

Highlights of the Additional Investment Assets and Benefit from the Investment in the Additional Investment Assets

1. Highlights of the Additional Investment Assets

The Additional Investment Assets has various highlights which will increase the benefit for HREIT as follows:

▪ Prime Location

The Additional Investment Assets consist of factory buildings and warehouses, located at prime locations, whereby the Additional Investment Assets located within Eastern Seaboard area (Chonburi and Rayong Province) and WHA Saraburi Industrial Land (Saraburi Province). The area of Eastern Seaboard and Saraburi Province is considered a strategic location and are one of the most important centers of the factory for rent and warehouse for rent business operation in the country, which is the connection point for production base and transportation of goods by land (Bang Na-Chonburi Expressway and Motorway and Phahon Yothin Road) by air (Suvarnabhumi International Airport, Don Mueang International Airport and U-Tapao International Airport) and by sea (Laem Chabang Port and Bangkok Port) and they also have advantages in terms of convenience in traveling because both Eastern Seaboard Area and Saraburi Province are close to Bangkok and both locations still have good economic growth prospects.

Therefore, the Additional Investment Assets mentioned above that HREIT will invest in this time have suitable locations, which are important strategic point in both domestic and international transportation. They are located on the main routes of distribution and transportation of goods to various regions and are close to Bangkok, resulting in the convenience in traveling and transportation of goods to various transportation centers. As a consequence, the transportation cost can be greatly decreased for the lessees.

▪ Quality and the Characteristics of the Additional Investment Assets

The Additional Investment Assets are in good condition with average age of approximately 6.8 years. The factory buildings and warehouses are modern and meet the international standards. The floor of the factory buildings is durable and can support the weight of 3.5-5.0 tons per square meter and the floor of the warehouses can support the weight of up to 5.0 tons per square meter. The main feature is the design for open space, resulting in the ability to lay down the production line efficiently. They have natural light and good ventilation, which can save energy and help reduce the cost of production of the operators.

The Additional Investment Assets have been planned for the location selection and are well designed by taking into account the responsibility to customers, operators, communities and the environment. In addition, the said assets are located in an elevated area near public water sources. The utility system is designed to use large drainage gutters and the area within the industrial estate has slopes which can help preventing flooding from outside, support rainwater and drain water out of the project efficiently, therefore, it can well reduce the risk of flooding. Moreover, the Additional Investment Assets have never been affected by the flooding. These factors place the factory buildings and warehouses invested by HREIT in high demand by manufacturers and operators.

In addition, the land area of some detached building factory for rent are designed to be flexible to support the expansion of the operators by reserving some of the space for the expansion from the part currently being used by the lessees (this area is referred to as the "Expandable Area"). When the lessee needs to expand the factory area due to business growth, the lessee in the said unit can further expand the factory building area without the need to move the production base to another larger factory building. As a consequence, the lessee can run the business continuously. Therefore, the factory buildings that HREIT will invest in this additional investment are in high demand by the lessees. It will also benefit the revenue

growth that HREIT will receive in the future from investing in the said expansion area and reduce the risk from customers' production base relocation.

- **Potential of Property Manager**

HREIT will appoint WHA Industrial Development Public Company Limited (“**WHAID**”) as the Property Manager of HREIT, whereby WHAID is a leader in the industrial estates' development business of the country. Its company was incorporated on 15 August 1988. WHAID has expertise and experiences in managing the Additional Investment Assets to be invested in by HREIT, especially in the development of industrial estates and the provision of various utility services.

- **Potential of Lessees**

The Additional Investment Assets have the potential to generate good incomes. The group of lessees is the target group that has both good business potential and good financial stability. There is also diversity in terms of nationality and distribution of business types such as automotive industry groups, logistic groups, etc. Therefore, the Company is confident that the Additional Investment Assets that HREIT will invest in this time will be able to maintain the rental rate at a satisfactory level in order to create a stable and continuous income in the future.

2. Benefit from the investment in the Additional Investment Assets

The Company expects that the investment in the said Additional Investment Assets will benefit HREIT and the Trust Unitholders as follows:

- **The investment in the Additional Investment Assets is in line with the objectives and the investment policy of HREIT**

The capital increase for additional investment by investing in long-term leasehold right in lands and the long-term leasehold right in the factory buildings and warehouses of HREIT in this time is in line with the objectives of the establishment of HREIT. Whereby it is a seeking of investment opportunities in additional immovable properties, which will be able to increase the value of the assets of HREIT for the purpose of generating income and returns to HREIT and Trust Unitholders of HREIT.

- **The investment in assets that have the potential to generate income which will increase the benefit of HREIT**

The Company believes that the additional investment of HREIT in this time has various features such as location, quality of assets, potential of Property Manager and potential of lessees as described above. This will increase the benefit for HREIT by having the opportunity to increase rental income and the performance of HREIT with more stability.

- **The increase in the variety of the source of income, the opportunities for revenue growth from the investment in the Additional Investment Assets**

The investment in this Additional Investment Assets is to increase the diversification of the source of income of HREIT since it is the investment in assets that are located in various locations. The Company expects that the revenue of HREIT will increase with the estimated revenue and the estimated distribution and capital reduction proceed per unit for the year from 1 January 2021 - 31 December 2021 as follows:

	Existing Assets (Baht Million)	Assets after Additional Investment No.3 (Baht Million)
Rental and service income	686.85	790.56
Other income	0.95	1.10
Total revenue	687.80	791.66
Property management fee	47.52	52.70
Net property income	640.28	738.96
Management fee and trust management expenses	40.66	44.86
Amortisation of issuance costs	12.04	12.04
Issuance costs for the additional investment no. 3	-	44.13
Interest expenses	114.62	123.43
Net profit available for benefits distribution	472.96	514.50
<u>Add back (Deduct) non cash rental and service income</u>	0.30	(0.29)
<u>Deduct Deferred property management fee</u>	(1.30)	(1.30)
<u>Add back Interest payable and prepaid bank fees</u>	3.82	22.52
Net cash available for benefits distribution	475.78	535.43
<u>Add back Excess liquidity from amortisation of issuance costs</u>	12.04	12.04
<u>Add back Excess liquidity from amortisation of issuance costs for additional investment Assets no. 3</u>	-	44.13
<u>Deduct Value added tax payable</u>	(3.69)	(2.22)
Net cash available for benefits distribution and capital reduction	484.13	589.38
Projected benefits distribution and capital reduction rate (%)	97.00	97.00
Projected net cash for benefits distribution and capital reduction	469.61	571.70
Projected distribution of benefits and capital reduction		
- Benefits distribution	469.61	514.50
- Capital reduction	-	57.20
Benefits distribution and capital reduction	469.61	571.70
Number of trust units (million units) ¹	702.63	830.53
Projected benefits distribution and capital reduction per unit (Baht)		
- Benefits distribution per unit	0.67	0.62
- Capital reduction per unit	-	0.07
Benefits distribution and capital reduction per unit	0.67	0.69
For unrealised loss on devaluation of straight-line leasehold rights² (Baht)		
- Benefits distribution per unit	0.43	0.39
- Capital reduction per unit	-	0.07
- Straight-line capital reduction per unit	0.24	0.23
Benefits distribution and capital reduction per unit	0.67	0.69

- ¹ The number of Trust Units is for illustrative purpose only. The final issuing and offering number of trust unit may be more, less or equal to the projection.
- ² Where there is a reduction in the appraised values of the leasehold rights of the existing properties under HREIT for the initial investment and the first and second additional investment, an unrealised loss on devaluation of leasehold rights will be recognised on the assumption that the loss is equal to the outstanding balance of leasehold rights after amortisation, using the straight-line method over the lease term. However, the values of leasehold rights at the end of the period depend on the appraised values determined by independent appraisers. There are many factors that affect the calculation of values of leasehold rights e.g. the rental rate, growth rate in rental income, discount rate, etc., which may increase, decrease or leave the values of leasehold rights the same. Therefore, the projected benefits distribution and capital reduction per unit using straight-line method as set out above (amortising the values of leasehold rights consistently over the lease term) is an example of the potential impact if the values of leasehold rights are amortised consistently throughout the lease term only.

However, referring to the above table, the estimation of distribution and capital reduction proceed to be paid to the Trust Unitholders after the investment in the Additional Investment Assets No. 3 pursuant to the assumption of income statement for 12 months period from 1 January 2021 to 31 December 2021 is equal to 0.69 Baht per unit, representing the estimated payment ratio of the distribution and capital reduction proceed for the Trust Unitholders when calculated from the closing price on the weighted average of HREIT Trust Units from 21 April 2020 until 14 May 2020 (15 working days) at 7.83 Baht per unit, equivalent to approximately 8.79 percent.

However, in the case that HREIT invests in the Additional Investment Assets No.3 by solely raising funds through the issuance and offering for sale of Trust Units in the second capital increase without obtaining the loans, and use the same assumptions used in the preparation of the income statement based on the assumed scenario, it is expected that the estimated payment of distribution and capital reduction proceed to the Trust Unitholders after the investment in the Additional Investment Assets No.3 will be at the rate of 0.64 Baht per unit, representing the estimated payment ratio of the distribution and capital reduction proceed, when calculated from the weighted average closing price of HREIT Trust Units from 21 April 2020 to 14 May 2020 (15 working days) at 7.83 Baht per unit, equivalent to approximately 8.16 per cent.

The above estimated payment ratio of the distribution and capital reduction proceed is a hypothesis based on assumptions and from the weighted average closing price (15 working days), without guaranteeing the return rate that the Trust Unitholders will receive. The payment ratio of the distribution and capital reduction proceed depends on the final offering price according to the information disclosure form for the offer for sale of Trust Units and/or the prospectus of Trust Units in this second capital increase of HREIT

▪ **The possibility to increase the liquidity in trading of the Trust Units**

The issuance and offering for sale of additional Trust Units at this time will increase the number of HREIT Trust Units issued and offered for sale from 702,634,116 Trust Units to the amount of not exceeding 840,134,116 Trust Units (from the issuance and offering for sale of additional Trust Units at the amount of not exceeding 137,500,000 Trust Units). The Company expects that the increase in volume of the Trust Units of HREIT will help to increase the liquidity in the trading of HREIT Trust Units in the Stock Exchange of Thailand.