

## **Annual Report 2018**

**For the Year ending 31 December 2018**

### **LH Shopping Centers Leasehold Real Estate Investment Trust (LHSC)**



#### *Disclaimer:*

*This document is the translated version of Thai document, in the case that there are conflicts in any of the contents specified herein, contents of the original version shall supersede such conflict contents.*

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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**

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

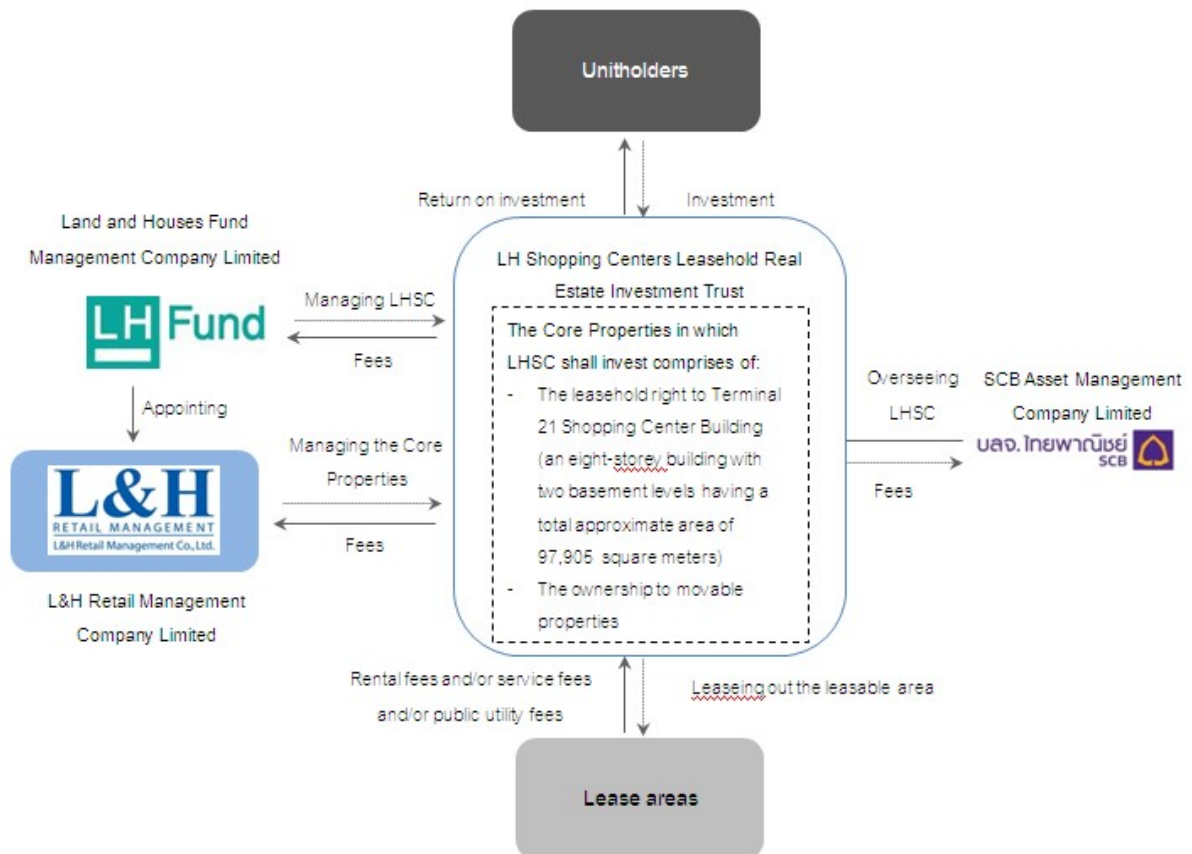
The REIT has been established under the Trust Act with the objectives to issue the REIT's Units for offering for sale to the public and list the Units in the Stock Exchange of Thailand. The settlor of the REIT shall transfer the proceeds from the sale of the Units to the Trustee on trust to retain the 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 Trust will focus on investing in high quality freehold and/or leasehold right in the immovable properties and the ownership in the movable properties for example commercial property, shopping centers, retail outlets to be the main asset of the Trust, and will focus on the benefits in the form of rental income and service fees. Or any other income. The Trust aim to building long-term returns to unit trust holder, and intended to invest in additional assets for the continued growth of the Trust's revenue including investment in other assets and/or other securities and/or any other returns by investment as required by securities law and / or other relevant laws.

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 2018 - 31 December 2018, 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 2018, the Investment Committee of the REIT resolved to pay Baht 0.9160 per unit of distribution to the Unitholders as follows:

Operating Period	Baht per Unit	Payment Date
1 January 2018 – 28 February 2018	0.1450	27 April 2018
1 March 2018 – 30 April 2018	0.1450	3 July 2018
1 May 2018 – 30 June 2018	0.1550	31 August 2018
1 July 2018 – 31 August 2018	0.1260	2 November 2018
1 September 2018 – 31 October 2018	0.1850	29 December 2018
1 November 2018 – 31 December 2018	0.1600	14 March 2019

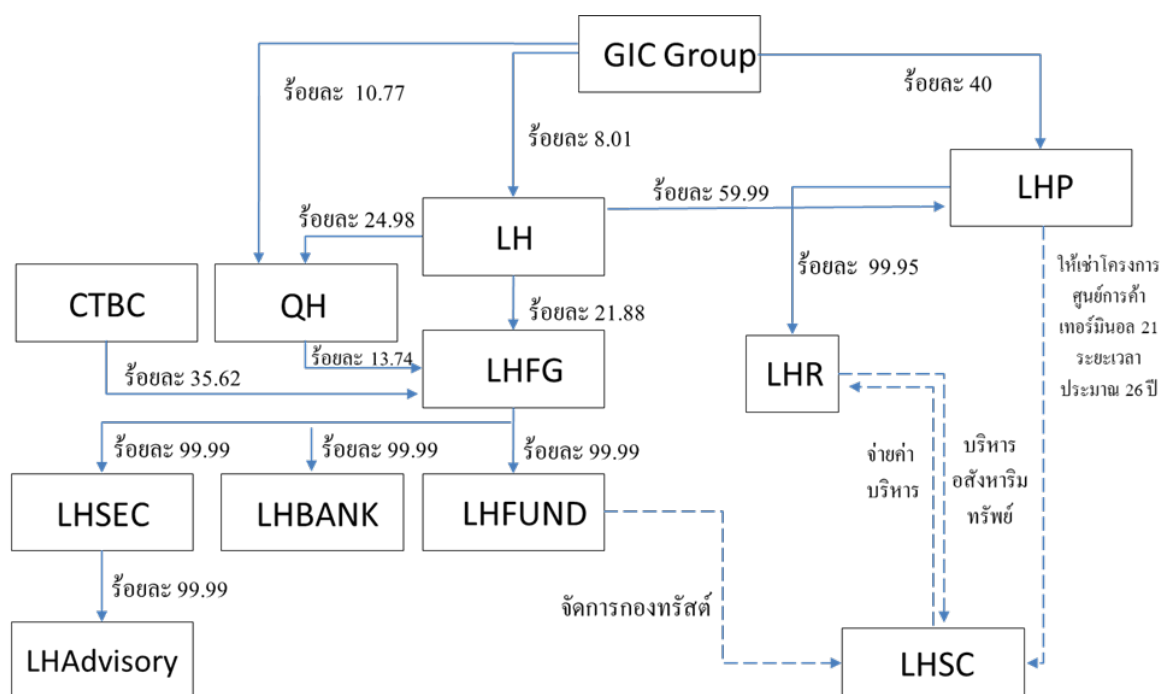
## 2.3 Relationship with the Business Groups of the Sub-Lessee or Major Unitholders

As of 31 December 2018, Social Security Office and LH Mall and Hotel Co Ltd (formerly Pacific Real Estate Co Ltd) were the major Unitholders of the REIT, holding 10% and 9% of the total units of the REIT, 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 2018**



## 2.4 Assets of the REIT

### Details of assets classified by type of investment as of 31 December 2018

Lists of Assets	Book Value/ Market Value (Baht)	Percentage of Net Asset Value
<b>1. Cash and deposits at banks</b>	<b>92,383,461</b>	<b>1.60</b>
<b>2. Investments in Promissory Notes and Debt Instruments</b>		
Deposits	-	0.00
Bills of exchange/promissory notes issued/certified/avaled by financial institutions	-	0.00
Certificates of deposit	451,210,468	7.82
Government bonds	-	0.00
Treasury bills	-	0.00
<b>Total</b>	<b>518,238,860.85</b>	<b>9.15</b>
<b>3. Investments in Immovable Properties</b>		
Investments in immovable properties	6,457,262,387	111.87
<b>Total</b>	<b>6,457,262,387</b>	<b>111.87</b>
<b>4. Other Assets</b>		
Accrued interests	1,088,135	0.02
Securities account receivables	-	0.00
Receivables from leasing and services	58,023,967	1.01
Other receivables	186,619	0.00
Other assets	21,428,699	0.37
<b>Total</b>	<b>80,727,420</b>	<b>1.40</b>
<b>Total Assets</b>	<b>7,081,583,736</b>	<b>122.68</b>
<b>5. Other Liabilities</b>		
Accrued fees and expenses	(42,850,977)	(0.74)
Unearned rent and service revenue	(5,147,083)	(0.09)
Rental and service fee deposits	(291,658,132)	(5.05)
Long-term borrowings	(900,000,000)	(15.59)
Other liabilities	(67,723,552)	(1.21)
<b>Total Liabilities</b>	<b>1,309,379,744</b>	<b>(22.68)</b>
<b>Net Asset Value of the REIT</b>	<b>5,772,203,992</b>	<b>100.00</b>

**Total Number of the REIT's Units** **488,064,700.0000** **units**

**Unit Value of the REIT** **11.8267** **Baht**

**Details of Properties in which the REIT Invested**  
**as of 31 December 2018**

<b>Terminal 21 Shopping Center Project</b>	
<b>Location</b>	The Terminal 21 Shopping Center Project is located at No. 88 Sukhumvit 19 (Wattana), North Klongtoei, Wattana, Bangkok.
<b>Project Feature</b>	The Terminal 21 Shopping Center Project is consisted of an 8-storey shopping center and 2 basements, including parking areas inside the building.
<b>Land Size</b>	Approximately 9 rai 1 ngan 44 square wah.
<b>Cost Prices</b> (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).
<b>Date of Incorporation of the REIT</b>	22 December 2014
<b>Date of Initial Investment by the REIT</b>	23 December 2014
<b>Appraised Value (2018)</b>	<ul style="list-style-type: none"> <li>• Year Appraisal Co., Ltd.</li> <li>• As of 15 August 2018</li> <li>• Baht 6,463 million</li> </ul>
<b>Owner of the Leasehold Right of Immovable Properties</b>	LH Shopping Centers Leasehold Real Estate Investment Trust
<b>Owners of the movable Properties</b>	LH Shopping Centers Leasehold Real Estate Investment Trust
<b>Commencement of Operation</b>	The Building had been completed and commenced operation in October 2011.
<b>Property Manager</b>	L & H Retail Management Company Limited
<b>Revenue for the period of 1 January - 31 December 2018</b>	Revenue from rental and services amounted to Baht 1,296,804,235
<b>General Features of the Project</b>	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



<b>Terminal 21 Shopping Center Project</b>	
	<p>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>
<b>Details of Insurance Provisions</b> <b>(Insurance Coverage until 31 December 2018)</b>	<ol style="list-style-type: none"> <li>1. Property All Risk Insurance: The REIT has carried a property all risk insurance against the assets in which it invested in 2018 covering a sum insured of no less than the total replacement cost of constructions appraised by the Appraisal Firm</li> <li>2. Business Interruption Insurance: The REIT has carried business interruption insurance for a period of 2 year covering which is calculated based on the estimated revenues and expenses made by the independent Appraisal Firm.</li> <li>3. Public Liabilities Insurance: In 2018, the REIT has carried public liabilities insurance covering.</li> <li>4. Leasehold Insurance: In 2018, the REIT has carried a leasehold</li> </ol>

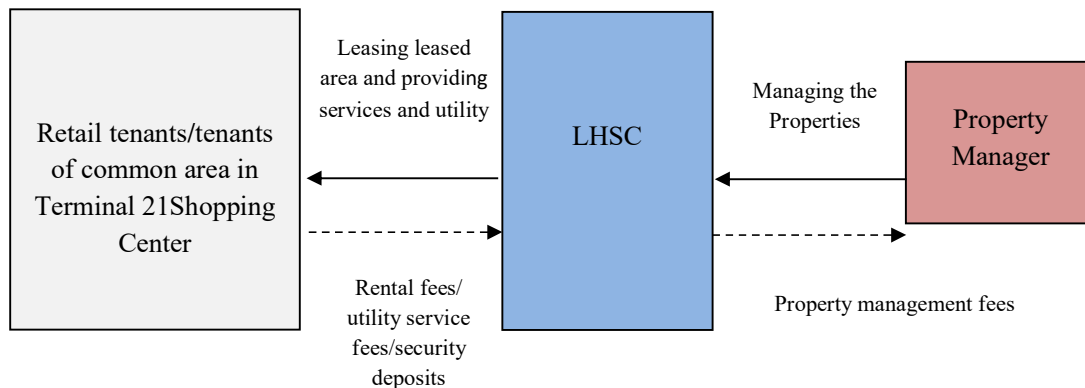
Terminal 21 Shopping Center Project	
	insurance against the damages arising from termination of property lease agreement between the REIT and the lessor before maturity. The sum insured, which is calculated based on the net asset value of the REIT and the remaining term of leasehold right at the time of calculation.

## 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
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Land Houses Bank Public Co Ltd	as	Tenant
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##### **Relationship**

Land and Houses Bank Public Co Ltd has common shareholder same as Land and Houses Fund Management Company Limited.

##### **Characteristics of Connected Transaction**

Land Houses Bank Public Co Ltd leases an area of approximately 108 sq.m. in Terminal 21 Shopping Center for its banking operations and 2 ATMs, with the leasing agreement expiring on 10 October 2020; and approximately 5 sq.m. for a currency exchange boot, with the leasing agreement expiring on 25 September 2018.

##### **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
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Siam Commercial Bank Public Co Ltd	as	Tenant
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##### **Relationship**

Siam Commercial Bank Public Co Ltd holds directly 99.99% 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 2020.

## **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 potentiality of 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 executing such transaction.

## **The Property Manager**

L&H Retail Management Company Limited

### **• General Information**

Location	:	1 Q. House Sathorn Building, 15 <sup>th</sup> 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 (21.88%) 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 2017

- **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 <sup>(1)</sup>		
▪ 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
3. Property management fee	Not exceeding 0.50%	of net asset value of the core properties <sup>(2)</sup>
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
7. Shopping center system management fee	Not exceeding 6.00	Million baht

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

<sup>(2)</sup> 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 as of 31 December 2017**

- None -

## a. Borrowings

### Summary of Key Provisions of the Borrowing Agreement

As the Extraordinary General Meeting of Unitholders No. 1/2018 which was held on 28 September 2018 approved of the loan from Land and Houses Bank Public Company Limited (“**LH Bank**”) with the purpose of refinancing in the total amount of THB 1,063.8 million loan agreement and/or for reimbursing loan prepayment resulting from LHSC’s compliance with the terms of the existing loan agreement with Siam Commercial Bank Public Company Limited . The conditions of the loan shall be in accordance with the loan agreement to be entered into by and between LHSC and LH Bank. The details of the loan are summarized as follows:

	<b>Amount 1</b>	<b>Amount 2</b>
<b>Type of Loan</b>	Long-term loan amounting to not exceeding THB 1,072 million	Short-term loan amounting to not exceeding THB 150 million
<b>Interest Rate</b>	Fixed rate, whereby the 1 <sup>st</sup> to 3 <sup>rd</sup> year shall not exceed 5.25%, and after the 3 <sup>rd</sup> year until the expiration of agreement shall not exceed MLR* - 1.5% and be lower than the current finance cost of LHSC.	Not exceeding MLR* - 1.5%
<b>Term</b>	10 years (inclusive of a 1-year grace period)	Not exceeding 180 days
<b>Interest Payment</b>	Quarterly period	Quarterly period
<b>Repayment</b>	Once per annum, at the end of June	Repayment shall be made upon maturity of the promissory notes issued by LHSC.
<b>Collateral</b>	None	None
<b>Covenant</b>	Land and Houses Public Company Limited will hold no less than 59.99% of the total shares in L&H Property Company Limited	Land and Houses Public Company Limited will hold no less than 59.99% of the total shares in L&H Property Company Limited
<b>Loan Objective</b>	To repay debts under the existing loan agreement (refinancing) and/or to reimburse loan prepayment, resulting from LHSC’s compliance with the terms of the existing loan agreement.	To use as a reserved working capital of LHSC, and for improvement of the assets of LHSC.

\*MLR (Minimal Loan Rate) is referred from the rate of The Siam Commercial Bank Public Company Limited on 26 July 2018.

During the operating period between 1 January 2018 and 31 December 2018, the REIT paid the loan interest amounting to Baht 44.99 million and, according to the aforementioned provision, the REIT is obligated to pay the first installment of principal in June 2020.

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

### 3.1 Thailand Economy in 2018 and Outlook for 2019

#### Thailand Economy in 2018 and Outlook for 2019

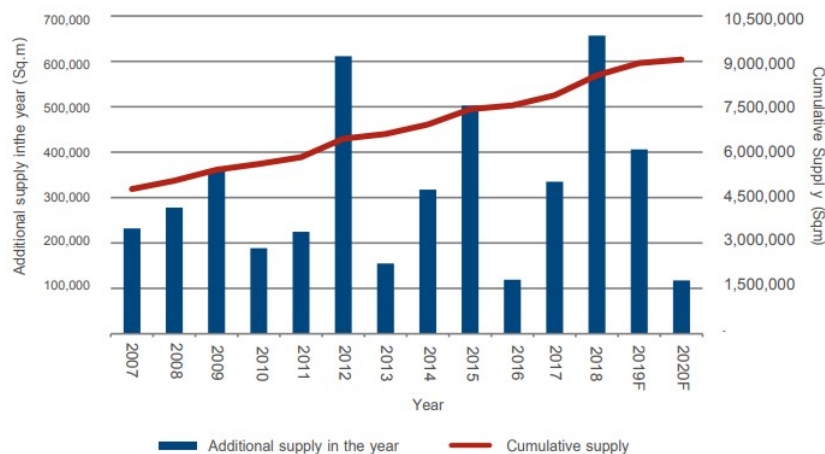
The information published by the Office of the National Economic and Social Development Board (NESDB) in February 2019 indicated that the Thai economy expanded by 4.1%, up from 4.0% in 2018 and was recorded as the fastest expansion in 6 years. Export

value grew by 7.7% while private consumption and total investment grew by 4.6% and 3.8%, respectively. Headline inflation averaged at 1.1%, increased from 0.7% in the previous year.

The Thai economy in 2019 is projected to grow in the range of 3.5% – 4.5%, supported by a favorable growth momentum of private consumption, an improvement of private investment, an acceleration of public investment following progresses of key public infrastructure projects e.g. EEC and a recovery of tourism sector in line with normalizing trend of tourist numbers and receipts. All in all, it is expected that export value will grow by 4.1%, and private consumption and total investment will grow by 4.2% and 5.1%, respectively. Headline inflation is forecasted to be in the range of 0.5% – 1.5%. Nevertheless, the volatile global economic condition, as well as the domestic political sentiment and policy directions after the election, still needs close monitoring.

## b. Overview of the Retail Market

### Cumulative and Future Supply as of Quarter 4/2018



Source: Colliers International Thailand Research

Note: F = Estimated area of retail space scheduled to be completed in 2018 - 2020

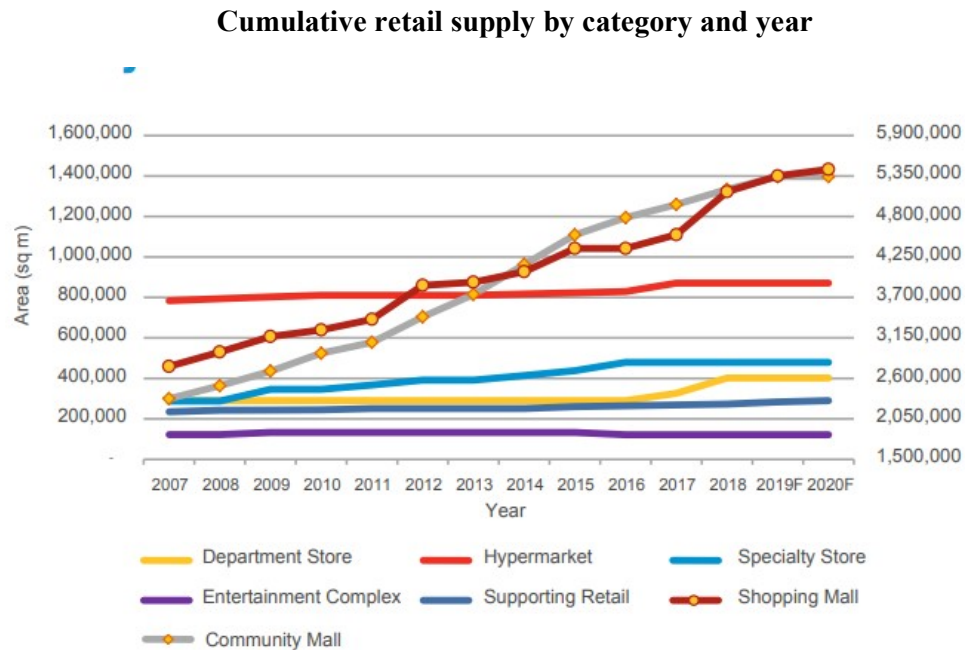
Approximately 567,100 sq m of retail space was supplied in the last quarter of 2018 and pushing total retail supply in Bangkok and Surrounding Area up to 8,535,426 sq m and around 406,118 sq m of new retail centres was added to the market in 2019. More than 117,500 sq m is scheduled to be completed in 2020. Most of the new retail centres which were opened in the past six months are shopping malls, followed by supporting retail in office buildings. Bangkok Outer City Area is the most fashionable location for new retail supply in the future, due to more than 60% of total future supply being located in this area.

Many large-scale shopping malls are opened in 4Q 2018, and most of the mixed-use projects are in the outer city area and along the Chao Phraya River.



Although Thailand's economic situation has still not significantly grown or shown recovery, many retail developers are still continuing to develop new retail projects. This optimism is due to them looking to the future for longterm investments.

Source: Colliers International Thailand Research



Source: Colliers International Thailand Research

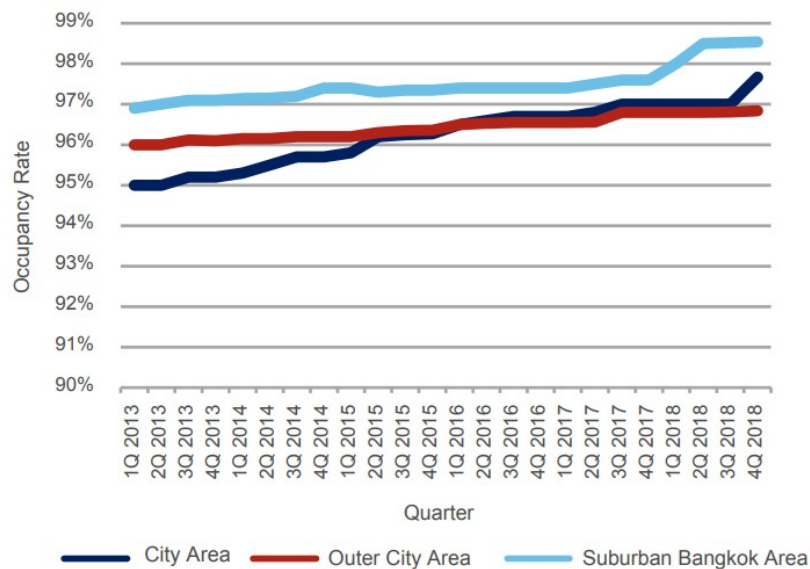
Shopping malls represent 61% of the market with more than 5.176 million sq m of space; more than 29.7% of shopping mall space is in the Outer City area, and approximately 22.1% is in the City area. Community malls represent the second largest share of the retail market as of Q4 2018 after a lot of new community malls were completed during past few years, Twenty - Six percent of all community malls in Bangkok and surrounding area are located in the Outer City Area and the areas in other provinces that are connected to Bangkok, because many new residential projects were launched and changed some locations become to the new large residential community.

Shopping malls are also continuing grow in the past few years and still occupy the highest share in future retail supply that are expected to be completed in 2019-2020.

All the big players in the retail business will continue to increase the number of their shopping malls in Thailand, especially in some of the major Thai cities. On the other hand, some retailers are still expanding their portfolios outside Thailand.

Source: Colliers International Thailand Research

## Breakdown of historical Occupancy Rate of Retail Space by Location as of Quarter 4/2018



Source: Colliers International Thailand Research

The take-up rate in all areas in Q4 2018 increased slightly from Q3 2018. The average occupancy rate in all locations continued to grow during the past few years, although many retail centres were completed and added to the market. Many international brands opened their stores in shopping malls in the past few quarters and the average occupancy rate rose, especially in the City area. Some areas in the famous shopping malls in the City area are still available; due to some spaces is difficult access, which leads to low traffic in the area, even at some of the shopping malls on Rama 1 Road. Demand from all international and Thai shops is strong in the last quarter of 2018 and will be next year, so the average occupancy rate in the retail business will grow 3 - 5% in 2019, especially in the City area.

Source: Colliers International Thailand Research

## Average occupancy rate by category of Quarter 4/2018

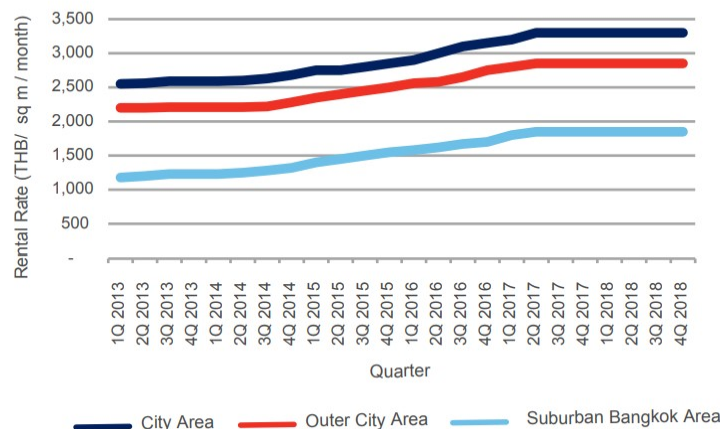


Source: Colliers International Thailand Research

The occupancy rates in all categories are above 97% except for supporting retail, which is lower than 90%. Department store have shown the highest occupancy rate in the Bangkok retail market. Most of the space in superstore malls is occupied by their own supermarkets, with limited space for other tenants.

The occupancy rates in all categories are above 97% except for supporting retail, which is lower than 90%. Department Store have shown the highest occupancy rate in the Bangkok retail market. Most of the space in superstore malls is occupied by their own supermarkets, with limited space for other tenants.

**Average rental rate by location of Quarter 4/2018**



Source: Colliers International Thailand Research

Note: The average rental rate is based on the rental rate of the ground floor of the building.

In Q4 2018, compared to the previous quarter, rental rates in the City Area posted a slight but marked increase, reflecting the growing confidence of retail centres there. The rents of other locations also increased slightly compared to the previous quarter. Since the end of 2018, the rental rates in the Suburban Bangkok Area have increased by more than 5 - 10%. Large shopping malls in prime locations that increased their rates higher than those of other new or smaller centres due to the higher demand for space there compared to the demand for space in smaller projects primarily caused this activity. In addition, many new retail centres will open this year.

The City Area has the highest rental rates, which are probably more than THB3,000-4,000 per sq m per month at some shopping malls in prime locations. The rates for malls with direct access to BTS stations may be just as high, but some community malls not on the main roads cannot ask such high rents. The rents in the Bangkok Suburban Area are around THB800-3,500 per sq m per month, but some community malls ask for rents starting at just THB300 per sq m per month

Rental and occupancy rates in 2018 were still similar to the previous year, but in 2019, rents will probably be around 5 -10% higher depending on location.

Source: Colliers International Thailand Research

#### **4. Risk Factors**

##### **a. Risks relating to the REIT or its Operations**

- 1) *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.

- 2) *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.

**3) *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.

**4) *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.

**5) *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

**b. 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.

**c. 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

<b>Investment Capital</b>	Baht 4,978,259,940
<b>Par Value of the Unit</b>	Baht 10.20
<b>Number of Unit</b>	488,064,700 units
<b>Type of Unit</b>	Name of Unitholder Specified
<b>IPO Price of Unit</b>	Baht 10.20
<b>NAV per Unit as at 31 December 2018</b>	Baht 11.8267

###### 7.1.2 Information of Securities Prices

<b>Closing Price on 28 December 2018</b>	Baht 16.20
<b>Highest Price in 2018</b>	Baht 21.00
<b>Lowest Price in 2018</b>	Baht 14.30
<b>Market Value on 28 December 2018</b>	Baht 7,906,648,140
<b>Trading Volume per Year (AOM Value)</b>	Baht 593.36 million
<b>NAV as at 28 December 2018</b>	Baht 5,772,203,991.67

## **7.2 Information of Unitholders**

### **7.2.1 Top 10 Major Unitholders on the book closing date of 31 December 2018**

<b>No.</b>	<b>Major Unitholders</b>	<b>No. of Units (units)</b>	<b>%</b>
1.	Social Security Office	51,881,300	10.63
2.	L. H. Mall and Hotel Company Limited	49,926,000	9.00
3.	Thai Life Insurance Public Company Limited	34,550,300	7.08
4.	Muang Thai Life Assurance Public Company Limited	22,857,200	4.68
5.	TMB Property Income Plus Open-ended Fund	22,188,800	4.55
6.	K Property Sector Open-ended Fund	18,365,500	3.76
7.	Southeast Life Insurance Public Company Limited	12,158,200	2.49
8.	Government Savings Bank	9,198,600	1.88
9.	Muang Thai Insurance Public Company Limited	7,000,000	1.43
10.	CIMB-Principal Property Income Fund	5,220,300	1.07

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

- Social Security Office

### **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 percents 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 making 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 Distribution Payment

Year	2018	2017	2016	2015	For the Period during 22-31 December 2014
(1) Dividend per unit	0.9160	0.8830	0.8530	0.7750	0.0220
(2) Distribution to Unitholders per unit	0.00	0.00	0.00	0.00	0.00
Total Distribution per Unit	0.9160	0.8830	0.8530	0.7750	0.0220
(3) Percentage to IPO Price* (Baht 10.20 per unit on 22 December 2014)					
(3.1) Dividend Rate (%)	8.98%	8.66%	8.36%	7.60%	0.22%
(3.2) Distribution to Unitholders Rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Total Distribution Rate (3.1+3.2) (%)	8.98%	8.66%	8.36%	7.60%	0.22%
(4) Percentage to Market Closing Price as at 28 December 2018* (Baht 16.20 per unit on 28 December 2018)					
(4.1) Dividend Rate (%)	5.65%	6.09%	6.09%	5.54%	0.16%
(4.2) Distribution to Unitholders Rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Total Distribution Rate (4.1+4.2) (%)	5.65%	6.09%	6.09%	5.54%	0.16%

*\* 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, 14<sup>th</sup> 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 Securities and Exchange Commission (SEC) to start undertaking 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 manager of leasehold real estate investment trust on 7 May 2014;
- Acting as a trustee of real estate investment trust on 10 November 2016.

### **Share holding Structure of the REIT Manager**

The shareholder of the REIT Manager as of 31 December 2018 was as follows:

Name	No. of Shares	% of Total Shares
LH Financial Group Public Company Limited	2,999,995	99.99

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

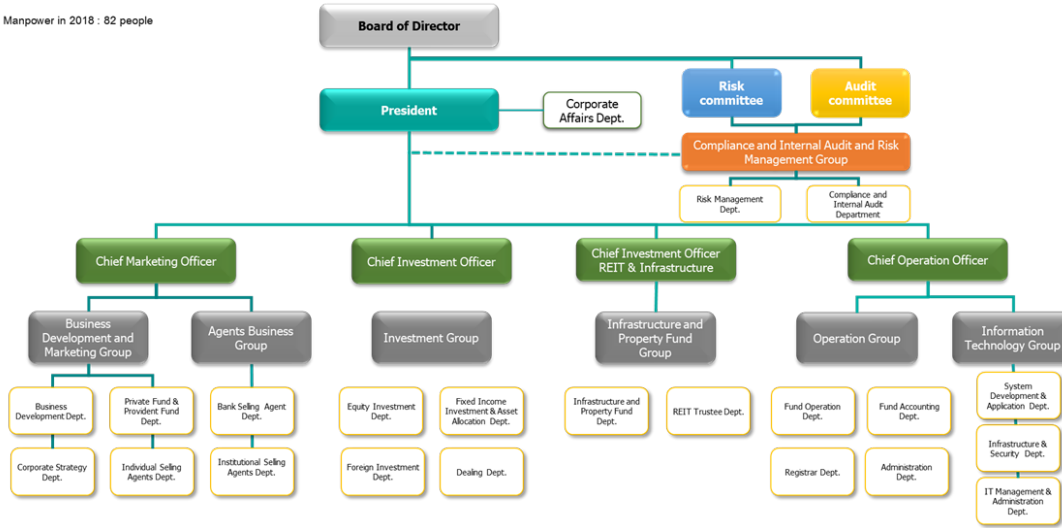
As of 31 December 2018, the REIT Manager adheres to the principle of clear separation between respective duties and responsibilities of each unit within the organization. Each department works independently and systematically in line with the principles of trust and good corporate governance. It also 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 7 main groups, namely: Business Development Group, Agents Business Group, Private Fund Group, Investment Group, Infrastructure and Property Fund Group, Operation Group Information Technology Dept, Compliance and Risk Management Group, as follows:

## Organization Chart

### Land and Houses Fund Management Company Limited

Manpower in 2018 : 82 people



### 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, 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 9 members as follows:

1) Mr. Rutt Phanijphand	Chairman
2) Mr. Adul Vinaiphat	Director
3) Mrs. Sasitorn Phongsathorn	Director
4) Miss Chutamas Sombunyaviroj	Director
5) Mrs. Ravewan Wattananukij	Director
6) Mrs. Suwanna Bhuddhaprasart	Director
7) Mrs. Chantana Kanchanagama	Director
8) Mr. Monrat Phadungsit	Director
9) Mr. Guang- Hua Lai	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 RIET 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 RIET 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 RIET 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 equipment 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 equipment 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.
- 4.3 The REIT Manager shall ensure that any lessee and/or the sub-lessee, service, utilities service, 3rd party or any other contract relating to the core properties should be in line with the lease agreement between the REIT and the main property owner.

#### 8.1.4 Personnel

As of 31 December 2018, Land and Houses Fund Management Co., Ltd. had a total of 82 employees. Details of the persons in charge of the major work units of the company are as follows:

Unit	No. of Personnel	Person in Charge	Qualifications and Experiences
Infrastructure and Property Fund Department	5	Mr.Voranon Asavakittimetin  Mr.Paravut Sombat  Mr.Ratsamitat Pornkongcharoen  Mrs. Nattapat Tonkittirattanakul  Mr.Palat Lertphichaphong	Senior Vice President of Infrastructure and Property Fund Department/Property Fund Manager/REIT Manager; 17-year experience in finance, asset management, and property investment fields.  Property Fund Manager/REIT Manager;10-year experience in property fund management field.  Property Fund Manager/REIT Manager;9-year experience in finance and property investment fields  Assistance fund manager/REIT Manager; 6-year experience in finance and property investment fields.  Manager ; 4-year experience in finance and property investment fields.
Mutual Fund and Private Fund Investment Department	1	Mr.Anupap Chomsri	Vice President and Fund Manager;  7-year experience in asset management business.
Dealing Department	3	Miss Manisorn Akeyothinwong	Assistant Vice President ;  15-year experience in finance field and 3-year experience in asset management business.
Operations Group	3	Miss Sasiwee Kritsanasmith	Senior Vice President; 22-year experience in finance field and asset management business.
Fund Operations Department	5	Mrs. Narumol Senthong	Vice President; 18-year experience in finance field and asset management business.
Information Technology Department	7	Miss. Nisanart Wongsawasit	Executive Vice President; 29-year experience in securities business.

Unit	No. of Personnel	Person in Charge	Qualifications and Experiences
Compliance, Audit and Risk Management Group	1	Mr.Thotsaporn Pornwattanasirikul	Assistance Vice President; 26-year experience in Compliance, Audit and Risk business.

### 8.1.5 Other Real Estate Investment Trusts under Management of the REIT Manager

<b>Name (in Thai)</b>	ทรัสต์เพื่อการลงทุนในสิทธิการเช่าอสังหาริมทรัพย์ แอล เอช โฮเทล
<b>Name (in English)</b>	LH Hotel Leasehold Real Estate Investment Trust
<b>Abbreviation</b>	LHHOTEL
<b>Type</b>	A trust certificate representing the right of the holder as a beneficiary of the REIT (Unit)
<b>REIT Manager</b>	Land and Houses Fund Management Company Limited
<b>Trustee</b>	SCB Asset Management Company Limited
<b>Financial Adviser</b>	Siam Commercial Bank Public Company Limited
<b>Investment Project</b>	1) The Grande Centre Point Hotel Terminal 21 Project 2) The Grande Centre Point Hotel Ratchadamri Project
<b>Type of Investment</b>	1) Investment in the leasehold right of building for a period of approximately 25 years for the Grande Centre Point Hotel Terminal 21 Project. 2) Investment in the sub-leasehold right of building for a period of approximately 21 years for the Grande Centre Point Hotel Ratchadamri Project.
<b>Paid-up Capital</b>	Baht 6,051,964,000
<b>Project Life</b>	Indefinite

### Investment Policy

For future investment, the REIT Manager may consider making additional investment and/or adjusting current investment by buying, selling or leasing immovable properties for the REIT and seeking additional benefits from the invested securities, using the investment and management guidelines under the same scope and direction of the objective for the REIT establishment as well as the investment policy. The REIT shall focus on investment in immovable properties and the leasehold right in immovable properties for commercial purpose and hotel business, etc., in order to obtain benefits by subleasing or disposal of such properties for the best benefits of the Unitholders and the REIT. In this respect, the REIT Manager shall



consider taking actions that are not against the regulations of the SEC Office and in compliance with the provisions stipulated in the Trust Deed including other relevant notifications that are currently in force and may be amended in the future.

## **8.2 The Property Manager**

### **L&H Retail Management Company Limited**

- **General Information**

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

<b>Name of the Trustee</b>	: SCB Asset Management Company Limited
<b>Location</b>	: 7 <sup>th</sup> –8 <sup>th</sup> Floors, SCB Park Plaza 3, No.18 Ratchadapisek Road, Jatujak , Bangkok 10900
<b>Company Registration No.</b>	: 0105535048398
<b>Telephone</b>	: 02 949 1500
<b>Facsimile</b>	: 02 949 1501
<b>Website</b>	: <a href="http://www.scbam.com/">http://www.scbam.com/</a>
<b>Registered Capital</b>	: Baht 200,000,000.
<b>Paid-up Capital</b>	: 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:
  - (12.1) The commingled property is held in the REIT;
  - (12.2) The damage and liability arising from the management of commingled property are the Trustee's own bearing;
  - (12.3) The benefit arising from commingled property belongs to the REIT.

The commingled property according to paragraph one shall include property which has been changed or transformed from the commingled property.

- (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 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<sup>rd</sup> Floor, Lake Rajada Office Complex,  
193/136-137 New Rajadapisek Road,  
Khleng Toei, Bangkok 10110  
**Telephone** : 0-2264-0909  
**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  
**Address** : 121/101 Ratchadaphisek Road, Dindaeng,  
Bangkok 10400  
**Telephone** : 0-2642-2712-4  
**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**

Property Investment Committee of the Management Company consists of:

- |    |                                |          |
|----|--------------------------------|----------|
| 1) | Mrs. Chantana Kanchanagama     | Chairman |
| 2) | Mr. Monrat Phadungsit          | Member   |
| 3) | Mr. Voranon Asavakittimetin    | Member   |
| 4) | Mr. Ratsamitat Pornkongcharoen | Member   |
| 5) | Mr. Paravut Sombat             | Member   |

However, Property Investment Committee requires a Member who have special interest in the particular meeting agenda will not be attend that agenda.

### **9.3 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.

### **9.4 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"> <li>Property selection procedures and risk appraisal</li> <li>Approval system for core property acquisition</li> <li>Property examination system</li> </ul>
Strategy Formulation and Management of the REIT	<ul style="list-style-type: none"> <li>Annual action plans and annual audit plans</li> <li>Market positioning</li> </ul>
Selection of Property Manager	<ul style="list-style-type: none"> <li>Initial short-listing procedure</li> <li>Criteria for selecting Property Manager</li> </ul>
Selection of Service Provider	<ul style="list-style-type: none"> <li>Criteria for selecting Service provider</li> </ul>
Review of Insurance Type and Sum Insured	<ul style="list-style-type: none"> <li>Criteria for considering property insurance</li> </ul>
Supervision of Property Management	<ul style="list-style-type: none"> <li>Determination of duty and responsibility of Property manager</li> <li>Supervision of Property Manager's performance</li> <li>Methods for inspecting property</li> <li>KPI for supervising Property Manager in performing their functions</li> </ul>
Supervision of Revenue Collection and Expense Disbursement	<ul style="list-style-type: none"> <li>Supervision of revenue collection</li> <li>Control of expense disbursement</li> </ul>
Supervision of Borrowing and Creation of Encumbrances	<ul style="list-style-type: none"> <li>Consideration of borrowing objective and details</li> </ul>
Analysis of the Capability of the Revenue Guarantor (if any)	<ul style="list-style-type: none"> <li>Analysis of financial position and the ability to generate revenues</li> </ul>
Prevention of Conflicts of Interest between the REIT and Connected Persons	<ul style="list-style-type: none"> <li>Control of connected persons with potential conflicts of interest</li> <li>Connected transactions between the REIT and the REIT Manager or its connected persons</li> <li>Prevention of Conflicts of Interest in Managing the REIT</li> </ul>
Monitoring system to ensure that the personnel related to REIT Management maintain appropriate qualifications according to their job.	<ul style="list-style-type: none"> <li>Monitoring system to ensure that the REIT Manager maintain appropriate qualifications and properly perform his duties.</li> <li>Operating system of the Compliance Unit.</li> </ul>
System supporting information disclosure of the REIT.	<ul style="list-style-type: none"> <li>Information Disclosure System of the REIT</li> </ul>

<b>Main Systems</b>	<b>Sub-Systems</b>
Back Office Operating System	<ul style="list-style-type: none"> <li>• Preparation of Financial Statements</li> <li>• Calculation of asset value and Unit's value</li> <li>• Monitoring system of the Compliance Unit</li> <li>• Director and Officers Liability Insurance</li> </ul>
Internal Control and Handling of Complaints and Disputes	<ul style="list-style-type: none"> <li>• Internal control and audit systems</li> <li>• Guidelines for handling of complaints</li> <li>• Dispute resolutions</li> </ul>

### **9.5 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.

### **9.6 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.

### **9.7 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.

## **9.8 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.

## **9.9 Disclosure of Information**

### **9.9.1 Reports of the REIT**

The Management Company 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.

### **9.9.2 Report on Investment in or Disposition of Immovable Properties or Leasehold Right**

The Management Company 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 material information prescribed in the Notification of the SEC Office.

### **9.9.3 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](http://www.set.or.th).

## **9.10 Unitholders' Meeting**

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

- (a) An annual general meeting shall be held within 4 months from the end of the accounting period of the REIT;
- (b) An extraordinary meeting shall be held upon occurrence of the following events:
  - 1. When the Unitholder deems it appropriate to call a meeting for the benefits of the REIT;
  - 2. 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.

#### **9.11 Nomination and Appointment of Directors and Top Management**

- None -

#### **9.12 Remunerations of the Auditors**

For the previous accounting period, the REIT paid an auditors' fee of Baht 0.77 million, which is collected by the Auditors as actually incurred, to EY Office Company Limited.

#### **9.13 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**

The REIT Manager has demonstrated its social responsibility in 2017 by conducting business with fairness through proper internal control and work procedures. The Company has in place a Compliance Manual stipulating the Code of Conduct of employee based on the principles of duty of loyalty and duty of care, regulations and procedures related to employees, regulations and procedures for undertaking REIT management business, disclosure of information related to REIT management and the conflicts of interest, protection of material information, and the procedures for handling customer's complaints and regular reporting to the Audit Committee and the Board of Directors, etc.

Moreover, the Management Company is committed to anti-corruption practice by entering as a signatory member of Thailand's Private Sector Collective Action Coalition against Corruption and has ever since undertaken its operations in compliance with the collective agreement.

## **10.3 Activities Beneficial to the Society and Environment (After Process)**

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

- Donate 30,000 THB to Wat Kong Ka ,Bang Yai, Nonthaburi on 4 May 2018.
- Donate reflective vest and related equipment to traffic police at Lumpini police station on 24 October 2018
- Sponsor 300 bottles of water for rural development camp at Chiang Mai Province in order to building 3 toilet rooms .

## **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: Mr. Thotsaporn Pornwattanasirikul Age: 50 years  
 Position: AsistanceVice President, Compliance, Audit and Risk Management Group  
 Education: Bachelor's Degree: Accounting ,Bansomdetchaopraya Rajabhat University  
 Master's Degree: Business Administration , Siam University

### Work Experience in the Field of Compliance

Institution	Position	Period
Bangkok Bank Public Company Limited	Analyze	January 1991-1997
Bank of Ayudhya Public Company Limited		Vice President January 1997-2015
Land and Houses Fund Management Co Ltd	Executive Vice President, Compliance, Audit, and Risk Management Group	March 2018-Present

## 12. Prevention of Conflicts of Interest

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

No.	Natural Person/Juristic Person	Relationship (as of 31 December 2017)	Details of Transactions
1	Land and Houses Fund Management Company Limited	- REIT Manager	- REIT management fee
2	SCB Asset Management Company Limited	- Trustee	- Trustee's fee
3	L&H Retail Management Company Limited	- Property Manager	- Property management fee - Personnel administration fee
4	LH Mall and Hotel Company Limited	- Major unitholder	- No transaction
5	GIC Private Limited	- Major unitholder	- No transaction

No.	Natural Person/Juristic Person	Relationship (as of 31 December 2017)	Details of Transactions
		- Major shareholder of Land and Houses Public Company Limited	
6	Land and Houses Bank Public Company Limited (LHBANK)	<ul style="list-style-type: none"> <li>- Tenant of commercial space in the shopping center in which the REIT invested</li> <li>- Common shareholder of Land and Houses Fund Management Company Limited</li> </ul>	<ul style="list-style-type: none"> <li>- Income from space rental and public utilities services</li> <li>- cash at bank</li> <li>- Interest income</li> <li>- Financial products for hedging against interest rate risk</li> </ul>
7	Siam Commercial Bank Public Company Limited	<ul style="list-style-type: none"> <li>- Tenant of commercial space in the shopping center in which the REIT invests</li> <li>- Shareholder of SCB Asset Management Company Limited</li> <li>- Lender of the REIT</li> </ul>	<ul style="list-style-type: none"> <li>- Space rental and public utilities service income;</li> <li>- Interest income</li> <li>-</li> </ul>
8	L&H Property Company Limited	- Property owner	- Entering into the Property Lease Agreement as Lessor

*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](http://www.lhfund.co.th) and the SEC Office's website: [www.sec.or.th](http://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 21.88% 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, before making investment.

#### **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 21.88% 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 has common shareholder same as Land and Houses Fund Management Company Limited.

#### **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 2020.

#### **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.

#### **12.1.4 Borrowing**

##### **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 has common shareholder same as Land and Houses Fund Management Company Limited.

##### **Characteristics of Connected Transaction**

the REIT shall borrow from Land and Houses Bank Public Co Ltd, the connected person of the REIT, with the purpose of refinancing in the total amount of THB 1,063.8 million loan agreement

##### **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 Transaction between the REIT and the Trustee and the Connected Person of the Trustee**

##### **12.2.1 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 2020.

## **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.

### **12.2.2 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 executing 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 Tendency to Undertake Transactions in the Future between the REIT and the Connected Persons of the REIT Manager and the Trustee**

The REIT may enter into transactions with connected persons of the REIT Manager and the Trustee in the future as follows:



No.	Natural/Juristic Person	Relationship (As of 31 December 2017)	Details of Transaction
1	SCB Asset Management Co Ltd	- Trustee	- Trustee fee
2	L&H Retail Management Co Ltd	- Property Manager	- Property management fee - Personnel administration fee
3	LH Mall and Hotel Management Co Ltd  (Note: LH Mall and Hotel Management Co Ltd registered its name change from Pacific Real Estate Co Ltd to the current name on 24 December 2015)	- Major unitholder of the REIT	- Distribution (Dividend) payment from the REIT
4	GIC Private Limited	- Major unitholder of the REIT - Major shareholder of Land and Houses Public Company Limited	- Distribution (Dividend) payment from the REIT
5	Land and Houses Bank Public Co Ltd (LHBANK)	- Tenant of commercial space in the shopping center in which the REIT invested - Subsidiary of Land and Houses Public Company Limited - Provider of financial products for hedging against interest rate risk	- Income from space rental and utility services - cash at bank - Investment in fixed deposits - Investment in certificates of deposit - Loan interest income - Fee from the service of financial products for hedging against interest rate risk
6	Siam Commercial Bank Public Co Ltd	- Tenant of commercial space in the shopping center in which the REIT invested - Major shareholder of the Trustee - Lender of the REIT - Provider of financial products for hedging against interest rate risk	- Income from space rental and utility services - Loan interest income - Fee from the service of financial products for hedging against interest rate risk
7	L&H Property Co Ltd	- Property owner	- Entering into the Property Lease Agreement as Lessor

## 12.4 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
18	Kiatnakin Bank Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment

<b>No.</b>	<b>Company</b>	<b>Type of Soft Commission</b>	<b>Rationale for Accepting Soft Commissions</b>
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
24	AEC Securities (Thailand) Public Co Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
25	KTB Securities 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 2016, 2017 and 2018**

The financial statements for the year 2018 had been audited by Ms. Runnapa 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 2017 had been audited by Ms. Runnapa 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 2016 had been audited by Ms. Runnapa 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 2018		31 December 2017		31 December 2016	
	Baht	%	Baht	%	Baht	%
<b>Assets</b>						
Investment at fair value	6,908,472,855	97.56%	6,945,830,237	97.43%	6,830,723,439	97.10%
Investments in properties at fair value	6,457,262,387	91.18%	6,427,591,376	90.16%	6,377,079,514	90.51%
Investments in securities at fair value	451,210,468	6.37%	518,238,861	7.27%	453,643,925	6.44%
Cash at banks	92,383,461	1.30%	89,289,800	1.25%	99,998,266	1.42%
Account receivables	59,298,721	0.84%	58,534,777	0.82%	54,172,755	0.77%
From interest	1,088,135	0.02%	2,903,359	0.04%	1,928,748	0.03%
room rental and services	58,023,967	0.82%	55,582,162	0.78%	52,217,179	0.74%
From sales of investments in securities	-	0.00%	-	0.00%	-	0.00%
Other receivables - Net	186,619	0.00%	49,256	0.00%	26,828	0.00%
Prepaid expenses	1,212,378	0.02%	6,246,493	0.09%	5,172,211	0.07%
Deferred expenses	10,191,516	0.14%	21,327,266	0.30%	32,105,683	0.46%
Other assets - Net	10,024,805	0.14%	7,812,638	0.11%	12,347,402	0.18%
<b>Total Assets</b>	<b>7,081,583,736</b>	<b>100.00%</b>	<b>7,129,041,211</b>	<b>100.00%</b>	<b>7,034,519,756</b>	<b>100.00%</b>
<b>Liabilities</b>	<b>58,427,725</b>	<b>0.83%</b>	<b>47,378,270</b>	<b>0.66%</b>	<b>49,522,751</b>	<b>0.70%</b>
Trade accounts payable	50,566,814	0.71%	42,323,840	0.59%	33,975,974	0.48%
Other payables	7,860,911	0.11%	5,054,430	0.07%	15,546,777	0.22%
Accrued expenses	42,850,977	0.61%	42,180,049	0.59%	45,895,848	0.65%
Advance receipt for rental and services	5,147,083	0.07%	6,954,675	0.10%	5,149,854	0.07%
Deposits from rental and services	291,658,132	4.12%	278,627,647	3.91%	256,368,212	3.64%
Long-term loan	900,000,000	12.71%	1,080,000,000	15.15%	1,080,000,000	15.35%
Other liabilities	11,295,827	0.16%	11,013,257	0.15%	12,755,576	0.18%
<b>Total liabilities</b>	<b>1,309,379,744</b>	<b>18.49%</b>	<b>1,466,153,898</b>	<b>20.57%</b>	<b>1,449,692,241</b>	<b>20.61%</b>
<b>Net Assets</b>	<b>5,772,203,992</b>	<b>81.51%</b>	<b>5,662,887,313</b>	<b>79.43%</b>	<b>5,584,827,515</b>	<b>79.39%</b>

Assets	31 December 2018		31 December 2017		31 December 2016	
	Baht	%	Baht	%	Baht	%
Capital from Unitholders	4,978,259,940	70.30%	4,978,259,940	69.83%	4,978,259,940	70.77%
Retained Earnings (losses)	793,944,052	11.21%	684,627,373	9.60%	606,567,575	8.62%
Net Assets	5,772,203,992	81.51%	5,662,887,313	79.43%	5,584,827,515	79.39%

*Remark: Referring to the financial statements of the REIT for the year ending 31 December 201 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 2018		31 December 2017		31 December 2016	
	Baht	%	Baht	%	Baht	%
Rental income	1,296,804,235	99.45%	1,217,737,742	99.16%	1,162,750,721	99.19%
Interest income	5,734,069	0.44%	8,356,977	0.68%	7,948,506	0.68%
Other income	1,401,197	0.11%	1,901,829	0.15%	1,545,858	0.13%
<b>Total Income</b>	1,303,939,501	100.00%	1,227,996,548	100.00%	1,172,245,085	100.00%
Cost of rental and service	469,344,349	35.99%	444,490,546	36.20%	449,228,535	38.32%
Management fee	7,292,210	0.56%	7,148,670	0.58%	7,048,478	0.60%
Trustee's fee	4,878,814	0.37%	4,874,173	0.40%	4,815,908	0.41%
Registrar's fee	1,921,745	0.15%	1,921,653	0.16%	1,920,858	0.16%
Property management fee	77,188,024	5.92%	78,499,932	6.39%	55,420,810	4.73%
Professional fee	2,787,019	0.21%	1,159,563	0.09%	852,265	0.07%
Sales expenses	100,551,520	7.71%	99,983,761	8.14%	94,228,931	8.04%
Administrative expenses	80,010,794	6.14%	68,083,032	5.54%	52,599,580	4.49%
Interest expenses	40,993,640	3.14%	45,906,658	3.74%	46,025,753	3.93%
<b>Total Expenses</b>	784,968,115	60.20%	752,067,988	61.24%	712,141,118	60.75%
<b>Net Investment Income</b>	518,971,386	39.80%	475,928,560	38.76%	460,103,967	39.25%

Statement of Income	31 December 2018		31 December 2017		31 December 2016	
	Baht	%	Baht	%	Baht	%
Net realized gains (losses) on investments	-52,646	0.00%	114,289	0.01%	2,986	0.00%
Net unrealized gains on investments	29,656,170	2.27%	50,548,408	4.12%	52,453,529	4.47%
Total realized gains (losses) on investments	29,603,524	2.27%	50,662,697	4.13%	52,456,515	4.47%
Net increase in net assets resulting from operations	548,574,910		526,591,257		512,560,482	

*Remark: Referring to the financial statements of the REIT for the year ending 31 December 2018 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 Changes in Net Assets		31 December 2017 (Baht)	31 December 2016 (Baht)
<b>Increases in net assets from operations during the year/period</b>			
Earnings from net investment	518,971,386	475,928,560	460,103,967
Net profits (losses) from investment	(52,646)	114,289	2,986
Unrealized net profits from investment	29,656,170	50,548,408	52,453,529
<b>Increases in net assets from operations</b>	548,574,910	526,591,257	512,560,482
Number of REIT units sold during the year/period amounting to 488,064,700 units at Baht 10.20 per unit	-	-	-
Distribution of capital to Unitholders	(439,258,231)	(488,531,459)	(521,253,100)
<b>Increases in net asset during the year-period</b>	109,316,679	(78,059,798)	(8,692,618)
<b>Net assets - at the beginning of the year/period</b>	5,662,887,313	5,584,827,515	5,593,520,133
<b>Net assets - at the end of the year/period</b>	5,772,203,992	5,662,887,313	5,584,827,515

*Remark: Referring to the financial statements of the REIT for the year ending 31 December 2018 and report of the authorized auditors.*

## 14. Management Discussion and Analysis

### 14.1 Analysis of Past Performance

#### (a) Overview of Operating Results of the REIT

As of 31 December 2018, the REIT's total investment income was at Baht 1,303.94 million, comprising of rental and services income of Baht 1,296.80 million, interest income of Baht 5.73 million and other income of Baht 1.40 million. Moreover, during the same period, the REIT had a net expense of Baht 784.97 million, comprising of cost of rental and services of Baht 469.34 million, administrative expenses of Baht 80.01 million, selling expenses of Baht 100.55 million, professional fees of Baht 16.88 million and property management fee of Baht 77.19 million.

The REIT's net investment income was at Baht 518.97 million and posted a total realized and unrealized gains on investment of Baht 29.50 million. As a result, the REIT's net assets from operating activities increased by Baht 548.57 million. As of 31 December 2018, the REIT's net asset value was at Baht 5,772.20 million or equivalent to Baht 11.8267 per unit.

#### Ratios of Income and Expenses to Net Asset Value

Significant Financial Ratios and Additional Significant Information	31 December 2018	31 December 2017	31 December 2016
Net asset value at the end of the year/period (Baht)	5,772,203,992	5,662,887,313	5,584,827,515
Ratio of total expenses to average net asset value during the year/period (%)	13.67	13.36	12.83
Ratio of total investment income to average net asset value during the year/period (%)	22.71	21.82	21.11
Ratio of weighted average investment turnover during the period to average net assets during the period (%)*	3.01	1.86	2.35
Average net asset value during the period (Baht)	5,741,331,726	5,628,862,090	5,552,115,147

*Remark: Referring to the financial statements of the REIT for the year ending 31 December 2018 and report of the authorized auditors.*

#### (b) Performance of Project Invested by the REIT

##### (1) Revenue Analysis

In 2018, the REIT derived income from the rental and services amounting to Baht 1,296.80 million, compared with Baht 1,217.74 million in 2017. It also gained Baht 5.73 million of interest income, an decrease of Baht 2.63 million from the amount of 8.36 million in 2017.



The operating performance of Terminal 21 Shopping Center Project, the core property invested by the REIT, as of 2017 and 2018 were as follows:

(2) Expenses Analysis

In 2018, the REIT's total expenses were at Baht 784.97 million, an increase of Baht 32.90 million from Baht 752.07 million in 2017.

The expenses are comprising of cost of rental and services of Baht 469.34 million, administrative expenses of Baht 80.01 million, selling expenses of Baht 100.55 million, professional fees of Baht 16.88 million and property management fee of Baht 77.19 million.

(3) Net Property Income

As of 31 December 2018, the operating profits before realized and unrealized gains (losses) on investment of the REIT was Baht 518.97 million, compared with Baht 475.93 million of operating profits in 2017. As a result, net investment income of the REIT rose by Baht 43.04 million.

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

In 2018, the REIT paid a total of Baht 94.07 million fees, consisting of Baht 7.29 million of REIT Management Fee, Baht 4.87 million of Trustee Fee, Baht 1.92 million of Registrar Fee, Baht 77.19 million of Property Management Fee, and Baht 2.79 million of Professional Fee paid to independent appraisal company and auditors.

**Fee Structure**

<b>Fees</b>	<b>31 December 2018 (Baht)</b>	<b>31 December 2017 (Baht)</b>	<b>31 December 2016 (Baht)</b>
Management Fee	7,292,210	7,148,670	7,048,478
Trustee's Fee	4,878,814	4,874,173	4,815,908
Registrar's Fee	1,921,745	1,921,653	1,920,858
Property Management Fee	77,188,024	78,499,932	55,420,810
Professional Fee	2,787,019	1,159,563	852,265

(5) Gross Profit Margin

The gross profit margin from leasing out of the REIT's core property in 2018 was as follows:

Profitability Ratios	31 December 2018	31 December 2017	31 December 2016
Gross Profit Ratio (%)	64.36%	64.34%	62.18%
Operating Margin Ratio (%)	43.18%	42.85%	43.53%
Net Profit Ratio (%)	40.02%	39.08%	39.57%
Return on Unitholders (%)	8.99%	8.40%	8.24%

(6) Financial Expenses of the REIT

The financial expenses of the REIT in 2018 comprised interest expenses arising from borrowing to fund the investment in Terminal 21 Shopping Center Project. The interest expenses of the REIT in 2018 amounted to Baht 40.99 million.

(7) Property Management Capacity

The increase of average rental fee in 2018 contributed to a rise of 0.44% of the appraised value of property. In 2018, the appraised value carried out by TAP Valuation Co Ltd was Baht 6,463 million

**Appraised Value by Income Approach during the Past 3 Years**

Property	Appraised Value in 2018 (Million Baht)	Appraised Value in 2017 (Million Baht)	Appraised Value in 2016 (Million Baht)
Appraisal Firm	Year Appraisal Co., Ltd. (15 August 2018)	TAP Valuation Co., Ltd. (16 August 2017)	Grand Asset Advisory Co., Ltd. (16 August 2016)
Terminal 21 Shopping Center Project	6,463.00	6,435.00	6,386.00

## Financial Ratios Related to Property Management Capacity

Efficiency Ratios	31 December 2018	31 December 2017	31 December 2016
Return on Assets Ratio (%)	7.33%	6.68%	6.54%
Fixed Asset Turnover Ratio (time)	0.18	0.17	0.17

### (8) Debt Serving Capacity

The REIT had Baht 1,309.38 million of total liabilities, decrease by 10.69% compared with Baht 1,466.15 million in the previous year. The total liabilities comprised deposits for rental and services, amounting to Baht 291.66 million, which was collected from the tenants as a rental guarantee. Moreover, the REIT had a long-term loan of Baht 900 million.

On 21 December 2018, the REIT shall borrow from Land and Houses Bank Public Co Ltd, the connected person of the REIT, with the purpose of refinancing in the total amount of THB 1,063.8 million loan agreement. 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 1.50% 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 June 2020. The full payment of the loan shall be made within September 2028.

### (9) Liquidity and Capital Adequacy

As of 31 December 2018, the REIT had Baht 92.38 million of cash and cash at banks, accounting for 1.30% of total assets. This amount is composed of Baht 4.50 million of cash and 87.88 million of cash deposits at banks.

The liquidity of the REIT in 2018 was the cash flows from rental and service income which totaled Baht 1,296.80 million whereas the use of net cash flows from financing activities amounted to Baht 659.75 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 2018	31 December 2017	31 December 2016
Current Ratio (time)	1.67	1.97	1.78
Quick Ratio (time)	0.52	0.53	0.42
Cash Ratio (time)	0.23	0.23	0.27
Account Receivable Turnover (time)	22.35	21.91	22.27
Average Collection Period (day)	16	17	16
Account Payable Turnover (time)	9.28	10.50	13.22
Payable Payment Period (day)	39	35	28

### Cash Flows from Operating Activities

Statement of Changes in Net Assets	31 December 2018 (Baht)	31 December 2017 (Baht)	31 December 2016 (Baht)
<b>Cash flows from operating activities</b>			
Net cash flows used in operating activities	662,843,505	483,601,679	554,244,942
<b>Cash flows from financing activities</b>			
Net cash flows from financing activities	(494,310,145)	(494,310,145)	(567,278,853)
<b>Net increase in cash and cash at banks</b>	(10,708,466)	(10,708,466)	(13,033,911)
Cash and cash at banks at the beginning period	99,998,266	99,998,266	113,032,177
<b>Cash and cash at banks at the end of period</b>	89,289,800	89,289,800	99,998,266

#### (10) Distribution Payment

The REIT made a total distribution payment of Baht 0.9160 per unit in 2018, representing 8.98% and 5.65% of the market price at year-end 2018. 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
1 January 2018 - 28 February 2018	0.1450	27 April 2018
1 March 2018 - 30 April 2018	0.1450	3 July 2018
1 May 2018 - 30 June 2018	0.1550	31 August 2018
1 July 2018 - 31 August 2018	0.1260	2 November 2018
1 September 2018 - 31 October 2018	0.1850	27 December 2018
1 November 2018 - 31 December 2018	0.1600	14 March 2019

### Disclosure of Information Regarding Distribution Payment

Year	2018	2017	2016	2015	For the Period from 22 December 2014 - 31 December 2014
(1) Dividend yield per unit (Baht)	0.9160	0.8830	0.8530	0.7750	0.022
(2) Sharing of equity per unit (Baht)	0.00	0.00	0.00	0.00	0.00
Total Distribution Payment per unit (1) + (2) (Baht)	0.9160	0.8830	0.8530	0.7750	0.022
(3) Percentage of IPO Price*					
(3.1) Dividend yield rate (%)	8.98%	8.66%	8.36%	7.60%	0.22%
(3.2) Equity sharing rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Distribution rate per unit (3.1) + (3.2) (%)	8.98%	8.66%	8.36%	7.60%	0.22%
(4) Percentage of Market Price on 28 December 2018* (Baht 16.20 on 28 December 2018)					
(4.1) Dividend yield rate (%)	5.65%	6.09%	6.09%	5.54%	0.16%
(4.2) Equity sharing rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Distribution rate per unit (4.1) + (4.2) (%)	5.65%	6.09%	6.09%	5.54%	0.16%

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 Events that May Have an Impact in the Future (Forward Looking)**

### **14.2.1 Thai Economy in 2017 and Outlook for 2018**

The information published by the Office of the National Economic and Social Development Board (NESDB) in February 2019 indicated that the Thai economy expanded by 4.1%, up from 4.0% in 2018 and was recorded as the fastest expansion in 6 years. Export value grew by 7.7% while private consumption and total investment grew by 4.6% and 3.8%, respectively. Headline inflation averaged at 1.1%, increased from 0.7% in the previous year.

The Thai economy in 2019 is projected to grow in the range of 3.5% – 4.5%, supported by a favorable growth momentum of private consumption, an improvement of private investment, an acceleration of public investment following progresses of key public infrastructure projects e.g. EEC and a recovery of tourism sector in line with normalizing trend of tourist numbers and receipts. All in all, it is expected that export value will grow by 4.1%, and private consumption and total investment will grow by 4.2% and 5.1%, respectively. Headline inflation is forecasted to be in the range of 0.5% – 1.5%. Nevertheless, the volatile global economic condition, as well as the domestic political sentiment and policy directions after the election, still needs close monitoring.

*(Source : Office of the National Economics and Social Development Board as of February 2019)*

### **14.2.2 Other factor**

-None-

## TRUSTEE REPORT

February 1, 2019

To Unitholders 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") managed by Land and Houses Fund Management Co., Ltd. ("LH Fund") who acts the REIT manager, would like to inform you that for the period of January 1, 2018 to December 31, 2018, LH Fund had managed the REIT properly and efficiently as well as in compliance with applicable laws, regulations and the trust deeds in a way that protects interests of the REIT and unitholders as a whole.

Yours faithfully,

SCB Asset Management Company Limited




(Mrs. Tipaphan Puttarawigorm, Miss Aon-anong Chaithong)

Trustee

บริษัทหลักทรัพย์จัดการกองทุน ไทยพาณิชย์ จำกัด (สำนักงานใหญ่)  
ชั้น 7-8 อาคาร 1 ไทยพาณิชย์บิโรต พลาซ่า เลขที่ 18 ถนนรัชดาภิเษก แขวงจตุจักร เขตจตุจักร กรุงเทพฯ 10900  
โทรศัพท์ 0 2949 1500 โทรสาร 0 2949 1501

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

WWW.SCBAM.COM 

## Expenses Collected from the Unitholders or the REIT

**For the Period during 1 January 2018 - 31 December 2018**

Expenses Chargeable to the REIT	Amount	% of NAV	
	Baht thousand	Actually Charged	As Per the Project
Management Fee	7,292.21	0.13%	Not exceeding 2.0%
Registrar Fee	1,921.75	0.03%	Not exceeding 1.0%
Trustee Fee	4,878.81	0.03%	Not exceeding 1.0%
Property Management Fee	77,188.02	1.34%	As Actually Incurred
Professional Fee	2,787.02	0.05%	As Actually Incurred
Interest Expenses	40,993.64	0.71%	As Actually Incurred
Rental and Service Cost	469,344.35	8.13%	As Actually Incurred
Selling and Administration	180,562.31	3.13%	As Actually Incurred
<b>Total Expenses</b>	<b>784,067.99</b>	<b>13.60%</b>	

Remarks: <sup>1</sup> 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 2018 to 31 December 2018 is equivalent to Baht 5,772,203,992



## **Auditors' Report and Financial Statements**

LH Shopping Centers Leasehold Real Estate  
Investment Trust  
Report and financial statements  
31 December 2018

## Independent Auditor's Report

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

### Opinion

I have audited the accompanying financial statements of LH Shopping Centers Leasehold Real Estate Investment Trust ("the Trust"), which comprise the balance sheet, including the details of investments as at 31 December 2018, and the related statements of income, changes in net assets, cash flows and significant financial information for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LH Shopping Centers Leasehold Real Estate Investment Trust as at 31 December 2018, its financial performance, changes in its net assets, cash flows and significant financial information for the year then ended, in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

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



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## Key Audit Matters

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

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

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

### Revenue recognition

The Trust recognises rental and service income at the amount stipulated under the lease agreement, as disclosed its policies in Note 5.1 to the financial statements. The Trust recognised rental and service income for the year 2018 amounting to Baht 1,297 million, which represents 99% of total revenues. Moreover, the Trust has entered into agreements with a large number of customers and there are a variety of conditions in these agreements. There are therefore risks with respect to the existing and timing of revenue recognition.

I have examined the revenue recognition of the Trust by

- Assessing and testing the Trust's IT system and its internal controls related to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- On a sampling basis, examining supporting documents for actual revenue transactions occurring during the year and near the end of the accounting period to assessing whether revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Trust's policy.
- Reviewing credit notes that the Trust issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in revenue transactions throughout the period.

### **Valuation of investments in properties**

As disclosed in Note 7 to the financial statements, the Trust had investments in properties presented in the balance sheet as at 31 December 2018 at their fair value of Baht 6,457 million, representing 91% of total assets. These investments are not traded on an active market and a comparable quoted price for the same or similar investments on an inactive market cannot be found. The REIT manager therefore determined the fair value of these investments based on the value appraised by an independent appraiser using the income approach. As the REIT manager is required to exercise significant judgement with respect to the estimation of future operating results and the determination of a discount rate and key assumptions, there is therefore a significant risk with respect to the measurement of such investments.

I have examined the valuation of investments in properties of the Trust by

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

### **Other Information**

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

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.
- Conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

I am responsible for the audit resulting in this independent auditor's report.

Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 22 February 2019



**LH Shopping Centers Leasehold Real Estate Investment Trust**

**Balance sheet**

**As at 31 December 2018**

		(Unit: Baht)	
	Note	31 December 2018	31 December 2017
<b>Assets</b>			
Investments in properties at fair value	7	6,457,262,387	6,427,591,376
(At cost 2018 and 2017: Baht 5,939,379,538)			
Investments in securities at fair value		451,210,468	518,238,861
(At cost 2018: Baht 451,189,210 and 2017: Baht 518,202,762)			
Cash and cash at banks	8, 14	92,383,461	89,289,800
Accounts receivable			
From rental and services	9, 14	58,023,967	55,582,162
From interest	14	1,088,135	2,903,359
Other	14	186,619	49,256
Prepaid expenses		1,212,378	6,246,493
Deferred expenses		10,191,516	21,327,266
Other assets		10,024,805	7,812,638
<b>Total assets</b>		<b>7,081,583,736</b>	<b>7,129,041,211</b>

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 2018**

(Unit: Baht)

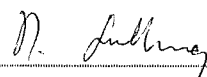
	Note	31 December 2018	31 December 2017
<b>Liabilities</b>			
Trade accounts payable		50,566,814	42,323,840
Other payables		7,860,911	5,054,430
Accrued expenses	14	42,850,977	42,180,049
Advance receipt for rental and services		5,147,083	6,954,675
Deposits from rental and services	14	291,658,132	278,627,647
Long-term loans	10, 14	900,000,000	1,080,000,000
Other liabilities		11,295,827	11,013,257
<b>Total liabilities</b>		<b>1,309,379,744</b>	<b>1,466,153,898</b>
<b>Net assets</b>		<b>5,772,203,992</b>	<b>5,662,887,313</b>
<b>Net assets:</b>			
Trust registered			
488,064,700 units of Baht 10.20 each		4,978,259,940	4,978,259,940
Capital from unitholders			
488,064,700 units of Baht 10.20 each		4,978,259,940	4,978,259,940
Retained earnings	11	793,944,052	684,627,373
<b>Net assets</b>		<b>5,772,203,992</b>	<b>5,662,887,313</b>
Net asset value per unit (Baht)		11.8267	11.6027
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.

(Mr. Voranon Asavakittimetin)

Senior Vice President

Infrastructure and Property Fund Department



(Mrs. Narumol Senthong)

Vice President

Fund Accounting Department

LH Shopping Centers Leasehold Real Estate Investment Trust

Detail of investments

As at 31 December 2018

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)	31 December 2018		31 December 2017				
					Fair value	Percentage of investment	Fair value	Percentage of investment			
					(Baht)	(Percent)	(Baht)	(Percent)			
Investments in properties (Note 7)											
Project Terminal 21 Shopping Center											
Location: Sukhumvit 19 (Wattana)											
Klongtoey-Nua, Wattana, Bangkok					97,905 Sqm.		31 August 2040				
					6,457,262,387	93.47	6,427,591,376	92.54			
Total investment in properties					6,457,262,387	93.47	6,427,591,376	92.54			
Investments in securities											
Deposit receipt											
Government Housing Bank					15 January 2018	1.750	-	-	40,000,000	0.58	
Government Housing Bank					15 January 2018	1.750	-	-	30,000,000	0.43	
Government Housing Bank					16 January 2018	1.750	-	-	23,000,000	0.33	
Government Housing Bank					6 March 2018	1.750	-	-	20,000,000	0.29	
Government Housing Bank					20 April 2018	1.700	-	-	17,000,000	0.24	
Government Housing Bank					20 April 2018	1.700	-	-	10,000,000	0.14	
Government Housing Bank					4 July 2018	1.650	-	-	17,000,000	0.24	
Government Housing Bank					4 July 2018	1.650	-	-	10,000,000	0.14	
Government Housing Bank					31 July 2018	1.650	-	-	6,000,000	0.09	
Government Housing Bank					2 August 2018	1.650	-	-	10,000,000	0.14	
Government Housing Bank					14 August 2018	1.650	-	-	30,000,000	0.43	
Government Housing Bank					14 August 2018	1.650	-	-	20,000,000	0.29	
Government Housing Bank					28 November 2018	1.600	-	-	22,000,000	0.32	
Government Housing Bank					28 November 2018	1.600	-	-	20,000,000	0.29	
Government Housing Bank					15 January 2019	1.600	40,000,000	0.58	-	-	
Government Housing Bank					15 January 2019	1.600	30,000,000	0.44	-	-	
Bond											
Bank of Thailand					CB18308A	8 March 2018	1.145	-	-	60,075,619	0.87
Bank of Thailand					CB18315A	15 March 2018	1.180	-	-	798,116	0.01
Bank of Thailand					CB18322A	22 March 2018	1.125	-	-	36,908,991	0.53
Bank of Thailand					CB18405A	5 April 2018	1.196	-	-	35,889,486	0.52
Bank of Thailand					CB18426A	26 April 2018	1.237	-	-	44,825,242	0.65
Bank of Thailand					CB18503A	3 May 2018	1.195	-	-	64,741,407	0.93
Bank of Thailand					CB19108A	8 January 2019	1.398	87,976,421	1.27	-	-
Bank of Thailand					CB19124B	24 January 2019	1.200	37,971,288	0.55	-	-
Bank of Thailand					CB19307B	7 March 2019	1.280	9,977,257	0.14	-	-
Bank of Thailand					CB19314A	14 March 2019	1.590	14,953,100	0.22	-	-
Bank of Thailand					CB19314C	14 March 2019	1.295	9,974,520	0.14	-	-
Bank of Thailand					CB19620A	20 June 2019	1.600	220,357,882	3.19	-	-
Total investments in securities					451,210,468	6.53	518,238,861	7.46			
Total investments					6,908,472,855	100.00	6,945,830,237	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 2018**

		(Unit: Baht)	
	Note	2018	2017
<b>Investment income</b>			
Rental and services income	14	1,296,804,235	1,217,737,742
Interest income		5,734,069	8,356,977
Other income		1,401,197	1,901,829
<b>Total income</b>		<b>1,303,939,501</b>	<b>1,227,996,548</b>
<b>Expenses</b>			
Cost of rental and services	14	469,344,349	444,490,546
REIT management fee	13.1, 14	7,292,210	7,148,670
Trustee's fee	13.2, 14	4,878,814	4,874,173
Registrar's fee	13.3	1,921,745	1,921,653
Property management fee	13.4, 14	77,188,024	78,499,932
Professional fees		2,787,019	1,159,563
Selling expenses		100,551,520	99,983,761
Administrative expenses	14	80,010,794	68,083,032
Interest expenses	14	40,993,640	45,906,658
<b>Total expenses</b>		<b>784,968,115</b>	<b>752,067,988</b>
<b>Net investment income</b>		<b>518,971,386</b>	<b>475,928,560</b>
<b>Realised and unrealised gains on investments</b>			
Net realised gains (loss) on investments		(52,646)	114,289
Net unrealised gains on investments	7	29,656,170	50,548,408
<b>Total realised and unrealised gains on investments</b>		<b>29,603,524</b>	<b>50,662,697</b>
<b>Net increase in net assets resulting from operations</b>		<b>548,574,910</b>	<b>526,591,257</b>

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 2018**

		(Unit: Baht)	
	Note	2018	2017
<b>Increase in net assets resulting from operations during year</b>			
Net investment income		518,971,386	475,928,560
Net realised gains (loss) on investments		(52,646)	114,289
Net unrealised gains on investments		29,656,170	50,548,408
<b>Net increase in net assets resulting from operations</b>		548,574,910	526,591,257
Distribution to unitholders	12, 14	(439,258,231)	(448,531,459)
<b>Increase in net assets during year</b>		109,316,679	78,059,798
Net assets at the beginning of year		5,662,887,313	5,584,827,515
<b>Net assets at the end of year</b>		5,772,203,992	5,662,887,313

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 2018

	(Unit: Baht)	
	2018	2017
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations	548,574,910	526,591,257
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchases of investments in securities	(1,711,844,166)	(1,714,432,637)
Sales of investments in securities	1,781,188,997	1,653,250,430
Increase in accounts receivable from rental and services	(2,441,805)	(3,364,983)
Decrease (increase) in accounts receivable from interest	1,815,224	(974,611)
Increase in other receivables	(137,363)	(22,428)
Decrease (increase) in prepaid expenses	5,034,115	(1,074,282)
Decrease in deferred expenses	657,151	299,818
Decrease (increase) in other assets	(2,212,167)	4,534,764
Increase in trade accounts payable	8,242,974	8,347,866
Increase (decrease) in other payables	2,806,481	(10,492,347)
Increase (decrease) in accrued expenses	168,901	(3,843,771)
Increase (decrease) in advance receipt for rental and services	(1,807,592)	1,804,821
Increase in deposits from rental and services	13,030,485	22,259,435
Increase (decrease) in other liabilities	282,570	(1,742,319)
Amortisation of deferred expenses	10,478,599	10,478,599
Amortisation of discount on investments	(2,383,925)	(3,261,894)
Interest expenses	40,993,640	45,906,658
Net realised loss (gains) on investments	52,646	(114,289)
Net unrealised gains on investments	(29,656,170)	(50,548,408)
<b>Net cash flows from operating activities</b>	<b>662,843,505</b>	<b>483,601,679</b>
<b>Cash flows from financing activities</b>		
Interest paid	(40,491,613)	(45,778,686)
Distribution to unitholders	(439,258,231)	(448,531,459)
Cash receipt from long-term loans	1,050,000,000	-
Repayment of long-term loans	(1,230,000,000)	-
<b>Net cash flows used in financing activities</b>	<b>(659,749,844)</b>	<b>(494,310,145)</b>
<b>Net increase (decrease) in cash and cash at banks</b>	<b>3,093,661</b>	<b>(10,708,466)</b>
Cash and cash at banks at the beginning of year	89,289,800	99,998,266
<b>Cash and cash at banks at the end of year (Note 8)</b>	<b>92,383,461</b>	<b>89,289,800</b>

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 2018

	(Unit: Baht)				
	For the period as from				
	22 December 2014				
	to 31 December 2014				
	2018	2017	2016	2015	
<b>Operating performance information (per unit)</b>					
Net asset value at the beginning of year/period	11.6027	11.4428	11.4606	10.2245	-
Income from investment operations					
Net investment income	1.0633	0.9751	0.9427	0.8487	0.0245
Net realised gains (loss) on investments	(0.0001)	0.0002	0.0000	0.0001	-
Net unrealised gains on investments	0.0608	0.1036	0.1075	0.7893	-
Total income from investment operations	1.1240	1.0789	1.0502	1.6381	0.0245
Add: Increase in capital from unitholders	-	-	-	-	10.2000
Less: Distribution to unitholders	(0.9000)	(0.9190)	(1.0680)	(0.4020)	-
Net asset value at the end of year/period	11.8267	11.6027	11.4428	11.4606	10.2245
<b>Ratio of increase in net assets resulting from operations to</b>					
average net assets during the year/period (%)	9.55	9.36	9.23	15.10	0.24
<b>Significant financial ratios and additional significant information</b>					
Net assets at the end of year/period (Baht)	5,772,203,992	5,662,887,313	5,584,827,515	5,593,520,133	4,990,224,614
Ratio of total expenses to average net assets during the year/period (%)	13.67	13.36	12.83	13.57	0.30
Ratio of total investment income to average net assets during the year/period (%)	22.71	21.82	21.11	21.39	0.54
Ratio of weighted average investment turnover during the year/period					
to average net assets during the year/period (%) <sup>*</sup>	3.01	1.86	2.35	3.14	114.17
Average net assets during the year/period (Baht)	5,741,331,726	5,628,862,090	5,552,115,147	5,295,088,356	4,990,224,614

<sup>\*</sup> 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 2018**

#### **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 laws.

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 2018, the Trust's major unitholders are Social Security Office and LH Mall and Hotel Company Limited, which hold 10% and 9% respectively, according to the registry of unitholders on 28 December 2018 (2017: 10% and 9%, 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 distribution to unitholders when it is determined to be necessary and appropriate and will to pay distribution by 90 days after the closing of financial year or accounting period of distribution payment.

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

In the event that the Trust has retained earnings in any accounting period, the REIT Manager may pay distribution to the unitholders from the retained earnings.

- (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 distribution as at the end of fiscal year.

## **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**

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

During the year, the Trust has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Trust's financial statements.

##### **(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The REIT Manager believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

##### **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The REIT Manager believes that this standard will not have any significant impact on the financial statements when it is initially applied.

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the entity's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The REIT Manager is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

## **5. Significant accounting policies**

### **5.1 Revenues and expenses**

Rental and related 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 “Unbilled operating leases receivables” 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. The REIT Manager will not appoint any Appraiser to appraise the property or leased property for more than two consecutive times.

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 unrealised 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.

## **5.6 Distribution to unitholders**

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

## **5.7 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.

## **5.8 Income tax**

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

## **5.9 Fair value measurement**

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

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

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

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

## **6. Significant accounting judgements and estimates**

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

### **Fair Value of investment in properties**

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. The independent appraiser values the investments by using the income approach, because there is no market price that could be used to apply a comparative approach. The REIT Manager is required to exercise significant judgement with respect to the estimation of future operating results and the determination of a discount rate and key assumptions. Change in assumptions about these factors could affect the fair value recognised in the balance sheet. 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.

### **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)

	2018	2017
Investments in properties - beginning of the year	6,427,591	6,377,080
Add: Net unrealised gains from the revaluation of		
investments during the year	28,000	49,000
Net unrealised gain from the fair value		
adjustment	1,671	1,511
Investments in properties - end of the year	6,457,262	6,427,591

During the year 2018, the Trust hired an independent appraiser to appraise the value of its investments in properties, using the income approach method. The Trust has adjusted these investments in properties to their fair value and recognised unrealised gain on investments in the statement of income.

Key assumptions used in the valuation are summarised below:

	2018	Result to fair value where as an increase in assumption value
Discount rate (%)	9.50	Decrease in fair value
Occupancy rate (%)	87 - 100	Increase in fair value

## 8. Cash and cash at banks

As at 31 December 2018 and 2017, the Trust has the details of cash and cash at banks as follows:

Bank	Principal (Thousand Baht)		Interest rate (% per annum)	
	2018	2017	2018	2017
Cash and cash in transit	4,504	2,673	-	-
<u>Current accounts</u>				
Land and Houses Bank Public Company Limited	-	139	-	-
Siam Commercial Bank Public Company Limited	1,633	2,092	-	-
<u>Saving accounts</u>				
Land and Houses Bank Public Company Limited	12,905	7,929	0.750	0.750
Siam Commercial Bank Public Company Limited	73,341	76,457	0.375	0.375
Total cash at banks	87,879	86,617		
Total cash and cash at banks	92,383	89,290		



## 9. Accounts receivable from rental and services

The balances of accounts receivable from rental and services as at 31 December 2018 and 2017, aged on the basis of due dates are summarised below:

	(Unit: Thousand Baht)	
	2018	2017
<u>Age of receivables</u>		
Not yet due	30,979	32,298
Past due		
Not over 3 months	19,742	13,057
3 - 6 months	87	432
6 - 12 months	331	1,829
Over 12 months	1,147	557
Total	52,286	48,173
Unbilled operating leases receivables	5,738	7,409
Total accounts receivable from rental and service	58,024	55,582

## 10. Long-term loans

Movements of long-term loans for the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 January 2018	1,080,000
Add: Additional borrowings	1,050,000
Less: Repayment	(1,230,000)
Balance as at 31 December 2018	900,000

As at 31 December 2017, the Trust has current portion of long-term loan of Baht 32 million.

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 year 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. In case of a loan prepayment, the Trust is liable to a prepayment fee when use funding from other financial institution and/or as stipulated in the agreement.

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 LH Mall and Hotel Company Limited and the GIC Private Limited agreed to provide assurance to the lender, whereby there are certain covenants pertaining to, among other things, as follows:

- The parent company of LH Mall and Hotel Company Limited 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 at least 36 months from the date that the Trust is established, the parent company of LH Mall and Hotel Company Limited and GIC Private Limited will not sell, transfer or pledge such unit to unrelated party unless they obtain a written consent of the Trustee.

As at 28 September 2018, the Extraordinary General Meeting of Unitholders No.1/2018 resolved to obtain credit facilities from Land and Houses Bank Public Company Limited for a purposes of refinancing an existing loan and using as working capital of the Trust.

During October 2018, the Trust entered into loan facility agreements. The significant conditions of the facilities are:

- 1) Facilities : Baht 1,072 million
- Interest rate : Fixed rate not exceeding 5.25% per annum for the first three years and at a rate not exceeding MLR - 1.50% per annum thereafter
- Term : Full settlement of loan is to be made within October 2028
- Interest payment : Quarterly basis
- Principal payment : Once per annum with the first principal payment to be made in 2020

The credit facility has been drawn down by Baht 900 million.

- 2) Facilities : Baht 150 million
- Interest rate : Not exceeding MLR - 1.50% per annum
- Term : Not exceeding 180 days
- Interest payment : Quarterly basis

The credit facility has been fully drawn down and repaid.

The credit facilities agreements contain several covenants which, among other things, require the Trust to maintain certain debt to equity ratio and debt service coverage ratio at the rate prescribed in the agreements.

As at 31 December 2018, the long-term credit facility of the Trust which has not yet been drawn down amounted to Baht 172 million.

## 11. Retained earnings

	(Unit: Thousand Baht)	
	31 December 2018	31 December 2017
Net accumulated income from investments	1,362,208	886,279
Accumulated net realised gains on investments	158	44
Accumulated net unrealised gains on investments	488,247	437,699
Less: Accumulated distribution to unitholders	(1,165,986)	(717,455)
Retained earnings at the beginning of year	684,627	606,567
Add: Increase in net assets resulting from operations during the year	548,575	526,591
Less: Distribution to unitholders during the year	(439,258)	(448,531)
Retained earnings at the end of year	<u>793,944</u>	<u>684,627</u>

## 12. Distribution to unitholders

For the year ended 31 December 2018				
Declaration date	For operating results	Per unit (Baht)	Total (Thousand Baht)	Paid on
14 February 2018	As from 1 November 2017 to 31 December 2017	0.1440	70,282	13 March 2018
29 March 2018	As from 1 January 2018 to 28 February 2018	0.1450	70,769	27 April 2018
4 June 2018	As from 1 March 2018 to 30 April 2018	0.1450	70,769	3 July 2018
3 August 2018	As from 1 May 2018 to 30 June 2018	0.1550	75,650	31 August 2018
4 October 2018	As from 1 July 2018 to 31 August 2018	0.1260	61,496	2 November 2018
28 November 2018	As from 1 September 2018 to 31 October 2018	0.1850	90,292	27 December 2018
Total distribution to unitholders		<u>0.9000</u>	<u>439,258</u>	

For the year ended 31 December 2017

Declaration date	For operating results	Per unit	Total	Paid on
		(Baht)	(Thousand Baht)	
24 February 2017	As from 1 November 2016			
	to 31 December 2016	0.1800	87,852	23 March 2017
3 April 2017	As from 1 January 2017			
	to 28 February 2017	0.1350	65,888	28 April 2017
30 May 2017	As from 1 March 2017			
	to 30 April 2017	0.1360	66,377	28 June 2017
1 August 2017	As from 1 May 2017			
	to 30 June 2017	0.1420	69,305	30 August 2017
28 September 2017	As from 1 July 2017			
	to 31 August 2017	0.1580	77,114	27 October 2017
30 November 2017	As from 1 September 2017			
	to 31 October 2017	0.1680	81,995	29 December 2017
Total distribution to unitholders		0.9190	448,531	

### 13. Expenses

#### 13.1 REIT management fee

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

#### 13.2 Trustee's fee

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

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

#### 13.3 Registrar's fee

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

### 13.4 Property management fee

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

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 in each time.
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 to be purchased and sold value
Repair, renovation, maintenance and/or improvement of assets fee	Not exceeding 2% of value of the repair, renovation, maintenance and improvement.

### 14. Related party transactions

The relationships between the Trust and its related parties are summarised below.

<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 - Receive human-resources management fee from the Trust

<u>Company's Name</u>	<u>Relationship</u>	<u>Details of Business Transactions</u>
L&H Property Company Limited	- Property owner	- Has entered into lease asset agreement, as the lessor
Land and Houses Bank Public Company Limited	- Common shareholder 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	- Related party	- Receive distribution from the Trust
Social Security Office	- Major unitholder	- Receive distribution from the Trust
LH Mall and Hotel Company Limited	- Major unitholder	- Receive distribution from the Trust - Receive the department store management system service fee from the Trust

During the years, 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:

	2018	2017	(Unit: Thousand Baht) Pricing Policy
<b>Land and Houses Fund Management Company Limited</b>			
REIT management fee	7,292	7,149	As detailed in Note 13.1
<b>SCB Asset Management Company Limited</b>			
Trustee's fee	4,879	4,874	As detailed in Note 13.2
<b>L&amp;H Retail Management Company Limited</b>			
Property management fee	77,188	78,500	As detailed in Note 13.4
Human resource management	78,444	75,966	At the actual human resource management expense
<b>LH Mall and Hotel Company Limited</b>			
Department store management system service fee	3,657	-	As detailed in Note 16.3
Distribution to unitholders	39,533	40,368	As declaration
<b>GIC Private Limited</b>			
Distribution to unitholders	8,463	26,912	As declaration
<b>Social Security Office</b>			
Distribution to unitholders	44,614	45,052	As declaration
<b>Land and Houses Bank Public Company Limited</b>			
Rental and services income	4,433	4,057	Contract price
Interest expenses	1,722	-	As detailed in Note 10
<b>Siam Commercial Bank Public Company Limited</b>			
Rental and services income	6,698	6,002	Contract price
Interest expenses	39,272	45,907	As detailed in Note 10
Prepayment fee	6,114	-	As detailed in Note 10

As at 31 December 2018 and 2017, the balances of the accounts between the Trust and those related companies are as follows:

	(Unit: Thousand Baht)	
	31 December 2018	31 December 2017
<b>Land and Houses Fund Management Company Limited</b>		
Accrued REIT management fee*	1,288	1,263
<b>SCB Asset Management Company Limited</b>		
Accrued trustee's fee*	841	860
<b>L&amp;H Retail Management Company Limited</b>		
Accrued property management fee*	8,867	8,357
Accrued human resource management*	3,210	3,745
<b>L&amp;H Property Company Limited</b>		
Other receivables	96	46
<b>LH Mall and Hotel Company Limited</b>		
Accrued department store management system service fee*	257	-
Other receivables	70	-
<b>Land and Houses Bank Public Company Limited</b>		
Cash at banks	12,905	8,068
Accounts receivable from rental and services	13	15
Deposits from rental and services	1,876	1,870
Accrued interest payable*	882	-
Long-term loan	900,000	-
<b>Siam Commercial Bank Public Company Limited</b>		
Cash at banks	74,974	78,549
Accounts receivable from rental and services	13	124
Accounts receivable form interest	11	5
Accrued interest payable*	-	379
Deposits from rental and services	2,656	2,027
Long-term loan	-	1,080,000

\* included in "Accrued expenses" in the balance sheet

## 15. Information on trading in investments

The Trust's investment trading transactions during the year 2018, excluding investments in cash at banks and promissory notes, amounted to Baht 2,716 million (2017: Baht 2,869 million) which is 47.31% (2017: 50.97%) of the average net asset values during the year.

## 16. Commitments and contingent liabilities

16.1 As at 31 December 2018 and 2017, the Trust is committed to pay fees to counterparties under the terms and conditions as specified in note 13.

16.2 As at 31 December 2018 and 2017, the Trust has commitment, in respect of service contracts, which to pay in the future in the following amount.

	(Unit: Million Baht)	
	2018	2017
Payable:		
In up to 1 year	3	3
In over 1 and up to 5 years	1	1

16.3 During the current year, Trust has entered into agreement with its related company in respect of department store management system service. The term of the agreement is 3 years with fee not exceeding of Baht 18 million.

16.4 As at 31 December 2018 and 2017, the Trust has outstanding bank guarantees of Baht 2.5 million to guarantee electricity use.

## 17. Segment Information

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

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



### Major customers

For the years 2018 and 2017, the Trust has no major customer with revenue of 10% or more of an entity's revenues.

## **18. Fair value hierarchy**

As at 31 December 2018 and 2017, the Trust had the assets that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)				
As at 31 December 2018				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investments in properties	-	-	6,457	<b>6,457</b>
Investments in securities	70	381	-	<b>451</b>
As at 31 December 2017				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investments in properties	-	-	6,428	<b>6,428</b>
Investments in securities	275	243	-	<b>518</b>

### Valuation techniques and inputs to Level 2 valuation

The fair value of investments in debt instruments has been determined by using the yield curve as announced by the Thai Bond Market Association or by other relevant bodies.

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

## **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 investments 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. Additionally, the Trust has collect rental deposits from customers as a collateral in case of default. 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.

As at 31 December 2018 and 2017, 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)

	2018					Effective interest rate (% p.a.)
	Fixed interest rates		Floating interest bearing	Non-interest Total	Total	
	Within 1 year	Over 1- 5 years				
<b>Financial Assets</b>						
Investments in securities	451	-	-	-	451	1.200 - 1.600
Cash and cash at banks	-	-	86	6	92	0.375 - 0.750
Accounts receivable from rental and services	-	-	-	58	58	-
	451	-	86	64	601	
<b>Financial Liabilities</b>						
Trade accounts payable	-	-	-	50	50	-
Other payables	-	-	-	8	8	-
Accrued expenses	-	-	-	43	43	-
Deposit from rental and services	-	-	-	292	292	-
Long-term loan	-	-	900	-	900	Note 10
	-	-	900	393	1,293	

(Unit: Million Baht)

	2017					
	Fixed interest rates		Floating	Non-		Effective
	Within	Over 1- 5	interest	interest		interest
	1 year	years	bearing	Total	Total	rate
						(% p.a.)
<b>Financial Assets</b>						
Investments in securities	518	-	-	-	518	1.125 - 1.750
Cash and cash at banks	-	-	84	5	89	0.375 - 0.750
Accounts receivable						
from rental and services	-	-	-	56	56	-
	518	-	84	61	663	
<b>Financial Liabilities</b>						
Trade accounts payable	-	-	-	42	42	-
Other payables	-	-	-	5	5	-
Accrued expenses	-	-	-	42	42	-
Deposit from rental and						
services	-	-	-	279	279	-
Long-term loan	-	-	1,080	-	1,080	Note 10
	-	-	1,080	368	1,448	

**Foreign currency risk**

As at 31 December 2018 and 2017, the Trust has no financial instruments in foreign currency.

**19.2 Fair Values of Financial Instruments**

Since the majority of the Trust's financial instruments are short-term in nature and investments in securities and long-term loan bear 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. Information on debt securities presented under amortised cost method**

As at 31 December 2018, the Trust has investments in debt securities totaling Baht 141 million (2017: Baht 60 million) for which the amortised cost method is used to determine fair value. This amount is 2.45% (2017: 1.07%) of average net assets during the year.

## **21. 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.

## **22. Event after the reporting period**

On 12 February 2019, the meeting of Investment Committee approved the payment of distribution of Baht 0.1600 per unit to the unitholders from operating result for the period as from 1 November 2018 to 31 December 2018, a total of Baht 78 million, which is to be paid on 14 March 2019.

## **23. Approval of financial statements**

These financial statements were authorised for issue by the Authorised Director of the REIT Manager on 22 February 2019.