

รายงานประจำปี 2559
ANNUAL REPORT 2016



TREIT

ทรัสต์เพื่อการลงทุนในอสังหาริมทรัพย์และสิทธิการเช่าอสังหาริมทรัพย์ไทยคอน
TICON Freehold and Leasehold Real Estate Investment Trust

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Message from the REIT Manager

Dear Unitholders of TICON Freehold and Leasehold Real Estate Investment Trust

In year 2016, there was a fluctuation in both domestic and international economies affecting both global and Thai GDP growth. With such an environment, it was inevitable that many businesses were affected. Furthermore, there were other factors that also affected the operation of TREIT, such as losing the chance for additional investment and the termination of the lease contract of one anchor factory tenant. However, we believe that, with the experience of our REIT Manager and Property Manager who have been expert in the industrial property business for many years, together with the high quality of assets located in strategic manufacturing and logistics locations, TREIT can still maintain a high competitive edge in this industry and performance is expected to improve in the near future.

On the operating results for the year 2016, ended on 31st December 2016, TREIT reported total asset value of 7,771,275,870 Baht with net investment income of 394,124,295 Baht. TREIT's net assets have reached 5,746,868,728 Baht, increasing by 145,553,512 Baht compared to year 2015. This results in a net asset value per unit of 10.1391 Baht.

For the upcoming year of 2017, the REIT manager has high determination to enhance investment return to unit holders by increasing the occupancy rate on the existing assets, decreasing the operation expenses and seeking new investment opportunities that yield proper return. To achieve all these goals, we hope to have the kind support, as usual, from our unit holders.

Sincerely yours,

TICON Management Company Limited

The REIT Manager



BBL ASSET MANAGEMENT CO., LTD.
บริษัทหลักทรัพย์จัดการกองทุนรวม บัวหลวง จำกัด

Trustee's Opinion

22nd February 2017

To : Unitholders of Ticon Freehold and Leasehold Real Estate Investment Trust

Whereas, BBL Asset Management Company Limited ("BBLAM") acting as the Trustee of the Ticon Freehold and Leasehold Real Estate Investment Trust ("TREIT") which managed by Ticon Management Company Limited ("TMAN") as the REIT manager during accounting period from 1st January 2016 to 31st December 2016.

In our opinion, TMAN has performed its duties in managing the TREIT appropriately in accordance with the objectives specified in the Trust Deed and the Trust for Transactions in Capital Market Act B.E. 2550.

Yours Faithfully,

BBL Asset Management Co., Ltd.,

Trustee of TICON Freehold and Leasehold Real Estate Investment Trust

(Mr. Chukiet Wiriyaakorkitkul)
Senior Vice President

(Mr. Thawatchai Lueangsurarungse)
Senior Vice President

PART 1

The Trust's Operation



Information of the Trust

1. Substantial Information of the Trust

Name of Trust (Thai)	ทรัสต์เพื่อการลงทุนในอสังหาริมทรัพย์และสิทธิการเช่าอสังหาริมทรัพย์ไทคอน
Name of Trust (English)	TICON Freehold and Leasehold Real Estate Investment Trust
Ticker	TREIT
Trust registered and capital from the unitholders	Baht 5,542,062,750
Term of Trust	Indefinite Maturity
Type of Trust Units	Unredeemable
Type of business	Invest in freehold and leasehold of properties which are land and warehouses, factories and/or offices

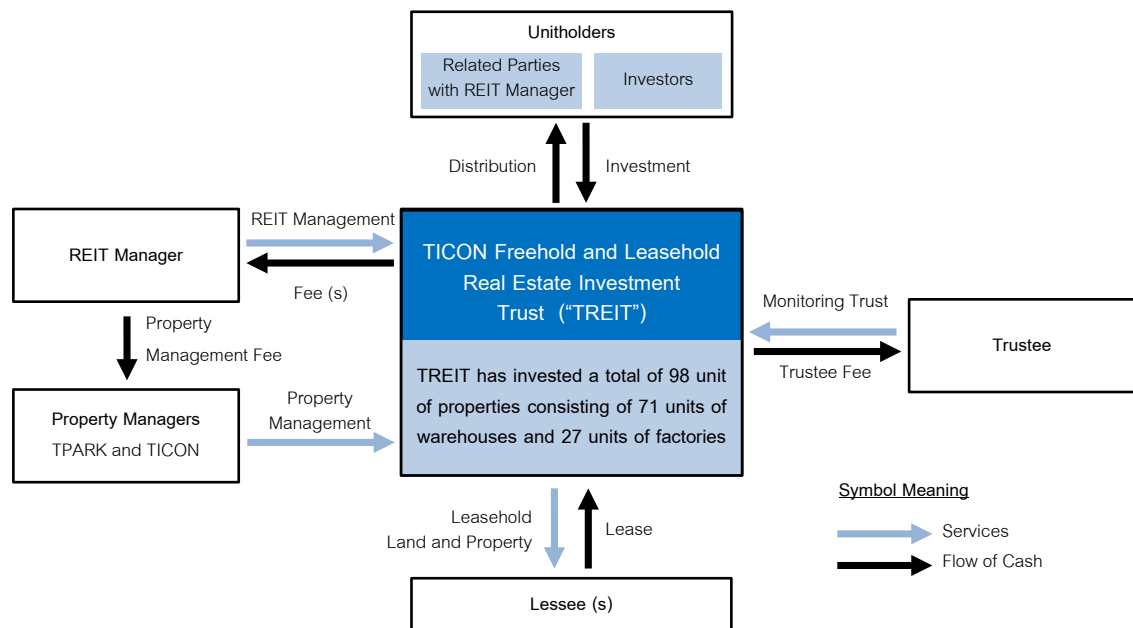
2. Background and Objective of the Trust

TICON Freehold and Leasehold Real Estate Investment Trust ("TREIT") has been established pursuant to the Transactions in Capital Market Act B.E. 2550 on 12 December 2014, with registered capital of Baht 3,425,000,000. In this regard, BBL Asset Management Company Limited, the Trustee of the Trust has appointed TICON Management Company Limited to act as the REIT Manager.

TREIT has been established for the purpose to enter into transaction in capital market according to regulations of the Securities and Exchange Commission ("SEC"), with objective to issue securities as trust units of the Real Estate Investment Trust ("REIT") for public offering. The REIT Manager subsequently submitted application to list the trust units as listed securities in the Stock Exchange of Thailand ("SET"). On 9 January 2015, SET has announced new listed securities "TREIT" to be tradable on the Stock Exchange of Thailand.

The REIT Manager serves in various management roles including the investment and obtaining benefits from properties, seeking out sources of fund and selection of the Property Managers. The REIT Manager has appointed TPARK and TICON as the Property Managers of the properties, in order to exploit benefits from these properties by leasing, subleasing, transfer and/or sale of properties invested or owned by TREIT. TREIT receives income in the form of rental income, service income and/or common service income from the exploitation of its properties.

3. TREIT Structure



Trustee

1. General Information

Name	BBL Asset Management Company Limited
Address	175 Sathorn City Tower, 7 th , 21 st and 26 th Floor, South Sathorn Road, Tungmahamek Sub-district, Sathorn District, Bangkok 10120
Telephone	02-674-6488
Fax	02-679-6882
Website	www.bblam.co.th

2. Duties and Responsibilities of the Trustee

The Trustee shall perform its duties with integrity and professional cautiousness by using its knowledge, ability and expertise to treat the trust unitholders fairly. Trustee shall manage and carry out the administration properly and efficiently under the adequate risk management and with professional standards for the best benefit of the unitholders. All investment activities carried out are to be in line with the Trust Deed and complied with related laws and obligations as prescribed below.

1. Ensure that the Trust Deed contains material information required by related laws. Any changes in the Trust Deed shall be done in accordance with the criteria and procedures defined in the Trust Deed and related laws. In case there are any changes that are not complied, Trustee shall take actions by using its authority specified in the Trust Deed and in the Trust for Transactions in Capital Market Act, B.E. 2550 to protect the rights and interests of the unitholders. Additionally, if in the future there are any amendments in the regulation relating to trust units offering or management of the Trust listed under the Securities and Exchange Act, B.E. 2535 and the Trust for Transactions in Capital Market Act, B.E. 2550 and the Trust Deed is not complied with such amendments, Trustee shall process the amendment of the Trust Deed by following the procedures defined in the Trust Deed or the SEC order under section 21 of the Trust for Transactions in Capital Market Act, B.E. 2550;
2. Monitor, oversee and review the activities of the REIT manager which relate to management of TREIT, including the investment in the assets of TREIT and other duties stated in the Trust Deed, other related contracts and related laws as follows:
 - (a) Ensure that the management of TREIT carried out by the REIT Manager has been approved by SEC at all time;

- (b) Oversee and take necessary actions to ensure that the REIT Manager is qualified and perform its duties according to the rules stipulated in the Trust Deed and related laws, as well as to revoke the existing REIT Manager and appoint the new one;
 - (c) Oversee that the investment of the Trust by the REIT Manager complied with the Trust Deed and related laws;
 - (d) Oversee and verify that the REIT Manager has a list of the assets, a system to keep track of benefits arising from the assets, and sufficient measures to protect the assets.
3. Oversee the REIT Manager to prepare and disclose the Trust information accurately and completely in accordance with the Trust Deed and related laws, including the preparation and submission of financial statements and reports on the financial status and results of operations of the Trust to the Securities and Exchange Commission as follows:
- (a) Quarterly audited financial statement;
 - (b) Financial statement for the accounting period which the auditor already examined and commented;
 - (c) Reports on operating result of the Trust;
 - (d) Report on other disclosures information relating to the Trust

All reports shall be prepared according to the rules, conditions and procedures stated in the Notification of the Capital Market Commission and in line with the accounting standards prescribed by the law on accountancy by taking into account the standards approved by the Board of Supervision of Auditing Practices under the Auditor Act, B.E. 2505. In addition, the REIT Manager shall report and explain the reasons to the Office of the Securities and Exchange Commission, without delay, if there are any events prescribed in Section 57 of the Securities and Exchange Act B.E. 2535. The REIT Manager shall disclose the required information to the Stock Exchange of Thailand and submit an annual report of TREIT to unitholders together with the invitation to the Annual General Meeting.

- 4. Supervise the REIT Manager to provide sufficient information for investors to make decision. Such information must be clearly communicated without any distortions and misleading. The REIT Manager needs to take precautions to ensure that proper guidance is given to the investors or the proper decisions are made for the investors.
- 5. Ensure that the process of capital increase and capital reduction which is carried out by the REIT Manager is in line with the rules stipulated in the Trust Deed and related laws.

6. Oversee the operations of the REIT Manager in acquiring and disposal of assets of the TREIT to comply with the rules stipulated in the Trust Deed and related laws.
7. Ensure that the REIT Manager maintains the core assets to be in good conditions, ready for renting out to earn income. This includes the provision of adequate insurance for the duration of TREIT investment, covering real estate insurance and liability insurance to third parties that may have been damaged by the real estate or the operation of the real estate.
8. Oversee the REIT Manager's business activities relating to borrowing for TREIT, entering into any obligations of the Trust assets, entering into any agreements and conducting any other activities for TREIT under the conditions stated in the Trust Deed and related laws.
9. Ensure the REIT Manager takes action regarding the valuation of the invested core assets as stipulated in the Trust Deed and related laws.
10. Oversee the REIT Manager to properly handle the transactions between the Trust and the REIT Manager or connected person of the REIT manager as stipulated in the Trust Deed and related laws.
11. Ensure the REIT Manager pays proper distribution to the unitholders with restriction to the right to receive benefits of unitholders who held units trust exceeding the allowed percentage or not in comply with the Trust Deed and related laws' stipulations. The REIT manager is required to conform with the rules stated in Trust Deed and related laws.
12. Ensure the REIT Manager arrange the Unitholders meeting, proceed to get resolutions from the meeting, and ensure that unitholders are given proper right to vote and reinforce the restriction for unitholders without the right in order to comply with the Trust Deed and related laws.
13. In case that the REIT Manager assigns other person to manage the invested assets, the Trustee shall ensure that the selection is done with cautiousness. The REIT Manager shall specify the roles and responsibilities of the property manager and the adequate measures to monitor and oversee the performance of the Property Manager.
14. Require the REIT Manager to prepare and submit report of disbursement of petty cash from TREIT's bank account within proper timeframe for the Trustee to review regularly.
15. Require and monitor the REIT Manager to oversee that the administrative expenses charged to TREIT are necessary, reasonable and associated directly with the Trust management.
16. Comment on the actions or transactions the REIT Manager carried out for TREIT in order to disclose the information to the unitholders or upon SEC's request.

17. Attend every unitholders' meeting to answer questions and make comments about the matter that unitholders are required to vote for resolution in regards of its compliance with the Trust Deed and related. The Trustee is required to make a clear remark and advise the unitholders that TREIT cannot take any action that is not complied with the Trust Deed or related laws.
18. Prepare report to the SEC within 5 business days after being notified or aware of the REIT Manager's action or refrain from action that caused damages to TREIT or when the REIT Manager not performing its duties as stipulated in the Trust Deed or related laws. The Trustee shall also take actions to resolve, prevent or recover such damages as deem appropriate.
19. Force liquidation or oversee a forced liquidation to comply with the agreement between the Trust and other parties.
20. Separate storage of Trustee belongings from the assets of the Trust.
21. Act as the REIT Manager and may assign other persons to manage the Trust within the scope of the rules and conditions stated in the Trust Deed, when necessary, i.e in the absence of REIT Manager or when the REIT Manager cannot perform its duties in order to prevent, inhibit or limit the damages which might affect the benefits of TREIT and of the unitholders. Additionally, with the authority stated in the Trust Deed and TREIT Act, the Trustee shall arrange to appoint new REIT manager as it deems appropriate.
22. In case that the Trustee holds the units trust, which it serves as a trustee. When it is required to exercise its right to vote or make any transaction as a unitholder, the Trustee shall consider and protect the benefit of the unitholders as a whole.
23. Arrange for the preparation of the unitholder register book which may be assigned to the SET or other registrars, as allowed by the Securities and Capital Market Act. The unitholder register book shall contain the following details:
 - (a) General information, including name of the REIT Manager and the Trustee, number of units trust, par value, paid-up capital, date of units trust issuance and restriction of unit transfer (if any);
 - (b) Details of each unitholder, including name, nationality, address of the unitholder, number of unit trust (if any), number of units trust to be hold, date of registration to be or cease to be unitholders, date of cancelling and re-issuing of unit trust certificate (if any), and sequence number of request to add or change records in the book (if any).

In case that the number of units held by some unitholder is not comply with the percentage specified in the Notification of the Capital Market Supervisory Board governing the issuance and offering of units trust, such unitholder will be refrained from registration in the book. In case of assigning external party as the Registrar, the Trustee shall ensure that such assign party complies with the rules and guidelines for preparing certificate of unitholding and the Trust Deed, except the preparation of evidence required by the system of The Thailand Securities Depository Co., Ltd. (TSD).

24. Process the payment of cash or assets and grant the right or any right restriction to the unitholders, whose name appeared on the register book in compliance with the conditions of TREIT obligations or related law.
25. Prepare unitholding certificate for the unitholders which including the information that is necessary and sufficient for the unitholders to use as their evidence and reference to the Trustee, the REIT Manager and others. The certificate must also include the information of related parties of TREIT, such as the Trustee, the REIT Manager, the Registrar, so that the unitholders can contact those parties. The certificate must also state clearly that the unitholders cannot return or redeem the units trust. Any other restrictions of unitholder's right must be clearly specified as well.
26. In the event of the existing REIT Manager must be out of duties in accordance with provisions in the Trust Deed and related law, the Trustee shall arrange to get unitholders' resolution to appoint new REIT Manager within 60 days after the incident and shall appoint the new REIT Manager within 30 days after the resolution date. In case that no resolution is obtained after the request, the Trustee shall appoint new REIT manager by considering the benefit of unitholders as a whole.

3. Trustee Fee

1. Not exceeding 0.15% per annum of Net Asset Value (NAV) of the TREIT
2. The actual fee currently charged is 0.09875% per annum of Net Asset Value (NAV) of the TREIT

The Trustee calculate their fee and charge to the TREIT on monthly basis by using NAV on the last day of each month. The rate specified in clause 1 shall not include legal advisor fee or other advisors appointed by the Trustee.

In addition, the Trustee has charged TREIT for expenses incurred during performing its duties, such as the cost of the transfer or receive of assets, expenses incurred when performing inspection of purchase, lease, sell or transfer the assets, as well as the assets inspection on behalf of TREIT. Expenses which can be disbursed from TREIT include the expense of travel, accommodation, fees as well as additional costs such as the cost of copying the documents.

Policy and Business Overview

1. Vision, Objective and Strategies of TREIT

1.1 Vision of the TREIT

TREIT which focusing on freehold and leasehold of warehouse and factory buildings, with a vision to invest in more assets locally and in foreign countries for the purpose of expansion, asset allocation and continually growth of investments under rules and regulations of the SEC, SET and other regulators.

1.2 Objectives of the TREIT

TREIT aims to establish the expansion of the invested assets and utilise them to earn profits from lease, sublease, transfer or disposal of assets to generate sustainable returns by taking into account that the risks and benefits of the unitholders are critical.

1.3 Strategies of the TREIT

1. Income generating Strategies

To secure lease agreement to maintain income from lease, sublease and related service income to TREIT is the key to generate sustainable returns to the unitholders and to add more value to its net asset in long term. In addition, TREIT may consider to sell the freehold or leasehold rights in its asset in portfolio in case that there is benefit generating to TREIT or limitation of such particular asset to generate income. TREIT has appointed the REIT manager to implement the plan and strategy.

2. Property Management Strategies

To understand and meet the needs of the retail tenants literally, the REIT Manager has hired Property Managers, TICON and TPARK (ex-owners of the properties), to manage its asset because of their relationship and knowing retail tenants as well as their working team which can serve tenants in time with efficiency. From their long experience as leaders in the business of building factories and warehouses for lease, both companies have large client base both Thai and international clients. This strategy will drive the expansion of TREIT's business and the growth of lease income with effective control on operating expenses.

3. Strategies to build-up investment growth

To generate more returns on investment and to increase the value of its net assets, TREIT aims to pursue for more investment opportunities in commercial property of asset, not only the assets owned by individuals within the same business group but the assets owned by others within and outside the country.

The REIT manager shall consider the suitability and qualifications of the targeted properties based on following key factors:

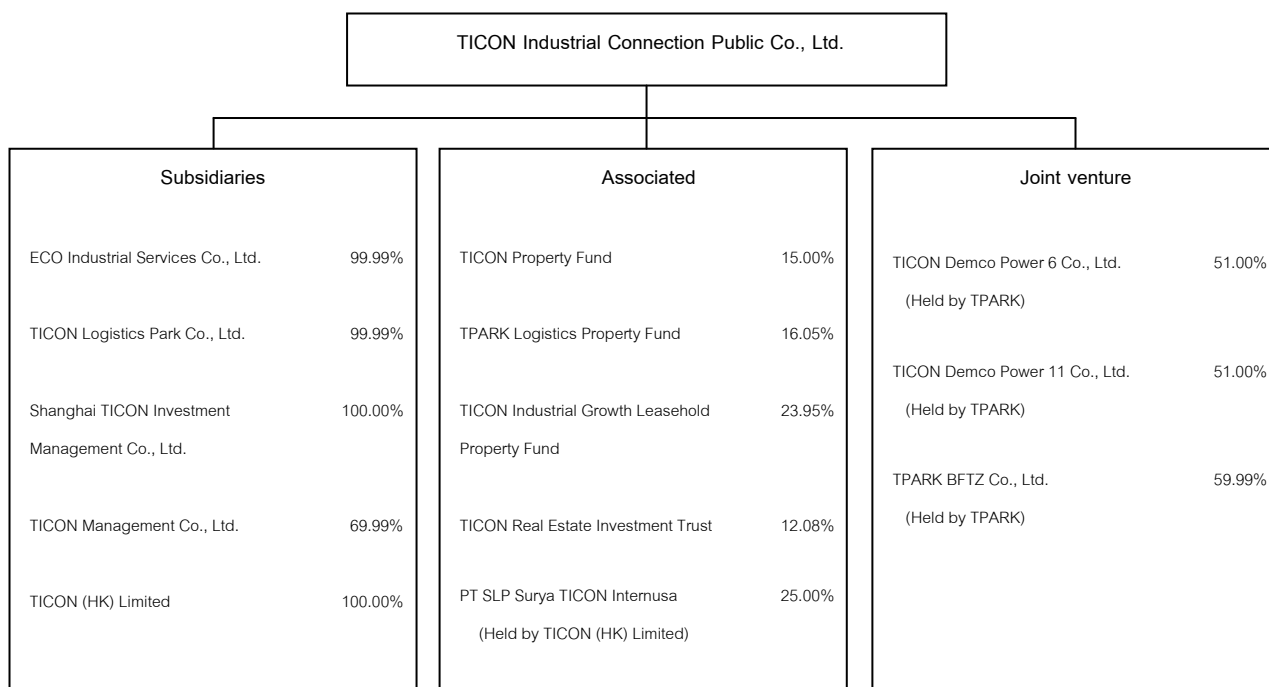
- Quality of the assets i. e location, landscape, building conditions, engineering systems, utilities; and overall environment; all must be complied with the regulations and having acceptable risks;
- Returns on real estate index;
- Qualifications of the retail tenants and their ability to pay;
- Occupancy rate

2. Relationship with business group of Property Manager or Major Unitholders

2.1 Connection between the REIT manager and the Property Managers

Regarding the fact that the REIT Manager appointed TPARK and TICON who are connected persons to be Property Managers for asset types, warehouses and factories, respectively. TPARK and TICON also have their own warehouses and factories while being Property Managers for other three property funds, namely TFUND, TLOGIS and TGROWTH, of which their properties located in the same projects as the REIT's properties. In addition, TICON is a major unitholder of the REIT Manager. As at December 31, 2016, TICON held 70% of paid-up capital of the REIT Manager. (Please see details in the topic “**Property Manager**”); TICON is also a major unitholder of the other three property funds, TFUND, TLOGIS and TGROWTH, with following business structure.

Shareholding Structure of TICON Group as of 31 December 2016



List of Juristic Persons with the Same Major Shareholders of the REIT Manager

Juristic persons in Thailand as of 31 December 2016

No.	Corporate Name	Major Shareholders	Number of Shares (Shares)	Holding Ratio (%)
1.	Eco Industrial Services Co., Ltd.	TICON	4,999,984	99.99
2.	TICON Logistics Park Co., Ltd.	TICON	1,949,999,993	99.99

Juristic persons in other countries as of 31 December 2016

No.	Corporate Name	Major Shareholders	Number of Shares (Shares)	Holding Ratio (%)
1.	Shanghai TICON Investment Management Co., Ltd.	TICON	2,000,000	100.00
2.	TICON (HK) Limited	TICON	11,615,000	100.00

The different roles that TICON and TPARK have with TREIT may have a conflict of interest. For instance, in supplying new tenants they might offer a selection of warehouses or factories that are the property of TPARK or TICON or other above-mentioned property funds for customers to consider before the warehouses or factories that are the property of the TREIT. Also there might be potential conflicts of interest in determining the purchase price or lease of the property for more investments in the future. Therefore, the REIT Manager, being aware of the conflict of interest that may arise in such circumstances, has set measures to prevent conflicts of interest, including the condition that the Property Managers can be revoked if performance is not up to the set goals in the agreement. The property management fee was also set to be in the same range as other property funds which TPARK and TICON serve as the property managers. The purchasing price of warehouses and factories shall be determined with the book building method. The criteria for selecting assets to invest and the guidelines governing the property management by the Property Manager were clearly defined to prevent such problems. (Please see more details on topic “Corporate Governance”).

2.2 Industrial Properties under the Supervision of Property Manager

The Leasable Area of Industrial Properties under the Supervision of Property Manager¹

(Unit: Square Metre)

Location (Project / Industrial Estates/ Industrial Park)	TFUND	TLOGIS	TGROWTH	TICON	TPARK	TREIT	Total
Warehouses							
Bangna	19,600	61,575	162,445	-	41,189	14,640	299,449
Eastern Seaboard 2 (A)	-	-	-	-	24,363	15,800	40,163
Sriracha	-	-	-	-	55,350	44,418	99,768
Laem Chabang 2	-	-	-	-	68,090	43,950	112,040
Bangplee 1	-	-	-	-	-	76,477	76,477
Rojana (Prachinburi)	-	-	-	-	14,832	10,020	24,852
Wangnoi 2	-	-	-	-	85,711	9,800	95,511
Eastern Seaboard 1 (B)	-	-	-	-	28,968	11,400	40,368
Panthong 1	-	-	-	-	38,391	10,600	48,991
Bangplee 3	-	-	-	-	44,610	56,700	101,310
Total Warehouses	19,600	61,575	162,445	-	401,564	293,805	938,989

Location (Project/ Industrial Estates/ Industrial Park)	TFUND	TLOGIS	TGROWTH	TICON	TPARK	TREIT	Total
Factories							
Amata City	55,650	-	16,950	29,625	-	9,000	111,225
Ban Wa (Hi-Tech)	78,453	-	11,700	23,075	-	8,675	121,903
Pinthong	53,375	-	13,600	-	-	33,350	100,325
Rojana (Ayutthaya)	110,857	-	14,100	77,750	-	2,825	205,532
Hemraj Chonburi	-	-	-	15,300	-	7,200	22,500
Amata Nakorn	163,275	-	53,100	66,775	-	14,850	282,900
Total Factories	461,610	-	109,450	211,525	-	75,900	858,485
Total	481,210	61,575	271,895	211,525	401,564	369,705	1,797,474

Remark: (1) As of December 31, 2106, Leaseable area Including contracted and available areas

2.3 Guidelines Governing the Property Management by the Property Manager to prevent conflicts of interest

To invest in warehouses and factories, the REIT Manager will mainly invest in warehouses and factories, which are completely built and already have tenants. The acquisition price, sell or rent a warehouse and factory, will be based on the appraised value by reliable appraisers, by independent financial advisor and the price determined by book building method at the time that TREIT decides to invest. If such investment is classified as a connected transaction, the REIT Manager will follow the rules and procedures specified in the Trust Deed and the applicable laws. For example, the transaction must be approved by the Trustee as a transaction that is complied with the trust deed and related laws. If the transaction is sizeable, it must be approved by the Board of Directors of the REIT Manager or the Unitholders' Meeting (depending on the case). In addition to the aforementioned criteria, the REIT Manager shall take into account the risks that may result from the Trust depending on revenue from a few specific tenants (Concentration risk).

For guidelines governing the management of real estate and properties by the Property Managers, the REIT Manager has agreed with the Property Managers that every time someone interested in renting warehouses and factory buildings, the property Managers shall offer all available properties, both the empty ones and those soon to be available, and let the customers choose. There must be no discrimination among the assets of TICON, TREIT or other property funds. The REIT Manager shall monitor by sampling phone as mysterious shopper to ensure that the Property Managers follow the agreement. In addition, the Property Managers are

required to prepare and submit reports to the REIT Manager as specified in the property management agreement. The REIT Manager then believes that TPARK and TICON will manage TRRIT's properties effectively at their full capacity.

Fees for property management, which both property managers shall receive from the REIT Manager is a rate similar to the rate they have received from other property funds, TFUND TLOGIS and TGROWTH, which invest in the same type of assets. Table below shows the rate which are quite similar from each property fund.

Property Manager Compensation (Methodolgy and Contractual)	Type of Asset	TREIT	TFUND ⁽¹⁾	TLOGIS ⁽²⁾	TGROWTH ⁽³⁾
Property Management Fee (percentage of operating revenue)	Warehouse	2.00%	2.00%	3.00%	Less than 3.00%
	Factory	4.00%	4.00%	-	4.00%
Extra Fee (percentage of net profit from operation)	Warehouse	0.00-10.50%	0.50-10.50%	0.00-10.00%	0.00-10.00%
	Factory	0.00-19.50%	0.00-19.50%	-	0.00-19.50%
Brokerage Fee for recruiting new lessee (calculate on rental and service fee as specified in the new lessee agreements)	Warehouse and Factory	2 Months	2 Months	2 Months	2 Months

Source: ⁽¹⁾ Reference from TICON Property Fund's Prospectus (6th Capital Increased)

⁽²⁾ Reference from TPARK Logistics Property Fund's Prospectus (2nd Capital Increased)

⁽³⁾ Reference from TICON Industrial Growth Leasehold Property Fund's Prospectus

Considering the provided property management fee, the REIT Manager and the financial advisor opined that the rate is reasonable due to:

- **Ability and reputation of the Property Managers:**

To determine the property management fee, the REIT Manager considered the ability of the Property Managers to generate profits from the property, including marketing capacity, business development capacity, tenants management, maintenance cost management as well as the reputation and available resources of the Property Managers. So the REIT Manager viewed that the agreed management fee is suitable.

- **Both Property Managers have good relationship with retail tenants and are familiar with the TREIT's properties:**

Since TPARK and TICON originally owned of TREIT's assets, they have a better understanding about the assets. Also they have started and maintained good relationship with most of the existing tenants so it is expected that they shall be able to manage tenants' expectations and oversee the assets better than other Property Managers.

- The property management fee of other property funds under its management: is unlikely to create conflict of interest against the TREIT

The agreed property management fee is a rate which is similar to the rate that TPARK and TICON receive for property management of the same asset type from other property funds, TFUND, TLOGIS and TGROWTH. Therefore, there should not be any conflict of interest in managing all the properties and TREIT.

2.4 Policy on Making Profit from Property

2.4.1 Nature of income generating from the TREIT's properties

TICON Management Company Limited ("TMAN") as the founder of TREIT and the REIT Manager has policy to generate income from assets that TREIT invested in as follows.

1. Freehold right and/or leasehold right of land and warehouses which TREIT purchased and/or leased from TPARK
2. Freehold right and/or leasehold right of land and factories which TREIT purchased and/or leased from TICON

The REIT Manager appointed TPARK and TICON to be Property Manager as both companies have experience in managing the rental of industrial buildings, warehouses, and factories for up to 11 years and 27 years respectively. With a deep understanding of the business and their expertise in marketing to acquire new tenants, both companies are able to establish and maintain good relationship with existing tenants while effectively managing related revenue and cost. Additionally TICON group has experienced personnel who are directly responsible for the construction of the properties, i.e. architects, engineers and project managers, as well as service staff who assist tenants in the process of applying for a license and supply of utilities according to customer needs; applying for work permits for foreigners; and providing other services required by customers. This enables the efficient management of the unique trust assets and produces the highest returns to TREIT.

The Property Manager is responsible for acquiring tenants of the properties and for marketing by directly contacting prospects and customers or through various intermediaries including marketing promotion campaigns. The Property Manager is responsible for promotion campaigns to draw interested customers for site visit as well as to negotiate the deal with potential tenants. The REIT Manager agrees to pay compensation to the Property Managers at a rate based on the performance of properties that TREIT invested in, which are included in the fees paid to the REIT Manager by TRIET.

2.4.2 Description of Lease Agreement

After TREIT has made investment in the asset, TREIT by the Trustee will become a party to a Lease Agreement with tenants of the property in which TREIT makes investment. Income and cash flow received by TREIT from investment in such assets includes lease income, service income and/or common fee (if any) from letting of warehouse and factory buildings. Lease Agreements are made in standard form which sets out similar criteria and conditions as follows:

- monthly lease income from lease of land, warehouse and factory buildings;
- monthly service income from repair, maintenance and restoring buildings of the rented properties in good condition;
- monthly common fee comes from common services such as security service, cleaning service, plumbing service, garden maintenance and landscaping service, repair and maintenance of common properties;
- minimum lease and service period is fixed at 3 years minimum;
- lease income, service income, and common fee income are fixed and negotiated before existing agreements expire;
- some agreements are long-term lease of 5-10 years with fixed lease fee with some agreements provides for step-up increment which are used mainly for large companies that want to lease large space;
- lease agreement requires that tenants place a bond or a collateral with the landlord;

2.4.3 Revenue Structure

Revenue of TREIT can be classified as income from rental of warehouse and income from rental of factory buildings. Considering from types of agreement, the revenue can be classified as follows:

- For warehouse comprised of income from lease, service and common area service agreement.
- For factory comprised of income from lease and service agreement.

The distributions of the TREIT's revenue in terms of the expiry of rental contracts, tenants' industries, and tenants' nationalities are as follows:

(a) **Expiration of Lease Agreement**

Most of lease agreements have a standard tenure of 3 years with fixed rental fee throughout the leased period; only a few have long-term tenure of 5-10 years with fixed rental fee and/or step-up rates during the leased period.

Details of the expiry of lease agreement in each year are shown as percentage of rental and services income in the following table:

Expiration of Lease Agreements (Year)	Calculate on rental and services income (%)		
	Warehouse	Factory	Total
2017	34.8	3.1	37.9
2018	4.4	9.4	13.8
2019	6.7	10.7	17.4
2020	8.2	-	8.2
After 2021	22.7	-	22.7
Total	76.8	23.2	100.0

Remark Information as of December 31, 2016.

Based on rental and services received in December 2016

(b) **Lessees' Type of Business**

Currently tenants of TREIT assets (both warehouse and factory) operate business in various industries. Industries with the highest number of tenants are logistics, auto parts and electronics/electricals respectively.

Details of the tenants classified by industries and the percentage of rental and services income are as follows:

Type of Business	Calculate on rental and services income (%)		
	Warehouse	Factory	Total
Logistics	27.8	-	27.8
Auto parts	15.8	3.4	19.2
Electronics/Electricals	3.7	9.9	13.6
Retails	13.5	-	13.5
Consumer Products	12.8	-	12.8
Plastics	-	2.6	2.6
Packaging	-	2.1	2.1
Others	3.2	5.2	8.4
Total	76.8	23.2	100.0

Remark Information as of December 31, 2016.

Based on rental and services received in December 2016

(c) **Nationality of Lessee**

Currently most of tenants (both warehouse and factory) are Japanese companies, Europe and Thai respectively.

Details of the tenants classified by nationalities and the percentage of rental and services income are as follows:

Nationality of Lessee	Calculate on rental and services income (%)		
	Warehouse	Factory	Total
Japan	22.4	12.2	34.6
Europe	22.7	7.2	29.9
Thailand	22.8	-	22.8
North America	3.3	2.2	5.5
Hongkong	4.5	-	4.5
Others	1.1	1.6	2.7
Total	76.8	23.2	100.0

Remark Information as of 31 December 2016

Based on rental and services received in December 2016

Details of the Investment Assets

1. Information of TREIT's Investment Assets

1.1 Warehouse

TREIT has invested in two types of warehouse building, Ready-Built and Custom-Built, which located in strategic locations as good distribution center. The selected warehouses are able to handle modern inventory management system with building design which takes into account the column span, weight bearing capacity, operation height, number of doors for loading and unloading goods, hydraulic dock leveler to match different heights of trucks and the space for office area.

[The example of warehouse building \(exterior\)](#)



[The example of warehouse building \(interior\)](#)



1.2 Factory

Most of TREIT's factory buildings are single-storey buildings with mezzanine for office space, locating in fenced areas with guard house, parking space and loading area. Presently, all factory buildings in TREIT are standardised ready-built which can be adjusted to fit the tenant's requirements. The size of the buildings is approximately 1,200 to 4,800 square meters with floor loading capacity ranging from 1,000 - 3,000 kgs/sq m. With roof structure of pre-engineered steel columns and rafters, the buildings do not need columns to support the roof, which provide maximum operation space for factory and built-in office space.

[The example of factory building \(exterior\)](#)



[The example of factory building \(interior\)](#)



Details of Properties invested by TREIT

As of 31 December 2016

TREIT has been invested in 98 units of warehouses and factories as follows:

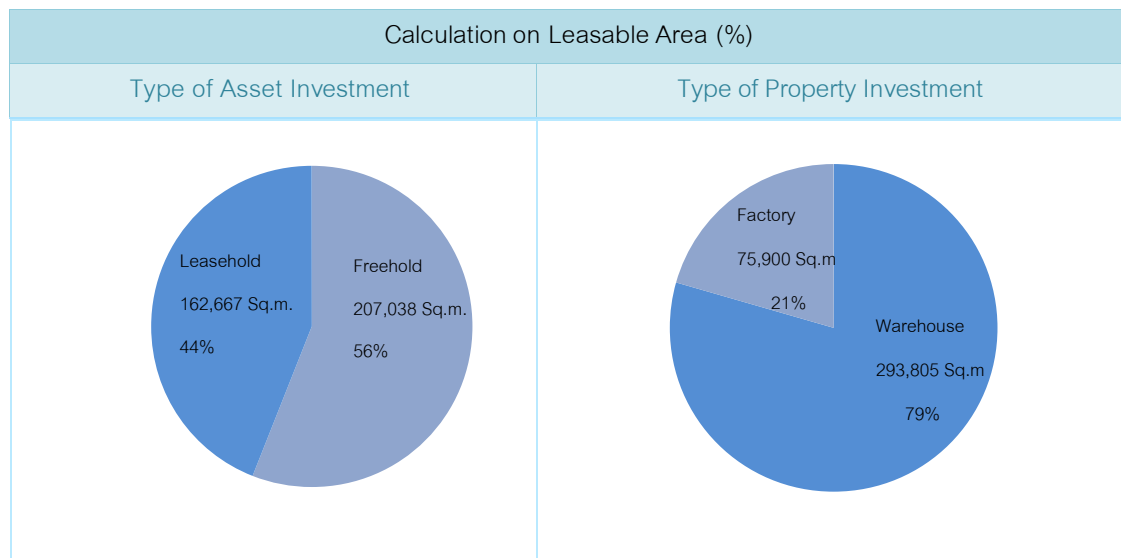
Project/ Industrial Estate/ Industrial Park	Investment Type*		Current Asset Investment		
	Building	Land	No. of Building (Unit)	Leasable Area (Sq.m.)	Investment Proportion (%)
Warehouses					
TICON Logistics Park Bangna	Freehold	Leasehold (30 Yrs Ended 21 Dec 2044 and 17 Dec 2045)	10	14,640	4.0
TICON Logistics Park Eastern Seaboard 2 (A)	Freehold	Freehold	4	15,800	4.3
TICON Logistics Park Sriracha	Freehold	Freehold	5	44,418	12.0
TICON Logistics Park Laemchabang 2	Freehold	Freehold	15	43,950	11.9
TICON Logistics Park Bangplee 1	Leasehold (27 to 28 Years Ended 21 Feb 2043)	Leasehold (27 to 28 Years Ended 21 Feb 2043)	10	76,477	20.7
Rojana Industrial Park (Prachinburi)	Freehold	Freehold	1	10,020	2.7
TICON Logistics Park Wangnoi 2	Freehold	Freehold	4	9,800	2.7
TICON Logistics Park Eastern Seaboard 1 (B)	Freehold	Freehold	4	11,400	3.1
TICON Logistics Park Phan Thong 1	Freehold	Freehold	5	10,600	2.9
TICON Logistics Park Bangplee 3	Leasehold (30 Years Ended 21 Dec 2045)	Leasehold (30 Years Ended 21 Dec 2045)	13	56,700	15.3
Total Warehouses			71	293,805	79.5

Project/ Industrial Estate/ Industrial Park	Investment Type*		Current Asset Investment		
	Building	Land	No. of Building (Unit)	Leasable Area (Sq.m.)	Investment Proportion (%)
Factories					
Amata City Industrial Estate	Freehold	Freehold	3	9,000	2.4
Pinthong Industrial Estate	Freehold	Freehold	11	33,350	9.0
Ban Wa (Hi-Tech) Industrial Estate	Freehold	Freehold	4	8,675	2.3
Rojana Industrial Park (Ayudhya)	Freehold	Freehold	2	2,825	0.8
Hemaraj Industrial Estate (Chonburi)	Freehold	Freehold	3	7,200	1.9
Amata Nakorn Industrial Estate	Leasehold (30 Years Ended 18 Dec 2045)	Leasehold (30 Years Ended 18 Dec 2045)	4	14,850	4.0
Total Factories			27	75,900	20.5
Total Warehouses and Factories			98	369,705	100.0

Remark

- * Under leasehold of land, there is a condition to demolish buildings on such lands after expiry date of the Lease Agreement.

2. Type of Asset Investment and Type of Property Investment



3. Investment Value and Fair Value of TREIT's Investment Assets

Type of Assets	Type of Investment	Investment Value (Million Baht)	Fair Value as of 1 April 2016 (Million Baht)
Warehouse	Freehold on land and warehouses	2,962.57	2,973.50
	Leasehold on land freehold on warehouses	276.52	280.85
	Leasehold on land and warehouses	2,190.25	2,093.48
Factory	Freehold on land and factories	1,569.53	1,638.14
	Leasehold on land and factories	388.39	365.68
Total		7,387.26	7,351.65

The Loan

The funding in the investment by TREIT comes from loan. TREIT has entered into 2 long-term loan agreements with Bangkok Bank Public Company Limited. As of December 31, 2016, the outstanding balance of the long-term loans was Baht 1,819,000,000. The terms and conditions of loan shall be specified by the loan agreement between TREIT and Bangkok Bank with details as follows:

Loan Objective	To invest in freehold of land, leasehold/ sub-leasehold of land and/ or properties and/or factories/warehouses	
Type of Interest Rate	Floating Rate	
Interest Rate	MLR less the rate specified in the agreement “MLR” mean the Minimum Loan Rate of the Lender Bank	
Interest Payment	Monthly Payable	
Tenor	10 Years	
Repayment Period	Year 1 to Year 7	Grace Period
	Year 8	Repay 9.00% of principal amount
	Year 9	Repay 14.00% of loan amount
	Year 10	Repay all loan unpaid principal
Grace Period	84 Months	
Collateral	None	
Terms and Conditions	<ol style="list-style-type: none"> 1. Do not transfer or encumbrance on the properties of Trust 2. The following matters are prohibited TREIT from conducting, unless a written consent of Lender Bank is obtained. <ol style="list-style-type: none"> 2.1 Borrowing, incurring debt or encumbrance with third party, other than the debt or encumbrance existing before or on the date of execution of this Agreement 2.2 Transfer, Distribution of real estate asset and/or leasehold, other than the transfer, distribution causing from the Option to Buy right of rental tenant 2.3 Engaging in security or encumbrance on asset or income of TREIT 2.4 Capital decrease, except for capital decrease from excess liquidity caused by day-to-day operation or capital decrease pursuant to resolution of Unitholder 2.5 Change or increase a number of Property Manager(s) for the asset(s) invested by TREIT 2.6 Change of REIT Manager 	

The REIT Manager have an opinion that borrowing money to invest in TREIT assets is beneficial to unitholders because of the financial structure of the company, it is possible to reduce the financial cost to a certain extent, which is better than the investment from the unitholders. Moreover, the borrowing money will not be exceeded the limits set forth in the Trust Deed and REIT Manager will take into account the risk management of the loan. In addition, the interest rate and terms of conditions offered by TREIT are in line with the criteria. It is close to the borrowing conditions of potential customers of the most commercial banks in the country, which is significantly lower than the capital cost of equity. As well as the loans received by TREIT, there is a grace period of up to 7 years and 10 years loan and principal repayment period. However, in cases where TREIT is offered loans from other banks with better terms and conditions, such as lower interest rates than long repayments with unsecured loans, REIT Managers reserve the right to use the loan from the proposal and informing of the change before the use of the credit line.

As of December 31, 2016, TREIT has loan outstanding value to total asset value at 23% of total asset value.

Overview of the Business

1. The Industry and Impact

In 2016, real estate business for industrial property in Thailand continued to slow down due to stagnancy in the global market, dwindling foreign direct investment into Thailand and weak domestic consumer demand. The automotive industry, which was major market for industrial property continue to slow down in both production and export. In addition, new supply of rental warehouses and factories has also been increased. As a result, the average occupancy rate of warehouse and factory buildings has decreased.

2. Demand/Supply and Competition

2.1 Demand/Supply

Warehouse

Supply

At present, many rental warehouse services come up with the idea of adding new locations to meet the needs of customers wide range of businesses and preferred locations. In addition, they also provide custom-built service to respond for growing demands from customers in order to perfectly suit their warehousing operation.

Demand

The warehouse demand of most operators come from the business segments such as logistic service providers, automotive manufacturer, retail, and consumer goods. The requirement of warehouse in each group of business is vary such as the location of the manufacturer or the owner of the goods, floor loading capacity, or the access to other transportation.

Factory

Supply

Developers of industrial factory buildings for rent can be divided into 2 types, the developer who own the industrial estate, and the developer who purchased or leased the land from industrial estate and built ready-built factories for rent on land purchased or leased by industrial landowners in a variety of locations.

Demand

Renting a factory is the way to help reducing set up cost for manufacturer and give flexibility in their business operation comparing to building their own factory which require huge investment in land and building. In addition, entrepreneurs continue to pay attention to quality of labor with good utilities and regulations related to business operations.

3. Competition

The rental business of warehouses and ready-made factories is quite competitive. This is due to the continued supply in the market, as well as aggressive marketing strategies, such as the reduction of rental rates to attract target groups. However, the demand for warehouse and factory leasing remains at a stable level. However, with a strategic location, high skilled labor, and good infrastructure, Thailand still remain as an important manufacturing base of ASEAN for world-class manufacturers and hub of logistics in the region.

4. Marketing Policy and the Competition of Projects that the Trust invested in

The REIT Manager focus on strategy developed to manage the portfolio of assets which TREIT invested to enhance return for investors of both domestic and foreign, such as the selection of asset in the high potential location, the investment in assets with high quality standards with good infrastructure and providing services as comprehensive solutions to support retail tenants to run their operation smoothly. These strategies build up the ability to accommodate and satisfy the needs of tenants in industrial sector now and in the future as well.

Warehouse buildings that TREIT invested can be categorized in two type, Ready- Built and Custom-Built, which located in strategic locations as good distribution center. These warehouses are able to handle modern inventory management system with building design that takes into account of wide the column span, floor loading capacity ranging from 3,000 – 5,000 kgs/sq.m., storage clear height 10 - 12 metres, numbers of overhead doors for loading with unloading with hydraulic dock levellers to match of different heights of trucks and the space for office area. While most of factory buildings that TREIT invested in are single-storey buildings with mezzanine for office space, locating in fenced areas with guard house, parking space and loading area. All factory buildings are standard ready- built which can be adjusted to fit the tenant's requirements. The size of the buildings is approximately 1,200 to 4,800 square meters with floor loading capacity ranging from 1,000 - 3,000 kgs/sq m. With roof structure of pre-engineered steel columns and rafters, the buildings often do not need intermediate columns to support the roof, which provide maximum operation space for factory and built-in office space.

REIT manager has appointed TICON Logistics Park Co., Ltd. (“TPARK”) to be the Property Manager for warehouse and TICON Industrial Connection Plc. (“TICON”) to be the Property Manager for factory. Both companies have experience in managing the rental warehouses and factories for up to 11 years and 27 years respectively. With a deep understanding of the business and their expertise in marketing to acquire new tenants, both companies are able to establish and maintain good relationship with existing tenants.

Competitive Strategies

- Positioning: TICON has become a leader in the business of rental factories and warehouses in Thailand for over 27 years and has listed in SET more than 15 years. TICON is widely recognized by domestic clients and leading companies around the globe. TICON positions itself as the market leader in the business of ready built factories and warehouses in the country with a plan to expand overseas in the future. TICON is committed to maintain and improve its market position even further by increasing the size of the business by expanding our customer base and maintaining the quality of services that meet the needs of customers, which will result in the Group's competitive advantages in terms of economies of scale and eventually promoting its stronger market position.
- Pricing strategy: The rental rate of factory and warehouse is determined by taking into account the quality and standard of the building. It is important to also consider the market price. Property Manager will have to survey the market situation on regular basis to ensure that the rental rate of properties of the group remains competitive.
- Marketing strategy: The Property Manager focuses on contacting customers directly, in addition to contacts through intermediaries such as contacting major manufacturers to offer rental services of factory and warehouse to their business partners and supply chains. Contacts are also made through government agencies, Trade offices, Chambers of Commerce and real estate brokers. It also focuses on building relationship with the Japan External Trade Organization (JETRO) and the representative offices of Japanese banks, who will lead and provide consultation to Japanese investors who are interested in investing in Thailand. The target group is mainly the Japanese companies. Additionally, the property manager has developed marketing media to promote the properties through publications, journals, prospectus, magazine advertisement and large billboards. The Group's web site has been developed with modern look and feel and easy to access information. The Group has joined seminars and industrial trade show, both at home and abroad and has built marketing network and business partners overseas to effectively reach their target customers.

Market Situation

The rental business of warehouses and factories is quite competitive. This is due to the continued supply in the market, as well as aggressive marketing strategies, such as the reduction of rental rates to attract target groups. However, the demand for warehouse and factory leasing remains at a stable level. Leasing of warehouses and factories, remains an option for manufacturers and logistics providers to reduce project costs and increase business flexibility. In addition, with a strategic location, high skilled labor, and good infrastructure. Thailand still remain as an important ASEAN base for many of the world's leading manufacturers.

Key Risks

1. Risk from Operation of TREIT

1.1 Risk in relation to the performance of obligations

In order to invest in and seek benefit from the assets, TREIT will enter into agreements in relation to the investment and administration of TREIT's assets in order to seek benefit from the properties, and take any action to ensure that the other party complies with the terms and conditions of the agreements.

Although there are terms and conditions set out in the agreements, the other party may breach the agreements or any event may occurred, which causes an event of default or the termination of the agreements. In case of nonperformance, which causes an event of default or the termination of the agreements, it is entitled to terminate the agreement, and claim for damages including the loss of income.

1.2 Risk in relation to the solicitation of lessees when lease term is close to expire

Part of assets to be invested by the Trust are leasehold rights in lands with a leased term of 27 and 30 years, the Trust can seek benefit from the investment assets for such period. Therefore, TREIT may have risk in soliciting lessees when the leased period is close to expiry, due to the fact that leased period is one of the factors lessees take into consideration prior to entering into the lease agreement.

1.3 Risk from operating result of the Trust rely on ability of the Property Manager

For the investment, TREIT will appoint TICON and TPARK as the Property Managers for factories and warehouses respectively. The Property Managers will be responsible for operating and managing the assets as assigned by REIT Manager which includes seeking benefits from such assets, for example, soliciting new lessees, renewing lease agreements and service agreements with existing lessees, advertisement, public relations, maintenance and development of the investment assets to be in a good condition. The ability of the Property Manager to perform its tasks will have direct impact to the Trust's operational and financial results.

Additionally, if TICON and TPARK cannot perform their duties as the Property Managers for any reasons, TREIT may not be able to appoint another manager to manage the investment assets as good as TICON and TPARK although TREIT would offer competitive remuneration for the Property Manager, which would have an adverse effect to the operational ability, financial results of TREIT.

1.4 Risks arising from potential conflicts of interest between TREIT and TPARK and TICON that may affect the operation of TREIT

When presenting information of assets to potential customers, the Property Manager will propose all available warehouses and factories by not stating the ownership of the assets. This measure will ensure fairness in the presentation of assets to potential customers. Additionally, the Property Manager will provide a report or submit a list of customers who are interested to rent the assets of TREIT to the REIT manager on monthly basis. The report will include details of asset specifications which customer wishes to rent, such as location, operational space, and other specific requirements of warehouse or factory building. This measure will help the REIT manager to ensure transparency of the Property Managers on performing their duty in finding a tenant for the assets of TREIT, of themselves and/or of the property funds under their management.

1.5 Risks arising from entering loan agreements

As at December 31, 2016, the ratios of loan to total asset of TREIT was approximately 23 percent with amounting of Baht 1,819 million loan from bank to issue and offer debentures up to Baht 1,800 million and include cash from operations for repayment the loan (Refinance) from bank.

TREIT might be at risk from borrowing and repayment of interest and/or principal in part or in whole cause the breach of the loan agreement and/or the terms of the relevant debentures. In such cases, this could lead to another default on the contract (Cross Default).

At present, REIT Managers do not set a clear plan for repaying bank loans and/or debentures due to REIT Managers have a policy to issue and offer new debentures and/or loans from financial institutions to repay principal of bank loans and repay the debentures were issued (Refinancing). However, TREIT may be at risk of not issuing and offering new debentures and/or refinancing a new loan agreement or offer a new loan agreement and/or be able to issue and offer new debentures. However, the terms of the new loan agreement and/or new debentures are not as good as the original terms and conditions.

In the event that TREIT was unable to repay partial of the loan and/or repay principal of the debentures were issued (Refinancing) according to the above events, REIT Managers might consider alternatives to financing and/or repayment of principal such as the issuance and offering of new Trust Units including sale of some TREIT's properties to pay off debt. This might affect the returns to the unitholders. Nevertheless, REIT Managers would consider

the options that would be the best benefit to the unitholders by taking consideration of ability to pay interest bearing debt, the ability to make commitments, such as the ratios of debt to capital, and the continued ability to generate income of TREIT in the future. However, REIT Manager believes that the risk that TREIT would default on the debt is low.

2. Risks in relation to the Ability to Seek Benefit from the Assets

2.1 Risk from higher competition which may result in the decrease of number of the lessees

Real Properties business operators of the similar nature as the trust may compete for credible lessees to lease their Real Properties. Such competition may have an adverse effect on performance of TREIT. In addition, such competitors may have access to TREIT and other advantages to compete with the trust. Such competition may increase cost of the Real Properties management, decrease the occupancy rate or the rental that the trust collects from the lessees.

2.2 Risks of domestic political and economic situations

Changes in factors affecting the domestic economy and the overall global economy as well as macroeconomic factors such as the rate of economic expansion, government policy on trade, investment and foreign affairs, the Bank of Thailand monetary policy and the government fiscal policy, the property prices in the country, the value of domestic consumption and political uncertainties in the country, are among the factors that influence the decision to rent a warehouse and factory of existing tenants and future prospects, especially entrepreneurs from abroad who are the main tenants of TREIT's properties. These uncertainties may also affect the rental rates.

With the awareness of the risk of uncertainties in Thailand, economically and politically, the REIT Manager is to focus on the development of business strategies to enhance the strengths of the invested properties especially in the view of target customers both domestic and abroad. The key strategies include the selection of properties, which located in high potential areas, the investment in high-quality properties and the delivery of comprehensive services and solutions to assist business operations of retail tenants. All these will build competitive advantages and retain customer base in a time of economic recession. In addition, the public sector and government agencies have actively supported the industrial and investment sector in the country through various measures such as the special promotion through the Board of Investment to encourage industrial enterprises that move their production base to Thailand.

However, if the global economy or the regional economy are badly affected and move into recession, or there are political unrest or conflicts in the country, the domestic economy and

the Stock Exchange of Thailand would hardly avoid the impacts. Consequently, the demand for rental warehouse and factory, the turnover of tenant's business, the financial status of TREIT and the price of the trust unit, will also be severely affected. Since the REIT Manager cannot be in control of all these factors, it cannot guarantee that the country's political situations now and in the future will have any significant impacts on the Trust's operation, its financial status, business turnover of its tenants and the price of the trust unit.

2.3 Risk from termination or non-renewal of the lease agreement

TREIT has risks in case where certain lessees may not renew the lease agreements or certain lessees may request for an adjustment of the terms and conditions in the lease agreements which are less favourable to TREIT compared with the existing lease agreements or several lessees do not renew the lease agreements and TREIT is not able to find new lessees within a suitable timeframe. The above mentioned situations may directly affect cash flow and the operational results of TREIT. Nevertheless, in the normal proceeding, the Property Managers will discuss with the lessees in advance prior to the termination of the lease term. As a result, the Property Managers will be able to look for new lessees to replace the existing lessees who do not wish to renew the lease agreements. This is shown in the track record of the Property Managers' operational results, who had managed to achieve high occupancy rate of the investment assets.

2.4 Risk in relation to the ability to pay rental and service fees of the lessees

The rentals that TREIT will receive from the lessees under the lease agreements and the service agreements are major income of TREIT. Therefore, financial weakness of the lessees due to company-specific or industry wide reasons will adversely impact the performance of TREIT. Normally, the lessees have to pay rental deposit as a security at the rate of approximately 3-6 months of rental, whereby TREIT may forfeit such deposit if TREIT cannot collect the rentals from the lessee when due. However, in the case that TREIT has to evict the lessees pursuant to the laws because the lessees fail to pay the rentals or breach the lease agreements. In practice, it may take more than 6 months for the lessees to move out and/or for TREIT to find new lessees. Such delays may directly affect income of TREIT. However, in

2.5 Risks of concentration of retail tenants and/or industrial and/or the nationality of the tenants

As at December 31, 2016, the top 5 tenants of the investment assets paid total rental fee of 39.5 percent of total rental and service income that TREIT received from all invested assets. While the contribution of first ranked tenant accounted for 9.7 percent of total

rental and service income that TREIT received from all invested assets. TREIT is subject to the risks of the major tenants unable to pay the rent, cancel the lease agreement or not renew the agreement.

Apart from the above mentioned risk of tenant concentration, TREIT is subject to the risk of concentration of the tenant's industry and/or the tenant's nationality. If any industry is shrinking or problems arose in the conflicts between the countries, it could impact such tenants to cancel the rent and/or not renew the contract, which will consequently affect the performance of TREIT.

However, TPARK and TICON, as the Property Manager, believe that the properties that TREIT invested are in prime location and it is a common practice that business operators will choose to stay in a cluster of business partners and their supply chains. Also the government's policies to enhance relations with foreign countries and foreign investors reduce the chance that the existing tenants will move out and/or discontinue the rental contracts. And the possibility to find new tenants to replace is high.

2.6 Risk relating to construction permit

The lessee may modify the property leased from the Trust which requires a modification permit from the relevant local authority. In cases where the leased property is modified without obtaining the buildings modification permit, the local authority may request the modifier or the owner of the buildings to reinstate the illegal modification to original conditions or suspend the use of the modified parts of the buildings. Therefore, there are risks that the trust may incur expenses from demolishing the modified part if the local officer has such order but the lessee fails to do so.

2.7 Risk associates to the handover of the land after the land lease agreement has ended

TREIT will invest in the leasehold of the land whereby TREIT will enter into the land lease agreements and the land and constructions lease agreements with TICON and TPARK, which, according to the lease agreements, the Trust has obligations to demolish the buildings and any constructions on the land in order to handover the land back to TICON and TPARK at the end of the lease term. TREIT, therefore, has risks associated to obligations and incurred expenses in order to demolish the buildings and constructions.

2.8 Risk of expropriation of some or all of TREIT's invested assets under the expropriation law, which may affect TREIT's utilization of such assets and impact the performance of TREIT

In the event of expropriation of some or all of the invested assets in accordance with the rules and procedures prescribed in the Expropriation of Immovable Property Act B.E. 2530 (1987) (with amendments) and other related laws ("Law on Expropriation"), TREIT may not receive any compensation under the law due to not meeting the prescribed criteria, or receive compensation with the amount less than the invested amount, which will significantly impact TREIT's performance and its financial status.

For the assets which TREIT invested in the leasehold right, if the assets are expropriated partially or entirely, TPARK agreed to return the rental fee of such asset in partial to the Trust within 30 days from the date of TPARK receives the expropriation compensation as stated in lease agreement.

For the investment assets, there is a lease agreement, which is still in effect, of 1 unit with 24,043 square meters warehouse space, which is less than 6.5 percent of gross leasable area of the initial invested assets. This lease agreement included the clause requiring the lessor, in case of property was expropriated, to compensate for actual and reasonable damages and expenses and to use the best effort to supply new rental space and/or build new warehouse for the tenant. When the Trust invested in such asset, it is obligated to fulfill the obligations under such agreement over the lease period. However, the Trust has made an agreement with TPARK which required TPARK, in the event of expropriation, to be responsible for the implementation of such provisions to the retail tenants and all related costs.

2.9 Risk regarding the tenants exercising their right in the lease agreement made with TPARK and/or TICON

Currently, there are 12 units of warehouse, which the lease agreement signed with TPARK have condition of the Option to Swap. TPARK granted the right for retail tenants to move their rent to any warehouses within the TPARK's group within the rental period. ("TPARK's Group" means TPARK, Property Funds managed by TPARK and TREIT.) In summary, the tenants have a right to cancel their current rental contract and move to rent other warehouse managed by TPARK group at anytime within the leased period and their deposit will not be forfeited. Total space with this condition is 10.7 percent of total space of the assets TREIT investment.

Also, there are some lease agreement signed with TPARK and/or TICON, which grants the tenant the right to terminate the land lease agreement and/or warehouse and/or factory and/or service agreement and/or common area service agreement. (If any) ("Lease Agreement") before the expiration of the contract period. Thus, if the tenant has exercised after a period of 12 months from the start of the contract (Option to Early Terminate) by written notice at least 3 months in advance without the deposit.

In the event the tenant exercises such right as mention above within the remaining period of the current lease (Excluding the case where the tenant exercises the option to swap to other TREIT's assets) TPARK and/or TICON (As the case may be) agrees to compensate to TREIT in the amount equal to the rental security as specified in the lease agreement. Therefore, TREIT will not be affected by the tenant's exercise of the rights under the contract.

However, if the lessee would like to renew the lease after the current lease expires, REIT Manager may consider the option to swap and the right to terminate the lease agreement before the expiration without the deposit (Option to Early Terminate) to encourage the tenant to renew the lease. In this case, if the tenant exercised such right after the renewal of the lease, TREIT are at risk of being compensated for any rental payments from TPARK and/or TICON. Then, REIT Managers may negotiate with tenants or assign Property Management to negotiate with the tenant for amendment of conditions without the option to swap and the right to terminate the lease agreement before the expiration without the deposit (Option to Early Terminate), or REIT Manager may negotiate with TPARK and/or TICON to provide TPARK and/or TICON as the property manager and the former lessor to compensate the rental fee as specified in the new lease agreement to reduce the risk and taking into account the benefits of the unitholders.

Legal Dispute

TREIT had no legal dispute that may significantly and adversely impact to TREIT's business operation.

Other Significant Information

TREIT had no other significant information that may impact to the decision making of the unitholders.



PART 2

Management and Good Governance

Details of Trust Unit

1. Details of trust units to be issuance by the Trust

1.1 Details of trust units

Total Capital Investment	Baht 5,542,062,750
Capital Investment during IPO	Baht 3,425,000,000
The First Capital Investment	Baht 2,243,000,000
The First Capital Reduction	Baht 66,239,500
The Second Capital Reduction	Baht 59,697,750
Number of trust units	566,800,000 units
Type of trust units	Unredeemable
Trust registered and capital from the unitholders	Baht 5,542,062,750
Net Asset Value per unit (as of 31 December 2016)	Baht 10.1391

2. Details of the Unitholders

2.1 List of Top Ten Unitholders as of 10 March 2017

No.	Name	No. of Units	Percentage (%)
1	Social Security Office	82,753,900	14.57
2	TICON Industrial Connection PCL.	68,441,439	12.08
3	Bangkok Life Assurance PCL.	40,000,000	7.06
4	MITSUI & CO. (ASIA PACIFIC) PTE. LTD.	35,000,000	6.18
5	SCB INCOME PLUS FUND	30,102,900	5.31
6	Government Savings Bank	20,000,000	3.53
7	Muang Thai Life Assurance PCL.	19,196,300	3.51
8	Bangkok Insurance PCL.	17,000,000	3.00
9	Southeast Life Insurance PCL.	15,000,000	2.65
10	TISCO Master Pooled Fund	11,121,000	1.96

2.2 List of Major Unitholders as of 10 March 2017 (including the same group holding 10% or more of total outstanding units)

No.	Name	No. of Units	Percentage (%)
1	Social Security Office	82,753,900	14.57
2	TICON Industrial Connection PCL.	68,441,439	12.08

Dividend Payment Policy

1. Rules, Policy and Dividend Payment to Unitholders

TREIT has dividend payment policy to be made at least 2 times per year. However, the REIT Manager may consider more dividend payments to unitholders. Dividend would be paid under:

1. The REIT Manager will pay dividend to unitholders at least 90% of the adjusted net profit of the accounting year within 90 days from the end of the accounting year or the accounting period in which the benefits are to be paid, as the case may be or in any ratio as specified by the Securities and Exchange Commission.
2. In case that TREIT has accumulated loss, the REIT Manager will not pay dividend to unitholders.

2. Restriction and Method of Dividend Payment to Unitholders

1. Where the facts appear to the REIT Manager that a person or persons in the same group holds trust units over 50% of the total outstanding trust units, the REIT Manager will notify such person(s) without delay regarding restriction on benefits payment. The REIT Manager will not pay dividend to such person or persons in the same group who holds over 50% of the total outstanding trust units unless otherwise stated or exempted by the relevant laws. The dividend of the portion exceeding 50% of the total outstanding trust units shall be given to other unit holders in proportion to their holding ratio and the REIT Manager will consider such dividend allocation to unitholders in that payment period.
2. The REIT Manager will make announcement of dividend payment and the book closing date, by the following means:
 - (a) Publication in at least 1 newspaper;
 - (b) Posting a notification in anywhere of the REIT Manager's official place;
 - (c) Sending a notification to the unitholders whose name appear in TREIT's register as at the book closing date and to the Trustee or announcing through the Securities and Exchange Commission.
3. The REIT Manager would pay dividend by bank transfer to unitholders' bank account or in form of an A/C payee cheque payable to the unitholder only in the name and at the address under registered name at the book closing date.

4. If unitholders do not exercise the right to receive dividend within the period prescribed in the Civil and Commercial Code, the REIT Manager will not use such dividend for purposes other than interest of TREIT.
5. If dividend payment per unit during the accounting year is equal or lower than 0.10 Baht, the REIT Manager reserves the right not to pay dividend and accumulate such dividend amount to be paid in the next payment period.

3. History of Dividend Payment and Capital Return (12 December 2014 to 31 December 2016)

No.	Performance Period	Payment Date	Distribution (THB per Trust Unit)	Type of Distribution
1	12 Dec 2014 – 31 Jan 2015	12 Jun 2015	0.2175	Dividend
2	1 Apr 2015 – 30 Jun 2015	4 Sep 2015	0.1934	Capital Return
3	1 Jul 2015 – 30 Sep 2015	30 Nov 2015	0.0370	Dividend
4	1 Jul 2015 – 30 Sep 2015	30 Nov 2015	0.1743	Capital Return
5	1 Oct 2015 – 1 Oct 2015	30 Nov 2015	0.0637	Dividend
6	1 Nov 2015 – 31 Dec 2015	22 Mar 2016	0.0940	Dividend
7	1 Jan 2016 – 31 Mar 2016	7 Jun 2016	0.1800	Dividend
8	1 Apr 2016 – 30 Jun 2016	5 Sep 2016	0.1702	Dividend
9	1 Jul 2016 – 30 Sep 2016	6 Dec 2016	0.1600	Dividend
10	1 Oct 2016 – 31 Dec 2016	20 Mar 2017	0.1600	Dividend

REIT Manager

1. General Information

Name	TICON Management Company Limited
Address	Suite 1308, 13/1 th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120
Telephone	02-679-6565
Fax	02-287-3153
Website	www.treit.co.th
Email	ir.treit@ticon.co.th
Business Hours:	8.30 hrs. to 17.30 hrs.
Type of Business	REIT Manager
Registered Capital	Baht 10,000,000
Paid-up capital	Baht 10,000,000
Issued and paid-up shares	1,000,000 shares
Par value	Baht 10.00 per share

2. Nature of Business

TICON Management Company Limited engages in the business of acting as a REIT Manager. At present, it acts as REIT Manager of TICON Freehold and Leasehold Real Estate Investment Trust (TREIT).

3. List of Shareholders

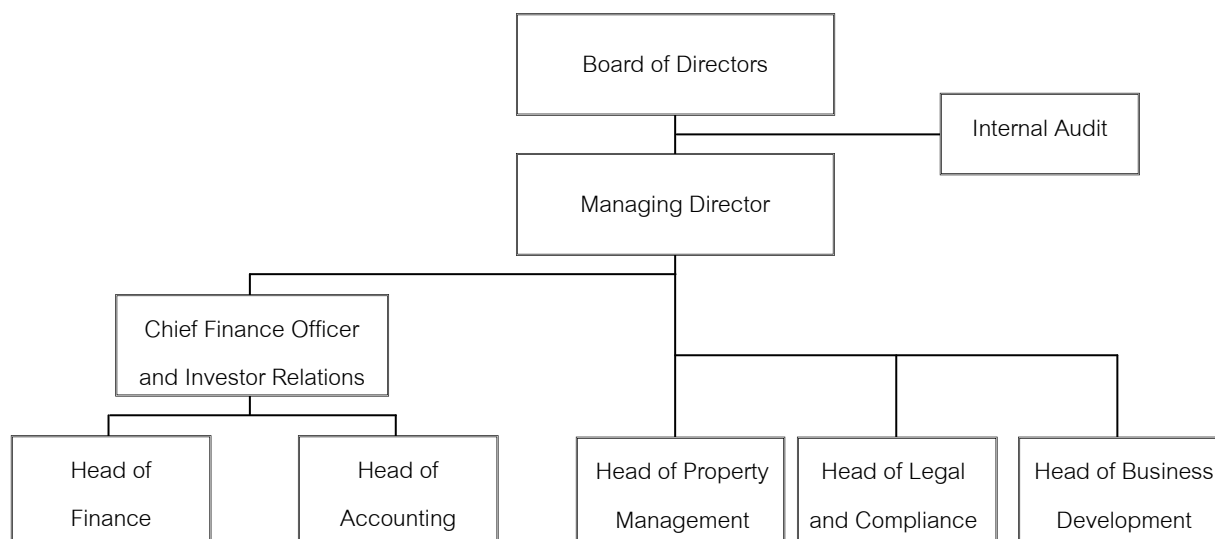
List of shareholders as of 31 December 2016

No.	Name of Shareholders	No. of Shares	Percentage (%)
1.	TICON Industrial Connection PCL.	699,997	69.9997
2.	Mitsui & Co. (Asia Pacific) Pte. Ltd.	300,000	30.0000
3.	Mr. Virapan Pulges	1	0.0001
4.	Miss Jantima Jariyachotbhumi	1	0.0001
5.	Miss Primopa Nachajaruwit	1	0.0001
Total		1,000,000	100.00

4. Management Structure, Board of Directors and Management

The management structure of the Company as REIT Manager consists of the Board of Directors and the executives as shown below:

Management Structure Chart



4.1 Board of Directors

The Company's Board of Directors consists of six qualified members as follows:

No.	Name	Title	Education	Professional Experience
1.	Mr. Sun Vithespongse	Chairman of the Board and Independent Director	Bachelor of Economics	<i>Independent Director, Member of Audit Committee and Member of the Corporate Governance Committee</i> <ul style="list-style-type: none"> Land and House Bank PCL. <i>Secretary to the Minister</i> <ul style="list-style-type: none"> Ministry of Finance <i>Commissioner</i> <ul style="list-style-type: none"> Energy Regulatory Commission <i>Senior Advisor in Finance</i> <ul style="list-style-type: none"> Ministry of Finance

No.	Name	Title	Education	Professional Experience
2.	Mr. Sapon Punyaruttabandhu	Independent Director	Master of Accounting Certified Public Accountant	<p><i>Managing Director</i></p> <ul style="list-style-type: none"> Vnet Capital Co., Ltd <p><i>Independent Director and Audit Committee member</i></p> <ul style="list-style-type: none"> Asia Plus Group Holdings PCL. Asia Plus Securities Co., Ltd. <p><i>Director and Chairman of Audit Committee</i></p> <ul style="list-style-type: none"> Asset Plus Fund Management Co., Ltd. <p><i>Director</i></p> <ul style="list-style-type: none"> Morison CKS Co., Ltd. Thai Incubator Dot Com Co., Ltd. Netband Consulting Co., Ltd. Vintcom Technology PCL. NTN Solution Co., Ltd. Thai Automotive VCF Co., Ltd. Copperwired Co., Ltd. vHealth Threesixty Co., Ltd. Koan Co., Ltd. Blue Fish Solution Co., Ltd. BCBG Co., Ltd. vServePlus Co., Ltd.
3.	Mr. Virapan Pulges	Director	Master of Engineering	<p><i>Chief Executive Officer</i></p> <ul style="list-style-type: none"> TICON Industrial Connection PCL. <p><i>Director</i></p> <ul style="list-style-type: none"> TICON Logistics Park Co., Ltd. ECO Industrial Services Co., Ltd. Shanghai TICON Investment Management Co., Ltd. TICON (HK) Limited PT SLP Surya TICON Internusa TICON Demco Power 6 Co., Ltd. TICON Demco Power 11 Co., Ltd. TPARK BFTZ Co., Ltd.
4.	Mr. Kiyoshi Okubo	Director	Master of Engineering	<p><i>General Manager of Financial & New Business Department</i></p> <ul style="list-style-type: none"> Mitsui & CO. (Asia Pacific) Pte. Ltd. <p><i>Dept.General Manager in Corporate Planning Division</i></p> <ul style="list-style-type: none"> JA Mitsui Leasing Corporation <p><i>Dept.General Manager of Corporate Investment Division</i></p> <ul style="list-style-type: none"> Mitsui & Co Ltd.

No.	Name	Title	Education	Professional Experience
5.	Mr. Sopon Racharaksa	Director	Master of Economics	<p><i>President</i></p> <ul style="list-style-type: none"> TICON Industrial Connection PCL. <p><i>Director</i></p> <ul style="list-style-type: none"> TICON Logistics Park Co., Ltd. ECO Industrial Services Co., Ltd. Shanghai TICON Investment Management Co., Ltd. TICON (HK) Limited PT SLP Surya TICON Internusa TICON Demco Power 6 Co., Ltd. TICON Demco Power 11 Co., Ltd. TPARK BFTZ Co., Ltd. NCC Management & Development Co., Ltd. Investment Committee, Commercial Office Asset Management Thai Commercial Investment Property Fund (TCIF) <p><i>Executive Vice President</i></p> <ul style="list-style-type: none"> TCC Hotel Group Co., Ltd. TCC Land Co., Ltd. <p><i>Vice President</i></p> <ul style="list-style-type: none"> TCC Holding Co., Ltd. <p><i>Managing Director</i></p> <ul style="list-style-type: none"> TCC Land Development Co., Ltd. <p><i>Working Committee</i></p> <ul style="list-style-type: none"> New S-Curve Committee, Public-Private Collaboration Investment Committee, Thai Chamber of Commerce Industrial & Business Development, Thai Chamber of Commerce <p><i>Advisor to the Board of Directors</i></p> <ul style="list-style-type: none"> Industrial Estate Authority of Thailand (IEAT) <p><i>Senior Investment Officer</i></p> <ul style="list-style-type: none"> Overseas Investment Promotion, Policy Planning, Office of the Board of Investment (BOI)
6.	Mr. Peerapat Srisukont	Managing Director	Master of Business Administration	<p><i>Deputy General Manager</i></p> <ul style="list-style-type: none"> TICON Industrial Connection PCL.

4.1.1 Authorized Directors who may act on behalf of the Company as the REIT Manager

Authorized directors who may act on behalf of the Company as REIT Manager are two directors of the directors listed in No. 3 to No. 6 who must jointly affix signatures and the Company seal.

4.1.2 Board of Directors' Duty and Responsibility

The Board of Directors' duty and responsibility consists of two parts: duty towards the Company and duty towards the Trust as described below:

Duty and responsibility of the Board of Directors towards the Company

- (1) Perform his duty in accordance with the law, the Company's objectives and regulations and the resolutions of the shareholders' meeting with honesty, integrity, caution, and protect the interest and be responsible for the shareholders;
- (2) Establish a policy and a guideline on the Company's operation and supervise to ensure that the management comply with the policy and the regulations efficiently and effectively under the good governance principle;
- (3) Report the Company's operation result to shareholders in a shareholders' meeting;
- (4) Organize efficient and reliable financial reporting, internal control, and internal audit;
- (5) Control and supervise the management to ensure fair and equal treatment to all stakeholders;
- (6) Exercise discretion independently when considering strategy, management of the business, director appointment, setting performance standard, as well as opposing to actions taken by other directors or the management in case of conflict that affects equality of all shareholders;
- (7) Consider and approve connected transactions in accordance with the relevant criteria and rules where a director who has interest in such matter shall have no rights to vote;
- (8) An independent director shall consider and give opinion on reasonableness of connected transactions or transactions that may create conflict with the interests of TREIT to ensure the transaction proceeds in accordance with the relevant criteria including material acquisition and disposal of assets;

- (9) An internal auditor shall be appointed by an independent director;
- (10) Consider meeting agenda if any particular matters that should be considered by the board of directors are not included in the agenda of the board of directors' meeting;
- (11) Prepare a report in the form of "Disclosure of Director / Management's Interest" to the Company according to the Company's criteria;
- (12) Consider and appoint a director to replace a resigned director, select and propose additional directors to the Company's shareholders;
- (13) If necessary, the board of directors may obtain advice or professional opinion from an external consultant regarding the Company's business at the Company's expenses;
- (14) Consider and approve matters related to major operation of the Company such as paying benefits to shareholders, organizing a shareholders' meeting, selection and proposing compensation for an accounting auditor; Conduct an induction so that the board of directors or an assigned person can give information on the Company's business to a new director.

Duty and Responsibility towards TREIT

- (1) Establish significant policies for TREIT such as investment policy, property lease policy, property manager selection policy;
- (2) Consider and approve acquisition or disposal of core assets according to the criteria specified in the Company's policy;
- (3) Consider and approve sourcing of fund for TREIT including source of fund, fund amount, requirement, and related conditions;
- (4) Ensure that the management report performance of TREIT and important issues to the board of directors every quarter or when appropriate;
- (5) Consider and approve payment of benefits to unitholders;
- (6) Consider and approve meeting of unitholders;
- (7) Consider and approve connected transactions entered into between TREIT and the REIT Manager and between TREIT and connected persons in accordance with the relevant criteria and rules where a director who has interest in such matter shall have no rights to vote;

- (8) An independent director, consider and give opinion on reasonableness of connected transaction or transaction that may create conflict with the interests of TREIT to ensure the transaction proceeds in accordance with the relevant criteria including material acquisition and disposal of assets;
- (9) An internal auditor shall be appointed by an independent director;
- (10) Consider and approve a guideline on risk management for potential risks to TREIT;
- (11) Ensure that TREIT has an internal control that meets the criteria specified in TREIT's internal control procedure;
- (12) Appoint a complaint and dispute subcommittee as deemed appropriate to solve TREIT-related complaints and disputes raised by a third party which is proposed by Compliance and Investment Relations Department;
- (13) Select and propose for appointment, propose compensation of an accounting auditor and organize a meeting with an accounting auditor as deemed appropriate;
- (14) In case a director receives internal information that are material to a change in securities price of TREIT, he/she must suspend acquisition or disposal of units for an appropriate period of time before the information is disclosed to public and such material information must not be disclosed to a third party otherwise he/she will be subject to punishment as prescribed by law.

4.2 Management

As of December 31, 2016, the Company's management consists of the following members:

Name	Title	Education	Professional Experience
1. Mr. Peerapat Srisukont	Managing Director	Master of Business Administration	<i>Deputy General Manager</i> ■ TICON Industrial Connection PCL.
2. Miss Pornpimol Supawiratbancha	Chief Finance Officer and Investor Relations	Master of Business Administration	<i>Head of Finance</i> ■ TICON Industrial Connection PCL.
3. Mr. Likit Tangmanakitkul	Head of Finance	Bachelor of Business Administration	<i>Senior Finance Manager</i> ■ TICON Logistics Park Co., Ltd
4. Miss Pornpimol Supawiratbancha	Head of Accounting (Acting)	Master of Business Administration	<i>Head of Finance</i> ■ TICON Industrial Connection PCL.
5. Mr. Peerapat Srisukont	Head of Property Management (Acting)	Master of Business Administration	<i>Deputy General Manager</i> ■ TICON Industrial Connection PCL.

Name	Title	Education	Professional Experience
6. Miss Pornpimol Supawiratbancha	Head of Legal and Compliance (Acting)	Master of Business Administration	<i>Head of Finance</i> ■ TICON Industrial Connection PCL.
7. Mr. Chansak Thamsombatdee	Head of Business Development	Master of Business Administration	<i>Logistics Manager</i> ■ Mitsui & Co. (Thailand) Co., Ltd.

4.3 Independent Directors

In relation to recruitment of an independent director for the Company as the REIT Manager, he/she must possess minimum qualification as follows:

1. An independent director may not hold more than 1% of total shares with voting rights of the Company, its subsidiaries, affiliated companies, or a person who may have a conflict of interest (including connected persons as prescribed in the Securities and Exchange Act B.E. 2535).
2. An independent director must not be involved in management or be a worker, employee, advisor who received fixed salary from the Company or its affiliated companies or a person who may have a conflict of interest where such interest must not exist for minimum of two years [preceding appointment].
3. An independent director must have no direct or indirect business relationship or interest in the management and the finance of the Company, its affiliated companies or a person who may have a conflict of interest in a manner that may affect independency.
4. An independent director must not be a close relative to a director or a major shareholder of the Company, its subsidiaries or a person who may have a conflict of interest and is not appointed an agent to protect the interest of directors or major shareholders.
5. An independent director must exercise discretion independently as necessary in the interest of the Company and must be prepared to make objection to actions taken by other directors or management.
6. An independent director is able to attend meetings of the board of directors to make a decision on important activities of the Company.
7. An independent director must possess appropriate knowledge and experience or be a person with high level of competency and be accepted.

8. An independent director must not be a person whose name is listed in the list deemed by The Stock Exchange of Thailand to be unfit to be in the management according to the regulations of The Stock Exchange of Thailand.
9. An independent director must have never been convicted of an offence against the securities law, the business law, the financial institution law, the non-life insurance law, the suppression and anti-money laundering law or other laws related to finance regardless of whether it is Thai law or foreign laws by the authority regarding offence on unfair acquisition and disposal of securities or bad-faith or fraudulent management.
10. An independent director has no other characteristic that may prevent him/her from giving independent opinion on the Company's operation performance.

The Company has set out scope of duty and responsibility of an independent director as follows:

1. Consider, follow up, and give necessary advice to the Company regarding preparation of and disclosure of financial information of the Company and TREIT to ensure accuracy, completeness, sufficiency and timely submission.
2. Consider, following and giving necessary advice regarding suitable internal control and work procedure to the Company as REIT Manager.
3. Consider and give opinion on connected transaction or other transactions that may have conflict of interest with TREIT to ensure compliance with the law and related requirement and that the transactions are justifiable and in the best interest of TREIT.
4. Take any other actions assigned by the board of directors in the best interest of TREIT.

According to the above scope of duty, relevant departments must report the following matters to an independent director for consideration and acknowledgement and necessary advice:

1. Connected transactions or transactions that may create conflict with the interests of TREIT.
2. Weakness in internal control procedure and work procedure that the Company as the REIT Manager needs to improve and improvement progress.

The Board of Directors and independent directors have an important role in follow up and giving necessary advice to the Company in its capacity as REIT Manager in accordance with the regulations and related agreements.

4.4 Duty and responsibility of the Company as the REIT Manager

The Company as the REIT Manager has duty and responsibility to control and manage TREIT and TREIT's investment in assets as well as control performance of the Property Managers. The REIT Manager must take any actions as assigned by the Trustee and as specified in the Trust Deed in the interest of unitholders including, but not limited to, the following:

1. General Duty of the REIT Manager

1. Perform his/her duty with diligence and care, integrity in the best interest of unitholders and in accordance with the Trust Deed and related laws and obligations specified in the disclosure to investors (if any);
2. Manage the TREIT's assets in accordance with the disclosure of offering of units, TREIT's operation plan, the resolution of the meetings of unitholders, the rules, regulations and related laws, and the notification of Office of the Securities and Exchange Commission;
3. Organize meetings of unitholders as specified in the Trust Deed;
4. Take actions to increase capital of TREIT as specified in the Trust Deed;
5. Take actions to decrease capital of TREIT as specified in the Trust Deed.

2. Duty of the REIT Manager in preparation of reports and disclosure

1. Prepare and disclose information of TREIT and information as prescribed in Section 56 and Section 57 of Securities and Exchange Act B.E. 2535 and other information as specified in the Trust Deed.
2. Upon request of the Securities and Exchange Commission, make clarification, submit documents or evidence related to compliance or non-compliance to the Securities and Exchange Commission including, but not limited to, the following to the Securities and Exchange Commission, The Stock Exchange of Thailand, and unit holders;
 - (a) Information regarding conflict with the interest of TREIT and measures to resolve such conflict to be disclosed to investors clearly during an initial public offering and whenever a conflict of interest arises (if any);

- (b) Information regarding transactions entered into between TREIT and connected persons and information regarding transactions entered into between TREIT and the REIT Manager or connected person and the REIT Manager, information regarding acquisition or disposal of core assets and equipment of TREIT, information regarding borrowing transactions and encumbrance made by the trust;
 - (c) Information regarding interest or benefits received from a company / person who is a vendor of TREIT (if any);
- 3. Ensure that unitholders receive complete and correct information and sufficient for voting to approve matters within a period specified in the Trust Deed and the regulations of The Stock Exchange of Thailand;
- 4. Prepare and send information, report and/or documents to the trustee within the specified period such as full report of property evaluation, monthly report presenting revenue and expenses, right of claim, due debts, market environment report, information regarding the TREIT's investment in properties, information regarding acquisition or disposal of core assets.

3. Duty of the REIT Manager regarding Investment or Disposal of TREIT's assets

- 1. organize and/or make appropriate investment in core assets and other assets according to the investment plan and manage risks related to TREIT and TREIT's assets and the criteria specified in the Trust Deed;
- 2. take necessary actions to ensure that disposal of assets or connected transactions related to the property for TREIT is valid and effective;
- 3. make analysis of the probability and review and conduct a due diligence of assets as well as assess risks that may be caused by investments in such assets and provide risk management procedure;
- 4. value core assets in accordance with the criteria specified in the Trust Deed;
- 5. maintain core assets in good conditions ready for generating income including repair, improvement, restoration, and maintenance of assets;
- 6. take out sufficient insurance that covers the period of TREIT's investment in core assets including non-life insurance that may occur to the assets, public liability insurance for damage that may be caused by the assets or the operation in the assets;

7. assist the Trustee on disposal of TREIT's core assets and find buyers for the core assets;
8. give assistance to enable the Trustee to dispose or acquire or enter into transactions with a third party in case of disposal, acquisition or any transaction that generates income from the TREIT's assets;
9. prepare an investment plan and a risk management plan related to TREIT and TREIT's assets, a borrowing plan and an annual financial management plan of TREIT.

4. Duty of the REIT Manager regarding TREIT's benefits

1. facilitate the trustee or a person assigned by the trustee and a third party during survey of core assets;
2. consider and inspect conditions of core assets before handing over to retail tenants or the Trustee when entering into or renewing a new lease agreement or a new service agreement or when a lease agreement or a service agreement expires (as the case may be);
3. take necessary and appropriate actions in case a disaster occurs to TREIT's assets;
4. manage budget and cash flow of TREIT;
5. prepare financial statements of TREIT in accordance with the accounting standard as prescribed by the accounting law;
6. withdraw assets of TREIT from a petty cash account only or for other purposes as agreed with the Trustee within the limit approved by the trustee;
7. pay benefits to unitholders in accordance with the criteria and conditions specified in the Trust Deed;
8. exercise the right of claims, take actions in defense, or exercise other legal rights on behalf of the Trustee regarding management of the trust as authorized by the Trustee from time to time;
9. retain documents related to the operation of TREIT;
10. give advice to the Trustee regarding property market conditions or trend and potential impact on TREIT.

5. Duty of the REIT Manager regarding Transaction with Potential Conflict of Interest

In case of a transaction with potential conflict of interest, the REIT Manager must consider justification and necessity of the transaction and obtain approval from the Trustee and request that the Trustee establish conditions on such transaction. If the Trustee does not approve the transaction or the transaction is not justifiable and necessary, the REIT Manager may not proceed with the transaction.

6. Duty of the REIT Manager associated with Borrowing

In case of TREIT's borrowing, the REIT Manager has the following duties;

- (1) disclose outstanding amount of the borrowing and reserves for debt repayment under the loan agreement or the borrowing commitment for each year until the debt payment completes (if any) in the memorandum of information, the prospectus and the Annual Report of TREIT.
- (2) determine the appropriate reserve amount as mentioned in item (1), by taking into account the outstanding amount of loan or the borrowing commitment and the repayment period, impact on distribution payments to unitholders, and excess cash in case of the unrealized loss from the valuation or reappraisal of TREIT's properties.
- (3) allow TREIT to postpone the reserve for any period of liquidity inadequacy and include it in the reserve for the next accounting period.

7. Other Duty of the REIT Manager

If an advisor is appointed to give advice or suggestion on TREIT's investment in properties and management of TREIT's assets, the advisor must have no direct or indirect interest in the matter under consideration. If the fact has changed and the advisor has interest in the matter under consideration, the REIT Manager must prevent the advisor who has direct or indirect interest from considering the matter and take actions as specified in REIT Manager Appointment Agreement.

4.5 Management

The Company was established with objective to engage in business of acting as the REIT Manager. The Company's core business is divided into five departments for the Company's duty as the REIT Manager to comply with the conditions specified in the Trust Deed, REIT Manager Appointment Agreement, the resolution of unitholders and related laws, regulations and/or rules. Duty and responsibility of the departments is summarized below.

1. Business Development Department

Business Development Department's main duty is to ensure that TREIT makes investment in quality core assets in suitable volume, that TREIT continues to grow, and that TREIT generates best return to unitholders. Business Development Department will find suitable source of fund for TREIT to make investment in such assets.

Business Development Department is also responsible for making decision regarding investment in and disposal of core assets according to the investment policy, find suitable source of fund from the money market and the capital market based on an appropriate investment structure, value assets at the specified time, consider payment of benefits for proposal to the board of directors for approval.

2. Accounting, Finance and Investor Relations Department

Accounting, Finance and Investor Relations Department's main duty includes preparation of financial reports of TREIT, managing budget and cash flow of TREIT, making investment in other quality assets, collecting lease fee and service fee from tenants, and managing payment.

Accounting, Finance and Investor Relations Department is also calculating net asset value of TREIT for disclosure to investors. In addition, Investor Relations tasks include providing TREIT's information to the investors and analysts.

3. Property Management Department

Property Management Department's main duty includes finding tenants for TREIT in order to generate regular income, maintaining TREIT's assets in good condition and ready for use, and repairing assets upon request from a tenant.

Property Management Department is also responsible for creating a marketing plan, establishing a strategy in making profit from TREIT's properties, finding tenants, maintaining TREIT's properties in good condition and ready for use, repairing and improving assets, coordinating and facilitating tenants in relation to TREIT's application for or renewal of permits, and taking out insurance for assets.

4. Legal and Compliance Department

Legal and Compliance Department's main duty is to ensure that the Company comply with the rules and regulations applicable to TREIT which are issued by relevant authorities, and managing complaints and disputes.

Legal and Compliance Department is also responsible for monitoring to ensure that TREIT and the Company's management comply with the Securities and Exchange Act B.E. 2535, TREIT for Transactions in Capital Market Act, B.E. 2550 and regulations of Office of the Securities and Exchange Commission, The Stock Exchange of Thailand, and other related authorities, make disclosure of information of TREIT according to relate criteria, organize a meeting of the board of directors and a meeting of unitholders, receive complaints and suggestions regarding TREIT from a third party (if any).

5. Internal Audit Department

The Company appoints a third party to act as an internal auditor who is responsible for audit of compliance of all departments with policies and procedures. Internal Audit Department reports to independent directors.

Internal Audit Department is also responsible for making a work plan, audit performance of various departments, report audit result to an independent director, ensure that connected transactions or transactions with potential conflict of interest (if any) comply with relevant regulations.

6. Remuneration of the REIT Manager

In 2016, fee received from TREIT which were not over the rate specified in the table below:

Fee received from TREIT	% : Annum	Base Units	Amount Received (Baht)
Management Fee	0.25	of Total Assets Value (TAV)	20,085,017.69
Property Management Fee			
1. Warehouse	2.0	of net income from Lease and Service Agreement	10,039,133.33
2. Factory	4.0	of net income from Lease and Service Agreement	5,222,911.27
Incentive Fee			
1. Warehouse	0.00-10.50	of profit from operation	20,960,646.02
2. Factory	0.00-19.50	of profit from operation	3,277,785.92
Brokerage Fee			
1. Brokerage fee for recruiting new retail tenants	Not exceeding 3 months	of rental and service fee received from new retail tenants	922,809.60
2. Brokerage fee for acquisition, disposal, transfer or receiving of leasehold	3.0	of value of acquisition, disposal, transfer or receiving of leasehold	-

Property Manager

For the main assets that TREIT invested in, the REIT manager has appointed TICON Logistics Park Company Limited (“TPARK”) to be the Property Manager for Warehouse and TICON Industrial Connection Public Company Limited (“TICON”) for Factory. Details of each Property Manager are as follows:

1. TPARK

Name	TICON Logistics Park Company Limited (“TPARK”)
Address	Suite 1308, 13/1 th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120
Telephone	02-679-6565
Fax	02-287-3153
Homepage	www.ticonlogistics.com

TPARK is a subsidiary of TICON. As at December 31, 2016, TICON held 99.99% share of paid-up registered capital of TPARK.

TPARK was established on August 2, 2005 with a registered capital and paid up, as at December 31, 2016, of Baht 19,500 million. The company’s objectives are to develop a ready-built warehouse with international quality for rent or sell. Presently, TPARK has its warehouse buildings located in more than 33 locations. As at December 31, 2016, TPARK had total 392 units of completely built and under construction warehouse buildings. Apart from TREIT, TPARK is also property manager for other property funds as follows.

1. TICON Property Fund (“TFUND”) which is the property fund that invested in freehold on land, factories and warehouse.
2. TPARK Logistics Property Fund (“TLOGIS”) which is the property fund that invested in freehold on land and warehouse.
3. TICON Industrial Growth Leasehold Property Fund (“TGROWTH”) which is the property fund that invested in leasehold on land, factory and warehouse.

2. TICON

Name	TICON Industrial Connection Public Company Limited (“TICON”)
Address	Suite 1308, 13/1 th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120
Telephone	02-679-6565
Fax	02-287-3153
Homepage	www.ticon.co.th

TICON was established in 1990 with the objective to operate business of building factory for rent. TICON was listed in the Stock Exchange of Thailand in 2002 with registered capital as at December 31, 2016, of Baht 1,834 million (with paid-up capital of Baht 1,009 million)

As at January 16, 2017, TICON had offering newly issued ordinary share and increased paid-up capital to Baht 1,834 million. Up to now, TICON has Frasers Property Holdings (Thailand) Company Limited as its major shareholder, holding 40% of paid-up capital.

As at December 31, 2016, TICON as unitholder, held 12.08% of Trust's unit.

Up to now, TICON has developed over 500 single storey factory buildings located in 18 industrial estates, industrial parks and industrial zones in Thailand. As of December 31, 2016, TICON has total 312 units of completely built and under construction factory buildings. The construction of the above mentioned factory buildings was carried out by TICON's construction team which consisted of architects, engineers and project managers. The advantage of having its own construction team is more cost effective, quality control of building standards and more flexibility in construction management. TICON can accelerate construction time to complete the building as per customer's request and can serve customer's requirements to adjust or build the extension. Apart from managing its own properties effectively with stable growth, TICON also provides services to assist tenants in the process of applying for licenses and supply of utilities according to customer request. Other services include applying work permits for foreigners and general assistance which might be requested from customers i.e. introducing buyers of their products or suppliers of raw materials. These services and supports add value to the products and services of TICON, which results in the company's ability to maintain high occupancy rate. TICON is also the property manager of three property funds and the Trust assets like TPARK.

TICON is also a major unitholder of the three property funds, TFUND, TLOGIS and TGROWTH, by holding investment units of 15.00%, 16.05% and 23.95% respectively as of December 31, 2016.

Registrar and Auditor

1. Registrar

Thailand Securities Depository Company Limited

93 Rachadapisek Road, Dindaeng, Dindaeng, Bangkok 10400

Telephone 02-009-9000

2. Auditor

Mr. Chayapol Suppasdtanon, CPA (Thailand) No. 3972

EY Office Limited

33rd Floor, Lake Rajada Office Complex

193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110

Telephone 02-264-9090

History of Punishment and Fine Penalty

1. History of punishment and fine penalty of the REIT Manager

The REIT Manager had no punishment and fine penalty according to the Securities and Exchange Act B.E 2535 (and its amendment) and TREIT for Transactions in Capital Market Act B.E 2550.

2. History of punishment and fine penalty of Directors and Management of the REIT Manager

Directors and Management of the REIT Manager had no punishment and fine penalty according to the Securities and Exchange Act B.E 2535 (and its amendment) and TREIT for Transactions in Capital Market Act B.E 2550.

Corporate Governance

1. Corporate Governance Policy

The REIT Manager recognizes the importance of good corporate governance since it is necessary for the management of TREIT and helps build confidence among its unitholders. It also allows the unitholders, investors and the public to get informed and be able to monitor TREIT operations conveniently, quickly, equitably and efficiently. The REIT Manager has managed TREIT according to the Trust Deed and related law, the REIT Manager believes that TREIT has good management highly accountable Board of Directors and management, and effective control mechanism with check and balance. While good corporate governance is critical and necessary for managing TREIT for sustainable development and benefit of the unitholders. Following are key principles of TREIT good corporate governance

1.1 Right of Unitholders

The REIT Manager is aware of its duty to promote and protect the right of unitholders including basic shareholder rights abided by laws as follows:

1. Right to approve the connected transactions or the acquisition or disposal of assets with the size specified by law and related regulations;
2. Right to buy and sell trust units

Every unitholder has the right to buy and sell the trust units independently. The REIT Manager has appointed the Thailand Securities Depository Company Limited: TSD to act as the Registrar in order to facilitate the unitholders regarding the registration and trust certificate (Please see details in the topic “**Registrar and Auditor**”);

3. Right to vote on items in the agenda presented in the Unitholders' meeting

Every unitholder has the right to participate in the unitholders' meetings and to exercise his/her right to vote on an equitable basis according to the number of units that he/she holds. In the voting process, the REIT Manager will prepare voting ballots and give to every unitholder during the registration process before the meeting starts. Barcode system is used for the meeting registration and the vote counting of each meeting agenda. The REIT Manager will announce the voting results after the voting of each agenda so that the unitholders will be informed of the results immediately;

4. Right to equally earn the returns of investment

Each unitholder has the right to receive the distribution at the rate of not less than 90% of adjusted net profit of each fiscal year or at any rate specified by the Securities and Exchange Commission. The distribution will be paid within 90 days after the end date of fiscal year or of other period, which TREIT announces to pay the distribution. (Please see details in the topic “Dividend Payment Policy”);

1.2 Disclosure of complete, sufficient, trustworthy and timely information to all stakeholders

The REIT Manager emphasizes the importance of facilitating the unitholders to access the TREIT’s information conveniently, evenly and equally by disclosing the accurate, complete and timely information on regular basis. The information including financial information, the operating results of TREIT and other important information, which will support the unitholder’s decision about his/her investment, are disseminated through various channels and medias of the Stock Exchange of Thailand, the TREIT’s Annual Report, and the REIT Manager’s website.

2. Sub-Committee

Presently, TMAN as the REIT Manager is managed by the Board of Directors and management who has proper qualifications as defined by the guidelines in the Capital Market Supervisory Board’s concerning the qualification of person in capital market.

3. The Board of Directors’ Meeting

The REIT Manager has arranged the meeting of the Board of Directors at least one time in each quarter to consider the operation of the TREIT, with the following procedures:

1. Compliance and Investor Relations Department shall send out the invitation together with meeting agenda and supporting documents with necessary contents for consideration to every director at least 7 days prior to the meeting date, so that the directors will have sufficient times to review the information prior to the meeting.
2. The proposed agenda for the Board of Directors’ meeting shall be about the operations of TREIT including the operating result, the annual budget, the distribution, the arrangement of unitholder’s meeting, the investment in additional assets, the connected transactions, business and investment plan as well as the progress in the implementation of the business plan.
3. In every meeting, the number of attending directors shall be more than one half of total directors. Every director has the right to vote for one vote. The director who has a conflict of interest in any matter shall have no right to vote on such matter.

4. At the meeting, the Chairman of the Board will oversee the allocation of sufficient time for management to provide documents and information to debate important issues, and sufficient time for the directors to discuss the important issues. All directors are free to comment and propose the agenda.
5. There shall be the minute with the record keeping of all related documents in accurate, complete and checkable manners. The minutes which are certified from the Board of Directors shall be kept as evidence for future reference.

4. Rules for proper use of Inside Information

The Director and management shall not use of the material information of TREIT which not been disclosed to the public for their own benefit or others. For making control over this matter, the Company has a policy that the Directors and management have to report on trading unit trust to Compliance and Investor Relations Department and submit staff dealing report to the Securities and Exchange Commission.

5. Process and Factors in Consideration of Investment and Management of TREIT

5.1 Investment in Core Assets of TREIT

The REIT Manager takes the following actions before acquisition of each core asset.

1. Conduct a due diligence on assets;
2. Organize valuation of assets under investment as specified in the Trust Deed;
3. Establish risk prevention measure or remedy measure for potential damage caused by breach of agreements or non-enforcement under lease agreements, and disclose such risk prevention measures to the Trustee and unitholders in case of leasehold investment in form of sub-lease.

For acquisition of additional core assets, the REIT Manager shall take additional actions as follows:

1. Propose to the Trustee for consideration and approval of investment in assets as specified in the Trust Deed and related laws;
2. Apply for approval for investment in assets as follows:
 - 2.1 Investment in assets owned by the REIT Manager or a connected person
 - (a) Except the transactions that have already been disclosed in this disclosure;

- (b) For transactions value over 1 million Baht or equal to or above 0.03% of the net asset value of TREIT, whichever is higher, an approval must be obtained from the Board of Directors;
 - (c) For transactions value equal to or above 20 million Baht or over 3% of the net asset value of TREIT, whichever is higher, an approval must be obtained by resolution of a meeting of unitholders;
 - (d) The REIT Manager shall appoint a financial advisor regarding connected transactions to be entered into with the REIT Manager so that the Board of Directors and/or unitholders can make informed decision on approval of investment in such assets;
 - (e) The REIT Manager shall prohibit a person who is connected to the assets under disposal from participating in approval of investment in such assets.
- 2.2 Investment in assets owned by a person who is not the fund manager or a connected person
- (a) For investment in assets with value equal to or above 10% of total asset value of TREIT, an approval must be obtained from the Board of Directors;
 - (b) For investment in assets with value equal to or above 30% of total asset value of TREIT, an approval must be obtained by a three-fourth of total votes of unitholders who attend the meeting and are eligible to vote.

5.2 Criteria for Investment in Core Assets and Equipment

Acquisition of core assets and equipment by TREIT must be in accordance with the criteria specified in the Trust Deed. The material details are summarized below:

1. It must an investment in property in category of land and factory, warehouse and/or office buildings for acquisition of ownership or possessory right;
2. In case of acquisition of possessory right, the property must be acquired by mean of issuance of a Nor.Sor.3 Kor. In case of leasehold, the property must be acquired by mean of issuance of a title deed or a possessory right deed in a form of Nor.Sor.3 Kor;
3. Properties to be acquired must not be enforced under the law on property right or dispute unless the REIT Manager and the Trustee jointly consider and issue a written opinion that such enforcement under the law on property right or such dispute has no material effect on making profit from the property and condition of acquisition of such property will benefit unitholders;

4. An agreement for acquisition of a property must not specify an agreement or an obligation that may prevent the trust from disposing the property at a fair price (at the time of disposal) such as a pre-emptive right at fixed price;
5. Properties and/or assets to be acquired which are classified as core assets as prescribed in the notification of The Capital Market Supervisory Board must be ready for profit making with minimum aggregate value of 75% of the units under offering (if any) for each issuance including borrowing amounts (if any). TREIT may make investment in projects under construction where the total value of investment amount for acquisition and development of the property until ready for profit making must not exceed 10% of total value of assets of TREIT (after offering of units) and TREIT must be able to prove that there is sufficient working capital for such development without affecting the survival of the trust;
6. Properties to be acquired must be fully valued including verification of title deed for disclosure to investors at least six months prior to application for acquisition but not exceeding one year preceding investment in such property minimum two valuers who are approved by the Securities and Exchange Commission;
7. Properties to be acquired must have minimum aggregate value of Baht 500 million for the first time investment in core assets;
8. In case of indirect investment in core assets by TREIT, it must be an investment in property specified in (1) - (7) above through shareholding in a company incorporated with objectives to engage in the same business as TREIT as specified in the Trust Deed. Such investment must meet the following criteria:
 - (a) TREIT must hold shares in such company in a ratio as prescribed in the notification of the Securities and Exchange Commission or The Capital Market Supervisory Board;
 - (b) TREIT must be able to prove that there are measures or mechanism to enable the Trustee and the REIT Manager to take care and control such company to ensure the operation as specified in the Trust Deed and the criteria of the Securities and Exchange Commission in a similar manner as if TREIT makes direct investment in such core assets.
9. If value of properties to be acquired is above 5% higher than the minimum valuation price assigned by the valuation company within one year preceding the acquisition, facts and reasons of acquisition at such price must be provided.

5.3 Disposal of Core Assets of TREIT

The REIT Manager may consider disposing core assets of TREIT under the following procedure:

1. The REIT Manager must have core assets valued by an independent valuator in accordance with the criteria specified in the notification of Office of the Securities and Exchange Commission;
2. Disposal of core assets must be overt and contain transaction details and approval procedure as specified in the Trust Deed and it must be approved by the trustee or a resolution of a meeting of unit holders in the same manner as acquisition of the assets.
3. Disposal of core assets in the following categories is permitted only when necessary and appropriate and with approval from the Board of Directors:
 - (a) Disposal of core assets before one year anniversary from the date on which the trust acquires such core assets;
 - (b) Disposal of core assets that TREIT acquired ownership to the previous owner.

5.4 Management of Core Assets of the TREIT

In relation to management of core assets of TREIT, the Company as the REIT Manager appoints a Property Manager who is selected based on experience in management of each type of properties in which TREIT will make investment. The REIT Manager appointed TPARK as the Property Manager for asset in category of warehouse, TICON as the Property Manager for asset in category of factory, (Please see details in the topic “**Property Manager**”); The REIT Manager supervises and controls the Property Manager by the following means:

1. The REIT Manager establishes a marketing policy and strategy in property management for the Property Manager to comply with;
2. The REIT Manager controls and oversees the Property Managers’ performance on a regular basis and check accuracy and completeness of property-related tasks such as rental fee, outstanding payment, marketing activities, property conditions, repair expenses, and insurance of core assets.

5.5 Selection of Connected Persons to manage TREIT

The REIT Manager selects personnel to manage TREIT based on related experience and conducts a background check to assess if a person to be appointed to manage TREIT possesses qualifications as prescribed in the notification of the Securities and Exchange Commission as follows:

1. Having experience in managing investment or making profit from property for minimum period of three years within five years preceding commencement of employment for the REIT Manager;
2. Having no prohibited characteristics of a person who has a power to manage TREIT as prescribed in the notification of The Capital Market Supervisory Board re: Prohibited Characteristics of Persons in Capital Market Business;
3. Being selected by the Board of Directors or an assigned person (as the case may be) based on the above qualification with Compliance and Investment Relations Department to participate in checking qualification of the candidate.

Persons who are selected for each position are restricted from taking duty in other positions which may create conflict with their assigned positions.

5.6 Investment in Other Assets for Cash Flow Management

The REIT Manager implements a procedure to control investment in other assets for management of cash flow of TREIT, checking category of assets under investment and investment ratio in other assets to ensure it complies with the Trust Deed.

5.7 Selection of Property Managers

The REIT Manager may appoint one or more individuals to act as property manager(s) to manage assets of TREIT. Property Managers must be competent to manage the and have knowledgeable people in estate management experience for not less than 3 years. The REIT Manager is responsible for property management fees and TREIT is responsible for other costs incurred by the property management, such as maintenance fees, etc.

However, if a new Property Managers are appointed, the REIT Manager informs the trustee of the appointment within 15 days of the appointment of the new Property Managers.

Property Managers have the maturity each 5 years of contract and can be renewed automatically. However, REIT Manager may appoint additional or change Property Managers to the terms outlined in the contract, when one of the following;

- (1) Property Managers do not perform their duties according to terms and conditions of the contract of appointment and Property Managers do not remedy the remedy within 60 days after receipt of notice from REIT Manager to rectify such non-performance.

- (2) If the rental rate of TREIT's properties under management of any Property Managers is less than 50% for 3 consecutive months and if the annual performance of the property is less than the performance estimate specified in the annual operating plan that Property Managers have proposed and approved by the REIT Manager for a consecutive period of more than 2 years except in case of force majeure.
- (3) Property Managers were ordered by the court to be in receivership or the court has appointed the official receiver to manage the property of all real estate managers or only in significant parts.
- (4) Property Managers lack the ability to act as Property Managers as determined by the REIT Manager and do not fix such disability within 60 days.

5.8 Monitoring Property Managers performance

The management of properties of TREIT, the REIT Manager supervises Property Managers appointed by TREIT to achieve its purpose and to preserve the best benefit of TREIT and unitholders. The REIT Manager has a system for executing and supervising Property Managers as follows;

1. Monthly Monitoring

- (1) Property Management Department assigns Property Managers to submit a summary of factory visits of potential customers with customers' names and phone numbers. In addition, they need to submit report on the lease of the main properties, and property repair or maintenance report.
- (2) Accounting and Finance Department monitors the completeness of the rental received in TREIT's accounts in each month.
- (3) Accounting and Finance Department investigates the unpaid rental report and check out the overdue rental tracking records. The property management department ensures that Property Managers follow the unpaid process and audit the tracing process include a copy of the notice (if any).
- (4) Property Management Department examines the documents used in marketing to find tenants to ensure that such documents are not conducive to a conflict of interest in finding tenants of Property Managers by performing at least the examination of the presentation of each rental property equally, without regard to the ownership title and check on the pricing of property rental as a price advantage to any property owner or not.

Property Management Department will contact the potential customers in item (1) by random to verify that the Property Managers are acting in a neutral manner without favoring any one property owner.

2. Semi Annual Monitoring

Every 6 months, or when appropriate, Property Management Department meets with Property managers to announce marketing policies, strategies, asset management. Property Managers provide information about the competition, relevant industry conditions, and issues that may arise with tenants.

3. Annual Monitoring

- (1) Property Management Department audits properties with Property Managers and property appraiser to ensure that the core assets of TREIT are in normal use. There is no addition beyond the permission of TREIT and for the purposes of annual properties appraisal.
- (2) Property Management Department reviews and audits the quotation, coverage and premium rates to confirm the insured's primary coverage including the main insurance document to ensure that the core asset is properly insured as required by company.

4. Property Maintenance

Property Management Department reviews and audits the reasonableness of the property's repairing or maintenance. This is included a list of repairers and cost before approval to ensure that the Property Managers perform repairs to the property standards without any conflict of interest which is divided into two cases:

- (1) In case of repair and maintenance, the cost is not allow to exceed the amount approved by TREIT that Property Managers can carry out their own procurement. However, every month, Property Management Department reviews and audits the correctness of the repair and maintenance items prepared by Property Managers.
- (2) In case of repair and maintenance costs are more than the amount approved by TREIT;
 - (a) Urgency case, Property Managers must first obtain the approval from Property Management Department as principle, via phone or e-mail.

- (b) No urgency case, Property Managers send the letter of approval to Property Management Department by including details of the property such as property number, name of the lessee, damaged property photos, and the amount of money to ask for approval. In the support documentation must be included illustrates the necessity and appropriateness of the proposed costs, such as photographs of property damage, or compare prices of service providers with other service providers.
- (c) Property Management Department prepares a letter of approval of the cost limit back to the Property Managers with copies of the book are kept as evidence, together passing documents to Accounting and Finance Department for further processes.

5.9 TREIT's Interest Tracking Procedure

The Company as the REIT Manager has appointed TPARK, TICON and may appoint other persons as deemed appropriate to collect revenue and manage spending of TREIT. In this regards, the Company has a procedure to track interest of TREIT which requires the appointed person to submit a report of such to the REIT Manager such as lease income report, lease cost report, selling and administrative expenses report, outstanding debt report, debt collection report, occupancy report, repair and maintenance hiring report, tenant's core assets insurance report.

6. Information Disclosure to Unitholders

The REIT Manager has emphasized the importance of information disclosure to unitholders in a sufficient, accurate, complete, fast and transparent manner. Also the information disclosure of TREIT shall be complied with rules and guidelines of information disclosure of the Securities and Exchange Commission and the Stock Exchange of Thailand.

Key principles of information disclosure

1. Information to be disclosed must be accurate, complete, clear and timely.
2. Must be complied the rules and regulations of information disclosure accurately and completely.
3. Every unitholder has the right to receive the information equally.

Parties who responsible for information disclosure

The Managing Director has assigned the Compliance Department, Investor Relations Department and the Accounting Finance Department for disclosing of information to the Securities and Exchange

Commission and/or the Stock Exchange of Thailand. The information to be disclosed shall be approved by the Board of Directors and/or the Managing Director (as the case may be) prior to disclosure.

Channels of Information Disclosure

In order to communicate efficiently, transparent and on timely basis, the REIT Manager has arranged various channels for information disclosure as follows:

1. Report to the Stock Exchange of Thailand, which is the formal channel of the Trust to disclose information.
2. The REIT Manager's website (www.treit.co.th) which gather all important information of the Trust such as general information, TREIT Structure, Financial Statement, Annual Report, Invitation to the Unitholder's Meeting, Distribution and interested news.

7. Unitholders' Meeting

Guidelines of arranging the unitholders' meeting

The REIT Manager shall arrange a meeting for unitholders as Annual General Meeting within four months after the end of fiscal year. Other meeting of unitholders shall be called Extraordinary General Meeting. The REIT Manager shall hold the Extraordinary General Meeting to be in line with the Trust Deed and related laws as follows:

1. When the REIT Manager considers that it is appropriate to call the unitholders' meeting for TREIT management propose
2. When the REIT Manager is required by the Trust Deed to get the resolution from the unitholders to carry out the following activities:
 - (a) The acquisition or disposal of TREIT's major assets with the value equal to or over 30% of the total asset value;
 - (b) The issuance of debenture or any debt instruments;
 - (c) The increase or decrease of TREIT's paid-up capital, as indicated in the Trust Deed;
 - (d) The connected transactions with the REIT Manager or connected persons with the REIT Manager, with the transaction value equal to or above Baht 20 million or higher or more than 3% of net asset value, whichever is higher;
 - (e) The change of benefits and the capital returned to the unitholders;
 - (f) The change of Trustee;
 - (g) The change of REIT Manager and the appointment of new REIT Manager

- (h) The amendment of Trust Deed that significant impacts to the right of unitholder or the increase of fee and/or expenses to be higher than the maximum rate specified in the Trust Deed;
 - (i) The cancellation of the Trust
 - (j) Any other circumstance that the Trustee and/or the REIT Manager deem necessary and appropriate to propose to the unitholders' meeting and to get resolution of such matter;
 - (k) Any other circumstance required by the Securities and Exchange Commission;
3. When the unitholders with the total number of units is not less than 10% of total units sold, make a written request to the REIT Manager to call for Unitholders Meeting with clear reason stated in the request. The REIT Manager shall arrange unitholders' meeting within 1 month after the date receiving such request.

Rights of the Unitholders

At the unitholders' meeting, the REIT Manager has a policy to facilitate and encourage all unitholders to attend the meeting by assigning the Compliance Unit to administrate the unitholder's meeting in accordance with the Trust Deed and related laws.

Procedure for unitholders' meeting

1. The Compliance Department is responsible for the meeting appointment, preparing invitation, and meeting documents, accurately, completely and adequately. All documents will be given to The Thailand Securities Depository: TSD, the Registrar of the Trust, who will distribute invitation to all unitholders within 7 days or 14 days prior to the meeting (as the case may be). The REIT Manager will disclose the invitation letter in daily newspaper at least 3 days prior to the meeting date so that the unitholders will have sufficient time to review the related information before attending the meeting. In addition, the unitholder can download the invitation letter and supporting documents from the REIT Manager's website (www.treit.co.th) in both Thai and English. This is the same information that the REIT Manager send to unitholders as printed document. Information in the invitation shall include the explanation of how to attend the meeting as well as the detailed agenda, which are sufficient for unitholders to review and make decision.
2. At the meeting, every unitholder has the right and equality to express his/her opinion and ask any questions to the Board of Directors on any matters relating to TREIT according to the agenda or proposed topic. The REIT Manager shall inform the unitholders to acknowledge their voting right and procedure for voting prior to the meeting.

3. Unitholders have the right to consider and approve the connected transaction or the acquisition or disposal of the assets with the value specified by law and related regulations.

Voting of the unitholders

Voting of the unitholders in general case must receive an approval from the majority of the unitholders who attending the meeting and entitled to vote.

Voting of the following material transactions must receive at least three-fourth of total unitholders attending the meeting and entitled to vote.

1. The acquisition or disposal of the major assets with the value over 30% of the total assets value;
2. The increase or decrease of the Trust's paid-up capital, especially there is required the unitholders' approval;
3. The capital increase under general mandate;
4. The connected transactions with the REIT Manager or connected person with the REIT Manager, with the transaction value equal to or above Baht 20 million or higher or more than 3% of the net asset value, whichever is higher;
5. The change of benefits and the capital returned to the unitholders;
6. The change of Trustee;
7. The amendment of Trust Deed that significant impacts to the right of unitholder;
8. The cancellation of the TREIT

8. Selection and Nomination of Directors and Management

The REIT Manager shall select the personnel to be responsible for the management of TREIT based on his/her past experience in the related functions, to ensure that such person could manage TREIT for the maximum benefit of the unitholders. The REIT Manager shall consider the qualifications of candidate as defined by the guidelines in the Capital Market Supervisory Board's concerning the qualification of person in capital market as follows:

1. Having work experience in the field of investment management or management of revenue-generating real estate for not less than 3 years within the period of 5 years before the date of joining with the company;

2. No prohibited characteristics of authorised personnel of the TREIT management in accordance with the Capital Market Supervisory Board's concerning the qualification of person in capital market.

9. Remuneration of the Auditor

TREIT has appointed EY Office Limited as the Auditor of TREIT for financial period ended December 31st, 2016 with the auditing fee in total amount of Baht 589,661.

10. Other Compliance with Good Corporate Governance (if any)

- None -

Corporate Social Responsibilities

1. Overview of the policy

The REIT Manager has a policy to manage the Trust with transparency to all related stakeholders for the best interests of the unitholders. The REIT Manager gives priority to the good corporate governance (Please see more details on the topic "Corporate Governance") as well as business operations with responsibilities to society and environment. The REIT Manager has carried out the policy based on the Stock Exchange of Thailand's guideline on corporate social responsibilities.

1.1 Business Operation Fairness

Operating the business with fairness is one of business ethics which the REIT Manager gives priority to and always practice when managing the Trust. The REIT Manager shall manage the Trust with strictly compliance to related laws including the Securities and Exchange Act B.E. 2535 (with amendments), the Trust for Transactions in Capital Market Act, B.E. 2550 and Rules and Regulations of the related regulators as well as to the provisions in the Trust Deed. The Trust shall be managed under good governance principles, avoiding practices or actions that could pose conflicts of interest, promoting free and fair trade competition. All tenants shall be fairly treated. There shall be no propaganda or false advertisement which may mislead and cause damage to consumers. All the above practices are aimed to be fair to other business operators, the unitholders, business partners and related stakeholders, which will build investor's confidence in the long term.

1.2 Respect for Human Rights and Fair Treatment to the labor

The REIT manager focuses on the fundamental rights of individuals including the right to life and liberty, the right to equality under the law, the right to freedom of speech, the right to work, the right to basic healthcare as well as right to social security. The REIT Manager also provides to staff a chance to show their potential, encourages them to express their idea freely, and provides opportunities to enhance their knowledge and skills continually. The details are as follows:

1. Provide work process and system that focuses on proper safety and healthcare in the workplace.

Provide a clean workplace to prevent safety hazards that may arise from accidents and disease, including encouraging employees to have a good health through annual health check program;

2. Enhance staff's skill and potential by providing an opportunity for employees to learn and to be promoted when the opportunity is right;
3. Provide fair employment conditions for employees and provide reasonable compensations that fit their capacity;
4. Provide employee's welfare such as annual vacation, medical treatment as necessary and appropriate;
5. Provide important information to employees and employee representatives about the actual conditions and operating results of business entities;
6. Promote collaborations among employers and employees to improve work life quality.

1.3 Responsibilities to Consumer

The Trust invested in the assets which are land and warehouse and factory buildings and appointed TPARK and TICON as the property manager. (Please see more details on the topic. "Property Manager". In property management, the Property Managers focus on fair and responsible treatment to the tenants, taking into account their health and safety.

1. Construction of the buildings done by business partners who are responsible contractor with high standard;
2. Deliver products and services with high quality, safe and not harmful to tenant's health;
3. Contact the tenants politely, effectively and trustworthy.

1.4 Environment Preservation

The REIT Manager recognizes the importance of environment preservation and treats that to preserve the environment is a shared responsibility of everyone. Therefore, the REIT Manager encourages its employees to use resources efficiently, with regards to energy saving measures and recycling and reuse of materials. The REIT Manager also provides knowledge and training to employees on environment, safety and healthcare.

In addition, the Property Managers have a policy to build modern and safe warehouse and factory, with no impact on the environment and with ability to respond to social needs and environmental protection to customers. TICON, one of the Trust's property managers, has developed a green factory building that is environmental friendly (Green Building), which has been certified as a building that is environmental friendly by the standard of "LEED" or Leadership in Energy and Environmental Design from the U.S.Green Building Council (USGBC), a leading certification body of green building standards in the United States. TICON is the first developer of factory and warehouse in Thailand certified with LEED Certification. In addition,

the property managers also focus on preserving the environment around its factories and warehouses so that to people who live nearby can live their daily life in a better and quality environment.

2. Business Operating with effect to Social Responsibility (if any)

- None -

Prevention of Conflict of Interest

1. Policy for making transaction between TREIT and the REIT Manager or its Related Parties

Trust Deed has a procedure for making transaction between TREIT and the REIT Manager or its Related Parties with the following criteria:

1. Transaction between TREIT and the REIT Manager or its Related Parties with the following criteria:
 - (a) The transaction must be in accordance with the Trust Deed and the related laws;
 - (b) The transaction must be in the best interest of TREIT.
 - (c) The transaction must be justifiable at fair price and fair market conditions.
 - (d) Expense to be charged from TREIT (if any) must be in justified rate and reasonable
 - (e) Persons who have interest in the transaction will not participate in decision making for approval of the transaction.
2. However, if it is necessary to enter into a transaction that may create conflict of interest, the Company has the following procedure to ensure the best interest of TREIT / its unitholders:
 - (a) The transaction must be certified by the Trustee that it is in accordance with the Trust Deed and related laws.
 - (b) For transactions value over Baht 1 million or equal to or above 0.03% of the net asset value of TREIT, whichever is higher, an approval must be obtained from the Board of Directors;
 - (c) For transactions value equal to or over Baht 20 million or over 3% of the net asset value of TREIT, whichever is higher, an approval must be obtained by resolution of a meeting of unitholders by a three-fourth of total votes of unitholders who attend the meeting and are eligible to vote.
3. If the related party transaction is a transaction to acquire or sell of main properties, the calculation of value will base on acquisition or sell value of all properties of each project that will make it ready to seek benefit, including all properties relating to that project.
4. In order to seek approval from Trustee or unitholders' meeting, the REIT Manager and Trustee shall have the following responsibilities:

- (a) The REIT Manager shall prepare a paper requesting for approval or notice for unitholders' meeting with the REIT Manager's opinion on nature of transaction according to clause 1) together with supporting reasons and clear information; and
 - (b) Trustee must attend the unitholders' meeting to provide its opinion whether the transaction is conform to Trust Deed and relating applicable laws. In case that approval from the unitholders' meeting is required, the notice for meeting must include opinion from an independent financial advisor for such approval.
- 5. In case that the information on related party transaction between TREIT and the REIT Manager or any person relating to the REIT Manager has been clarified in the information memorandum, such transaction shall not require approval in clause 2) and does not require to follow procedures to request for approval in clause 4).

1.1 Transaction between TREIT and its Related Parties who may have a Conflict of Interest

1. Related party Transaction with Major Shareholders of the REIT Manager

Juristic Person that may have a conflict of interest	Nature of Relationship	Nature of Transaction	Necessity and Reasonableness of Transactions	Opinion and Conditions
TICON Industrial Connection Public Company Limited ("TICON")	TICON is a major shareholder of the REIT Manager. Currently, TICON holds approximately 70% of the Company's total paid-up shares and controls the Company. Also, TICON is a major shareholder of TREIT.	TREIT has appointed TICON as the property manager for factories.	TICON was the owner of TREIT's factory buildings. It knows and understands well to manage the assets invested by TREIT. In addition, TICON is a leader in managing factories for rent, with skilled personnel and standard operation. TICON is a listed company on the Stock Exchange of Thailand, conducting good corporate governance. This makes tenants confident and benefits to leasing of TREIT's factories.	The REIT Manager has appointed and paid the fee to TICON, the Property Manager of factory buildings. The Property Management Fee is similar to the fee that TICON received from other property funds for their property management service, which is market price and considerably acceptable.

2. Related party Transaction with Juristic Person who has the same Major Shareholder with the REIT Manager

Juristic Person that may have a conflict of interest	Nature of Relationship	Nature of Transaction	Necessity and Reasonableness of Transactions	Opinion and Conditions
TICON Logistics Park Company Limited ("TPARK")	TPARK has the same major shareholder as the REIT Manager. TICON is a major shareholder of the REIT Manager and TPARK since TICON holds the shares of approximately 99.99 percent of the total voting rights in the REIT Manager and TPARK.	TREIT has appointed TPARK as the property manager for warehouses.	TPARK was the owner of TREIT's warehouse buildings. It knows and understands well to manage the assets invested by TREIT. In addition, TPARK is a leader in managing warehouses for rent, with skilled personnel and standard operation.	The REIT Manager has appointed and paid the fee to TPARK, the Property Manager of warehouse buildings. The Property Management Fee is similar to the fee that TPARK received from other property funds for their property management service which is market price and considerably acceptable.

1.2 Policy related to transactions between the Trust and the REIT manager and connected persons to the REIT manager in the future

The REIT manager may make transaction between TREIT and the REIT manager and connected persons to the REIT manager in the future. It is important that such transaction shall be committed to the maximum benefit of TREIT and can be verified that the transaction is done at a fair price, under the rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand and the Trust Deed. (Please see more details on the topic "Policy for making transaction between TREIT and the REIT Manager or its Related Parties")

1.3 Guidelines to prevent conflicts of interest

The REIT manager has a system to prevent conflicts of interest between TREIT and a persons who may have conflicts of interest. The management who responsible for making transactions that may cause a conflict of interest with the Legal and Compliance Department jointly ensure that such transaction is in accordance with the following guidelines:

1. Transaction must be complied with the Trust Deed and related laws and incurred to the maximum benefits of TREIT;
2. Transaction must be reasonable and committed on the fair price and fair market conditions;
3. Stakeholders of the transaction shall not participate in the approval process of such transaction.

2. Transaction between the Trustee and Related Parties of the Trustee who may have a Conflict of Interest

Juristic person who may have conflicts of interest	Relationship	Nature of connected transactions	Necessity and reasonableness of the transaction
Bangkok Bank Public Company Limited ("Bangkok Bank PCL.")	Bangkok Bank PCL. is a major shareholder of the Trustee, holding 75% of the issued and paid-up capital of the Trustee. Bangkok Bank PCL. is a lender of long-term loans to TREIT.	Bangkok Bank PCL. has provided long-term loans to TREIT for its investments in properties.	Terms and conditions of the loan agreements are based on general commercial terms, which will not cause any damages to TREIT. Also, the conditions applied are comparable with the conditions offered to other prime major customers who have relative risk models in the same industry.
	Bangkok Bank PCL. may provide other financial services to the Trust under the right to match with other financial institutions as mentioned in the existing long-term loan agreements, in case that the conditions or pricing of the services which the Trust gets offered from Bangkok Bank PCL. are equal or better than other financial institutions, and the services are based on general commercial terms.	Bangkok Bank PCL. has the right to provide other financial products and services to TREIT. The REIT manager shall consider the terms and conditions of the products and services in comparison with other financial institutions.	Terms and conditions of other financial products and services shall be on general commercial terms and will not cause any damages to TREIT. Also, the conditions applied shall be comparable with the conditions offered to other prime major customers who have relative risk models in the similar industry

3. Soft Commission

TREIT has no soft commission.



PART 3

Operating Results and Financial Statements

The REIT Manager Discussion and Analysis

1. Operation Results of TREIT

1.1 Profitability Analysis

In 2015, TREIT had net investment income of Baht 286.55 million, total income of Baht 415.65 million and total expenses of Baht 129.09 million. Its performance was higher than year 2014, since TREIT was founded and made its first investment in properties in December 2014. TREIT recognized operating income for 2014 only for December while in 2015, it recognized operating income from the first investment in full year, as well as income and expenses from the additional properties invested on December 18 and 21, 2015.

TREIT's total expenses of Baht 129.09 million mainly included operation expenses of Baht 28.12 million (accounting for 21.78 percent of total expenses), trust management fee of Baht 44.41 million (accounting for 34.40 percent of total expenses), and interest expenses of Baht 38.42 million (accounting for 29.76 percent of total expenses).

In 2015, TREIT had unrealized losses on investments of Baht 126.50 million from the revaluation of properties during the year. On April 1, 2015, the independent appraiser reviewed the value of the initial investments in properties, resulting in the assessed value of Baht 4,101.50 million, which was less than the investment cost by Baht 126.50 million. As a result, in 2015 TREIT had an increase in net assets from operation of Baht 160.26 million. Nevertheless, the appraised value of the initial investments in properties from revaluation was still higher than the first appraised value on April 1, 2014 at Baht 3,808.90 million.

In 2016, TREIT had total income of Baht 655.77 million, comprising rental and service income of Baht 563.07 million (accounting for 85.87 percent of total income), income from rental and service guarantees of Baht 62.17 million (accounting for 9.48 percent of total Income), and interest income of Baht 3.89 million. In addition, TREIT also had income from forfeiture of rental and service deposits of Baht 24.99 million from tenants who terminated leases prematurely.

In 2016, TREIT had net investment income of Baht 397.12 million, increased by Baht 110.57 million from 2015, which accounted for 38.59 percent increase and increased by Baht 389.15 million from 2014, representing an increase of 4,880.86 percent. The main reason was that operating income in 2014 occurred only in December, the month of its establishment and first investment, while the performance in 2015 included performance of the first investment which occurred in full year and the performance of the first additional investment in properties

made on December 18 and 21, 2015. The incremental performance of TREIT in 2016 was attributable from the first investment and the first additional investment.

Total expenses of Baht 258.65 million mainly included operating expenses amounting to Baht 99.99 million (accounting for 38.66 percent of total expenses), trust management fee of Baht 60.51 million (accounting for 23.39 percent of total expenses), and interest expenses of Baht 74.21 million (accounting for 28.69 percent of total expenses).

In 2016, TREIT had increase in operating expenses of Baht 71.88 million. The main reason was that TREIT had an allowance for doubtful debts of Baht 31.85 million, while the allowance was only Baht 1.00 million for the previous year. This was mainly due to change of TREIT's allowance for doubtful debts estimation policy in 2016 and the overdue payment of a factory tenant. Now, the REIT Manager acting as the Trustee's attorney, is taking legal action with the factory tenant mentioned above. Moreover, the operating expenses increased from more expenses related to the additional assets as mentioned above.

In addition, in 2016, TREIT had net unrealized gains on investment of Baht 90.89 million. This was due to increase in fair value of properties appraised and reviewed by are appraiser. The fair value of properties was Baht 7,351.65 million, higher than the fair value of properties as of December 31, 2015. As a result, TREIT had net increase in net assets resulting from operations of Baht 488.01 million in 2016.

1.2 Financial Position Analysis

Total Assets

As at December 31, 2015, TREIT had total asset value of Baht 7,687.44 million, mainly comprising of investments in properties of Baht 7,260.76 million (accounting for 94.45 percent of total assets), investments in securities with fixed interest rate within one year term of Baht 310.27 million (accounting for 4.04 percent of total assets), deferred expenses of Baht 61.76 million, and accounts receivable from rental and service of Baht 45.56 million.

Total asset value as at December 31, 2015 increased from December 31, 2014 by Baht 3,180.66 million, due mainly to the additional investments in properties on December 18 and 22, 2015 with total investment amount of Baht 3,159.26 million (with appraised value using income approach method conducted by 2 independent appraisers at Baht 2,956.80 million and Baht 2,927.10 million. Furthermore, during 2015 TREIT's investments in properties at fair value decreased by Baht 126.50 million on account of the revaluation of the initial investments in properties. As a result, the value of investments in properties at the end of the year was Baht 7,260.76 million.

As at December 31, 2016, TREIT had total asset value of Baht 7,771.28 million. This mainly composed Baht 7,351.65 million investments in properties (accounting for 94.60 percent of total assets, investments in securities at fair value amounting to Baht 270.55 million (accounting for 3.48 percent of total assets), cash and cash at bank of Baht 41.05 million, deferred expenses of Baht 51.97 million, and receivables from rental and services of Baht 43.65 million.

The total asset value as at December 31, 2016 increased Baht 83.84 million from the total asset value as at December 31, 2015. This was mainly due to the increase in appraised value of properties by Baht 90.89 million as compared to the previous year.

Total Liabilities

As at December 31, 2015, TREIT had total liabilities of Baht 2,086.12 million, mainly comprised long-term loans of Baht 1,819.00 million (accounting for 87.20 percent of total liabilities) and deposits from rental and service of warehouse and factory tenants transferred from TPARK and TICON of Baht 169.70 million (accounting for 8.13 percent of total liabilities). Total liabilities as at December 31, 2015, increased from December 31, 2014, by Baht 1,012.32 million, due mainly to the increase of long-term loans of Baht 959.00 million for investment in additional properties in December 2015.

As at December 31, 2016, TREIT had total liabilities of Baht 2,024.41 million, consisting of long-term loans totaling Baht 1,819.00 million (accounting for 89.85 percent of total liabilities) and deposits from rental and service of warehouse and factory tenants amounting to Baht 151.85 million (accounting for 7.50 percent of total liabilities). Total liabilities declined from the year 2015 by Baht 61.71 million, mainly due to the decreases in withholding tax payable amounting to Baht 47.07 million and deposits from rental and service of Baht 17.49 million.

By the way, TREIT had entered into two long-term loan agreements with Bangkok Bank Public Company Limited. The first one was 2014 Loan Agreement, with drawn down amount of Baht 860.00 million for the first investment in properties in December 2014. The second one was 2015 Loan Agreement, with drawn down amount of Baht 959.00 million for investment in additional properties in December 2015. The schedule for the first repayments of both loans are December 2021 and December 2022, respectively.

Net Assets

As at December 31, 2015, TREIT had net asset value of Baht 5,601.32 million, comprising of registered capital and capital from unitholders of Baht 5,542.06 million and retained earnings of Baht 59.25 million. Net asset value as at December 31, 2015, increased from December 31, 2014, by Baht 2,168.34 million, mainly from capital increase during the year of Baht 2,243.00 million.

During 2015, the REIT manager's Board of Directors meeting passed a resolution to approve two reductions in the registered capital and return the capital to unitholders. For the first capital reduction, the par value of the trust units was reduced by Baht 0.1934 per unit or Baht 66.24 million in total. The second capital reduction was at Baht 0.1743 per unit or Baht 59.70 million in total. As a result, the par value of the trust units after the capital reductions was Baht 9.6323 per unit and the net asset value as at December 31, 2015, was Baht 9.8823 per unit. The distribution payments from the capital reductions were returns from excess liquidity, on account of net unrealized losses on investments in properties from the decrease of the properties' appraised value.

As at December 31, 2016, TREIT had net asset value of Baht 5,746.87 million, comprising of registered capital and capital from unitholders of Baht 5,542.06 and retained earnings of Baht 204.81 million. Net asset value as at December 31, 2016, increased from December 31, 2015, by Baht 144.55 million which was due to net increase in net assets resulting from operations of Baht 488.01 million, net of the distributions paid to unitholders during the accounting period of Baht 342.46 million.

1.3 Cash Flow Analysis

At the end of 2015, TREIT's cash and cash at banks decreased by Baht 220.45 million. TREIT had net cash inflows from financing activities of Baht 2,928.76 million, consisting of cash received from the issuance and offering of trust units of Baht 2,243.00 million and cash proceed from long-term loan of Baht 959.00 million, net of interest expense of Baht 38.32 million, cash paid for capital reductions of Baht 125.94 million, and distributions paid to unitholders of Baht 108.98 million. While TREIT had net cash outflows used in operating activities of Baht 3,149.20 million, mainly consisting of an increase of investments in properties of Baht 3,159.26 million, investments in securities (with fixed interest rate within one year) of Baht 310.06 million, net of an increase in deposits from rental and service of Baht 70.68 million.

As at December 31, 2016 TREIT had increase in cash and cash at banks from December 31, 2015 amounting to Baht 37.75 million. This was divided into net cash flows from operating activities of Baht 454.43 million that mainly consisted raising in net assets resulting from operations of Baht 397.12 million (Excluding net unrealized gains on investments amounting to Baht 90.89 million) and the net cash flows used in financing activities amounting to Baht 416.67 million, consisting of the payment of distributions to unitholders of Baht 342.46 million and the interest expenses of Baht 74.21 million.

1.4 Analysis of Financial Ratio

TREIT's 2014 performance did not reflect actual performance, since TREIT was founded and made its first investment in properties as well as recognized operating income in December 2014.

For 2015 performance, net profit margin was 38.56 percent, decreased from 68.16 percent of the previous year. The reason was that TREIT had net unrealized losses from the initial investments in properties. However, the net profit margin may not reflect the performance of the Trust. When comparing earnings before interest, tax, depreciation and amortization, the ratios of 2015 and 2014 were similar.

During 2015, TREIT invested in additional assets by using borrowings. This rose the ratio of debt to capital from the unitholders in 2015 to 0.37 time, higher than 0.31 time in 2014.

The performance of TREIT in 2016, net profit margin was 74.42 percent. TREIT had net unrealized gains from the current property valuation. However, earnings before interest, tax, depreciation and amortization at 74.19 percent was down from 81.19 percent of the year 2015. This resulted from increases of operating expenses and interest expenses due to investments in additional properties in late 2015, allowance for doubtful debts, as well as provision for repairing expenses for the factories from the termination of lease of a factory tenant as mentioned above.

As at December 31, 2016, the ratios of debt to capital from the unitholders and loans to total assets were almost same as 2015, since TREIT had neither capital increase nor additional borrowing in 2016.

2. Future Trends

For the year 2017, the REIT manager is of the view that global and Thai economy is likely to be stable or slightly improved from 2016. New economic policies of new leader of the United States of America, economic fluctuations in China and Asia, as well as the implementation of the policies of the National Council for Peace and Order are factors affecting the entire global and Thai economy. However, with its potential location as center of the ASEAN region, efficient infrastructure and the furnishing technology lead Thailand deserves to be hub for the transportation and manufacturing sectors. This has a positive impact on the business of warehouses and factories for rent in Thailand.

Currently, the REIT Manager places emphasis on situation of warehouse and factory for rent, on trying to increase the occupancy rate and effective asset management of TREIT as well as on seeking new investment opportunities that yield the proper return, in order to sustain satisfied return to the unitholders.

TICON Freehold and Leasehold Real Estate Investment Trust
Report and financial statements
31 December 2016

Independent Auditor's Report

To the Unitholders of TICON Freehold and Leasehold Real Estate Investment Trust

Opinion

I have audited the accompanying financial statements of TICON Freehold and Leasehold Real Estate Investment Trust (the Trust), which comprise the balance sheet, including the details of investments as at 31 December 2016, and the related statements of income, changes in net assets, cash flows and significant financial information for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TICON Freehold and Leasehold Real Estate Investment Trust as at 31 December 2016, its financial performance, changes in its net assets, cash flows and significant financial information for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Trust in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matter and how audit procedures respond for each matter are describe below.

Valuation of investments in properties

As discussed in Note 6.2 and 8 to the financial statements, the Trust had investments in properties presented in the balance sheet as at 31 December 2016 at their fair value of Baht 7,352 million, representing 94.6% of total assets. These investments are not traded on an active market hence the appropriate comparable quoted price for the same or similar investments on an inactive market cannot be established. The Trust Manager therefore determined the fair value of these investments based on the value appraised by an independent appraiser using the income approach. As the Trust Manager is required to exercise significant judgement with respect to the estimation of future operating results and the determination of a discount rate and key assumptions, there are therefore significant risks with respect to the measurement of such investments.

I gained an understanding of the calculation of the fair value of investments in properties by making enquiry of responsible executives. I considered the extent and objectives of the assessment of fair value made by the independent appraiser and assessed the techniques and models used by the independent appraiser to measure the fair value, as specified in the appraisal report prepared by the appraiser, by comparing them to my knowledge and past experience regarding the valuation of the same or similar assets. I also considered the consistency of the application of such techniques and models, and assessed the competence and independence of the independent appraiser by checking publicly available data. In addition, I reviewed the data and key assumptions used in the measurement of fair value, by comparing past estimates of operating results with the Trust's actual operating results to evaluate the judgement of the Trust Manager in terms of projections of operating results, checked them to the lease agreements, and tested the calculation of the fair value made based on the above models and assumptions. Moreover, I reviewed the disclosure of information related to the measurement of the fair value of investments in properties in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Trust, but does not include the financial statements and my auditor's report thereon. The annual report of the Trust is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Trust, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.

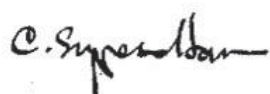
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr.Chayapol Suppasdtanon.



Chayapol Suppasdtanon

Certified Public Accountant (Thailand) No. 3972

EY Office Limited

Bangkok: 23 February 2017

TICON Freehold and Leasehold Real Estate Investment Trust

Balance sheet

As at 31 December 2016

			(Unit: Baht)
	<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets			
Investments			
Investments in properties at fair value (at cost 2016: Baht 7,387 million and 2015: Baht 7,387 million)	8	7,351,650,000	7,260,760,000
Investments in securities at fair value (at cost 2016: Baht 271 million and 2015: Baht 310 million)		270,554,548	310,270,507
Cash and cash at banks	9	41,049,387	3,296,454
Accounts receivable			
From rental and service	10, 18	43,646,894	45,560,315
From interest	18	468,422	367,650
Other	18	7,527,147	2,982,815
Deferred expenses	11	51,973,509	61,759,435
Other assets		4,405,963	2,439,992
Total assets		7,771,275,870	7,687,437,168
Liabilities			
Accrued expenses	18	42,788,791	39,874,514
Withholding taxes payable		6,171,755	53,243,445
Deposits from rental and service		151,849,647	169,697,817
Long-term loans	12, 18	1,819,000,000	1,819,000,000
Other liabilities		4,596,949	4,306,176
Total liabilities		2,024,407,142	2,086,121,952
Net assets		5,746,868,728	5,601,315,216
Net assets:			
Trust registered and capital from the unitholders	13	5,542,062,750	5,542,062,750
Retained earnings	14	204,805,978	59,252,466
Net assets		5,746,868,728	5,601,315,216
Net asset value per unit		10.1391	9.8823
Number of units issued - end of year (units)		566,800,000	566,800,000

The accompanying notes are an integral part of the financial statements.

(Mr. Peerapat Srisukont)
Managing Director

TICON Freehold and Leasehold Real Estate Investment Trust
Details of investments
As at 31 December 2016

Details of investments classified by asset type

Type of investments/ <u>Land title deed</u> <u>Area</u> <u>Locations</u>				Factory / warehouse <u>building no.</u>	2016	2015		
					<u>Fair value</u> (Baht)	<u>Percentage</u> <u>of investments</u> (%)	<u>Fair value</u> (Baht)	<u>Percentage</u> <u>of investments</u> (%)
(Rai-Ngan-Sq. Wah)								
Investments in properties,								
Leasehold on land and freehold on warehouses								
29466	7-0-46	TICON Logistics Park Bangna	DG1/1	111,590,000	1.46	109,290,000	1.44	
		Bang Wua Sub-district, Bang Pakong District,	DG1/2					
		Chachoengsao Province	DG1/3					
			DG1/4					
28339	12-0-68	TICON Logistics Park Bangna	M2/1	60,050,000	0.79	59,358,623	0.78	
		Bangsamak Sub-district, Bang Pakong District	M2/2					
		Chachoengsao Province	M2/3	22,330,000	0.29	23,764,204	0.31	
			M2/4	29,120,000	0.38	28,745,347	0.38	
			M2/5	28,400,000	0.37	28,122,704	0.37	
			M2/6	29,360,000	0.39	28,849,121	0.38	
Leasehold (portion) on land sublease and warehouses								
23638, 23793	3-0-17.5	TICON Logistics Park Bangplee 1	W5	24,640,000	0.32	28,918,281	0.38	
		Bang Sao Thong Sub-district, Bangplee District						
		Samutprakan Province						
Leasehold on land and warehouses								
2806, 18808,	98-3-7.6	TICON Logistics Park Bangplee 1	W1/1	244,620,000	3.21	253,830,000	3.35	
18811, 18812		Srisa Chorakhe Yai Sub-district,	W1/2	124,230,000	1.63	122,180,000	1.61	
23638, 23793		Bang Sao Thong District,	W1/3	160,120,000	2.10	162,280,000	2.15	
		Samutprakan Province						
2806			W2	42,840,000	0.56	44,770,000	0.59	
2805, 23638, 23793, 60713, 60714			W3	159,960,000	2.10	171,200,000	2.26	
18789, 18790, 18791, 18792, 2806			W4	387,520,000	5.08	399,400,000	5.28	
2806, 23638, 23793, 60713			DG1/1	46,450,000	0.61	50,950,000	0.67	
			DG1/2					
			DG1/3					
86159, 86160,	35-0-71.1	TICON Logistics Park Bangplee 3	W4/1	516,680,000	6.78	518,239,320	6.85	
86161,105253,		Bangpla Sub-district, Bangplee District	W4/2					
105254, 105255,		Samutprakan Province	W4/3					
105256, 105257, 105258,			W4/4					
105259, 105260, 118032			W4/5					
			W4/6					
			W4/7					
8486, 86155,	27-0-87.3	TICON Logistics Park Bangplee 3	W5/1	188,580,000	2.47	283,210,618	3.74	
86156, 86157,		Bangpla Sub-district, Bangplee District	W5/2					
86158, 86162,		Samutprakan Province	W5/3	79,990,000	1.05			
86163, 86164,			W5/4	38,450,000	0.50	125,355,520	1.66	
105259, 118032			W5/5	79,400,000	1.04			
			W5/6					
Freehold on land and warehouses								
195065	6-1-71.4	TICON Logistics Park Eastern Seaboard 2	W2/1	120,860,000	1.59	112,200,000	1.48	
		Bo Win Sub-district, Si Racha District,	W2/2					
		Chonburi Province						
195062	9-2-77	TICON Logistics Park Eastern Seaboard 2	W5/1	201,140,000	2.64	173,320,000	2.29	
		Bo Win Sub-district, Si Racha District,	W5/2					
		Chonburi Province						

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust
Details of investments (continued)
As at 31 December 2016

Details of investments classified by asset type

Type of investments/ <u>Land title deed</u>	<u>Area</u>	<u>Locations</u>	Factory / warehouse <u>building no.</u>	2016		2015	
				Percentage		Percentage	
				<u>Fair value</u>	<u>of investments</u>	<u>Fair value</u>	<u>of investments</u>
		(Rai-Ngan-Sq. Wah)		(Baht)	(%)	(Baht)	(%)
177126	24-0-56	TICON Logistics Park Sriracha	W5/1	422,960,000	5.55	389,920,000	5.15
		Surasak Sub-district, Si Racha District, Chonburi Province	W5/2 W5/3				
173839, 11303	8-1-22	TICON Logistics Park Sriracha	W16	84,030,000	1.10	83,040,000	1.10
		Surasak Sub-district, Si Racha District, Chonburi Province					
194794	24-0-37.9	TICON Logistics Park Sriracha	W20	347,130,000	4.55	310,960,000	4.11
		Surasak Sub-district, Si Racha District, Chonburi Province					
178448	7-0-21.4	TICON Logistics Park Laemchabang 2	W2	123,440,000	1.62	115,050,000	1.52
		Nong Kham Sub-district, Si Racha District, Chonburi Province					
177198	6-2-4.8	TICON Logistics Park Laemchabang 2	FZ4	92,520,000	1.21	88,010,000	1.16
		Nong Kham Sub-district, Si Racha District, Chonburi Province					
47950	13-0-8	Rojana Industrial Park (Prachinburi)	W1	180,570,000	2.37	174,210,000	2.30
		Huawa Sub-district, Si Maha Phot District, Prachinburi Province					
44200	11-3-59	TICON Logistics Park Wangnoi 2	W11/1	203,930,000	2.68	188,580,000	2.49
		Payom Sug-district, Wang Noi District, Phra Nakhon Si Ayutthaya Province	W11/2 W11/3 W11/4				
38797	12-3-64.5	TICON Logistics Park Eastern Seaboard 1(B)	W2/1	81,480,000	1.07	82,022,747	1.08
		Pluakdaeng Sub-district, Pluakdaeng District, Rayong Province	W2/2 W2/3 W2/4	48,870,000 102,050,000	0.64 1.34	49,316,822 98,839,990	0.65 1.31
177199	13-1-54.1	TICON Logistics Park Laemchabang 2	W1/1	50,490,000	0.66	54,520,000	0.72
		Nong Kham Sub-district, Si Racha District, Chonburi Province	W1/2 W1/3 W1/4	51,560,000 106,430,000	0.68 1.40	54,404,000 124,816,000	0.72 1.65
173846	16-2-35.9	TICON Logistics Park Laemchabang 2	FZ1/1	207,600,000	2.72	217,500,000	2.87
		Nong Kham Sub-district, Si Racha District, Chonburi Province	FZ1/2 FZ1/3 FZ1/4 FZ1/5	 56,440,000 56,540,000	 0.74 0.74	 59,508,000 59,740,000	 0.79 0.79
177200	11-2-37	TICON Logistics Park Laemchabang 2	FZ3/1	104,650,000	1.37	118,088,000	1.56
		Nong Kham Sub-district, Si Racha District, Chonburi Province	FZ3/2 FZ3/3 FZ3/4	 56,670,000 51,810,000	 0.74 0.68	 59,508,000 59,044,000	 0.79 0.78
45789	13-2-11	TICON Logistics Park Panthong 1	W2/1	222,330,000	2.92	241,280,000	3.19
		Panthong Sub-district, Panthong District, Chonburi Province	W2/2 W2/3 W2/4 W2/5				

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust
Details of investments (continued)
As at 31 December 2016

Details of investments classified by asset type

Type of investments/ <u>Land title deed</u>	<u>Area</u>	<u>Locations</u>	Factory / warehouse <u>building no.</u>	2016		2015	
				<u>Fair value</u>	<u>Percentage</u>	<u>Fair value</u>	<u>Percentage</u>
				(Baht)	(%)	(Baht)	(%)
(Rai-Ngan-Sq. Wah)							
Freehold on land and factories							
9994, 14727	5-1-39.7	Amata City Industrial Estate Mabyangporn Sub-district, Pluak Daeng District, Rayong Province	SF.B1.9 A32/39	81,180,000	1.07	83,000,000	1.10
31698	6-0-87.9	Amata City Industrial Estate Mabyangporn Sub-district, Pluak Daeng District, Rayong Province	SF.M3.3 A220/1	93,480,000	1.23	93,160,000	1.23
7435	4-0-18	Pinthong Industrial Estate Nong Kham Sub-district, Si Racha District, Chonburi Province	SF.A1.8/1 L_42	60,190,000	0.79	55,810,000	0.74
181769, 181770	4-0-11.4	Pinthong Industrial Estate Nong Kham Sub-district, Si Racha District, Chonburi Province	SF.A1.8/2 L_42/2, L_43/2	62,840,000	0.82	54,530,000	0.72
183315	4-0-29.2	Pinthong Industrial Estate Bo Win Sub-district, Si Racha District, Chonburi Province	SF.M1.8 G_007	59,340,000	0.78	53,350,000	0.70
185321, 185322	11-1-29.4	Pinthong Industrial Estate Bo Win Sub-district, Si Racha District, Chonburi Province	SF.A3 G_025/3 SF.A2.2 G_025/2	92,160,000 69,500,000	1.21 0.91	83,780,000 62,820,000	1.11 0.83
167088	20-3-60	Pinthong Industrial Estate Bueng Sub-district, Si Racha District, Chonburi Province	SF.L3.2 G_032/1 SF.A2.7/3 G_032/2 SF.A2.7/2 G_032/3 SF.A2.7/1 G_032/4, G_033/1	98,250,000 84,670,000 84,680,000 84,680,000	1.29 1.11 1.11 1.11	89,980,000 75,420,000 75,420,000 75,420,000	1.19 1.00 1.00 0.99
167086	21-3-97.6	Pinthong Industrial Estate Bueng Sub-district, Si Racha District, Chonburi Province	SF.B3.5 G_033/2 SF.L4.4 G_033	109,130,000 136,050,000	1.43 1.79	97,070,000 121,030,000	1.28 1.60
20170	5-2-1	Ban Wah Industrial Estate (Hi-Tech) Ban Len Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya Province	SF.A1.3 G1/4-4 SF.A1.5/3 G_1/4_5	40,690,000 37,760,000	0.53 0.50	35,880,000 38,370,000	0.47 0.51
59721	3-3-15	Ban Wah Industrial Estate (Hi-Tech) Ban Len Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya Province	SF.C2.2 F_7/12	64,590,000	0.85	60,640,000	0.80
55952	4-1-42	Ban Wah Industrial Estate (Hi-Tech) Ban Len Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya Province	SF.M2.2 F_7/13	59,790,000	0.78	56,080,000	0.74
30621	2-2-72	Rojana Industrial Park Ban Chang Sub-district, Uthai District, Phra Nakorn Si Ayutthaya Province	SF.A1.3/1 28_1	40,490,000	0.53	37,700,000	0.50
52780	3-3-5	Hemaraj Chonburi Industrial Estate Bo Win Sub-district, Si Racha District, Chonburi Province	SF.M1.5/2 D_1	50,150,000	0.66	45,760,000	0.60
52781	3-1-84	Hemaraj Chonburi Industrial Estate Bo Win Sub-district, Si Racha District, Chonburi Province	SF.M1.5/1 D_2	50,300,000	0.66	45,670,000	0.60
31576	2-1-28	Rojana Industrial Park Ban Chang Sub-district, Uthai District, Phra Nakorn Si Ayutthaya Province	SF.S1/2-42.2	29,600,000	0.39	26,565,000	0.35

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust
Details of investments (continued)
As at 31 December 2016

Details of investments classified by asset type

Type of investments/ <u>Land title deed</u>	<u>Area</u>	<u>Locations</u>	Factory / warehouse <u>building no.</u>	2016		2015	
				<u>Fair value</u> (Baht)	<u>Percentage</u> <u>of investments</u> (%)	<u>Fair value</u> (Baht)	<u>Percentage</u> <u>of investments</u> (%)
	(Rai-Ngan-Sq. Wah)						
52785	8-0-33	Hemaraj Chonburi Industrial Estate Bo Win Sub-district, Si Racha District, Chonburi Province	SF.L3.2-D6	90,090,000	1.18	88,305,000	1.16
38800	4-0-13.5	Amata City Industrial Estate Mabyangporn Sub-district, Pluak Daeng District, Rayong Province	SF.A2_A220/6	58,530,000	0.77	64,264,000	0.85
Leasehold on land and factories							
26247	6-1-48	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.M2.7_G802/6	73,890,000	0.97	72,014,940	0.95
37961	6-1-66	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.B3.8_G856/4	103,480,000	1.36	111,541,940	1.47
170335	7-2-24	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.L4_G625	117,870,000	1.55	127,722,407	1.69
36404	4-1-9	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.M2.5/2_G906/2	70,440,000	0.92	77,115,416	1.02
Total investments in properties				<u>7,351,650,000</u>	<u>96.44</u>	<u>7,260,760,000</u>	<u>95.90</u>

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust
Details of investments (continued)
As at 31 December 2016

Details of investments classified by asset type

Type of investments/ Issuer	Maturity date	Interest rate (Percent)	2016			2015		
			Cost (Baht)	Fair value (Baht)	Percentage of investment (Percent)	Cost (Baht)	Fair value (Baht)	Percentage of investment (Percent)
Investments in securities								
Fixed deposits								
CIMB Thai Bank Public Company Limited	20 January 2017	1.30	100,327,671	100,327,671	1.32	-	-	-
CIMB Thai Bank Public Company Limited	10 February 2017	1.30	40,000,000	40,000,000	0.53	-	-	-
CIMB Thai Bank Public Company Limited	23 February 2017	1.35	30,000,000	30,000,000	0.39	-	-	-
CIMB Thai Bank Public Company Limited	28 February 2017	1.35	40,129,644	40,129,644	0.53	-	-	-
CIMB Thai Bank Public Company Limited	13 March 2017	1.45	30,000,000	30,000,000	0.39	-	-	-
CIMB Thai Bank Public Company Limited	20 March 2017	1.45	30,097,233	30,097,233	0.40	-	-	-
CIMB Thai Bank Public Company Limited	At call	1.40	-	-	-	100,000,000	100,000,000	1.32
CIMB Thai Bank Public Company Limited	At call	1.40	-	-	-	90,000,000	90,000,000	1.19
CIMB Thai Bank Public Company Limited	At call	1.40	-	-	-	70,270,507	70,270,507	0.93
United Overseas Bank (Thai) Public Company Limited	29 January 2016	2.00	-	-	-	20,000,000	20,000,000	0.26
United Overseas Bank (Thai) Public Company Limited	1 February 2016	2.00	-	-	-	20,000,000	20,000,000	0.26
United Overseas Bank (Thai) Public Company Limited	25 March 2016	2.00	-	-	-	10,000,000	10,000,000	0.14
Total fixed deposits			270,554,548	270,554,548	3.56	310,270,507	310,270,507	4.10
Total investments in securities			270,554,548	270,554,548	3.56	310,270,507	310,270,507	4.10
Total investments				7,622,204,548	100.00		7,571,030,507	100.00

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust
Statement of Income
For the year ended 31 December 2016

			(Unit: Baht)
	<u>Note</u>	<u>2016</u>	<u>2015</u>
Investment Income			
Rental and service income		563,070,093	366,157,677
Interest income	18	3,885,062	2,539,888
Income from rental and service guarantees	17, 18	62,054,459	41,324,919
Income from forfeiture of rental and service deposits		24,994,750	5,575,200
Other income		1,770,597	48,675
Total income		<u>655,774,961</u>	<u>415,646,359</u>
Expenses			
Trust management fee	16, 18	60,508,304	44,410,186
Trustee fee	16, 18	5,891,766	3,693,806
Registrar fee	16	2,272,800	1,474,442
Professional fees		589,661	496,109
Operating expenses	18	99,994,839	28,117,598
Amortisation of deferred expenses	11	15,184,885	12,478,786
Interest expenses	18	74,208,411	38,423,308
Total expenses		<u>258,650,666</u>	<u>129,094,235</u>
Net investment income		<u>397,124,295</u>	<u>286,552,124</u>
Realised and unrealised gains (losses) on investments			
Net realised gains on investments		-	211,058
Net unrealised gains (losses) on investments	8	90,890,000	(126,500,000)
Total realised and unrealised gains (losses) on investments		<u>90,890,000</u>	<u>(126,288,942)</u>
Net increase in net assets resulting from operations		<u>488,014,295</u>	<u>160,263,182</u>

The accompanying notes are an integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust
Statement of changes in net assets
For the year ended 31 December 2016

			(Unit: Baht)
	<u>Note</u>	<u>2016</u>	<u>2015</u>
Increase in net assets resulting from operations during the year			
Net investment income		397,124,295	286,552,124
Net realised gains on investments		-	211,058
Net unrealised gains (losses) on investments		90,890,000	(126,500,000)
Increase in net assets resulting from operations		<u>488,014,295</u>	<u>160,263,182</u>
Distributions to unitholders	15	<u>(342,460,783)</u>	<u>(108,983,500)</u>
Increase (decrease) in capital from unitholders			
Trust units sold during the year			
224,300,000 units at Baht 10 each	13	-	2,243,000,000
Decrease in trust units value from capital reduction			
342,500,000 units of Baht 0.3677 each	13	-	(125,937,250)
Increase in capital from unitholders		<u>-</u>	<u>2,117,062,750</u>
Increase in net assets during the year		<u>145,553,512</u>	<u>2,168,342,432</u>
Net assets at the beginning of year		<u>5,601,315,216</u>	<u>3,432,972,784</u>
Net assets at the end of year		<u><u>5,746,868,728</u></u>	<u><u>5,601,315,216</u></u>

The accompanying notes are an integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust

Statement of cash flows

For the year ended 31 December 2016

	(Unit: Baht)	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase in net assets resulting from operations	488,014,295	160,263,182
Adjustments to reconcile the increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchases of investments in properties	-	(3,159,260,000)
Purchases of investments in securities	(1,292,189,482)	(892,187,640)
Sales of investment in securities	1,331,905,441	582,128,190
Net purchases and sales of investment in securities	39,715,959	(310,059,450)
Amortisation of deferred expenses	15,184,885	12,478,786
Increase in accounts receivable from rental and service	(28,930,215)	(44,359,819)
Decrease (increase) in accounts receivable from interest	(100,772)	83,215
Decrease (increase) in other receivables	(4,544,332)	5,405,005
Increase in deferred expenses	(5,398,959)	(31,551,213)
Increase in other assets	(1,965,971)	(1,139,542)
Increase (decrease) in accrued expenses	2,920,845	(9,653,883)
Decrease in withholding tax payables	(47,071,690)	(8,483,038)
Increase (decrease) in deposits for rental and service	(17,848,170)	70,681,730
Increase in other liabilities	290,773	675,780
Doubtful debts	30,843,636	1,003,282
Interest expenses	74,208,411	38,423,308
Net realised gains on investments	-	(211,058)
Net unrealised losses (gains) on investments	(90,890,000)	126,500,000
Net cash flows from (used in) operating activities	454,428,695	(3,149,203,715)
Cash flows from financing activities		
Cash received from long-term loans	-	959,000,000
Cash paid for interest expenses	(74,214,979)	(38,323,424)
Cash received from sales of trust units	-	2,243,000,000
Cash paid for capital reduction	-	(125,937,250)
Distributions to unitholders	(342,460,783)	(108,983,500)
Net cash flows from (used in) financing activities	(416,675,762)	2,928,755,826
Net increase (decrease) in cash and cash at banks	37,752,933	(220,447,889)
Cash and cash at banks at the beginning of year	3,296,454	223,744,343
Cash and cash at banks at the end of year (Note 9)	41,049,387	3,296,454

The accompanying notes are an integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust
Significant financial information
For the year ended 31 December 2016

	(Unit: Baht)		
	For the years ended 31 December		For the period as from 12 December 2014 to 31 December 2014
	2016	2015	2014
Operating performance (per unit)			
Net asset value - beginning of year/period	9.8823	10.0232	-
Income from investment operations			
Net investment income	0.7006	0.8147	0.0232
Net realised gains on investments	-	0.0006	-
Net unrealised gains (losses) on investments	0.1604	(0.3597)	-
Total net income from investment operations	0.8610	0.4556	0.0232
Add: Increase in capital from unitholders	-	0.0894	10.0000
Less: Distributions to unitholders	(0.6042)	(0.3182)	-
Decrease in capital reduction	-	(0.3677)	-
Increase (decrease) in net assets value during the year/period	0.2568	(0.1409)	10.0232
Net asset value - end of year/period	10.1391	9.8823	10.0232
Ratio of increase in net assets resulting from operations to average net assets during the year/period (%)			
	8.50	4.45	0.23
Significant financial ratios and additional information			
Net assets - end of year/period (Baht)	5,746,868,728	5,601,315,216	3,432,972,784
Ratio of total expenses to average net assets during the year/period (%)	4.51	3.59	0.11
Ratio of investment income to average net assets during the year/period (%)	11.43	11.55	0.34
Ratio of weighted average investment turnover during the year/period to average net assets during the year/period (%)*	-	87.81	123.43
Average net assets during the year/period (Baht)	5,739,121,196	3,598,025,066	3,425,398,639

* Investment trading transactions exclude cash at banks and investment in promissory notes, and must be real purchases or sales of investments which exclude purchases of investments under resale agreements or sales under repurchase agreements.

The accompanying notes are an integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust

Notes to financial statements

For the year ended 31 December 2016

1. INFORMATION OF TICON FREEHOLD AND LEASEHOLD REAL ESTATE INVESTMENT TRUST

TICON Freehold and Leasehold Real Estate Investment Trust ("the Trust") is a closed-end trust with specific purpose. The Trust was established as a trust on 12 December 2014, with no project life stipulated, with the current capital of Baht 5,542 million.

The Trust's objectives are to raise funds from general investors and to use the proceeds from such fundraising to acquire, lease and/or sub-lease of immovable properties. The Trust will take the transfer of the ownership and/or leasehold rights and/or sub-leasehold rights therein and seek benefits from those properties by way of lease, sub-lease, transferring and/or disposing of immovable properties the Trust invests in or acquires. The Trust will also improve, modify, construct and/or develop immovable properties by taking the transfer of a construction permit and/or applying for other permits and/or executing any transactions necessary and advisable for immovable properties, with the aim of generating income and returns for the Trust and its unitholders. This includes investment in other properties and/or securities and/or seeks interest by any other means as prescribed by securities laws and/or other relevant law.

The Stock Exchange of Thailand approved the listing of the Trust's units and permitted their trading from 9 January 2015 onwards.

TICON Management Company Limited acts as the Trust Manager, BBL Asset Management Company Limited acts as the Trustee, TICON Logistics Park Company Limited and TICON Industrial Connection Public Company Limited are hired as the Property Management Managers and Thailand Securities Depository Company Limited acts as the Trust Registrar.

The Trust's major unitholders are Social Security Office and TICON Industrial Connection Public Company Limited, which holds 12.68% and 12.08%, of the trust units, according to the latest registry of unitholders on 30 December 2016 (31 December 2015: 12.45% and 19.60% of the trust units).

2. DISTRIBUTION POLICY

The Trust has a policy to pay distributions to unitholders at least twice a year. However, the Trust Manager might consider paying special dividends to unitholders as it deems necessary and appropriate.

- (1) In the event that the Trust has net profit in any accounting period, the Trust Manager shall distribute distributions to unitholders for not less than 90% of the net profit after deducting unrealised gain on revaluation or valuation review of the properties or leasehold rights of the properties in that accounting period, including other adjustments according to the Notification of the Office of the Securities and Exchange Commission.
- (2) In the event that the Trust has accumulated losses remaining, the Trust Manager will not pay distributions to unitholders.

Distributions will not be paid from either profit or retained earnings if the payments would result in an increase in the Trust's deficit in the period that payment is made.

In consideration of making a distributions payment, if the value of the interim dividend per unit to be paid during the financial year is equal or below Baht 0.10, the Trust Manager reserves its right to withhold that distributions payment and carry the whole amount over the next distributions payment.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and in accordance with the regulations and format specified in Accounting Standard No. 106 "Accounting for Investment Business".

The financial statements in Thai language are the official statutory financial statements of the Trust. The financial statements in English language have been translated from the Thai language financial statements.

4. NEW FINANCIAL REPORTING STANDARDS

(a) Financial reporting standards that became effective in the current year

During the year, the Trust has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of

Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Trust's financial statements.

(b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The Trust's management believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

5. CHANGE IN ACCOUNTING ESTIMATES

In September 2015, the Trust changed its accounting estimate of the period for the amortisation of deferred expenses incurred in connection with an initial public offering of the Trust's units, such as underwriting fees, Trust setup costs and other direct expenses, on a straight-line basis from 3 years to 5 years, effective from 1 September 2015. The management of the Trust believed that the new amortisation period for deferred expenses was appropriate since it was in line with the expected benefit to the Trust.

The Trust applied the changes in estimates prospectively.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Revenue and expenses

Rental and service income is recognised as revenue in the statement of income on a straight-line basis over the lease term. The recognised revenue which is not yet due per the operating lease agreements has been presented under the caption of "Accounts receivable from rental and service" at the end of reporting period.

Premium or discounts on debt instruments are amortised evenly over the remaining term of the debt instruments, using the effective interest rate, and are treated as part of interest income.

Interest income is recognised on an accrual basis based on the effective interest rate.

Expenses are recorded on an accrual basis.

6.2 Measurement of Investments

Investments are recognised as assets at cost, on the date when the Trust receives the rights in the investments. The cost of investments comprises the purchase price and all direct expenses incurred by the Trust in their acquisition.

Investments in properties

Investments in properties are stated at fair value with no depreciation charge. The Trust Manager measured their fair value as at the first balance sheet date at the acquisition cost of investments in properties. At subsequent balance sheet dates, they are presented at fair value, using the appraisal value assessed by an independent appraiser approved by Thai Valuer Association and The Valuers Association of Thailand (Pursuant to the Notification of the Office of the Securities and Exchange Commission concerning the granting of approval of valuation companies and principle valuers for public use). Valuation will be made when economic conditions change, but at least every two years, commencing from the date of the appraisal made for the purposes of investing or leasing the properties. In addition, the valuation will be reviewed within one year after the latest valuation date.

Gains or losses on valuation of investments in properties are presented as net unrealised gains or losses in the statement of income.

Investments in securities

Investments in marketable debt securities which can be freely traded on an open market are presented at their fair value, based on the latest yield rate quoted by the Thai Bond Market Association as of the date on which the investments are valued. The fair value of investments which cannot be freely traded on an open market is based on the yield rate as quoted by a market maker which the Trust Manager considers to be the nearest equivalent to fair value. The Trust uses the amortised cost method to determine the fair value of debt securities, which time to maturity is within 90 days from investment date. Gains or losses from the valuation of investments in securities are recorded as net

unrealised gains or losses in the income statement. To determine the cost of investments which are disposed of, the weighted average method is used.

Investments in bank deposits, bill of exchange and non-transferable promissory notes are presented using the sum of principal and accrued interest as of the date on which the investment is valued to determine fair value. Accrued interest is separately presented under the caption of “Accounts receivable from interest” at the end of reporting period.

Investments in transferable promissory notes are stated based on the yield rate quoted by a market maker which the Trust Manager considers to be the nearest equivalent to fair value. Gains or losses from the valuation of investments are presented as net unrealised gains or losses in the statement of income.

6.3 Accounts receivable from rental and service

Accounts receivable from rental and service are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debtor aging.

6.4 Deferred expenses

Deferred expenses consist of expenses incurred for issuing and initial public offering the trust units such as underwriting fee, trust setup costs and other direct expenses. Amortisation is charged to expense on a straight-line basis for 5 years.

6.5 Related party transactions

Related parties comprise individuals or enterprises that own a voting interest of at least 10% in the Trust, control, or are controlled by, the Trust, whether directly or indirectly, or which are under common control with the Trust.

They also include individuals or enterprises which directly or indirectly own a voting interest in the Trust that gives them significant influence over the Trust, the Trust Manager, key management personnel, directors, and officers of the Trust Manager with authority in the planning and direction of the Trust’s operations.

Relationships with related parties are as follows.

<u>Company's Name</u>	<u>Relationship</u>	<u>Details of Business Transactions</u>
TICON Industrial Connection Public Company Limited	- The Trust's major unitholder - Property Manager	- Entered into the lease agreements on land and factories as the lessor or sub lessor - Entered into the selling agreements on land and factories as the seller - Entered into Property Management Agreement, as the property manager
TICON Logistics Park Company Limited	- Property Manager	- Entered into the lease agreements on land and warehouses as the lessor or sub lessor - Entered into the selling agreements on warehouses as the seller - Entered into Property Management Agreement, as the property manager
TICON Management Company Limited	- The Trust Manager	- Receive base fee for managing the Trust - Receive performance fee for managing main Trust's properties - Receive incentive fee and commission from the Trust
BBL Asset Management Company Limited	- Trustee	- Receive Trustee fee
Bangkok Bank Public Company Limited	- A director is as the same family member of the major shareholder of the Trust's major unitholder	- Receive deposit and provide loan to the Trust
Mitsui & Co. (Asia Pacific) Pte. Ltd.	- The major shareholder of the Trust manager	- The Trust's unitholder
TICON Demco Power 6 Co., Ltd.	- Joint venture of the Trust's major unitholder	- Receive rental and service income
TICON Demco Power 11 Co., Ltd.	- Joint venture of the Trust's major unitholder	- Receive rental and service income

6.6 Distribution to unitholders

Decreases in retained earnings are recognised as at the date a cash distribution is declared.

6.7 Long-term leases

Lease of assets not transferred a significant portion of risks and rewards of ownership to lessee are classified as operating leases. The Trust as the lessor, receipts money under

operating leases are charged to the income statement on a straight-line basis over the period of the lease.

6.8 Provisions

Provisions are recognised when the Trust has a present obligation as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle obligation, and a reliable estimate can be made of the amount of the obligation.

6.9 Income tax

The Trust has no corporate income tax liability since it is exempted from corporate income tax in Thailand.

6.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Trust apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Trust measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Trust determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

7. USE OF SIGNIFICANT JUDGEMENT AND ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with financial reporting standards at times requires the Trust Manager to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgements and estimates are as follows:

Fair value of assets

The Trust measures its investments in leasehold rights to properties on the balance sheet date at fair value based on the value as assessed by an independent appraiser. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The Trust considers such fair value is appropriate. However, the actual returns to be received by the Trust on such investments in properties could differ depending upon certain factors and conditions which will be incurred to the assets in the futures.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the Trust Manager is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the Trust Manager needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the balance sheet that are not actively traded and for which quoted market prices are not readily available, the Trust Manager exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the balance sheet and disclosures of fair value hierarchy.

8. INVESTMENTS IN PROPERTIES

(Unit: Thousand Baht)

	2016	2015
Investments in properties - at cost		
Investments in properties - beginning of year	7,387,260	4,228,000
Add: Purchases during the year	-	3,159,260
Investments in properties - end of year	7,387,260	7,387,260
Net unrealised losses on investments in properties		
Net unrealised losses on investments - beginning of year	(126,500)	-
Add: Net unrealised gains (losses) from the revaluation of investments during the year	90,890	(126,500)
Net unrealised losses on investments - end of year	(35,610)	(126,500)
Investments in properties - end of year	7,351,650	7,260,760

The Trust has several operating lease agreements in respect of the lease of lands, factories and warehouses buildings. The terms of the agreements are generally between 3 months and 12 years. As at 31 December 2016 and 2015, future minimum rental income to be generated under these operating leases is as follows.

(Unit: Million Baht)

	2016	2015
Less than 1 year	398	506
In over 1 and up to 5 years	714	895
In over 5 years	468	580

Movements of the investments in properties account during the year 2016 were summarised below.

On 1 April 2016, the Trust hired an independent appraiser to appraise the fair value of the investments in 98 units of properties using the income approach. It subsequently adjusted the value of these properties to their fair value of Baht 7,352 million, with a net unrealised gain from the revaluation of Baht 91 million.

Key assumptions used in the valuation are summarized below:

Key assumptions	Assumptions	Result to fair value where as an increase in assumption value
Rental per square meter (Baht)	120 - 284	Increase in fair value
Discount rate (%)	9.5 - 10.0	Decrease in fair value
Capitalised rate (%)	0.0 - 7.75	Decrease in fair value
Occupancy rate (%)	90.0 - 100.0	Increase in fair value

Movements of the investments in properties account during the year 2015 were summarised below.

On 1 April 2015, the Trust hired an independent appraiser to appraise the fair value of the investments in properties using the income approach. It subsequently adjusted the value of these properties to their fair value of Baht 4,102 million, with a net unrealised loss from the revaluation of Baht 127 million.

On 18 and 21 December 2015, the Trust additional invested in properties by entering into the sublease on land agreements, lease on land and warehouse buildings agreements with the leasehold period of 28 - 30 years and agreements to buy and to sell land and building premises with TICON Logistics Park Company Limited and TICON Industrial Connection Public Company Limited, related companies, with a total consideration of Baht 3,159 million (the appraisal values based on income approach conducted by 2 independent appraisers are Baht 2,956 million and Baht 2,927 million). Details of investments in properties are as follow:

- 1) Land and warehouse buildings of TICON Logistics Park Company Limited, with total rental warehouse area of approximately 133,282 Sq.m. covering an area of approximately 157 Rai, as detailed below:
 - Leasehold on land and freehold on 2 warehouse buildings (14 units) located in TICON Logistics Park Bangplee 1 and Bangplee 3
 - Leasehold on land and 3 leased warehouse buildings (20 units) located in TICON Logistics Park Bangplee 1, Bangplee 3 and TICON Logistics Park Bangna
 - Freehold on land and 1 warehouse building (4 units) located in TICON Logistics Park Wangnoi 2
 - Freehold on land and 1 warehouse building (4 units) located in TICON Logistics Park Eastern Seaboard 1 (B)

- Freehold on land and 3 warehouse buildings (13 units) located in TICON Logistics Park Laemchabang 2
 - Freehold on land and 1 warehouse building (5 units) located in TICON Logistics Park Panthong 1
 - Freehold on 1 warehouse building (5 units) located in TICON Logistics Park Bangna
- 2) Land and factory buildings of TICON Industrial Connection Public Company Limited, with total rental factory area of approximately 21,900 Sq.m. on land covering an area of approximately 39 Rai, as detailed below:
- Freehold on land and 1 factory building located in Amata City Industrial Estate
 - Freehold on land and 1 factory building located in Rojana Industrial Park
 - Freehold on land and 1 factory building located in Hemaraj Chonburi Industrial Estate
 - Leasehold on building and freehold on 4 factories located in Amata Nakorn Industrial Estate
 - Leasehold on land located in Amata Nakorn Industrial Estate

9. CASH AND CASH AT BANKS

As at 31 December 2016 and 2015, the Trust has the following deposits with the following banks.

Bank	Principal (Thousand Baht)		Interest rate per annum (%)	
	2016	2015	2016	2015
Cash	5	5	-	-
Bank deposits				
<u>Saving accounts</u>				
Bangkok Bank Public Company Limited	40,558	2,252	0.375 - 0.750	0.375 - 0.500
<u>Current accounts</u>				
Bangkok Bank Public Company Limited	486	1,039	-	-
Total bank deposits	41,044	3,291		
Total	41,049	3,296		

10. ACCOUNTS RECEIVABLE FROM RENTAL AND SERVICE

The balances of accounts receivable from rental and service as at 31 December 2016 and 2015, aged on the basis of due dates are summarised below.

		(Unit: Thousand Baht)	
		2016	2015
<u>Age of receivables</u>			
Not yet due		763	260
Past due			
Not over 3 months		2,811	21,740
3 - 6 months		128	5,304
6 - 12 months		19,553	-
Over 12 months		8,775	-
Total		32,030	27,304
Unbilled operating leases receivables		43,464	19,259
Less: Allowance for doubtful debts		(31,847)	(1,003)
Accounts receivable from rental and service, net		43,647	45,560

11. DEFERRED EXPENSES

		(Unit: Thousand Baht)	
		2016	2015
Deferred expenses - beginning of the year		61,759	42,687
Add: Increase during the year		5,399	31,551
Less: Amortised during the year		(15,184)	(12,479)
Deferred expenses - end of the year		51,974	61,759

12. LONG-TERM LOANS

(Unit: Thousand Baht)				
	Interest rate			
Loan	(% per annum)	Repayment schedule	2016	2015
1	MLR less the rate specified in the agreement	Payment of principal by semi-annual which 1st principal payment on December 2021 with the last payment within June 2024	860,000	860,000
2	MLR less the rate specified in the agreement	Payment of principal by semi-annual which 1st principal payment on December 2022 with the last payment within June 2025	959,000	959,000
Total long-term loans			1,819,000	1,819,000

The Trust drawn from long-term loan from Bangkok Bank Public Company Limited for its investments in properties.

On 31 December 2015, the Trust had unused long-term loan facilities under the loan agreements amounted Baht 46 million.

The long-term loans are unsecured and the loan agreements contain general conditions, such as limitation of debt-to-assets ratio, resistance of additional borrowing, indebtedness or obligation, sale or transfer of properties and leasehold rights.

13. TRUST REGISTERED

Movements in the capital received from the unitholders account are as follows.

	Number of trust registered, issued and paid-up	Per unit	Total
	(Unit)	(Baht)	(Thousand Baht)
Balance as at 1 January 2015	342,500,000	10.0000	3,425,000
The 1st reduction on trust unit value	-	(0.1934)	(66,240)
The 2nd reduction on trust unit value	-	(0.1743)	(59,697)
Capital increase during the year	224,300,000	10.0000	2,243,000
Balance as at 31 December 2015	566,800,000		5,542,063
Balance as at 31 December 2016	566,800,000		5,542,063

On 6 August 2015, a meeting of the REIT Manager's Board of Directors passed a resolution to approve a reduction in the registered capital of the Trust, by reducing the par value of the trust units by Baht 0.1934 per unit, or a total of Baht 66.2 million. The Trust returned this amount to the unitholders on 4 September 2015. The Trust Manager has notified this decrease in its capital with the Securities and Exchange Commission.

On 30 October 2015, a meeting of the REIT Manager's Board of Directors passed a resolution to approve a reduction in the registered capital of the Trust, by reducing the par value of the trust units by Baht 0.1743 per unit, or a total of Baht 59.7 million. The Trust returned this amount to the unitholders on 30 November 2015. The Trust Manager has notified this decrease in its capital with the Securities and Exchange Commission.

During 30 November 2015 to 15 December 2015, the Trust issued additional 224.3 million unit trusts at a price of Baht 10 per unit, or a total of Baht 2,243 million, to the existing unitholders and the public. On 17 December 2015, the Trust received payments of these units capital

increment and notified the increase in its paid-up units capital with the Office of the Securities and Exchange Commission. The Stock Exchange of Thailand approved the listing of the additional Trust's units and permitted their trading since 25 December 2015.

14. RETAINED EARNINGS

	(Unit: Thousand Baht)	
	2016	2015
Net accumulated income from investments	294,525	7,973
Net accumulated realized gains on investments	211	-
Net accumulated unrealized losses on investments	(126,500)	-
Accumulated distributions to unitholders	(108,984)	-
Retained earnings - beginning of year	59,252	7,973
Add: Increase in net assets resulting from operation during the year	488,014	160,263
Less: Distribution to unitholders the year	(342,460)	(108,984)
Retained earnings - end of year	204,806	59,252

15. DISTRIBUTIONS TO UNITHOLDERS

During the years, the Trust paid distributions to its unitholders as follows.

Declared date	For the operations as from	Per unit (Baht)	Total (Thousand Baht)
23 February 2016	1 November 2015 - 31 December 2015 and retained earnings	0.0940	53,279
9 May 2016	1 January 2016 - 31 March 2016 and retained earnings	0.1800	102,024
8 August 2016	1 April 2016 - 30 June 2016 and retained earnings	0.1702	96,470
8 November 2016	1 July 2016 - 30 September 2016 and retained earnings	0.1600	90,688
Total distributions for the year 2016		0.6042	342,461
14 May 2015	1 January 2015 - 31 March 2015 and related earnings	0.2175	74,494
30 October 2015	1 July 2015 - 30 September 2015 and related earnings	0.0370	12,673
30 October 2015	1 October 2015 - 31 October 2015 and related earnings	0.0637	21,817
Total distributions for the year 2015		0.3182	108,984

16. EXPENSES

Details of the trust management fee, trustee fee and registrar fee are summarised below.

Expenses	Percentage	
1. Trust management fee		
- Base fee	0.25	% per annum of the Trust's total assets
- Performance fee	2.00	% per annum of net income from rental and service agreement on warehouse buildings
	4.00	% per annum of net income from rental and service agreement on factory buildings
- Incentive fee	0.00 - 10.50	% per annum of net operating income of warehouse buildings of the Trust
	0.00 - 19.50	% per annum of net operating income of factory buildings of the Trust
- Commission fee for acquiring a new lessee		In proportion to rental and service periods but not over 3 months based on the latest rental and service rate of new lessee
- Commission fee for buying/selling/transferring leasehold/receiving leasehold	3.00	% of the value of buying/selling/transferring leasehold/receiving leasehold
2. Trustee fee	0.09875	% per annum of the Trust's net assets
3. Registrar fee		Actual paid but not over 0.05% per annum of the Trust's net asset value

The above fees are calculated and charged to the Trust's account on a monthly basis. Operating expenses include expenses incurred specifically for the Trust such as the Trust's setting up expenses, utilities, insurance premium, bank charge, postage and various expenses which are incurred legally and in accordance with regulations.

17. INCOME FROM RENTAL AND SERVICE GUARANTEES

TICON Logistics Park Company Limited and TICON Industrial Connection Public Company Limited, hired by the Trust Manager to be as the Property Management Managers, have agreed to guarantee the occupancy for only properties that have been vacant after the registration of the transfer of ownership or leasehold rights of properties was completed or the tenants exercise their right to move out from the rental properties by compensating the Trust at the same rate of rental and service fee that the latest tenant had paid until the Property Management Manager is able to find a new tenant and the new tenant pays the rental and

service fee to the Trust or until after 12 months from date that the Trust first invested in the properties.

18. RELATED PARTY TRANSACTIONS

During the years, the Trust had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Trust and those related parties.

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>	<u>Pricing policy</u>
TICON Logistics Park Company Limited			
Compensation from rental and service income guarantee	62,054	35,079	As specified in property management agreement (Note 17)
Purchases of investment in properties	-	2,591,731	Prices close to appraisal value (Note 8)
Rental expenses	8,038	7,431	Contract price
Common area service fee	13,866	2,872	Contract price
Repair and maintenance expenses	351	700	Actual charge
Utility expenses	149	36	Actual charge
Distributions paid	-	9,299	As declared
Decrease in trust units value from capital reduction	-	8,269	As declared
TICON Industrial Connection Public Company Limited			
Compensation from rental and service income guarantee	-	6,246	As specified in property management agreement (Note 17)
Purchases of investment in properties	-	567,529	Prices close to appraisal value (Note 8)
Common area service fee	54	-	Contract price
Repair and maintenance expenses	200	116	Actual charge
Distributions paid	44,611	4,343	As declared
Decrease in trust units value from capital reduction	-	7,518	As declared
TICON Management Company Limited			
Trust Management fee	60,508	44,410	As detailed in Note 16
BBL Asset Management Company Limited			
Trustee fee	5,892	3,694	As detailed in Note 16
Bangkok Bank Public Company Limited			
Interest income	91	359	Market rate
Underwriting fee	-	17,237	Contract amount
Financial advisor fee	-	5,196	Contract amount
Interest expense	74,208	38,423	As detailed in Note 12

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>	<u>Pricing policy</u>
Mitsui & Co. (Asia Pacific) Pte. Ltd.			
Distributions paid	21,147	11,137	As declared
Decrease in trust units value from capital reduction	-	12,870	As declared
TICON Demco Power 6 Co., Ltd.			
Rental and service income	162	5	Contract price
TICON Demco Power 11 Co., Ltd.			
Rental and service income	76	3	Contract price

The balances of the accounts as at 31 December 2016 and 2015 between the Trust and those related companies are as follows:

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>
BBL Asset Management Company Limited		
Accrued trustee fee	1,010	503
TICON Management Company Limited		
Accrued trust management fee	9,994	4,904
TICON Industrial Connection Public Company Limited		
Accrued expenses	-	275
TICON Logistics Park Company Limited		
Accounts receivable from rental and service	3	1,792
Other receivables	2,581	-
Accrued expenses	1,255	2,921
Bangkok Bank Public Company Limited		
Interest receivables	6	109
Long-term loans	1,819,000	1,819,000
Accrued underwriting fee	-	17,747
Accrued financial advisor fee	-	5,350
Accrued interest	305	312
TICON Demco Power 6 Co., Ltd.		
Accounts receivable from rental and service	14	5
Deposit payables	54	54
TICON Demco Power 11 Co., Ltd.		
Accounts receivable from rental and service	6	3
Deposit payables	25	25

Long-term loans from related party

The outstanding balances and the movements of the borrowings between the Trust and its related party as at 31 December 2016 are as follows.

	(Unit: Thousand Baht)			
Long-term loans	Balance as at 31 December 2015	Increase during the year	Decrease during the year	Balance as at 31 December 2016
Bangkok Bank Public Company Limited	1,819,000	-	-	1,819,000

19. INFORMATION ON TRADING IN INVESTMENTS

In 2015, the Trust had investment trading transactions during the year, excluding bank deposits and promissory note of Baht 3,418 million or 94.99% of the average net assets value during the year (2016: Nil).

20. COMMITMENTS

20.1 The Trust is committed to pay the trust management fee, trustee fee and registrar fee under the terms and conditions specified in Note 16.

20.2 As at 31 December 2016 and 2015, the Trust has future minimum lease payments required under non-cancellable operating leases contracts in respect of sub-leases and common service as follows.

	(Unit: Million Baht)	
	2016	2015
Payable:		
In up to 1 year	20.3	8.0
In over 1 year and up to 5 years	47.2	34.2
In over 5 years	259.1	268.0

21. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Trust is principally engaged in the rental of immovable properties. Its operation is carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the year 2016, the Trust has revenue from a major customer in the amount of Baht 55 million, arising from rental and service income (2015: the Trust had revenue from 2 major customers totaled of Baht 91 million).

22. FAIR VALUE HIERARCHY

As at 31 December 2016 and 2015, the Trust had the assets that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Investments in properties	-	-	7,352	7,352
Investments in securities	-	271	-	271

(Unit: Million Baht)

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Investments in properties	-	-	7,261	7,261
Investments in securities	-	310	-	310

During the current year, there were no transfers within the fair value hierarchy.

23. FINANCIAL INSTRUMENTS

23.1 Financial risk management

The Trust's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise investments in securities, cash and cash at banks, accounts receivable from rental and service, accounts receivable from interest, other receivables, accrued expenses and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Trust is exposed to credit risk primarily with respect to accounts receivable from rental and service. The Trust Manager manages such risk by stipulating that lessees are to provide lease deposits as security against collection losses. In addition, the Trust does not have high concentration of credit risk since it has a large and varied base of creditworthy customers. As a result, it does not anticipate material loss from its debt collection. The maximum exposure to credit risk is limited to the carrying amounts of accounts receivable from rental and service as stated in the balance sheet.

Interest rate risk

The Trust's exposure to interest rate risk relates primarily to its cash at banks and long-term loans. Most of the Trust's financial assets and liabilities bear floating interest rates.

As at 31 December 2016 and 2015, significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

As at 31 December 2016				
	Fixed interest rates within 1 year	Floating Interest rate	Non-interest bearing	Interest rate (% p.a.)
Financial assets				
Investments in securities	271	-	-	1.30 - 1.45
Cash and cash at banks	-	41	-	0.38
Accounts receivable				
from rental and service	-	-	44	-
Other receivables	-	-	8	-
Financial liabilities				
Accrued expenses	-	-	43	-
Long-term loans	-	1,819	-	4.00

(Unit: Million Baht)

As at 31 December 2015				
	Fixed interest rates within 1 year	Floating Interest rate	Non-interest bearing	Interest rate (% p.a.)
Financial assets				
Investments in securities	310	-	-	1.40 - 2.00
Cash and cash at banks	-	2	1	0.38
Accounts receivable				
from rental and service	-	-	46	-
Other receivables	-	-	3	-
Financial liabilities				
Accrued expenses	-	-	40	-
Long-term loans	-	1,819	-	4.25

23.2 Fair values of financial instruments

Since the majority of the Trust's financial instruments are short-term in nature or carrying interest at rates close to the market interest rate, their fair value is not expected to be materially different from the amounts presented in the balance sheet.

24. CAPITAL MANAGEMENT

The primary objectives of the Trust's financial management are to maintain its ability to continue as a going concern and to maintain an appropriate capital structure in order to provide returns for unitholders in accordance with the Trust's establishment objective.

25. EVENT AFTER THE REPORTING PERIOD

On 23 February 2017, a meeting of the Trust Manager's Board of Directors approved the payment of a distribution of Baht 0.16 per unit to the unitholders from the operating results for the period as from 1 October 2016 to 31 December 2016, or a total of Baht 90.69 million, which is to be paid on 20 March 2017.

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the authorised director of the Trust Manager on 23 February 2017.