

Annual Report 2015

For the Year ending 31 December 2015

**LH Hotel Leasehold Real Estate Investment Trust
(LHHOTEL)**

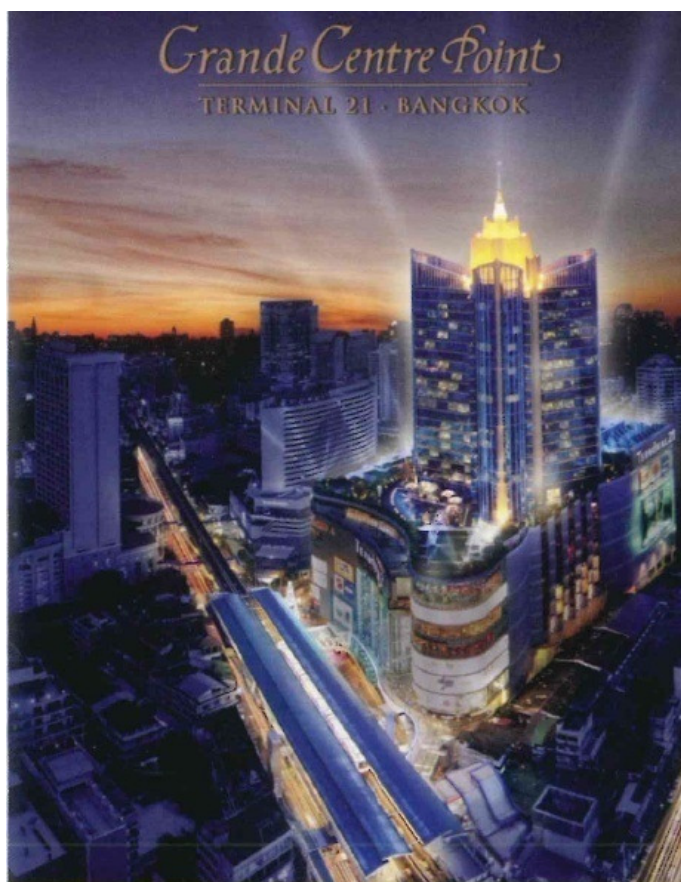


Table of Contents

| | Page |
|--|------|
| Part I: Operations of the REIT | |
| 1. Information of the REIT | 3 |
| 2. Policy, Overall Business Operations, and Provision for Benefits | 3 |
| 3. Market Overview of the Property Sector from which the REIT Procures Benefits | 12 |
| 4. Risk Factors | 17 |
| 5. Legal Disputes | 32 |
| 6. Other Material Information | 32 |
| Part 2: Management and Good Corporate Governance | |
| 7. Information of the Unit Trust, Securities, and Instruments Issued by the REIT | 33 |
| 8. Management Structure | 36 |
| 9. Corporate Governance | 59 |
| 10. Corporate Social Responsibility | 67 |
| 11. Internal Control and Risk Management | 68 |
| 12. Prevention of Conflicts of Interest | 69 |
| Part 3: Financial Position and Operating Results | |
| 13. Financial Highlights | 76 |
| 14. Management Analysis and Discussion | 79 |
| Report of the Trustee | 87 |
| Expenses Collected from the Unitholders or the REIT | 88 |
| Auditors' Report and Financial Statements | 89 |

Part 1

Operations of the REIT

LH Hotel Leasehold Real Estate Investment Trust

(LHHOTEL)

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

1.1 Important Information

| | |
|---------------------------|---|
| Name (in Thai) | ทรัสต์เพื่อการลงทุนในสิทธิการเช่าอสังหาริมทรัพย์ แอล เอช โฮเทล |
| Name (in English) | LH Hotel Leasehold Real Estate Investment Trust |
| Abbreviation | LHHOTEL |
| Type | A trust certificate representing the right of the holder as a beneficiary of the REIT (Unit) |
| REIT Manager | Land and Houses Fund Management Company Limited |
| Trustee | SCB Asset Management Company Limited |
| Financial Adviser | Siam Commercial Bank Public Company Limited |
| Investment Project | The Grande Centre Point Hotel Terminal 21 Project |
| Type of Investment | To invest in the leasehold right in the building for a term of approximately 25 years. |
| Paid-up Capital | Baht 3,136,649,000 |
| Project Life | Indefinite (The REIT invests in the leasehold right in immovable properties of the Grande Centre Point Hotel Terminal 21 project for a term of approximately 25 years) |

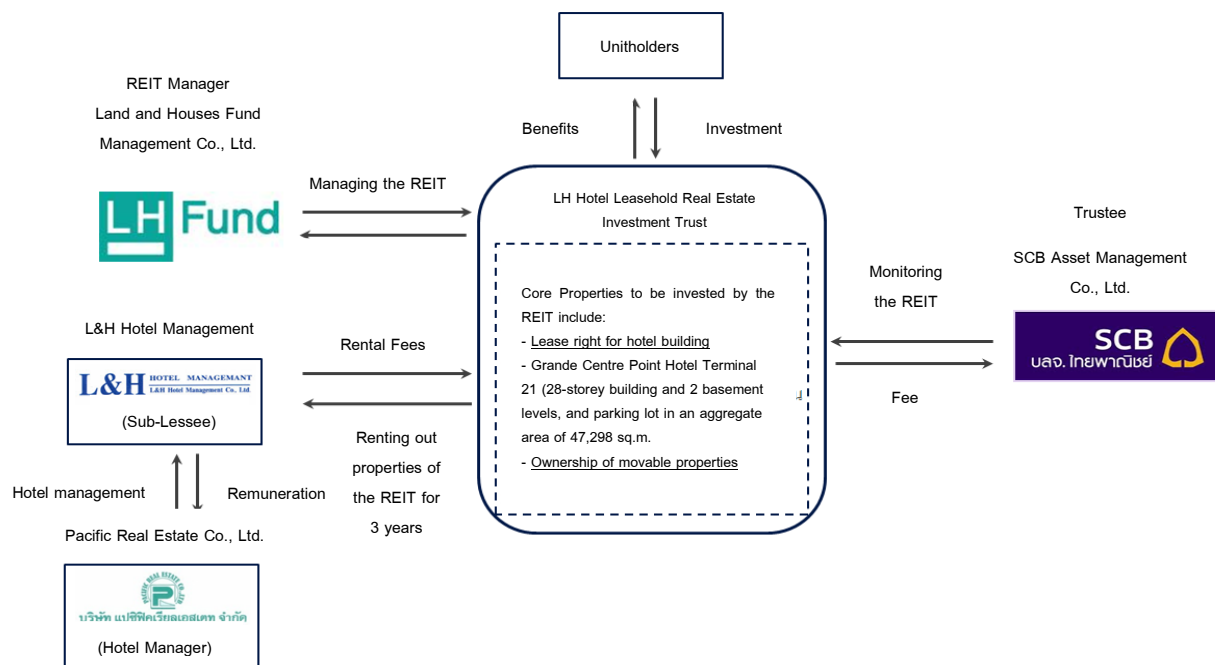
2. Policy, Overall Business Operations, and Provision for Benefits

2.1 Investment Policy

The REIT shall invest in the leasehold right in immovable properties and the ownership of movable properties of the Grande Centre Point Hotel Terminal 21 project from L&H Property Company Limited for a term of approximately 25 years whereas such leasehold right shall expire on 31 August 2040 in an aggregate area of 47,298 square meters. Such

lease involves the leasehold right in the building and constructions, parking lot, and component parts of the building and constructions, which are public utility systems relating to the hotel business, as well as any other facilities relating to the hotel building, and any rights relating or relevant to such properties, and ownership of furniture, tools, and facilities which are permanently fixed and non-fixed thereon, as well as any other equipment used for the purpose of decorating or facilitating the occupants and service customers of the Grande Centre Point Hotel Terminal 21 project, which may be placed and/or fixed outside or inside the hotel building or hotel building surface, as well as any other rights relevant or relating to such properties. The REIT shall be entitled to use the area connecting to Bangkok Mass Transit system at Asoke BTS Station, and to jointly use the common area shared with the Terminal 21 Shopping Center.

The structure of the REIT after its establishment is illustrated below.



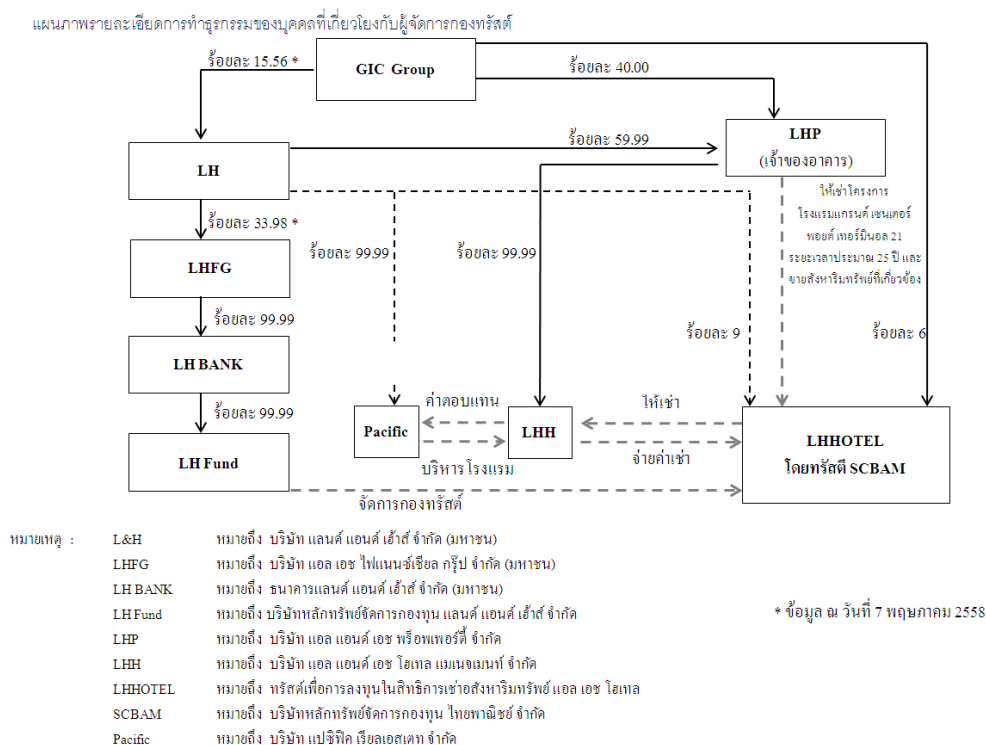
(Note: Pacific Real Estate Company Limited changed its registered name to LH Mall and Hotel Company Limited on 24 December 2015)

2.2 Significant Changes and Development

The REIT was established on 11 December 2015 and invested in the Grande Centre Point Hotel Terminal 21 project on 16 December 2015. During the operating period between 16 December 2015 and 31 December 2015, there has been neither change of authority in the management of the REIT by the REIT Manager, the Trustee, and the Property Manager; nor significant change in the shareholding and management structure and the business conduct. Moreover, there has been no change or amendment of related agreements that may significantly impact the financial status of the REIT as demonstrated in the prospectus.

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

As of 11 December 2015, the major unitholders of the REIT were Pacific Real Estate Co Ltd (9%) (Note: Pacific Real Estate Co Ltd changed its registered name to LH Mall and Hotel Co Ltd on 24 December 2015), which is a real estate development company, and GIC Pte Ltd (6%). Meanwhile, L&H Hotel Management Co Ltd, the sub-lessee of the REIT, and the major unitholders of the REIT have the same major shareholder, namely, Land and Houses Public Co Ltd. Details of the relationship are shown as follows:



(Note: Pacific Real Estate Company Limited changed its registered name to LH Mall and Hotel Company Limited on 24 December 2015)

The REIT uses market rent comparison and past performance evaluation as mechanism and measures for selecting appropriate sub-lessee, taking into consideration the maximum benefits of the Unitholders.

2.4 Assets of the REIT

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

| Lists of Assets | Book Value/ Market Value (Baht) | Percentage of Net Asset Value |
|---|---------------------------------------|-------------------------------------|
| 1. Cash and deposits at banks | 218,776,575.16 | 6.91 |
| 2. Investments in Promissory Notes and Debt Instruments | | |
| Bills of exchange/promissory notes issued/certified/avaled by financial institutions | - | 0.00 |
| Certificates of deposit | - | 0.00 |
| Government bonds | - | 0.00 |
| Treasury bills | - | 0.00 |
| Total | 218,776,575.16 | 6.93 |
| 3. Investments in Immovable Properties | | |
| Investments in immovable properties | 3,753,408,709.00 | 118.97 |
| Total | 3,753,408,709.00 | 118.97 |
| 4. Other Assets | | |
| Accrued interests | 14,981.70 | 0.00 |
| Securities account receivables | - | 0.00 |
| Receivables from leasing and services | 20,502,515.08 | 0.65 |
| Other receivables | - | 0.00 |
| Other assets | 68,114,141.99 | 2.16 |
| Total | 88,631,638.77 | 2.81 |
| Total Assets | 4,060,816,922.93 | 128.71 |
| 5. Other Liabilities | | |
| Accrued fees and expenses | (42,212,945.04) | -1.34 |
| Unearned rent and service revenue | - | 0.00 |
| Rental and service fee deposits | - | 0.00 |
| Long-term borrowings | (688,532,700.00) | -21.82 |
| Other liabilities | (175,159,317.67) | -5.55 |
| Total Liabilities | (905,904,962.71) | (28.71) |
| Net Asset Value of the REIT | 3,154,911,960.22 | 100.000 |

| | | |
|---|-------------------------|--------------|
| Total Number of the REIT's Units | 313,664,900.0000 | units |
| Unit Value of the REIT | 10.0582 | Baht |

Details of Properties in which the REIT Invested as of 31 December 2015

The following table summarizes essential information of the core properties invested by the REIT on 16 December 2015. The asset value has been appraised by Grand Asset Advisory Co Ltd and TAP Valuation Co Ltd.

| Details | Grande Centre Point Hotel Terminal 21 Project |
|---|---|
| <u>Features of the Properties</u> | |
| Location | The Grande Centre Point Hotel Terminal 21 Project is located at No. 2, Sukhumvit 19 (Wattana), North Klongtoei, Wattana, Bangkok. |
| Accessibility | Asoke BTS Station; Sukhumvit MRT Station; and Sukhumvit Road. |
| Type of Investment | Leasehold right (approximately 25 years) |
| No. of Storey | 28 stories plus 2 basement levels |
| Commencement Month | February 2012 |
| <u>Area to be Invested by the REIT (sq. m)</u> | |
| Leased Area | 21,000 |
| Common Area | 21,914 |
| Parking Lot | 4,294 |
| Total Area | 47,298 |

| Details | Grande Centre Point Hotel Terminal 21 Project |
|--|--|
| <u>Appraised Value by Appraisal Company</u> | |
| Grand Asset Advisory Co., Ltd | Baht 3,800 million (as of 24 June 2015) |
| Cost Prices (Prices for the acquisition of leasehold right of immovable properties and other related rights) | The price of the REIT's initial investment was Baht 3,558,222.615 (inclusive of value added tax). |
| Owner of the Leasehold Right of the Immovable Properties | LH Hotel Leasehold Real Estate Investment Trust |
| Owners of the Movable Properties | LH Hotel Leasehold Real Estate Investment Trust |
| Commencement of Operation | February 2012 |
| Sub-Lessee of the Immovable Properties | LH Hotel Management Co Ltd |
| General Features of the Project | <p>The Grande Centre Point Hotel Terminal 21 project is in the same location with the Terminal 21 Shopping Center, located at No. 2, Sukhumvit 19 (Wattana), Klongtoey Nua, Wattana, Bangkok. The location is convenient for traveling as it is on Sukhumvit Road and adjacent to the Asoke intersection where the BTS Skytrain Asoke Station and the MRT elevated train Sukhumvit Station are connected. Sukhumvit Road is one of the main roads in Bangkok where plenty of office buildings, shopping centers, four and five-star hotels, condominiums, and residential buildings are located. Furthermore, the Grande Centre Point Hotel Terminal 21 project is not far from the park and the convention center located at the center of Bangkok.</p> <p>The Grande Centre Point Hotel Terminal 21 project is comprised of a 28-storey residential building with two basement levels, and an indoor parking</p> |

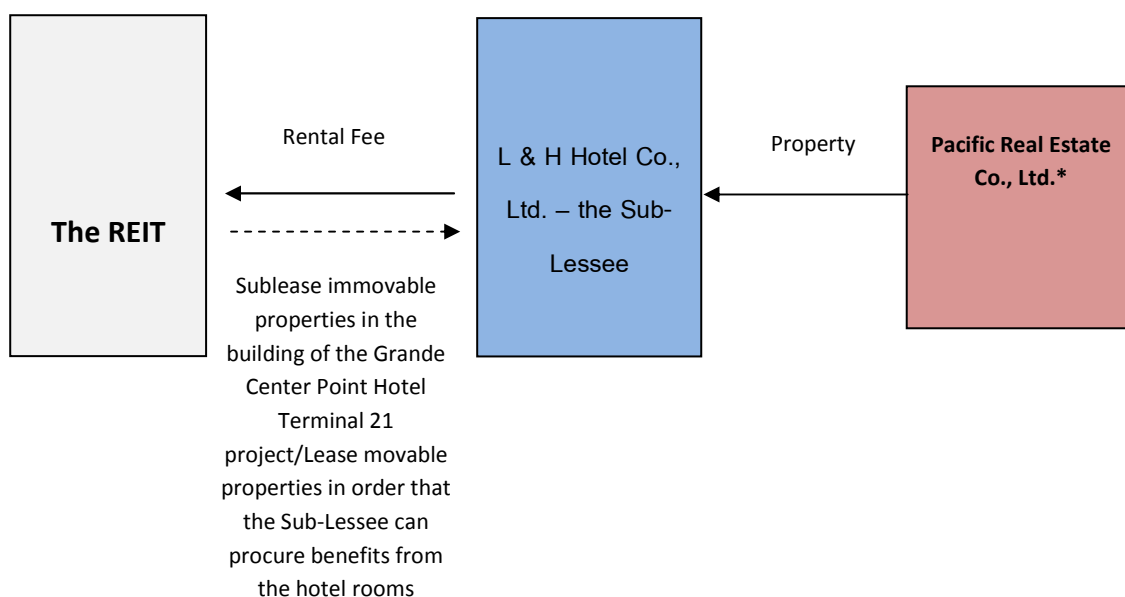
| Details | Grande Centre Point Hotel Terminal 21 Project |
|---------|--|
| | lot, for the operation of hotel business. It includes 462 accommodation rooms with the floor area of approximately 21,090 square meters, located on a land area of approximately 9 Rai, 1 Ngan and 44 Square Wah. The construction of the building had been completed and the operations began in February 2012 with a gross area of approximately 47,298 square meters. |

2.5 Provision for Benefits from Immovable Properties

The REIT has invested in the leasehold right in immovable properties and the ownership of movable properties of the Grande Centre Point Hotel Terminal 21 project from L&H Property Company Limited for a term of approximately 25 years whereas such leasehold right shall expire on 31 August 2040 in an aggregate area of 47,298 square meters. Such lease involves the leasehold right in the building and constructions, parking lot, and component parts of the building and constructions, which are public utility systems relating to the hotel business, as well as any other facilities relating to the hotel building, and any rights relating or relevant to such properties, and ownership of furniture, tools, and facilities which are permanently fixed and non-fixed thereon, as well as any other equipment used for the purpose of decorating or facilitating the occupants and service customers of the Grande Centre Point Hotel Terminal 21 project, which may be placed or fixed outside or inside the hotel building or hotel building surface, as well as any other rights relevant or relating to such properties. The REIT shall be entitled to use the area connecting to Bangkok Mass Transit system at Asoke BTS Station, and to jointly use the common area shared with the Terminal 21 Shopping Center.

The REIT enters into agreements with the sub-lessee, empowering the sub-lessee to manage the leased properties and use the revenues derived from such management as rental payment for the leasehold right in immovable properties and the leased movable properties.

The Structure of Provision for Benefits of the Immovable Properties



(Note: Pacific Real Estate Company Limited changed its registered name to LH Mall and Hotel Company Limited on 24 December 2015)

The REIT Manager has a policy to procure benefits from the Core Properties by subleasing the leased areas of the Grande Centre Point Hotel Terminal 21 project to L&H Hotel Management Company Limited who shall further seek benefits for the REIT by appointing Pacific Real Estate Company Limited (Note: Pacific Real Estate Company Limited changed its registered name to LH Mall and Hotel Company Limited on 24 December 2015) to act as the manager of the properties invested by the REIT. In this regard, the property manager shall manage the hotel rooms of the Grande Centre Point Hotel Terminal 21 project so as to generate regular revenues for the REIT.

2.6 Borrowings

Summary of Key Provisions of the Borrowing Agreement

The current investment of the REIT is partially financed by borrowing. The REIT entered into a borrowing agreement with Siam Commercial Bank Public Company Limited (‘The Lender’) after the incorporation date of the REIT and before the REIT invested in current Core Properties. The Lender offered a long-term credit line of not exceeding Baht 800 million for the investment in the Core Properties. The terms and conditions of such borrowing are in accordance with the provisions stipulated by the borrowing agreement between the Lender and the REIT which can be highlighted as follows:

| | |
|-----------------|-------------------------------------|
| Lender | Siam Commercial Bank Public Co Ltd. |
| Borrower | The Trustee on behalf of LHHOTEL |

| | |
|--|--|
| Credit Line | Not exceeding Baht 800 million. |
| Interest Rate | <p>Fixed and/or MLR reference rate:</p> <p>Years 1-3: Fixed rate of no higher than 5% pa.</p> <p>After Year 3 onwards: No higher than MLR – 1% pa.</p> <p>(MLR: Minimum Loan Rate refers to the interest rate charged to prime customers by Siam Commercial Bank Public Co Ltd.)</p> |
| Term of Borrowing | 13 years with 3-year grace period. |
| Payment of Principal | Quarterly installment payments after the grace period. The payments are based on a progressive scale until full payment is made within the borrowing period. |
| Payment of Interest | Quarterly Payments |
| Conditions of the Borrowing Agreement | <ul style="list-style-type: none"> Land and Houses Public Co Ltd (“LH”) or its subsidiaries and GIC Pte Ltd (“GIC”) (a subsidiary of Reco Resorts Pte Ltd) agreed to subscribe at least 9% and 6%, respectively, of the total sold units of the REIT; and agreed that, throughout the period of 12 months from the incorporation date of the REIT, LH or its subsidiaries and GIC (as the case may be) shall not sell, dispose of, or transfer the units in the amount of 9% and 6%, respectively, of the total sold units (whether in full amount or partially) to other persons who are not related to LH or its subsidiaries or GIC (as the case may be); and shall not pledge or incur encumbrance to the units in the amount of 9% and 6%, respectively, of the total sold units, unless consent is given in writing by the trustee on behalf of the REIT. LH shall arrange to have the company in which LH holds, directly or indirectly, at least 50% of total shares appointed as the sub-lessee of the Grande Centre Point Hotel Terminal 21 project for a period of no less than 9 years from the incorporation date of the REIT. Change of the sub-lessee shall be subject to prior consent of the Lender except for the case that the REIT does not exercise the right to renew the subleasing agreement |

| | |
|-------------------|--|
| | with the sub-lessee. In this regard, the subleasing term shall not be less than 3 years. |
| Collateral | None |

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

3.1 The Thai Economy in 2015

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

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

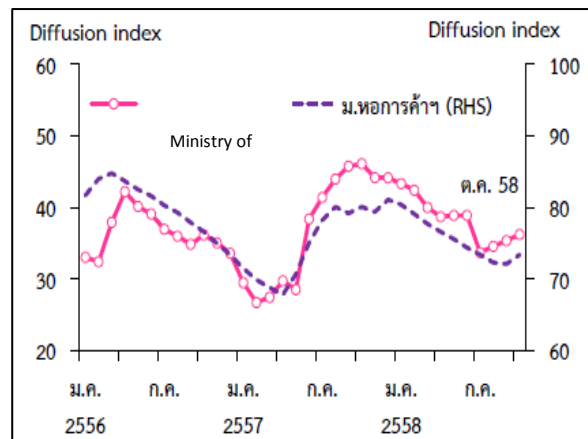
Government Expenditures At Current Prices (Calendar Year)

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

The situation of private consumption was favorable in 2015, supported by improved consumer's confidence as a result of the government's economic stimulus measures and the low level of oil prices. Nevertheless, although total rainfall had turned back to the normal level in 2015 and helped ease the drought conditions, the water storage in the

dams remained very low and is likely to adversely impact the production and income of the farmers in 2016. As a matter of fact, low agricultural income and high debt burdens combined to suppress private consumption.

Consumer Confidence Index



Source: Bank of Thailand, Monetary Policy Report, 2015

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

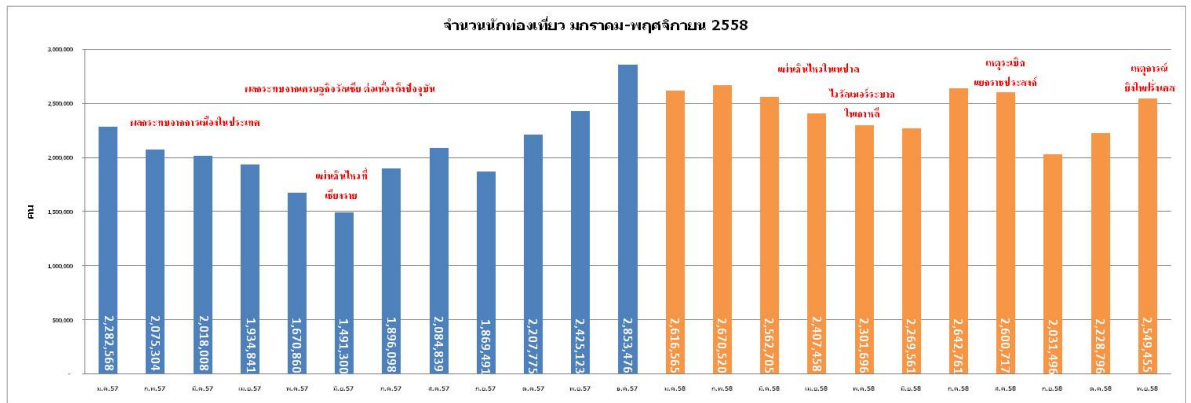
3.2 Overview of the Hotel Market and the Tourism Market in Thailand

3.2.1 The Tourism Market in Thailand

Thailand is among the most prestigious countries in terms of tourism in the region with world-renown tropical beaches and historical sites. According to the World Travel and Tourism Council (WTTC), Thailand's tourism revenue in 2014 accounted for Baht 1,037 billion, or 8.6% of the GDP. The number of tourist arrivals has increased continuously from 10.1 million persons in 2003 to 24.8 million persons in 2014, representing an average annual growth rate of 8.5% over the past 12 years.

The major factors supporting Thailand to become one of the most popular tourist destinations are favorable weather and availability of transportation facilities. Thailand has a number of primary international airports including Suvarnabhumi (Bangkok), Don Mueang (Bangkok), Chiang Mai, and Phuket, as well as other smaller international airports that service both domestic and international air traffic such as Koh Samui International Airport and U-Tapao International Airport, etc.

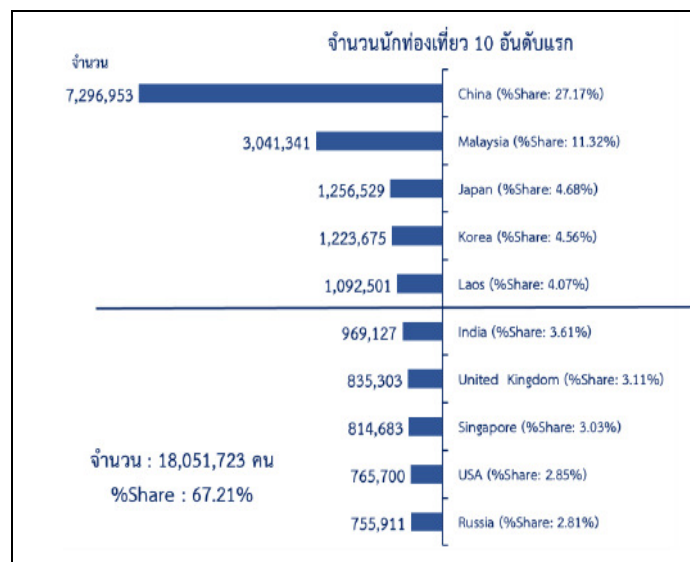
Number of Tourist Arrivals in Thailand



Source; Tourism Authority of Thailand

Due to the political situation in 2014, the number of international tourist arrivals in Thailand declined significantly. However, when the situation returned to normal, together with the economic recovery and improved consumer confidence, the number of international tourist arrivals during January to March 2015 increased to 7.9 million person, representing an increase of 23.5%. According to the Ministry of Tourism and Transport, the total number of international tourist arrivals in Thailand shall reach 29 million persons, or an increase of 17 % over the same period of last year. Tourists from China, Malaysia, Russia, Japan, and Korea remain the top 5 visiting nationalities to Thailand, followed by India, Laos, UK, and Singapore. The impressive growth of tourist arrivals from neighboring countries is due to the expansion of low-cost air lines in the region.

Ranking of International Tourist Arrivals in Thailand by Nationality (January-November 2015)

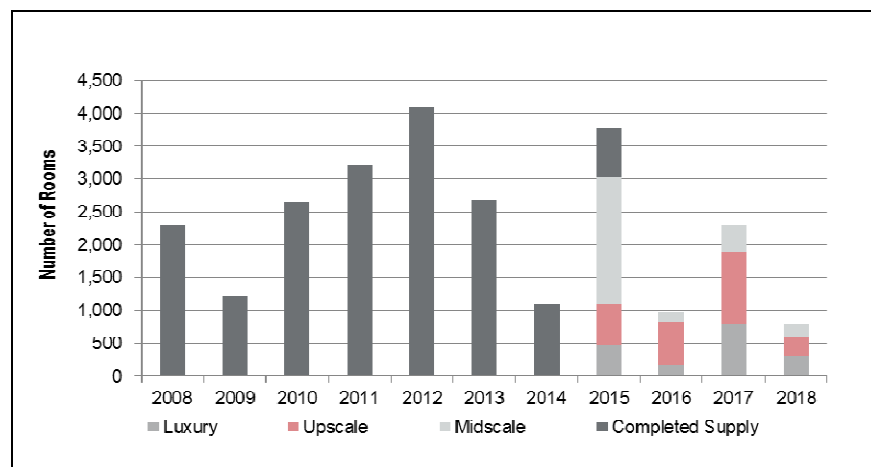


Source: Tourism Authority of Thailand

3.2.2 Bangkok Hotel Market

Current and Future Supply

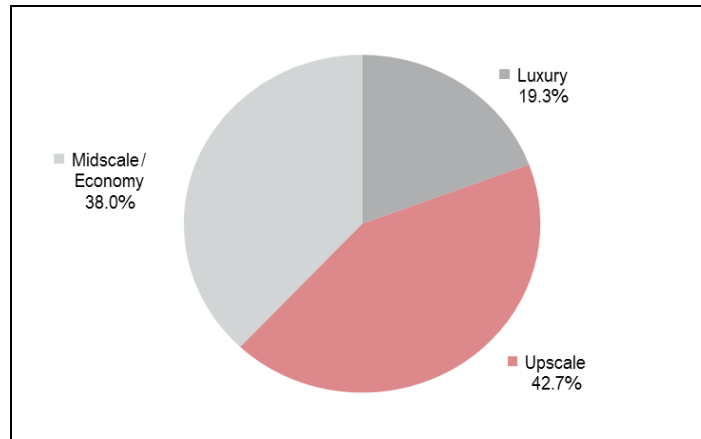
According to the Tourism Authority of Thailand, the supply of hotel rooms (including hotels, resorts, guesthouses, motels, and serviced apartments) totaled 97,547 rooms in 2014. In addition, based on the survey of JLL, there are 19 new hotels to be opened in 2015, resulting in 3,973 new rooms. Of these total, 5 new hotels with 735 rooms had been in operations since May 2015, most of which are located in the Sukhumvit and Sathorn/Silom areas, accounting for 2839% and 23.3%, respectively, of the new hotels opened in 2015. All these 5 hotels are classified in the midscale/economy market segment. According to JLL, the supply of hotel rooms in Bangkok is forecasted to increase by another 7,300 rooms, most of which are located in the Sukhumvit and Sathorn/Silom areas. **Annual Supply of Hotel Rooms**



Source: JLL

In 2014, there were 2 new midscale/economy hotels namely U Sukhumvit Hotel Bangkok (82 rooms) and Holiday Inn Express Sathorn (184 rooms) and 2 upscale new hotels, namely Radisson Blu Plaza Bangkok (290 rooms), located at Soi Sukhumvit 27; and Le Méridien Suvarnabhumi, Bangkok Golf Resort & Spa (214 rooms), located in Bang Phli. The new hotels to be opened in 2015 include Park Hyatt Central Embassy Hotel, Novotel Sukhumvit Hotel, and Avani Hotel. Moreover, there are 2 high-end hotels scheduled for opening in 2016 and 2017, i.e., Rosewood Hotel (145 rooms) and Waldorf Astoria Hotel (170 rooms).

Future Supply of Hotels by Segment during 2015-2018



Source: JLL

3.2.3 Outlook for Bangkok Hotel Market

According to the Tourism Authority of Thailand, the future of the tourism industry of Thailand remains favorably stable, witnessed by the number of revisiting tourists which accounted for 60% of the total tourist arrivals. Factors supporting such positive outlook include improvements of airports to accommodate rising tourist arrivals, rapid growth of low-cost air lines in Asia, and expansion of the aviation business network. The ongoing trend of increasing tourists from China during the past several years has confirmed that Thailand is the tourist destination that can accommodate a large number of tourists.

On the international front, Bangkok occupied the third rank of Euromonitor International's 100 Top City Destinations in 2013 and at the same time won "The Most Popular Tourist Destination in Asia" award conferred by German travel industry group Go Asia. In 2014, the city was ranked the second in "Top Global Destination Cities" by MasterCard Global Destination Cities Index. Moreover, the Tourism Authority of Thailand designated the year 2015 as "Discovery Thainess Year" to promote Thailand's natural attractions and culture among international tourists; targeting high-end travelers from European and Latin American countries who are big spenders.

It has been found out that demand for hotel rooms in Bangkok of foreign tourists in 2013-2014 was steady due to prevailing political unrests during that period. The number of foreign tourists staying in Bangkok hotels amounted to 17.46 million persons in 2013 and dropped slightly to 17.03 million persons in 2014, or a decrease of 2.4%. Meanwhile, the average occupancy rate of Bangkok hotels dropped 1.2% from 68.34% to 67.50%. However, taking into consideration the number of foreign tourist arrivals in 2015 and the overall market outlook, it is expected that the operating performance of hotels in 2015-2016 will recover and contribute to favorable results for the hotel industry as a whole.

Sources: Tourism Authority of Thailand and JLL.

4. Risk Factors

4.1 Risks relating to the REIT or its operations

- 1) *The success of the REIT depends on the ability of the REIT Manager, the Sub-lessee, and the Hotel Manager in the management and procurement of benefits from the Core Properties. The inadequacy and inefficiency of operations and management could have a material adverse effect on the value of the Core Properties, operating performance and the REIT's ability to distribute the returns.***

The REIT Manager shall manage the REIT in accordance with the Trust Deed. The Sub-lessee shall assign the operation policy for hotel business to the Hotel Manager to manage the Core Properties pursuant to the Hotel Management Appointment Agreement made between the Sub-lessee and the Hotel Manager in order to manage the Core Properties. According to the Hotel Management Appointment Agreement, the Hotel Manager shall have responsibility in various matters under the supervision of the Sub-lessee, including those related to the Core Properties such as management, marketing, maintenance service, security and safety of the building, and financial management to seek for benefits from the operations of hotel business under the properties invested.

In case where the Sub-lessee and/or the Hotel Manager is unable to successfully implement the policies and management strategies, or the Sub-lessee and/or the Hotel Manager fails to properly manage the Core Properties, the value of the Core Properties and/or the variable rental income to be earned by the REIT could be adversely affected, further affecting the REIT's performance and the abilities to pay the distributions to the Unitholders, and to repay the loan when due. Furthermore, any adverse changes affecting the relationship between the Sub-lessee and the Hotel Manager may affect the abilities of the Sub-lessee and the Hotel Manager to manage the Core Properties. In addition, if the Sub-lessee is unable to perform its duties efficiently as the sub-lessee under the sublease agreement and/or the Hotel Manager appointed by the Sub-lessee fails to perform its duties as the hotel manager efficiently, this could take an adverse effect to the REIT's performance and financial position.

- 2) *The REIT's revenue relies on Sub-lessee's financial status and decision to renew the lease upon expiration.***

The REIT's financial status depends on the rental of the Core Properties which are subleased and leased out to a single sub-lessee. Since the REIT's Core Properties consist of properties in the real estate leasehold in the type of hotel, therefore, the REIT's core revenue is derived from the fixed rental and variable rental fees pursuant to the calculation method specified in the sublease agreement paid by the single sub-lessee. As a result, the REIT's revenue is under certain risks associated with investments in the real estate investment leasehold in the type of hotel in the single sub-lessee. At any time, worse financial condition of the sub-lessee could cause its

delayed payment or defaults of rental payment until it fails to pay the debts and/or the REIT may not receive the variable rental fees as projected. Furthermore, the sub-lessee may not renew the sublease agreement, or may renew it on less favorable terms, any of which could have a material adverse effect on the REIT's financial condition, operating performance, and ability to make distribution payments.

Nevertheless, the historical operations, in a period of 3 years, of the Grande Centre Point Hotel Terminal 21 project from the utilization of such properties indicate that earnings before interest, loan, income tax and depreciation are adequate for the annual payments of fixed rental fees to the REIT within the lease term after the establishment of the REIT. Notwithstanding, under the Sub-lessee's normal business operation and the circumstances without economic fluctuation or higher market competition, as well as any necessity to close the Grande Centre Point Hotel Terminal 21 project, which may cause a material effect on the Sub-lessee's normal business operation, and the Sub-lessee is of no intention in the payment defaults of fixed rental fees and/or variable rental fees (if any), the REIT will normally earn the fixed rental fees as specified in the sublease agreement and the lease agreement.

3) *Risk may occur as a result of renovation of immovable properties by the REIT.*

Each immovable property of the REIT needs the regular repairs and renovations for the nice and modern look in order to satisfy and attract the customers to use the services consistently. Normally, the annual renovations or maintenance take the slight effect to the operating performance except in cases of a major renovation to modify both external and internal image of such immovable properties, or a significant change of operating systems, e.g. electricity system, tap water system, elevator, etc., which shall be carried out when the Sub-lessee and/or the Hotel Manager and the REIT consider it is appropriate and acceptable. Basically, the renovation of the immovable properties shall be limited in any specific areas to be improved whereas the operations in other areas shall continue. Nevertheless, in cases of major repairs or renovations whilst the services are regularly provided, but the customers may face any inconvenience and make complaints, or the economic unworthiness occurs to provide the services at such time, the Sub-lessee or the Hotel Manager may consider to temporarily stop the services during such major renovation. This may cause a material impact to the Sub-lessee's revenue during the renovation, which consequently affects the variable rental to be earned by the REIT.

4) *The REIT may in the future experience inadequate reserves for major refurbishment or renovation.*

Currently the Grande Centre Point Hotel Terminal 21 project has been in operation for approximately 3 years and holds the good condition of properties. Based on financial projections, the REIT Manager plans to periodically collect reserve funds for refurbishment and renovation as well as image improvement. However, the reserve funds for refurbishment, renovation and image improvement to retain the competitiveness may be inadequate in the future.

The aforesaid circumstances may adversely affect the REIT's operation, financial status, operating results and ability to make distribution payments to the Unitholders, in which case the REIT will be required to seek for some appropriate financing sources for its property refurbishment or image improvement in order to buffer the impact of such undesirable circumstances to the Unitholders.

5) *Risks that may occur as a result of loan by the REIT.*

Since the REIT intends to take out a loan to secure its financing sources 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 the ability in loan repayment. However, certain risks may occur due to economic fluctuation and interest rate volatility, among others, which could adversely affect the REIT's operating results, which may impair the REIT's liquidity and ability to repay interest and principal, and the distribution payments to the Unitholders.

In addition, in the case of refinancing, the REIT may run the risk of inability to enter into a new loan agreement with as favorable terms as the existing loan agreement, or in the cases of taking out an additional loan, there may be certain conditions that constrains the REIT's operations.

Taking into account the aforementioned risks, the REIT Manager shall place some measures to regularly monitor the REIT's operating results and other external risk factors, including interest rate changes. In addition, the REIT Manager probably utilizes financial tools to leverage such risks such as interest rate swap transaction services and reactive actions with debtors, i.e. loan repayment extensions and relief of certain conditions constraining the management of the REIT, etc., whereby the REIT's management shall be in compliance with the relevant laws under the best interest of the Unitholders.

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

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

7) *The REIT must rely on third parties for certain services.*

Certain services for the Core Properties, such as water supply, electricity, liquefied petroleum gas, and rubbish disposal service, may be provided by third party service providers. Thus, the Settlor cannot assure that such third parties or other parties contracted by such third parties will be able to fulfill their obligations completely under the relevant contracts of service despite the provisions set forth therein in cases of the parties' breach of the contract, or the occurrence of any event grounding the termination or breach of the contract may permit the REIT to terminate such contracts

and be entitled to damages. According to the parties' breach of the contract, any interruption in such services for the Core Properties may disrupt business operations and have a material adverse effect on the REIT's business, financial condition, operating results, and business opportunities of the REIT.

8) *There may be a risk in relation to the hotel business license.*

The Sub-lessee shall be transferred or take acts to acquire the hotel business license from the Ministry of Interior for the purpose of business operation in the Grande Centre Point Hotel Terminal 21 project. If the Sub-lessee fails to acquire such hotel business license or the Sub-lessee's hotel business license is revoked or is not renewed, the Sub-lessee shall be unable to continue its operation of hotel business, which shall be deemed the ground causing the Sub-lessee to be unable to comply with the provisions and duties under the sublease agreement.

In case that the Sub-lessee fails to comply with any material provisions and duties under the sublease agreement, which shall be deemed a ground of contract termination under such sublease agreement, the REIT retains the right to terminate the sublease agreement, and to claim for damages due to the Sub-lessee's violation of the contract. If the REIT fails to obtain a new party for the sublease and management of the Core Properties within the reasonable period, or the REIT fails to attain the agreement with a new party in respect with the term and conditions specified in the new agreement which shall benefit the REIT, the REIT's revenue may be decelerated, interrupted or decreased significantly. This may adversely affect the REIT's operating results and ability in distribution payments.

Nevertheless, the process of transferring the hotel business license according to the Notification of the Ministry of Interior takes approximately 60 days.

9) *The REIT will not be a direct party to the land lease agreement for the Grande Centre Point Hotel Terminal 21 project.*

The Grande Centre Point Hotel Terminal 21 project is constructed on land leased under the land lease agreement made between L&H Property Company Limited (the "Lessor") and the landlord. Under the Trust Deed, the REIT shall invest in the leasehold right in the hotel building of the Grande Centre Point Hotel Terminal 21 project; whereby the leasehold right to such land shall not be transferred to the REIT. On that basis, the REIT will not be a direct party in the land lease agreement and has no control over the Lessor's compliance with such agreement, 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 cause the agreement to be terminated. Although the termination of the land lease agreement would not result in the termination of the lease of the Grande Centre Point Hotel Terminal 21 building, it could affect the benefit procurement from the Grande Centre Point Hotel Terminal 21 project under the immovable property 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.

However, the immovable property lease agreement for the Grande Centre Point Hotel Terminal 21 project would not be terminated due to the termination of land lease agreement because the termination of the land lease agreement shall make any building and structure on such land be possessed by the landlord while the landlord shall become the building lessee instead. In addition, in the immovable property lease agreement for the Grande Centre Point Hotel Terminal 21 project between the REIT and the Lessor, the Lessor is obliged not to perform any acts that deprive the REIT's rights, or to perform any acts that affect or shall result in the REIT's inability to use the leased property. 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 for the Grande Centre Point Hotel Terminal 21 project in the sections of obligations of the Lessor, causes of termination and consequences to the causes of termination.

10) *The REIT may not be able to use the leased properties if the lessor defaults.*

Since the REIT invests in the leasehold right in the Grande Centre Point Hotel Terminal 21 project, and if the Lessor under the immovable property lease agreement and/or the relevant agreements in connection with the REIT's investment and management does not permit or facilitate the REIT to use the leased properties as agreed in such agreements, though the lease of the Core Properties has been registered with the relevant land office, this would result in loss of revenue and other damages on the part of the REIT, in which case the REIT Manager cannot assure that the REIT would obtain partial or full compensation for such losses from any legal action related to such breach. As a result, a breach of the provision set forth in the immovable property lease agreement by the Lessor could have a material adverse effect on the REIT's operating results and financial condition.

Nevertheless, to reduce such impact on the REIT, the REIT Manager has agreed with the Lessor under an immovable property lease agreement that the Lessor is obliged to return to the REIT for the remaining amount of the rental fee in proportionately pursuant to the remaining lease term if the Lessor defaults, and to compensate for the lost earning the REIT is unable to utilize the leased properties during the period specified in such immovable property lease agreement. Please consider more details in the summary of the key provisions of the draft immovable property lease agreement to the Grande Centre Point Hotel Terminal 21 project in the sections of causes of termination and consequences to the causes of termination.

11) *There may be a risk when a new sub-lessee may not be sought in the future.*

If the immovable property sublease agreement for the Grande Centre Point Hotel Terminal 21 project expires or such agreement is terminated for the expiration of lease term set forth therein, the REIT may take time to seek for a new person to replace the existing Sub-lessee to sublease the Core Properties. Nevertheless, a new sub-lessee

may not hold the same qualifications or ability to the existing Sub-lessee, or the REIT may fail to seek for a new sub-lessee who is able to bear the same amount of rental fee like the existing Sub-lessee. This may directly impact the REIT's revenue and ability in its distribution payments to the Unitholders respectively.

However, under the sublease agreement, the REIT is entitled to demand the Sub-lessee to renew the sublease agreement for another 2 terms, not exceeding 3 years for each (Please consider more details in the summary of the key provisions of the draft immovable property sublease agreement in the section of conditions on contract renewal). In the case that the sublease of immovable properties by the existing Sub-lessee is discontinued, the REIT Manager shall consider the selection of a new sub-lessee by taking into account the best benefits of the Unitholders.

4.2 Risks Relating to the Core Properties

1) *The REIT may encounter risks resulted by economic volatility and local tourism business conditions.*

The Grande Centre Point Hotel Terminal 21 project, which is the Core Properties, contains some risks caused by the fluctuation of economic system and tourism industry, impacted by the global economic regression or disruption, and volatility of exchange currencies, which may affect the revenue and local expenses paid by target foreign tourists. The deceleration of multinational businesses in Thailand as well as the decline of direct foreign investment, whichever reason may be, may restrain the number of business persons who are the hotel customers, and foreign tourists visiting Thailand due to the sluggish economy.

Most of customers staying in the Grande Centre Point Hotel Terminal 21 project are the business persons and/or foreign tourists; therefore, the business operation by the Sub-lessee or the Hotel Manager may be affected by the variation of number and types of hotel guest based on changes of tourism season, and by any negative image from various circumstances which deteriorate attraction of Thailand as a good business operation location and tourist attraction for foreigners, and reduce the foreigners' purchasing power, favor and/or confidence in tourism of Thailand, which may have a material adverse effect on the REIT's operating results.

However, the Sub-lessee and/or the Hotel Manager may mitigate such risks by diversifying its customers. The group of customers should not be limited for only one region or nationality, but various groups of customers may be replaced with each other in each tourism season if there are some problems for the customers in any region.

2) *The Core Properties may encounter some risks from higher competition in the hotel and tourism industry.*

The competition of the hotel and tourism industry, i.e. increasing entrepreneurs in the market, higher supply of accommodation rooms in the same location and/or other tourist attractions, which may be the alternatives replacing the accommodation in the

Grande Centre Point Hotel Terminal 21 project that is the Core Properties directly and indirectly invested by the REIT. This may trigger higher competition in respect with service prices and quality, image and facilities. The purchasing power, average expenses for accommodation, and fluctuation of the number of tourists and target business persons could affect the Sub-lessee's revenue and operating expenses, which materially take effect on the Sub-lessee's ability of rental payments, either fixed rental and/or variable rental fees. In particular, if the competitors decide to improve and renovate their hotels as well as service quality to become superior and attract more hotel guests; this could result in the hotel potential in attracting the guests.

Service apartment may be deemed an indirect competitor of the properties invested by the REIT, which may affect the Sub-lessee's operating income because it offers more reasonable prices and/or appropriate facilities for the guests who want to stay in a long period in cheaper prices.

However, such risks may be mitigated because the Grande Centre Point Hotel Terminal 21 project is located at the traveling center for foreign guests. It is convenient and surrounded by a variety of shopping malls, office buildings, and good transportation. The innovative design rooms and basic facilities responding to demands of all types of customers are the project advantages when they want to compare the standard service quality and scope of service provided by high-level hotels with service apartments that may be the indirect competitors.

3) *Potential damage or loss if the Core Properties may not be covered by insurance due to the provisions and conditions specified in the land lease agreement for the Grande Centre Point Hotel Terminal 21 project which could have an adverse effect on the REIT's ability to receive compensation in case of damages to the Grande Centre Point Hotel Terminal 21 project.*

The land lease agreement stipulates that, during the last three years of the land lease, if the total loss or huge damage to the extent that operations must be discontinued for a period of over six months, the land lease agreement shall be terminated immediately whereas the landlord shall be entitled to receive compensation from the relevant insurance companies pursuant to the provisions in the agreement. To prevent the risk from termination of land lease agreement in which the Core Properties are located, the REIT has arranged additional leasehold insurance, which nevertheless may not be sufficient to cover such damage or loss.

The REIT has arranged for insurance of policies to cover damage to the properties and liabilities in connection with the Core Properties. The REIT Manager believes that the terms of coverage and the summed insured are in line with the general practice in the real estate industry in Thailand and in accordance with the securities laws. The relevant insurance policies may indicate some conditions beyond the REIT's control that may limit the scope of insurance coverage for the REIT to obtain or for its ability to obtain such coverage at reasonable rates. Any defects in design, construction, or other latent property or equipment defects or deficiencies in the Core Properties that may require additional capital expenditure, special repair or maintenance expenses, or

payment for damage or other obligations to the third parties whereas the REIT may not be covered by insurance. In addition, the REIT is exposed to the risks of litigation or claims by shoppers, contractors, or other service receivers from the use of the Core Properties, which may arise by different reasons, e.g. accidents or injuries while staying at the Core Properties, Sub-lessee's inability to use the Core Properties in accordance with the terms of its lease, and the REIT's failure to perform any of its obligations under any lease or construction agreements or any other contracts or agreements entered into with contractors, Sub-lessee, or other third parties. Moreover, certain types of losses or damages like natural disasters, terrorism, outbreak of infectious diseases or any losses as a result thereupon may be uninsurable or the required insurance premiums may be prohibitive or unjustifiable, thereby requiring the REIT to either purchase insurance at an increased cost or decreased coverage level. Additionally, in the event of substantial loss, the insurance coverage that the REIT carries may not be adequate to compensate for the losses claimed or the full market value or replacement cost of its investment or that of its Sub-lessee. Moreover, certain losses may be completely uncovered by insurance. Therefore, the REIT may lose some or all of its investment in the Core Properties as well as its anticipated future revenues from the Core Properties whilst remaining obligated for debts or other financial obligations related to the Core Properties.

Moreover, the insurance policies and terms of coverage will be subject to renewal and renegotiation on a periodic basis in the future. Therefore, the REIT Manager cannot assure that the REIT will, in the future, be protected under commercially reasonable terms. Any significant increase in insurance premium or decrease in coverage could have a material adverse effect on the REIT's operating performance, financial condition and ability in distribution payments to the Unitholders. Please consider more details of the insurance policies relating to the investment properties in which the REIT invests in Section 2.1.4 entitled "Insurance of the Investment Properties in which the REIT Invests."

4) *Defects, breaches of laws and regulations, or other deficiencies relating to the Core Properties may arise.*

Except as disclosed in this Report, the Settlor had inspected the Core Properties and viewed that they are in good and proper condition for investment. It is not aware of any defects or deficiencies requiring repairs or maintenance (including those relating to design, construction, or other latent property or equipment defects of the Core Properties which may require additional capital expenditure or special repair or maintenance expenses) other than those disclosed in the Prospectus. The Settlor, however, cannot assure that there are no breaches of laws and regulations or other deficiencies relating to the Core Properties, and the appraisal reports and engineering reports the Settlor relies on for its evaluation of the asset value are limited in scope and may be subject to inaccuracy. Such latent defects or deficiencies may require significant capital expenditures or involve obligations to the third parties resulting in significant and unpredictable patterns and levels of expenditure that may have a significant negative effect on the REIT's earnings and cash flow.

The representations, warranties and indemnities granted in favor of the Lessor are subject to limitations as to their scope and as to the amount and timing of claims that can be made. Therefore, the Settlor cannot assure that the REIT would be entitled to receive the reimbursement under such representations, warranties and indemnities for any losses to the REIT as a result of its investment in the Core Properties.

5) ***The construction of planned transportation infrastructure and renovation projects scheduled to be carried out near the Core Properties may disrupt access to the Core Properties.***

The renovation of transportation infrastructure system near the Core Properties such as the BTS Asoke Station and the MRT Sukhumvit Station, bus interchanges, expressways, and access roads, in close proximity to the Core Properties provides convenient access to such Core Properties. The Grande Centre Point Hotel Terminal 21 project is located near the Asoke intersection where the BTS Asoke Station and the MRT Sukhumvit Station are connected. The Settlor cannot assure, however, that such amenities and transportation infrastructure will not be affected by any changes, closure, relocation, demolition, construction, renovation of infrastructure systems as well as any delay or non-completion as planned, or that there will be no impediment to the traffic flow in the vicinity of the Core Properties. Such closure, relocation, demolition, construction, delay, non-completion, or impediment may affect the accessibility of the Core Properties or result in the failure to realize improved accessibility, adversely affecting the customer traffic, the attractiveness and marketability of the real estate property or the leasehold rights in the real estate property in which the REIT invests as well as accessibility to the Grande Centre Point Hotel Terminal 21 project may adversely affect the REIT's financial condition and operating results, any of which could reduce the REIT's ability to make distribution payments to the Unitholders.

Furthermore, the Settlor cannot assure that buildings in close proximity to the Core Properties will not be demolished, redeveloped or renovated for alternative uses or that there will not be construction of new buildings or development of land near the Core Properties that may cause occasional disruption to the Core Properties. Any such redevelopment, renovation, construction or land development may reduce the number of occupants, tenants or shoppers in the Core Properties, and could reduce the total rental income earned from it, potentially having a material adverse effect on the REIT's financial condition and operating results.

6) ***The use of the area connecting some parts of the Core Properties to the BTS Asoke Station is subject to expiration.***

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 (The Concession Agreement shall 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 to the Core Properties may result in the REIT's inability to use the connecting area; as a result, the accessibility to the Core Properties by tenants and service receivers in the Core Properties will be reduced. This may adversely affect the REIT's operating results and distribution payments to the Unitholders.

7) *Risks relating to natural disaster, terrorism 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 of consumption and leisure travel such as flooding in Thailand in 2011. Additionally, the actual or threatened war, terrorism, political unrest, civil strike, and other geo-political uncertainty could have the similar effect. Any one or more of these incidents may reduce the overall demand on accommodation or use of services in the Grande Centre Point Hotel Terminal 21 project, which results in the Sub-lessee's revenue for its ability in rental payments, either fixed rental and/or variable rental significantly, which may have a material adverse effect on the REIT's operating results, financial condition, and ability to make distribution payments, and such incidents may cause the uninsurable damage to the Core Properties not covered by the insurance policies.

8) *Consent to the assignment according to all related may be delayed or the tenants of the Core Properties invested by the REIT may not give consent to the change of the existing owner of the Core Properties to be the Sub-lessee.*

For the Core Properties currently invested by the REIT, their areas and related services have been provided to a tenant to run a restaurant. Some areas have been provided as the long-term rent rooms for occupants and most of them are the customers of business companies. In the REIT's investment, the assignment under the lease and service agreements from the existing owner of the Core Properties to the Sub-lessee must be completed in order to continue the business operation of the Grande Centre Point Hotel Terminal 21. Such assignment requires consent from the tenants and long-term occupants as counterparties thereof.

However, if any tenant and/or long-term occupant objects to the assignment under such agreements, the REIT must take acts to have the existing owner of the Core Properties terminate the agreements with such tenant and/or long-term, which may adversely affect the REIT's investment.

However, for the REIT's investment in the Core Properties, the existing owner of the Core Properties has informed any and all tenants and long-term occupants of the reasons and necessity of such assignment in advance for their consent to the change of parties thereunder from the existing owner of the Core Properties to the Sub-lessee. Since the provisions set forth in the lease agreement and/or the service agreement made with the tenants and long-term occupants remain unchanged; the objection to

such consent hardly occurs.

- 9) ***Value of the Core Properties, as appraised by the Appraisal Firms, does not always indicate the actual value of the Core Properties, or it could not guarantee that a sale price of the Core Properties shall be in line with the estimated value, either presently or in the future.***

Generally, property valuation involves subjective determinations of certain factors relating to the Core Properties such as relative market position, financial and competitive strengths and physical condition that are subject to future changes upon the occurrence or non-occurrence of some or all events inconsistent with one or more of the assumptions made in arriving at the property valuation. These assumptions are based on information provided by, and discussions with or on behalf of, the Settlor and the owner of the Core Properties. Such assumptions reflect expectations and views regarding future events, thereby necessarily involving risks and uncertainties known or unknown by investors. Additionally, the property valuations and summaries of the appraisal reports contained herein are partly based on and partly include forecasts, projections, and other forward-looking statements relating to future events, which are, by their nature, subject to risks and uncertainties. As such, the future events referred to in these forward-looking statements involve risks, uncertainties and other factors that may cause the actual results or performance to be significantly different from any future results or performance expressed or implied by the forward-looking statements. Furthermore, not all assumptions used in the preparation of the valuation have been included herein.

The information contained in this Report is not an opinion on the commercial merits and structure of the REIT and the Core Properties, nor does it represent opinions, expressed or implied, as to the future trading price of the Units or the REIT's financial condition upon listing on the stock market. In addition, the information does not purport to contain all the necessary or desirable information for valuation of the REIT's Core Properties or investment in the REIT or the Units. Also, the information and the reports connected to the Appraisal Firms do not confer rights or remedies upon investors or any other parties, and do not constitute and should not be construed as any form of assurance as to the REIT's financial condition or future performance or as to any other forward-looking statements included therein.

Furthermore, the Settlor cannot assure that the property valuations prepared by the Appraisal Firms necessarily reflect the actual value of the Core Properties, or that other independent appraisers would present the same valuations. Accordingly, the Settlor cannot assure that the assumptions relied on will turn out to be accurate, and the price at which the REIT sells any property in the future may be lower than its value as determined by the Appraisal Firms as of the day the REIT invests in such Core Properties or it may be lower than the purchase price of the property acquired by the REIT. Moreover, the net asset value primarily derived from the property valuation performed by the Appraisal Firms may not reflect the actual value of the properties in the event of disposal or liquidation of the REIT.

The Appraisal Firms' respective valuation reports have not been updated after the date of their issuance; as a result, none of the offering participants or any other parties should not consider them as an advice to take any action based on the Appraisal Firms' respective valuation reports disclosed in this Report. Additionally, investors should not rely solely on such valuations and the summaries of the Appraisal Firms' respective valuation reports included in this Report in making an investment decision.

10) *A reduction of the fair value of the Core Properties and an investment in the leasehold right to the Core Properties would have an adverse impact on the REIT's profit and loss statements, net asset value, and ability to make distribution payments.*

The decline of the net asset value of the Core Properties and the investment in the leasehold right to the Core Properties resulted by the loss from the valuation of the fair value to the properties and investment in a particular year may cause the reduction of the net asset value. Additionally, the REIT may encounter the excess liquidity caused by the loss of the valuation of such fair value. This could adversely affect the REIT's ability to make distribution payments to the Unitholders. However, the REIT may carry out the reduction of its registered capital, and return such excess liquidity to the Unitholders in order to recover its ability to make distribution payments.

4.3 Risks relating to Investment in immovable property

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

Immovable property investment contains 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 of interest, inflation, and foreign exchange rates, (4) changes of local or international monetary policies or other economic policies; (5) unexpected additional real estate operating expenses; (6) changes of environmental laws and regulations, zoning laws, and other governmental rules and fiscal policies; (7) environmental claims arising with respect of immovable property; (8) changes of fixed and variable rental rates from immovable properties invested; (9) changes of the price of petrol and other types of fuel; (10) changes of 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 accommodation room or property invested in a given market; (11) ability of the Hotel Manager or the Sub-lessee giving impact to the hotel business and reputation; (12) inability to renew the sublease agreement; (13) inability to collect rents from the Sub-lessee within the determined period or inability to collect rents due to the Sub-lessee's bankruptcy or insolvency or otherwise; (14) insufficiency of insurance coverage or higher insurance premiums; (15) inability of the Sub-lessee to provide or procure the provision of adequate maintenance and other services; (16) defects of immovable property requiring remedies or repairs as well as maintenance leading to unforeseen capital expenditure; (17) lack of relative illiquidity associated with investment in immovable property; (18) over reliance on cash flow for the maintenance and improvement of any portfolio property; (19) increases of operating

costs, including relevant taxes; (20) any interests or encumbrances that cannot be observed or has not been revealed by a land inspection conducted at any relevant public registry at the time of the inspection; (21) force majeure, uninsurable losses, and other factors; and (22) changes of laws and regulations pertaining to taxation and other aspects.

The foregoing factors may cause fluctuations in occupancy rates, rental rates, or operating cost of the immovable property, which cause a negative effect on the value of real estate property and income earned from fixed rental and/or variable rental obtained from the immovable property.

The annual valuation of the Core Properties shall reflect such factors, and the value of the Core Properties may therefore become higher or lower. 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 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 mainly invest in immovable property and assets related to immovable 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 in a short period or it may be compelled 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, property life, 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 investment in properties used for the operation of hotel business may entail a higher level of risk as compared to other investment trusts having a more diverse range of investments.*

The REIT's principal strategy of investment in properties used for the operation of hotel business may cause the REIT to have risks from focusing on investment in real estate. The level of risks may be higher compared to other types of investment trusts offering a more diverse range of investments in other business sectors.

The REIT's focus on investment in the leasehold rights to properties connected to the

operation of hotel business entails the REIT the risks in cases of crisis or negative incidents in the tourism hotel business in Thailand, which may lead to a decline in occupancy rates or rental rates of 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 or returns 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 under the governmental policy, in which case all amount of compensation for damages of such expropriation will belong to the landlord, which could lessen the estimated returns to be obtained by the Unitholders, either distribution or return of capital. The REIT may be entitled to receive only the remaining rental based on the remaining term of lease to be returned to the landlord. The amount of compensation, if any, to which the REIT is entitled depends on the terms and conditions specified in the relevant agreements, including the remaining period in using the Core Properties after 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 predict the probability of expropriation because land expropriation depends on 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 of the Grande Centre Point Hotel Terminal 21 project in the sections of consequences to causes of termination.

5) *Risk of delay in the REIT's registration of the leasehold rights.*

The Core Properties invested by the REIT involve the leasehold right to the Grande Centre Point Hotel Terminal 21 building and the ownership in any related movable properties, not the land on which it is located. Laws related to the registration of leasehold right with competent officers stipulate that an announcement of leasehold right registration with the authorities concerned has to be made, allowing stakeholders to express their objections within 30 days before the registration goes into effect. Additionally, the relevant laws prescribe that an investment trust eligible to the registration for rights and juristic acts relating to land must hold the unit trust listed on the stock market only. Therefore, this may expose the REIT to a risk of delay in its registration of the leasehold right to the Grande Centre Point Hotel Terminal 21 building immediately after the REIT's establishment. The REIT's leasehold right registration will take at least 30 days from the closing date for the offering of its Units. However, the REIT Manager and the owner of the Core Properties invested by the REIT have mutually agreed to process the lease for such hotel building and deliver the distribution on investment in the Core Properties to the REIT on the date

designated as the starting date of its investment in such hotel building in order to ensure that the projected distributions to the Unitholders are commensurate with the duration of time based on which such distributions have been determined.

6) *Political risks*

The REIT's performance, financial condition, operating results, and business prospects may be partially influenced 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.

7) *The accounting standards and related laws and regulations in Thailand are subject to change.*

The REIT could be affected by the enforcement of new accounting standards or revised legislation, regulations, or accounting standards. The Thai Financial Reporting Standards (TFRS) is also subject to change as accounting standards that are further aligned with those specified by the International Financial Reporting Standards (IFRS). As a result, the REIT's financial statements may be affected by the introduction of such revised accounting standards, the extent and timing of which are unknown and depend on the relevant authorities. The Settlor cannot assure, therefore, that such changes will not have a significant impact on the REIT's presentation of financial statements, or operating results, and financial condition, which may adversely affect its ability to make distributions payment to the Unitholders. In addition, the Settlor cannot assure that such changes will not have an impact on the strategic operations of the REIT, nor the REIT's operations or financial condition.

8) *Conflicts of interest between the REIT Manager and the Sub-lessee operating the hotel business, and the Hotel Manager may arise.*

Though the REIT Manager procures benefits carefully from the sublease and lease of the Core Properties to the hotel business operator; namely, L&H Hotel Management Company Limited who defines the roles and scope of duties to be performed by Pacific Real Estate Company Limited who is the Hotel Manager, the conflict of interest between the REIT and the aforesaid persons may arise because Pacific Real Estate Company Limited is also the hotel manager of Grande Centre Point Ploenchit and Grande Centre Point Rajdamri.

However, management of each hotel by Pacific Real Estate Company Limited is based on the separate management team, comprising the executive team and project sales team. The separate management team leads to the fair distribution of customers between hotels, and prevent any potential conflicts of interest between the REIT and the Hotel Manager.

Additionally, each customer definitely has different demand for accommodation such as project location, project facilities, accommodation budget, convenience of transportation, project environment, and favor of decoration style, etc. Therefore, such different demands are the primary key factor for each customer's decision-making.

Since the customers usually determine and decide to stay in the project most relevant to their demand; the potential conflicts of interest in the management and sale of each project could be reduced.

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

- None -

6. Other Material Information

- None –

Part 2

Management and Good Corporate Governance

7. Units, Securities and Instruments Issued by the REIT

7.1 Information of Units and Prices of Securities

7.1.1 Information of Units

| | |
|--|------------------------------|
| Investment Capital | Baht 3,136,649,000 |
| Par Value of the Unit | Baht 10.00 |
| Number of Unit | 313,649,900 units |
| Type of Unit | Name of Unitholder Specified |
| IPO Price of Unit | Baht 10.00 |
| NAV per Unit as at 30 December 2015 | Baht 10.0586 |

7.1.2 Information of Securities Prices

| | |
|--|-----------------------|
| Closing Price on 30 December 2015 | Baht 10.00 |
| Highest Price in 2015 | Baht 10.10 |
| Lowest Price in 2015 | Baht 9.95 |
| Market Value on 30 December 2015 | Baht 3,136,649,000.00 |
| Trading Volume per Year | Baht 61.91 |
| NAV as at 30 December 2015 | Baht 3,155,047,599.81 |

7.2 Information of Unitholders

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

| No. | Major Unitholders | No. of Units (units) | % |
|-----|---|-------------------------|------|
| 1. | Pacific Real Estate Company Limited | 28,229,900 | 9.00 |
| 2. | GIC Private Limited | 18,819,900 | 6.00 |
| 3. | Mr. Peera Patamavorakulchai | 10,000,000 | 3.19 |
| 4. | Useful Food Co., Ltd. | 8,000,000 | 2.55 |
| 5. | Muang Thai Life Assurance Public Company Limited | 7,100,000 | 2.26 |
| 6. | TMB Property Income Plus Fund | 5,428,500 | 1.73 |
| 7. | Mrs. Nuanchant Terahsongkran | 5,000,000 | 1.59 |
| 8. | Mrs. Patima Patimavirujh Mr. Lertpong Chatmaleerat | 3,000,000 | 0.96 |
| 9. | Miss Pamila Tasanavipas | 3,000,000 | 0.96 |
| 10. | Mr. Sootthichai Sinthavanuchit | 3,000,000 | 0.96 |

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

- None -

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

- None -

7.3 Payment of Distribution of the REIT

7.3.1 Provisions on Distribution Policy and Methods of Distribution Payment

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

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

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

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

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

Additional Conditions:

- (1) In considering to make distribution, if the distribution per unit to be declared during the fiscal year is lower than or equal to Baht 0.10 (zero point one zero) per unit, the REIT Manager reserves the right not to make those distribution and carry forward those distribution to be paid together with the distribution as of the end of the fiscal year in accordance with the prescribed distribution method.

With respect to the rules for making distribution, the REIT Manager shall comply with those stipulated herewith, unless otherwise amended, added, announced, stipulated, instructed, approved, and/or relieved by the SEC, the Office of the SEC and/or any other competent authority under the laws, which the REIT Manager shall comply accordingly.

- (2) The REIT Manager shall declare distribution, register book closing date, and the rate of distribution by sending a written notice to the Unitholders whose names appear in the Unitholders' register book as of the register book closing date through the information system of the SET, and to the Trustee.
- (3) The REIT Manager shall make distribution by means of transfer of money into the accounts of the Unitholders or by crossed cheques payable to the Unitholders according to the names and addresses shown in the Unitholders' register book.
- (4) In the case that any Unitholders fails to exercise the right to receive any distribution within the statutory limit relating to the claim of right under the Civil and Commercial Code, the REIT Manager shall not use such amount of distributions for any purposes other than the benefits of the REIT.

7.3.2 Conditions and Method of Distribution Payment

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

7.3.3 History of Distribution Payment

The REIT did not make distribution payment during the operating period between 11 December 2015 and 31 December 2015 since it had been in operations for only 22 days in the fiscal year of 2015. Moreover, as the operating result of the REIT was less than Baht 0.10 per unit, it therefore decided to carry forward these amount to be paid together with the distribution as of the end of the next fiscal year.

8. Management Structure

8.1 The Management Company

8.1.1 General Information of the Management Company

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

Location : 11 Q. House Sathorn Building, 14th Floor, South Sathorn Road, Tung Maha Mek, Sathorn, Bangkok 10120.

Company Registration No. : 0105551006645

Telephone : 02 286-3484 and 02 679-2155

Facsimile : 02 286-3585 and 02 679-2150

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

Detail of the Management Company

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

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

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

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

Share holding Structure of the REIT Manager

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

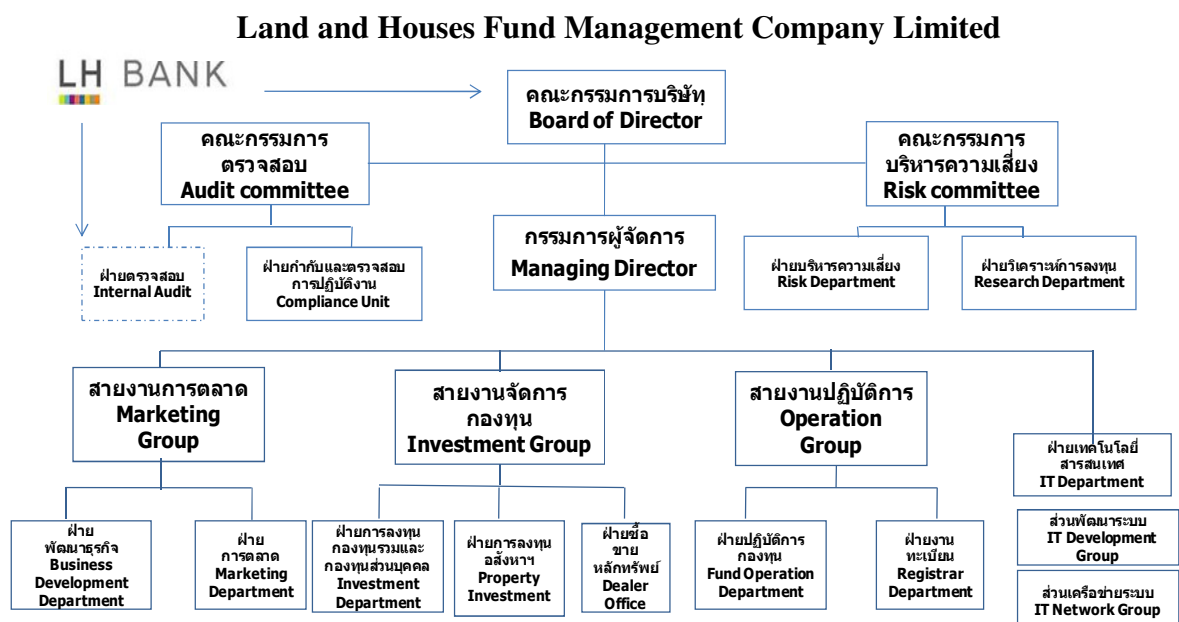
| Name | No. of Shares | % of Total Shares |
|-------------------------------------|---------------|-------------------|
| Land and Houses Bank Public Company | 2,999,995 | 99.99 |

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

As of 30 December 2015, the REIT Manager adheres to the principle of clear separation between respective duties and responsibilities of each unit within the organization. Each department works independently and systematically in line with the principles of trust and good corporate governance. It also takes into consideration the control of any potential risk arising from corruption, fraudulent and conflicts of interest. Such management structure enables the REIT Manager to fulfill its fiduciary duties owed to the unitholders, to prioritize unitholders' interests over those of the Manager, as well as to prevent any information leaks or illegal acts. Moreover, the structure is also commensurate with the size and complexity of the Company's business operations.

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

Organization Chart



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

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

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

1. Board of Directors

- The Board of Directors comprises 7 members as follows:

- | | |
|---------------------------------|----------|
| 1) Mr. Rutt Phanijphand | Chairman |
| 2) Mr. Adisorn Thananunnarapool | Director |
| 3) Miss Chutamas Sombunyaviroj | Director |
| 4) Mr. Rhung Kongphalung | Director |
| 5) Mrs. Chantana Kanchanagama | Director |
| 6) Miss Piangdao Wattanayakorn | Director |
| 7) Mr. Monrat Phadungsit | Director |

- **Scope of Authority of the Board of Directors**

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

1. Perform duties in accordance with law, objectives, regulations of the REIT Manager and related external agencies, including the resolutions of the general meeting of shareholders, with integrity and in the best interests of the unitholders of the REIT.
2. Establish overall strategic direction and goals of the REIT Manager; review and approve Management's proposed policy and operational direction of the REIT Manager; and supervise and monitor the performance of the management

to ensure that the approved policies are implemented efficiently and effectively and that the interests of the company, shareholders, and investors are protected.

3. Approve investment in the core properties of the REIT.

2. Audit Committee

Scope of Authority of the Audit Committee

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

3. Risk Management Committee

Scope of Authority of the Risk Management Committee

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

4. Management Committee

Scope of Authority of the Management Committee

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

5. Investment Committee

Scope of Authority of the Investment Committee

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

6. Property Investment Committee

Scope of Authority of the Property Investment Committee

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

Outsourcing of Operational Functions

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

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

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

1. Revenue collection systems such as the issuance of invoices and receipts.
2. Payment and procurement systems.

3. Leased area management and lease agreement processing systems.

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

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

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

1. Duties to the REIT

1.1 The REIT Manager shall conform to the principle of business conduct as follows:

1. Perform its duties with knowledge and skills that may reasonably be expected as a professional, and with diligence, care, and loyalty. In this regard, the REIT Manager shall respond to the Unitholders fairly and exercise its power for the best interest of the Unitholders as a whole. Additionally, the REIT manager shall comply with the trust deed, the REIT Manager appointment agreement, the objective for establishing the REIT, the resolution of the Unitholders, and the relevant laws and regulations;
2. Maintain sufficient capital continuously to operate the business and to compensate for any detriment which may occur from performing the duties of a REIT manager;
3. Disclose, give opinion on, or provide important and relevant information which is sufficient for making investment decision by the investors. In this regard, such information shall be clearly communicated, not distorted, and not misleading;
4. Not exploit any information acknowledged from performing as REIT Manager for its own interest, or in manner of damage or impact to the interests of the REIT;
5. Performs its duties carefully in order to avoid conflicts of interests. If the conflicts are inevitable, the REIT Manager shall proceed to ensure that the Unitholders' interest will be treated fairly and appropriately;

6. Complies with the laws and regulations related to the operations of the REIT and the code of ethics and standards of professional conduct as defined by the associations related to securities business or by organizations in connection with securities business recognized by the Office of the SEC, mutatis mutandis. In addition, the REIT manager shall not conspire, employ or collaborate with anyone to violate such laws and regulations;
 7. Cooperates with the Trustee or the SEC Office in performing their duties, and discloses information which may significantly affect the management of the REIT or other information which should be notified to them.
- 1.2 The REIT Manager shall arrange to have proper operating systems, including an efficient check and balance system, in place, to support the work under its responsibility entirely. To ensure proper and efficient management of the REIT entrusted by the Trustee, the operating systems shall at least cover the following issues:
- (1) The determination of the management policy of the REIT, the structuring of the investment capital of the REIT, and the formulation of policy and strategy relating to the procurement of benefits from immovable properties. All these systems shall support the REIT Manager to manage the REIT entrusted by the Trustee prudentially in conformation to the investment policy stipulated in the Trust Deed, and in compliance with the securities laws and related regulations, as well as to protect the interest of the REIT and the Unitholders as a whole;
 - (2) A system to manage the risks associated with the REIT management so as to prevent and mitigate the risks efficiently;
 - (3) A system to prevent the conflict of interest between the REIT under management and connected person, including to measures or guidelines for keeping the best interest of the REIT or the Unitholders as a whole, when a conflict of interest is inevitable;
 - (4) Selection of personnel of the REIT Manager and service providers of functions related to the operations of the REIT (if any) to ensure knowledgeable and skilled personnel with appropriate qualifications in accordance with the nature of work allocated to them;
 - (5) Supervision of performance of the REIT Manager and related personnel including the service providers of outsourced functions related to REIT management to ensure compliance with the securities laws, related regulations, and the Trust Deed;

- (6) Disclosure of complete, accurate, and adequate information of the REIT in compliance with the provisions stipulated in the Trust Deed and the securities laws;
 - (7) A back office system;
 - (8) An internal audit and control system;
 - (9) Communication with investors and handling of investors' complaints;
 - (10) Handling of legal disputes. The REIT Manager may assign other persons to proceed with the issues related to REIT management provided that such assignment is in accordance with the regulations specified in 1.3.
- 1.3 The REIT Manager may outsource the functions related to REIT management to other persons as deemed necessary under the following regulations, in order to facilitate the operations and enhance efficiency.
- (1) The outsourcing of functions shall not have an impact on the performance efficiency of the REIT Manager;
 - (2) There shall be a measure to ensure continuity of business operation in case the service provider fails to proceed with the outsourced function;
 - (3) In case of outsourcing functions related to investment of other assets of the REIT, the service provider shall have the authority to perform such functions by laws.

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

- 1.4 The REIT Manager shall prepare its financial statement in accordance with financial reporting standards as stipulated by the law on accounting profession and submit such financial statement to the SEC Office within 3 months from the end of its fiscal year.
- 1.5 The REIT Manager shall not undertake any actions that may restrain the Trustee from performing its duty independently; for instance, investing in immovable properties owned by the connected persons of the Trustee.
- 1.6 The REIT Manager shall provide indemnity insurance for the performing of its function, as well as the conduct of its directors, executives and personnel, throughout the terms of the Trust Deed, which is in accordance with operating systems of the REIT Manager.

- 1.7 The REIT Manager shall arrange for the Unitholders to attend meeting and vote for the issues as specified in the trust deed such as the modification or amendments of the trust deed, capital increase of the REIT, change of Trustee, etc.
- 1.8 In case where there is an appointment of adviser to provide advice or recommendations related to investment and management of immovable properties, the REIT Manager shall act in accordance with the following regulations:
 - (1) Arrange for the adviser to declare the conflicts of interest in the issue under consideration;
 - (2) Not allow the adviser who has direct or indirect conflicts of interest in the issue under consideration gets involved in the decision making of such issue.
- 1.9 In undertaking transactions related to immovable properties on behalf of the REIT, the REIT Manager shall comply with the following regulations:
 - (1) Proceed to ensure that the sale, disposition of, and transfer of immovable properties or the engagement in agreement relating to the properties for the REIT is done properly and is enforceable by law;
 - (2) Proceed to ensure that the investment in immovable properties of the REIT is done properly and has at least proceeded with the following actions:
 - (a) Self assessment of preparedness to manage the property before accepting the assignment as the REIT Manager or before making additional investment in such properties, as the case may be.
 - (b) Carrying out of analysis and feasibility study, and undertake due diligence for the property including the assessment of various risks that may arise from the investment in such property together with guidelines for risk management. Such risk exposures shall include completion risk (if any) such as the risk that may arise from the delay of construction and the inability to procure benefits from the property, etc.
- 1.10 Arrange for the Core Properties of the REIT to be appraised by an appraisal company authorized by the SEC Office in accordance with related laws and under the regulations stipulated in the Trust Deed; for example, appraisal before the acquisition or disposal of the Core Properties of the REIT, review of the appraised value of the Core

Properties, periodical appraisal of the Core Properties' value in compliance with related regulations, etc.

- 1.11 Arrange for the property of the REIT to be professionally reviewed, including the condition of the property, the ability of the counterparty of agreement, financial and legal information, the appropriateness of other aspects, etc. Such review shall support the decision making on investment and the information disclosure of the REIT. Under any circumstance where the REIT Manager is unable to perform the duty, it must be specified that the Trustee shall manage the REIT as deemed necessary in order to prevent, refrain, or limit any severe damage to the interest of the REIT or the entire Unitholders. In this regard, the Trustee may appoint other person to manage the REIT instead during such period.
- 1.12 Proceed to acquire core properties or immovable properties to be invested by the REIT in case of capital increase within 60 days from the establishment of the REIT in the case of IPO; or from the closing date of the offering of Units in the case of offering of Units for capital increase.
- 1.13 The property investment shall apply to the acquisition of ownership or possessory right of the property only. In case of possessory right, it shall be the acquisition of document of entitlement in the form of Nor. Sor. 3 Kor or the acquisition of leasehold right with the document of ownership or document of possessory right in the form of Nor. Sor. 3 Kor only.
- 1.14 The immovable properties acquired shall not be under the enforcement of real right or have any disputes unless the REIT Manager and the Trustee have provided the opinion in writing that such enforcement of real right or disputes do not have any significant impact on the provision for benefits from such properties and the conditions for the acquisition of such property are still beneficial to the Unitholders as a whole.
- 1.15 The agreement pertaining to the acquisition of property shall not have any provision or obligation that may cause the REIT unable to sell the property at fair price at the time of selling, such as the agreement that gives the right of first refusal in purchasing property from the REIT to the counterparty with the purchasing price fixed in advance; or may cause the REIT Manager as the lessor of the property bear more responsibility than what should be under normal situation.
- 1.16 Arrange for the REIT to maintain insurance covering the core properties invested by the REIT, as mutually agreed by the counterparties of the Trust Deed without violating related laws and regulations, to protect the benefits of the Unitholders; and third party liability insurance against damage or loss caused by the core properties or operations related to the core properties. Such insurance shall be procured from acceptable insurer

with an insured sum at least sufficient and appropriate for the provision for benefits from the core properties.

- 1.17 Provide opinion on the transactions related to the acquisition of the core properties together with rationale and related supporting information in the document seeking approval from the Unitholders or the invitation letter calling Unitholders' meeting to consider capital increase for additional investment in the core properties by the REIT Manager.
- 1.18 Upon disposition of the core properties, arrange for the appraisal company to appraise the value of the core properties, call Unitholders' meeting for approval resolution, obtain consent from the Trustee, and disclose the information according to the regulations specified in the trust deed and related laws.
- 1.19 In case of a change in REIT Manager, the new REIT Manager shall agree to perform the duties in accordance with the trust deed and related laws and regulations. Meanwhile, the former REIT Manager shall provide necessary cooperation to ensure successful handover of the works.
- 1.20 In case of a modification or an amendment of the trust deed, the REIT Manager shall carefully proceed to ensure that the modification or amendment is in line with the conditions and methods specified in the Trust Deed and related regulations. Following the completion of the modification or amendment, the REIT Manager shall submit a copy of the new Trust Deed to the SEC Office within 15 days from the signing date or the date on which the Trust Deed was modified or amended, as the case may be.
- 1.21 In case of a change in Trustee, the REIT Manager shall proceed to notify the Unitholders and the SEC Office of the change within the time frame specified in the Trust Deed.
- 1.22 Apply for approval to offer the Units of the REIT in case of capital increase by filing related documents and evidences and duly certify the correctness and completeness of the information regarding the performing of its function in contained in the filings.
- 1.23 Give opinion on the ability of the revenue guarantor in honoring the obligations under the guarantee of revenue agreement (if any).
- 1.24 Proceed to list the sold Units or the newly issued Units (in case of capital increase) on the Stock Exchange of Thailand within 45 days from the closing date of unit offering.
- 1.25 Proceed to allocate the Units to any person or group of persons in accordance with the ratio and rules stipulated by related laws and regulations.

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

- 2.1 Give opinion to relevant competent officers regarding the qualifications or characteristics of the immovable properties invested by the REIT upon request.
- 2.2 Supervise and monitor the renovations, improvements, and maintenance of the core properties to ensure that they are always in good conditions and ready for use to procure benefits as specified in the annual action plans.
- 2.3 Arrange for the core properties to be reformed, restored, or modified as deemed necessary and appropriate without violating or contradicting the Trust Deed and related laws including the land lease agreement made with the owner of the land on which the core properties are located (including all amendments and modifications of the definitive land lease agreement). In this respects, prior notice to the Trustee is required.
- 2.4 Oversee and manage the core properties including the maintenance of each property as deemed necessary for the benefit of the management of the security system, fire protection system, communication system, and emergency management; and the restoration of the properties. In case of major restoration, prior notice to the Trustee is required.
- 2.5 Manage and procure benefits from the core properties and undertake any necessary actions to ensure that the management of the core properties is in compliance with the annual action plan, the Trust Deed, and the relevant laws.
- 2.6 Undertake any actions to procure and/or accept the transfer of and/or cooperate with the Trustee to enable the Trustee to acquire the licenses, Letter of Authorization, Letter of Waiver, and/or any other related and necessary documents in procuring benefits from the core properties.
- 2.7 Facilitate the inspection of core properties by the REIT or other persons designated by the Trustee within the operating hours of the REIT Manager. In this connection, the 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 equipments and facilities; or upon occurrence of the event the will result in the reduction in the value of the core properties significantly; and (b) There is a material breach of agreement by the sub-lessee.
- 2.13 Undertake any other actions as deemed necessary and appropriate by the REIT to ensure that the core properties are in good condition and ready for procuring benefits or exactly in line with the objectives of the REIT Manager Appointment Agreement. In addition, the REIT Manager shall also provide advices on market situation in case that the REIT wishes to sell or assign the leasehold or sublease the core properties.

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

- 3.1 Prepare and disclose information of the REIT to the SEC Office, the Trustee, and the Unitholders in compliance with the provisions stipulated in the Trust Deed and the securities laws; including submitting the annual

report of the REIT together with the invitation letter to annual general meeting to the Trustee and the Unitholders.

- 3.2 Arrange to have the accounting and various financial reports related to the management of the REIT and its core properties, as assigned by the Trustee or as deemed necessary and appropriate, in place; and submit such reports and documents to the SEC Office, the Stock Exchange of Thailand, the Trustee, and the Unitholders within the time frame specified by the Trustee in order to correspond with the securities law, other relevant laws, and the orders of relevant competent officers.

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

- 3.3 Deliver the following documents to the Trustee within the time frame assigned by the Trustee in order to comply with the securities law , other relevant laws, and the orders of relevant competent officers.
- (1) Submit a full report on property appraisal to the Trustee at least 7 days before the date on which the net asset value of the REIT is scheduled to be notified to the Unitholders.
 - (2) Submit reports on the net asset value and the Unit value of the REIT at the last business day of each quarter to the Trustee for certification before submitting them to the SEC Office within 45 days from the end of each quarter.
 - (3) Submit the updated information about the connected persons of the REIT Manager and information of the connected transactions between the RIET 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 RIET and the REIT Manager or its connected persons for the pervious and current accounting periods in the annual report and the financial statements of the REIT.
 - (5) Report the information about the conflicts of interest between the REIT and owner of the core properties invested by the REIT

together with measures for preventing such conflicts to the investors on the first day of Initial Public Offering of the Units and upon occurrence of any conflict.

- (6) Disclose the information pertaining to the interests or benefits accepted by the REIT Manager or its connected persons from the company or person that is supplier or service provider of the REIT in the registration statement, the Trust Deed, the invitation letter to Unitholders' Meeting seeking approval for the transaction, and the annual report. Such information shall be used by the Unitholders and the Trustee in considering the independence of the REIT Manager in executing the transaction for the REIT and the validity of such transaction.

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

- (7) Publicize information related to the REIT's investment in immovable properties every 6 months or immediately in the case of significant change; and submit such report to the Trustee upon request.
- (8) Submit the updated information related to the acquisition and disposition of core properties of the REIT to the Trustee and the Unitholders at least 30 days before executing the transaction and disclose to the public and the SEC Office within 15 days following the date on which the core properties are acquired or disposed of.
- (9) Disclose the information of the acquisition or disposition of the core properties and equipments of the REIT for the previous and current accounting periods in the annual report and the financial statements.
- (10) Submit the updated information about borrowing and creation of encumbrances of the REIT together with the borrowing agreement to the Trustee for information before the date on which the REIT enters into such agreement.
- (11) Disclose the information about borrowing and creation of encumbrances of the REIT for the previous and current accounting periods in the annual report and the financial statements.
- (12) Submit the information related to the transaction deemed by the Trustee as having significant impact on the properties of the REIT as requested by the Trustee at least 14 days before executing such transaction.

- (13) Submit the financial statements of the REIT Manager together with related information to the Trustee at least 3 days before the due date for filing the financial statements to the SEC Office.

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

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

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

8.1.4 Personnel

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

| Unit | No. of Personnel | Person in Charge | Qualifications and Experiences |
|--------------------------------|------------------|-----------------------------|--|
| Property Investment Department | 6 | Miss Piangdao Wattanayakorn | Managing Director; 33-year experience in finance field and 3-year experience in property investment. |
| | | Mr. Nold Swangjang | Executive Vice President; 18-year experience in finance and property investment field. |
| | | Mr. Voranon Asavakittimetin | Vice President; 13-year experience in finance and property investment field. |
| | | Miss Nutrinee Jiraongkarn | Assistant Vice President; 8-year experience in finance and property investment field. |

| Unit | No. of Personnel | Person in Charge | Qualifications and Experiences |
|--|------------------|--------------------------------|---|
| Mutual Fund and Private Fund Investment Department | 7 | Mr. Wirat Vittayasritada | Assistant Vice President; 7-year experience in asset management business. |
| Dealing Department | 3 | Miss Jintana Suchanchart | Vice President; 20-year experience in finance field. |
| Operations Department | 4 | Mrs. Jiraporn Parksupo | Executive Vice President; 24-year experience in finance field and asset management business. |
| Information Technology Department | 2 | Mr. Santi Chairatthanathananon | Vice President; 16-year experience in asset management business. |
| Risk Management Department | 2 | Miss Lilly Ratanasupakorn | Vice President; 20-year experience in finance field and asset management business. |
| Compliance and Internal Audit Department | 3 | Mrs. Nawarat Puangphairoite | Vice President; 19-year experience in finance field and 8-year experience in asset management business. |

8.2 The Sub-Lessee (Hotel Manager)

8.2.1 General Information

| | |
|---------------------------------|---|
| Name of the Sub-Lessee | : L&H Hotel Management Company Limited |
| Location | : 1 Q. House Lumpini Building, 15 th Floor, South Sathorn Road, Tung Maha Mek, Sathorn, Bangkok 10120. |
| Company Registration No. | : 0105555019474 |
| Telephone | : 02 343 8899 |
| Facsimile | : 02 343 8890 |
| Registered Capital | : Baht 1,000,000. |
| Paid-up Capital | : Baht 1,000,000. |

8.3 The Trustee

8.3.1 General Information

| | |
|---------------------------------|--|
| Name of the Trustee | : SCB Asset Management Company Limited |
| Location | : 7 th –8 th Floors, SCB Park Plaza 3, No.18 Ratchadapisek Road, Jatujak , Bangkok 10900 |
| Company Registration No. | : 0105535048398 |
| Telephone | : 02 949 1500 |
| Facsimile | : 02 949 1501 |
| Website | : http://www.scbam.com/ |
| Registered Capital | : Baht 200,000,000. |
| Paid-up Capital | : Baht 100,000,000. |

8.3.2 Duties and Responsibilities of the Trustee

- (1) Perform duties with due care and loyalty for the best benefits of the Unitholders as a whole and in compliance with the Trust Deed and the relevant laws as well as any additional commitments provided in the document disclosed to investors (if any). In case there is any damage arising from the failure to undertake its duties, the Trustee shall be liable to such damage without any limitation of liability.
- (2) Monitor and oversee the activities of the REIT Manager and other assigned person according to 8.3.2 (7) (if any) to ensure that they perform their functions in compliance with the Trust Deed and other relevant agreements.
- (3) Attend every Unitholders' meeting and undertake the following actions if the Unitholders' resolution with respect to any proposed action is sought for:
 - (3.1) Respond to inquiries or give opinions whether or not such action is in compliance with the Trust Deed or the relevant laws;
 - (3.1.2) Lodge a protest and notify the Unitholders that such proposed action could not be pursued if it is in contravention of the Trust Deed and the relevant laws.
- (4) Enforce the repayment of debts or supervise the enforcement of debt repayment to comply with the agreements between the REIT and third parties.
- (5) Manage the REIT on behalf of the REIT Manager in case that there is no REIT Manager or the REIT Manager is unable to perform its duties. Such

action shall be pursued in accordance with the regulations stipulated in the Trust Deed and the relevant laws.

- (6) Have other rights, duties and responsibilities as specified in the securities law and other relevant laws.
- (7) Assign the REIT Manager to manage the properties which are not core properties of the REIT on behalf of the Trustee.
- (8) Rectify the Trust Deed as per order of the SEC Office.
- (9) Prohibited to set off the obligation arising beyond the performance in trusteeship owed by the trustee to a third party against the obligation arising from the management of trust owed to the trust by the third party. In case of contravention to this regulation, the action shall be voided.
- (10) In proceeding with a juristic act or a transaction with a third party, the Trustee shall notify the third party in writing that it acts in trusteeship, and apparently stipulates in the evidence of that juristic act or transaction that it acts in trusteeship.
- (11) Prepare an account of the REIT's property separately from any other accounts under its responsibility. In cases where the Trustee manages several REITs, it shall prepare the account of trust property of each REIT separately. In doing so, the Trustee shall keep such account correct and up-to-date.

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

- (12) In cases where the Trustee fails to perform the duty under the aforementioned clause which causes the REIT's property to be commingled with the property held in its own capacity in the manner that it is unable to distinguish the REIT's property from those held in its own capacity, it shall be presumed that:
 - (1) The commingled property is held in the REIT;
 - (2) The damage and liability arising from the management of commingled property are the Trustee's own bearing;
 - (3) The benefit arising from commingled property belongs to the REIT.
- (13) In cases where the Trustee fails to perform duty under the aforementioned clause which causes the property of two or more REITs to be commingled in the manner that it is unable to identify to which respective REIT the property belongs, it shall be presumed that the commingled property, including property that is transformed into a different form or state, and any benefits or obligations incurred from the management of such commingled property shall belong to each REIT in proportion of an amount brought to commingle.
- (14) The trustee shall not delegate its duty to other persons except where:

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

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

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

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

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

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

- (16.1) Claim compensation from the Trustee who is liable to the damages;
- (16.2) Recover a property from a third person regardless of whether such third person directly acquired such property from the former trustee and whether such property is transformed into a different form or state, except the acquisition of the property was done in good faith

and for value, providing further that the person acquired that property did not know or should not have known that the acquired property has been disposed or transferred in breach of trust.

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

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

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

- (18) The Trustee shall be prohibited from exercising the right under (17) unless it has performed all of its obligations owed to the REIT except where those obligations can be set off under the Civil and Commercial Code.
- (19) In cases where the Trustee fails to manage the trust in accordance with the Trust Deed or the Trust Act, the Trustee shall be liable to indemnify the REIT.

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

- (20) The Trustee shall ensure that the Trust Deed complies with all material aspects of the relevant laws and shall act in accordance with the following rules:
- (20.1) Ensure that any amendment to the trust deed complies with the procedures and conditions as specified in the Trust Deed and the rules as stipulated in the relevant law;
 - (20.2) In case an amendment to the Trust Deed fails to meet the requirements as prescribed under Sub-clause (20.1), the Trustee shall proceed in accordance with its power and duties as specified in the Trust Deed and the Trust Act in order to protect the rights and interest of the Unitholders as a whole;

- (20.3) In case there is any subsequent change to the rules relating to the offering of Units or REIT management promulgated under the Securities and Exchange Act and the Trust for Transactions in Capital Market Act, the Trustee shall amend the Trust Deed in compliance with such rules according to the procedures specified in the Trust Deed or in accordance with the SEC Office's order.
- (21) The Trustee shall govern, control and monitor the REIT Manager or any other assigned person (if any) to ensure compliance with the Trust Deed and the relevant laws. The governing, control and monitoring shall include the following duties:
- (21.1) Ensuring that the REIT is managed by the REIT Manager whose approval from the SEC Office shall last throughout the entire existence of the REIT, except for the case of (23);
- (21.2) Governing, monitoring and proceeding as necessary to ensure that the assigned person has maintained the qualifications and has performed duties in compliance with the Trust Deed and the relevant laws, including dismissal of the current assigned person and appointment of a new one;
- (21.3) Governing that the investment of the REIT complies with the Trust Deed and the relevant laws;
- (21.4) Governing that the information of the REIT is disclosed accurately and completely in compliance with the Trust Deed and the relevant laws;
- (21.5) Giving opinions relating to management or execution of transactions for the REIT by the REIT Manager or other assigned person (if any) in support of seeking resolutions of the Unitholders' meetings, disclosure of REIT information to investors, or upon request of the SEC Office.
- (22) In case the REIT Manager has acted or failed to act causing damage to the REIT, or the REIT Manager has failed to perform its duties in accordance with the Trust Deed, the Trustee shall proceed as follows:
- (22.1) Submit a report to the SEC Office within 5 business days as from the date when such circumstance becomes known or should have been known;
- (22.2) rectify, desist or mitigate such damage as deemed appropriate.
- (23) In case the REIT Manager is unable to perform its duties, the Trustee shall manage the REIT as necessary to prevent, refrain or limit severe damage to the REIT or the Unitholders as a whole, and shall proceed in accordance with the powers and duties as specified in the Trust Deed and the Trust for Transactions in Capital Market Act B.E. 2550 (2007) in appointing a new REIT Manager.

Whereas the Trustee shall replace the management of the REIT under the first paragraph, it may appoint another person to manage the REIT in the

interim, provided that such appointment is in accordance with the scope, rules and conditions as specified in the Trust Deed.

- (24) In case the Trustee is also a Unitholder of the REIT, the Trustee shall cast any vote or take any action by taking into account the best interest of the overall Unitholders by adhering to the principles of good faith and care, including avoidance of any conflict with or effect on the performance of its duties as Trustee of the REIT.
- (25) The Trustee shall prepare the Unitholders' Register, or assign a licensed securities registrar to prepare such register on behalf of the Trustee. The Unitholders' Register shall contain at least the particulars specified in the Notifications of the SEC.
- (26) The Trustee shall provide evidence representing the rights in units and shall deliver it to the Unitholders, which shall convey at least the information specified in the Notifications of the SEC, except where the evidence is provided by the system of a securities depository center.
- (27) Subject to the rules under (26), in case a Unitholder requests the Trustee or the Securities Registrar to issue new evidence representing rights in units to replace the one having been lost, faded, or materially damaged, the Trustee shall proceed to conform to the request within a reasonable period of time.

8.3.3 Trustee and Custodian Fees

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

8.4 Investment Committee of the REIT

- None –

8.5 Name, Address, and Telephone Number of Related Parties

8.5.1 Auditors

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

8.5.2 Registrar

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

8.5.3 Appraisal Firms

| | |
|------------------|--|
| Name | : Grand Asset Advisory Company Limited |
| Address | : 16 th Floor, Thairong Tower, 1350/279-283, Pattanakarn Road, Suanluang, Bangkok 10250 |
| Telephone | : 0-2719-4500 |
| Facsimile | : 0-2719-2070-71 |

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

8.6 Historical Records of Administrative Sanctions and Fines Being Imposed

- None -

9. Corporate Governance

9.1 Corporate Governance Policy

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

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

9.2 Sub-Committee

- None -

9.3 Committee Meeting

- None -

9.4 Control of Inside Information

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

1. Separation of Work Area and Accessibility Control

- 1.1 The Management Company has arranged for the working space of the Investment Division, of which major responsibility involves decision making in investment and sending trading orders to brokers, to be separated from other work units. An Access Control System is introduced to ensure effective security control of inside information.
- 1.2 Any access to the control area must seek prior authorization from the Head of Investment and being recorded in the access registration list.
- 1.3 The Risk Management Department and the Compliance Unit have separate working areas, each accompanying by a clear-cut organizational structure, job details and floor plans that demonstrate appropriate segregation of duties and responsibilities.

2. Staff Dealing Rules

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

3. The Compliance Unit closely monitors the transactions related to securities in the Watch List and Restricted List. Details of such transactions are as follows:

- The issuer of such securities enters into an agreement or signs a contract assigning the REIT Manager to establish the REIT;
- The issuer of such securities enters into an agreement or signs a contract assigning the REIT Manager to raise/reduce the capital of the REIT;
- The REIT Manager is in the process of making distribution payment of the REIT.

4. Disclosure of Connected Transactions according to the Notifications of the SEC Office as well as the SET Regulations. Procedures for the disclosure are as follows:

- 4.1 The Compliance Unit shall control the connected transactions by identifying the persons who have connection with the liquidity management in the Bonanza Investment System. In this respect, the entry of information shall be done by the Risk Management Department subject to the approval of the Compliance Unit. Whenever the Investment Department makes a transaction with such connected persons, approval from the authorized person is required before any further execution.
- 4.2 In case of property investment, when the Investment Department invests in the property for the REIT, the REIT Manager shall disclose such connected transaction to the Stock Exchange of Thailand on the same date of the transaction.

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

9.5 Decision Making on Investment and Management of the REIT

The REIT Manager has established the processes and procedures in selecting immovable properties for investment. The criteria for selection include marketing and financial feasibility, validity of certificates of ownership, inspection of building, value appraisal of the property, and opinion of financial advisor. In managing the REIT, the REIT Manager possesses a total of 14 operating systems as mentioned below and a team of qualified and experienced staff including REIT management, operations functions, and back office operations, with the main objective to manage the REIT for the benefits of the Unitholders.

Operating Systems of the REIT Manager

| Main Systems | Sub-Systems |
|---|--|
| Property Selection and Investment Consideration | <ul style="list-style-type: none"> Property selection procedures and risk appraisal Approval system for core property acquisition Property examination system |
| Strategy Formulation and Management of the REIT | <ul style="list-style-type: none"> Annual action plans and annual audit plans Market positioning |
| Selection of Property Manager | <ul style="list-style-type: none"> Initial short-listing procedure Criteria for selecting Property Manager |
| Selection of Service Provider | <ul style="list-style-type: none"> Criteria for selecting Service provider |
| Review of Insurance Type and Sum Insured | <ul style="list-style-type: none"> Criteria for considering property insurance |

| Main Systems | Sub-Systems |
|---|--|
| Supervision of Property Management | <ul style="list-style-type: none"> • Determination of duty and responsibility of Property manager • Supervision of Property Manager's performance • Methods for inspecting property • KPI for supervising Property Manager in performing their functions |
| Supervision of Revenue Collection and Expense Disbursement | <ul style="list-style-type: none"> • Supervision of revenue collection • Control of expense disbursement |
| Supervision of Borrowing and Creation of Encumbrances | <ul style="list-style-type: none"> • Consideration of borrowing objective and details |
| Analysis of the Capability of the Revenue Guarantor (if any) | <ul style="list-style-type: none"> • Analysis of financial position and the ability to generate revenues |
| Prevention of Conflicts of Interest between the REIT and Connected Persons | <ul style="list-style-type: none"> • Control of connected persons with potential conflicts of interest • Connected transactions between the REIT and the REIT Manager or its connected persons • Prevention of Conflicts of Interest in Managing the REIT |
| Monitoring system to ensure that the personnel related to REIT Management maintain appropriate qualifications according to their job. | <ul style="list-style-type: none"> • Monitoring system to ensure that the REIT Manager maintain appropriate qualifications and properly perform his duties. • Operating system of the Compliance Unit. |
| System supporting information disclosure of the REIT. | <ul style="list-style-type: none"> • Information Disclosure System of the REIT |
| Back Office Operating System | <ul style="list-style-type: none"> • Preparation of Financial Statements • Calculation of asset value and Unit's value • Monitoring system of the Compliance Unit • Director and Officers Liability Insurance |
| Internal Control and Handling of Complaints and Disputes | <ul style="list-style-type: none"> • Internal control and audit systems • Guidelines for handling of complaints • Dispute resolutions |

9.6 Selection of Sub-lessee

The Management Company has implemented procedures for selecting the sub-lessee, taking into consideration the qualifications prescribed by the SEC Office (if any). The qualified Sub-lessee 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, credible management structure, and adequate measures for preventing conflicts of interest, with the main objective to protect the benefits of the Unitholders.

9.7 Supervision of the Sub-lessee Performance in Accordance with the Sublease Agreement

After investing in the core properties, the REIT Manager on behalf of the REIT shall sublease and lease out the core properties to the Sub-lessee, i.e. L&H Hotel Management Company Limited, by stipulating the duties of the Sub-lessee according to the sublease agreement as follows:

- 1) The Sub-lessee shall maintain the subleased properties in good position throughout the subleasing period.
- 2) The Sub-lessee shall not undertake or allow any other person to undertake any illegal action against the subleased properties.
- 3) The Sub-lessee agrees not to create any obligations or encumbrances, except for the creation of obligations of encumbrances due to normal business transactions of the Sub-lessee.
- 4) The Sub-lessee agrees to procure and maintain the licenses which are essential for the hotel business throughout the subleasing period.
- 5) The Sub-lessee shall not impose any obligations on the subleased properties.
- 6) The Sub-lessee shall perform other duties stipulated in the sublease agreements such as the preparation and submission of financial reports and budgetary reports, paying building and land tax, etc.

9.8 Monitoring of the Interests of the REIT

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

1. The REIT shall proceed to ensure that the Lessor delivers the subleased properties at current position on the first date of leasing. In this regard, the REIT shall be responsible for the expenses arising from the subleased properties as follows:
 - 1.1 Expenses related to the improvement or renovation of the structure or structural repairs;

- 1.2 In case of alteration of the leased movable properties or procuring of additional leased movable properties, the Sub-lessee shall proceed with such alteration or procurement, with the expenses to be borne by the REIT;
2. The REIT shall proceed to have management of other agreement related to the lease agreement such as room rental agreement, procurement agreement, and other services agreements.
3. The REIT shall undertake other necessary and appropriate actions to facilitate the operations of Grande Center Point Terminal 21 Hotel by the Sub-lessee and enable the Sub-lessee to earn ongoing interests from the subleased properties;
4. Other functions stipulated in the sublease agreement.

9.9 Remunerations of the REIT Manager

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

9.10 Disclosure of Information

9.10.1 Reports of the REIT

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

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

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

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

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

9.11 Unitholders' Meeting

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

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

Vote Counting

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

Unitholders' Resolution

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

9.12 Nomination and Appointment of Directors and Top Management

- None -

9.13 Remunerations of the Auditors

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

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

- None -

10 Corporate Social Responsibilities

10.1 Overall Policy

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

10.2 Undertaking of CSR Activities

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

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

10.3 Business Conduct that May Have Impact on Corporate Social Responsibilities

- None -

10.4 Activities For the Benefits of the Society and Environment

- None –

11 Internal Control and Risk Management

The Compliance Unit has the duties to supervise, audit, and monitor the business operations in accordance with the regulations of the SEC Office, the provision stipulated by related laws, and the policies and regulations of the Company, in order to ensure that the business conduct and operations of the Management Company is in compliance with the regulations of the regulators and the rules and regulation of the Company. The Compliance Unit shall prepare a Compliance Manual which specifies the Code of Ethics and Business Conduct serving to guide the actions of the employee under the standard of duty of loyalty and duty of care, regulations and procedure guidelines related to the employees, regulations and procedure guidelines in undertaking REIT management business, disclosure of information related to REIT management and the conflicts of interest, supervision of material information, and handling of clients' complaints. Moreover, the Compliance Unit shall independently report the results of the reviewing and auditing of compliance to the Audit Committee and the Board of Directors on a regular basis.

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

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

Background of the Head of Compliance

Name: Mrs. Nawarat Puangphairoite Age: 46 years

Position: Vice president, Compliance and Internal Audit Department

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

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

Work Experience in the Field of Compliance

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

Training Courses/Seminars

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

12 Prevention of Conflicts of Interest

12.1 Transaction between the REIT and the REIT Management Company and the Connected Person of the REIT Management

12.1.1 Investment by leasing the buildings of the Grande Center Point Hotel Terminal 21 Project and purchasing related movable properties

Juristic Persons/Companies with Possible Conflicts of Interest

| | | |
|--|----|----------------|
| Land and Houses Fund Management Co Ltd | as | REIT Manager |
| L & H Property Co Ltd | as | Property Owner |

Relationship

Land and Houses Fund Management Co Ltd and L & H Property Co Ltd have the same major shareholder, namely, Land and Houses Public Co Ltd, which holds directly 59.99% of shares in L & H Property Co Ltd and holds indirectly 33.98% in Land and Houses Fund Management Co Ltd.

Characteristics of Connected Transaction

The REIT made investment by leasing the buildings of the Grande Center Point Hotel Terminal 21 Project and purchasing related movable properties amounting to Baht 3,753.40 million from L & H Property Co Ltd which is the owner of the buildings of the Grande Center Point Hotel Terminal 21 Project and related movable properties and appointed Land and Houses Fund Management Co Ltd as the REIT Manager.

Rationale of the Transaction

The investment is made in order to acquire core properties for the REIT and the value invested by the REIT is deemed reasonable since it is based on the appraised

value carried out by 2 appraisal forms, i.e., the value of Baht 3,800 million appraised by Grand Asset Advisory Co Ltd and the value of Baht 3,850 appraised by TAP Valuation Co Ltd. Nevertheless, the investors can review the rationale of the transaction as specified under the clause of “Opinions of the Financial Adviser and the REIT Manager Concerning the Rationale of the Value of Investment in Core Properties” disclosed in the Prospectus of the REIT.

12.1.2 Procuring of benefits for the REIT by subleasing and leasing the core properties to the sub-lessee

Juristic Persons/Companies with Possible Conflicts of Interest

Land and Houses Fund Management Co Ltd as REIT Manager

L & H Hotel Management Co Ltd as Sub-lessee

Relationship

Land and Houses Public Co Ltd holds indirectly 59.99% of shares in L & H Hotel Management Co Ltd and holds indirectly 33.98% in Land and Houses Fund Management Co Ltd.

Characteristics of Connected Transaction

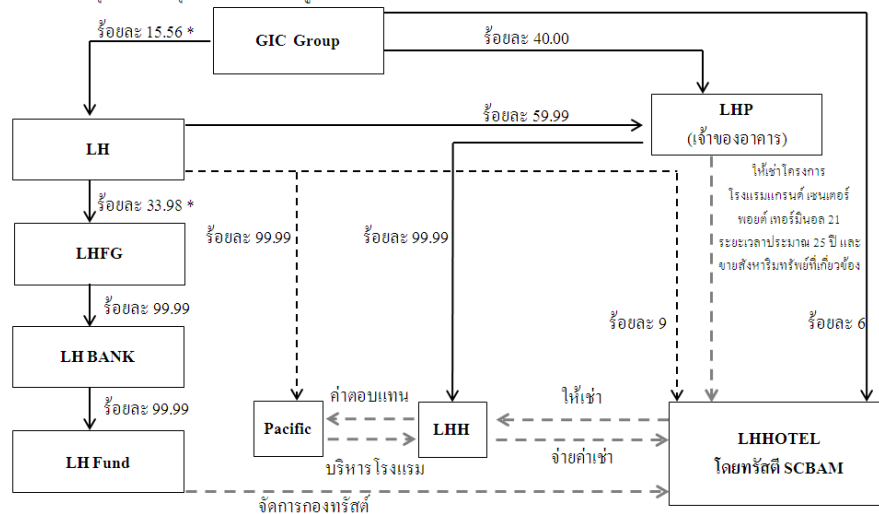
After investing in the core properties, the REIT by the REIT Manager shall sublease the core properties to sublease and lease to L & H Hotel Management which is the Sub-lessee.

Rationale of the Transaction

The Financial Adviser had the opinion that the subleasing and leasing of the core properties of the REIT to L & H Hotel Management Co Ltd, the Sub-lessee, is reasonable since it has experience in hotel management. Currently, the company also manages Grande Centre Point Ploenchit Hotel and Grande Centre Point Rajdamri Hotel. Moreover, the rental received by the REIT is closed to market rate and is appropriate when taking into consideration the past performance of the core properties. Details of the transaction and the opinion of the Financial Advisor had been earlier disclosed in the Prospectus of the REIT.

Details of the Transaction between the REIT and its Connected Persons

แผนภาพรายละเอียดการทำธุรกรรมของบุคคลที่เกี่ยวข้องกับผู้จัดการกองทรัสต์



| | | |
|------------|---------|--|
| หมายเหตุ : | L&H | หมายถึง บริษัท แลนด์ แอนด์ เฮาส์ จำกัด (มหาชน) |
| | LHFG | หมายถึง บริษัท แอล เอช ไฟแนนซ์เฮลท์ กรุ๊ป จำกัด (มหาชน) |
| | LH BANK | หมายถึง ธนาคารแลนด์ แอนด์ เฮาส์ จำกัด (มหาชน) |
| | LHFund | หมายถึง บริษัทหลักทรัพย์จัดการกองทุน แลนด์ แอนด์ เฮาส์ จำกัด |
| | LHP | หมายถึง บริษัท แอล แอนด์ เอช พร็อพเพอร์ตี้ จำกัด |
| | LHH | หมายถึง บริษัท แอล แอนด์ เอช โฮเทล แมนเนจเม้นท์ จำกัด |
| | LHHOTEL | หมายถึง ทรัสต์เพื่อการลงทุนในสิทธิการเช่าอสังหาริมทรัพย์ แอล เอช โฮเทล |
| | SCBAM | หมายถึง บริษัทหลักทรัพย์จัดการกองทุน ไทยพาณิชย์ จำกัด |
| | Pacific | หมายถึง บริษัท แปซิฟิก เรียวเอสเตท จำกัด |

* ข้อมูล ณ วันที่ 7 พฤษภาคม 2558

(Note: Pacific Real Estate Company Limited changed its registered name to LH Mall and Hotel Company Limited on 24 December 2015)

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

12.2.1 Borrowing

Juristic Persons/Companies with Possible Conflicts of Interest

SCB Asset Management as Trustee

Siam Commercial Bank Public Co Ltd as Lender

Relationship

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

Characteristics of Connected Transaction

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

Rationale of the Transaction

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

12.2.2 Policy for Future Transaction and Tendency for Future Transaction

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

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

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

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

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

Tendency for Future Transaction

| No. | Company's Name | Relationship | Details of Business Transactions |
|-----|--|---|---|
| 1 | SCB Asset Management Company Limited | - Trustee | - Receive Trustee's fee from the REIT - Cash at bank |
| 2 | L&H Hotel Management Company Limited | - Sub-lessee | - Rental fee |
| 3 | Pacific Real Estate Company Limited (Note: Pacific Real Estate Company Limited registered its name change to LH Mall and Hotel Company Limited on 24 December 2015) | - Major Unitholder of the REIT - Property Manager | - Pay distribution |
| 4 | GIC Private Limited | - Major Unitholder of the REIT - Major shareholder of Land and Houses Public Company Limited | - Pay distribution |
| 5 | Land and Houses Bank Public Company Limited | - Subsidiary of Land and Houses Public Company Limited | - Cash at bank - Investment in fixed deposits - Investment in certificates of deposit |

Note: Investors can review the information regarding the transactions with conflicts of Interest at the Management Company directly or via the websites of Land and Houses Fund Company Limited: www.lhfund.co.th and the Office of SEC: www.sec.or.th.

12.3 Soft Commission

| No. | Company | Type of Soft Commission | Rationale for Accepting Soft Commissions |
|-----|---|-----------------------------------|---|
| 1 | Kasikornbank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 2 | Siam Commercial Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 3 | Bangkok Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 4 | Bank of Ayudhya Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 5 | Krung Thai Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 6 | TISCO Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 7 | CIMB Thai Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 8 | UOB Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 9 | Government Savings Bank | Information/ Research Analysis | For the benefits of the REIT's investment |
| 10 | Asia Plus Securities Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 11 | KT Zmico Securities Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 12 | Capital Nomura Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 13 | KGI Securities (Thailand) Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 14 | Thanachart Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 15 | Second Mortgage Corporation | Information/ Research Analysis | For the benefits of the REIT's investment |
| 16 | Trinity Securities Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 17 | Phillip Securities (Thailand) Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |
| 18 | Kiatnakin Bank Public Co Ltd | Information/ Research Analysis | For the benefits of the REIT's investment |

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

Part 3

Financial Position and Operating Results

13. Financial Highlights

13.1 Summary of Auditors' Report as at 31 December 2015

The financial statements of LH Hotel Leasehold Real Estate Investment Trust for the year 2015 had been audited by Ms. Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516, of EY Office Company Limited, who expressed her opinion that such financial statements presented fairly, in all material respects, the financial position of the REIT as at 31 December 2015, and its financial performance, changes in its net assets, cash flows and significant financial information for the period as from 11 December 2015 (date of incorporation) to 31 December 2015, in accordance with Thai Financial Reporting Standards.

13.2 Summary of Financial Statements

13.2.1 Summary of the REIT's Financial Statements for 2015

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

| Assets | As at 31 December 2015 (from 11 December 2015 – date of incorporation- to 31 December 2015) | |
|---|---|-------------|
| | Baht | % |
| Assets | | |
| Investments in properties at fair value | 3,753,408,709.00 | 92.43% |
| Cash at banks | 218,776,575.00 | 5.39% |
| Account receivables | | |
| From rental | 20,502,515.00 | 0.50% |
| From interest | 14,982.00 | 0.00% |
| Prepaid expenses | 3,855,826.00 | 0.09% |
| Deferred expenses | 47,131,965.00 | 1.16% |
| Other assets | 17,126,351.00 | 0.42% |
| Total Assets | 4,060,816,923.00 | 100% |

| Assets | As at 31 December 2015 (from 11 December 2015 – date of incorporation- to 31 December 2015) | |
|--|--|---------------|
| | Baht | % |
| Liabilities | | |
| Accrued expenses | 42,212,945.00 | 1.04% |
| Long-term loan | 688,532,700.00 | 16.96% |
| Other liabilities | 175,159,318.00 | 4.31% |
| Total liabilities | 905,904,963.00 | 22.31% |
| Net Assets | 3,154,911,960.00 | 77.69% |
| Net Assets:: | | |
| Trust registered capital 313,664,900 units of Baht 10.00 each | 3,136,649,000.00 | 77.24% |
| Capital from Unitholders 313,664,900 units of Baht 10.00 each | 3,136,649,000.00 | 77.24% |
| Retained Earnings (losses) | 18,262,960.00 | 0.45% |
| Net Assets | 3,154,911,960.00 | |
| Net Asset Value per Unit (Baht) | 10.0582 | |

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

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

| Statement of Income | As at 31 December 2015 (from 11 December 2015 – date of incorporation- to 21 December 2015) | |
|--------------------------|--|----------------|
| | Baht | % |
| Investment Income | | |
| Rental income | 20,380,776.00 | 98.25% |
| Interest income | 362,816.00 | 1.75% |
| Total Income | 20,743,592.00 | 100.00% |

| Statement of Income | As at 31 December 2015 (from 11 December 2015 – date of incorporation- to 21 December 2015) | |
|---|---|--------|
| | Baht | % |
| Expenses | | |
| Cost of rental | 100,312.00 | 0.48% |
| Management fee | 241,220.00 | 1.16% |
| Trustee's fee | 168,252.00 | 0.81% |
| Registrar's fee | 72,897.00 | 0.35% |
| Professional fee | 200,000.00 | 0.96% |
| Administrative expenses | 641,572.00 | 3.09% |
| Interest expenses | 1,056,379.00 | 5.09% |
| Total Expenses | 2,480,632.00 | 11.96% |
| Net Investment Income | 18,262,960.00 | 88.04% |
| Realised losses on investments | 0.00 | 0.00% |
| Net realised losses on investments | 0.00 | 0.00% |
| Total realised losses on investments | 0.00 | 0.00% |
| Net increase in net assets resulting from operations | 18,262,960.00 | |

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

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

| Statement of Cash Flows | As at 31 December 2015 (from 11 December 2015 – date of incorporation- to 21 December 2015) (Baht) |
|--|---|
| Cash Flows from Operating Activities | |
| Net cash flows used in operating activities | (3,606,405,125) |
| Cash flows from financing activities | |
| Net cash flows from financing activities | 3,825,181,700 |
| Net increase in cash and cash at banks | 218,776,575 |
| Cash and cash at banks at the beginning period | 0 |
| Cash and cash at banks at the end of period | 218,776,575 |

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

14. Management Discussion and Analysis

14.1 Analysis of Past Performance

As of 31 December 2015, the REIT had a net income of Baht 20.74 million, comprising Baht 20.38 million of rental income and Baht 0.36 million of interest income.

Net expenses of the REIT totalled Baht 2.48 million, consisting of Baht 0.1 million of rental cost, Baht 0.64 million of administrative expenses, Baht 0.68 million of fees, and Baht 1.06 million of interest expenses.

The REIT earned Baht 18.26 million of net investment income and did not have realised losses on investments. As of 31 December 2015, the net asset value of the REIT amounted to Baht 3,154.91 million, representing Baht 10.0582 per unit.

Analysis of Material Information

(1) Overview of Operating Results and Significant Changes

Ratios of Income and Expenses to Net Asset Value

| Significant Financial Ratios and Additional Significant Information | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) (Baht) |
|--|--|
| Net asset value at the end of the year/period (Baht) | 3,154,911,960 |
| Ratio of total expenses to average net asset value during the year/period (%) | 0.08 |
| Ratio of total investment income to average net asset value during the year/period (%) | 0.66 |
| Ratio of weighted average investment turnover during the period to average net assets during the period (%)* | 118.97 |
| Average net asset value during the period (Baht) | 3,154,911,960 |

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

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

(2) Profitability

The REIT derived income from the subleasing of its immovable and movable properties acquired from initial investment to LH Hotel Management Company Limited. Rental income received from 26 December 2015 to 31 December 2015 accounted for baht 20.38 million, consisting of fixed rental income and variable rental income during the period.

Expenses

In 2015, the total expenses of the REIT amounted to Baht 2.48 million, most of which or Baht 1.32 million were related fees such as management fee, trustee's fee, registrar's fee, professional fee, and administrative fee.

Net Investment Income

In 2015, the REIT had a net investment income of Baht 18.26 million

Financial Ratios Related to Profitability

| Profitability Ratios | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) |
|----------------------------|--|
| Gross Profit Ratio (%) | 99.51% |
| Operating Margin Ratio (%) | 94.79% |
| Other Margin Ratio (%) | 1.75% |
| Net Profit Ratio (%) | 88.04% |
| Return on Unitholders (%) | 0.58% |

Asset Management

The REIT subleases its properties to the sub-lessee to operate hotel business. However, in managing such properties, the sub-lessee has assigned LH Mall and Hotel Company Limited to undertake the functions of hotel management and marketing activities. In this connection, the REIT Manager has governed and monitored the performance of the service provider regularly through monthly meetings to ensure that the operations achieve operating target as well as to provide opinions or consultation to the sub-lessee and the hotel manager upon occurrence of problems or difficulties which may have negative impacts on the operations.

Fee Structure

| Fees | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) (Baht) |
|------------------|--|
| Management Fee | 241,220.00 |
| Trustee's Fee | 168,252.00 |
| Registrar's Fee | 72,897.00 |
| Professional Fee | 200,000.00 |

(3) Property Management Capacity

The investment in properties at fair value on the date of investment was equivalent to Baht 3,753.41 million, which was lower than the appraised value undertaken before making investment.

| Property | Appraised Value in 2015* (Million Baht) | |
|--|---|--|
| | Grand Asset Advisory Co., Ltd (as of 24 June 2015) | TAP Valuation Co., Ltd (as of 23 June 2015) |
| Grande Center Point Hotel Terminal 21 Project | 3,800 | 3,850 |

** The incorporation date of the REIT was 11 December 2015*

Financial Ratios Related to Property Management Capacity

| Efficiency Ratios | | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) |
|------------------------|--------|--|
| Return on Assets Ratio | (%) | 0.45% |
| Asset Turnover Ratio | (time) | 0.0051 |

Accounts Receivable from Rental and Interest

As at 31 December 2015, the accounts receivable from property rental of the REIT amounted to Baht 20.5 million, whereas the accounts receivable from interest amounted to Baht 0.01 million.

(4) Debt Servicing Capacity

As at 31 December 2015, the REIT had Baht 42.21 million of accrued expenses, Baht 688.53 million of long-term loan, and Baht 175.16 million of other current liabilities.

Financial Ratios Related to Liquidity

| Liquidity Ratios | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) |
|------------------------------------|--|
| Current Ratio (time) | 1.4142 |
| Quick Ratio (time) | 1.1008 |
| Account Receivable Turnover (time) | 0.9933 |

As at 31 December 2015, the current ratio, quick ratio, and account receivable turnover ratio of the REIT stood at 4.41, 1.1 and 1.99, respectively. This is because the REIT had only one sub-lessee. In addition, since it was at the initial phase of operations, the due dates of rental payment and rental collection have not yet been reached according to the sublease agreement as well as other related agreements.

(5) Liquidity and Capital Adequacy

(5.1) Sources and Uses of Fund

Cash and cash at banks

The REIT had Baht 218.77 million of cash and cash at banks which are used for paying all types of expenditures including the expenses in relation to the establishment of the REIT, other liabilities, as well as the expenses for registration of the leasehold right which is due in January 2015.

Financial Ratios Related to Liquidity and Capital Adequacy

| Liquidity Ratios | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) |
|------------------------------------|--|
| Current Ratio (time) | 1.4142 |
| Quick Ratio (time) | 1.1008 |
| Account Receivable Turnover (time) | 0.9933 |

| Financial Policy Ratios | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) |
|---|---|
| Gearing Ratio (time) | 0.2182 |
| Debt to Equity Ratio (time) | 1.10080.2871 |
| Interest Coverage Ratio (time) | N/A ¹ |
| Obligation Coverage Ratio (Cash Basis) (time) | N/A ¹ |
| Distribution Payment Ratio ² (%) | 0% |

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

² The distribution payment for the period during 6 December 2015 to 31 December 2015 was deferred to the next payment period since the distribution payment per unit for the said accounting period was not higher than Baht 1.10 according to the additional condition stipulated in the Prospectus.

Cash Flows from Operating Activities

| Statement of Changes in Net Assets | As at 31 December 2015 (from 11 December 2015 - date of incorporation - to 31 December 2015) (Baht) |
|--|---|
| Cash flows from operating activities | |
| Net cash flows used in operating activities | (3,606,405,125) |
| Cash flows from financing activities | |
| Net cash flows from financing activities | 3,825,181,700 |
| Net increase in cash and cash at banks | 218,776,575 |
| Cash and cash at banks at the beginning period | 0 |
| Cash and cash at banks at the end of period | 218,776,575 |

In 2015, the REIT received Baht 3,825.18 million of cash flows from financing activities and used Baht 3,606.40 million in operating activities, resulting in Baht 218.77 million net increase in cash and cash at banks.

(5.2) Capital Expenditure

During the period under consideration, the REIT paid Baht 3,475.18 million of property rental, purchased Baht 240 million of movable properties for investment, and had Baht 38.23 million of expenses for the registration of leasehold right with the Land Department.

(5.3) Capacity of Additional Financing

The REIT secured a loan amounting to Baht 689 million from a financial institution to fund part of the investment in the Grande Center Point Hotel Terminal 21 Project.

(5.4) Debt Serving Capacity and Compliance with the Covenant and Major Obligations

The REIT is scheduled to repay the principal and interest on a quarterly basis starting from the first installment of Baht 5 million in March 2019 and to repay all the total debts by December 2030.

(6) Distribution Payment

For the period during 11 December 2015-31 December 2015, the REIT posted a net profit of Baht 18,262,960.

However, in considering to make distribution payment to the Unitholders, if the distribution payment per unit to be declared during any accounting period is lower than or equal to Baht 0.10 per unit, or such distribution payment shall result in increasing retained losses in the period during which the payment is made, the REIT Manager reserves the right not to make distribution payment for that period and carry forward that distribution to be paid together with the distribution of the next period.

Distribution Payment History

| Year | | Ending 31 December 2015 From 11 December 2015 (the incorporation date of the REIT) to 31 December 2015 |
|---|--------|---|
| (1) Dividend yield per unit | (Baht) | N/A |
| (2) Sharing of equity per unit | (Baht) | N/A |
| Total Distribution Payment per Unit (1) + (2) | (Baht) | N/A |
| (3) Percentage of IPO Price* (Baht 10.00 per unit on 22 December 2015) | | |
| (3.1) Dividend yield rate | (%) | N/A |
| (3.2) Equity sharing rate | (%) | N/A |
| Distribution rate per unit (3.1) + (3.2) | (%) | N/A |

| Year | Ending 31 December 2015 From 11 December 2015 (the incorporation date of the REIT) to 31 December 2015 |
|--|---|
| (4) Percentage of Market Price on 30 December 2015* (Baht 10.00 on 30 December 2015) (Baht) | |
| (4.1) Dividend yield rate (%) | N/A |
| (4.2) Equity sharing rate (%) | N/A |
| Distribution rate per unit (4.1)+(4.2) (%) | N/A |

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

14.2 Factors or Circumstances that May Have Impact in the Future

According to the Tourism Authority of Thailand, the tourism sector of Thailand remains stable, supported by the improvements of airports for accommodating increasing number of tourists, rapid expansion of low-cost air lines in Asia, and the growth aviation business network. Based on the ongoing increasing number of tourists from China over the past several years, Thailand is the tourist destination that can accommodate a large number of tourist arrivals.

In addition, the Tourism Authority of Thailand has launched the campaign of “Discovery Thainess Year 2015” during 2015-2016 to promote Thailand’s natural attractions and culture among international tourists; targeting high-end travelers from European and Latin American countries who are big spenders. Taking into consideration the 20.4% growth rate of tourist arrivals from 24.8 million persons in 2014 to 29.8 million persons in 2015, it is expected that the tourism industry will grow continuously and favorably support the operating result of the hotel invested by the REIT.



TRUSTEE REPORT

To Unit holders of LH Hotel Leasehold Real Estate Investment Trust

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

We would you like to inform you that for the period of December 11, 2015 to December 31, 2015, LH Fund manages a REIT properly and efficiency as well as compliance with applicable laws, regulations and the trust instrument, and in order to conduct in a way that protects the interest of the REIT and unitholders as a whole.

Yours faithfully,

SCB Asset Management Company Limited

(Mr. Smith Banomyong Mrs. Tipaphan Puttarawigorn)

Trustee

Total Expenses Chargeable to the REIT

For the Period during 11 December 2015-31 December 2015

| Expenses Chargeable to the REIT | Amount | % of NAV | |
|--|----------------------------|------------------|---|
| | Baht thousand ¹ | Actually Charged | As Per the Project |
| Management Fee | 241.22 | 0.01 | Not exceeding 2.0% |
| Registrar Fee | 72.90 | 0.00 | Not exceeding 10% |
| Trustee Fee | 168.25 | 0.01 | Not exceeding 1.0% |
| Property Management Fee | 0.00 | 0.00 | Not exceeding 1.0% |
| Professional Fee | 200.00 | 0.01 | As Actually Incurred |
| Financial Adviser's Fee | None | None | As Actually Incurred |
| Underwriting Fee | 427.64 | None | Not exceeding 3.0% of the underwriting |
| Interest Expenses | 1,056.38 | 0.03 | As Actually Incurred |
| Rental Cost | 100.31 | 0.00 | As Actually Incurred |
| Administration Expenses | 160.30 | 0.01 | As Actually Incurred |
| Expenses for Advertisement, PR and Sales Promotion | | | |
| - During IPO | 53.63 | 0.00 | Not exceeding 1.0% of the NAV on the incorporation date of the REIT |
| - After IPO | 0.00 | 0.00 | Not exceeding 1.0% |
| Total Expenses | 2,480.61 | 0.08 | |

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

The averaged monthly NAV calculated from 11 December 2015 to 31 December 2015 is equivalent to Baht 3,154,911,960.22

Auditor's Report and Financial Statements

LH Hotel Leasehold Real Estate Investment Trust
Report and financial statements
For the period as from 11 December 2015
(date of incorporation) to 31 December 2015

Independent Auditor's Report

To the Unitholders of LH Hotel Leasehold Real Estate Investment Trust

I have audited the accompanying financial statements of LH Hotel Leasehold Real Estate Investment Trust, which comprise the balance sheet, including the details of investments as at 31 December 2015, and the related statements of income, changes in net assets and cash flows and significant financial information for the period as from 11 December 2015 (date of incorporation) to 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LH Hotel Leasehold Real Estate Investment Trust as at 31 December 2015, and its financial performance, changes in its net assets, cash flows and significant financial information for the period as from 11 December 2015 (date of incorporation) to 31 December 2015, in accordance with Thai Financial Reporting Standards.



Rungrapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 24 February 2016

LH Hotel Leasehold Real Estate Investment Trust**Balance sheet****As at 31 December 2015**

| | | (Unit: Baht) |
|---|-------|----------------------|
| | Note | 31 December 2015 |
| Assets | | |
| Investments in properties at fair value | 7, 14 | 3,753,408,709 |
| (At cost: Baht 3,753,408,709) | | |
| Cash at bank | 8, 14 | 218,776,575 |
| Accounts receivable | | |
| From rental | 9, 14 | 20,502,515 |
| From interest | | 14,982 |
| Prepaid expenses | | 3,855,826 |
| Deferred expenses | | 47,131,965 |
| Other assets | | 17,126,351 |
| Total assets | | 4,060,816,923 |

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


LH Hotel Leasehold Real Estate Investment Trust

Balance sheet (continued)

As at 31 December 2015

| | | (Unit: Baht) |
|---|--------|------------------|
| | Note | 31 December 2015 |
| Liabilities | | |
| Accrued expenses | | 42,212,945 |
| Long-term loan | 10, 14 | 688,532,700 |
| Other liabilities | | 175,159,318 |
| Total liabilities | | 905,904,963 |
| Net assets | | 3,154,911,960 |
| Net assets: | | |
| Trust registered | | |
| 313,664,900 units of Baht 10 each | | 3,136,649,000 |
| Capital from unitholders | 11 | |
| 313,664,900 units of Baht 10 each | | 3,136,649,000 |
| Retained earnings | 12 | 18,262,960 |
| Net assets | | 3,154,911,960 |
| Net asset value per unit (Baht) | | 10.0582 |
| Number of units issued at the end of period (units) | | 313,664,900 |

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



 (...พิเชษฐ วัฒนชาติกุล.....)

Managing Director

LH Hotel Leasehold Real Estate Investment Trust

Detail of investments

As at 31 December 2015

Detail of investments classified by asset classes.

| Type of investments | Areas held by the Trust | 31 December 2015 | |
|---|----------------------------|----------------------|-----------------------------|
| | | Fair value | Percentage of investment |
| | | (Baht) | (Percent) |
| Investments in properties (Note 7) | | | |
| Grande Centre Point Hotel Terminal 21 | | | |
| Location: Sukhumvit 19 (Wattana) | | | |
| Klongtoey-Nua Wattana Bangkok | 47,298 Sqm. | 3,753,408,709 | 100 |
| Total investment in properties | | 3,753,408,709 | 100 |
| Total investments | | 3,753,408,709 | 100 |

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

LH Hotel Leasehold Real Estate Investment Trust

Statement of income

For the period as from 11 December 2015 (date of incorporation) to 31 December 2015

(Unit: Baht)

| | | For the period as from 11 December 2015 (date of incorporation) to 31 December 2015 |
|---|----------|--|
| | Note | |
| Investment income | | |
| Rental income | 7, 14 | 20,380,776 |
| Interest income | | 362,816 |
| Total income | | 20,743,592 |
| Expenses | | |
| Cost of rental | | 100,312 |
| Management fee | 13.1, 14 | 241,220 |
| Trustee's fee | 13.2, 14 | 168,252 |
| Registrar's fee | 13.3 | 72,897 |
| Professional fee | | 200,000 |
| Administrative expenses | | 641,572 |
| Interest expenses | 14 | 1,056,379 |
| Total expenses | | 2,480,632 |
| Net investment income | | 18,262,960 |
| Realised losses on investments | | |
| Net realised losses on investments | | - |
| Total realised losses on investments | | - |
| Net increase in net assets resulting from operations | | 18,262,960 |

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

LH Hotel Leasehold Real Estate Investment Trust

Statement of changes in net assets

For the period as from 11 December 2015 (date of incorporation) to 31 December 2015

(Unit: Baht)

| | | For the period as from 11 December 2015 (date of incorporation) to 31 December 2015 |
|---|------|--|
| | Note | |
| Increase in net assets resulting from operations during period | | |
| Net investment income | | 18,262,960 |
| Net increase in net assets resulting from operations | | 18,262,960 |
| Increase in capital from unitholders | | |
| Investment trusts sold during period | | |
| 313,664,900 units of Baht 10 each | 11 | 3,136,649,000 |
| Increase in capital from unitholders | | 3,136,649,000 |
| Increase in net assets during period | | 3,154,911,960 |
| Net assets at the beginning of period | | - |
| Net assets at the end of period | | 3,154,911,960 |

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

LH Hotel Leasehold Real Estate Investment Trust**Statement of cash flows****For the period as from 11 December 2015 (date of incorporation) to 31 December 2015**

(Unit: Baht)

For the period as from
11 December 2015
(date of incorporation)
to 31 December 2015

Cash flows from operating activities

| | |
|---|------------------------|
| Net increase in net assets resulting from operations | 18,262,960 |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities: | |
| Purchases of investments in properties | (3,753,408,709) |
| Purchases of investments in securities | (3,100,000,000) |
| Sales of investments in securities | 3,100,000,000 |
| Increase in accounts receivable from rental | (20,502,515) |
| Increase in accounts receivable from interest | (14,982) |
| Increase in prepaid expenses | (3,855,826) |
| Increase in deferred expenses | (47,680,011) |
| Increase in other assets | (17,126,351) |
| Increase in accrued expenses | 41,156,566 |
| Increase in other liabilities | 175,159,318 |
| Amortisation of deferred expenses | 548,046 |
| Interest expenses | 1,056,379 |
| Net cash flows used in operating activities | (3,606,405,125) |
| Cash flows from financing activities | |
| Proceeds from sales of investment trusts | 3,136,649,000 |
| Cash received from long-term loan | 688,532,700 |
| Net cash flows from financing activities | 3,825,181,700 |
| Net increase in cash and cash at banks | 218,776,575 |
| Cash and cash at banks at the beginning of period | - |
| Cash and cash at banks at the end of period (Note 8) | 218,776,575 |

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

LH Hotel Leasehold Real Estate Investment Trust**Significant financial information****For the period as from 11 December 2015 (date of incorporation) to 31 December 2015**

(Unit: Baht)

Operating performance information (per unit)

| | |
|--|---------|
| Net asset value at the beginning of period | - |
| Income from investment operations | |
| Net investment income | 0.0582 |
| Total income from investment operations | 0.0582 |
| Add: Increase in capital from unitholders | 10.0000 |
| Net asset value at the end of period | 10.0582 |

Ratio of increase in net assets resulting from operations to**average net assets during the period (%)** 0.58**Significant financial ratios and additional significant information**

| | |
|---|---------------|
| Net assets at the end of period (Baht) | 3,154,911,960 |
| Ratio of total expenses to average net assets during the period (%) | 0.08 |
| Ratio of total investment income to average net assets during the period (%) | 0.66 |
| Ratio of weighted average investment turnover during the period to average net assets during the period (%)* | 118.97 |
| Average net assets during the period (Baht) | 3,154,911,960 |

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

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

LH Hotel Leasehold Real Estate Investment Trust

Notes to financial statements

**For the period as from 11 December 2015 (date of incorporation)
to 31 December 2015**

1. Description of LH Hotel Leasehold Real Estate Investment Trust

LH Hotel 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 11 December 2015 between Land and Houses Fund Management Company Limited as the Trust Settlor and SCB Asset Management Company Limited as the Trustee. On 11 December 2015, the Trust was established as a specific closed-end real estate investment trust with an indefinite term. The Trust's objectives are to mobilise funds raised from general investors to invest in the leasehold right in immovable properties and the ownership of movable properties of the Grande Centre Point Hotel Terminal 21 project as the core properties (the "Core Properties"), by entering into agreements relating to investment in the Core Properties of the Trust with all related parties. The Trust shall invest in such leasehold right and procure its benefits from such immovable properties by ways of leasing or subleasing immovable properties invested by the Trust, and by performing any other relevant and necessary acts for the interest of the Trust with an aim of generating income and returns for the Trust and its unitholders. The Trust may invest in other relevant properties as required in the Trust Deed.

On 21 December 2015, the Stock Exchange of Thailand approved the listing of the trust units and permitted their trading from 22 December 2015 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 Hotel Management Company Limited acts as the Property Manager.

As at 31 December 2015, the Trust's major unitholders are LH Mall and Hotel Company Limited and GIC Private Limited, which hold 9% and 6%, respectively.

2. Distribution policy

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

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

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

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

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

3. Basis of preparation

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

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

4. New financial reporting standards

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

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

The Trust has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Trust's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

TFRS 13 Fair Value Measurement

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

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

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

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Trust's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

5. Significant accounting policies

5.1 Revenues and expenses

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

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

Expenses are recorded on an accrual basis.

5.2 Measurement of investments

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

Investments in properties

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

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

Investment in securities

Investments in marketable debt securities which can be freely traded on an open market are presented at their fair value, based on the latest yield rate quoted by The Thai Bond Market Association as of the date on which the investments are valued. The value of investments which cannot be freely traded on an open market is stated on fair value based in accordance with the principles and methods for determining the fair value of investments announced by the Association of Investment Management Companies and in accordance with the stipulations, principles and methods for determining fair value of investments in debt instruments which cannot be freely traded on an open market of the Office of the Securities and Exchange Commission. The Trust uses the amortised cost method to determine the fair value of debt securities, which time to maturity is within 90 days from investment date. Gains or losses on valuation of investments are presented as a net unrealised gains or losses in the income statement. The weighted average method is used for computation of the cost of investments.

Investments in bank deposits, and non-transferable promissory notes and bills of exchange are presented using the sum of principal and accrued interest as of the date on which the investment is valued to determine fair value. Accrued interest is separately presented in the balance sheet as "Accounts receivable from interest".

5.3 Accounts receivable from rental

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

5.4 Deferred expenses

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

5.5 Related party transactions

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

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

Relationships of related parties are as follows:

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

5.6 Distribution to unitholders

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

5.7 Long-term leases

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

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

5.8 Provisions

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

5.9 Income tax

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

6. Significant accounting judgements and estimates

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

Fair value of assets

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

Leases

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

Allowance for doubtful accounts

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the Trust's management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

7. Investments in properties

| | |
|---|------------------------|
| | (Unit: Thousand Baht) |
| | For the period as from |
| | 11 December 2015 to |
| | 31 December 2015 |
| Investments in properties - beginning of the period | - |
| Add: Lease of immovable assets | 3,475,182 |
| Purchases of furniture, equipment and fixtures | 240,000 |
| Registration fee with Department of Lands | 38,227 |
| Investments in properties - end of the period | 3,753,409 |

7.1 On 16 December 2015, the Trust entered into a property lease agreement, agreement to sell and to purchase movable assets in order to invest in properties. The property lease agreement has a term of 25 years and the Trust paid rental for the entire lease term, costs of the assets and related expenses, totaling Baht 3,715 million, as at the date of the agreement. (The values appraised by two independent valuers using the income approach were Baht 3,800 million and Baht 3,850 million).

7.2 The details of the leasing of property of project are as follows:

| | | | (Unit: Million Baht) |
|--|-----------------------------------|---|------------------------|
| | | | Rental income |
| | | | For the period as from |
| | | | 11 December 2015 to |
| | | | 31 December 2015 |
| Project | Lessee | Lease period | |
| Grande Centre Point Hotel Terminal 21 | L&H Hotel Management Co., Ltd. | 16 December 2015 to 15 December 2018 | |
| | | | 20 |
| | | | 20 |

8. Cash at banks

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

| | | 31 December 2015 | |
|---|--|------------------|---------------|
| | | Principal | Interest rate |
| | | (Thousand Baht) | per annum (%) |
| Saving accounts | | | |
| Siam Commercial Bank Public Company Limited | | 218,777 | 0.375 |
| Total cash at banks | | 218,777 | |

9. Accounts receivable from rental

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

| | | (Unit: Thousand Baht) |
|---------------------------|--|-----------------------|
| | | 31 December 2015 |
| <u>Age of receivables</u> | | |
| Not yet due | | 20,503 |

10. Long-term loan

On 16 December 2015, the Trust borrowed Baht 689 million from a financial institution to fund part of its investment in the Grande Centre Point Hotel Terminal 21. The loan carries interest at a certain rate not exceeding 5% per annum for the first year to third years and at a rate not exceeding MLR - 1.00% per annum thereafter. Principal and interest are to be paid quarterly, with first principal payment due in March 2019, and full settlement of loan is to be made within December 2028.

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

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

- The maintenance of its level of unit holding in the Trust at least 12 months from date of incorporation.
- The affiliates and/or subsidiaries are sub-tenants of the Grande Centre Point Terminal 21 for a period of not less than 9 years from date of incorporation. Replacement of the sub-lessee must receive the consent of the lender, unless the Trust does not require the sub-lessee to renew the lease. However, the lease period shall not be less than three years.

11. Unitholders' equity

On 11 December 2015, Land and Houses Fund Management Company Limited established the LH Hotel Leasehold Real Estate Investment Trust with a registered capital of Baht 3,137 million, consisting of 314 million units with a par value of Baht 10 each. The Trust called up payment for all of these trust units and notified the Office of the Securities and Exchange Commission of these called-up capital funds.

12. Retained earnings

| | |
|---|------------------------|
| | (Unit: Thousand Baht) |
| | For the period as from |
| | 11 December 2015 to |
| | 31 December 2015 |
| Retained earnings - beginning of period | - |
| Add: Increase in net assets resulting from operations during the period | 18,263 |
| Retained earnings - end of period | 18,263 |

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 mean 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).

14. Related party transactions

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

| (Unit: Thousand Baht) | | |
|--|---|--------------------------|
| | For the period as from 11 December 2015 to 31 December 2015 | Pricing Policy |
| Land and Houses Fund Management Company Limited | | |
| REIT management fee | 241 | As detailed in Note 13.1 |
| SCB Asset Management Company Limited | | |
| Trustee's fee | 168 | As detailed in Note 13.2 |

| | | (Unit: Thousand Baht) |
|--|---|--------------------------------------|
| | For the period as from 11 December 2015 to 31 December 2015 | Pricing Policy |
| L&H Hotel Management Company Limited | | |
| Property management fee | 20,381 | Contract price |
| L&H Property Company Limited | | |
| Purchase of investments in immovable properties | 3,475,182 | Close to appraisal value (Note 7) |
| Purchase of investments in movable properties | 240,000 | Market price |
| Siam Commercial Bank Public Company Limited | | |
| Interest expenses | 1,056 | As detailed in Note 10 |

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

| | (Unit: Thousand Baht) 31 December 2015 |
|---|---|
| Land and Houses Fund Management Company Limited | |
| Accrued REIT management fee | 243 |
| SCB Asset Management Company Limited | |
| Accrued trustee's fee | 169 |
| L&H Hotel Management Company Limited | |
| Trade receivable | 20,503 |
| Siam Commercial Bank Public Company Limited | |
| Cash at bank | 218,777 |
| Accrued interest payable | 1,056 |
| Long-term loan | 688,533 |

15. Information on investment purchase and sales transactions

The Trust's investment purchase and sales transactions during the period, excluding investments in cash at banks and promissory notes, amounted to Baht 3,753 million which is 118.97% of the average net asset values during the period.

16. 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 year 2015, the Trust has revenue from a major customer in amount of Baht 20 million arising from the rental of immovable properties segment.

17. Financial Instruments

17.1 Financial Risk Management

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

Credit risk

The Trust is exposed to credit risk primarily with respect to accounts receivable from rental. The Trust's management manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of accounts receivable from rental as stated in the balance sheet.

Interest Rate Risk

The Trust's exposure to interest rate risk relates primarily to its investment in securities, cash at banks and long-term loan. Most of the Trust's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

| | As at 31 December 2015 | | | | | |
|--------------------------------|------------------------|----------|----------|--------------|-------|---------------|
| | Fixed interest rate | | Floating | | | Effective |
| | Within | Over | interest | Non-interest | | interest |
| | 1 year | 1-5 year | rate | bearing | Total | rate |
| | | | | | | (% per annum) |
| Financial assets | | | | | | |
| Cash at bank | - | - | 219 | - | 219 | 0.375 |
| Account receivable from rental | - | - | - | 21 | 21 | - |
| | - | - | 219 | 21 | 240 | |
| Financial liabilities | | | | | | |
| Accrued expenses | - | - | - | 42 | 42 | - |
| Long-term loan | - | - | 689 | - | 689 | Note10 |
| | - | - | 689 | 42 | 731 | |

Foreign currency risk

As at 31 December 2015, the Trust has no financial instruments in foreign currency.

17.2 Fair Values of Financial Instruments

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

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

18. 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.

19. Approval of financial statements

These financial statements were authorised for issue by the Authorised Director of the REIT manager on 24 February 2016.