

## Part 1

## Executive Summary of the REIT (Fact Sheet)

The Executive Summary is part of the filing or the prospectus, which is only a summary of the offering, type, and risks of the REIT. Therefore, investors should study the whole prospectus, which can be obtained from the Underwriter, the REIT Manager, or study the details in the filing and the prospectus that the REIT Manager submitted to the SEC which are available on the SEC's website.

Hemaraj Leasehold Real Estate Investment Trust (HREIT)

Issuer and REIT Manager: Hemaraj REIT Management Company Limited

Trustee: SCB Asset Management Company Limited

## 1. Details of the REIT

Name of the REIT (Thai)	ทรัสต์เพื่อการลงทุนในสิทธิการเช่าอสังหาริมทรัพย์เหมราจ
Name of the REIT (English)	Hemaraj Leasehold Real Estate Investment Trust
Abbreviation	HREIT
REIT Manager	Hemaraj REIT Management Company Limited
Property Manager	Hemaraj Land and Development Public Company Limited ("Hemaraj")
Trustee	SCB Asset Management Company Limited
Financial Advisor	Siam Commercial Bank Public Company Limited

## 1.1 Details of the Offering of Trust Units

Issuer	Hemaraj REIT Management Company Limited
Type of Securities	Trust certificates representing the holder's rights as a trust beneficiary
Par Value	THB 9.8138 per unit <sup>/1</sup>
Offered Trust Units (units)	133,280,000 units
Preliminary Price Range	THB 8.20-8.30 per trust unit
Value of Offered Trust Units	THB 1,092,896,000 - 1,106,224,000
Underwriter	Siam Commercial Bank Public Company Limited

Remark:

<sup>/1</sup> On 8 November 2017, the REIT manager's board of directors approved the decrease of HREIT's paid-up capital. Following such decrease, the par value will be THB 9.6235 per unit.

Preliminary offering portions and subscription instructions are as follows

Type of Offering	Subscription Payment Per Unit	Subscription Period and Method
<p><b>Portion 1: The Offer to Existing Trust Unitholders on a Rights Offering Basis</b></p> <p>Approximately 66,640,137 units</p> <ul style="list-style-type: none"> <li>- Individuals and juristic persons</li> <li>- Institutional investors who did not submit a Bookbuilding form</li> <li>- Institutional investors that have submitted a Bookbuilding form, Hemaraj and/or related parties of Hemaraj</li> </ul>	<p>THB 8.30</p> <p>THB 8.30</p> <p>Final price</p>	<ul style="list-style-type: none"> <li>- 15-21 December 2017 (business days only) from 08.30 a.m. to 03.30 p.m. (or operating hours of the branch)</li> <li>- 15-21 December 2017 (business days only) from 08.30 a.m., to 03.30 p.m.</li> <li>- 25-26 December 2017 (business days only) from 08.30 a.m. to 03.30 p.m.</li> </ul>
<p><b>Portion 2 The Offer to Hemaraj and/or related parties of Hemaraj on the Private Placement Basis</b></p> <p>At least 15 per cent but not more than 20 per cent of the total offering amount <sup>1</sup> (when combined with the allotted amount from portion 1)</p>	<p>Final price</p>	<p>- 25-26 December 2017 (business days only) from 08.30 a.m. to 03.30 a.m.</p>
<p><b>Portion 3 Public Offering</b></p> <p>The remaining portion<sup>2</sup></p> <ul style="list-style-type: none"> <li>- Patrons of the Underwriter who are institutional investors</li> <li>- Patrons of the Underwriter who are not institutional investors</li> </ul>	<p>Final price</p> <p>THB 8.30</p>	<ul style="list-style-type: none"> <li>- 25-26 December 2017 (business days only) from 08.30 a.m. to 03.30 p.m.</li> <li>- 15-21 December 2017 (business days only) from 08.30 a.m. to 03.30 p.m. (or operating hours of the branch)</li> </ul>

**Remarks:**

<sup>1</sup>Hemaraj and/or its related persons agrees to subscribe at least 15% of the Trust Units offered for sale in the capital increase and agrees to maintain its ownership at 15% of the Trust Units offered for sale in this Capital Increase for 3 years from the date of the commencement of the lease agreement

<sup>2</sup> Means the remaining Trust Units after offering to the existing unitholders and Hemaraj and/or its related persons

The Trust Units are offered under a firm underwriting arrangement. This Trust Units in this offering are not offered to the general public.

## 1.2 Reasonableness of the purchase price of the Additional Assets to be invested in following the Capital Increase

With respect to the Additional Assets to be invested in following the Capital Increase, HREIT will invest in assets at a purchase price of up to THB 1,690 million. This purchase price is higher than the bottom appraised price prepared by two independent appraisers by approximately 9.95%. The REIT Manager and the Financial Advisor are of the view that the maximum purchase price is appropriate and acceptable because

1. Projected returns are appropriate: The projected cash (gross) yield will be in accordance with the investment policy, where the projected distribution per unit after the Capital Increase shall not be less than the projected distribution per unit in the event of no capital increase. The REIT Manager and the Financial Advisor have prepared a pro forma statement presenting the distribution over the 12-month period from 1 January 2018 to 31 December 2018 (“Pro Forma”) where the assumptions include
  - a. The REIT will invest in the additional assets at a maximum price of THB 1,690 million
  - b. The borrowing amount for the additional investment is THB 575 million
  - c. The issuance price is THB 9.50 per trust unit

As for the base case presented in the Pro Forma, the number of new Trust Units issued is 126.1 million, and the projected distribution per trust unit is THB 0.770. The trust unitholders will receive a gross cash yield of 8.11 %, which consists of a dividend yield of 6.05%, and a capital reduction as a result of non-cash expenses of 0.37%, and a capital reduction from lease amortizations on a straight-line basis of 1.69%

The table below shows returns at different investment values:

	At the offering price of THB 7.50 per trust unit (%)	At the offering price of THB 8.00 per trust unit (%)	At the offering price of THB 8.10 per trust unit (%)	At the offering price of THB 8.20 per trust unit (%)	At the offering price of THB 8.50 per trust unit (%)
Borrowing (THB million)	575	575	575	575	575
Number of issued trust units (million trust units)	133.31	133.28	133.27	133.27	133.26

	At the offering price of THB 7.50 per trust unit (%)	At the offering price of THB 8.00 per trust unit (%)	At the offering price of THB 8.10 per trust unit (%)	At the offering price of THB 8.20 per trust unit (%)	At the offering price of THB 8.50 per trust unit (%)
Projected cash distribution per trust unit (DPU) (THB)	0.763	0.763	0.763	0.763	0.763
Investment value (THB million)	1,497.37	1,561.91	1,587.72	1,600.62	1,626.43
Percent of excess of investment value over appraised value	(2.58)	1.62	3.30	4.14	5.82
Projected Cash Yield	10.17	9.54	9.30	9.19	8.97
Projected capital reduction from non-cash expenses (percent)	0.44	0.42	0.41	0.41	0.40
Projected capital reduction from lease amortization <sup>1</sup> (Straight-Line Method) (percent)	1.69	1.69	1.69	1.69	1.69
Projected Net Yield	8.04	7.43	7.20	7.09	6.88

Remark:<sup>1</sup> The straight-line amortization (calculated by dividing the investment value of the asset by the remaining lease term, which is a method that assumes an equal amount of the leasehold value being amortized each year) may differ from the actual operating results. Because the value of the leasehold right depends on the appraised value prepared by asset appraisers, the projection does not contain an unrealized loss. Therefore, this assumption only serves as an example to present a potential effect. Moreover, the straight-line method may differ from the accounting standard as governed by the Federation of Accounting Professions, regulations as announced by the SEC or the SET that are in currently in effect or will be in effect in the future.

The projected dividend yield in the first year of the additional investment of approximately 8.04%, 7.43%, 7.20%, 7.09%, and 6.88% at the issuance price of THB 7.50 per trust unit, THB 8.00 per trust unit, THB 8.10 per trust unit, THB 8.20 per trust unit, and THB 8.50 per trust unit, respectively, is

appropriate when compared with the yields of other real estate investment trusts and property funds<sup>/1</sup> that invest in the same type of properties, where investments in real estate investment trusts and property funds that invest in the same industry, freehold and leasehold types, yield an average of 5.76%. The average dividend yield of real estate investment trusts and property funds that invest in leasehold properties is about 4.27%, without capital reduction in the past 12 months, while real estate investment trusts and property funds that invest in freehold rights yield about 6.38% on average. HREIT's investment is the leasehold type with a 30-years term with the right to extend the lease for another 30 years. When comparing the dividend yield of HREIT to the yields of other real estate investment trusts and property funds in the same industry, and when considering the stability of the invested assets and the growth opportunity along with the right of HREIT to extend the lease for another 30 years, it shall be noted that the dividend yield of 8.04%, 7.43%, 7.20%, 7.09%, and 6.88% at the issuance price of THB 7.50 per trust unit, THB 8.00 per trust unit, THB 8.10 per trust unit, THB 8.20 per trust unit, and THB 8.50 per trust unit, respectively, is an appropriate return, where the trust unitholders also benefit from the cost of borrowing that is lower than the required rate of returns in the first year of investment.

*Remarks: <sup>/1</sup> Comparable real estate investment trusts and property funds include TFUND, TLOGIS, PPF, WHAPF, HPF, WHART, TREIT, AMATAR, GROWTH*

*<sup>/2</sup> The projected dividend yield of HREIT takes into account the capital reduction from non-cash items on the income statement, while the dividends of other real estate investment trusts and property funds that invest in the same type of assets that are used in the comparison do not take into account the capital reduction from non-cash items, due to limited access to information these other real estate investment trust and property funds.*

2. The Internal Rate of Returns is appropriate: The value at which HREIT will invest in the additional assets is a maximum of THB 1,690 million. When compared to the minimum appraised value that was appraised by one of the two appraisers, which is THB 1,537 million, the maximum investment value exceeds this minimum appraised value by roughly 10%. When considering the maximum investment value of THB 1,690 million and taking the cashflows projected by the appraiser that valued the assets at THB 1,537 million (15 Business Advisory Ltd.), the resulting internal rate of returns is 8.79%, which the REIT Manager and the Financial Advisor consider appropriate when comparing to investments in similar assets, such as the investments of other real estate investment trusts and property funds that invest in factories and warehouses.

(Please consult the details in Part 2 Section 2.5.3 *Opinion of the Financial Advisor and REIT Manager Regarding the Reasonableness of the Investment Value of the Additional Assets*)

### 1.3 Objectives of the Fundraising

To raise fund from the Trust Unit offering and funds obtained from a long-term credit facility to invest in the following assets ("Additional Assets")

- 1) Leasehold in lands and factory buildings, including Detached factory buildings with a total leasable area of approximately 30,056 square meters, and Attached factory buildings with a total leasable area of approximately 17,496 square meters. The total factory leasable area is approximately 47,552 square meters.
- 2) Leasehold in lands and warehouses with a total leasable area of approximately 7,579 square meters.

The total leasable factory and warehouse area is approximately 55,131 square meters,

where the REIT will obtain funds from (1) equity fundraising of not more than THB 1,106 million and (2) borrowing of not more than THB 600 million for the acquisition of the additional assets

#### 1.4 Investment Policy

HREIT's policy is investment in main assets for the type of freehold properties or leasehold properties (including sub-leasehold in properties), and other assets which are components or accessories of the properties, which include warehouse buildings, distribution centres, or ready-built factories and rooftop areas or parts of the buildings mentioned that are located in (a) industrial areas that are established, invested in, and/or developed by Hemaraj, (b) areas that are developed by Hemaraj in the surrounding areas of industrial areas, or (c) other areas than (a) and (b) that Hemaraj has ownership or has a sole right to occupy or areas under the joint ownership of Hemaraj and its subsidiaries before 13<sup>th</sup> October 2015 where the ownership rights have been continuously held. However, such areas must be the areas that have already been disclosed to the trustee and the REIT manager of WHA Freehold and Leasehold Real Estate Investment Trust and HREIT. (Please consider the additional details in Part 2 Section 14 *Future Investment Policy*)

#### 1.5 Key Details of the Additional Investment Assets

- 1) Breakdown of revenues from factories and warehouses prior to the investment by HREIT

The breakdown of main revenues of the factories and warehouses prior to the investment by HREIT is as follows

Factories				
Breakdown of rental and service revenues (THB million)	For the year ended 31 December			For the 6-month period ended 30 June
	2014	2015	2016	2017
Main rental revenues	53.99	57.44	77.36	43.35
Service revenues <sup>/1</sup>	8.43	10.72	26.35	15.42
Total rental revenues	62.42	68.16	103.71	58.77
Repair and maintenance revenues <sup>/2</sup>	1.78	2.24	2.01	1.06

*Source: Hemaraj*

*Remarks: <sup>/1</sup>Service revenues are revenues collected according to service contracts which are related to the maintenance of the common area and properties*

*<sup>/2</sup>Repair and maintenance revenues consist of cleaning fees, general repairs, security guards, preventative maintenance and building inspection fees*

Warehouses				
Breakdown of rental and service revenues (THB million)	For the year ended 31 December			For the 6-month period ended 30 June
	2014	2015	2014	2015
Main rental revenues	-	-	3.34	4.03
Service revenues <sup>/1</sup>	-	-	2.23	2.68
Total rental revenues	-	-	5.57	6.71
Repair and maintenance revenues <sup>/2</sup>	0.01	0.15	0.88	0.06

*Source: Hemaraj*

*Remarks: <sup>/1</sup>Service revenues are revenues collected according to service contracts which are related to the maintenance of the common area and properties*

*<sup>/2</sup>Repair and maintenance revenues consist of cleaning fees, general repairs, security guards, preventative maintenance and building inspection fees*

The acquisition details of the additional investment assets can be summarized as follows

Type of Asset	Detached Building Factory Assets		Attached Building Factory Assets in Total		Warehouse Assets in Total	
Nature of the HREIT's asset acquisition (overview)	Leasehold right of land and buildings for 30 years from the commencement date of the lease period and right to extend the lease for another 30 years					
	Land	Total area (approximately) 37-1-15.416	Land	Total area (approximately) 9-2-52	Land	Total area (approximately) 4-1-78.5
	Building	7 units of approximately 30,056 Sq.m. of building area	Building	12 units of approximately 17,496 Sq.m. of building area	Building	2 units of approximately 7,579 Sq.m. of building area
Nature of the HREIT's asset acquisition separated by project / industrial estate	Hemaraj Eastern Seaboard Industrial Estate	3 units of approximately 17,632 Sq.m. of total area	Eastern Seaboard Industrial Estate (Rayong)	5 units of approximately 9,828 Sq.m. of total area	Hemaraj Logistics Park4	2 units of approximately 7,579 Sq.m. of total area
		Entirely leased by lessees		Entirely leased by lessees		Entirely leased by lessees
		Approximately 9,859 Sq.m. of usable rooftop area		Approximately 5,249 Sq.m. of usable rooftop area		Approximately 4,268 Sq.m. of usable rooftop area
	Eastern Seaboard Industrial Estate (Rayong)	2 units of approximately 5,944 Sq.m. of total area	Hemaraj Saraburi Industrial Land	5 units of approximately 5,616 Sq.m. of total area		
		Entirely leased by lessees		Entirely leased by lessees		
		Approximately 3,053 Sq.m. of usable rooftop area		Approximately 2,938 Sq.m. of usable rooftop area		
	Hemaraj Saraburi Industrial Land	2 units of approximately 6,480 Sq.m. of total area	Hemaraj Chonburi Industrial Estate (HCIE)	2 units of approximately 2,052 Sq.m. of total area		
		Entirely leased by lessees		Entirely leased by lessees		
		Approximately 3,456 Sq.m. of usable rooftop area		Approximately 1,058 Sq.m. of usable rooftop area		
Average age of building	6.43		3.82		3.96	



Source: Hemaraj

Remarks: Information as of 30 June 2017

<sup>1</sup>The average building ages are the are-weighted average warehouses and factories of each project

## 2) Investment Value in Comparison to Appraised Value by the Income Approach

The appraisers of the additional assets are both approved by the SEC and select the income approach as the valuation of the assets' market price. The REIT Manager and the Financial Advisor have reviewed the key assumptions that were used by the appraisers in the valuation of the additional assets and did not find any assumptions inappropriate. However, the actual operating results may differ from the assumptions or situations may not be as foreseen.

Valuations by income approach for the additional assets are as follows

Valuation	Appraisals (THB) <sup>1</sup>	
	TAP Valuation Co., Ltd.	15 Business Advisory Ltd.
Asset value under the REIT conditions <sup>3</sup>	1,545,070,000	1,537,000,000
Maximum investment value	1,690,000,000	
Excess over minimum appraised value (per cent)	9.95	

*Remarks:* <sup>1</sup> The valuations are appraised values as of 1 January which is the expected investment date

<sup>2</sup> The total asset value under the REIT conditions include 30 years of lease with the right to extend the lease for another 30 years

<sup>3</sup> Please consider the details of appraisal assumptions in Part 2

## 3) Appraised Value by Replacement Cost Approach

The stated values are used as benchmarks in determining the insurance coverage for the buildings only

Unit: THB million	TAP Valuation Co., Ltd.	15 Business Advisory Ltd.
Replacement costs of buildings (before depreciation), not including land and foundation works (THB million) <sup>1</sup>	640.65	480.28

*Remarks:* The appraised value by TAP Valuation Co., Ltd. is as at 21 and 23 March 2017 and the appraised value by 5 Business Advisory Ltd. is as at 1 May 2017

<sup>1</sup>The appraisers' assume the foundation works' value at 10% of the new replacement costs

## 4) Benefit Procurement

The Company, as the REIT Manager, has the objective in procuring benefits from the investment that are at an appropriate level and sustainable. After the investment in the additional assets, obtaining the right to lease the land and factory and warehouse buildings, the REIT Manager has the policy of subleasing the assets to tenants, where the REIT Manager will appoint Hemaraj, who is experienced in managing factories and warehouses, to be the Property Manager, with the roles in procuring tenants and prospects who are interested in using the service or renting space in the assets, as well as negotiating contracts with the prospects. Moreover, the Property Manager is also

responsible for marketing by making contacts with target clients directly or through third-party agents.

5) Past operating results of the additional assets

Factories and Warehouses	31 Dec 2014	31 Dec 2015	31 Dec 2016	30 Jun 2017
Occupancy Rate	46.0%	51.7%	100.0%	100.0%
Hemaraj Eastern Seaboard Industrial Estate (HESIE)	73.1%	73.1%	100.0%	100.0%
Eastern Seaboard Industrial Estate (Rayong) (ESIE)	-	19.1%	100.0%	100.0%
Hemaraj Chonburi Industrial Estate (HCIE)	43.9%	43.9%	100%	100%
Hemaraj Saraburi Industrial Land (HSIL)	100%	100%	100%	100%
Hemaraj Logistics Park 4 (HLP4)	-	-	100%	100%
<b>Factories</b>				
Occupancy Rate	53.6%	60.2%	100.0%	100.0%
Average Rental Rate (THB/sq.m./month)	225	221	204	206
Leasable Area (sq.m.)	45,616	45,616	47,552	47,552
Number of finished units	18	18	19	19
<b>Warehouses</b>				
Occupancy Rate	0.0%	0.0%	100.0%	100.0%
Average Rental Rate (THB/sq.m./month)	-	-	147	147
Leasable Area (sq.m.)	7,579	7,579	7,579	7,579
Number of finished units	2	2	2	2

*Source: Hemaraj*

*Remark: The occupancy rates are calculated as the occupied are divided by the total are as of the end of each quarter*

However, the Additional Assets are new and were constructed and completed during the economic slowdown in 2014-2015, resulting in the period seeing slow additions of new factory and warehouse tenants. Moreover, during this period, the BOI was in the process of appointing a new set of committees to replace the previous set that had finished their terms in the late 2013. Which resulted in promotion applications not being processed and a delay in issuing promotion approvals to businesses who had submitted their applications. These factors had impacted the property leasing situation. However, in 2016, the economy gradually recovered and had seen incoming tenants

during the same period, where eventually the occupancy rate of the Additional Assets reached 100 per cent. Therefore, the period of vacancy that took place may not be an accurate representation of the assets' real potential.

6) Key Additional Details Regarding the Right to Extend the Lease for Another 30 Years

HREIT will invest in the 30-year leasehold right over land and buildings and the asset owners grant HREIT the right to extend the lease for another 30 years, for a rental fee of THB 100 million. In addition, to mitigate the risks that HREIT cannot execute the lease extension option due to the asset owners being uncooperative, HREIT has secured a representation clause in the lease agreement where the asset owners shall not sell or dispose of the Additional Assets and agree to mortgage the Additional Assets to HREIT as a collateral to ensure that the asset owners shall comply with the lease agreement and HREIT's right in the event that the asset owners default on the lease agreement or are in a bankruptcy. Details are as follows.

The sources of financing the lease extension at year 30 for the extension of the lease for another 30 years: HREIT is obliged to find THB 100 million for the rental fee and THB 1.1 million for the lease registration, to be paid at year 30. The REIT Manager views that there are multiple sources of funds that can be used to extend the lease for another 30 years, such as, borrowing, reserves from operating income, and a capital increase, where one or more sources of funds can be utilized, considering the situation at the time, including interest rates, investment opportunities for HREIT, and other economic factors, keeping in mind the highest benefits for the unitholders. The REIT Manager and Financial Advisor have an initial opinion where borrowing might be the appropriate and beneficial option for paying the extended rental fee, because the cost of borrowing is lowest when compared to other types of funding. However, HREIT may use another source of funding in combination with the borrowing, where in the process of the consideration of the sources of funding, HREIT will comply with the lease agreement, the Trust Deed, as related regulations.

The mortgage of the additional assets to secure the right to extend the lease for another 30 years: As a mitigation of the risks related to HREIT not being able to execute the lease extension, the asset owners agrees to mortgage the additional assets as a collateral, which include the total leasable area of 55,131 square meters and the mortgaged land (whole title deeds) totaling 8 title deeds covering a land area of approximately 86 rai 3 ngan 25.8 square wah, where the total land to be invested in by HREIT (whole title deeds and parts of title deeds) totaling 14 title deeds covering a land area of approximately 51 rai 1 ngan 45.916 square wah, because only mortgages of whole title deeds are legally allowed. Therefore, 1) Some land title deeds are not mortgaged because the land plot also contains existing construction and/or the land plot will be under development that are not part of HREIT's investment but covers the majority of the land plot area, and the asset owner cannot split the title deeds in order to mortgage the part of the land where the

buildings of the Additional Assets are located due to legal limitations, such as requirements of space between buildings, entrances and exit requirements, etc. (this situation results in the number of mortgaged title deeds being less than the number of land title deeds it will invest in) and 2) Some of the land plots that are mortgaged to HREIT are the land plots where the Additional Assets' building are located on the majority of the land plot area (this situation results in the area mortgaged to HREIT being higher than the actual area that HREIT will invest in)

In the event that the asset owners do not comply with the requirements as stated in the lease agreement resulting in HREIT not being able to execute the lease extension, HREIT may, by way of legal procedures, enforce the collateral in order to obtain cash to compensate for any costs of damages incurred by HREIT (where HREIT has the right to receive a compensation amount higher than the mortgage amount). HREIT has the preemptive right over the cash obtained from the liquidation of the mortgaged assets. If the collateral enforcement results in the compensation amount being less than the costs of the damages born by HREIT, HREIT is entitled to seek compensations from the asset owners for the damages caused.

(Please consider the additional details in Part 2 *Additional Details Relating to the Lease Extension for Another 30 Years* and Part 2 Section 2.4 *Summaries of Key Agreements*)

#### 7) Rental Income Compensation

The asset owners agree to compensate the REIT for the vacant units for 3 years from the commencement of the lease agreement at the following rental rates

Asset type	Locations	Rental Compensation Rate (THB/sq.m./month)
Factories - Attached Building type	ESIE, HCIE, HSIL	185
Factories - Detached Building type	HESIE, ESIE, HSIL	206
Warehouses	HLP4	147

Moreover, the asset owners agree that, during the undertaking period, if the rental rate of any unit falls below the Rental Compensation Rate, the asset owners agree to pay the difference to HREIT (only applies to leases that commence after the undertaking agreement comes into effect).

The abovementioned requirement (where the asset owners pay the difference between the actual rental rate and the compensation rate) is a new condition in the Undertaking Agreement, where the previous requirement only requires the asset owners to pay rents for vacant units (please find more details regarding the rental compensations, repair and replacement expenses, and land taxes in Part 2 Section 2.4 *Summaries of Key Agreements*). However, the existing undertaking agreement that was entered executed at the time of the first investment will also be amended to include the additional requirement, where the asset owners shall pay the difference between the rental rate and

the compensation rate for each asset type (this only applies to leases that commence after the amendment of the existing undertaking agreement).

The requirement for the asset owners to pay the differences is a measure that will support HREIT in its operating efficiency, amidst the worries of business operators regarding the economy and the unclear direction of government policies, coupled with increased competition, which has affected the operating results of HREIT's existing assets and its tenant procurements.

The operating results of HREIT's existing assets since the investment date are shown below:

	4 <sup>th</sup> Quarter 2016	1 <sup>st</sup> Quarter 2017	2 <sup>nd</sup> Quarter 2017
Occupancy rate as of the end of the quarter (per cent)	82.73	79.63	80.53

As shown above, the occupancy rate in the 2 quarters after HREIT's first investment has been lower than the occupancy rate at the end of 2016. However, the occupancy rate in the 2<sup>nd</sup> quarter of 2017 has shown some improvement from the 1<sup>st</sup> quarter, following a relieve in business operators' worries regarding the economy and the unclear government policies.

However, in the 3<sup>rd</sup> quarter of 2017, a major tenant of HREIT, an operator in the automobile industry, declared its intention to not renew its leases that would expire in September 2017, and some additional leases expiring in February 2018, due to its export expansion plan and requirement for a larger area leading to its purchase of land within the asset owners' industrial estate and constructing its own factories. The lease agreements of this tenant cover 12.52 per cent of the total leasable area of HREIT (or 10.34 per cent of the post-capital increase leasable area). Please find more details regarding the leasable area of the additional assets in Part 2 Section 2.2). If considering the projected rental rates, based on conservative assumptions where there are no replacement tenants until February 2018 when the remaining leases of this tenant expire, the occupancy rate after taking into account the leaving of the major tenant would have been be 68.01 per cent as of the end of the 2<sup>nd</sup> quarter of 2017. Nevertheless, the REIT Manager's continuing efforts in finding new tenants have resulted in additions of new tenants during the 3<sup>rd</sup> quarter up until the present (4<sup>th</sup> quarter of 2017) and there are prospective clients who are in their selection process, which may result in more tenant additions.

However, the new compensation scheme has both pros and cons. On the one hand, the requirement for the asset owners to pay the rental rate differences will help increase the efficiency of the tenant procurement process, giving more flexibility in marketing, for example, allowing offering discounts or rent-free months to attract prospects and increase the process of filling vacancies, and this scheme will increase the total revenues of HREIT as it will receive minimum revenues from all units. On the other hand, this scheme of having the asset owners pay the

differences may lead to the Property Manager leasing out to new tenants or making renewal contracts at lower rental rates in order to maintain occupancy, while the Property Manager is only required to pay the difference between the rental rates and the compensated rates. In this case, if HREIT reduces its rental rates by too much, its overall revenues may drop in the long-run, despite the increased occupancy.

The analysis of the asset owners' financial abilities: As the asset owners will enter into the Undertaking Agreement where they undertake to compensate for the vacant units and low rental rates, absorb the repair and replacement expenses relating to the additional assets, and as the lessors in the lease agreements where they agree to pay land taxes related to the Additional Assets, as well as taking responsibilities for damages that result from a default on the Undertaking Agreement, the Financial Advisor has considered their ability to comply with the Undertaking Agreement and the lease agreements. The asset owners include: Eastern Seaboard Industrial Estate (Rayong) Co., Ltd., Hemaraj Eastern Seaboard Industrial Estate Co., Ltd., and SME Factories Co., Limited, which are subsidiaries of Hemaraj. It has reviewed the operating results and financial positions of Hemaraj and has the view that the asset owners have sufficient ability to comply with the aforementioned agreements. From the operating results of Hemaraj and its subsidiaries, from the financial statements for the year ended 31 December 2016 and for the quarter ended 31 March 2017, Hemaraj has total assets of THB 49,619 million and THB 50,436 million, EBITDA of THB 7,718 million and THB 911 million, and the net income attributable to the shareholders of the company of THB 5,171 million and THB 498 million, respectively. The asset owners will also receive the proceeds from the sale of the Additional Assets of up to THB 1,690 million. Moreover, when considering the 2016 EBITDA, its debt obligations, interest obligations, and its obligations according to the existing undertaking agreement in the coming 1-year period, it can be seen the Hemaraj has sufficient EBITDA to support its obligations under the aforementioned agreements. In addition, Hemaraj has a TRIS credit rating of BBB+, as of 16 December 2016, which suggests that the asset owners have sufficient financial ability to comply with the aforementioned agreements (please consider the analysis of the asset owners' financial abilities in Section 2.2 *Information of the Additional Assets*).

## 1.6 Borrowing

In this capital increase, HREIT will take out a long-term loan of no more than THB 600 million for the investment in the Additional Assets, where it may enter into a loan agreement with Siam Commercial Bank Public Company Limited (the "Lender") who is a related person of the Trustee (please find more details in Part 2 Section 2.6.3 *Relationships and Rationales of Borrowing from a Related Person and the Opinion on the Loan Terms and Conditions*). The loan has a term of 5 years with the entire amount is

due at the end of the 5-year term or with partial amortizations as stated in the Loan Agreement (Please find more details in Part 2 Section 2.6.1 *Summary of the Loan Agreement*).

#### 1.7 Projected Income Statement and Distribution in the First Year after the Additional Investment

The information presented in the section is not historical facts but is a projection (Forward-looking Statement) where such information is based on a number of assumptions as stated in Appendix 4 *Projected Income Statement and Distribution for the period from 1 January 2018 to 31 December 2018* and is subject to risks and uncertainties, which may cause the actual results to significantly differ from the projection. The REIT Manager and Financial Advisor do not certify or warrant the information in this section and do not guarantee the projections as well as do not guarantee that the projected results will be achieved or accurate, because the information are based on situation assumptions only.

The actual revenues and distributions to the unitholders may differ from the projected revenues and projected distributions. Moreover, the projected income and dividends do not reflect incidences that occurred after the issuance of this pro forma.

Information presented here are based on many assumptions. Although, numbers are presented, which are deemed reasonable by the REIT Manager and the Financial Advisor as of the date of the preparation of the pro forma, the assumptions and projections are subject to uncertainties and risks related to business, economics, politics, competition, etc., which are not under the control of the REIT Manager and the Financial Advisor. Therefore, the REIT Manager and the Financial Advisor cannot guarantee that the projected operating results will occur, therefore the financial information that are estimated in this pro forma may significantly differ from the actual operating result. Investors shall carefully study the assumptions and use this pro forma with caution.

#### Projected Income Statement and Distribution for the period from 1 January 2018 to 31 December 2018

Unit: THB million

	Existing Immovable Properties <sup>1</sup>	Immovable Properties after Additional Investment <sup>2</sup>
Rental and service revenues	477.97	606.83
Roof rental revenues	4.87	5.91
Compensated rental revenues	102.57	102.65
Interest income	3.50	4.32
<b>Total revenues</b>	<b>588.91</b>	<b>719.71</b>



Property management related expenses	(29.00)	(33.06)
<b>Net profit of immovable properties</b>	<b>559.91</b>	<b>686.65</b>
REIT Management Fees	(32.14)	(35.20)
Amortized Issuance Costs	(0.73)	(15.67)
Financial expenses	(100.43)	(124.97)
<b>Net profit distributable</b>	<b>426.61</b>	<b>510.81</b>
<u>Add</u> Excess liquidity from amortized Issuance Costs	0.73	15.67
<u>Deduct</u> Non-cash rental and service revenues	(2.21)	(4.34)
<u>Add</u> Amortization loan fee and interest expense calculated at the effective interest rate.	9.18	12.00
<u>Add</u> Value added tax receivable	-	1.14
<b>Net cash that can be distributed through dividends and capital reduction</b>	<b>434.31</b>	<b>535.28</b>
Expected profit to be distributed through dividends and capital reduction (%)	100.0	100.0
Expected profit to be distributed through dividends and capital reduction including	434.31	535.28
Number of trust units (Million units)*	569.36	695.49 <sup>3</sup>
<b>Expected rate of profit distribution through dividends and capital reduction per unit (Baht)</b>		
- Distribution of profit per unit (Baht)	0.749	0.734
- Distribution of capital per unit (Baht)	0.014	0.036
<b>Distribution of profit and capital per unit (Baht)</b>	<b>0.763</b>	<b>0.770</b>

Remarks:

<sup>1</sup> Rental and service revenues of the existing assets and the additional assets are presented on a straight-line basis, where the cash income from rents and services of THB 476.31 million and 603.16 million are adjusted by non-cash differences of THB 1.66 million and THB 3.67 million, respectively.

<sup>2</sup> Rental income from the rooftop lease is presented on a straight-line basis throughout the lease and renewed lease periods, with cash rental incomes of THB 4.32 million and THB 5.24 million adjusted by non-cash differences of THB 0.55 million and THB 0.67 million, respectively.

<sup>3</sup> The stated number of units are for calculation purposes only, which assumes additional units of 126.13 units. The actual number of issued units may be higher, lower, or equal to the estimated number, where the presented number of units are based on an issue price of THB 9.50 per unit.

<sup>/4</sup> Existing Immovable Properties refers to the assets that HREIT has already invested in as of the present

<sup>/5</sup> Immovable Properties after Additional Investment refers to the existing assets and the additional assets

<sup>/6</sup> HREIT incurs higher issuance expenses compared to the previous investment because the expenses in the previous investment were mostly born by the asset owners, whereas the issuance costs for the capital increase are born the HREIT

<sup>/7</sup> The assumed payout ratio of 100 per cent is due to the fact that HREIT does not have any other expenses than the normal operating expenses, while the asset owners will be responsible for major renovations that take place in the first 5 years. Therefore, there is no need to reserve money for the near future, and distributing all cash to the unitholders will yield the highest benefits.

### 1.8 All fees and Expenses charged to the subscribers, Trust Unitholders, or the REIT

Estimated fees and expenses for the first 12 months of operation after the additional investment

- All fees and all expenses that are incurred which do not include all fees and expenses incurred at investment not more than 5.0% of NAV <sup>/1</sup>
- Fees and expenses at capital increase or acquisition not more than 8.0% of NAV <sup>/1</sup>

All Fees and Expenditures	Ceiling percentage to NAV per year (not including VAT)	Rate expected to be charged (not including VAT)	Frequency
1. REIT Manager fees			
1.1) REIT Manager Base fee	0.75%	Not more than 0.25% of total assets, with a minimum fee of THB 12.5 million per year	Monthly
1.2) Acquisition/ Disposal fee	Actual	Not more than 0.75% of acquisition value in the event of an acquisition from a related person, not more than 1.00% of acquisition value in the event of an acquisition from a non-related person, and 0.50% of the disposal price in the event of an asset disposition	
2. Trustee and Custodian fees	0.75%	Not more than 0.25% of total assets, with a minimum fee of THB 8 million per year	Monthly
3. Registrar fee	0.50% <sup>/2</sup>	Not more than 0.50% of registered capital per year	Monthly
4. Property Manager fee			
4.1) Property Management fees		Years 1 - 5 : 1.75 per cent of operating income Years 6 - 10 : 5 per cent of operating income	Monthly
4.2) Commission fee (1) Existing tenants' renewals (2) New tenants	3.00%	0.5 months (for lease contracts longer than 1 year but less than 3 years, the fee is calculated on a pro rate basis) 1 month (for lease contracts longer than 1 year but less than 3 years, the fee is calculated on a pro rate basis)	As incurred
4.3) Repair, maintenance, construction, renovation, and real estate development supervising fee	Actual	Not more than 2.0% of value of the repair, maintenance, construction, renovation, and real estate development (in the case where the REIT Manager appoints the Property Manager to the duty)	
5. Agent fees (external agents)	1.00%	Not more than 3 months' worth of rental and service fee	
6. SET annual fee	0.05% <sup>/3</sup>	Not more than 0.05% of paid-up capital	Annually

All Fees and Expenditures	Ceiling percentage to NAV per year (not including VAT)	Rate expected to be charged (not including VAT)	Frequency
7. Insurance	0.50%	As incurred	
8. Other (other expenses specified in Part 2 Section 11 Fees and expenses charged to REIT)	Actual	As incurred	

Remarks:<sup>1</sup> Ceiling as % of NAV per year or after each transaction (exclusive of VAT)<sup>2</sup> Subject to change by the TSD<sup>3</sup> Subject to change as announced by the SET

## 1.9 Conditions to Cancel the Capital Increase

The Capital Increase is subject to the cancellation conditions as follows:

- (1) the aggregate value of the subscribed Trust Units and the borrowings from other persons (if any) is not sufficient for the REIT's planned investment in assets;
- (2) the allocation of the Trust Units to any person, Person in the Same Group, the Underwriter, the Settlers, the Trustee, the REIT Manager or foreign investors does not comply with the ratio or the rules specified in relevant SEC regulations and it cannot be rectified;
- (3) there is a force majeure event, and material change in financial laws, economy, securities market conditions, or domestic or international politics, or a material change that has an effect on the investment assets
- (4) there is an event that causes the SEC or a government agency to halt the offering or the offered securities cannot be delivered
- (5) any other event occurs that is specified in the termination clause in the underwriting agreement

## 2. Major Risk Factors on Investing in the Trust Units

Investment in HREIT contains risks. Please consider the risk factors carefully before investing. This part contains only a summary of risk factors of investing the Trust Units of the REIT. Please see further details of risk factors in Part 2 Section 1 (*Risk Factors*)

### 2.1 Risks Relating to the REIT or the Operation of the REIT

- 2.1.1 The assumptions in the projected income statement and projected distribution contain uncertainties and are subject to risks related to business, economics, finance, relevant regulations, and competition, which may cause the actual operating results to be significantly different and result in a significant change in HREIT's value
- 2.1.2 Risks from the fact that the REIT has to depend on the REIT Manager and Property Manager in generating benefits from and managing utilisation of the assets
- 2.1.3 Risks that HREIT may lose the REIT Manager/Property Manager or the REIT Manager and/or the Property Manager may lose important high-level employees and employees who have expertise in real estates

- 2.1.4 Risks relating to the sources of funding for the payment of the 30-year extended lease period and risks that HREIT may not be able to execute the lease extension
  - 2.1.5 Risks from conflict of interest that may arise
  - 2.1.6 The revenues of HREIT depend on the financial statuses of the tenants and their decisions to renew the lease and service agreement at expiry
  - 2.1.7 Risks that the tenants do not agree to enter into lease agreements with HREIT
  - 2.1.8 Risks that HREIT cannot procure benefits from the assets due to the default of a counter party in an investment agreement or property management agreement
  - 2.1.9 Risks of damages from the installation of solar rooftop equipment and the solar power generating business operation by WHA Utilities and Power Public Company Limited
  - 2.1.10 Risks that the asset owners still have the right to construct buildings in the expandable areas that are attached to HREIT's properties
  - 2.1.11 Risks that may arise from the REIT's borrowings
  - 2.1.12 HREIT is dependent on the asset owners or persons appointed by the asset owners in the management of utilities services
  - 2.1.13 Risks that HREIT is not able to find tenants after the end of the undertaking period
  - 2.1.14 Risks from the rental difference compensation
- 2.2 Risks Related to the Main Assets of HREIT**
- 2.2.1 Risks from increased competition which may affect tenant procurements, rental rates, and occupancy rates
  - 2.2.2 Risks from the concentration of tenants and/or industries and/or nationalities
  - 2.2.3 Risks from the termination by a major tenant in HREIT's existing assets
  - 2.2.4 Risks relating to the tenant procurements towards the end of HREIT's lease term
  - 2.2.5 The additional assets may be damaged or defective, non-compliant with the laws, or may contain other flaws
  - 2.2.6 Risks that the value of the assets as appraised by appraisers is not the true representation of the assets' value and there is no guarantee that the value of the assets will be in accordance with the appraised values, both at the present and in the future
  - 2.2.7 Risks that HREIT may invest in the additional assets at a value higher than the appraised value of the additional asset, which may result in an unrealized loss and subsequent capital reductions

- 2.2.8 Risks that the value of leasehold investments decreases over time
- 2.2.9 Risks from deterioration of the assets during the lease period and/or risks that HREIT does not have sufficient reserves for repairs or major renovations
- 2.2.10 Risks related to industrial estate licenses

### **2.3 Risks Related to the Investment in Real Estates**

- 2.3.1 General risks of real estate investments
- 2.3.2 HREIT may face a negative impact from illiquidity from investing in real estates and lack of alternatives in benefits procurement
- 2.3.3 Political risks
- 2.3.4 Changes in accounting standard or relevant laws
- 2.3.5 Risks of expropriation
- 2.3.6 Risks that the assets of HREIT may incur more expenses including operating expenses
- 2.3.7 Risks that insurance proceeds may not cover economic losses faced by HREIT and risks of losing revenues during reconstructions in the event that a damage occurs
- 2.3.8 Risks arising from natural disasters, floods, and terrorism

### **2.4 Risk relating to Investment in Trust Units**

- 2.4.1 Risks arising from the fact that the price of Trust Units may decrease following the offering of the trust units
- 2.4.2 Changes in tax regulations relevant to the investment in REIT units
- 2.4.3 Unitholders cannot redeem the trust units
- 2.4.4 The market value of the Trust Unit may decrease if the offering price of the additional units is lower than the market price
- 2.4.5 The sale of the Trust Units of Hemaraj and/or its related persons may significantly affect the market price in the secondary market
- 2.4.6 The capital return at the close of the REIT may be lower than the initial investment amount
- 2.4.7 Risks which may arise from cancellation of the offering of all Trust Units
- 2.4.8 Risks arising from control dilution of former Trust Unitholders
- 2.4.9 Risks relating to the registration of Trust Units as registered securities and the trading of Trust Units on the SET