

**Information Memorandum on the HREIT's Acquisition of Assets and Related Party Transactions (Persons Related to the REIT Manager)**

**1. The Investment in the Additional Investment Assets No.2**

1. Transaction date : After obtaining the approval from the Trust Unitholders' Meeting of HREIT, and the parties to the agreements in relation to the acquisition of assets of HREIT have already satisfied all of the condition precedents of such agreements, whereby the resolution of the Trust Unitholders' Meeting in this matter shall last 1 year from the date the Trust Unitholders' Meeting resolved the matter.
2. Counterparty and relationship with the REIT : WHA Industrial Building Company Limited (the "**Asset Owner's Company**") is the owner of the assets in which HREIT will make an additional investment No. 2. The Asset Owner's Company is a subsidiary of WHA Industrial Development Public Company Limited ("**WHAID**").
- The Asset Owner's Company has relationship with HREIT, whereby WHAID is the shareholder in the Company, who acts as the REIT Manager of HREIT, at the ratio equivalent to 99.99 percent and is one of the major Trust Unitholders of HREIT, including being the current Property Manager of HREIT.
3. Characteristics of Interest of the party related to the REIT Manager : WHAID is the interested person by being one of the major Trust Unitholders of HREIT and being the party whom HREIT wishes to appoint as the Property Manager of the Additional Investment Assets No. 2 after the acquisition of such assets, and the Asset Owner's Company who is the owner of the Additional Investment Assets is the subsidiary of WHAID.
4. General characteristics of the transaction : 1. HREIT will invest the funds received from the loan and the security deposits for lease and service in the investment of the Additional Investment Assets No. 2 through the receipt of 30-year leasehold rights in lands with buildings, factory (Ready-Built) buildings and office buildings, with the right to extend the lease for another 30 years and the ownership in other properties, which are related to the Additional Investment Assets No. 2 from the Asset Owner's Company at the total value of not exceeding Baht 477,000,000 (to be paid on the date of HREIT's investment in the Additional Investment Assets), which consists of the rental of lands and buildings and the purchase price of the relevant moveable properties used for the business operation within the leased properties

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(exclusive of value added tax, registration fee and specific business tax, including other relevant fees and expenses which shall be borne by HREIT). HREIT shall have the right to extend the lease for another 30 years. The rental for the renewed period will be at the amount of Baht 30,000,000 (which shall be paid when the lease agreement is renewed, exclusive of value added tax, registration fee and specific business tax, including other relevant fees and expenses which shall be borne by HREIT) whereby the details of the Additional Investment Assets No. 2 appear in Clause 5.

2. The funds to be used for the investment in the Additional Investment Assets No. 2 will be obtained from long-term loan in the amount of not exceeding Baht 420,000,000 and security deposits for lease and service which HREIT received from current lessees in the amount of not exceeding Baht 80,000,000. HREIT will procure short-term credit facility from financial institution for being a source of working capital (in the amount of not exceeding Baht 80,000,000) reserved in case that HREIT is required to return the security deposits for lease and service used for the investment in the Additional Investment Assets and may not have sufficient liquidity. Moreover, if HREIT is unable to procure such short-term credit facility in the amount of not exceeding Baht 80,000,000 from financial institution prior to HREIT's additional investment No. 2, the REIT Manager will request WHAID or group companies of WHAID to support the working capital reserved in case that HREIT is required to return the security deposits for lease and service used for the investment in the Additional Investment Assets No. 2. The request for financial support from WHAID or group companies of WHAID is subject to consideration of WHAID or group companies of WHAID, negotiation, conditions and relevant agreements between WHAID or group companies of WHAID and HREIT. The REIT Manager shall use its best endeavor to obtain the short-term credit facility from commercial bank prior to requesting financial support from WHAID or group companies of WHAID. Even if WHAID or group companies of WHAID provide such working capital support, the REIT Manager will continue to procure the short-term working capital from financial institution. WHAID or group companies of WHAID shall be released from its obligation to support such working capital when HREIT obtains the short-term credit facility from financial institution to replace the working capital support of WHAID

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or group companies of WHAID. In this regard, the conditions will be in accordance with the Undertaking Agreement that HREIT will enter into with WHAID.

3. At present, the area of the factory and office buildings has been fully occupied by lessee. However, HREIT will request the Asset Owner's Company to pay rental for the unoccupied leased properties and rental short of the minimum rental rate to HREIT for the period of 3 years from HREIT's investment date or until there is a lessee during such period. The conditions are in accordance with the Undertaking Agreement that HREIT will enter into with the Asset Owner's Company.
4. HREIT will request WHA Industrial Development Public Company Limited ("**WHAID**") or the Asset Owner's Company to pay the rental to HREIT for the leasable rooftop area for a period of 15 years from HREIT's investment date or until there is a lessee during such period (the "**Warranty Period**"). The conditions are in accordance with the Undertaking Agreement that HREIT will enter into with WHAID or the Asset Owner's Company. In this regard, during such Warranty Period, HREIT shall give first right to WHAID or the Asset Owner's Company and/or persons related to WHAID or the Asset Owner's Company to lease such rooftop before any third party for a lease term of no less than the remaining Warranty Period, and the rental rate shall not be less than the rental rate that WHAID or the Asset Owner's Company pays to HREIT at that time and equal to or not less than the rental rate proposed by any third party to HREIT.

In case when WHAID or the Asset Owner's Company and/or persons related to WHAID or the Asset Owner's Company has exercised the right to lease rooftop according to the aforementioned conditions on lease term and rental rate, WHAID or the Asset Owner's Company shall be released from its obligation to pay the rental of rooftop under the Undertaking Agreement. The conditions are in accordance with the Undertaking Agreement that HREIT will enter into with WHAID or the Asset Owner's Company.

During the Warranty Period, if WHAID or the Asset Owner's Company is able to procure a lessee to rent the said rooftop area with the rental period of not less than the remaining period of the Warranty Period of the rental payment of the rooftop pursuant to the terms and conditions and

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the rental rate that are not inferior than the existing, WHAID or the Asset Owner's Company does not have to pay the rent for the remaining rooftop area of the leased property for the part that WHAID or the Asset Owner's Company is able to procure the lessee for HREIT. However, if the lessee procured by WHAID or the Asset Owner's Company entered into the agreement for rooftop rental with the rental rate lower than the above rate, WHAID or the Asset Owner's Company is still obligate to pay the rental short for the said rooftop area to HREIT until the expiry of the Warranty Period. In this regards, the terms shall be in accordance with the Undertaking Agreement to be entered into between HREIT and WHAID or The Asset Owner's Company.

5. HREIT will appoint WHAID to be the Property Manager of the Additional Investment Assets.

6. This additional investment in the Additional Investment Assets, HREIT will make the investment by entering into:

(6.1) Land and Building Lease Agreement with the asset owner (which has an ownership over lands and buildings);

(6.2) Moveable Property Sale and Purchase Agreement with the asset owner which is the owner of other assets in such project;

(6.3) Mortgage Agreement (to accept asset mortgage); and

(6.4) Any relevant agreement, such as Property Manager Appointment Agreement, Undertaking Agreement etc.

5. Details of the Additional Investment Assets : The Additional Investment Assets consist of leasehold rights of lands and factory buildings as follows:

1. 8 units of attached building factory with a land area of approximately 6-0-48 rai, a building area of approximately 11,196 square meters;

2. 1 unit of detached building factory with a land area of approximately 6-3-50 rai, a building area of approximately 4,720 square meters;

3. A usable leased rooftop area of approximately 8,467 square meters.

Leasehold right of lands and factory buildings has the total land area of approximately 12-3-98 rai or 5,198 square wah, the total factory building area of approximately 15,916 square meters, and the usable leased rooftop area of approximately 8,467 square meters.

6. Size of the transaction and consideration : Related party transactions between HREIT and Persons Related to the Company in its capacity of the REIT Manager with the value of Baht 560.89 Million or equivalent to 9.08 percent of the Net Asset Value of HREIT.

Investment transaction in the Additional Investment Assets is at the total value of not exceeding Baht 477,000,000 or not exceeding 5.18% of Total Assets of HREIT, accounting to the reviewed financial statements ended 30 September 2018, (to be paid on the date of HREIT's investment in the Additional Investment Assets), which consists of the rental of lands and buildings and the purchase price of the relevant moveable properties used for the business operation within the leased properties (exclusive of value added tax, registration fee and specific business tax, including other related fees and expenses which shall be borne by HREIT). HREIT shall have the right to extend the lease for another 30 years. The rental for the renewed period will be at the amount of Baht 30,000,000 (which shall be paid when the lease agreement is renewed, exclusive of value added tax, registration fee and specific business tax, including other relevant fees and expenses which shall be borne by HREIT). The value of the assets to be invested in has been included in other related party transactions as follows:

1. The Asset Owner's Company will pay rental for the unoccupied leased properties or will pay rental short of the minimum rental rate of the factory and office buildings to HREIT for the period of 3 years from HREIT's investment date or until there is a lessee during such period at the following minimum rental rate:

<b>Attached Building Factory</b>	<b>Detached Building Factory</b>
Baht 193 per square meter	Baht 210 per square meter

The conditions are in accordance with the Undertaking Agreement that HREIT will enter into with the Asset Owner's Company.

2. WHA Industrial Development Public Company Limited (“**WHAID**”) will pay the rental to HREIT for the leasable rooftop area at the rate of Baht 3 per month for a period of 15 years from HREIT’s investment date or until there is a lessee during such period (the “**Warranty Period**”). The conditions are in accordance with the Undertaking Agreement that HREIT will enter into with WHAID. In this regard, during such Warranty Period, HREIT shall give first right to WHAID and/or persons related to WHAID to lease such rooftop before any third party for a lease term of no less than the remaining Warranty Period, and the rental rate shall not be less than the rental rate that WHAID pays to HREIT at that time and equal to or not less than the rental rate proposed by any third party to HREIT.

In case when WHAID and/or persons related to WHAID has exercised the right to lease rooftop according to the aforementioned conditions on lease term and rental rate, WHAID shall be released from its obligation to pay the rental of rooftop under the Undertaking Agreement. The conditions are in accordance with the Undertaking Agreement that HREIT will enter into with WHAID.

3. Financial support from WHAID or group companies of WHAID for the working capital of HREIT in the amount of not exceeding Baht 80,000,000 reserved in case that HREIT is required to return the security deposits for lease and service used for the investment in additional assets. The conditions are in accordance with the Undertaking Agreement that HREIT will enter into with WHAID.
4. With respect to the consideration payable to the Property Manager, WHAID will charge a Property Management Fee (exclusive of value added tax) from HREIT, which consists of:

(1) Management Fee as follows:

<b>Period</b>	<b>Management Fee</b>
1 <sup>st</sup> - 5 <sup>th</sup> year	1.75 percent of the Gross Property Operating Revenue
6 <sup>th</sup> - 10 <sup>th</sup> year	5 percent of the Gross Property Operating Revenue

5. Lessee Procurement Fee (in case the Property Manager recommends or procures)

- a) New lessees with the lease period equals to or more than 3 years, the Property Manager is entitled to a fee which equals to the amount of 1 -month rental that HREIT will receive. In the case of a lease less than 3 years, the Property Manager is entitled to a fee calculated on a pro rata basis by comparing the actual rental period to the standard lease period of 3 years. In the case where the period is less than or equals to 1 year and the Property Manager procures the lessee by itself, not engaging or assigning any agent or others to procure the lessee, the Property Manager shall not be entitled to the fee.
- b) Current lessees who will renew the lease agreement and the service agreement with HREIT with the lease period equals to or more than 3 years, the Property Manager is entitled to a fee which equals to the amount of 0.5-month rental that HREIT will receive. In the case of a lease period equals to or more than 1 year but less than 3 years, the Property Manager is entitled to a fee calculated on a pro rata basis by comparing the actual rental period to the standard lease period of 3 years. In the case where the period is less than or equals to 1 year and the Property Manager procures the lessee by itself, not engaging or assigning any agent or others to procure the lessee, the Property Manager shall not be entitled to the fee.

The conditions are in accordance with the Property Manager Appointment Agreement that HREIT will enter into with WHAID.

7. Value of assets to be invested : The value of the Additional Investment Assets shall not exceed Baht 477,000,000 (to be paid on the date of HREIT's investment in the Additional Investment Assets), which consists of the rental of lands and buildings and the purchase price of the relevant moveable properties used for the business operation within the leased properties (exclusive of value added tax, registration fee and specific business tax, including other related fees and expenses which shall be borne by HREIT), and HREIT shall have the right to extend the lease for another 30 years. The rental for the renewed period will be at the amount of Baht 30,000,000 (which shall be paid when the lease agreement is renewed, exclusive of value added tax, registration fee and specific business tax, including other relevant fees and expenses which shall be borne by HREIT).

The two independent appraisers, which are Siam City Appraisal Co., Ltd. and TAP Valuation Co., Ltd., have appraised the Additional Investment Assets by using Income Approach. In this regard, the price of investment shall be approximately 3.52 percent higher than the price obtained from the lowest property appraisal report received from the appraisal firms.

8. Criteria for determining the value of the consideration : 1. The value of the Additional Investment Assets will be determined by the return rate from the rental and the appraised values obtained by from the appraisal report of the two independent appraisers.
2. As the Property Management Fee rate, which shall be specified in the Property Manager Appointment Agreement, shall be in accordance with the rate to be agreed between HREIT and WHAID, and based on the financial projections of HREIT prepared by using the Property Management Fee rate to be specified in the Property Manager Appointment Agreement, such Property Management Fee calculation shall not diminish the benefit of HREIT while HREIT shall have a reasonable operating margin. The said rate of consideration payable to the Property Manager shall be comparable to the property management fee rate of the other property funds and real estate investment trusts that have similar property management service as HREIT's and the current consideration payable to the Property Manager for property management of HREIT.
9. Benefits from the lease of the Additional Investment Assets : It will increase the stability of income from rental and turnover of HREIT. It will also diversify the risk in the procurement of benefits from immovable properties, as well as reduce the dependence on sources of income of HREIT.
10. Source of fund for the investment in the Additional Investment Assets : From the additional long-term loan and the security deposits for lease and service in the total amount of not exceeding Baht 477,000,000.
11. Approval of transaction : The aforementioned transaction will be considered as a related party transaction between HREIT and the party related to the Company in its capacity of the REIT Manager of a value equivalent to or greater than Baht 20,000,000 or exceeding 3 percent of the net asset value of HREIT, whereby Under the Trust Deed of HREIT, the value equals to Baht 560.89 Million or equivalent to 9.08, therefore, such transaction must be approved in the trust unitholders' meeting by affirmative votes of not less than three-fourths of all trust units of the trust unitholders attending the meeting and having the right to vote.



As for vote counting of trust unitholders who are entitled to vote, the Company will not include the vote of the trust unitholders with a special interest in the transaction under consideration. The details of Trust Unitholders with a special interest in the transaction under consideration appears in the invitation to the Trust Unitholders' Meeting.

12. Opinion of the Board of Directors regarding the entering into transaction and the comparison of reasonability between entering into the transaction with the connected persons and the third party :
1. The investment in the Additional Investment Assets is to create an opportunity to generate long-term additional return on investment at a reasonable rate to the Trust Unitholders of HREIT. The Company, therefore, considers the investment in the Additional Investment Assets No. 2 to be in the best interest of HREIT as it is the investment in the fully occupied properties and having potential of generating income which will increase the benefits for HREIT. The investment has potential to increase the stability of income from rental and turnover of HREIT and will also diversify the risk in the procurement of benefits from immovable properties, as well as increase the diversification of the sources of income. This will bring benefits to HREIT and the Trust Unitholders of HREIT. The Company is of its opinion that the value of the Additional Investment Assets, specified at the amount of not exceeding Baht 477,000,000 (to be paid on the date of HREIT's investment in the Additional Investment Assets) which consists of the rental of lands and buildings and the purchase price of the relevant moveable properties used for the business operation within the leased properties (exclusive of value added tax, registration fee and specific business tax, including other related fees and expenses which shall be borne by HREIT) whereby HREIT shall have the right to extend the lease for another 30 years. The rental for the renewed period will be at the amount of Baht 30,000,000 (which shall be paid when the lease agreement is renewed, exclusive of value added tax, registration fee and specific business tax, including other relevant fees and expenses which shall be borne by HREIT), is a reasonable price.

In addition, the transaction that HREIT will request the Asset Owner's Company to pay the rental for the unoccupied leased properties and the rental short of the minimum rental rate to HREIT for the period of 3 years from HREIT's investment date or until there is a lessee during such period, the transaction that HREIT will request WHAID to pay the rental to HREIT for the leasable rooftop area for a period of 15 years from HREIT's investment date or until there is

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a lessee during such period, and the transaction of financial support from WHAID or group companies of WHAID for the working capital of HREIT which the conditions are in accordance with the Undertaking Agreement that HREIT will enter into with WHAID, are the reasonable price and beneficial to the Trust Unitholders.

2. Using source of fund from the loan without capital increase shall increase the distribution per unit to be received by the Trust Unitholders. In addition, because of using some source of fund from the security deposits for lease and service which HREIT received from the current lessees, HREIT does not need excessive long-term loan.
3. As for the consideration payable to the Property Manager, in determining the reasonableness of Property Management Fee rate which WHAID will collect from HREIT, the Company has compared the rate of consideration payable to Property Manager which WHAID will collect from HREIT to the property management fee rate of other property funds and real estate investment trusts that have similar property management service as HREIT's and the current consideration payable to the Property Manager Fee for the property management of HREIT.

The Company considers that the said fee rate is in the same rate as collected by WHAID from HREIT for the Initial Investment Asset and the Additional Investment Assets No.1 and the said rate is fair and reasonable and WHAID is also one of operators in Thailand who has experience and expertise in the management of factory buildings and also has expertise in the administration work with efficient and experienced team in various fields. WHAID is considered to be a Property Manager with expertise and experience and familiar with the property to be additionally invested in which will enable the management of the main assets to generate benefits for HREIT and the Trust Unitholders.

13. Dissenting opinion of the Audit Committee and/or director of the Company which is different from the opinion of the Board of Directors of the Company : None



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2. Top 10 Trust Unitholders as of the latest book closing date on 22 November 2018 are listed under List of Trust Unitholders appears in Annex 14.

3. Summary of financial Information : Please consider details per annex below
4. Summary of Appraisal Report : Please consider details per annex below

**(Annex)****Summary on Financial Information of HREIT****For the year ended 31 December 2017 and the nine-month period ended 30 September 2018**

<b>Balance Sheet (unit: Baht)</b>	<b>As at 31 December 2017</b>	<b>As at 30 September 2018</b>
<b>Assets</b>		
Investments at fair value	7,240,310,553	9,027,817,449
Cash and cash equivalents	1,160,018,857	74,309,364
Accounts receivable and other receivables	23,407,046	55,084,144
Prepaid expenses	751,597	1,920,656
Deferred expenses	2,914,684	42,542,976
Accrued income from operating lease agreement	2,914,288	8,786,729
Refundable VAT	194,042	325,767
Other assets	3,086,715	3,482,662
<b>Total assets</b>	<b>8,433,597,782</b>	<b>9,214,269,747</b>
<b>Liabilities</b>		
Deferred rental and service income	7,152,305	7,393,988
Deposits received from customers	134,731,673	144,719,471
Borrowing from financial institution - net	2,293,506,651	2,864,962,556
Accrued expenses	11,899,157	19,511,286
Other liabilities	1,075,745	1,003,450
<b>Total liabilities</b>	<b>2,448,365,531</b>	<b>3,037,590,751</b>
<b>Net assets</b>	<b>5,985,232,251</b>	<b>6,176,678,996</b>
<b>Net assets represented by</b>		
Capital received from Trust Unitholders	6,516,969,663	6,196,638,770
Retained earnings	(531,737,412)	(19,959,774)
Net assets value	5,985,232,251	6,176,678,996
Net assets value per unit (Baht)	8.5182	8.7907
Total Trust Units sold as at the end of period/year (Units)	702,634,116	702,634,116

<b>Income Statement (Unit: Baht)</b>	<b>Fiscal Year 2017</b>	<b>Jan – Sep 2018</b>
<b>Investment Income</b>		
Rental and service income	447,229,592	380,289,112
Rooftop rental income	4,871,459	4,426,222
Compensate rental income	123,777,724	151,262,427
Interest income	955,014	589,100
<b>Total Income</b>	<b>576,833,789</b>	<b>536,566,861</b>
<b>Expenses</b>		
Management fee	13,077,500	10,764,011
Trustee fee	12,183,204	10,764,011
Registrar fee	2,447,783	1,648,800
Property management fee	13,594,514	16,199,446
Other expenses	13,601,668	20,171,535
<b>Total Expenses</b>	<b>54,904,669</b>	<b>59,547,803</b>
<b>Net investment income before financial costs</b>	<b>521,929,120</b>	<b>477,019,058</b>
Interest expenses	96,573,980	87,837,031
<b>Net investment income</b>	<b>425,355,140</b>	<b>389,182,027</b>
Net profit from the sale of investment fund	1,213,630	-
Unearned net profit (loss) from investment fund valuation	(851,980,408)	122,595,611
<b>Total net profit (loss) from investment fund</b>	<b>(850,766,778)</b>	<b>122,595,611</b>
<b>Increase in net assets from operations for the period</b>	<b>(425,411,638)</b>	<b>511,777,638</b>

<b>Cash Flow Statement (Unit: Baht)</b>	<b>Fiscal Year 2017</b>	<b>Jan – Sep 2018</b>
Cash flows from (used in) operating activities	383,613,475	(1,203,844,868)
Cash flows from financing activities	583,368,510	118,135,375
Net increase (decrease) in cash and cash equivalents	966,981,985	(1,085,709,493)

<b>Key Financial Ratios and Additional Information</b>	<b>Fiscal Year 2017</b>	<b>Jan – Sep 2018</b>
Beginning net asset value per unit (Baht)	10.0779	8.5182
Increase (decrease) in net assets from operations period per unit (Baht)	(1.5597)	0.2725
EBITDA to total assets (%)	6.19	5.18
Debt to total assets (%)	29.03	32.97
Debt to net asset value (times)	0.41	0.49
Interest coverage ratio (times)	5.40	5.39

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**Summary of Appraisal Report**

Two appraisers namely: Siam City Appraisal Co., Ltd. and TAP Valuation Co., Ltd. have appraised the value of the Additional Investment Assets to be additionally invested in by HREIT this time. The summary details of the appraisal report are as follows:

Projects	Land area (rai-ngan- sq.wah.)	Leasable area (sq.m.)		Appraised values by income approach (THB Million) <sup>1</sup>	
		Factory and Office	Rooftop Area	Siam City Appraisal Co., Ltd.	TAP Valuation Co., Ltd.
WHA Saraburi Industrial Land Project	12-3-98	15,916	8,467	464.12	460.79

<sup>1</sup> Appraised values as of January 1st, 2019, which is the expected date which HREIT will invest in the Additional Investment Assets.