

Annual Report 2019

For the Year ending 31 December 2019

LH Hotel Leasehold Real Estate Investment Trust (LHHOTEL)



Disclaimer:

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

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Part 1

Operations of the REIT

LH 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	<ol style="list-style-type: none">1) The Grande Centre Point Hotel Terminal 21 Project on 16 December 20152) The Grande Centre Point Hotel Ratchadamri Project on 15 June 20172) The Grande Centre Point Hotel Sukhumvit 55 Project on 22 November 2019
Type of Investment	<ol style="list-style-type: none">1) Investment in the leasehold right of building for a period of approximately 25 years for the Grande Centre Point Hotel Terminal 21 Project. (Currently 20.67 years left)2) Investment in the sub-leasehold right of building for a period of approximately 21 years for the Grande Centre Point Hotel Ratchadamri Project. (Currently 18.5 years left)3) Investment in the leasehold right of building for a period of approximately 27 years for the Grande Centre Point

Hotel Ratchadamri Sukhumvit 55. (Currently 27.27 years left)

Paid-up Capital Baht 6,051,964,000

REIT Life Open ended type

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

2.1 Investment Policy

For future investment, the REIT Manager may consider making additional investment and/or adjusting current investment by buying, selling or leasing immovable properties for the REIT and seeking additional benefits from the invested securities, using the investment and management guidelines under the same scope and direction of the objective for the REIT establishment as well as the investment policy. The REIT shall focus on investment in immovable properties and the leasehold right in immovable properties for commercial purpose and hotel business, etc., in order to obtain benefits by subleasing or disposal of such properties for the best benefits of the Unitholders and the REIT. In this respect, the REIT Manager shall consider taking actions that are not against the regulations of the SEC Office and in compliance with the provisions stipulated in the Trust Deed including other relevant notifications that are currently in force and may be amended in the future.

2.2 Overall Business Operations

The REIT was established under the Trust for Transactions in Capital Market Act B.E. 2550 (2007) on 11 December 2015 with SCB Asset Management Company Limited acting as the Trustee and Land and Houses Fund Management Company Limited acting as the REIT Manager. The units of the REIT had been registered as listed securities on the Stock Exchange of Thailand under the abbreviation of “LHHOTEL” and started trading on 22 December 2015.

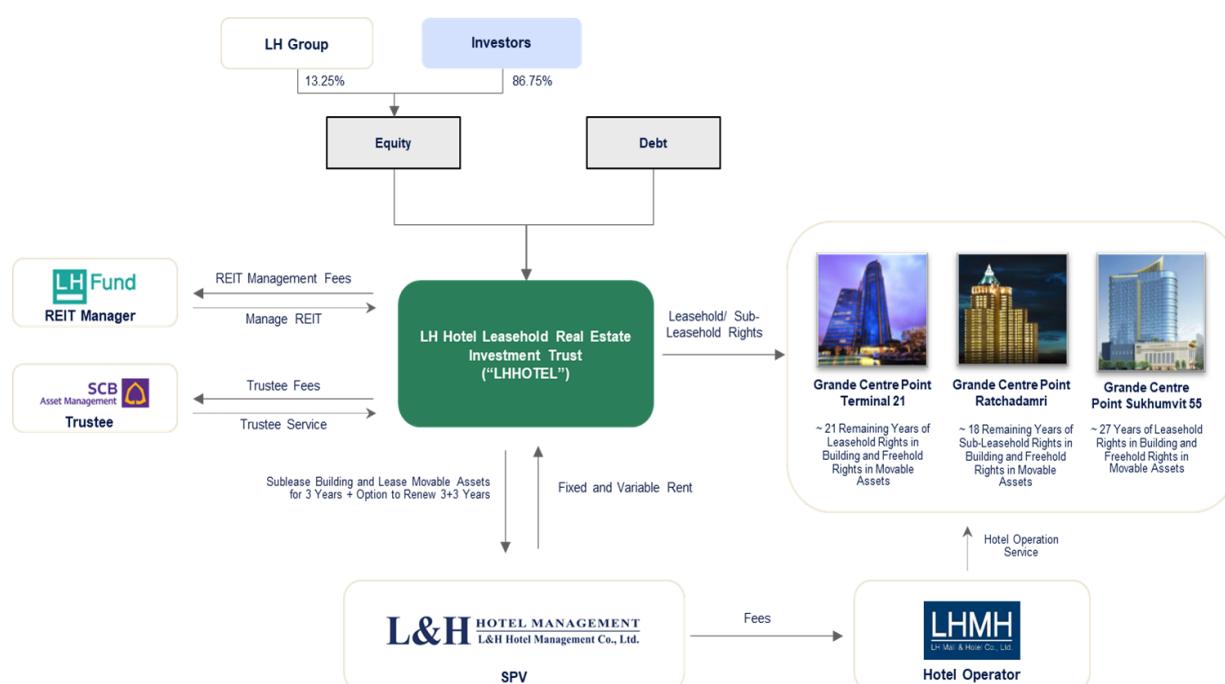
The objective of the REIT is to mobilize funds from the general investors to invest in income-producing immovable properties and procure benefits from such properties, as well as to invest in other securities and assets or to seek interest by other means for the benefit of asset management of the REIT. Currently, the REIT invests in the following Core Properties:

- 1) The leasehold right in the building of the Grande Centre Point Hotel Terminal 21 together with the parking lot and components of the building which are public utility systems and other facilities related to

the hotel building including any rights relevant or related to such properties. The REIT leases such leasehold right from L&H Property Company Limited for a term of approximately 25 years which shall expire on 31 August 2040 (remaining term of which is approximately 21 years). The lease also involves the ownership of furniture, tools, and facilities which are permanently fixed and non-fixed thereon, including any other equipment used for the purpose of decorating or facilitating the occupants and customers of the hotel building, 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 related to such properties.

- 2) The right to sublease properties comprising the building of Grande Centre Point Hotel Ratchadamri, constructions, and component of the building and constructions which are public utility systems related to hotel business including any rights relevant or related to such properties. The REIT subleases such properties from L&H Property Company Limited for a term of approximately 21 years, which shall expire on 31 May 2038 (remaining term of which is approximately 18.5 years). The REIT also invests in the ownership of movable properties including furniture, tools, equipment used for the purpose of decorating 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 customers of the Grande Centre Point Hotel Ratchadamri 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 related to such properties.
- 3) The leasehold right over immovable properties (excluding land) consisting of Grande Centre Point Hotel Sukhumvit 55 building, constructions and component parts of such building and constructions which are the public utility systems installed in Grande Centre Point Hotel Sukhumvit 55, and other facilities, including any rights in relation to or relevant to the aforementioned assets, which are owned by the lessor. For a term of approximately 27 years, expiring on 31 March 2047; and ownership in movable assets, which are furniture, tools, equipment, shuttle buses, fixed and loose decorative accessories, including any other equipment used for decoration or to accommodate the guests and/or customers of the Grande Centre Point Hotel Sukhumvit 55 project which are situated and/or fixed to the exterior or interior of the hotel building or on the surface of the hotel building, including any rights in relation to or relevant to the assets located in Grande Centre Point Hotel Sukhumvit 55 project.

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



Information of unit holding is updated as of 31 December 2019 and information of financial structure is based on the NAV as of 31 December 2019.

“LH Group” refers to 1) L H Mall and Hotel Co., Ltd 2) Land and Houses Bank Public Co., Ltd 3) Land and Houses Securities Public Co., Ltd and 4) LH Financial Group Public Co., Ltd

2.3 Significant Changes and Development

LH Hotel Leasehold Real Estate Investment Trust was established on 11 December 2015 and invested in the Grande Centre Point Hotel Terminal 21 Project on 16 December 2015, Grande Centre Point Hotel Ratchadamri Project on 15 June 2017 and Grande Centre Point Hotel Sukhumvit 55 on 22 November 2019.

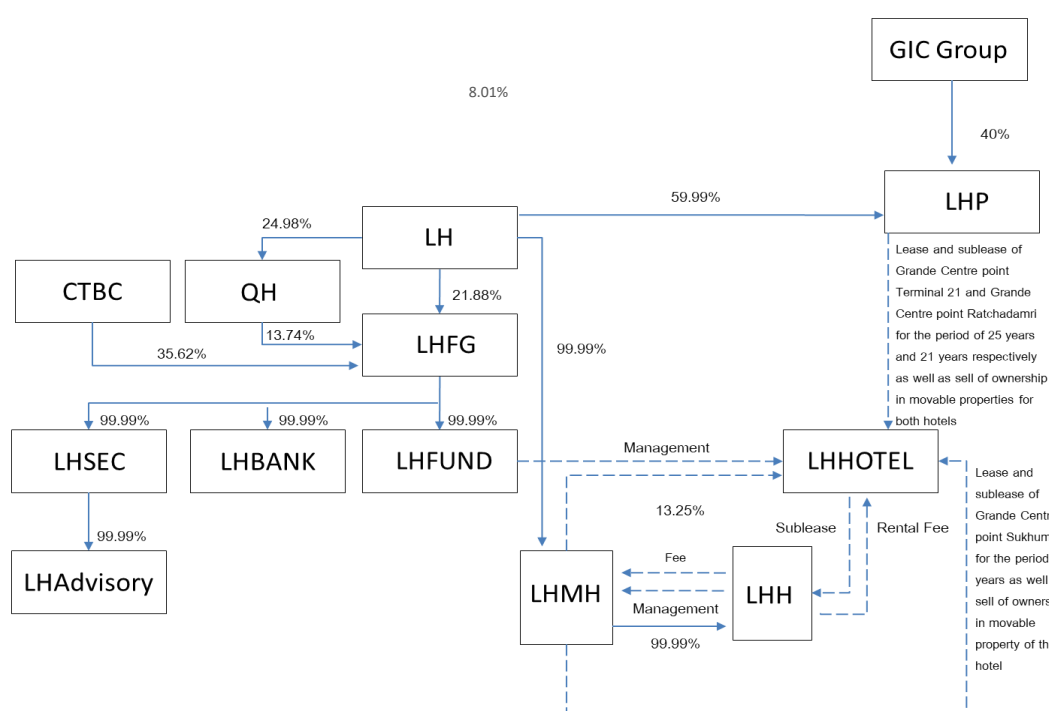
During the operating period from 1 January 2019 to 31 December 2019, there has been no change of authority in the management of the REIT of the REIT Manager, the Trustee, and the Property Manager. However, during the operating period of 2018, the REIT has extended the lease term with the lessee for another 3 years starting 16 December 2018 till 15 December 2021 with the conditions remain unchanged. Meanwhile, there has been no significant change in the management structure and the business conduct during 2019.

Nevertheless, refer to an Invitation Letter to the Extraordinary General Meeting (“EGM”) of Unitholders No. 1/2019 regarding the investment in the Additional Assets, the loan, the capital increase and the allocation of the Additional Trust Units, which stated the preliminary estimation of the capital increase after completion of investment in the Grande Centre Point Hotel Sukhumvit 55 to be within the 2nd quarter of 2020, due to the Covid-19 situation, however, to do capital increase and capital management properly, the REIT manager will proceed according to the EGM

No.1/2019 resolution and expects the capital increase to be completed by 2nd quarter of 2021.

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

As of 31 December 2019, the major unitholders of LH Hotel Leasehold Real Estate Investment Trust were LH Mall and Hotel Co., Ltd (13.25%), which is a real estate development company, whereas 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 as of 31 December 2019 are shown as follows:



Remarks:

GIC Group refers to GIC Pte Ltd which is a direct shareholder of LH and Reco Resorts Pte Ltd, a direct shareholder of LHP.

LH refers to Land and Houses Public Co.,Ltd

CTBC refers to CTBC Bank Co.,Ltd

LHFG refers to LH Financial group Public Co.,Ltd

LH Bank refers to LH Bank Public Co.,Ltd

LH Fund refers to Land and Houses Fund Management Co.,Ltd

LH SEC refers to Land and Houses Securities Public Co.,Ltd

LH Advisory refers to Land and Houses Advisory Co.,Ltd

LHP refers to L&H Property Co.,Ltd

LHH refers to L&H Hotel Management Co.,Ltd

LHHOTEL refers to LH Hotel Leasehold Real Estate Investment Trust

LHMH refers to LH Mall and Hotel Co.,Ltd (formerly named Pacific Real Estate Co.,Ltd)

QH refers to Quality Houses Public Co.,Ltd

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 2019:

Lists of Assets	Book Value/ Market Value (Baht)	Percentage of Net Asset Value
1. Cash and deposits at banks	938,692.53	0.01
2. Investments in Promissory Notes and Debt Instruments		
Bills of exchange/promissory notes issued/certified/avaled by financial institutions	-	-
Certificates of deposit	-	-
Government bonds	227,220,738.92	3.31
Treasury bills	-	-
Total	227,220,738.92	3.31
3. Investments in Immovable Properties		
Investments in immovable properties	12,199,495,010.00	177.78
Total	12,199,495,010.00	177.78
4. Other Assets		
Accrued interests	142.12	-
Securities account receivables	-	-
Receivables from leasing and services	233,601,435.05	3.41
Other receivables	-	-
Other assets	7,998,158.93	0.12
Total	241,599,736.10	3.53
Total Assets	12,669,254,177.55	184.63
5. Other Liabilities		
Accrued fees and expenses	(17,807,592.00)	(0.26)

Unearned rental and service revenue	-	-
Rental and service fee deposits	-	-
Long-term borrowings	(3,060,000,000.00)	(44.59)
Other liabilities	(2,727,876,700.00)	(39.75)
Total Liabilities	(1,545,723.29)	(0.02)
–Net Asset Value of the REIT	(5,807,230,015.29)	(84.62)

Total Number of the REIT's Units 537,919,900.0000 Units

Unit Value of the REIT 12.7565 Baht

Details of Properties in which the REIT Invested as of 31 December 2019

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 Klongtoey, Wattana, Bangkok.
Accessibility	Asoke BTS Station; Sukhumvit MRT Station; and Sukhumvit Road.
Type of Investment	Leasehold right (approximately 25 years, remaining term of which is approximately 21 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	21,090
Common Area	21,914
Parking Lot	4,294
Total Area	47,298
<u>Appraised Value by Appraisal Company</u>	
South East Asia International Co., Ltd	Baht 4,157 million (as of 13 May 2019)
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 3,757.01 mil. (inclusive of value added tax).
Date of Investment by the REIT	16 December 2015
Owner of the Leasehold Right of the Immovable Properties	LH Hotel Leasehold Real Estate Investment Trust

Details	Grande Centre Point Hotel Terminal 21 Project
Owners of the Movable Properties	LH Hotel Leasehold Real Estate Investment Trust
Commencement of Operation	February 2012
Sub-Lessee of the Immovable Properties	L&H 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), North Klongtoey, 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 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.</p>
<u>Insurance</u>	
Property All Risk Insurance	Sum Insured: Baht 1,708,690,000.00 Due Date: 31 December 2020
Business Interruption Insurance	Sum Insured: Baht 1,092,771,000.00 Due Date: 31 December 2020
Public Liabilities Insurance	Sum Insured: Baht 100,000,000.00 Due Date: 31 December 2020
Leasehold Insurance	Sum Insured: Baht 3,213,152,628.00 Due Date: 31 December 2020

Details	Grande Centre Point Hotel Ratchadamri Project
<u>Features of the Properties</u>	
Location	The Grande Centre Point Hotel Ratchadamri Project is located at No. 153/2 Soi Mahadlekluang 1, Ratchadamri Road, Khwang Lumpini, Khet Pathumwan, Bangkok.
Accessibility	Ratchadamri BTS Station; and Ratchadamri Road.
Type of Investment	Leasehold right for a term of approximately 21 years (approximately 18.5 years remaining)
Number of Storey	49 stories and 1 basement level
Commencement Month	November 2008
<u>Area to be Invested by the REIT (sq. m)</u>	
Leased Area	35,120
Common Area	16,526
Parking Lot	14,982
Total Area	66,628
<u>Appraised Value by Appraisal Company: South East Asia International Co., Ltd</u>	
South East Asia International Co., Ltd	Baht 3,843 million (as of 8 August 2019)
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 3,789.88 Mil.
Investment Date	15 June 2017
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 Operations	November 2008
Sub-Lessee of the Immovable Properties	L&H Hotel Management Co., Ltd

Details	Grande Centre Point Hotel Ratchadamri Project
General Features of the Project	<p>The Grande Centre Point Hotel Ratchadamri Project is located at No. 153/2 Soi Mahadlekluang 1, Ratchadamri Road, Khwang Lumpini, Khet Pathumwan, Bangkok. The location is convenient for traveling as it is on Ratchadamri Road near the BTS Skytrain Ratchadamri Station. Ratchadamri Road is one of the main roads in Bangkok which is the location of office buildings, shopping centers, four and five-star hotels, condominiums, residential buildings, public park, and downtown convention center.</p> <p>The Grande Centre Point Hotel Ratchadamri Project is comprised of a 49-storey residential building with one basement level, and an indoor parking lot. It includes 497 accommodation rooms with an accommodation area of approximately 35,120 square meters and a total area of approximately 66,628 square meters, located on a land area of approximately 2 Rai, 3 Ngan and 11 Square Wah. The construction of the building had been completed and the operations commenced in November 2008.</p>
<u>Insurance</u>	
Property All Risks Insurance	<p>Sum Insured: Baht 3,000,000,000.00</p> <p>Due Date: 31 December 2020</p>
Business Interruption Insurance	<p>Sum Insured: Baht 1,061,921,000</p> <p>Due Date: 31 December 2020</p>
Public Liabilities Insurance	<p>Sum Insured: Baht 50,000,000.00</p> <p>Due Date: 31 December 2020</p>

Details	Grande Centre Point Hotel Sukhumvit 55 Project
<u>Features of the Properties</u>	
Location	Grande Centre Point Hotel Sukhumvit 55 project is located at No. 300, Soi Sukhumvit 55 (Thong Lor), Klong Ton Nue, Wattana, Bangkok

Details	Grande Centre Point Hotel Sukhumvit 55 Project
Accessibility	Thong Lor BTS Station; and Sukhumvit Road.
Type of Investment	Leasehold right for a term of approximately 27 years
Number of Storey	24 storeies
Commencement Month	November 2016
<u>Area to be Invested by the REIT (sq. m)</u>	
Leased Area	18,139
Common Area	16,461
Parking Lot	8,320
Total Area	42,920
<u>Appraised Value by Appraisal Company:</u>	
Grand Asset Advisory Co., Ltd	Baht 3,830 million (as of 1 August 2019)
South East Asia International Co., Ltd	Baht 3,826 million (as of 22 July 2019)
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 4,199.50 million.
Investment Date	22 November 2019
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
Sub-Lessee of the Immovable Properties	L&H Hotel Management Co., Ltd
General Features of the Project	Grande Centre Point Hotel Sukhumvit 55 project is located at No. 300 Soi Sukhumvit 55 (Thong Lor), Kwang Klongton Nue, Wattana, Bangkok. It is convenient to access as it is on Sukhumvit 55 Road and BTS Thong Lor Station is nearby. In addition

Details	Grande Centre Point Hotel Sukhumvit 55 Project
	<p>Sukhumvit 55 Road is the main road in Bangkok where office buildings, 4-5 stars hotels, condominiums, restaurants, and other famous tourist attractions are located.</p> <p>The Grande Centre Point Hotel Sukhumvit 55 Project is a 24-storey hotel building with indoor parking lots. It comprises 442 rooms, with the approximate total area of 18,139 square meters, approximate common area of 16,461 square meters and approximate parking area of 8,320 square meters. The total area is approximately 42,920 square meters. The hotel building is located on the land with the area of approximately 3 Rai 2 Ngan and 40 Square Wah. The hotel has been operated since November 2016</p>
<u>Insurance</u>	
Property All Risks Insurance	<p>Sum Insured: Baht 1,742,000,000.00</p> <p>Due Date: 31 December 2020</p>
Business Interruption Insurance	<p>Sum Insured: Baht 1,282,022,000.00</p> <p>Due Date: 31 December 2020</p>
Public Liabilities Insurance	<p>Sum Insured: Baht 100,000,000.00</p> <p>Due Date: 31 December 2020</p>

2.5 Provision for Benefits from Immovable Properties

The Grande Centre Point Hotel Terminal 21 Project

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 (As of 31 December 2019 remaining term of which is approximately 20.67 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 rent is partially fixed and partially variable.

The Grande Centre Point Hotel Ratchadamri Project

The REIT has invested in the sub-leasehold right in immovable properties consisting of the building of Grande Centre Point Hotel Ratchadamri, constructions and the component parts of constructions which are public utility systems related to the hotel business, including any other facilities related to the hotel building and any rights related or relevant to such properties; by subleasing from L&H Property Company Limited for a term of approximately 21 years (remaining term of which is approximately 18.5 years) which will expire on 31 May 2038. Besides, the REIT has also invested in the ownership of movable properties including furniture, tools, equipment, decoration appliances 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 customers of the Grande Centre Point Hotel Ratchadamri 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 related to such properties.

In this regard, 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 rent is partially fixed and partially variable.

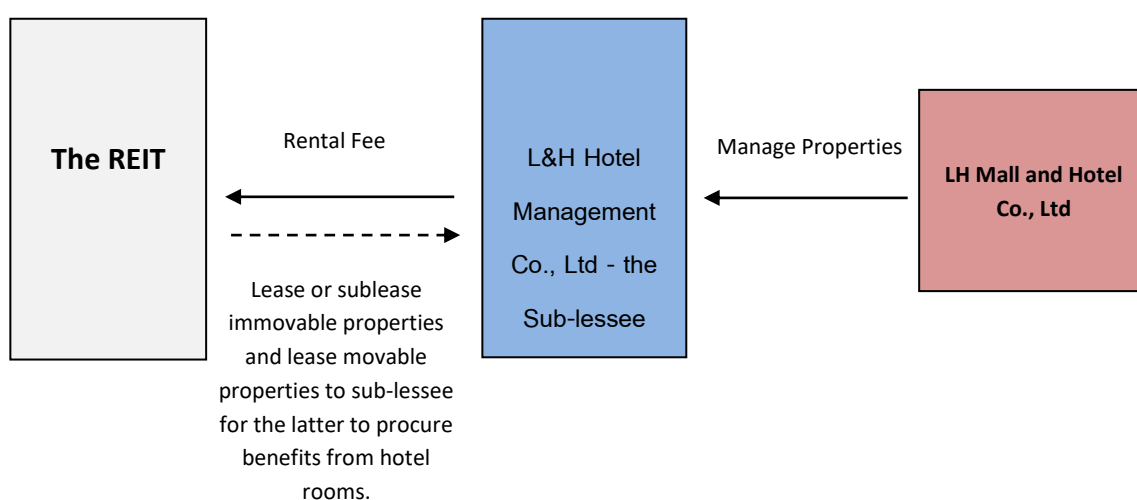
The Grande Centre Point Hotel Sukhumvit 55 Project

The REIT has invested in leasehold right over immovable properties (excluding land) consisting of Grande Centre Point Hotel Sukhumvit 55 building, constructions and component parts of such building and constructions which are the public utility systems installed in Grande Centre Point Hotel Sukhumvit 55, and other facilities, including any rights in relation to or relevant to the aforementioned assets, which are owned by the lessor. For a term of approximately 27 years, expiring on 31 March 2047; and ownership in movable assets, which are furniture, tools, equipment, shuttle buses, fixed and loose decorative accessories, including any other equipment used for decoration or to accommodate the guests and/or customers of the Grande Centre Point

Hotel Sukhumvit 55 project which are situated and/or fixed to the exterior or interior of the hotel building or on the surface of the hotel building, including any rights in relation to or relevant to the assets located in Grande Centre Point Hotel Sukhumvit 55 project.

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 rent is partially fixed and partially variable.

The Structure of Provision for Benefits of the Immovable Properties Invested by the REIT



The REIT Manager has the policy to procure benefits from the Core Properties by subleasing the leased areas of the Grande Centre Point Hotel Terminal 21 Project, Grande Centre Point Hotel Ratchadamri Project and the Grande Centre Point Hotel Sukhumvit 55 Project to L&H Hotel Management Co.,Ltd (“the Company”), whereas the Company appointed LH Mall and Hotel Co.,Ltd to act as the property manager responsible for managing the properties invested by the REIT. The property manager shall manage the hotel rooms of the Grande Centre Point Hotel Terminal 21 Project, the Grande Centre Point Hotel Ratchadamri Project and the Grande Centre Point Hotel Sukhumvit 55 so as to generate regular revenues for the REIT.

Summary of Material Terms and Conditions of the Sub-Lease Agreement of Immovable Properties of 3 hotel properties under LHHOTEL

Sub-Lessee	L & H Hotel Management Co., Ltd.(the “ Sub-lessee ”)
Sub-Lessor	SCB Asset Management Company Limited as the trustee of LH HOTEL Leasehold Real Estate Investment Trust (“ LHHOTEL ”)

Sub-Leased Assets	<p>(a) Building and constructions located in Grande Centre Point Hotel Terminal 21, Grande Centre Point Hotel Ratchadamri and Grande Centre Point Hotel Sukhumvit 55.</p> <p>(b) Component parts of the Hotel Building which are all public utilities, including all facilities and any rights relating to or in connection with such assets.</p> <p>which are the assets that LHHOTEL lease from LH Mall and Hotel Co., Ltd. The assets as described in (a) – (b) shall be collectively referred to as the “Hotel” or “Sub-Leased Assets”.</p>
Sub-Lease Period	<p>3 years each</p>
Conditions for renewal of sublease agreement upon its expiry	<p>The Sub-lessee gives its promise to LHHOTEL that if LHHOTEL exercises its right to demand the Sub-lessee to renew this sub-lease agreement upon the expiry of this sublease agreement, the Sub-lessee shall renew this sublease agreement for 3 times and for a period of no more than 3 years each subject to time clause and terms and conditions of renewal as specified in this sublease agreement.</p>
Rent and Payment	<p>Except for the case of extension or exemption on the rent payment due to the occurrence of any force majeure events as specified in this sublease agreement, the Sub-lessee shall pay the rent to LHHOTEL in accordance with the terms and conditions of this agreement. The rent under this agreement shall be divided into 2 parts which are (1) the fixed rental and (2) the variable rental, which shall be calculated on the net quarter income of Hotel based on the actual sub-lease term calculation method as described in this agreement.</p> <p>1. Initial Fixed Rental</p> <p>(1) Initial Fixed Rental or Fixed Rental at the Beginning of the Year</p> <p>The sub-lessee agrees to pay Initial Fixed Rental or Fixed Rental at the Beginning of the Year (as the case may be) within 60 (sixty) days from the end of each quarter.</p> <p>And the Fixed Rental at the Beginning of the Year means (a) total amount of the Total Initial Fixed Rental and Incremental Fixed Rental calculated at the end of the previous fiscal year (if any).</p> <p>(2) Incremental Fixed Rental</p> <p>At the end of fiscal year, if the proportion of rental between (a) total amount of the Variable Rental and (b) Total Initial Fixed Rental or Fixed Rental at the</p>

	<p>Beginning of the Year (as the case may be), plus rental of movable properties according to the lease of movable assets agreement in that fiscal year, is in compliance with the related securities laws, the parties agree to distribute such calculated Variable Rental which is in compliance with such securities laws to the Incremental Fixed Rental (“Incremental Fixed Rental”) in order for the Variable Rental to be in the highest ratio under the related securities laws. The payment of this Incremental Fixed Rental will not affect the total rental of immovable properties according to the sublease of immovable properties agreement and rental according to the lease of movable assets agreement. In addition, the sub-lessee agree to pay the Incremental Fixed Rental to LHHOTEL within 60 (sixty) days from the end of fiscal year.</p> <p>2. Variable Rental</p> <p>The sub-lessee agrees to pay Variable Rental within 60 (sixty) days from the end of each quarter. The calculation formula shall be as follows:</p> <p>The calculated Variable Rental = A x (B – C – D – E – F)</p> <p>whereas</p> <p>A = % of the Variable Rental at 85% (eighty five percent)</p> <p>B = Total income from the business operation of hotels in that particular quarter</p> <p>C = Total cost from the business operation of Hotels in that particular quarter (e.g. cost of accommodations, security, cleaning, and other operating activities)</p> <p>D = Total selling and administrative cost from the business operation of hotels in that particular quarter, which includes:</p> <ul style="list-style-type: none"> - selling and marketing expenses - administrative expenses - returns on revenue sourcing whereas, at the beginning date of the sub-lease, the return rate does not exceed 5 (five) percent of the total income - operating returns whereas, at the beginning date of the sub-lease, the return rate does not exceed 10 (ten) percent of the net income, excluding land and building tax (or any other similar taxes), amortization, insurance fee, and returns on revenue sourcing, respectively <p>E = Total operating expenses from the business operation of Hotels in that particular quarter (e.g. land and building tax (or any other similar taxes), insurance fee, maintenance cost and other operating expenses)</p>
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	<p>F = Initial Fixed Rental or Fixed Rental at the Beginning of the Year in that particular quarter and the rental of movable assets according to the lease of movable assets agreement in the same quarter</p> <p>In case there is distribution of the calculated Variable Rental under this Clause to the Incremental Fixed Rental in order to make the ratio of Fixed Rental and Variable Rental under this agreement in accordance with the related securities law, the parties agree that the sub-lessee's payment of the Variable Rental distributed to the Incremental Fixed Rental in order to be in accordance with the related securities law shall be deemed the payment of Incremental Fixed Rental to LHHOTEL</p> <p>In an event that the sub-lease agreement has been renewed after contract expiration.</p> <p>The parties agree that the Total Initial Fixed Rental of the next sub-lease agreement shall be equal to the "Average Fixed Rental" of the term of the previous 3 (three) -year-sub-lease agreement.</p> <p>Whereas the Average Fixed Rental under this Clause means an average of the result of (a) total Fixed Rental of each year (including total Fixed Rental under the sublease of immovable properties agreement (excluding the Variable Rental) and rental of movable according to the lease of movable properties agreement) calculated by an actual turnover which have been revised in order for the Variable Rental to be in accordance with the related securities law during the sub-lease term of 3 (three) years prior to the renewal, less (b) the rental of movable assets according to the lease of movable assets agreement in the same period.</p> <p>However, if in any year, the result of (a) less (b) is less than the "Basic Fixed Rental", the parties agree to use the Basic Fixed Rental for calculation of Average Fixed Rental for such particular year instead.</p>
Taxes and Expenses	<ol style="list-style-type: none"> 1. The Sub-lessee agrees to be responsible for fees, stamp duty, and any expenses in connection with the sublease of the Sub-Leased Assets under this agreement (if any) throughout the sub-lease term under this agreement and the extended term. 2. The Sub-Lessee agrees to be responsible for, building and land tax and local development tax (or any similar taxes) relating to the Sub-Leased Assets under the applicable laws as currently applied, and any of property tax arising out of this Sub-Leased Assets throughout the sub-lease term.
Transfer of Leasehold Right and Sub-lease	LHHOTEL gives its consent to the Sub-lessee for sub-leasing the areas in the Sub-Leased Assets as the purposes intended in this agreement.
Obligations of LHHOTEL	On the Effective Date of Sublease Agreement of Immovable Properties, LHHOTEL shall cause the lessor under the lease agreement of immovable properties entered between the lessor and LHHOTEL, to

	<p>deliver the Sub-Leased Assets in as-is condition to the Sub-Lessee; provided that, LHHOTEL shall be responsible for expenses arising out of the Sub-Leased Assets throughout the sub-lease term as follows:</p> <p>Any expenses relating to improvement or renovation concerning the structure or important parts of the building (Structural Repairs);</p> <p>When any changes or replacement to the leased movable assets is required, the Sub-Lessee shall carry out the changes or replacement at LHHOEL's costs. The changes or replacement shall belong to LHHOTEL.</p> <p>The approval for expenses of the above (a) and (b) shall be at the sole discretion of LHHOTEL but LHHOTEL shall not hold the approval without any reasonable grounds.</p> <p>In addition, in consideration of the distribution to the unitholders of LHHOTEL, LHHOTEL agrees to take expenses as described above into account, and shall retain a certain amount as reserve for expenses to be responsible by LHHOTEL, as described above.</p>
Obligations of the Sub-Lessee	<ol style="list-style-type: none"> 1. The Sub-Lessee shall use its best effort as hotel operator in general to maintain the Sub-Leased Assets in good conditions throughout sub-lease term. 2. In order to keep the Sub-Leased Assets to be in good conditions and appropriate for the use per the objectives set out in this agreement, the Sub-Lessee shall be responsible for maintenance, repairs, and take any and all actions which are necessary to keep the Sub-Leased Assets well maintained in the nature of hotel. The expenses of these matters shall be deemed as a part of operating expenses according to the Sub-Lessee's budget which is approved by LHHOTEL according to terms and conditions of this agreement.
Postponement of rental payments due to force majeure	<p>In a case that occur in any quarter, the REIT allows the sub-lessee to postpone the rent in the month during the said event in the quarter as it is not considered defaulted of them. The payment of the rent will not lead to the sub-lessee's liquidity problems and will not affect the duty of maintaining their property. In addition, the REIT and the sub-lessee agreed to jointly set the period of effect from the said case by official writing.</p> <ol style="list-style-type: none"> 1. In the case that a force majeure, which affects the sub-lessee's property directly or around the sub-lessee's property location such as fire, floods or earthquakes, leading to significant hotel operation and causing the average monthly room revenue of the hotel during the said period which is equal to or greater than 20 percent but less than 50 percent lower than the average monthly room revenue for the same period in the previous year . 2. In case of a force majeure which affects the hotel operations significantly and leads to

	<p>(a) the slump of the average monthly room revenue during the said period of the hotel which is equal to or greater than 20 percent but less than 50 percent compared to the the same period in the previous year and</p> <p>(b) the slump of the average monthly room revenue the hotels and resorts which are in the same standard and market during the said period which is equal to or greater than 15 percent compared to the the same period in the previous year (if any)</p> <p>3. In case of a force majeure which affects the hotel operations significantly and leads to</p> <p>(a) the slump of the average monthly room revenue during the said period of the hotel which is equal to or greater than 50 percent and</p> <p>(b) the slump of the average monthly room revenue the hotels and resorts which are in the same standard and market during the said period which is equal to or greater than 15 percent but less than 30 percent (if any).</p> <p>In addition, if the sub-lessee's property was also affected by force majeure during the same period in the previous year, the average hotel room revenue per month or the average revenue per room of the hotels and resorts which are in the same standard and market (depending on the case) during the said period of the current year, it is to be compared to the average for the same period of the last year prior to that year which is the year the sub-lessee's property was not affected by force majeure or any renovation or renovation for the benefit of consideration under the above circumstances instead.</p> <p>Moreover, the sub-lessee must try to be honest to find the average revenue per room of the hotels and resorts which are in the same standard and market for the purpose of determining whether a force majeure has occurred or not. If it is not possible to find it or the average monthly room revenue that can be used for referrals, the REIT and the sub-lessee will agree to use the standardized information, rules, or other ratios that can be discovered from the general hotel business as criteria for consideration. Besides, if the parties can not reach an agreement, the average monthly room revenue is to be used. Moreover, in the case that the REIT and sub-lessee specify more than one hotel which are in the same standard and market in Bangkok, to calculate the average revenue per room of the competition group by using the simple average of the average revenue per room of each hotel and resorts in the said group</p>
Rental payments that are postponed due to any force majeure	<p>In the case of a postponement of rental payment due to force majeure in any quarter, the sub-lessee shall make payment to the REIT in the following order:</p> <ol style="list-style-type: none"> 1. Fixed rental payment in the month without a force majeure event in that quarter 2. Variable rent in the month without a force majeure event in that quarter (if any) 3. The fixed rent that has been postponed 4. Variable rent that has been postponed (if any)

	<p>In addition to the debt repayment under item 3 and item 4 as mentioned above, the sub-lessee agree to pay the outstanding rental fee, which is paid on a quarterly basis, based on the actual rental period up to the end of the rental period under this contract (including the extended rental period) or any time period which the parties have agreed. Furthermore, The REIT agrees that the sub-lessee do not have to pay any interest on the defaulted payment in any rents or any damages from arrears of rental fees or any late payment of rent which occurs or is a consequence of the postponement of rent due to a force majeure.</p>
<p>Rental exemption due to force majeure</p>	<p>In the case that one of the following events occurs during any quarter, the REIT agrees to waive the rent in the month during the said incident during the quarter to the sub-lessee, in which the sub-lessee are not obligated to pay rental fees for that period. In addition, both parties agree to determine the period of effect from the said incident by official a document. In addition, the calculation of the rent in the month which does not occur in this article shall be in accordance with the rules of rent calculation as mentioned in this contract.</p> <ol style="list-style-type: none"> 1. In the case that a force majeure affects the sub-lessee's property directly or around the sub-lessee's property location such as fire, flood or earthquake, leading to significant hotel operation and causing the average monthly room revenue of the hotel during the said period which is equal to or greater than 50 percent lower than the average monthly room revenue for the same period in the previous year . 2. In case of a force majeure which affects the hotel operations significantly and leads to <ul style="list-style-type: none"> (a) the slump of the average monthly room revenue during the said period of the hotel which is equal to or greater than 50 percent compared to the the same period in the previous year and (b) the slump of the average monthly room revenue the hotels and resorts which are in the same standard and market during the said period which is equal to or greater tan 30 percent compared to the the same period in the previous year (if any) <p>In addition, if the sub-lessee's property was also affected by force majeure during the same period in the previous year, the average hotel room revenue per month or the average revenue per room of the hotels and resorts which are in the same standard and market (depending on the case) during the said period of the current year, it is to be compared to the average for the same period of the last year prior to that year which is the year the sub-lessee's property was not affected by force majeure or any renovation or renovation for the benefit of consideration under the above circumstances instead.</p>
<p>The hotels and resorts which are in the same</p>	<p>Refers to the hotels and resorts which are in the same standard and markets in Bangkok as the REIT and the sub-lessee may specify or agree each year after the effective date of this contract. The consideration may be based on the the location and distance from the project, details and property</p>

standard and market	characteristics or other rules that the REIT will be able to use to compare when that the said situation occurs.
The reason for terminating the contract	<p>This contract may be terminated by either party if any of the following events occur:</p> <p>1.Default by the sub-lessee</p> <p>(a) In the case that the sub-lessee violate or fail to comply with any agreements as specified in this contract or breach of the certification which is the essences provided in this contract and unable to take corrective actions and comply with the contract within 60 after the notification of the breach of contract or within any time period contracted by the parties except for force majeure or any events out of the control of the sub-lessee. Moreover, in the case that the sub-lessee fails to pay a fixed rental fee and / or variable rental fee, the default will be considered for a period of more than 30 days from the rental payment due date except for a case out of the control of the sub-lessee in which the REIT and the sub-lessee agrees to extend the lease payment period</p> <p>(b) In case that the sub-lessee is prosecuted or there are other events causing significant negative damage to the sub-lessee operations or financial status as well as significantly affecting the sub-lessee's performance such as failing to pay the payment according to the terms of the loan agreement, guaranteed debt and / or debt instruments and / or any financial instruments or any debt, in which the defaulted debt is worth more than 50,000,000 baht). This does not include loans from shareholders and sub-lessee's incapability to resolve the said default within 60 days or within any time period as agreed on this contract. The sub-lessee may not show to the REIT that the he/she has a defense that may win the case. Or if the case is settled, he/she has to pay in the said case. For the resos mention aboved, they do not lead to a significant negative impact on the ability of the sub-lessee to comply with this contract.</p> <p>(c) In case that there are amendments, changes, refrain or cancel licenses, certificate, consent letter, any benefits which the sub-lessee received from a government agency, an official, any person or juristic person that the sub-lessee needs to have or use for the main business and they cannot be resolved within the time period agreed by the the REIT and the sub-lessee leading significant negative impact on the hotel operations.</p> <p>(d) In case that the sub-lessee is prosecuted by law or government order or because of any other case that has a significant negative impact on the ability to comply with this agreement by the sub-lessee, the power to operate business of the must change or be inconvenient, or the sub-lessee's property or income even some or all , must be confiscated, expropriated or become vested in the state which the REIT believes that it has a significant negative impact on the ability of the sub-lessee to comply with this contract.</p> <p>(e) In case that the sub-lessee is under court order, being adjudged bankrupt, in the process of dissolution of the company, liquidation or requesting the rehabilitation of to the court or relevant government agencies or any other similar process which has a significant negative impact on the ability of the sub-lessee to pay the debt or comply with this contract</p>

	<p>(f) In case that the tenant has stopped all the business or some parts which let the REIT not to be able to find benefit from benefit from the sub-lessee's property which has a significant negative effect to the hotel operations</p> <p>(g) In case that the meeting of the board of directors and / or the meeting of the sub-lessee has a conclusion to sell or transfer all or some parts of the business to other parties or to merge companies with other people which the REIT believes that there will be a significant negative impact on the rental payment or the performance of this contract. except with the prior written consent of the REIT</p> <p>2.Default by the REIT</p> <p>In the event that the REIT breaks or does not comply with any core agreements as specified in this contract as well as breaching any main agreements provided in this contract and the the REIT is unable to take corrective action and comply with the contract within 60 days from the date of receipt of notification or notification of the cause of the breach of contract or within any time period agreed by both parties parties except for force majeure or any events out of the control of the REIT or The fact that L&H Property Company Limited, as the lessor in the immovable property lease agreement, does not perform the duty or breach the certification set forth in the said contract..</p> <ol style="list-style-type: none"> 3. In case that the Trust is unable to become the holder of the leasehold rights to the sub-lessee's property under the immovable property lease agreement 4. In case that the rental contrat comes expires as specified in the contract and the REIT or the sub-lessee has not agreed to renew this contract in accordance with the terms and conditions regarding the renewal as specified in this contract. 5. In cast that both parties mutually agree to terminate this contract due to the damage or expropriation of the property so that the sub-lessee will be unable to find benefits of operating hetal or any business related to this.
The result of the expiration of the contract.	<ol style="list-style-type: none"> 1. When this contract ends without any contract renewal, the sub-lessee agrees to take the following actions; <ol style="list-style-type: none"> 1.1 Return the property to the REIT or or the person assigned by the REIT in an appropriate condition and the property must be able to be used according to the objectives specified in this contract. 1.2 Pay fixed rental fees and variable rental fees in accordance with the rules mentioned in this contract. They are calculated based on the proportion of the actual rental period to the REIT within 60 days from the effective date of this contract termination 1.3 Deliver any benefit which the sub-lessee has received in advance, such as advance rental fee and other advance income (if any), including deposits for the REIT or the person assigned by the REIT <p>Moreover, (a) in case that the sub-lessee receives the benefits after the expiration of this agreement, the sub-lessee agrees to deliver the said</p>

	<p>benefits to the REIT or the person assigned by the REIT in accordance with the terms in this clause. (b) In the case that the REIT or any other person receiving any benefits which is the benefit that the sub-lessee should receive before the date of this agreement expires, the REIT agrees to proceed with the return of the said benefits to the sub-lessee. In both cases mentioned before, both parties agree to deliver the said benefits to the other party within 30 days of receiving the benefits.</p> <p>1.4 To cooperate as required and appropriate to help the person assigned by the REIT to operate the hotel operation in accordance with the law and / or other agencies related within a reasonable time after receiving a written request from the REIT without any compensation. To help the REIT or the person assigned by the REIT to transfer or grant a hotel business license or the transfer of rights and duties under various contracts. If the REIT is unable to find the new sub-lessee to replace the previous one, the sub-lessee agrees to sublease the asset for hotel operation until the REIT is able to find other to sublease the property and the time period must not exceed 180 days from the expiration of the rental period. In addition, it is considered that the sub-lessee has no duty to continue to sublease the property during the said period if the sub-lease contract renewal is limited or impossible.</p> <p>2. In the case that the contract is terminated, the parties shall not lose the right to claim any expenses and damages, which occurred before the contract was terminated, expenses and damages arising from contract termination and / or any damages as required by law. Moreover, during the rental period under this contract and any time extended, the REIT has no right to terminate the sub-lessee's agreement with the sub-lessee. If there is no default on any breach of contract caused by the sub-lessee.</p>
Property damage and expropriation	<p>1. In case that the some part or all part of sub-leased property is expropriated or damaged, without any fault of the parties so that the sub-lessee may not use the property for the benefit of operating the hotel business, this contract is deemed to end on the date the project is damaged or expropriated. Each party has no right to claim damages, expenses, money or any other benefits from the other party except for damages from a result of breach of contract before the date this contract is terminated</p> <p>2. In case that the sublease property is damaged or partially expropriated and the REIT and the sub-lessee agree that the property can still be used for the benefit of operating the hotel business. It shall be considered that this contract is still in force only for the sublease property that is not damaged and is still in a usable condition. It is also considered that the said property is still the property which is sublet under the contract. Both parties shall jointly consider the appropriateness of adjusting the rental rate to be in accordance with the condition of the sublease property that is damaged or partially expropriated.</p>
Force Majeure	<p>1. In case that force majeure occurs and results to either party to not be able to comply with this contract, that party must immediately send a letter</p>

	<p>notifying the other party of such force majeure, and in that case, both parties shall have the right to postpone the implementation of this agreement to the extent of the occurrence of force majeure. Both parties jointly agree to determine the period, which is not considered the fault of any party. However, both parties agree that the force majeure will not be given as an excuse for not paying any debt be paid under this contract, except (a) in the case that an event of force majeure results in a significant loss of the sublease property which the sub-lessee may not be able to use the sub-leased property for the purpose of the sublease and/or (b) in the case of an force majeure event that the sub-lessee can request to postpone the rental payment and the rental exemption due to the force majeure as specified in this agreement respectively.</p> <p>2. If the said force majeure mentioned above become the cause of either party's incapability to comply with the contract or be unable to receive the benefit under this contract, both parties faithfully agree to review the terms of this contract so that they can take any action for the benefit of the parties and / or return to their original status. If both parties cannot jointly agree to take any actions to for the benefit of the parties as stipulated in (a), both parties agree the termination of this contract and the consequences of the termination of the contract shall apply mutatis mutandis.</p>
Law and dispute resolution	<p>This contract shall be enforced and interpreted in accordance with Thai law. Disputes, arguments or claims arising out of or relating to this agreement which cannot be agreed between the parties, shall be presented to the court of jurisdiction</p>
Remark	<p>Force majeure means any event that causes or causes a disaster which cannot be prevented. Although the person facing or nearing the incident may exercise carefully, as the general public can do in that condition such as natural disasters, fires, floods, earthquakes, unavoidable accidents, wars, rioters, terrorism, strike, closing of the workplace, epidemic disease etc. and also means legislation or regulation or other activities of the state or any legal or regulatory restrictions that may affect the implementation of this contract or any reasons which have the same effect that the affected parties cannot control. It also includes any payment or transaction in compliance with this contract which must be processed with a commercial bank as well as the stopping working of all commercial banks in Thailand.</p>

2.6 Borrowings

Summary of Key Provisions of the First Borrowing Agreement

Credit Line	Not exceeding Baht 800,000,000
Actual Drawdown	Baht 688,532,700
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</p>

	Public Co., Ltd.)
Term of Borrowing	13 years with 3-year grace period.
Payment of Principal	Quarterly installment payments after the grace period. The payments are based on a progressive scale until full payment is made within the borrowing period as follows; 1 st – 4 th Payments - 5,164,000 Baht 5 th – 12 th Payments - 6,025,000 Baht 13 st – 16 th Payments - 13,771,000 Baht 17 st – 24 th Payments - 18,935,000 Baht 25 th – 39 th Payments - 25,820,000 Baht 40 th Payment - the rest of outstanding
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

For the acquisition of Hotel Grande Centre Point Hotel Ratchadamri Project, LHHOTEL has drawn down of the loan agreements total of THB 920.00 million consists of two separate loan agreements, individually drawdown of THB 460.00 million each, by which the details of each loan agreements are as summarized as follow;

Summary of Key Provisions of the Second and the Third Borrowing Agreement

Credit Line	Not exceeding Baht 486,040,000
Actual Drawdown	Baht 460,000,000
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 until the maturity date: 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 a 3-year grace period.
Payment of Principal	<p>Quarterly installment payments after the grace period. The payments are based on a progressive scale until full payment is made within the borrowing period according to the Borrowing Agreement as follows:</p> <p>1st – 4th Payments - 3,450,000 Baht</p> <p>5th – 12th Payments - 4,025,000 Baht</p> <p>13st – 16th Payments - 9,200,000 Baht</p> <p>17st – 24th Payments - 12,650,000 Baht</p> <p>25th – 39th Payments - 17,250,000 Baht</p> <p>40th Payment - the rest of outstanding</p>
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 hold at least 9% and 6%, respectively, of the newly sold units of the REIT throughout the period of 12 months from the date on which the capital increase is accomplished. • LH shall arrange for the companies in which it holds directly and/or indirectly, at least 50% of total shares to be appointed as the Sub-lessees of the Grande Centre Point Hotel Ratchadamri Project for a period of no less than 9 years from the effective date of the relevant sublease agreement. 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 require the Sub-lessee to renew the sublease. Nevertheless, such

	sublease term shall not be less than 3 years.
Collateral	None

For the acquisition of Hotel Grande Centre Point Hotel Sukhumvit 55 Project, LHHOTEL has drawn down of the loan agreements total of THB 4,200.00 million consists of two separate loan agreements, by which the details of each loan agreements are as summarized as follow;

Summary of Key Provisions of the Fourth Borrowing Agreement

Credit Line	Not exceeding Baht 1,300,000,000
Actual Drawdown	Baht 1,140,000,000
Interest Rate	Fixed and/or MLR reference rate: Month 1 -42: Fixed rate of no higher than 5% pa. Month 43 until the maturity date: No higher than MLR - 1% pa. (MLR: Minimum Loan Rate refers to the interest rate charged to prime customers by Siam Commercial Bank Public Co., Ltd.)
Term of Borrowing	13 years and 6 months with a 3 years and 6 months 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 according to the Borrowing Agreement as follows: 1st – 4th Payments – 0.75% of actual drawdown 5th – 12th Payments - 0.875% of actual drawdown 13st – 16th Payments – 2.00% of actual drawdown 17st – 24th Payments - 2.75% of actual drawdown 25th – 39th Payments - 3.75% of actual drawdown 40th Payment - the rest of outstanding
Payment of Interest	Quarterly Payments
Conditions of the Borrowing Agreement*	As a designated by existing conditions which the REIT obtained.
Collateral	None

Summary of Key Provisions of the Fifth Borrowing Agreement

Credit Line	Not exceeding Baht 4,300,000,000
Actual Drawdown	Baht 3,060,000,000
Interest Rate	Fixed rate, not exceeding 5%
Term of Borrowing	9 months
Payment of Principal	At loan maturity
Payment of Interest	Quarterly Payments
Conditions of the Borrowing Agreement*	As a designated by existing conditions which the REIT obtained.
Collateral	None

Furthermore, the trust has made another long-term loan agreement in order to support principal repayment for the fifth borrowing agreement.

Summary of Key Provisions of the Sixth Borrowing Agreement

Credit Line	Not exceeding Baht 4,300,000,000
Actual Drawdown	Not yet (as of 31 December 2019)
Interest Rate	Fixed and/or MLR reference rate: <div style="margin-left: 40px;">Year 1 -3: Fixed rate of no higher than 5% pa.</div> <div style="margin-left: 40px;">Year 4 until the maturity date: No higher than MLR - 1% pa.</div> (MLR: Minimum Loan Rate refers to the interest rate charged to prime customers by Siam Commercial Bank Public Co., Ltd.)
Term of Borrowing	13 years with 3 years 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 according to the Borrowing Agreement as follows: <div style="margin-left: 40px;">1st – 4th Payments – 0.75% of actual drawdown</div> <div style="margin-left: 40px;">5th – 12th Payments - 0.875% of actual drawdown</div>

	13st – 16th Payments – 2.00% of actual drawdown 17st – 24th Payments - 2.75% of actual drawdown 25th – 39th Payments - 3.75% of actual drawdown 40th Payment - the rest of outstanding
Payment of Interest	Quarterly Payments
Conditions of the Borrowing Agreement*	As a designated by existing conditions which the REIT obtained.
Collateral	None

** Notwithstanding, according to the EGM No.1/2019 resolution, conducted on 5 November 2019 which delegate the REIT manager to consider the REIT's capital structure in order to adjust the loan contract properly for the benefit of the REIT. Therefore, the loan contract's conditions might be changed, and the REIT manager shall present to the unitholders accordingly.*

Table: Total Principal payment of 2020

Principal Payment (Baht)							
Year	Loan Agreement 1	Loan Agreement 2	Loan Agreement 3	Loan Agreement 4	Loan Agreement 5	Total (Loan Agreement 1-4)	Total (Loan Agreement 1-5)
2020	24,100,000	10,350,000	10,350,000	-	3,060,000,000	44,800,000	3,104,800,000

The REIT manager will calculate the adjusted net profit of the REIT to determine dividend payment in 2020 with will be deducted amount of no lesser than Baht 44,800,000 which is the principal repayment during the year 2020 period (aggregated amount among Loan Agreement 1-4) and might be different from the amount in the table, in order to be efficient on capital cost also to save interest cost to maintain the constancy of dividend payment.

Note that principal repayment for Loan Agreement 5 shall be financed by another long-term loan (Loan agreement 6) and/or equity offering amounting to not exceeding Baht 3,300,000.

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

3.1 Thailand Economy in 2019 and Outlook for 2020

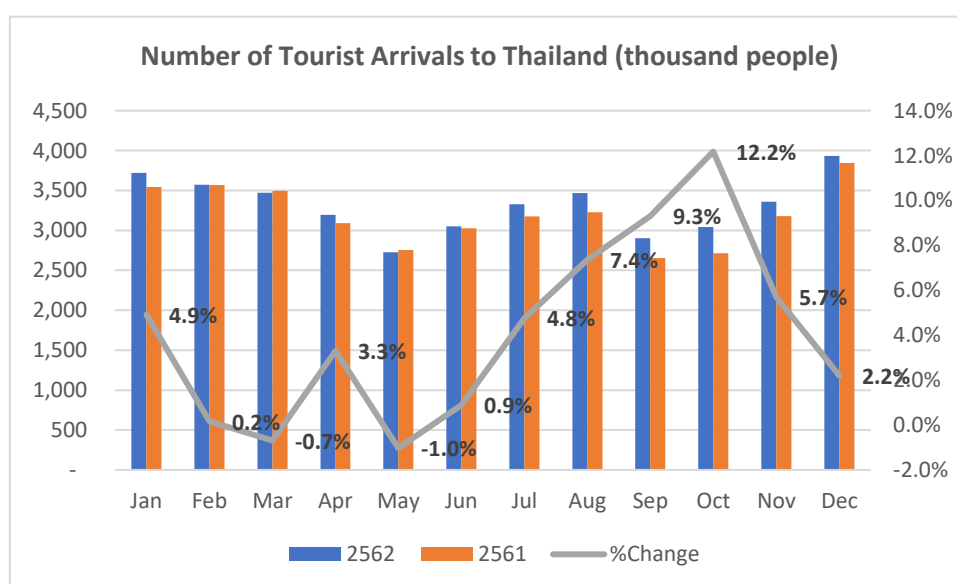
The information published by the Office of the National Economic and Social Development Board (NESDB) in February 2020 indicated that the Thai economy expanded by 2.4 percent, compared with 4.2 percent in 2018. Export value declined by 3.2 percent and private consumption and total investment grew by 4.5 and 2.2 percent respectively. Headline inflation averaged 0.7 percent and the current account recorded a surplus of 6.8 percent of GDP.

The Thai economy in 2020 is projected to expand by 1.5 - 2.5 percent, softening from 2019 due to impacts from the corona virus (COVID-19) outbreak, the drought conditions, and the delay in FY2020 budget. Nevertheless, the economy continues to be supported by (i) a gradual global economic recovery following easing trade tensions and lower risks of a no-deal Brexit; (ii) a favorable expansions of private consumption and investment of both private and public; (iii) key government stimulus measures; and (iv) a low growth base in the last quarter of 2019. In all, it is expected that export value will expand by 1.4 percent while private consumption and total investment will increase by 3.5 and 3.6 percent respectively. Headline inflation will lie in the range of 0.4 - 1.4 percent and the current account will register a surplus of 5.3 percent of GDP.

3.2 The Tourism Market in Thailand

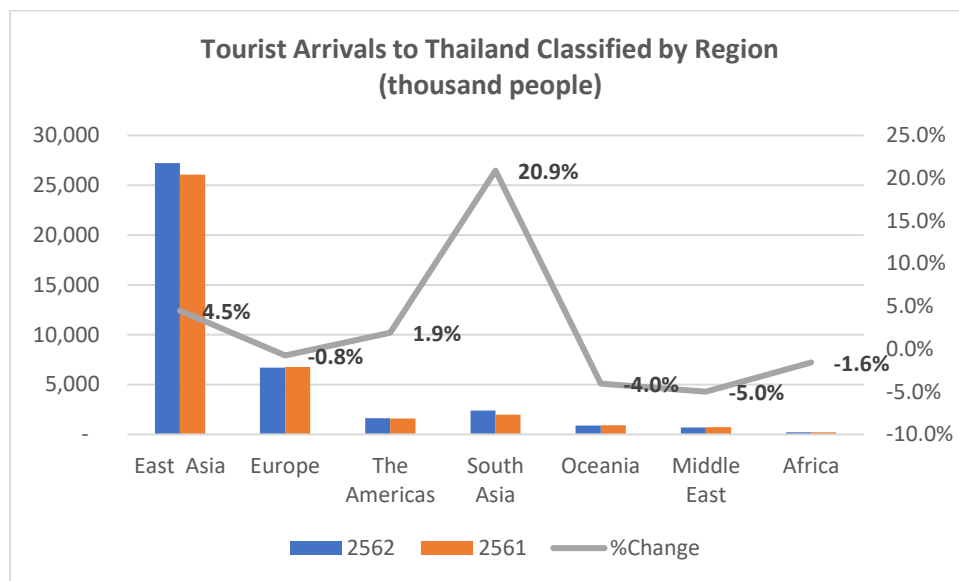
Thailand is one of the most prestigious countries in terms of tourism in the Region. It has many world-renown tropical beaches and historical sites as well as favorable climate and availability of transportation facilities including a number of primary international airports such as Suvarnabhumi (Bangkok), Don Mueang (Bangkok), Chiang Mai, and Phuket, together with other smaller international airports that service both domestic and international air traffic, e.g., Koh Samui International Airport and U-Tapao International Airport, etc. The prominent tourism industry of Thailand has played an important role in supporting the country's economic expansion. As the number of foreign tourist arrivals to Thailand has been increasing remarkably and the tourism sector has become a significant contributor to the Thai economy, the tourism-related businesses have also expanded remarkably over the past years. The number of foreign tourist arrivals reached 37.79 million people in 2019.

Chart 1



Source; Tourism Authority of Thailand
Remark: Preliminary figures only.

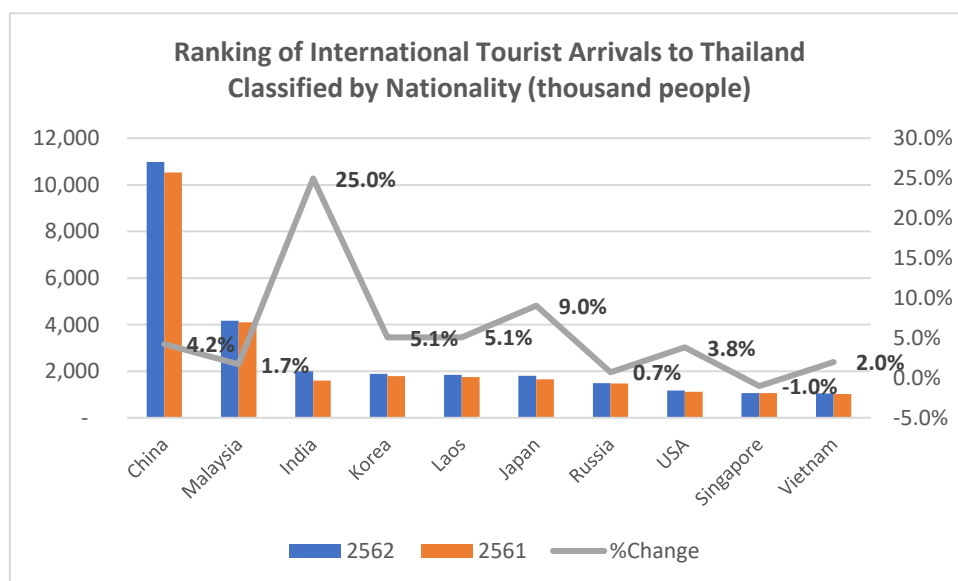
Chart 2



Source; Tourism Authority of Thailand

Remark: Preliminary figures only.

Chart 3



Source; Tourism Authority of Thailand

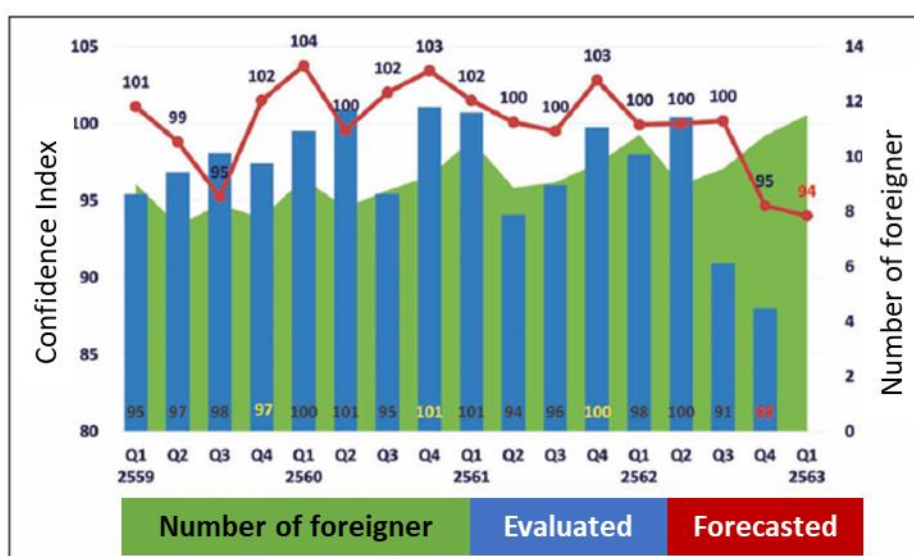
Remark: Preliminary figures only.

The number of tourist arrivals to Thailand from January to December 2019 increased by more than 1.5 million persons from the number of tourist arrivals in 2018 to approximately 39.7 million people, representing an increase of 9.9%. December saw the largest number of tourist arrivals, accounting for approximately 9.9% of the total number for 2019, whereas the lowest number of tourists visiting Thailand in May, accounting for approximately 6.9% of the total number.

Considering the growth of tourist arrivals on a monthly basis, the number of tourist arrivals increased continuously almost every month, except March and May, by around 0.2%-12.2% against the same month of the previous year. In this regard, October experienced the highest growth of tourist arrivals or about 12.2% over October 2018.

Tourists from East Asia visiting Thailand accounted for around 68.5% of the total number of tourist arrivals in 2019 whereas tourists from Africa accounted for about 0.5% of the total. The region that registered the highest growth of tourist arrivals in 2019 was South Asia, approximately 20.9%, whereas the number of tourist arrivals from Middle East increased at the lowest rate of around 5.0%. Tourists from China, Malaysia, India, Korea and Laos were the top 5 visiting nationalities to Thailand. The top 10 visiting nationalities to Thailand amounted to 27.4 million people or more than 69.0% of the total number of tourist arrivals in 2019.

Chart 4: Hotel Business Confidence Index

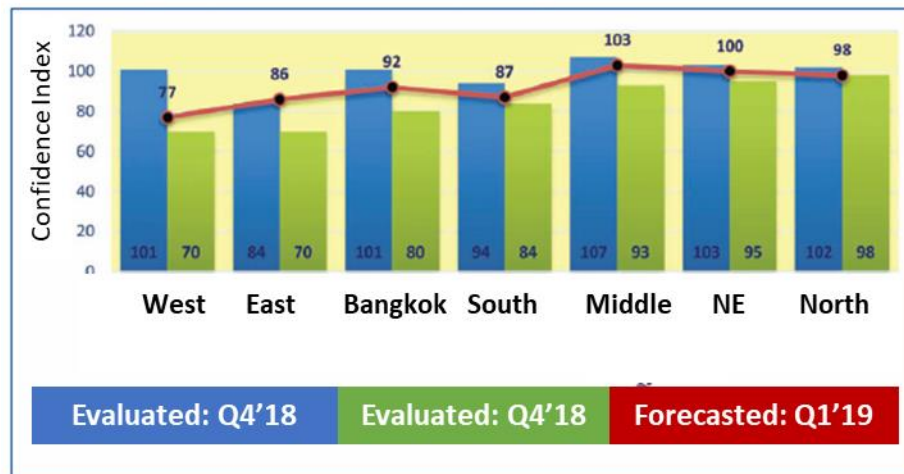


Source: Tourism Council of Thailand (TCT)

According to the survey of tourism business entrepreneurs approximately 600 people, it suggests that the hotel business confidence index in Q4'2019 is at 88, lower than normal situation at 100 and lower than the same period for the last 3 years. This implies that those entrepreneurs have lower operation profit comparing to the same quarter in the prior year. This also reveals that the tourism situation in Q4'2019 is lower than usual, which might be affected by negative factor from global and local economy. Moreover, the higher level of competition within the business affect spending behavior of tourists to disperse, also the easier to access new information nowadays encourage tourists to new tourist attractions.

For the next 3 months forecasting, the confidence index in Q1'2020 is at 94. This shows that the entrepreneurs believe that the tourism situation in Q1'2020 would be better than this Q4'2019. However, that figure is still also lower comparing to the same period last year.

Chart 5: Tourism Confidence Index Classified by Region



Source: Tourism Council of Thailand (TCT)

For the tourism situation in Q4/2019, most tourism business entrepreneurs assess the tourism situation to be lower than normal in every region. East and West are the most pessimistic at 70, much lower than normal, while the rest which are Bangkok, South, Middle, North-East and North is at 80, 84, 93, 95 and 98 respectively. There is only North region who assess the situation to be closely to normal.

For the next 3 months forecasting, the confidence index in Q1'2020 is still lower than normal especially in West (77), East (86) and South (87) which assess the tourism to be much lower than normal. On the other hand, North East (100) and Middle (103) forecast the situation to be normal and slightly better than normal respectively.

3.2.2 Bangkok Hotel Market

Current and Future Supply

According to CBRE Research, there are 49,181 hotel keys in downtown Bangkok in 2019, increasing 4.4% y-o-y from 2018 at 47,091 keys. Most of the supply were in the Mid-range grade accounting for almost half of the total supply. The Ploenchit/Sukhumvit area dominated with around 50%, followed by Silom/Sathorn, Central Lumpini/Siam and Riverside.

CBRE estimates that by the end of 2022, there will have been 9,423 more keys added to Downtown Bangkok's hotel supply, increasing the total supply by 19.2% to 58,604 keys. First Class and Mid-range hotels dominated the future supply with

38% and 34%, respectively. In 2020, over 3,500 keys are expected to come into the market with the majority being in the Luxury segment.

3.2.3 Outlook for Bangkok Hotel Market

According to the survey result of the world top destination of Master Card (GDPI) 2018 published on 4 September 2019, which compose of the survey of specific data for the region i.e., survey result of top destination in Asia Pacific or APDI, Bangkok has been being the first top destination for 4 consecutive years in term of number of foreigners arrival, spending during the travel and other interesting information.

Nevertheless, the outlook of hotel market in 2020 is not quite good due to the spread of Covid-19 in the late of January 2020. This is expected to affect the traveling around the world, especially in Asian. The number of tourists coming to Thailand is expected to decrease significantly in the first half of 2020. While the hotel room supply is keeping increasing, especially in downtown Bangkok. Together with the conflicts among powerful nations, which might affect the security confidence of the tourists, cause us to keep an eye on hotel market situation closely. However, if the Covid-19 is ease up, Bangkok as the top destination in the world will be the support for Bangkok hotel market recovery.

4 Risk Factors

4.1 Risks related 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. Moreover, in force majeure case, which significantly affect hotel performance and cause average monthly room revenue of hotel under the REIT management and average monthly room rate of Bangkok hotel or resort in the equivalent standard to be lower than the same period of prior year equal or greater than percentage amount specified in the sub-lease contract of immovable asset, it could be the cause to postpone or abstain from the rental fee.

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 have 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.

However, based on the past operations after investing in the Core Properties, the amount of profits before deduction of borrowing interests, corporate income taxes, and depreciation have been sufficient for paying the annual fixed rental fees to the REIT. Notwithstanding, it is possible for the REIT to receive the fixed rental fees as specified in the Lease and Sublease Agreements on a normal basis provided that the Sub-lessee is able to pursue its normal operations without economic fluctuation or increasing competition including the necessity to close the Grande Centre Point Hotel Terminal 21 Project for property renovation that may affect the normal

operations; and the Sub-lessee does not have an intention to default on the fixed and/or variable rental fees (if any).

In order to comply with the conditions on determination of the rental fees of real estate investment trusts pursuant to the Notification of the Capital Market Supervisory Board No. TorJor. 49/2555 Re: Issuance and Offer for Sale regarding Units of Real Estate Investment Trust, the RIET has sought approval from the unitholders' meeting for the amendment to the Sublease Agreement of Immovable Properties of Grande Centre Point Hotel Terminal 21 Project, between the Sub-lessee (L&H Hotel Management Co.,Ltd) and the Sub-lessor (SCB Asset Management Co.,Ltd as Trustee of the REIT), regarding the calculation method of the fixed rental. The resolution to amend such agreement has been obtained on 24 April 2017. As a consequence, the fixed rental of the immovable properties to be paid by the Sub-lessee to the REIT will be raised higher when the operating results of the Project result in variable rental exceeding 50% of the averaged fixed rental. Once the fixed rental is increased, it shall remain unchanged until the next round of Sublease Agreement renewal although the operating results of the Project may decline during the period. Such increase of fixed rental may affect the decision making for agreement renewal of the Sub-lessee upon expiration of the Sublease Agreement since it implies a higher rental cost for the Sub-lessee. In this regard, the provisions of the Sublease Agreement which were amended according to the resolution of the Unitholders' Meeting are also applied to the sublease of the Grande Centre Point Hotel Ratchadamri Project.

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 of the Core Properties.*

Currently the Grande Centre Point Hotel Terminal 21 Project and the Grande Centre Point Hotel Ratchadamri Project have been in operations for approximately 6 and 10 years, respectively.

The REIT Manager plans to periodically collect reserve funds for refurbishment and renovation as well as image improvement of both projects. However, the reserve funds for refurbishment, renovation and image improvement to retain the competitiveness may be inadequate in the future.

Upon occurrence of the aforesaid circumstances, the operations, financial status, operating results, and the ability to pay distribution to the Unitholders of the REIT may be adversely affected and the REIT may consider seeking some appropriate financing sources for its property refurbishment or image improvement in order to reduce the impact of such undesirable circumstances on the Unitholders.

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

Since the REIT procures loans to secure its financing sources for investment in the Core Properties, certain risks may occur due to economic fluctuation and interest rate volatility, which could adversely affect the REIT's operating results, resulting in insufficient liquidity of the REIT for repaying interest and principal, and impair the REIT's ability to make 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 have in place the measures to regularly monitor the REIT's operating results and other external risk factors, including interest rate movement. In addition, the REIT Manager may 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 REIT Manager 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*

In case that the Sub-lessee fails to acquire the hotel business license or the hotel business license of the Sub-lessee is revoked or not renewed, the Sub-lessee shall not be able to continue its hotel operations, which may be deemed a ground causing the Sub-lessee to be unable to comply with the provisions and duties under the Sublease Agreement.

Moreover, in case that the Sub-lessee is unable to comply with the material provisions and duties under the Sublease Agreement which shall be deemed a ground for 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 Agreement. 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 reach an agreement with a new party in respect of the terms and conditions specified in the new agreement which shall benefit the REIT, the REIT's revenue streams may be decelerated, interrupted or decreased significantly. This may adversely affect the operating results and the ability to make distribution payments of the REIT.

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) *Risks that may occur as a result of cancellation of the Agreement to Lease Land, Building, and Constructions of the Grande Centre Point Hotel Ratchadamri Project .*

The Grande Centre Point Hotel Ratchadamri Project was constructed on the land leased under the agreement to construct and to lease land and building ("the Master Lease Agreement") between L&H Property Co.,Ltd and the Bureau of the Royal Household (Office of the Privy Purse), which is the lessor of the land and building. In this regard, under the Sublease Agreement between L&H Property Co.,Ltd and the REIT, the leasehold right of such land and building shall not be transferred to the REIT. Accordingly, the REIT which is just a sub-lessor not a direct counterparty of the Master Lease Agreement is exposed to risk because the Bureau of the Royal Household (Office of the Privy Purse) may cancel the Master Lease Agreement with L&H Property Co.,Ltd if the latter fails to perform in accordance with any term of the agreement, and hence the cancellation of the Sublease Agreement by legal consequence.

However, since the REIT subleases the building of the Grande Centre Point Hotel Ratchadamri Project from L&H Property Co.,Ltd by paying the whole amount of rent on the signing date of the Sublease Agreement, therefore, L&H Property Co.,Ltd shall have sufficient cash flow to pay rent to the Bureau of the Royal Household (Office of the Privy Purse) throughout the leasehold period. Nevertheless, the monthly rent of land and building to be paid by L&H Property Co.,Ltd to the Bureau of the Royal Household (Office of the Privy Purse) is of small value, accounting for approximately 1% of the total income of L&H Property Co.,Ltd in 2016, the risk in this aspect is therefore eliminated.

The REIT Manager has undertaken the actions to prevent breach of the Master Lease Agreement by L&H Property Co.,Ltd as follows:

1. Arrange for L&H Property Co.,Ltd to deposit money at bank in the amount equivalent to the rent for land and building to be paid to the Bureau of the Royal Household (Office of the Privy Purse) in one year. The passbook is kept at the Trustee of the REIT for supervision and control as well as to ensure that L&H Property Co.,Ltd has the ability to pay rent for the leased land and building. In the case that L&H Property Co.,Ltd is in default in the payment of rent to the Bureau of the Royal Household (Office of the Privy Purse), the REIT Manager shall notify the Trustee to pay the rent to the Bureau of the Royal Household (Office of the Privy Purse) from the bank account of L&H Property Co.,Ltd and shall subsequently notify L&H Property Co.,Ltd to deposit money in such account in order to maintain the account balance at the amount equivalent to the rent for land and building it has to pay to the Bureau of the Royal Household (Office of the Privy Purse) in one year.

2. Supervise the financial status of L&H Property by requiring L&H and Reco Resort Pte Ltd as the shareholder of L&H to provide confirmation to the REIT that throughout the lease period under the Sublease Agreement of Immovable Properties of the REIT, both companies agree to supervise, control and undertake any necessary actions to review the financial status of L&H Property Co.,Ltd, and shall control the financial ratios of L&H Property Co Ltd within the appropriate level. The details of this matter shall be agreed mutually in writing in order to ensure that L&H Property Co.,Ltd maintains the status of a juristic person not in the state of insolvency and is able to pay rent under the Master Lease Agreement of the Project.

In the case that L&H Property Co.,Ltd is not able to pay the rent under the Master Lease Agreement, directly resulting in the termination of the Master Lease Agreement before 31 May 2038, Land and Houses Public Co.,Ltd and Reco Resorts Pte Ltd agrees to control, supervise, and pursue any actions to enable L&H Property Co.,Ltd to repay the outstanding rent of the leased properties to the REIT proportionately pursuant to the remaining lease term under the provisions and

conditions stipulated in the Sublease Agreement.

11) The REIT may not be able to use the leased or subleased properties if the Lessor or the Sub-lessor is in breach of the Lease or Sublease Agreement.

Since the REIT invests in the leasehold right of the Grande Centre Point Hotel Terminal 21 Project and is going to invest in the sub-leasehold right of the Grande Centre Point Hotel Ratchadamri Project; if the Lessor or the Sub-lessor under the Immovable Property Lease or Sublease 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/subleased properties as agreed in such agreements, though the lease/sublease 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 provisions set forth in the Immovable Property Lease/Sublease Agreement by the Lessor/Sub-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/Sub-lessor under the Immovable Property Lease/Sublease Agreement that if the Lessor/Sub-lessor is in breach of agreement, the Lessor/Sub-lessor is obliged to return to the REIT for the remaining amount of the rental fees proportionately pursuant to the remaining lease/sublease term, and to compensate for the loss of earnings due to the REIT's inability to utilize the leased/subleased properties during the period specified in such Immovable Property Lease/Sublease Agreement.

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

In case that the Immovable Property Sublease Agreement for the Grande Centre Point Hotel Terminal 21 Project and the Grande Centre Point Hotel Ratchadamri Project between the REIT and the Sub-lessee expires or is terminated before the expiration of sublease 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 and such new sub-lessee may not hold the same qualification or capability as 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 its ability to make distribution payments to the Unitholders respectively.

However, under the lease/sublease agreement, the REIT is entitled to demand the lessee/sub-lessee to renew the lease/sublease agreement for another 2 terms, each of which not exceeding 3 years. Besides, in the case where the sublease of immovable properties by the existing Sub-lessee is discontinued, the REIT Manager has in place proper procedures to select 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 Core Properties invested by the REIT contains the risks caused by fluctuations of the economic system and the tourism industry. Global economic regression or disruption or the volatility of currency exchange may affect the income and expenses of target tourists from various countries. Moreover, the deceleration of multinational businesses in Thailand as well as the decline of direct foreign investment, whichever reason may be, along with any epidemics such as SARS, MERS or COVID-19 may restrain the number of business persons who are the hotel customers, and foreign tourists visiting Thailand significantly due to the sluggish economy.

Since most of the customers staying in the Grande Centre Point Hotel Terminal 21 and the Grande Centre Point Hotel Ratchadamri are business persons and/or foreign tourists; therefore, the business operations of the Sub-lessee or the Hotel Manager may be affected by the variation of number and types of hotel guests based on changes of tourism season; and by the negative image from any circumstances which deteriorates the attraction of Thailand as a good business location and popular tourist destination, and at the same time reduces the foreigners' purchasing power, appreciation, and/or confidence in tourism in Thailand. All such factors may have a material adverse effect on the operating results of the REIT.

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 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 Core Properties invested by the REIT 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.

- 4) ***Possible damage or loss to the Core Properties may arise***

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.

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

If there are any improvements of the transportation infrastructure system near the Core Properties such as the BTS Asoke and Ratchadamri Stations, the MRT Sukhumvit Station, bus interchanges, connecting bridges between buildings in surrounding area, and entrance-exit road of the Core Properties, which provide convenience to such Core Properties, the REIT Manager cannot assure that the access to the Core Properties will not be affected by any modifications, closure, relocation, demolition, construction, improvements of the transportation infrastructure, as well as any delay or non-completion as planned; or that there will be no impediment to traffic flow in the vicinity of the Core Properties. Such incidents may unfavorably affect the access to the Core Properties or the ability to improve the Core Properties which may have adverse impact on customers' travel convenience, the attractiveness and selling point of the properties or the leasehold/sub-leasehold right of properties in which the REIT invests, as well as the access to the Core Properties; and may adversely affect the financial status and operating results of the REIT, reducing the REIT's ability to make distribution payment to the Unitholders.

Moreover, the REIT Manager 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, customers and tenants in the Core Properties, and could reduce the total rental income earned from the Core Properties. As a

consequence, such redevelopment, renovation, construction or land development may have a significant negative impact on the financial status and operating results of the REIT.

7) ***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.

8) ***Natural disaster and other force majeure, terrorism, and war may have negative impact on the REIT’s revenue.***

Various risks such as natural disaster or other force majeure in the area in which the Core Properties are located as well as the area from which the Core Properties draw a large number of customers, such as flooding in Thailand in 2011, may cause a decline in the level of consumption and leisure travel. In addition, any actual or threatened war, terrorism, political unrest, civil strike, and other geopolitical uncertainty could also have similar effect. Any one or more of these incidents may reduce the overall demand for occupancy and relevant services in the Core Properties, which may affect the revenues of the Sub-lessees and significantly reduce their ability to pay the fixed and/or variable rental fee, which may have a significant adverse effect on the operating results, financial status, the ability to make distribution payments, and return on investment of the REIT. Besides, such incidences may cause damage to the Core Properties which are not covered by the insurance policies.

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

Generally, property valuation involves consideration of various factors including those related to the Core Properties such as market position, financial strength, competitiveness, and physical conditions that are subject to future changes due to

the non- occurrence of some or all events stated as assumptions or the occurrence of unexpected events or circumstances. These assumptions are based on information provided by, or on behalf of, the REIT Manager and the owner of the Core Properties, including discussions made with such persons. Since these assumptions reflect expectations and views regarding future events, thereby involving risks and uncertainties known or unknown by the investors. Additionally, the information pertaining to property valuation and the information of the valuation reports contained herein may be partly based on and include the information that are forecasts, projections, and other forward-looking statements which are subject to risks and uncertainties. As such, the future events may involve risks, uncertainties, and other factors that may cause the actual results or performance to be significantly different from the future results or performance stated in the appraisal reports

The REIT Manager cannot assure that the property valuations prepared by the Appraisal Firms shall always reflect the intrinsic value of the Core Properties, or that other independent appraisers would present the same valuations. Accordingly, the REIT Manager cannot guarantee that the assumptions relied on will turn out to be accurate. The selling price of any properties to be sold by the REIT in the future may be lower than the value determined by the Appraisal Firms as of the day on which the REIT invested in such Core Properties; or may be lower than the purchase price of the properties acquired by the REIT. Moreover, the net asset value derived from the initial property valuation by the Appraisal Firms may not always reflect the intrinsic value of the Core Properties at the time of disposal of properties by the REIT or upon liquidation of the REIT.

As the property valuation reports prepared by respective Appraisal Firms have not been updated since the date of issuance, therefore, they should not be considered by investors as advice to take any action based on the property valuation disclosed herein. In making decision to purchase the REIT units, investors should not rely solely on the property valuation and the information contained in the valuation reports of the Appraisal Firms included in this Report.

- 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 fair 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.

11) The RIET may not be able to use the gateway of the Grande Centre Point Hotel Ratchadamri Project as the new invested properties are located at Soi Mahadlekluang 1.

The Grande Centre Point Ratchadamri Project is located on the land at Soi Mahadlekluang 1 which is owned by the Bureau of the Royal Household (Office of the Privy Purse). The land has been used as the gateway for the Grande Centre Point Hotel Ratchadamri Project without registering the servitude right for the Lessee of the land. Accordingly, the REIT may not be able to use the land at Soi Mahadlekluang 1 as the gateway of the Grande Centre Point Hotel Ratchadamri Project, resulting in less convenience of the residences and customers of the Project and the benefits of the REIT to which the Unitholders are entitled. However, the Bureau of the Royal Household (Office of the Privy Purse) has issued a letter of consent to L&H Property Co.,Ltd empowering the building of the Grande Centre Point Hotel Ratchadamri Project to use the land at Soi Mahadlekluang 1 as the gateway. Consequently, as the RIET makes additional investment in the properties, it is also authorized to use the gateway via Soi Mahadlekluang 1 according to the letter of consent without having to register the servitude right.

12) The value of investment in the leasehold right of immovable properties will decrease in accordance with the remaining lease term.

The REIT has invested in the leasehold right of 2 immovable property projects, namely, the Grande Centre Point Terminal 21 Project and the Grande Centre Point Hotel Ratchadamri Project, which are regarded as the Core Properties of the REIT. The value of the leasehold right of the immovable properties of the REIT has decreased gradually according to the remaining lease term as well as due to other factors beyond the REIT's control. As a matter of fact, upon termination of the term of the leasehold right invested by the REIT, the value of the REIT units may decline to zero. Therefore, any change of the value of such leasehold right may have a significant adverse impact on the asset value and the NAV of the REIT.

13) *Change of tax policy may cause lessee's ability of paying rent to the REIT.*

According to REIT's incomes are from renting out the hotels to lessee which is LH Hotel Management Co.,Ltd. to operate hotel business and lessee has duty to pay tax.

However, tax policy may change as the time goes by and the effect of the change could cause lessee's financial burden and the cost of leasing hotel also following consequence of reducing ability to pay rent to the REIT. In order to prevent the matter, the REIT manager and the lessee will advise and negotiate with each other to solve the matter to mitigate the effect on dividend payment. In order that, if the matter has to be proposed to the Trust unitholders, the REIT manager will analyze for the appropriate solution and propose to the Trust unitholders's meeting with independent financial advisor's opinion and information to support the determination of Trust unitholders.

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 REIT Manager'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 REIT Manager 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) *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 REIT Manager 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.

6) *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 REIT Manager 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 REIT Manager 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.

7) *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 L&H Hotel Management Company Limited is also the hotel manager of Grande Centre Point Ploenchit and Grande Centre Point Sukhumvit 55.

However, management of each hotel by L&H Hotel Management 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.

4.4 Risks related to Investment in the Units of the REIT

1) The prices of the REIT units traded in the secondary market may be lower than the purchase price.

The prices of the REIT units traded in the secondary market may fluctuate due to various factors, including but not limited to, the following factors:

- Viewpoint towards the REIT's potential regarding operations and investment including the outlook for domestic real estate market.
- Differences between the actual financial status and operating results and the projections made by investors and analysts.
- Changes in investment recommendations and projections of the analysts.
- Changes in general economic and market situations as well as changes in consumption demand, interest rates, foreign exchange rates, and the government policy regarding imports and exports.
- Number of inbound tourists.
- Market value of the Core Properties
- Attractiveness of the REIT units in comparison to other types of securities including the trust units in sectors than real estate.
- Equilibrium between demand and supply of the REIT units.
- Sale of the REIT Units or intention to sell the REIT units in big lots.
- Size and liquidity of domestic REIT market in the future
- Future changes in the structure, regulations, and tax burdens related to investment in general and/or specifically related to the real estate investment trusts as well as local and foreign investment.
- The situation that the REIT is not able to perform in accordance with the investment and growth strategies.
- Market volatility including the fragile capital market and the rising interest rates.

The aforementioned factors may lead to higher or lower prices of the REIT units traded in the secondary market comparing to the NAV per unit. In addition, in the case that the REIT sets aside a portion of the profits for use as capital for additional investment, for use as working capital, or for any other purposes; although this will result in higher NAV of the REIT than the case that the reserves are not set aside, the market prices of the REIT units increase accordingly. The inability of the REIT to meet market expectations on profits and investment returns may impact the market prices of the REIT units adversely.

The REIT units are not principal-protected financial products. The REIT Manager cannot guarantee that unitholders of the REIT will receive the full principal

amount upon termination or liquidation of the REIT. Investors may lost their investment in the REIT units partially or totally of investment. Besides, the REIT is currently not subject to corporate income tax. However, if the laws and regulations related to taxation and other relevant issues change in the future, the REIT and/or the unitholders of the REIT may face tax burden which is likely to significantly impact process of the REIT units eventually. Therefore, the REIT Manager shall not guarantee that the REIT can pay distribution or returns on investment in the REIT units or maintain the distribution payment at a constant rate.

Income derived from investment in immovable properties depends on a number of factors including rent revenue, operating expenses, and other expenses; all of which may be affected by various factors such as domestic and global economic situations, potential of the Sub-lessees and the Property Manager in maintaining their operating , control of operating expenses, competition, occupancy rate, changes in rules and regulations related to business operations, crisis management upon occurrence of natural disasters and political unrests. In case that the RIET cannot procure sufficient income of the Core Properties as well as other properties and cannot secure financing at appropriate cost or under favorable conditions in a timely manner; the income structure, cash flow and ability to pay distribution of the REIT may be adversely affected.

Therefore, the REIT Manager shall not guarantee that the REIT is able to pay distribution or maintain the distribution payment according to the specified distribution policy. Also, it shall not guarantee that the future rates of distribution payment and investment return will increase or remain constant; or the rent received from subleasing and/or leasing of the Core Properties to the Sub-lessees will increase; or the rent revenue generated form fixed and variable rent of the additional Core Properties to be invested by the REIT in the future will contribute to the increase of the REIT's income which may be used for paying distribution or investment returns to the Unitholders.

2) *The Unitholders of the REIT are not able to redeem the REIT units.*

Since the REIT is a closed-end investment trust, the Unitholders are not able to redeem their REIT units. Therefore, there is no guarantee that the Unitholders can sell their REIT units at the same price as their purchase price or sell the REIT units at any prices. Moreover, there is no guarantee that they can sell the REIT units.

Notwithstanding, the REIT units have been registered as listed securities on the Stock Exchange of Thailand and have the trading liquidity according to current market conditions.

3) *The value of the REIT units may fall if the offer price of the newly issued REIT units is lower than the unit value before offering the new units.*

In the future, the REIT may issue new units to mobilize more capital. The offer price of the new REIT units may be lower than the current market price which will consequently lower the value of the REIT units.

- 4) *Selling of the REIT units by the shareholders, and/or affiliated companies of the shareholders, of the company selling properties to the REIT in significant amount may adversely impact the market price of the REIT units.***

The market price of the REIT units may be impacted by the selling of REIT units in the future by the shareholders, and/or the affiliated companies of the shareholders, of the property owner; and/or the shareholders of the Sub-lessor of the Core Properties of the REIT. Investors should take such factor into consideration as the circumstance may have adverse impact on the market price of the REIT units significantly.

- 5) *Return of capital paid to Unitholders following termination of the REIT may be lower than the investment amount during the offering of REIT units in the primary market.***

In the case where the REIT is terminated, the REIT Manager cannot guarantee that the Unitholders will receive back their capital in full or partial amount. The return of capital depends on the causes and method of termination, criteria for asset disposal, and the remaining term of the leasehold right.

- 6) *The net asset value of the REIT may not be the same as the current market price quoted on the Stock Exchange of Thailand.***

The NAV of the REIT publicized by the REIT Manager is calculated based on the property value revealed in the property valuation report or the report on the latest review of property valuation. Since the REIT invests in the leasehold/sub-leasehold right of immovable properties, the value of such leasehold/sub-leasehold right will decrease according to the remaining lease/sublease term which is in line with the property valuation report or the report on the latest review of property valuation. Therefore, changes in the value of the leasehold/sub-leasehold right of such immovable properties may have significant impact on the NAV of the REIT. Besides such NAV may not be the actual price currently traded on the Stock Exchange of Thailand because the current market price is also subject to other factors such as demand and supply of the securities, inflows of foreign capital, etc.

- 7) *The net asset value of the REIT is not the intrinsic value of the properties that the REIT will receive upon disposition of all such properties or upon termination of the REIT.***

The net asset value of the REIT mentioned herein is calculated based on the information obtained from the Valuation Report of the invested properties. Such value may not reflect the actual value of properties to be received by the REIT upon disposition of all such properties or upon termination of the REIT.

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 6,051,964,000
Par Value of the Unit	Baht 10.00
Number of Unit	537,919,900 units
Type of Unit	Name of Unitholder Specified
IPO Price of Unit	Baht 10.00
Price of Unit Offered for the First Capital Increase	Baht 13.00
NAV per Unit as at 31 December 2019	Baht 12.7565

7.1.2 Information of Securities Prices

Closing Price on 30 December 2019	Baht 19.50
Highest Price in 2019	Baht 20.70
Lowest Price in 2019	Baht 16.00
Market Value on 30 December 2019	Baht 10,489.44 million
Trading Volume per Year	Baht 732.20 million

7.2 Information of Unitholders

7.2.1 Top 10 Major Unitholders on the book closing date of 27 February 2020

No.	Major Unitholder	No. of Units (units)	%
1.	L. H. Mall and Hotel Company Limited	71,275,310	13.25
2.	LH Financial Group Public Company Limited	25,930,900	4.82
3.	TMB Property Income Plus Open-ended Fund	23,754,800	4.42
4.	MFC Property Dividend Open-ended Fund	19,951,740	3.71
5.	Bangkok Life Assurance Public Company Limited	14,872,100	2.76
6.	Land and Houses Bank Public Company Limited	14,539,900	2.70
7.	Land and Houses Securities Public Company Limited	12,505,300	2.32
8.	MFC Property Wealth Fund	11,895,459	2.21
9.	Mr. Peera Patamavorakulcha	11,307,350	2.10
10.	B Senior Citizen Mixed Fund	10,096,200	1.88

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

No.	Major Unitholder	No. of Units (units)	%
1.	L. H. Mall and Hotel Company Limited	71,275,310	13.25

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 -

7.2.4 Juristic Persons having the Same Major Shareholder as the REIT Manager

1. Land and Houses Bank Public Company Limited
2. Land and Houses Securities Public Company Limited
3. Land and Houses Fund Management Company Limited

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. However, even Net profits of operations is higher than approval annual budget. REIT Manager have an authority to make a advance principle repayment or/and contractual principle repayment depends on any situations.

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

During the operating period between 11 December 2015 (the date of establishment of the REIT) until 31 December 2019, the REIT made distribution payment as follows:

Operating Period	Distribution Payment (per Unit)	Unit	Distribution Payment Date (Date/Month/Year)
11 Dec 2015 – 31 Dec 2015	0.0530	Baht	27 May 2016
1 Jan 2016 – 31 Mar 2016	0.2000	Baht	27 May 2016
1 Apr 2016 – 30 Jun -2016	0.2650	Baht	31 Aug 2016
1 Jul 2016 – 30 Sep 2016	0.2375	Baht	30 Nov 2016
1 Oct 2016 – 31 Dec 2016	0.2300	Baht	23 Mar 2017
1 Jan 2017 – 31 Mar 2017	0.2300	Baht	28 May 2017
1 Apr 2017 – 30 Jun -2017	0.2000	Baht	30 Aug 2017
1 Jul 2017 – 30 Sep 2017	0.2850	Baht	29 Nov 2017
1 Oct 2017 – 31 Dec 2017	0.2530	Baht	13 Mar 2018
1 Jan 2018 – 31 Mar 2018	0.2400	Baht	14 Jun 2018
1 Apr 2018 – 30 Jun -2018	0.2800	Baht	31 Aug 2018
1 Jul 2018 – 30 Sep 2018	0.3000	Baht	28 Nov 2018
1 Oct 2018 – 31 Dec 2018	0.2800	Baht	14 Mar 2019
1 Jan 2019 – 31 Mar 2019	0.2400	Baht	18 June 2019
1 Apr 2019 – 30 Jun -2019	0.2800	Baht	19 Aug 2019
1 Jul 2019 – 30 Sep 2019	0.3000	Baht	27 Nov 2019

1 Oct 2019 – 31 Dec 2019	0.2900	Baht	12 Mar 2020
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7.3.4 Adjustment of Fixed Rental to be in Line with the Notification of the Capital Market Supervisory Board No. TorJor. 49/2555

SCB Asset Management Company Limited as the Trustee of LH Hotel Leasehold Real Estate Investment Trust (the “REIT”) has entered into the Immovable Property Sublease Agreement and the Movable Property Lease Agreement of the Grande Centre Point Hotel Terminal 21 Project, dated 16 December 2015, followed by the first amendments to such agreements dated 17 May 2017.

Subsequently, the REIT has entered into the Immovable Property Sublease Agreement and the Movable Property Lease Agreement of the Grande Centre Point Hotel Ratchadamri Project, dated 5 June 2017.

Recently, in 2019, the REIT has entered into the Immovable Property Sublease Agreement and the Movable Property Lease Agreement of the Grande Centre Point Hotel Sukhumvit 55 Project, dated 12 November 2019

The Immovable Property Sublease Agreement of both projects has stipulated that the Sub-lessee shall pay fixed rental fee and variable rental fee to the REIT in accordance with the Notification of the Capital Market Supervisory Board No. TorJor. 49/2555 Re: Issuance and Offer for Sale of Units of Real Estate Investment Trust, Chapter 2, Clause 10 (3) (b) (the “Notification No. TorJor. 49/2555”). In order to comply with the aforesaid Notification, the REIT Manager and the Sub-lessee have agreed that if the operating results are better than expected, which result in the variable rental fee (rental fee referred to the operating results of the lessee’s business) higher than 50% of the fixed rental fee (the mainly exact amount of rental fee specified in advance), the Sub-lessee is obliged to pay the increased fixed rental in the fourth quarter of the year to ensure that the variable rental shall not exceed 50% of the fixed rental.

Nevertheless, due to asset performances for 2018 was in line with our forecast, therefore there are no adjustment for fixed rent for coming year 2019. The detail of fixed rent for 2019 shall be as follows;

Unit: Million Baht

	Grande Centre Point Hotel Terminal 21 Project	Grande Centre Point Hotel Ratchadamri Project	Grande Centre Point Hotel Sukhumvit 55 Project	Total
Fixed Rental in 2019	277.79	244.65	224.00	746.44

8. Management Structure

8.1 The Management Company

8.1.1 General Information of the Management Company

Name of the Management Company :	Land and Houses Fund Management Company Limited
Location :	11 Q. House Sathorn Building, 14 th Floor, South Sathorn Road, Tung Maha Mek, Sathorn, Bangkok 10120.
Company Registration No. :	0105551006645
Telephone :	02 286-3484 and 02 679-2155
Facsimile :	02 286-3585 and 02 679-2150
Website :	http://www.lhfund.co.th

Detail of the Management Company

Land and Houses Fund Management Co., Ltd. has registered change of its name with the Ministry of Commerce since 23 November 2010. Its former name was United Fund Management Co., Ltd. The Company was established as a limited company on 17 January 2008. Presently, the Company has Baht 300 million registered and paid-up capital and has obtained licenses to undertake various types of business 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.
- Acting as a trustee of real estate investment trust on 10 November 2016.

Shareholding Structure of the REIT Manager

The shareholder of the REIT Manager as of 31 December 2019 was as follows:

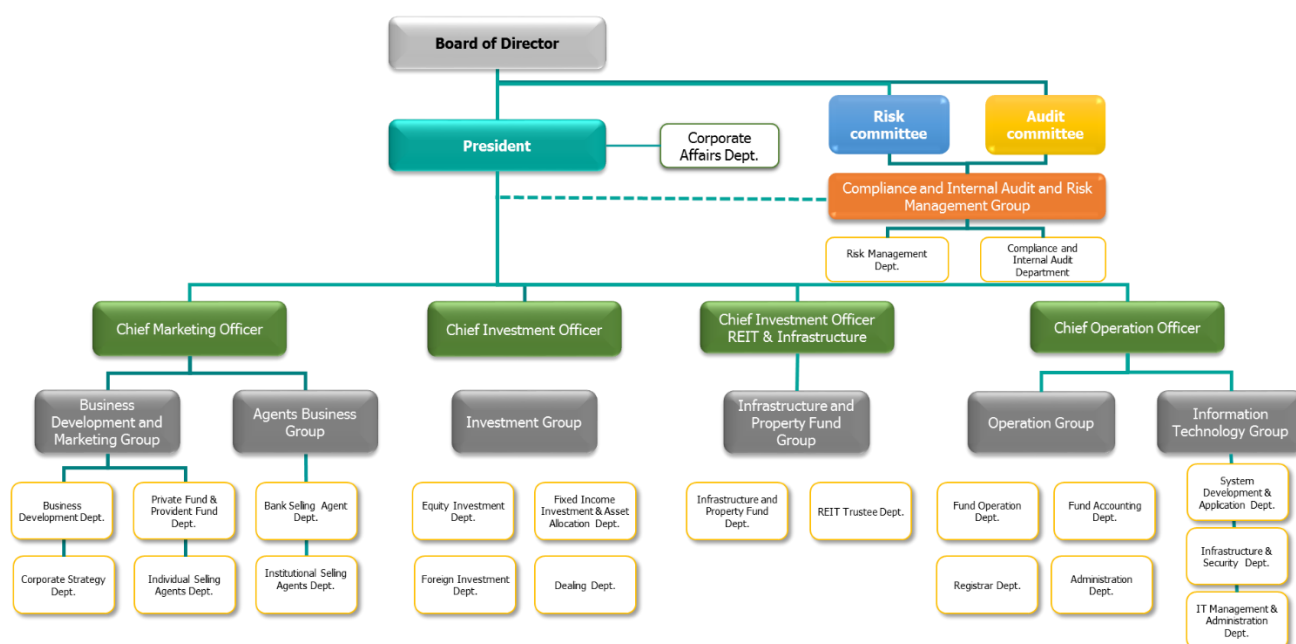
Name	No. of Shares	% of Total Shares
LH Financial Group Plc.	2,999,995	99.99

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

As of 31 December 2019, the REIT Manager commits to divide the responsibilities of each department clearly. Each department works independently and systematically based on the principles of trust and good corporate governance as well as the consideration of the control of any potential risk arising from corruption, fraudulent and conflicts of interest. Thus, the fund manager can manage the investment with honesty, with priority of customer's benefit before itself as well as to prevent any information leaks or illegal acts as well as the regards of the condition, size and complexity of the Company's business operations.

The organization structure of the REIT Manager is composed of 7 main groups, namely: Business Development Group, Agents Business Group, Private Fund Group, Investment Group, Infrastructure Fund Business Group, Operation Group Audit and Risk Management Group.

Organization Chart



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

With recognition of the importance of the duty to protect the interests of the unit holders, who are retail investors, Board of Directors has been appointed. They also established another 5 sub-committees. Then, the REIT Manager has 6 groups of committees as follows:

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

1. Board of Directors

- The Board of Directors comprises 9 members as follows:

- | | |
|-------------------------------|----------|
| 1) Mr. Rutt Phanijphand | Chairman |
| 2) Mr. Adul Vinaiphat | Director |
| 3) Mrs. Sasitorn Phongsathorn | Director |

- | | |
|--------------------------------|----------|
| 4) Miss Chutamas Sombunyaviroj | Director |
| 5) Mrs. Ravewan Wattananukij | Director |
| 6) Mrs. Suwanna Bhuddhaprasart | Director |
| 7) Mrs. Chantana Kanchanagama | Director |
| 8) Mr. Monrat Phadungsit | Director |
| 9) Mr. Guang- Hua Lai | Director |

• **Scope of Authority of the Board of Directors**

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 interests of the REIT manager.
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. Monitor the performance of the management to ensure that the approved policies are implemented efficiently and effectively. With the regards of the benefits of the company, shareholders, and investors are protected.
3. Provide provisions regarding business ethics and ethics of Directors Executives and staff to be a practice guideline within the organization.
5. Establish a written corporate governance policy to approve and monitor the operation according to the said policy as well as requiring policy to be reviewed at least once a year.
6. Set up Corporate Governance Policy of the Company with approval and monitoring to the operation according to the said policy as well as requiring policy to be reviewed at least once a year.
7. Set guidelines for conflicts of interest and supervise the operation to be in accordance with the requirements.
8. Monitor and control the operations of the management company in terms of both financial reports and compliance with relevant regulations, policies, and laws and also set up effective internal control and audit systems.
9. Supervise to get the report in order to get a data reporting process so that the Board of Directors receive sufficient information from the management to enable them to fully comply with their duties and responsibilities.
10. To ensure that the management set important policies for the fund management business in line with the company policy especially Risk Management Oversight by setting policies and guidelines for managing risks

that occur and approve policies and also review the practical strategies and policies on a regular basis.

11. Consider the appointment and approval of roles and responsibilities of various sub-committees to oversee the company's business as assigned by the Board of Directors.

12. Consider and approve the transaction according to the approval authority which shall be in accordance with the approval authority table amendments by the Board of Directors.

2. Audit Committee

Scope of Authority of the Audit Committee

1. Review and approve the annual audit plan proposed by the Compliance and Internal Audit Department 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 (At least once a year) 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.
5. Consider, select, propose, appoint and offer remuneration for the company's auditor and set up a meeting with the auditor about issues that may affect the reliability of financial reports problems encountered in the operation
6. Review the company's financial reports according to the auditor's report in order to ensure the accuracy. And be aware of significant changes in accounting policies and adjustments of the auditor.
7. Consider the disclosure of company information. In the case that there is a connected transaction or transactions that may have conflicts of interest, according to the operation supervision department or the auditor. And also give opinions to the board regarding the said transaction.
8. To make a report of the Corporate Governance from audit committee by disclosing in the company's annual report
9. Review and acknowledge ethical performance for the Board of directors, employees and Corporate Governance.

10. Consider and approve the annual compliance report and / or related reports.
11. The audit committee must consist of at least 2 non-management directors and at least 1 committee member must have accounting or financial knowledge, with the supervisor of the supervision and audit department as secretary.
12. The audit committee must be appointed by the board of directors. Each term has a term of 3 years and is in accordance with the position of a director of the company.
13. The audit committee must hold a meeting at least once a quarter when necessary. The audit committee may invite the management team or related parties to attend the meeting and provide relevant information.
14. Receive information from the auditors when the auditors discover suspicious circumstances that Managing Director or a person responsible for the company's operations, having committed an offense under Section 281/2, Paragraph Two, Section 305, Section 306, Section 308, Section 309, Section 310, Section 311, Section 312 or Section 313 of the Securities and Exchange B.E. 2535 and immediately investigate the said situation without delay and submit the report of the said situation to the Office of the Securities and Exchange Commission and the auditor within 30 days from the date of receipt of notification from the auditor.
15. Other duties as assigned by the Board of Directors.

3. Risk Management Committee

Scope of Authority of the Risk Management Committee

1. Moderate and propose governance risk management and management systems to the Board of Directors and the Risk Supervision in order to consider business risk management 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 structure 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. Supervise, review, and make recommendations to the Board of Directors regarding risk management policies. Standardized practices Strategy and overall risk measurement to ensure that the risk management strategy is implemented appropriately.

4. 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.
5. Approve the criteria for the selection of various factors in the analysis of financial statements and also weight each factor which will be reviewed at least once a year or when there are events of a significant impact. If an unanimous vote occurs, the Chairman of the Risk Management Committee is to be vote one more vote to be the decisive vote

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 set policies, criteria, and / or limitations relating to the company's operations in various areas such as procurement / procurement of company assets, staffing, marketing etc.
3. Consider and screen or approve action plan and budget allocation for each line of work
4. Consider assigning and / or appointing staff as company representatives in external organizations.
5. Consider and set the principles for assessing the fair value of securities and various types of assets in accordance with accounting standards of investment measurement methods.
6. Review the results of various operations of the company such as the results of internal and external audits and implementation of company policies and goals.
7. Consider and approve the appointment of a third party to do transactions with the company, such as the appointment of funds, custodians, selling agents, fund management companies, etc.
8. Consider and approve various expenses which are related to product development and marketing or other services of the company.
9. Consider the appointment of a committee or working group to carry out various tasks as assigned by the management committee.
10. Acknowledge the establishment of the fund and cost fees including expenses fees for registering funds to increase capital or amend projects

5. Investment Committee

Scope of Authority of the Investment Committee

1. Set the investment framework or strategy, investment policy and investment plan of the REIT, determine the approval authority for securities that are in the investment criteria (Securities Universe) or cannot be invested. Also, approve the allocation of investment weight according to the level of investment attractiveness
2. Consider selection and evaluation Bond Trading Partners and allocation of trading volume to trading partners
3. 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.
4. Consider voting rights in shareholders' meetings on behalf of clients, mutual funds, and private funds of the company (Proxy Voting).
5. Monitor and evaluate fund performance.
6. Acknowledge the maximum investment limit and Counter Party Limit which can be invested in debt instruments based on Risk Limit divided into Company Limit, Issue Size Limit, Product Limit and allocated according to the received limit.

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 consider to 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 revenue guarantor of the REIT.

7. Outsourcing of Operational Functions

The management company has outsource works in some departments to Land and Houses Bank Public Company Limited as a consultant and proceed various related activities in order to ensure the operations of the management company to be in accordance with the rules of the specified authorities.

In terms of property management, the fund manager has assigned the expert property manager who has expertise and experience to perform the duties in managing and maintaining the property efficiently in order to be in such a good condition and get ready to generate income in accordance with the announcement of the SEC.

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

The primary duties and responsibilities of the REIT Manager are to manage the REIT, invest in the properties of the REIT and supervise the performance. The REIT Manager shall perform its functions under the supervision of the Trustee. The REIT Manager's duties and responsibilities are as follows:

1. Duties to the REIT

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

1. Perform its duties as professionals with knowledge, skills ,diligence, care, and loyalty. In this regard, the REIT Manager shall respond to the unitholders fairly and for the best benefit for the unitholders. It is also to comply with the Trust establishment agreement, Trust Manager Appointment Agreement, the purpose of establishing Trust, Trust unitholders' resolution and relevant laws
2. Maintain sufficient capital continuously to operate the business and responsibilities which may occur from the performance of duties as the REIT Manager.
3. Disclose, give an opinion, 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, without distortion and misleading;
4. Do not exploit any information acquired from performing as REIT Manager for its own interest, which may lead to damage or cause the overall benefits of the REIT.
5. Perform its duties carefully in order to avoid conflicts of interests. If they occurs, the REIT Manager shall proceed to

ensure that the unitholders' interest will be treated fairly and appropriately.

6. Comply with the laws and regulations regarding 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 allowance to be granted by the Office of the SEC. In addition, the REIT manager shall not conspire, employ or collaborate with anyone to break the laws and regulations.
7. Cooperate with the Trustee or the SEC Office to perform their duties, and disclose information which may significantly affect the management of the REIT or other information which should be notified to them.

1.2 The REIT Manager must manage to have a quality operating systems, including an efficient check and balance system, to entirely support the work under its responsibility. To ensure proper and efficient management of the REIT entrusted by the Trustee, the operating systems shall at least cover the following issues:

- (1) Setting up the management policy of the REIT, the structuring of the investment capital of the REIT, the decision to make investment in immovable properties and the formulation of policy and strategy relating to the investment of benefits from immovable properties in line with the investment policy under the Trust establishment agreement and the securities and other laws related to the operation of the REIT and also to protect the benefit of the REIT and the unitholders generally
- (2) A managing system of the risks associated with the REIT management in order to prevent and manage the risks efficiently.
- (3) A system to prevent the conflict of interest, especially among the REIT, the REIT Manager and its connected persons, including measures or guidelines for generally keeping the best interests of the REIT or the unitholders , when a conflict of interest is found.
- (4) Screening 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 assigned to them.

- (5) Supervision the performance of the REIT Manager and its staff for work related to the REIT management including staff assigned to work related to the REIT management in order to comply with the securities laws, other related laws and the contract to establish the Trust.
- (6) Disclosure of complete, accurate, and adequate information of the REIT in order to be in accordance with the establishment of Trust agreement and securities law.
- (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 deal with and proceed the issues related to REIT management which must be in accordance with the regulations specified in clause 1.3.

1.3 The REIT Manager may outsource the functions related to REIT management to other persons as necessary under the following regulations, in order to enable the operations effectively under the following rules:

- (1) Without an impact on the performance of the REIT Manager
- (2) With a standardized method to run the business when being unable to proceed the work
- (3) In case of outsourcing functions related to investment in other assets of the REIT, the service provider shall have the authority to perform such functions as prescribed by laws.

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

1.4 The REIT Manager shall prepare its financial statement in accordance with financial reporting standards and also submit the financial

statements to the SEC within three months from the end of the accounting year.

- 1.5 The REIT Manager shall not take any actions resulting in a lack of ability to work independently of the Trust; such as, investing in immovable properties owned or possessed by the connected persons of the Trustee.
- 1.6 The REIT Manager shall provide liability insurance that may arise from the operation of business or performance as the Trust manager as well as the operations of the the directors, executives, and their staff during the time of this contract in according to the system of the REIT manager.
- 1.7 The REIT Manager shall arrange a unitholders' meeting to consider and vote on various matters as specified in the Trust establishment such as the modification or amendments of the Trust establishment, capital increase of the REIT, change of Trustee, etc.
- 1.8 In case of an appointment of adviser to provide advice or recommendations related to investment and management of immovable properties, the RIET Manager shall act in accordance with the following regulations:
 - (1) Let the advisers declare the conflicts of interest in the issue under consideration.
 - (2) Do not allow the advisers who have direct or indirect conflicts of interest in the issue under consideration get involved in the decision making of any 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) Ensure that the sale, transfer of immovable properties or the engagement in agreement relating to the properties as the REIT is done properly and enforceable by law.
 - (2) Ensure that the investment in immovable properties of the REIT is done properly with requirement at least of the following actions:

- (a) Self-assessment to manage the property before accepting the assignment as the REIT Manager or before making additional investment in 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 property together with guidelines for risk management including completion risk (if any) such as the risks that may arise from the delay of construction and the inability to procure benefits from the property, etc.
- 1.10 Arrange for the the valuation of the main assets invested by 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; such as appraisals before the acquisition or disposals of the Core Properties of the REIT, reviews of the appraised value of the Core Properties, periodical appraisal of the Core Properties' value in compliance with related regulations, etc.
- 1.11 The immovable properties to be invested by the REIT shall be appraised in accordance with the criteria stipulated by relevant laws, and also the inspection and review. Moreover, the REIT Manager must manage to take various actions in order to inspect the real estate which is to be invested as a practitioner including the condition of the property, the contractual ability, financial and legal information, the appropriateness of other aspects, etc. to support investment decisions and information disclosure. Regardless of any cases, if the REIT Manager is unable to perform his duties, it is a must to specify that the trustee will manage the REIT as necessary to prevent, stop or limit any serious damage to the benefits of the REIT or all unitholders in which the trustee may appoint another person to manage the Trust during the 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 for the first offering of trust units 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 be applied to the acquisition of ownership or possessory right of the property only. In case of the acquisition of possessory rights, 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 official writing that enforcement of real right or disputes does not have any significant impact on the provision for benefits from properties and the conditions for the acquisition of such property are still generally beneficial to the unitholders.
- 1.15 The agreement of the contract of property's acquisition shall not be related to any provision or obligation that may lead the REIT unable to sell the property at fair price at the time of selling, Such as agreements that give rights to the contractual parties to purchase real estate of the Trust before others which the price is fixed in advance, etc., or may result in the more Trust's duties than the normal duties that the lessee should have when the lease contract is terminated.
- 1.16 Arrange for insurance for loss or other insurance to protect the benefits of the unitholders, which is similar to or can replace the insurance against loss to cover damage which may occur to the core properties, as mutually agreed by the counterparties without violating related laws and regulations and third party liability insurance against damage or loss caused by the core properties or operations related to the core properties. The insurance shall be 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 The disposal of the main property must provide a valuation of the property. Unitholders' meeting for approval resolution is required, to 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 any 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 (fifteen) 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 specified in the Trust Deed.
- 1.22 Apply for approval to offer the units of the REIT in case of capital increase by certifying the correctness and completeness of the information relating to the performance of one's duties
- 1.23 Give opinion on the ability of the revenue guarantor 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 relevant laws and regulations.

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

- 2.1 Give opinion to relevant officers regarding the qualifications or characteristics of the immovable properties invested by the REIT upon request by relevant agencies.
- 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 to reform, restore, or modify core properties as necessary and appropriate and also it must be not inconsistent with the trust agreement and relevant laws including the land lease agreement with the land owner which is the location of the main property and a land,

having been amended (Main lease), which must notify the trustee first.

- 2.4 Supervise and monitor the management of the core properties and the maintenance as necessary for the benefit in the management of security systems, fire protection system, communication system and management in the case of an emergency and repairing real estate. In the case of major repairs, the trustee must be notified first.
- 2.5 Manage and procure benefits from the core properties of the REIT as well as take any other actions necessary for the main asset management to be in accordance with the annual operation plan, Trust Deed agreement and related laws.
- 2.6 Take any actions to procure and / or accept transfers and / or perform other actions in conjunction with the Trustee for the purpose of letting trustee obtain a license, permit, waiver letter and / or other relevant and necessary document.
- 2.7 Facilitate with the Trust or the person assigned by the Trustee to audit the main property by the deadline of the working days and hours of the REIT manager, including giving information, words and / or delivering any documents (Except information, words and / or other documents relating to the intellectual property of the REIT manager, or an affiliate of the REIT manager) as requested by the Trustee in case of necessity and suitability.
- 2.8 Facilitate the survey of core properties for value appraisal by the property appraisal company of the REIT or other persons designated by a property appraisal company. The REIT Manager shall also give information and message and/or deliver any documents (except for the information and message and/or any documents related to the intellectual property rights of the REIT Manager or its subsidiaries) upon request of the property appraisal company as deemed necessary and appropriate.
- 2.9 Prepare 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 REIT in place for the Trustee or persons designated by the Trustee and/or the auditors to inspect within the operating days and hours of the REIT Manager. The REIT Manager shall also deliver any documents related or relevant to the REIT requested by the Trustee or persons designated by the Trustee

and/or the auditors within 15 (fifteen) 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 Coordinate, provide information, submit documents, and deliver fees and house and land taxes arising from the main property on behalf of the Trustee for the REIT. Also deliver the withholding tax that the Trustee has a duty to withhold due to the management of the main assets and / or any other taxes related to the main property and / or the management of primary assets to the related government officers.
- 2.11 Notify the Trustee of the following issues in due time: (a) The existence of any damage or defect of the core properties including other equipment and facilities or upon occurrence of the event the will result in the reduction in the value of the core properties significantly, and (b) in case that there is any significant breach of contract by any tenant or contract party of the REIT related to the main property.
- 2.12 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 suggestion 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 separating 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; from its own properties. The REIT Manager shall file 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 (one) 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 (seven) 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 (forty five) days from the end of each quarter.
 - (3) Submit the updated information about the names of connected persons of the REIT Manager and information of the connected transactions between the REIT and the REIT Manager or its connected persons within 30 (thirty) 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) Disclose the information of connected transactions between the REIT and the REIT Manager or its connected persons for the previous and current accounting periods in the annual report and the financial statements of the REIT.
 - (5) Report the information about the conflicts of interest between the REIT and owner of the core properties invested by the REIT together with measures for preventing 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. The 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 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 or 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 (six) months or immediately in the case of significant change and submit a report to the Trustee upon request by the Trustee for inspection.
- (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 (thirty) days before executing the transaction and disclose to the public and the SEC Office within 15 (fifteen) days following the date on which the core properties are acquired or disposed of.
- (9) Disclose the information of the acquisition or disposition of the core properties and equipment of the REIT for the previous and current accounting periods in the annual report and the financial statements of the REIT.
- (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 an agreement.
- (11) Submit the information regarding loan transactions and contingent liabilities of the REIT in the previous and current fiscal year by disclosing in the annual report and the financial statements of the REIT.
- (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 (fourteen) days before executing any transaction.

- (13) Submit the financial statements of the REIT Manager together with related information to the Trustee at least 3 (three) 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, or 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. The leasing/subleasing value shall not be lower than 75 (seventy five) % 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, the rules, criteria, regulations and any provisions of the core properties or policy related to the core properties.
- 4.3 Prepare the rental contract, service contract, utility service contract, the service agreement with the external service provider and any other agreements related to the main assets to have a period consistent with the real estate lease agreement between the Trust and the main property owner.

8.1.4 Personnel

As of 31 December 2019, Land and Houses Fund Management Co., Ltd. had a total of 83 employees. Details of the persons in charge of the major work units of the company are as follows:

Unit	No. of Personnel	Person in Charge	Qualifications and Experiences
Infrastructure and Property Fund Department	4	<p>Mr.Voranon Asavakittimetin</p> <p>Mr.Paravut Sombat</p> <p>Mrs. Nattapat Tonkittirattanakul</p> <p>Mr.Palat Lertphichaphong</p>	<p>Executive Vice President of Infrastructure and Property Fund Department/Property Fund Manager/REIT Manager; 15-year experience in finance, asset management, and property investment fields.</p> <p>Assistant Vice President/ Property Fund Manager/REIT Manager; 11-year experience in property fund management field.</p> <p>Manager/Assistant Property Fund Manager/Assistant Manager of the REIT; 7-year experience in finance and property investment fields.</p> <p>Manager/Assistant Property Fund Manager/Assistant Manager of the REIT; 4-year experience in finance and property investment fields.</p>
Mutual Fund and Private Fund Investment Department	1	Mr.Anupap Chomsri	Vice President and Fund Manager; 8-year experience in asset management business.
Dealing Department	3	Miss Manisorn Akeyothinwong	Assistant Vice President; 16-year experience in finance field and 4-year experience in asset management business.
Operations Group	1	Miss Sasiwee Kritsanasmith	Executive Vice President/Acting Assistant Managing Director Operating line; 23-year experience in finance field and asset management business.
Fund Operations Department	5	Mrs. Narumol Senthong	Vice President; 18-year experience in finance field and asset management business.
Information Technology Department	7	Miss. Nisanart Wongsawasit	Executive Vice President; 29-year experience in securities business.
Compliance,	1	Ms.Pawanud	Executive Vice President; 28-year

Unit	No. of Personnel	Person in Charge	Qualifications and Experiences
Audit and Risk Management Group		Iamnawachatul	experience in Compliance, Audit and Risk 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.

8.2.2 Other Real Estate Investment Trusts under Management of the REIT Manager

Name (in Thai)	ทรัสต์เพื่อการลงทุนในสิทธิการเช่าอสังหาริมทรัพย์ แอล เอช ซ้อปปิง เซ็นเตอร์
Name (in English)	LH Shopping Centers Leasehold Real Estate Investment Trust
Abbreviation	LHSC
Type	A trust certificate representing the right of the holder as a beneficiary of the REIT (Unit)
REIT Manager	Land and Houses Fund Management Company Limited
Trustee	SCB Asset Management Company Limited
Financial Adviser	Siam Commercial Bank Public Company Limited
Investment Project	Terminal 21 Shopping Center
Type of Investment	To invest in the leasehold right in the building for a term of

approximately 26 years.

Paid-up Capital

Baht 4,978,259,940

Project Life

Indefinite

(The REIT invests in the leasehold right in immovable properties of Terminal 21 Shopping Center for a term of approximately 26 years)

Investment Policy

The REIT has invested in the leasehold right in the immovable properties and the ownership in the movable properties in Terminal 21 Shopping Center from L&H Property Company Limited in an approximate total area of 97,905 square meters, for an approximate term of 26 years ending on 31 August 2040. The lease includes the leasehold right to the building and constructions, parking lot, and component parts of the building and constructions which are public utility system related to the shopping center, as well as any facilities related to the shopping center and the ownership in furniture, tools, facilities, equipment whether fixed and unfixed, and any equipment used for the purpose of decorating or enhancing convenience to customers of the Terminal 21 Shopping Center Project (the “Terminal 21 Shopping Center”), including any rights in relation to or in connection with such properties. The REIT shall be entitled to use the area connecting the shopping center building with the Asoke BTS station and the common area shared with the Grande Centre Point Hotel Terminal 21.

8.3 The Trustee

8.3.1 General Information

Name of the Sub-Lessee	: SCB Asset Management Company Limited
Location of Head Office (New)	: 7-8th Floors, SCB Park Plaza 1, No. 18 Ratchadapisek Road, Chatuchak, Bangkok 10900
Location of Head Office (Previous)	: 21 st -22 nd Floors, SCB Park Plaza 3, No. 19 Ratchadapisek Road, Chatuchak, 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 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 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 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 securities law and other 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 the REIT owed to the REIT 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 case 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 case 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 clause 10.3 (11) 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 clause 10.3 (11) 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, for which the Trustee's affiliated companies or other persons may be delegated.
- (14.5) Any other cases which are responsible by the REIT Manager and comply with the Trust Deed or the regulations stipulated in the Notification No. TorJor. 49/2555, Notification No. KorRor. 14/2555 and Notification No. SorChor. 29/2555, including the cases which shall be delegated to other persons as notified by the SEC, or as provided by any other regulations.

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 in accordance with clause 10.3 (14), 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 the personnel of the delegated persons as well as any possible conflict of interest between the delegated persons and the REIT;
- (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 of or transferred in bad faith.
- (17) In managing a REIT or delegating any person to manage a REIT in accordance with clause 10.3 (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 the Trustee's right under the second paragraph.

- (18) The Trustee shall be prohibited from exercising the right under clause 10.3 (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 the REIT 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 REIT as approved, in good faith and for the best interest of the REIT.

- (20) The Trustee shall ensure that the Trust Deed contains all substantial contents as prescribed by relevant laws. In case of amendment to the Trust Deed, the Trustee 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 relevant laws;
 - (20.2) In case an amendment to the Trust Deed fails to meet the requirements as prescribed under clause 10.3 (20) (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 monitor, oversee and supervise the REIT Manager or any other assigned person (if any) to ensure compliance with the Trust Deed and relevant laws. The monitoring, overseeing and supervision shall include the following duties:
- (21.1) Ensuring that the REIT is managed by the REIT Manager approved by the SEC Office throughout the entire existence of the REIT, except for the case of clause 10.3 (23);
 - (21.2) Monitoring, overseeing 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 relevant laws, including dismissal of the current assigned person and appointment of a new one;
 - (21.3) Ensuring that the investment of the REIT complies with the Trust Deed and relevant laws;
 - (21.4) Ensuring that the information of the REIT is disclosed accurately and completely in compliance with the Trust Deed and 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 or relevant laws, the Trustee shall proceed as follows:

- (22.1) Submit a report to the SEC Office within 5 (five) 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 Act 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 clause 8.3.2 (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 asset value. 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 Auditor

Name : EY Office Company Limited

Address : 33rd Floor, Lake Ratchada Office Complex,
193/136-137 New Ratchadapisek Road,
Khlong Toey, Bangkok 10110

Telephone : 0-2264-0777

Facsimile : 0-2264-0789-90

8.5.2 Registrar

Name : Thailand Securities Depository Company Limited

Address : 93 Ratchadapisek Road, Dindaeng, Bangkok 10400

Telephone : 0-2009-9000

Facsimile : 0-2009-9991

8.5.3 Appraisal Firms

Name : South East Asia International Co., Ltd

Address : 189/67-68 Moo 10 Bang Kruai-Sai Noi Rd
Wat Chalo Nonthaburi 11130

Telephone : 0-2447-1568

Facsimile : 0-2447-1567

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

9.2 Sub-Committee

Property Investment Committee of the REIT Manager consists of:

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

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

9.3 Committee Meeting

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

1. Separation of Work Area and Accessibility Control

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

2. Staff Dealing Rules

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

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

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

9.4 Control of Inside Information

Land and Houses Fund Management Co., Ltd. has proper control of using inside information by adopting the following measures:

2. Separation of Work Area and Accessibility Control
 - 1.4 The REIT Manager 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.

- 1.5 Any access to the control area must seek prior authorization from the Head of Investment and being recorded in the access registration list.
- 1.6 The Risk Management Department and the Compliance and Internal Audit Department 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.

3. 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 REIT units with which all employees are required to comply strictly.

4. The Compliance and Internal Audit Department 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.
5. 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 and Internal Audit Department 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 and Internal Audit Department. 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 every day, except for the

necessary case such as debt services default by the issuer of the securities, etc., and the name of such securities issuer is reported to the Board of Directors' meeting. Since the information has not made known to the public yet, the name of such securities issuer 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

The REIT Manager has important operating systems as follows:

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

Main Systems	Sub-Systems
	<ul style="list-style-type: none"> • 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 its duties. • Operating system of the Compliance and Internal Audit Department
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 and Internal Audit Department • 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 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 Co., Ltd., 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 or 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 Agreement such as the preparation and submission of financial reports and budgetary reports, payment of 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 under other agreements related to 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 Management Company/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 regulations 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 (four) 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 REIT Manager deems it appropriate to call a meeting for the benefits of the Unitholders;
 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 REIT Manager to call a Unitholders' 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 Unitholders' 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 duty 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) Acquisition or disposal of the core properties with the value not less than 30% of the total asset value of the REIT;
 - (b) Increase or Decrease in the paid up capital of the REIT which has not already been specified in the Trust Deed in advance;
 - (c) Capital Increase 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) Change in the distribution and the return of investment to the Unitholders;

- (f) Removal or appointment of the Trustee in accordance with the provisions relating to change of Trustee as specified in the Trust Deed;
 - (g) Removal or appointment of the REIT Manager in accordance with the provisions relating to change of REIT Manager as specified in the Trust Deed and the REIT Manager Appointment Agreement;
 - (h) Amendment to the Trust Deed regarding a matter which affects the right of the Unitholders materially;
 - (i) Dissolution of the REIT.
- (3) The resolution of the Unitholders which will cause the REIT or the REIT Management to be contrary to or inconsistent with 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 0.80 million which is collected by the Auditor 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: CSR

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 2019, 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 (After Process)

- None -

11 Internal Control and Risk Management

The Compliance and Internal Audit Department 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 Management 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 and Internal Audit Department 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 and Internal Audit Department 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 and Internal Audit Department 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 and Internal Audit Department 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 and Internal Audit Department and grant approval for the appointment, removal, transfer, or terminate,

and performance evaluation of the Head of Compliance and Internal Audit Department in order to ensure independency of the Compliance and Internal Audit Department.

Background of the Head of Compliance

Name: Ms.Pawanud Iam Nawachat
 Position: Executive Vice President,
 Compliance and Internal Audit and Risk Management Group
 Education: Bachelor's Degree: Economics (English Program), Thammasat university
 Master's Degree: Economics (English Program), Thammasat university

Work Experience in the Field of Compliance

Institution	Position	Period
Land and Houses Fund Management	Executive Vice President, Compliance and Internal Audit and Risk Management Group	April 2019-present
Government Pension Fund	Associate Director, Investment Risk Dept.	April 2007-March 2019
SCB Securities	Deputy Vice President, Derivatives Market Risk Dept.	April 2006-April 2007
Government Pension Fund	Manager, Risk Management and Investment Monitoring Dept.	May 2005-March 2006
Securities and Exchange Commission	Deputy Division Chief, Broker and Dealer	July 1992-April 2005

12 Prevention of Conflicts of Interest

12.1 Transactions between the REIT and the REIT Manager and the Connected/Related Persons of the REIT

12.1.1 Connected Natural/Juristic Persons

Juristic Person/Company with Potential Conflicts of Interest	Relationship
1) Land and Houses Public Co.,Ltd (“LH”)	<ul style="list-style-type: none"> - Major shareholder of the REIT Manager by holding indirectly 21.88% of the total issued and paid up shares of the REIT Manager. - Major shareholder of LHP by holding 59.99% of the total issued and paid up shares of LHP. - Major shareholder of LHBANK by holding directly and indirectly in aggregate 21.88% of the total issued and paid up shares of the LHBANK. - Major shareholder of LHH by holding 59.99% of the total issued and paid up shares of LHH
2) L&H Property Co.,Ltd (“LHP”)	<ul style="list-style-type: none"> - Lessor of immovable properties and seller of movable properties to the REIT - Subsidiary of LH which is the major shareholder of the REIT Manager, with LH holding indirectly 59.99% of the total issued and paid up shares of LHP.
3) LH Mall & Hotel Co., Ltd. (“LHMH”)	<ul style="list-style-type: none"> - Lessor of immovable properties and seller of movable properties to the REIT - Subsidiary of LH which is the major shareholder of the REIT Manager, with LH holding indirectly 99.99% of the total issued and paid up shares of LHMH.
4) Land and Houses Bank Public Co., Ltd (“LHBANK”)	<ul style="list-style-type: none"> - Lender of the REIT - Subsidiary of LH which is the major shareholder of the REIT Manager, with LH holding indirectly 21.88% of the total issued and paid up shares of LHBANK.
5) Land and Houses Fund Management Co.,Ltd (“LHFUND”)	<ul style="list-style-type: none"> - The REIT Manager - Subsidiary of LH which is the major shareholder of the REIT Manager, with LH holding indirectly 21.88% of the total issued and paid up shares of LHFUND.
6) L&H Hotel Management Co.,Ltd (“LHH”)	<ul style="list-style-type: none"> - Sub-lessee of the two projects - Subsidiary of LH, with LH holding indirectly 59.99% of the total issued and paid up shares of LHH
7) SCB Asset Management Co.,Ltd (“SCBAM”)	<ul style="list-style-type: none"> - The Trustee - Subsidiary of SCB, with SCB holding 99.99% of the total issued and paid up shares of SCBAM.

Juristic Person/Company with Potential Conflicts of Interest	Relationship
8) Siam Commercial Bank Public Co.,Ltd (“SCB”)	<ul style="list-style-type: none"> - Major shareholder of SCBAM by holding 99.99% of the total issued and paid up shares of SCBAM - Lender of the REIT

12.1.2 Connected Transactions between the REIT and the REIT Manager and the Connected/Related Persons of the REIT between 1 January and 31 December 2019

Juristic Person/Company with Potential Conflicts of Interest	Characteristics of Connected Transaction	Necessity and Rationale of the Transaction	Opinions
LHMH	LHHOTEL has invested in the Grande Centre Point Hotel Sukhumvit 55 by leasing the immovable properties and purchasing the movable assets in Grande Centre Point Hotel Sukhumvit 55 Project from LHMH	The Grande Centre Point Hotel Sukhumvit 55 have potential for revenue generating which will enhance LHHOTEL’s benefits and opportunities for an increase in the rental and operating results of LHHOTEL to be more stable. It will also diversify the risks which may be incurred from the benefit procurement from the immovable properties, and increase classifications of the sources of funds, which will diversify the sources of funds of LHHOTEL and further benefit LHHOTEL and the unitholders.	Investment in the Grande Centre Point Hotel Sukhumvit 55 will diversify investment risks. In addition, this investment will result in LHHOTEL having opportunity to gain more benefits from the investment in new assets.
LHH	LHHOTEL will seek its benefits from the Additional Assets by sub-leasing the immovable properties and leasing out the movable assets in	The rental fees earned from the sublease and the lease of additional asset shall benefit the REIT.	LHHOTEL will receive 2 types of the rental, which are as follows: (1) the fixed rental which consists of the startup fixed

Juristic Person/Company with Potential Conflicts of Interest	Characteristics of Connected Transaction	Necessity and Rationale of the Transaction	Opinions
	Grande Centre Point Hotel Sukhumvit 55 Project to LHH for operating the hotel, whereby LHH will appoint LHMH to be the hotel operator of Grande Centre Point Hotel Sukhumvit 55.		<p>rental in the approximate amount of Baht 224 million per annum and the incremental fixed rental (if any), and</p> <p>(2) the variable rental which will be calculated based on the total revenue of Grande Centre Point Hotel Sukhumvit 55 Project.</p> <p>Such terms and conditions are stipulated in the relevant agreements based on arm's length basis.</p>
LHBANK	LH Bank was one of the lenders for the loan to LHHOTEL for the investment in the Grande Centre Point Hotel Sukhumvit 55 project.	Making this loan would be beneficial to the unitholders, as it would help LHHOTEL to have more efficient financial management structure with lower cost of investment when comparing to only offering Additional Trust Units, and it would cause a better return to unitholders	Loan conditions, including interest rate, interest payment term and other related conditions will be determined appropriately, and will not drop off LHHOTEL's benefits by having terms of the loan on the arm's length basis.
LHFUND	Management fee as specified in the REIT Management Agreement.	This is a normal transaction.	The terms and conditions stipulated in the relevant agreements are

Juristic Person/Company with Potential Conflicts of Interest	Characteristics of Connected Transaction	Necessity and Rationale of the Transaction	Opinions
			based on an arm's length basis.

Furthermore, the above transactions are connected transactions between the REIT and the REIT Manager or its connected persons which are required to undergo the approval procedures according to Notification No. SorRor 26/2555 of the SEC Office and must obtain an approval of the Trustee or the Unitholders, unless such information has been clearly demonstrated, which include but are not limited to, the payment of fee and expense from the REIT to the REIT Manager at the rate not exceeding the rate specified in the Prospectus of the REIT.

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

- 1) The definition of “Connected Person of the REIT Manager” shall be in accordance with the definition stipulated in the Notification of the Capital Market Supervisory Board Concerning Rules on Connected Transactions.
- 2) General conditions and provisions for the REIT in entering into transaction with connected persons are as follows:
 - The execution of connected transaction between the REIT and the REIT Manager or its connected persons must be in compliance with the Trust Deed and relevant laws, and for the best benefits of the REIT.
 - The connected transaction between the REIT and the REIT Manager or its connected persons must be based on reasonable and fair price.
 - The persons who have direct or indirect interest in the transaction shall not involve in the decision making of such transaction.
- 3) Approval for the execution of connected transaction between the REIT and the REIT Manager or its connected persons shall be obtained through the following procedures:
 - Approved by the Trustee that such transaction is in accordance with the Trust Deed and relevant laws.
 - In case the value of the transaction is higher than Baht 1 million or equal to or higher than 0.03% of the net asset value of the REIT, whichever is higher, approval from the Board of Directors of the REIT Manager is required.

- In case the value of the transaction is equal to or higher than Baht 20 million or equal to or higher than 3.0% of the net asset value of the REIT, whichever is higher, approval from the Unitholders' resolution at the Unitholders' meeting is required. In this connection, the Unitholders' resolution must not be less than three-fourths of the total votes of the Unitholder attending the meeting and having the right to vote.

In case that the connected transaction is the acquisition or the disposition of the core property, the value of transaction shall be calculated based on the value of acquisition or disposition of the total properties as well as other related properties of the project which are ready for use to procure benefits for the project.

4) Policy for Executing Connected Transaction between the REIT and the REIT Manager or its Connected Persons

- The undertaking of any transaction between the REIT and the REIT Manager or its connected persons shall be done under the conditions with fairness and appropriateness, and in compliance with the conditions and covenants of the securities laws. In this regard, if the SEC, the SEC Office, the Capital Market Supervisory Board shall prescribe additional type of connected persons in the future, entering into transaction between the REIT and the REIT Manager or its connected persons shall be in accordance with the conditions and covenants Under the securities laws.
- In addition, the REIT shall proceed to disclose the information of such connected transaction to the SEC Office, the Stock Exchange of Thailand, and disclose such information in the notes to financial statements of the REIT which had been audited by the auditor, as well as the annual report of the REIT.

12.1.3 Connected Transactions between the REIT and the Trustee and the Connected Persons of the Trustee between 1 January and 31 December 2019

Natural/Juristic Person with Potential Conflicts of Interest	Characteristics of Connected Transaction	Necessity and Rationale of the Transaction	Opinions of the REIT Manager and Financial Adviser Concerning Value and Conditions
SCB	SCB was one of the lenders for the loan to LHHOTEL for the investment in the Grande Centre Point Hotel	Making this loan would be beneficial to the unitholders, as it would help LHHOTEL	Loan conditions, including interest rate, interest payment term and other related conditions will be determined appropriately, and will not drop off LHHOTEL's benefits by having terms of the loan on the arm's length basis.

Natural/Juristic Person with Potential Conflicts of Interest	Characteristics of Connected Transaction	Necessity and Rationale of the Transaction	Opinions of the REIT Manager and Financial Adviser Concerning Value and Conditions
	Sukhumvit 55 project.	to have more efficient financial management structure with lower cost of investment when comparing to only offering Additional Trust Units, and it would cause a better return to unitholders	
SCBAM	The Trustee's fee as specified in the Trust Deed.	This is a normal transaction.	The terms and conditions stipulated in the relevant agreements are based on arm's length basis.

Policy on Future Transactions and Tendency to Undertake Transactions in the Future

In the case that any transactions between the REIT and the connected persons of the Trustee will be undertaken in the future, the following actions shall be taken:

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

In addition, if the number of Unitholders demonstrating objection clearly through the disclosed procedures according to Clause 3) is greater than one-fourth of the total sold units of the REIT, the Trustee shall not conduct or allow executing such transaction.

According to the provisions pertaining to the management of conflicts of interest prescribed in the Trust Deed made between the REIT Manager and the Trustee, the Trustee shall not undertake any action giving rise to 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 such transaction.
- (b) In the case of conducting transaction with conflicts of interest between the REIT and the Trustee, there must be sufficient prior disclosure of information regarding possible conflicts 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 $\frac{1}{4}$ (one-fourth) of the total sold units.

Tendency to Undertake Transactions in the Future of the REIT

No.	Natural/Juristic Person	Relationship (As of 31 December 2018)	Feature of Transaction
1	SCB Asset Management Co.,Ltd	- Trustee	- Trustee fee - Cash at bank
2	LH Hotel Management Co.,Ltd	- Sub-lessee	- Rental income from sublease
3	LH Mall and Hotel Management Co.,Ltd (Note: LH Mall and Hotel Management Co.,Ltd registered its name change from Pacific Real Estate Co.,Ltd to the current name on 24 December 2015)	- Major shareholder of the REIT - Hotel manager	- Dividend payment
4	GIC PRIVATE LIMITED	- Major shareholder of the REIT - Major shareholder of Land and Houses Public Co.,Ltd.	- Dividend payment
5	Land and Houses Bank Public Co.,Ltd (LHBANK)	- Subsidiary of Land and Houses Public Co.,Ltd.	- Cash at bank - Investments in fixed deposits - Investment in certificates of deposit - Loan interests - Financial products used for interest rate hedging
6	Siam Commercial Bank Public Co.,Ltd	- Major shareholder of the Trustee.	- Loan interests\ - Financial products used for interest rate hedging

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

12.2 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
19	Bank of China	Information/ Research Analysis	For the benefits of the REIT's investment
20	Government Housing Bank	Information/ Research Analysis	For the benefits of the REIT's investment
21	Land and Houses Bank Public Co.,Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
22	Industrial and Commercial Bank of China (Thai) Public Co.,Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
23	TMB Bank Public Co.,Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
24	AEC Securities Public Co.,Ltd	Information/ Research Analysis	For the benefits of the REIT's investment
25	KTB Securities Co.,Ltd	Information/ Research Analysis	For the benefits of the REIT's investment

Part 3

Financial Position and Operating Results

13. Financial Highlights

13.1 Summary of Auditors' Report as at 31 December 2019

The financial statements of LH Hotel Leasehold Real Estate Investment Trust for the year 2019 had been audited by Ms. Rungnapa Lertsuwankul, Certified Public Accountant, Registration 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 7 February 2019, and its financial performance, changes in its net assets, cash flows and significant financial information for the period as from 1 January 2019 to 31 December 2019, in accordance with Thai Financial Reporting Standards.

13.2 Summary of the REIT's Financial Statements for 2019

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

Assets/ Liabilities	31-Dec-2019		31-Dec-2018		31-Dec-2017	
	Baht	%	Baht	%	Baht	%
Assets						
Investments in properties at fair value	12,199,495,010	96.29%	7,961,000,000	94.94%	7,911,000,000	95.88%
Investments in securities at fair value	227,220,739	1.79%	205,508,776	2.45%	84,443,647	1.02%
Cash at banks	938,692	0.01%	280,544	0.00%	108,045	0.00%
Accounts receivable from rental	233,601,435	1.84%	181,273,311	2.16%	191,269,233	2.32%
Accounts receivable from interest	142	0.00%	30	0.00%	29	0.00%
Prepaid expenses	733,658	0.01%	730,953	0.01%	2,620,567	0.03%
Deferred expenses	-	0.00%	36,648,602	0.44%	58,676,221	0.71%
Other assets	7,264,501	0.06%	309,129	0.00%	2,851,225	0.04%
Total assets	12,669,254,177	100.00%	8,385,751,345	100.00%	8,250,968,967	100.00%
Liabilities						
Accrued expenses	17,807,592	0.14%	7,986,968	0.10%	3,205,532	0.04%
Long-term loan	2,727,876,700	21.53%	1,608,532,700	19.18%	1,608,532,700	19.50%
Short-term loan	3,060,000,000	24.15%	-	0.00%	-	0.00%
Other liabilities	1,545,723	0.01%	1,091,498	0.01%	1,099,006	0.01%
Total liabilities	5,807,230,015	45.84%	1,617,611,166	19.29%	1,612,837,238	19.55%
Net Assets	6,862,024,162	54.16%	6,768,140,179	80.71%	6,638,131,729	80.45%
Net Assets						
Capital from the unitholders	6,051,964,000	47.77%	6,051,964,000	72.17%	6,051,964,000	73.35%
Retained earnings	810,060,162	6.39%	716,176,179	8.54%	586,167,729	7.10%
Net assets	6,862,024,162	54.16%	6,768,140,179	80.71%	6,638,131,729	80.45%
Net asset value per unit	12.7565		12.5820		12.3403	

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2019 and report of the authorized auditor.

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

Income Statement	31-Dec-2019		31-Dec-2018		31-Dec-2017	
	Baht	%	Baht	%	Baht	%
Investment income						
Rental income	812,573,017	99.49%	770,360,705	99.71%	599,332,166	99.82%
Interest income	3,934,228	0.48%	2,193,963	0.28%	1,093,627	0.18%
Other income	205,607	0.03%	86,916	0.01%	-	0.00%
Total income	816,712,852	100.00%	772,641,584	100.00%	600,425,793	100.00%
Expenses						
Cost of rental and services	23,271,719	2.85%	11,816,295	1.53%	1,953,237	0.33%
Management fee	9,644,843	1.18%	8,930,376	1.16%	6,822,490	1.14%
Trustee's fee	6,977,114	0.85%	6,376,481	0.83%	4,845,810	0.81%
Registrar fee	2,022,759	0.25%	2,020,897	0.26%	1,683,016	0.28%
Professional fees	10,007,997	1.23%	1,075,328	0.14%	1,951,328	0.32%
Administrative expenses	40,535,445	4.96%	24,148,169	3.13%	18,709,494	3.12%
Interest expenses	77,744,016	9.52%	61,084,583	7.91%	43,539,268	7.25%
Total expenses	170,203,893	20.84%	115,452,129	14.94%	79,504,643	13.24%
Net investment income	646,508,959	79.16%	657,189,455	85.06%	520,921,150	86.76%
Realized and unrealized gain (losses) on investments						
Net realized gain (losses) on investments	57,407		4,363		2,607	
Net unrealized gains on investments	39,029,507		50,002,685		278,844,000	
Total realized and unrealized gain on investments	39,086,914		50,007,048		278,846,607	
Net increase in net assets resulting from operations	685,595,873		707,196,503		799,767,757	

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2019 and report of the authorized auditors.

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

Statements of Changes in Net Assets	31-Dec-2019 Baht	31-Dec-2018 Baht	31-Dec-2017 Baht
Cash flows from operating activities			
Net cash flows from operating activities	(3,521,775,054)	638,235,504	(3,387,211,612)
Cash flows from financing activities			
Net cash flows used financing activities	3,522,433,202	(638,063,005)	3,386,948,271
Net increase in cash at banks	658,148	172,499	(263,341)
Cash at banks at beginning of year	280,544	108,045	371,386
Cash at banks at end of year	938,692	280,544	108,045

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2019 and report of the authorized auditors.

14. Management Discussion and Analysis

14.1 Analysis of Past Performance

As of 31 December 2019, the REIT's total investment income was at Baht 816.71 million, an increase of approximately 5.7% YoY or Baht 44.07 million from the same operating period in 2018. The growth was mainly driven by the increase in rental and services income in 2019, during the operating period from 1 January to 31 December 2019, which was at Baht 812.57 million, an increase of approximately 5.5% YoY or Baht 42.21 million from 2018. Note that part of the increasing in rental and services income was from rental and services of the Grande Centre Point Hotel Sukhumvit 55 Project, which the REIT invested on 22 November 2019, approximately amounting to Baht 33.76 million.

For the REIT's expenses in 2019, during the operating period from 1 January to 31 December 2019, the REIT had a total expense of Baht 170.20 million which increased from Baht 115.45 million in 2018, an increase of approximately 47.4% YoY or Baht 54.75 million. The increase in REIT's expenses was incurred in relation to renovate and replacement of exiting impaired assets and relevant expenses for acquiring the Grande Centre Point Hotel Sukhumvit 55 project.

Furthermore, for 2019, during the operating period from 1 January to 31 December 2019, the REIT had the following expenses:

- 1) Administrative expenses were at Baht 40.54 million, increased from Baht 24.15 million, mainly due to the recognising expense from total remaining fundraising amortization for the investment in the Grande Centre Point Hotel Ratchadamri Project in 2017.
- 2) Other expenses and fees were at Baht 28.65 million, increased from Baht 18.40 million, driven by the REIT's additional investment in the Grande Centre Point Hotel Sukhumvit 55 Project which increased the size of the REIT and other expenses were incurred during the process.
- 3) Interest cost was at Baht 77.74 million, increased from Baht 61.08 million, attributed to higher interest rate expense according to loan agreement.

As for the stated reasons, during the operating period from 1 January to 31 December 2019, the REIT's net investment income was Baht 646.51 million which decreased from Baht 657.19 million in 2018, an decrease of approximately 1.6% YoY or Baht 10.68 million. Moreover, the REIT posted a total realized and unrealized gains on investment of Baht 39.09 million for 2019. As a result, the REIT's net assets from operating activities Baht 685.60 million, decrease by Baht 21.60 million or equivalent to approximately 3.1% YoY. Furthermore, as of 31 December 2019, the REIT's net asset value was at Baht 6,826.02 million or equivalent to Baht 12.7565 per unit, an increase from Baht 6,768.14 million or equivalent to Baht 12.5820 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 information	31-Dec-2019	31-Dec-2018	31-Dec-2017
Net assets - end of year (Baht)	6,862,024,162	6,768,140,179	6,638,131,729
Total expenses to average net assets ratio (%)	2.50	1.72	1.52
Total investment income to average net assets ratio (%)	12.00	11.51	11.46
Weighted average investment turnover to average net assets ratio (%)*	61.54	49.00	71.83
Average net assets during year (Baht)	6,803,366,971	6,714,588,449	5,240,310,310

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

Remark: Referring to the financial statements of the REIT for the year ending 31 December 2019 and report of the authorized auditor

(2) Profitability

The REIT's income was derived mainly from 2 source of income which are rental and services income and interest income. The REIT's rental and services income is derived from the subleasing of immovable properties and movable properties which are the REIT's core properties on the 2 core properties which are the Grande Centre Point Hotel Terminal 21 Project (rental received from 1 January 2019 to 31 December 2019), the Grande Centre Point Hotel Ratchadamri (rental received from 15 June 2019 to 31 December 2019) and the Grande Centre Point Hotel Sukhumvit 55 Project (rental received from 22 November 2019 to 31 December 2019) . The rental and services income for the operating period from 1 January 2019 to 31 December 2019 was in total of Baht 812.57 million which increased from Baht 770.36 million in 2018, due to the better performance of assets and the additional investment in the leasehold right in the immovable properties of the Grande Centre Point Hotel Sukhumvit 55 and the purchase of movable properties of the Project from LH Mall & Hotel Co., Ltd on 22 November 2019. Such rental and services income comprised of fixed rental and variable rental for the year of 2019 from 1 January 2019 to 31 December 2019.

Expenses

For the REIT's expenses in 2019, during the operating period from 1 January 2019 to 31 December 2019, the REIT had a total expense of Baht 170.20 million, increased from Baht 115.45 million equal to Baht 54.75 million or 47.4%. This was mainly contributed from renovation and replacement of existing impaired assets in the projects and relevant expenses for acquiring the Grande Centre Point Hotel Sukhumvit 55 Project.

Net Investment Income

For year 2019, during 1 January to 31 December 2019, the REIT had a net Investment income of approximately Baht 685.60 million, decreased from the operating period in 2018 which was at Baht 707.20 million approximately Baht 21.60 million or 3.1%.

Financial Ratios Related to Profitability

Profitability Ratio (%)	31-Dec-2019	31-Dec-2018	31-Dec-2017
Gross Profit Ratio	97.14%	98.47%	99.67%
Operating Margin Ratio	88.68%	92.96%	94.01%
Other Margin Ratio	0.51%	0.30%	0.18%
Net Profit Ratio	79.16%	85.06%	86.76%
Return on Unitholders	9.42%	9.71%	7.85%

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 Co., Ltd. to undertake the functions of hotel management and marketing activities. In this connection, the REIT Manager has oversaw 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	(from 1 January 2019 to 31 December 2019) (Baht)
Management Fee	9,644,843
Trustee's Fee	6,977,114
Registrar's Fee	2,022,759
Professional Fee	10,007,997

(3) Property Management Capacity

Value Appraised by Income Approach for 2019

Property	Value (Million Baht)	Appraiser	Appraised Date
Grande Center Point Hotel Terminal 21 Project	4,157	South East Asia International Co., Ltd	13 May 2019
Grande Centre Point Hotel	3,843	South East Asia	8 August 2019

Ratchadamri Project		International Co., Ltd	
Grande Centre Point Hotel Sukhumvit 55 Project	3,830	Grand Asset Advisory Co., Ltd	1 August 2019
	3,826	South East Asia International Co., Ltd	22 July 2019

Financial Ratios Related to Property Management Capacity

Efficiency Ratio	31-Dec-2019	31-Dec-2018	31-Dec-2017
Return on Asset Ratio (%)	5.10%	7.84%	6.31%
Asset Turnover Ratio (times)	0.06	0.09	0.07

Accounts Receivable from Rental and Interest

As of 31 December 2019, the REIT's account receivable from rental was at Baht 233.60 million, increased from Baht 181.27 million as of 31 December 2018 and the REIT's account receivable from interest was approximately at Baht 142, increased from Baht 30 as of 31 December 2018. This is attributed to the investment in the leasehold right in the immovable properties of the Grande Centre Point Hotel Sukhumvit 55 and the purchase of movable properties of the project from L&H Mall and Hotel Co., Ltd. on 22 November 2019. As a result, the REIT's accrued rental income for the 3 projects as of 31 December 2019 is compared to accrued rental income as of 31 December 2018 for only 2 Projects.

The return on assets decreased to 5.1% as of 31 December 2019 from 7.84% as of 31 December 2018. This is due to the increase in the total assets which was from the investment in the Grande Centre Point Hotel Sukhumvit 55 Project. As a result, the total assets have increased from 2 project to 3 projects. Moreover, the net investment income from renting out the Grande Centre Point Hotel Sukhumvit 55 Project was only during the period from 22 November 2019 to 31 December 2019. Therefore, the increase in the net investment income was lower than the increase in the total assets in 2019.

(4) Debt Servicing Capacity

Accrued Expenses

As of 31 December 2019, LHHOTEL had total liability amounting to Baht 5,807.23 million, composed of accrued expenses around Baht 17.81 million, long-term loan around 2,727.88 million, short-term loan Baht 3,060 million and other liability around Baht 1.55 million. Total liability in 2019 increased from 2018 at Baht 1,617.61 million, which composed of accrued expenses around Baht 7.99 million, long-term loan around Baht 1,608.53 million and other liability around Baht 1.09 million. Note that in 2018, there was no short-term loan as it was used to finance for acquiring the Grande Centre Point Hotel Sukhumvit 55.

Financial Ratios Related to Liquidity

Liquidity Ratio (times)	31-Dec-2019	31-Dec-2018	31-Dec-2017
Current Ratio	24.27	46.79	78.98

Quick Ratio	12.12	20.00	44.46
Account Receivable Ratio	3.48	4.25	3.13

As of 31 December 2019, the REIT's current ratio was at 24.27 times, decreased from 46.79 times in 31 December 2018. This is due to the increase in current assets are at a lower rate than the increase in current liabilities. Moreover, the base of current liabilities are not as high as the base of current assets, thus the increase in the same amount will affect the rate of increase in current liabilities more than the rate of increase in current assets.

As of 31 December 2019, the REIT's quick ratio was at 12.12 times, decreased from 20.00 times in 31 December 2018. This is due to the increase in quick current assets are at a lower rate than the increase in current liabilities. Moreover, the base of current liabilities are not as high as the base of quick current assets, thus the increase in the same amount will affect the rate of increase in current liabilities more than the rate of increase in quick current assets.

As of 31 December 2019, the REIT's account receivable turnover ratio was at 3.48 times, decreased from 4.25 times in 31 December 2018. This is attributed to the increase in rental and services income of the operating year 2019, during period from 1 January to 31 December 2019, from the increase in rental and services income of the Grande Centre Point Hotel Sukhumvit 55 Project from 22 November 2019 to 31 December 2019. Moreover, the increase in account receivable from rental in 31 December 2019 was from the increase in accrued rental income in full quarter from 31 December 2019.

(5) Liquidity and Capital Adequacy

(5.1) Sources and Uses of Fund

Cash, cash at banks and investments in securities

As of 31 December 2019, the REIT had Baht 0.94 million of cash at bank, decreasing from Baht 0.20 million as of 31 December 2018. For investment in securities as of 31 December 2019, the REIT had Baht 227.22 million, increasing from Baht 205.51 million as of 31 December 2018.

Financial Ratios Related to Liquidity and Capital Adequacy

Financial Policy Ratio	31-Dec-2019	31-Dec-2018	31-Dec-2017
Gearing Ratio (times)	0.96	0.27	0.27
Debt to Equity Ratio (times)	0.84	0.24	0.24
Obligation coverage ratio (cash basis) (times)	9.32	11.76	12.96
Dividend Payout Ratio (%)	95.40%	90.06%	90.45%

Cash Flows from Operating Activities

Statements of Changes in Net Assets	31-Dec-2019 Baht	31-Dec-2018 Baht	31-Dec-2017 Baht
Cash flows from operating activities			
Net cash flows from operating activities	(3,521,775,054)	638,235,504	(3,387,211,612)
Cash flows from financing activities			
Net cash flows used financing activities	3,522,433,202	(638,063,005)	3,386,948,271
Net increase in cash at banks	658,148	172,499	(263,341)
Cash at banks at beginning of year	280,544	108,045	371,386
Cash at banks at end of year	938,692	280,544	108,045

In 2019, during the operating period from 1 January to 31 December 2019, the REIT had approximately Baht 3,522.43 million of net cash inflow from financing activities. Parts of this amount came from both short and long-term loan for acquiring the Grande Centre Point Hotel Sukhumvit 55 Project on 22 November 2019.

In 2019, during the operating period from 1 January to 31 December 2019, the REIT had approximately net cash outflow from operating activities at approximately Baht 3,521.78 million which mainly due to the investment in the Grande Centre Point Hotel Sukhumvit 55 Project. Comparing to 2018, during the operating period from 1 January to 31 December 2018, the REIT had a net cash inflow from operating activities at Baht 638.24 million.

As of 31 December 2019, the REIT had net increase in cash and cash at bank of approximately Baht 0.66 million where the cash and cash at bank at the end of the year are Baht 0.94 million.

(5.2) Capital Expenditure

During the period from 1 January to 31 December 2019, the REIT purchased additional immovable properties under the REIT amounting to approximately Baht 22.13 million.

(5.3) Capacity of Additional Financing

In 2019, the REIT secured 2 loans from 2 financial institutions with total amount of Baht 4,200 million to finance the investment in the Grande Centre Point Hotel Sukhumvit 55 Project. The loans is composed of short-term and long-term loan with amount of Baht 3,060 and Baht 1,140 million respectively.

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

In 2019, the REIT repaid the principal for Loan agreement 1 amounting to Baht 20.66 million.

In this year 2020, the REIT is scheduled to repay principal and interest expense on a quarterly basis as follows;

- For the Loan agreement 1, principal repayment is equal to Baht 24.10 million and all remaining amount is needed to repay by 2028.
- For the Loan agreement 2 and 3, first principal repayment will be on June 2020 amounting to Baht 7 million. All remaining amount is needed to repay by 2030.

Since the REIT acquired the Grande Centre Point Hotel Sukhumvit 55 Project on 22 November 2019 and the REIT finance the investment via loan, the REIT therefore is scheduled to repay principal and interest expense on a quarterly basis further as follows;

- For the Loan agreement 4, first principal repayment will be on June 2023
- For the Loan agreement 5, which is short-term loan and will be mature in August 2020, shall be repaid by Loan agreement 6; a long-term loan with equivalent amount.

(6) Distribution Payment

For the period from 1 January 2019 to 31 December 2019, the REIT posted a net profit of Baht 685.60 million. One item of net gains, which was an unrealized gain on investment in 2019, was adjusted. Such item was the unrealized gain based on the appraisal of the REIT's core properties amounting to Baht 39.09 million.

Historical Distribution Payment

Year	From 1 January to 31 December 2019 (Baht)
(1) Distribution payment per unit (Baht)	1.1100
(2) Capital reduction per unit (Baht)	-
Total distribution payment per unit (1) + (2) (Baht)	1.1100
(3) Ratio with par value* (Baht 10.00 per unit)	
(3.1) Ratio of distribution payment (%)	1.1100
(3.2) Ratio of capital reduction (%)	-
Total ratio of distribution per unit (3.1) + (3.2) (%)	1.1100
(4) Ratio with market price as of 30 December 2019 (Baht 19.50 per unit as of 28 December 2019)	
(4.1) Ratio of distribution payment (%)	5.69
(4.2) Ratio of capital reduction (%)	-
Total ratio of distribution per unit (4.1) + (4.2) (%)	5.69

*Remark: *Calculated from the distribution payment (dividend yield) and repayment of proceeds from capital reduction over the past year divided by price per unit of the REIT*

15. Factors or Events that May Have an Impact in the Future

According to NESDC, the outbreak of COVID-19 which tends to put a significant impact on Thailand's tourism sector. A number of foreign tourists already decreased by 33.3 percent since the Chinese government implemented the travel ban for Chinese tour group to travel abroad (January 24th - February 13th, 2020). Chinese tourists, in particular, declined by 76.2 percent from the same period last year. Nevertheless, there remains high uncertainties on the impacts both the direct impact to tourist reduction together with the impact to the transportation and supply chain disruptions due to the temporary suspension of manufacturing plants and other businesses in China and the indirect impact through the slowdown of the Chinese and the global economy. The magnitude of impact will depend mainly on contagion duration, intensification of the outbreak, as well as government measures to tackle with the COVID-19 epidemic. Nonetheless, in the baseline assumption, the estimation of the impact of COVID-19 outbreak on tourism sector was based on the replication of lengths, pattern, and affect from the SARs outbreak during 2003. Accordingly, the number of COVID-19 infections in China is expected to reach its peak in March and the Chinese government will lift the travel ban for Chinese tourist to travel abroad in early May (4 months after the World Health Organization (WHO) declared the global health emergency on the COVID-19 outbreak on January 30th, 2020). Under this baseline assumption, the number of foreign tourists in the first quarter is expected to decrease by 31.5 percent⁸

including Chinese and other nationalities decreased by 50.5 percent and 23.8 percent respectively while it is expected that the impact will subside in the second quarter with a contraction of 4.2 percent in which that the Chinese tourists will decline by 20.1 percent, on the other hand, tourists from other nationalities will increase by 2.1. Henceforth, the revenue from foreign tourists in 2020 is likely to be lower than 2019 by 150 billion baht, and lower than the previous assumption by 230 billion Baht. Meanwhile, the impact from the supply chain disruption and suspended transportation in China tend to be limited as most operation resumption took place within February 17th, 2020.

TRUSTEE REPORT

February 20, 2020

To: Trust Unitholders

LH Hotel Leasehold Real Estate Investment Trust

SCB Asset Management Company Limited (the “Trustee”), as the Trustee of LH Hotel Leasehold Real Estate Investment Trust (the “REIT”) which managed by Land and Houses Fund Management Co., Ltd. (the “REIT Manager”), would like to inform you that for the period of January 1, 2019 to December 31, 2019, the REIT manager had managed the REIT properly and efficiently as well as in compliance with applicable laws, regulations and the trust deeds in a way that protects interests of the REIT and Trust unitholders as a whole.

Yours faithfully,

SCB Asset Management Company Limited



(Mrs. Tipaphan Puttarawigorn) (Miss Rassamee Ponsukcharoen)

Trustee

บริษัทหลักทรัพย์จัดการกองทุน ไทยพาณิชย์ จำกัด (สำนักงานใหญ่)

ชั้น 7-8 อาคาร 1 ไทยพาณิชย์ปาร์ค พลารักษ์ เลขที่ 18 ถนนรัชดาภิเษก แขวงจตุจักร เขตจตุจักร กรุงเทพฯ 10900

โทรศัพท์ 0 2949 1500 โทรสาร 0 2949 1501

SCB Asset Management Co.,Ltd. (Head Office)

7th - 8th SCB Park Plaza 1 No. 18 Ratchadapisek Rd., Chatuchak, Bangkok 10900 Thailand Tel. 0 2949 1500 Fax. 0 2949 1501

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Expenses Collected from the Unitholders or the REIT

For the Period during 1 January 2019 - 31 December 2019

Expenses Chargeable to the REIT	Amount Unit: thousand Baht ¹	% of NAV	
		Actually Charged	As Per the Project
Management Fee	9,644.84	0.14	Not exceeding 2.0%
Registrar Fee	2,022.76	0.03	Not exceeding 1.0%
Trustee Fee	6,977.11	0.10	Not exceeding 1.0%
Property Management Fee	-	0.00	As Actually Incurred
Professional Fee	10,008.00	0.15	As Actually Incurred
Financial Advisory Fee	-	0.00	None
Interest Expenses	77,744.02	1.14	As Actually Incurred
Rental Cost	23,271.72	0.34	As Actually Incurred
Administration Expenses	40,535.44	0.60	As Actually Incurred
Total Expenses	170,203.89	2.50	

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 average monthly NAV calculated from 1 January 2019 to 31 December 2019 is equivalent to Baht 6,803,366,971

Auditor's Report and Financial Statements

LH Hotel Leasehold Real Estate Investment Trust
Report and financial statements
31 December 2019

Independent Auditor's Report

To the Unitholders of LH Hotel Leasehold Real Estate Investment Trust

Opinion

I have audited the accompanying financial statements of LH Hotel Leasehold Real Estate Investment Trust ("the Trust"), which comprise the balance sheet, including the details of investments as at 31 December 2019, and the related statements of income, changes in net assets, cash flows and significant financial information for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LH Hotel Leasehold Real Estate Investment Trust as at 31 December 2019, its financial performance, changes in its net assets, cash flows and significant financial information for the year then ended, in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matter and how audit procedures respond is described below.

Valuation of investments in properties

As disclosed in Note 5.2 and Note 7 to the financial statements, the Trust had investments in properties presented in the balance sheet as at 31 December 2019, at their fair value of Baht 12,199 million, representing 96.29% of total assets. These investments are not traded on an active market and a comparable quoted price for the same or similar investments on an inactive market cannot be found. The REIT Manager therefore determined the fair value of these investments based on the value appraised by an independent appraiser using an income approach. As the REIT manager is required to exercise significant judgement with respect to the estimation of future operating results and the determination of a discount rate and key assumptions, therefore there is a significant risk with respect to the measurement of such investments.

I have examined the valuation of investments in properties of the Trust including:

- Understanding of the calculation of the fair value of investments in properties by making enquiry of responsible executives.
- Considering the extent and objectives of the assessment of fair value by the independent appraiser and assessing the techniques and models used by the independent appraiser to measure the fair value, as specified in the appraisal report prepared by the appraiser, by comparing them to the knowledge and past experience regarding the valuation of the same or similar assets.
- Considering the consistency of the application of such techniques and models

- Assessing the competence and independence of the independent appraiser by checking publicly available data.
- Reviewing the data and key assumptions used in the measurement of fair value by comparing past estimates of operating results with the Trust's actual operating results to evaluate the judgement of the REIT Manager in terms of projections of operating results, checking them to the lease agreements, and testing the calculation of fair value which was based on the above models and assumptions.
- Reviewing the disclosure of information related to the measurement of the fair value of investments in properties in the notes to the financial statements.

Other Information

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

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

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

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

Responsibilities of REIT Manager and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

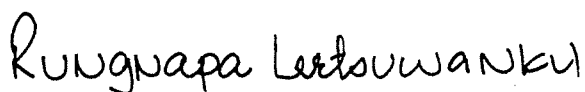
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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



Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 7 February 2020

LH Hotel Leasehold Real Estate Investment Trust

Balance sheet

As at 31 December 2019

		(Unit: Baht)	
	Note	2019	2018
Assets			
Investments in properties at fair value	7, 15	12,199,495,010	7,961,000,000
(At cost 2019: Baht 11,742,786,069 and 2018: Baht 7,543,291,059)			
Investments in securities at fair value		227,220,739	205,508,776
(At cost 2019: Baht 227,180,143 and 2018: Baht 205,497,687)			
Cash at bank	8, 15	938,692	280,544
Accounts receivable			
From rental	9, 15	233,601,435	181,273,311
From interest		142	30
Prepaid expenses		733,658	730,953
Deferred expenses		-	36,648,602
Other assets		7,264,501	309,129
Total assets		12,669,254,177	8,385,751,345

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

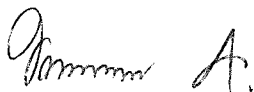
LH Hotel Leasehold Real Estate Investment Trust

Balance sheet (continued)

As at 31 December 2019

		(Unit: Baht)	
	Note	2019	2018
Liabilities			
Accrued expenses		17,807,592	7,986,968
Long-term loan	10, 15	2,727,876,700	1,608,532,700
Short-term loan	11, 15	3,060,000,000	-
Other liabilities		1,545,723	1,091,498
Total liabilities		<u>5,807,230,015</u>	<u>1,617,611,166</u>
Net assets		<u>6,862,024,162</u>	<u>6,768,140,179</u>
Net assets:			
Capital from unitholders		6,051,964,000	6,051,964,000
Retained earnings	12	<u>810,060,162</u>	<u>716,176,179</u>
Net assets		<u>6,862,024,162</u>	<u>6,768,140,179</u>
Net asset value per unit		12.7565	12.5820
Number of units issued at the end of year (units)		537,919,900	537,919,900

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



(Mr. Voranon Asavakittimetin)

Executive Vice President

Infrastructure and Property Fund Group



(Mrs. Narumol Senthong)

Vice President

Fund Accounting Department

LH Hotel Leasehold Real Estate Investment Trust
Detail of investments
As at 31 December 2019

Detail of investments classified by asset classes.

Type of investments	Areas held by the Trust	Issued No. / Issue name	Maturity date	Yield rate (Percent)	2019		2018	
					Fair value	Percentage of investment	Fair value	Percentage of investment
					(Baht)	(Percent)	(Baht)	(Percent)
Investments in properties (Note 7)								
Grande Centre Point Hotel Terminal 21 Location: Sukhumvit 19 (Wattana)	47,298 Sqm.							
Klongtoey-Nua Wattana Bangkok								
Grande Centre Point Hotel Ratchadamri Location: Soi Mahadlekluang 1 Ratchadamri					4,157,000,000	33.45	4,139,000,000	50.68
Lumpini, Pathumwan, Bangkok								
Grande Centre Point Hotel Sukhumvit 55 Location: Sukhumvit 55 (Thong Lo)	66,628 Sqm.				3,843,000,000	30.93	3,822,000,000	46.80
Klongtoey-Nua Wattana Bangkok	42,920 Sqm.				4,199,495,010	33.79	-	-
Total investment in properties					12,199,495,010	98.17	7,961,000,000	97.48
Investments in securities								
Bond								
Bank of Thailand		CB19221A	21 February 2019	1.380	-	-	155,699,776	1.91
Bank of Thailand		CB19404A	4 April 2019	1.505	-	-	49,809,000	0.61
Bank of Thailand		CB20109A	9 January 2020	1.258	4,998,622	0.04	-	-
Bank of Thailand		CB20109B	9 January 2020	1.305	4,998,570	0.04	-	-
Bank of Thailand		CB20116B	16 January 2020	1.410	6,995,946	0.06	-	-
Bank of Thailand		CB20123B	23 January 2020	1.425	10,990,560	0.09	-	-
Bank of Thailand		CB20130A	30 January 2020	1.250	3,996,031	0.03	-	-
Bank of Thailand		CB20130B	30 January 2020	1.250	4,995,039	0.04	-	-
Bank of Thailand		CB20206B	6 February 2020	1.288	8,988,586	0.07	-	-
Bank of Thailand		CB20430A	30 April 2020	1.171	151,416,966	1.22	-	-
Bank of Thailand		CB20618A	18 June 2020	1.155	29,840,419	0.24	-	-
Total investment in securities					227,220,739	1.83	205,508,776	2.52
Total investments					12,426,715,749	100.00	8,166,508,776	100.00

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

LH Hotel Leasehold Real Estate Investment Trust

Statement of income

For the year ended 31 December 2019

		(Unit: Baht)	
	Note	2019	2018
Investment income			
Rental income	7.3, 15, 18	812,573,017	770,360,705
Interest income		3,934,228	2,193,963
Other income		205,607	86,916
Total income		816,712,852	772,641,584
Expenses			
Cost of rental		23,271,719	11,816,295
REIT management fee	14.1, 15	9,644,843	8,930,376
Trustee's fee	14.2, 15	6,977,114	6,376,481
Registrar's fee	14.3	2,022,759	2,020,897
Professional fee		10,007,997	1,075,328
Administrative expenses		40,535,445	24,148,169
Interest expenses	15	77,744,016	61,084,583
Total expenses		170,203,893	115,452,129
Net investment income		646,508,959	657,189,455
Realised and unrealised gains on investments			
Net realised gains on investments		57,407	4,363
Net unrealised gains on investments		39,029,507	50,002,685
Total realised and unrealised gains on investments		39,086,914	50,007,048
Net increase in net assets resulting from operations		685,595,873	707,196,503

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 year ended 31 December 2019

		(Unit: Baht)	
	Note	2019	2018
Increase in net assets resulting from operations during year			
Net investment income		646,508,959	657,189,455
Net realised gains on investments		57,407	4,363
Net unrealised gains on investments		39,029,507	50,002,685
Net increase in net assets resulting from operations		685,595,873	707,196,503
Increase in capital from unitholders			
Distributions to unitholders	13	(591,711,890)	(577,188,053)
Increase in net assets during year		93,883,983	130,008,450
Net assets at the beginning of year		6,768,140,179	6,638,131,729
Net assets at the end of year		6,862,024,162	6,768,140,179

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

LH Hotel Leasehold Real Estate Investment Trust

Statement of cash flows

For the year ended 31 December 2019

	(Unit: Baht)	
	2019	2,018
Cash flows from operating activities		
Net increase in net assets resulting from operations	685,595,873	707,196,503
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	(4,199,495,010)	-
Purchases of investments in securities	(1,769,491,612)	(711,093,092)
Sales of investments in securities	1,751,744,117	592,198,245
Increase in accounts receivable from rental	(52,328,124)	9,995,922
Increase in accounts receivable from interest	(112)	(1)
Decrease (increase) in prepaid expenses	(2,705)	1,889,614
Decrease in other assets	(6,955,372)	2,542,096
Increase in accrued expenses	(2,724,484)	4,571,805
Increase (decrease) in other liabilities	454,225	(7,508)
Amortisation of deferred expenses	36,648,602	22,027,619
Amortisation of discount on investments	(3,877,554)	(2,163,234)
Interest expenses	77,744,016	61,084,583
Net realised gains on investments	(57,407)	(4,363)
Net unrealised gains on investments	(39,029,507)	(50,002,685)
Net cash flows from (used in) operating activities	(3,521,775,054)	638,235,504
Cash flows from financing activities		
Cash received from long-term loans	1,140,000,000	-
Cash received from Short-term loans	3,060,000,000	
Cash paid for Long-term loans	(20,656,000)	
Interest paid	(65,198,908)	(60,874,952)
Distributions to unitholders	(591,711,890)	(577,188,053)
Net cash flows from (used in) financing activities	3,522,433,202	(638,063,005)
Net increase (decrease) in cash and cash at bank	658,148	172,499
Cash and cash at bank at the beginning of year	280,544	108,045
Cash and cash at bank at the end of year (Note 8)	938,692	280,544

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

LH Hotel Leasehold Real Estate Investment Trust

Significant financial information

For the year ended 31 December 2019

	(Unit: Baht)				
					For the period as from 11 December 2015 (date of incorporation) to 31 December 2015
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2016	
Operating performance information (per unit)					
Net asset value at the beginning of year/period	12.5820	12.3403	10.6107	10.0582	-
Income from investment operations					
Net investment income	1.2018	1.2217	1.1006	1.0378	0.0582
Net realised gains (losses) on investment	0.0001	0.0000	0.0000	(0.0000)	-
Net unrealised gains on investments	0.0726	0.0930	0.5891	0.2702	-
Total income from investment operations	1.2745	1.3147	1.6897	1.3080	0.0582
Add: Increase in capital from unitholders	-	-	0.9849	-	10.0000
Less: Distribution to unitholders	(1.1000)	(1.0730)	(0.9450)	(0.7555)	-
Net asset value at the end of year/period	12.7565	12.5820	12.3403	10.6107	10.0582
Ratio of increase in net assets resulting from operations to average net assets during the year/period (%)					
	10.08	10.53	15.26	12.53	0.58
Significant financial ratios and additional significant information					
Net assets at the end of year/period	6,862,024,162	6,768,140,179	6,638,131,729	3,328,225,978	3,154,911,960
Ratio of total expenses to average net assets during the year/period (%)	2.50	1.72	1.52	1.58	0.08
Ratio of total investment income to average net assets during the year/period (%)	12.00	11.51	11.46	11.52	0.66
Ratio of weighted average investment turnover during the year/period to average net assets during the year/period (%)*	61.54	49.00	71.83	0.13	118.97
Average net assets during the year/period	6,803,366,971	6,714,588,449	5,240,310,310	3,274,939,280	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/period, excluding cash at banks and investments in promissory notes, and must be real purchases or sales of investments. Purchases of investments under resale agreements or sales of investments under repurchase agreements are therefore excluded from the computation.

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

LH Hotel Leasehold Real Estate Investment Trust

Notes to financial statements

For the year ended 31 December 2019

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. 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.

The Stock Exchange Commission of Thailand approved the listing of the trust units on 22 December 2015 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.

As at 31 December 2019, the Trust's major unitholders are LH Mall and Hotel Company Limited and LH Financial Group Public Company Limited, which hold 13.25% and 4.82% respectively accordingly to the registry of unitholders on 30 December 2019 (2018: LH Mall and Hotel Company Limited 13.25% and LH Financial Group Public Company Limited 4.77%).

Currently, the Trust invests in the leasehold right in immovable properties and the ownership of movable properties of three projects; the Grande Centre Point Hotel Terminal 21, Grand Centre Point Hotel Ratchadamri and Grand Centre Point Hotel Sukhumvit 55.

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

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

During the period, the Trust has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Trust's financial statements. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

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

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

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

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

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Trust's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective including the Accounting Standard No. 106 "Accounting for Investment Businesses" will be cancelled. The current accounting policy relating to the expenses incurred in relation to the initial issue of trust units and the format of the presentation and disclosure of financial statements of the Trust have been

prepared in accordance with the regulations and format specified in The Accounting Standard No. 106

The management of the Trust is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Trust believes that adoption of these standards will not have any significant impact on the financial statements.

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. The REIT Manager will not appoint any appraiser to appraise the property for more than two consecutive times.

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

Investment in securities

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

5.5 Related party transactions

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

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

5.6 Distribution to unitholders

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

5.7 Long-term leases

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

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

5.8 Provisions

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

5.9 Income tax

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

5.10 Fair value measurement

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

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

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

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

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

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

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. The independent appraiser values the investments by using the income approach, because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are occupancy rate, rental rate and discount rate. 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)	
	2019	2018
Investments in properties - beginning of the year	7,961,000	7,911,000
Add : Investment in immovable assets	4,045,000	-
Purchases of furniture, equipment and fixtures	110,000	-
Registration fee with Department of Lands	44,495	-
Net unrealised gains from the revaluation	39,000	50,000
Investments in properties - end of the year	12,199,495	7,961,000

- 7.1 During the year 2019, the Trust hired an independent appraiser to appraise the value of its investments in properties, the Grand Centre Point Hotel Terminal 21 and the Grand Centre Point Hotel Ratchadamri, using the income approach method. The Trust has adjusted these property investments to their fair value and recognised unrealised gains on investments in the statement of income.

Key assumptions used in the valuation are summarised below:

	2019	2018	Result to fair value where as an increase in assumption value
Occupancy rate (%)	85.00 - 90.00	85.00 - 90.00	Increase in fair value
Discount rate (%)	10.50	10.50	Decrease in fair value
Average room rate (Baht/Room/Day)	3,700 - 3,800	3,700	Increase in fair value

- 7.2 On 22 November 2019, the Trust invested in the Grande Centre Point Hotel Sukhumvit 55 by entering into a property lease agreement and purchasing movable assets with LH Mall and Hotel Company Limited, a subsidiary of Land and Houses Public Company Limited and agreed to pay related expenses, totaling Baht 4,162.7 million. The leasehold right is for a period of 27 years which will be matured on 31 March 2047. The Trust used the loans from financial institutions as described in Note 10 and 11 for the investment.

On 5 November 2019, the Extraordinary General Meeting of Trust Unitholders passed a resolution approving the capital increase of LHHOTEL in the total amount of not exceeding Baht 3,300 million which shall be used to partially repay the loan for the investment in the additional Assets.

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

(Unit: Million Baht)

Project	Lessee	Lease period	Rental income	
			2019	2018
Grande Centre Point Hotel Terminal 21	L&H Hotel Management Co., Ltd.	16 December 2015 to 15 December 2018	-	397
Grande Centre Point Hotel Terminal 21	L&H Hotel Management Co., Ltd.	16 December 2018 to 15 December 2021	415	20
Grande Centre Point Hotel Ratchadamri	L&H Hotel Management Co., Ltd.	15 June 2017 to 14 June 2020	364	353
Grande Centre Point Hotel Sukhumvit 55	L&H Hotel Management Co., Ltd.	22 November 2019 to 31 December 2019	34	-
			<u>813</u>	<u>770</u>

During the year 2018 the operating result of the sublessee higher than the estimated. In order to comply with the Notification of Capital Market Supervisory Board TorJor. 49/2555, the sublessee had to pay fixed and variable rental fee that were increased from rated stipulated in the agreement.

8. Cash at bank

As at 31 December 2019 and 2018, the Trust has the details of cash and cash at bank as follows:

	Principal (Thousand Baht)		Interest rate per annum (%)	
	2019	2018	2019	2018
Saving account				
The Siam Commercial Bank Public Company Limited	939	281	0.375	0.375
Total cash at bank	<u>939</u>	<u>281</u>		

9. Accounts receivable from rental

The balances of accounts receivable from rental as at 31 December 2019 and 2018 aged on the basis of due dates, are summarised below:

(Unit: Thousand Baht)

	2019	2018
<u>Age of receivables</u>		
Not yet due	<u>233,601</u>	<u>181,273</u>

10. Short-term loan

(Unit: Thousand Baht)

Balance as at 1 January 2019	-
Add: Additions during the year	3,060,000
Balance as at 31 December 2019	<u>3,060,000</u>

As at 31 December 2019, the Trust had short-term loans with local financial institutions amounting to Baht 3,060 million which bear interest at the fixed rate not exceeding 5% per annum and had unutilized credit facilities totaling Baht 1,240 million (31 December 2018: Nil).

As at 31 December 2019, the Trust had unutilised revolving credit facilities totaling Baht 150 million (31 December 2018: Nil).

11. Long-term loan

(Unit: Thousand Baht)

Loan	Interest rate (%)	Repayment schedule	31 December 2019	31 December 2018
1	Fixed rate per annum for the first year to third year and at a rate MLR minus fixed rate 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.	667,877	688,533
2	Fixed rate per annum for the first year to third year and at a rate MLR minus fixed rate per annum thereafter.	Principal and interest are to be paid quarterly, with first principal payment due in June 2020, and full settlement of loan is to be made within December 2030.	920,000	920,000
3	Fixed rate per annum for the first 42 months and at a rate MLR minus fixed rate per annum thereafter.	Principal and interest are to be paid quarterly, with first principal payment due in June 2023, and full settlement of loan is to be made within December 2033.	1,140,000	-
Total			<u>2,727,877</u>	<u>1,608,533</u>
Less: Current portion			<u>(44,800)</u>	<u>(20,656)</u>
Long-term loans, net of current portion			<u>2,683,077</u>	<u>1,587,877</u>

Movement of the long-term loan account during the year ended 31 December 2019 are summarised below:

	(Unit: Thousand Baht)
Balance as at 1 January 2019	1,608,533
Add: Additional borrowings	1,140,000
Less: Repayment	<u>(20,656)</u>
Balance as at 31 December 2019	<u>2,727,877</u>

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

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

- The affiliates and/or subsidiaries are sublease of the Grande Centre Point Terminal 21 for a period of 3 years and for a further 2 periods of not more than 3 years total not less than 9 years from date of incorporation. The replacement of the sublessee must receive the consent of the lender, unless the Trust does not exercise its right to require the sublessee to renew the sublease. However, the lease period shall not be less than three years.
- The affiliates and/or subsidiaries are the sublessee of the Grand Centre Point Ratchadamri for a period of 3 years and for a further 2 periods of not more than 3 years total not less than 9 years from date of the borrower invested in additional properties. The replacement of the sublessee must receive the consent of the lender, unless the Trust does not exercise its right to require the sub-lessee to renew the sublease. However, the sublease period shall not be less than three years.

During the year 2017, The Siam Commercial Bank Public Company Limited, which was the Trust lender under the loan agreements, assigned its right of claims for some debt repayments to Land and Houses Bank Public Company Limited in accordance with the assignment of claims agreement dated 17 August 2017 whereby terms and conditions under the loan agreements were not amended, and the Trust acknowledged such assignment of right of claims.

As at 31 December 2019, the Trust had unutilised credit facilities, to repay the loan under the loan agreement (Revolving loan facility) for leasing property and purchasing movable assets in Grand Centre Point Sukhumvit 55 project, totaling Baht 4,300 million (31 December 2018: Nil).

12. Retained earnings

	(Unit: Thousand Baht)	
	2019	2018
Net accumulated income from investments	1,521,916	864,727
Accumulated losses from investments	3	(1)
Accumulated unrealised gains on investments	413,596	363,593
Accumulated distribution to unitholders	(1,219,339)	(642,151)
Retained earnings - beginning of year	716,176	586,168
Add: Increase in net assets resulting from operations during the year	685,596	707,196
Less: Distribution to unitholders during the year	(591,712)	(577,188)
Retained earnings - end of year	810,060	716,176

13. Distributions to unitholders

The Trust is to pay distributions to the unitholders at least 90% of the adjusted net income for the fiscal year, not less than 2 times a year and within 90 days from the end of the fiscal year or the accounting period of in which distributions are paid, as the case may be. In that event that the Trust has accumulated losses, the Trust will not pay any distributions to the unitholders.

Distribution declared during the period consisted of the following:

Declaration date	For operating results	Per unit (Baht)	Total (Thousand)
15 February 2018	As from 1 October 2017 to 31 December 2017	0.253	136,094
16 May 2018	As from 1 January 2018 to 31 March 2018	0.240	129,101
3 August 2018	As from 1 April 2018 to 30 June 2018	0.280	150,617
30 October 2018	As from 1 July 2018 to 30 September 2018	0.300	161,376
Total distribution for the year 2018		1.073	577,188

Declaration date	For operating results	Per unit (Baht)	Total (Thousand)
25 February 2019	As from 1 October 2018 to 31 December 2018	0.280	150,618
21 May 2019	As from 1 January 2019 to 31 March 2019	0.240	129,100
22 July 2019	As from 1 April 2019 to 30 June 2019	0.280	150,618
30 October 2019	As from 1 July 2019 to 30 September 2019	0.300	161,376
Total distribution for the year 2019		1.100	591,712

14. Expenses

14.1 REIT management fee

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

14.2 Trustee's fee

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

The Trust's adjusted net assets 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.

14.3 Registrar's fee

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

15. Related party transactions

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

<u>Company's Name</u>	<u>Relationship</u>	<u>Details of Business Transactions</u>
Land and Houses Fund Management Company Limited	- REIT Manager	- Receive REIT management fee from the Trust
SCB Asset Management Company Limited	- Trustee	- Receive Trustee's fee from the Trust
L&H 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
The 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 (Until Quarter 4, 2018)	- Receive distribution from the Trust
LH Mall and Hotel Company Limited	- Major unitholder - Property manager - Property owner	- Receive distribution from the Trust - Has entered into lease asset agreement, as the lessor
Land and Houses Bank Public Company Limited	- Unitholder	- Provide loan to the Trust - Receive distribution from the Trust
LH Financial Group Public Company Limited	- Major unitholder	- Receive distribution from the Trust

During the year, 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:

	2019	2018	(Unit: Thousand Baht) Pricing Policy
Land and Houses Fund Management Company Limited			
REIT management fee	9,645	8,930	As detailed in Note 13.1
SCB Asset Management Company Limited			
Trustee's fee	6,977	6,376	As detailed in Note 13.2

			(Unit: Thousand Baht)
	2019	2018	Pricing Policy
L&H Hotel Management Company Limited			
Rental income	812,573	770,361	Contract price
The Siam Commercial Bank Public Company Limited			
Interest expenses	50,474	44,354	As detailed in Note 10
Land and Houses Bank Public Company Limited			
Interest expenses	27,270	16,730	As detailed in Note 10
Distribution to unitholders	15,994	15,601	As declaration
GIC Private Limited			
Distribution to unitholders	-	24,949	As declaration
LH Mall and Hotel Company Limited			
Distribution to unitholders	78,403	76,478	As declaration
Purchase of investments in immovable properties	4,045,000	-	Close to appraisal value (Note 7)
Purchase of investments in movable properties	110,000	-	Market rate
LH Financial Group Public Company Limited			
Distribution to unitholders	28,524	13,746	As declaration

As at 31 December 2019 and 2018, the Trust has the following significant outstanding balances with its related parties as follows:

	(Unit: Thousand Baht)	
	2019	2018
Land and Houses Fund Management Company Limited		
Accrued REIT management fee	2,121	1,508
SCB Asset Management Company Limited		
Accrued trustee's fee	1,626	1,076
L&H Hotel Management Company Limited		
Trade receivable	233,601	181,273
The Siam Commercial Bank Public Company Limited		
Cash at bank	939	281
Accrued interest payable	3,755	512
Long-term loan	2,267,877	1,148,533
Land and Houses Bank Public Company Limited		
Accrued interest payable	9,491	189
Short-term loan	3,060,000	-
Long-term loan	460,000	460,000

16. Information on investment purchase and sales transactions

The Trust's investment purchase and sales transactions during the year, excluding investments in cash at banks and promissory notes, amounted to Baht 7,721 million (2018: Baht 1,303 million) which is 113.48 % (2018: 19.41%) of the average net asset values during the year.

17. Commitments and contingent liabilities

As at 31 December 2019 and 2018, the Trust is committed to pay fees to counterparties under the terms and conditions as specified in Note 14.

18. Segment Information

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

The Trust is principally engaged in the rental of immovable and moveable 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 2019, the Trust has revenue from a major customer in amount of Baht 813 million (2018: Baht 770 million) arising from the rental of immovable and movable properties segment.

19. Fair value of financial instruments

As of 31 December 2019 and 2018, the Trust had the following assets that were measured at fair value using different levels of inputs as follows:

	(Unit: Million Baht)			
	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments in properties	-	-	12,199	12,199
Investments in securities - Bond	-	227	-	227

(Unit: Million Baht)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments in properties	-	-	7,961	7,961
Investments in securities - Bond	-	206	-	206

Valuation techniques and inputs to Level 2 valuation

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

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

20. Financial Instruments

20.1 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 2019					
	Fixed interest rate		Floating			Effective
	Within	Over	interest	Non-interest		interest
	1 year	1-5 year	rate	bearing	Total	rate
						(% per annum)
Financial assets						
Investments in securities	227	-	-	-	227	1.155-1.425
Cash at bank	-	-	1	-	1	0.375
Account receivable from rental	-	-	-	234	234	
	227	-	1	234	462	
Financial liabilities						
Accrued expenses	-	-	-	18	18	
Short-term loans	-	-	3,060	-	3,060	Note 10
Long-term loans	-	-	2,728	-	2,728	Note 11
	-	-	5,788	18	5,806	

(Unit: Million Baht)

	As at 31 December 2018					
	Fixed interest rate		Floating			Effective
	Within	Over	interest	Non-interest		interest
	1 year	1-5 year	rate	bearing	Total	rate
						(% per annum)
Financial assets						
Investments in securities	206	-	-	-	206	1.380 - 1.505
Cash at bank	-	-	-	-	-	0.375
Account receivable from rental	-	-	-	181	181	-
	206	-	-	181	387	
Financial liabilities						
Accrued expenses	-	-	-	8	8	-
Long-term loans	-	-	1,609	-	1,609	Note 10
	-	-	1,609	-	1,617	

Foreign currency risk

As at 31 December 2019 and 2018, the Trust has no financial instruments in foreign currency.

20.2 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.

21. Capital Management

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

22. Approval of financial statements

These financial statements were authorised for issue by the Authorised Director of the REIT manager on 7 February 2020.