

Thailand Prime Property Freehold and Leasehold
Real Estate Investment Trust and its subsidiaries
Report and consolidated financial statements
For the period as from 11 October 2016
(date of incorporation) to 31 December 2016

Independent Auditor's Report

To the Unitholders of Thailand Prime Property Freehold and Leasehold Real Estate
Investment Trust

Opinion

I have audited the accompanying consolidated financial statements of Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries ("the Group"), which comprise the consolidated balance sheet and detail of investments as at 31 December 2016, the related consolidated statements of income, comprehensive income, changes in net assets, cash flows and significant financial information for the period as from 11 October 2016 (date of incorporation) to 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies, and I have also audited the separate financial statements of Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries and of Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust as at 31 December 2016, their financial performance, and cash flows for the period as from 11 October 2016 (date of incorporation) to 31 December 2016 in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Measurement of investment in properties and leasehold rights and investments in subsidiaries

As described in Notes 1, 7 and 8 to the financial statements, the Trust was established as a trust on 11 October 2016 and started making investments in properties and leasehold rights over properties and investments in subsidiaries on 21 October 2016.

As at 31 December 2016, the Trust had investments in properties and leasehold rights over properties in the consolidated balance sheet amounting to Baht 7,229 million, or 89% of total assets, and investments in leasehold rights over properties and investments in subsidiaries in the separate balance sheet amounting to Baht 6,763 million, or 86% of total assets. The investments are not traded on an active market and a quoted price is not available for the same or similar investments. Therefore, the REIT Manager measured the fair value of the investments as at the first balance sheet date using the acquisition costs.

I audited the value of the investments by checking the acquisition costs of the investments, the sale and purchase agreements and related documents.

Other Information

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

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

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

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the REIT Manager for correction of the misstatement.

Responsibilities of the REIT Manager for the Financial Statements

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

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

The REIT Manager is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ratana Jala.

Ratana Jala
Certified Public Accountant (Thailand) No. 3734

EY Office Limited
Bangkok: 27 February 2017

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries

Balance sheet

As at 31 December 2016

		(Unit: Baht)	
		Consolidated	Separate
		financial statement	financial statement
	Note	31 December 2016	31 December 2016
Assets			
Investments in properties and leasehold rights over properties at fair value (Consolidated financial statement: At cost: Baht 7,229 million, Separate financial statement: At cost: Baht 2,441 million)	7	7,229,359,559	2,441,064,464
Investments in subsidiaries at fair value (Separate financial statement: At cost: Baht 4,322 million)	8	-	4,321,782,599
Cash and cash at banks	9, 17	550,497,576	292,179,409
Receivables			
From rental and services	10, 17	26,869,293	15,615,179
From dividend	8	-	33,700,000
From interest		45,719	7,133,257
Others		1,438,601	202,681
Loan to subsidiary	17	-	480,377,612
Deferred expenses	11	183,119,299	183,119,299
Intangible assets	12	46,332,363	240,396
Other assets		68,429,500	52,153,649
Total assets		8,106,091,910	7,827,568,545

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

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries

Balance sheet (continued)

As at 31 December 2016

		(Unit: Baht)	
		Consolidated	Separate
		financial statement	financial statement
	Note	31 December 2016	31 December 2016
Liabilities			
Payables	17		
From interest		2,868,359	2,868,359
Others		38,489,942	27,798,677
Accrued expenses	17	215,933,099	171,485,146
Income tax payable		18,183,247	-
Unearned income		38,523,613	2,097,920
Deposit received from customers		221,103,656	80,082,545
Long-term loans	13, 17	2,023,675,869	2,023,675,869
Deferred tax liabilities		423,573	-
Other liabilities		7,084,947	3,003,091
Total liabilities		2,566,286,305	2,311,011,607
Net assets		5,539,805,605	5,516,556,938
Net assets:			
Trust registered			
547,500,000 units of Baht 10 each		5,475,000,000	5,475,000,000
Capital from unitholders			
547,500,000 units of Baht 10 each	14	5,475,000,000	5,475,000,000
Retained earnings	15	64,805,605	41,556,938
Net assets		5,539,805,605	5,516,556,938
		-	-
Net asset value per unit (Baht)		10.1183	10.0759
Number of units issued at the end of period (Units)		547,500,000	547,500,000

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

Directors

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries

Statement of income

For the period as from 11 October 2016 (date of incorporation) to 31 December 2016

		(Unit: Baht)	
		Consolidated	Separate
		financial statement	financial statement
		For the period as from	For the period as from
		11 October 2016	11 October 2016
		(date of incorporation)	(date of incorporation)
Note		to 31 December 2016	to 31 December 2016
Investment income			
	Rental and services income	161,865,009	59,500,132
	Dividend income	-	33,700,000
	Interest income	1,925,953	8,639,194
	Total income	163,790,962	101,839,326
Expenses			
	Costs of rental and services	44,201,630	20,586,218
	REIT Manager fee	6,549,292	6,549,292
	Trustee fee	4,303,821	4,303,821
	Registrar fee	436,401	436,401
	Property management fee	5,648,290	2,806,412
	Professional fees	691,388	450,000
	Amortisation of deferred expenses	8,609,967	8,609,967
	Other expenses	3,779,740	1,048,960
	Finance cost	15,491,316	15,491,317
	Income tax expenses	9,384,983	-
	Total expenses	99,096,828	60,282,388
	Net investment income	64,694,134	41,556,938
	Increase in net assets from operations	64,694,134	41,556,938

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

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries

Statement of changes in net assets

For the period as from 11 October 2016 (date of incorporation) to 31 December 2016

		(Unit: Baht)	
		Consolidated	Separate
		financial statement	financial statement
		For the period as from	For the period as from
		11 October 2016	11 October 2016
		(date of incorporation)	(date of incorporation)
Note		to 31 December 2016	to 31 December 2016
Increase in net assets from operations			
	Net investment income	64,694,134	41,556,938
	Increase in net assets from operations	64,694,134	41,556,938
Increase in capital received from unitholders			
	Cash received from unitholders	5,475,000,000	5,475,000,000
Total comprehensive increase			
in net assets from operations			
	Actuarial gain - net of income tax	111,471	-
	Increase in net assets during period	5,539,805,605	5,516,556,938
	Net assets at the beginning of period	-	-
	Net assets at the end of period	5,539,805,605	5,516,556,938
		-	-

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

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries

Statement of cash flows

For the period as from 11 October 2016 (date of incorporation) to 31 December 2016

	(Unit: Baht)	
	Consolidated	Separate
	financial statement	financial statement
	For the period as from	For the period as from
	11 October 2016	11 October 2016
	(date of incorporation)	(date of incorporation)
	to 31 December 2016	to 31 December 2016
Cash flows from operating activities		
Increase in net assets from operations	64,694,134	41,556,938
Adjustments to reconcile increase in net assets from operations to net cash provided by (used in) operating activities:		
Purchases of investments in properties and leasehold rights over properties	(6,591,737,895)	(2,441,064,464)
Purchases of investments in subsidiaries	-	(4,321,782,599)
Income tax expenses	9,384,983	-
Amortisation	10,218,817	8,609,967
Finance cost	15,491,317	15,491,317
Increase in receivables from rental and services	(13,719,579)	(15,615,179)
Increase in receivables from dividend	-	(33,700,000)
Increase in receivables from interest	(45,719)	(7,133,257)
Increase in other receivables	(984,359)	(202,681)
Increase in loan to subsidiary	-	(480,377,612)
Increase in deferred expenses	(191,729,266)	(191,729,266)
Increase in intangible assets	(240,397)	(240,397)
Increase in other assets	(57,343,667)	(52,153,648)
Increase in other payables	26,323,124	27,798,677
Increase in accrued expenses	181,335,325	171,485,146
Increase (decrease) in unearned income	(759,066)	2,097,920
Increase in deposit received from customers	83,061,648	80,082,545
Increase in other liabilities	2,391,866	3,003,091
Cash paid for income tax	(3,239,168)	-
Net cash flows used in operating activities	(6,466,897,902)	(7,193,873,502)

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

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries

Statement of cash flows (continued)

For the period as from 11 October 2016 (date of incorporation) to 31 December 2016

(Unit: Baht)

	Consolidated financial statement	Separate financial statement
	For the period as from 11 October 2016 (date of incorporation) to 31 December 2016	For the period as from 11 October 2016 (date of incorporation) to 31 December 2016
Cash flows from financing activities		
Proceeds from issuance of investment trusts	5,475,000,000	5,475,000,000
Cash received from long-term loans	2,022,700,000	2,022,700,000
Repayment of long-term loan from former shareholders of the subsidiary	(468,657,433)	-
Cash paid for Interest expenses	(11,647,089)	(11,647,089)
Net cash from financing activities	7,017,395,478	7,486,052,911
Net increase in cash and cash at banks	550,497,576	292,179,409
Cash and cash at banks at the beginning of period	-	-
Cash and cash at banks at the end of period (Note 8)	550,497,576	292,179,409
	-	-

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

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust and its subsidiaries

Detail of investments

As at 31 December 2016

Detail of investments classified by asset classes.

Type of investments	Consolidated financial statement			Separate financial statement		
	31 December 2016			31 December 2016		
	Cost	Fair value	Percentage of investment	Cost	Fair value	Percentage of investment
	(Baht)	(Baht)		(Baht)	(Baht)	
Investments in properties and leasehold rights over properties (Note 6)						
Leasehold rights over land and building - Mercury Tower	2,441,064,464	2,441,064,464	34%	2,441,064,464	2,441,064,464	36%
Land and building - Exchange Tower	4,788,295,095	4,788,295,095	66%	-	-	-
Total investments in properties and leasehold rights over properties	7,229,359,559	7,229,359,559	100%	2,441,064,464	2,441,064,464	36%
Investment in subsidiaries (Note 7)	-	-	-	4,321,782,599	4,321,782,599	64%
Total investments	7,229,359,559	7,229,359,559	100%	6,762,847,063	6,762,847,063	100%

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

**Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust
and its subsidiaries**

Notes to consolidated financial statements

For the period as from 11 October 2016 (date of incorporation) to 31 December 2016

**1. Description of Thailand Prime Property Freehold and Leasehold Real Estate
Investment Trust**

Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust (“the Trust”) is a real estate investment trust established under the Trust for Transaction in Capital Market Act, B.E.2550 (“the Act”) in accordance with the Trust Deed signed on 11 October 2016 between SCCP REIT Company Limited as the Trust Settlor and Kasikorn Asset Management Company Limited as the Trustee. On 11 October 2016, the Trust was established as a specific closed-end real estate investment trust with an indefinite term. The Trust’s objectives are to mobilise funds raised from investors and loans from financial institutions to invest in leasehold rights to land and Mercury Tower and invest in 99.99% of the shares of Exchange Tower Limited, which owns land and Exchange Tower.

The Stock Exchange of Thailand approved the listing of the Trust’s investment trusts and permitted their trading from 31 October 2016 onwards.

SCCP REIT Company Limited acts as REIT Manager, Kasikorn Asset Management Company Limited acts as the Trustee, Jones Lang LaSalle Management Limited acts as Property Manager of Mercury Tower and CBM Facilities management (Thailand) Company Limited acts as Property Manager of Exchange Tower.

As at 31 December 2016, the Trust’s major unitholder is Muang Thai Life Assurance Public Company Limited, which holds 21% of the issued and paid-up units of the Trust.

2. Distribution policy

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

- (1) REIT Manager shall distribute to the Trust's unitholders at least 90% of the adjusted net profit for the accounting period, comprising the year-end distribution and the interim distribution (if any). REIT Manager shall pay distributions to the Trust's unitholders not more than 4 times in each accounting period, except in the event of a capital increase, when the Trust may pay more than 4 distributions in an accounting period in the best interests of the unitholders holding trust units prior to the capital increase.

The adjusted net profit means the net profit adjusted by the following items;

- (1) Deduction of unrealised gain from appraisal or appraisal review of assets of the Trust including adjustment of other items as prescribed by the Securities and Exchange Commission to reflect the cash position of the Trust.
 - (2) Deduction of the reserve provision for payment for debt from borrowing or obligation arising from borrowing of the Trust under the limit stated in the registration statement and prospectus or annual report, as the case may be.
- (2) Indirect investments of the Trust is made through holdings of shares, REIT Manager will arrange for the company in which the Trust has invested to pay dividend to the Trust at least 90% of the net profit of the accounting period of such company, pursuant to the provisions of law under the Civil and Commercial Code. REIT Manager may also consider arranging for such company to pay an interim dividend to enable the Trust to pay distributions, if appropriate.
 - (3) In that event that the Trust has accumulated losses, management will not make any distributions to the Trust's unitholders.

If the amount of the interim distribution per unit to be paid is Baht 0.10 or less in each quarter, REIT Manager reserves the right not to pay a distribution at that time and to carry such distribution forward to be paid together with the following distribution.

3. Basis of preparation of financial statements

3.1 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 Thai 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.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Thailand Prime Property Freehold and Leasehold Real Estate Investment Trust (“the Trust”) and the following subsidiary companies (“the subsidiaries”):

<u>Company’s name</u>	<u>Nature of business</u>	<u>Country of incorporation</u>	<u>Percentage of Shareholding ⁽¹⁾</u>
			<u>31 December 2016</u>
Exchange Tower Ltd.	Lease space in Exchange Tower	Thailand	99.99%
Exchange Connection Ltd.	Service business of sky-link between Asoke BTS Station and Exchange Tower and Interchange 21 Tower	Thailand	99.99%

⁽¹⁾ Calculated based on voting rights

- b) The Trust is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Trust obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Trust
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

4. Financial reporting standards that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. 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.

REIT Manager and management of subsidiaries believe that the revised and new financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

5. Significant accounting policies

5.1 Revenues and expenses

a) Rental income and related service income

Rental income from investment properties and leasehold rights to properties are recognised in the statement of income on a straight-line basis over the term of the lease.

b) Other service income

Other service income is recognised as services are provided.

c) Dividend income

Dividend income is recognised when the right to receive the dividends is established.

d) Interest income and finance cost

Interest income and finance cost are recognised on an accrual basis based on the effective interest rate.

5.2 Measurement of investments

Investments are recognised as assets at cost on the date which the Trust and its subsidiaries have rights on investments.

Cost of investments comprises the purchase prices and all direct expenses paid by the Trust and its subsidiaries in order to acquire such investments.

Investments in properties and leasehold rights to properties

Investment in properties and leasehold rights over properties are presented at fair value without depreciation.

REIT Manager measured their fair values of such investment as at the first accounting period using the acquisition cost of investments. Subsequently, fair value of such investments will be based on the appraisal value assessed by an independent appraiser approved by the Thai Valuers Association and the Valuers Association of Thailand (Pursuant to the Notification of the Securities and Exchange Commission concerning the granting of approval of valuation companies and principle valuers for public use).

Gain or loss on measurement of such investments are presented as net unrealised gain or loss in the statement of income.

Investment in subsidiaries

Investment in subsidiaries is presented at fair value. Investment in subsidiaries is recognised as assets with the cost of investment at the date on which the Trust has the right on investment. Cost of investment comprises of the purchase price and all direct expenses which the Trust paid to get the investment.

Gain or loss on measurement of such investments are presented as net unrealised gain or loss in the statement of income.

5.3 Receivables from rental and services

Receivables from rental and services are stated at the net realisable value. The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments.

5.4 Deferred expenses

Deferred expenses comprise the capital unit issuance costs and other directly related expenses as incurred e.g. underwriting fee on issuance of capital unit of Trust. Deferred expenses are amortised as an expense over a period of 5 years on a straight line basis.

5.5 Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and allowance for diminution in value (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to statement of income.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Right to use Linkbridge	over the concession period
Computer software	10 years

5.6 Related party transactions

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

The relationships of related parties are as follows:

<u>Name of related parties</u>	<u>Relationship</u>
SCCP REIT Company Limited	REIT Manager
Jones Lang LaSalle Management Limited	Property Manager
CBM Facilities management (Thailand) Company Limited	Property Manager
Kasikorn Asset Management Company Limited	Trustee
Kasikorn Bank Public Company Limited	Parent company of Trustee
Haadsabai Company Limited	Having common director the REIT Manager
SC Capital Partners (Thailand) Company Limited	Having common director the REIT Manager
Phuket Square Company Limited	Having common director the REIT Manager

5.7 Distribution to unitholders

A decrease in retained earnings is recognised as at the date a distribution is declared.

5.8 Income tax

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

Income tax expenses of subsidiaries represent the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax of its subsidiaries is provided in accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax of its subsidiaries is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

Its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Its subsidiaries record deferred tax directly to net assets if the tax relates to items that are recorded directly to net assets.

5.9 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund of the subsidiaries are recognised as expenses when incurred.

Post-employment benefits

Defined benefit plans

The subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gain and loss arising from post-employment benefits are recognised immediately in other comprehensive income.

5.10 Significant accounting judgements and estimates

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

Fair value of investments in properties and leasehold rights over properties and investments in subsidiaries

As at the balance sheet date, the Trust measured value of investments in properties and leasehold rights over properties and investments in subsidiaries at fair value. The fair value is estimated based on investment cost for the first period ended and appraisal value which appraised by independent appraiser and/or financial adviser for other subsequent years. The independent appraiser/financial adviser value the investments using the income approach and discounted cash flow because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are occupancy rate, rental rate adjustment, dividend yield of subsidiaries and discount rate.

Allowance for doubtful accounts

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

Intangible assets

The management is required to review intangible for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets of its subsidiaries are recognised for deductible temporary differences to the extent that it is probable that its subsidiaries' taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement of its subsidiaries is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Investments trading information

On 13 October 2016, the Trust had entered into the sale and purchase agreement acquiring leasehold right over land and building of the Mercury Tower project and entered into sale and purchase agreement acquiring preferred shares and common shares of the Exchange Tower Ltd, the owner over freehold land and building including public utilities in relation to Exchange Tower project. The Trust had made payment for the acquisition cost and related expenses totaling Baht 6,763 million and had transferred rights over those assets on 21 October 2016. The investments are 123% of the average net asset value of consolidated financial statement.

7. Investments in properties and leasehold rights over properties

Investments in properties and leasehold rights as at 31 December 2016 are as follow:

(Unit: Million Baht)

	Consolidated financial statement		Separated financial statement	
	Cost	Fair value	Cost	Fair value
Mercury Tower project	2,441	2,441	2,441	2,441
Exchange Tower project	4,788	4,788	-	-
	<u>7,229</u>	<u>7,229</u>	<u>2,441</u>	<u>2,441</u>

Investments in properties and leasehold rights over properties composed of

a) Mercury Tower project

The Trust has invested in leasehold rights over land and building, facilities system and component and equipment of Mercury Tower including freehold rights over building modifications and related system works and equipment and right to use the linkbridge to Chidlom BTS station. Remaining lease term is approximately 16 years and 1 month, as from 21 October 2016 to 21 November 2035 (including of the renewal for a term of 3 years). Total investments were 2,441 million Baht (acquisition cost over leasehold right and equipment of Baht 2,420 million and leasehold right registration fee of Baht 21 million).

b) Exchange Tower project in the consolidated financial statements

The Trust has invested in freehold right over land, building, public utilities, including modification and equipment related to the Exchange Tower, an office and commercial project held by the Exchange Tower Ltd. (a subsidiary).

The land and building of the Exchange Tower has been mortgaged to secure borrowing facilities from bank, as mentioned in Note 13.

The Trust has estimated fair value of investments in properties and leasehold right in the consolidated financial statements as at 31 December 2016 amounting to Baht 7,229 million (Separate: Baht 2,441 million), equals to an acquisition cost. The REIT Manager believes that this represented the best estimation of the fair value because it was the latest exchange transaction, which happened close to the period end date.

8. Investments in subsidiaries

On 13 October 2016, the Trust has entered into the Share Sale Agreement relating to preferred and ordinary shares purchasing of Exchange Tower Limited which owns freehold rights over land, building and public utilities relating to Exchange Tower, amounting to Baht 4,322 million (value of share amounting to Baht 4,320 million and duty stamp fee amounting to Baht 2 million), representing 99.99% of voting right. In addition, Exchange Tower Limited is the shareholder of Exchange Connection Limited holding 99.99% interest of voting right.

According to such investment, the Trust obtains control over Exchange Tower Limited and Exchange Connection Limited. Such companies are subsidiaries of the Trust since the date of share transfer and payment which is 21 October 2016.

Fair value of assets and liabilities of Exchange Tower Limited and its subsidiary on an acquisition date is as follows:

(Unit: Thousand Baht)

Assets	
Cash and cash equivalent	171,109
Receivables	13,604
Investments in properties	4,787,957
Intangible assets - net	46,796
Other assets	12,329
Total assets	<u>5,031,795</u>
Liabilities	
Payables	12,167
Accrued expenses	34,598
Income tax payable	12,185
Deposits received from customers	138,042
Long-term loans	468,657
Other liabilities	44,363
Total liabilities	<u>710,012</u>
Net Assets	<u>4,321,783</u>
Reconciliation of net cash	
Cash paid for acquisition of investment in subsidiaries	4,321,783
Less: Cash and cash equivalent of its subsidiaries	<u>(171,109)</u>
Cash paid for acquisition of investment - net of cash and cash equivalent of subsidiaries	<u>4,150,674</u>

On 23 December 2016, the Board Directors' meeting of the subsidiary approved to pay an interim dividend of Baht 6.74 per share, or a total of Baht 33.7 million, from the operating result of the period as from 21 October 2016 to 31 December 2016. The Trust recognised such dividend income in separate financial statement on the dividend's declaration and book closing date on 27 December 2016. The Trust received such dividend on 6 January 2017.

As at 31 December 2016, The Trust has estimated fair value of investments in subsidiaries amounting to Baht 4,322 million, equals to an acquisition cost. The Trust believes that this represented the best estimation of the fair value because it was the latest exchange transaction, which near the end of accounting period.

9. Cash and cash at banks

As at 31 December 2016, the Trust and its subsidiaries have the details of cash and cash at banks as follows:

	Consolidated		Separate	
	financial statement		financial statement	
	31 December 2016		31 December 2016	
	Balance	Interest rate	Balance	Interest rate
	(Thousand Baht)	per annum (%)	(Thousand Baht)	per annum (%)
Cash	140	-	70	-
Cash at Banks				
Savings accounts				
Kasikorn Bank Plc.	285,462	0.37	285,462	0.37
United Overseas Bank (Thai) plc.	230,109	0.25	-	-
Current accounts				
Kasikorn Bank Plc.	18,397	-	6,647	-
United Overseas Bank (Thai) plc.	16,390	-	-	-
Total cash at banks	550,358		292,109	
Total cash and cash at banks	550,498		292,179	

10. Receivables from rental and services

The outstanding balances of receivables from rental and services as at 31 December 2016 are aged on the basis of due dates, as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statement	financial statement
Age of receivables	31 December 2016	31 December 2016
Not yet due	10,029	3,221
Past due		
Up to 3 months	16,157	11,711
3 - 6 months	683	683
Total	26,869	15,615

11. Deferred expenses

(Unit: Thousand Baht)

Consolidated and
separated financial
statements

31 December 2016

Deferred expenses at beginning of period	-
Add: Increase	191,729
Less: Amortisation for the period	(8,610)
Deferred expenses at end of period	<u>183,119</u>

12. Intangible assets

(Unit: Thousand Baht)

Consolidated financial statement

	Right to use Linkbridge	Computer Software	Total
Cost			
11 October 2016	-	-	-
Increase from investment in subsidiaries	76,556	-	76,556
Additions	-	240	240
31 December 2016	<u>76,556</u>	<u>240</u>	<u>76,796</u>
Accumulated amortisation			
11 October 2016	-	-	-
Increase from investment in subsidiaries	29,760	-	29,760
Amortisation for the period	704	-	704
31 December 2016	<u>30,464</u>	<u>-</u>	<u>30,464</u>
Net book value			
31 December 2016	<u>46,092</u>	<u>240</u>	<u>46,332</u>

(Unit: Thousand Baht)

	Separate financial statement	
	Computer Software	Total
Cost		
11 October 2016	-	-
Additions	240	240
31 December 2016	240	240
Accumulated amortisation		
11 October 2016	-	-
Amortisation for the period	-	-
31 December 2016	-	-
Net book value		
31 December 2016	240	240

Right to use linkbridge is the right between Exchange Tower and Asok BTS Station under an agreement between a subsidiary (Exchange connection Ltd.) and the concessionaire. The concession period of linkbridge construction to Exchange Tower and Interchange 21 Tower commenced as from the commencement of the linkbridge and will end on 4 December 2029.

13. Long-term loans

(Unit: Thousand Baht)

	Consolidated and separate financial statements
	31 December 2016
Long-term loans from financial institutions	2,050,000
Less: deferred amortisation on front end fee	(26,324)
Total	2,023,676

On 13 October 2016, the Trust borrowed Baht 2,050 million from two financial institutions. The loans carry interest at MLR minus fixed rate per annum with monthly interest payment. The principal repayment of loan is due at the maturity date in 5 years (20 October 2021).

The loans are secured by the mortgage of land and building of the subsidiary, as described in Note 7 to financial statement.

The loan agreements contain covenants, which, among other things, require the Trust to maintain financial ratios such as Financial Indebtedness to Total Asset ratio and Interest Bearing Debt to EBITDA ratio.

14. Unitholders' equity

On 11 October 2016, the REIT Manager established the Trust with a registered capital of Baht 5,475 million, consisting of 547.50 million units with a par value of Baht 10 each. The Trust called up payment for all of these trust units.

15. Retained earnings

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statement	financial statement
	For the period as from	For the period as from
	11 October 2016 to	11 October 2016 to
	31 December 2016	31 December 2016
Retained earnings at the beginning of period	-	-
Add: Increase in net assets resulting from operations	64,694	41,556
Other comprehensive income	111	-
Retained earnings at the end of period	<u>64,805</u>	<u>41,556</u>

16. Expenses

16.1 REIT Manager

REIT Manager is entitled to a monthly REIT Manager's fee (exclusive of value added tax, specific business tax or any other similar taxes) from the Trust, broken down as follows:

- (1) A base fee, paid monthly and calculated at a rate not exceeding 0.45% per annum on the total asset value of the Trust, as specified on the agreement.
- (2) An incentive fee, paid monthly and calculated at a rate not exceeding 2.50% per annum on the Trust's net revenue before administrative expenses, as specified on the agreement.

16.2 Trustee's fee

The Trustee is entitled to monthly remuneration at a rate not exceeding 0.40% per annum (exclusive of value added tax, specific business tax or any other similar taxes) of the Trust's total asset value, as calculated by the REIT Manager and verified by the Trustee.

16.3 Registrar's fee

The expenses for the work of the Trust Unit Registrar is monthly charged as actual cost.

16.4 Property management fee

Fees are payable to the Property Manager on a monthly basis under the Property Management Agreement between the REIT Manager and the Property Manager.

17. Related party transactions

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

(Unit: Thousand Baht)

	Consolidated financial statement	Separate financial statement	
	For the period as from 11 October 2016 to 31 December 2016	For the period as from 11 October 2016 to 31 December 2016	Transfer Pricing Policy
Transactions with subsidiaries			
(eliminated from the consolidated financial statement)			
Interest income	-	7,088	7.5% per annum
Dividend income	-	33,700	As declared
Transactions with related companies			
Rental and services income	2,252	341	Contract price
Interest income	1,552	1,552	0.37% per annum
REIT Manager fee	6,549	6,549	As detailed in Note 16.1
Trustee fee	4,304	4,304	As detailed in Note 16.2
Property management fee	5,648	2,806	As detailed in Note 16.4
Administration expenses	37	37	Actual paid
Finance cost	7,258	7,258	As detailed in Note 13
Set up cost ⁽¹⁾	109,500	109,500	Contract price
Front-end fee ⁽²⁾	13,650	13,650	Contract price

⁽¹⁾ Set up cost as at date of incorporation of the Trust before amortisation

⁽²⁾ Front-end fee as at the borrowing date before amortisation

As at 31 December 2016, the Trust and its subsidiaries have the following significant outstanding balances with its related parties as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statement</u>	<u>financial statement</u>
	31 December 2016	31 December 2016
Investment in subsidiaries		
Subsidiary	-	4,321,783
Cash at banks		
Related companies	303,859	292,109
Receivables from rental and services		
Related companies	643	616
Receivable from dividend		
Subsidiary	-	33,700
Receivables from interest		
Subsidiaries	-	7,088
Related companies	46	46
Loan to subsidiary ⁽¹⁾		
Subsidiary	-	480,378
Other assets		
Related companies	164	164
Payables from interest		
Related companies	1,434	1,434
Other payables		
Related companies	18,123	18,123
Accrued expenses		
Related companies	133,214	133,214
Deposits received from customers		
Related companies	2,892	383
Long-term loan		
Related companies	1,025,000	1,025,000

(1) Loan to subsidiary

As at 31 December 2016, the Trust has unsecured loan to Exchange Tower Limited totally Baht 480 million with principal repayment of Baht 20 million each on 31 March 2017 and 30 June 2017 and the remaining amount is due at call. The loans carry interest at 7.5% per annum or any other rate to be determined by the Trust.

The loan was borrowed from the Trust by its subsidiary and been used to make a repayment of Baht 469 million loan previously borrowed from former shareholder of the subsidiary on 21 October 2016.

18. Commitments

18.1 The Trust and its subsidiaries are committed to pay fees to counterparties under the terms and conditions as described in Note 16 to the financial statement.

18.2 As at 31 December 2016, the Trust and its subsidiaries have a commitment in respect of payments in accordance with the service agreement as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	<u>financial statement</u>	<u>financial statement</u>
	<u>31 December 2016</u>	<u>31 December 2016</u>
Payable		
In up to 1 year	48	33
In over 1 and up to 5 years	28	22
In over 5 years	10	-

18.3 As at 31 December 2016, the Trust has outstanding bank guarantees of approximately Baht 11 million issued by banks on behalf of the Trust as required in the normal course of business. These included letters of guarantee amounting to Baht 4 million to guarantee the Trust's electricity use and amounting to Baht 7 million to guarantee the subsidiary's electricity use.

19. Segment information

Operating segment information is reported in a manner consistent with the Trust's 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 one main reportable operating segment of the Trust and its subsidiaries is to provide the service on the properties in which the Trust and its subsidiaries have invested and the single geographical area of its operations is 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 period, the Trust and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenue.

20. Financial instruments

20.1 Financial risk management

The Trust and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash at banks, receivables from rental and services, receivable from dividend, receivables from interest, loan to subsidiary, payables from interest, other payables, accrued expenses, deposits received from customers, and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Interest rate risk

The Trust's and its subsidiaries' exposure to interest rate risk relates primarily to its cash and cash at banks, loan to subsidiary and long-term loans. However, most of the Trust's and its subsidiaries' financial assets and liabilities bear floating interest rates and mature in short period, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below.

(Unit: Million Baht)

Consolidated financial statement					
As at 31 December 2016					
	Fixed interest rates within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
Financial assets					
Cash and cash at banks	-	515	35	550	0.25 - 0.37
Receivables from rental and services	-	-	27	27	-
Financial liabilities					
Payables from interest	-	-	3	3	-
Other payables	-	-	38	38	-
Accrued expenses	-	-	216	216	-
Deposits received from customers	-	-	221	221	-
Long-term loans	-	2,024	-	2,024	MLR - fixed rate

(Unit: Million Baht)

Separate financial statement					
As at 31 December 2016					
	Fixed				
	interest rates	Floating	Non-interest	Total	Interest rate
	within 1 year	interest rate	bearing		(% p.a.)
Financial assets					
Cash and cash at banks	-	285	7	292	0.37
Receivables from rental and services	-	-	16	16	-
Receivable from dividend	-	-	34	34	-
Receivables from interest	-	-	7	7	-
Loan to subsidiary	480	-	-	480	7.50
Financial liabilities					
Payables from interest	-	-	3	3	-
Other payables	-	-	28	28	-
Accrued expenses	-	-	171	171	-
Deposits received from customers	-	-	80	80	-
Long-term loans	-	2,024	-	2,024	MLR - fixed rate

Credit risk

The Trust and its subsidiaries are exposed to credit risk primarily with respect to receivables from rental and services. The Property Managers manage the risk by requiring its customers to pay rental and services fees in advance and adopting appropriate credit control policies and procedures and therefore the Trust and its subsidiaries do not expect to incur material credit losses. In addition, the Trust and its subsidiaries do not have high concentration of credit risk since it has a large number of customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables from rental and services as stated in the balance sheet.

20.2 Fair values of financial instruments

The fair value is determined by reference to the market price of the financial instruments 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 bear floating interest rate, the Trust estimates their fair value approximate to their carrying value presented in the balance sheet.

21. Capital management

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

22. Events after the reporting period

At the Board of Directors Meeting No. 2/2017 of REIT Manager held on 27 February 2017, the Board of Directors has passed resolutions as follows:

- 1) Approved the capital reduction at the rate of Baht 0.0614 per unit trust. The distribution date will be paid on 27 March 2017.
- 2) Approved the appropriation of distribution of Baht 0.0759 per unit which will be paid from operation period as of 21 October 2016 to 31 December 2016. The distribution date will be paid on 27 March 2017.

23. Approval of financial statements

These financial statements were authorised for issue by REIT Manager Board of Directors on 27 February 2017.