

Annual Report 2015

For the Year ending 31 December 2015

LH Shopping Centers Leasehold Real Estate Investment Trust (LHSC)



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Part 1
Operations of the REIT

LH Shopping Centers Leasehold Real Estate Investment Trust
(LHSC)

1. Information of the REIT: LH Shopping Centers Leasehold Real Estate Investment Trust

1.1 Important Information

Name (in Thai)	ทรัสต์เพื่อการลงทุนในสิทธิการเช่าอสังหาริมทรัพย์ แอล เอช ซ้อปปิง เซ็นเตอร์
Name (in English)	LH Shopping Centers Leasehold Real Estate Investment Trust
Abbreviation	LHSC
Type	A trust certificate representing the right of the holder as a beneficiary of the REIT (Unit)
REIT Manager	Land and Houses Fund Management Company Limited
Trustee	SCB Asset Management Company Limited
Financial Adviser	Siam Commercial Bank Public Company Limited
Investment Project	Terminal 21 Shopping Center
Type of Investment	To invest in the leasehold right in the building for a term of approximately 26 years.
Paid-up Capital	Baht 4,978,259,940
Project Life	Indefinite (The REIT invests in the leasehold right in immovable properties of Terminal 21 Shopping Center for a term of approximately 26 years)

2. Policy, Overall Business Operations, and Provision for Benefits

Investment Objective

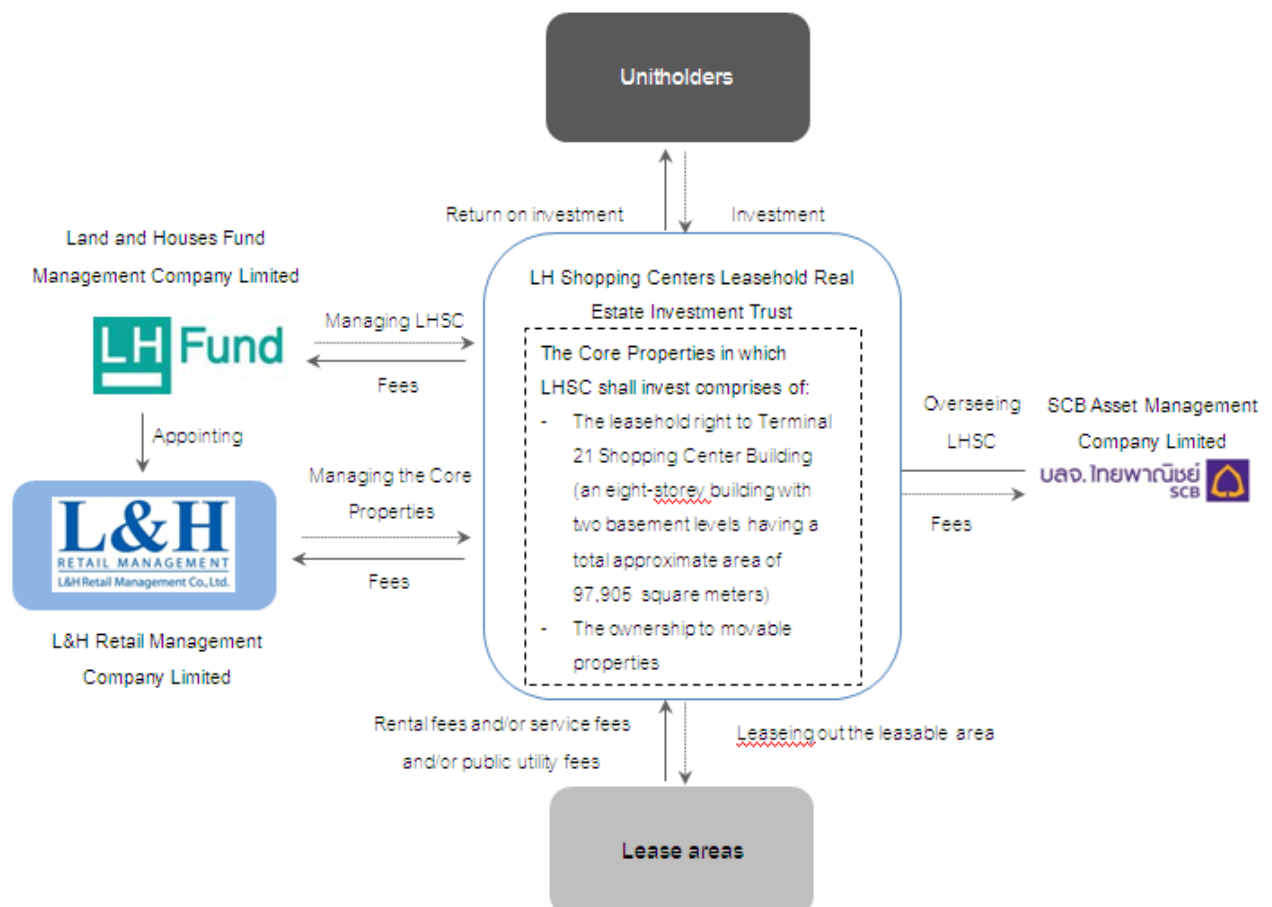
The REIT has been established under the Trust Act with the objectives to issue the REIT's Units for offering for sale to the public and list the Units in the Stock Exchange of Thailand. The settlor of the REIT shall transfer the proceeds from the sale of the Units to the Trustee on trust to retain the proceeds in the name of the Trustee. The Trustee shall utilize the proceeds to invest in the Core Properties by

ways of purchase and/or lease and/or sublease, and/or acceptance of the transfer of leasehold rights and/or the sub-leasehold rights in the Core Properties as well as improving, modifying, and/or developing and/or disposing of other properties with an aim at generating income and returns for the REIT and in the best interests of its Unitholders. The REIT may invest in other properties and/or other securities and/or to seek interest by any other means in accordance with securities law and any other applicable laws.

2.1 Investment Policy

The REIT has invested in the leasehold right in the immovable properties and the ownership in the movable properties in Terminal 21 Shopping Center 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 31 August 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 system 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 (the “**Terminal 21 Shopping Center**”), including any rights in relation to or in connection with such properties. The REIT shall be entitled to use the area connecting the shopping center building with the Asoke BTS station and the common area shared with the Grande Centre Point Hotel Terminal 21.

The structure of the REIT after its establishment can be displayed in the following chart.



2.2 Significant Changes and Development

For the operating period during 1 January-31 December 2015, there has been neither change of authority in the management of the REIT by the REIT Manager, the Trustee, and the Property Manager; nor significant change in the shareholding and management structure and the business conduct. Moreover, the REIT did not make any additional property investment and there has been no change or amendment of related agreements that may significantly impact the financial status of the REIT.

During 1 January-31 December 2015, the Investment Committee of the REIT resolved to pay Baht 0.775 per unit of distribution to the Unitholders as follows:

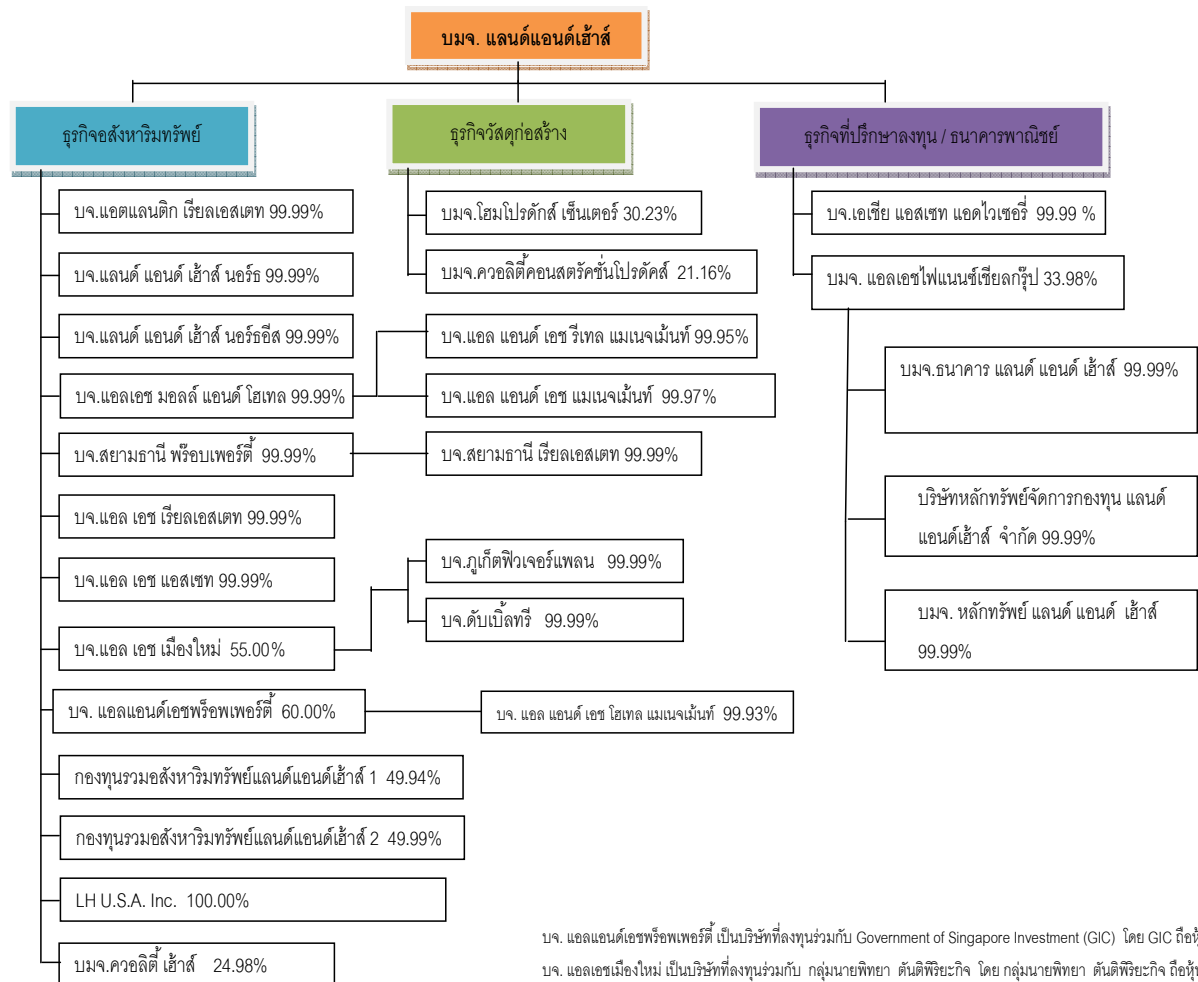
Operating Period	Baht per Unit	Payment Date
1 January 2015 – 30 June 2015	0.38	4 September 2015
1 July 2015 – 31 December 2015	0.395	16 March 2016

2.3 Relationship with the Business Groups of the Sub-Lessee or Major Unitholders

As of 31 December 2015, LH Mall and Hotel Co Ltd (formerly Pacific Real Estate Co Ltd) and GIC Pte Ltd were the major Unitholders of the REIT, holding 9% and 6% of the total units of the REIT, respectively. (In 2014, Land and Houses Public Co Ltd and GIC Pte Ltd held 9% and 6% of the total units, respectively)

Although LH Mall and Hotel Co Ltd was the major unitholder of the REIT and its subsidiary, L&H Retail Management Co Ltd, acted as the property manager of the REIT, the REIT has used market rate comparison and past performance evaluation as mechanism and measures for selecting appropriate property manager, taking into consideration the maximum benefits of the Unitholders.

Share Holding and/or Unit Holding Structure of Land and Houses Public Company Limited
As of 31 December 2015



2.4 Assets of the REIT

Details of assets classified by type of investment as of 31 December 2015:

Lists of Assets	Book Value/ Market Value (Baht)	Percentage of Net Asset Value
1. Cash and deposits at banks	113,032,176.92	2.02
2. Investments in Promissory Notes and Debt Instruments		
Bills of exchange/promissory notes issued/certified/avaled by financial institutions	57,000,000.00	1.02
Certificates of deposit	195,700,000.00	3.50
Government bonds	238,968,340.47	4.27
Treasury bills	-	0.00
Total	491,668,340.47	8.79
3. Investments in Immovable Properties		
Investments in immovable properties	6,335,000,000.00	113.26
Total	6,335,000,000.00	113.26
4. Other Assets		
Accrued interests	2,212,256.90	0.04
Securities account receivables	-	0.00
Receivables from leasing and services	95,223,646.16	1.70
Other receivables	38,077.72	0.00
Other assets	64,141,289.72	1.15
Total	161,645,270.50	2.89
Total Assets	7,101,345,787.89	126.96
5. Other Liabilities		
Accrued fees and expenses	49,074,289.99	0.88
Unearned rent and service revenue	59,880,537.41	1.07
Rental and service fee deposits	242,518,088.64	4.34
Long-term borrowings	1,080,000,000.00	19.31
Other liabilities	76,352,739.29	1.37
Total Liabilities	1,507,825,655.33	26.96
Net Asset Value of the REIT	5,593,520,132.56	100.000

Total Number of the REIT's Units	488,064,700.0000	units
Unit Value of the REIT	11.4606	Baht

Details of Properties in which the REIT Invested

as of 31 December 2015

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 (inclusive of value added tax).
Date of Incorporation of the REIT	22 December 2014
Date of Initial Investment by the REIT	23 December 2014
Appraised Value (2015)	<ul style="list-style-type: none"> • TAP Valuation Co Ltd • As of 5 August 2015 • Baht 6,335 million
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 1 January-31 December 2015	Revenue from rental and services amounted to Baht 1,113,752,606.76
General Features of the Project	<p>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.</p> <p>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.</p> <p>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.</p>

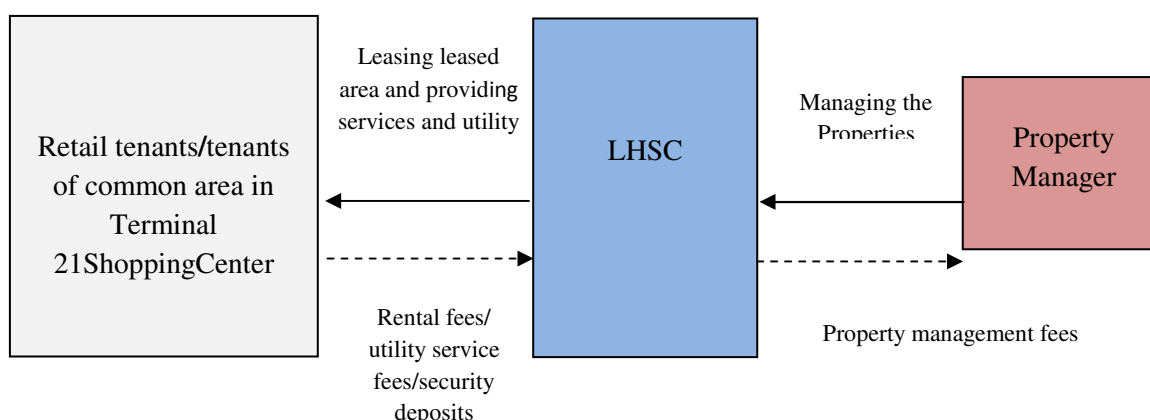
2.5 Provision for Benefits from Immovable Properties

LHSC has invested in the core properties by leasing the shopping center building, including constructions as well as component parts of the building which are public utility system related to the Terminal 21 Shopping Center, and by purchasing 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 from L&H Property Company Limited.

The REIT has entered into lease agreements and/or providing service agreements and/or providing public utility service agreements related to the immovable properties to be leased by the REIT with the tenants; and service agreements with service providers such as security, cleaning, maintenance, and utility system service providers.

Structure of procurement of benefits of the Core Properties after the REIT has invested



The REIT Manager has a policy to procure benefits from the Core Properties by leasing out the leasable areas in the Terminal 21 Shopping Center to tenants who are retail operators and service providers. The REIT has entered into a property manager appointment agreement, appointing L&H Retail Management Company Limited to manage the properties to be invested by the REIT by seeking of persons who are interested in leasing the leasable area in the Terminal 21 Shopping Center in order to increase the occupancy rate.

Tenants in the Same Group of Persons with the REIT Manager

Juristic Persons/Companies with Possible Conflicts of Interest

Land and Houses Fund Management Co Ltd	as	REIT Manager
Land Houses Bank Public Co Ltd	as	Tenant

Relationship

Land and Houses Bank Public Co Ltd holds directly 99.9% in Land and Houses Fund Management Co Ltd.

Characteristics of Connected Transaction

Land Houses Bank Public Co Ltd leases an area of approximately 102 sq.m. in Terminal 21 Shopping Center for its banking operations and approximately 5 sq.m.

for a currency exchange booth as well as 2 ATMs. The leasing agreement will expire on 10 October 2017.

Rationale of the Transaction

The REIT Manager has the opinion that this is a normal transaction as Land and Houses Bank Public Co Ltd leases the area for its branch operations. The average rental rate paid by Land and Houses Bank Public Co Ltd is approximately 10% lower than the average rate of other tenants of the same business on the same floor. Land and Houses Bank Public Co Ltd is among the first group of tenants leasing the area in the Project which help promote public confidence in the Shopping Center. The REIT Manager shall adjust the rental rate to close to the average rental rate of other tenants for the next lease term in order to protect the benefits of the entire Unitholders.

Tenants in the Same Group of Persons with the Trustee

Juristic Persons/Companies with Possible Conflicts of Interest

SCB Asset Management Co Ltd	as	Trustee of the REIT
Siam Commercial Bank Public Co Ltd	as	Tenant

Relationship

Siam Commercial Bank Public Co Ltd holds directly 99.9% in SCB Asset Management Co Ltd.

Characteristics of Connected Transaction

Siam Commercial Bank Public Co Ltd leases an area of approximately 114 sq. m. in Terminal 21 Shopping Center for its banking operations and approximately 16 sq. m. for a currency exchange booth as well as 2 ATMs. The leasing agreement will expire on 10 October 2017.

Rationale of the Transaction

The REIT Manager has reviewed the leasing agreement and found that Siam Commercial Bank Public Co Ltd leases the area for its normal branch operations. The rental rate as well as other service and utility fees paid by Siam Commercial Bank Public Co Ltd is close to the average rate of other tenants of the same business on the same floor. Siam Commercial Bank Public Co Ltd is among the first group of tenants leasing the area in the Project which help promote public confidence in the Shopping Center.

In case of any transaction between the REIT and the connected person of the Trustee in the future, the following actions shall be taken:

- 1) Disclosure of the information through the Stock Exchange of Thailand or any other channels which the Unitholders are able to thoroughly access the information;

- 2) Giving reasonable period of time, which shall not be less than 14 days, for disclosure of information;
- 3) Providing appropriate channels, procedures and period of time for clearly demonstrating objection. The period of time for demonstrating objection shall not be less than 14 days, except for the case that such transaction is subject to the Unitholders' resolution which the objection must be demonstrated during the process of seeking Unitholders' resolution.

In case the Unitholders have demonstrated objection clearly through the procedures disclosed under Clause 3) in the amount of more than one fourth of the total sold units, the Trustee shall not conduct or allow to execute such transaction.

The Property Manager

L&H Retail Management Company Limited

• General Information

Location	:	1 Q. House Sathorn Building, 15 th 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 30 January 2012.

Currently there is no other property under the management of the L&H Retail Management Company Limited. It has been the property manager of Terminal 21 Shopping Center since 1 February 2012.

- Relationship with the REIT Manager Pertaining to Shareholding or Business Connection

The relationship between L&H Retail Management Company Limited, the property manager of the REIT, and Land and Houses Fund Management Company Limited, the REIT Manager, is as follows:

- Land and Houses Fund Management Company Limited was indirectly owned (33.98%) by Land and Houses Public Company Limited.

- L&H Retail Management was directly owned by LH Mall and Hotel Company Limited (99.95%), whereas LH Mall and Hotel Company Limited was 99.99% owned by Land and Houses Public Company Limited.

Note: The above shareholding information is as of 31 December 2015

- **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 -

- **Remunerations Received from the REIT**

The Property Manager is entitled to a monthly remuneration which is collected from the REIT in accordance with the Property Management Agreement made between the REIT and the Property Manager.

Summary of Property Management Fee

Type of Property Management Fee	Rate of Fee	
	Estimated Ceiling	Unit
1. Fee for Rental Collection on behalf of the REIT.	Not exceeding 3.00%	of net rental income of the core properties
2. Commissions ⁽¹⁾		
▪ Agreement renewal by existing tenants	Not exceeding 0.50%	per month
▪ New agreements (Less than 1 year)	Not exceeding 1.00%	per month (calculated in proportion to actual lease period)
▪ New agreements (1-3 years)	Not exceeding 1.00%	per month
▪ New agreements (More than 3 years)	Not exceeding 1.50%	per month
▪ Rental of promotional area	Not exceeding 20.00%	of total rental income in each event

Type of Property Management Fee	Rate of Fee	
	Estimated Ceiling	Unit
3. Property management fee	Not exceeding 0.50%	of net asset value of the core properties ⁽²⁾
4. Special incentives	Not exceeding 3.00%	of net income of the core properties
5. Fees for property transactions	Not exceeding 1.50%	of total value of the additional property to be invested
	Not exceeding 0.75%	of total value of the property to be sold
6. Fee for supervisory of the repair, maintenance, improvement and/or development of the Core Properties	Not exceeding 2.00%	of the value of the respective repair, maintenance, improvement and/or development of the Core Properties

Notes: ⁽¹⁾ The commission is based on the rental, service, and utility fees paid on the first month by that specific tenant.

⁽²⁾ Net asset value of the Core Properties = Total value of the Core Properties including benefits derived from investment during a specific period minus total liabilities of the Core Properties.

- **Information on Income Guarantee and the Guarantor**

- None -

2.6 Borrowings

Summary of Key Provisions of the Borrowing Agreement

The current investment of the REIT is partially financed by borrowing. The REIT entered into a borrowing agreement with Siam Commercial Bank Public Company Limited (“The Lender”) after the incorporation date of the REIT and before the REIT invested in current Core Properties. The Lender offered a long-term credit line of not exceeding Baht 1,200 million for the investment in the Core Properties. The terms and conditions of such borrowing are in accordance with the provisions stipulated by the borrowing agreement between the Lender and the REIT which can be highlighted as follows:

Lender	Siam Commercial Bank Public Co Ltd.
Borrower	The Trustee on behalf of LH Shopping Centers Leasehold Real Estate Investment Trust
Credit Line	<ul style="list-style-type: none"> - Amounting to Baht 1,080 million - Loan to total asset ratio of approximately 18.82.
Interest Rate	<p>Fixed and/or MLR reference rate:</p> <p>Years 1-3: Fixed rate of no higher than 5.25% pa.</p> <p>After Year 3 onwards: No higher than MLR – 1% pa.</p> <p>(MLR: Minimum Loan Rate refers to the interest rate charged to prime customers by Siam Commercial Bank Public Co Ltd.)</p>
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
Conditions of the Borrowing Agreement	<p>Land and Houses Public Co Ltd (“LH”) agrees to maintain its shareholding of 59.99% in L&H Property Co Ltd.</p> <p>Land and Houses Public Co Ltd (“LH”) and GIC Pte Ltd (“GIC”) (a subsidiary of Reco Resorts Pte Ltd) agreed to subscribe at least 9% and 6%, respectively, of the total sold units of the REIT; and agreed that, throughout the period of 36 months from the incorporation date of the REIT, LH and GIC (as the case may be) shall not sell, dispose of, or transfer the units in the amount of 9% and 6%, respectively, of the total sold units (whether in full amount or partially) to other persons who are not related to LH or its subsidiaries or GIC (as the case may be); and shall not pledge or incur encumbrance to the units in the amount of 9% and 6%, respectively, of the total sold units, unless consent is given in writing by the Trustee on behalf of the REIT.</p>

3. Market Overview of the Property Sector from which the REIT Procures Benefits

3.1 The Thai Economy in 2015

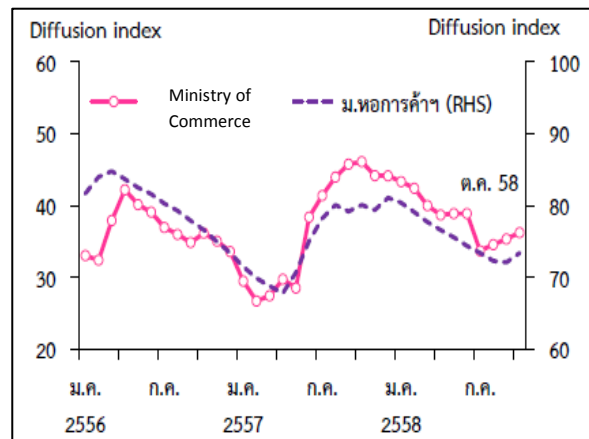
The Thai economy in 2015 grew at the rate of 2.8% from the previous year, slightly higher than the earlier growth forecast of 2.7%. This was due to the higher-than-expected expansion of government investment and private consumption, in particular during the third quarter of the year. Such favorable trend is expected to continue in the fourth quarter, driven by government expenditures and investment together with the effective economic stimulus measures. Meanwhile, the inflation rate remained at the low level in line with the declining cost pressure whereas the risk of deflation is still limited. The ongoing expansionary monetary policy has been a supporting factor contributing to current economic recovery.

In 2015, the government sector became more active in driving the economy through continued investment and economic stimulus packages. Although actual government consumption expenditures in the third quarter of 2015 were still lower than forecasted due to the decrease of fund transfer and subsidies under some categories, the repercussion is expected to be compensated by higher government investment expenditure in 2016. Moreover, government disbursements during the third quarter of 2015 became more efficient than ever. Strong government expenditures is expected to continue for both the on-budget and off-budget projects including Phase 2 and Phase 3 Economic Stimulus Measures and the investment via state enterprises, i.e. the MRT Orange Line Project which is able to commence earlier than expected after obtaining Cabinet approval in principle. The launch of additional economic stimulus measures aims to strengthen domestic spending amid the subdued export outlook which is hampered by a slowdown in demand from major overseas economies.

Government Expenditures At Current Prices (Calendar Year)										
	Billion Baht					YoY%				
	2014	2015		2016		2014	2015		2016	
		Sep 15	Dec 15	Sep 15	Dec 15		Sep 15	Dec 15	Sep 15	Dec 15
Consumption	2,250	2,406	2,348	2,549	2,523	3.4	6.9	4.4	5.9	7.5
Investment	686	818	825	874	926	-4.7	19.2	20.2	6.9	12.2
Total	2,936	3,224	3,173	3,423	3,449	1.3	9.8	8.1	6.2	8.7

The situation of private consumption was favorable in 2015, supported by improved consumer's confidence as a result of the government's economic stimulus measures and the low level of oil prices. Nevertheless, although total rainfall had turned back to the normal level in 2015 and helped ease the drought conditions, the water storage in the dams remained very low and is likely to adversely impact the production and income of the farmers in 2016. As a matter of fact, low agricultural income and high debt burdens combined to suppress private consumption.

Consumer Confidence Index



Source: Bank of Thailand, Monetary Policy Report, 2015

It is foreseen that the Thai economy will grow at a growth rate of 3.5% in 2016, slightly lower than the rate of 3.7% previously forecasted. This is attributable to a slowdown in demand from overseas economies in particular China and other Asian countries. Despite a number of favorable driving factors such as government expenditures, private consumption, and the better-than-expected tourism sector, the negative impact of weakening overseas demand is unlikely to be fully compensated by the positive impact of these factors.

3.2 Overview of the Retail Market

Intense competition has been observed over the past several years in all segment and type of retail market in Bangkok. Total retail space of all types in Bangkok and its vicinity amounted to 7,250,820 sq. m., an increase of 2.5 million sq. m. over the past 5 years. Most of the increased spaces are large-scale shopping centers in Bangkok and its vicinity, followed by community malls. In particular, the retail spaces of community malls have grown continuously at the highest rate over the past 3-4 years. Currently, there are a number of large-scale shopping centers under construction which are scheduled to complete in 2015-2017. It is forecasted that the occupancy rate of retail space in Bangkok and its vicinity will remain high at over 96%, and will continue to increase by about 3-5% this year.

(Source: Research Department, Colliers International Thailand)

Supply

The new retail space in Greater Bangkok increased by 40% in 2015 from the previous year due to the entry of many large-scale shopping centers. It is forecasted that 300,000 sq. m. retail space of mid-scale shopping centers and community malls will be added in 2016, followed by the launch of a number of large-scale shopping centers in 2017. In conclusion, the new retail space during 2015-2017 has a high expansion rate due to the opening of new shopping centers with full occupancy rate. However, the success of retail space in the long run depends on the ability to maintain the target customers on an ongoing basis which is demonstrated by the operating result of at least 1 year.

New Retail Space in Greater Bangkok: 2014-2017

Year	Area (Sq. M)
2014	400,000
2015 Forecast	560,000
2016 Forecast	300,000
2017 Forecast	570,000

Source: Research Centre, CB Richard Ellis (Thailand) Co., Ltd

During the third quarter of 2014, there were more than 165,690 sq. m. of retail space added to the market, constituting the total retail space in Bangkok and its vicinity of 7,250,820 sq. m. It is expected that at least another 225,000 sq. m. of retail space will be in service in the last quarter of 2015. Of the total retail space, shopping centers have the largest share of 4.23 million sq. m., followed by community malls (1.07 million sq. m.) and super stores or hyper markets (0.82 million sq. m.) Currently, there are a number of large-scale shopping centers under construction and are due to open during the fourth quarter of 2015-2017.

Cumulative Supply of Retail Space as at Quarter 3/2015



The development of the mass transportation system which expands the transportation networks from inner city area to outer Bangkok and the development of large residential projects shall result in the emergence of new projects in Bangkok and its vicinity in 2015-2017.

New Supply of Retail Space during 2015-2017

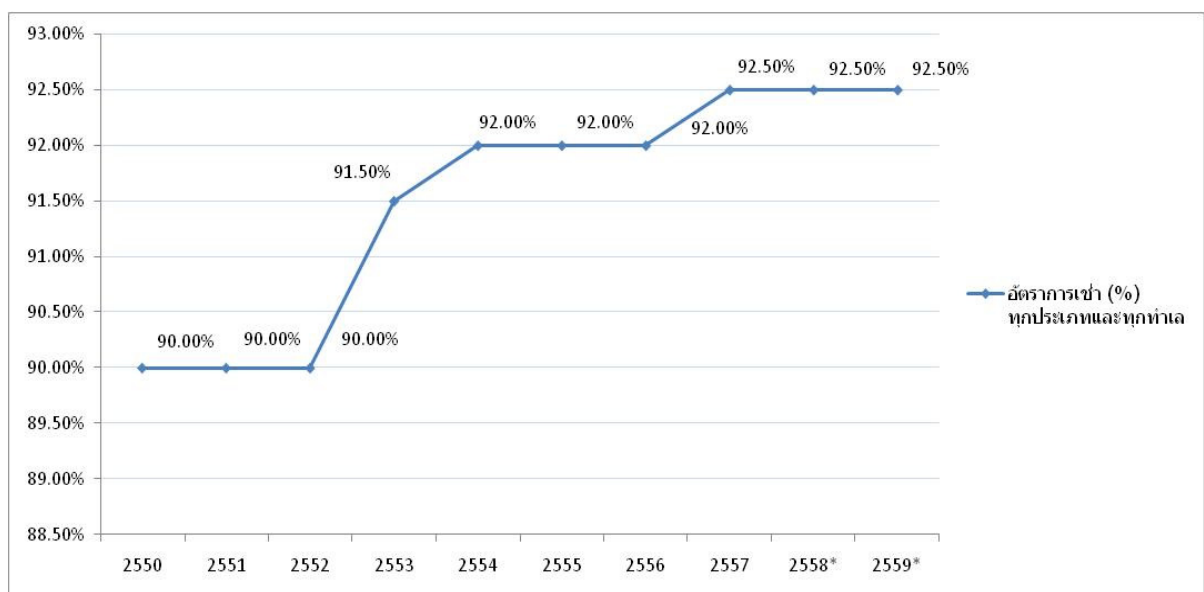
Project	Location	Total Area (Aq. M)	Completion Year
The EmQuartier	Sukhumvit 35,37 and 39 Roads	250,000	Q1/ 2015
Central Festival East Ville	Pradit Manootham Road	135,000	Q4/ 2015
Zpell@ Future Park	Rangsit Road	100,000	Q3/ 2015
Central West Gate, Bang Yai	Kanchanaphisek and Rattana Thibet Roads	500,000	2015
Bangkok Mall	Bangna-Trad Road	650,000	Q1/ 2016
The EmSphere	Sukhumvit 22-24 Roads	n/a	2017

Source: TAP Valuation Co Ltd

Demand

Total demand for retail space is ongoing. The occupancy rate of retail space in every location during the third quarter of 2015 was over 90% which was close to that of the previous quarter. Most of the tenants are small tenants who had been impacted by the slowdown economy. It is expected that the occupancy rate will continue to grow slightly due to increasing supply of large-scale projects.

Average Occupancy Rate of Retail Space (All Types and Locations): 2007-2016



Source: TAP Valuation Co Ltd

Future Outlook

It is forecasted that retail space in Greater Bangkok will increase by 300,000 sq. m. in 2016, and further increase by 570,000 sq. m. in 2017. Most of them are shopping centers located at outer Bangkok. The increase of supply will not have an impact on the rental fee or cause the rental rate to decline due to the continuous expansion of international and local brands of products which are looking for locations in Bangkok and other provinces for their new shops. As a result, the rental rate is likely to increase by 4.0-6.0%. This is supported by the government policy to actively promote inbound tours and domestic travels among international and local tourists. Moreover, retail operators of both local and international brands remain confident in the purchasing power of Thai people in the long-run, and continue to look for an opportunity to open new shops or branches in Bangkok and other provinces throughout the country.

(Sources: Research Department, Colliers International Thailand, TAP Valuation Co Ltd, and Research Centre, CB Richard Ellis (Thailand) Co Ltd)

4. Risk Factors

4.1 Risks relating to the REIT or its Operations

- 1) *The REIT is a real estate investment trust which is in the process of establishment and has no past operating results to serve as a reference for investment.*

The REIT is a real estate investment trust which is in the process of establishment and hence does not offer past operating results as a reference for investors in making decision except that of the Terminal 21 Shopping Center project, which has operated since October 2011. However, it may not provide assurance that the REIT's income earned from or expenses incurred to the Core Properties will be in line with historical revenues or expenses.

- 2) *The success of the REIT depends on the ability of the REIT Manager and the Property Manager in managing and procurement of benefits from the Core Properties, the inadequacy and inefficiency of which could have a material adverse effect on the Core Properties' value, performance and the REIT's ability to make distribution payments.*

The REIT Manager shall be the party to determine marketing policies and management strategies pursuant to the Trust Deed and to assign the Property Manager to manage the Core Properties and to perform day-to-day duties pursuant to the Property Manager Appointment Agreement entered into by the REIT, the REIT Manager and the Property Manager. According to the Property Manager Appointment Agreement, the Property Manager has responsibility for carrying out various duties under the supervision of the REIT Manager, including those related to the Core Properties such as lease management, marketing, maintenance service, security and safety operations, and financial management.

In case where the REIT Manager is unable to carry out operations according to the marketing policies and management strategies, or the Property Manager fails to properly manage the Core Properties, the value of the Core Properties and/or the rental income that the REIT is expected to earn could be adversely affected, further affecting the REIT's performance and abilities to pay the distributions to the Unitholders and repay

loan when due. Furthermore, any adverse changes which affect the relationship between the REIT Manager and the Property Manager may affect their abilities to manage the REIT and the Core Properties. In addition, should L&H Retail Management Co., Ltd. be unable to perform its duties as the Property Manager under the Property Manager Appointment Agreement, the REIT may not be able to appoint another entity to manage the Core Properties as effectively as the Property Manager has performed or to appoint any other entities at all, which could have an adverse effect on the REIT's performance and its financial condition.

3) ***The REIT's revenue relies on tenants' economic viability and decision to renew the lease upon expiry.***

The REIT's financial condition is dependent on the procurement of tenants' leases in the Terminal 21 Shopping Center project with economically favorable terms. Since the REIT's Core Properties will entirely consist of properties in the retail sector and its income will be earned primarily from the rental and service fee generated from retail businesses, the REIT's revenue will be subject to general risks associated with investments in this sector. The deterioration of the financial condition of one or more significant tenants or a large number of small tenants at any one time could result in delayed payment, tenant's defaults and insolvency, including non-renewal of leases, or renewal on less favorable terms, any of which could have a material adverse effect on the REIT's financial condition, performance, and ability to make distribution payments.

Nevertheless, the historical rental collection information for the Terminal 21 Shopping Center project indicates that despite the political unrest, few tenants requested for payment extension and deferred payment and the Terminal 21 Shopping Center project did not experience a situation of reported incidence of default-related prosecution. Furthermore, most of the tenants whose leases are expired in 2014 have expressed intent to renew their leases, assuring an occupancy rate of 80-90 percent. The remaining 10-20 percent of vacant space will be reserved for new tenants in order to ensure that the ratio of occupancy rate and business types is appropriate for the shopping center business and customer needs.

4) ***Risk that may be occurred as a result of loan by the REIT.***

The REIT has secured financing sources to supply part of the funds for investment in the Core Properties whereby the REIT Manager and the financial advisor, after careful examination of relevant details and loan repayment conditions as well as the REIT's projected financial statement, have viewed that the REIT has an ability to repay such loan. However, this may be subject to risks associated with economic and interest rate volatility, among others, which could adversely affect the REIT's operating results, liquidity and ability to repay interest and principal, and affect the distribution payments to the Unitholders.

Taking into account the aforementioned risks, the REIT Manager will prepare measures to regularly monitor the REIT's operating results and various external risk factors, including interest rate changes, as well as to probably utilize financial tools to leverage such risks such as interest rate swap transaction services and reactive agreements with debtors, i.e. loan repayment extensions and relaxation of certain conditions constraining the management of the REIT, etc., whereby such management will be in compliance with the relevant laws and taken the best interest of the Unitholders into consideration.

- 5) *The changes in the taxation policy applicable to investment in the Units of the REIT.*

Unitholders may be subject to a higher tax rate due to the investment in or purchase or sale of the Units or in the case of distribution payments to non-Thai investors may be subject to a different withholding tax regime as a result of a change of applicable taxation or other relevant laws and regulations.

- 6) *The REIT is not a direct party to the land lease agreement for the Terminal 21 Shopping Center project.*

The Terminal 21 Shopping Center project is constructed on land leased under the land lease agreement between L&H Property Co., Ltd. (the “Lessor”) and the landlord. Under the Trust Deed, the REIT will invest in the leasehold right to the shopping center building of the Terminal 21 Shopping Center project; whereby the leasehold right to such land will not be transferred to the REIT. On that basis, the REIT will not be a direct party to the land lease agreement and has no control over the performance of the Lessor, who is a party under such land lease agreement. There can be no assurance, therefore, that the Lessor will not breach the terms and conditions of the land lease agreement which could result in the agreement being terminated. Although the termination of the land lease agreement would not result in the termination of the lease of the Terminal 21 Shopping Center building, it could affect the benefit procurement from the Terminal 21 Shopping Center project under the lease agreement between the REIT and the Lessor, and could therefore have a material adverse effect on the REIT’s financial condition and operating results as well as ability to make distribution payments to the Unitholders.

Nonetheless, as the termination of the land lease agreement would not lead to the expiry of the lease of the Terminal 21 Shopping Center building, the landlord shall become the lessor of the building and the Lessor is obliged not to engage in any conduct that deprives the REIT of its rights or ability to use the leased property. In the case that the Lessor fails to perform this condition, it shall cause the Lessor’s default which the REIT Manager views that this is an effective measure to prevent the Lessor’s revocation of the land lease agreement to which the REIT is not a direct party. Please consider more details in the summary of the key provisions of the draft immovable property lease agreement in the sections of obligations of the lessor, causes of termination and consequences to the causes of termination

4.2 Risks Relating to the Core Properties

- 1) *The REIT and the tenants in the Terminal 21 Shopping Center project may face competition from other shopping centers and retail outlets with the same target markets located within their catchment areas as well as competition from other retail channels.*

Shopping centers and other retail outlets compete aggressively could affect the tenants’ business in the Terminal 21 Shopping Center project which could have a material adverse effect on the tenants’ sale volume, in a manner of the tenants’ ability to attract shoppers and their ability to pay rent, especially if competitors upgrade and redecorate their retail shop areas or otherwise sway shoppers’ purchasing decisions. In addition, the REIT’s retail tenants face ever-changing consumer preferences resulting from changes in lifestyle and consumption behavior as well as increased retail business competition caused by

internet shopping and telemarketing. Furthermore, the ability of some of the REIT's tenants to pay rent depends on the amount of sales revenue that they generate. Should they experience competition leading to decreased sales revenue, the REIT may have to lower rental rate, which would thus affect the REIT's cash flow.

Such impact could affect the sale volume of the tenants and thus ability to pay rent and the REIT's cash flow.

However, as the Terminal 21 Shopping Center project is conveniently located in a downtown business area surrounded by office buildings, hotels and residential buildings including condominiums, it has been successful in market positioning with its unique design concepts and identification of clear target customers.

- 2) *The use of the area connecting some parts of the Core Properties to the BTS Asoke station is subject to expiry.*

The owner of the Core Properties has entered into an area connection agreement with the Bangkok Mass Transit System Public Company Limited (the "BTS System") for the BTS Asoke station under which the owner of the Core Properties is entitled to use the area connected with the station for a span of time equivalent to that of the concession granted to the BTS by the Bangkok Metropolitan Administration (which will expire on 4 December 2029). The BTS System has its route over the Sukhumvit Road at the front of the Core Properties which is at the BTS Asoke station area. Expiry of such an agreement prior to that of the lease agreement of the Core Properties may result in the REIT's inability to use the connecting area, potentially reducing shoppers' access to the Core Properties and the REIT's operating results and distribution payments to the Unitholders.

- 3) *Risks relating to natural disaster, other force majeure, terrorist, and war could adversely affect the REIT's revenues.*

The REIT will be subject to various risks such as natural disaster or other force majeure in the location where the Core Properties is as well as areas from which it draws a large number of customers, which may cause a decline in the level of consumption and leisure travel, and reduce demand for the space lease, such as flooding in Thailand in 2011, or actual or threatened war, terrorist, political unrest, civil strike, and other geopolitical uncertainty could have the similar effect. Any one or more of these incidents may reduce the overall demand in the Terminal 21 Shopping Center project or the REIT's revenue, which may have a material adverse effect on its operating results, financial condition, and ability to make distribution payments as well as cause uninsurable damage to the Core Properties.

4.3 Risks relating to Investment in Real Estate Property

- 1) *General risks associated with investment in real estate property.*

Investment in real estate property is subject to various risks, including (1) adverse changes in political or economic conditions, such as domestic or international recessions and overall declines in consumer demand; (2) adverse local real estate market conditions; (3) changes in interest, inflation, and foreign exchange rates, (4) changes in Thai or international monetary policies or other economic policies; (5) unexpected increases in real estate operating expenses; (6) changes in environmental laws and regulations, zoning

laws, and other governmental rules and fiscal policies; (7) environmental claims arising with respect of real estate property; (8) changes in market rental rates and real estate property prices; (9) changes in the price of petrol and other types of fuel; (10) changes in the relative popularity of certain property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (11) acts of a tenant that may impact the business or reputation of the lessor; (12) inability to renew leases or relet spaces upon the expiry of existing leases; (13) inability to collect rents from tenants on a timely basis or at all due to tenants' bankruptcy or insolvency or otherwise; (14) insufficiency of insurance coverage or increases in insurance premiums; (15) inability of the manager of a real estate property to provide or procure the provision of adequate maintenance and other services; (16) defects affecting real estate property that need to be rectified or other required repair and maintenance of real estate property leading to unforeseen capital expenditure; (17i) the relative illiquidity associated with investment in real estate property; (18) overreliance on cash flow for the maintenance of and improvement to any portfolio property; (19) increased operating costs, including relevant taxes; (20) any interests or encumbrances that cannot be or has not been revealed by a land search conducted at any relevant public registry at the time of the search; (21) force majeure, uninsurable losses, and other factors; and (22) changes in tax laws and regulations, and/or others.

The aforementioned factors may cause fluctuations in occupancy rates, rental rates, or operating expenses, causing a negative effect on the value of real estate property and income earned thereof.

The annual valuation of the Core Properties is subject to such factors, and the value of the Core Properties may therefore fluctuate upwards or downwards. The investment value of the Core Properties may significantly depreciate in the case of sudden downturns in real estate market prices or economic conditions in Bangkok and other cities or provinces in Thailand where the Core Properties and any other related properties are or may, in the future, be located.

- 2) *The REIT may be adversely affected by the illiquidity associated with real estate investment and the lack of alternative uses for its Core Properties.*

The REIT will primarily invest in real estate property and assets related to real estate property, particularly investment in high-value property, such as that in which the REIT intends to invest, is relatively illiquid. Such illiquidity may affect the REIT's ability to vary its investment portfolio or liquidate a portion of its assets in response to changes in the economy, real estate market, or other conditions. For instance, the REIT may be unable to sell its Core Properties on short notice or may be forced to give a substantial reduction in the price in order to ensure a timely sale. Moreover, the REIT may face difficulty in securing timely and commercially favorable financing in asset-based lending transactions secured by the Core Properties due to the illiquid nature of real estate assets. In addition, the Core Properties might not be readily converted to alternative uses if it becomes unprofitable due to competition, ageing, decreased demand, or other factors. Finally, the conversion of a property to alternative uses will generally require additional capital expenditure. Such factors could adversely affect the REIT's financial condition and operating results, thereby affecting its ability to make distribution payments to the Unitholders.

- 3) *The REIT's strategy of investing in properties connected to the shopping center or retail business may entail a higher level of risk as compared to having a more diverse range of investments.*

The REIT's principal strategy of investing in properties connected to the shopping center or retail business will subject the REIT to risks inherent in concentrating in real estate property, the level of which may be higher compared to other types of investment trusts offering a more diverse range of investments involving other business sectors.

The REIT's concentration of investment in the leasehold rights to properties connected to the shopping center or retail business entails the REIT the risks of downturns in the Thai market, which may lead to a decline in occupancy rates or rental rates for the Core Properties or any other properties related to the Core Properties. This would consequently affect the REIT's income earned from the Core Properties and/or result in a decline in the REIT's net asset value, potentially having an adverse impact on the distributions to be paid to the Unitholders and/or on the operating results and financial condition of the REIT.

- 4) *The Core Properties may be expropriated.*

The Core Properties may be exposed to expropriation risks under the governmental policy, in which case the REIT may be compensated in an amount less than the net asset value or the investment value of such expropriated Core Properties. As a result, the return on investment associated with the expropriation may differ from projected results in terms of both distribution and return of capital. The amount of compensation, if any, to which the REIT is entitled will depend on the terms and conditions specified in the relevant agreements, including the remaining term of the lease agreement after the expropriation, or compensation amount from the expropriation.

According to the Settlor's review of the Thai royal decrees designating areas subject to expropriation, the area in which the Core Properties is located is not specifically subject to such expropriation at present. However, the Settlor cannot assure that such areas subject to expropriation will not change since expropriation involves the governmental policy and the need for particular land areas at a certain time. Any such expropriation could adversely affect the REIT's financial condition and operating results, thereby affecting its ability to make distribution payments to the Unitholders. Please consider more details in the summary of the key provisions of the draft immovable property lease agreement in the sections of consequences to causes of termination.

- 5) *The REIT is subject to political risks.*

The REIT's performance, financial condition, operating results, and business prospects may be influenced in part by the political situation in Thailand, which has been unstable from time to time, affecting the socioeconomic condition of the country.

The Settlor cannot assure that no incidents will arise leading again to political instability, which can have a material adverse effect on the REIT's performance, financial condition, operating results, and business prospects.

5. Disputes or Restrictions on Provision for Benefits from Immovable Properties

- None -

6. Other Material Information

- None –

Part 2

Management and Good Corporate Governance

7. Units, Securities and Instruments Issued by the REIT

7.1 Information of Units and Prices of Securities

7.1.1 Information of Units

Investment Capital	Baht 4,978,259,940
Par Value of the Unit	Baht 10.20
Number of Unit	488,064,700 units
Type of Unit	Name of Unitholder Specified
IPO Price of Unit	Baht 10.20
NAV per Unit as at 3 December 2015	Baht 11.4607

7.1.2 Information of Securities Prices

Closing Price on 30 December 2015	Baht 10.00
Highest Price in 2015	Baht 11.30
Lowest Price in 2015	Baht 10.00
Market Value on 30 December 2015	Baht 5,173,485,820
Trading Volume per Year (AOM Value)	Baht 835.16 million
NAV as at 30 December 2015	Baht 5,593,603,985.28

7.2 Information of Unitholders

7.2.1 Top 10 Major Unitholders on the book closing date of 11 December 2015

No.	Major Unitholders	No. of Units (units)	%
1.	Land and Houses Public Company Limited	43,926,000	9.00
2.	GIC PRIVATE LIMITED	29,284,000	6.00
3.	Social Security Office	29,021,700	5.95
4.	Muang Thai Life Assurance Public Company Limited	21,794,800	4.47
5.	Social Security Office (Workmen's Compensation Fund)	20,000,000	4.10
6.	TMB Property Income Plus Open-ended Fund	11,551,100	2.37
7.	Muang Thai Insurance Public Company Limited	11,342,900	2.16
8.	Thai Life Insurance Public Company Limited	9,198,600	1.88
9.	Government Savings Bank	4,000,000	0.82
10.	Southeast Life Insurance Public Company Limited	3,883,500	0.80

7.2.2 Major Unitholders (holding in aggregation 10% or more of the total units under the same group of persons)

- None -

7.2.3 Group of Major Unitholders with Behavior Significantly Influencing the Management Policy, Management Style, and Business Conduct of the Fund Management Company

- None -

7.3 Payment of Distribution of the REIT

7.3.1 Provisions on Distribution Policy and Methods of Distribution Payment

- (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.

7.3.2 Conditions and Method of Distribution Payment

The REIT Manager shall make distribution to each Unitholder according to the proportionate ratio of its holding. In this regard, the REIT Manager reserves the right not to make distribution to the Unitholder whose holding 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 holding.

7.3.3 History of Dividend Payment

Year	2015	2014
(1) Dividend per unit	0.775	0.022
(2) Distribution to Unitholders per unit	0.000	0.000
Total Distribution per Unit	0.775	0.022
(3) Percentage to IPO Price* (Baht 10.20 per unit on 22 December 2014)		
(3.1) Dividend Rate (%)	7.60%	0.22%
(3.2) Distribution to Unitholders Rate (%)	0.00%	0.00%
Total Distribution Rate (3.1+3.2) (%)	7.60%	0.22%

** Calculated based on the dividend yields plus repayment of proceeds from capital reduction over the past 1 year divided by the IPO Price per Unit*

8. Management Structure

8.1 The Management Company

8.1.1 General Information of the Management Company

Name of the Management Company : Land and Houses Fund Management Company Limited

Location : 11 Q. House Sathorn Building, 14th 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

Website : <http://www.lhfund.co.th>

Detail of the Management Company

The Company was established on 17 January 2008 as United Fund Management Company. It registered name change to the current one with the Ministry of Commerce on 23 November 2010. Presently, the Company has Baht 300 million registered and paid-up capital and has obtained licenses to undertake various types of business from relevant authorities as follows:

- Type C Securities Business License (License No. Lor.Kor.-0013-01) from the Ministry of Finance on 21 February 2011.
- Derivatives License: Derivatives Fund Manager (License No. SorDor04-0013-10) from the Securities and Exchange Commission (SEC) on 2 March 2011.
- Derivatives License: Derivatives Advisor (License No. SorDor03-0013-11) from the Securities and Exchange Commission (SEC) on 2 March 2011.

The Company has been authorized by the Office of the SEC to undertake the following businesses:

- Mutual fund and private fund management business on 6 June 2011
- Provident fund management business on 3 May 2012
- Acting as a REIT Manager on 7 May 2014.

Share holding Structure of the REIT Manager

The shareholder of the REIT Manager as of 31 December 2015 was as follows:

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

8.1.2 Management Structure and Name List of Shareholders, Board of Directors, and REIT Managers

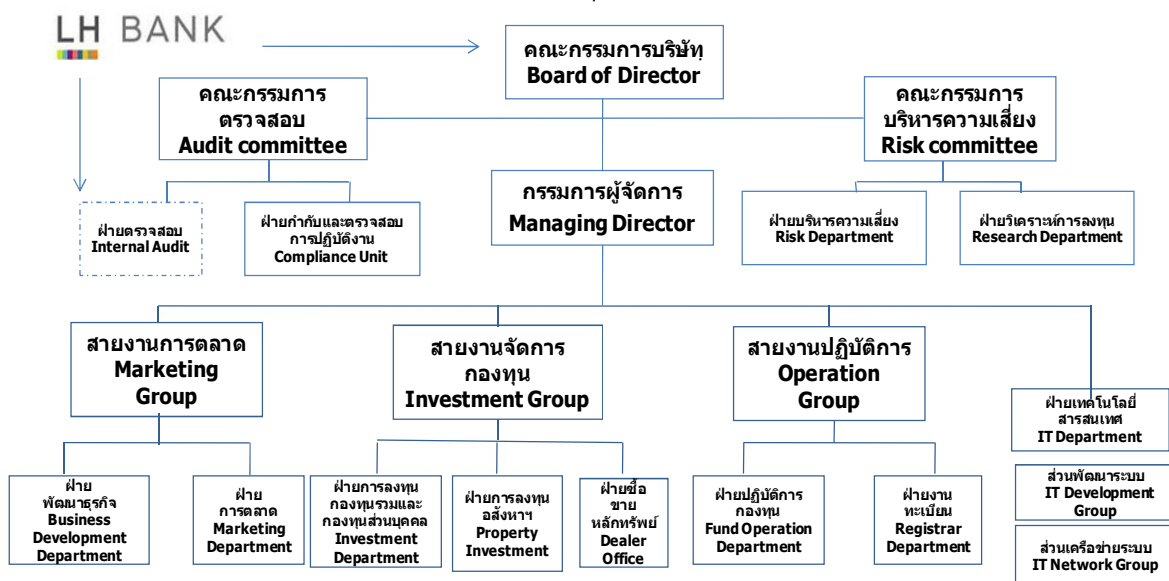
As of 30 December 2015, the REIT Manager adheres to the principle of clear separation between respective duties and responsibilities of each unit within the organization. Each department works independently and systematically in line with the principles of trust and good corporate governance. It also 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.

Organization Chart

Land and Houses Fund Management Company Limited

บริษัทหลักทรัพย์จัดการกองทุน แลนด์ แอนด์ เฮ้าส์ จำกัด



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 7 members as follows:

- 1) Mr. Rutt Phanijphand Chairman
- 2) Mr. Adisorn Thananunnarapool Director

- 3) Miss Chutamas Sombunyaviroj Director
- 4) Mr. Rhung Kongphalung Director
- 5) Mrs. Chantana Kanchanagama Director
- 6) Miss Piangdao Wattanayakorn Director
- 7) Mr. Monrat Phadungsit Director

- 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 asset management.

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.

Outsourcing of Operational Functions

The REIT Manager has outsourced the compliance and internal audit functions to Land and Houses Bank Company Limited and the property management function to a Property Manager who meets the criteria and requirements stipulated by the regulator.

In case of compliance and internal audit function outsourcing, the Land and Houses Bank Company Limited shall assign the Bank's employees to work at the office of the REIT Manager using all work systems of the REIT Manager.

In case of property management function outsourcing, the Property Manager shall station at the site of the property project invested by the REIT Manager. In this regard the Property Manager shall be responsible for the arrangement of the work systems essential for project management, for instance:

1. Revenue collection systems such as the issuance of invoices and receipts.
2. Payment and procurement systems.
3. Leased area management and lease agreement processing systems.

In outsourcing the property management function, the REIT Manager shall assign the Property Manager to manage and maintain the immovable properties in good conditions and ready for revenue generation, except for the case that the invested property of the REIT is a hotel project which the REIT shall arrange to act in compliance with the Notifications of the Office of the SEC.

8.1.3 Rights, Duties and Responsibilities of the Management Company and the REIT Manager

The REIT Manager has the primary duty and responsibility to manage the REIT entrusted by the Trustee, as well as to invest in the properties of the REIT and supervise the performance of the service providers of operational functions. The REIT shall perform its functions as assigned by the Trustee with the following scope of authority, duty, and responsibility:

1. Duties to the REIT

- 1.1 The REIT Manager shall conform to the principle of business conduct as follows:
 1. Perform its duties with knowledge and skills that may reasonably be expected as a professional, and with diligence, care, and loyalty. In this regard, the REIT Manager shall respond to the Unitholders fairly and exercise its power for the best interest of the Unitholders as a whole. Additionally, the REIT manager shall comply with the trust

deed, the REIT Manager appointment agreement, the objective for establishing the REIT, the resolution of the Unitholders, and the relevant laws and regulations;

2. Maintain sufficient capital continuously to operate the business and to compensate for any detriment which may occur from performing the duties of a REIT manager;
 3. Disclose, give opinion on, or provide important and relevant information which is sufficient for making investment decision by the investors. In this regard, such information shall be clearly communicated, not distorted, and not misleading;
 4. Not exploit any information acknowledged from performing as REIT Manager for its own interest, or in manner of damage or impact to the interests of the REIT;
 5. Performs its duties carefully in order to avoid conflicts of interests. If the conflicts are inevitable, the REIT Manager shall proceed to ensure that the Unitholders' interest will be treated fairly and appropriately;
 6. Complies with the laws and regulations related to the operations of the REIT and the code of ethics and standards of professional conduct as defined by the associations related to securities business or by organizations in connection with securities business recognized by the Office of the SEC, mutatis mutandis. In addition, the REIT manager shall not conspire, employ or collaborate with anyone to violate such laws and regulations;
 7. Cooperates with the Trustee or the SEC Office in performing their duties, and discloses information which may significantly affect the management of the REIT or other information which should be notified to them.
- 1.2 The REIT Manager shall arrange to have proper operating systems, including an efficient check and balance system, in place, to support the work under its responsibility entirely. To ensure proper and efficient management of the REIT entrusted by the Trustee, the operating systems shall at least cover the following issues:
- (1) The determination of the management policy of the REIT, the structuring of the investment capital of the REIT, and the formulation of policy and strategy relating to the procurement of benefits from immovable properties. All these systems shall support the REIT Manager to manage the REIT entrusted by the Trustee prudentially in conformation to the investment policy stipulated in the Trust Deed, and in compliance with the securities laws and

related regulations, as well as to protect the interest of the REIT and the Unitholders as a whole;

- (2) A system to manage the risks associated with the REIT management so as to prevent and mitigate the risks efficiently;
- (3) A system to prevent the conflict of interest between the REIT under management and connected person, including to measures or guidelines for keeping the best interest of the REIT or the Unitholders as a whole, when a conflict of interest is inevitable;
- (4) Selection of personnel of the REIT Manager and service providers of functions related to the operations of the REIT (if any) to ensure knowledgeable and skilled personnel with appropriate qualifications in accordance with the nature of work allocated to them;
- (5) Supervision of performance of the REIT Manager and related personnel including the service providers of outsourced functions related to REIT management to ensure compliance with the securities laws, related regulations, and the Trust Deed;
- (6) Disclosure of complete, accurate, and adequate information of the REIT in compliance with the provisions stipulated in the Trust Deed and the securities laws;
- (7) A back office system;
- (8) An internal audit and control system;
- (9) Communication with investors and handling of investors' complaints;
- (10) Handling of legal disputes. The REIT Manager may assign other persons to proceed with the issues related to REIT management provided that such assignment is in accordance with the regulations specified in 1.3.

1.3 The REIT Manager may outsource the functions related to REIT management to other persons as deemed necessary under the following regulations, in order to facilitate the operations and enhance efficiency.

- (1) The outsourcing of functions shall not have an impact on the performance efficiency of the REIT Manager;
- (2) There shall be a measure to ensure continuity of business operation in case the service provider fails to proceed with the outsourced function;

- (3) In case of outsourcing functions related to investment of other assets of the REIT, the service provider shall have the authority to perform such functions by laws.

The outsourcing of operational functions under this clause shall not apply to the outsourcing of operating systems and works under 1.2 (1) (2) (3) (4) and (9).

- 1.4 The REIT Manager shall prepare its financial statement in accordance with financial reporting standards as stipulated by the law on accounting profession and submit such financial statement to the SEC Office within 3 months from the end of its fiscal year.
- 1.5 The REIT Manager shall not undertake any actions that may restrain the Trustee from performing its duty independently; for instance, investing in immovable properties owned by the connected persons of the Trustee.
- 1.6 The REIT Manager shall provide indemnity insurance for the performing of its function, as well as the conduct of its directors, executives and personnel, throughout the terms of the Trust Deed, which is in accordance with operating systems of the REIT Manager.
- 1.7 The REIT Manager shall arrange for the Unitholders to attend meeting and vote for the issues as specified in the trust deed such as the modification or amendments of the trust deed, capital increase of the REIT, change of Trustee, etc.
- 1.8 In case where there is an appointment of adviser to provide advice or recommendations related to investment and management of immovable properties, the REIT Manager shall act in accordance with the following regulations:
 - (1) Arrange for the adviser to declare the conflicts of interest in the issue under consideration;
 - (2) Not allow the adviser who has direct or indirect conflicts of interest in the issue under consideration gets involved in the decision making of such issue.
- 1.9 In undertaking transactions related to immovable properties on behalf of the REIT, the REIT Manager shall comply with the following regulations:
 - (1) Proceed to ensure that the sale, disposition of, and transfer of immovable properties or the engagement in agreement relating to the properties for the REIT is done properly and is enforceable by law;

- (2) Proceed to ensure that the investment in immovable properties of the REIT is done properly and has at least proceeded with the following actions:
 - (a) Self assessment of preparedness to manage the property before accepting the assignment as the REIT Manager or before making additional investment in such properties, as the case may be.
 - (b) Carrying out of analysis and feasibility study, and undertake due diligence for the property including the assessment of various risks that may arise from the investment in such property together with guidelines for risk management. Such risk exposures shall include completion risk (if any) such as the risk that may arise from the delay of construction and the inability to procure benefits from the property, etc.
- 1.10 Arrange for the Core Properties of the REIT to be appraised by an appraisal company authorized by the SEC Office in accordance with related laws and under the regulations stipulated in the Trust Deed; for example, appraisal before the acquisition or disposal of the Core Properties of the REIT, review of the appraised value of the Core Properties, periodical appraisal of the Core Properties' value in compliance with related regulations, etc.
- 1.11 Arrange for the property of the REIT to be professionally reviewed, including the condition of the property, the ability of the counterparty of agreement, financial and legal information, the appropriateness of other aspects, etc. Such review shall support the decision making on investment and the information disclosure of the REIT. Under any circumstance where the REIT Manager is unable to perform the duty, it must be specified that the Trustee shall manage the REIT as deemed necessary in order to prevent, refrain, or limit any severe damage to the interest of the REIT or the entire Unitholders. In this regard, the Trustee may appoint other person to manage the REIT instead during such period.
- 1.12 Proceed to acquire core properties or immovable properties to be invested by the REIT in case of capital increase within 60 days from the establishment of the REIT in the case of IPO; or from the closing date of the offering of Units in the case of offering of Units for capital increase.
- 1.13 The property investment shall apply to the acquisition of ownership or possessory right of the property only. In case of possessory right, it shall be the acquisition of document of entitlement in the form of Nor. Sor. 3 Kor or the acquisition of leasehold right with the document of ownership or document of possessory right in the form of Nor. Sor. 3 Kor only.

- 1.14 The immovable properties acquired shall not be under the enforcement of real right or have any disputes unless the REIT Manager and the Trustee have provided the opinion in writing that such enforcement of real right or disputes do not have any significant impact on the provision for benefits from such properties and the conditions for the acquisition of such property are still beneficial to the Unitholders as a whole.
- 1.15 The agreement pertaining to the acquisition of property shall not have any provision or obligation that may cause the REIT unable to sell the property at fair price at the time of selling, such as the agreement that gives the right of first refusal in purchasing property from the REIT to the counterparty with the purchasing price fixed in advance; or may cause the REIT Manager as the lessor of the property bear more responsibility than what should be under normal situation.
- 1.16 Arrange for the REIT to maintain insurance covering the core properties invested by the REIT, as mutually agreed by the counterparties of the Trust Deed without violating related laws and regulations, to protect the benefits of the Unitholders; and third party liability insurance against damage or loss caused by the core properties or operations related to the core properties. Such insurance shall be procured from acceptable insurer with an insured sum at least sufficient and appropriate for the provision for benefits from the core properties.
- 1.17 Provide opinion on the transactions related to the acquisition of the core properties together with rationale and related supporting information in the document seeking approval from the Unitholders or the invitation letter calling Unitholders' meeting to consider capital increase for additional investment in the core properties by the REIT Manager.
- 1.18 Upon disposition of the core properties, arrange for the appraisal company to appraise the value of the core properties, call Unitholders' meeting for approval resolution, obtain consent from the Trustee, and disclose the information according to the regulations specified in the trust deed and related laws.
- 1.19 In case of a change in REIT Manager, the new REIT Manager shall agree to perform the duties in accordance with the trust deed and related laws and regulations. Meanwhile, the former REIT Manager shall provide necessary cooperation to ensure successful handover of the works.
- 1.20 In case of a modification or an amendment of the trust deed, the REIT Manager shall carefully proceed to ensure that the modification or amendment is in line with the conditions and methods specified in the Trust Deed and related regulations. Following the completion of the modification or amendment, the REIT Manager shall submit a copy of the new Trust Deed to the SEC Office within 15 days from the signing date or

the date on which the Trust Deed was modified or amended, as the case may be.

- 1.21 In case of a change in Trustee, the REIT Manager shall proceed to notify the Unitholders and the SEC Office of the change within the time frame specified in the Trust Deed.
- 1.22 Apply for approval to offer the Units of the REIT in case of capital increase by filing related documents and evidences and duly certify the correctness and completeness of the information regarding the performing of its function in contained in the filings.
- 1.23 Give opinion on the ability of the revenue guarantor in honoring the obligations under the guarantee of revenue agreement (if any).
- 1.24 Proceed to list the sold Units or the newly issued Units (in case of capital increase) on the Stock Exchange of Thailand within 45 days from the closing date of unit offering.
- 1.25 Proceed to allocate the Units to any person or group of persons in accordance with the ratio and rules stipulated by related laws and regulations.

2. Duty in Managing the REIT and the Properties of the REIT

- 2.1 Give opinion to relevant competent officers regarding the qualifications or characteristics of the immovable properties invested by the REIT upon request.
- 2.2 Supervise and monitor the renovations, improvements, and maintenance of the core properties to ensure that they are always in good conditions and ready for use to procure benefits as specified in the annual action plans.
- 2.3 Arrange for the core properties to be reformed, restored, or modified as deemed necessary and appropriate without violating or contradicting the Trust Deed and related laws including the land lease agreement made with the owner of the land on which the core properties are located (including all amendments and modifications of the definitive land lease agreement). In this respects, prior notice to the Trustee is required.
- 2.4 Oversee and manage the core properties including the maintenance of each property as deemed necessary for the benefit of the management of the security system, fire protection system, communication system, and emergency management; and the restoration of the properties. In case of major restoration, prior notice to the Trustee is required.
- 2.5 Manage and procure benefits from the core properties and undertake any necessary actions to ensure that the management of the core properties is in compliance with the annual action plan, the Trust Deed, and the relevant laws.

- 2.6 Undertake any actions to procure and/or accept the transfer of and/or cooperate with the Trustee to enable the Trustee to acquire the licenses, Letter of Authorization, Letter of Waiver, and/or any other related and necessary documents in procuring benefits from the core properties.
- 2.7 Facilitate the inspection of core properties by the REIT or other persons designated by the Trustee within the operating hours of the REIT Manager. In this connection, the REIT Manager shall also give information and testimony and/or deliver any documents (except for the information and testimony and/or any documents related to the property rights of the REIT Manager or its subsidiaries) upon request of the Trustee as deemed necessary and appropriate.
- 2.8 Facilitate the survey of core properties for value appraisal by the property appraisal company or other persons designated by such property appraisal company. The REIT Manager shall also give information and testimony and/or deliver any documents (except for the information and testimony and/or any documents related to the property rights of the REIT Manager or its subsidiaries) upon request of the property appraisal company as deemed necessary and appropriate.
- 2.9 Arrange to have any documents related or relevant to the core properties possessed by the REIT Manager and/or possessed by the REIT Manager on behalf of the REIT, including any accounting documents and evidences related or relevant to the core properties in place for the Trustee or persons designated by the Trustee and/or the auditors to inspect within the operating hours of the REIT Manager. The REIT Manager shall also deliver any documents related or relevant to the core properties requested by the Trustee or persons designated by the Trustee and/or the auditors within 15 business days from the date on which such request is acknowledged or should be acknowledged, except on reasonable ground or otherwise agreed by the counterparties of the agreement.
- 2.10 Control, supervise and monitor the sub-lessee and cooperate with the Trustee and/or the sub-lessee to undertake any actions to enable the Trustee and/or the sub-lessee to pay fees and the building and land taxes arising from the core properties; and contact, cooperate, provide information, submit documents, and pay withholding taxes and/or any other taxes related to the management of the core properties by the REIT Manager to relevant competent officers.
- 2.11 Control supervise and monitor the sub-lessee to perform its duties as stipulated in the subleasing agreements and other related agreements, the Trust Deed, and the relevant laws.
- 2.12 Notify the Trustee of the following issues in due time: (a) The existence of any damage or defect of the core properties including other equipments

and facilities; or upon occurrence of the event the will result in the reduction in the value of the core properties significantly; and (b) There is a material breach of agreement by the sub-lessee.

- 2.13 Undertake any other actions as deemed necessary and appropriate by the REIT to ensure that the core properties are in good condition and ready for procuring benefits or exactly in line with the objectives of the REIT Manager Appointment Agreement. In addition, the REIT Manager shall also provide advices on market situation in case that the REIT wishes to sell or assign the leasehold or sublease the core properties.

3. Duty in Carrying Out Accounting and Financial Reports, and Reports on Management and Internal Audits

- 3.1 Prepare and disclose information of the REIT to the SEC Office, the Trustee, and the Unitholders in compliance with the provisions stipulated in the Trust Deed and the securities laws; including submitting the annual report of the REIT together with the invitation letter to annual general meeting to the Trustee and the Unitholders.
- 3.2 Arrange to have the accounting and various financial reports related to the management of the REIT and its core properties, as assigned by the Trustee or as deemed necessary and appropriate, in place; and submit such reports and documents to the SEC Office, the Stock Exchange of Thailand, the Trustee, and the Unitholders within the time frame specified by the Trustee in order to correspond with the securities law, other relevant laws, and the orders of relevant competent officers.

In this regard, the REIT Manager shall prepare such accounting and financial reports in compliance with the generally accepted accounting principles by segregating the properties and/or any interests arising from the core properties invested by the REIT and/or any properties that had been accepted and/or should be accepted by the REIT Manager on behalf of the REIT; form its own properties. In this respect, the REIT Manager shall maintain the documents and evidences supporting the accounting process in complete condition and ready for the inspection of the Trustee for a period of at least 1 year.

- 3.3 Deliver the following documents to the Trustee within the time frame assigned by the Trustee in order to comply with the securities law, other relevant laws, and the orders of relevant competent officers.
 - (1) Submit a full report on property appraisal to the Trustee at least 7 days before the date on which the net asset value of the REIT is scheduled to be notified to the Unitholders.
 - (2) Submit reports on the net asset value and the Unit value of the REIT at the last business day of each quarter to the Trustee for certification

before submitting them to the SEC Office within 45 days from the end of each quarter.

- (3) Submit the updated information about the connected persons of the REIT Manager and information of the connected transactions between the REIT and the REIT Manager or its connected persons within 30 days from 30 June and 31 December of each year; and submit such information for the consideration of the Trustee before entering into each transaction.
- (4) Publish the information of connected transactions between the REIT and the REIT Manager or its connected persons for the previous and current accounting periods in the annual report and the financial statements of the REIT.
- (5) Report the information about the conflicts of interest between the REIT and owner of the core properties invested by the REIT together with measures for preventing such conflicts to the investors on the first day of Initial Public Offering of the Units and upon occurrence of any conflict.
- (6) Disclose the information pertaining to the interests or benefits accepted by the REIT Manager or its connected persons from the company or person that is supplier or service provider of the REIT in the registration statement, the Trust Deed, the invitation letter to Unitholders' Meeting seeking approval for the transaction, and the annual report. Such information shall be used by the Unitholders and the Trustee in considering the independence of the REIT Manager in executing the transaction for the REIT and the validity of such transaction.

The interest or benefits that must be disclosed include the status of creditor/debtor and guarantor/recipient of the guarantee, cross shareholding, sharing of same major shareholders of management, intra-group transaction, paying expenses on behalf of another company, etc.

- (7) Publicize information related to the REIT's investment in immovable properties every 6 months or immediately in the case of significant change; and submit such report to the Trustee upon request.
- (8) Submit the updated information related to the acquisition and disposition of core properties of the REIT to the Trustee and the Unitholders at least 30 days before executing the transaction and disclose to the public and the SEC Office within 15 days following the date on which the core properties are acquired or disposed of.

- (9) Disclose the information of the acquisition or disposition of the core properties and equipments of the REIT for the previous and current accounting periods in the annual report and the financial statements.
- (10) Submit the updated information about borrowing and creation of encumbrances of the REIT together with the borrowing agreement to the Trustee for information before the date on which the REIT enters into such agreement.
- (11) Disclose the information about borrowing and creation of encumbrances of the REIT for the previous and current accounting periods in the annual report and the financial statements.
- (12) Submit the information related to the transaction deemed by the Trustee as having significant impact on the properties of the REIT as requested by the Trustee at least 14 days before executing such transaction.
- (13) Submit the financial statements of the REIT Manager together with related information to the Trustee at least 3 days before the due date for filing the financial statements to the SEC Office.

The aforementioned reports are just samples of primary requirement. There may be modifications, increase or reduction in number and type of the reports, and change of reporting format in the future in order to correspond with the securities law, other relevant laws, and the orders of relevant competent officers.

4. Duty in Executing Agreement Relating to the Provision for Benefits from Immovable Properties

- 4.1 The REIT shall procure benefits from its core properties which are immovable properties only through leasing and/or subleasing. Such leasing/subleasing value shall not be lower than 75 per cent of the total sold units plus borrowings (if any).
- 4.2 The REIT Manager shall control, supervise, implement controlling measures, and undertake any other actions as deemed necessary and appropriate to ensure that lessee and/or the sub-lessee perform their functions in accordance with the duties, conditions and/or agreements specified in the lease/sublease contract, as well as the rules, criteria, regulations and any provisions of the core properties or policy related to the core properties.

8.1.4 Personnel

As of 30 December 2015, Land and Houses Fund Management Company Limited has a total of 47 employees. Details of the persons in charge of the major work units of the company as are as follows:

Unit	No. of Personnel	Person in Charge	Qualifications and Experiences
Property Investment Department	6	Miss Piangdao Wattanayakorn Mr. Nold Swangjang Mr. Voranon Asavakittimetin Miss Nutrinee Jiraonkarn	Managing Director; 33-year experience in finance field and 3-year experience in property investment. Executive Vice President; 18-year experience in finance and property investment field. Vice President; 13-year experience in finance and property investment field. Assistant Vice President; 8-year experience in finance and property investment field.
Mutual Fund and Private Fund Investment Department	7	Mr. Wirat Vittayasritada	Assistant Vice President; 7-year experience in asset management business.
Dealing Department	3	Miss Jintana Suchanchart	Vice President 20-year experience in finance field.
Operations Department	4	Mrs. Jiraporn Parksupo	Executive Vice President; 24-year experience in finance field and asset management business.
Information Technology Department	2	Mr. Santi Chairatthanathananon	Vice President; 16-year experience in asset management business.
Risk Management Department	2	Miss Lilly Ratanasupakorn	Vice President; 20-year experience in finance field and asset management business.
Compliance and Internal Audit Department	3	Mrs. Nawarat Puangphairoite	Vice President; 19-year experience in finance field and 8-year experience in asset management business.

8.2 The Property Manager

L&H Retail Management Company Limited

- **General Information**

Location	: 1 Q. House Lumpini Building, 15 th Floor, South Sathorn Road, Tung Maha Mek, Sathorn, Bangkok 10120.
Company Registration No.	: 0105555014553
Telephone	: 02 343 8899
Facsimile	: 02 343 8890
Registered Capital	: Baht 100,000.
Paid-up Capital	: Baht 100,000.

The REIT Manager shall mention in the Trust Deed when it wish to delegate part of the duties of property management to the Property Manager by specifying the remuneration in performing the function of Property Manager as well as the duties and responsibilities of the Property Manager as follows:

1. Manage and maintain the core properties of the REIT effectively to ensure that they are in good conditions and ready for generating regular income for the REIT.
2. Arrange for the core properties to be reformed, restored, or modified as deemed necessary and appropriate.
3. Collect revenue from the core properties and other related properties,
4. Perform the function of Property Manager under the principal of duty of loyalty and duty of care by taking into consideration the standard of professionalism as a property manager and the benefits of the REIT.
5. Undertake any other actions specified in the Trust Deed, or as delegated by the REIT and the property investment committee, or any actions prescribed by the SEC Office as duties of the Property Manager.

8.3 The Trustee

8.3.1 General Information

Name of the Trustee	: SCB Asset Management Company Limited
Location	: 7 th –8 th Floors, SCB Park Plaza 3, No.18 Ratchadapisek Road, Jatujak , Bangkok 10900
Company Registration No.	: 0105535048398
Telephone	: 02 949 1500

Facsimile	: 02 949 1501
Website	: http://www.scbam.com/
Registered Capital	: Baht 200,000,000.
Paid-up Capital	: Baht 100,000,000.

8.3.2 Duties and Responsibilities of the Trustee

- (1) Perform duties with due care and loyalty for the best benefits of the Unitholders as a whole and in compliance with the Trust Deed and the relevant laws as well as any additional commitments provided in the document disclosed to investors (if any). In case there is any damage arising from the failure to undertake its duties, the Trustee shall be liable to such damage without any limitation of liability.
- (2) Monitor and oversee the activities of the REIT Manager and other assigned person according to 8.3.2 (7) (if any) to ensure that they perform their functions in compliance with the Trust Deed and other relevant agreements.
- (3) Attend every Unitholders' meeting and undertake the following actions if the Unitholders' resolution with respect to any proposed action is sought for:
 - (3.1) Respond to inquiries or give opinions whether or not such action is in compliance with the Trust Deed or the relevant laws;
 - (3.2) Lodge a protest and notify the Unitholders that such proposed action could not be pursued if it is in contravention of the Trust Deed and the relevant laws.
- (4) Enforce the repayment of debts or supervise the enforcement of debt repayment to comply with the agreements between the REIT and third parties.
- (5) Manage the REIT on behalf of the REIT Manager in case that there is no REIT Manager or the REIT Manager is unable to perform its duties. Such action shall be pursued in accordance with the regulations stipulated in the Trust Deed and the relevant laws.
- (6) Have other rights, duties and responsibilities as specified in the securities law and other relevant laws.
- (7) Assign the REIT Manager to manage the properties which are not core properties of the REIT on behalf of the Trustee.
- (8) Rectify the Trust Deed as per order of the SEC Office.
- (9) Prohibited to set off the obligation arising beyond the performance in trusteeship owed by the trustee to a third party against the obligation arising from the management of trust owed to the trust by the third party. In case of contravention to this regulation, the action shall be voided.
- (10) In proceeding with a juristic act or a transaction with a third party, the Trustee shall notify the third party in writing that it acts in trusteeship, and apparently

stipulates in the evidence of that juristic act or transaction that it acts in trusteeship.

- (11) Prepare an account of the REIT's property separately from any other accounts under its responsibility. In cases where the Trustee manages several REITs, it shall prepare the account of trust property of each REIT separately. In doing so, the Trustee shall keep such account correct and up-to-date.

In managing a REIT, the Trustee shall segregate the REIT's property from those held in its own capacity and any property in its possession. In cases where the Trustee manages several REITs, it shall segregate the property of one REIT from another.

- (12) In cases where the Trustee fails to perform the duty under the aforementioned clause which causes the REIT's property to be commingled with the property held in its own capacity in the manner that it is unable to distinguish the REIT's property from those held in its own capacity, it shall be presumed that:

- (1) The commingled property is held in the REIT;
- (2) The damage and liability arising from the management of commingled property are the Trustee's own bearing;
- (3) The benefit arising from commingled property belongs to the REIT.

- (13) In cases where the Trustee fails to perform duty under the aforementioned clause which causes the property of two or more REITs to be commingled in the manner that it is unable to identify to which respective REIT the property belongs, it shall be presumed that the commingled property, including property that is transformed into a different form or state, and any benefits or obligations incurred from the management of such commingled property shall belong to each REIT in proportion of an amount brought to commingle.

- (14) The trustee shall not delegate its duty to other persons except where:

- (14.1) The Trust Deed provides otherwise;
- (14.2) It is a transaction that is not personal in nature and needs no capability of trustee's profession;
- (14.3) It is a transaction that a reasonable prudent owner of the property of the same characteristics as the REIT's property, who manages such property with similar objectives to those of the REIT, may delegate a third person to manage such property;
- (14.4) It is the function of safekeeping of assets, preparation of Unitholder Register, or back office operation.
- (14.5) Any other cases that are responsible by the REIT Manager and comply with the Trust Deed or the regulations specified by the SEC in its notification as delegable matters.

In cases where the Trustee contravenes the first paragraph, the management shall bind the Trustee personally, and not bind the REIT.

(15) In case where the Trustee delegates the duties in relation to the management of the REIT to other persons, the Trustee shall act prudently and carefully in such selections and shall oversee and inspect the performance of such delegated duties adequately by establishing measures related to the delegation of duties in accordance with the regulations stipulated in the Notification of the Securities and Exchange Commission No. KorKhor.1/2553 Re: Work System, Contact with Investors and General Business Operation of Trustees as follows:

- (15.1) Selection of appropriate persons for delegation of duty which takes into account the readiness of the work system and of the delegated persons as well as any possible conflict of interest between the delegated persons and the REIT's property;
- (15.2) Control and monitoring of performance of the delegated persons;
- (15.3) Actions to be taken by the Trustee in the event that the delegated persons become inappropriate for further delegation of duties.

In this respect, the SEC may stipulate details of proceeding to be abided by the Trustee on such matters.

(16) In case of change of Trustee, if the new Trustee finds that before taking its trusteeship, the previous management of the REIT has contravened the provisions stipulated in the Trust Deed or the Trust Act, and consequently caused damage to the REIT's property, the new Trustee shall proceed as follows:

- (16.1) Claim compensation from the Trustee who is liable to the damages;
- (16.2) Recover a property from a third person regardless of whether such third person directly acquired such property from the former trustee and whether such property is transformed into a different form or state, except the acquisition of the property was done in good faith and for value, providing further that the person acquired that property did not know or should not have known that the acquired property has been disposed or transferred in breach of trust.

(17) In managing a REIT or delegating any person to manage a REIT in accordance with (14), if there is any expenses, proceeds or other properties obliged to pay a third person which the Trustee rightfully pays from property held in its own capacity with due necessity, the Trustee shall be entitled to obtain reimbursement from proceeds or property out of the REIT's property unless the Trust Deed specifies that the payment shall be borne by the Trustee.

The right to obtain reimbursement from the proceeds or property under the first paragraph shall have priority over the claim of a beneficiary and the claim of a third person against the REIT's property and may be immediately exercised, at any time before the REIT is terminated. In cases where the transformation of the REIT's property is necessary in order to reimburse the proceeds or property to the Trustee, the Trustee is empowered to do so but only to the extent that it is done in good faith.

For the purpose of protecting the REIT's property, the SEC shall have the power to issue notifications prescribing rules, conditions and procedures concerning the payment of the Trustee's own money or property to the third person under the first paragraph or the exercise of trustee's right under the second paragraph.

(18) The Trustee shall be prohibited from exercising the right under (17) unless it has performed all of its obligations owed to the REIT except where those obligations can be set off under the Civil and Commercial Code.

(19) In cases where the Trustee fails to manage the trust in accordance with the Trust Deed or the Trust Act, the Trustee shall be liable to indemnify the REIT.

In cases where it is necessary and there is a reasonable ground for the benefit of the REIT, the Trustee may apply for the SEC Office's approval prior to the management of trust in a different manner from those stipulated in the Trust Deed. The Trustee shall not be liable under the first paragraph if the Trustee manages the trust property as approved, in good faith and for the best interest of the REIT.

(20) The Trustee shall ensure that the Trust Deed complies with all material aspects of the relevant laws and shall act in accordance with the following rules:

(20.1) Ensure that any amendment to the trust deed complies with the procedures and conditions as specified in the Trust Deed and the rules as stipulated in the relevant law;

(20.2) In case an amendment to the Trust Deed fails to meet the requirements as prescribed under Sub-clause (20.1), the Trustee shall proceed in accordance with its power and duties as specified in the Trust Deed and the Trust Act in order to protect the rights and interest of the Unitholders as a whole;

(20.3) In case there is any subsequent change to the rules relating to the offering of Units or REIT management promulgated under the Securities and Exchange Act and the Trust for Transactions in Capital Market Act, the Trustee shall amend the Trust Deed in compliance with such rules according to the procedures specified in the Trust Deed or in accordance with the SEC Office's order.

(21) The Trustee shall govern, control and monitor the REIT Manager or any other assigned person (if any) to ensure compliance with the Trust Deed and the relevant laws. The governing, control and monitoring shall include the following duties:

(21.1) Ensuring that the REIT is managed by the REIT Manager whose approval from the SEC Office shall last throughout the entire existence of the REIT, except for the case of (23);

(21.2) Governing, monitoring and proceeding as necessary to ensure that the assigned person has maintained the qualifications and has performed duties in compliance with the Trust Deed and the relevant

laws, including dismissal of the current assigned person and appointment of a new one;

- (21.3) Governing that the investment of the REIT complies with the Trust Deed and the relevant laws;
 - (21.4) Governing that the information of the REIT is disclosed accurately and completely in compliance with the Trust Deed and the relevant laws;
 - (21.5) Giving opinions relating to management or execution of transactions for the REIT by the by the REIT Manager or other assigned person (if any) in support of seeking resolutions of the Unitholders' meetings, disclosure of REIT information to investors, or upon request of the SEC Office.
- (22) In case the REIT Manager has acted or failed to act causing damage to the REIT, or the REIT Manager has failed to perform its duties in accordance with the Trust Deed, the Trustee shall proceed as follows:
- (22.1) Submit a report to the SEC Office within 5 business days as from the date when such circumstance becomes known or should have been known;
 - (22.2) rectify, desist or mitigate such damage as deemed appropriate.
- (23) In case the REIT Manager is unable to perform its duties, the Trustee shall manage the REIT as necessary to prevent, refrain or limit severe damage to the REIT or the Unitholders as a whole, and shall proceed in accordance with the powers and duties as specified in the Trust Deed and the Trust for Transactions in Capital Market Act B.E. 2550 (2007) in appointing a new REIT Manager.
- Whereas the Trustee shall replace the management of the REIT under the first paragraph, it may appoint another person to manage the REIT in the interim, provided that such appointment is in accordance with the scope, rules and conditions as specified in the Trust Deed.
- (24) In case the Trustee is also a Unitholder of the REIT, the Trustee shall cast any vote or take any action by taking into account the best interest of the overall Unitholders by adhering to the principles of good faith and care, including avoidance of any conflict with or effect on the performance of its duties as Trustee of the REIT.
- (25) The Trustee shall prepare the Unitholders' Register, or assign a licensed securities registrar to prepare such register on behalf of the Trustee. The Unitholders' Register shall contain at least the particulars specified in the Notifications of the SEC.
- (26) The Trustee shall provide evidence representing the rights in units and shall deliver it to the Unitholders, which shall convey at least the information specified in the Notifications of the SEC, except where the evidence is provided by the system of a securities depository center.

- (27) Subject to the rules under (26), in case a Unitholder requests the Trustee or the Securities Registrar to issue new evidence representing rights in units to replace the one having been lost, faded, or materially damaged, the Trustee shall proceed to conform to the request within a reasonable period of time.

8.3.3 Trustee and Custodian Fees

The Trustee of the REIT is entitled to receive remunerations in terms of trustee fee and custodian fee on a monthly basis at the rate of 1.00% per annum of the adjusted net asset value of the REIT, which is equivalent to total asset value minus non-interest bearing liabilities and borrowings of the REIT to the extent that these do not exceed 10% of total assets. The fee is calculated by the REIT Manager and certified by the Trustee. The REIT Manager shall calculate the trustee fee at the end of the last day of every month and collect such fee by monthly amortization from the REIT's account, with a minimum fee of Baht 2,000,000 per annum.

8.4 Investment Committee of the REIT

- None –

8.5 Name, Address, and Telephone Number of Related Parties

8.5.1 Auditors

Name	: EY Office Company Limited
Address	: 33 rd Floor, Lake Rajada Office Complex, 193/136-137 New Rajadapisek Road, Khlong Toei, Bangkok 10110
Telephone	: 0-2264-0777
Facsimile	: 0-2264-0789-90

8.5.2 Registrar

Name	: Thailand Securities Depository Company Limited
Address	: 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400
Telephone	: 0-2009-9000
Facsimile	: 0-2009-9991

8.5.3 Appraisal Firms

Name	: TAP Valuation Company Limited
Location	: 37th Floor, RS Tower 121/101 Ratchadaphisek Road, Dindaeng, Bangkok 10400
Telephone	: 0-2642-2712-14, 0-2641-3631-35
Facsimile	: 0-2642-2711

8.6 Historical Records of Administrative Sanctions and Fines Being Imposed

- None -

9. Corporate Governance

9.1 Corporate Governance Policy

The Management Company has maintained a policy to adhere strictly to the securities laws as well as the notifications, rules, regulations, orders, or circular notices amended or promulgated by the SEC, the Capital Market Supervisory Board, the SEC Office, and the Stock Exchange of Thailand. It has set up an Investment Advisory Committee and an Investment Committee to deliberate matters related to investment and has a Fund Supervisor to review the Company's operations.

The Company has committed to ensure good corporate governance through the preparation of reports on conflicts of interest, as well as the establishment of an appropriate asset management operating system, code of ethics in asset management business, and other related measures.

9.2 Sub-Committee

- None -

9.3 Committee Meeting

- None -

9.4 Control of Inside Information

The Management Company has proper control of using inside information by adopting the following measures:

1. Separation of Work Area and Accessibility Control

- 1.1 The Management Company has arranged for the working space of the Investment Division, of which major responsibility involves decision making in investment and sending trading orders to brokers, to be separated from other work units. An

Access Control System is introduced to ensure effective security control of inside information.

- 1.2 Any access to the control area must seek prior authorization from the Head of Investment and being recorded in the access registration list.
- 1.3 The Risk Management Department and the Compliance Unit have separate working areas, each accompanying by a clear-cut organizational structure, job details and floor plans that demonstrate appropriate segregation of duties and responsibilities.

2. Staff Dealing Rules

The Management Company has set forth regulations pertaining to securities trading of its employees. Such regulations cover procedures in granting approval to the trading of securities and the RIET units with which all employees are required to comply strictly.

3. The Compliance Unit closely monitors the transactions related to securities in the Watch List and Restricted List. Details of such transactions are as follows:
 - The issuer of such securities enters into an agreement or signs a contract assigning the REIT Manager to establish the REIT;
 - The issuer of such securities enters into an agreement or signs a contract assigning the REIT Manager to raise/reduce the capital of the REIT;
 - The REIT Manager is in the process of making distribution payment of the REIT.
4. Disclosure of Connected Transactions according to the Notifications of the SEC Office as well as the SET Regulations. Procedures for the disclosure are as follows:
 - 4.1 The Compliance Unit shall control the connected transactions by identifying the persons who have connection with the liquidity management in the Bonanza Investment System. In this respect, the entry of information shall be done by the Risk Management Department subject to the approval of the Compliance Unit. Whenever the Investment Department makes a transaction with such connected persons, approval from the authorized person is required before any further execution.
 - 4.2 In case of property investment, when the Investment Department invests in the property for the REIT, the REIT Manager shall disclose such connected transaction to the Stock Exchange of Thailand on the same date of the transaction.

The measures for preventing conflicts of interest are determined on the ground that the Board of Directors are not involved in day-to-day operations and the REIT Manager does not have access to the investment database everyday, except for the necessary case such as debt services default by the issuer of the securities, etc., and the issue is reported to the Board of Directors. Since the information has not made known to the public yet, the name of the securities therefore shall appear on the Watch List and Restricted List.

9.5 Decision Making on Investment and Management of the REIT

The REIT Manager has established the processes and procedures in selecting immovable properties for investment. The criteria for selection include marketing and financial feasibility, validity of certificates of ownership, inspection of building, value appraisal of the property, and opinion of financial advisor. In managing the REIT, the REIT Manager

possesses a total of 14 operating systems as mentioned below and a team of qualified and experienced staff including REIT management, operations functions, and back office operations, with the main objective to manage the REIT for the benefits of the Unitholders.

Operating Systems of the REIT Manager

Main Systems	Sub-Systems
Property Selection and Investment Consideration	<ul style="list-style-type: none"> • Property selection procedures and risk appraisal • Approval system for core property acquisition • Property examination system
Strategy Formulation and Management of the REIT	<ul style="list-style-type: none"> • Annual action plans and annual audit plans • Market positioning
Selection of Property Manager	<ul style="list-style-type: none"> • Initial short-listing procedure • Criteria for selecting Property Manager
Selection of Service Provider	<ul style="list-style-type: none"> • Criteria for selecting Service provider
Review of Insurance Type and Sum Insured	<ul style="list-style-type: none"> • Criteria for considering property insurance
Supervision of Property Management	<ul style="list-style-type: none"> • Determination of duty and responsibility of Property manager • Supervision of Property Manager's performance • Methods for inspecting property • KPI for supervising Property Manager in performing their functions
Supervision of Revenue Collection and Expense Disbursement	<ul style="list-style-type: none"> • Supervision of revenue collection • Control of expense disbursement
Supervision of Borrowing and Creation of Encumbrances	<ul style="list-style-type: none"> • Consideration of borrowing objective and details
Analysis of the Capability of the Revenue Guarantor (if any)	<ul style="list-style-type: none"> • Analysis of financial position and the ability to generate revenues
Prevention of Conflicts of Interest between the REIT and Connected Persons	<ul style="list-style-type: none"> • Control of connected persons with potential conflicts of interest • Connected transactions between the REIT and the REIT Manager or its connected persons

Main Systems	Sub-Systems
	<ul style="list-style-type: none"> • Prevention of Conflicts of Interest in Managing the REIT
Monitoring system to ensure that the personnel related to REIT Management maintain appropriate qualifications according to their job.	<ul style="list-style-type: none"> • Monitoring system to ensure that the REIT Manager maintain appropriate qualifications and properly perform his duties. • Operating system of the Compliance Unit.
System supporting information disclosure of the REIT.	<ul style="list-style-type: none"> • Information Disclosure System of the REIT
Back Office Operating System	<ul style="list-style-type: none"> • Preparation of Financial Statements • Calculation of asset value and Unit's value • Monitoring system of the Compliance Unit • Director and Officers Liability Insurance
Internal Control and Handling of Complaints and Disputes	<ul style="list-style-type: none"> • Internal control and audit systems • Guidelines for handling of complaints • Dispute resolutions

9.6 Selection of Property Manager

The Management Company has implemented procedures for selecting the property manager, taking into consideration the qualifications prescribed by the SEC Office (if any). The qualified property manager must be capable of managing the assigned property. In addition, it must have a team of knowledgeable and experienced personnel in property management, strong financial position (demonstrated by the operating results over the past 3 years), credible management structure, and adequate measures for preventing conflicts of interest, with the main objective to protect the benefits of the Unitholders.

9.7 Supervision of the Performance of the Property Manager

The REIT Manager has assigned the Property Manager to manage and procure benefits from the properties invested by the REIT and set forth the following guidelines for supervising the Property Manager in undertaking such functions:

- 1) The Property Manager shall prepare the annual budget subject to approval of the Management Company in the capacity of the REIT Manager.
- 2) The Management Company shall undertake regular site visit to ensure that the properties are in good condition, ready to utilization, and are used in accordance with the objective and details specified in the Project.
- 3) The Management Company shall arrange meetings with the Property Manager in order that the operating results are reported regularly.

- 4) The Management Company shall review the operating results of the Property Manager or monitor the interests of the REIT from the REIT's financial statements both on the aspects of revenue collection and expenditure management on a monthly and quarterly basis.
- 5) Other related measures.

9.8 Monitoring of the Interests of the REIT

The REIT Manager has the primary objective to ensure that the Unitholders of the REIT receive regular and on-going interests from investment by taking into consideration the benefits derived from the development and quality enhancement of the core properties. The REIT Manager has the guidelines and mechanisms in monitoring and supervising the interests arising from the core properties of the REIT as follows:

- 1) The REIT and the Trustee shall monitor the operating performance of the REIT each year by making comparison with the annual budget and the performance of the REIT over the past year in order to ensure that the properties invested by the REIT are generating profits for the REIT. In case that the operating results of core properties fail to meet the target, the REIT Manager and the Trustee shall undertake detailed analysis to find out the cause and closely cooperate with the Property Manager to develop future action plans to improve the performance of the core properties in accordance with the targets or projections.
- 2) The REIT Manager and the Property Manager shall cooperate to enhance growth of the REIT and develop good relationship with all types of clients. Moreover, they shall manage the occupancy rate and the rental fee properly in order to generate maximum benefits for the REIT. At the same time, the REIT Manager and the Property Manager shall cooperate to control and manage the cost of marketing and the risks arising from management of the core properties.
- 3) The REIT Manager and the Property Manager shall cooperate to increase the efficiency in managing the core properties and shall control and manage the spending on operations without having adverse impact on the quality of services.
- 4) The REIT Manager and the Property Manager shall work closely to enhance the capacity of the core by undertaking the following:
 - Determine target group of the core properties through adjustment of marketing strategy and level of services. The rental rate shall also be set appropriately in correspondence with the needs of each target group.
 - Oversee and maintain the area of the core properties such as improvement of the public and common areas as well as improvement of specific area for appropriate use.
 - Improve the image of the core properties, maintain them up to professional standard, and repair them for proper use in order to ensure customers' satisfaction.

9.9 Remunerations of the REIT Manager

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 amortization from the REIT's account. The total of management fee shall not be lower than 3,000,000 Baht per year.

9.10 Disclosure of Information

9.10.1 Reports of the REIT

The REIT Manager shall prepare an annual report of the REIT as of the end of each accounting period and submit such report to the Unitholders whose name appear on the Unitholders' Register as well as the SEC Office within 4 months from the end of the accounting period. Such report shall contain the information specified in the Notification of the SEC Office.

9.10.2 Report on Investment in or Disposition of Immovable Properties or Leasehold Right

The REIT Manager shall submit the summary of material information regarding investment in or disposition of immovable properties or leasehold right of the REIT to the Unitholders and the SEC Office within 15 days from the date on which the property or the leasehold right was invested or disposed of and shall arrange for such material information to be placed at every premises of the Management Company and the Head Office of the Trustee within 15 days from the date on which such property or leasehold right was invested or disposed of in order to enable the investors to have a review on such matters. The summary document shall contain important information prescribed in the Notification of the SEC Office.

9.10.3 Report on Other Incidents as Specified by the SEC and the Stock Exchange of Thailand

The REIT Manager shall disclose the information in compliance with the provisions of the SEC and the Stock Exchange of Thailand via the website: www.set.or.th.

9.11 Unitholders' Meeting

The REIT Manager shall arrange meetings for the Unitholders as follows:

- (1) An annual general meeting shall be held within 4 months from the end of the accounting period of the REIT;
- (2) An extraordinary meeting shall be held upon occurrence of the following events:

12.2.9 When the Unitholder deems it appropriate to call a meeting for the benefits of the REIT;

12.2.10 When the Unitholders holding an aggregate of not less than 10% of the total sold units express their intention in writing with clear rationale to the

Trustee to call a meeting in writing with clear reasonableness for such a calling. In this connection, the REIT Manager shall arrange a Unitholders' meeting within 1 month from the date of receiving the request from the Unitholders.

If the REIT Manager fails to arrange the Unitholders' meeting within the time frame specified in the above paragraph, the Trustee may proceed to call the meeting instead.

Calling of Unitholders' Meeting

The REIT Manager shall prepare a calling notice specifying the venue, date, time, agenda, and matters to be proposed at the meeting together with appropriate details and clearly identifying whether such matter is for acknowledgment, approval or consideration, as the case may be, including the opinion of the REIT Manager on such matter and any possible impact on the Unitholders as a result of passing a resolution on such matter. Such calling notice has to be delivered to the Unitholders not less than 7 days prior to the meeting date. In addition, the calling of meeting has to be announced on at least 1 local daily newspaper for not less than 3 days prior to the meeting date.

Proxy Authorization

The Unitholders may authorize a proxy to attend the meeting and vote on their behalf. The proxy form must be duly dated and signed by the Unitholders who authorize the proxy and delivered to the REIT Manager or the person designated by the REIT Manager at the meeting venue before the proxy attending the meeting.

Quorum for the Meeting

- (a) A quorum has to consist of not less than 25 Unitholders or proxies, or not less than half of the total number of the Unitholders who hold an aggregate amount of not less than one third of the total units sold;
- (b) If a quorum is not present within 1 hour after the appointed time for the commencement of the meeting, the meeting shall be dissolved in the case that the meeting is convened upon the request of the Unitholders. If the meeting is not convened at the request of the Unitholders, the REIT Manager shall call another meeting by sending the calling notice to the Unitholders not less than 7 days prior to the meeting. In this latter case, a quorum is not required.

Presiding at the Meetings

The REIT Manager shall appoint any of its directors, who is the representative of the REIT Manager, to preside as Chairperson at the Unitholders' meeting. The Chairperson shall have the power and duties to ensure that the meeting proceeds smoothly and properly. Notwithstanding, in the case that the REIT Manager has interests in the matter under consideration, the Trustee or the representative of the Trustee shall appoint another person to act as the Chairperson for the respective agenda.

Vote Counting

One unit has one vote. Moreover, the Unitholders who have the voting right must not hold a special interest in the matter under consideration.

Unitholders' Resolution

- (1) For an ordinary issue, the resolution shall be passed by the majority vote of the Unitholders who attend the meeting and have the right to vote;
- (2) For the following issues, the resolution shall be passed by not less than three fourths of the total number of votes cast by the Unitholders who attend the meeting and have the right to vote:
 - (a) An acquisition or disposal of the core properties with the value not less than 30% of the total asset value of the REIT;
 - (b) Raising or reducing of the paid up capital which has not already been specified in the Trust Deed in advance;
 - (c) Raising of capital by general mandate;
 - (d) Execution of a transaction with the REIT Manager or related person of the REIT Manager at an amount not less than 20 million baht or more than 3% of the net asset value of the REIT, whichever is higher;
 - (e) Changing in the distribution and the return of investment to the Unitholders;
 - (f) Change of Trustee;
 - (g) Amendment to the Trust Deed regarding a matter which affects the right of the Unitholders materially;
 - (h) Dissolution of the REIT.
- (3) The resolution of the Unitholders which will cause the REIT or the REIT Management contrary to or in contravention of the Trust Deed or other rules under the Securities and Exchange Act or the Trust Act shall not take effect.

9.12 Nomination and Appointment of Directors and Top Management

- None -

9.13 Remunerations of the Auditors

For the previous accounting period, the REIT paid an auditors' fee of Baht 200,000, which is collected by the Auditors as actually incurred, to EY Office Company Limited

9.14 Other Actions in Accordance with the Principle of Corporate Good Governance (if any)

- None -

10 Corporate Social Responsibilities

10.1 Overall Policy

The Management Company in the capacity of the REIT Manager is aware of its social responsibility and is committed to the policies of business conduct with fairness, anti-corruption practice, human right esteem, workforce handling with fairness, consumer responsibility, preserving and taking good care of environment, social and community development cooperation, and gaining and disseminating of innovation acquired from responsibility operation to the society, environment and the stakeholders.

10.2 Undertaking of CSR Activities

In 2015, the Management Company adhered to the policy of business conduct with fairness through internal control mechanisms and implementation of company's rules and regulations. The Company has developed a Compliance Manual which specifies the Code of Ethics and Business Conduct serving to guide the actions of the employee under the standard of duty of loyalty and duty of care, regulations and procedure guidelines related to the employees, regulations and procedure guidelines in undertaking REIT management business, disclosure of information related to REIT management and the conflicts of interest, supervision of material information, handling of clients' complaints, and regular reporting to the Audit Committee and the Board of Directors, etc.

Moreover, the Company has carried out an anti-corruption program by signing a mutual agreement with the Private Sector Collective Action Coalition against Corruption and has fully committed to the agreement.

10.3 Activities Beneficial to the Society and Environment

The REIT fully supports activities that are beneficial to the society, communities and the environment on appropriate occasions as follows:

- Donate money to fund the construction of the “Ubosot” and offer alms to the monks at Wat Hua Sapan in Buriram Province.
- Donate part of the revenue from the “City of Sweet” Campaign to the “Lunch Fund” of the Bann Nokkamin Foundation
- Donate part of the revenue from the “Valentine Romance of Love” Campaign to The Cardiac Children Foundation of Thailand.
- Donate part of the revenue from organizing “Lingerie Parade” event to Thailand **Breast Cancer Community** (TBCC).

11 Internal Control and Risk Management

The Compliance Unit has the duties to supervise, audit, and monitor the business operations in accordance with the regulations of the SEC Office, the provision stipulated by related laws, and the policies and regulations of the Company, in order to ensure that the business conduct and operations of the Management Company is in compliance with the regulations of the regulators and the rules and regulation of the Company. The Compliance Unit shall prepare a Compliance Manual which specifies the Code of Ethics and Business Conduct serving to guide the actions of the employee under the standard of duty of loyalty and duty of care, regulations and procedure guidelines related to the employees, regulations

and procedure guidelines in undertaking REIT management business, disclosure of information related to REIT management and the conflicts of interest, supervision of material information, and handling of clients' complaints. Moreover, the Compliance Unit shall independently report the results of the reviewing and auditing of compliance to the Audit Committee and the Board of Directors on a regular basis.

The Compliance Unit is responsible for preparing an annual audit plan which is subject to approval of the Audit Committee and covers material issues by taking into consideration the probability of occurrence of any possible incident of noncompliance, the damages incurred by such incident, and risk assessment through cooperation with the Risk Management Unit. The Compliance Unit shall supervise and audit the operations of each business unit in accordance with the action plans, assess the adequacy of the internal control system, and monitor the operations of each unit to ensure compliance with the policy, regulations, procedure guidelines, as well as the code of conduct.

The Audit Committee has the duties to consider the appropriateness in terms of qualifications and performance of the Head of Compliance Unit and grant approval for the appointment, removal, transfer, or terminate, and performance evaluation of the Head of Compliance in order to ensure independency of the Compliance Unit.

Background of the Head of Compliance

Name: Mrs. Nawarat Puangphairoite Age: 46 years

Position: Vice president, Compliance and Internal Audit Department

Education: Bachelor's Degree: Business Administration (Computer Information Management), St. John University

Master's Degree: MBA (Finance and Banking) Ramkamhaeng University

Work Experience in the Field of Compliance

Institution	Position	Period
Kiatnakin Finance Co Ltd	Senior Audit Officer	August 1995-July 2002
BFIT Securities Public Co Ltd	Manager, Compliance Department	August 2002-October 2007
Finansa Fund Management Co Ltd	Vice president, Compliance Department	November 2007-February 2011
Land and Houses Fund Management Co Ltd	Vice President, Compliance and Internal Audit Department	March 2011-Present

Training Courses/Seminars

- "Guidelines for Compliance Supervision" organized by the Compliance Club, Association of Investment Management Companies (AIMC)
- "IT Audit" organized by the Auditors Association of Thailand
- "Laws and Ethics of Fund Managers" organized by AIMC
- "Fundamental Knowledge of Money Market and Securities Investment" organized by Thammasat University
- "Investor Contact" organized by Kasetsart University
- "Understanding the REITs, Property Funds, and Infrastructure Funds" organized by AIMC
- "Derivatives Transactions" organized by AIMC
- "Functions of Head of Compliance" organized by AIMC
- "Compliance with AML/CFT Laws in the Financial Business Sector" organized by Chulalongkorn University

12 Prevention of Conflicts of Interest

The REIT had connected transactions with natural person or juristic person which may lead to conflicts of interest as follows: (Please refer to the notes to financial statements for additional information)

No.	Person/Juristic Person	Relationship	Details of Business Transactions
1	Land and Houses Fund Management Company Limited	<ul style="list-style-type: none"> - REIT Manager - Management Company 	<ul style="list-style-type: none"> - REIT management fee
2	SCB Asset Management Company Limited	<ul style="list-style-type: none"> - Trustee 	<ul style="list-style-type: none"> - Trustee's fee - Bank deposits
3	L&H Retail Management Company Limited	<ul style="list-style-type: none"> - Property Manager 	<ul style="list-style-type: none"> - Property management fee - Overtime Pay
4	LH Mall and Hotel Company Limited	<ul style="list-style-type: none"> - Major unitholder - LH Mall and Hotel Company Limited is held by Land and Houses Public Company Limited 	<ul style="list-style-type: none"> - Distributions of the REIT
5	GIC Private Limited	<ul style="list-style-type: none"> - Major unitholder - Major shareholder of Land and Houses Public Company Limited 	<ul style="list-style-type: none"> - Distributions of the REIT
6	Land and Houses Bank Public Company Limited	<ul style="list-style-type: none"> - Subsidiary of Land and Houses Bank Public Company Limited 	<ul style="list-style-type: none"> - Rental and service income - Bank deposit - Investment in fixed deposit - Investment in certificates of deposit

Note: Investors can review the transactions with related parties of the REIT at the Management Company or via the Management Company's website: www.lhfund.co.th and the SEC Office's website: www.sec.or.th

12.1 Transaction between the REIT and the REIT Manager and the Connected Person of the REIT Manager

12.1.1 Investment by leasing the buildings of the Terminal 21 Shopping Center Project

Juristic Persons/Companies with Possible Conflicts of Interest

Land and Houses Fund Management Co Ltd as REIT Manager

L&H Property Co Ltd as Owner of the Property

Relationship

Land and Houses Fund Management Co Ltd. and L&H Property Co Ltd have the same major shareholder, i.e., Land and Houses Public Co Ltd who holds directly 60% shares of L&H Property Co Ltd and holds indirectly 33.98% shares of Land and Houses Fund Management Co Ltd.

Characteristics of Connected Transaction

The REIT has made investment by leasing the building of Terminal 21 Shopping Center Project and purchasing related movable properties amounting to Baht 5,874.25 million from L&H Property Co Ltd who is the owner of the buildings in Terminal 21 Shopping Center Project and related movable properties. Moreover, the REIT has appointed Land and House Fund Management Co Ltd as the REIT Manager.

Rationale of the Transaction

The REIT Manager has the opinion that such investment has the objective to acquire core properties for the REIT and the value invested by the REIT was reasonable since it was based on the appraised value of Baht 6,256 million and Baht 6,250 million, conducted by 2 independent appraisal companies, namely, Grand Asset Advisory Co Ltd and TAP Valuation Co Ltd, respectively..

12.1.2 Appointment of Property Manager

Juristic Persons/Companies with Possible Conflicts of Interest

Land and Houses Fund Management Co Ltd as REIT Manager

L&H Retail Management Co Ltd as Property Manager

Relationship

Land and Houses Public Co Ltd holds indirectly about 59.97% shares of L&H Retail Management Co Ltd and holds indirectly about 33.98% shares of Land and Houses Fund Management Co Ltd.

Characteristics of Connected Transaction

After making investment in the said properties, the REIT by the REIT Manager has appointed L&H Retail Management Co Ltd as Property Manager of the REIT.

Rationale of the Transaction

The REIT Manager has the opinion that the appointment of L&H Retail Management Co Ltd as Property Manager by the REIT was based on the reason that it has experience in managing the core properties invested by the REIT and the remuneration to be received by the Property Manager is close to the market rate. Therefore, such appointment is deemed reasonable as specified in the Prospectus of the REIT.

12.1.3 Rental of Area in Terminal 21 Shopping Center Project

Juristic Persons/Companies with Possible Conflicts of Interest

Land and Houses Fund Management Co Ltd as REIT Manager

Land and Houses Bank Public Co Ltd as Tenant in the Project

Relationship

Land and Houses Bank Public Co Ltd holds directly 99.99% shares of Land and Houses Fund Management Co Ltd.

Characteristics of Connected Transaction

Land Houses Bank Public Co Ltd leases an area of approximately 102 sq. m. in Terminal 21 Shopping Center for its banking operations and approximately 5 sq. m. for a currency exchange booth as well as 2 ATMs. The leasing agreement will expire on 10 October 2017.

Rationale of the Transaction

The REIT Manager has the opinion that this is a normal transaction as Land and Houses Bank Public Co Ltd leases the area for its branch operations. The average rental rate paid by Land and Houses Bank Public Co Ltd is approximately 10% lower than the average rate of other tenants of the same business on the same floor. Land and Houses Bank Public Co Ltd is among the first group of tenants leasing the area in the Project which help promote public confidence in the Shopping Center. The REIT Manager shall adjust the rental rate to close to the average rental rate of other tenants for the next lease term in order to protect the benefits of the entire Unitholders.

The above transaction is a connected transaction between the REIT and the REIT Manager or its related persons according to Notification No. 26/2555 of the SEC Office which requires an approval of the Trustee or the Unitholders unless such information has been clearly demonstrated in the registration document and the prospectus.

In case of a connected transaction between the REIT and the REIT Manager or its connected persons, the following action shall be pursued according to the Securities Law:

- 1) The definition of “Connected Person of the REIT Manager” shall be in accordance with the definition stipulated in the notification of the Capital Market Supervisory Board regarding rules governing the execution of connected transactions.
 - 2) General conditions and provisions for the REIT in entering into transaction with connected persons are as follows:
 - The execution of connected transaction between the REIT and the REIT Manager or its connected persons must be in compliance with the Trust Deed and relevant laws, and for the best benefits of the REIT.
 - The connected transaction between the REIT and the REIT Manager or its connected persons must be based on reasonable and fair price.
 - The persons who have direct or indirect interest in the transaction shall not involve in the decision making of such transaction.
 - 3) Approval for the execution of connected transaction between the REIT and the REIT Manager or its connected persons shall be obtained through the following procedures:
 - Approved by the Trustee that such transaction is in accordance with the Trust Deed and relevant laws.
 - In case the value of the transaction is higher than Baht 1 million or equal to or higher than 0.03% of the net asset value of the REIT, whichever is higher, approval from the Board of Directors of the REIT Manager is required.
 - In case the value of the transaction is equal to or higher than Baht 20 million or equal to or higher than 3.0% of the net asset value of the REIT, whichever is higher, approval from the Unitholders’ resolution at the Unitholders’ meeting is required. In this connection, the Unitholders’ resolution must not be less than three-fourth of the total votes of the Unitholder attending the meeting and having the right to vote.
- In case that the connected transaction is the acquisition or the disposition of the core property, the value of transaction shall be calculated based on the value of acquisition or disposition of the total properties as well as other related properties of the project which are ready for use to procure benefits for the project.
- 4) Policy for Executing Connected Transaction between the REIT and the REIT Manager or its Connected Persons
 - The undertaking of any transaction between the REIT and the REIT Manager or its connected persons shall be done under the conditions with fairness and appropriateness, and in compliance with the rules and regulations of the securities law including any related rules and regulations to be promulgated by the SEC, the SEC Office, the Capital Market Supervisory Board in the future.

- The REIT shall proceed to disclose the information of such connected transaction to the SEC Office, the Stock Exchange of Thailand, and disclose such information in the notes to financial statements of the REIT which had been audited by the auditor, as well as the annual report of the REIT.

12.2 Transaction between the REIT and the Trustee and the Connected Person of the Trustee

12.2.1 Borrowing

Juristic Persons/Companies with Possible Conflicts of Interest

SCB Asset Management as Trustee

Siam Commercial Bank Public Co Ltd as Lender

Relationship

Siam Commercial Bank Public Co Ltd holds directly 99.99% of shares in SCB Asset Management Co Ltd.

Characteristics of Connected Transaction

In making initial investment in the properties, the REIT shall borrow from Siam Commercial Bank Public Co Ltd, the connected person of the Trustee, to fund the investment.

Rationale of the Transaction

The REIT Manager has searched for information regarding the interest rate, term of borrowing, grace period, time frame for repaying the principal of project financing borrowing, from other commercial banks and found that the terms and conditions that the REIT obtained from the lender is closed to the market rate that commercial banks offer to their prime customers in the same business operations. Besides, the principal and interest repayment conditions offered by the lender to the REIT are better than other lenders.

12.2.2 Rental of Area in Terminal 21 Shopping Center Project

Juristic Persons/Companies with Possible Conflicts of Interest

SCB Asset Management Co Ltd as Trustee of the REIT

Siam Commercial Bank Public Co Ltd as Tenant

Relationship

Siam Commercial Bank Public Co Ltd holds directly 99.9% in SCB Asset Management Co Ltd.

Characteristics of Connected Transaction

Siam Commercial Bank Public Co Ltd leases an area of approximately 114 sq. m. in Terminal 21 Shopping Center for its banking operations and approximately 16 sq. m. for a currency exchange booth as well as 2 ATMs. The leasing agreement will expire on 10 October 2017.

Rationale of the Transaction

The REIT Manager has reviewed the leasing agreement and found that Siam Commercial Bank Public Co Ltd leases the area for its normal branch operations. The rental rate as well as other service and utility fees paid by Siam Commercial Bank Public Co Ltd is close to the average rate of other tenants of the same business on the same floor. Siam Commercial Bank Public Co Ltd is among the first group of tenants leasing the area in the Project which help promote public confidence in the Shopping Center.

12.2.3 Policy for Future Transaction and Tendency for Future Transaction

In case of any transaction between the REIT and the connected person of the Trustee in the future, the following actions shall be taken:

- 1) Disclose the information through the Stock Exchange of Thailand or any other channels which the Unitholders are able to thoroughly access the information;
- 2) Have reasonable period, which shall not be less than 14 days, for disclosure of information;
- 3) Provide appropriate channels, procedures and period of time for clearly demonstrating objection. The period of time for demonstrating objection shall not be less than 14 days except for the case that such transaction is subject to the Unitholders' resolution under which the objection must be unless demonstrated during the process of seeking Unitholders' resolution.

In case the Unitholders have demonstrated objection clearly through the procedures disclosed under Clause 3) in the amount of more than one fourth of the total sold units, the Trustee shall not conduct or allow to execute the transaction arising conflict of interest with REIT.

According to the provisions pertaining to the management of conflicts of interest stipulated in the Trust Deed, the Trustee shall not undertake any action arising conflict of interest with the REIT or causing the Trustee to lose its independent status on the management of the REIT, unless the transaction is in line with the following criteria:

- (a) There are check and balance measures or mechanisms in place to ensure fairness of the transaction;
- (b) There has been sufficient disclosure of information regarding possible conflict of interest of such transaction to the Unitholders and there is no objection demonstrated by the Unitholders, or the objection is

demonstrated by the Unitholders in the amount less than one fourth of the total sold units.

12.3 Soft Commission

No.	Company	Type of Soft Commission	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	UOB Bank Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
9	Government Savings Bank	Information/ Research Analysis	For the benefits of the REIT's investment
10	Asia Plus Securities Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
11	KT Zmico Securities Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
12	Capital Nomura Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
13	KGI Securities (Thailand) Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
14	Thanachart Bank Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
15	Second Mortgage Corporation	Information/ Research Analysis	For the benefits of the REIT's investment
16	Trinity Securities Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
17	Phillip Securities (Thailand) Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment

No.	Company	Type of Soft Commission	Rationale for Accepting Soft Commissions
18	Kiatnakin Bank Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
19	Bank of China	Information/ Research Analysis	For the benefits of the REIT's investment
20	Government Housing Bank	Information/ Research Analysis	For the benefits of the REIT's investment
21	Land and Houses Bank Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
22	Industrial and Commercial Bank of China (Thai) Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
23	TMB Bank Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment

Part 3

Financial Position and Operating Results

13. Financial Highlights

13.1 Summary of Auditors' Report as at 31 December 2014 and 2015

The financial statements for the year 2014 had been audited by Ms. Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516, of EY Office Company Limited, who expressed an unqualified opinion and did not have any special observation.

The financial statements for the year 2015 had been audited by Ms. Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516, of EY Office Company Limited, who expressed an unqualified opinion and did not have any special observation.

13.2 Summary of Financial Statements

a) Summary of the Balance Sheet of LH Shopping Centers Leasehold Real Estate Investment Trust

Assets	31 December 2015		For the Period of 22 December 2014-31 December 2014	
	Baht	%	Baht	%
Assets				
Investments in properties at fair value	6,324,625,848	89.77%	5,941,624,840	88.90%
Investments in securities at fair value	491,668,340	6.98%	389,092,961	5.82%
Cash at banks	113,032,177	1.60%	120,231,169	1.80%
Account receivables				
From rental and services	49,716,264	0.71%	8,200,051	0.12%
From interest	2,212,257	0.03%	37,094	0.00%
From sales of investments in securities	-	0.00%	135,976,977	2.03%
- Other	68,078	0.00%	18,789,688	0.28%
Prepaid expenses	5,567,687-	0.08%	6,490,342	0.10%
Deferred expenses	42,327,444	0.60%	56,604,297	0.85%
Other assets	16,246,159	0.23%	6,773,403	0.10%
Total Assets	7,045,464,254	100.00%	6,683,820,822	100.00%
Liabilities				
Trade accounts payable	47,322,748	0.67%	6,246,460	0.09%
Other payables	10,141,926	0.14%	8,244,505	0.12%
Accrued expenses	49,074,290	0.70%	76,666,530	1.15%
Advance receipt for rental and services	3,999,004	0.06%	4,025,707	0.06%
Deposits from rental and services	242,518,089	3.44%	213,837,196	3.20%
Long-term loan	1,080,000,000	15.33%	1,080,000,000	16.16%
Other liabilities	18,888,064	0.27%	304,575,810	4.56%
Total liabilities	1,451,944,121	20.61%	1,693,596,208	25.34%

Net Assets	5,593,520,133	79.30%	4,990,224,614	74.66%
Net Assets::				
Capital from Unitholders	4,978,259,940	70.66%	4,978,259,940	74.48%
Retained Earnings (losses)	615,260,193	8.73%	11,964,674	0.18%
Net Assets	5,593,520,133	79.39%	4,990,224,614	74.66%
Net Asset Value per Unit (Baht)	11.4606		10.2245	

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2015 and report of the authorized auditors.

b) Summary of the Statement of Income of LH Shopping Centers Leasehold Real Estate Investment Trust

Statement of Income	31 December 2015		For the Period of 22 December 2014-31 December 2014	
	Baht	%	Baht	%
Investment Income				
Rental income	1,123,993,448	99.24%	26,478,819	98.82%
Interest income	7,504,516	0.66%	317,289	1.18%
Other income	1,139,439	0.10%	-	0.00%
Total Income	1,132,637,403	100.00%	26,796,108	100.00%
Expenses				
Cost of rental and service	434,526,122	38.36%	8,712,337	32.51%
Management fee	6,718,599	0.59%	176,890	0.66%
Trustee's fee	4,629,708	0.41%	122,454	0.46%
Registrar's fee	1,918,063	0.17%	53,642	0.20%
Property management fee	50,215,373	4.43%	1,237,195	4.62%
Professional fee	824,784	0.07%	70,000	0.26%
Sales expenses	92,308,785	8.15%	1,747,266	6.52%

Statement of Income	31 December 2015		For the Period of 22 December 2014-31 December 2014	
	Baht	%	Baht	%
Administrative expenses	81,385,712	7.19%	1,579,349	5.89%
Interest expenses	45,900,000	4.05%	1,131,781	4.22%
Total Expenses	718,427,146	63.43%	14,830,914	55.35%
Net Investment Income	414,210,257	36.57%	11,965,194	44.65%
Net realised gains (losses) on investments	41,271	0.00%	(520)	0.00%
Net unrealized gains on investments	385,246,000	34.01%	-	0.00%
Total realised gains (losses) on investments	385,287,271	34.02%	(520)	0.00%
Net increase in net assets resulting from operations	799,497,528		11,964,674	

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2015 and report of the authorized auditors.

c) Summary of the Statement of Cash Flows of LH Shopping Centers Leasehold Real Estate Investment Trust

Statement of Cash Flows	31 December 2015 (Baht)	For the Period of 22 December 2014-31 December 2014 (Baht)
Cash Flows from Operating Activities		
Net cash flows used in operating activities	235,783,291	(5,938,028,771)
Cash flows from financing activities		
Net cash flows from financing activities	(242,982,283)	6,058,259,940
Net increase in cash and cash at banks	(7,198,992)	120,231,169
Cash and cash at banks at the beginning period	120,231,169	-
Cash and cash at banks at the end of period	113,032,177	120,231,169

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2015 and report of the authorized auditors.

14. Management Discussion and Analysis

14.1 Analysis of Past Performance

(a) Overview of Operating Results

As of 31 December 2015, the REIT had a net investment income of Baht 1,132.63 million, comprising Baht 1,123.99 million of income from rental and services and Baht 7.5 million of interest income, and Baht 1.13 million of other income. During the same period, net expenses of the REIT totalled Baht 718.42 million, consisting of Baht 434.526 million of rental and service cost, Baht 81.38 million of administrative expenses, Baht 92.30 million of selling expenses, Baht 12.72 million of fees, and Baht 50.21 million of property management fee.

The REIT earned Baht 414.21 million of net investment income, and posted Baht 385.24 million of unrealized income from investments, resulting in an increase of Baht 799.49 million of net assets from operating activities. As of 31 December 2015, the net asset value of the REIT amounted to Baht 5,593.52 million, representing Baht 11.4606 per unit.

Ratios of Income and Expenses to Net Asset Value

Significant Financial Ratios and Additional Significant Information	31 December 2015	For the Period of 22 December 2014-31 December 2014
Net asset value at the end of the year/period (Baht)	5,593,520,133	4,990,224,614
Ratio of total expenses to average net asset value during the year/period (%)	13.57	0.30
Ratio of total investment income to average net asset value during the year/period (%)	21.39	0.54
Ratio of weighted average investment turnover during the period to average net assets during the period (%)*	3.14	114.17
Average net asset value during the period (Baht)	5,295,088,356	4,990,224,614

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2015 and report of the authorized auditors.

(b) Performance of Project Invested by the REIT

(1) Revenue Analysis

In 2015, the REIT derived income from the rental and services amounting to Baht 1,123.99 million, compared with Baht 26.47 million in 2014. It also gained Baht 7.50 million of interest income, an increase of Baht 7.19 million from the amount of 0.32 million in 2014. As a matter of fact, the REIT was incorporated on 22 December 2014 and had only 10 operating days in 2014.

The operating performance of Terminal 21 Shopping Center Project, the core property invested by the REIT, as of 2014 and 2015 are as follows:

Details	as of 31 December 2013	as of 31 December 2014	as of 31 December 2015
Number of tenants ⁽¹⁾	599	608	599
Leased area ⁽²⁾ (square meter)	31,646	31,676	31,846
Approximate occupancy rate (percentage)	98	99	98
Approximate rental fee ⁽³⁾ (Baht/square meter/month)	1,694	1,765	1,958

Remarks:

- (1) The number included only the number of fixed space tenants and kiosk tenants, excluding the number of sales promotion area tenants.
- (2) The leased area did not take into account the food court area, having an approximate area of 2,396 square meters.

(2) Expenses Analysis

In 2015, the total expenses of the REIT amounted to Baht 718.42 million, an increase of Baht 14.83 million from Baht 703.60 million in 2014.

The REIT had Baht 434.53 million of cost on rental and service of the core property, Baht 92.31 million of selling expenses, Baht 81.38 million of administrative expenses, and Baht 64.31 million of fees. The expenses for incorporation of the REIT are amortized on a straight-line basis over 5 years. Such amortized amount in 2015 was equivalent to Baht 10.73 million.

(3) Net Property Income

As of 31 December 2015, the operating profits before realized and unrealized gains (losses) on investment of the REIT was Baht 414.21 million, compared with Baht 11.96 million of operating profits in 2014. As a result, net investment income of the REIT rose by Baht 402.25 million.

In 2015, the core property invested by the REIT had Baht 487.06 million of net property income. The net profit income margin was 46% whereas the cost to revenue ratio and the EBITDA stood at 54 times and 42%, respectively.

(4) Fees related to REIT Management, Trustee, Registrar, and Property Management, and Professional Fee.

In 2015, the REIT paid a total of Baht 64.31 million fees, consisting of Baht 6.72 million of REIT Management Fee, an increase of 4% over the past year; Baht 4.63 million of Trustee Fee, an increase of 4%; Baht 1.92 million of Registrar Fee, an decrease of 2%; and Baht 50.22 million of Property Management Fee, an increase of 11%. This is in correspondence with the performance of the REIT and the number of days in operations (the year 2014 had only 10 operating days whereas the year 2015 had 365 days). In addition the REIT paid a professional fee of Baht 0.82 million to independent appraisal company and auditors in 2015.

Fee Structure

Fees	31 December 2015 (Baht)	For the Period of 22 December 2014-31 December 2014 (Baht)
Management Fee	6,718,599	176,890
Trustee's Fee	4,629,708	122,454
Registrar's Fee	1,918,063	53,642
Property Management Fee	50,215,373	1,237,195
Professional Fee	824,784	70,000

(5) Gross Profit Margin

The gross profit margin from leasing out of the REIT's core property are as follows:

Financial Ratios Related to Profitability

Profitability Ratios		31 December 2015	For the Period of 22 December 2014-31 December 2014
Gross Profit Ratio	(%)	61.34%	67.10%
Operating Margin Ratio	(%)	40.94%	49.46%
Other Margin Ratio	(%)	0.66%	1.18%
Net Profit Ratio	(%)	36.57%	44.65%
Return on Unitholders	(%)	7.41%	0.24%

(6) Financial Expenses of the REIT

The financial expenses of the REIT comprises interest expenses arising from borrowing to fund the investment in Terminal 21 Shopping Center Project. In 2015, the REIT had Baht 49.50 million of interest expenses, an increase of 11% over the past year since the payment for 2015 is calculated on a full year basis.

(7) Property Management Capacity

The increase of average rental fee in 2015 contributed to higher appraised value of the property. In 2015, the appraised value carried out by TAP Valuation Co Ltd was Baht 6,335 million, compared with the value of Baht 6,256 million and Baht 6,250 million appraised in 2014 (the year the REIT was incorporated) by Grand Asset Advisory Co Ltd and TAP Valuation Co Ltd, respectively. In this respect, both appraisal companies determined the discount rate of the appraised property at 9.50%.

Appraised Value by Income Approach

Property	Appraised Value in 2015 (Million Baht)	Appraised Value in 2014* (Million Baht)	
Appraisal Firm	TAP Valuation Co., Ltd	Grand Asset Advisory Co., Ltd	TAP Valuation Co., Ltd
Date	5 August 2015	20 August 2014	13 August 2014
Terminal 21 Shopping Center Project	6,335	6,256	6,250

* The incorporation date of the REIT was 22 December 2014

Financial Ratios Related to Property Management Capacity

Efficiency Ratios	31 December 2015	For the Period of 22 December 2014-31 December 2014
Return on Assets Ratio (%)	5.88%	0.18%
Asset Turnover Ratio (time)	0.1595	0.0040

(8) Debt Serving Capacity

The REIT had Baht 1,451.94 million of total liabilities, declining by 14% compared with Baht 1,693.60 million in the previous year. More than 175 of the total liabilities was deposits for rental and services, amounting to Baht 242.52 million, which was collected from the tenants as a rental guarantee. Moreover, the REIT had a long-term loan of Baht 1,080 million, accounting for 74% of the total liabilities.

On 22 December 2014, the REIT secured a loan amounting to Baht 1,080 million from a financial institution to fund part of the investment in the Terminal 21 Shopping Center Project. The interest charged on this loan is fixed at 5.25% pa over the first 3 year and at the rate of not higher than MLR minus 1.00% pa after the third year onwards. The repayment of principal and interest shall be made in quarterly installment with the first installment of repayment beginning in March 2018. The full payment of the loan shall be made within December 2027.

(9) Liquidity and Capital Adequacy

As of 31 December 2015, the REIT had Baht 113.03 million of cash and cash at banks, accounting for 2% of total assets. This amount is composed of Baht 3.82 million of cash and 109.21 million of cash deposits at banks. The average interest rate on such deposits was 0.5625% pa.

The major source of funds of the REIT was the cash flows from rental and service income which totaled Baht 1,123.99 million in 2015, increasing by Baht 1,097.51 million from Baht 26.48 million in 2014. Meanwhile, the use of net cash flows from financing activities include cost of rental and services amounting to Baht 434.53 million, selling expenses amounting to baht 92.31 million, and property management fee amounting to Baht 50.22 million.

Taking into consideration the significant financial ratios such as current ration, debt service coverage ratio, quick ratio, and debt to equity ratio, together with the related factors including the fair value of property, current credit line from financial institution, etc, the REIT Manager is of the opinion that the capital structure of the REIT is adequate for debt servicing according to the obligations and its working capital needs.

Financial Ratios Related to Liquidity and Capital Adequacy

Liquidity Ratios		31 December 2015	For the Period of 22 December 2014-31 December 2014
Current Ratio	(time)	1.9380	1.2096
Quick Ratio	(time)	0.4437	0.4616
Account Receivable Turnover	(time)	21.6167	0.1624

Financial Policy Ratios		31 December 2015	For the Period of 22 December 2014-31 December 2014
Gearing Ratio	(time)	0.1931	0.2164
Debt to Equity Ratio	(time)	0.2596	0.3394
Interest Coverage Ratio	(time)	3.14	N/A ¹
Obligation Coverage Ratio (Cash Basis)	(time)	5.14	N/A ¹
Distribution Payment Ratio	(%)	43.37%	0.00%

¹ The ratio is currently not available because the cash flows from operating activities and the interest payment for operations have not been actually paid according to the cash basis.

Cash Flows from Operating Activities

Statement of Changes in Net Assets	31 December 2015 (Baht)	For the Period of 22 December 2014-31 December 2014 (Baht)
Cash flows from operating activities		
Net cash flows used in operating activities	235,783,291	(5,938,028,771)
Cash flows from financing activities		
Net cash flows from financing activities	(242,982,283)	6,058,259,940
Net increase in cash and cash at banks	(7,198,992)	120,231,169
Cash and cash at banks at the beginning period	120,231,169	-
Cash and cash at banks at the end of period	113,032,177	120,231,169

(10) Distribution Payment

The REIT made a total distribution payment of Baht 0.775 per unit in 2015, representing 7.60% and 7.31% of the IPO price and the market price at year-end 2015, respectively. The distribution payment is in compliance with the distribution payment policy stipulated in clause 7.3.

Distribution Payment History

Operating Period	Dividend Yield per unit (Baht)	Payment Date	Type
22 December 2014-31 December 2014	0.0220	30 March 2015	Dividend Yield
1 January 2015-30 June 2015	0.3800	4 September 2015	Dividend Yield
1 July 2015-31 December 2015	0.3950	16 March 2016	Dividend Yield

Disclosure of Information Regarding Distribution Payment

Year	2015	For the Period from 22 December 2014-31 December 2014
(1) Dividend yield per unit (Baht)	0.775	0.22
(2) Sharing of equity per unit (Baht)	0.00	0.00
Total Distribution Payment per unit (1) + (2) (Baht)	0.775	0.22
(3) Percentage of IPO Price* (Baht 10.00 per unit on 22 December 2015)		
(3.1) Dividend yield rate (%)	7.60%	0.22%
(3.2) Equity sharing rate (%)	0.00%	0.00%
Distribution rate per unit (3.1) + (3.2) (%)	7.60%	0.22%
(4) Percentage of Market Price on 30 December 2015* (Baht 10.00 on 30 December 2015)		
(4.1) Dividend yield rate (%t)	7.31%	0.21%
(4.2) Equity sharing rate (%t)	0.00%	0.00%
Distribution rate per unit (4.1) + (4.2) (%)	7.31%	0.21%

*Note: *Calculated from the dividend yield plus repayment of proceeds from capital reduction over the past year divided by price per unit of the REIT.*

14.2 Factors or Circumstances that May Have Impact in the Future

The Thai economy is expected to grow at the rate of 3.0-4.0% due to the following factors:

Supporting Factors

- (1) The acceleration of government spending and investment.
- (2) The recovery of private investment and the tourism industry.
- (3) The gradually recovery of the world economy and the export sector.
- (4) The weakening trends of the Baht currency which will help stimulate growth of exports in terms of Baht and result in improved revenue and liquidity of the operators.
- (5) Gradual improvement of agricultural prices.

- (6) Prevailing oil prices.
- (7) Continuous expansion of the tourism sector.

Constraints

- (1) Economic slowdown in China.
- (2) The weakening Chinese Yuan currency and other major currencies in countries which are trading partners and competitors.
- (3) Impacts of drought.

The export value is expected to grow by 3.0% whereas household consumption and total investment will expand at the rate of 2.6% and 9.5%, respectively. General inflation is likely to stay around 1.0-2.0% and current account will register a surplus of 5.7% of GDP.

(Source: Press Release on 16 November 2015, Macroeconomic Strategy and Planning Office, Office of the National Economic and Social Development Board)

Outlook for 2016

The Confidence Index and Retail Sales Index have shown positive sign since the third quarter of 2015 onwards and are expected to improve in the last quarter of 2015. Retailers of International and Thai brands are still confident of the purchasing power of Thai people in the long term. Many are still looking for new stores or branches in Bangkok and the provinces. Community malls will continue to grow, but with a declining trend in the future, because many projects have been unsuccessful in the past. As such, community malls would not be able to maintain their popularity in the long term. Some major retailers in Thailand are planning to renovate their retail centers after more than 10 years in operation, adding some new brands/shops to increase the appeal of the centers, as well as relocate some of the tenants. Foreign retailers and foreign retail developers are looking to develop their first retail centers in Bangkok and its vicinity, as well as in other tourist destinations in Thailand.

(Source: *Research & Forecast Report Bangkok Thailand Retail, Q3 2015, Colliers International.*)



JorTor. 11-25590003

29 February 2016

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 REIT manager.

We would you like to inform you that for the period of January 1, 2015 to December 31, 2015, LH Fund manages a REIT properly and efficiency 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,

SCB Asset Management Company Limited

(Mr. Smith Banomyong Mrs. Tipaphan Puttarawigorn)

Trustee

บริษัทหลักทรัพย์จัดการกองทุน ไทยพาณิชย์ จำกัด (สำนักงานใหญ่)
ชั้น 7-8 อาคาร 1 ไทยพาณิชย์โรบินสัน อาคารเลขที่ 18 ถนนวิภาวดีรังสิต แขวงจตุจักร เขตจตุจักร กรุงเทพฯ 10900
โทรศัพท์ 0 2949 1500 โทรสาร 0 2949 1501

SCB Asset Management Co.,Ltd. (Head Office)
7th-8th SCB Park Plaza 1 No. 18 Ratchadapisek Rd., Chatuchak, Bangkok 10900 Thailand Tel. 0 2949 1500 Fax. 0 2949 1501

WWW.SCBAM.COM



Total Expenses Chargeable to the REIT

For the Period during 1 January 2015-31 December 2015

Expenses Chargeable to the REIT	Amount	% of NAV	
	Baht thousand ¹	Actually Charged	As Per the Project
Management Fee	6,718.60	0.13	Not exceeding 2.0% ²
Registrar Fee	1,918.00	0.04	Not exceeding 10%
Trustee Fee	4,629.71	0.09	Not exceeding 1.0%
Property Management Fee	50,215.37	0.95	Not exceeding 1.0%
Professional Fee	824.79	0.02	As Actually Incurred
Financial Adviser's Fee	None	None	As Actually Incurred
Underwriting Fee	8,751.50	0.17	Not exceeding 3.0% of the underwriting value
Interest Expenses	45,900.00	0.87	As Actually Incurred
Rental and Service Cost	434,525.95	8.21	As Actually Incurred
Selling and Administration Expenses	163,871.03	3.09	As Actually Incurred
Expenses for Advertisement, PR and Sales Promotion			
- During IPO	1,052.24	0.00	Not exceeding 1.0% of the NAV on the incorporation date of the REIT
- After IPO	19.00	0.00	Not exceeding 1.0%
Total Expenses	718,427.15	0.08	

Remarks: ¹ Fees and expenses charged to the REIT 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 1 January 2015 to 31 December 2015 is equivalent to Baht 5,295,088,356.14

Auditors' Report and Financial Statements

LH Shopping Centers Leasehold Real Estate
Investment Trust
Report and financial statements
31 December 2015

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 2015, and the related statements of income, changes in net assets, cash flows and significant financial information for the year then ended, 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

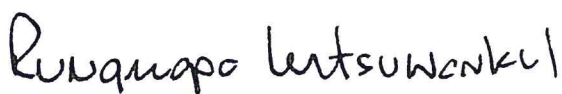
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 2015, and its financial performance, changes in its net assets, cash flows and significant financial information for the year then ended, in accordance with Thai Financial Reporting Standards.



Rungrapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 29 February 2016

LH Shopping Centers Leasehold Real Estate Investment Trust

Balance sheet

As at 31 December 2015

		(Unit: Baht)	
	Note	2015	2014
Assets			
Investments in properties at fair value	7, 15	6,324,625,848	5,941,624,840
(At cost: Baht 5,941,624,840)			
Investments in securities at fair value		491,668,340	389,092,961
(At cost 2015: Baht 491,668,650 and 2014: Baht 389,092,961)			
Cash and cash at banks	8, 15	113,032,177	120,231,169
Accounts receivable			
From rental and services	9, 15	49,716,264	8,200,051
From interest	15	2,212,257	37,094
From sales of investments in securities		-	135,976,977
Other	15	68,078	18,789,688
Prepaid expenses		5,567,687	6,490,342
Deferred expenses		42,327,444	56,604,297
Other assets		16,246,159	6,773,403
Total assets		7,045,464,254	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 2015

		(Unit: Baht)	
	Note	2015	2014
Liabilities			
Trade accounts payable		47,322,748	6,246,460
Other payables	15	10,141,926	8,244,505
Accrued expenses	15	49,074,290	76,666,530
Advance receipt for rental and services		3,999,004	4,025,707
Deposits from rental and services	15	242,518,089	213,837,196
Long-term loan	10, 15	1,080,000,000	1,080,000,000
Other liabilities		18,888,064	304,575,810
Total liabilities		1,451,944,121	1,693,596,208
Net assets		5,593,520,133	4,990,224,614
Net assets:			
Trust registered			
488,064,700 units of Baht 10.20 each		4,978,259,940	4,978,259,940
Capital from unitholders	11		
488,064,700 units of Baht 10.20 each		4,978,259,940	4,978,259,940
Retained earnings	12	615,260,193	11,964,674
Net assets		5,593,520,133	4,990,224,614
Net asset value per unit (Baht)		11.4606	10.2245
Number of units issued at the end of year (units)		488,064,700	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 2015

Detail of investments were classified by asset type.

Type of investments	Areas held by the Trust	Issued No. / Issue name	Maturity date	Yield rate (Percent)	2015		2014	
					Fair value (Baht)	Percentage of investment	Fair value (Baht)	Percentage of investment
						(Percent)		(Percent)
Investments in properties (Note 7)								
Project Terminal 21 Shopping Center								
Location: Sukhumvit 19 (Wattana)								
Klongtoey-Nua Wattana Bangkok								
97,905 Sqm.					6,324,625,848	92.79	5,941,624,840	93.85
Total investment in properties					6,324,625,848	92.79	5,941,624,840	93.85
Investments in securities								
Deposit receipt								
Land and Houses Bank Public Company Limited								
At call				1.600	-	100,000,000	1.58	
Thanachart Bank Plc.								
3 May 2016				2.000	18,100,000	0.27	-	-
Government Housing Bank								
28 March 2016				1.875	11,800,000	0.17	-	-
Government Housing Bank								
4 April 2016				2.125	10,000,000	0.15	-	-
Government Housing Bank								
4 April 2016				2.125	10,000,000	0.15	-	-
Government Housing Bank								
18 April 2016				2.125	20,000,000	0.29	-	-
Government Housing Bank								
18 April 2016				2.125	20,200,000	0.30	-	-
Government Housing Bank								
23 May 2016				1.875	10,000,000	0.15	-	-
Government Housing Bank								
23 May 2016				1.875	12,000,000	0.18	-	-
Government Housing Bank								
28 November 2016				1.875	20,000,000	0.29	-	-
Government Housing Bank								
28 November 2016				1.875	21,600,000	0.32	-	-
Government Housing Bank								
12 May 2016				1.750	15,000,000	0.22	-	-
Government Housing Bank								
20 April 2016				1.750	17,000,000	0.25	-	-
Government Housing Bank								
20 April 2016				1.750	10,000,000	0.15	-	-
Bill of exchange								
Land and Houses Bank Public Company Limited								
25 February 2016				1.900	15,000,000	0.22	-	-
Land and Houses Bank Public Company Limited								
25 February 2016				1.900	15,000,000	0.22	-	-
Land and Houses Bank Public Company Limited								
4 July 2016				1.800	17,000,000	0.25	-	-
Land and Houses Bank Public Company Limited								
4 July 2016				1.800	10,000,000	0.15	-	-
Bond								
Bank of Thailand								
CB15226B		26 February 2015	2.045	-	-	289,092,961	4.57	
Bank of Thailand								
CB16107A		7 January 2016	1.410	999,768	0.01	-	-	
Bank of Thailand								
CB16107B		7 January 2016	1.456	9,297,775	0.13	-	-	
Bank of Thailand								
CB16107C		7 January 2016	1.455	74,382,209	1.09	-	-	
Bank of Thailand								
CB16114A		14 January 2016	1.450	54,271,972	0.79	-	-	
Bank of Thailand								
CB16128B		28 January 2016	1.474	36,959,714	0.54	-	-	
Bank of Thailand								
CB16211A		11 Febuary 2016	1.490	998,329	0.01	-	-	
Bank of Thailand								
CB16218B		18 February 2016	1.490	24,951,110	0.37	-	-	
Bank of Thailand								
CB16225B		25 February 2016	1.498	22,150,018	0.32	-	-	
Bank of Thailand								
CB16310B		10 March 2016	1.505	14,957,445	0.22	-	-	
Total Investments in Securities					491,668,340	7.21	389,092,961	6.15
Total Investments					6,816,294,188	100.00	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 year ended 31 December 2015

		(Unit: Baht)	
		For the period as from	
		22 December 2014	
		to 31 December 2014	
	Note	2015	
Investment income			
Rental and services income	15	1,123,993,448	26,478,819
Interest income		7,504,516	317,289
Other income		1,139,439	-
Total income		1,132,637,403	26,796,108
Expenses			
Cost of rental and services		434,526,122	8,712,337
REIT management fee	14.1, 15	6,718,599	176,890
Trustee's fee	14.2, 15	4,629,708	122,454
Registrar's fee	14.3	1,918,063	53,642
Property management fee	14.4, 15	50,215,373	1,237,195
Professional fees		824,784	70,000
Selling expenses		92,308,785	1,747,266
Administrative expenses		81,385,712	1,579,349
Interest expenses	15	45,900,000	1,131,781
Total expenses		718,427,146	14,830,914
Net investment income		414,210,257	11,965,194
Realised gains (losses) on investments			
Net realised gains (losses) on investments		41,271	(520)
Net unrealised gains on investments	7	385,246,000	-
Total realised gains (losses) on investments		385,287,271	(520)
Net increase in net assets resulting from operations		799,497,528	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 year ended 31 December 2015

			(Unit: Baht)
			For the period as from
			22 December 2014
	Note	2015	to 31 December 2014
Increase in net assets resulting from operations during year/period			
Net investment income		414,210,257	11,965,194
Net realised gains (losses) on investments		41,271	(520)
Net unrealised gains on investments		385,246,000	-
Net increase in net assets resulting from operations		799,497,528	11,964,674
Investment trusts sold during year/period			
488,064,700 units of Baht 10.20 each	11	-	4,978,259,940
Distribution to unitholders	13	(196,202,009)	-
Increase in net assets during year/period		603,295,519	4,990,224,614
Net assets at the beginning of year/period		4,990,224,614	-
Net assets at the end of year/period		5,593,520,133	4,990,224,614

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 year ended 31 December 2015

	(Unit: Baht)	
	For the period as from	
	22 December 2014	
	2015	to 31 December 2014
Cash flows from operating activities		
Net increase in net assets resulting from operations	799,497,528	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	(2,150,235,180)	(584,826,737)
Sales of investments in securities	2,051,886,120	195,946,515
Increase in accounts receivable from rental and services	(41,516,213)	(8,200,051)
Increase in accounts receivable from interest	(2,175,163)	(37,094)
Decrease (increase) in accounts receivable from sales of investments	135,976,977	(135,976,977)
Decrease (increase) in other receivables	18,721,610	(18,789,688)
Decrease (increase) in prepaid expenses	922,655	(6,490,342)
Decrease (increase) in deferred expenses	3,544,236	(56,898,354)
Increase in other assets	(9,472,756)	(6,773,403)
Increase in trade accounts payable	41,076,288	6,246,460
Increase in other payables	1,897,421	8,244,505
Increase (decrease) in accrued expenses	(26,711,966)	75,534,749
Increase (decrease) in advance receipt for rental and services	(26,703)	4,025,707
Increase in deposits from rental and services	28,680,893	213,837,196
Increase (decrease) in other liabilities	(285,687,746)	304,575,810
Amortisation of deferred expenses	10,732,617	294,057
Amortisation of discount on investments	(4,185,358)	(213,259)
Interest expenses	45,900,000	1,131,781
Net realised losses (gains) on investments	(41,271)	520
Net unrealised gains on investments	(383,000,698)	-
Net cash flows from (used in) operating activities	235,783,291	(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
Interest paid	(46,780,274)	-
Distribution to unitholders	(196,202,009)	-
Net cash flows from (used in) financing activities	(242,982,283)	6,058,259,940
Net increase (decrease) in cash and cash at banks	(7,198,992)	120,231,169
Cash and cash at banks at the beginning of year/period	120,231,169	-
Cash and cash at banks at the end of year/period (Note 8)	113,032,177	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 year ended 31 December 2015

(Unit: Baht)

	2015	For the period as from 22 December 2014 to 31 December 2014
Operating performance information (per unit)		
Net asset value at the beginning of year/period	10.2245	-
Income from investment operations		
Net investment income	0.8487	0.0245
Net realised gains on investments	0.0001	-
Net unrealised gains on investments	0.7893	-
Total income from investment operations	1.6381	0.0245
Add: Increase in capital from unitholders	-	10.2000
Less: Distribution to unitholders	(0.4020)	-
Net asset value at the end of year/period	11.4606	10.2245

Ratio of increase in net assets resulting from operations to

average net assets during the year/period (%)	15.10	0.24
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Significant financial ratios and additional significant information

Net assets at the end of year/period (Baht)	5,593,520,133	4,990,224,614
Ratio of total expenses to average net assets during the year/period (%)	13.57	0.30
Ratio of total investment income to average net assets during the year/period (%)	21.39	0.54
Ratio of weighted average investment turnover during the year/period to average net assets during the year/period (%)*	3.14	114.17
Average net assets during the year/period (Baht)	5,295,088,356	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/period, 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 year ended 31 December 2015

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 2015, the Trust's major unitholders are LH Mall and Hotel Company Limited and GIC Private Limited, which hold 9% and 6%, respectively (2014: Land and Houses Public Company Limited and GIC Private Limited 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 year

The Trust has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Trust's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

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.

This standard does not have any significant impact on the Trust's financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards.

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

5. Significant accounting policies

5.1 Revenues and expenses

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

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

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

Expenses are recorded on an accrual basis.

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 Office of the Securities and Exchange Commission concerning the granting of approval of valuation companies and principle valuers for public use). Valuation will be made when economic conditions change, but at least every two years, commencing from the date of the appraisal made for the purposes of investing or leasing the properties. In addition, the valuation will be reviewed within one year after the latest valuation date.

Gains or losses on valuation of such investments in properties 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 unrealise gains or losses in the statement of income. The weighted average method is used for computation of the cost of investments.

Investments in bank deposits and non transferable 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.

Relationships of related parties are as follows:

<u>Company's Name</u>	<u>Relationship</u>	<u>Details of Business Transactions</u>
Land and Houses Fund Management Company Limited	- REIT Manager	- Receive REIT management fee from the Trust
SCB Asset Management Company Limited	- Trustee	- Receive Trustee's fee from the Trust
L&H Retail Management Company Limited	- Property Manager	- Receive property management fee from the Trust
L&H Property Company Limited	- Property owner	- Has entered into lease asset agreement, as the lessor
Land and Houses Bank Public Company Limited	- The parent company of Land and Houses Fund Management Company Limited	- Receive deposit from the Trust - Has entered into rental and services Agreement, as the lessee
Siam Commercial Bank Public Company Limited	- The parent company of SCB Asset Management Company Limited	- Receive deposit and provide loan to the Trust - Has entered into rental and services Agreement, as the lessee
GIC Private Limited	- Major unitholder	- No business transaction
LH Mall and Hotel Company Limited	- Major unitholder	- No business transaction

5.6 Distribution to unitholders

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

5.7 Long-term leases

Leases of assets 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 assets 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)

	For the period as from 22 December 2014 to 31 December 2014	
	2015	
Investments in properties - beginning of the year/period	5,941,625	-
Add: Lease of immovable assets	-	5,821,860
Purchases of furniture, equipment and fixtures	-	56,408
Registration fee with Department of Lands	-	63,357
Adjust the valuation of investment from the apportionment of input tax during the year	(2,245)	-
Net unrealised gains from the revaluation of investment during the year	386,377	-
Unrealised loss from the fair value adjustment	(1,131)	-
Investments in properties - end of the year/period	6,324,626	5,941,625

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).

During the current year, the Trust hired an independent appraiser to appraise the fair value of the investments in properties using the income approach. The Trust recorded fair value adjustment of the investments in properties of the Trust, resulting in the net unrealised gain from such investments was recorded in the statement of income.

8. Cash and cash at banks

As at 31 December 2015 and 2014, the Trust has the details of cash and cash at banks as follows:

	Principal (Thousand Baht)		Interest rate (% per annum)	
	2015	2014	2015	2014
Cash	3,819	1,992	-	-
<u>Current accounts</u>				
Land and Houses Bank Public Company Limited	38	-	-	-
Siam Commercial Bank Public Company Limited	1,358	2,406	-	-
<u>Saving accounts</u>				
Land and Houses Bank Public Company Limited	8,803	5,465	0.750	0.750
Siam Commercial Bank Public Company Limited	99,014	110,368	0.375	0.375
Total cash at banks	109,213	118,239		
Total cash and cash at banks	113,032	120,231		

9. Accounts receivable from rental and services

The balances of accounts receivable from rental and services as at 31 December 2015 and 2014, aged on the basis of due dates are summarised below:

	(Unit: Thousand Baht)	
	<u>2015</u>	<u>2014</u>
<u>Age of receivables</u>		
Not yet due	33,036	8,200
Past due		
Not over 3 months	5,816	-
3 - 6 months	148	-
6 - 12 months	342	-
Total	39,342	8,200
Unbilled operating leases receivables	10,374	-
Accounts receivable from rental and service	49,716	8,200

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.

In addition, the parent company of the Trust's major unitholder and the Trust's major unitholder agreed to provide assurance to the lender, whereby there are certain covenants pertaining to, among other things, as follows:

- The maintenance of its level of unit holding in the L&H Property Company Limited at least 59.99%.
- The maintenance of its level of unit holding in the Trust from 9% and 6% respectively. Throughout the period of 3 years from date that the Trust is established, the parent company of the Trust's major unitholder and the Trust's major unitholder will not sell, transfer or pledge of such unit to unrelated party unless they obtain a written consent of Trustee.

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)		
For the period as from		
	2015	22 December 2014 to 31 December 2014
Net accumulated income from investments	11,966	-
Net accumulated loss from investments	(1)	-
Retained earnings at the beginning of year/period	11,965	-
Add: Increase in net assets resulting from operations during the year/period	799,497	11,965
Less: Distribution to unitholders during the year/period	(196,202)	-
Retained earnings at the end of year/period	615,260	11,965

13. Distribution to unitholders

During the year, the Trust paid distribution to its unitholders as follows.

Declared date	For the operations as from	Per unit (Baht)	Total (Thousand Baht)
25 February 2015	22 December 2014 - 31 December 2015	0.022	10,737
28 July 2015	1 January 2015 - 30 June 2015	0.380	185,465
		0.402	196,202

14. Expenses

14.1 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).

14.2 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.

14.3 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).

14.4 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):

Fees	Rate
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
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

15. Related party transactions

During the year/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	
	2015	2014	Pricing Policy
Land and Houses Fund Management Company Limited			
REIT management fee	6,719	177	As detailed in Note 14.1
SCB Asset Management Company Limited			
Trustee's fee	4,630	122	As detailed in Note 14.2
L&H Retail Management Company Limited			
Property management fee	50,215	1,237	As detailed in Note 14.4
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	3,882	96	Contract price
Siam Commercial Bank Public Company Limited			
Rental and services income	5,999	135	Contract price
Interest expenses	45,900	1,132	As detailed in Note 10

As at 31 December 2015 and 2014, the Trust has the following outstanding balances with its related parties as follows:

	(Unit: Thousand Baht)	
	2015	2014
Land and Houses Fund Management Company Limited		
Accrued REIT management fee	1,249	183
SCB Asset Management Company Limited		
Accrued trustee's fee	853	127
L&H Retail Management Company Limited		
Accrued property management fee	16,686	1,279
L&H Property Company Limited		
Other receivables	58	18,177
Other payables	559	6,062
Land and Houses Bank Public Company Limited		
Investments in securities	57,000	100,000
Cash at banks	8,841	5,465
Accounts receivable from rental and services	20	-
Accounts receivable from interest	402	31
Deposits from rental and services	1,575	1,572

	(Unit: Thousand Baht)	
	2015	2014
Siam Commercial Bank Public Company Limited		
Cash at banks	100,372	112,774
Accounts receivable from rental and services	37	23
Accrued interest payable	252	1,132
Deposits from rental and services	2,319	2,205
Long-term loan	1,080,000	1,080,000

16. Information on investment purchase and sales transactions

The Trust's investment purchase and sales transactions during the year, excluding investments in cash at banks and promissory notes, amounted to Baht 3,718 million (2014: Baht 6,622 million) which is 70.22% (2014: 132.71%) of the average net asset values during the year.

17. Commitments

17.1 As at 31 December 2015 and 2014, the Trust is committed to pay fees to counterparties under the terms and conditions as specified in note 14.

17.2 As at 31 December 2015 and 2014, the Trust has commitment, in respect of service contracts, which to pay in the future in the following amount.

	(Unit: Million Baht)	
	2015	2014
Payable:		
In up to 1 year	26	46
In over 1 and up to 4 years	1	2

17.3 As at 31 December 2015, the Trust has outstanding bank guarantees of Baht 2 million (2014: None) to guarantee electricity use.

17.4 During the current year, the Trust received a notice of tax assessment from the Revenue department regarding penalty for input tax in December 2014 totaling Baht 11.6 million. The Trust has filed an appeal against the tax assessment, and the appeal is under consideration by the Appeals Committee. As at 31 December 2015, the Trust set aside a provision for penalty in full.

18. 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 2015 and 2014, the Trust has no major customer with revenue of 10 percent or more of an entity's revenues.

19. Financial Instruments

19.1 Financial Risk Management

The Trust's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise investment in securities, cash and cash at banks, accounts receivable from rental and services, trade accounts payable, other payables, accrued expenses, deposit from rental and services 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 services. 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 2015					
	Fixed interest rates within 1 year	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% p.a.)
Financial Assets					
Investments in securities	492	-	-	492	1.410 - 2.125
Cash and cash at banks	-	109	4	113	0.375 - 0.750
Accounts receivable from rental and services	-	-	50	50	-
	<u>492</u>	<u>109</u>	<u>54</u>	<u>655</u>	
Financial Liabilities					
Trade accounts payable	-	-	47	47	-
Other payables	-	-	10	10	-
Accrued expenses	-	-	49	49	-
Deposit from rental and services	-	-	243	243	-
Long-term loan	-	1,080	-	1,080	Note 10
	<u>-</u>	<u>1,080</u>	<u>349</u>	<u>1,429</u>	

(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	1.600 - 2.045
Cash and cash at banks	-	116	4	120	0.375 - 0.750
Accounts receivable from rental and services	-	-	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>	

19.2 Fair Values of Financial Instruments

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.

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

20. 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.

21. Event after the reporting period

On 16 February 2016, the meeting of Investment Committee approved the payment of distribution of Baht 0.3950 per unit to the unit holders from the operating result for the 1 July 2015 to 31 December 2015, a total of Baht 193 million, which is to be paid on 16 March 2016.

22. Approval of Financial Statements

These financial statements were authorised for issue by the Authorised Director of the REIT manager on 29 February 2016.