



# Annual Report 2018

Dusit Thani Freehold and Leasehold Real Estate Investment Trust



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## Message from the REIT Manager

Dear Trust Unitholders

In the past 5 years the tourism of Thailand constantly gained more popularity from the foreign travelers thanks to the wide variety of tourist attractions, savory foods, which is internationally recognized, the convenient transportation as well as the warm service and hospitality that help creating a unique experience and well impression for tourists.

Dusit Thani Freehold and Leasehold Real Estate Investment Trust (“DREIT”) has been focused investing in properties located mainly in the prime locations in Thailand, highly popular for tourist destination among those Thais travelers and foreigners. The investment properties of DREIT comprise of 3 hotel projects which are Dusit Thani Laguna Phuket Hotel, Dusit Thani Huahin Hotel, and DusitD2 Chiang Mai Hotel.

For Thailand, Phuket ranked No.11 for the most popular global destinations city for international travelers seeking to travel and leisure, while Huahin and Chiang Mai has been all-time most popular tourist destinations in Thailand. During the past 2-3 years, Chiang Mai has several new tourist attractions, making Chiang Mai become in the spotlight for tourists to revisit. In 2018, Chiang Mai has been voted one of the six most attractive places to visit in Asia.

Dusit Thani Laguna Phuket Hotel had been under a major renovation in year 2017-2018 and recently completed in October 2018, enabling the occupancy rate actively increased (up 5.5% from last year). DREIT together with the hotel management team keep pursuing new market groups and enhance the hotel looks to create new experience and utmost impression to all guests ultimately for the best return to all trust unitholders. In this coming 2019-2020, the Trust plans to enhance the appeal of Dusit Thani Huahin Hotel with the aim of improving and upgrading hotel image to attract tourists to use our services continuously.

Dusit Thani Properties REIT Co., Ltd., as the REIT Manager, is committed to manage and utilize assets potentials to create a long-term sustainable business as well as to deliver the greatest constant return. We highly anticipate to improve and uplift the organization for trust unitholders, business partners, and our employees to be proud of who we are.

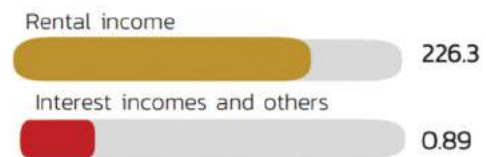
Warmest Regards,

REIT Manager  
Dusit Thani Properties REIT Co., Ltd.

# Financial Highlights



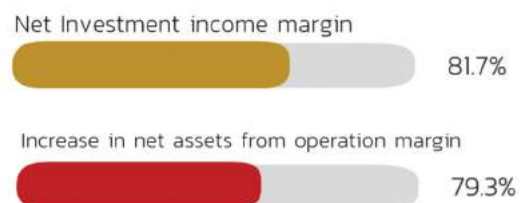
## Total Revenue



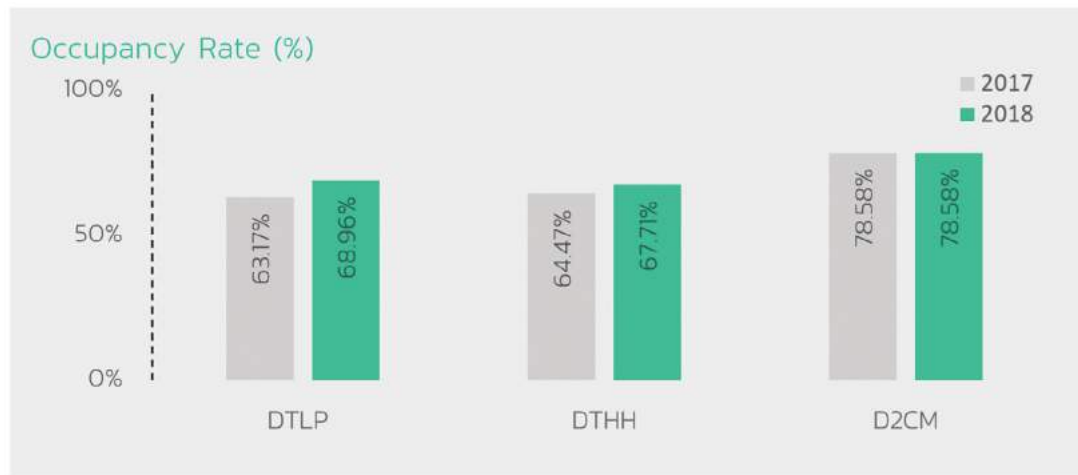
## Total Expenses



## Net Investment Income



## Hotel Statistics



## Information of the Trust

Name of the Trust (Thai)	ทรัสต์เพื่อการลงทุนในอสังหาริมทรัพย์และสิทธิการเช่าดุสิตธานี
Name of the Trust (English)	Dusit Thani Freehold and Leasehold Real Estate Investment Trust
Initials	DREIT
REIT Manager	Dusit Thani Properties REIT Company Limited (“the Company”)
Trustee	Krung Thai Asset Management Public Company Limited
Term of the Trust	Indefinite
Paid-up Capital (Baht)	3,656,050,620.77
Type of the Trust	Non-redeemable unit trust from the trust unitholders

### Objective of The Trust

The Trust was established for the purpose of investing in core assets by acquiring and/or leasing and/or sub-leasing and/or obtaining the Transfer of Leasehold and/or Sub-leasehold Rights in core assets or by indirect investment, as well as renovating, remodeling and improving asset potentials and/or disposing current assets for delivering a long-term sustainable revenue and returns for the trust unitholders. Also, use of core assets to generate income by renting as specified by the SEC or authorized parties.

Moreover, the Trust aim to invest in other assets and/or securities and/or seek for benefits by other means as specified in Stocks and Exchange Act and other relevant laws.

## List of the First 10 Trust Unitholders as at the Book Closing Date (28 December 2018)

Trust Unitholders	Number of the Units	the Units Proportion (Approximate %)
Dusit Thani Public Company Limited	122,920,000	30.02%
Social Security Office	104,049,100	25.42%
Muang Thai Life Assurance Public Company Limited	21,000,000	5.13%
Krungthai-AXA Life Insurance Public Company Limited	15,916,600	3.89%
Dhipaya Insurance Public Company Limited	8,700,000	2.13%
One Property Plus Fund	3,176,600	0.78%
Advance Life Assurance Public Company Limited	2,535,000	0.62%
Mr. Nattakit Jiratipayabood	2,100,000	0.51%
Mr. Naris Cheyklin	1,750,000	0.43%
Mr. Santi Sansaneeyakiat	1,584,100	0.39%

## Trustee

Name	Krung Thai Asset Management Public Company Limited
Location of Head Office	No. 1 Empire Tower, 32th Floor, South Sathorn Road, Yannawa Sub-District, Sathorn District, Bangkok 10120
Company registration ID	0107545000373
	Telephone No: 02-686-6100
	Fax: 02-686-0430
	Website: <a href="http://www.ktam.co.th">www.ktam.co.th</a>
	E-mail: <a href="mailto:bdreit@ktam.co.th">bdreit@ktam.co.th</a>
Registered Capital (Baht)	200,000,000
Paid-up Capital (Baht)	200,000,000

## Roles and responsibilities of the Trustee

Key responsibilities of the Trustee as specified in the Trust Deed are as follows

- (1) The Trustee has duty to manage the Trust with integrity and prudence as a professional, with expertise by providing fair treatment to the trust unitholders and for the best interests of the trust unitholders, in accordance with the relevant laws, the Trust Deed, the objectives of establishment of the Trust, and the resolution of trust unitholders meeting as well as additional obligations specified in the disclosure information to investors (if any).
- (2) Monitor, supervise and manage the REIT manager or other assigned persons in managing the Trust and assets to be comply with the Trust Deed and relevant agreements.
- (3) Attend every meeting of trust unitholders. In the case where a resolution of a meeting of the trust unitholders is needed, the Trustee must response to questions and give an opinion in relation to the operation whether it complies with the Trust Deed and related laws or not.
- (4) Manage and operate the Trust as necessary to prevent or cease any damages to the benefits of the Trust and the trust unitholders as a whole. In the event that the REIT manager cannot perform his duties, the Trustee has the power to appoint a new REIT manager.
- (5) Other roles and responsibilities of Trustee indicated in Notifications of SEC KorRor 14/2555 and other relevant laws.

Details of roles and responsibilities of the Trustee can be found in the Trust Deed.

### Fee for performing duties as Trustee

The Trustee is entitled to receive a remuneration at a rate not exceeding 2.00% per annum of the Net Asset Value of the Trust; however, such fee shall not be less than Baht 6,000,000 per annum

## REIT Manager

Name	Dusit Thani Properties REIT Company Limited ("REIT Manager")
Location of Head Office	319 Chamchuri Square, 29th Floor, Phayathai Road, Pathumwan Sub-district, Pathumwan District, Bangkok 10330
Company registration ID	0105560138818
Contact	Telephone: 02-200-9999 extension 3680-3684 Website: <a href="http://www.dtcreit.com">www.dtcreit.com</a> E-mail: <a href="mailto:ir@dtcreit.com">ir@dtcreit.com</a>
Registered Capital	10,000,000 Baht (Consist of 100,000 shares at par value of 100 Baht)
Type of Business	REIT Manager of DREIT
List of Directors	1. Mr. Chanin Donovanik 2. Miss Natharin Talthong 3. Mr. Sarnthor Mudhasakul
Authorized Directors	Mr. Chanin Donovanik and Mr. Sarnthor Mudhasakul co-sign and affix the Company's seal.
Accounting Period	1 January – 31 December

### Roles and Responsibilities of REIT Manager

The REIT manager has duties as assigned by the Trustee to manage the Trust's business operation including investment strategy, acquiring and disposing assets, loan, borrowing and creating any lien on the assets of the Trust, entering into agreements, controlling operation of the Trust as well as preparing and disclosing information of the Trust as specified in section 56 and section 57 of Stocks and Securities Act and submitting to the Trustee within scope, regulations and criteria as specified in REIT Manager Agreement.

## Structure of REIT Manager

REIT Manger Structure comprises of Board of Directors, Managing Director and other 3 working divisions: 1) Business Development and Investor Relations Division, 2) Asset Management and Operation Support Division and 3) Compliance and Risk Management Division as below structure.



## Board of Directors



### Chanin Donavanik

Chairman

#### Educations

- Master of Business Administration, Boston University, USA
- Director Certification Program (72/2006) Thai Institute of Directors
- Director Certification Program (10/2004) Thai Institute of Directors

#### Current Positions

- 2016 – Present Vice Chairman and Executive Chairman, Dusit Thani Pcl.
- 2017 – Present Director, Kasikornbank Pcl.
- 2017 – Present Corporate Governance Committee, Kasikornbank Pcl.
- 2017 – Present Head of Private sector, Tourism and MICE team (D3) under Palang Pracharat Committee
- Mar 2018–Present Director, Dusit Foods, Co., Ltd.
- 2017 – Present Chairman, Dusit Thani Properties REIT Co., Ltd.
- 2017 – Present Director, Dusit Colours Co., Ltd.
- 2016 – Present Director, Vimansuriya Co., Ltd.
- 2015 – Present Chairman, Dusit Hospitality Education Philippines Inc.
- 2015 – Present Director, Piyasiri Co., Ltd.
- 2014 – Present Director, Dusit Excellence Co., Ltd.
- 2014 – Present Director, Dusit Fudu Hotel Management (Shanghai) Co., Ltd.
- 2013 – Present Director, JBT (Thailand) Co., Ltd.
- 2013 – Present Director, Dusit China Capital Co., Ltd.
- 2012 – Present Director, Dusit USA Management Inc.
- 2011 – Present Director, DMS Property Investment Private Limited
- 2010 – Present Director, Dusit Management Co., Ltd.
- 2010 – Present Director, Chanut and sons Co., Ltd.
- 2009 – Present Director, Dusit Thai Properties Pcl.
- 2008 – Present Director, Dusit Worldwide Co., Ltd.
- 2008 – Present Director, Dusit Overseas Co., Ltd.
- 2006 – 8 Jan 2019 Director, Le Cordon Bleu Dusit Co., Ltd.

- 2000 – Present Director, Devarana Spa Co., Ltd.
- 1995 – Present Chairman, Dusit Thani Philippines, Inc.
- 1990 – Present Director, Dusit Properties Co., Ltd.
- 1989 – Present Director, Thai-Japan Gas Co., Ltd.
- 1988 – Present Director, Thanajirang Co., Ltd.

## Board of Directors



### Nattharin Talthong

Independent Director

#### Educations

- Master of Science in Finance, University of Colorado, USA

#### Current Positions

- 2017 – Present Independent Director, Dusit Thani Properties REIT., Ltd.
- 2013 – Present Independent Director / Audit Committee Chairman / Risk Management Committee / Nominating and Remuneration Committee, Malee Group Pcl.



### Sarnthor Mudhasakul

Managing Director

#### Educations

- Master of Arts in Economics, Chulalongkorn University

#### Current Positions

- 2017 – Present Managing Director  
Dusit Thani Properties REIT, Co., Ltd.

## Roles and Responsibilities of REIT Manager

REIT Manager has one committee which include at least three professional persons. One-third of total directors must be independent directors. The board of directors and executives who are authorized to manage the Company must possess characteristics under the Notifications of Capital Market Supervisory Board and the Notifications of the Office of SEC Sor.Chor. 29/2555. Scope of roles and responsibilities of the board of directors, independent directors, executive officers including other divisions shall be in accordance with the Company's manual of operating system and internal control which is approved by the Office of SEC.

Authorized directors of the REIT manager must have 2 directors (not including Independent Director) co-signing and affixing the Company's seal. The board of directors may assign any directors or other persons to perform duties on behalf of the board of directors. This shall not include an authorization which would enable such directors or attorney-in-fact to act in conflict of interest with the Trust.

## Roles and Responsibilities of the Board of Directors to REIT Manager

- (1) Perform its duties with integrity (duty of Loyalty), prudence (duty of Care), and responsibility (accountability) and morality (ethic) and in accordance with laws, objective and articles of association of the Company as well as resolution of a meeting of the trust unitholders by taking the best benefits of the Trust and trust unitholders into account.
- (2) Formulate operation policy, manage and monitor the compliance of the operation and disclosure of conflict of interest according to the guidelines of the Office of the SEC and other relevant regulatory authorities.
- (3) Report the operation of the Company to the trust unitholders
- (4) Monitor and follow up on the operation of the Company as the REIT manager as well as giving advices as necessary in order to ensure that the operation of the Company is fairly and equally treated to persons with conflict of interest.
- (5) Propose and approve meeting agenda regarding significant matters that should be considered.
- (6) Propose and appoint the Company's new directors in replacement of resigned directors as well as new additional directors to the Company's shareholders.
- (7) Approve significant operation decision of the Trust in relation to Dividend payment to the trust unitholders, Schedule of annual general meeting of the trust unitholders as specified by laws, The company's annual internal audit plan as well as selecting, proposing external auditors and fees.
- (8) Inform and advise new directors about the Company's business, including related laws, notifications, rules and regulations.

- (9) Schedule the meeting of the Company board of directors at least 4 times per year, in which the number of directors attending may exceed one-fourth of the total. In the vote on the board of directors resolved to hold the majority. The director who has an interest and will not attend or no vote on such matter.
- (10) Appoint company secretary of the board of directors to prepare meeting agendas proposing by each division, record and prepare meeting minutes together with keep supporting documents.
- (11) Evaluate executives' performance as well as provide advices in order to ensure that the executives fully perform their duties as assigned and in accordance with the rules and conditions as specified in the relevant regulations, and for the benefits of the Trust.

### Roles and Responsibilities of the Board of Directors to the Trust

- (1) Approve decisions in relation to investment and management of the Trust such as management policy, capital structure, property investment and procurement for commercial benefit.
- (2) Approve initial acquisition of assets or leasehold assets and/or additional property investments for the commercial benefits from such assets along with manage the Trust to be in compliance with company policy, the Trust Deed, REIT Manager Agreement, Annual Statement, Prospectus, related laws and regulations.
- (3) Consider and approve the disposal of the main assets and equipment of the Trust whether it is complied with laws, the Trust Deed, notifications and other relevant regulations.
- (4) Formulate strategies and policies in relation to risk management and investment.
- (5) Approve policy, regulations and other conflict of interest management procedures, especially between the Trust and the REIT Manager and other related persons connecting with the REIT Manager. Together with seeking resolving measurement for any conflicts that may arise with the benefit of the Trust and its unitholders as a whole.
- (6) Review and approve all transactions between the Trust and the REIT Manager and/or the Trust and other related persons as well as matters with the Trust and trustee and related persons with trustee in accordance with relevant rules and regulations in which directors with conflict of interest shall not vote.
- (7) Review and approve all transactions between the Trust and related persons in accordance with regulations and related restrictions. Directors who may have conflict of interests in such transactions shall not have right of vote.
- (8) Appoint managing director of the Trust
- (9) Approve and evaluate performance of lessors as specified in rental agreement.

- (10) Select and assign a selective outsourced service providers to proceed any tasks under condition specified in the agreement
- (11) Appoint outsourced professional advisors to perform tasks related with the Trust.
- (12) Monitor and follow up on the operation of the Company as the REIT manager as well as giving advices as necessary in order to ensure that the operation of the Company is according to company policy, the Trust Deed, REIT Manager Agreement, annual statement, Prospectus, related laws and regulations. Also report any important and crucial matters to the board of directors in every quarter and evaluate performance of managing director.
- (13) Approve annual budget of the Trust
- (14) Approve annual capital expenditure spending budget and/or out-of-budget spending.
- (15) Ensure that the Trust has prepared internal audit control measurement as specified in the yearly plan
- (16) Approve the annual performance of the Trust and benefit distribution to the trust unitholders.
- (17) Approve the schedule of annual general meeting of the trust unitholders or any meeting with proper consideration for benefits of the REIT manager or of the trust unitholders of at least 10 percent of total number of sellable units.
- (18) Review and approve the guidelines to solve with any important disputes and complaints relating to operation of the Trust as necessity and suitability.
- (19) The board of directors may assign any of the directors or other persons to perform duties on behalf of the board of directors. This shall not include an authorization which would enable such director or attorney-in-fact to act in conflict of interest with the Trust.
- (20) Approve resolution of all legal disputes that may arise.

## Roles and Responsibilities of Independent Directors

The Company has assigned the independent director to be one member of the board of directors, who is academically qualified and equipping with proper experiences; or are recognized for their high potentialities to review and scrutinize operation of executives, and operation team in accordance with good corporate governance as well as to make supportive decisions on operating the Trust for benefits of trust unitholders; at the same time, make an objection if the company may make any decisions which negatively affect to the Trust and the trust unitholders. The Independent directors must be independent from controlling persons of the company, major shareholders and has no direct or indirect benefit from, or interest in, the finance and management of the company. The roles and responsibilities of the independent directors are as following:

- (1) Review and give opinion in relation to connected transactions or transactions which may cause conflict of interest with the Trust, including all significant acquisition or disposal of main assets for the best benefit of the Trust.
- (2) Review and give opinion in all important matters regarding fund structure, company policy and establish suitable internal control and operating system to perform duties as the REIT manager.
- (3) Give opinion on operation procedure and risk management policy, and measurement to control and reduce risks.
- (4) Review, monitor and advise as necessary in order to accurately and timely prepare financial report of the company and the Trust.
- (5) Propose all important matters to be considered in the Company board meeting,
- (6) Assign, review and follow up with the operation of the Company, while supervising key business plan, evaluation plan of internal control system (if any) and reporting the progress on internal control to the board of directors.
- (7) Propose internal audit measurement as appropriated.

#### Qualification of Independent Directors

The independent directors shall at least meet the following qualifications:

- (1) Holding shares of not exceeding 1 per cent of total number of shares with voting rights in the Company, parent company, subsidiary company, associate company, major shareholders or persons who may have conflict of interest
- (2) Neither being nor used to be an executive director, employee, staff, advisor who receives salary from the company, parent company, subsidiary company, associate company, same-level subsidiary company, major shareholders or persons who may have conflict of interest, unless the foregoing status has already ended for not less than 2 years.
- (3) Not being a person related by blood or legal registration as a father, mother, spouse, sibling, and child, including spouse of child, executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Trust or its subsidiary company.
- (4) Not having business relationship with the company, parent company, subsidiaries, affiliates, major shareholders or controlling persons of the company with conflict of interest in a way which may obstruct her independent judgment, or not being significant shareholders or controlling persons having business relationship with the company, parent company, subsidiaries, affiliates, major shareholders or controlling persons of the company both at present and at least 2 years prior to taking the independent directorship.
- (5) Not being the auditor of the company, parent company, subsidiaries, affiliates, major shareholders, or controlling persons of the company and significant shareholders controlling persons or partner of the audit firm which employs the auditor of the company, parent company, subsidiaries, affiliates, major shareholders, or controlling

persons of the company both at present and at least 2 years prior to taking the independent directorship.

- (6) Not being any professional service providers including legal or financial consultants who receive annual service fee in the amount of more than Baht 2 million from the company, parent company, subsidiaries, affiliates, major shareholders, or controlling persons of the company, and not being significant shareholders, controlling persons, or partners of such professional service providers both at present and at least 2 years prior to taking the independent directorship.
- (7) Not representing the company's directors, major shareholders, or shareholders connecting to major shareholders.
- (8) Not operating business with a conflict of interest with the company, subsidiaries, or not being significant shareholders of the partnership, or not being director participating in management, an employee, a staff, a consultant who receive regular salary or holding shares more than 1% of the total outstanding voting shares of other companies having conflict of interest with the company or subsidiaries
- (9) Not being a person in the list made by the Stock Exchange of Thailand stating that such persons are inappropriate to serve as an executive according to SET regulations.
- (10) Has never been convicted of violating securities and exchange laws, laws governing the investment business, securities brokering, or credit fanciers, or commercial banking laws, or life or non-life insurance laws, or money laundering laws or any other financial laws of a similar nature, whether Thai or foreign, in accused of committing wrongful acts relating to trading in shares or the perpetration of deceptions, embezzlement, or corruption.
- (11) Not having any other characteristics which cause the inability to express independent opinions with regard to the company's business operations.

## Remuneration of REIT Manager

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REIT manager will obtain a fee as specified in REIT Manager Agreement which details as follows:

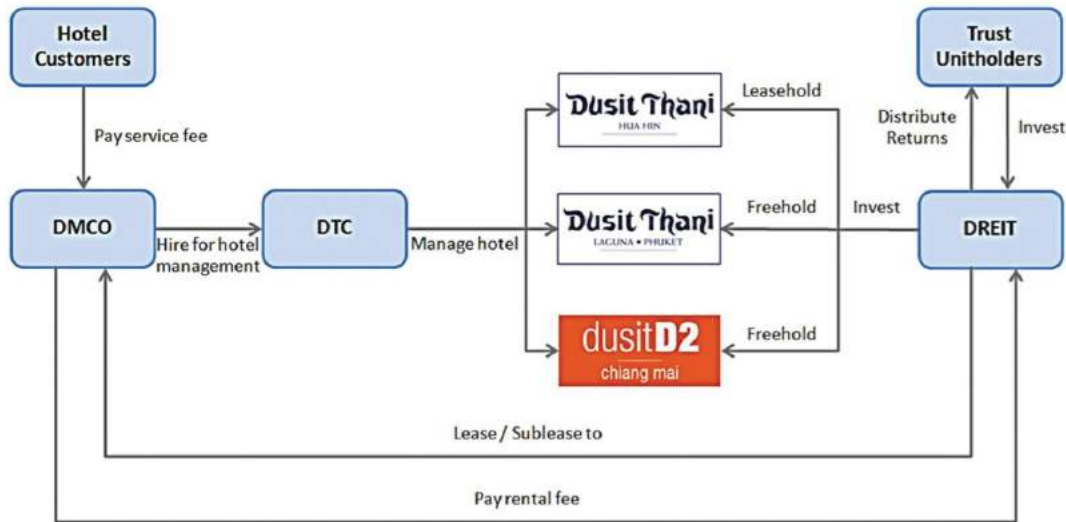
(1) Management fee

REIT Manager will obtain a fee at a rate not exceeding 2% per annum of the Net Asset Value of the Trust; however, such fee may not less than Baht 2,000,000 per annum.

(2) Acquisition and Disposal fee

REIT manager will obtain a fee not exceeding 1% of the value of any assets acquired or disposed by the Trust.

## Structure of the Trust



The REIT manager is seeking benefit generation by leasing out or subleasing out the ownership of the lands and structures, the utilities systems relating to the hotel businesses, and furniture, fixtures, fittings, and equipment of Dusit Thani Laguna Phuket Hotel and Dusit D2 Chiang Mai Hotel, as well as the leasehold right over the land and structures of Dusit Thani Hua Hin Hotel, to the hotel operator, i.e. DMCO, a subsidiary of DTC, in order to generate benefits and to pay considerations to DREIT.

Presently, DMCO has appointed DTC as a hotel operator which have high expertise in hotel businesses and services for over 69 years. Dusit International Group is one of hotel chains delivering unique Thai style services in international standard.

## Investment Policy of the Trust

The Trust focus on investing in high potential freehold or leasehold properties especially in hotel properties as well as investing in other assets that favor hotel-related business, such as meeting and convention room, restaurants, fitness center, spa, swimming pool, tennis court etc. The Trust would acquire the core assets by either purchase and/or lease and/or sub-lease, either direct investment or share acquisition of the companies, given the business purposes in line with the Trust (Indirect Investment).

The Trust aims to generate benefits in a form of rental income or any related income as well as initiate asset enhancement program to uplift asset potentiality in order to generate long-term sustainable income. Meanwhile the Trust will invest in other assets and/or other securities and/or any other returns pursuant to the Securities and Exchange Act and/or any other relevant laws.

### Direct Investment

- (1) DREIT shall invest in immovable properties in order to acquire the ownership or possession thereof, whereby the acquisition of possession shall be in accordance with any of the following cases:
  - (a) Acquisition of immovable properties for which certificates of utilization (Nor.Sor.3 Gor.) have been issued;
  - (b) Acquisition of the leasehold rights and/or subleasehold rights of immovable properties for which documents of title or possession in the category of Nor.Sor.3 Kor. have been issued. In the case where DREIT invests in the leasehold rights of immovable properties that demonstrate the nature of subleasing, the REIT Manager shall put in place measures for risk mitigation or remedy of damage which may occur due to the breach of the lease agreement or the failure to exercise the rights under the lease agreement.
- (2) The acquired immovable properties invested by DREIT shall not be subject to any enforcement of property rights or any dispute unless the REIT Manager and the Trustee, after consideration, have expressed their opinions in writing that such enforcement or dispute does not materially affect the seeking of benefits from such immovable properties, and the conditions for acquiring such immovable properties are beneficial to the unitholders as a whole;
- (3) Entering into of any agreements for the acquisition of the immovable properties shall not contain any agreement or commitment which may cause DREIT to be unable

to dispose of the immovable properties at a fair value (at the time of disposal), for instance, the agreement granting the right of first refusal to a counter party to purchase immovable properties of DREIT before third parties with a pre-fixed price, etc., or which may impose undue obligations on DREIT other than those an ordinary lessee should bear at the end of the lease period;

The acquired immovable properties shall be ready to be used for the seeking of benefits with the aggregate value of no less than 75 percent of the total value of the trust units offered for sale, including the loan amount (if any). In this regard, DREIT may invest in a project that is still under construction, provided that, the investment value to be acquired and to be used for the development of the project in order to generate benefits shall not exceed 10 percent of the total asset value of DREIT (after the offering for sale of the trust units), and DREIT must be able to demonstrate that it has sufficient working capital to pay the cost of the development of such project without affecting the existence of DREIT;

REIT Manager shall arrange for the appraisal of the immovable properties in which DREIT intends to invest, whereby the appraisal shall be fully conducted with the verification of the documents of title, and for the purposes of public use in order to disclose the information to investors for the period of not exceeding 6 months before the date of the submission of the application for offer for sale of the trust units. Such appraisal shall be performed by at least 2 appraisal companies which the Settlor/the REIT Manager and the financial advisor who mutually prepare the application for offer for sale of the trust units (if any) considered appropriate and able to conduct a reliable and satisfactory appraisals to reflect the true value of the assets. The appraisal companies shall possess the following qualifications:

- A. The appraisal companies must have been approved by the Office of SEC;
- B. If the immovable properties to be invested in are located abroad, the appraisal companies to perform the appraisal on such immovable properties can be those whose names are on the approved list of the government or regulatory authorities of the country where such immovable properties are located. In this regard, if there is no such list, the appraisal companies shall possess any of the following qualifications:
  - The appraisal companies must practice the profession of asset valuation and be widely-recognized in the country in which those assets are located;
  - The appraisal companies shall have international standards of operations and working systems; and
  - The appraisal companies are part of an international network of appraisal companies (International Firm).

- (6) The acquired immovable properties shall have an aggregate value of not less than Baht 500 million, and in the case where the amount of funds raised from the offer for sale of the trust units is less than the value of the immovable properties to be invested in, the REIT Manager must be able to demonstrate that there are other sufficient sources of funds to support the acquisition of such immovable properties.

## Indirect Investment

- (1) The indirect investment in core assets of DREIT shall be the investment through holding of shares of the company established with the objective of carrying out the business operation in a similar nature to DREIT. The amount of shares to be held shall be no less than 99 percent of the total issued shares of such company, and no less than 99 percent of the total voting rights of such company.
- (2) DREIT may grant a loan to the company under Clause (1) above by means of holding debt instruments or entering into an agreement which constitutes the granting of a loan. The granting of the loan to such company shall be deemed as an indirect investment in the core assets.
- (3) The indirect investment of DREIT in the immovable properties shall be under the following conditions:
- A. There shall be an appraisal of the assets in which DREIT indirectly invests, both at DREIT's level and at the level of the company whose shares are held by DREIT as follows:
- The appraisal of the assets at the level of DREIT shall be in accordance with the criteria set out in Clause Direct Investment. Consideration shall be given to the tax obligations which shall be borne by the company in which DREIT holds shares, as well as other factors that may affect the price of the immovable properties in which DREIT indirectly invests; and
  - The appraisal of the assets at the level of the company whose shares are held by DREIT under Clause (1) and Clause (2) re: Indirect Investment shall be in accordance with the criteria set out in Clause Direct investment.
- B. There shall be an appraisal of other assets invested in by the company whose shares are held by DREIT in accordance with the following criteria:
- The appraisal shall be based on the fair value calculated based on the criteria on the determination of the fair value of an investment capital issued by the Association of Investment Management Companies, *mutatis mutandis*; and

- If the criteria regarding the determination of the fair value of an investment capital issued by the Association of Investment Management Companies do not recognize the determination of the fair value of any asset, the value of such asset shall be determined by the generally-accepted professional principles or international standards.
- C. If DREIT invests in debt instruments or agreements that constitute indirect investments in Clause Indirect Investment, the value of those instruments or agreements shall be appraised in accordance with the criteria set out in (B); and
- D. The Settlor/the REIT Manager must be able to demonstrate that there are measures or mechanisms in place for the Trustee and the REIT Manager to be able to supervise and control the company to ensure that it complies with the criteria applicable to a real estate investment trust which has a direct investment in the core assets. This shall exclude the criteria relating to the borrowing limit specified in Clause Value of Loan as specified in the prospectus, which shall only be applied to investment at the level of a real estate investment trust.

In addition, REIT Manager may consider investing in assets other than the core assets, provided that such investment shall be in compliance with the regulations and proportion as stipulated in the notifications of the SEC or their relevant notifications.

## Milestone of the Year

Throughout the year 2018, DREIT continued renovation program of Dusit Thani Laguna Phuket Hotel in Phase 2 which included 90 guest rooms in building No. 0-3, Italian restaurant (La Trattoria) and back office areas of housekeeping, laundry, engineering, security and systems. The renovation was continued from the previous year and successfully completed in October 2018 with the objective of modernizing property appearance to be served the needs of customers and attract customers to use the service continuously.

Moreover, the Trust has provided the annual revaluation of assets by Siam City Appraisal Limited. Dusit D2 Chiang Mai Hotel was appraised in February 2018 while Dusit Thani Hua Hin Hotel and Dusit Thani Laguna Phuket Hotel were appraised in September 2018.

The operating performance in first half of 2018 is well satisfied thanks to the revenue of each hotel obtaining positive effects from the increase of international tourists during the festive seasons such as Chinese New Year, Songkran Holidays, World Cup Festival, and Easter break. Hence, DREIT announced the dividend distribution from the set-up period till the first half of 2018 at the rate of 0.3043 Baht per unit which paid in August 2018

## Details of Investment Assets

As of December 31, 2018, the details of investment assets are as follows:

### Dusit Thani Laguna Phuket Hotel

#### General Information

Dusit Thani Laguna Phuket Hotel is a large 5-star hotel, situated in Phuket Province. This hotel is a uniquely designed resort hotel. The hotel has a furnishing style and services which accentuate the distinguished Thai taste in every detail. The hotel is spacious and convenient, and the areas of which stretch extensively alongside the Bang Tao beach and are flanked by large lagoons while most guest rooms have the pleasure of the sea view.

#### Location

No. 390 Srisoontorn Road, Tambon Chernohtalay, Amphur Talang, Phuket Province on a total land area of approximately 33 rai, 2 ngan, and 61.4 square wah.

#### Details of Buildings and Utilities Systems

Dusit Thani Laguna Phuket Hotel comprises 226 guest rooms containing a 3-storey hotel building with the approximate total usable area of 16,605 square meters and 15 other buildings. The hotel building was completely built and opened for business in the year 1987.

The hotel's utilities systems includes 2 sets of passenger elevators, an emergency power system, a fire alarm system, and indoor sprinklers.

#### Details of Assets

DREIT invests in freehold of Dusit Thani Laguna Phuket Hotel, the assets of which comprise the following:

- (1) A total of 6 land plots with approximate total usable area of 33 rai, 2 ngan, and 61.4 square wah;
- (2) Structures, utilities system works, and facilities
- (3) Furniture, fixtures and fittings, and equipment used in the operation.

Pictures of Dusit Thani Laguna Phuket Hotel



## Dusit Thani Hua Hin Hotel

### General Information

Dusit Thani Hua Hin Hotel is a large 5-star hotel in Amphur Cha-am of Petchburi Province. This resort hotel was uniquely designed with a blend of Thai and European styles. In addition, this resort hotel stands out among the rest in the vicinity and boasts its vast and convenient compound which stretches alongside a gorgeous beach.

### Location

No. 1349 Petchkasem Road, Amphur Cha-am, Petchburi Province on an approximate land area of 63 rai, 1 ngan and 60 square wah.

### Details of Buildings and Utilities Systems

Dusit Thani Hua Hin Hotel comprises 296 guest rooms containing one 7-storey hotel building with a total usable area of approximately 29,601 square meters and 9 other buildings. The hotel building was completely built and opened for business in 1990.

The hotel's utilities systems includes 4 passenger elevators, an emergency power system, a water generating system for in-house use, a fire alarm system, and indoor sprinklers.

### Details of Assets

DREIT invests in leasehold of Dusit Thani Hua Hin Hotel, the assets of which comprise the following:

- (1) A total of 5 land plots with the approximate total usable area of 63 rai, 1 ngan, and 60 square wah;
- (2) Structures, utilities system works, and facilities
- (3) Furniture, fixtures and fittings, and equipment used in the operation

Pictures of Dusit Thani Hua Hin Hotel



## Dusit D2 Chiang Mai Hotel

### General Information

Dusit D2 Chiang Mai Hotel is a large 5-star hotel, situated in the center of Chiang Mai city on Chang Klan Road in the Night Bazaar area, one of Chiang Mai's important commercial and shopping quarters. This hotel targets on younger customers who seek exotic and modern experience.

### Location

No. 100 Chang Klan Road, Amphur Mueng, Chiang Mai Province on an approximate land area of 2 rai, 2 ngan and 65 square wah.

### Details of Buildings and Utilities Systems

Dusit D2 Chiang Mai Hotel offers a total of 130 guest rooms and comprises 1 eleven-storey (including the basement) hotel building with a total usable area of approximately 11,697 square meters and 4 other buildings. The building of Dusit D2 Chiang Mai Hotel was formerly named Chiang Inn Hotel. Dusit Group purchased the lands and structures thereon, and renovated all the buildings and the entire utilities systems in order to enhance and modernize the hotel's image. The hotel was re-opened for business at the end of 2005 under the "Dusit D2" trademark.

The hotel's utilities system includes 3 elevators (2 passenger elevators and 1 freight elevator), an emergency power system, a fire alarm system, and indoor sprinklers.

### Details of Assets

DREIT invests in freehold of Dusit D2 Chiang Mai Hotel, the assets of which comprise the following:

- (1) A total of 7 land plots with the approximate total usable area of 2 rai, 2 ngan, and 65 square wah;
- (2) Structures, utilities system works, and facilities
- (3) Furniture, fixtures and fittings, and equipment used in the operation

Pictures of Dusit D2 Chiang Mai Hotel



## Asset Appraisal Valuation

Fair value of assets invested by the Trust was appraised by Siam City Appraisal Co., Ltd, with Income Approach method detailed as follow

List of Assets	Fair Value of Asset (Baht million)	Date of Appraisal
Dusit Thani Laguna Phuket Hotel	3,009.2	27 September 2018
Dusit Thani Hua Hin Hotel	909.5	26 September 2018
Dusit D2 Chiang Mai Hotel	396.7	6 February 2018

## Loan Policy and Details of Loan

The Trust may obtain a loan from any financial institutions or issue bonds or securities agreement including creating any encumbrances in order to invest in core assets additionally, to renovate current assets initially invested by the Trust or for any other business purpose within loan policy as follows:

### Loan Purpose

- (1) For additional investment in freehold assets and leasehold assets.
- (2) For other assets which is specified as core asset as in Notification of the Office of SEC and/or Capital Market Supervisory Commission.
- (3) For assets management of the Trust
- (4) For maintenance, repair, or improvement of assets of the Trust, or of which the Trust has leasehold rights, in order to restore them in a good condition to improve image and perception of asset.
- (5) For maintenance, repair or replacement of assets and equipment of the Trust or of which the Trust has leasehold rights in order to restore them in a good condition to be ready to use for the benefit and procurement of the Trust.
- (6) For adding onto or constructing additional buildings on existing land owned by the Trust or of which the Trust has leasehold rights to use for the benefit and procurement of the Trust.
- (7) For operational cash flow of the Trust
- (8) For repayment of loan(s) or other encumbrances of the Trust.
- (9) For loan restructure in order to refinance the existing encumbrances of the Trust.
- (10) For fund restructure of the Trust
- (11) For exchange rate hedging due to existing loan or bond.
- (12) For other necessary causes which the REIT Manager deems appropriate in order to manage the Trust and for the distributions to the trust unitholders.

The loan shall be carried out by taking the benefit of the trust unitholders into consideration. In the case of the loan for maintenance and improvement of assets of the Trust or of which the Trust has the leasehold rights as stated in the purpose (4), (5), and (6). The Trust shall also consider the remaining duration of the lease agreements.

## Method of Loan(s) or Creation of Encumbrances

The Trust shall create the loan or any encumbrances to the Trust's assets, including issuing bonds or entering into all types of agreements which have specific purpose or substances for loan as follows:

- (1) Any loan borrowing, requests of credit or overdraft accounts from corporate company or financial Institutions from domestic or internationals as well as insurance company which was established in accordance with laws related with insurance and the Trust consider to place security assurance for performance of obligations. The Trust may enter into a sale and purchase agreement for derivatives with the objective to prevent foreign exchange rate risk(s) (hedging) and/or interest rate risk(s) which may incur from the loan either in whole or in part; for examples, the Trust may enter into the interest rate swap agreement or cross currency swap agreement with commercial banks to prevent risks from uncertainty of interest rate.
- (2) The issuance of bonds or any encumbrances either short-term or long-term period for sale to private investor and financial institutions as stated in relevant Notifications of SEC.

However REIT Manager shall consider the necessity and appropriateness for creating loan or encumbrances over the Trust's assets as well as rules and methods for creating the loan or encumbrance including key commercial terms and conditions. The Trust is not required to obtain the approval by the resolution of the trust unitholders meeting in the case of providing an existing security or increasing the security amount over the existing security for the existing lender(s) as specified in the registration statement or the prospectus, or in a case where the existing lender(s) or creditor(s) assigns its right(s) under the Loan Agreement(s) and/or the existing security to an assignee who will become a new lender or creditor. In the event that the Trust is required to provide its assets as a security for the loan which includes the Increasing the collateral limit for the same lender from existing collateral, REIT Manager shall proceed within other relevant laws.

Trustee shall be the person who executes and enters into the agreement for creating the loan or encumbrance over the Trust's assets and/or delegate power of attorney to the REIT manager to sign in such agreement. In the case that the Trustee request to amend key commercial terms and conditions of loan or change or create any new encumbrances over the Trust's asset, it is required to mutually agree with the REIT manager. The Trust is not required to obtain the approval by the resolution of the trust unitholders meeting in the case where the agreement cannot be mutually agreed by both parties.

## Limitation of Loan Criteria

The loan of the Trust, by any means, shall not possess the characteristics as follows:

- (1) Having terms and conditions in the same manner as a perpetual bond(s)
- (2) Granting the right to convert into equity
- (3) Having characteristics of embedded derivatives; except criteria with characteristics as follows:
  - Granting the rights to debtors to pay bonds before its date of maturity (callable bond) or granting the rights to the REIT Manager to redeem bonds before its date of maturity (puttable bond).
  - Set specific interests or returns or at the rate varied with the interest rate of financial institution or relevant interest rate.
  - Not specifically set conditions of interests or returns in reference with other factors.
- (4) Having characteristics of securitization.

## Amount of Loan

The ratio of loan must not exceed either one of the following rates, except that exceeding rate is not caused by taking additional loans.

- (1) Thirty five (35) per cent of total asset value of trust.
- (2) Sixty (60) per cent of total asset value of trust in case that investment grade of trust is in the rank that can invest which the latest investment grade must be evaluated by credit rating agency approved by SEC not exceeding one (1) year prior to the day of taking on a loan.

Taking on a loan also includes issuing financial instrument or securities, making a contract in any form with a purpose or substance of taking on a loan.

## Obligation to Asset of the Trust

Making obligation to asset of the Trust can be operated only in the case that is necessary and related to asset management of the Trust as follows:

- (1) Creating obligation in relation to main agreement that trust is able to do as specified in Thor Jor 49/2555 Notification and other related laws; for example, giving the assets of the Trust as a security assurance for loan repayment as indicated in Trust Deed.
- (2) Making obligation which is commercially normal or considered normal transaction.

## Summary of the Loan Agreements as of the Ending Date of Accounting Year

As of December 31, 2018, the Trust possess of net loan amount with Thanachart Bank with term and conditions are as follows:

Borrower	Trustee acting on behalf of Dusit Thani Freehold and Leasehold Real Estate Investment Trust
Lender	Thanachart Bank
Credit Facility Amount	Credit facility of not exceeding Baht 790 million
Purpose of Loan	Purposes are for purchasing and/or leasing initial assets transferred from DTCPF to DREIT, including other expenses related with above transactions and also for maintenance and improvement of Dusit Thani Laguna Phuket Hotel
Interest Rate	Not exceeding "MLR" (Minimum Loan Rate) or equivalent rate
Period of Loan	Period of not more than 12 years from first drawdown
Loan Security	Required security

## Market Overview

### Tourism Overview in Thailand

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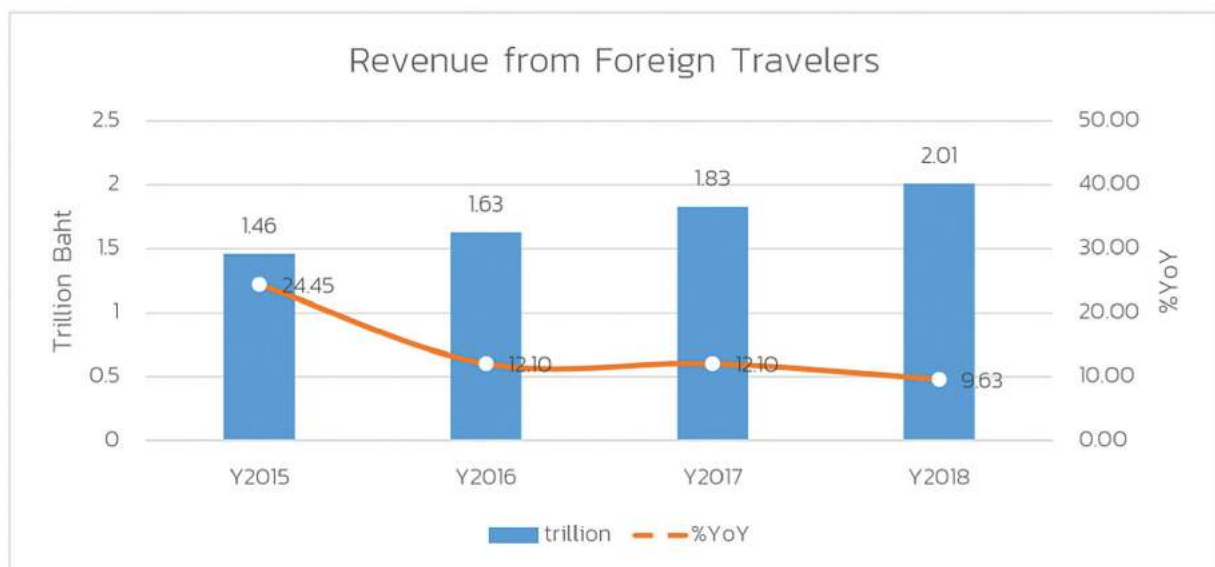
Travel and Tourism sectors of Thailand in 2018 has been vividly growing in term of number of visitors and income from tourist spending. Thailand welcomed 38.23 million foreigners in 2018, increased 7.54% from 2017, creating direct income from tourism sectors to Baht 2.00 trillion, up 9.63% from 2017, and average daily spending was Baht 5,557, increased 3.43% from 2017.

According to Ministry Tourism and Sports, number of visitors during Jan – Oct 2018 reached to 31 million, rose 7.87% from same period last year, the highest growth in February and declining from Jul – Oct. The reason of declining in number of visitor were Phuket boat accident, spread of dengue fever and Chinese Tourist being attacked by Thai airport security guard; the external factors were depreciation of foreign currency, economic slowdown from trade war effect between U.S. and China. Therefore, Ministry of Tourism and Sports announced the plan to stimulate tourism by launching Free Thailand Visa on arrival (VOA) since November 15, 2018, Amazing Thailand Grand Sale “Passport Privileges” campaign and Double Entry Visa to boost up a revisit. The said campaign relatively has showed the positive sign and factored on tourists’ decision making to visit Thailand,

In 2018, the majority of foreign visitors were from China with total of 10.5 million visitors even Thailand disturbed by sharp decline in Chinese tourists during August – September from tour boat accident in Phuket. However, the overall of Chinese tourists have increased 7.44% from last year. In term of revenue, China ranks the largest contributor in tourism industry generated by Baht 0.58 trillion up 11.52% compared to the same period of last year.



Source: Ministry Tourism and Sports



Source: Ministry Tourism and Sports

Thai domestic tourism market showed positive sign with attractive marketing campaign by government and Tourism of Thailand Division. In 2018, revenue contribution from Thais went up to Baht 1.07 trillion, increased 7.94% from 2017.

Thailand enjoyed healthy tourism income of Baht 3.07 trillion in 2018, consisting of revenue from foreigner tourists Baht 2.00 trillion and domestic tourists Baht 1.07 trillion.

In 2017, total tourism income was up to Baht 2.75 trillion, consisting of revenue from foreigner tourists Baht 1.82 trillion and domestic tourists Baht 0.93 trillion.

## Tourism Overview in Chiang Mai

### Number of arrivals and occupancy rate

From statistic report by Ministry of Tourism and Sports showed that total tourist arrivals at Chiang Mai in 2018 amounting to 10.84 million people, increased 0.45 million people or 4.33% from same period last year. From total increased number of arrival, 0.33 million people or 4.55% are Thais travelers, whereas 0.12 million people or 3.83% are foreign travelers.

In term of revenue, Chiang Mai earned revenue from those visitors at total of Baht 108.01 billion, increased Baht 8.94 billion in 2018, or 9.03% up from same period last year, contributing from Thais travelers Baht 68.36 billion and foreign travelers Baht 41.65 billion.

In 2018, average occupancy rate in Chiang Mai is 76.02, increased 2.10% from last year.

### Hotel Supply in Chiang Mai

Chiang Mai has been experiencing a higher competition in hotel business. At year-end 2018, Chiang Mai has total of 38,096 keys in 855 registered and unregistered tourist accommodation establishments. Hotel-type accommodation accounts for 48.19% of total accommodation and 67.96% of total key rooms.

For growth trend in 2018, it was 1.42% growth in number of accommodation and 0.89% growth in key rooms.

### Chiang Mai Tourism in 2018 and Trend in 2019

Chiang Mai Tourism in the last quarter of 2018 have been affected from decline in Chinese tourists as result of negative impact from several accidents in Thailand from boat sunk, to tourist attack at Don Muang Airport, creating bad rumor in among Chinese social media. However, such declines in Chinese market slightly impacted to Chiang mai tourism as key markets during year end mainly are Thais and expansion in US and Europe markets.

In 2019 several entrepreneurs in Chiang mai would actively focus more sales thru online travel agency (OTA) and meeting and seminar groups, whilst pursuing Europe, US and Japan markets to replace the decrease of Chinese market.

## Hotel Supply in Chiang Mai during 2016 - 2018

Chiang Mai	2016		2017		2018	
	No. of accommodations	No. of rooms	No. of accommodations	No. of rooms	No. of accommodations	No. of rooms
Hotel	398	25,016	404	25,633	412	25,889
Resort	165	5,062	166	5,077	167	5,107
Guest house	185	4,020	186	4,098	187	4,122
Bungalow	3	36	3	36	3	36
Serviced Apartment	21	1,249	21	1,249	21	1,249
Mansion	19	968	19	968	19	968
Homestay	15	172	15	172	15	172
Others	29	526	29	526	31	553
Total	835	37,049	843	37,759	855	38,096
Growth	7.46%	0.67%	0.96%	1.92%	1.42%	0.89%

Source: Tourism Authority of Thailand

Chiang Mai	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
<u>%Occ</u>													
2018	90.76	84.57	80.90	78.14	67.53	67.85	68.29	67.02	63.24	69.08	83.12	91.71	76.02
2017	88.64	82.78	76.85	74.85	65.34	64.78	67.14	65.49	61.76	67.83	81.26	90.37	73.92
<u>Total Visitors (million)</u>													
2018	1.08	0.95	0.96	0.81	0.70	0.66	0.68	0.66	0.61	1.03	1.19	1.49	10.84
2017	1.04	0.93	0.88	0.78	0.68	0.63	0.67	0.65	0.60	1.01	1.16	1.37	10.39
<u>Thai visitors (million)</u>													
2018	0.77	0.65	0.66	0.57	0.48	0.44	0.42	0.42	0.37	0.79	0.88	1.14	7.59
2017	0.74	0.63	0.61	0.54	0.47	0.42	0.41	0.41	0.36	0.77	0.85	1.04	7.26
<u>International visitors (million)</u>													
2018	0.31	0.30	0.29	0.24	0.22	0.22	0.26	0.24	0.24	0.24	0.31	0.35	3.25
2017	0.31	0.29	0.27	0.23	0.21	0.22	0.26	0.24	0.23	0.24	0.31	0.32	3.13
<u>Revenue from total visitors (Baht million)</u>													
2018	11,234	10,218	9,880	7,861	6,826	6,570	7,393	7,206	6,694	9,441	11,078	13,611	108,013
2017	10,364	9,335	8,840	7,314	6,416	6,051	6,928	6,659	6,196	8,803	10,220	11,942	99,070
<u>Revenue from Thai visitors (Baht million)</u>													
2018	7,040	5,995	6,058	4,955	4,202	3,842	3,755	3,864	3,428	6,517	7,314	9,393	66,363
2017	6,609	5,618	5,430	4,639	3,965	3,554	3,530	3,557	3,145	6,139	6,811	8,321	61,320
<u>Revenue from total visitors (Baht million)</u>													
2018	4,193	4,223	3,822	2,906	2,624	2,728	3,628	3,342	3,267	2,924	3,764	4,218	41,650
2017	3,755	3,717	3,409	2,675	2,451	2,497	3,398	3,102	3,051	2,664	3,409	3,621	37,750

Source: Ministry Tourism and Sports

## Tourism Overview in Phuket

### The number of tourists visiting Phuket

From statistic report by Ministry of Tourism and Sports showed that total tourist arrivals at Phuket in 2018 amounting to 14.38 million people, increased 0.37 million people or 2.64% from same period last year. From total increased number of arrival, 0.15 million people or 3.85% are Thais travelers, whereas 0.22 million people or 2.18% are foreign travelers.

In term of revenue, Phuket earned revenue from those visitors at total of Baht 477.32 billion, increased Baht 54.31 billion in 2018, or 12.83% up from same period last year, contributing from Thais travelers Baht 52.76 billion and foreign travelers Baht 424.56 billion.

Average occupancy rate in 2018 in Phuket is 75.71%, increased 0.51% from last year.

### Hotel supply in Phuket

Phuket has been experiencing very strong competition in hotel business especially during 2016–2017. However, in 2017, accommodation supply grew 14.23%. room supply grew 17.57% especially guest house-typed accommodation increased around 20%. In 2018 it was drop in the number of accommodation by 1.92% and 0.91% in key rooms.

### Phuket tourism in 2018 and Trend in 2019

In 2018, Chinese tourist numbers dropped slightly since boat accident in July. The number of Chinese tourists visiting Phuket in tour groups has continued to fall. On the other hand, Chinese tourists who are visiting Phuket by themselves, called FIT groups (Free and Independent Travelers), has not decreased. They are continuing to visit Phuket in high number. The increase in in-bound flights to Phuket from several airlines like China, Russia, Australia, Middle East and East Asia also drive the moderate growth in the first half of the year.

The trend in 2019, tourism industry have slightly expected growth from increasing number of independent tourists especially from Malaysia, Europe, Russia and India. Even they expected that Chinese tourists will continue falling in 2019, but they have some positive sign about booking number from Chinese visitors in the early 2019. Local entrepreneurs are confident with the revival of Phuket tourism, strengthen by beautiful site attraction.

## Hotel Supply in Phuket during 2016-2018

Phuket	2016		2017		2018	
	No. of accommodation	No. of rooms	No. of accommodation	No. of rooms	No. of accommodation	No. of rooms
Hotel	701	41,893	789	49,054	771	48,182
Resort	468	30,103	521	35,060	514	35,262
Guest house	354	6,390	428	7,686	420	7,585
Bungalow	91	1,761	104	2,157	102	2,073
Serviced Apartment	12	369	13	400	13	400
Mansion	88	1,949	97	2,490	94	2,428
Homestay	5	25	5	26	5	26
Others	3	35	10	153	11	187
Total	1,722	82,525	1,967	97,026	1,930	96,143
Growth	N/A	N/A	14.23%	17.57%	-1.92%	-0.91%

Phuket	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
<u>%Occ</u>													
2018	84.03	90.63	86.76	88.05	69.50	79.88	65.48	64.95	60.80	63.90	74.97	79.53	75.71
2017	82.61	84.14	81.84	83.64	66.35	77.77	66.79	67.36	65.46	67.87	76.88	81.73	75.20
<u>Total Visitors (million)</u>													
2018	160	163	163	130	0.92	1.24	0.82	0.81	0.78	1.08	1.06	1.50	14.38
2017	155	1.44	1.49	1.21	0.88	1.18	0.83	0.85	0.84	1.14	1.08	1.50	14.01
<u>Thai visitors (million)</u>													
2018	0.32	0.53	0.47	0.34	0.09	0.30	0.23	0.33	0.27	0.34	0.32	0.51	4.05
2017	0.32	0.48	0.45	0.33	0.08	0.29	0.22	0.32	0.26	0.31	0.32	0.50	3.90
<u>International visitors (million)</u>													
2018	1.28	1.10	1.17	0.96	0.83	0.94	0.59	0.48	0.51	0.74	0.74	0.99	10.33
2017	1.23	0.97	1.04	0.89	0.80	0.89	0.60	0.53	0.58	0.82	0.77	1.00	10.11
<u>Revenue from total visitors (Baht million)</u>													
2018	63,611	57,562	59,657	37,052	29,631	37,080	21,437	18,961	19,972	39,648	39,265	53,448	477,324
2017	54,297	45,680	47,928	31,584	26,200	31,264	20,036	19,108	19,870	39,779	37,396	49,869	423,013
<u>Revenue from Thai visitors (Baht million)</u>													
2018	4,624	7,197	6,345	3,913	1,012	3,489	3,218	4,563	3,561	4,286	4,073	6,477	52,759
2017	4,194	6,236	5,839	3,548	918	3,181	2,881	4,193	3,353	3,956	3,791	6,020	48,111
<u>Revenue from total visitors (Baht million)</u>													
2018	58,987	50,365	53,312	33,139	28,618	33,591	18,218	14,398	16,411	35,361	35,192	46,972	424,565
2017	50,102	39,444	42,090	28,036	25,282	28,083	17,155	14,916	16,516	35,823	33,604	43,848	374,902

Source: Ministry Tourism and Sports

## Tourism Overview in Prachuap Khiri Khan

### The number of tourists visiting Prachuap Khiri Khan

From statistic report by Ministry of Tourism and Sports showed that total tourist arrivals at Prachuap Khiri Khan in 2018 amounting to 7.18 million people, increased 0.36 million people or 5.28% from same period last year. From total increased number of arrival, 0.33 million people or 5.88% are Thais travelers, whereas 0.03 million people or 2.48% are foreign travelers.

In term of revenue, Prachuap Khiri Khan earned revenue from those visitors at total of Baht 42.99 billion, increased Baht 3.39 billion in 2018, or 8.57% up from same period last year, contributing from Thais travelers Baht 28.92 billion and foreign travelers Baht 14.06 billion.

In 2018, average occupancy rate in Phachuap Khiri Khan is 66.84 increased 1.94% from last year.

### Hotel supply in Prachuap Khiri Khan

In 2018, Prachuap Khiri Khan had totally 17,167 key rooms in 558 registered accommodation, growing 1.57% and 1.45% respectively. Top ranking is hotel accommodation with 9,564 key rooms in 195 hotels, accounting for 34.95% and 55.71% of total, resort and guest houses ranked second and third respectively.

### Prachuap Khiri Khan Tourism in 2018 and the trend of 2019

In 2018, Prachuap Khiri Khan Tourism industry have continued growing from the same period last year in both revenues and number of tourists. Moreover, Prachuap Khiri Khan Province has less impact on the drop in overall Chinese markets because main tourists in this province mostly came from domestic travelers

In 2019, Tourism Authority of Thailand (TAT) have launched a campaign "Amazing Thailand Go Local" to promote Thailand's emerging market of secondary destinations, boost up spending among potential target groups, also initiate creative contents to attract tourist to visit.

## Hotel Supply in Prachuap Khiri Khan during 2016-2018

Prachuap Khiri Khan	2016		2017		2018	
	No. of accommodation	No. of rooms	No. of accommodation	No. of rooms	No. of accommodation	No. of rooms
Hotel	186	8,878	193	9,392	195	9,564
Resort	184	4,883	186	4,937	191	5,020
Guest house	87	989	87	989	87	989
Bungalow	60	969	60	969	60	969
Serviced Apartment	3	110	3	110	3	110
Mansion	4	109	5	234	5	234
Homestay	4	18	4	18	4	18
Others	12	253	12	253	12	263
Total	540	16,209	550	16,902	558	17,167
Growth	N/A	N/A	1.85%	4.28%	1.45%	1.57%

Source: Tourism Authority of Thailand

Prachuap Khiri Khan	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
<u>%Occ</u>													
2018	77.26	74.89	77.74	71.99	65.20	59.28	58.46	61.60	52.14	64.61	67.18	71.76	66.84
2017	75.86	71.70	79.51	68.61	63.24	57.31	57.29	62.43	53.79	63.72	64.81	64.81	64.90
<u>Total Visitors (million)</u>													
2018	0.60	0.55	0.54	0.55	0.51	0.48	0.56	0.62	0.50	0.71	0.73	0.82	7.18
2017	0.58	0.52	0.52	0.52	0.49	0.46	0.54	0.61	0.50	0.68	0.69	0.69	6.82
<u>Thai visitors (million)</u>													
2018	0.48	0.42	0.46	0.46	0.44	0.41	0.46	0.52	0.42	0.57	0.59	0.69	5.94
2017	0.46	0.40	0.45	0.44	0.42	0.39	0.45	0.51	0.42	0.55	0.56	0.56	5.61
<u>International visitors (million)</u>													
2018	0.12	0.13	0.08	0.08	0.07	0.07	0.10	0.10	0.08	0.13	0.14	0.13	1.24
2017	0.12	0.12	0.07	0.08	0.07	0.07	0.10	0.10	0.08	0.13	0.13	0.13	1.21
<u>Revenue from total visitors (Baht million)</u>													
2018	3,648	3,430	3,012	3,134	2,867	2,771	3,244	3,463	2,800	4,585	4,844	5,189	42,988
2017	3,342	3,068	2,770	2,790	2,609	2,497	3,004	3,298	2,709	4,355	4,371	4,782	39,596
<u>Revenue from Thai visitors (Baht million)</u>													
2018	2,393	2,105	2,282	2,088	1,971	1,830	1,917	2,143	1,773	3,213	3,353	3,854	28,923
2017	2,211	1,900	2,123	1,872	1,812	1,656	1,806	2,087	1,700	3,041	3,057	3,468	26,734
<u>Revenue from total visitors (Baht million)</u>													
2018	1,255	1,324	730	1,046	896	941	1,327	1,319	1,027	1,372	1,491	1,335	14,064
2017	1,130	1,168	647	918	797	841	1,197	1,211	1,010	1,314	1,314	1,314	12,863

Source: Ministry Tourism and Sports

## Income Guarantee

- None -

## Limitation on Allocation of the Trust Units

- (1) In regard to the allocation of the trust units to subscribers, it shall be allocated to a person or persons in compliance with the Notification Tor Jor. 49/2555 or other related Notification.
- (2) In the case where the Trust invests in properties in Thailand, the REIT manager shall determine investment proportion and allocate the Trust units to foreign investors in accordance with such laws and regulations.

In the case where the Trust invests in several properties specified in (1) with different laws and regulations for foreign investors, the REIT manager shall allocate minimum investment proportion as rules prescribed in the Notification of the SEC.

## Policy and Limitation of Benefit Distribution

- (1) The REIT manager shall distribute benefits or return of not less than 90% of the adjusted net profit for the fiscal year. The REIT manager shall make distribution to the trust unitholders of not less than one (1) times per year and shall distribute the benefit within 90 days from the end of the fiscal year or from the end of the accounting period of the latest quarter (if any).

Adjusted net profit means net profit adjusted with following transaction

- (1) Unrealized Gain from appraisal of the Trust's asset, including other adjusted transactions as indicated in guidelines of the Office of the SEC to be in accordance with cash position of the Trust.
  - (2) Cash position of the Trust which is deducted loan principal repayment and other obligations which is specified in Annual Statement (56-REIT), Prospectus or annual report (if any).
- (2) In the case where the Trust has an accumulated net profit from each accounting period, the REIT manager shall also make distribution to the trust unitholders from aforesaid accumulated net profit.
  - (3) In case that REIT manager is unable to pay distribution within the period, the REIT manager would send written notice to inform the SEC and the trust unitholders.
  - (4) In the case where the Trust still has an accumulated loss, the REIT manager shall make no distribution to the trust unitholders.
  - (5) For consideration of distribution benefits, if the benefit per trust unit of annual period or interim period is less than or equal to Baht 0.10, the REIT manager shall reserve the right not to make any distribution and carry forward such distribution for next period as indicated in benefit distribution policy.
  - (6) For the principle and criteria of benefit distribution, the REIT manager shall proceed accordingly, unless the changes, revision, or addition from Office of the SEC, and/or other legitimated divisions such notifications and regulations.
  - (7) The benefit to be received must be proportionated to the trust unitholding of each trust unitholder. In the case where it appears that any person(s) holds trust units in excess of the ratio or with disqualified conditions specified in the relevant SEC notifications Tor Jor, 49/2555 such person(s) shall not be allowed to receive the benefit of the trust units which represent the portion in excess of the ratio or with disqualified conditions as specified under the SEC notifications.
  - (8) The REIT Manager shall announce the benefit distribution, closing date of the register of the trust unitholders and ratio of benefit to the trust unitholders whose names appear in the register of trust unitholders as of the closing date of the register of trust

unitholders through information system of the SEC, together with notify to Trustee in written notice.

- (9) The payment of benefit distribution will be made by wire transfer to bank account of the trust unitholders or by cheque crossed to account payee only as name and address appeared in the register of the trust unitholders.
- (10) In the case the trust unitholders have not obtained any benefit distributions in the period of prescription with the right of claims according to the Thailand Civil and Commercial Code, the REIT manager shall not utilize such benefits for other purposes, unless for the benefit of the Trust.

## Fee and Expenses Collected from the Trust

No.	Fee and Expenses	Celling % of NAV or each of any new transaction	Collection Period
1.	REIT Manager Fee	Not over 2.00% per year of Net Asset Value of DREIT or not less than Baht 2,000,000 per year *	Monthly
2.	Acquisition or Disposal Fee	<p>Acquisition Fee</p> <p><u>In case of related persons of the cost of the main assets of the REIT Manager</u></p> <p>- Not over 0.75% of value of the acquired assets</p> <p><u>Other cases</u></p> <p>- Not over 1.00% of value of the acquired assets</p> <p>Disposal Fee</p> <p>- Not over 0.50% of value of the assets sold</p>	
3.	Trustee Fee	Not over 2.00% per year of Net Asset Value of DREIT or not less than Baht 6,000,000 per year	Monthly
4.	Registrar Fee	As specified by the register of the trust unitholders	Monthly
5.	Advisory Fee For any purchase, distribute or transfer of the main assets i.e. legal fee, lawyer fee, project management fee, engineering fee, and/or quality control audit fee.	Actual amount	-
6.	Financial Advisory Fee	<p><u>In case of Initial Public Offering:</u></p> <p>- Not over 0.50% of the amount of fund raised or the value of trust unit converted</p>	-

No.	Fee and Expenses	Celling % of NAV or each of any new transaction	Collection Period
		<u>In case of Capital Increases:</u> - Not over 3.00% of the amount of fund raised.  <u>Other cases:</u> As actual amount paid	
7.	Distribution Fee of trust unit for initial public offering and any case of capital increase of the Trust	Not over 3.00% of the amount of fund raised	-
8.	Fee of loan supply or bond issuance, including credit rating fee	Actual amount	-
9.	Interest and loan fee	Actual amount	-
10.	Expenses relating with advertising, public relation, websites and sales promotion either case of fund raising or additional bond issuance or public relation to investors	Actual amount	-
11.	Fee of Trust Unit Offering, including sponsor fees of the trust unit in the first public offering and next offering.	Not over 3.00% of the amount of fund raised	-
12.	Expenses or fees on Trust establishment i.e. - Filing fee - Registration fee for Trust Unit Offering - Documentation fee, translation	Actual amount	-

No.	Fee and Expenses	Celling % of NAV or each of any new transaction	Collection Period
	fee, legal advisory fee related with trust establishment		
13.	Annual registration fee and expenses to retain the status of listed company in the SET	As rate specified by Stock Exchange of Thailand	Yearly
14.	Fee and expenses on auditing and internal audit of the Trust	Actual amount	-
15.	Agent or Property brokerage fee for purchase, disposal, distribute or the transfer of rights of the main assets	Not over 3.00% of the amount purchased	-
16.	Fee and expenses on acquisition, distribution, disposal or transfer of main assets of the Trust	Actual amount	-
17.	Tax and stamp duty or fees relating with the acquisition and/or disposal of main assets	Actual amount	-
18.	Fees and/or expenses on asset appraisal	Actual amount	Yearly
19.	Fees and/or expenses on Engineering System Evaluation, Certified Professional Accountant for auditing profit and loss, and preparation of reports or research	Actual amount	-
20.	Expenses relating with asset management i.e. marketing expenses, public relation, sales promotion, public utilities expenses, bank fees, gasoline expenses.	Actual amount	-

No.	Fee and Expenses	Celling % of NAV or each of any new transaction	Collection Period
21.	Expenses on maintenance, improvement, renovation, and/or construction assets invested by the Trust	Actual amount	-
22.	Expenses on insurance such as Property Damage Insurance	Actual amount	-
23.	Tax and Fees related with government offices such as Property Tax, Local Development Tax, Signboard Tax	Actual amount	-
24.	Expenses on incremental construction for project completion	Actual amount	-
25.	Legal expenses related to claims and proceedings for debt collection or legal fees for court proceedings or prosecution for right protection of Trust Unitholders as a whole, which file by Trustee or REIT Manager	Actual amount	-
26.	Expenses on the Trust Unit Payment or Refunds such as Bank Fee, Stamp Duty, Postage Stamp, and Telephone and Facsimile Bill	Actual amount	-
27.	Fees on Preparation, Printing of the Subscriptions, Trust Unit Certificates, Receipts, Tax Invoices and Other Forms related to the Trust, and expenses on document	Actual amount	-

No.	Fee and Expenses	Celling % of NAV or each of any new transaction	Collection Period
	distribution such documents to Trust unitholders		
28.	Fees on preparation and printing of the Prospectus, Annual Report including translation and distribution fees	Actual amount	-
29.	Expenses on preparation, printing distribution of announcement and reports, including announcements in daily newspaper such as announcement of net asset value, revised project development news, closing date of the registrar for benefit distribution	Actual amount	-
30.	Expenses on meeting of the board of directors on investment and/or Trust unitholders meeting such as telephone charges, distribution fee of invitation letters, meeting documents, minutes and translation fee	Actual amount	-
31.	Fees or expenses on benefits in return to capital increases and/or capital decreases such as bank fees, stamp duty, register fee, postage, telephone and facsimile charges	Actual amount	-
32.	Expenses caused from revision of project and/or from revision according to laws, Notifications of SEC or	Actual amount	-

No.	Fee and Expenses	Celling % of NAV or each of any new transaction	Collection Period
	related laws such as expenses of Trust unitholders meeting, advertisement on newspaper		
33.	Documents expenses on the register of Trust unitholders, as well as relating expenses of the register.	Actual amount	-
34.	Legal expenses related to the operation and management of the Trust including expenses for court proceedings such as confiscation fees, proceedings expenses by Trustee and/or REIT Manager or proceedings which Trustee files against REIT Manager or proceedings which Trustee files against REIT Manager for its performance or claims for compensation for benefits of Trust Unitholders as a whole or upon a request by SEC. Court fee, Compensation for third parties, Mortgage fee, Registration fee, Discharge of mortgage fee, Registration Fee with department of land, transaction fee, and expenses on agreement amendment etc.	Actual amount	-
35.	Mortgage fee, Registration fee, Discharge of mortgage fee, Registration fee with department of land, transaction fee, and	Actual amount	-

No.	Fee and Expenses	Celling % of NAV or each of any new transaction	Collection Period
	expenses on agreement amendment		
36.	Compensation to third parties for damages incurred from operation of the Trust in excess of Insurance Coverage	Actual amount	-
37.	Fees and/or expenses on dissolution of the Trust or Change of the REIT Manager or the Trustee	Actual amount	-
38.	Expenses on the Inspection of Asset	Actual amount	-
39.	Fees and/or expenses related to the Operation of the Trust	Actual amount	-

- \* For 2018 and 2019 the REIT Manager will charge REIT Manager Fees at rate not over 0.15% per year of Total Asset Value of Trust, but not less than Baht 2,000,000 per year



**Opinion of the Trustee**

To Trust unitholders of Dusit Thani Freehold and Leaschold Real Estate Investment Trust (“the Trust”)

I, KrungThai Asset Management Public Company Limited, as the Trustee of Real Estate Investment Trust, has supervised and monitored the management of the Dusit Thani Freehold and Leasehold Real Estate Investment Trust managed by Dusit Thani Properties REIT Company Limited for the accounting period from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018.

I am of the opinion that Dusit Thani Properties REIT Company Limited has reasonably and appropriately performed its duties in managing the Trust in accordance with the objectives specified in the Trust Deed, the prospectus and provisions under Securities and Exchange Act B.E. 2535, and Trust for Transactions in Capital Market Act B.E.2550.

Trustee

KrungThai Asset Management Public Company Limited

Mr. Piraj Migasena

Executive Vice President

KrungThai Asset Management Public Company Limited

20 February 2018

Business Development and Management

Real Estate Investment Trust Dept.

Tel: +66-2686-6100 Ext. 6149, 6153, 6446

## Transaction Information between the Trust and the REIT Manager or Related Persons of the REIT Manager and Opinion of the REIT Manager

Company which may have conflict of interests	Type of Related Transactions	Necessity or Rational of the Related Transaction	Opinion of the REIT Manager and Financial Advisor on Price and Condition
Dusit Thai Properties Co., Ltd. (DTPP)	DREIT obtained the transfer of leasehold rights of Dusit Thani Hua Hin Hotel from DTCPF and DTPP.	Dusit Thani Hua Hin is one of core assets which will be subleased to Dusit Management Co., Ltd. for benefit generation from rental income.	<p>- The transfer of leasehold rights of Dusit Thani HuaHin Hotel is one of process of DTCPF conversion which in accordance with Entitlement Agreement, Transfer of Rights and Duties Agreement as normal conversion process.</p>
Dusit Management Co., Ltd. (DMCO)	DMCO is the Lessee or Sublessee of the assets of DREIT	<ul style="list-style-type: none"> <li>- Leasing out or subleasing out core assets of DREIT to DMCO is rational as DMCO, a subsidiary of DTC, being well-rounded experience and expertise in hotel management.</li> <li>- DREIT will obtain the benefits from rental income of initial property investment.</li> <li>- In accordance with the Notifications of offering the Trust units to investors for real estate investment for the benefits of core assets by</li> </ul>	<ul style="list-style-type: none"> <li>- Rental Fee earning from leased assets is derived from Fixed Rental Fee and Variable Rental Fee; however, the structure of Total Rental Fee and Fixed Rental Fee shall not be less than what is stated in lease agreement between lessee and DTCPF (before conversion). Also it is consistent with the benefit generation of Trust for property investment, specifying that variable rent fee shall not over than 50% of fixed rent fee as criteria notified by Capital Market Supervisory Board Tor. Jor. 49/2555</li> </ul>

<p>Dusit Thani Public Company Limited ("DTC")</p>	<p>DREIT obtained the Transfer of Rights and Duties under Agreements between DTCPF and DTC with material agreements as follows:</p> <ul style="list-style-type: none"> <li>- Performing in accordance with properties lease and/or sublease agreement</li> <li>- Shareholding and maintaining of</li> </ul>	<ul style="list-style-type: none"> <li>- Such agreements with related conditions well serve Trust's benefit generation and reducing chances of conflicts of interests between DTC and DREIT, while granting DREIT the rights of investment expansion amongst assets in DTC Groups as specified in mutual agreements.</li> </ul>	<p>management fee of property managers in other property REITs. Such fees would drive incentives to the REIT manager for seeking new assets to generate more revenue and returns to the trust.</p> <ul style="list-style-type: none"> <li>- Acquisition fee of assets from related persons is lower than of non-related persons with the Trust which deem appropriate.</li> <li>- Disposal fee of assets are in line with normal business practice comparable with management fee of other property managers in other property REITs.</li> </ul>	<ul style="list-style-type: none"> <li>- Such mutual agreements aim to reduce chances of conflicts of interests and to build confidences for investors from properties initially invested by Trust with normal business practices.</li> </ul>
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<p>Dusit Thani Properties REIT Co., Ltd. ("DTPR" or "The REIT Manager")</p>	<p>DREIT assigned DTPR as the REIT Manager</p>	<p>leasing and/or subleasing wholly to lessee and the Trust shall obtain such benefits in a form of rental income.</p>	<p>about Trust Units Offering for property investment and other related and/or additional revised notifications.</p>
<p>- Directors and Executives of the REIT manager are the experienced expert in investment and asset management and knowledgeable in core assets of Trust</p> <p>- The REIT manager is a subsidiary of DTC holding 99.99% of total registered shares. DTC is the well-rounded experienced and expert in hotel development and management for over 69 years as well as familiar with core assets which highly supportive to operation of the REIT manager.</p>		<p>- The REIT manager request management fee from DREIT at rate not exceeding 2.00% per year of Net Asset Value (NAV), but not less than Baht 2,000,000 per year</p> <p>- REIT management fee comply with normal Trust business, which compare favorably with other REIT managers and fund manager of DTCPF (before conversion)</p> <p>- The REIT manager request acquisition and disposal fee of assets as follows: The acquisition fee of asset:</p> <ul style="list-style-type: none"> <li>• The asset of persons related with the Trust: not exceeding 0.75% of DREIT's acquired asset value.</li> <li>• Other assets: not exceeding 100% of DREIT's acquired asset value.</li> </ul> <p>The disposal fee of asset: not exceeding 0.50% of DREIT's disposed asset value.</p> <p>- The structure of the management fee of the REIT manager is standard practice in business operations, comparable to</p>	

		shareholding proportion in DMCO – Maintaining of unit holding in DTCPF – Operating business with competitiveness – Rights of first refusal for investment	

## Performance Analysis and REIT Manager Notation

### Performance Analysis

For the performance 2018 of DREIT, the Trust has the total income of Baht 227.23 Million, consisting of the rental income at amount of Baht 226.34 Million and interest income and other income at the amount of Baht 0.89 Million. For the rental income is relied on the performance of each hotel, which can define as follows:

**Dusit Thani Laguna Phuket Hotel** The occupancy rate in 2018 is 68.96% which increases 5.79% from the previous year. Whereas, the average room rate of the hotel is approximately 4,873.86 Baht per room night which decreased 110.71 Baht from the previous year leading to Revenue per Available Room (REVPAR) to be 3,361.17 Baht compared to 3,148.79 Baht in 2017. The factors affecting to the increased outcome is derived from the fully finished room refurbishment, providing the full services.

**Dusit Thani Huahin Hotel** The occupancy rate in 2018 is 67.71% which increases 3.24% from the previous year. While, the average room rate is around 3,015.26 Baht per room night which decreased 139.25 Baht from the previous year, affecting REVPAR of the hotel to be 2,041.74 Baht compared to 2,033.85 Baht in 2017. Key factors for the increased outcome are due to the efficient executive plan in revenue management by setting an attractive price and more focusing on group customers to generate the increased yield in revenue per available rooms (REVPAR).

**Dusit D2 Chiang Mai Hotel** The occupancy rate in 2018 is 80.77% which increases from 2.19% from the previous year. Whereas, the average room rate is about 2,617.13 Baht per room night which decreased 214.52 Baht from the previous year, affecting REVPAR of the hotel to be 2,113.78 Baht compared to 2,225.16 Baht in 2017. The factors affecting to the decreased result because the declined number of Chinese tourists as a result of the boat accident in Phuket. The hotel operator needed to adjust the strategy by reducing the room rate to attract customers to return to use our services.

DREIT has total expenses of Baht 416.2 Million or 18.32% of the total revenue. The total expenses comprise of management fee, trustee fee, professional fee, registrar fee, and expenses related to organizing trust unitholders' meetings and processing fee for benefits distribution with the amount of Baht 16.35 Million; finance cost of Baht 21.54 Million, and other expense of Baht 3.74 Million.

Hence, comparing between the performance for operation period from 1 January 2018 to 31 December 2018 and the Projected Statement of Income and Details of Net Investment Income for the projection period from 1 January 2018 to 31 December 2018 that represented in Prospectus ("Proforma"), the Trust has net investment income from the operation period

2018 at the amount of Baht 185.61 Million which less than the Proforma Baht 6.47 Million or 3.37% due to the revenue of hotels under the Trust affected by the following reasons, (1) Negative effects from boat accident in Phuket Province which affected the decrease in number of Chinese tourists who are the main target customers of Dusit Thani Laguna Phuket Hotel, the impact affects directly to the revenue of the hotel. (2) Renovation of Dusit Thani Laguna Phuket Hotel (3) Depreciation of foreign currencies due to the economic slowdown in many countries which affected by trade war between USA and China. When offsetting with the net realized loss from investments in freehold and leasehold properties, the net unrealized loss from investments in freehold and leasehold properties, and the increase in net assets from operations period 2018 will less than the Proforma by Baht 11.87 Million or 6.18%

In return for the Trust unitholders, Board of Directors of the company approved on the resolution of the dividend payment at the rate of 0.3043 per trust unit. The dividend is paid in 31 August 2018 from the performance since the Trust was established to June 2018

## Financial Statement Analysis

### Assets

As of 31 December 2018, DREIT has total assets value of Baht 4,382.07 Million which increased 0.87% from the year 2017. The investment in properties accounted for Baht 4,339.40 Million, increased by 4% from the previous year due to the renovation of Dusit Thani Laguna Phuket Hotel and purchasing assets for use in operation of 3 hotels. Cash and cash equivalents have total amount of Baht 35.49 Million which decreased 78% from the previous year mainly due to payment to creditors for hotel renovation.

### Liabilities

As of 31 December 2018, DREIT has total liabilities of Baht 653.87 Million or 14.9% of total assets value. The major parts are long-term loan with the amount of Baht 599.10 Million, increased 1.7% from the previous year. The main purposes of this long-term loan are (1) for purchasing and/or leasing initial assets transferred from DTCPF to DREIT (2) for maintenance and improvement of Dusit Thani Laguna Phuket Hotel. Also, other payables are Baht 51.55 Million which decreased 36% from the previous year due to decreased in other payables of hotel renovation.

## Net Total Assets

As of 31 December 2018, DREIT has net assets Baht 3,728.20 Million which comprise of Capital received from trust unitholders with the amount of 3,656.05 Million. The Trust has the increase in net assets from operations for the year 2018 with the amount of Baht 180.21 Million and dividend payment for the operation period since the Trust was established to June 2018 with the amount of Baht 124.58 Million resulting in the remaining retain earnings of Baht 72.15 Million and Net Asset Value as of 31 December 2018 is 9.1065 Baht per unit.

**Dusit Thani Freehold and Leasehold  
Real Estate Investment Trust**

Financial statements for the year ended  
31 December 2018  
and  
Independent Auditor's Report



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## Independent Auditor's Report

### To the Unitholders of Dusit Thani Freehold and Leasehold Real Estate Investment Trust

#### *Opinion*

I have audited the financial statements of Dusit Thani Freehold and Leasehold Real Estate Investment Trust (the "Trust"), which comprise of the balance sheet and details of investments as at 31 December 2018, the statements of income, changes in net assets, cash flows and significant financial information for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 31 December 2018, and its financial performance, changes in net assets, cash flows and significant financial information for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. 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 judgment, 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.



Valuation of investments in freehold and leasehold properties	
Refer to note 5 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>Investments in freehold and leasehold properties are material to the Trust's financial statements and are stated at fair value. The fair value of investments in freehold and leasehold properties is determined by income approach using discounted future cash flows based on forecasted future operating results of each hotel properties. The Trust used an independent external valuers to assist in valuing the fair value of these investments.</p> <p>The judgements involved in determining the key assumption underlying the valuation result in a risk in the valuation of investments in freehold and leasehold properties as well as is an area which my audit is particularly concentrated on.</p>	<p>My audit procedures included understanding and evaluating the basis upon which the Trust identified and assessed the fair value of each asset.</p> <p>An external expert engaged by KPMG involved in considering whether the measurement basis and key assumptions underlying the estimate of the fair values. I have considered the key assumptions by comparing past estimation of operating result in the appraisal reports with actual occurrence and testing calculation and considered the reasonableness and we performed sampling test the addition investment.</p> <p>I also considered the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</p>

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report 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 will 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 identified above when it becomes available 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.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management 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 management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.



### *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 TSAs 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 TSAs, I exercise professional judgment 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 management.
- Conclude on the appropriateness of management'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 management 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 management, 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.

A handwritten signature in black ink, appearing to be 'V J' with a small 'r' or similar character below the 'V'.

(Vannaporn Jongperadechanon)  
Certified Public Accountant  
Registration No. 4098

KPMG Phoomchai Audit Ltd.  
Bangkok  
6 February 2019

## Dusit Thani Freehold and Leasehold Real Estate Investment Trust

### Balance sheet

	Note	31 December	
		2018	2017
(in Baht)			
<i>Assets</i>			
Investments at fair value (at cost of Baht 4,344 million as at 31 December 2018 and Baht 4,173 million as at 31 December 2017)	5	4,339,997,218	4,172,773,799
Cash at banks	4, 6	35,486,523	164,761,776
Prepaid expenses		1,475,458	1,139,695
Other assets		5,110,017	5,616,555
<b>Total assets</b>		<b>4,382,069,216</b>	<b>4,344,291,825</b>
<i>Liabilities</i>			
Other accounts payable		51,553,126	81,308,594
Accrued expenses	4	3,086,932	1,177,466
Withholding tax payable		133,590	349,696
Long-term loan	7	599,095,123	588,889,209
<b>Total liabilities</b>		<b>653,868,771</b>	<b>671,724,965</b>
<b>Net assets</b>		<b>3,728,200,445</b>	<b>3,672,566,860</b>
<i>Net assets</i>			
Capital received from unitholders	8	3,656,050,621	3,656,050,621
Retained earnings	8	72,149,824	16,516,239
<b>Net asset value (Baht 9.1065 per unit at 31 December 2018 and Baht 8.9706 per unit at 31 December 2017 based on 409,400,000 units outstanding)</b>		<b>3,728,200,445</b>	<b>3,672,566,860</b>

## Dusit Thani Freehold and Leasehold Real Estate Investment Trust

### Details of investments

Type of investments	31 December 2018		31 December 2017		% of fair value
	Cost (in Baht)	Fair value	Cost (in Baht)	Fair value	
<i>Investments in freehold and leasehold properties (note 5)</i>					
1. Dusit Thani Laguna Phuket Hotel Project					
Location Tambon Cherg Talay, Talang, Phuket					
- Ownership of land, buildings and equipment	3,028,621,720	3,030,057,486	2,879,281,645	2,879,281,645	69.00
2. DusitD2 Chiangmai Hotel Project					
Location Tambon Changkuan, Muang, Chiangmai					
- Ownership of land, buildings and equipment	405,124,306	398,896,705	401,135,293	401,135,293	9.61
3. Dusit Thani Hua Hin Hotel Project					
Location Petchkasem Road, Cha-am, Petchaburi					
- Land leasehold right of land and leasehold right on buildings					
- Ownership of furniture, fixtures, equipment and improvement	910,226,261	911,043,017	892,356,851	892,356,851	21.39
<b>Total investments in freehold and leasehold properties</b>	<b>4,343,972,287</b>	<b>4,339,997,208</b>	<b>4,172,773,789</b>	<b>4,172,773,789</b>	<b>100</b>
<i>Investment in common share</i>					
Dusit Management Co., Ltd.	10	10	10	10	-
<b>Total investment in common share</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>-</b>
<b>Total investments</b>	<b>4,343,972,297</b>	<b>4,339,997,218</b>	<b>4,172,773,799</b>	<b>4,172,773,799</b>	<b>100</b>

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

## Dusit Thani Freehold and Leasehold Real Estate Investment Trust

### Statement of income

		For the period from 29 November 2017	For the year ended (incorporation date) to 31 December 2017
	<i>Note</i>	31 December 2018	31 December 2017
		<i>(in Baht)</i>	
<b><i>Investment income</i></b>			
Rental income	4	226,337,361	19,012,097
Interest income		855,774	18,269
Other income		37,830	220,967
<b>Total income</b>		<b>227,230,965</b>	<b>19,251,333</b>
<b><i>Expenses</i></b>			
Management fee	4, 10	6,706,495	437,566
Trustee fee	4, 10	5,948,529	441,066
Registrar fee	10	2,031,868	128,245
Professional fee		1,658,754	133,500
Other expenses		3,736,204	181,383
Finance cost		21,539,963	1,413,334
<b>Total expenses</b>		<b>41,621,813</b>	<b>2,735,094</b>
<b>Net investment income</b>		<b>185,609,152</b>	<b>16,516,239</b>
<b><i>Net loss from investments</i></b>			
Net realised loss from investments in freehold and leasehold properties		(1,420,068)	-
Net unrealised loss from investments in freehold and leasehold properties	5	(3,975,079)	-
<b>Total net loss from investments</b>		<b>(5,395,147)</b>	<b>-</b>
<b>Increase in net assets from operations</b>		<b>180,214,005</b>	<b>16,516,239</b>

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

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust****Statement of changes in net assets**

	For the year ended <i>Note</i> 31 December 2018	For the period from 29 November 2017 (incorporation date) to 31 December 2017 <i>(in Baht)</i>
<i>Increase in net assets from operations during the year / period</i>		
Net investment income	185,609,152	16,516,239
Net realised loss from investments in freehold and leasehold properties	(1,420,068)	-
Net unrealised loss from investments in freehold and leasehold properties	<u>(3,975,079)</u>	<u>-</u>
<b>Net increase in net assets from operations</b>	<b>180,214,005</b>	<b>16,516,239</b>
Increase in capital from unit holders		
Trust units sold during the period		
409,400,000 units at Baht 8.9302	-	3,656,050,621
Distributions to unitholders	<u>9 (124,580,420)</u>	<u>-</u>
<b>Net increase in net assets during the year / period</b>	<b>55,633,585</b>	<b>3,672,566,860</b>
Net asset value at the beginning of the year / period	<u>3,672,566,860</u>	<u>-</u>
<b>Net asset value at the end of the year / period</b>	<b><u>3,728,200,445</u></b>	<b><u>3,672,566,860</u></b>

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

## Dusit Thani Freehold and Leasehold Real Estate Investment Trust

### Statement of cash flows

	For the year ended Note 31 December 2018	For the period from 29 November 2017 (incorporation date) to 31 December 2017
	<i>(in Baht)</i>	
<b>Cash flows from operating activities</b>		
Increase in net assets from operations	180,214,005	16,516,239
<i>Adjustments for</i>		
Finance cost	21,539,963	1,413,334
(Increase) decrease in prepaid expenses	(335,763)	105,438
Purchases of investments in properties	(173,186,190)	(11,773,799)
Sales of investments in properties	1,987,692	-
Payment for obtaining net assets from the Fund	-	(440,000,000)
Proceeds from obtaining net assets from the Fund	-	31,590,000
Unrealised loss from investments in freehold and leasehold properties	3,975,079	-
(Increase) decrease in other assets	506,538	(1,589,540)
Decrease in other accounts payable	(29,755,468)	(7,341,933)
Increase (decrease) in withholding tax payable	(216,106)	349,696
Increase (decrease) in accrued expenses	1,833,951	(11,983,534)
<b>Net cash from (used in) operating activities</b>	<b>6,563,701</b>	<b>(422,714,099)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(21,464,448)	(1,413,334)
Proceed from long-term loan	7 16,130,914	588,889,209
Repayment of long-term loan	7 (5,925,000)	-
Distribution to unitholders	9 (124,580,420)	-
<b>Net cash from (used in) financing activities</b>	<b>(135,838,954)</b>	<b>587,475,875</b>
<b>Net increase (decrease) in cash at banks</b>	<b>(129,275,253)</b>	<b>164,761,776</b>
Cash at banks at the beginning of the year / period	164,761,776	-
<b>Cash at banks at the end of the year / period</b>	<b>6 35,486,523</b>	<b>164,761,776</b>

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

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust****Significant financial information**

	For the year ended 31 December 2018	For the period from 29 November 2017 (incorporation date) to 31 December 2017 <i>(in Baht)</i>
<i>Information on operating results (per unit)</i>		
Net assets value at the beginning of the year / period	8.9706	-
Add Obtain of net assets from the Fund	-	8.9302
<b>Income from investing activities</b>		
Net investment income	0.4534	0.0404
Net realised loss from investments in freehold and leasehold properties	(0.0035)	-
Net unrealised loss from investments in freehold and leasehold properties	(0.0097)	-
Less Distribution to unitholders	(0.3043)	-
<b>Net asset value at the end of the year / period</b>	<b>9.1065</b>	<b>8.9706</b>
<b>Ratio of net increase in net assets from operations to average net assets during the year / period (%)</b>		
	<b>4.84%</b>	-
<i>Significant financial ratios and additional significant information</i>		
Net assets at the end of the year / period <i>(in Baht)</i>	3,728,200,445	3,672,566,860
Ratios of total expenses to average net assets during the year / period (%)	0.011	0.001
Ratios of investment income to average net assets during the year / period (%)	0.050	0.005
Ratios of weighted average investment purchases and sales during the year / period to average net assets during the year / period (%) *	0.046	0.003
Average net asset value during the accounting year / period <i>(in Baht)</i>	3,737,397,788	3,672,566,860

**Information**

\* The value of investment purchases and sales during the year / period does not include cash at banks, promissory notes and investments bought/sold under a resale/repurchase agreement, and is calculated by a weighted average basis over the accounting year / period.

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

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

<b>Note</b>	<b>Contents</b>
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Investments in freehold and leasehold properties
6	Cash at banks
7	Long-term loan
8	Unitholders' equity
9	Distributions to unitholders
10	Expenses
11	Financial instruments

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the directors of REIT manager on 6 February 2019.

**1 General information**

Dusit Thani Freehold and Leasehold Real Estate Investment Trust (“the Trust”) was established as a trust on 29 November 2017. The Trust was converted from Dusit Thani Freehold and Leasehold Property Fund (“the Fund”). The Trust is a closed-end trust with the specific purpose. REIT Manager are authorized by the Securities and Exchange Commission of Thailand to offer trusts to investors, according to the SEC letter No. Jor Kor 2047/2560 dated 23 November 2017, regarding the application for permission to sell trust units for investment in Dusit Thani Freehold and Leasehold Real Estate Investment Trust.

The Trust has a policy to invest in freehold and leasehold properties, including sublease high quality real estate, hotels and other types of property and relevant or beneficial to hotel properties. The Trust will invest in other assets and/or other securities and/or other means of interest, as requires by securities law and/or other relevant laws.

The Stock Exchange of Thailand approved the listing of the Trust’s units and permitted their trading from 15 December 2017 onwards.

As at 31 December 2018, its major unitholder was Dusit Thani Public Company Limited which held 30.02% of total outstanding units.

Dusit Thani Properties REIT Company Limited acted as the REIT manager and Krung Thai Assets Management Public Company Limited acted as the Trustee.

**2 Basis of preparation of the financial statements**

**(a) Statement of compliance**

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission. In addition, the financial statements have been prepared under the basis and format as required by the Thai Accounting Standard No. 106 “Accounting for Investment Companies”.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2018. The initial application of these new and revised TFRS has resulted in changes in certain of the Trust’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of new and revised TFRS which are not yet effective for current periods. The Trust has not early adopted these standards in preparing these financial statements.

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for investments which are measured at fair value.

**(c) Functional and presentation currency**

The financial statements are presented in Thai Baht, which is the Trust's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in note 5 investments in freehold and leasehold properties.

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Investments**

Investments are recognised as assets at cost of investments at the date on which the Trust has rights on investments. The cost of investments comprises the purchase prices and direct expenses that the Trust pays to get such investments.

*Investments in freehold and leasehold properties*

Leasehold property and assets purchased and/or invested by the Trust include leasehold land and building, land, buildings and infrastructures related to hotel business, furniture, fixtures and equipment used in hotel operations are recorded in investments in freehold and leasehold properties.

Investments in freehold and leasehold properties are stated at fair value with no depreciation charge. The fair value is based on appraisal value by independent valuers approved by the Securities and Exchange Commission. The Trust will conduct appraisal of properties at least every two years from the date of the appraisal from purchase of the properties or the date of the latest appraisal and will conduct a review of appraisal at least every year after the date of the latest appraisal. The Management company will not appoint any appraiser to appraise the property for more than 2 consecutive times.

Gains or losses from investment valuation are presented as net unrealised gains or losses in the statement of income.

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

*Investments in other securities*

Investments in common share are stated at cost.

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognised in the statement of income.

If the Trust disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weight average method applied to the carrying value of the total holding of the investment.

**(b) Cash at banks**

Cash at banks in the statement of cash flows comprise call deposits.

**(c) Rental receivables**

Rental receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**(d) Deferred expenses**

Deferred expenses included in other assets comprise expenses from issuance and sale offer of trust units such as the registration fees and other related expenses as incurred are amortised as expense over a period of 5 years on a straight-line basis, and cost of borrowings as incurred are amortised as expense over a period of 12 years on a straight-line basis.

**(e) Other accounts payable**

Other accounts payable are stated at cost.

**(f) Revenue**

Revenue excludes value added tax and is arrived at after deduction of trade discounts.

*Rental revenue*

Rental revenue is recognised in the statement of income on a straight line basis over the lease period. Contingent rentals are recognised as income in the accounting period in which they are earned.

*Interest income*

Interest income is recognised in the statement of income as it accrues.

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

**(g) Expenses**

Expenses are recognised in the statement of income as they accrue.

**(h) Income tax**

The Trust is exempted from Thailand corporate income tax. Therefore, no provision for corporate income tax has been made in the financial statements.

**(i) Distribution to unitholders**

A decrease in retained earnings is recognised at the date a cash dividend is declared.

**4 Related parties**

For the purposes of these financial statements, parties are considered to be related to the Trust if the Trust has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Trust and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

<b>Name of entities</b>	<b>Type of business</b>	<b>Nature of relationship</b>
Dusit Thani Public Company Limited	Hotel and hotel management	Major unitholder
Dusit Thai Properties Public Company Limited	Hotel and hotel management	A subsidiary of major unitholder
Dusit Management Company Limited	Hotel management	A subsidiary of major unitholder and lessee and/or sub-lessee assets of the Trust
Dusit Thani Properties REIT Company Limited	REIT management	A manager of Trust
Krung Thai Assets Management Public Company Limited	Assets management	The trustee
Krung Thai Bank Public Company Limited	Commercial bank	Major shareholder of trustee and depository service

The pricing policies for transactions with related parties are explained further below:

<b>Transactions</b>	<b>Pricing policies</b>
Rental income	Contractually agreed price
Interest income	0.375%
REIT manager fee	Contractually agreed price
Trustee fee	Contractually agreed price

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust****Notes to the financial statements****For the year ended 31 December 2018**

Significant transactions for the year ended 31 December 2018 and the period from 29 November 2017 (incorporation date) to 31 December 2017 with related parties were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
<b>Investment income</b>		
Rental income		
Dusit Management Company Limited	226,337	19,012
Interest income		
Krungthai Bank Public Company Limited	83	5
<b>Expenses</b>		
Management Fee		
Dusit Thani Properties REIT Company Limited	6,706	438
Trustee Fee		
Krung Thai Assets Management Public Company Limited	5,949	441

Balances as at 31 December with related parties were as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
<b>Cash at banks</b>		
Krungthai Bank Public Company Limited	29,779	15,862
<b>Other payables</b>		
Dusit Management Company Limited	39,914	46,100
<b>Accrued expenses</b>		
Krung Thai Assets Management Public Company Limited	1,353	462
Dusit Thani Properties REIT Company Limited	1,173	459
<b>Total</b>	<u>2,526</u>	<u>921</u>

**5 Investments in freehold and leasehold properties**

On 8 December 2017, the Trust received a transfer assets from the Fund. The initial investment 3 properties of the Fund transferred related to 3 hotels which detailed as follows:

- 1) Investments in assets used in operations of Dusit Thani Laguna Phuket Hotel:
  - Purchase of land, buildings and hotel's infrastructures of Dusit Thani Laguna Phuket Hotel totalling Baht 2,801 million.
  - Purchase of furniture and fixtures and equipment used in operations of Dusit Thani Laguna Phuket Hotel totalling Baht 68 million.
- 2) Investments in assets used in operations of dusitD2 Chiang Mai Hotel:
  - Purchase of land, buildings and hotel's infrastructures of dusitD2 Chiang Mai Hotel totalling Baht 387 million.

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

- Purchase of furniture and fixtures and equipment used in operations of dusitD2 Chiang Mai Hotel totalling Baht 14 million.
- 3) Investments in assets used in operations of Dusit Thani Hua Hin Hotel:
- Lease of properties used in operations of Dusit Thani Hua Hin Hotel from Dusit Thai Properties Public Company Limited which consisted of land, buildings and hotel's infrastructures for the period of 30 years. The Trust had paid all leases for the entire lease period from 24 December 2010 to 23 December 2040 (total 30 years) at the agreement date totalling Baht 839 million.
  - Purchase of furniture and fixtures and equipment used in operations of Dusit Thani Hua Hin Hotel totalling Baht 52 million.

The Trust has leased and/or sub-leased all above properties to the hotel management company, Dusit Management Company Limited, a subsidiary of Dusit Thani Public Company Limited.

The mentioned leased and/or sub-leased to Dusit Management Company Limited, the Trust has received the transferred rights and responsibilities of leased and/or sub-leased agreements from the Fund which the expiry date will be in 2019. After that, the Trust is able to give right to Dusit Management Company Limited to renew the agreements 4 times with a 3-year period each (ending in 2031). The term and conditions are similar with the existing agreements, except the rental amount specified the following:

- a. Fixed rental will be calculated according to the rental agreement calculated, nevertheless the fixed rental will not less than Baht 205 million.
- b. Variable rental will refer to hotels performance.

The independent professional valuers appraised the investments in freehold and leasehold properties based on income approach as at 30 November 2017, Dusit Thani Laguna Phuket Hotel, Dusit Thani Hua Hin Hotel and dusitD2 Chiang Mai Hotel have the appraisal value totalling Baht 4,161 million.

The independent professional valuers appraised the investments in freehold and leasehold properties based on income approach as at 6 February 2018 for dusitD2 Chiang Mai Hotel and 25 October 2018 for Dusit Thani Laguna Phuket Hotel and Dusit Thani Hua Hin Hotel, these properties have the appraisal value totalling Baht 4,315 million.

Movements in investments in freehold and leasehold properties for the year ended 31 December 2018 and the period from 8 December 2017 (the received a transfer of net assets date) to 31 December 2017 were summarised as follows:

	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January / 8 December	4,172,774	4,161,000
Add Increase from renovations during period	173,186	11,774
Less Dispose of renovations during the year	(1,988)	-
Net unrealised loss from changes in investment value	(3,975)	-
<b>At 31 December</b>	<b><u>4,339,997</u></b>	<b><u>4,172,774</u></b>

Land and construction of Dusit Thani Laguna Phuket are used as collateral for credit facilities from banks (see note 7 to the financial statements).

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

**6 Cash at banks**

	Interest rate		Principal	
	2018	2017	2018	2017
	(%)		(in thousand Baht)	
<b>Current account</b>				
Krungthai Bank Public Company Limited	-	-	1	-
<b>Savings account</b>				
Krungthai Bank Public Company Limited	0.375	0.375	29,778	15,862
Thanachart Bank Public Company Limited	0.125 - 0.400	0.125 - 0.400	5,691	148,899
Kiatnakin Bank Public Company Limited	0.850	-	17	-
<b>Total</b>			<b>35,487</b>	<b>164,761</b>

Cash at banks of the Trust as at 31 December 2018 and 2017 were denominated entirely in Thai Baht.

**7 Long-term loan**

The Trust has borrowed loan from Commercial bank which was used to redeem assets and liabilities from the Fund together with the trust and used as working capital for renovations of properties invested by the Trust. The principal repayment will be made on a quarterly basis for 48 installments. The first installment started from April 2018 and monthly interest paid. The interest rate is MLR at the rate as stipulated in the agreement.

The loan is secured by land and construction of Dusit Thani Laguna Phuket with a mortgage facility of Baht 700 million and a 12-year mortgage.

The loan agreement carries restrictions as specified in the agreement such as certain restrictive covenants pertaining to financial ratio.

The movement of long-term loan for the year ended 31 December 2018 and the period from 29 November 2017 (incorporation date) to 31 December 2017 was as follows:

	2018	2017
	(in thousand Baht)	
At 1 January / 29 November	588,889	-
Increase	16,131	588,889
Decrease	(5,925)	-
<b>At 31 December</b>	<b>599,095</b>	<b>588,889</b>

The periods to maturity of long-term loan as at 31 December were as follows:

	2018	2017
	(in thousand Baht)	
Within one year	25,675	5,925
After one year but within five years	197,500	163,925
After five years	375,920	419,039
<b>Total</b>	<b>599,095</b>	<b>588,889</b>

**Dusit Thani Freehold and Leasehold Real Estate Investment Trust**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

**8 Unitholders' equity**

	Par value (in Baht)	2018		2017	
		Number	Amount (thousand units / in thousand Baht)	Number	Amount
<i>Authorised</i>					
At 1 January /					
8 December (the transfer of net assets date)					
- Unit trusts	8.9302	409,400	3,656,051	409,400	3,656,051
<b>At 31 December</b>		<b>409,400</b>	<b>3,656,051</b>	<b>409,400</b>	<b>3,656,051</b>
<i>Capital contribution</i>					
At 1 January /					
8 December (the transfer of net assets date)					
- Unit trusts	8.9302	409,400	3,656,051	409,400	3,656,051
<b>At 31 December</b>		<b>409,400</b>	<b>3,656,051</b>	<b>409,400</b>	<b>3,656,051</b>

Movements in retained earnings are as follows:

	Note	2018 (in thousand Baht)	2017
<i>Retained earnings</i>			
At 1 January / 29 November		16,516	-
Add Increase in net assets from operations during the period		180,214	16,516
Less Distribution to unitholders	9	(124,580)	-
<b>At 31 December</b>		<b>72,150</b>	<b>16,516</b>

**9 Distributions to unitholders**

The Trust has a policy of distributions to unitholders such as

- 10.1 The trust manager shall distribute benefits to trust unitholders not less than 90% of the adjusted net profit for the fiscal year, not less than one time per year and shall distribute the benefit within 90 days from the end of the fiscal year or from the end of the accounting period (if any).

The adjusted net profit means net profit adjusted with following transactions:

- (1) Unrealised gain from appraisal of the trust's asset, including other adjusted transactions as indicated in guidelines of the Office of SEC to be in accordance with cash position of the trust.
  - (2) Cash position of the trust which is deducted loan principal repayment and other obligations which is specified in annual statement filling or annual report (if any).
- 10.2 In the case where the Trust has an accumulated net profit from each accounting period, the trust manager may also make distribution to the trust unitholders from aforesaid accumulated net profit.
- 10.3 In the case where the Trust still has an accumulated loss, the trust manager shall make no distribution to the trust unitholders.

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10.4 For consideration of distribution benefits, if the benefit per trust unit of annual period or interim period is less than or equal to Baht 0.10, the trust manager shall reserve the rights not to make any distribution and carry forward such distribution for next period as indicated in benefit distribution policy.

At the Board of Directors' of the REIT manager approved the appropriation of distribution which paid to its unitholders as follows:

For the year ended 31 December 2018				
The operation for the period	Approval date	Payment date	Distribution per unit trust (in Baht)	Amount (in thousand Baht)
29 November 2017 (incorporation date) - 31 December 2017	2 August 2018	31 August 2018	0.0403	16,499
1 January 2018 - 30 June 2018	2 August 2018	31 August 2018	0.2640	108,081
<b>Total</b>				<b>124,580</b>

## 10 Expenses

### *Management fee*

#### *Trust management fee*

The Trust-management company is entitled to receive a monthly management fee at a rate not exceeding 2.00% per annum except 2018 and 2019 at rate not exceeding 0.15% per annum of total assets of the Trust. Such management fee is not less than Baht 2 million per year.

#### *Fees for acquiring / disposing of trust assets*

The Trust-management company is entitled to receive a fee not exceeding 1.00% of the value of the asset acquired or disposed of by the Trust.

#### *Trustee fee*

The trustee is entitled to receive remuneration at a rate not exceeding 2.00% per year of the trust-net assets value. The fee is not less than Baht 6 million per year.

#### *Registrar fee*

The registrar fee is in according to the requirements of the Registrar.

## 11 Financial instruments

### *Interest rate risk*

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Trust operations and its cash flows. The Trust is primarily exposed to interest rate risk from cash at banks.

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*Credit risk*

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Trust as and when they fall due. Credit risk arises from risk in the collectability of lease rental from counterparties.

The Trust has significant concentrations of credit risk due to the Trust have only a lessee/sub-lessee. As a result, the Trust might have the risk from financial position and ability to pay lease rental of that lessee/sub-lessee if it has financial problem. However, Dusit Thani Public Company Limited has guaranteed the minimum lease and/or sublease payment to the Trust for the first to fourth years of the lease period and has pledged the bank guarantee during such guarantee period to prevent those impact.

*Fair values*

A number of the Trust's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes in the relevant notes to the financial statements.

*Capital risk management*

The Trust's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Trust may adjust the amount of dividends paid to unitholders, return capital to unitholders, issue new shares or sell assets to reduce debt, if any.







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