

HEMARAJ LEASEHOLD REAL ESTATE INVESTMENT TRUST

PROJECTED INCOME AND DISTRIBUTION STATEMENTS

FOR THE YEAR FROM 1 JANUARY 2018 TO 31 DECEMBER 2018



AUDITOR'S REPORT

To Hemaraj REIT Management Co., Ltd. as the Trust manager of Hemaraj Leasehold Real Estate Investment Trust ("the Trust")

I have examined the projected income and distribution statements for the year from 1 January 2018 to 31 December 2018 ("the projected income and distribution statements") of Hemaraj Leasehold Real Estate Investment Trust in accordance with the Thai Standard on Assurance Engagements 3400, "The examination of prospective financial information". The projected income and distribution statements comprise information relating to the projected income and distribution statements, related assumptions, and notes to the projected income and distribution statements.

Management's Responsibility

The management of Hemaraj REIT Management Co., Ltd. is solely responsible for the projected income and distribution statements including the general information and assumptions set out in the notes to the projected income and distribution statements.

Auditor's Responsibility

My responsibility is to express an opinion on the projected income and distribution statements in accordance with the Thai Standard on Assurance Engagements 3400, "The examination of prospective financial information".

The projected income and distribution statements have been prepared solely to be included in the offering memorandum for enlargement No. 1 to be issued in connection with the investment in leasehold in land, factories, and warehouses of projects. As the leasehold right of properties has not yet been transferred to the Trust, in order to assess the future performance of the Trust, the assumptions that are used for the projected income and distribution statements include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, users are warned that this projection may not be appropriate for any purpose other than that described above.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the projections since other anticipated events frequently do not occur as expected and this variation may be material. Actual results may therefore differ materially from those projected. For these reasons, I do not express any opinion on the possibility that the projected income and distribution statements to unitholders will achieve what these projections suggest.

The projected income and distribution statements for the year from 1 January 2018 to 31 December 2018 contain information relating to the projected income and distribution statements, related assumptions, and notes to the projected income and distribution statements. However, they are not a complete set of financial statements. Therefore, the projected income and distribution statements for the year from 1 January 2018 to 31 December 2018 do not present fairly the financial position, the results of operations and cash flows in accordance with the financial reporting standards.



Opinion

Based on my examination of the evidence supporting the significant assumptions, nothing has come to my attention which causes me to believe that these significant assumptions do not provide a reasonable basis for the projected income and distribution statements. Furthermore, in my opinion, the projected income and distribution statements have been properly prepared on the basis of significant assumptions, and are consistent with the accounting policies of the Trust as set out in the notes to the projected income and distribution statements.

Restriction on use

The projected income and distribution statements that the Trust planned to invest, including the auditor's report, have been prepared for and only for Hemaraj REIT Management Co., Ltd. as the Trust manager of Hemaraj Leasehold Real Estate Investment Trust, and are solely to be included in the offering memorandum for enlargement No. 1 to be issued in connection with the investment in leasehold in land, factories, and warehouses of projects and for no other purpose. I do not have the duty to accept any responsibility for this information being used by other parties or for any other purpose than that described in this report.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in blue ink, appearing to read "Chanchai Chaiprasit".

Chanchai Chaiprasit

Certified Public Accountant (Thailand) No. 3760

Bangkok

25 May 2017

Hemaraj Leasehold Real Estate Investment Trust
Projected Income and Distribution Statements
For the year from 1 January 2018 to 31 December 2018

	Notes	Existing Properties⁴ Million Baht	Enlarged Properties⁵ Million Baht
Rental and service income ¹	2.1	477.97	606.83
Rooftop rental income ²	2.2	4.87	5.91
Compensate rental income	2.3	102.57	102.65
Interest income	2.4	3.50	4.32
Total revenue		588.91	719.71
Property management fee and operating expenses ³	2.5	(29.00)	(33.06)
Net property income		559.91	686.65
Management fee and trust operating expenses	2.6	(32.14)	(35.20)
Issuance costs amortisation	2.7	(0.73)	(15.67)
Interest expenses	2.8	(100.43)	(124.97)
Net profit available for profit distribution		426.61	510.81
<u>Add back</u> excess liquidity due to issuance costs amortisation		0.73	15.67
<u>Deduct</u> non-cash rental and service income		(2.21)	(4.34)
<u>Add back</u> amortisation of front-end fee and interest expense by effective interest method		9.18	12.00
<u>Add back</u> value added tax receivable	2.10	-	1.14
Net cash available for profit and capital distribution		434.31	535.28
Projected income and capital distribution rate (%)	2.12	100	100
Projected income and capital distribution (Million Baht)		434.31	535.28
Number of trust units (Million Units) ³		569.36	695.49
Projected income and capital distribution (Baht)			
- Profit distribution per unit (Baht)		0.749	0.734
- Capital distribution per unit (Baht)		0.014	0.036
Profit and capital distribution per unit (Baht)		0.763	0.770

- 1 Rental and service income are recognised on a straight-line basis over the period of lease contracts, which come from cash rentals and service income for existing properties of Baht 476.31 million and enlarged properties of Baht 603.16 million, adjusted with non-cash rentals and service income for existing properties of Baht 1.66 million and enlarged properties of Baht 3.67 million.
- 2 Rooftop rental income is recognised on a straight-line basis over the period of leased contracts, which come from cash rentals and service income for existing properties of Baht 4.32 million and enlarged properties of Baht 5.24 million, adjusted with non-cash rentals and service income for existing properties of Baht 0.55 million and enlarged properties of Baht 0.67 million.
- 3 The number of units presented are for calculation purposes only, calculated from the projected unit issued at a rate of Baht 10 per unit. Actual number of units issued may differ from projected units.
- 4 Existing properties are the current projects invested in by the Trust.
- 5 Enlarged properties are the existing properties and the new prospective properties.

1 General information

Hemaraj Leasehold Real Estate Investment Trust (“the Trust”) was established on 21 November 2016. The Trust’s stated objective is to seek funds (including borrowing) from general investors, investing in property leasehold property and generating benefit from such properties including improving, altering, developing or disposing of other assets in which the Trust invests or possesses whatever the lease, sub-lease or sale or other process for the benefit of the property and create revenue and returns to the Trust and the unitholders. This includes the investment in other assets or other securities or seeking other interests by other means as stipulated in the securities laws or other relevant laws.

The projected income and distribution statements have been prepared for offering to unitholders and other investors to aid their consideration of the planned enlargement. The Trust has planned a capital enlargement by a combining an offering of not more than 169 million new units and acquiring loans from financial institutions of not more than Baht 700 million to invest in additional leasehold properties with a total value of not more than Baht 1,690 million. The projected income and distribution statements cover the period of one year starting from 1 January 2018, the expected date of the planned enlargement.

Existing properties, representing properties invested in by the Trust as at 23 November 2016, comprise six projects of leaseholds in lands, factories, and warehouses including construction and other properties, which are component parts of land, and buildings, tools, equipment, infrastructures and other assets related to and necessary for the use of land and buildings in the project and utilisable rooftops as follows:

1. Hemaraj Eastern Seaboard Industrial Estate (HESIE)
2. Eastern Seaboard Industrial Estate (Rayong) (ESIE)
3. Hemaraj Chonburi Industrial Estate (HCIE)
4. Hemaraj Logistics Park 1
5. Hemaraj Logistics Park 2
6. Hemaraj Logistics Park 4

The properties in the planned enlargement comprise five projects of leaseholds in lands, factories, and warehouses including construction and other properties which are component parts of land, and buildings, tools, equipment, infrastructures and other assets related to and necessary for the use of land and buildings in the project and utilisable rooftops as follows:

1. Hemaraj Saraburi Industrial Land (HSIL)
2. Hemaraj Eastern Seaboard Industrial Estate (HESIE)
3. Eastern Seaboard Industrial Estate (Rayong) (ESIE)
4. Hemaraj Chonburi Industrial Estate (HCIE)
5. Hemaraj Logistics Park 4

1 General information (Cont'd)

Leased areas (excluding roof areas) for each project are as follow:

Project	Number of units	Area (Square metres)	Percentage of total leased areas
Existing properties			
Hemaraj Eastern Seaboard Industrial Estate (HESIE)	29	109,732	34.68
Eastern Seaboard Industrial Estate (Rayong) (ESIE)	34	41,980	13.27
Hemaraj Chonburi Industrial Estate (HCIE)	17	15,660	4.95
Hemaraj Logistics Park 1	2	16,820	5.31
Hemaraj Logistics Park 2	11	50,996	16.11
Hemaraj Logistics Park 4	8	26,126	8.26
Total existing properties	101	261,314	82.58
New prospective properties			
Hemaraj Saraburi Industrial Land (HSIL)	7	12,096	3.82
Hemaraj Eastern Seaboard Industrial Estate (HESIE)	3	17,632	5.57
Eastern Seaboard Industrial Estate (Rayong) (ESIE)	7	15,772	4.98
Hemaraj Chonburi Industrial Estate (HCIE)	2	2,052	0.65
Hemaraj Logistics Park 4	2	7,579	2.4
Total new perspective properties	21	55,131	17.42
Grand total	122	316,445	100.00

The projected income and distribution statements were authorised for issue by the Board of Directors on 25 May 2017.

2 Significant assumptions

The projected income and distribution statements for the year from 1 January 2018 to 31 December 2018 are based on assumptions that the Trust manager and the Property owner consider appropriate and reasonable at the date this financial information was prepared. However, investors should consider these assumptions and the projected income and distribution statements, and make their own assessment of the Trust's future performance.

2.1 Rental and service income

The Trust's income generated from the properties comprise rental and service income from rental land, factories, and warehouses and is based on the following assumptions:

For existing properties, the terms and rental and service fee rates follow the existing rental and service contracts between the leasee and the Trust in effect as at 31 March 2017 and rental and service contracts or letter of intention in effect as at 25 May 2016. The majority of contracts cover the period for which the projected income was prepared for the year from 1 January 2018 to 1 December 2018. The Trust manger's assumptions on existing properties are 84.43% occupancy rate.

2 Significant assumptions (Cont'd)

2.1 Rental and service income (Cont'd)

For new prospective properties, the terms and rental and service fee rates follow the existing rental and service contracts between the leasee and the Trust in effect as at 31 March 2017. The majority of contracts cover the period for which the projected income was prepared for the year from 1 January 2018 to 31 December 2018. The Trust manger's assumptions are a 99.99% occupancy rate.

The assumption on the occupancy rate after the existing rental and service contracts expire at 95.00% is not be more than the occupancy rate used by the independent properties appraisal.

During the period of projection, the leased areas for each rental and service contract that will end during the period covering the entire projected period is about 100,438 square metres, representing 38.44% of the total leased areas of existing properties and of 3,096 square metres, representing 5.62% of the total leased areas of new prospective properties. This may have an impact on the projected occupancy rate and rental and service income. Rental and service income are based on the assumption that a transfer of leaseholds in lands, factories, and warehouses from the property owner to the Trust will not impact the terms of existing rental and service contracts, when expired. Projected rental and service rental for existing and new contract consider the current rental rate, rate on renewal contract, market conditions, inflation, and demand for rental, etc. The projected rental and service rental as defined in contracts ("cash received rental and service income") for the projected period is Baht 476.31 million for the existing properties and Baht 126.85 million for new prospective properties. This rental and service income are not covered by the compensation rental income as disclosed in note 2.3.

2.2 Rooftop rental income

Rental income from rooftops is income from the sub-leasing of rooftop areas of factories and warehouses for solar energy systems. The terms of the sub-leases are defined by the rooftop rental contract between the Trust ("Sub leaser") and WHA Utilities and Power Public Company Limited ("Sub leasee"). The existing total utilisable rooftop areas are 141,301 square metres and, after enlargement, the total utilisable rooftop areas are 29,811 square metres with the rate of Baht 3 per square metre per month. The assumption is a 6% rental growth rate every three years. The existing rental contracts cover at least 85% of the total leased areas for three years. When the contract expires, the leasee shall renew the contract for four more terms at three years per term from the Trust's established date.

2.3 Compensation rental income

Compensation rental income is the income from the property owner as compensation for leaseholds that have been vacant for three years since the date of the contract between the Trust and Property owner. In particular, the start date from 23 November 2016 for existing properties and 1 January 2018 (expected date for planned enlargement) for new prospective properties. The rate refers to existing lease contracts for the existing properties and to draft lease contracts for new prospective properties. The rental rate is defined by the weighted average of the leased areas according to leased assets. Such compensation will cover up rental and service income as disclosed in note 2.1 in the absence of the leasee over the compensation period.

2 Significant assumptions (Cont'd)

2.3 Compensation rental income (Cont'd)

Projected income from compensation rental income for vacant properties for the year ended 1 January 2018 to 31 December 2018 can be summarised as follows;

Types of property	Compensation rental income rate per square metre (Baht)	Projected vacant leased areas per year (Square metre)	Estimated compensation rental income per year (Million Baht)
Existing properties			
Factories - Attached building	190	244,788	46.51
Factories - Detached building	200	64,321	12.86
Warehouses	155	278,712	43.20
Total existing properties		587,821	102.57
New prospective properties			
Factories - Attached building	185	432	0.08
Total new prospective properties		432	0.08
Grand Total		588,253	102.65

2.4 Interest income

Interest income generated from deposits received from the leasee, which will be put into short-term investments. Interest is recognised on an accrual basis at an assumed 2.00% per annum, which is in accordance with current market returns for a trust that has an investment in debt securities.

2.5 Property management fee and operating expenses

Property operating expenses comprise repairs and maintenance, insurance, security, commission, utilities, and other related expenses, and property management fees. The property management fee for the planned enlargement will be charged at the rate 1.75% per annum in years 1 - 5 and at the rate of 5% per annum in years 6 - 10 of rental and service income (excluding compensation rental income, rooftop rental income and value added tax). For existing properties, the property management fee is charged at the rate 2.00% per annum in years 1 - 5 and at the rate of 5% per annum in years 6 - 10 of rental and service income (excluding compensation rental income, rooftop rental income and value added tax). However, after the planned enlargement, the rate for existing properties will decrease by 0.25% per annum in years 1 - 5, from 2% to 1.75% per annum of rental and service income (excluding compensation rental income, rooftop rental income and value added tax). The property management fee is not adjusted by non-cash rental and service income which are recognised by the straight-line method.

2 Significant assumptions (Cont'd)

2.6 REIT management fee and trust operating expenses

REIT management fee is charged at a rate not exceeding 0.25% per annum of the Trust's total asset value (excluding value added tax) and not less than Baht 12.50 million per annum.

Trust operating expenses comprise trustee fee, registrar fee, and registration fee for the Stock Exchange of Thailand and Securities and Exchange Commission of Thailand, audit fee, consultancy fee, property appraisal fee, and other miscellaneous expenses. Trust operating expenses for the projected income and capital distribution for the year ended 31 December 2018 are defined based on existing draft contracts and related provisions.

Trustee fee is charged annually at a rate not exceeding 0.25% per annum of the Trust's net asset value (excluding value added tax) and not less than Baht 8.00 million per annum.

The registrar management fee (excluding value added tax) is charged annually at a rate not exceeding 0.043% per annum on the Trust's registered capital up to Baht 1,000 million, at a rate not exceeding 0.038% per annum on the registered capital exceeding Baht 1,000 million up to Baht 5,000 million and at rate exceeding 0.032% per annum on the registered capital exceeding Baht 5,000 million up to Baht 10,000 million (excluding value added tax).

2.7 Issuance costs amortisation

Issuance costs are amortised from related issuance costs, only the portion paid by the Trust (including value added tax). Issuance costs paid by the Trust are recognised as assets and amortised using the straight-line method over five years. For the planned enlargement, the Trust will be responsible for majority of expenses including consultancy fee, and issuance costs etc.

2.8 Interest expenses

Interest expenses from existing loan of Baht 2,325 million and additional long-term loan from a financial institutions, not exceeding Baht 700 million, have an interest rate based on the minimum loan rate (MLR), for which the interest rate in the projected year will not exceed MLR minus 1.50% per annum and the interest rate for the entire loan period will not exceed the MLR. The MLR refers to interest rates for conglomerate with the sound financial standing or with sufficient collateral support.

The front-end fee is recognised as an asset and amortised using the effective interest method.

2.9 Capital Expenditures

Projected income and capital distribution for the year ended 31 December 2018 assume no capital expenditures. The significant maintenance for leaseholds during the first five years shall be paid by property owners since the date of the contract between the Trust and property owner. In particular, the start date from 23 November 2016 for existing properties and 1 January 2018 (expected date for planned enlargement) for new prospective properties.

2.10 Value added tax receivable

The Trust has VAT receivables under the assumption that VAT receivables can be fully utilised. VAT receivables represents VAT in full from the purchase of properties and 34% VAT from issuance costs, a rate that refers to an average claimable input VAT of the Trust for the existing properties.

2 Significant assumptions (Cont'd)

2.11 Property appraisal

The Trust's investment in properties and leaseholds presents fair value and no depreciation in accordance with Thai Accounting Standard No. 106 "Accounting for Investment Companies". The Trust will arrange a properties and leaseholds' appraisal at least once every two years and will also review the appraisal at least once every year.

The projected income and distribution statements excludes the effect of unrealised gain or loss on subsequent change in property appraisal value.

2.12 Projected income and capital distribution rate

Projected income and capital distribution for the year ended 31 December 2018 is calculated at the assumed rate of 100% of the net cash available for profit distribution capital distribution, which is calculated from the net profit for profit distribution adjusted by excess liquidity due to issuance costs amortization, amortisation of front-end fee and interest expense by using the effective interest method, and non-cash rental and service income (if any). The actual profit and capital distribution rate may be different from the projection.

2.13 Accounting Standards

Projected income and capital distribution for the year ended 31 December 2018 have been prepared in accordance with applicable accounting standards or financial reporting standards in effect from the accounting period beginning 1 January 2017. The Trust assumes that applicable accounting standards, financial reporting standards, and financial reporting interpretation, and accounting standards interpretation in effect at date of projected income and capital distribution for the year ended 31 December 2018 have no significant impact on the projection.

2.14 Other assumptions

The projected income and distribution statements for the year ended 31 December 2018 are prepared on other assumptions as follows:

- 1) No change in properties during the projected year;
- 2) No further capital raised during the projected year;
- 3) No significant change in taxation legislation and other applicable legislation during the projected year;
- 4) All contracts or draft contracts are enforceable and will be performed in accordance with their terms;
- 5) No further capital raised during the projected year; and
- 6) No property tax during the projected year since property owners bear such a tax expense for three years from the start date of the leased contracts.

3 An English version

While every effort has been made to ensure consistency in translation between the Thai and the English version of the projected income and distribution statements, differences may nonetheless exist. In the event of discrepancy in interpretation between the two languages, the Thai language version of the projected income and distribution statements shall prevail.