

Annual Report

For the Period during 22 December 2014 - 31 December 2014

LH Shopping Centers Leasehold Real Estate Investment Trust

(LHSC)



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Message from the REIT Manager

March 2, 2015

Dear Unitholders of LH Shopping Centers Leasehold Real Estate Investment Trust

As the Management Company has accomplished the management of LH Shopping Centers Leasehold Real Estate Investment Trust (“LHSC” or the “REIT”) for the period ending December 31, 2014, we are pleased to submit for your consideration herewith the Reports of the REIT’s Auditors and Trustee for the period during December 22, 2014 - December 31, 2014, together with the summary report on the REIT’s investment portfolio as well as the properties invested by the REIT.

We would like to take this opportunity to extend our gratitude to our unitholders for entrusting us with the management of your investments.

Yours sincerely,



(Ms. Chantana Kanchanagama)

President

Land and Houses Fund Management Company Limited

REIT Manager

LH Shopping Centers Leasehold Real Estate Investment Trust

Abbreviated Name: "LHSC"

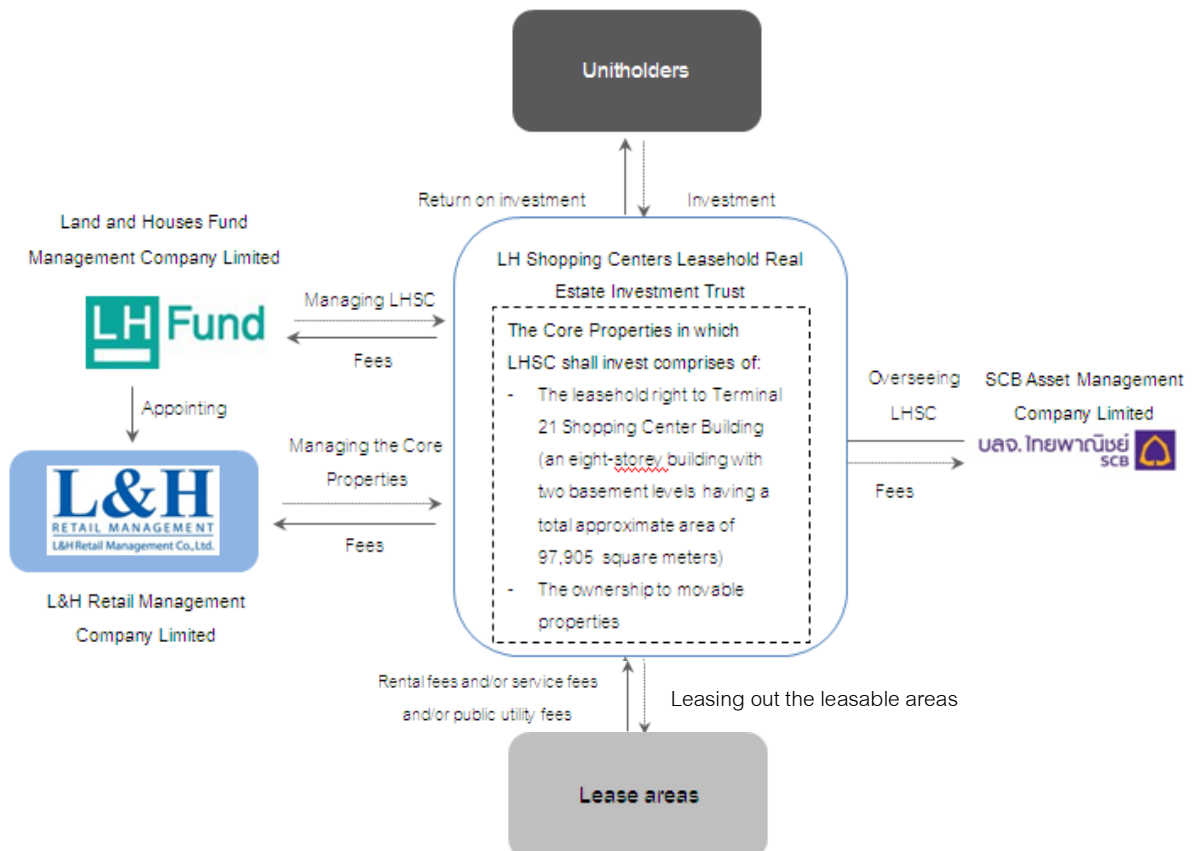
Paid-up Capital	: 4,978,259,940 Baht
Maturity of the Project	: Indefinite (The REIT invests in the leasehold right in the immovable properties and the ownership in the movable properties in the Terminal 21 Shopping Center Project for an approximate term of 26 years)
Trustee	: SCB Asset Management Company Limited
Address of Trustee	: SCB Park Plaza Building 1, 7 st - 8 st Floors 18 Ratchadapisek Road, Jatujak, Bangkok 10900 Tel: 02-949-1500, Fax: 02-949-1501
Investment Policy	: The REIT invests in the leasehold right in the immovable properties and the ownership in the movable properties in the Terminal 21 Shopping Center Project from L&H Property Company Limited, in an approximate total area of 97,905 square meters, for an approximate term of 26 years ending on August 31, 2040. The lease includes the leasehold right to the building and constructions, parking lot, and component parts of the building and constructions which are public utility systems related to the shopping center, as well as any facilities related to the shopping center and the ownership in furniture, tools, facilities, equipment whether fixed and unfixed, and any equipment used for the purpose of decorating or enhancing convenience to customers of the Terminal 21 Shopping Center Project, including any rights in relation to or in connection with such properties. In addition, the REIT shall be entitled to use the area connecting the shopping center building with the Asoke Station of the Bangkok Mass Transit System (BTS), and the common area shared with the Grande Centre Point Hotel Terminal 21.

Terminal 21 Shopping Center

: The Terminal 21 Shopping Center Project is located at No. 88 Sukhumvit 19 (Wattana), North Klongtoei, Wattana, Bangkok, close to the Asoke intersection. It is decorated and designed with a diversified theme based on well-known streets in cities such as Rome, Paris, and Tokyo. The Terminal 21 Shopping Center is able to serve the diverse needs of customers by having international and domestic fashion boutiques, restaurants and the food court area, cinemas, and lifestyle stores. Moreover, it is conveniently adjacent to the Grande Centre Point Hotel Terminal 21.

The Terminal 21 Shopping Center is easily accessible with its location on Sukhumvit Road which serves as a main commercial street in Bangkok and close to the Asoke intersection which is the junction of the Asoke BTS station and Sukhumvit MRT (subway) station. It is also located within walking distance of downtown public parks and convention centers. As a result, the Terminal 21 Shopping Center, which is positioned as a shopping center for international products able to serve the diversified needs of a wide range of customers' becomes an attractive destination for customers and tourists from nearby business areas, office buildings, four and five-star hotels, condominiums, and residential buildings.

Structure of the REIT



Details of the REIT Manager

REIT Manager	: Land and Houses Fund Management Company Limited
Location	: 11 Q. House Sathorn Building, 14 th Floor, South Sathorn Road, Tung Maha Mek, Sathorn, Bangkok 10120.
Company Registration No.	: 0105551006645
Telephone	: 02 286-3484 and 02 679-2155
Facsimile	: 02 286-3585 and 02 679-2150

The Company was established to undertake fund management business and other securities businesses as authorized by the Securities and Exchange Commission. It is a 99.99% owned subsidiary of Land and Houses Bank Public Company Limited and was authorized by the Office of the SEC to act as a REIT Manager on May 7, 2014.

Shareholding Structure of the REIT Manager

The shareholder of the REIT Manager as of December 31, 2014 was as follows:

Name	No. of Shares	% of Total Shares
Land and Houses Bank Public Company	2,999,995	99.99

Company Background

Land and Houses Fund Management Company Limited registered for name change with the Ministry of Commerce on 23 November 2010 from United Asset Management Company Limited that was established on 17 January 2008. Presently, the Company has a fully paid up registered capital of 300 million Baht and has obtained various business licenses as follows:

-Type C Securities Business License (Kor) from the Ministry of Finance with the License No. Lor Kor-0013-01 since 21 February 2011

-Derivatives Business License from the Securities and Exchange Commission (Derivatives Fund Manager Category) with the License No. Sor Dor 04-0013-10 since 2 March 2011.

-Derivatives Business License from the Securities and Exchange Commission (Derivatives Advisor Category) with the License No. Sor Dor 03-0013-11 since 2 March 2011.

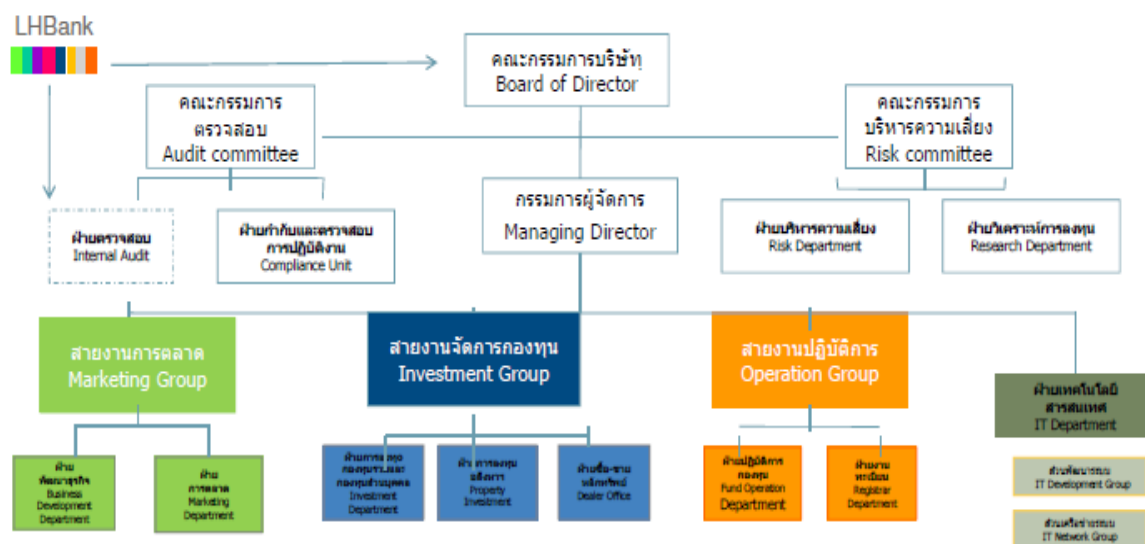
The Company was authorized by the Securities and Exchange Commission to commence the operations of mutual fund and private fund business on 2 June 2011.

Management Structure

The REIT Manager adheres to the principle of clear separation between respective duties and responsibilities of each unit within the organization. Each department works independently and systematically in line with the principles of trust and good corporate governance. It also takes into consideration the control of any potential risk arising from corruption, fraudulent and conflicts of interest. Such management structure enables the REIT Manager to fulfill its fiduciary duties owed to the unitholders, to prioritize unitholders' interests over those of the Manager, as well as to prevent any information leaks or illegal acts. Moreover, the structure is also commensurate with the size and complexity of the Company's business operations.

The organization structure of the REIT Manager is composed of 3 main groups and 1 department, namely: Investment Group, Marketing Group, Operations Group and the Information and Technology Department.

LH Fund's Organization Chart



Structure of the Board of Directors and the Board Committees of the REIT Manager

Realizing the importance of the duty to protect the interests of the unitholders who are retail investors, the REIT Manager has a Board of Directors to govern the overall operations of the organization by establishing broad policies and objectives. The Board of Directors also set up another 5 standing committees to support the Board in fulfilling its mandate in various areas. Altogether, the REIT Manager has 6 groups of committee as follows:

1. Board of Directors
2. Audit Committee
3. Risk Management Committee
4. Management Committee
5. Investment Committee
6. Property Investment Committee

1. Board of Directors

- The Board of Directors comprises 6 members as follows:

Name/ Position/ Date of Appointment	Highest Education/ Training	Experiences over the past 5 Years		
		Period	Position	Institution/Company
1. Mr. Rutt Phanijphand Chairman	- M.S. in Business Ad., Fort Hays Kansas State University, Hays, Kansas, USA - B.S., Kasetsart University - Certificate, National Defense College of Thailand (Class 388) - Director Accreditation Program (DAP) 4/2003 : IOD - Director Certification Program (DCP) 61/2005 IOD - Financial Institutions Governance Program (FGP) 1/2010 : IOD	Position Held in Listed Company		
		Apr. 2014 - Present	Director and Member of the Audit Committee	Ban Pu Plc.
		Apr 2009 - Present	Chairman of the Executive Committee	LH Financial Group Plc.
		2005 - Present	Chairman of the Remuneration Committee	Ban Pu Plc.
		2001 - Present	Executive Director and Chairman of the Nomination and Remuneration Committee	Home Products Center Plc.
		Aug 2001 - Dec 2014	Chief Executive Officer and President	Quality Houses Plc.
		Oct 2006 - Apr 2009	Independent Director and Member of the Audit Committee	IRPC Plc.
		Feb - Dec 2005	Director	Dhipaya Insurance Plc.
		May 2004 – Dec 2005	Executive Director	Krungthai Bank Plc.
		Apr 2003 – Apr 2004	Member of the Audit Committee	Krungthai Bank Plc.
		Position Held in Non-Listed Company		
		Dec 2013 – Present	Chairman	Land and Houses Plc.
		Oct 2010 - Present	Chairman	Land and Houses Fund Management Plc.
		Dec 2005 – Present	Chairman of the Executive Committee	Land and Houses Bank Plc.
		Jan 2003 – Dec 2014	Director	QH Management Co Ltd
		Aug 2001 – Dec 2014	Director	QH International Co., Ltd.
		2006 – 2008	Director	Kasetsart University Council
		2002 - 2008	Chairman	The Activity Support Committee, Kasetsart University

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Name/ Position/ Date of Appointment	Highest Education/ Training	Experiences over the past 5 Years		
		Period	Position	Institution/Company
		Aug 2001 – Dec 2009	Director	Center Point Management Co., Ltd.
		2000 - 2005	Chairman	United Advisory Services Co., Ltd.
2. Mr. Adisorn Thananunnarapool Director	• MBA, Thammasat University • Bachelor of Accounting, Thammasat University • Director Accreditation Program : Governance training for listed company director (DAP), Class 7/2004, IOD • Directors Certification Program : Program for Professional Directors (DCP), Class 41/2004, IOD • Capital Market Academy Leadership Program 2 • Stanford Executive Program (SEP), Graduate School of Business, Stanford University	Position Held in Listed Company		
		May 2013 - Present	Director, Executive Director, Managing Director	Land and Houses Plc.
		2003 – Present	Director	Quality Houses Plc
		2002 – Apr 2013	Deputy Managing Director (Supporting Line)	Land and Houses Plc.
		1992 - 2001	Assistant Managing Director	Land and Houses Plc.
		Position Held in Non-Listed Company		
		2011 – Present	Director	Land and Houses Fund Management Co., Ltd.
		2005 - Present	Director	L&H Property Co., Ltd.
		2005 - Present	Director	L&H Sathorn Co., Ltd.
		2004 - Present	Director	LH Asset Co., Ltd.
		2004 - Present	Director	LH Real Estate Co., Ltd
		2002 - Present	Director	Land and Houses Property Fund
		2001 - Present	Director	Federation of Accounting Professions of Thailand
		2000 - Present	Director	Land and Houses Property Fund I
		1995 - Present	Director	Land and Houses North Co., Ltd.
		1995 - Present	Director	Land and Houses Northeast Co., Ltd.
		1993 - Present	Director	Siam Thani Real Estate Co., Ltd.
		1991 - Present	Director	Siam Thani Property Co., Ltd.
		1988 - Present	Director	Atlantic Real Estate Co., Ltd.

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Name/ Position/ Date of Appointment	Highest Education/ Training	Experiences over the past 5 Years		
		Period	Position	Institution/Company
3. Miss Chutamas Sombunyaviroj Director	Master of Commerce (Business Administration), Thammasat University	Position Held in Listed Company		
		Jul 2005 – Dec 2005	Executive Vice President, Funding Department 2	Book Club Finance Plc.
		Jun 1999 – Jun 2005	First Vice President Private Banking /Funding Department	Bank Thai Plc. (Currently CIMB Thai Bank Plc.)
		Position Held in Non-Listed Company		
		Dec 2005 - Present	First Executive Vice President, Commercial Banking Group	Land and Houses Bank Plc.
4. Mr. Rhung Kongphalung Director	- MBA, National Institute of Development Administration - BA (Finance and Banking), Ramkhamhaeng University - Director Accreditation Program (DAP) Class 23/2004, IOD - Financial Institution Governance Program (FGP) Class 5/2012, IOD	Position Held in Listed Company		
		Apr 2004 – Mar 2009	Director	Globlex Holding Management Plc.
		Position Held in Non-Listed Company		
		May 2014 – Present	Director	Land and Houses Securities Plc.
		May 2013 - Present	First Executive Vice President, Finance Group	Land and Houses Bank Plc.
		Oct 2010 - Present	Director and Member of the Audit Committee	Land and Houses Fund Management Co., Ltd.
		Jan 2012 – Apr 2013	Executive Vice President, Data Governance Group	Land and Houses Bank Plc.
		Jul 2011 – Dec 2011	First Senior Vice President, Data Governance Group	Land and Houses Bank Plc.
		Apr 2009 – Jun 2011	First Senior Vice President, Risk Management Group	Land and Houses Bank Plc.
		Sep 2003 – Mar 2009	Director/Chief Finance Officer	Globlex Securities Co., Ltd.

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Name/ Position/ Date of Appointment	Highest Education/ Training	Experiences over the past 5 Years		
		Period	Position	Institution/Company
5. Mrs. Chantana Kanchanagama President	• MBA, Campbell University, North Carolina, USA • Bachelor of Science, Kasetsart University	Position Held in Listed Company		
		Jun 1999 – Dec 2004	Senior Vice President, Fund Management Department	Bank Thai Plc. (Currently CIMB Thai Plc)
		Jun 1991 – May 1999	Vice President, Provident Fund Office	Dhana Siam Finance Plc.
		Jun 1984 – May 1991	Chief of Corporate Group	Dhana Siam Finance Plc.
		Position Held in Non-Listed Company		
		Jan 2015 - President	President	Land and Houses Fund Management Co., Ltd.
		Aug 2011 – Dec 2014	Managing Director	Land and Houses Fund Management Co., Ltd
		Feb 2008 – Apr 2010	Executive Vice President	Ayudhya Asset Management Co., Ltd.
6. Miss Piangdao Wattanayakorn Managing Director, (Property Investment and Operations)	• Bachelor of Economics, Chulalongkorn University • Bachelor of Laws, Sukothai Thammathirat University • CISA Level III, Securities Analysts Association • Fellow Member of the Thai Institute of Directors/ Directors Certification Program : Program for Professional Directors (DCP), Class 41/2004, IOD	Position Held in Listed Company		
		-	-	-
		Position Held in Non-Listed Company		
		Jan 2015 – President	Managing Director, Property Investment and Operations	Land and Houses Fund Management Co., Ltd.
		Nov 2010 – Dec 2014	Director and Chief Investment Officer	Land and Houses Fund Management Co., Ltd.
		May 2004 – May 2008	Managing Director, Academic and Risk Management Line	Globlex Securities Co., Ltd.
		Apr 2004 – Nov 2006	Independent Director and Member of the Audit Committee	Globlex Holding Management Plc.
		Mar 2004 – Nov 2006	Director and Member of the Audit Committee	The Thai Bond Market Association
		Sep 1998 – Jan 2003	Assistant Managing Director	Thai Insurance Plc.

Scope of Authority of the Board of Directors

The Board of Directors has the role, duties and responsibilities to ensure that the operations of the REIT Manager are undertaken with integrity, care, based on the interests of the organization as a whole, and without conflict of interest among individuals or any groups of shareholders. The duties and responsibilities of the Board of Directors are as follows:

1. Perform duties in accordance with law, objectives, regulations of the REIT Manager and related external agencies, including the resolutions of the general meeting of shareholders, with integrity and in the best interests of the unitholders of the REIT.
2. Establish overall strategic direction and goals of the REIT Manager; review and approve Management's proposed policy and operational direction of the REIT Manager; and supervise and monitor the performance of the management to ensure that the approved policies are implemented efficiently and effectively and that the interests of the company, shareholders, and investors are protected.
3. Approve investment in the core properties of the REIT.

2. Audit Committee

Scope of Authority of the Audit Committee

1. Review and approve the annual audit plan proposed by the Compliance Unit and review reports of the internal auditors on a regular basis.
2. Review and approve the appointment, transfer and dismissal of the Internal Audit Head; and review the manpower plan of the Internal Audit Unit to ensure its independence.
3. Annually review and approve the Internal Audit Charter.
4. Regularly review the company's internal control system and operational procedures to ensure their appropriateness, efficiency and compliance with relevant laws and regulations.

3. Risk Management Committee

Scope of Authority of the Risk Management Committee

1. Scrutinize and propose to the Board of Directors the Risk Supervision and Management System by formulating the policy and procedures for overall risk management. This must cover the various types of risks, i.e., strategy risk, operational risk, and other significant risks to the company and the REIT.
2. Formulate the strategy on the organization and resources to be used for the risk management operation, in line with the risk management policy of the REIT Manager. This strategy must enable the effective analysis, assessment, evaluation and monitoring of the risk management system.
3. Monitor the risk evaluation of the REIT Manager at least once a year or upon occurrence of the event with significant impact on the REIT.

4. Management Committee

Scope of Authority of the Management Committee

1. Manage the overall business operations of the company in accordance with the policies and plans approved by the Board of Directors.
2. Review and approve the fee structures related to the management of trust properties, private funds, as well as other products and services of the company including the expenses related to the setting up and management of the REIT and/or other product development and marketing expenses.

5. Investment Committee

Scope of Authority of the Investment Committee

1. Lay down investment framework or strategy, investment policy and investment plan of the REIT; determine the authority to approve securities universe as well as asset allocation according to relative attractiveness of the securities.
2. Supervise and monitor the investment of the REIT to ensure that it is in compliance with the investment framework, policy, ethics and relevant rules and regulations.
3. Monitor and evaluate the operational performance of the REIT.
4. Determine rules and/or other regulations related to the investment of the REIT.

6. Property Investment Committee

Scope of Authority of the Property Investment Committee

1. Monitor and evaluate the operational performance of the REIT.
2. Determine rules and/or other regulations related to the investment of the REIT.
3. Review and approve the selection of properties in which the REIT will invest.
4. Review and approve the selection of property manager of the REIT.
5. Review and approve the selection of various service providers for the REIT.
6. Review and approve the type and limit of insurance of the REIT.
7. Review and approve the borrowing of the REIT.
8. Review and approve the appointment of the guarantor of the REIT.

Management of the REIT

The Executive Committee of the REIT, as of December 31, 2014, comprises the following:

Name	Education	Current Position
Mrs. Chantana Kanchanagama	MBA, Campbell University North Carolina, US	President, Land and Houses Fund Management Company Limited
Miss Piangdao Wattanayakorn	- Bachelor of Economics (Quantitative Analysis, Second Class Honor), Chulalongkorn University - Bachelor of Laws, Sukothai Thammathirat University - CISA Level III, Securities Analysts Association	Director and Chief Investment Officer, Land and Houses Fund Management Company Limited

Details of the personnel and the persons in charge of work units of the company as of December 31, 2014 are as follows:

Unit	Person in Charge	Qualifications and Experiences
Property Investment Department	Miss Piangdao Wattanayakorn	Chief Investment Officer; 33-year experience in finance field and 3-year experience in property investment.
	Miss Nutrinee Jiraongkarn	Property Fund Manager/REIT Manager; 7-year experience in finance and property investment field.
	Mr.Pittinun Rommaneechakorn	Property Fund Manager/REIT Manager; 7-year experience in finance and property investment field.
Mutual Fund and Private Fund Investment Department	Mr.Wirat Vittayasritada	Fund Manager; 7-year experience in asset management business .
Dealing Department	Miss Yaowapha Komaintaksin	Vice President; 17-year experience in finance field and 10-year experience in asset management business.

Unit	Person in Charge	Qualifications and Experiences
Operations Department	Mrs. Jiraporn Parksupo	Senior Vice President; 24-year experience in finance field and asset management business.
Information Technology Department	Mr. Santi Chairatthanathananon	Vice President; 16-year experience in asset management business.
Risk Management Department	Mr. Wittaya Ongwitiyaphan	Manager; 5-year experience in finance field and 2-year experience in asset management business.
Compliance and Internal Audit Department	Mrs. Nawarat Puangphairoite	Vice President; 19-year experience in finance field and 7-year experience in asset management business.

Management Fee

The REIT Manager is entitled to receive a monthly management fee of not exceeding 2.00% p.a. of the net asset value, which is calculated by the REIT Manager and certified by the Trustee. The REIT Manager shall calculate the management fee on a monthly basis on the last day of each month and collect from the REIT by monthly disbursement from the REIT's account. The total of management fee shall not be lower than 3,000,000 Baht per year.

Duties of the REIT Manager in the Management of the REIT and Its Properties

1. Give opinion to relevant officers regarding the qualifications or characteristics of the properties invested by the REIT as per request by relevant agency.
2. Supervise and monitor the repair, renovation and maintenance of the core properties to ensure that they are always in a good condition suitable to seek benefits throughout the period specified in the annual action plans.
3. Arrange to have the core properties altered, restored, and adapted as deemed necessary and appropriate to the extent that no contrary to or inconsistent with the trust deed and relevant law and regulations including the land leasing contract made with the owner of the land on which the core properties are located and any amendments (the main contract), provided that advance notice is made to the trustee.
4. Control, supervise and manage the core properties including the maintenance of any properties as deemed necessary in order to facilitate the management of the security system, the fire protection system, the communication and emergency management system, and the repairs of properties. In case of major repairs, advance notice must be made to the trustee.
5. Manage and enhance interests of the core properties as well as pursue any necessary actions to ensure that the management of the core properties is in compliance with the annual action plans, the trust deed, and relevant law and regulations.
6. Pursue any actions in order to acquire, and/or accept assignment of, and/or jointly undertake any actions with the trustee thereby enabling the trustee to acquire, a license, a permit, a waiver letter, and/or any related documents necessary for the acquisition of interests in the core properties.
7. Facilitate the REIT or the person designated by the trustee in examining the core properties within the operating hours of the REIT Manager as well as provide information, statements, and/or deliver any documents, (except for the information, statements, and/or any documents related to the intellectual property of the REIT Manager and/or its subsidiary), upon request of the trustee as deemed necessary and appropriate.
8. Facilitate the property appraisal company of the REIT or the person designated by such appraisal company in examining the core properties within the operating hours of the REIT Manager as well as provide information, statements, and/or deliver any documents, (except for the information, statements, and/or any documents related to the intellectual property of the REIT Manager and/or its subsidiary), upon request of the appraisal company as deemed necessary and appropriate.
9. Prepare any documents and evidences related to or in connection with the core properties which are in the possession of the REIT Manager, and/or possessed by the REIT Manager on behalf of the REIT, including the accounting documents and evidences related to or in connection with the REIT, for the trustee or the person designated by the trustee and/or the auditors of the REIT to examine within the operating hours of the

REIT Manager. Moreover, the REIT Manager shall deliver any documents related to or in connection with the REIT to the trustee and/or the auditors of the REIT, as the case may be, upon request within 15 business days as from the date on which the request is acknowledged or should be acknowledged, unless there is a valid reason or otherwise agreed by the counterparties.

10. Communicate, coordinate, provide information, submit documents, make payment of surcharges and building and land tax levied on the core properties on behalf of the trustee of the REIT, and deliver the withholding taxes related to the management of the core properties which are withheld by the trustee, as well as any other taxes related to the core properties and/or the management of the core properties; to the official of relevant government agencies.
11. Notify the trustee in due course regarding (a) the damage or defect of the core properties including equipment and other facilities or the occurrence of event that may lead to significant deterioration in the value of the core properties, and (b) any significant breach of the trust deed by the lessee or any counterparty of the REIT related to the core properties.
12. Pursue any actions as deemed necessary and reasonable by the REIT to ensure that the core properties is in a good condition and ready for use to enhance interests, or in accordance with the purpose of the trust deed; and provide recommendations on the market situation in case when the REIT wishes to sell or transfer the leasehold right or sublease right of the core properties.

Conflicts of Interest Prevention Measures

The REIT shall implement the following policy to prevent transactions between the REIT and person who may have conflicts of interest with the REIT.

1. Transaction between the REIT and the REIT Manager and/or Connected Person of the REIT Manager

Table indicating details of connected person of the REIT Manager

Juristic Person(s) /Company(ies) who may have conflict of interest	Status	Characteristic of the Transaction	Relationship
L&H Property Co., Ltd.	The Owner	The REIT will invest in the leasehold right in the building of the Terminal 21 Shopping Centers Project and the ownership of the immovable properties from L&P Property Co., Ltd.	The REIT Manager and L&H Property Co., Ltd. have the same major shareholder, i.e. Land and Houses Public Company Limited which directly holds shares in L&H Property Co., Ltd. and indirectly holds shares in the REIT Manager.
L&H Retail Management Co., Ltd.	The Property Manager	The REIT Manager will appoint L&H Retail Management Co., Ltd. to be the property manager of the REIT.	Land and Houses Public Company Limited indirectly holds shares in L&H Retail Management Co., Ltd. and indirectly holds shares in the REIT Manager.
Land and Houses Bank Public Company Limited	A tenant in the Terminal 21 Shopping Centers Project	Land and Houses Bank Public Company Limited is a tenant in the Terminal 21 Shopping Centers Project.	Land and Houses Bank Public Company Limited directly holds shares in the REIT Manager.

The transaction between the REIT and the REIT Manager or connected person of the REIT Manager shall be obtained an approval under the system set forth in the Notification no. SorRor. 26/2555 and pass procedures of seeking an approval from the Trustee or the resolution

of Unitholders' meeting except as stated certainly in a registration statement and draft prospectus, including but not limited to payment of fees and expenses from the REIT to the REIT Manager and/or the Property Manager in an amount of not exceeding the amount stated in the Prospectus of the REIT (the "**Prospectus**").

In cases involving the transaction between the REIT and the REIT Manager or connected person of the REIT Manager, the following procedures shall apply pursuant to the securities laws.

1) Connected person of the REIT Manager

The connected person of the REIT Manager shall have the meaning as prescribed in the Notification of the Capital Market Supervisory Board (the "**CMSB**") Re: Connected Transactions.

2) General terms and conditions of the REIT to enter transaction with connected person of the REIT Manager are as follows:

- Transaction between the REIT and the REIT Manager or connected person of the REIT Manager shall be in accordance with the Trust Deed and relevant applicable laws in order for the best interests of the REIT.
- Transaction between the REIT and the REIT Manager or connected person of the REIT Manager shall incur reasonable and fair expenses.
- Interested person in the transaction, either directly or indirectly, shall not participate in making decision to carry out such transaction.

3) Granting the approval of transaction between the REIT and the REIT Manager or connected person of the REIT Manager shall follow the below procedures.

- Such transaction shall be approved by the Trustee that the transaction is in accordance with the Trust Deed and relevant applicable laws.
- In case of being the transaction worth more than Baht one million or 0.03 percent of net asset value of the REIT, whichever is higher, the transaction shall be approved by the board of directors of the Trustee.
- In case of being the transactions worth more than Baht twenty million or 3.0 percent of net asset value of the REIT, whichever is higher, the transaction shall be approved by the resolution of the Unitholders in a Unitholders' meeting with a vote of not less than three-fourths of the total number of Units held by the Unitholders attending the meeting and entitled to vote whereby in such meeting.

In cases where the transaction between the REIT and the REIT Manager or connected person of the REIT Manager is the acquisition or disposition of the Core Properties, the calculation of asset value shall be calculated based on the total asset value deprived from the acquisition or disposition of each

project with a-ready-to-generate income basis including any related properties.

- 4) Policy for the transaction between the REIT and the REIT Manager or connected person of the REIT Manager
- Transactions between the REIT and the REIT Manager or connected persons of the REIT Manager shall be carried out under reasonable and fair conditions in accordance with conditions and provisions prescribed in the securities law. If the Securities and Exchange Commission (the “SEC”), the Office of the SEC or the CMSB announces the additional definition of connected person in the future, the transaction between the REIT and the REIT Manager or connected persons shall be carried out accordingly with amended conditions and provisions prescribed in the securities law.
 - The REIT shall disclose information relating to the transaction between the REIT and the REIT Manager or connected person of the REIT Manager to the Office of the SEC and the SET as well as remarking in the REIT’s audited financial statements and its annual report.

2. Transaction between the REIT and the Trustee or connected person of the Trustee

Table indicating details of connected person of the Trustee

Juristic Person(s) /Company(ies) who may have conflict of interest	Status	Characteristic of the Transaction	Relationship
The Siam Commercial Bank Public Company Limited	- A financial institution who grants loan to the REIT - A tenant in the Terminal 21 Shopping Centers Project	As part of the investment in the initial properties, the REIT will take loan granted (not exceeding 1,200 million Baht) by The Siam Commercial Bank Public Company Limited.	The Siam Commercial Bank Public Company Limited directly holds shares in the Trustee.

In cases involving the transaction between the REIT and the connected person of the Trustee in the future, the following procedures shall apply.

- 1) The REIT shall disclose its transaction through the SET or other channels accessible to Unitholders.
- 2) The period for disclosure of information shall be reasonable, lasting at least fourteen days.
- 3) The channels and means for objection to such transaction shall be made available for a reasonable period, lasting at least fourteen days, except for the case seeking an approval by the resolution of the Unitholders' meeting for entering into the transaction, the objection to the transaction shall be made by the resolution of the Unitholders' meeting.

The provision relating to the management of the conflict of interest stipulated in the Trust Deed, entered into between the Settlor and the Trustee, has prescribed a matter related to the conflict of interest transactions between the REIT and the Trustee, whereby the Trustee shall not act in a manner that may be in conflict with the interest of the REIT, or which may result in the Trustee to lack of independency, save for the following transactions.

- (a) Transactions which have procedures or mechanism of check and balance of the transactions;
- (b) If the entry into the conflict of interest transaction with the REIT has sufficiently disclosed information to the unitholders in advance, and such persons do not oppose or have no objection in the number less than 1/4 (one forth) of the total unit trust sold.

Assets Invested or Held by the REIT Classified by Type of Asset

1. Investments in immovable properties in Terminal 21 Shopping Center Project as of December 31, 2014

Project	Area (Sq m)	Cost Prices (Million Baht)	Fair Value (Million Baht)	% of NAV
Accepting transfer of the rights to sublease land, buildings, and public utilities and to purchase and sell movable properties of Terminal 21 Shopping Center, and the service mark licensing agreement.				
(a) Buildings including any constructions located in Terminal 21 Shopping Center, which is an eight-storey building with two basement levels with an approximate shopping center area of 68,642 square meters and an approximate parking area of 29,263 square meters. The total area to be leased by the REIT is approximately 97,905 square meters.		5,759.76	5,759.76	
(b) Component parts of the Shopping Center Building which are public utility systems, such as electrical system, water supply system, telephone system, elevators, escalators, air-conditioning system, engineering systems, etc, as well as any other facilities in connection with the Shopping Center Building including any rights in relation to or in connection with the aforementioned properties		56.41	56.41	
(c) Furniture, tools, equipment, decorative accessories (whether fixed or temporary attached), including any other equipment used for decoration or to accommodate the customers of Terminal 21 Shopping Center which is situated and/or fixed to the exterior or interior of the Shopping Center building or on the surface of the Shopping Center building, including any rights in				

relation to or in connection with the aforementioned properties situated in Terminal 21 Shopping Center in the condition as of the date of transfer of ownership (collectively referred to as the "Purchased Properties"). The Seller shall not be liable for any defects of the Purchased Properties, whether or not such defect appears on the date of transfer of ownership, except for a defect which results in the REIT not being able to use the Purchased Properties for their designated purposes.				
(d) The service marks of "Terminal 21" and "Pier Bangkok 21" (the "Service Marks")		62.10	62.10	
(e) Lease registration fee.		63.36	63.36	
Total Investment in the Properties	97,905	5,937.63 ⁽¹⁾	5,937.63 ⁽²⁾	119.06 ⁽²⁾

Remark: ⁽¹⁾The cost price of initial investment of the REIT was 5,941,624,840 Baht (exclusive of VAT).

⁽²⁾The REIT borrowed money for investing in the properties of the Terminal 21 Shopping Center Project in the amount not exceeding 1,200 million Baht.

2. Details of Assets Classified by Type of Investment as of December 31, 2014

Lists of Assets	Book Value/Market Value (Baht)	% of Net Asset Value
1. Cash and deposits at banks	120,231,169.46	2.409
2. Investments in Promissory Notes and Debt Instruments		
Bills of Exchange/Promissory Notes Issued/Certified/Avaled by Financial Institutions	-	0
Certificates of Deposit	100,000,000.00	2.004
Government Bonds	289,092,961.20	5.793
Treasury Bills	-	0
Total	509,324,130.66	10.206
3. Investments in Immovable Properties		
Investments in Immovable Properties	5,941,624,840.00	119.065
Total	5,941,624,840.00	119.065
4. Other Assets		
Accrued Interests	37,094.01	0.001
Securities Account Receivables	135,976,976.56	2.725
Receivables from Leasing and Services	8,200,051.04	0.164
Other Receivables	18,789,687.68	0.377
Other Assets	69,868,042.05	1.400
Total	232,871,851.34	4.667
Total Assets	6,683,820,822.00	133.938
5. Other Liabilities		
Accrued Fees and Expenses	91,157,494.72	1.827
Unearned Rent and Service Revenue	4,205,706.70	0.081
Rental and Service Fee Deposits	213,837,196.49	4.285
Long-term Borrowings	1,080,000,000.00	21.642
Other Liabilities	304,575,810.30	6.103
Total Liabilities	1,693,596,208.21	33.938
Net Asset Value of the REIT	4,990,224,613.79	100.000

Total Number of the REIT's Units	488,064,700.0000	units
Unit Value of the REIT	10.2245	Baht

Details of Properties in which the REIT Invested

As of December 31, 2014

Terminal 21 Shopping Center Project					
Location	The Terminal 21 Shopping Center Project is located at No. 88 Sukhumvit 19 (Wattana), North Klongtoei, Wattana, Bangkok.				
Project Feature	The Terminal 21 Shopping Center Project is consisted of an 8-storey shopping center and 2 basements, including parking areas inside the building.				
Land Size	Approximately 9 rai 1 ngan 44 square wah.				
Cost Prices (Prices for the acquisition of leasehold right of immovable and movable properties, and other related rights)	The price of the REIT's initial investment was 5,941,624,840 Baht (including of value added tax).				
Date of Establishment of the REIT	December 22, 2014				
Date of Initial Investment by the REIT	December 23, 2014				
Appraised Value (2013)	<table border="1"> <tr> <th>Grand Asset Advisory Co., Ltd As of August 20, 2014 (Million Baht)</th><th>TAP Valuation Co., Ltd As of August 13, 2014 (Million Baht)</th></tr> <tr> <td>6,256</td><td>6,250</td></tr> </table>	Grand Asset Advisory Co., Ltd As of August 20, 2014 (Million Baht)	TAP Valuation Co., Ltd As of August 13, 2014 (Million Baht)	6,256	6,250
Grand Asset Advisory Co., Ltd As of August 20, 2014 (Million Baht)	TAP Valuation Co., Ltd As of August 13, 2014 (Million Baht)				
6,256	6,250				
Owner of the Leasehold Right of Immovable Properties	LH Shopping Centers Leasehold Real Estate Investment Trust				
Owners of the movable Properties	LH Shopping Centers Leasehold Real Estate Investment Trust				

Commencement of Operation	The Building had been completed and commenced operation in October 2011.
Property Manager	L and H Retail Management Company Limited
Revenue for the period of December 23-31, 2014)	26,796,108 million Baht.
General Features of the Project	The Terminal 21 Shopping Center Project is consisted of an 8-storey shopping center and 2 basements, including parking areas inside the building, located on a land of approximately 9 rai 1 ngan 44 square wah which had been completed and opened for operation in October 2011 with a total space of 97,905 square meters. The public utility systems installed and used in the Terminal 21 Shopping Center Project comprise electrical system, water supply system, air-conditioning system, sanitary system, elevators system and escalators, telephone system, fire protection system, automatic fire extinguishing system, and engineering systems. The Terminal 21 Shopping Center Project is decorated and designed with a diversified theme based on well-known streets in cities such as Rome, Paris, and Tokyo. It is able to serve the diverse needs of customers by having international and domestic fashion boutiques, restaurants and the food court area, cinemas, and lifestyle stores. Moreover, it is conveniently adjacent to the Grande Centre Point Hotel Terminal 21.

Name and Address of the Property Manager

- **The Property Manager**

L&H Property Company Limited

- **General Information**

Location : 1 Q. House Sathorn Building, 15th Floor,
South Sathorn Road, Tung Maha Mek,
Sathorn, Bangkok 10120.

Company Registration No. : 0105555014553

Telephone : 02 343 8899

Facsimile : 02 343 8890

Registered Capital : 100,000 Baht

Paid-up Capital : 100,000 Baht

- **Qualification and Experience of the Property Manager**

L&H Retail Management Company Limited is a subsidiary of L&H Property Company Limited, a subsidiary of Land and Houses Public Company Limited. It was registered as a limited company on January 30, 2012. It has been the property manager of Terminal 21 Shopping Center since February 1, 2012. Currently, there is no other property under its management.

- **Operating Period**

The Property Manager has a term of 6 years as specified in the Property Management Agreement. In case each counter party wishes to extend the agreement upon its expiration, the agreement shall be in effect for each term of 6 years. The counter parties may review the terms and conditions of the agreement every 3 years or as agreed upon by both parties.

- **Other Properties under the Management of the Property Manager that May Be Business Competitors for the Core Properties of the REIT**

- None -

Significant Change and Development

From December 22, 2014 – December 31, 2014

Establishment Date of the REIT: December 22, 2014
Initial Investment Date in Properties December 23, 2014
of the REIT:

Details of Investment in Properties

From December 22, 2014 – December 31, 2014

Project	Investment Commencement Date	Date of Leasehold Right Registration
The Terminal 21 Shopping Center Project	December 23, 2014	January 28, 2015

Details of Sale or Transfer of Leasehold Right in the Properties

From December 22, 2014 – December 31, 2014

- None –

Details of Net Profit Guarantee and Minimum Income Guarantor

As of December 31, 2014

- None -

Details of Borrowings as of December 31, 2014

Lender	Siam Commercial Bank Public Co Ltd.
Borrower	The Trustee on behalf of LHSC
Credit Line	- Total borrowings not exceeding 1,200 million Baht. - Debt to total asset ratio standing at approximately 18:82
Interest Rate	Fixed and/or MLR reference rate: Years 1-3: Fixed rate of no higher than 5.25% pa. After Year 3 onwards: No higher than MLR – 1% pa. (MLR: Minimum Loan Rate refers to the interest rate charged to prime customers by Siam Commercial Bank Public Co Ltd.
Term of Borrowing	13 years with 3-year grace period.
Payment of Principal	Quarterly installment payments after the grace period. The payments are based on a progressive scale until full payment is made within the borrowing period.
Payment of Interest	Quarterly Payments

Market Overview and Prospects of the Property Sector from which the REIT Raises Benefits

The Thai Economy in 2014

The Thai economy registered a growth rate of approximately 0.8%¹ in 2014, which was lower than the 2.7% growth forecast by the Bank of Thailand in early 2014, due mainly to domestic political instability and the ongoing weak export performance. As the signs of recovery in the economies of major trading partners such as European countries, Japan, Asian countries, and the US remained dim; the prices of agricultural products which are among our main export items were affected and subsequently undercut the income of farmers. Moreover, the tourism and service sector which has been the country's major revenue earner also felt the impact.

The first two quarters of the year saw prolonged and ongoing political turmoil across the country, from massive anti-government protests, street rallies, state of emergency declaration, to imposition of martial law and the launch of a military coup. The country was directly affected by the circumstances especially during the first half of the year since investors and the private sector put off spending amid a wait-and-see attitude toward clearer political environment. Simultaneously, other factors including declining farm income, persistently high household debt levels, a drop in sales of durable goods following the expiration of the Government's first-car tax-rebate program, and the delays in budgetary disbursement caused by political uncertainty further undermined the economy.

Notwithstanding, the Thai economy started to witness signs of recovery in the third quarter of 2014 with the GDP turning from a negative growth rate of 0.5% in the first quarter to a rise of 0.4% in the second quarter, 0.6% in the third quarter, and an optimistic growth projection of 2.7%² in the fourth quarter, respectively. Such improvements were due partly to stabilization of the political situation after the formation of a new government and the declaration of martial law to restore order in the country. The Private Investment Index, which had contracted from 232.6 at the end of January 2014 to the lowest level of 226.6 in

¹ Bank of Thailand, Monetary Policy Report, December 2014.

² Projected by Bloomberg Weighted Average as of February 9, 2015. Bloomberg Finance L.P.

August 2014, showed encouraging signs of improvement by picking up consecutively to 235.3 in December 2014³, representing an increase of 3.83 % from the lowest level of the year. The stronger recovery momentum of private investment was driven by the Government's economic stimulus measures which had been launched from time to time and the improved foreign investor confidence towards the recovery of the Thai economy. As a matter of fact, the number of investment projects seeking promotional privileges from the Board of Investment increased by 58% from 2,237 in 2013 to 3,469 in 2014, whereas the investment value of these projects surged dramatically by 97% from 2013 to approximately 1,110 billion Baht⁴.

Meanwhile, the Consumer Confidence Index rose continuously, especially in the latter half of the year, from 29.5 in January 2014 to 44.2 in December 2014⁵. This is considered relatively high compared to the same period of 2012-2013, during which the country underwent prolonged political uncertainties. Moreover, the Consumer Price Index grew only slightly by 0.17% from 106.46 in January to 106.65 in December, giving consumers greater freedom for spending especially during the last quarter of the year. In particular, the ease of petrol prices in November and December encouraged consumers with higher liquidity to spend more and consequently enhanced the circulation of economic activities. Higher consumer expenditure together with the amendment of value added tax collection system resulted in an increase of value added tax revenue from 558 billion Baht in 2013 to 559 billion Baht in 2014⁶.

On the other hand, the expansion of household debts continued to slow down from 11.4% at the end of 2013 to 8.1% in the second quarter of 2014⁷, attributable to cautious household spending, limited debt incurrence ability, and more stringent terms and conditions for credit extension by financial institutions. This factor is likely to constrain recovery in the durable goods and

³ Bank of Thailand, Key Economic Indicators, January 30, 2015.

⁴ Bank of Thailand, Key Economic Indicators: Private Investment Indicators, January 30, 2015.

⁵ Bureau of Trade and Economic Indices, Ministry of Commerce.

⁶ Bank of Thailand, Key Economic Indicators: Private Investment Indicators, January 30, 2015.

⁷ Bank of Thailand, Monetary Policy Report, December 2014.

domestic consumption-oriented sectors, which are driving forces for domestic economy in 2015.

The tourism industry which has been the country's major source of income improved gradually during the latter half of the year. After suffering a drop of around 10% to 6.37 million persons in the first quarter of 2014, the number tourist arrivals in the fourth quarter surged favorably to 7.46 million persons⁸, an increase of 7% from the corresponding period of last year, reflecting solid fundamentals of the sector and a gradual return of confidence among international tourists. The improved situation is also supported by the tourism stimulus package launched by the Government such as the exemption of visa fees for Chinese tourists, the permission of tourist vehicles from Malaysia to travel outside Songkhla Province, etc., as well as the lower transportation costs during the fourth quarter due to lower petrol prices. Nevertheless, tourists from Europe and Russia are expected to decline due to their respective local economic problems which may have some negative impacts on the tourism industry in 2015.

Looking into 2015, the Bank of Thailand foresees a growth rate of 4% as the export sector is likely to recover and grow favorably thanks to the weakening Baht currency. The Thai economy shall be further supported by an increase in Government budget and the softening trend of international oil prices. It is expected that if oil prices remain on a low level, the cost of domestic production will consequently decrease. As a net oil importer, Thailand will directly benefit from oil-price decline both in terms of general consumption and the manufacturing sector. The rising number of BOI promoted projects will lead to higher employment and generate more cash circulation in the economy once they start investment and enter into full capacity production. Fuelled by the Government's economic stimulus packages, resilience of the construction, tourism, and banking sectors will be strengthened on the back of overall economic recovery. Although the process of public spending might be slow due to bureaucratic procurement procedures and the necessary check and balance system to ensure transparency, particularly the large infrastructure projects which are relatively more complicated and time consuming, public spending shall remain the major economic driving factor, providing positive impacts on investment, employment, as well as related supply chains in the economic system.

⁸ Tourism Department, Ministry of Tourism and Sports

Overview of Bangkok Retail Market

The following is a brief summary of Bangkok retail market during the second quarter of 2014 provided by Jones Lang LaSalle (Thailand) Limited (JLL), focusing on the Central Business Area (CBA) which is the same location of the core properties invested by the REIT.

• Market Overview of Bangkok Shopping Malls during the Second Quarter of 2014

Demand

- Net absorption of retail space surged to 111,395 sq m in the second quarter of 2014 from 22,699 sq m in the previous quarter.
- Fundamentals of the shopping mall market remained strong in the second quarter of 2014 despite domestic political instability.
- Net absorption of prime grade retail space stood at 65,555 sq m, rising significantly over the prior quarter due mainly to the opening of new shopping centers with high levels of pre-commitments.
- Given an easing of political tensions, JLL expected that leasing demand for retail space should remain strong in the latter half of 2014, attributable to possible economic recovery and the increase of tourist arrivals during this period.
- JLL anticipated that 3 projects should be completed and ready for operation in 2014, adding another 218,000 sq m to the total rental space and consequently resulting in a high level of absorption throughout 2014.

Supply

- Total supply of retail space increased by 2.56% from the previous quarter to 5,116,737 sq m in the second quarter of 2014, or a year-on year growth rate of 4.7%.
- Prime grade supply totaled 2,567,759 sq m, rising by 3.0% from the previous quarter and 3.7% from the corresponding quarter of last year.
- JLL projected that total stock of retail space should reach 5,547,089 sq m by the end of 2014 as 19 projects were expected to complete and begin operation during the latter half of 2014.

- JLL also anticipated that the completion of 3 prime grade projects should bring total prime retail stock to 2,785,759 sq m at the end of 2014.
- JLL anticipated that 3 projects should be completed and ready for operation in 2014, adding 218,000 sq m to the total rental space and consequently resulting in a high level of space rental throughout 2014.

Vacancy Rate

- After staying around 6-8% over the past several years, the market-wide vacancy rate in Bangkok increased by 0.9% from the first quarter of 2014 to 8.3% in the second quarter.
- The vacancy rate in the prime grade segment rose by 0.20% from the first quarter to 3.5%, due mainly to the opening of a new project in this quarter which required certain time for tenants to move into the property.
- Despite high levels of pre-commitments for the projects scheduled to open in the latter half of 2014, JLL expected the vacancy rate of these projects, particularly Prime Grade shopping centers, to rise temporarily during the initial period of the launch but decline quickly as tenants move in and begin operations.

Rents

- Rents of prime retail spaces stood at an average monthly rate of 2,256 Baht per sq m in the second quarter of 2014, up by 3.7% over the previous quarter but down by 0.8% on an annual basis. The significant increase in rental rates this quarter was attributed to the back-to-normal adjustment by most shopping centers after a major rental rate cut in the first quarter of 2014 in order to help retailers who had been suffering from continued political unrests.
- JLL anticipated that the rental rate would increase in the third quarter of 2014 following an improved political environment and the favorable growth in international tourist arrivals. Such international tourists accounted for half of the total foot traffic in most Bangkok shopping malls.
- Given that the political turmoil was resolved without any escalation, JLL anticipated that rental rates in the third quarter of 2014 should move higher to the same level as the fourth quarter of 2013.

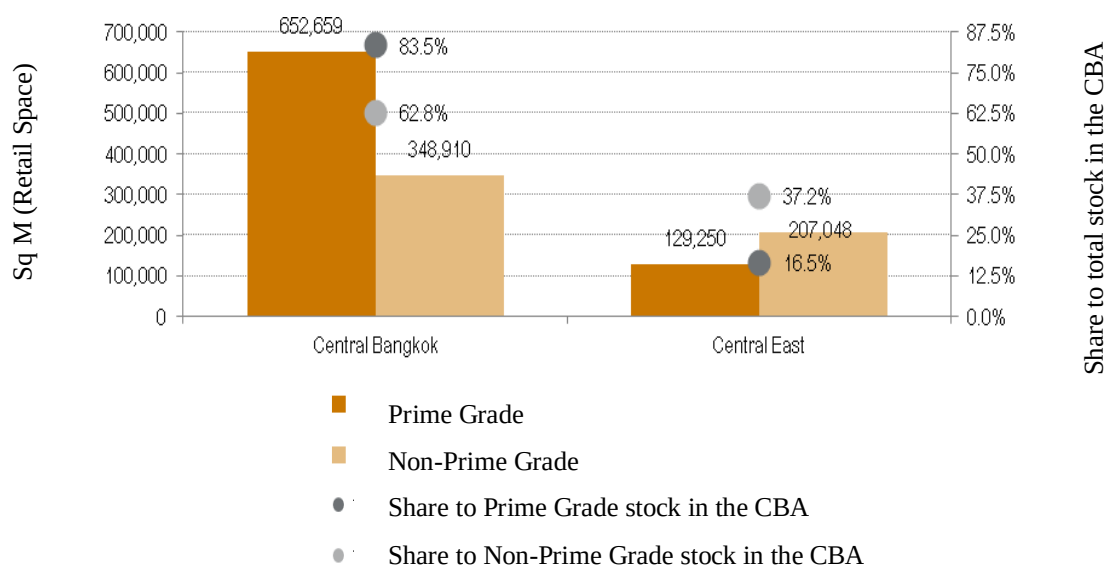
Summary of Bangkok Retail Market, 2Q 2014

	Overall Bangkok				
	2Q14	1Q14	2Q13	Q-o-Q Change	Y-o-Y Change
Net Absorption (sq m)	111,395	22,399	n/a	390.7%	n/a
Prime Grade	65,555	12,455	n/a	426.4%	n/a
Total Supply (sq m)	5,116,737	4,990,683	4,887,804	2.5%	4.7%
Prime Grade	2,567,759	2,494,159	2,476,339	3.0%	3.7%
Vacancy Rate (sq m)	8.3%	8.2%	7.1%	0.09%	0.125%
Prime Grade	3.5%	3.3%	2.7%	0.02%	0.83%
Average Gross Rent (Baht/sq m/month)					
Prime Grade	2,256	2,176	2,274	1.7%	(-0.8%)

Source: Jones Lang LaSalle (Thailand) Limited

- Recent Supply of Retail Space in Central Business Area (CBA): 2Q2014**

Recent Supply of Retail Space in CBA by Area and Grade, 2Q2014

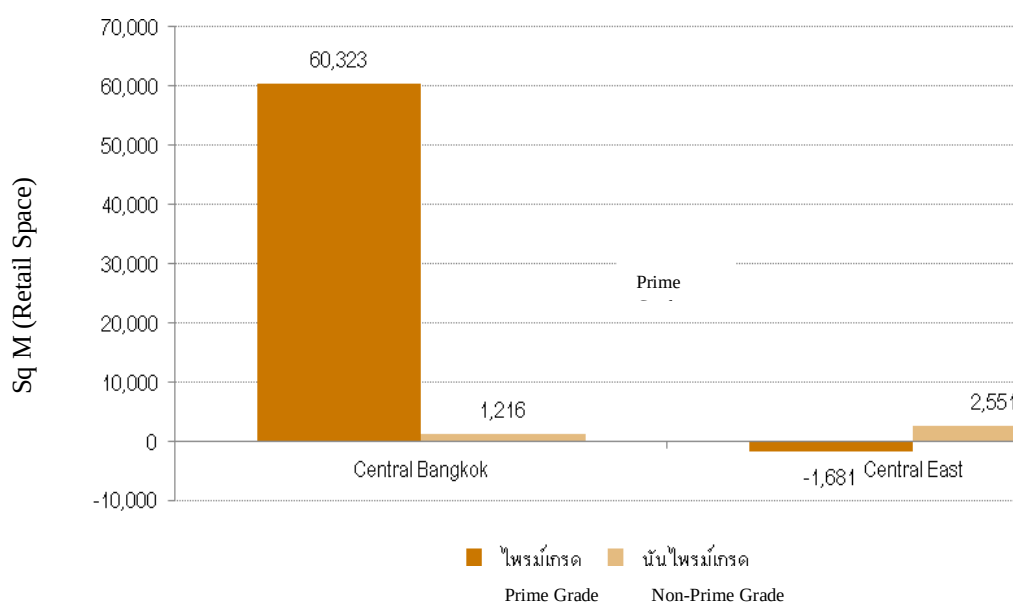


Source: Jones Lang LaSalle (Thailand) Limited

- The stock of Prime Grade retail space in the CBA totaled 781,909 sq m, located mainly in Central Bangkok (Pathumwan, Bangrak, and Sathorn) which is the location of leading projects along Rama I Road.

- There are only 3 Prime Grade retailing projects in the area of Central East (Khlongtoey and Wattana), including the Terminal 21 Shopping Center Project.
- Non-Prime Grade stock in the CBA amounted to 555,958 sq m. Similar to the Prime Grade projects, most of the Non-Prime Grade projects are located in the Central Bangkok area rather than the Central East area, although Non-Prime Grade stock in Central East has a greater share than the Prime Grade segment.
- **Recent Absorption of Retail Space in the Central Business Area (CBA): 2Q2014**

Net Absorption of Retail Space in the CBA by Area and Grade, 2Q2014



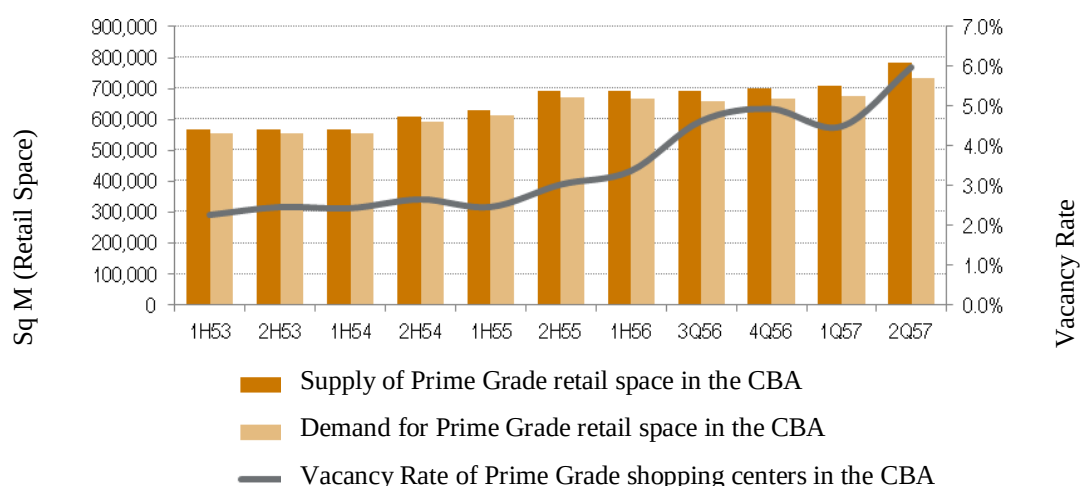
Source: Jones Lang LaSalle (Thailand) Limited

- During the second quarter of 2014, net absorption of retail space in Central Bangkok remained high compared to Central East which witnessed a negative net absorption figure.
- Prime Grade projects in Central East also had negative net absorption as major shopping centers in such area are not able to attract sufficient customers as expected.
- Net absorption of Prime Grade projects in Central East saw only marginal change since the vacancy rate in the area was relatively stable while there was no new shopping center starting operations in the second quarter of the year. In the mean time, the significant increase in new take-up in the Central Bangkok area was due to the opening of 2 Prime Grade shopping centers.

- There was no opening of new Non-Prime Grade shopping malls in the CBA during the second quarter of 2014. The positive net absorption of Non-Prime Grade segment in this area was a result of lower vacancy rate of existing shopping centers.
- **Vacancy Rate of Retail Space in the Central Business Area (CBA): 2Q2014**

Historical Supply, Occupancy, and Vacancy Rate of Prime Grade Retail Space in the CBA

Q12010-Q22014



Source: Jones Lang LaSalle (Thailand) Limited

- Both total supply and net absorption of retail space had increased continuously until the third quarter of 2013 when a number of Non-Prime Grade shopping centers closed their operations for renovation of the projects.
- Rising vacancy rate during the latter half of 2012 to the third quarter of 2013 was caused by the partial closure of some shopping malls for renovation. In addition, some tenants were forced to move out due to lower-than-expected number of customers.
- Although the vacancy rate of retail space in the CBA dropped slightly from the fourth quarter of 2013 to stay at 6.1% in the first quarter of 2014, such vacancy rate was deemed relatively high compared to the corresponding quarterly figures over the past 3 years.
- Vacancy rate of overall retail space in the CBA increased to 6.6% in the second quarter of 2014 as tenants of the new shopping center were moving in and had yet started

operations. Meanwhile, the CBA Prime Grade segment registered a vacancy rate of 6.0%.

- JLL expected the vacancy rate to decrease in the latter half of 2014 when tenants of the new shopping centers moved in completely and started operating their businesses. Meanwhile, the rental rates were expected to rise provided that the political situation turned back to normal and there was no negative factor putting any adverse impacts on the retail market.

Restrictions on Allocation of REIT Units and Restrictions on the Rights of Unitholders

The underwriter shall reserve the right not to allot the Units to any person or any persons of the same group which incurs one or more of the following events.

- An allocation of the Units results in any person or any persons of the same group holding Units more than 50 percent of the total number of the Units sold or of the total number of each type of the Units (in case there is classification of the Units).
- An allocation of the Units results in the Trustee of the REIT or any persons of the same group of the Trustee holding the Units more than 50 percent of the total number of the Units sold or of the total number of each type of the Units (in case there is classification of the Units).

(Except for the case that the SEC or the Office of the SEC shall announce or amend to be the limitation of the holding portion)

In the case of the Unitholders holding the Units exceeding the portion as specified above, such Unitholders shall not be entitled to receive distribution and vote based on the part of the Units which are in excess of the stipulated portion. The REIT shall vest such distribution proportionate to other Unitholders and deems to be acknowledged and approved by the Unitholders

Distribution Policy

- (1) The REIT Manager shall distribute at least 90 percent of its adjusted net profit for each fiscal year to the Unitholders and at least twice a year. However, the REIT Manager may consider making extra distribution to the Unitholders other than the aforementioned twice-a-year distribution as it deems necessary and appropriate. The REIT Manager shall make distribution to the Unitholders within 90 days from the last date of the fiscal year or the end of the accounting period in which there is a distribution, as the case may be.

Such adjusted net profit in such paragraph one shall include the net profit referred in the cash flow status of the REIT in accordance with the guidelines specified by the Office of the SEC.

In the case that the REIT has an accumulated profit in any accounting period, the REIT Manager may make distribution to the Unitholders from such accumulated profit.

In the case where the REIT Manager is unable to make distribution to Unitholders in such period, it shall notify the Unitholders through the information system of the SET.

- (2) If the REIT has cumulative loss, the REIT Manager shall not make distribution to the Unitholders.

Additional Conditions:

- (1) In considering to make distribution, if the distribution per unit to be declared during the fiscal year is lower than or equal to Baht 0.10 (zero point one zero) per unit, the REIT Manager reserves the right not to make those distribution and carry forward those distribution to be paid together with the distribution as of the end of the fiscal year in accordance with the prescribed distribution method. With respect to the rules for making distribution, the REIT Manager shall comply with those stipulated herewith, unless otherwise amended, added, announced, stipulated, instructed, approved, and/or relieved by the SEC, the Office of the SEC and/or any other competent authority under the laws, which the REIT Manager shall comply accordingly.
- (2) The REIT Manager shall declare distribution, register book closing date, and the rate of distribution by sending a written notice to the Unitholders whose names appear in the Unitholders' register book as of the register book closing date through the information system of the SET, and to the Trustee.
- (3) The REIT Manager shall make distribution by means of transfer of money into the accounts of the Unitholders or by crossed cheques payable to the Unitholders according to the names and addresses shown in the Unitholders' register book.
- (4) In the case that any Unitholders fails to exercise the right to receive any distribution within the statutory limit relating to the claim of right under the Civil and Commercial Code, the REIT Manager shall not use such amount of distributions for any purposes other than the benefits of the REIT.

Sample of Making Distributions and Returning Capital

At the beginning of the REIT's operation, if the REIT realized a net profit and arranges of the appraisal of the properties and if the value of appraised properties is higher than previous appraised value, the difference shall be recognized as a net profit from appraisal in a profit or loss statement and retained earnings in a balance sheet. The REIT's ability to make distribution to the Unitholders depends on its performance of each year.

As time passes, the lease term will reduce and the appraised value will be lower. If the appraised value of the properties is lower than the previous appraised value, the difference shall be recognized as a loss from appraisal and be deducted from the amount of retained earnings. Once there is no retained earnings, the accumulated loss will be incurred and the REIT shall decrease its capital and refund capital to the Unitholders whereby the amount of capital decrease shall not exceeding the cash on hand.

Restrictions on Distribution

The REIT Manager shall make distribution to each Unitholder according to the proportionate ratio of its Unitholding. In this regard, the REIT Manager reserves the right not to make distribution to the Unitholders whose Unitholding exceeding a proportion or being not in accordance with is the rules specified in the Notification No. TorJor.49/2555. Such distribution which cannot be distributed to the Unitholders as mentioned, the REIT Manager shall be distributed to other Unitholders in proportion to their Unitholding.

Details of Distribution

(From December 22, 2014 to December 31, 2014)

The dividend payment of LH Shopping Centers Leasehold Real Estate Investment Trust (LHSC) is for the operation period from December 22, 2014 to December 31, 2014 at the rate of Baht 0.022 per unit. The payment date will be on March 30, 2015.

Operating Result	For the Period of December 22-31, 2014
1. Net Profit (Baht)	11,965,194
2. Total REIT units sold (Unit)	448,064,700
3. Dividend Payment per Unit (Baht/Unit)	0.022
4. Total Distribution (Baht)	10,737,423
5. Payout Ratio	90%

Soft Commissions

As of December 31, 2014

	Provider of Soft Commissions	Type of Soft Commissions	Rationale for Accepting Soft Commissions
1	Kasikornbank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
2	Siam Commercial Bank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
3	Bangkok Bank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
4	Bank of Ayudhya Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
5	Krung Thai Bank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
6	TISCO Bank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
7	CIMB Thai Bank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
8	Kiatnakin Bank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
9	UOB Bank Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
10	Government Savings Bank	Information, Research Analysis	For the benefits of the REIT's investment
11	Capital Nomura Securities Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
12	KT Zmico Securities Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
13	Asia Plus Securities Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment
14	KGI Securities (Thailand) Public Co Ltd	Information, Research Analysis	For the benefits of the REIT's investment

Report on Transactions with Connected Persons

LH Shopping Centers Leasehold Real Estate Investment Trust (LHSC) made transactions with the following connected person during December 22, 2014 – December 31, 2014:

Land and Houses Bank Public Company Limited

Opinion of the REIT Manager

LHSC invested in the Fixed Deposit Receipt (FDR) issued by Land and Houses Bank Public Company Limited (“LH Bank”) which is the connected person of the REIT Manager. LH Bank was assigned a company rating of “A-“ by TRIS Rating and the interest rate it offered to the REIT had been in accordance with the terms and conditions announced by the Bank.

The REIT Manager is of the opinion that the interest rate the REIT received from LH Bank’s FDR is deemed as a favorable investment when compared with the interest rates quoted by other banks and the transaction provided the best benefits to the customers. The transaction is also regarded as a normal transaction as the interest rate received by the REIT is the market interest rate.

Remark: Investors can investigate the transactions made between the REIT and its connected person directly at the Management Company or via the websites of Land and Houses Fund Management Company Limited www.lhfund.co.th and the Office of the Securities and Exchange Commission (SEC) www.sec.or.th

Total Expenses Chargeable to the REIT

For the Period during December 22-31, 2014

Expenses Chargeable to the REIT	Amount Thousand Baht ¹	% of NAV	
		Actually Charged	As Per the Project
Management Fee	176.89	0.00	Not exceeding 2.0%
Registrar Fee	53.64	0.00	Not exceeding 1.0%
Trustee Fee	122.45	0.00	Not exceeding 1.0%
Property Management Fee	1,237.19	0.02	As actually incurred
Professional Fee	70.00	0.00	As actually incurred
Financial Advisory Fee	None	None	None
Underwriting Fee	239.85	0.00	Not exceeding 3.0% of the underwritten amount
Interest Expenses	1,131.78	0.02	As actually incurred
Cost of Rental and Services	8,712.34	0.17	As actually incurred
Sale and Administration Expenses	3,055.17	0.06	As actually incurred
<i>Advertising, Public Relations and Sale Promotion Expenses:</i>			
- During IPO	31.60	0.00	Not exceeding 1.0% of the NAV on the inception date
- After IPO	0.00	0.00	Not exceeding 1.0%
Total Expenses	14,830.91	0.27	

Remarks: ¹ Fees and expenses charged to the Fund are inclusive of value added tax, specific business tax or other taxes of a similar nature (if any) whereas fees or expenses as per the Project are exclusive of value added tax.

The averaged monthly NAV calculated from December 22, 2014 to December 31, 2014 is equivalent to 4,990,224,613.79 Baht.



Jor-Tor 11-25580011

TRUSTEE REPORT

To Unit holders of LH Shopping Centers Leasehold Real Estate Investment Trust

SCB Asset Management Company Limited, as the Trustee of LH Shopping Centers Leasehold Real Estate Investment Trust ("REIT") which is managed by Land and Houses Fund Management Co., Ltd. ("LH Fund") has performed duties as the Trustee.

We would like to inform you that LH Fund manages a REIT properly and efficiently as well as compliance with applicable laws, regulations and the trust instrument, and in order to conduct in a way that protects the interest of the REIT and unitholders as a whole.

Yours faithfully,

By SCB Asset Management Company Limited

(Mr. Smith Banomyong Mrs. Tipaphan Puttarawigorm)

Trustee

Auditors' Report and Financial Statements

Independent Auditor's Report

To the Unitholders of LH Shopping Centers Leasehold Real Estate Investment Trust

I have audited the accompanying financial statements of LH Shopping Centers Leasehold Real Estate Investment Trust, which comprise the balance sheet, including the details of investments as at 31 December 2014, and the related statements of income, changes in net assets and cash flows and significant financial information for the period as from 22 December 2014 (date of incorporation) to 31 December 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trust's management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LH Shopping Centers Leasehold Real Estate Investment Trust as at 31 December 2014, and its financial performance, changes in its net assets, cash flows and significant financial information for the period as from 22 December 2014 (date of incorporation) to 31 December 2014, in accordance with Thai Financial Reporting Standards.



Rungrapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 27 February 2015

LH Shopping Centers Leasehold Real Estate Investment Trust

Balance sheet

As at 31 December 2014

		(Unit: Baht)
	Note	31 December 2014
Assets		
Investments in properties at fair value	7, 14	5,941,624,840
(At cost: Baht 5,941,624,840)		
Investments in securities at fair value		389,092,961
(At cost: Baht 389,092,961)		
Cash and cash at banks	8, 14	120,231,169
Accounts receivable		
From rental and services	9, 14	8,200,051
From interest		37,094
From sales of investments in securities		135,976,977
Other	14	18,789,688
Prepaid expenses		6,490,342
Deferred expenses		56,604,297
Other assets		6,773,403
Total assets		6,683,820,822

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

LH Shopping Centers Leasehold Real Estate Investment Trust

Balance sheet (continued)

As at 31 December 2014

		(Unit: Baht)
	Note	31 December 2014
Liabilities		
Trade accounts payable		6,246,460
Other payables	14	8,244,505
Accrued expenses		76,666,530
Advance receipt for rental and services		4,025,707
Deposits from rental and services	14	213,837,196
Long-term loan	10	1,080,000,000
Other liabilities		304,575,810
Total liabilities		<u>1,693,596,208</u>
Net assets		<u>4,990,224,614</u>
Net assets:		
Trust registered		
488,064,700 units of Baht 10.20 each		<u>4,978,259,940</u>
Capital from unitholders	11	
488,064,700 units of Baht 10.20 each		4,978,259,940
Retained earnings	12	<u>11,964,674</u>
Net assets		<u>4,990,224,614</u>
Net asset value per unit (Baht)		10.2245
Number of units issued at the end of period (units)		488,064,700

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

Piangdao Wattanayakorn

(Ms. Piangdao Wattanayakorn)

Managing Director

LH Shopping Centers Leasehold Real Estate Investment Trust

Detail of investments

As at 31 December 2014

Detail of investments classified by asset classes.

Type of investments	Areas held by the Trust	Issued No. / Issue name	Maturity date	Yield rate (Percent)	31 December 2014	
					Fair value	Percentage of
					(Baht)	investment (Percent)
Investments in properties (Note 7)						
Project Terminal 21 Shopping Center						
Location: Sukhumvit 19 (Wattana)						
Klongtoey-Nua Wattana Bangkok	97,905 Sqm.				5,941,624,840	93.85
Total investment in properties					5,941,624,840	93.85
Investments in securities						
<u>Deposit receipt</u>						
Land and Houses Bank Public Company Limited			At call	1.600	100,000,000	1.58
<u>Bond</u>						
Bank of Thailand		CB15226B	26 February 2015	2.045	289,092,961	4.57
Total investment in securities					389,092,961	6.15
Total investments					6,330,717,801	100.00

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

LH Shopping Centers Leasehold Real Estate Investment Trust

Statement of income

For the period as from 22 December 2014 (date of incorporation) to 31 December 2014

(Unit: Baht)

		For the period as from 22 December 2014 (date of incorporation) to 31 December 2014
	Note	
Investment income		
Rental and services income	14	26,478,819
Interest income		317,289
Total income		26,796,108
Expenses		
Cost of rental and services		8,712,337
REIT management fee	13.1, 14	176,890
Trustee's fee	13.2, 14	122,454
Registrar's fee	13.3	53,642
Property management fee	13.4, 14	1,237,195
Professional fees		70,000
Selling expenses		1,747,266
Administrative expenses		1,579,349
Interest expenses	14	1,131,781
Total expenses		14,830,914
Net investment income		11,965,194
Realised losses on investments		
Net realised losses on investments		(520)
Total realised losses on investments		(520)
Net increase in net assets resulting from operations		11,964,674

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

LH Shopping Centers Leasehold Real Estate Investment Trust

Statement of changes in net assets

For the period as from 22 December 2014 (date of incorporation) to 31 December 2014

(Unit: Baht)

	Note	For the period as from 22 December 2014 (date of incorporation) to 31 December 2014
Increase in net assets resulting from operations during period		
Net investment income		11,965,194
Net realised losses on investments		(520)
Net increase in net assets resulting from operations		<u>11,964,674</u>
Increase in capital from unitholders		
Investment trusts sold during period		
488,064,700 units of Baht 10.20 each	11	4,978,259,940
Increase in capital from unitholders		<u>4,978,259,940</u>
Increase in net assets during period		<u>4,990,224,614</u>
Net assets at the beginning of period		-
Net assets at the end of period		<u><u>4,990,224,614</u></u>

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

LH Shopping Centers Leasehold Real Estate Investment Trust

Statement of cash flows

For the period as from 22 December 2014 (date of incorporation) to 31 December 2014

(Unit: Baht)

For the period as from
22 December 2014
(date of incorporation)
to 31 December 2014

Cash flows from operating activities

Net increase in net assets resulting from operations	11,964,674
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:	
Purchases of investments in properties	(5,941,624,840)
Purchases of investments in securities	(584,826,737)
Sales of investments in securities	195,946,515
Increase in accounts receivable from rental and services	(8,200,051)
Increase in accounts receivable from interest	(37,094)
Increase in accounts receivable from sales of investments in securities	(135,976,977)
Increase in other receivables	(18,789,688)
Increase in prepaid expenses	(6,490,342)
Increase in deferred expenses	(56,898,354)
Increase in other assets	(6,773,403)
Increase in trade accounts payable	6,246,460
Increase in other payables	8,244,505
Increase in accrued expenses	75,534,749
Increase in advance receipt for rental and services	4,025,707
Increase in deposits from rental and services	213,837,196
Increase in other liabilities	304,575,810
Amortisation of deferred expenses	294,057
Amortisation of discount on investments	(213,259)
Interest expenses	1,131,781
Net realised losses on investments	520

Net cash flows used in operating activities

(5,938,028,771)

Cash flows from financing activities

Proceeds from sales of investment trusts	4,978,259,940
Cash received from long-term loan	1,080,000,000

Net cash flows from financing activities

6,058,259,940

Net increase in cash and cash at banks

120,231,169

Cash and cash at banks at the beginning of period

-

Cash and cash at banks at the end of period (Note 8)

120,231,169

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

LH Shopping Centers Leasehold Real Estate Investment Trust

Significant financial information

For the period as from 22 December 2014 (date of incorporation) to 31 December 2014

(Unit: Baht)

Operating performance information (per unit)

Net asset value at the beginning of period	-
Income from investment operations	
Net investment income	0.0245
Total income from investment operations	0.0245
Add: Increase in capital from unitholders	10.2000
Net asset value at the end of period	10.2245

Ratio of increase in net assets resulting from operations to

average net assets during the period (%)	0.24
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Significant financial ratios and additional significant information

Net assets at the end of period (Baht)	4,990,224,614
Ratio of total expenses to average net assets during the period (%)	0.30
Ratio of total investment income to average net assets during the period (%)	0.54
Ratio of weighted average investment turnover during the period to average net assets during the period (%)*	114.17
Average net assets during the period (Baht)	4,990,224,614

* Investment trading transactions are computed based on the weighted average value of the investments in each category outstanding at the end of year, excluding cash at banks and investments in promissory notes, and must be real purchases or sales of investments. Purchases of investments under resale agreements or sales of investments under repurchase agreements are therefore excluded from the computation.

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

LH Shopping Centers Leasehold Real Estate Investment Trust

Notes to financial statements

For the period as from 22 December 2014 (date of incorporation)

to 31 December 2014

1. Description of LH Shopping Centers Leasehold Real Estate Investment Trust

LH Shopping Centers Leasehold Real Estate Investment Trust (“the Trust”) is a real estate investment trust established under the Trust for Transaction in Capital Market Act, B.E.2550 in accordance with the Trust Deed signed on 22 December 2014 between Land and Houses Fund Management Company Limited as the Trust Settlor and SCB Asset Management Company Limited as the Trustee. On 22 December 2014, the Trust was established as a specific closed-end real estate investment trust with an indefinite term in order to invest in specific property. The Trust’s objectives are to raise funds from general investors and to use the proceeds from such fundraising for purchase and/or lease and/or sub-lease and/or take the transfer of leasehold rights and/or the transfer of sub-leasehold rights to immovable properties, and seek benefits from those properties, whether in the form of improving, changing, developing and/or disposing of the properties for the purpose 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.

On 26 December 2014, the Stock Exchange of Thailand approved the listing of the trust units and permitted their trading from 26 December 2014 onwards.

The Trust is managed by Land and Houses Fund Management Company Limited (“the REIT Manager”), SCB Asset Management Company Limited acts as the Trustee and L&H Retail Management Company Limited acts as the Property Manager.

As at 31 December 2014, the Trust’s major unitholders are Land and Houses Public Company Limited and GIC Private Limited, which hold 9% and 6%, respectively.

2. Distribution policy

The Trust has a policy to pay distributions to unitholders as follows:

- (1) The REIT Manager shall pay distributions to unitholders that, in aggregate, amount to not less than 90% of adjusted net profit for the year and not less than two times per annum. However, the REIT Manager may consider payment of additional dividends to unitholders when it is determined to be necessary and appropriate.

The adjusted net profit means the net profit of the Trust determined on a cash basis.

- (2) In case the Trust has accumulated losses, the REIT Manager will not pay the distributions to the unitholders.

In considering the payment of distribution, if the value of interim distribution per unit to be paid is lower than or equal to Baht 0.10, the REIT Manager reserves the right not to pay distribution at that time and to bring such distribution forward for payment together with the next distribution payment.

3. Basis of preparation

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

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease

TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers
Accounting Treatment Guidance for Stock Dividend	

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

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

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. 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 accounting standards. The Trust's management believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, TFRS 13 Fair Value Measurement involves changes to key principles, as follows:

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Trust believes that this standard will not have any significant impact on the Trust's financial statements.

5. Significant accounting policies

5.1 Revenues and expenses

Income from rental and services are recognised as revenue on an accrual basis, at the amount stipulated under the lease agreement.

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

Expenses are recorded on an accrual basis.

5.2 Measurement of investments

Investments are recognised as assets at cost on the date which the Trust has rights on investments. The cost of investments comprises the purchase price and all direct expenses paid by the Trust in order to acquire such investments.

Investments in properties

Investments in properties are stated at fair value with no depreciation charge. The REIT Manager measured fair value at the first reporting date after acquisition of the properties based on the cost of investments, and will remeasure them at subsequent reporting dates at fair value, using the appraisal value assessed by an independent appraiser approved by the Thai Valuer Association and the Valuers Association of Thailand (Pursuant to the Notification 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 purchasing the immovable properties. In addition, the valuation will be reviewed within one year after the latest valuation date.

Gains or losses on measurement of such investments (if any) are presented as net unrealised gains or losses in the statement of income.

Investment 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 value of investments which cannot be freely traded on an open market is stated on fair value based in accordance with the principles and methods for determining the fair value of investments announced by the Association of Investment Management Companies and in accordance with the stipulations, principles and methods for determining fair value of investments in debt instruments which cannot be freely traded on an open market of the Office of the Securities and Exchange Commission. 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 on valuation of investments are presented as a net unrealised gains or losses in the income statement. The weighted average method is used for computation of the cost of investments.

Investments in bank deposits, and non-transferable promissory notes and bills of exchange 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 in the balance sheet as "Accounts receivable from interest".

5.3 Accounts receivable from rental and services

Accounts receivable from rental and services 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 debt aging.

5.4 Deferred expenses

Deferred expenses include expenses incurred in relation to the initial issue of trust units, such as the registration fees paid to the Securities and Exchange Commission and the Stock Exchange of Thailand upon the initial public offering, and investment advisory fees, legal advisory fees, advertising expenses, appraisal fees and other related to the initial offering. Such expenses are amortised on a straight-line basis over 5 years.

5.5 Related party transactions

Related parties of the Trust comprise enterprises and individuals that control, or are controlled by, the Trust, whether directly or indirectly, or which are under common control with the Trust.

They also include the REIT Manager, the Trustee and their related parties and included associated companies and individuals which directly or indirectly own a voting interest in the Trust that gives them significant influence over the Trust, key management personnel and directors of the REIT Manager with authority in planning and directing the Trust's operations.

5.6 Distribution to unitholders

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

5.7 Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to statements of income over the lease period.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in statements of income on a straight line basis over the lease term.

5.8 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 resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.9 Income tax

The Trust has no corporate income tax liability since it is not the juristic entity in accordance with section 39 of the Revenue Code.

6. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires the Trust's management 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 from these estimates. Significant judgements and estimates are as follows:

Fair value of assets

The Trust measures its investments in 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's management 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's management 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 that are not actively traded and for which quoted market prices are not readily available, the Trust's management exercises 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.

7. Investments in properties

(Unit: Thousand Baht)

Investments in properties - beginning of the period	-
Add: Lease of immovable assets	5,821,860
Purchases of furniture, equipment and fixtures	56,408
Registration fee with Department of Lands	63,357
Investments in properties - end of the period	<u>5,941,625</u>

On 23 December 2014, the Trust entered into a property lease agreement, agreement to sell and to purchase movable assets and trademark agreement of the Terminal 21 Shopping Center project with L&H Property Company Limited in order to invest in properties. The property lease agreement has a term of 26 years and the Trust paid rental for the entire lease term, costs of the assets and related expenses, totaling Baht 5,878 million, as at the date of the agreement. (The values appraised by two independent valuers using the income approach were Baht 6,256 million and Baht 6,250 million).

8. Cash and cash at banks

As at 31 December 2014, the Trust has the details of cash and cash at banks as follows:

	31 December 2014	
	Principal	Interest rate
	(Thousand Baht)	per annum (%)
Cash	1,992	-
Current accounts		
Siam Commercial Bank Public Company Limited	2,406	-
Saving accounts		
Land and Houses Bank Public Company Limited	5,465	0.75
Siam Commercial Bank Public Company Limited	110,368	0.375
Total cash at banks	<u>118,239</u>	
Total cash and cash at banks	<u>120,231</u>	

9. Accounts receivable from rental and services

The balances of accounts receivable from rental and services as at 31 December 2014 aged on the basis of due dates, are summarised below:

	(Unit: Thousand Baht)
	<u>31 December 2014</u>
<u>Age of receivables</u>	
Not yet due	<u>8,200</u>

10. Long-term loan

On 22 December 2014, the Trust borrowed Baht 1,080 million from a financial institution to fund part of its investment in the Terminal 21 Shopping Center project. The loan carries interest at a certain rate not exceeding 5.25% per annum for the first year to third years and at a rate not exceeding MLR - 1.00% per annum thereafter. Principal and interest are to be paid quarterly, with first principal payment due in March 2018, and full settlement of loan is to be made within December 2027.

The loan agreement contain certain covenants as specified in the agreement that, among other things, require the Trust to maintain certain debt to equity and debt service coverage ratios according to the agreement.

11. Unitholders' equity

On 22 December 2014, Land and Houses Fund Management Company Limited established the LH Shopping Centers Leasehold Real Estate Investment Trust with a registered capital of Baht 4,978 million, consisting of 488 million units with a par value of Baht 10.20 each. The Trust called up payment for all of these trust units and notified the Office of the Securities and Exchange Commission of these called-up capital funds.

12. Retained earnings

	(Unit: Thousand Baht)
Retained earnings - beginning of period	-
Add: Increase in net assets resulting from operations during the period	<u>11,965</u>
Retained earnings - end of period	<u>11,965</u>

13. Expenses

13.1 REIT management fee

REIT management fee is calculated on a monthly basis, at a rate not exceeding 2% per annum of the Trust's net assets, with a minimum fee of Baht 3,000,000 per annum (exclusive of value added tax, specific business tax or any other similar taxes).

13.2 Trustee's fee

Trustee's fee is calculated on a monthly basis, at a rate not exceeding 1% per annum of the Trust's adjusted net assets, with a minimum fee of Baht 2,000,000 per annum (exclusive of value added tax, specific business tax or any other similar taxes).

The Trust's adjusted net assets means total assets minus total non-interest bearing liabilities and long-term loans of the Trust to the extent that these do not exceed 10% of total assets.

13.3 Registrar's fee

Registrar fee is calculated on a monthly basis, at a rate not exceeding 1% per annum of the Trust's net assets (exclusive of value added tax, specific business tax or any other similar taxes).

13.4 Property management fee

Fees are payable to the Property Manager on a monthly basis in accordance with the Property Management Agreement between the REIT Manager and the Property Manager, which is summarised as follows (the rate excludes value added tax, specific business tax or any other similar taxes):

<u>Fees</u>	<u>Rate</u>
Rental collection fee	Not exceeding 3% per annum of net rental income
Commission fee	For shop rental : Not exceeding 0.5 -1.5 times of first monthly rental and service fees and utility fees collected from the new tenants For promotion area : Not exceeding 20% of rental income collected from the new tenants
Property management fee - base fee	Not exceeding 0.50% per annum of the property's net asset value

Fees	Rate
Property management fee - incentive fee	Not exceeding 3% per annum of net property income
Property purchase transactions and sales transactions fee	Not exceeding 1.50% and 0.75%, respectively, of the property value
Repair, renovation, maintenance and/or improvement of assets fee	Not exceeding 2% of value of the repair, renovation, maintenance and improvement

14. Related party transactions

During the period, the Trust had significant business transactions with its related parties, which have been agreed upon in the ordinary course of business between the Trust and its related parties. The pricing policies and amount for particular type of transactions are as follows:

	(Unit: Thousand Baht)	
	For the period as from 22 December 2014 to 31 December 2014	Pricing Policy
Land and Houses Fund Management Company Limited		
REIT management fee	177	As detailed in Note 13.1
SCB Asset Management Company Limited		
Trustee's fee	122	As detailed in Note 13.2
L&H Retail Management Company Limited		
Property management fee	1,237	As detailed in Note 13.4
L&H Property Company Limited		
Purchase of investments in properties	5,878,268	Close to appraisal value (Note 7)
Land and Houses Bank Public Company Limited		
Rental and services income	96	Contract price
Siam Commercial Bank Public Company Limited		
Rental and services income	135	Contract price
Interest expenses	1,132	As detailed in Note 10

As at 31 December 2014, the Trust has the following significant outstanding balances with its related parties as follows:

	(Unit: Thousand Baht)
	<u>31 December 2014</u>
Land and Houses Fund Management Company Limited	
Accrued REIT management fee	183
SCB Asset Management Company Limited	
Accrued trustee's fee	127
L&H Retail Management Company Limited	
Accrued property management fee	1,279
L&H Property Company Limited	
Other receivables	18,177
Other payables	6,062
Land and Houses Bank Public Company Limited	
Investments in securities	100,000
Cash at banks	5,465
Deposits from rental and services	1,572
Siam Commercial Bank Public Company Limited	
Cash at banks	112,774
Accounts receivable from rental and services	23
Accrued interest payable	1,132
Deposits from rental and services	2,205
Long-term loan	1,080,000

15. Information on investment purchase and sales transactions

The Trust's investment purchase and sales transactions during the period, excluding investments in cash at banks and promissory notes, amounted to Baht 6,622 million which is 132.71% of the average net asset values during the period.

16. Commitments

16.1 As at 31 December 2014, the Trust is committed to pay fees to counterparties under the terms and conditions as specified in note 13.

16.2 As at 31 December 2014, the Trust has commitment, in respect of service contracts, which to pay in the future in the following amount.

(Unit: Million Baht)

Payable:	
In up to 1 year	46
In over 1 and up to 4 years	2

17. 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 2014, the Trust has no major customer with revenue of 10 percent or more of an entity's revenues.

18. Financial Instruments

18.1 Financial Risk Management

The Trust's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash at banks, accounts receivable from rental and service, other receivables, trade accounts payable, other payables, accrued expenses and long-term loan. 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 management of the Trust 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 investment in securities, cash at banks and long-term loan. Most of the Trust's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rate 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 2014				
	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% p.a.)
Financial Assets					
Investments in securities	389	-	-	389	1.60 - 2.045
Cash and cash at banks	-	116	4	120	0.375 - 0.75
Accounts receivable					
from rental and service	-	-	8	8	-
Other receivables	-	-	19	19	-
	<u>389</u>	<u>116</u>	<u>31</u>	<u>536</u>	
Financial Liabilities					
Trade accounts payable	-	-	6	6	-
Other payables	-	-	8	8	-
Accrued expenses	-	-	77	77	-
Long-term loan	-	1,080	-	1,080	Note 10
	<u>-</u>	<u>1,080</u>	<u>91</u>	<u>1,171</u>	

Foreign currency risk

As at 31 December 2014, the Trust has no financial instruments in foreign currency.

18.2 Fair Values of Financial Instruments

Since the majority of the Trust's financial instruments are short-term in nature and investments in securities and long-term loan bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheet.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

19. 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.

20. Event after the reporting period

On 25 February 2015, the meeting of the Investment Committee approved the payment of distribution of Baht 0.022 per unit to the unitholders from the operating results for the period as from 22 December 2014 to 31 December 2014, a total of Baht 10.74 million, which is to be paid on 30 March 2015.

21. Approval of Financial Statements

These financial statements were authorised for issue by the Authorised Director of the REIT manager on 27 February 2015.