

# TREIT

รายงานประจำปี 2558  
ANNUAL REPORT 2015



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## Message from the REIT Manager

Dear Unitholders of TICON Freehold and Leasehold Real Estate Investment Trust

TICON Freehold and Leasehold Real Estate Investment Trust ("TREIT") was established on December 12<sup>th</sup>, 2014 and initially invested in the premium ready-built rental factories and warehouses on both freehold and leasehold basis totaling 45 units from TICON Industrial Connection Group ("TICON Group"), on December 22<sup>nd</sup> and 23<sup>rd</sup>, 2014. The invested assets are well-diversified and located in the strategic locations for logistics in Thailand while the investment amount of Baht 3,425 million was raised through the initial equity public offering by issuing 342.5 million trust units.

In 2015, although, the country economy still was in the recovery mode, continuously affected from the last year's pressure and new key economic factor this year, we, TICON Management Company Limited ("TMAN"), with dedicated group of experienced professionals in REIT and property management, and the good quality of assets in the potential growth area in logistics, has put our best effort to manage the properties efficiently, reflecting from the expansion of TREIT with the execution of the new lease contract and the renewal lease contract from the exiting lessee. We expect more development of the economic situation especially in the rental factory and warehouse industry next year (2016) resulting from the occurrence of the ASEAN Economic Community, which could be an advantage to Thailand as the strategic logistic hub not only for the Asian region but also for the major continents over the world. During 2015, on December 18<sup>th</sup> and 21<sup>st</sup>, TREIT invested in the additional assets of TICON Group, comprising of 53 units of premium ready-built rental factories and warehouse with the total investment amount of Baht 2,243 million by making the public equity offering for additional 224.3 million trust units to the existing and new potential investors, leading TREIT's total asset value to reach Baht 7,387.26 million at the end of fiscal year 2015, ended December 31<sup>st</sup>, 2015, increasing Baht 3,159.26 million or 75% from Baht 4,228 million at the end of fiscal year 2014 to ended December 31<sup>st</sup>, 2014.

For TREIT's 2015 operating results, TREIT generated the net investment income of Baht 286.55 million, resulting in net asset value of Baht 5,601.32 million, increasing Baht 2,168.34 million or 63% from the fiscal year 2014 with the net asset value per trust unit of Baht 9.8823.

We are very pleased with our progress and accomplishments in 2015 and would like thank you all trust unitholders and all involved parties for all of your kind and considerate supports. We believe we are well-positioned and look forward to continue initiating the sustainable accretive strategy to grow TREIT's portfolio in order to satisfy the unitholders by delivering attractive return under the risk mitigation platform.

Sincerely Yours

**TICON Management Company Limited**

The REIT Manager





**BBL ASSET MANAGEMENT CO., LTD.**  
**บริษัทหลักทรัพย์จัดการกองทุนรวม บัวหลวง จำกัด**

**Trustee's Opinion**

26<sup>th</sup> February 2016

To : Unitholders of Ticon Freehold and Leasehold Real Estate Investment Trust

Whereas, BBL Asset Management Company Limited ("BBLAM") acting as the Trustee of the Ticon Freehold and Leasehold Real Estate Investment Trust ("TREIT") which managed by Ticon Management Company Limited ("TMAN") as the REIT manager during accounting period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2015.

In our opinion, TMAN has performed its duties in managing the TREIT appropriately in accordance with the objectives specified in the Trust Deed and the Trust for Transactions in Capital Market Act B.E. 2550.

Yours Faithfully,

BBL Asset Management Co., Ltd.,

Trustee of TICON Freehold and Leasehold Real Estate Investment Trust

(Mr. Chukiet Wiriya-korkitkul)

Senior Vice President

(Mr. Thawatchai Lueangsurarungse)

Senior Vice President

## Part 1

### The Trust's Operation



## Information of the Trust

### 1. Substantial Information of the Trust

Name of Trust ( Thai)	กองทรัสต์เพื่อการลงทุนในอสังหาริมทรัพย์และสิทธิการเช่าอสังหาริมทรัพย์ไทยคอน
Name of Trust (English)	TICON Freehold and Leasehold Real Estate Investment Trust
Ticker	TREIT
Registered Capital	Baht 5,542,062,750
Paid-up Capital	Baht 5,542,062,750
Par Value	Baht 10
Term of Trust	Indefinite Maturity
Type of Trust Units	Unredeemable
REIT Manager	TICON Management Company Limited ("TMAN")
Trustee	BBL Asset Management Company Limited
Property Manager	TICON Logistic Park Company Limited ("TPARK") TICON Industrial Connection Public Company Limited ("TICON")

### 2. Background and Objective of Trust

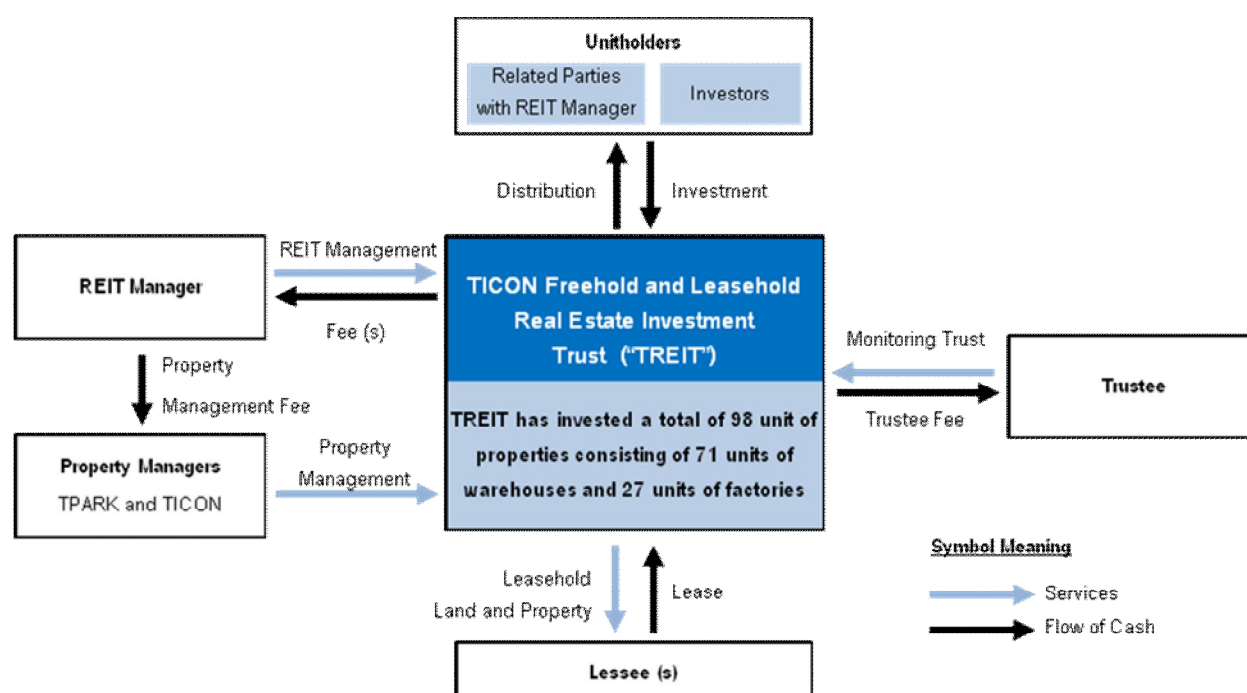
TICON Freehold and Leasehold Real Estate Investment Trust ("TREIT" or "the Trust") has been established pursuant to the Transactions in Capital Market Act B.E. 2550 on 12 December 2014. In this regard, BBL Asset Management Company Limited, the Trustee of the Trust has appointed TICON Management Company Limited to act as the REIT Manager.

TREIT has been established for the purpose to enter into transaction in capital market according to regulations of the Securities and Exchange Commission ("SEC"), with objective to issue securities as trust units of the Real Estate Investment Trust ("REIT") for public offering. The REIT Manager shall subsequently submit application to list the trust units as listed securities in the Stock Exchange of Thailand ("SET"). On 9 January 2015, SET has announced new listed securities "TREIT" to be traded in the Stock Exchange of Thailand.



The REIT Manager will serve in various management roles including the investment and obtain benefits from properties, seek out source of fund and selection of the Property Manager. REIT Manager will appoint TPARK and TICON as the Property Manager of the properties, in order to exploit benefits from these properties by leasing, subleasing, transfer and/or sale of properties invested or owned by the Trust. The Trust will receive income in the form of rental fee, service fee and/or common service fee from the exploitation of its properties.

### 3. TREIT Structure



# Trustee

## 1. General Information

Name	BBL Asset Management Company Limited
Address	175 Sathorn City Tower, 7th, 21st and 26th Floor, South Sathorn Road, Tungmahamek Sub-district, Sathorn District, Bangkok 10120
Type of Business	Asset Management Company
Telephone	02-674-6400
Fax	02-679-6882
Website	<a href="http://www.bblam.co.th">www.bblam.co.th</a>

## 2. Duties and Responsibilities of the Trustee

The Trustee shall perform its duties with integrity and professional cautiousness by using its knowledge, ability and expertise to treat the trust unitholders fairly. Trustee shall manage and carry out the administration properly and efficiently under the adequate risk management and with professional standards for the best benefit of the unitholders. All investment activities carried out are to be in line with the Trust Deed and complied with related laws and obligations as prescribed below.

1. Ensure that the Trust Deed contains material information required by related laws. Any changes in the Trust Deed shall be done in accordance with the criteria and procedures defined in the Trust Deed and related laws. In case there are any changes that are not complied, Trustee shall take actions by using its authority specified in the Trust Deed and in the Trust for Transactions in Capital Market Act, B.E. 2550 to protect the rights and interests of the unitholders. Additionally, if in the future there are any amendments in the regulation relating to trust units offering or management of the Trust listed under the Securities and Exchange Act, B.E. 2535 and the Trust for Transactions in Capital Market Act, B.E. 2550 and the Trust Deed is not complied with such amendments, Trustee shall process the amendment of the Trust Deed by following the procedures defined in the Trust Deed or the SEC order under section 21 of the Trust for Transactions in Capital Market Act, B.E. 2550;
2. Monitor, oversee and review the activities of the REIT manager which relate to management of the Trust, including the investment in the assets of the Trust and other duties stated in the Trust Deed, other related contracts and related laws as follows:



- (a) Ensure that the management of the Trust carried out by the REIT Manager has been approved by SEC at all time;
  - (b) Oversee and take necessary actions to ensure that the REIT Manager is qualified and perform its duties according to the rules stipulated in the Trust Deed and related laws, as well as to revoke the existing REIT Manager and appoint the new one;
  - (c) Oversee that the investment of the Trust by the REIT Manager complied with the Trust Deed and related laws;
  - (d) Oversee and verify that the REIT Manager has a list of the assets, a system to keep track of benefits arising from the assets, and sufficient measures to protect the assets.
3. Oversee the REIT Manager to prepare and disclose the Trust information accurately and completely in accordance with the Trust Deed and related laws, including the preparation and submission of financial statements and reports on the financial status and results of operations of the Trust to the Securities and Exchange Commission as follows:
- (a) Quarterly audited financial statement;
  - (b) Financial statement for the accounting period which the auditor already examined and commented;
  - (c) Reports on operating result of the Trust;
  - (d) Report on other disclosures information relating to the Trust
- All reports shall be prepared according to the rules, conditions and procedures stated in the Notification of the Capital Market Commission and in line with the accounting standards prescribed by the law on accountancy by taking into account the standards approved by the Board of Supervision of Auditing Practices under the Auditor Act, B.E. 2505. In addition, the REIT Manager shall report and explain the reasons to the Office of the Securities and Exchange Commission, without delay, if there are any events prescribed in Section 57 of the Securities and Exchange Act B.E. 2535. The REIT Manager shall disclose the required information to the Stock Exchange of Thailand and submit an annual report of the Trust to unitholders together with the invitation to the Annual General Meeting.
4. Supervise the REIT Manager to provide sufficient information for investors to make decision. Such information must be clearly communicated without any distortions and misleading. The REIT Manager needs to take precautions to ensure that proper guidance is given to the investors or the proper decisions are made for the investors.
5. Ensure that the process of capital increase and capital reduction which is carried out by the REIT Manager is in line with the rules stipulated in the Trust Deed and related laws.
6. Oversee the operations of the REIT Manager in acquiring and disposal of assets of the Trust to comply with the rules stipulated in the Trust Deed and related laws.

7. Ensure that the REIT Manager maintains the core assets to be in good conditions, ready for renting out to earn income. This includes the provision of adequate insurance for the duration of the Trust investment, covering real estate insurance and liability insurance to third parties that may have been damaged by the real estate or the operation of the real estate.
8. Oversee the REIT Manager's business activities relating to borrowing for the Trust, entering into any obligations of the Trust assets, entering into any agreements and conducting any other activities for the Trust under the conditions stated in the Trust Deed and related laws.
9. Ensure the REIT Manager takes action regarding the valuation of the invested core assets as stipulated in the Trust Deed and related laws.
10. Oversee the REIT Manager to properly handle the transactions between the Trust and the REIT Manager or connected person of the REIT manager as stipulated in the Trust Deed and related laws.
11. Ensure the REIT Manager pays proper distribution to the unitholders with restriction to the right to receive benefits of unitholders who held units trust exceeding the allowed percentage or not in comply with the Trust Deed and related laws' stipulations. The REIT manager is required to conform with the rules stated in Trust Deed and related laws.
12. Ensure the REIT Manager arrange the Unitholders meeting, proceed to get resolutions from the meeting, and ensure that unitholders are given proper right to vote and reinforce the restriction for unit holders without the right in order to comply with the Trust Deed and related laws.
13. In case that the REIT Manager assigns other person to manage the invested assets, the Trustee shall ensure that the selection is done with cautiousness. The REIT Manager shall specify the roles and responsibilities of the property manager and the adequate measures to monitor and oversee the performance of the Property Manager.
14. Require the REIT Manager to prepare and submit report of disbursement of petty cash from the Trust's bank account within proper timeframe for the Trustee to review regularly.
15. Require and monitor the REIT Manager to oversee that the administrative expenses charged to the Trust are necessary, reasonable and associated directly with the Trust management.
16. Comment on the actions or transactions the REIT Manager carried out for the Trust in order to disclose the information to the unitholders or upon SEC's request.
17. Attend every unitholders' meeting to answer questions and make comments about the matter that unitholders are required to vote for resolution in regards of its compliance with the Trust Deed and related. The Trustee is required to make a clear remark and advise the unitholders that the Trust cannot take any action that is not complied with the Trust Deed or related laws.

18. Prepare report to the SEC within 5 business days after being notified or aware of the REIT Manager's action or refrain from action that caused damages to the Trust or when the REIT Manager not performing its duties as stipulated in the Trust Deed or related laws. The Trustee shall also take actions to resolve, prevent or recover such damages as deem appropriate.
19. Force liquidation or oversee a forced liquidation to comply with the agreement between the Trust and other parties.
20. Separate storage of Trustee belongings from the assets of the Trust.
21. Act as the REIT Manager and may assign other persons to manage the Trust within the scope of the rules and conditions stated in the Trust Deed, when necessary, i.e in the absence of REIT Manager or when the REIT Manager cannot perform its duties in order to prevent, inhibit or limit the damages which might affect the benefits of the Trust and of the unitholders. Additionally, with the authority stated in the Trust Deed and the Trust Act, the Trustee shall arrange to appoint new REIT manager as it deems appropriate.
22. In case that the Trustee holds the units trust, which it serves as a trustee. When it is required to exercise its right to vote or make any transaction as a unitholder, the Trustee shall consider and protect the benefit of the unitholders as a whole.
23. Arrange for the preparation of the unitholder register book which may be assigned to the SET or other registrars, as allowed by the Securities and Capital Market Act. The unitholder register book shall contain the following details:
  - (a) General information, including name of the REIT Manager and the Trustee, number of units trust, par value, paid-up capital, date of units trust issuance and restriction of unit transfer (if any);
  - (b) Details of each unitholder, including name, nationality, address of the unitholder, number of unit trust (if any), number of units trust to be hold, date of registration to be or cease to be unitholders, date of cancelling and re-issuing of unit trust certificate (if any), and sequence number of request to add or change records in the book (if any).

In case that the number of units held by some unitholder is not comply with the percentage specified in the Notification of the Capital Market Supervisory Board governing the issuance and offering of units trust, such unitholder will be refrained from registration in the book. In case of assigning external party as the Registrar, the Trustee shall ensure that such assign party complies with the rules and guidelines for preparing certificate of unitholding and the Trust Deed, except the

preparation of evidence required by the system of The Thailand Securities Depository Co., Ltd. (TSD).

24. Process the payment of cash or assets and grant the right or any right restriction to the unitholders, whose name appeared on the register book in compliance with the conditions of the Trust obligations or related law.
25. Prepare unitholding certificate for the unitholders which including the information that is necessary and sufficient for the unitholders to use as their evidence and reference to the Trustee, the REIT Manager and others. The certificate must also include the information of related parties of the Trust, such as the Trustee, the REIT Manager, the Registrar, so that the unitholders can contact those parties. The certificate must also state clearly that the unitholders cannot return or redeem the units trust. Any other restrictions of unitholder's right must be clearly specified as well.
26. In the event of the existing REIT Manager must be out of duties in accordance with provisions in the Trust Deed and related law, the Trustee shall arrange to get unit holders' resolution to appoint new REIT Manager within 60 days after the incident and shall appoint the new REIT Manager within 30 days after the resolution date. In case that no resolution is obtained after the request, the Trustee shall appoint new REIT manager by considering the benefit of unitholders as a whole.

### 3. Trustee Fee

1. Not exceeding 0.15% per annum of Net Asset Value (NAV) of the Trust;
2. It is expected that the actual fee charged will be 0.10% per annum of Net Asset Value (NAV) of the Trust;

The Trustee will calculate their fee and charge to the Trust on monthly basis by using NAV on the last day of each month. The rate specified in clause 1 shall not include legal advisor fee or other advisors appointed by the Trustee.

In addition, the Trustee will charged the Trust for expenses incurred during performing its duties, such as the cost of the transfer or receive of assets, expenses incurred when performing inspection of purchase, lease, sell or transfer the assets, as well as the assets inspection on behalf of the Trust. Expenses which can be disbursed from the Trust include the expense of travel, accommodation, fees as well as additional costs such as the cost of copying the documents.



# Policy and Business Overview

## 1. Vision, Objective and Strategies of the Trust

### 1.1 Vision of the Trust

The Trust is a real estate investment trust (REIT) which focusing on freehold and leasehold of warehouse and factory buildings, with a vision to invest in more assets locally and in foreign countries for the purpose of expansion, asset allocation and continually growth of investments under rules and regulations of the SEC, SET and other regulators.

### 1.2 Objectives of the Trust

The Trust aims to establish the expansion of the invested assets and utilise them to earn profits from lease, sublease, transfer or disposal of assets to generate sustainable returns by taking into account that the risks and benefits of the unitholders are critical.

### 1.3 Strategies of the Trust

#### 1. Income generating Strategies

To secure lease agreement to maintain income from lease, sublease and related service income to the Trust is the key to generate sustainable returns to the unitholders and to add more value to its net asset in long term. In addition, the Trust may consider to sell the freehold or leasehold rights in its asset in portfolio in case that there is benefit generating to the Trust or limitation of such particular asset to generate income. The Trust has appointed the REIT manager to implement the plan and strategy.

#### 2. Property Management Strategies

To understand and meet the needs of the retail tenants literally, the REIT Manager has hired Property Managers, TICON and TPARK (ex-owners of the properties), to manage its asset because of their relationship and knowing retail tenants as well as their working team which can serve tenants in time with efficiency. From their long experience as leaders in the business of building factories and warehouses for lease, both companies have large client base both Thai and international clients. This strategy will drive the expansion of Trust's business and the growth of lease income with effective control on operating expenses.

#### 3. Strategies to build-up investment growth

To generate more returns on investment and to increase the value of its net assets, the Trust aims to pursue for more investment opportunities in commercial property of asset, not only the assets owned by individuals within the same business group but the assets owned by others within and outside the country.

The REIT manager shall consider the suitability and qualifications of the targeted properties based on following key factors:

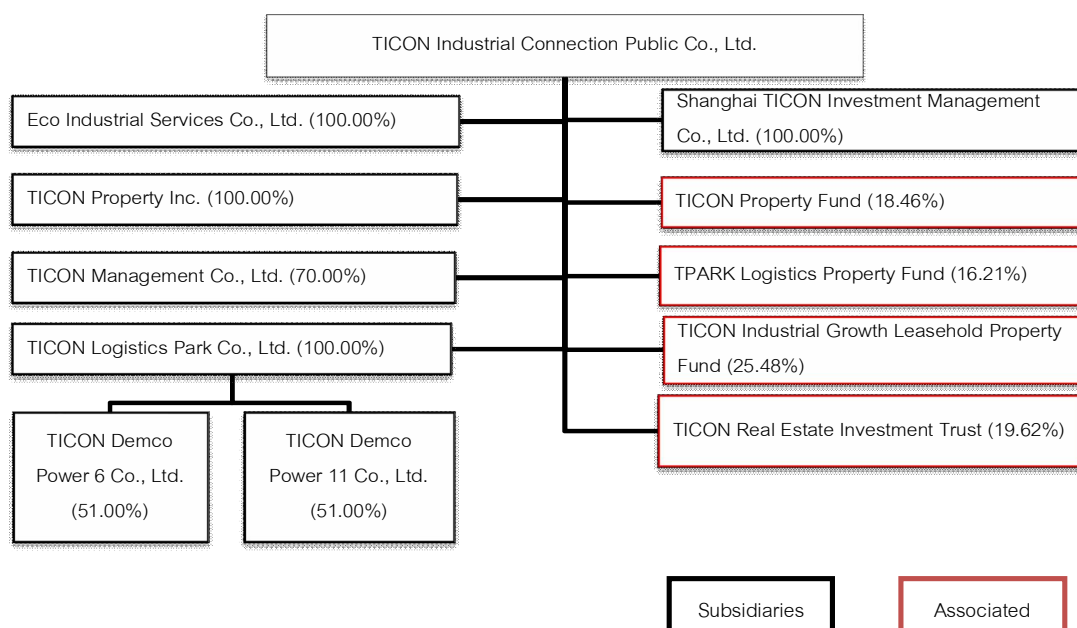
- Quality of the assets i.e location, landscape, building conditions, engineering systems, utilities; and overall environment; all must be complied with the regulations and having acceptable risks;
- Returns on real estate index;
- Qualifications of the retail tenants and their ability to pay;
- Occupancy rate

## 2. Relationship with business group of Property Manager or Major Unitholders

### 2.1 Connection between the REIT manager and the Property Managers

Regarding the fact that the REIT Manager appointed TPARK and TICON who are connected persons to be Property Managers for asset types, warehouses and factories, respectively. TPARK and TICON also have their own warehouses and factories while being Property Managers for other three property funds, namely TFUND, TLOGIS and TGROWTH, of which their properties located in the same projects as the REIT's properties. In addition, TICON is a major unitholder of the REIT Manager. As of 31 December 2015, TICON held 70% of paid-up capital of the REIT Manager. TICON is also a major unitholder of the other three property funds, TFUND, TLOGIS and TGROWTH, with following business structure.

Shareholding Structure of TICON Group as of 31 December 2015



Source: TICON

## List of Juristic Persons with the Same Major Shareholders of the REIT Manager

### Juristic persons in Thailand as of 31 December 2015

No.	Corporate Name	Major Shareholders	Number of Shares (Shares)	Holding Ratio (%)
1.	Eco Industrial Services Co., Ltd.	TICON	4,999,984	99.99
2.	TICON Logistics Park Co., Ltd.	TICON	1,949,999,993	99.99

Source: TICON

### Juristic persons in other countries as of 31 December 2015

No.	Corporate Name	Major Shareholders	Number of Shares (Shares)	Holding Ratio (%)
1.	Shanghai TICON Investment Management Co., Ltd.	TICON	2,000,000	100.00
2.	TICON (HK) Limited	TICON	11,615,000	100.00

Source: TICON

The different roles that TICON and TPARK have with the Trust may have a conflict of interest. For instance, in supplying new tenants they might offer a selection of warehouses or factories that are the property of TPARK or TICON or other above-mentioned property funds for customers to consider before the warehouses or factories that are the property of the Trust. Also there might be potential conflicts of interest in determining the purchase price or lease of the property for more investments in the future. Therefore, the REIT Manager, being aware of the conflict of interest that may arise in such circumstances, has set measures to prevent conflicts of interest, including the condition that the Property Manager can be revoked if performance is not up to the set goals in the agreement. The property management fee was also set to be in the same range as other property funds which TPARK and TCON serve as the property manager. The purchasing price of warehouses and factories shall be determined with the book building method. The criteria for selecting assets to invest and the guidelines governing the property management by the Property Manager were clearly defined to prevent such problems. (Please see more details on topic “Guidelines governing the property management”).

## 2.2 Industrial Properties under the Supervision of Property Manager

### The Leasable Area of Industrial Properties under the Supervision of Property Manager

As of 31 December 2015

(Including the signed contracts in advance)

(Unit: Square Metre)

Location (Project / Industrial Estates/ Industrial Park)	TFUND	TLOGIS	TGROWTH	TICON	TPARK	TREIT	Total
<b>Warehouses</b>							
Bangna	19,600	61,575	162,445	-	33,196	14,640	291,456
Eastern Seaboard 1	-	-	-	-	37,490	11,400	48,890
Eastern Seaboard 2	-	27,016	-	-	24,363	15,800	67,179
Eastern Seaboard 3	-	-	-	-	15,350	-	15,350
Sriracha	-	-	-	-	55,350	44,418	99,768
Laem Chabang 2	-	69,404	-	-	68,090	43,950	181,444
Bangplee 1	-	-	-	-	-	76,477	76,477
Bangplee 2	-	-	-	-	85,232	-	85,232
Bangplee 3	-	-	-	-	40,794	56,700	97,494
Rojana (Prachinburi)	-	18,324	-	-	14,832	10,020	43,176
Wangnoi	-	67,306	-	-	111,102	9,800	188,208
Bowin	-	-	-	-	20,700	-	20,700
Panthong 1	-	-	-	-	38,391	10,600	48,991
Amata Nakorn	-	-	19,650	-	-	-	19,650
Amata City	-	-	-	-	20,024	-	20,024
Samutsakorn	-	-	-	-	27,600	-	27,600
<b>Total Warehouses</b>	<b>19,600</b>	<b>243,625</b>	<b>182,095</b>	<b>-</b>	<b>592,514</b>	<b>293,805</b>	<b>1,331,639</b>
<b>Factories</b>							
Amata City	55,650	-	16,950	27,875	-	9,000	109,475
Ban Wa (Hi-Tech)	77,943	-	11,700	23,075	-	8,675	121,393
Pinthong	53,375	-	13,600	-	-	33,350	100,325
Rojana (Ayutthaya)	110,857	-	20,825	77,750	-	2,825	212,257
Rojana (Prachinburi)	-	-	-	15,250	-	-	15,250
Hemraj Chonburi	-	-	-	15,300	-	7,200	22,500
Amata Nakorn	163,275	-	53,100	51,675	-	14,850	282,900
Ladkrabang	-	-	-	1,300	-	-	1,300
Bangpa-In	28,175	-	-	5,250	-	-	33,425
Bangpoo	35,525	-	-	4,800	-	-	40,325
Kabinburi	-	-	-	15,675	-	-	15,675
Asia	-	-	-	22,250	-	-	22,250
Navanakorn	36,200	-	5,000	20,825	-	-	62,025
Laem Chabang	-	-	-	56,255	-	-	56,255
<b>Total Factories</b>	<b>561,000</b>	<b>-</b>	<b>121,175</b>	<b>337,280</b>	<b>-</b>	<b>75,900</b>	<b>1,095,355</b>
<b>Total</b>	<b>580,600</b>	<b>243,625</b>	<b>303,270</b>	<b>337,280</b>	<b>592,514</b>	<b>369,705</b>	<b>2,426,994</b>

Source: TPARK and TICON



## 2.3 Guidelines Governing the Property Management by the Property Manager to prevent conflicts of interest

To invest in warehouses and factories, the REIT Manager will mainly invest in warehouses and factories which are completely built and already have tenants. The acquisition price, sell or rent a warehouse and factory, will be based on the appraised value by reliable appraisers, by independent financial advisor and the price determined by book building method at the time that the Trust decides to invest. If such investment is classified as a connected transaction, the REIT Manager will follow the rules and procedures specified in the Trust Deed and the applicable laws. For example, the transaction must be approved by the Trustee as a transaction that is complied with the trust deed and related laws. If the transaction is sizeable, it must be approved by the Board of Directors of the REIT Manager or the Unitholders' Meeting (depending on the case). In addition to the aforementioned criteria, the REIT Manager shall take into account the risks that may result from the Trust depending on revenue from a few specific tenants (Concentration risk).

For guidelines governing the management of real estate and properties by the Property Managers, the REIT Manager has agreed with the Property Managers that every time someone interested in renting warehouses and factory buildings, the property Managers shall offer all available properties, both the empty ones and those soon to be available, and let the customers choose. There must be no discrimination among the assets of TICON, TREIT or other property funds. The REIT Manager shall monitor by sampling phone as mysterious shopper to ensure that the Property Managers follow the agreement. In addition, the Property Managers are required to prepare and submit reports to the REIT Manager as specified in the property management agreement. The REIT Manager then believes that TPARK and TICON will manage the Trust's properties effectively at their full capacity.

Fees for property management which both property managers shall receive from the REIT Manager is a rate similar to the rate they've received from other property funds, TFUND TLOGIS and TGROWTH, which invest in the same type of assets. Table below shows the rates which are quite similar from each property fund.

Property Manager Compensation (Methodolgy and Contractual Rate)	Type of Asset	TREIT	TFUND <sup>(1)</sup>	TLOGIS <sup>(2)</sup>	TGROWTH <sup>(3)</sup>
Property Management Fee (percentage of operating revenue)	Warehouse	2.00%	2.00%	3.00%	Less than 3.00%
	Factory	4.00%	4.00%	-	4.00%
Extra Fee (percentage of net profit from operation)	Warehouse	0.00-10.50%	0.50-10.50%	0.00-10.00%	0.00-10.00%
	Factory	0.00-19.50%	0.00-19.50%	-	0.00-19.50%
Brokerage Fee for recruiting new lessee (calculate on rental and service fee as specified in the new lessee agreements)	Warehouse and Factory	2 Months	2 Months	2 Months	2 Months

Source: <sup>(1)</sup> Reference from TICON Property Fund's Prospectus (6<sup>th</sup> Capital Increased)

<sup>(2)</sup> Reference from TPARK Logistics Property Fund's Prospectus (2<sup>nd</sup> Capital Increased)

<sup>(3)</sup> Reference from TICON Industrial Growth Leasehold Property Fund's Prospectus

Considering the provided property management fee, the REIT Manager and the financial advisor opined that the rate is reasonable due to:

- **Ability and reputation of the Property Managers:**

To determine the property management fee, the REIT Manager considered the ability of the Property Managers to generate profits from the property, including marketing capacity, business development capacity, tenants management, maintenance cost management as well as the reputation and available resources of the Property Managers. So the REIT Manager viewed that the agreed management fee is suitable.

- **Both Property Managers have good relationship with retail tenants and are familiar with the Trust's properties:**

Since TPARK and TICON originally owned of the Trust's assets, they have a better understanding about the assets. Also they have started and maintained good relationship with most of the existing tenants so it is expected that they shall be able to manage tenants' expectations and oversee the assets better than other Property Managers.

- **The property management fee of other property funds under its management is unlikely to create conflict of interest against the Trust**

The agreed property management fee is a rate which is similar to the rate that TPARK and TICON receive for property management of the same asset type from other property funds, TFUND, TLOGIS and TGROWTH. Therefore, there should not be any conflict of interest in managing all the properties and the Trust.

## **2.4 Policy on Making Profit from Property**

### **2.4.1 Nature of income generating from the Trust's properties**

TICON Management Company Limited ("TMAN") as the founder of the Trust and the REIT Manager has policy to generate income from assets that the Trust invested in as follows.

1. freehold right and/or leasehold right of land and warehouses which the trust purchased and/or leased from TPARK
2. freehold right and/or leasehold right of land and factories which the trust purchased and/or leased from TICON

The REIT Manager appointed TPARK and TICON to be Property Manager as both companies have experience in managing the rental of industrial buildings, warehouses, and factories for up to 10 years and 25

years respectively. With a deep understanding of the business and their expertise in marketing to acquire new tenants, both companies are able to establish and maintain good relationship with existing tenants while effectively managing related revenue and cost. Additionally TICON group has experienced personnel who are directly responsible for the construction of the properties, i.e. architects, engineers and project managers, as well as service staff who assist tenants in the process of applying for a license and supply of utilities according to customer needs; applying for work permits for foreigners; and providing other services required by customers. This enables the efficient management of the unique trust assets and produces the highest returns to the Trust.

The Property Manager is responsible for acquiring tenants of the properties and for marketing by directly contacting prospects and customers or through various intermediaries including marketing promotion campaigns. The Property Manager is responsible for promotion campaigns to draw interested customers for site visit as well as to negotiate the deal with potential tenants. The REIT Manager agrees to pay compensation to the Property Managers at a rate based on the performance of properties that the Trust invested in, which are included in the fees paid to the REIT Manager by the Trust.

#### 2.4.2 Description of Lease Agreement

After the Trust has made investment in the asset, the Trust by the Trustee will become a party to a Lease Agreement with tenants of the property in which the Trust makes investment. Income and cash flow received by the Trust from investment in such assets includes lease income, service income and/or common fee (if any) from letting of warehouse and factory buildings. Lease Agreements are made in standard form which sets out similar criteria and conditions as follows:

- monthly lease income from lease of land, warehouse and factory buildings;
- monthly service income from repair, maintenance and restoring buildings of the rented properties in good condition;
- monthly common fee comes from common services such as security service, cleaning service, plumbing service, garden maintenance and landscaping service, repair and maintenance of common properties;
- minimum lease and service period is fixed at 3 years minimum;
- lease income, service income, and common fee income are fixed and negotiated before existing agreements expire;
- some agreements are long-term lease of 5-10 years with fixed lease fee with some agreements provides for step-up increment which are used mainly for large companies that want to lease large space;
- lease agreement requires that tenants place a bond or a collateral with the landlord;

### 2.4.3 Revenue Structure

Revenue of the Trust as at December 31, 2015 can be classified as income from rental of warehouse space 68 percent of total revenues and income from rental of factory buildings 32 percent of total revenues.

Considering from types of agreement, the revenue can be classified as follows:

- For warehouse buildings, percentage of income from lease, service and common area service agreement were 50%, 43% and 7% respectively;
- For factory buildings, percentage of income from lease and service agreement were 50% each.

The distributions of the Trust's revenue in terms of the expiry of rental contracts, tenants' industries, tenants' nationalities and major tenants are as follows:

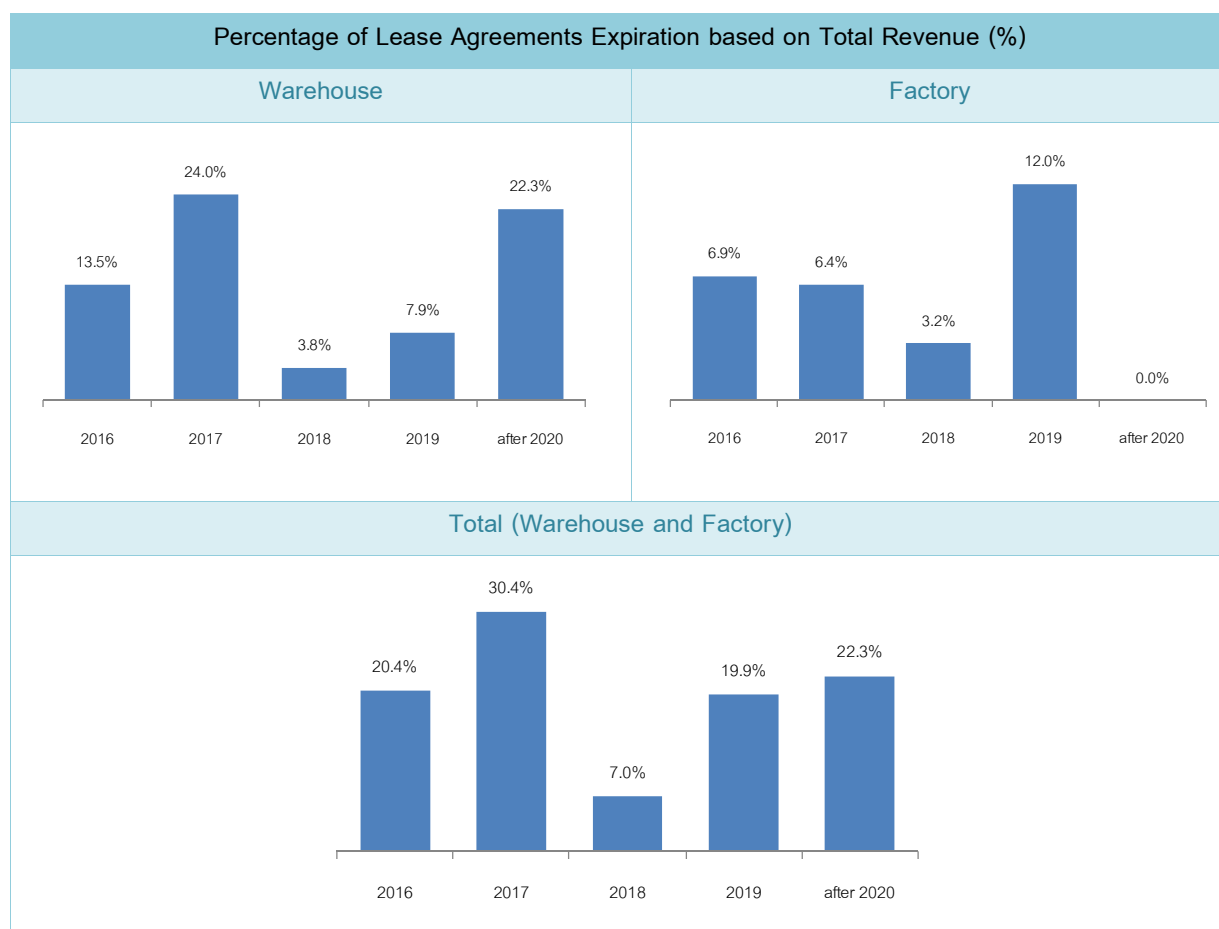
#### (a) Expiration of Lease Agreement

Most of lease agreements have a standard tenure of 3 years with fixed rental fee throughout the leased period; only a few have long-term tenure of 5-10 years with fixed rental fee and/or step-up rates during the leased period.

Details of the expiry of lease agreement in each year are shown as percentage of total revenues in the following table:

Expiration of Lease Agreements (Year)	Calculate on Total Revenue (%)		
	Warehouse	Factory	Total
2016	13.5	6.9	20.4
2017	24.0	6.4	30.4
2018	3.9	3.2	7.0
2019	7.9	12.0	19.9
After 2020	22.3	-	22.3
Total	71.5	28.5	100.0





Remark

Information as of 31 December 2015

Based on total revenue under lease agreements in December 2015

## (b) Lessees' Type of Business

Currently tenants of the Trust assets (both warehouse buildings and factory buildings) operate business in various industries. Industries with the highest number of tenants are logistics, consumer products and automobile respectively.

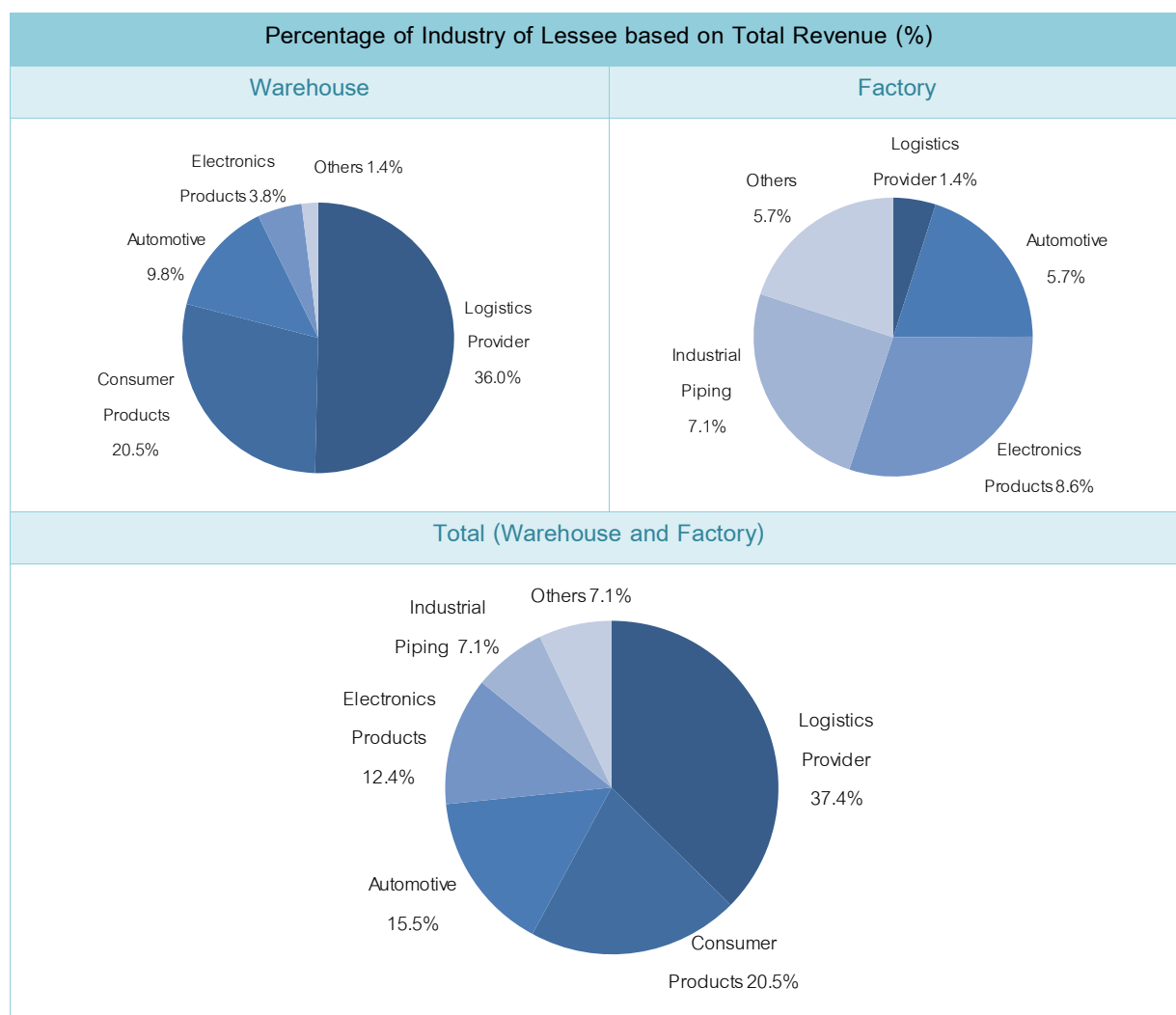
Details of the tenants classified by industries and the percentage of total revenue are as follows:

Type of Business	Calculate on Total Revenue (%)		
	Warehouse	Factory	Total
Logistics	36.0	1.4	37.4
Consumer Products	20.5	-	20.5
Automotive	9.8	5.7	15.5
Electronics Parts	3.8	8.6	12.4
Industrial Piping	-	7.1	7.1
Others	1.4	5.7	7.1
<b>Total</b>	<b>71.5</b>	<b>28.5</b>	<b>100.0</b>

Remark

Information as of 31 December 2015

Based on total revenue under lease agreements in December 2015



Remark

Information as of 31 December 2015

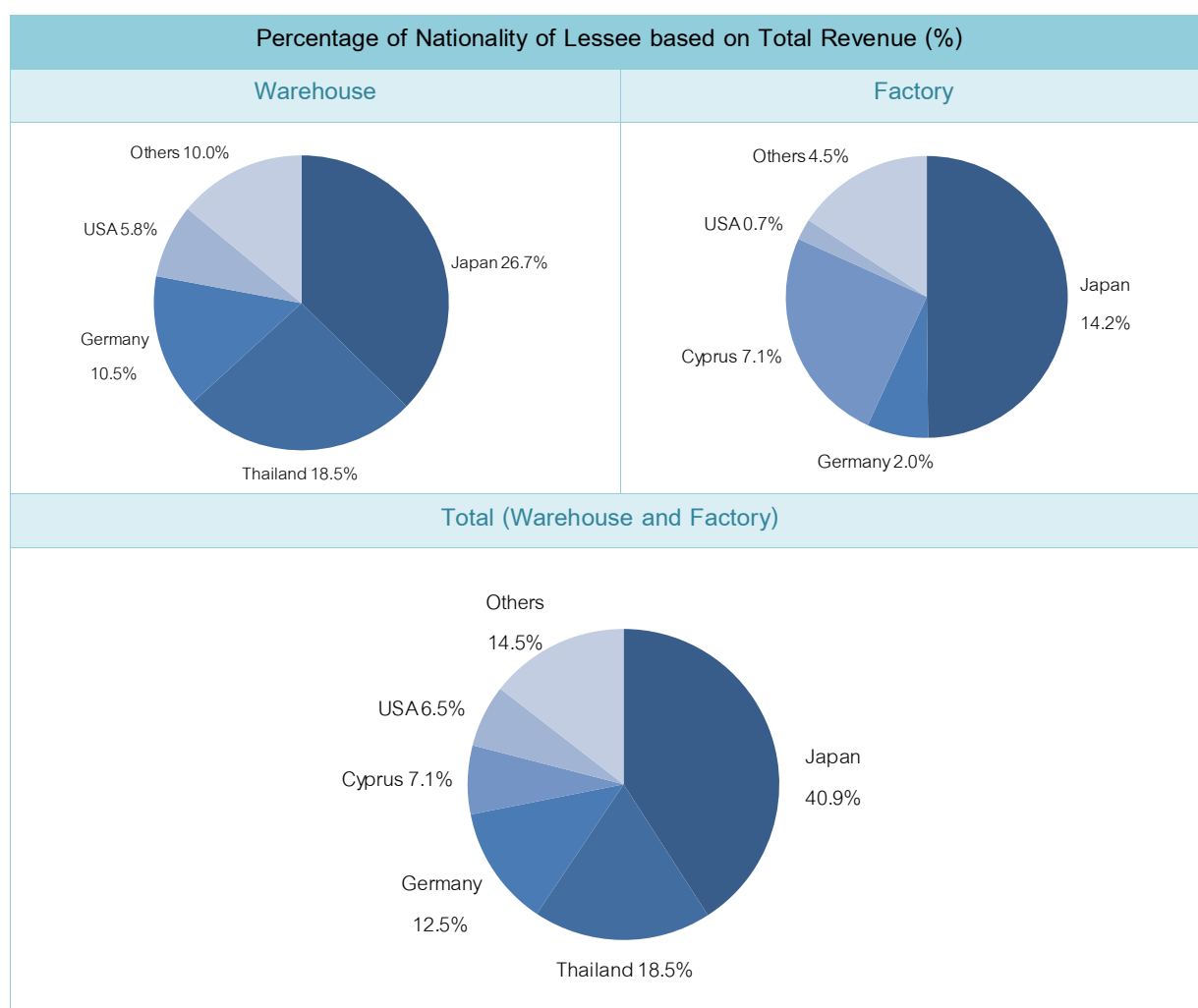
Based on total revenue under lease agreements in December 2015

### (c) Nationality of Lessee

Currently most of tenants (both warehouse buildings and factory buildings) are Japanese companies, Thai and German respectively.

Details of the tenants classified by nationalities and the percentage of total revenue are as follows:

Nationality of Lessee	Calculate on Total Revenue (%)		
	Warehouse	Factory	Total
Japan	26.7	14.2	40.9
Thailand	18.5	-	18.5
Germany	10.5	2.0	12.5
Cyprus	-	7.1	7.1
USA	5.8	0.7	6.5
Others	10.0	4.5	14.5
<b>Total</b>	<b>71.5</b>	<b>28.5</b>	<b>100.0</b>



#### Remark

Information as of 31 December 2015

Based on total revenue under lease agreements in December 2015

#### (d) Top Five Major Lessees

Most of revenues from lease agreements come from lessees those are large corporation with high credibility. Total rental fee from top 5 tenants (both warehouse buildings and factory buildings) is 34.6% of total income from lease agreements, with no tenant paid rental fee over 10% of total income.

Details of top 5 tenants of warehouse and factory buildings of the Trust and the percentage of total revenue are as follows:

##### Warehouse

No.	Name of Lessees	Leasable Area (Square Metres)	Percentage of the Revenue to Total Revenue (%)	Nationality of Lessee	Type of Business
1	Berli Jucker Logistics Company Limited	32,700	8.3	Thailand	Logistics Provider
2	Lazada Company Limited	24,000	7.4	Germany	Consumer Products
3	Mitsubishi Motors (Thailand) Company Limited	20,700	5.9	Japan	Automotive
4	Siam Makro Public Company Limited	17,455	5.9	Thailand	Consumer Products
5	Central Family Mart Company Limited	18,468	3.9	Thailand	Consumer Products
Total		113,323	31.4		

Remark Information as of 31 December 2015  
Based on total revenue under lease agreements in December 2015

##### Factory

No.	Name of Lessees	Leasable Area (Square Metres)	Percentage of the Revenue to Total Revenue (%)	Nationality of Lessee	Type of Business
1	Global Piping Solutions Company Limited	17,650	7.1	Cyprus	Industrial Piping
2	Nederman S.E.A. Company Limited	4,800	2.2	Sweden	Air Filters
3	KB Systems (Thailand) Company Limited	5,300	2.0	Germany	Electronics
4	Plaloc Asia (Thailand) Company Limited	4,200	1.9	Japan	Food
5	Trancy Logistics (Thailand) Company Limited	3,600	1.4	Japan	Logistics Provider
Total		39,150	14.6		

Remark Information as of 31 December 2015  
Based on total revenue under lease agreements in December 2015



### Total (Warehouse and Factory)

No.	Name of Lessees	Leasable Area (Square Metres)	Percentage of the Revenue to Total Revenue (%)	Nationality of Lessee	Type of Business
1	Berli Jucker Logistics Company Limited	32,700	8.3	Thailand	Logistics Provider
2	Lazada Company Limited	24,000	7.4	Germany	Consumer Products
3	Global Piping Solutions Company Limited	17,650	7.1	Cyprus	Industrial Piping
4	Mitsubishi Motors (Thailand) Company Limited	20,700	5.9	Japan	Automotive
5	Siam Makro Public Company Limited	17,455	5.9	Thailand	Consumer Products
Total		112,505	34.6		

Remark Information as of 31 December 2015

Based on total revenue under lease agreements in December 2015

From the above information, it can be summarised that the lease agreement of the Trust's assets are well distributed by the expiry of lease agreement, tenants' industries, tenants' nationalities with low dependency on specific major tenant. Additionally, major tenants of the Trust properties are large companies that have good credit, and therefore it is anticipated that the risk in relation to income from lease agreements due to concentration of tenants is limited.

## Significant Events Related to the Operation of the Trust in 2015

### 1. Investment in Additional Assets and First Capital Increase

- In December 2015, the Trust had its 1<sup>st</sup> Capital Increase by offering additional units trust to the existing unitholders and the public with the total value of Baht 2,243,000,000 at the price of 10 baht per unit, and borrowed Baht 959,000,000 from financial institute. Total fund of Baht 3,202,000,000 were invested in the additional freehold right and leasehold right of total 53 units of warehouse and factory with total space of 155,182 square meters<sup>1</sup> located on the total land of 196 rai 2 ngan 27.2 square wah. In summary, this 1<sup>st</sup> Capital Increase consist of 46 units of warehouse from TPARK with total space of 133,282 square meters and the other 7 units of factory building with total space of 21,900 square meters from TICON. Details of the investment are as follows:

1. Land and warehouse building of TICON Logistics Park Company Limited with total warehouse space of 133,282 square meters and the land of 157 rai comprising:
  - Freehold right of land and warehouse of 4 units located at TICON Logistics Park Wangnoi 2 project
  - freehold right of land and warehouse of 4 units located at TICON Logistics Park Eastern Seaboard 1 (B) project
  - Freehold right of land and warehouse of 13 units located at TICON Logistics Park Laemchabang 2 project
  - Freehold right of land and warehouse of 5 units located at TICON Logistics Park Panthong 1 project
  - Leasehold right of land and freehold right of warehouse of 6 units located at TICON Logistics Park Bangna project
  - Leasehold right of land and leasehold right of warehouse of 1 unit located at TICON Logistics Park Bangplee 1 project

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<sup>1</sup> Remark: The space does not include the area of solar cell panel installation. In December 2015, the warehouse rented out the roof top area for installing solar cell panel of 3,300 square meters. Considering the space of warehouse buildings that the trust invested as the 1<sup>st</sup> Capital Increase, there are additional 129,782 square meters of rooftop space which can be rented out.

- Leasehold right of land and leasehold right of warehouse of 13 units located at TICON Logistics Park Bangplee 3 project
2. Land and factory building of TICON Industrial Connection Public Company Limited with total space of 21,900 square meters and the land of 39 rai comprising:
- Freehold right of land and factory building of 1 unit located at Amata City Industrial Estate
  - Freehold right of land and factory building of 1 unit located at Rojana Industrial Park
  - Freehold right of land and factory building of 1 unit located at Hemaraj Chonburi Industrial Estate
  - Leasehold right of land and leasehold right of factory building of 4 units located at Amata Nakorn Industrial Estate

## **2. Summary of Amendment or Revision on Trust Deed**

On 17 December 2015, the Trust has amended Trust Deed in order to be in line with the investment in the additional assets. In this regard, the amendments to the Trust Deed have been approved by the unitholders in the Extraordinary General Meeting of Unitholders No. 1/2015 dated 29 July 2015.

## Details of the Investment Assets

### 1. Information of Trust's Investment Assets

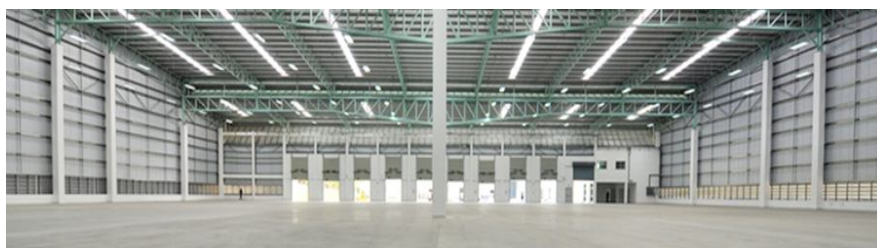
#### 1.1 Warehouse

The Trust has invested in two types of warehouse building, Ready-Built and Custom-Built, which located in strategic locations as good distribution center. The selected warehouses are able to handle modern inventory management system with building design which takes into account the column span, weight bearing capacity, operation height, number of doors for loading and unloading goods, hydraulic dock leveler to match different heights of trucks and the space for office area.

[The example of warehouse building \(exterior\)](#)



[The example of warehouse building \(interior\)](#)



#### 1.2 Factory

Most of the Trust's factory buildings are single-storey buildings with mezzanine for office space, locating in fenced areas with guard house, parking space and loading area. All factory buildings in the initial investment and the additional assets are standardised ready-built which can be adjusted to fit the tenant's requirements. The size of the buildings is approximately 1,200 to 4,800 square meters with floor loading capacity ranging from 1,000 - 3,000 kg/sq m. With roof structure of pre-engineered steel columns and rafters, the buildings do not need columns to support the roof, which provide maximum operation space for factory and built-in office space.

The example of factory building (exterior)

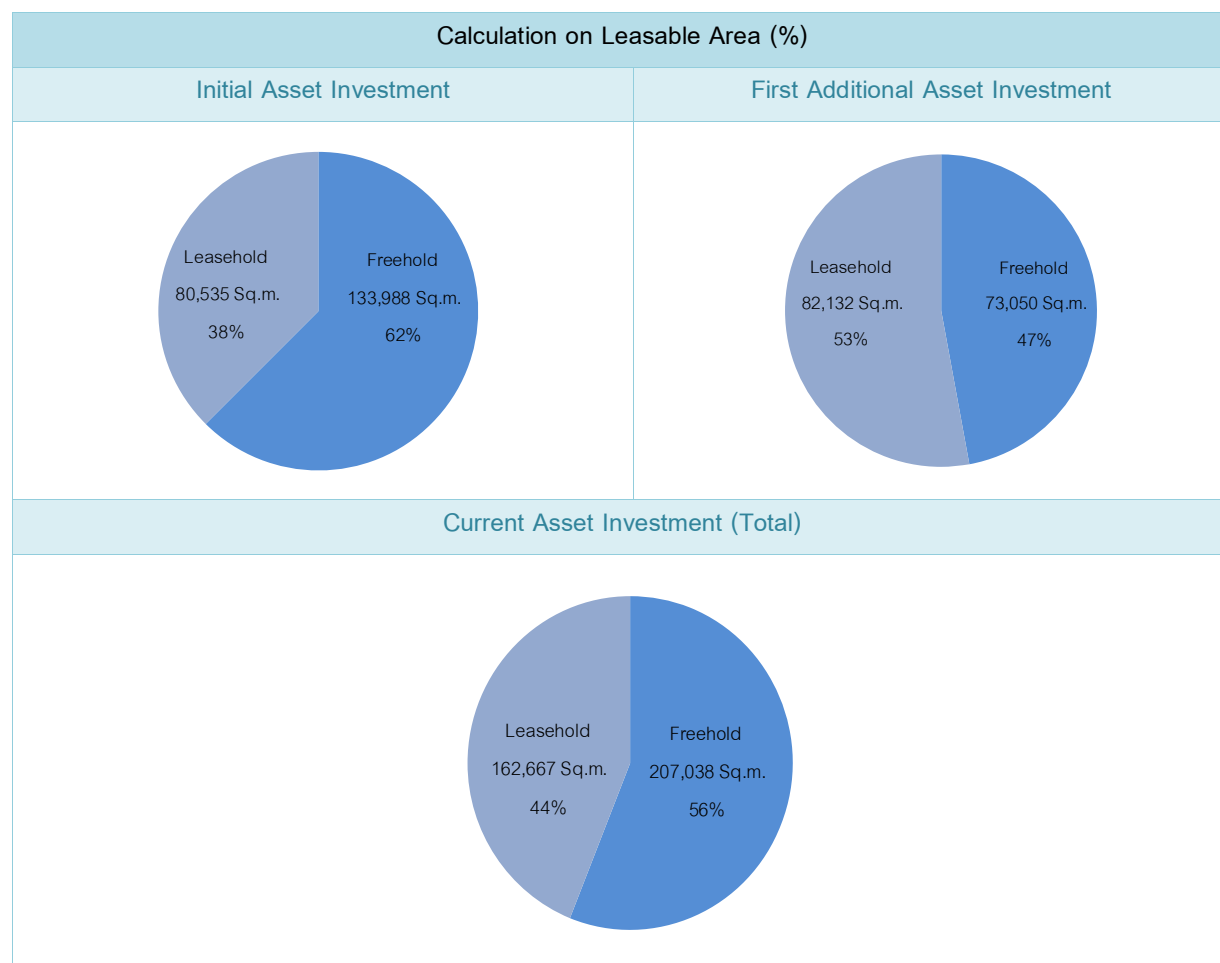


The example of factory building (interior)



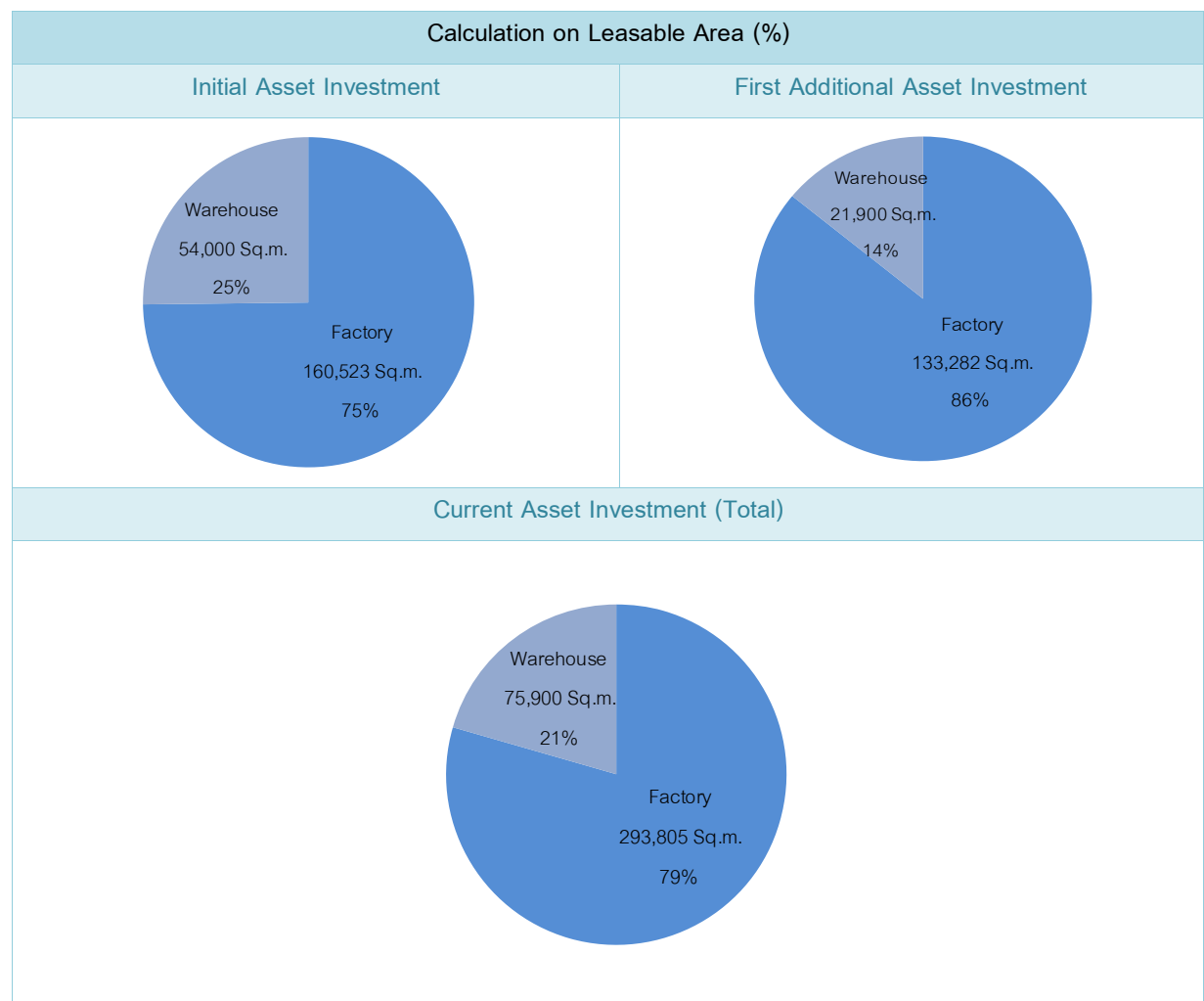
## 2. Type of Asset Investment and Type of Property Investment

### 2.1 Type of Asset Investment





## 2.2 Type of Property Investment



### Detail of Property to be invested by the Trust

As of 31 December 2015

TREIT has been invested in 98 units of warehouses and factories as follows: 45 units in Initial Asset Investment and 53 units in First Additional Asset Investment.

Detail of assets is as follow:-

Project/ Industrial Estate/ Industrial Park	Investment Type*		Initial Asset Investment				First Additional Asset Investment				Current Asset Investment (Total)			
	Building	Land	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)
<b>Warehouses</b>														
TICON Logistics Park Bangna	Freehold	Leasehold (30 Years)	4	5,540	3.6	2.6	6	9,100	4.7	5.9	10	14,640	4.3	4.0
TICON Logistics Park Eastern Seaboard 2	Freehold	Freehold	4	15,800	3.4	7.4	-	-	-	-	4	15,800	3.4	4.3
TICON Logistics Park Sriracha	Freehold	Freehold	5	44,418	2.4	20.7	-	-	-	-	5	44,418	2.4	12.0
TICON Logistics Park Laemchabang 2	Freehold	Freehold	2	9,750	2.8	4.5	13	34,200	2.7	22.0	15	43,950	2.7	11.9
TICON Logistics Park Bangplee 1**	Leasehold (27 to 28 Years Ended 21 Feb 2043)	Leasehold (27 to 28 Years Ended 21 Feb 2043)	9	74,995	1.7	35.0	1	1,482	0.5	1.0	10	76,477	1.7	20.7
Rojana Industrial Park (Prachinburi)	Freehold	Freehold	1	10,020	1.8	4.7	-	-	-	-	1	10,020	1.8	2.7

Project/ Industrial Estate/ Industrial Park	Investment Type*		Initial Asset Investment				First Additional Asset Investment				Current Asset Investment (Total)			
	Building	Land	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)
TICON Logistics Park Wangnoi 2	Freehold	Freehold	-	-	-	-	4	9,800	1.3	6.3	4	9,800	1.3	2.7
TICON Logistics Park Eastern Seaboard 1 (B)	Freehold	Freehold	-	-	-	-	4	11,400	1.6	7.3	4	11,400	1.6	3.1
TICON Logistics Park Phan Thong 1	Freehold	Freehold	-	-	-	-	5	10,600	1.2	6.8	5	10,600	1.2	2.9
TICON Logistics Park Bangplee 3	Leasehold (30 Years)	Leasehold (30 Years)	-	-	-	-	13	56,700	0.7	36.5	13	56,700	0.7	15.3
<b>Total Warehouses</b>			25	160,523	2.2	74.8	46	133,282	1.6	85.9	71	293,805	2.0	79.5
<b>Factories</b>														
Amata City Industrial Estate	Freehold	Freehold	2	6,750	6.4	3.1	1	2,250	1.2	1.4	3	9,000	5.1	2.4
Pinthong Industrial Estate	Freehold	Freehold	11	33,350	2.3	15.5	-	-	-	-	11	33,350	2.3	9.0
Ban Wa (Hi-Tech) Industrial Estate	Freehold	Freehold	4	8,675	10.6	4.0	-	-	-	-	4	8,675	10.6	2.3
Rojana Industrial Park	Freehold	Freehold	1	1,625	8.9	0.8	1	1,200	7.0	0.8	2	2,825	8.1	0.8
Hemaraj Industrial Estate (Chonburi)	Freehold	Freehold	2	3,600	2.9	1.7	1	3,600	1.9	2.3	3	7,200	2.4	1.9
Amata Nakorn Industrial	Leasehold	Leasehold	-	-	-	-	4	14,850	2.8	9.6	4	14,850	2.8	4.0

Project/ Industrial Estate/ Industrial Park	Investment Type*		Initial Asset Investment				First Additional Asset Investment				Current Asset Investment (Total)			
	Building	Land	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)	No. of Building (Unit)	Leasable Area (Sq.m.)	Average Building Age *** (Year)	Investment Proportion (%)
Estate	(30 Years)	(30 Years)												
<b>Total Factories</b>			20	54,000	4.4	25.2	7	21,900	2.7	14.1	27	75,900	3.9	20.5
<b>Total Warehouses and Factories</b>			45	214,523	2.8	100.0	53	155,182	1.8	100.0	98	369,705	2.4	100.0

#### Remark

- \* Under leasehold of land, there is a condition to demolish buildings on such lands after expiry date of the Lease Agreement.
- \*\* The Trust previously sub-leased of land (28 years) in TICON Logistics Park Bangplee 1 from TPARK during Initial Asset Investment. However, TPARK was later successfully purchased such lands from the land lord and was being transferred all the land ownership.To assure that the leasehold of land shall be legal binding, The Trust and TPARK have signed undertaking agreement to guarantee that the Trust has directly lease the land from TPARK.
- \*\*\* The average building age is calculated on information as of 31 December 2015. The average age of each building in each Project/Industrial Estate/ Industrial Park is weighted by the leasable area of warehouse and factory.

## Investment Value and Fair Value of Trust's Investment Assets

### 1. Initial Asset Investment

On 1 April 2015, the REIT Manager appointed an independent appraiser to appraise the value of 45 units of Initial Asset Investment properties by adopting income approach method.

The appraised fair value of those 45 units was 4,101,500,000 baht which lower than the Investment value of 4,228,000,000 Baht, resulted in the net unrealized losses from investments amounting to 126,500,000 baht. Please note that the fair value of 4,101,500,000 baht is higher than the Initial Asset Investment appraisal value from two independent appraisers that appraised on 1 April 2014. Detail of appraisal value is as follow:

#### 1.1 Warehouse

No.	Project / Industrial Park	Warehouse	Appraisal Value		Investment Value (22 and 23 December 2014)	Fair Value as of 1 April 2015
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd		
			As of 1 April 2014	As of 1 April 2014		
1	TICON Logistics Park Bangna	DG1/1	109,000,000	96,500,000	107,675,444	109,290,000
2		DG1/2				
3		DG1/3				
4		DG1/4				
5	TICON Logistics Park Eastern Seaboard 2	W2/1	105,400,000	106,300,000	117,606,133	112,200,000
6		W2/2				
7		W5/1	162,100,000	176,800,000	180,872,430	173,320,000
8		W5/2				
9	TICON Logistics Park Sriracha	W5/1	380,400,000	388,900,000	424,453,254	389,920,000
10		W5/2				
11		W5/3				
12		W16	81,200,000	75,800,000	84,578,225	83,040,000
13		W20	292,700,000	269,100,000	300,263,856	310,960,000
14	TICON Logistics Park Laemchabang 2	W2	115,500,000	108,000,000	120,507,233	115,050,000
15		FZ4	81,800,000	88,300,000	91,273,071	88,010,000
16	TICON Logistics Park Bangplee 1	W1/1	222,600,000	224,900,000	248,378,795	253,830,000
17		W1/2	114,800,000	117,900,000	128,094,726	122,180,000
18		W1/3	151,500,000	152,800,000	169,044,869	162,280,000
19		W2	43,900,000	39,900,000	44,520,728	44,770,000

No.	Project / Industrial Park	Warehouse	Appraisal Value		Investment Value (22 and 23 December 2014)	Fair Value as of 1 April 2015
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd		
			As of 1 April 2014	As of 1 April 2014		
20		W3	164,200,000	168,100,000	183,215,627	171,200,000
21		W4	365,200,000	384,400,000	407,492,977	399,400,000
22		DG1/1	48,200,000	49,200,000	53,781,932	50,950,000
23		DG1/2				
24		DG1/3				
25	Rojana (Prachinburi)	W1	157,600,000	164,900,000	175,851,296	174,210,000
Total Warehouses			2,438,500,000	2,446,900,000	2,837,610,596	2,760,610,000



## 1.2 Factory

No.	Industrial Estate/ Industrial Park	Factory No.	Appraisal Value		Investment Value (22 and 23 December 2014)	Fair Value as of 1 April 2015
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd		
			As of 1 April 2014	As of 1 April 2014		
26	Amata City	SF.B1.9 A32,39	76,400,000	76,400,000	82,518,144	83,000,000
27		SF.M3.3 A220/1	87,900,000	86,500,000	96,517,367	93,160,000
28	Pinthong	SF.A1.8/1 L_42	51,300,000	51,400,000	55,462,129	55,810,000
29		SF.A1.8/2 L_42/2, L_43/2	51,100,000	51,200,000	57,017,774	54,530,000
30		SF.M1.8 G_007	50,600,000	50,000,000	55,790,386	53,350,000
31		SF.A3 G_025/3	80,300,000	79,100,000	88,260,390	83,780,000
32		SF.A2.2 G_025/2	59,900,000	60,500,000	65,020,841	62,820,000
33		SF.L3.2 G_032/1	86,400,000	87,100,000	93,696,976	89,980,000
34		SF.A2.7/3 G_032/2	73,000,000	72,100,000	78,359,834	75,420,000
35		SF.A2.7/2 G_032/3	72,000,000	72,600,000	78,089,814	75,420,000
36		SF.A2.7/1 G_032/4	72,000,000	72,600,000	78,089,814	75,420,000
37		SF.B3.5 G_033/2	92,300,000	93,100,000	100,123,455	97,070,000
38		SF.L4.4 G_033	115,000,000	116,100,000	124,803,294	121,030,000
39	Ban Wa (Hi-Tech)	SF.A1.3 G1/4- 4	33,100,000	36,500,000	36,933,235	35,880,000
40		SF.A1.5/3 G_1/4_5	35,800,000	39,500,000	39,945,916	38,370,000
41		SF.C2.2 F_7/12	58,400,000	62,600,000	65,163,170	60,640,000
42		SF.M2.2 F_7/13	53,600,000	57,600,000	59,807,293	56,080,000
43	Rojana	SF.A1.3/1 28_1	34,700,000	37,100,000	38,718,528	37,700,000

No.	IndustrialEstate/ Industrial Park	Factory No.	Appraisal Value		Investment Value (22 and 23 December 2014)	Fair Value as of 1 April 2015
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd		
			As of 1 April 2014	As of 1 April 2014		
44	Hemraj (Chonburi)	SF.M1.5/2 D_1	43,300,000	43,500,000	48,314,474	45,760,000
45		SF.M1.5/1 D_2	42,800,000	43,000,000	47,756,570	45,670,000
Total Factories			1,377,000,000	1,398,600,000	1,390,389,404	1,340,890,000
Total Warehouses and Factories			3,815,500,000	3,845,500,000	4,228,000,000	4,101,500,000

## 2. First Additional Asset Investment

On 1 April 2015, the REIT Manager appointed two independent appraisers to appraise the value of 53 units of First Additional Asset Investment properties by adopting income approach method. The appraised fair value was 2,956,800,000 baht and 2,927,100,000 baht respectively, whereby the First Additional Asset Investment value (dated 18 and 21 December 2015) was 3,159,260,000 baht which higher than each of the lowest appraisal value by 8.83 percent. Detail of appraisal value is as follow.

### 2.1 Warehouse

No.	Project	Warehouse No.	Appraisal Value		Investment Value (18 and 21 December 2015)
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd	
			As of 1 April 2015	As of 1 April 2015	
46	TICON Logistics Park Bangna	M2/1	57,200,000	57,300,000	59,358,623
47		M2/2			
48		M2/3	22,900,000	23,000,000	23,764,204
49		M2/4	27,700,000	27,800,000	28,745,347
50		M2/5	27,100,000	27,300,000	28,122,704
51		M2/6	27,800,000	28,000,000	28,849,121
52	TICON Logistics Park Wangnoi 2	W11/1	179,600,000	189,200,000	188,580,000
53		W11/2			
54		W11/3			
55		W11/4			
56	TICON Logistics Park Eastern Seaboard 1 (B)	W2/1	80,200,000	79,500,000	82,022,747
57		W2/2	48,300,000	47,800,000	49,316,822
58		W2/3	48,700,000	47,700,000	49,213,648
59		W2/4	48,200,000	48,100,000	49,626,342

No.	Project	Warehouse No.	Appraisal Value		Investment Value (18 and 21 December 2015)
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd	
			As of 1 April 2015	As of 1 April 2015	
60	TICON Logistics Park Laemchabang 2	W1/1	47,000,000	47,800,000	54,520,000
61		W1/2	46,900,000	47,800,000	54,404,000
62		W1/3	107,600,000	109,700,000	124,816,000
63		W1/4			
64		FZ1/1	198,100,000	187,500,000	217,500,000
65		FZ1/2			
66		FZ1/3			
67		FZ1/4	54,000,000	51,300,000	59,508,000
68		FZ1/5	54,100,000	51,500,000	59,740,000
69		FZ3/1	106,600,000	101,800,000	118,088,000
70		FZ3/2			
71		FZ3/3	54,000,000	51,300,000	59,508,000
72		FZ3/4	52,000,000	50,900,000	59,044,000
73	TICON Logistics Park Phan Thong 1	W2/1	215,900,000	208,000,000	241,280,000
74		W2/2			
75		W2/3			
76		W2/4			
77		W2/5			
78	TICON Logistics Park Bangplee 1	W5	25,300,000	25,200,000	28,918,281
79	TICON Logistics Park Bangplee 3	W4/1	502,300,000	504,900,000	518,239,320
80		W4/2			
81		W4/3			
82		W4/4			
83		W4/5			
84		W4/6			
85		W4/7			

No.	Project	Warehouse No.	Appraisal Value		Investment Value (18 and 21 December 2015)
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd	
			As of 1 April 2015	As of 1 April 2015	
86		W5/1	274,500,000	276,900,000	283,210,618
87		W5/2			
88		W5/3			
89		W5/4	121,500,000	125,800,000	125,355,520
90		W5/5			
91		W5/6			
Total Warehouses			2,427,500,000	2,416,100,000	2,591,731,297

## 2.2 Factory

No.	IndustrialEstate/ Industrial Park	Factory No.	Appraisal Value		Investment Value (18 and 21 December 2015)
			Knight Frank Chartered (Thailand) Co., Ltd	Nexus Property Consultants Co., Ltd	
			As of 1 April 2015	As of 1 April 2015	
92	Hemaraj (Chonburi)	L3.2	87,600,000	84,100,000	88,305,000
93	Rojana	S1/2	25,300,000	26,000,000	26,565,000
94	Amata City	A2	58,700,000	55,400,000	64,264,000
95	Amata Nakorn	M2.7	72,300,000	69,800,000	72,014,940
96		B3.8	100,500,000	97,200,000	111,541,940
97		L4	115,500,000	111,300,000	127,722,407
98		M2.5/2	69,400,000	67,200,000	77,115,416
Total Factories			529,300,000	511,000,000	567,528,703
Total Warehouses and Factories			2,956,800,000	2,927,100,000	3,159,260,000

# The Loan

## 1. Borrowing Policy

In the future, the Trust may take out borrowings for use as capital sources other than offering new trust units including applying for borrowing from financial institutions, issuance of debt instruments such as Debenture, or entering into agreements to borrow or other types of instruments. Such fund raising source made by the Trust will be in accordance with the objectives, restriction, and operation set out in Trust Deed.

Trust Deed specifies that the Trust may borrow for not only additional investment in core assets including, not limited to freehold real estate and/or leasehold in real estate but also for maintenance, expansion and/or building development on the trust's existing properties in which the Trust has freehold and/or leasehold in good conditions. The borrowing may also be utilized for refinancing of the existing debt owed by the trust and any other activities or necessary actions as deemed appropriate by Trust Manager for the best interest to unit holders.

## 2. Borrowing Limit

The Trust is able to borrow to the limit as follows:

1. The borrowing amount must not exceed 35% of the Trust's total asset value.
2. In case that the Trust has investment grading by a rating agency approved by the Securities and Exchange Commission within one year preceding the date of borrowing, the Trust's borrowing amount will not exceed 60% of the Trust's total asset value.

In case of the borrowing percentage exceeds the limit where it is not due to additional borrowing, the Trust Manager may maintain such borrowing provided that no further borrowing will be made until such borrowing is below the indicated limit.

## 3. Operation involving in Borrowing

To borrow or to create liability over the Trust's assets for benefit to the Trust's business operation or for investment in the trust's core assets or for other purposes as specified in Trust Deed, Trust Manager will consider the necessity and suitability of such borrowings including consideration of collateral provision and report to the Trustee. Then the Trustee and the fund manager will jointly affix signatures in any agreements and/or related documents.

#### 4. Details of Loan at the end of Year 2015

A part of the funding in the investment by the Trust comes from loan. The Trust has entered into loan agreement with Bangkok Bank Public Company Limited (“**Bangkok Bank**”) on 19 December 2014 for investment in the initial asset investment and on 18 December 2015 for investment in the first additional asset investment in the amount of not exceeding Baht 1,350,000,000 and in the amount of not exceeding Baht 1,005,000,000 respectively. The terms and conditions of loan shall be specified by the loan agreement between the Trust and Bangkok Bank with details as follows:

Borrower	The Trustee acting on behalf of the Trust
Loan Objective	To invest in freehold of land, leasehold/sub-leasehold of land and/or properties and/or factories/warehouses
Amount	Not exceeding Baht 1,005 million which was drawdown for financing the First Additional Asset Investment in the amount of Baht 959,000,000 or approximately 30% of total First Additional Asset Investment value
Type of Interest Rate	Floating Rate
Interest Rate	MLR minus 1.25% “MLR” mean the Minimum Loan Rate of the Lender Bank
Tenor	10 Years
Repayment Period*	<div>Year 1 to Year 7      Grace Period</div> <div>Year 8                Repay 9.00% of principal amount</div> <div>Year 9                Repay 14.00% of loan amount</div> <div>Year 10              Repay all loan unpaid principal amount*</div> <div><u>Remark</u> * Repay within the last working day in June 2025</div>
Collateral	None

As of December 31, 2015, the Trust has loan outstanding value to total asset value at 24% of total asset value.



## The Revenue Guarantee

-None-

**Table of Expense charged to the Trust**  
**2<sup>nd</sup> Year expense from 1 January 2015 to 31 December 2015**

Fee and Expense charged to the Trust	Amount Unit : Thousand Baht	Percentage of Net Asset Value
REIT Manager Fee	12,104	0.22
Trustee Fee	3,694	0.07
Registrar Fee	1,474	0.03
Property Management Fee	32,306	0.58
Other Expenses	79,516	1.42
<b>Total Fees and Expenses*</b>	<b>129,094</b>	<b>2.32</b>

(\*excluding brokerage fee and other fee incurred from selling and/or purchasing of securities)

## Overview of the Business

### 1. The Industry and Impact

In 2015 Thailand's economy grew 2.8 percent increasing from the 0.9 per cent expansion in 2014. The recovery was slow despite the supports from the public sector and the tourism sector. Negative factor which continued its pressure from the previous year, and new factors occurring during the year continued to impact on the overall economy of Thailand. Private consumption increased considerably lower due to pressure from the rising household debt and austerity in lending by commercial banks. While farm incomes declined from the effects of drought and the continually declining agricultural product prices. Exports shrank 5.8 percent from the impact of declining price of oil and commodities, and the weak global demand due to the global economic slowdown, especially in China. Although Thai baht was weakened throughout the year, it could not support the export growth. The private investment continued to slow down due to the pressure from the decreasing private consumption and the declining exports.

According to the Board of Investment of Thailand report, in 2015 there were 559 foreign direct investment projects applying for investment promotion with total investment capital of Baht 106,540 million. The industry sections that applied for investment promotion included Services and Public Utilities (representing 38.8 percent of total investment), Electronic Industry and Electrical Appliances (26.0 percent of total investment), and Metal products, Machinery and Transport Equipment (18.5 percent of total investment). The locations of projects were mainly in the Central region 309 projects (Baht 31,506 million) and the East totaling 175 projects (Baht 43,708 million). Japan was the country with the highest amount of investment in the application for promotion mostly for the electronic components industry, followed by Singapore and Indonesia.

There were a total of 1,151 foreign direct investment projects with a total investment capital of Baht 493,690 million approved by BOI in 2015, of which 592 projects were extended projects worth Baht 328,433 million. This reflected the investors with existing production base in Thailand were successful in their investment and were confident to expand their investment and production base in the country. Meanwhile new investors also continued to invest in Thailand with 559 projects and total investment value of Baht 165,257 million, which BOI expected them to start their investment within the next 1-2 years. This will help stimulate the economy from exports worth over 962,000 million baht, using local raw materials worth over Baht 414,000 million. The Office is confident that there will be more world-leading manufacturers to base their production in Thailand.

For warehouse and factory rental business in 2015, according to CBRE's report on Real Estate Market Outlook - Industrial Sector in Thailand, warehouse and factory rental business was still affected by the economy slowdowns both in country and the world economy. However, the market continued to show signs of recovery as a result of the thrust of the automotive industry and automotive components, which were vital

industries to the national economy. In 2015 Thailand produced total 1,913,002 automobiles, 1.76% increasing from the previous year. 799,592 units were sold locally and exports of 1,204,895 units. The market was strongly supported from exporting to neighboring countries such as Cambodia, Laos, Myanmar and Vietnam. It was 7.7 % higher than the previous year or 10.0 % of the total exports value of Thailand.

Market situation of Modern Logistics Properties for rent have been improving steadily since the beginning of the year. The supply of warehouses in the fourth quarter of 2015 was approximately 2.5 million square meters, increased from the fourth quarter of previous year for about 200,000 square meters. Meanwhile, the demand of warehouse rose steadily as well. Overall, the occupancy rate of rental warehouse increased from 75.0 percent of the total supply in the fourth quarter of 2014 to 82.5 percent of the total supply in the fourth quarter of 2015. For rental ready-built factory, the market was stable. Overall occupancy rate of the factory remained at 69.0% of total supply in the fourth quarter of 2015, which was approximately 2.5 million square meters. The new supply of rental factories increased slightly from the previous year. Most of the operators slowed down the development of new ready built factories during the year and focused more on increasing the occupancy ratio by using price reduction strategy.

For the year 2016, the Bank of Thailand estimated the growth rate of the economy slightly lower than the original estimation, from 3.7% to 3.5%, responding to signs of weakness in the global economy since early 2016, including the volatility of oil and commodities prices in the world market. Foreign demand was slow down especially from China. All these could have an impact on the recovery of the export sector of Thailand as the export growth might not be as expected. However, it is believed that the thrust of public sector through the stimulus packages which will be gradually released and the attempts to speed up disbursement of government funds to support infrastructure investments in transport, energy and public utilities in the second half of the year, could cause the distribution of money into the grass root economy, which were mostly affected by the economic downturn and decreasing agriculture product prices. It may also stimulate domestic consumption as well as build confidence among private sector and investors while leveraging the potential of the country as a whole.

In addition, the Board of Investment of Thailand has estimated that foreign investment in Thailand in 2016 are likely to be better than 2014, resulting from measures to promote investment which came out in late 2015 through policies such as special economic development zone with the model of industrial clusters. The policy aimed to strengthen the supply chain and industrial base for the future, enhancing investment in Thailand and distribution of income to the regional and local levels. During the first phase, it will focus on attracting companies that operate in 6 industrial clusters. The first group is a Super Cluster which consists of business of advanced technologies and future industry, divided into 4 clusters: (1) Automotive and Parts Cluster (2) Electrical Appliances, Electronics and Telecommunication Equipment Cluster (3) Eco- friendly Petrochemicals and Chemicals Cluster (4) Digital-based Cluster. Another group called other targeted clusters

which are (5) Agro-processing Products Cluster and (6) Textiles and Garment Cluster. Thus, all these factors will drive more demands in the industrial real estate sector in the country as well.

## 2. Competitions in the Industry

### 2.1 Demand, Supply and Rental Rate

#### Rental Warehouse

The report of market studies of rental warehouse in the specified area of Central region (Northern Bangkok and Eastern Bangkok) and Eastern region (Areas in Chon Buri, Rayong, Prachin Buri and Chachoengsao) by CB Richard Ellis (Thailand) Co., Ltd. ( "CBRE") found that in March 2015 there were 609 rental warehouses supplied by the major developers in the study area with total space of 2,553,532 square meters, which separated into the supplies of 1,477,329 square meters in Central region and 1,076,203 square meters in Eastern region.

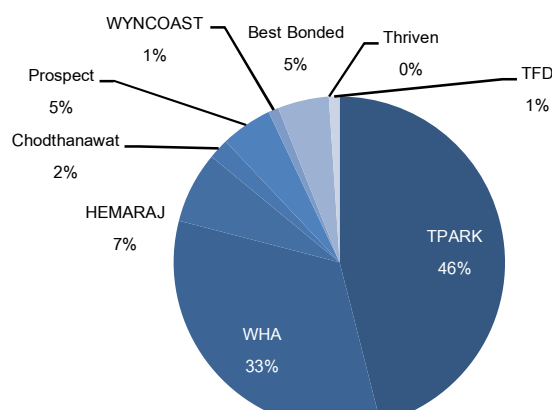
As of March 2015, overall occupancy rate of leased warehouse space in the study area accounted for 80 percent of total supply warehouse with the breakdowns by region of 87% in Central region and 71% in Eastern region. Details of the findings are as follows.

Region	Total Number of Available Warehouses (Unit)	Total Available Area (Sq.m.)	Total Number of Occupied Warehouses (Unit)	Total Occupied Area (Sq.m.)	Occupancy
Central	320	1,477,329	273	1,280,613	87%
East	289	1,076,203	192	706,300	71%
Total	609	2,553,532	465	2,040,913	80%

Source: CBRE Consulting

When classified by developer, it is found that the top 3 developers had market share of 86% of total supply of rental warehouse market. TPARK (including the related three property funds and the Trust) had the most market share with the rental area of 1,164,688 square meters or 46 % of total supply. Followed by WHA Corporation Plc. (including the related property funds and the Trust) which had rental areas of 838,581 square meters, representing 33% of total supply and Hemaraj Land and Development Plc. which had the rental area of 179,320 square meters or 7% of the total supply of rental warehouse respectively.

### Total Warehouse Supply by Developer as of March 2015



Source: CBRE Consulting

Note:

- TPARK refers to TICON Logistics Park Company Limited and property fund and Turst managed by TPARK
- HEMARAJ refers to Hemaraj Land and Development Public Company Limited and property fund managed by HEMARAJ
- WHA refers to WHA Corporation Public Company Limited and property fund managed by WHA
- Prospect refers to Prospect Development Company Limited
- Best Bonded refers to Best Bonded Warehouse Company Limited
- Chodthanawat refers to Chodthanawat Company Limited
- Thriven refers to Thrivengroup Company Limited
- WYNCOAST refers to Wyncoast Industrial Park Public Company Limited
- TFD refers to Thai Factory Development Public Company Limited and property fund managed by TFD

Regarding rental rates of warehouse in the study area, the range was between Baht 135 to Baht 220 per square meter per month. The warehouse which was built to meet the specific needs of customers (Build to Suit) had higher rental rate comparing to the ready-built warehouse. Since the build-to-suit warehouse tended to have unique characteristics, the rental price would be based on the specifications required by the tenants.

Region	Minimum Asking Rent (THB/Sq.m./Month)	Maximum Asking Rent (THB/Sq.m./Month)	Average Asking Rent (THB/Sq.m./Month)
Central	135	180	158
East	135	220	178

Source: CBRE Consulting

The rental rates for warehouse also depended on the Zones where the warehouse located, Free Zone or General Zone. According to information from developer, warehouse located in the Free Zone or duty-free zone charged its rental fee higher than those in General Zone for approximately Baht 10 per square meters per month.

In addition, the rental rates also depended on the size of the warehouse building. In general, real estate developers who owned the building would give discounts for large buildings. Based on historical information, general discounts for renting large buildings would be between Baht 5 to 10 per square meter per month. The discount might also be based on other factors such as the character of the building and the level of competition for large building rental in such location.

For future supply of rental warehouse, CBRE survey found the number of rental warehouse under construction in the central and eastern region of about 386,000 square meters, representing 15% of the current supply. By which, 52% of this future supply was developed by TPARK. And generally the time for warehouse building is approximately six to eight months.

Developer	Region	Total Number of Unit Under Construction (Unit)	Total Area Under Construction (Sq.m.)
TPARK	All Regions	30	203,000
WHA	Central	N/A	69,000
Chodthanawat	East	18	14,000
Prospect	Central	6	11,000
WYNCOAST	East	4	4,000
Thriven	East	1	3,000
Tip Holding	Central	4	82,000
<b>Total</b>		<b>More than 63</b>	<b>386,000</b>

Note:

- TPARK refers to TICON Logistics Park Company Limited
- WHA refers to WHA Corporation Public Company Limited
- Chodthanawat refers to Chodthanawat Company Limited
- Prospect refers to Prospect Development Company Limited
- WYNCOAST refers to Wyncoast Industrial Park Public Company Limited



### Rental Factory

According to the report of market studies of ready-built factory to rent in the specified area of Central region (Northern Bangkok and Eastern Bangkok) and Eastern region (Areas in Chon Buri, Rayong, Prachin Buri and Chachoengsao) by CB Richard Ellis (Thailand) Co., Ltd. ( "CBRE"), it is found that as of March 2015 there were 1,544 rental factories supplied by the major developers in the study area with total space of 2,815,213 square meters, which separated into the supplies of 1,230,220 square meters in Central region and 1,584,993 square meters in Eastern region.

Before the big floods in 2011, rental factories in Central region, especially in area of northern Bangkok were the most popular comparing to other areas in this study, due to its strategic locations for electronics industry. For Eastern region, Chonburi was the most popular area for the development of rental factories due to its location which is close to the distribution hubs both in Bangkok and in Laem Chabang deep-sea port.

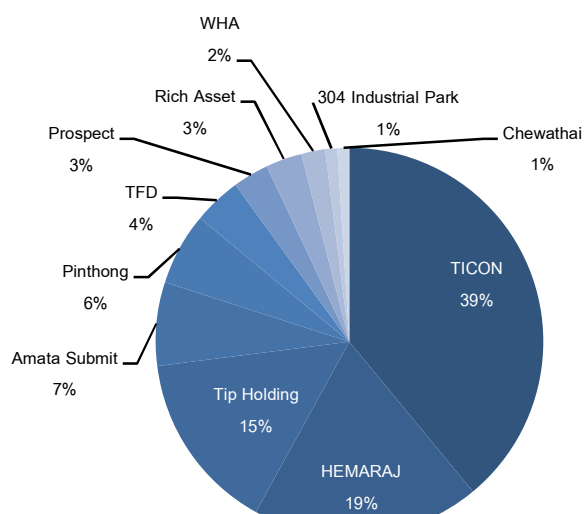
Regarding overall occupancy rate of rental factories, at the end of March 2015 the occupancy rate was at 74% of total supply of rental factories within the study area, with the breakdowns by region of 71% in Central region and 76% in Eastern region. Details of the findings are as follows.

Region	Total Number of Available Ready-Built-Factory (Unit)	Total Available Area (Sq.m.)	Total Number of Occupied Ready-Built-Factory (Unit)	Total Occupied Area (Sq.m.)	Occupancy
Central	782	1,230,220	630	872,070	71%
East	762	1,584,993	486	1,205,168	76%
Total	1,544	2,815,213	1,116	2,077,238	74%

Source: CBRE Consulting

When classified by developer, it is found that the top 3 developers had market share of 73% of total supply of rental factory market. TICON (including the related three property funds and the Trust) had the most market share with the rental area of 1,111,680 square meters or 39% of total supply. Followed by Hemaraj Land and Development Plc. which had rental areas of 523,359 square meters, representing 19% of total supply and Tip Holding Co., Ltd. which had the rental area of 430,181 square meters or 15% of the total supply of rental ready built factory respectively.

### Total Ready-Built-Factory Supply by Developer as of March 2015



Source: CBRE Consulting

#### Note:

- TICON refers to TICON Industrial Connection Public Company Limited and property fund and Turst managed by TICON
- HEMARAJ refers to Hemaraj Land and Development Public Company Limited and property fund managed by HEMARAJ
- Amata Summit refers to Amata Summit Ready Built Company Limited
- Pinthong refers to Pinthong Industrial Park Public Company Limited
- TFD refers to Thai Factory Development Public Company Limited and property fund managed by TFD
- Prospect refers to Prospect Development Company Limited
- Rich Asset refers to Rich Asset Center Company Limited
- WHA refers to WHA Corporation Public Company Limited and property fund managed by WHA
- 304 Industrial Park refers to 304 Industrial Park Company Limited
- Chewathai refers to Chewathai Company Limited

The rental rate of ready built factory to rent located in the study area was between Baht 120 to Baht 250 baht per square meter per month.

Region	Minimum Asking Rent (THB/Sq.m./Month)	Maximum Asking Rent (THB/Sq.m./Month)	Average Asking Rent (THB/Sq.m./Month)
Central	120	250	185
East	130	240	185

Source: CBRE Consulting

Rental price of ready built factory varied based on its location in general industrial zone and Free Zone or Free Trade Zone, as well as the size of the building, specifications of the building and the availability of supply of rental factory in such area.

For future supply of rental ready-built factory, CBRE survey found the number of ready built factory under construction in the central and eastern region of about 180,000 square meters, representing 6% of the current supply. By which, Tip Holding Co., Ltd. was the major developer with the under construction space of 110,300 square meters or 61% of the future supply. TICON was developing 41,100 square meters or 23% of the future supply of ready built factory to rent.

Developer	Region	Total Number of Unit Under Construction (Unit)	Total Area Under Construction (Sq.m.)
Tip Holding	Central	59	110,300
Rich Asset	Central	6	6,000
Pinthong	East	N/A	2,600
Amata Summit	Central	8	21,000
TICON	All Regions	15	41,100
TOTAL		More than 88	180,000

Note :

- TIP Holding refers to TIP Holding Company Limited
- Rich Asset refers to Rich Asset Center Company Limited
- Pinthong refers to Pinthong Industrial Park Public Company Limited
- Amata Summit refers to Amata Summit Ready Built Company Limited
- TICON refers to TICON Industrial Connection Public Company Limited

## 2.2 Marketing Policy and the Competition of Projects that the Trust invested in

The REIT Manager focus on strategy development to operate the business by enhancing the strengths of assets which the Trust invested in the view of prospects and customers both domestic and abroad, such as the selection of asset in the high potential location, the Investment in assets with high quality standards and effective infrastructure and providing services as comprehensive solutions to support retail tenants to run their operation smoothly. These strategies build up the ability to accommodate and satisfy the needs of tenants in industrial sector now and in the future as well.

Warehouse buildings that the Trust invested in consist of two types of warehouse building, Ready-Built and Custom-Built, which located in strategic locations as good distribution center. These warehouses are able to handle modern inventory management system with building design which takes into account the column span, weight bearing capacity, operation height, number of doors for loading and unloading goods, hydraulic dock leveller to match different heights of trucks and the space for office area. While most of factory

buildings that the Trust invested in are single-storey buildings with mezzanine for office space, locating in fenced areas with guard house, parking space and loading area. All factory buildings are standard ready-built which can be adjusted to fit the tenant's requirements. The size of the buildings is approximately 1,200 to 4,800 square meters with floor loading capacity ranging from 1,000 - 3,000 kg/sq m. With roof structure of pre-engineered steel columns and rafters, the buildings do not need columns to support the roof, which provide maximum operation space for factory and built-in office space.

For major assets that the Trust invested in, the REIT manager has appointed TICON Logistics Park Co., Ltd. ("TPARK") to be the Property Manager for Warehouse buildings and TICON Industrial Connection Plc. ("TICON") to be the Property Manager for Factory buildings. Both companies have experience in managing the rental of industrial buildings, warehouses, and factories for up to 10 years and 25 years respectively. With a deep understanding of the business and their expertise in marketing to acquire new tenants, both companies are able to establish and maintain good relationship with existing tenants.

#### Competitive Strategies

- Market position: TICON has become a leader in the business of factories and warehouses in Thailand for over 26 years and has listed in SET more than 14 years. TICON is widely recognized by domestic clients and leading companies around the globe. TICON positions itself as the market leader in the business of ready built factories and warehouses in the country with a plan to expand overseas in the future. TICON is committed to maintaining and improving its market position even further by increasing the size of the business by expanding our customer base and maintaining the quality of services that meet the needs of customers, which will result in the Group's competitive advantages in terms of economies of scale and eventually promoting its stronger market position.

- Pricing strategy: The rental rate of factory and warehouse is determined by taking into account the quality and standard of the building. It is important to also consider the market price. Property Manager will have to survey the market situation on regular basis to ensure that the rental rate of properties of the group remains competitive.

- Marketing strategy: The Property Manager focuses on contacting customers directly, in addition to contacts through intermediaries such as contacting major manufacturers to offer rental services of factory and warehouse to their business partners and supply chains. Contacts are also made through government agencies, Trade offices, Chambers of Commerce and real estate brokers. It also focuses on building relationship with the Japan External Trade Organization (JETRO) and the representative offices of Japanese banks, who will lead and provide consultation to Japanese investors who are interested in investing in Thailand. The target group is mainly the Japanese companies. Additionally, the property manager has developed marketing media to promote the properties through publications, journals, prospectus, magazine advertisement and large billboards. The Group's web site has been developed with modern look and feel and easy to access information. The Group has joined seminars and industrial

trade show, both at home and abroad and has built marketing network and business partners overseas to effectively reach their target customers.

### Market Competition

In 2015, warehouse and factory rental business have competed vigorously because there is more supply coming into the market continuously. Marketing strategies were intensified, such as reducing rates to attract target customers. Some operators cut prices by 30 percent to compete for customers and maintain market share. However, overall demand for warehouse and factory remained stable. Rental warehouse and factory was still an option for enterprises that did not want to own the property in order to reduce the cost of the project and increase flexibility in business operation. Furthermore, with its strategic location, high-skilled workers, good infrastructure and public utilities, Thailand remained a major production base of ASEAN to the world's leading manufacturers. Competition in the market is quite high, especially in the second half of year. The lease agreement of assets in the initial asset investment which were ended in 2015 were all renewed by the retail tenants. Total five contracts with total area of 14,775 square meters, included 3 warehouse rental contracts with total area of 10,100 square meters and 2 factory rental contracts with total area of 4,675 square meters. Also the average occupancy rate and average rental rates remained the same.

For 2016, market forecasted that rental rates for warehouse and factory will remain stable. While the operators of rental warehouse and factory business will continue to use marketing strategies such as reducing rental rates and sale promotions in order to attract customers and maintain market share. New operators to enter the market will face difficulties due to high investment and requirement for time to develop the project. They will need to take into account the variety of location and its potential for growth, modern style and quality of the warehouse and factory buildings. It also requires comprehensive management to be able to satisfy the needs of the target customers.

## Key Risks

### 1. Risk from Operation of TREIT

#### 1.1 Risk in relation to the performance of obligations

In order to invest in and seek benefit from the assets, the Trust will enter into agreements in relation to the investment and administration of the Trust's assets in order to seek benefit from the properties, and take any action to ensure that the other party complies with the terms and conditions of the agreements.

Although there are terms and conditions set out in the agreements, the other party may breach the agreements or any event may occur which causes an event of default or the termination of the agreements. In case of nonperformance which causes an event of default or the termination of the agreements, it is entitled to terminate the agreement, and claim for damages including the loss of income.

#### 1.2 Risk in relation to the solicitation of lessees when lease term is close to expire

Part of assets to be invested by the Trust are leasehold rights in lands with a leased term of 27 and 30 years, the Trust can seek benefit from the investment assets for such period. Therefore, the Trust may have risk in soliciting lessees when the leased period is close to expiry, due to the fact that leased period is one of the factors lessees take into consideration prior to entering into the lease agreement.

#### 1.3 Risk of retail tenants of the Trust's properties do not give their consent to the substitution of the lessor, TPARK or TICON, to be TREIT or do not renew the lease agreement

The assets that the Trust invested in are warehouses and factories which have existing tenants. When the Trust invested in such assets, the tenants must give their consent to change the contract parties of all related lease and service agreement from TPARK or TICON or the Trust, and agree to pay the rental fee to the Trust as a lessor and new service provider. For investment in freehold right of factories and warehouses, the Trust need to obtain the consent in changing contract parties in the service agreement and/or common area service agreement. If the tenant refuses to give such consent and did not pay the rental and service fee to the Trust. The Trust may be at risk of not getting the rental and service fee, which may directly affect its income, and its ability to pay returns to its unitholders.

#### 1.4 Risk from operating result of the Trust rely on ability of the Property Manager

For the investment, the Trust will appoint TICON and TPARK as the Property Managers for factories and warehouses respectively. The Property Managers will be responsible for operating and managing the assets as assigned by REIT Manager which includes seeking benefits from such assets, for example, soliciting new lessees, renewing lease agreements and service agreements with existing lessees, advertisement, public relations, maintenance and development of the investment assets to be in a good condition. The ability of the Property Manager to perform its tasks will have direct impact to the Trust's operational and financial results. Additionally, if TICON and TPARK cannot perform their duties as the Property Managers for any reasons, the Trust may not be able to appoint another manager to manage the investment assets as good as TICON and TPARK although the trust would offer competitive remuneration for the Property Manager, which would have an adverse effect to the operational ability, financial results of the Trust.

#### 1.5 Risks arising from potential conflicts of interest between the Trust and TPARK and TICON that may affect the operation of the Trust

When presenting information of assets to potential customers, the Property Manager will propose all available warehouses and factories by not stating the ownership of the assets. This measure will ensure fairness in the presentation of assets to potential customers. Additionally, the Property Manager will provide a report or submit a list of customers who are interested to rent the assets of the Trust to the REIT manager on monthly basis. The report will include details of asset specifications which customer wishes to rent, such as location, operational space, and other specific requirements of warehouse or factory building. This measure will help the REIT manager to ensure transparency of the Property Managers on performing their duty in finding a tenant for the assets of the Trust, of themselves and/or of the property funds under their management.

#### 1.6 Risks arising from entering loan agreements

For additional investment in December 2015, the Trust had borrowed 959 million baht which is 30% of the value of the invested assets in order to fund a part of such investments. After the additional investment, the ratio of loan to total asset of the Trust equaled to 24%.

In entering loan agreement to borrow money to be used as source of fund for additional, the REIT Manager will have to mainly focus on the interests of the Trust and the unitholders. The REIT Manager have

considered the terms and conditions of the bank loan by comparing offers from more than 1 commercial banks, taking into accounts, interest rate, repayment of principal, and loan period. However, taking out a loan may cause the risk that the Trust breaching loan agreement. For example, the unit holders' meeting resolution may differ from the specific terms and conditions of loan agreement. This might cause the Trust to breach the agreement and required to repay the loan before maturity. In case that the Trust does not have sufficient fund, it will need to consider alternative financing to repay the loan such as the issuance of additional units trust, the issuance and offering of debentures, borrowing from other financial institutions, with inferior conditions and/or interest rate, as well as to dispose some of the Trust properties to finance the loan repayment.

Therefore, when the Trust starts to repay the loan each year as stipulated in the loan agreement, or upon maturity of the loan agreement, the REIT Manager may consider alternative funding methods to pay off the debt which could affect the return to the unitholders, i.e. the offering of newly issued unit trust, the issuance and offering of debentures (in case the law permits), loans from financial institutions to repay existing debt (Refinance), as well as the disposal of the Trust assets. The REIT Manager will consider funding options that will maximize benefits to the Trust and its unit holders. By the way, when considering the Trust's ability to repay the loan, its ability to enter into new obligation such as using the Trust's properties as collateral (if any), its leverage ratio and its ability to bring in more revenues in the future, it is found that the risk of defaulting the loan agreement because of insufficient funds is low.

The REIT Manager is aware of such risk and will continue to review and monitor the factors that could affect the Trust's loan such as interest rate trends.

## **2. Risks in relation to the Ability to Seek Benefit from the Assets**

### **2.1 Risk from higher competition which may result in the decrease of number of the lessees**

Real Properties business operators of the similar nature as the trust may compete for credible lessees to lease their Real Properties. Such competition may have an adverse effect on performance of the trust. In addition, such competitors may have access to trust and other advantages to compete with the trust. Such competition may increase cost of the Real Properties management, decrease the occupancy rate or the rental that the trust collects from the lessees.



## 2.2 Risks of domestic political and economic situations

Changes in factors affecting the domestic economy and the overall global economy as well as macroeconomic factors such as the rate of economic expansion, government policy on trade, investment and foreign affairs, the Bank of Thailand monetary policy and the government fiscal policy, the property prices in the country, the value of domestic consumption and political uncertainties in the country, are among the factors that influence the decision to rent a warehouse and factory of existing tenants and future prospects, especially entrepreneurs from abroad who are the main tenants of the Trust's properties. These uncertainties may also affect the rental rates.

With the awareness of the risk of uncertainties in Thailand, economically and politically, the REIT Manager is to focus on the development of business strategies to enhance the strengths of the invested properties especially in the view of target customers both domestic and abroad. The key strategies include the selection of properties which located in high potential areas, the investment in high-quality properties and the delivery of comprehensive services and solutions to assist business operations of retail tenants. All these will build competitive advantages and retain customer base in a time of economic recession. In addition, the public sector and government agencies have actively supported the industrial and investment sector in the country through various measures such as the special promotion through the Board of Investment to encourage industrial enterprises that move their production base to Thailand.

However, if the global economy or the regional economy are badly affected and move into recession, or there are political unrest or conflicts in the country, the domestic economy and the Stock Exchange of Thailand would hardly avoid the impacts. Consequently, the demand for rental warehouse and factory, the turnover of tenant's business, the financial status of the Trust and the price of the trust unit, will also be severely affected. Since the REIT Manager cannot be in control of all these factors, it cannot guarantee that the country's political situations now and in the future will have any significant impacts on the Trust's operation, its financial status, business turnover of its tenants and the price of the trust unit.

## 2.3 Risk from termination or non-renewal of the lease agreement

The Trust has risks in case where certain lessees may not renew the lease agreements or certain lessees may request for an adjustment of the terms and conditions in the lease agreements which are less favourable to the Trust compared with the existing lease agreements or several lessees do not renew the lease agreements and the Trust is not able to find new lessees within a suitable timeframe. The abovementioned situations may directly affect cash flow and the operational results of the Trust. Nevertheless, in the normal proceeding, the Property Managers will discuss with the lessees in advance prior to the termination of the lease term. As a result, the Property Managers will be able to look for new lessees to replace the existing lessees who do not wish to renew the lease agreements. This is shown in the track record

of the Property Managers' operational results, who had managed to achieve high occupancy rate of the investment assets.

#### **2.4 Risk in relation to the ability to pay rental and service fees of the lessees**

The rentals that the Trust will receive from the lessees under the lease agreements and the service agreements are major income of the Trust. Therefore, financial weakness of the lessees due to company-specific or industry wide reasons will adversely impact the performance of the Trust. Normally, the lessees have to pay rental deposit as a security at the rate of approximately 3 months of rental, whereby the Trust may forfeit such deposit if the Trust cannot collect the rentals from the lessee when due. However, in the case that the Trust has to evict the lessees pursuant to the laws because the lessees fail to pay the rentals or breach the lease agreements. In practice, it may take more than 3 months for the lessees to move out and/or for the Trust to find new lessees. Such delays may directly affect income of the Trust.

#### **2.5 Risks of concentration of retail tenants and/or industrial and/or the nationality of the tenants**

As of December 31, 2015 the top 5 tenants of the initial investment assets and the first additional investment paid total rental fee of 31.6% of total income that the Trust earned from all invested assets. While the contribution of first ranked tenant accounted for 7.6% of total income from the initial investment and the first additional assets. The Trust is subject to the risks of the major tenants unable to pay the rent, cancel the lease agreement or not renew the agreement. However, the major tenants of the invested assets are reputable and trustworthy. It is unlikely that they would be unable to pay the rent. Moreover, their rented assets are located in prime location which is a strategic area for their operations. As they are occupying a large area and/or the area in the vicinity of several units, it is quite difficult to find new rental assets with the same conditions. Besides, chance for the tenants to cancel and/or not renew the lease agreement is quite low due to the high relocation cost.

Apart from the above mentioned risk of tenant concentration, the Trust is subject to the risk of concentration of the tenant's industry and/or the tenant's nationality. If any industry is shrinking or problems arose in the conflicts between the countries, it could impact such tenants to cancel the rent and/or not renew the contract, which will consequently affect the performance of the Trust.

However TPARK and TICON, as the Property Manager, believe that the properties that the Trust plans to additionally invest are in prime location and it is a common practice that business operators will choose to stay in a cluster of business partners and their supply chains. Also the government's policies to

enhance relations with foreign countries and foreign investors reduce the chance that the existing tenants will move out and/or discontinue the rental contracts. And the possibility to find new tenants to replace is high.

## **2.6 Risk relating to construction permit**

The lessee may modify the property leased from the Trust which requires a modification permit from the relevant local authority. In cases where the leased property is modified without obtaining the buildings modification permit, the local authority may request the modifier or the owner of the buildings to reinstate the illegal modification to original conditions or suspend the use of the modified parts of the buildings. Therefore, there are risks that the trust may incur expenses from demolishing the modified part if the local officer has such order but the lessee fails to do so.

## **2.7 Risk associates to the handover of the land after the land lease agreement has ended**

As the Trust will invest in the leasehold of the land whereby the trust will enter into the land lease agreements and the land and constructions lease agreements with TICON and TPARK, which, according to the lease agreements, the Trust has obligations to demolish the buildings and any constructions on the land in order to handover the land back to TICON and TPARK at the end of the lease term. The Trust, therefore, has risks associated to obligations and incurred expenses in order to demolish the buildings and constructions.

## **2.8 Risk of expropriation of some or all of the Trust's invested assets under the expropriation law, which may affect the Trust's utilization of such assets and impact the performance of the Trust**

In the event of expropriation of some or all of the invested assets in accordance with the rules and procedures prescribed in the Expropriation of Immovable Property Act B.E. 2530 (1987) (with amendments) and other related laws ("Law on Expropriation"), the Trust may not receive any compensation under the law due to not meeting the prescribed criteria, or receive compensation with the amount less than the invested amount, which will significantly impact the Trust's performance and its financial status.

For the assets which the Trust invested in the leasehold right, if the assets are expropriated partially or entirely, TPARK agreed to return the rental fee of such asset in partial to the Trust within 30 days from the date of TPARK receives the expropriation compensation as stated in lease agreement.

For the initial invested assets, there is a lease agreement, which is still in effect, of 1 unit with 24,043 square meters warehouse space, which is less than 6.5 percent of gross leasable area of the initial invested assets. This lease agreement included the clause requiring the lessor, in case of property was expropriated, to compensate for actual and reasonable damages and expenses and to use the best effort to supply new

rental space and/or build new warehouse for the tenant. When the Trust invested in such asset, it is obligated to fulfil the obligations under such agreement over the lease period. However, the Trust has made an agreement with TPARK which required TPARK, in the event of expropriation, to be responsible for the implementation of such provisions to the retail tenants and all related costs.

According to checkable information, as of June 30, 2015 the additional invested assets are not located in the area will be specifically expropriated. However, the REIT Manager has information of a draft royal decree to expropriate land in the area of Bang Pla sub-district in Bang Plee district in Samut Prakan province, Bang Poo sub-district in Muang district in Samut Prakan province, Bo Win sub-district in Sriracha district in Chonburi province and Mabyangporn sub-district in Puakdaeng district in Rayong province. The Trust planned to additionally invest more rental space of warehouse and factory in these areas of approximately 56,700 square meters, 3600 square meters and 2250 square meters respectively. However, such a declaration was only a draft decree which was approved in principle by the Cabinet. The decree was still uncertain and did not specify any area of land to be expropriated. Therefore, the REIT Manager is unable to assess the possibility of expropriation of the properties in the future. Generally the expropriation depends on the public policy and the need to use the area by the state during that exact period.

## **2.9 Risk regarding the tenants exercising their right in the lease agreement made with TICON to buy some factories**

Some lease agreement in the initial investment, granted the right for the tenant to buy the assets. The related assets are 5 factory buildings (information as of February 15, 2016) which the tenants have the right to purchase asset any time throughout the first rental period at the price stated in the lease agreement for the factory building and the market price of land at the right exercising date.

In case the tenants exercise the right to purchase those assets, the Trust will have to sell them at a price which may be lower than the market value at that time or lower than the value that the Trust invested. The Trust will also have to pay expenses for processing the right transfer.

However, the agreement to sell the assets between the Trust and TICON and other related agreements stated that if the tenants use their right to purchase the asset and the fair price (which means a higher price than the market price at the purchase registration date, or the cost of asset acquisition paid by the Trust) is higher than the exercise price, less the expenses incurred in the sale of such asset. TICON will compensate the difference between the fair price and the exercise price. TICON will also compensate the expenses incurred in the sale of such asset (for example, specific business tax, transfer fees, etc.). TICON will arrange to open escrow account for the purpose of keep the money with the amount equal to the

compensation to be paid to the Trust until the end of the exercise period. TICON will use its best effort to find the factory or warehouse with price, size, location and rental rate, which is not inferior to such property to offer to the REIT manager to consider alternative investment. And TICON will waive commissions on the sale and supply of the replacement asset.

In case that the Trust does not receive the freehold right of the replacement asset within the date of asset transferred out of the Trust, TICON will compensate the lost benefit for the the period of 12 months from the date of asset transfer with details stated in the agreement. This will ensure the Trust to receive return at the similar rate to the return of such asset. However, once the tenant requests to exercise such right to the Trust, as lessor, the Trust will need approximately six months to process the transfer of the property. It is expected that within such timeframe TICON and the Trust should be able to settle the arrangement of replacement asset.

#### **2.10 Risk relating to the Trust's limitation and/or burden of certain rental assets**

Among the initial invested assets, there is one unit of warehouse with operation space of approximately 16,236 square meters, which is not more than 4.39% of the total space of the assets the Trust invested both as the initial invested and the first additional assets as of the investment dates. Tenant of this particular warehouse has rented only the space of 11,705 square meters with the Right of First Refusal. In case that the Trust wants to rent out the left space to other party, the Trust must notify and obtain the written consent from the tenant and the Trust must be responsible for building walls and additional fences. Therefore if the existing tenant does not rent out the left space, or rents only additional partial space, and/or does not give such consent, the Trust will not be able to rent out the left space to other party, or the Trust may not be able to find customer for the space, or if it can find another tenant, the Trust will have a burden of the additional construction.

However, the Trust has made an agreement with TPARK that TPARK will compensate for occupancy guarantee of the left space throughout the rental period or until there is another tenant for the vacant space. In such case, TPARK will be responsible for the cost of additional construction.

#### **2.11 Risk regarding tenants exercising the Option to Swap to move to other warehouse within TPARK's Group before the expiry of lease agreement**

Among the 1<sup>st</sup> additional assets, there are 12 units of warehouse located in TICON Logistics Park Wangnoi 2 Project, TICON Logistics Park Eastern Seaboard 1(B) Project, and TICON Logistics Park Bangplee 3 Project, which the lease agreement signed with TPARK have condition of the Option to Swap. TPARK granted the right for retail tenants to move their rent to any warehouses within the TPARK's group within the rental period. ("TPARK's Group" means TPARK, Property Funds managed by TPARK and the Trust.) In

summary, the tenants have a right to cancel their current rental contract and move to rent other warehouse managed by TPARK group at anytime within the leased period and their deposit will not be forfeited. Total space with this condition is 11.7% of total space of the assets that the Trust invested.

Therefore, in order to prevent the Trust to be affected in case any tenants want to exercise their right, TPARK agreed to compensate to the Trust the amount of deposit stated in the lease agreement. This agreement also covers the case of renewal which still includes the option to swap clause. So the Trust will not get any impact when any tenants exercise this right.

## Legal Dispute

For the Year 2015, the Trust had no legal disputes that may significantly impact the Trust's business operation.

## Other Significant Information

The Trust had no other significantly information that may impact to the decision making of the unitholders.





## **Part 2**

# **Management and Good Governance**

## Details of Unit Trust

### 1. Details of unit trust to be issuance by the Trust

#### 1.1 Details of unit trust

Amount of Total Capital Investment	Baht 5,542,063,000
Amount of Capital Investment during IPO	Baht 3,425,000,000
Amount of First Capital Investment	Baht 2,243,000,000
Amount of First Capital Reduction	Baht 66,240,000
Amount of Second Capital Reduction	Baht 59,697,000
Par Value	Baht 9.6323 per unit
Number of unit trust	566,800,000 unit
Type of unit trust	Unredeemable
Offering Price	Baht 10.00 per unit
Paid-up Capital	Baht 5,542,063,000
Net Asset Value as of 31 December 2015	Baht 9.8823

#### 1.2 Unit Trust Price

Unit Trust Price as of 30 December 2015	
Closing Price	Baht 9.95
Maximum Price	Baht 10.90
Minimum Price	Baht 9.95
Market Capitalization	Baht 5,639.66 million
Net Asset Value (NAV) per unit	
▪ as of 31 March 2015	10.2323 บาท / หน่วย
▪ as of 31 December 2015	9.8823 บาท / หน่วย

### 1.3 Capital Reduction

#### (a) Reason of Capital Reduction

The Trust Deed has defined that the Trust can reduce its paid-up capital for numerous reasons, such as the value of the Trust assets decreased from valuation or revaluation of the assets.

On April 1, 2015 the Trust hired an independent appraiser to evaluate the value of the initial asset investment of 45 units by using Income Approach. As the result was the fair value of 4101.50 million Baht, which was 126.50 million Baht less than the value of initial investment, the Trust then has to record an unrealized loss of the same amount in its financial statement. However, since the loss was recognised as an expense for accounting purpose with no related cash outflow, the Trust still had excess liquidity to consider capital reduction and pay back to the unitholders.

#### (b) Capital Reduction

No.	Book Closing Date	Payment Date	Capital Before Reduction of Capital		Reduction of Capital of Capital		Capital After Reduction of Capital	
			Total (Baht)	Per Unit (Baht)	Total (Baht)	Per Unit (Baht)	Total (Baht)	Per Unit (Baht)
1	24 Aug 2015	4 Sep 2015	3,425,000,000	10.00	66,239,500	0.1934	3,358,760,500	9.8066
2	16 Nov 2015	30 Nov 2015	3,358,760,500	9.8066	59,697,750	0.1743	3,299,062,750	9.6323

## 2. Details of the Unitholders

### 2.1 List of Top Ten Unitholders as of 30 December 2015

No.	Name	No. of Units	Percentage (%)
1	TICON Industrial Connection Public Company Limited	111,111,039	19.60
2	Social Security Office	70,576,000	12.45
3	Bangkok Life Assurance PCL.	40,000,000	7.06
4	MITSUI & CO. (ASIA PACIFIC) PTE. LTD.	35,000,000	6.18
5	Muang Thai Life Assurance PCL.	20,266,300	3.58
6	Government Savings Bank	20,000,000	3.53
7	Bangkok Insurance PCL.	17,000,000	2.99
8	Southeast Life Insurance PCL.	15,000,000	2.65
9	TISCO Master Pooled Fund	9,263,700	1.63
10	Muang Thai Insurance PCL.	8,040,700	1.42

### 2.2 List of Major Unitholders (including the same group holding 10% or more of total outstanding units)

No.	Name	No. of Units	Percentage (%)
1	TICON Industrial Connection Public Company Limited	111,111,039	19.60
2	Social Security Office	70,576,000	12.45



## Restriction on Allocation of Units to Persons, Persons in the Same Group, and Foreign Investors, and Restriction on holding/transferring units

### 1. Restriction on Allocation of Units to Persons, Persons in the Same Group, and Foreign Investors

1. A person or persons in the same group does not hold more than 50% of the total paid-up units as specified in the notification of The Office of the Securities and Exchange Commission or The Capital Market Supervisory Board.
2. In case the Trust makes investment in real estate in Thailand, foreign investors may not hold more than 49% of the total paid-up units as specified by law, rules or regulations on foreign investors' investment ratio.
3. The Trust founder or REIT Manager will not hold more than 50% of the total paid-up units as specified in the notification of The Office of the Securities and Exchange Commission or The Capital Market Supervisory Board. This ratio includes units held by persons in the same group as the trust founder members or REIT Manager.
4. The Trustee may not hold units in the trust in which it acts as a trustee more than 50% of the total paid-up units as specified in the notification of The Office of the Securities and Exchange Commission or The Capital Market Supervisory Board. This ratio includes units held by persons in the same group as the trustee.

(The above allocation ratio shall apply unless otherwise stated by The Securities and Exchange Commission, The Capital Market Supervisory Board or The Office of the Securities and Exchange Commission.)

Furthermore the restriction applies where a unitholder holds units in the number exceeding the specified ratio in which such case the unitholder will not receive dividend and does not have right in voting for the portion of units that exceed the specified limit. The dividend of the portion which exceeds the specified limit shall be given to other unitholders in proportion to their holding ratio and that shall be deemed acknowledged and agreed to all unitholders.

### 2. Restriction on Transferring Units

The Trust has no restriction on unit trust transfer. However, if there is a transfer of unit trust making any unitholders holding units in the number exceeding the specified ratio, the Registrar will refuse to transfer the portion of unit trust that causes in any unitholders holding unit trust in the number exceeding the specified ratio.

## Dividend Payment Policy

### 1. Rules, Policy and Dividend Payment to Unitholders

The Trust has dividend payment policy to be made at least 2 times per year. However, the REIT Manager may consider more dividend payments to unitholders. Dividend would be paid under:

1. The REIT Manager will pay dividend to unitholders at least 90% of the adjusted net profit of the accounting year within 90 days from the end of the accounting year or the accounting period in which the benefits are to be paid, as the case may be or in any ratio as specified by The Securities and Exchange Commission.
2. In case that the Trust has accumulated loss, the REIT Manager will not pay dividend to unitholders.

### 2. Restriction and Method of Dividend Payment to Unitholders

1. Where the facts appear to the REIT Manager that a person or persons in the same group holds unit trust over 50% of the total outstanding trust units, the REIT Manager will notify such person(s) without delay regarding restriction on benefits payment. The REIT Manager will not pay dividend to such person or persons in the same group who holds over 50% of the total outstanding unit trust unless otherwise stated or exempted by the relevant laws. The dividend of the portion exceeding 50% of the total outstanding units trust shall be given to other unit holders in proportion to their holding ratio and the REIT Manager will consider such dividend allocation to unitholders in that payment period.
2. The REIT Manager will make announcement of dividend payment, the book closing date, by the following means:
  - (a) Publication in at least 1 newspaper;
  - (b) Posting a notification in anywhere of the REIT Manager's official place;
  - (c) Sending a notification to the unitholders whose name appear in TREIT's register as at the book closing date and to the Trustee or announcing through The Securities and Exchange Commission.
3. The REIT Manager would pay dividend by bank transfer to unit holders' bank account or in form of an A/C payee cheque payable to the unit holder only in the name and at the address under registered name at the book closing date.
4. If unitholders do not exercise the right to receive dividend within the period prescribed in the Civil and Commercial Code, the REIT Manager will not use such dividend for purposes other than interest of TREIT.

5. If dividend payment per unit during the accounting year is equal or lower than 0.10 Baht, the REIT Manager reserves the right not to pay dividend and accumulate such dividend amount to be paid in the next payment period.

### 3. History of Dividend Payment (12 December 2014 to 31 December 2014)

No.	Performance Period	Dividend Rate (Baht :Unit)	Book Closing Date	Payment Date
1	12 Dec 2014 – 31 Jan 2015	0.2175	2 Jun 2015	12 Jun 2015
2	1 Jul 2015 – 30 Oct 2015	0.1007	16 Nov 2015	30 Nov 2015
3	1 Nov 2015 – 31 Dec 2015	0.0940	9 Jan 2016	22 Jan 2016
Total		<u>0.4122</u>		

## REIT Manager

### 1. General Information

Name	TICON Management Company Limited
Address	Suite 1308, 13/1th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120
Corporate ID	0105556080444
Telephone	02-679-6565
Fax	02-287-3153
Website	<a href="http://www.treit.co.th">www.treit.co.th</a>
Email	Investment Relations Department, <a href="mailto:Charasrit.a@ticon.co.th">Charasrit.a@ticon.co.th</a> , <a href="mailto:Yanichsa.c@ticon.co.th">Yanichsa.c@ticon.co.th</a>
Business Hours:	8.30 hrs. to 17.30 hrs.
Type of Business	REIT Manager
Registered Capital	Baht 10,000,000
Paid-up capital	Baht 10,000,000 Baht
Issued and paid-up shares	1,000,000 shares
Par value	Baht 10.00 per share

### 2. Background

TICON Management Company Limited was registered as a juristic person on 20 May 2013. Its objective is to act as a REIT Manager.

### 3. Nature of Business

TICON Management Company Limited engages in the business of acting as a REIT Manager. At present, it acts as REIT Manager of TICON Freehold and Leasehold Property Investment Trust (TREIT).



#### 4. List of Shareholders

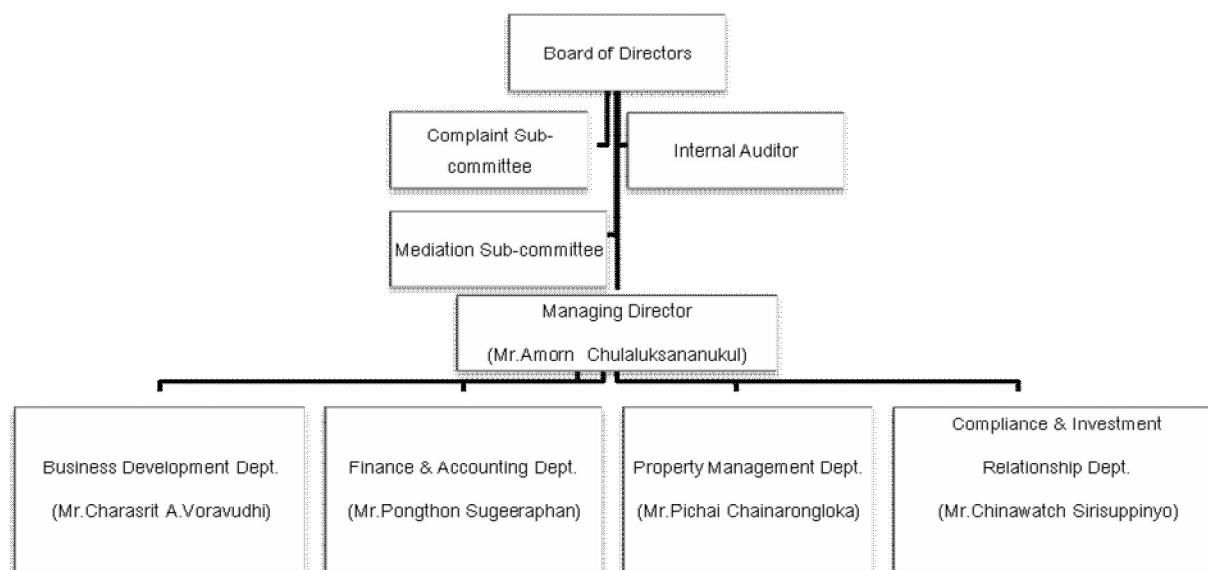
List of shareholders as of 31 December 2015

No.	Name of Shareholders	No. of Shares	Holding Ratio (%)
1.	TICON Industrial Connection Public Company Limited	699,996	69.99
2.	Mitsui & Co. (Asia Pacific) Pte. Ltd.	300,000	30.00
3.	Mr. Virapan Pulges	1	0.0001
4.	Miss Jantima Jariyachotbhumi	1	0.0001
5.	Miss Waritha Lerthiwakorn	1	0.0001
6.	Miss Primopa Nachjaruwit	1	0.0001
Total		1,000,000	100.00

#### 5. Management Structure, Board of Director and Management

The management structure of the Company as REIT Manager consists of the board of directors and the executives as shown below:

Management Structure Chart



## 5.1 Board of Directors

The Company's board of directors consists of six qualified members as follows:

No.	Name	Title	Education	Professional Experience
1.	Mr.Sun Vithespongse	Chairman of the Board and Independent Director	Bachelor of Economics	<i>Independent Director, Member of the Audit Committee and Member of the Corporate Committee</i> ▪ Land and House Bank Public Cpmpany Limited
2.	Mr.Sopon Boonyaruttapunth	Independent Director	Master of Accounting	<i>Managing Director</i> ▪ Vnet Capital Co., Ltd <i>Independent Director and Audit Director</i> ▪ Asia Plus Securities Plc. <i>Director</i> ▪ Asia Plus Securities Plc. ▪ Thai Incubator Dot Com Co., Ltd. ▪ Morison CKS Co., Ltd. ▪ Netband Consulting Co., Ltd. ▪ Vintcom Technology Co., Ltd. ▪ NTN Solution Co., Ltd. ▪ Thai Automotive VCF Co., Ltd. ▪ Copperwired Co., Ltd. ▪ Anchor Solutions Co., Ltd. ▪ Koan Co., Ltd. ▪ Blue Fish Solution Co., Ltd. ▪ BCBG Co., Ltd. ▪ City Network Co., Ltd. ▪ Thai Venture Capital Association
3.	Mr. Virapan Pulges	Director	Master of Engineering	<i>Managing Director</i> ▪ TICON Industrial Connection Plc. <i>Director</i> ▪ Shanghai TICON Investment Management Co.,Ltd. ▪ TICON Logistics Park Co., Ltd. ▪ Eco Industrial Services Co., Ltd.
4.	Mr. Kiyoshi Okubo	Director	Master of Engineering	<i>General Manager of Financial &amp; New Business Department</i> ▪ Mitsui & CO. (Asia Pacific) Pte. Ltd. <i>General Manager in Corporate Planning Division</i> ▪ JA Mitsui Leasing Corporation <i>General Manager of Corporate Investment Division</i> ▪ Mitsui & Co Ltd.

No.	Name	Title	Education	Professional Experience
5.	Mr. Chai Vinichbutr	Director	Bachelor of Business Administration	<i>Managing Director</i> <ul style="list-style-type: none"> <li>■ Rojana Property Plc.</li> </ul> <i>Director</i> <ul style="list-style-type: none"> <li>■ Eco Industrial Services Co., Ltd.</li> <li>■ TICON Industrial Connection Plc.</li> <li>■ Bangkok Office 3 Co., Ltd.</li> <li>■ Rojana Industrial Park Plc.</li> </ul>
6.	Mr. Amorn Chulaluksananukul	Managing Director	Master of Management	<ul style="list-style-type: none"> <li>■ Being responsible for clients of CIMB Thai Bank Plc., recruitment of new clients, presentation of new products including loan and investment banking.</li> <li>■ Participating in consideration, screening, and decision of the bank regarding approval of the above services to clients in various industries particularly property industry.</li> </ul>

#### 5.1.1 Authorized Directors who may act on behalf of the Company as the REIT Manager

Authorized directors who may act on behalf of the Company as REIT Manager are two directors of the directors listed in No. 3 to No. 6 who must jointly affix signatures and the Company seal.

#### 5.1.2 Board of Directors' Duty and Responsibility

The Board of Directors' duty and responsibility consists of two parts: duty towards the Company and duty towards the Trust as described below:

##### Duty and responsibility of the Board of Directors towards the Company

- (1) Perform his duty in accordance with the law, the Company's objectives and regulations and the resolutions of the shareholders' meeting with honesty, integrity, caution, and protect the interest and be responsible for the shareholders;
- (2) Establish a policy and a guideline on the Company's operation and supervise to ensure that the management comply with the policy and the regulations efficiently and effectively under the good governance principle;
- (3) Report the Company's operation result to shareholders in a shareholders' meeting;
- (4) Organize efficient and reliable financial reporting, internal control, and internal audit;
- (5) Control and supervise the management to ensure fair and equal treatment to all stakeholders;

- (6) Exercise discretion independently when considering strategy, management of the business, director appointment, setting performance standard, as well as opposing to actions taken by other directors or the management in case of conflict that affects equality of all shareholders;
- (7) consider and approve connected transactions in accordance with the relevant criteria and rules where a director who has interest in such matter shall have no rights to vote;
- (8) An independent director shall consider and give opinion on reasonableness of connected transactions or transactions that may create conflict with the interests of the trust to ensure the transaction proceeds in accordance with the relevant criteria including material acquisition and disposal of assets;
- (9) An internal auditor shall be appointed by an independent director;
- (10) Consider meeting agenda if any particular matters that should be considered by the board of directors are not included in the agenda of the board of directors' meeting;
- (11) Prepare a report in the form of "Disclosure of Director / Management's Interest" to the Company according to the Company's criteria;
- (12) Consider and appoint a director to replace a resigned director, select and propose additional directors to the Company's shareholders;
- (13) If necessary, the board of directors may obtain advice or professional opinion from an external consultant regarding the Company's business at the Company's expenses;
- (14) Consider and approve matters related to major operation of the Company such as paying benefits to shareholders, organizing a shareholders' meeting, selection and proposing compensation for an accounting auditor;
- (15) Conduct an induction so that the board of directors or an assigned person can give information on the Company's business to a new director.

#### **Duty and Responsibility towards the Trust**

- (1) Establish significant policies for the Trust such as investment policy, property lease policy, property manager selection policy;
- (2) Consider and approve acquisition or disposal of core assets according to the criteria specified in the Company's policy;
- (3) Consider and approve sourcing of fund for the Trust including source of fund, fund amount, requirement, and related conditions;

- (4) Ensure that the management report performance of the trust and important issues to the board of directors every quarter or when appropriate;
- (5) Consider and approve payment of benefits to unitsholders;
- (6) Consider and approve meeting of unitholders;
- (7) Consider and approve connected transactions entered into between the Trust and the REIT Manager and between the Trust and connected persons and the REITM in accordance with the relevant criteria and rules where a director who has interest in such matter shall have no rights to vote;
- (8) An independent director, consider and give opinion on reasonableness of connected transaction or transaction that may create conflict with the interests of the trust to ensure the transaction proceeds in accordance with the relevant criteria including material acquisition and disposal of assets;
- (9) An internal auditor shall be appointed by an independent director;
- (10) Consider and approve a guideline on risk management for potential risks to the Trust;
- (11) Ensure that the Trust has an internal control that meets the criteria specified in the trust's internal control procedure;
- (12) Appoint a complaint and dispute subcommittee as deemed appropriate to solve trust-related complaints and disputes raised by a third party which is proposed by Compliance and Investment Relations Department;
- (13) Select and propose for appointment, propose compensation of an accounting auditor and organize a meeting with an accounting auditor as deemed appropriate;
- (14) In case a director receives internal information that are material to a change in securities price of the trust, he/she must suspend acquisition or disposal of units for an appropriate period of time before the information is disclosed to public and such material information must not be disclosed to a third party otherwise he/she will be subject to punishment as prescribed by law.

## 5.2 The Management

The Company's management consists of the following members:

Name	Title	Education	Professional Experience
1. Mr. Amorn Chulaluksananukul	Managing Director	Master of Management	<ul style="list-style-type: none"> <li>■ Being responsible for clients of CIMB Thai Bank Plc., recruitment of new clients, presentation of new products including loan and investment banking.</li> <li>■ Participating in consideration, screening, and decision of the bank regarding approval of the above services to clients in various industries particularly property industry.</li> </ul>
2. Mr. Charasrit A.Voravudhi	General Manager and Head of Business Development Department	Master of Management (Finance)	<ul style="list-style-type: none"> <li>■ Responsible for advising on the financing structure with the value-added financial instrument and product with the complete range of banking service to the coverage customers in the various industries such as Industrial Estate, Warehouse, Power and Renewable Energy, as well as Infrastructure with the objective to maintain and expand the market share of the bank's customer base, and co-ordinated with banking product specialists and provided the application of such product and service to be present to the bank's Credit Committee for the further approval.</li> </ul>
3. Mr.Pongthon Sugeeraphan	Assitant of Head of Finance and Accounting Department	Master of Economic	<ul style="list-style-type: none"> <li>■ Oversee financial procedure and budget of the Company and TREIT, manage liquidity of the Company, calculate NAV and dividend of the fund, prepare reports related to Finance and Accounting Department in accordance with the requirement of SEC, SET, and the trustee.</li> <li>■ Prepare an estimate of revenue, calculate break-even point, prepare analysis for the management, analyze difference in budget, cash flow statement, change in cash account, manage tax affairs of the Company, closing of bank accounts, liaise with The Revenue Department, accounting auditors, distributors, clients, and other parties.</li> </ul>

Name	Title	Education	Professional Experience
4. Mr. Pichai Chainarongloka	Head of Property Management Department	Master of Economic	<ul style="list-style-type: none"> <li>■ Create marketing plans and strategies, adjust rental fee, variety of tenant's business and nationality, and matching the tenant with the suitable location etc.</li> <li>■ Maintain the property and the environment in good condition for ready to use/rent.</li> <li>■ Collect outstanding receivable which was informed by the Accounting and Finance Department</li> <li>■ Coordinate with Business Development Department to give them appraisal service when it come to the point of acquiring a new asset</li> </ul>
5. Mr. Chinawatch Sirisuppinyo	Vice President of Compliance and Investment Relations Department	Bachelor of Law	<ul style="list-style-type: none"> <li>■ Take actions regarding freehold and leasehold of lands;</li> <li>■ Take actions regarding business registration with Department of Business Development, Ministry of Commerce such as company registration, registration of amendment in paid-up capital, registration of memorandum of association, submission of a list of shareholders, applying for a company affidavit, and registration of branches.</li> <li>■ Take actions regarding trademarks at Trademark Office, Ministry of Commerce;</li> <li>■ Make inquiries regarding urban planning, building constructions to ensure the Company complies with the law;</li> <li>■ Give legal advice and suggestions in drafting agreements, memorandum, and prepare power of attorney for various departments.</li> </ul>

## 5. Independent Director

In relation to recruitment of an independent director for the Company as the REIT Manager, he/she must possess minimum qualification as follows:

1. An independent director may not hold more than 1% of total shares with voting rights of the Company, its subsidiaries, affiliated companies, or a person who may have a conflict of interest (including connected persons as prescribed in the Securities and Exchange Act B.E. 2535).
2. An independent director must not be involved in management or be a worker, employee, advisor who received fixed salary from the Company or its affiliated companies or a person who may have a conflict of interest where such interest must not exist for minimum of two years [preceding appointment].
3. An independent director must have no direct or indirect business relationship or interest in the management and the finance of the Company, its affiliated companies or a person who may have a conflict of interest in a manner that may affect independency.
4. An independent director must not be a close relative to a director or a major shareholder of the Company, its subsidiaries or a person who may have a conflict of interest and is not appointed an agent to protect the interest of directors or major shareholders.
5. An independent director must exercise discretion independently as necessary in the interest of the Company and must be prepared to make objection to actions taken by other directors or management.
6. An independent director is able to attend meetings of the board of directors to make a decision on important activities of the Company.
7. An independent director must possess appropriate knowledge and experience or be a person with high level of competency and be accepted.
8. An independent director must not be a person whose name is listed in the list deemed by The Stock Exchange of Thailand to be unfit to be in the management according to the regulations of The Stock Exchange of Thailand.
9. An independent director must have never been convicted of an offence against the securities law, the business law, the financial institution law, the non-life insurance law, the suppression and anti-money laundering law or other laws related to finance regardless of whether it is Thai law or foreign laws by the authority regarding offence on unfair acquisition and disposal of securities or bad-faith or fraudulent management.
10. An independent director has no other characteristic that may prevent him/her from giving independent opinion on the Company's operation performance.



The Company has set out scope of duty and responsibility of an independent director as follows:

1. Consider, follow up, and give necessary advice to the Company regarding preparation of and disclosure of financial information of the Company and the trust to ensure accuracy, completeness, sufficiency and timely submission.
2. Consider, following and giving necessary advice regarding suitable internal control and work procedure to the Company as Trust Manager.
3. Consider and give opinion on connected transaction or other transactions that may have conflict of interest with the trust to ensure compliance with the law and related requirement and that the transactions are justifiable and in the best interest of the trust.
4. Take any other actions assigned by the board of directors in the best interest of the trust.

According to the above scope of duty, relevant departments must report the following matters to an independent director for consideration and acknowledgement and necessary advice:

1. Connected transactions or transactions that may create conflict with the interests of the trust.
2. Weakness in internal control procedure and work procedure that the Company as Trust Manager needs to improve and improvement progress.

The board of directors and independent directors have an important role in follow up and giving necessary advice to the Company in its capacity as Trust Manager in accordance with the regulations and related agreements.

#### **5.4. Duty and responsibility of the Company as the REIT Manager**

The Company as the REIT Manager has duty and responsibility to control and manage the Trust and the trust's investment in assets as well as control performance of the Property Manager. The REIT Manager must take any actions as assigned by the Trustee and as specified in the Trust Deed in the interest of unitholders including, but not limited to, the following:

##### **1. General Duty of the REIT Manager**

1. Perform his/her duty with diligence and care, integrity in the best interest of unitholders and in accordance with the Trust Deed and related laws and obligations specified in the disclosure to investors (if any);
2. Manage the Trust's assets in accordance with the disclosure of offering of units, the Trust's operation plan, the resolution of the meetings of unitholders, the rules, regulations and related laws, and the notification of Office of the Securities and Exchange Commission;
3. Organize meetings of unitholders as specified in the Trust Deed;
4. Take actions to increase capital of the Trust as specified in the Trust Deed;
5. Take actions to decrease capital of the Trust as specified in the Trust Deed.

## 2. Duty of the REIT Manager in preparation of reports and disclosure

1. Prepare and disclose information of the Trust and information as prescribed in Section 56 and Section 57 of Securities and Exchange Act B.E. 2535 and other information as specified in the Trust Deed.
2. Upon request of the Securities and Exchange Commission, make clarification, submit documents or evidence related to compliance or non-compliance to the Securities and Exchange Commission including, but not limited to, the following to the Securities and Exchange Commission, The Stock Exchange of Thailand, and unit holders;
  - (a) Information regarding conflict with the interest of the Trust and measures to resolve such conflict to be disclosed to investors clearly during an initial public offering and whenever a conflict of interest arises (if any);
  - (b) Information regarding transactions entered into between the Trust and connected persons and information regarding transactions entered into between the Trust and the REIT Manager or connected person and the REIT Manager, information regarding acquisition or disposal of core assets and equipment of the trust, information regarding borrowing transactions and encumbrance made by the trust;
  - (c) Information regarding interest or benefits received from a company / person who is a vendor of the trust (if any);
3. Ensure that unitholders receive complete and correct information and sufficient for voting to approve matters within a period specified in the Trust Deed and the regulations of The Stock Exchange of Thailand;
4. Prepare and send information, report and/or documents to the trustee within the specified period such as full report of property evaluation, monthly report presenting revenue and expenses, right of claim, due debts, market environment report, information regarding the trust's investment in properties, information regarding acquisition or disposal of core assets.

## 3. Duty of the REIT Manager regarding Investment or Disposal of the Trust's assets

1. organize and/or make appropriate investment in core assets and other assets according to the investment plan and manage risks related to the trust and the Trust's assets and the criteria specified in the Trust Deed;
2. take necessary actions to ensure that disposal of assets or connected transactions related to the property for the Trust is valid and effective;

3. make analysis of the probability and review and conduct a due diligence of assets as well as assess risks that may be caused by investments in such assets and provide risk management procedure;
4. value core assets in accordance with the criteria specified in the Trust Deed;
5. maintain core assets in good conditions ready for generating income including repair, improvement, restoration, and maintenance of assets;
6. take out sufficient insurance that covers the period of the Trust's investment in core assets including non-life insurance that may occur to the assets, public liability insurance for damage that may be caused by the assets or the operation in the assets;
7. assist the Trustee on disposal of the trust's core assets and find buyers for the core assets;
8. give assistance to enable the Trustee to dispose or acquire or enter into transactions with a third party in case of disposal, acquisition or any transaction that generates income from the trust's assets;
9. prepare an investment plan and a risk management plan related to the trust and the Trust's assets, a borrowing plan and an annual financial management plan of the Trust.

#### 4. Duty of the REIT Manager regarding the Trust's benefits

1. coordinate with retail tenants for collection of lease fee, bond, service fee, miscellaneous fees, penalty, and other related expenses (if any);
2. facilitate the trustee or a person assigned by the trustee and a third party during survey of core assets;
3. consider and inspect conditions of core assets before handing over to retail tenants or the trustee when entering into or renewing a new lease agreement or a new service agreement or when a lease agreement or a service agreement expires (as the case may be);
4. take necessary and appropriate actions in case a disaster occurs to the trust's assets;
5. manage budget and cash flow of the trust;
6. prepare financial statements of the trust in accordance with the accounting standard as prescribed by the accounting law;
7. withdraw assets of the trust from a petty cash account only or for other purposes as agreed with the trustee within the limit approved by the trustee;

8. pay benefits to unit holders in accordance with the criteria and conditions specified in the Trust Deed;
9. exercise the right of claims, take actions in defense, or exercise other legal rights on behalf of the trustee regarding management of the trust as authorized by the trustee from time to time;
10. retain documents related to the operation of the trust;
11. give advice to the trustee regarding property market conditions or trend and potential impact on the trust.

#### **5. Duty of the REIT Manager regarding Transaction with Potential Conflict of Interest**

In case of a transaction with potential conflict of interest, the REIT Manager must consider justification and necessity of the transaction and obtain approval from the Trustee and request that the Trustee establish conditions on such transaction. If the Trustee does not approve the transaction or the transaction is not justifiable and necessary, the REIT Manager may not proceed with the transaction.

#### **6. Other Duty of the REIT Manager**

If an advisor is appointed to give advice or suggestion on the Trust's investment in properties and management of the Trust's assets, the advisor must have no direct or indirect interest in the matter under consideration. If the fact has changed and the advisor has interest in the matter under consideration, the REIT Manager must prevent the advisor who has direct or indirect interest from considering the matter and take actions as specified in REIT Manager Appointment Agreement.

#### **5.5. Management**

The Company was established with objective to engage in business of acting as the REIT Manager. The Company's core business is divided into five departments for the Company's duty as the REIT Manager to comply with the conditions specified in the Trust Deed, REIT Manager Appointment Agreement, the resolution of unitholders and related laws, regulations and/or rules. Duty and responsibility of the departments is summarized below.

### **1. Business Development Department**

Business Development Department's main duty is to ensure that the trust makes investment in quality core assets in suitable volume, that the trust continues to grow, and that the trust generates best return to unit holders. Business Development Department will find suitable source of fund for the trust to make investment in such assets.

Business Development Department is also responsible for making decision regarding investment in and disposal of core assets according to the investment policy, find suitable source of fund from the money market and the capital market based on an appropriate investment structure, value assets at the specified time, consider payment of benefits for proposal to the board of directors for approval.

### **2. Finance and Accounting Department**

Finance and Accounting Department's main duty includes preparation of financial reports of the Trust, managing budget and cash flow of the trust, making investment in other quality assets, collecting lease fee and service fee from tenants of the trust, and managing the trust's payment.

Finance and Accounting Department is also responsible for managing budget, cash flow and investment in other assets according to the investment policy, preparing financial reports of the trust with review and audit by a certified auditor, collecting lease fee of the trust's assets, and calculating net asset value of the trust for disclosure to investors.

### **3. Property Management Department**

Property Management Department's main duty includes finding tenants for the Trust in order to generate regular income, maintaining the trust's assets in good condition and ready for use, and repairing assets upon request from a tenant.

Property Management Department is also responsible for creating a marketing plan, establishing a strategy in making profit from the trust's properties, finding tenants, maintaining the Trust's properties in good condition and ready for use, repairing and improving assets, coordinating and facilitating tenants in relation to the trust's application for or renewal of permits, and taking out insurance for assets.

### **4. Compliance and Investment Relations Department**

Compliance and Investment Relations Department's main duty is to ensure that the Company comply with the rules and regulations applicable to the Trust which are issued by relevant authorities, provide information on the Trust to investors and securities analysts, and managing complaints and disputes.

Compliance and Investment Relations Department is also responsible for monitoring to ensure that the Trust and the Company's management comply with the Securities and Exchange Act B.E. 2535, Trust for Transactions in Capital Market Act, B.E. 2550 and regulations of Office of the Securities and Exchange Commission, The Stock Exchange of Thailand, and other related authorities, make disclosure of information of the trust according to relate criteria, organize a meeting of the board of directors and a meeting of unitholders, receive complaints and suggestions regarding the trust from a third party (if any).

## 5. Internal Audit Department

The Company appoints a third party to act as an internal auditor who is responsible for audit of compliance of all departments with policies and procedures. Internal Audit Department reports to an independent director.

Internal Audit Department is also responsible for making a work plan, audit performance of various departments, report audit result to an independent director, ensure that connected transactions or transactions with potential conflict of interest (if any) comply with relevant regulations.

## 6. Remuneration of the REIT Manager

Fee to be charged from the Trust shall not over the rate specified in the table below:

Fee received from the Trust	% : Annum	Base Units	Received Rate (Baht)
Management Fee	0.25	of Total Assets Value (TAV)	12,103,763.93
Fee for Property Management			
1. Warehouse	2.0	of net income from Lease and Service Agreement	5,941,925.39
2. Factory	4.0	of net income from Lease and Service Agreement	4,987,966.50
Special Fee			
1. Warehouse	0.00-10.50	of profit from operation	13,991,914.71
2. Factory	0.00-19.50	of profit from operation	7,384,615.20
Brokerage Fee			
1. Brokerage fee for recruiting new retail tenants	Not exceeding 4 months	of rental and service fee received from new retail tenants	-
2. Brokerage fee for acquisition, disposal, transfer or receiving of leasehold	5.0	of value of acquisition, disposal, transfer or receiving of leasehold	-

## Property Manager

For main assets that the Trust invested in, the REIT manager has appointed TICON Logistics Park Company Limited (“TPARK”) to be the Property Manager for Warehouse buildings and TICON Industrial Connection Public Company Limited (“TICON”) for Factory buildings. Details of each Property Manager are as follows:

### 1. TICON Logistics Park Company Limited

Name	TICON Logistics Park Company Limited (“TPARK”)
Address	Suite 1308, 13/1th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120
Corporate ID	0107544000051
Telephone	02-679-6565
Fax	02-287-3153

TPARK is a subsidiary of TICON. As at December 31, 2015, TICON held 100% share of paid-up registered capital of TPARK.

TPARK was established on August 2, 2005 with a registered capital and paid up, as at December 31, 2015, of Baht 19,500 million. The company’s objectives are to develop a ready-built warehouse with international quality to rent or sell. Presently, TPARK has its warehouse buildings located in more than 33 locations in 10 provinces. As at June 30, 2015, TPARK had total 376 units of completely built and under construction warehouse buildings. Apart from the Trust, TPARK is also property manager for other property funds as follows.

1. TICON Property Fund (“TFUND”) which is the property fund that invests in land, factory and warehouse buildings.
2. TPARK Logistics Property Fund (“TLOGIS”) which is the property fund that invests in land and warehouse buildings.
3. TICON Industrial Growth Leasehold Property Fund (“TGROWTH”) which is the property fund that invested in land, factory and warehouse buildings

## 2. TICON Industrial Connection Public Company Limited

Name	TICON Industrial Connection Public Company Limited ("TICON")
Address	Suite 1308, 13/1th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn, Bangkok, 10120
Corporate ID	0107544000051
Telephone	02-679-6565
Fax	02-287-3153

TICON has Rojana Industrial Park Public Company Limited as its major shareholder, holding 43% of total shares as at December 31, 2015. TICON is also a unitholder of the Trust, holding 19.6% of total units trust as at December 31, 2015.

TICON was established in 1990 with the objective to operate business of building factory for rent. TICON was listed in the Stock Exchange of Thailand in 2002 with registered capital as at December 31, 2015 of Baht 1,116 million (with paid-up capital of Baht 1,009 million)

Up to now, TICON has developed over 500 single storey factory buildings located in 18 industrial estates, industrial parks and industrial zones in Thailand. As of December 31, 2015 TICON has total 313 units of completely built and under construction factory buildings. The construction of the above mentioned factory buildings was carried out by TICON's construction team which consisted of architects, engineers and project managers. The advantage of having its own construction team is more cost effective, quality control of building standards and more flexibility in construction management. TICON can accelerate construction to complete the building as customer's request and can serve customer's requirements to adjust or build the extension. Apart from managing its own properties effectively with stable growth, TICON also provides services to assist tenants in the process of applying for licenses and supply of utilities according to customer request. Other services include applying work permits for foreigners and general assistance which might be requested from customers i.e. introducing buyers of their products or suppliers of raw materials. These services and supports add value to the products and services of TICON, which results in the company's ability to maintain high occupancy rate. TICON is also the property manager of three property funds and the Trust assets like TPARK.

TICON is also a major unitholder of the three property funds, TFUND, TLOGIS and TGROWTH, by holding investment units of 18.5%, 16.2% and 25.5% respectively as of December 31, 2015.



## Registrar, Auditor and Asset Appraiser

### 1. Registrar

Thailand Securities Depository Company Limited

62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey, Bangkok 10110

Telephone 02-229-2800

### 2. Auditor

Miss Pimjai Manitkajohnkit, CPA (Thailand) No. 4521

EY Office Limited

33<sup>rd</sup> Floor, Lake Ratchada Office Complex

193/136-137 Ratchada Pisek Road, Klongtoey, Bangkok 10110

Telephone 02-264 0777

### 3. Asset Appraiser

1. Nexus Property Consultants Co., Ltd.

31<sup>st</sup> Floor, Bangkok Onsurance Building/Y.W.C.A

25 South Sathorn Road, Thungmahamek, Sathorn, Bangkok

Telephone 02-286-8899

2. Knight Frank Chartered (Thailand) Co., Ltd.

65/192, 23<sup>rd</sup> Floor, Chamnan Phenjati Business Center

Rama 9 Road, Huaykwang, Banhkok

Telephone 02-643-8223

3. Wealth Appraisal

11/277, Moobaan Thuntawat 5

Soi Watcharapol 1/9, Tha-Rang, Bangkhen, Bangkok

Telephone 02-948-0928-9

## History of Punishment and Fine Penalty

### 1. History of punishment and fine penalty of the REIT Manager

The REIT Manager had no punishment and fine penalty according to the Securities and Exchange Act B.E 2532 (and its amendment) and the Trust for Transactions in Capital Market Act B.E 2550.

### 2. History of punishment and fine penalty of Director and Management of the REIT Manager

Director and Management of the REIT Manager had no punishment and fine penalty according to the Securities and Exchange Act B.E 2532 (and its amendment) and the Trust for Transactions in Capital Market Act B.E 2550.

# Corporate Governance

## 1. Corporate Governance Policy

The REIT Manager recognizes the importance of good corporate governance since it is necessary for the management of the Trust and helps build confidence among its unitholders. It also allows the unitholders, investors and the public to get informed and be able to monitor the Trust operations conveniently, quickly, equitably and efficiently. The REIT Manager has managed the Trust according to the Trust Deed and related law, the REIT Manager believes that the Trust has good management highly accountable Board of Directors and management, and effective control mechanism with check and balance. While good corporate governance is critical and necessary for managing the Trust for sustainable development and benefit of the unitholders. Following are key principles of the Trust good corporate governance

### 1.1 Unitholders's Right

The REIT Manager is aware of its duty to promote and protect the right of unitholders including basic shareholder rights abided by laws as follows:

1. Right to approve the connected transactions or the acquisition or disposal of assets with the size specified by law and related regulations;
2. Right to buy and sell units trust

Every unitholder has the right to buy and sell the units trust independently. The REIT Manager has appointed the Thailand Securities Depository: TSD to act as the Registrar in order to facilitate the unitholders regarding the registration and trust certificate (Please see details in the topic “**Registrar**”);

3. Right to vote on items in the agenda presented in the Unitholder's meeting

Every unitholder has the right to participate in the unitholder's meetings and to exercise his/her right to vote on an equitable basis according to the number of units that he/she holds. In the voting process, the REIT Manager will prepare voting ballots and give to every unitholder during the registration process before the meeting starts. Barcode system is used for the meeting registration and the vote counting of each meeting agenda. The REIT Manager will announce the voting results after the voting of each agenda so that the unitholders will be informed of the results immediately;

#### 4. Right to equally earn the returns of investment

Each unitholder has the right to receive the distribution at the rate of not less than 90% of adjusted net profit of each fiscal year or at any rate specified by the Securities and Exchange Commission. The distribution will be paid within 90 days after the end date of fiscal year or of other period which the Trust announces to pay the distribution. (Please see details in the topic “Distribution of the Trust”);

### 1.2 Disclosure of complete, sufficient, trustworthy and timely information to all stakeholders

The REIT Manager emphasizes the importance of facilitating the unitholders to access the Trust's information conveniently, evenly and equally by disclosing the accurate, complete and timely information on regular basis. The information including financial information, the operating result of the Trust and other important information, which will support the unitholder's decision about his/her investment, are disseminated through various channels and medias of the Stock Exchange of Thailand, the REIT's Annual Report, and the REIT Manager's website.

## 2. Sub-Committee

Presently, TMAN as the REIT manager is managed by the Board of Directors and management who has proper qualifications as defined by the guidelines in the Capital Market Supervisory Board's concerning the qualification of person in capital market.

## 3. The Board of Directors' Meeting

The REIT Manager has arranged the meeting of the Board of Director at least one time in each quarter to consider the operation of the Trust, with the following procedures:

1. Compliance and Investor Relations Department shall send out the invitation together with meeting agenda and supporting documents with necessary contents for consideration to every director at least 7 days prior to the meeting date, so that the directors will have sufficient times to review the information prior to the meeting.
2. The proposed agenda for the Board of Directors' meeting shall be about the operations of the Trust including the operating result of the Trust, the annual budget of the Trust, the distribution, the arrangement of unitholder's meeting, the investment in additional assets, the connected transactions, business and investment plan as well as the progress in the implementation of the business plan.

3. In every meeting, the number of attending directors shall be more than one half of total directors.  
Every director has the right to vote for one vote. The director who has a conflict of interest in any matter shall have no right to vote on such matter.
4. At the meeting, the Chairman of the Board will oversee the allocation of sufficient time for management to provide documents and information to debate important issues, and sufficient time for the directors to discuss the important issues. All directors are free to comment and propose the agenda.
5. There shall be the minute with the record keeping of all related documents in accurate, complete and checkable manners. The minutes which are certified from the Board of Directors shall be kept as evidence for future reference.

#### **4. Rules for proper use Inside Information**

The Director and management shall not use of the material information of the Trust which not been disclosed to the public for their own benefit or others. For making control over this matter, the Company has a policy that the Directors and management have to report on trading unit trust to Compliance and Investor Relations Department and submit staff dealing report to the Securities and Exchange Commission.

#### **5. Process and Factors in Consideration of Investment and Management of the Trust**

##### **5.1 Investment in Core Assets of Trust**

The REIT Manager takes the following actions before acquisition of each core asset.

1. Conduct a due diligence on assets;
2. Organize valuation of assets under investment as specified in the Trust Deed;
3. Establish risk prevention measure or remedy measure for potential damage caused by breach of agreements or non-enforcement under lease agreements, and disclose such risk prevention measures to the Trustee and unitholders in case of leasehold investment in form of sub-lease.

For acquisition of additional core assets, the REIT Manager shall take additional actions as follows:

1. Propose to the Trustee for consideration and approval of investment in assets as specified in the Trust Deed and related laws;
2. Apply for approval for investment in assets as follows:
  - 2.1.1 Investment in assets owned by the REIT Manager or a connected person

- (a) Except applies to transactions that have already been disclosed in this disclosure;
- (b) For transactions value over 1 million Baht or 0.03% of the net asset value of the Trust, whichever is higher, an approval must be obtained from the Board of Directors;
- (c) For transactions value over 20 million Baht or 3% of the net asset value of the Trust, whichever is higher, an approval must be obtained by resolution of a meeting of unitholders;
- (d) The REIT Manager shall appoint a financial advisor regarding connected transactions to be entered into with the REIT Manager so that the Board of Directors and/or unitholders can make informed decision on approval of investment in such assets;
- (e) The REIT Manager shall prohibit a person who is connected to the assets under disposal from participating in approval of investment in such assets.

#### 2.1.2 Investment in assets owned by a person who is not the fund manager or a connected person

- (a) For investment in assets with value equal to or above 10% of the total value of assets of the Trust, an approval must be obtained from the Board of Directors;
- (b) For investment in assets with value equal to or above 30% of the total value of assets of the Trust, an approval must be obtained by a three-fourth of total votes of unitholders who attended the meeting and are eligible to vote.

## 5.2 Criteria for Investment in Core Assets and Equipment

Acquisition of core assets and equipment by the Trust must be in accordance with the criteria specified in the Trust Deed. The material details are summarized below:

1. It must an investment in property in category of land and factory, warehouse and/or office buildings for acquisition of ownership or possessory right;
2. It must be an investment in other assets classified as core assets as prescribed in the notifications of the Securities and Exchange Commission and/or The Capital Market Supervisory Board;
3. In case of acquisition of possessory right, the property must be acquired by mean of issuance of a Nor.Sor.3 Kor. In case of leasehold, the property must be acquired by mean of issuance of a title deed or a possessory right deed in a form of Nor.Sor.3 Kor;
4. Properties to be acquired must not be enforced under the law on property right or dispute unless the REIT Manager and the Trustee jointly consider and issue a written opinion that such enforcement under the law on property right or such dispute has no material effect on making profit from the property and condition of acquisition of such property will benefit unitholders;

5. An agreement for acquisition of a property must not specify an agreement or an obligation that may prevent the trust from disposing the property at a fair price (at the time of disposal) such as a pre-emption right at fixed price;
6. Properties and/or assets to be acquired which are classified as core assets as prescribed in the notification of The Capital Market Supervisory Board must be ready for profit making with minimum aggregate value of 75% of the units under offering (if any) for each issuance including borrowing amounts (if any). The Trust may make investment in projects under construction where the total value of investment amount for acquisition and development of the property until ready for profit making must not exceed 10% of total value of assets of the Trust (after offering of units) and the Trust must be able to prove that there is sufficient working capital for such development without affecting the survival of the trust;
7. Properties to be acquired must be fully valued including verification of title deed for disclosure to investors at least six months prior to application for acquisition but not exceeding one year preceding investment in such property minimum two valuers who are approved by the Securities and Exchange Commission;
8. Properties to be acquired must have minimum aggregate value of 500million Baht for the first time investment in core assets;
9. In case of indirect investment in core assets by the trust, it must be an investment in property specified in (a) - (h) above through shareholding in a company incorporated with objectives to engage in the same business as the trust as specified in the Trust Deed. Such investment must meet the following criteria:
  - (a) The Trust must hold shares in such company in a ratio as prescribed in the notification of the Securities and Exchange Commission or The Capital Market Supervisory Board;
  - (b) The Trust must be able to prove that there are measures or mechanism to enable the Trustee and the REIT Manager to take care and control such company to ensure the operation as specified in the Trust Deed and the criteria of the Securities and Exchange Commission in a similar manner as if the trust makes direct investment in such core assets.
10. If value of properties to be acquired is higher than 5% of the minimum valuation price assigned by the valuation company within one year preceding the acquisition, facts and reasons of acquisition at such price must be provided.

### 5.3 Disposal of Core Assets of the Trust

The REIT Manager may consider disposing core assets of the trust under the following procedure:

1. The REIT Manager must have core assets valued by an independent valuator in accordance with the criteria specified in the notification of Office of the Securities and Exchange Commission;
2. Disposal of core assets must be overt and contain transaction details and approval procedure as specified in the Trust Deed and it must be approved by the trustee or a resolution of a meeting of unit holders in the same manner as acquisition of the assets.
3. Disposal of core assets in the following categories is permitted only when necessary and appropriate and with approval from the board of directors:
  - (a) Disposal of core assets before one year anniversary from the date on which the trust acquires such core assets;
  - (b) Disposal of core assets that the trust acquired ownership to the previous owner.

### 5.4 Management of Core Assets of the Trust

In relation to management of core assets of the Trust, the Company as the REIT Manager appoints a Property Manager who is selected based on experience in management of each type of properties in which Trust will make investment. The REIT Manager appointed TPARK as the Property Manager for asset in category of warehouse, TICON as the Property Manager for asset in category of factory which are as specified in Section 2 Clause 4 Making profit from properties. The REIT Manager supervises and controls the Property Manager by the following means:

1. The REIT Manager will establish a marketing policy and strategy in property management for the Property Manager to comply with;
2. The REIT Manager will control and oversees the Property Manager's performance on a regular basis and check accuracy and completeness of property-related tasks such as rental fee, outstanding payment, marketing activities, property conditions, repair expenses, and insurance of core assets.

### 5.5 Selection of Connected Persons to manage the Trust

The REIT Manager selects personnel to manage the Trust based on related experience and conducts a background check to assess if a person to be appointed to manage the trust possesses qualification as prescribed in the notification of the Securities and Exchange Commission as follows:



1. Having experience in managing investment or making profit from property for minimum period of three years within five years preceding commencement of employment for the REIT Manager;
2. Having no prohibited characteristics of a person who has a power to manage the trust as prescribed in the notification of The Capital Market Supervisory Board re: Prohibited Characteristics of Persons in Capital Market Business;
3. Being selected by the Board of Directors or an assigned person (as the case may be) based on the above qualification with Compliance and Investment Relations Department to participate in checking qualification of the candidate.

Persons who are selected for each position are restricted from taking duty in other positions which may create conflict with their assigned positions.

#### **5.6 Investment in Other Assets for Cash Flow Management**

The REIT Manager implements a procedure to control investment in other assets for management of cash flow of the Trust, checking category of assets under investment and investment ratio in other assets to ensure it complies with the Trust Deed.

#### **5.7 The Trust's Interest Tracking Procedure**

The Company as the REIT Manager will appoint TPARK, TICON and/or other persons as deemed appropriate to collect revenue and manage spending of the Trust. In this regards, the Company will have a procedure to track interest of the Trust which requires the appointed person to submit a report of such to the REIT Manager such as lease income report, lease cost report, selling and administrative expenses report, outstanding debt report, debt collection report, occupancy report, repair and maintenance hiring report, tenant's core assets insurance report.

### **6. Information Disclosure to Unitholders**

The REIT Manager has emphasized the importance of information disclosure to unitholders in a sufficient, accurate, complete, fast and transparent manner. Also the information disclosure of the Trust shall be complies with rules and guidelines of information disclosure of the Securities and Exchange Commission and the Stock Exchange of Thailand.

### Key principles of information disclosure

1. Information to be disclosed must be accurate, complete, clear and timely.
2. Must follow the rules and regulations of information disclosure accurately and completely.
3. Every unitholder has the right to receive the information equally.

### Parties who responsible for information disclosure

The Managing Director has assigned the Compliance and Investor Relations Department and the Finance and Accounting Department for disclosing of information to the Securities and Exchange Commission and/or the Stock Exchange of Thailand. The information to be disclosed shall be approved by the Board of Directors and/or the Managing Director (as the case may be) prior to disclosure.

### Channels of Information Disclosure

In order to communicate efficiently, transparent and on timely basis, the REIT Manager has arranged various channels for information disclosure as follows:

1. Report to the Stock Exchange of Thailand which is the formal channel of the Trust to disclose information.
2. The REIT Manager's website ([www.treit.co.th](http://www.treit.co.th)) which gather all important information of the Trust such as general information, TREIT Structure, Financial Statement, Annual Report, Invitation to the Unitholder's Meeting, Distribution and interested news.

## 7. Unitholder's Meeting

### Guidelines of arranging the unitholder's meeting

The REIT Manager shall arrange a meeting for unitholders as Annual General Meeting within four months after the end of fiscal year. Other meeting of unitholders shall be called Extraordinary General Meeting. The REIT Manager shall hold the Extraordinary General Meeting to be in line with the Trust Deed and related laws as the follows:

1. When the REIT Manager considers that it is appropriate to call the unitholder's meeting for the Trust management propose
2. When the REIT Manager is required by the Trust Deed to get the resolution from the unitholders to carry out the following activities:
  - (a) The acquisition or disposal of the Trust's major assets with the value over 30% of the total assets value;
  - (b) The issuance of debenture or any debt instruments;

- (c) The increase or decrease of the Trust's paid-up capital, as indicated in the Trust Deed;
  - (d) The connected transactions with the REIT Manager or connected person with the REIT Manager, with the transaction value of 20 million baht or higher or more than 3% of net asset value, whichever is higher;
  - (e) The change of benefits and the capital returned to the unitholders;
  - (f) The change of Trustee;
  - (g) The change of REIT Manager and the appointment of new REIT Manager
  - (h) The amendment of Trust Deed that significant impacts to the right of unitholder or the increase of fee and/or expenses to be higher than the maximum rate specified in the Trust Deed;
  - (i) The cancellation of the Trust
  - (j) Any other circumstance that the Trustee and/or the REIT Manager deem necessary and appropriate to propose to the unitholder's meeting and to get resolution of such matter;
  - (k) Any other circumstance required by the Securities and Exchange Commission;
3. When the unitholders with the total number of units is not less than 10% of total units sold, make a written request to the REIT Manager to call for Unitholders Meeting with clear reason stated in the request. The REIT Manager shall arrange unitholder's meeting within 1 month after the date receiving such request.

#### **Rights of the Unitholders**

At the unitholder's meeting, the REIT Manager has a policy to facilitate and encourage all unitholders to attend the meeting by assigning the Compliance Unit to administrate the unitholder's meeting in accordance with the Trust Deed and related laws.

#### **Procedure for unitholder's meeting**

1. The Compliance and Investor Relations Department is responsible for the meeting appointment, preparing invitation, and meeting documents, accurately, completely and adequately. All documents will be given to The Thailand Securities Depository: TSD, the Registrar of the Trust, who will distribute invitation to all unitholders within 7 days or 14 days prior to the meeting (as the case may be). The REIT Manager will disclose the invitation letter in daily newspaper at least 3 days prior to the meeting date so that the unitholders will have sufficient time to review the related information before attending the meeting. In addition, the unitholder can download the invitation letter and supporting documents from the REIT Manager's website ([www.treit.co.th](http://www.treit.co.th)) in both Thai and English. This is the same

information that the REIT Manager send to unitholders as printed document. Information in the invitation shall include the explanation of how to attend the meeting as well as the detailed agenda, which are sufficient for unitholders to review and make decision.

2. At the meeting, every unitholder has the right and equality to express his/her opinion and ask any questions to the Board of Directors on any matters relating to the Trust according to the agenda or proposed topic. The REIT Manager shall inform the unitholders to acknowledge their voting right and procedure for voting prior to the meeting.
3. Unitholders have the right to consider and approve the connected transaction or the acquisition or disposal of the assets with the value specified by law and related regulations.

#### **Voting of the unitholders**

Voting of the unitholders in general case must receive an approval from the majority of the unitholders who attending the meeting and entitled to vote.

Voting of the following material transactions must receive at least three fourth of total unitholders attending the meeting and entitled to vote.

1. The acquisition or disposal of the major assets with the value over 30% of the total assets value;
2. The increase or decrease of the Trust's paid-up capital, especially there is required the unitholder's approval;
3. The capital increase under general mandate;
4. The connected transactions with the REIT Manager or connected person with the REIT Manager, with the transaction value of 20 million baht or higher or more than 3% of the net asset value, whichever is higher;
5. The change of benefits and the capital returned to the unitholders;
6. The change of Trustee;
7. The amendment of Trust Deed that significant impacts to the right of unitholder;
8. The cancellation of the Trust

## **8. Selection and Nomination of Directors and Management**

The REIT Manager shall select the personnel to be responsible for the management of the Trust based on his/her past experience in the related functions, to ensure that such person could manage the Trust for the maximum benefit of the unitholders. The REIT Manager shall consider the qualifications of candidate as

defined by the guidelines in the Capital Market Supervisory Board's concerning the qualification of person in capital market. as follows:

1. Having work experience in the field of investment management or management of revenue-generating real estate for not less than 3 years within the period of 5 years before the date of joining with the company;
2. No prohibited characteristics of authorised personnel of the Trust management in accordance with the Capital Market Supervisory Board's concerning the qualification of person in capital market.

## **9. Remuneration of the Auditor**

The Trust has appointed EY Office Limited as the Auditor of Trust for financial period ended December 30<sup>th</sup>, 2015 with the auditing fee in total amount of Baht 496,109.

## **10. Compliance with Good Corporate Governance (if any)**

- None -

# Corporate Social Responsibilities

## 1. Overview of the policy

The REIT Manager has a policy to manage the Trust with transparency to all related stakeholders for the best interests of the unitholders. The REIT Manager gives priority to the good corporate governance (Please see more details on the topic “Corporate Governance Policy”) as well as business operations with responsibilities to society and environment. The REIT Manager has carried out the policy based on the Stock Exchange of Thailand’s guideline on corporate social responsibilities.

### 1.1 Business Operation Fairness

Operating the business with fairness is one of business ethics which the REIT Manager gives priority to and always practice when managing the Trust. The REIT Manager shall manage the Trust with strictly compliance to related laws including the Securities and Exchange Act B.E. 2535 (with amendments), the Trust for Transactions in Capital Market Act, B.E. 2550 and Rules and Regulations of the related regulators as well as to the provisions in the Trust Deed. The Trust shall be managed under good governance principles, avoiding practices or actions that could pose conflicts of interest, promoting free and fair trade competition. All tenants shall be fairly treated. There shall be no propaganda or false advertisement which may mislead and cause damage to consumers. All the above practices are aimed to be fair to other business operators, the unitholders, business partners and related stakeholders, which will build investor’s confidence in the long term.

### 1.2 Respect for Human Rights and Fair Treatment to the labor

The REIT manager focuses on the fundamental rights of individuals including the right to life and liberty, the right to equality under the law, the right to freedom of speech, the right to work, the right to basic healthcare as well as right to social security. The REIT Manager also provides to staff a chance to show their potential, encourages them to express their idea freely, and provides opportunities to enhance their knowledge and skills continually. The details are as follows:

1. Provide work process and system that focuses on proper safety and healthcare in the workplace.  
Provide a clean workplace to prevent safety hazards that may arise from accidents and disease, including encouraging employees to have a good health through annual health check program;
2. Enhance staff’s skill and potential by providing an opportunity for employees to learn and to be promoted when the opportunity is right;
3. Provide fair employment conditions for employees and provide reasonable compensations that fit their capacity;

4. Provide employee's welfare such as annual vacation, medical treatment as necessary and appropriate;
5. Provide important information to employees and employee representatives about the actual conditions and operating results of business entities;
6. Promote collaborations among employers and employees to improve work life quality.

### 1.3 Responsibilities to Consumer

The Trust invested in the assets which are land and warehouse and factory buildings and appointed TPARK and TICON as the property manager. (Please see more details on the topic. "Property Manager"). In property management, the Property Managers focus on fair and responsible treatment to the tenants, taking into account their health and safety.

1. construction of the buildings done by business partners who are responsible contractor with high standard;
2. deliver products and services with high quality, safe and not harmful to tenant's health;
3. contact the tenants politely, effectively and trustworthy.

### 1.4 Environment Preservation

The REIT Manager recognizes the importance of environment preservation and treats that to preserve the environment is a shared responsibility of everyone. Therefore, the REIT Manager encourages its employees to use resources efficiently, with regards to energy saving measures and recycling and reuse of materials. The REIT Manager also provides knowledge and training to employees on environment, safety and healthcare.

In addition, the Property Managers have a policy to build modern and safe warehouse and factory, with no impact on the environment and with ability to respond to social needs and environmental protection to customers. TICON, one of the Trust's property managers, has developed a green factory building that is environmental friendly (Green Building), which has been certified as a building that is environmental friendly by the standard of "LEED" or Leadership in Energy and Environmental Design from the U.S. Green Building Council (USGBC), a leading certification body of green building standards in the United States. TICON is the first developer of factory and warehouse in Thailand certified with LEED Certification. In addition, the property managers also focus on preserving the environment around its factories and warehouses so that to people who live nearby can live their daily life in a better and quality environment.

2. Business Operating with effect to Social Responsibility (if any)

- None -



## Prevention of Conflict of Interest

### 1. Policy for making transaction between the Trust and the REIT Manager or its Related Parties

Trust Deed has a procedure for making transaction between the Trust and the REIT Manager or its Related Parties with the following criteria:

1. The transaction must be in accordance with the Trust Deed and the related laws;
2. The transaction must be in the best interest of the Trust.
3. The transaction must be justifiable at fair price and fair market conditions.
4. Expense to be charged from the Trust (if any) must be in justified rate and reasonable
5. Persons who have interest in the transaction will not participate in decision making for approval of the transaction.

However, if it is necessary to enter into a transaction that may create conflict of interest, the Company has the following procedure to ensure the best interest of the trust / its unitholders:

1. The transaction must be certified by the Trustee that it is in accordance with the Trust Deed and related laws.
2. For transactions value over Baht 1 million or 0.03% of the net asset value of the Trust, whichever is higher, an approval must be obtained from the Board of Directors;
3. For transactions value equal to or over 20 million Baht or 3% of the net asset value of the Trust, whichever is higher, an approval must be obtained by resolution of a meeting of unitholders by a three-fourth of total votes of unit holders who attended the meeting and are eligible to vote with a financial advisor's opinion to support a request for a resolution from unitholders.

If the related party transaction is a transaction to acquire or sell of main properties, the calculation of value will base on acquisition or sell value of all properties of each project that will make it ready to seek benefit, including all properties relating to that project.

In order to seek approval from Trustee or unit trust holders meeting, REIT Manager and Trustee shall have the following responsibilities:

1. The REIT Manager shall prepare a paper requesting for approval or notice for unit holders meeting with REIT Manager's opinion on nature of transaction according to clause 1) together with supporting reasons and clear information; and
2. Trustee must attend in the unit trust holders meeting to provide its opinion whether the transaction is conform to Trust Deed and relating applicable laws. In case that approval from

the unitholders meeting is required, the notice for meeting must include opinion from financial advisor for such approval.

3. In case that the information on related party transaction between the Trust and the REIT Manager or any person relating to the REIT Manager has been clarified in the information memorandum, such transaction shall not require approval in clause 2) and does not require to follow procedures to request for approval in clause 4).

## 1.1 Transaction between the Trust and its Related Parties who may have a Conflict of Interest

### 1. Related party Transaction with Major Shareholders of REIT Manager

Juristic Person that may have a conflict of interest	Nature of Relationship	Nature of Transaction	Necessity and Reasonableness of Transactions	Opinion and Conditions
TICON Industrial Connection Public Company Limited ("TICON")	TICON is a major shareholder of the Company. Currently, TICON holds approximately 70% of the Company's total paid-up shares.	The Trust has acquired 7 factory buildings from TICON.	TICON provides international standard factories for rent and sale in industrial estates, industrial park and other potential locations, and also offers other services in regard to commencing their production in Thailand. For investing in TICON's assets will make the benefit to the Trust and the unitholders.	The Trust will invest at the price higher than the lowest appraised value of the total asset value made by the Appraisers but not over 14 percent which is considerably acceptable. In any event, the final investment value of the addition assets shall be determined based on capital market situation, results from the demand of investors through comparative analysis of demand and supply in the market (Book Building).

Juristic Person that may have a conflict of interest	Nature of Relationship	Nature of Transaction	Necessity and Reasonableness of Transactions	Opinion and Conditions
TICON Industrial Connection Public Company Limited ("TICON")	TICON is a major shareholder of the Company. Currently, TICON holds approximately 70% of the Company's total paid-up shares.	The Trust has appointed TICON as the property manager for factory buildings.	TICON is the owner of factory building and understand to manage additional assets to be invested by the Trust.	The Property Management Fee shall nearly with the fee that TICON received from other property fund for their property management service which is considerably acceptable.

2. Related party Transaction with Juristic Person who has the same Major Shareholder with REIT Manager

Juristic Person that may have a conflict of interest	Nature of Relationship	Nature of Transaction	Necessity and Reasonableness of Transactions	Opinion and Conditions
TICON Logistic Park Company Limited ("TPARK")	TPARK has the major shareholder the same as the REIT Manager since TICON is both major shareholder of the REIT Manager and TPARK since TICON holds the shares of approximately 99.99 percent of the total voting rights in the TPARK.	The Trust has acquired 11 warehouse buildings with 46 units from TPARK.	TPARK develops ready-built warehouses for rent in Logistic Parks located in the high potential locations. For investing in TPARK's assets will make the benefit to the Trust and the unitholders.	The Trust will invest at the price higher than the lowest appraised value of the total asset value made by the Appraisers but not over 14 percent which is considerably acceptable. In any event, the final investment value of the addition assets shall be determined based on capital market situation, results from the demand of investors through comparative analysis of demand and supply in the market (Book Building).

Juristic Person that may have a conflict of interest	Nature of Relationship	Nature of Transaction	Necessity and Reasonableness of Transactions	Opinion and Conditions
TICON Logistic Park Company Limited ("TPARK")	TPARK has the major shareholder the same as the REIT Manager since TICON is both major shareholder of the REIT Manager and TPARK since TICON holds the shares of approximately 99.99 percent of the total voting rights in the TPARK.	The Trust has appointed TPARK as the property manager for warehouse buildings.	TPARK is the owner of warehouse building and understand to manage additional assets to be invested by the Trust.	The Property Management Fee shall nearly with the fee that TPARK received from other property fund for their property management service which is considerably acceptable.

## 1.2 Policy related to transactions between the Trust and the REIT manager and connected persons to the REIT manager in the future

The REIT manager may make transaction between the Trust and the REIT manager and connected person to the REIT manager in the future. It is important that such transaction shall be committed to the maximum benefit of the Trust and can be verified that the transaction is done at a fair price, under the rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand and the Trust Deed. (Please see more details on the topic "Policy for making transaction between the Trust and the REIT Manager or its Related Parties")

## 1.3 Guidelines to prevent conflicts of interest

The REIT manager has a system to prevent conflicts of interest between the Trust and a person who may have conflicts of interest. The management who responsible for making of transactions that may cause a conflict of interest and the Compliance and Investor Relations Department, will jointly ensure that such transaction is in accordance with the following guidelines:

1. Transaction must be complied with the Trust Deed and related laws and incurred to the maximum benefits of the Trust;
2. Transaction must be reasonable and committed on the fair price and fair market conditions;
3. Stakeholders of the transaction shall not participate in the approval process of such transaction.

## 2. Transaction between the Trustee and the Related Parties who may have a Conflict of Interest

Juristic person who may have conflicts of interest	Relationship	Nature of connected transactions	Necessity and reasonableness of the transaction
Bangkok Bank Public Company Limited ("Bangkok Bank Plc.")	Bangkok Bank Plc. is a major shareholder of the Trustee, holding 75% of the issued and paid-up capital of the Trustee. Bangkok Bank Plc. is a financial advisor in the issuance and offering of the units trust (the first capital increase).	The Trustee oversees the payment of service fees for financial advisor, underwriter, interest expense and other financial services fees to Bangkok Bank Plc.	The Trustee oversees the payment of fees for services of the Trust according to the rates and conditions approved by the REIT Manager and not exceeding the rates disclosed in the registration statement and prospectus.
	<p>Bangkok Bank Plc. performs its duties as follows:</p> <ol style="list-style-type: none"> <li>Underwriter for offering unit trust;</li> <li>Investor in unit trusts in the case there are unsubscribed unit trusts after offering period. The underwriting agreement stated that the underwriter shall invest in the unsubscribed unit trusts. Bangkok Bank Plc. and the same group of persons shall invest in unit trusts with the amount not exceeding 50% of total units trust issued and offered (in the first capital increase) and subsequently after the investment, shall hold not over 50% of total units trust.</li> </ol>	Bangkok Bank Plc. may have to invest in unit trusts according to the underwriting agreement with the condition that Bangkok Bank Plc. and the same group of persons shall invest in units with the amount not exceeding 50% of total units trust issued and offered (in the first additional investment) and subsequently after the investment, shall hold not over 50% of total units trust.	The Trustee oversees the payment of service fees for financial advisor, underwriter, interest expense and other financial services fees to Bangkok Bank Plc.



Juristic person who may have conflicts of interest	Relationship	Nature of connected transactions	Necessity and reasonableness of the transaction
Bangkok Bank Public Company Limited ("Bangkok Bank Plc.")	Bangkok Bank Plc. shall act as the lender for investment in additional assets.	Bangkok Bank Plc. shall provide a loan to the Trust to invest in properties for this additional investment, future investment or for other purposes.	Terms and conditions of the loan agreement are based on normal commercial terms, which will not cause any damages to the Trust. And the conditions applied shall be competitive with the conditions offered to other prime major customers who have relative risk models in the same industry.
	Bangkok Bank Plc. may provide other financial services to the Trust under the right to match with other financial institutions, in case that the conditions or pricing of the loan agreement which the Trust gets offered from Bangkok Bank Plc. are equal or better than other financial institutions, provided that the services will be based on general commercial terms.	Bangkok Bank has the right to provide other financial products to the Trust. The REIT manager shall consider the terms and conditions of the bank products and services in comparison with other financial institutions.	Terms and conditions of other financial products are to be based on normal commercial terms and will not cause any damages to the Trust. And the conditions applied shall be competitive with the conditions offered to other prime major customers who have relative risk models in the similar industry.

## Soft Commission

The Trust has no soft commission.



## **Part 3**

# **Financial Position and Operating Results**

## Key Financial Information

The followings are from the report of audited financial statements:

### 1. Statement of Financial Position as at December 31<sup>st</sup>, 2015

(Unit: THB)

Description	2015	%	2014	%
<b>Assets</b>				
Investment				
Investments in properties at fair value	7,260,760,000.00	94.45	4,228,000,000.00	93.81
Investments in securities at fair value	310,270,507.00	4.04	-	-
Cash at banks	3,296,454.00	0.04	223,744,343.00	4.96
Accounts receivable				
From rental and service	45,560,315.00	0.59	2,203,778.00	0.05
From interest	367,650.00	0.00	450,865.00	0.01
Other	2,982,815.00	0.04	8,387,820.00	0.19
Deferred expenses	61,759,435.00	0.80	42,687,007.00	0.95
Other assets	2,439,992.00	0.03	1,300,450.00	0.03
<b>Total Assets</b>	<b>7,687,437,168.00</b>	<b>100.00</b>	<b>4,506,774,263.00</b>	<b>100.00</b>
<b>Liabilities</b>				
Accrued expense	39,874,514.00	0.52	49,428,513.00	1.10
Withholding taxes payable	53,243,445.00	0.69	61,726,483.00	1.37
Deposits from rental and service	169,697,817.00	2.21	99,016,087.00	2.20
Long-term loans	1,819,000,000.00	23.66	860,000,000.00	19.08
Other liabilities	4,306,176.00	0.06	3,630,396.00	0.08
<b>Total Liabilities</b>	<b>2,086,121,952.00</b>	<b>27.14</b>	<b>1,073,801,479.00</b>	<b>23.83</b>
<b>Net Assets</b>				
Trust registered and capital from the unitholders	5,542,062,750.00	72.09	3,425,000,000.00	76.00
Retained earnings	59,252,466.00	0.77	7,972,784.00	0.18
<b>Net Assets</b>	<b>5,601,315,216.00</b>	<b>72.86</b>	<b>3,432,972,784.00</b>	<b>76.17</b>
<b>Total Liabilities and Net Assets</b>	<b>7,687,437,168.00</b>	<b>100.00</b>	<b>4,506,774,263.00</b>	<b>100.00</b>

## 2. Statement of Income for the year ended December 31<sup>st</sup>, 2015

(Unit: THB)

Description	2015 For the year ended Dec 31 <sup>st</sup> , 2015	%	2014 For the period of Dec 12 <sup>th</sup> , 2014 to Dec 31 <sup>st</sup> , 2014	%
<b>Investment Income</b>				
Rental and service income	366,157,677.00	88.09	8,919,891.00	76.25
Interest income	2,539,888.00	0.61	1,389,221.00	11.88
Income from rental and service guarantees	41,324,919.00	9.94	1,388,619.00	11.87
Other income	5,623,875.00	1.35	-	-
<b>Total Income</b>	<b>415,646,359.00</b>	<b>100.00</b>	<b>11,697,731.00</b>	<b>100.00</b>
<b>Expenses</b>				
Trust management fee	44,410,186.00	10.68	1,505,003.00	12.87
Trustee fee	3,693,806.00	0.89	193,040.00	1.65
Registrar fee	1,474,442.00	0.35	58,644.00	0.50
Professional fee	496,109.00	0.12	100,000.00	0.85
Operation expenses	28,117,598.00	6.76	120,589.00	1.03
Amortization of deferred expenses	12,478,786.00	3.00	793,424.00	6.78
Interest expenses	38,423,308.00	9.24	954,247.00	8.16
<b>Total Expenses</b>	<b>129,094,235.00</b>	<b>31.06</b>	<b>3,724,947.00</b>	<b>31.84</b>
<b>Net Investment Income</b>	<b>286,552,124.00</b>	<b>68.94</b>	<b>7,972,784.00</b>	<b>68.16</b>
Net realized gains on investments	211,058.00	0.05	-	-
Net unrealized losses on investments	(126,500,000.00)	30.43	-	-
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>160,263,182.00</b>	<b>38.56</b>	<b>7,972,784.00</b>	<b>68.16</b>

### 3. Statement of Cash Flow for the year ended December 31<sup>st</sup>, 2015

(Unit: THB)

Description	2015 For the year ended Dec 31 <sup>st</sup> , 2015	2014 For the period of Dec 12 <sup>th</sup> , 2014 to Dec 31 <sup>st</sup> , 2014
<b>Cash Flows from Operating Activities</b>		
Increase in net assets resulting from operations	160,263,182.00	7,972,784.00
Adjustment to reconcile		
Purchases of investment in properties	(3,159,260,000.00)	(4,228,000,000.00)
Net purchases and sales of investment in securities	(310,059,450.00)	-
Amortization of deferred expenses	12,478,786.00	793,424.00
Increase in accounts receivable from rental and service	(44,359,819.00)	(2,203,778.00)
Decrease (increase) in accounts receivable from interest	83,215.00	(450,865.00)
Decrease (increase) in other receivables	5,405,005.00	(8,387,820.00)
Increase in deferred expenses	(31,551,213.00)	(43,480,431.00)
Increase in other assets	(1,139,542.00)	(1,300,450.00)
Increase (decrease) in withholding tax payables	(8,483,038.00)	61,726,483.00
Increase (decrease) in accrued expense	(9,653,883.00)	49,216,458.00
Increase in deposits for rental and service	70,681,730.00	99,016,087.00
Increase in other liabilities	675,780.00	3,630,396.00
Increase in allowance for doubtful debts	1,003,282.00	-
Interest expenses	38,423,308.00	954,247.00
Net realized gains on investments	(211,058.00)	-
Net unrealized losses on investments	126,500,000.00	-
<b>Net Cash Flows Used in Operating Activities</b>	<b>(3,149,203,715.00)</b>	<b>(4,060,513,465.00)</b>
<b>Cash Flows from Financing Activities</b>		
Cash received from long-term loans	959,000,000.00	860,000,000.00
Interest paid	(38,323,424.00)	(742,192.00)
Cash received from sales of trust units	2,243,000,000.00	3,425,000,000.00
Cash paid for capital reduction	(125,937,250.00)	-
Distribution to unitholders	(108,983,500.00)	-
<b>Net Cash Flows from Financing Activities</b>	<b>2,928,755,826.00</b>	<b>4,284,257,808.00</b>
<b>Net Increase (Decrease) in Cash at Banks</b>	<b>(220,447,889.00)</b>	<b>223,744,343.00</b>
Cash at bank at the beginning of year/period	223,744,343.00	-
<b>Cash at Banks at the End of Year / Period</b>	<b>3,296,454.00</b>	<b>223,744,343.00</b>

#### 4. Key Financial Ratios

(Unit: THB)

Key Financial Ratios	2015 For the year ended Dec 31 <sup>st</sup> , 2015	2014 For the period of Dec 12 <sup>th</sup> , 2014 to Dec 31 <sup>st</sup> , 2014
Net assets – end of year/period (THB)	5,601,315,216.00	3,432,972,784.00
Average net assets during the year/period (THB)	3,598,025,066.00	3,425,398,639.00
Ratio of net investment income to total revenues (%)	68.94	68.16
Ratio of total expenses to average net assets during the year/period (%)	3.59	0.11
Ratio of investment income to average net assets during the year/period (%)	11.55	0.34
Ratio of liabilities to average net assets during the year/period (%)	57.98	31.35
Ratio of weighted average investment turnover during the period/year to average net assets during the year/period (%)*	87.81	123.43

**Note:** \* Investment turnover during the period does not include deposit at bank and calculated based on the weighted duration during the period

# The REIT Manager Discussion and Analysis

## 1. Operation Results of the Trust

### 1.1 Profitability Analysis

In 2015, Thailand's overall economic condition was still in recovery mode. Despite the supports from public sector and tourism sector, last year's pressure and new key economic factors during the year continuously affected the overall economy of the country. Exports contracted considerably as a result of declining price of oil and other commodities and weak global demand due to the global economic slowdown, especially in China. Private investment continued to slow down due to the pressure from decreasing consumption and declining exports. These factors consequently affected the rental factory and warehouse business where the demand for rental factory and warehouse rose slower than the supply, resulting in intense price competition to attract customers and maintain market share.

However, with effective management of the REIT manager and the Property managers who have extensive experience in the rental warehouse and factory business, and the properties that have high quality standards and located in high potential areas, in 2015 (the period of January 1st, 2015 to December 31st, 2015) the Trust generated net investment income of Baht 286.55 million with total income of Baht 415.65 million and total expenses of Baht 129.09 million. Note that the operating results of the Trust for the fiscal year 2015 was considerably higher compared to the fiscal year 2014 due to the fact that the Trust was established on December 12th, 2014 so the Trust had recognized income from operations for only 20 days (from December 12th to 31st, 2014) while the operating results in 2015 were derived from a full year operations of the initial assets investment as well as income and expenses related to the additional assets investment on December 18th, 2015 and December 21st, 2015.

In 2015, the Trust's total revenue of Baht 415.65 million consists of rental and service income of Baht 366.16 million (accounting for 88.09% of total revenue), income from rental and service guarantee from TICON and TPARK of Baht 41.32 million (accounting for 9.94% of total revenue), and interest income of Baht 2.54 million. In addition, the Trust also had other income of Baht 5.62 million from forfeiting of security deposits from the tenants who defaulted the tenancy term. In the first quarter of 2015, there was one tenant in industrial piping manufacturing business who ended the factory lease contract early as to scale down its production and minimize its production cost. Then, in the fourth quarter, there was another tenant who terminated the warehouse lease contract early due to its necessity to promptly move along its customers' supply chain and transportation route, which was considered as a nature of business. In summary, the



income structure of the Trust comprised of income from warehouse rental business at 68.00% of total income and income from factory rental business at 32.00% of total revenue.

The cost structure of the Trust of Baht 129.09 million mainly included operation expenses of Baht 28.12 million (accounting for 21.78% of total expenses), trust management fee of Baht 44.41 million (accounting for 34.40% of total expenses), and interest expenses of Baht 38.42 million (accounting for 29.76% of total expenses).

In 2015, the Trust had unrealized losses on investments in properties of Baht 126.50 million from the revaluation of investments during the year. On April 1st, 2015, the independent appraiser reviewed the value of the initial investments in properties, resulting in the assessed value of Baht 4,101.50 million which was less than the investment cost by Baht 126.50 million. As a result, in 2015 the Trust had an increase in net assets from operation of Baht 160.26 million. Nevertheless, the appraised value of the initial investments in properties from revaluation was still higher than the first appraised value on April 1st, 2014 at Baht 3,808.90 million.

## 1.2 Financial Position Analysis

### Total Assets

As at December 31st, 2015, the Trust had total asset value ("TAV") of Baht 7,687.44 million, mainly comprising of investments in properties of Baht 7,260.76 million (accounting for 94.45% of total assets), investments in securities with fixed interest rate within one year term of Baht 310.27 million (accounting for 4.04% of total assets), deferred expenses of Baht 61.76 million, and accounts receivable from rental and service of Baht 45.56 million.

Total asset value as at December 31st, 2015 increased from December 31st, 2014 by Baht 3,180.66 million, due mainly to the additional investments in properties on December 18th and 22nd, 2015 with total investment amount of Baht 3,159.26 million (with appraised value using income approach method from 2 independent appraisers at Baht 2,956.80 million and Baht 2,927.10 million). Furthermore, during 2015 the Trust's investments in properties at fair value decreased by Baht 126.50 million on account of the revaluation of the initial investments in properties. As a result, the amount of investments in properties at the end of the year was Baht 7,260.76 million.

### Total Liabilities

As at December 31st, 2015, the Trust had total liabilities of Baht 2,086.12 million, mainly comprising of long-term loans of Baht 1,819.00 million (accounting of 87.20% of total liabilities) and security deposits from factory and warehouse tenants transferred from TPARK and TICON of Baht 169.70 million (accounting of 8.13% of total liabilities). Total liabilities as at December 31st, 2015 increased from December 31st, 2014 by Baht 1,012.32 million, due mainly to the increase of long-term loans of Baht 959.00 million to invest in additional properties in December 2015.

The Trust had entered into long-term loan agreements with Bangkok Bank for 2 credit facilities. The first agreement in 2014 was a credit facility amounting of Baht 1,350.00 million, of which the Trust had drawdown Baht 860.00 million to invest in the initial properties in December 2014. The second agreement in 2015 was a credit facility amounting of Baht 1,005 million to support the acquisition of additional properties in December 2015, of which the Trust has drawn down Baht 959.00 million with the remaining available credit line of Baht 536.00 million. The Trust has scheduled the first principal repayments of both loans in December 2021 and December 2022, respectively.

### Net Assets

As at December 31st, 2015, the Trust had Net Assets Value ("NAV") of Baht 5,601.32 million, comprising of registered capital and capital from unitholders of Baht 5,542.06 million and retained earnings of Baht 59.25 million. Net assets value as at December 31st, 2015 increased from December 31st, 2014 by Baht 2,168.34 million mainly from capital increase during the year of Baht 2,243.00 million.

During 2015, the REIT manager's Board of Directors meeting passed a resolution to approve a reduction in the registered capital and return the capital to unitholders two times. For the first capital reduction, the par value of the trust units was reduced by Baht 0.1934 per unit or a total of Baht 66.24 million. The second capital reduction was at Baht 0.1743 per unit or a total of Baht 59.70 million. As a result, the par value of the trust unit after the capital reductions was Baht 9.6323 per unit and the net asset value as at December 31st, 2015 was Baht 9.8823 per unit. The distribution payments from the capital reductions were returns from excess liquidity, on account of unrealized losses on investments in properties from the decrease of the properties' appraisal value.

### 1.3 Cash Flow Analysis

At the end of 2015, the Trust's cash and bank deposits decreased by Baht 220.45 million. The Trust had net cash inflows from financing activities of Baht 2,928.76 million, consisting of cash received from the issuance and offering of trust units of Baht 2,243.00 million and cash proceed from long-term loan of Baht 959.00 million, net of interest expense of Baht 38.32 million, cash paid for capital reductions of Baht 125.94 million, and distribution paid to unitholders of Baht 108.98 million. While the Trust had net cash outflows used in operating activities of Baht 3,149.20 million, mainly consisting of an increase of investments in properties of Baht 3,159.26 million, investment in securities (with fixed interest rate within one year) of Baht 310.06 million, net of an increase in security deposits due rental and service of Baht 70.68 million.

### 1.4 Analysis of Financial Ratio

From the operating results in 2015, the Trust's net assets increased from Baht 3,432.97 million as at December 31st, 2014 to Baht 5,601.32 million as at December 31st, 2015. The average net assets value in 2015 (the period of January 1st, 2015 to December 31st, 2015) was Baht 3,595.03 million increased from Baht 3,425.40 million in 2014 (the period of December 12th, 2014 to December 31st, 2014). The ratio of investment income to average net assets value during 2015 was 11.55%, up from 0.34% in 2014.

### 1.5 Operating Results of the Initial Assets Investment

Operating Results of the Initial Assets Investment <sup>1</sup>	Dec 12 <sup>th</sup> , 2014 to Dec 31 <sup>st</sup> , 2014	Jan 1 <sup>st</sup> , 2015 to Mar 31 <sup>st</sup> , 2015	Apr 1 <sup>st</sup> , 2015 to Jun 30 <sup>th</sup> , 2015	Jul 1 <sup>st</sup> , 2015 to Sept 30 <sup>th</sup> , 2015	Oct 1 <sup>st</sup> , 2015 to Dec 31 <sup>st</sup> , 2015
<b>Total Assets</b>					
Average Occupancy Rate <sup>2</sup> (%)	81	86	86	86	86
Average Rental Rate (THB / Sq.m. / Month)	156	154	150	150	150
Leasable Area (Sq.m.)	214,523	214,523	214,523	214,523	214,523
<b>Warehouse</b>					
Average Occupancy Rate <sup>2</sup> (%)	76	84	85	85	85
Average Rental Rate (THB / Sq.m. / Month)	143	141	137	137	137
Leasable Area (Sq.m.)	160,523	160,523	160,523	160,523	160,523
<b>Factory</b>					
Average Occupancy Rate <sup>2</sup> (%)	95	93	89	89	89
Average Rental Rate (THB / Sq.m. / Month)	188	188	188	188	188
Leasable Area (Sq.m.)	54,000	54,000	54,000	54,000	54,000

Note: <sup>1</sup> Operating results of the initial assets investment demonstrated in the table does not include revenue from guarantee of lessee in order to truly reflect business performance.

<sup>2</sup> Average occupancy rate is calculated from total leased area at the end of each month during the quarter divided by total leasable area of each period.

Source: REIT Manager

Overall average occupancy rate of the initial investments in properties increased from 81% in 4Q 2014 to 86% in 1Q 2015 and stable until the last quarter of 2015. While the average rental rate of the initial investments in properties decreased from Baht 156 per square meter per month in 4Q 2014 to Baht 154 per square meter per month in 1Q 2015, and Baht 150 per square meter per month in 2Q 2015 until the last quarter of 2015.

In February 2015, the Trust had one additional warehouse tenant who paid the rental rate lower than the average rental rate. This resulted in a decrease of the average warehouse rental rate from Baht 143 per square meter per month in 4Q 2014 to Baht 141 per square meter per month in 1Q 2015, and Baht 137 per square meter per month in 2Q 2015 until the last quarter of 2015. Nevertheless, the average occupancy rate of warehouse increased gradually from 76% in 4Q 2014 to 84% in 1Q 2015, and 85% in 2Q 2015 until the last quarter of 2015.

The occupancy rate of factory slightly dropped from 95% in 4Q 2014 to 93% in 1Q 2015 and 89% in Q2 of 2015. The main reason was, in March 2015, one factory tenant cancelled its lease contract before expiry date. However, there has been no change on the average rental rates of Baht 188 per square meter per month since the initial investment date because the rental rate of the tenant who early terminated was close to the overall average rental rate. Moreover, despite the economy slow down and intensive market competition during 3Q and 4Q, the average occupancy rate and average rental rates remained at the same level of 89% and Baht 188 per square meter per month, respectively.

Note that the additional investments in properties on December 18<sup>th</sup> and 21<sup>st</sup>, 2015 of 53 units with total leasable area of 155,182 square meters included warehouse from TPARK of 46 units with total leasable area of 133,282 square meters and factory from TICON of 7 units with total leasable area of 21,900 square meters. Since the average rental rates of properties in the additional investments was higher than those of initial investments, the overall average warehouse rental rate and factory rental rate of both initial and additional properties at the year end of 2015 increased to Baht 148 per square meter per month and Baht 190 per square meter per month, respectively.

In 2015, a total of 5 lease contracts of the initial investments in properties were expired, with total leasable area of 14,775 square meters or 7% of total initial properties. These comprised of 3 warehouse contracts with total leasable area of 10,100 square meters and 2 factory contracts with 4,675 square meters. In summary, all these lease contracts were renewed.

## 2. Future Trends

Overall Thailand's economic growth rate in the 2016 could be pressured by signs of weakening global economy since the beginning of the year, including fluctuations in price of oil and other commodities in the world market and China's economic slowdown, which would consequently impact the recovery of Thailand's export sector in terms of low-than-expected export growth. However, it is expected that the public and investment sector's confidence would be improved through Thai government's stimulus packages which will be gradually released and the attempts to speed up government funds disbursement to support infrastructure investments in transportation, energy and public utilities in the second half of the year. These would increase fund flows to the grassroots economic which were mostly affected by the economic downturn and decreasing agriculture product prices. It may also stimulate domestic consumption as well as build confidence among private sector and investors and strengthen the country's sustainability.

With the awareness of the risk of uncertainties in Thailand's economy and other macroeconomic factors, the REIT manager focuses on the development of business strategies to enhance the strengths of the invested properties especially in the view of target customers both domestic and abroad. The key strategies include the selection of properties which located in high potential areas, the investments in high-quality properties and effective infrastructure as well as the delivery of comprehensive services and solutions to assist business operations of tenants. All these will enable the Trust's properties to support and satisfy the needs of industrial tenants in the present through the future.

TICON Freehold and Leasehold Real Estate Investment Trust  
Report and financial statements  
31 December 2015

## Independent Auditor's Report

To the Unitholders of TICON Freehold and Leasehold Real Estate Investment Trust

I have audited the accompanying financial statements of TICON Freehold and Leasehold Real Estate Investment Trust which comprise the balance sheet, including the details of investments as at 31 December 2015, and the related statements of income, changes in net assets, cash flows and significant financial information for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility


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

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

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

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TICON Freehold and Leasehold Real Estate Investment Trust as at 31 December 2015, and its financial performance, changes in its net assets, cash flows and significant financial information for the year then ended, in accordance with Thai Financial Reporting Standards.



Chayapol Suppasdtanon

Certified Public Accountant (Thailand) No. 3972

EY Office Limited

Bangkok: 23 February 2016



TICON Freehold and Leasehold Real Estate Investment Trust

Balance sheet

As at 31 December 2015

(Unit: Baht)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Investments			
Investments in properties at fair value			
(at cost 2015: Baht 7,387 million and			
2014: Baht 4,228 million)	8	7,260,760,000	4,228,000,000
Investments in securities at fair value		310,270,507	-
Cash at banks	9	3,296,454	223,744,343
Accounts receivable			
From rental and service	10, 18	45,560,315	2,203,778
From interest	18	367,650	450,865
Other	18	2,982,815	8,387,820
Deferred expenses	11	61,759,435	42,687,007
Other assets		2,439,992	1,300,450
<b>Total assets</b>		<b>7,687,437,168</b>	<b>4,506,774,263</b>
<b>Liabilities</b>			
Accrued expenses	18	39,874,514	49,428,513
Withholding taxes payable		53,243,445	61,726,483
Deposits from rental and service		169,697,817	99,016,087
Long-term loans	12, 18	1,819,000,000	860,000,000
Other liabilities		4,306,176	3,630,396
<b>Total liabilities</b>		<b>2,086,121,952</b>	<b>1,073,801,479</b>
<b>Net assets</b>		<b>5,601,315,216</b>	<b>3,432,972,784</b>
<b>Net assets:</b>			
Trust registered and capital from the unitholders	13	5,542,062,750	3,425,000,000
Retained earnings	14	59,252,466	7,972,784
<b>Net assets</b>		<b>5,601,315,216</b>	<b>3,432,972,784</b>
Net asset value per unit		9.8823	10.0232
Number of units issued - end of year/period (units)		566,800,000	342,500,000

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

TICON Freehold and Leasehold Real Estate Investment Trust

Details of investments

As at 31 December 2015

Details of investments classified by asset type

Type of investments/ <div>Land title deedAreaLocations</div>			Factory / warehouse <div>building no.</div>	2015		2014		
				Percentage		Percentage		
				Fair value <div>(Baht)</div>	of investments <div>(%)</div>	Fair value <div>(Baht)</div>	of investments <div>(%)</div>	
(Rai-Ngan-Sq. Wah)								
Investments in properties,								
Leasehold on land and freehold on warehouses								
29466	7-0-46	TICON Logistics Park Bangna	DG1/1	109,290,000	1.44	107,675,444	2.55	
		Bang Wua Sub-district, Bang Pakong District,	DG1/2					
		Chachoengsao Province	DG1/3					
			DG1/4					
28339	12-0-68	TICON Logistics Park Bangna	M2/1	59,358,623	0.78	-	-	
		Bangsamak Sub-district, Bang Pakong District	M2/2					
		Chachoengsao Province	M2/3	23,764,204	0.31	-	-	
			M2/4	28,745,347	0.38	-	-	
			M2/5	28,122,704	0.37	-	-	
			M2/6	28,849,121	0.38	-	-	
Leasehold (portion) on land sublease and warehouses								
60712	3-0-17.5	TICON Logistics Park Bangplee 1	W5	28,918,281	0.38	-	-	
		Bang Sao Thong Sub-district, Bangplee District						
		Samutprakan Province						
Leasehold on land and warehouses								
2806, 18808,	98-3-7.6	TICON Logistics Park Bangplee 1	W1/1	253,830,000	3.35	248,378,795	5.87	
18811, 18812		Srisa Chorakhe Yai Sub-district,	W1/2	122,180,000	1.61	128,094,726	3.03	
60712		Bang Sao Thong District,	W1/3	162,280,000	2.15	169,044,869	4.00	
		Samutprakan Province						
2806			W2	44,770,000	0.59	44,520,728	1.05	
2805, 60712, 60713, 60714			W3	171,200,000	2.26	183,215,627	4.33	
18789, 18790, 18791, 18792, 2806			W4	399,400,000	5.28	407,492,977	9.64	
2806, 60712, 60713			DG1/1	50,950,000	0.67	53,781,932	1.27	
			DG1/2					
			DG1/3					
86159, 86160,	35-0-71.1	TICON Logistics Park Bangplee 3	W4/1	518,239,320	6.85	-	-	
86161,105253,		Bangpla Sub-district, Bangplee District	W4/2					
105254, 105255,		Samutprakan Province	W4/3					
105256, 105257, 105258,			W4/4					
105259, 105260, 118032			W4/5					
			W4/6					
			W4/7					
8486, 86155,	27-0-87.3	TICON Logistics Park Bangplee 3	W5/1	283,210,618	3.74	-	-	
86156, 86157,		Bangpla Sub-district, Bangplee District	W5/2					
86158, 86162,		Samutprakan Province	W5/3					
86163, 86164,			W5/4	125,355,520	1.66	-	-	
105259, 118032			W5/5					
			W5/6					
Freehold on land and warehouses								
195065	6-1-71.4	TICON Logistics Park Eastern Seaboard 2	W2/1	112,200,000	1.48	117,606,133	2.78	
		Bo Win Sub-district, Si Racha District,	W2/2					
		Chonburi Province						
195062	9-2-77	TICON Logistics Park Eastern Seaboard 2	W5/1	173,320,000	2.29	180,872,430	4.28	
		Bo Win Sub-district, Si Racha District,	W5/2					
		Chonburi Province						

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust

Details of investments (continued)

As at 31 December 2015

Details of investments classified by asset type

Type of investments/ <u>Land title deed</u>	<u>Area</u>	<u>Locations</u>	Factory / warehouse <u>building no.</u>	2015		2014	
				<u>Fair value</u>	<u>Percentage</u> <u>of investments</u>	<u>Fair value</u>	<u>Percentage</u> <u>of investments</u>
		(Rai-Ngan-Sq. Wah)		(Baht)	(%)	(Baht)	(%)
177126	24-0-56	TICON Logistics Park Sriracha	W5/1	389,920,000	5.15	424,453,254	10.04
		Surasak Sub-district, Si Racha District, Chonburi Province	W5/2 W5/3				
173839, 11303	8-1-22	TICON Logistics Park Sriracha	W16	83,040,000	1.10	84,578,225	2.00
		Surasak Sub-district, Si Racha District, Chonburi Province					
194794	24-0-37.9	TICON Logistics Park Sriracha	W20	310,960,000	4.11	300,263,856	7.10
		Surasak Sub-district, Si Racha District, Chonburi Province					
178448	7-0-21.4	TICON Logistics Park Laemchabang 2	W2	115,050,000	1.52	120,507,233	2.85
		Nong Kham Sub-district, Si Racha District, Chonburi Province					
177198	6-2-4.8	TICON Logistics Park Laemchabang 2	FZ4	88,010,000	1.16	91,273,071	2.16
		Nong Kham Sub-district, Si Racha District, Chonburi Province					
47950	13-0-8	Rojana Industrial Park (Prachinburi)	W1	174,210,000	2.30	175,851,296	4.16
		Huawa Sub-district, Si Maha Phot District, Prachinburi Province					
44200	11-3-59	TICON Logistics Park Wangnoi 2	W11/1	188,580,000	2.49	-	-
		Payom Sug-district, Wang Noi District, Phra Nakhon Si Ayutthaya Province	W11/2 W11/3 W11/4				
29476	12-3-64.6	TICON Logistics Park Eastern Seaboard 1(B)	W2/1	82,022,747	1.08	-	-
		Pluakdaeng Sub-district, Pluakdaeng District, Rayong Province	W2/2 W2/3 W2/4	49,316,822 49,213,648 49,626,342	0.65 0.65 0.66	- - -	- - -
177199	13-1-54.1	TICON Logistics Park Laemchabang 2	W1/1	54,520,000	0.72	-	-
		Nong Kham Sub-district, Si Racha District, Chonburi Province	W1/2 W1/3 W1/4	54,404,000 124,816,000	0.72 1.65	- -	- -
173846	16-2-35.9	TICON Logistics Park Laemchabang 2	FZ1/1	217,500,000	2.87	-	-
		Nong Kham Sub-district, Si Racha District, Chonburi Province	FZ1/2 FZ1/3 FZ1/4 FZ1/5	  59,508,000 59,740,000	  0.79 0.79	- - -	- - -
177200	11-2-37	TICON Logistics Park Laemchabang 2	FZ3/1	118,088,000	1.56	-	-
		Nong Kham Sub-district, Si Racha District, Chonburi Province	FZ3/2 FZ3/3 FZ3/4	 59,508,000 59,044,000	 0.79 0.78	- - -	- - -
4832	13-2-11.2	TICON Logistics Park Panthong 1	W2/1	241,280,000	3.19	-	-
		Panthong Sub-district, Panthong District, Chonburi Province	W2/2 W2/3 W2/4 W2/5				

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust

Details of investments (continued)

As at 31 December 2015

Details of investments classified by asset type

Type of investments/ <u>Land title deed</u> <u>Area</u>  (Rai-Ngan-Sq. Wah)			<u>Locations</u>	Factory / warehouse <u>building no.</u>	2015		2014	
					<u>Fair value</u> (Baht)	<u>Percentage</u> <u>of investments</u> (%)	<u>Fair value</u> (Baht)	<u>Percentage</u> <u>of investments</u> (%)
Freehold on land and factories								
9994, 14727	5-1-39.7	Amata City Industrial Estate	Mabyangporm Sub-district, Pluak Daeng District, Rayong Province	SF.B1.9 A32,39	83,000,000	1.10	82,518,144	1.95
31698	6-0-87.9	Amata City Industrial Estate	Mabyangporm Sub-district, Pluak Daeng District, Rayong Province	SF.M3.3 A220/1	93,160,000	1.23	96,517,367	2.28
7435	4-0-18	Pinthong Industrial Estate	Nong Kham Sub-district, Si Racha District, Chonburi Province	SF.A1.8/1 L_42	55,810,000	0.74	55,462,129	1.31
181769, 181770	4-0-11.4	Pinthong Industrial Estate	Nong Kham Sub-district, Si Racha District, Chonburi Province	SF.A1.8/2 L_42/2, L_43/2	54,530,000	0.72	57,017,774	1.35
183315	4-0-29.2	Pinthong Industrial Estate	Bo Win Sub-district, Si Racha District, Chonburi Province	SF.M1.8 G_007	53,350,000	0.70	55,790,386	1.32
185321, 185322	11-1-29.4	Pinthong Industrial Estate	Bo Win Sub-district, Si Racha District, Chonburi Province	SF.A3 G_025/3	83,780,000	1.11	88,260,390	2.09
				SF.A2.2 G_025/2	62,820,000	0.83	65,020,841	1.54
167088	20-3-60	Pinthong Industrial Estate	Bueng Sub-district, Si Racha District, Chonburi Province	SF.L3.2 G_032/1	89,980,000	1.19	93,696,976	2.22
				SF.A2.7/3 G_032/2	75,420,000	1.00	78,359,834	1.85
				SF.A2.7/2 G_032/3	75,420,000	1.00	78,089,814	1.85
				SF.A2.7/1 G_032/4, G_033/1	75,420,000	0.99	78,089,814	1.85
				SF.B3.5 G_033/2	97,070,000	1.28	100,123,455	2.37
				SF.L4.4 G_033	121,030,000	1.60	124,803,294	2.95
20170	5-2-1	Ban Wah Industrial Estate (Hi-Tech)	Ban Len Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya Province	SF.A1.3 G1/4-4	35,880,000	0.47	36,933,235	0.87
				SF.A1.5/3 G_1/4_5	38,370,000	0.51	39,945,916	0.94
59721	3-3-15	Ban Wah Industrial Estate (Hi-Tech)	Ban Len Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya Province	SF.C2.2 F_7/12	60,640,000	0.80	65,163,170	1.54
55952	4-1-42	Ban Wah Industrial Estate (Hi-Tech)	Ban Len Sub-district, Bang Pa-in District, Phra Nakhon Si Ayutthaya Province	SF.M2.2 F_7/13	56,080,000	0.74	59,807,293	1.42
30621	2-2-72	Rojana Industrial Park	Ban Chang Sub-district, Uthai District, Phra Nakorn Si Ayutthaya Province	SF.A1.3/1 28_1	37,700,000	0.50	38,718,528	0.92
52780	3-3-5	Hemaraj Chonburi Industrial Estate	Bo Win Sub-district, Si Racha District, Chonburi Province	SF.M1.5/2 D_1	45,760,000	0.60	48,314,474	1.14
52781	3-1-84	Hemaraj Chonburi Industrial Estate	Bo Win Sub-district, Si Racha District, Chonburi Province	SF.M1.5/1 D_2	45,670,000	0.60	47,756,570	1.13
31576	2-1-28	Rojana Industrial Park	Ban Chang Sub-district, Uthai District, Phra Nakorn Si Ayutthaya Province	SF.S1/2-42.2	26,565,000	0.35	-	-

The accompanying notes are integral part of the financial statements.

TICON Freehold and Leasehold Real Estate Investment Trust

Details of investments (continued)

As at 31 December 2015

Details of investments classified by asset type

Type of investments/ <u>Land title deed</u>	<u>Area</u>	<u>Locations</u>	Factory / warehouse <u>building no.</u>	2015		2014	
				<u>Fair value</u>	<u>Percentage</u>	<u>Fair value</u>	<u>Percentage</u>
				(Baht)	(%)	(Baht)	(%)
	(Rai-Ngan-Sq. Wah)						
52785	8-0-33	Hemaraj Chonburi Industrial Estate Bo Win Sub-district, Si Racha District, Chonburi Province	SF.L3.2-D6	88,305,000	1.16	-	-
31702	4-0-13.5	Amata City Industrial Estate Mabyangpoom Sub-district, Pluak Daeng District, Rayong Province	SF.A2_A220/6	64,264,000	0.85	-	-
<b>Leasehold on land and factories</b>							
26247	6-1-48	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.M2.7_G802/6	72,014,940	0.95	-	-
37961	6-1-66	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.B3.8_G856/4	111,541,940	1.47	-	-
170335	7-2-24	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.L4_G625	127,722,407	1.69	-	-
36404	4-1-9	Amata Nakorn Industrial Estate Panthong and Nong Kakha Sub-district, Panthong District, Don Hua Lo Sub-district, Muang District, Chonburi Province	SF.M2.5/2_G906/2	77,115,416	1.02	-	-
<b>Total investments in properties</b>				<u>7,260,760,000</u>	<u>95.90</u>	<u>4,228,000,000</u>	<u>100.00</u>

The accompanying notes are integral part of the financial statements.

**TICON Freehold and Leasehold Real Estate Investment Trust**

**Statement of Income**

**For the year ended 31 December 2015**

(Unit: Baht)

		For the year ended 31 December 2015	For the period as from 12 December 2014 to 31 December 2014
	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>Investment Income</b>			
Rental and service income		366,157,677	8,919,891
Interest income	18	2,539,888	1,389,221
Income from rental and service guarantees	17, 18	41,324,919	1,388,619
Other income		5,623,875	-
Total income		<u>415,646,359</u>	<u>11,697,731</u>
<b>Expenses</b>			
Trust management fee	16, 18	44,410,186	1,505,003
Trustee fee	16, 18	3,693,806	193,040
Registrar fee	16	1,474,442	58,644
Professional fees		496,109	100,000
Operating expenses	18	28,117,598	120,589
Amortisation of deferred expenses	11	12,478,786	793,424
Interest expenses	18	38,423,308	954,247
Total expenses		<u>129,094,235</u>	<u>3,724,947</u>
<b>Net investment income</b>		<u>286,552,124</u>	<u>7,972,784</u>
<b>Realised and unrealised gains (losses) on investments</b>			
Net realised gains on investments		211,058	-
Net unrealised losses on investments	8	(126,500,000)	-
<b>Total realised and unrealised losses on investments</b>		<u>(126,288,942)</u>	<u>-</u>
<b>Net increase in net assets resulting from operations</b>		<u>160,263,182</u>	<u>7,972,784</u>

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

**TICON Freehold and Leasehold Real Estate Investment Trust**  
**Statement of changes in net assets**  
**For the year ended 31 December 2015**

(Unit: Baht)

		For the year ended 31 December <u>2015</u>	For the period as from 12 December 2014 to 31 December <u>2014</u>
	<u>Note</u>		
<b>Increase in net assets resulting from operations during the year/period</b>			
Net investment income		286,552,124	7,972,784
Net realised gains on investments		211,058	-
Net unrealised losses on investments		(126,500,000)	-
<b>Increase in net assets resulting from operations</b>		<u>160,263,182</u>	<u>7,972,784</u>
<b>Distributions to unitholders</b>	15	<u>(108,983,500)</u>	<u>-</u>
<b>Increase (decrease) in capital from unitholders</b>			
Trust units sold during the year/period			
224,300,000 units at Baht 10 each		2,243,000,000	-
(2014: 342,500,000 units at Baht 10 each)	13	-	3,425,000,000
Decrease in trust units value from capital reduction			
342,500,000 units of Baht 0.3677 each	13	(125,937,250)	-
<b>Increase in capital from unitholders</b>		<u>2,117,062,750</u>	<u>3,425,000,000</u>
<b>Increase in net assets during the year/period</b>		<u>2,168,342,432</u>	<u>3,432,972,784</u>
Net assets at the beginning of year/period		<u>3,432,972,784</u>	<u>-</u>
<b>Net assets at the end of year/period</b>		<u><u>5,601,315,216</u></u>	<u><u>3,432,972,784</u></u>

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

**TICON Freehold and Leasehold Real Estate Investment Trust**

**Statement of cash flows**

**For the year ended 31 December 2015**

	(Unit: Baht)	
	For the year ended	For the period as from
	31 December	12 December 2014
	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Increase in net assets resulting from operations	160,263,182	7,972,784
Adjustments to reconcile the increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchases of investments in properties	(3,159,260,000)	(4,228,000,000)
Purchases of investments in securities	(892,187,640)	-
Sales of investment in securities	582,128,190	-
Net purchases and sales of investment in securities	(310,059,450)	-
Amortisation of deferred expenses	12,478,786	793,424
Increase in accounts receivable from rental and service	(44,359,819)	(2,203,778)
Decrease (increase) in accounts receivable from interest	83,215	(450,865)
Decrease (increase) in other receivables	5,405,005	(8,387,820)
Increase in deferred expenses	(31,551,213)	(43,480,431)
Increase in other assets	(1,139,542)	(1,300,450)
Increase (decrease) in withholding tax payables	(8,483,038)	61,726,483
Increase (decrease) in accrued expenses	(9,653,883)	49,216,458
Increase in deposits for rental and service	70,681,730	99,016,087
Increase in other liabilities	675,780	3,630,396
Increase in allowance for doubtful debts	1,003,282	-
Interest expenses	38,423,308	954,247
Net realised gains on investments	(211,058)	-
Net unrealised losses on investments	126,500,000	-
<b>Net cash flows used in operating activities</b>	<b>(3,149,203,715)</b>	<b>(4,060,513,465)</b>
<b>Cash flows from financing activities</b>		
Cash received from long-term loans	959,000,000	860,000,000
Interest paid	(38,323,424)	(742,192)
Cash received from sales of trust units	2,243,000,000	3,425,000,000
Cash paid for capital reduction	(125,937,250)	-
Distributions to unitholders	(108,983,500)	-
<b>Net cash flows from financing activities</b>	<b>2,928,755,826</b>	<b>4,284,257,808</b>
<b>Net increase (decrease) in cash at banks</b>	<b>(220,447,889)</b>	<b>223,744,343</b>
Cash at banks at the beginning of year/period	223,744,343	-
<b>Cash at banks at the end of year/period (Note 9)</b>	<b>3,296,454</b>	<b>223,744,343</b>

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



**TICON Freehold and Leasehold Real Estate Investment Trust**

**Significant financial information**

**For the year ended 31 December 2015**

(Unit: Baht)

	For the year ended 31 December <u>2015</u>	For the period as from 12 December 2014 to 31 December <u>2014</u>
<b>Operating performance (per unit)</b>		
Net asset value - beginning of year/period	10.0232	-
Income from investment operations		
Net investment income	0.8147	0.0232
Net realised gains on investments	0.0006	-
Net unrealised losses on investments	(0.3597)	-
Total net income from investment operations	0.4556	0.0232
Add: Increase in capital from unitholders	0.0894	10.0000
Less: Distributions to unitholders	(0.3182)	-
Decrease in capital reduction	(0.3677)	-
Increase (decrease) in net assets value during the year/period	(0.1409)	10.0232
Net asset value - end of year/period	9.8823	10.0232

**Ratio of increase in net assets resulting from**

<b>operations to average net assets during the year/period (%)</b>	<b>4.45</b>	<b>0.23</b>
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**Significant financial ratios and additional information**

Net assets - end of year/period (Baht)	5,601,315,216	3,432,972,784
Ratio of total expenses to average net assets during the year/period (%)	3.59	0.11
Ratio of investment income to average net assets during the year/period (%)	11.55	0.34
Ratio of weighted average investment turnover during the period/year to average net assets during the year/period (%)*	87.81	123.43
Average net assets during the year/period (Baht)	3,598,025,066	3,425,398,639

\* Investment trading transactions exclude cash at banks and investment in promissory notes, and must be real purchases or sales of investments which exclude purchases of investments under resale agreements or sales under repurchase agreements.

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

## TICON Freehold and Leasehold Real Estate Investment Trust

### Notes to financial statements

For the year ended 31 December 2015

#### 1. Information of TICON Freehold and Leasehold Real Estate Investment Trust

TICON Freehold and Leasehold Real Estate Investment Trust ("the Trust") is a closed-end trust with specific purpose. The Trust was established as a trust on 12 December 2014, with no project life stipulated, with an initial capital of Baht 3,425 million.

The Trust's objectives are to raise funds from general investors and to use the proceeds from such fundraising to acquire, lease and/or sub-lease of immovable properties. The Trust will take the transfer of the ownership and/or leasehold rights and/or sub-leasehold rights therein and seek benefits from those properties by way of lease, sub-lease, transferring and/or disposing of immovable properties the Trust invests in or acquires. The Trust will also improve, modify, construct and/or develop immovable properties by taking the transfer of a construction permit and/or applying for other permits and/or executing any transactions necessary and advisable for immovable properties, with the aim of generating income and returns for the Trust and its unitholders. This includes investment in other properties and/or securities and/or seeks interest by any other means as prescribed by securities laws and/or other relevant law.

The Stock Exchange of Thailand approved the listing of the Trust's units and permitted their trading from 9 January 2015 onwards.

TICON Management Company Limited acts as the Trust Manager, BBL Asset Management Company Limited acts as the Trustee, TICON Logistics Park Company Limited and TICON Industrial Connection Public Company Limited are hired as the Property Management Managers and Thailand Securities Depository Company Limited acts as the Trust Registrar.

As at 31 December 2015, the Trust's major unitholders are TICON Industrial Connection Public Company Limited and Social Security Office which holds 19.60% and 12.45% (2014: Social Security Office and TICON Logistics Park Company Limited which holds 14.60% and 12.00%, respectively) of the trust units, respectively.

#### 2. Distribution policy

The Trust has a policy to pay distributions to unitholders at least twice a year. However, the Trust Manager might consider paying special dividends to unitholders as it deems necessary and appropriate.

- (1) In the event that the Trust has net profit in any accounting period, the Trust Manager shall distribute distributions to unitholders for not less than 90% of the net profit after deducting unrealised gain on revaluation or valuation review of the properties or leasehold rights of the properties in that accounting

period, including other adjustments according to the Notification of the Office of the Securities and Exchange Commission.

- (2) In the event that the Trust has accumulated losses remaining, the Trust Manager will not pay distributions to unitholders.

Distributions will not be paid from either profit or retained earnings if the payments would result in an increase in the Trust's deficit in the period that payment is made.

In consideration of making a distributions payment, if the value of the interim dividend per unit to be paid during the financial year is equal or below Baht 0.10, the Trust Manager reserves its right to withhold that distributions payment and carry the whole amount over the next distributions payment.

### **3. Basis of preparation of financial statements**

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

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

### **4. New financial reporting standards**

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

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

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

#### **TFRS 13 Fair Value Measurement**

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

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

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

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

**5. Change in accounting estimates**

During the current year, the Trust changed its accounting estimate of the period for the amortisation of deferred expenses incurred in connection with an initial public offering of the Trust's units, such as underwriting fees, Trust setup costs and other direct expenses, on a straight-line basis from 3 years to 5 years, effective from 1 September 2015. The management of the Trust believes that the new amortisation period for deferred expenses is appropriate since it is in line with the expected benefit to the Trust.

The Trust applied the changes in estimates prospectively.

The effect of the change to the balance sheet as at 31 December 2015 and the statement of income for the year ended 31 December 2015 are summarised below.

(Unit: Thousand Baht)

As at

31 December 2015

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**Balance sheet**

Increase in deferred expenses	2,261
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(Unit: Thousand Baht)

For the year ended 31

December 2015

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**Statement of income**

**Expenses:**

Decrease in amortisation of deferred expenses	(2,261)
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Increase in net asset value per unit (Baht)	0.0064
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## **6. Significant accounting policies**

### **6.1 Revenue and expenses**

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

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

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

Expenses are recorded on an accrual basis.

### **6.2 Measurement of Investments**

Investments are recognised as assets at cost, on the date when the Trust receives the rights in the investments. The cost of investments comprises the purchase price and all direct expenses incurred by the Trust in their acquisition.

#### **Investments in properties**

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

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

#### **Investments in securities**

Investments in marketable debt securities which can be freely traded on an open market are presented at their fair value, based on the latest yield rate quoted by the Thai Bond Market Association as of the date on which the investments are valued. The fair value of investments which cannot be freely traded on an open market is based on the yield rate as quoted by a market maker which the Trust Manager considers to be the nearest equivalent to fair value. The Trust uses the amortised cost method to determine the fair value of debt securities, which time to maturity is within 90 days from investment date. Gains or losses from the valuation of investments

in securities are recorded as net unrealised gains or losses in the income statement. To determine the cost of investments which are disposed of, the weighted average method is used.

Investments in bank deposits, bill of exchange and non-transferable promissory notes are presented using the sum of principal and accrued interest as of the date on which the investment is valued to determine fair value. Accrued interest is separately presented under the caption of "Accounts receivable from interest" at the end of reporting period.

Investments in transferable promissory notes are stated based on the yield rate quoted by a market maker which the Trust Manager considers to be the nearest equivalent to fair value. Gains or losses from the valuation of investments are presented as net unrealised gains or losses in the statement of income.

### 6.3 Accounts receivable

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

### 6.4 Deferred expenses

Deferred expenses consist of expenses incurred for issuing and initial public offering the Trust units such as underwriting fee, Trust setup costs and other direct expenses. Amortisation is charged to expense on a straight-line basis for 5 years.

### 6.5 Related party transactions

Related parties comprise enterprises and individuals that own a voting interest of at least 10% in the Trust, control, or are controlled by, the Trust, whether directly or indirectly, or which are under common control with the Trust.

They also include individuals which directly or indirectly own a voting interest in the Trust that gives them significant influence over the Trust, the Trust Manager, key management personnel, directors, and officers of the Trust Manager with authority in the planning and direction of the Trust's operations.

<u>Company's Name</u>		<u>Relationship</u>	<u>Details of Business Transactions</u>
TICON Connection Company Limited	Industrial	- The Trust's major unitholder	- Entered into the lease agreements on land and factories as the lessor or sub lessor
	Public	- Property Manager	- Entered into the selling agreements on land and factories as the seller
			- Entered into Property Management Agreement, as the property manager
TICON Logistics Park Company Limited		- Property Manager	- Entered into the lease agreements on land and warehouses as the lessor or sub lessor

<u>Company's Name</u>	<u>Relationship</u>	<u>Details of Business Transactions</u>
TICON Management Company Limited	- The Trust Manager	<ul style="list-style-type: none"> <li>- Entered into the selling agreements on warehouses as the seller</li> <li>- Entered into Property Management Agreement, as the property manager</li> <li>- Receive base fee for managing the Trust</li> <li>- Receive performance fee for managing main Trust's properties</li> <li>- Receive incentive fee and commission from the Trust</li> </ul>
BBL Management Company Limited	- Trustee	<ul style="list-style-type: none"> <li>- Receive Trustee fee</li> </ul>
Bangkok Bank Company Limited	- A director is as the same family member of the major shareholder of the Trust's major unitholder	<ul style="list-style-type: none"> <li>- Receive deposit and provide loan to the Trust</li> </ul>

## 6.6 Distribution to unitholders

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

## 6.7 Long-term leases

Lease of assets not transferred a significant portion of risks and rewards of ownership to lessee are classified as operating leases. The Trust as the lessor, receipts money under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## 6.8 Provisions

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

## 6.9 Income tax

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

## 7. Use of significant judgement and accounting estimates

The preparation of financial statements in conformity with financial reporting standards at times requires the Trust Manager to make subjective judgements and estimates regarding matters that are inherently uncertain.

These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgements and estimates are as follows:

#### **Fair value of assets**

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

#### **Leases**

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

#### **Allowance for doubtful accounts**

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

#### **Fair value of financial instruments**

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



8. Investments in properties

	(Unit: Thousand Baht)	
	For the year ended 31 December 2015	For the period as from 12 December 2014 to 31 December 2014
<b>Investments in properties - at cost</b>		
Investments in properties - beginning of year/period	4,228,000	-
Add: Purchases during the year/period	3,159,260	4,228,000
Investments in properties - end of year/period	7,387,260	4,228,000
<b>Net unrealised losses on investments in properties</b>		
Net unrealised losses on investments - beginning of year/period	-	-
Add: Net unrealised losses from the revaluation of investments during the year/period	(126,500)	-
Net unrealised losses on investments - end of year/period	(126,500)	-
<b>Investments in properties - end of year/period</b>	<b>7,260,760</b>	<b>4,228,000</b>

The Trust has several operating lease agreements in respect of the lease of lands, factories and warehouses buildings. The terms of the agreements are generally between 2 months and 12 years. As at 31 December 2015 and 2014, future minimum rental income to be generated under these operating leases is as follows.

(Unit: Million Baht)

	<u>2015</u>	<u>2014</u>
Less than 1 year	506	347
In over 1 and up to 5 years	895	696
In over 5 years	580	312

Movements of the investments in properties account during the year 2015 were summarised below.

- a) On 1 April 2015, the Trust hired an independent appraiser to appraise the fair value of the investments in properties using the income approach. The result revealed that the fair value of the investments in properties of the Fund was Baht 4,102 million, resulting in the net unrealised losses from such investments amounting to Baht 127 million, which was recorded in the statement of income for the year 2015.
- b) On 18 and 21 December 2015, the Trust additional invested in properties by entering into the sublease on land agreements, lease on land and warehouse buildings agreements with the leasehold period of 28 - 30 years and agreements to buy and to sell land and building premises with TICON Logistics Park Company Limited and TICON Industrial Connection Public Company Limited, related companies, with a total consideration of Baht 3,159 million (the appraisal values based on income approach conducted by 2 independent appraisers are Baht 2,956 million and Baht 2,927 million). Details of investments in properties are as follow:
- 1) Land and warehouse buildings of TICON Logistics Park Company Limited, with total rental warehouse area of approximately 133,282 Sq.m. covering an area of approximately 157 Rai, as detailed below:
- Leasehold on land and freehold on 2 warehouse buildings (14 units) located in TICON Logistics Park Bangplee 1 and Bangplee 3
  - Leasehold on land and 3 leased warehouse buildings (20 units) located in TICON Logistics Park Bangplee 1, Bangplee 3 and TICON Logistics Park Bangna
  - Freehold on land and 1 warehouse building (4 units) located in TICON Logistics Park Wangnoi 2
  - Freehold on land and 1 warehouse building (4 units) located in TICON Logistics Park Eastern Seaboard 1 (B)
  - Freehold on land and 3 warehouse buildings (13 units) located in TICON Logistics Park Laemchabang 2
  - Freehold on land and 1 warehouse building (5 units) located in TICON Logistics Park Panthong 1
  - Freehold on 1 warehouse building (5 units) located in TICON Logistics Park Bangna

2) Land and factory buildings of TICON Industrial Connection Public Company Limited, with total rental factory area of approximately 21,900 Sq.m. on land covering an area of approximately 39 Rai, as detailed below:

- Freehold on land and 1 factory building located in Amata City Industrial Estate
- Freehold on land and 1 factory building located in Rojana Industrial Park
- Freehold on land and 1 factory building located in Hemaraj Chonburi Industrial Estate
- Leasehold on building and freehold on 4 factories located in Amata Nakorn Industrial Estate
- Leasehold on land located in Amata Nakorn Industrial Estate

Movements of the investments in properties account during the year 2014 were summarised below.

On 22 and 23 December 2014, the Trust invested in properties by entering into the sublease on land agreements, lease on land and warehouse buildings agreements with the leasehold period of 28 - 30 years and agreements to buy and to sell land and building premises with TICON Logistics Park Company Limited and TICON Industrial Connection Public Company Limited, related companies, with a total consideration of Baht 4,228 million (the appraisal values based on income approach conducted by 2 independent appraisers were Baht 3,866 million and Baht 3,900 million). Details of investments in properties were as follow:

1) Land and warehouse buildings of TICON Logistics Park Company Limited, with total rental warehouse area of approximately 160,523 Sq.m. covering an area of approximately 205 Rai, as detailed below:

- Leasehold on land and freehold on 1 warehouse building (4 units) located in TICON Logistics Park Bangna
- Leasehold on land and 5 leased warehouse buildings (9 units) located in TICON Logistics Park Bangplee 1
- Freehold on land and 2 warehouse buildings (4 units) located in TICON Logistics Park Eastern Seaboard 2
- Freehold on land and 3 warehouse buildings (5 units) located in TICON Logistics Park Sriracha
- Freehold on land and 2 warehouse buildings (2 units) located in TICON Logistics Park Laemchabang 2
- Freehold on land and 1 warehouse building (1 units) located in Rojana Industrial Park (Prachinburi)

2) Land and factory buildings of TICON Industrial Connection Public Company Limited, with total rental factory area of approximately 54,000 Sq.m. on land covering an area of approximately 101.5 Rai, as detailed below:

- Freehold on land and 2 factory buildings located in Amata City Industrial Estate
- Freehold on land and 11 factory buildings located in Pinthong Industrial Estate
- Freehold on land and 4 factory buildings located in Ban Wah Industrial Estate (Hi-Tech)
- Freehold on land and 1 factory building located in Rojana Industrial Park
- Freehold on land and 2 factory buildings located in Hemaraj Chonburi Industrial Estate

9. Cash at banks

As at 31 December 2015 and 2014, the Trust has the following deposits with the following banks.

Bank				Principal (Thousand Baht)		Interest rate per annum (%)	
				2015	2014	2015	2014
Cash				5	-		
Bank deposits							
<u>Saving accounts</u>							
Bangkok Limited	Bank	Public	Company	2,252	223,744	0.38	0.75
<u>Current accounts</u>							
Bangkok Limited	Bank	Public	Company	1,039	-	-	-
Total bank deposits				3,291	223,744		
Total				3,296	223,744		

10. Accounts receivable from rental and service

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

	(Unit: Thousand Baht)	
	2015	2014
Age of receivables		
Not yet due	260	-
Past due		
Not over 3 months	21,740	1,752
3 - 6 months	5,304	-
Total	27,304	1,752
Unbilled operating leases receivables	19,259	452
Less: Allowance for doubtful debts	(1,003)	-
Accounts receivable from rental and service, net	45,560	2,204

## 11. Deferred expenses

(Unit: Thousand Baht)

	For the year ended 31 December 2015	For the period as from 12 December 2014 to 31 December 2014
Deferred expenses - beginning of the year/period	42,687	-
Add: Increase during the year/period	31,551	43,480
Less: Amortised during the year/period	(12,479)	(793)
Deferred expenses - end of the year/period	<u>61,759</u>	<u>42,687</u>

## 12. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (% per annum)	Repayment schedule	2015	2014
1	MLR less the rate specified in the agreement	Payment of principal by semi-annual which 1st principal payment on December 2021 with the last payment within June 2024	860,000	860,000
2	MLR less the rate specified in the agreement	Payment of principal by semi-annual which 1st principal payment on December 2022 with the last payment within June 2025	959,000	-
Total long-term loans			<u>1,819,000</u>	<u>860,000</u>

The Trust drawn from long-term loan from Bangkok Bank Public Company Limited for its investments in properties.

On 31 December 2015, the Trust has unused long-term loan facilities under the loan agreements amounting to Baht 536 million (2014: Baht 490 million).

The long-term loans are unsecured and the loan agreements contain general conditions, such as limitation of debt-to-assets ratio, resistance of additional borrowing, indebtedness or obligation, sale or transfer of properties and leasehold rights.

### 13. Trust registered

Movements in the capital received from the unitholders account are as follows.

	Number of trust registered, issued and paid-up (Unit)	Per unit (Baht)	Total (Thousand Baht)
Beginning balance as at 12 December 2014 (the establishment date)	-	-	-
Initial fund	342,500,000	10.0000	3,425,000
Ending balance as at 31 December 2014	342,500,000		3,425,000
Beginning balance as at 1 January 2015	342,500,000	10.0000	3,425,000
The 1st reduction on trust unit value	-	(0.1934)	(66,240)
The 2nd reduction on trust unit value	-	(0.1743)	(59,697)
Capital increase during the year	224,300,000	10.0000	2,243,000
Ending balance as at 31 December 2015	566,800,000		5,542,063

On 12 December 2014, the Trust Manager established the Trust under the Trust Act for transactions in capital market 2550 B.E., with 342.5 million trust units at a par value of Baht 10 each, or a total of Baht 3,425 million. The Trust called payment for all of these trust units and has notified the Office of the Securities and Exchange Commission of this transaction.

On 6 August 2015, a meeting of the REIT Manager's Board of Directors passed a resolution to approve a reduction in the registered capital of the Trust, by reducing the par value of the trust units by Baht 0.1934 per unit, or a total of Baht 66.2 million. The Trust returned this amount to the unitholders on 4 September 2015. The Trust Manager has notified this decrease in its capital with the Securities and Exchange Commission.

On 30 October 2015, a meeting of the REIT Manager's Board of Directors passed a resolution to approve a reduction in the registered capital of the Trust, by reducing the par value of the trust units by Baht 0.1743 per unit, or a total of Baht 59.7 million. The Trust returned this amount to the unitholders on 30 November 2015. The Trust Manager has notified this decrease in its capital with the Securities and Exchange Commission.

During 30 November 2015 to 15 December 2015, the Trust issued additional 224.3 million unit trusts at a price of Baht 10 per unit, or a total of Baht 2,243 million, to the existing unitholders and the public. On 17 December 2015, the Trust received payments of these units capital increment and notified the increase in its paid-up units capital with the Office of the Securities and Exchange Commission. The Stock Exchange of Thailand approved the listing of the additional Trust's units and permitted their trading since 25 December 2015.

#### 14. Retained earnings

	(Unit: Thousand Baht)	
	For the year ended 31 December 2015	For the period as from 12 December 2014 to 31 December 2014
Net accumulated income from investments	7,973	-
Retained earnings - beginning of year/period	7,973	-
Add: Increase in net assets resulting from		
operations during the year/period	160,263	7,973
Less: Distributions to unitholders during the year/period	(108,984)	-
Retained earnings - end of year/period	59,252	7,973



## 15. Distributions to unitholders

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

Declared date	For the operations as from	Per unit	Total
		(Baht)	(Thousand Baht)
14 May 2015	1 January 2015 - 31 March 2015 and related earnings	0.2175	74,494
30 October 2015	1 July 2015 - 30 September 2015 and related earnings	0.0370	12,673
30 October 2015	1 October 2015 - 31 October 2015 and related earnings	0.0637	21,817
Total distributions for the year 2015		0.3182	108,984

## 16. Expenses

Details of the trust management fee, trustee fee and registrar fee are summarised below.

Expenses	Percentage	
1. Trust management fee		
-Base fee	0.25	% per annum of the Trust's total assets
-Performance fee	2.0	% per annum of net income from rental and service agreement on warehouse buildings
	4.0	% per annum of net income from rental and service agreement on factory buildings
-Incentive fee	0.00 - 10.50	% per annum of net operating income of warehouse buildings of the Trust
	0.00 - 19.50	% per annum of net operating income of factory buildings of the Trust

Expenses	Percentage
- Commission fee for acquiring a new lessee	In proportion to rental and service periods but not over 3 months based on the latest rental and service rate of new lessee
- Commission fee for buying/selling/transferring leasehold/receiving leasehold	3.0 % of the value of buying/selling/transferring leasehold/receiving leasehold
2. Trustee fee	0.09875 % per annum of the Trust's net assets
3. Registrar fee	Actual paid but not over 0.05% per annum of the Trust's net asset value

The above fees are calculated and charged to the Trust's account on a monthly basis. Operating expenses include expenses incurred specifically for the Trust such as the Trust's setting up expenses, utilities, insurance premium, bank charge, postage and various expenses which are incurred legally and in accordance with regulations.

#### 17. Income from rental and service guarantees

TICON Logistics Park Company Limited and TICON Industrial Connection Public Company Limited, hired by the Trust Manager to be as the Property Management Managers, have agreed to guarantee the occupancy for only properties that have been vacant after the registration of the transfer of ownership or leasehold rights of properties was completed or the tenants exercise their right to move out from the rental properties by compensating the Trust at the same rate of rental and service fee that the latest tenant had paid until the Property Management Manager is able to find a new tenant and the new tenant pays the rental and service fee to the Trust or until after 12 months from date that the Trust first invested in the properties.

#### 18. Related party transactions

During the year/period, the Trust had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Trust and those related parties.

(Unit: Thousand Baht)

	For the year ended 31 December <u>2015</u>	For the period as from 12 December 2014 to 31 December <u>2014</u>	<u>Pricing policy</u>
<b>TICON Logistics Park Company Limited</b>			
Compensation from rental and service income guarantee	35,079	1,251	As specified in property management agreement (Note 17)
Purchases of investment in properties	2,591,731	2,838,000	Prices close to appraisal value (Note 8)
Rental expenses	7,431	-	Contract price
Common area service fee	2,876	-	Contract price
Repair and maintenance expenses	1,320	-	Actual charge

(Unit: Thousand Baht)

	For the year ended 31 December <u>2015</u>	For the period as from 12 December 2014 to 31 December <u>2014</u>	<u>Pricing policy</u>
<b>TICON Industrial Connection Public Company Limited</b>			
Compensation from rental and service income guarantee	6,246	138	As specified in property management agreement (Note 17)
Purchases of investment in properties	567,529	1,390,000	Prices close to appraisal value (Note 8)
Common area service fee	51	-	Contract price
Repair and maintenance expenses	585	-	Actual charge
<b>TICON Management Company Limited</b>			
Trust Management fee	44,410	1,505	As detailed in Note 16
<b>BBL Asset Management Company Limited</b>			
Trustee fee	3,694	193	As detailed in Note 16
<b>Bangkok Bank Public Company Limited</b>			
Interest income	359	1,389	Market rate
Underwriting fee	17,237	34,600	Contract amount
Financial advisor fee	5,196	5,196	Contract amount
Interest expense	38,423	954	As detailed in Note 12

The balances of the accounts as at 31 December 2015 and 2014 between the Trust and those related companies are as follows:

	(Unit: Thousand Baht)	
	<u>2015</u>	<u>2014</u>
<b>BBL Asset Management Company Limited</b>		
Accrued trustee fee	503	199
<b>TICON Management Company Limited</b>		
Accrued trust management fee	4,904	1,550
Other payables	-	557
<b>TICON Industrial Connection Public Company Limited</b>		
Other receivables	-	1,837
Accrued expenses	275	-
<b>TICON Logistics Park Company Limited</b>		
Accounts receivable from rental and service	1,792	-
Other receivables	-	6,550
Accrued expenses	2,921	-

(Unit: Thousand Baht)

	<u>2015</u>	<u>2014</u>
<b>Bangkok Bank Public Company Limited</b>		
Interest receivables	109	451
Long-term loans	1,819,000	860,000
Accrued underwriting fee	17,747	35,625
Accrued financial advisor fee	5,350	5,350
Accrued interest	312	212

Long-term loans from related party

The outstanding balances and the movements of the borrowings between the Trust and its related party are as follows.

(Unit: Thousand Baht)

	Balance as at	Increase	Decrease	Balance as at
	31 December	during the year	during the year	31 December 2015
<u>Long-term loans</u>	<u>2014</u>			
Bangkok Bank Public				
Company Limited	860,000	959,000	-	1,819,000

**19. Information on trading in investments**

The Trust's investment trading transactions during the year, excluding bank deposits and promissory note, amounted to Baht 3,418 million (2014: Baht 4,228 million) which is 94.99% (2014: 123.43%) of the average net assets value during the year.

**20. Commitments**

20.1 The Trust is committed to pay the trust management fee, trustee fee and registrar fee under the terms and conditions specified in Note 16.

20.2 As at 31 December 2015 and 2014, the Trust has future minimum sub-lease payments required under non-cancellable operating leases contracts as follows.

(Unit: Million Baht)

	2015	2014
Payable:		
In up to 1 year	8.0	7.4
In over 1 year and up to 5 years	34.2	32.1
In over 5 years	268.0	267.7

## 21. Segment information

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

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

For the year 2015, the Trust has revenue from 2 major customers in the amount of Baht 91 million, arising from rental and service income (for the period 2014, the Trust had revenue from one major customer in the amount of Baht 1 million).

## 22. Financial instruments

### 22.1 Financial risk management

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

#### *Credit risk*

The Trust is exposed to credit risk primarily with respect to accounts receivable from rental and service. The Trust Manager manages such risk by stipulating that lessees are to provide lease deposits as security against collection losses. In addition, the Trust does not have high concentration of credit risk since it has a large and varied base of creditworthy customers. As a result, it does not anticipate material loss from its debt collection.

The maximum exposure to credit risk is limited to the carrying amounts of accounts receivable from rental and service as stated in the balance sheet.

#### *Interest rate risk*

The Trust's exposure to interest rate risk relates primarily to its cash at banks and long-term loans. Most of the Trust's financial assets and liabilities bear floating interest rates.

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

(Unit: Million Baht)

As at 31 December 2015					
	Fixed interest rates within 1 year	Floating Interest rate	Non-interest bearing	Total	Interest rate  (% p.a.)
<b>Financial assets</b>					
Investments in securities	310	-	-	310	1.40 - 2.00
Cash at banks	-	2	1	3	0.38
Accounts receivable					
from rental and service	-	-	46	46	-
Other receivables	-	-	3	3	-
	<u>310</u>	<u>2</u>	<u>50</u>	<u>362</u>	
<b>Financial liabilities</b>					
Accrued expenses	-	-	40	40	-
Long-term loans	-	1,819	-	1,819	4.25
	<u>-</u>	<u>1,819</u>	<u>40</u>	<u>1,859</u>	

(Unit: Million Baht)



As at 31 December 2014

	Fixed interest rates within 1 year	Floating Interest rate	Non-interest bearing	Total	Interest rate  (% p.a.)
<b>Financial assets</b>					
Cash at banks	-	224	-	224	0.75
Accounts receivable					
from rental and service	-	-	2	2	-
Other receivables	-	-	8	8	-
	-	224	10	234	
<b>Financial liabilities</b>					
Accrued expenses	-	-	49	49	-
Long-term loan	-	860	-	860	4.50
	-	860	49	909	

## 22.2 Fair values of financial instruments

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

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

## 23. Capital management

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

**24. Event after the reporting period**

On 23 February 2016, a meeting of the Trust Manager's Board of Directors approved the payment of a distribution of Baht 0.0940 per unit to the unitholders from the operating results for the period as from 1 November 2015 to 31 December 2015 and retained earnings, or a total of Baht 53.28 million, which is to be paid on 22 March 2016.

**25. Approval of financial statements**

These financial statements were authorised for issue by the authorised director of the Trust Manager on 23 February 2016.