukسا business operation applies the principle of good corporate governance, enabling to develop product, and purchase materials and equipment, or procure the contractor by effective, transparent and accountable means. Prukسا Holding Public Company Limited therefore is confident and believes in Prukسا's availability of principle of good corporate governance is for full retention of the interest of the Company itself and for shareholders. Thus, illegal risk from business operation has not been exposed at all.

1.8) Risk from crisis affecting danger of the construction project

As core business of Prukسا is the residential construction in type of townhouse, single-detached house and condominium for sales, the important thing under concern in business operation is safety and accident that may occur in operation. Each accident occurrence will invaluablely affect the loss of both life and property. Nevertheless, Prukسا

considerably realizes and gives precedence to care of the employee's life and property safety by encouraging on building awareness on work safety through training of employees in all work sections of Prukسا particularly in part of the employees who work at construction project and the contractors. Prukسا arranges professional safety officers in each business group to randomly audit the operation for safety, supplies necessary safety equipment, and determines safety management standard covering low-rise construction of Prukسا. Prukسا has been accredited for Occupation Health and Safety Management System Standard OHSAS18001: 2007 in high-rise projects. Thus, it is assured of Prukسا international standard safety care.

In coping with the event of emergency or crisis, Prukسا has continuously developed risk management system adhering to international standard guideline of COSO and ERM Framework. The analysis of risks affecting goals under business plan will be analyzed, determination of the proper risk control measure and development of Business Continuity Management System (BCMs) are annually performed to cope with risk of important work process interruption. The analysis and simulation of contingent emergency situations in the project construction, and arrangement of rehearsal of Emergency Response Plan (ERP) together with Business Continuity Plan (BCP) to the employees who work at the construction projects, are performed for preparedness to support the contingent crisis. From all of these elements, it is assured of Prukسا's awareness and emphasis on life and property safety of the employees and related parties in working of all work sections, and preparedness to immediately cope with the contingent emergency and crisis.

1.9) Risk from information technology

Among a trend change at present, corporates encounter changes in various environment as an impact to corporate operations tremendously. Technology performs a potential role in corporate development, especially applying technology to corporate management for immediate changes and resulting in a decrease of damages or impacts that may happen. Moreover, access to technology by user affects to digital channel that has a vital role of home buying decision. Prukسا recognizes significant risks derived from such issues such as out of date of technology as a result in business competitions (Globalization), inefficiency of using software due to lack of knowledge of operational information technology systems, inefficiency of IT Literacy because of

using to complicated software, instability of network and server as impact to information retrieval from server, preparation of equipments which are not ready to support or develop IT Infrastructure, information safety and information management including a coping with cyber or social media attacks as impact to a damage of core business operation or cyber threat. In addition, Pruksa's information systems and operation have not been collected and prepared into automatic connection (Big Data). The analysis of information from database still has been performed by a lot of personnel.

In order to connect the overview of information system and corporate strategy to be linkage and conformity including ability to protect risk and damage from aforesaid issues, Pruksa therefore created Streamline Process and Digitization project with the purpose of support requirement in business procedure and design of information system considering to appropriate system integration, resulting in synchronization between procedure and database at adequate level for maximum potentiality. The procedure can be divided into two parts which consist of

- Firstly, opportunity exploration is the usage of new technology to enhance corporate reaching objectives. It is under the study of advantage and disadvantage and opportunity to apply with corporate environment
- Secondly, operation excellence is operation part which should be sustainably developed both front office and back office including data security management under the concentration on holistic management in form of IT base for information security so as to protect the secret of server and information.

Simultaneously, Pruksa has observed the said risks through key risk indicators (KRIs) and risk management plan in order to report to the Enterprise Risk Committee for perpetual acknowledgement according to the reporting period (twice a month). In addition, there have been a summary of significant risk issues in order to quarterly report to the Executive Committee. Due to preparation in coping with risk of system failure or inaccessibility as impact to business interruption, from 2017, Pruksa has set up a training of Disaster Recovery Plan (DRP) on annual basis for confidence of information security as above mentioned resulting to potential development for competitions and capability of continuous system improvement.

2. Hospital Business

In business operation of Vimut Hospital Project under Vimut International Hospital Co., Ltd. ("Vimut International"), various risk factors that may affect Vimut International's operation must be encountered. The following risk factors are just some significant aspects that may affect Vimut International and significantly causes investment risk. However, the specified risk factors were referred from current existing and future anticipated information that can be specified. In the future, risk factors may be newly emerged due to changing environmental factor of Vimut International, possibly affecting Vimut International's future business operation.

2.1) Risk from construction of the project that may be in error from scheduled plan

Vimut International has determined business plan and strategy of investment growth in hospital building construction with total investment value of 4.9 billion Baht. The construction has been commenced and scheduled for completion in 2020. However, there may be risk from delay of construction completion later than scheduled plan, possibly affecting overall operation and business opportunity of Vimut International.

According to the said contingent risk factor, Vimut International therefore has hired specialized and experienced designer and consultant of hospital building design and construction control for estimation of proper construction period, and considered insuring insurance policy in the beginning period of building construction to support risk from such contingent damage with the construction project, and considered determining the condition of the construction contract for hire of main contractor. The fine is defined from delay working so that it is chargeable from the main contractor in the event of construction incompleteness as scheduled by the contract.

2.2) Risk from business competition in healthcare business

Healthcare business operation has currently tended to be increasingly severe competitive due to continuous merger of large operators in the market, resulting in advantage of treatment cost and variety of service channels. Moreover, the competition with private hospital in the same level must be competitive with service expansion of the government hospitals, such as special clinic, possibly affecting attraction of Vimut International's customer base.

For enhancement of service efficiency and increase in competitiveness, Vimut International therefore has formulated strategies and business development plan in order to be leading hospital by investing in modern medical equipment and information technology system, study of the information from expert group in application of technology to upgrade facilities covering both in Clinical and Healthcare Facility Services for continuous quality development and expansion of medical care, and consideration on application of international quality accreditation system of Joint Commission International Accreditation (JCI) Institute from construction foundation in order to accentuate the will of being international standardized hospital. Nevertheless, today's hospital business situation has tended to well grow. Medical care has still been continuously demanded by the populations in the area. Vimut International may adjust business plan to be proper for business situation in each period of time so that it can support variety of service demands and convenient and rapid service access.

2.3) Risk from shortage of medical and nursing staffs

The medical care must rely on medical and nursing staffs in related fields. At present, the said people can be produced in limited number. In addition, the current impact from medical care business expansion has caused quality and experienced employee demand to joint with the organization. It must take long time for the said employees to develop proper knowledge and competence. Vimut International therefore exposes to risk of these professional personnel shortage from increasing demand of the government and private hospitals in the future.

Vimut International therefore considers collaborating with universities that produce medical and nursing personnel on granting various forms of scholarship to students for continuous knowledge development and application of knowledge in working with the organization in the future after their graduation. Moreover, Vimut International also considers determining the appropriate rate of remuneration and welfare for competitiveness with other operators in private hospital business group, under prediction on reduction of negative impact from such risk factor.