

**ANNUAL REPORT 2019**

**12 – Month Accounting Period**

**Samui Buri Property Fund**

**For the Period of 1 July 2019 – 30 June 2020**

Dear All Unitholders,

Principal Asset Management Company Limited hereby submits Samui Buri Property Fund (Mutual Fund) Annual Report 2019 during July 1, 2019 to June 30, 2020 to all unitholders.

Performance of the Fund in the past year is loss, Net Asset Value as of June 30, 2020 is 391.475 Million Baht or equivalent to 4.7279 Baht per unit. From July 1, 2019 to June 30, 2020 the Fund had income from the lease fee; the interest and others at the total amount of 7,203,723 Baht; while the total expense was 8,820,632 Baht, resulting in total net loss of 1,616,909 Baht. Considering altogether with the total loss from unrealized loss of 137,800,000 Baht from the decrease of the asset value, the Fund then has decreased operating net asset of 139,416,909 Baht. The Fund does not have dividend paid out for the performance of 2019.

The Office of the National Economic and Social Development Council (NESDC) has announced the figures of the 2<sup>nd</sup> quarter of 2020 Gross Domestic Products and the Outlook of 2020 that in the first half of 2020 the Thai Economy is contracted by 6.9 percent. The Thai Economy in 2020 is expected to show a contraction in the range of (-7.8) – (-7.3) percent. The downward revision is mainly due to (1) the sharp decline in number and revenues from foreign tourists, (2) the severe recession of global economy and merchandised trade, (3) the impact of the pandemic, and (4) the drought condition. In all, it is expected that export values of goods, private consumption expenditure, and total investment will decline by 10.0 percent, 3.1 percent, and 5.8 percent, respectively. Meanwhile, the headline inflation is expected to be in a range of (-1.2) – (-0.7), and the current account tends to register a surplus of 2.5 percent of GDP.

The accommodation and food service activities sector contracted by 50.2 percent, continuously dropping from a 23.3-percent decrease in the previous quarter. The total revenue from tourism stood at 19 Billion Baht and came from Thai tourists with no records of revenue from foreign tourists, which dropped by 92.7 percent. The average occupancy rate was at 6.51 percent, dropping from 70.79 percent in the same period of previous year. In the first half of 2020, the accommodation and food service activities sector contracted by 36.2 percent. The tourism receipts stood at 332 Billion Baht, the number of foreign tourists drop by 66.2 percent, and the average occupancy rate was at 29.01 percent.

Finally, Principal Asset Management Company Limited hereby thanks all unitholders for your trust in managing your investment in the Fund. The Company will manage the Fund considering utmost benefit of unitholders under corporate governance for your satisfaction.

Respectfully Yours,

Principal Asset Management Company Limited

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## SECTION 1

### MANAGEMENT OF SAMUI BURI PROPERTY FUND



## SAMUI BURI PROPERTY FUND FACT SHEET

Name (Thai)	กองทุนรวมอสังหาริมทรัพย์ สมุยบุรี
Name (English)	Samui Buri Property Fund
Abbreviation	SBPF
Type of Fund	Non-redemption Investment Units
Type of Investment	Property
Term	Indefinite
Listed on	August 18, 2010
Amount of Capital	828,000,000 Baht
Management Company	Principal Asset Management Co., Ltd.
Trustee	CITI Bank N.A., Bangkok Branch
Registrar	Principal Asset Management Co., Ltd.

### Objectives of the Investment

The Project intends to raise funds from general investors through the issue of Investment Units. Initially, such funds will be used for investing in real properties for commercial purposes by focusing on long-term investment in projects that continuously generate revenue. The Fund will use such funds for investing in property and/or by performing any proper or appropriate action by purchasing and/or lease including renovating, maintaining and/or lease out and sub-lease of the property which the Fund possesses for the benefits of such real properties so as to increase revenues and return to the Unitholders and the Fund. In this regard, the Fund intends to distribute dividends to the Unitholders regularly, and intends to increase the net asset value of the Fund in the long run, provided that the operation of the Fund is subject to the rules and procedures as prescribed by the relevant Securities Law and/or other laws.

### Change in the Fund's name

The Fund is formerly known as Mercure Samui Property Fund (MSPF) and was approved by resolution of the Unitholders Meeting No. 1/2013 to change the name to Samui Buri Property Fund since April 1, 2014.

## POLICIES, BUSINESS OUTLOOK, BENEFITS MANAGEMENT AND SIGNIFICANT CHANGE OF LAW

### Characteristics of the Property and Location Details

Samui Buri beach Resort Hotel is a 88-room hotel located on the land title deed No. 10775, 10779 and Nor. Sor 3 Kor. No. 1274, 1275 and 2035 which has an approximately area of 13 Rai 0 Ngan 27 Square War located at no. 26/24 Soi Wat Napralan, apart from the road around island (TorLor. 4169), Maenum Sub-district, Koh Samui District, Surat Thani Province. The Fund had invested in land, buildings and equipment for operating the hotel business.

Details of 5 plots of Land

No.	Land Title Deeds No.	Land No.	Area		
			Rai	Ngan	Square Wah
1	10775	271	1	-	-
2	10779	270	-	2	-
3	Nor Sor 3 Kor 1274	255	1	1	32
4	Nor Sor 3 Kor 1275	256	3	1	90
5	Nor Sor 3 Kor 2035	261	6	3	05
Total			13	0	27

Samui Buri Resort Hotel has approximately 15,772.86 square meters of indoor usable area, 65-meter width beachside at Maenum Beach with facilities for serving guests consisting of a swimming pool and food court including parking lot which can accommodate approximately 80 cars.

Details of Hotel Rooms

No.	Room Type	No./Room
1	Deluxe	48
2	Deluxe Pool	12
3	Pool Villa	28
Total		88

The decoration of the hotel applies the Thai architectural style together with in-room facilities as a standard 4-5-star hotel, which are air-conditioning, hot-cold water, bathtub, television, refrigerator and wireless internet system.

The villa type rooms consist of the same facilities as the normal room with the addition of a living room, Jacuzzi bathtub and private swimming pool in front of the room.

The lobby in the common area of the hotel is decorated in the Thai style and the other parts of the hotel have small parks with various trees to create shadiness in the inside of the project. The hotel is in a beachside area and has seats for sunbathing and swimming for tourists as well as a large swimming pool and a fitness center with a full set of exercise equipment which is also located at the beachside and has a restaurant for the guests of the hotel.

In addition, the hotel has seminar and meeting rooms to fulfill the requirement of clients from both private companies and government agencies who wish to organize an outside meeting with comfortable and modern equipment.

#### **Value of the property of the Fund (Information as of June 30, 2020)**

Type of Property	Land with buildings
Property Location	no. 26/24 Soi Wat Napralan, apart from the road around island, Maenum Sub-district, Koh Samui District, Surat Thani Province
Appraisal Company	Real Estate Appraisal Co., Ltd.
Appraised value	399,000,000 (Three Hundred and Ninety-nine Million Baht)
Appraisal date	March 16, 2020
Appraisal period	March 17, 2020 - March 16, 2021
Appraisal method	Appraiser uses the Discounted Cash Flow Technique (DCF) for the Income Approach by Property Level under general market condition income and expenditure excluding income under the Fund's condition and any income from according to the Acquisition of benefits from the real properties of the Fund.

#### **Details of investment in real property or lease hold from July 1, 2019 to June 30, 2020**

In the past accounting year, there is no additional investment in real property.

#### **Details of sale or transfer of lease hold from July 1, 2019 to June 30, 2020**

In the past accounting year, there is no sale or transfer of lease hold.

### Acquisition of benefits from the real properties

The Management Company had extended the Temporary Lease with Samui Buri Co., Ltd., the current Lessee, for another 3-year period of Lease term (1 August 2018 – 31 July 2021). The main conditions of Lease agreement are as below:

Lease Condition	
Lease Period	3 years (August 1, 2018 – July 31, 2021)
Rental Fee	Year 1 - at 500,000 Baht/month or equivalent to 6,000,000 Baht/year. Year 2 - at 600,000 Baht/month or equivalent to 7,200,000 Baht/year Year 3 - at 700,000 Baht/month or equivalent to 8,400,000 Baht/year
Investment for Property Development	Total amount is not less than 3,000,000 Baht. If the Lessee would like to invest for property development less than 3,000,000 Baht, the Lessee must pay different amount to the Fund. The Fund shall consider and approve for the development plan, budget and check for the value and quality of the work.
Pre-matured Termination of Lease Agreement	If the new Lessee or new purchaser is determined, the pre-matured termination of the lease agreement could be proceeded by at least 120-day notice to the lessee. The lessee must transfer the property possession, hotel business and other licenses to the Fund or other person assigned by the Fund.
Property and Land Tax	The Fund and the lessee are co-responsible. The lessee agreed to pay 30% while the Fund pays 70% of the government estimation fee.

At the end of March 2020 The Management Company received a letter of request for temporary waiver of rental fees from the Lessee according to the Letter No. SMB6303/001 dated 27 March 2020 under which the Lessee informed that the Lessee has suffered impacts from the COVID-19 outbreak situation. Such letter can be summarized as follows:

1. It has been necessary for the Lessee to cease its operation and have the employees temporarily stop working from 27 March 2020 onwards until the situation gets back to normal.

2. During this period, the Lessee still arranges security guard(s) to look after the properties at its best.

3. The Lessee requested that the Fund consider to preliminarily assist by waiving the rental fees for April 2020 to December 2020.

4. The Lessee requested that all cheques for advance rental fees that were placed with the Fund be cancelled.

5. The Lessee requested that the situation is assessed with the Fund again within October 2020.

6. If the disease outbreak situation and the tourism condition gets better or the Lessee is able to resume its hotel operation before the period during which the Lessee requested for waiver of rental fees, the Lessee will consider to further proceed in accordance with the Agreement.

Thereafter, the Lessee had coordinated with the Fund in order to discuss and explain the process to assess if the situation is normal. The situation assessment criteria can be summarized as follows:

1. The Government's orders requiring the close-down of hotels and businesses relating to tourism such as restaurants are cancelled resulting in hotels being able to resume their normal operations.

2. The orders to prohibit flights, travelling and international entries and exits and to quarantine, etc. are cancelled.

3. The International Samui Airport is open as normal.

4. The numbers of flights and passengers entering Samui Island are not less than 50 percent of the figure during the same period in the previous year.

If the above 4 criteria are met, the Lessee agreed to start to pay rental fees within 60 days as per the rental fee rate under the Agreement as at the payment date and such payment shall be considered the rental fee for the month in which the rental fee is paid.

In this regard, the Management Company considered that an appropriate waiver of rental fees would be for no more than October 2020. Therefore, it proposed that the unitholders consider as follows:

1. Waiver of rental fees for the period from April 2020 to October 2020

2. The Lessee to remain having duties to look after the properties to be in good conditions and ready for use.



Therefore, on 28 May 2020 the Management Company has sent a letter of request for resolutions of unitholders for the date and the right on this request. The circulation letter for resolution was sent to unitholders on 19 June 2020 with the deadline of the reply to the Management Company on 20 July 2020.

The resolution from unitholders are as follows:

**Agenda 1: To consider approving or disapproving the exemption of rental payment as proposed by the Lessee (For Approval)**

The unitholders resolved to disapprove the exemption of rental payment as proposed by the Lessee, with the number of votes as follow:

Approve	6,301,700 units	or	equivalent to	21.59 percent*
Disapprove	22,073,700 units	or	equivalent to	75.64 percent*
Abstain	807,300 units	or	equivalent to	2.77 percent*

\*Percentage of the total number of units of the unitholders responding and having the right to cast their votes is 29,182,700 units. In this Agenda, the unitholders who have the conflict of interest which have no right of voting are Samui Beach Resort Co., Ltd. holding 6,285,500 units and Miss Pornpat Praprutchob holding 2,377,020 units.

**Agenda 2: To consider approving or disapproving the exemption of rental payment as the Management Company deemed appropriate (For Approval)**

The unitholders resolved to disapprove the exemption of rental payment as the Management Company deemed appropriate, with the number of votes as follow:

Approve	6,636,600 units	or	equivalent to	22.74 percent*
Disapprove	21,758,800 units	or	equivalent to	74.56 percent*
Abstain	777,300 units	or	equivalent to	2.66 percent*

\*Percentage of the total number of units of the unitholders responding and having the right to cast their votes is 29,182,700 units. In this Agenda, the unitholders who have the conflict of interest which have no right of voting are Samui Beach Resort Co., Ltd. holding 6,285,500 units and Miss Pornpat Praprutchob holding 2,377,020 units. The Void Ballot of this agenda is 10,000 units.

The Unitholders had resolved not to approve the waiver of rental fees as requested for by the Lessee and as the Management Company considered appropriate. As a result, the Management

Company has to proceed further in accordance with the terms and conditions of the Property Lease Agreement.

Initially, the Management Company has appointed Siam City Law Offices DR Limited as legal counsel in this case. On 31 June 2020, the legal counsel has filed a complaint to the inquiry officer at Koh Samui Police Station, Surat Thani Province, requesting for prosecution against the Lessee and its authorized director on offences arising from the uses of cheques since the Management Company was unable to cash 4 pre-dated cheques for rental fees during April – July 2020. The inquiry officer received the complaint as the criminal case no. 716/2563 (2020). Subsequently, on 4 August 2020, the Management Company already sent a demand notice to the Lessee demanding for the outstanding rental fees. The Management Company will further proceed to enforce the Agreement as per the legal rights to which the Fund is entitled. That includes filing a lawsuit with the competent court.

### **Condition of the Property**

From the annual property inspection on 22 July 2020, the hotel has closed down its business since April 2020 up until present (on 30 September 2020), the properties are overall in a normal condition and the Lessee has arranged for security guard(s) to look after the properties as appropriate.

Moreover, the Lessee has modified the properties in accordance with the conditions of the Property Lease Agreement dated 26 July 2018. The Management Company has entered and conducted a preliminary inspection on the modified properties and considered that the Lessee has proceeded pursuant to the asset improvement plan. Besides, the Lessee has conducted property improvement in addition to the plan and budget specified in the annexures to the Property Lease Agreement. That was because there were additional damages in the actual conditions of the properties than those in the past assessment result. The Management Company is in the process of examining the amount of work and the value of the asset improvement plan if they are in accordance with the agreed plan.

### **Future Operations Plan**

The Management Company will arrange for a bidding as to seek for a lessee or purchaser. The bidding is scheduled to be during November 2020 to January 2021. Terms of Bidding for purchase or

lease is to be announced by the first week of February 2021, and in May 2021, the Management Company will arrange the unitholders Extraordinary Meeting for the resolution.

## **HOTEL BUSINESS OVERVIEW 2019/2020 and TENDENCY IN 2021**

Due to the 2019 coronavirus (COVID-19) outbreak in China since late 2019 which has rapidly spread to several countries around the world, several countries including Thailand have implemented strict measures to prevent the spreading. State of emergency was declared on 25 March 2020 and has been in effect from 26 March 2020 onwards. Subsequently, on 26 May 2020, the declaration of state of emergency was expended for another time until 30 June 2020. Under such declaration of state of emergency, the Government has issued several measures including travel restrictions and closure of businesses and activities that pose a risk of spreading the disease.

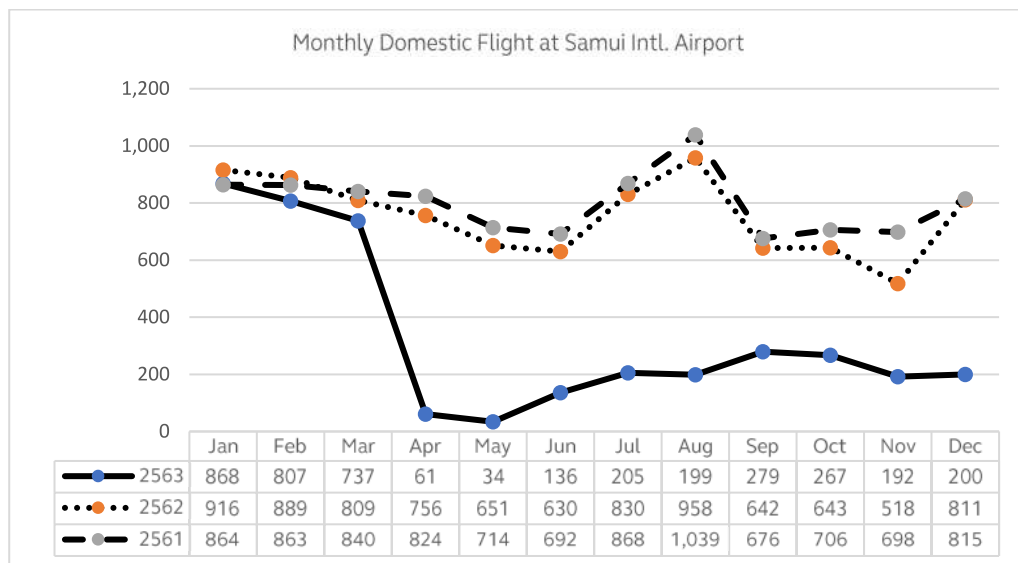
Moreover, on 7 April 2020, the Provincial Governor of Surat Thani Province issued the Order of Surat Thani Province No. 2193/2563 (2020) RE: Urgent Measures to Prevent the Spreading of 2019 Coronavirus (COVID-19) (No. 9) requiring hotels and places for alike residential services, except for the hotels that are used by the Government as field hospitals or for any other governmental benefits, to close down from 8 April 2020 to 30 April 2020 which was extended to 31 May 2020 following the extension of the state of emergency declaration.

Although the Provincial Governor of Surat Thani Province issued the Order of Surat Thani Province No. 2727/2563 (2020) RE: Urgent Measures to Prevent the Spreading of 2019 Coronavirus (COVID-19) (No. 15) dated 2 May 2020 allowing hotels to open only hotel room and restaurant or dining room services and requiring them to strictly comply with the conditions for prevention of the spread from 3 May 2020 onwards until there is any change, the Civil Aviation Authority of Thailand issued a notification to extend the period during which international flights with passengers were temporarily prohibited from coming into Thailand from 1 May 2020 up until 30 June 2020.

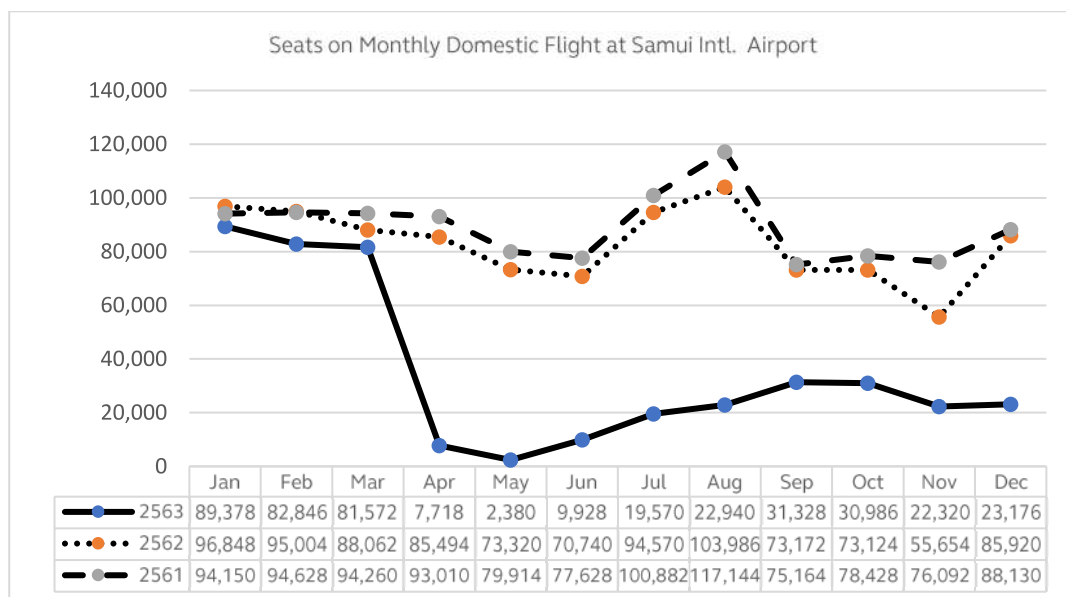
Although Bangkok Airways which was the main airline for travelling to and from Samui has resumed its services since 15 May 2020, it would not cause any positive effect on the tourism industry in Samui anytime soon.



## 2.1 Conditions of tourism and hotel industry

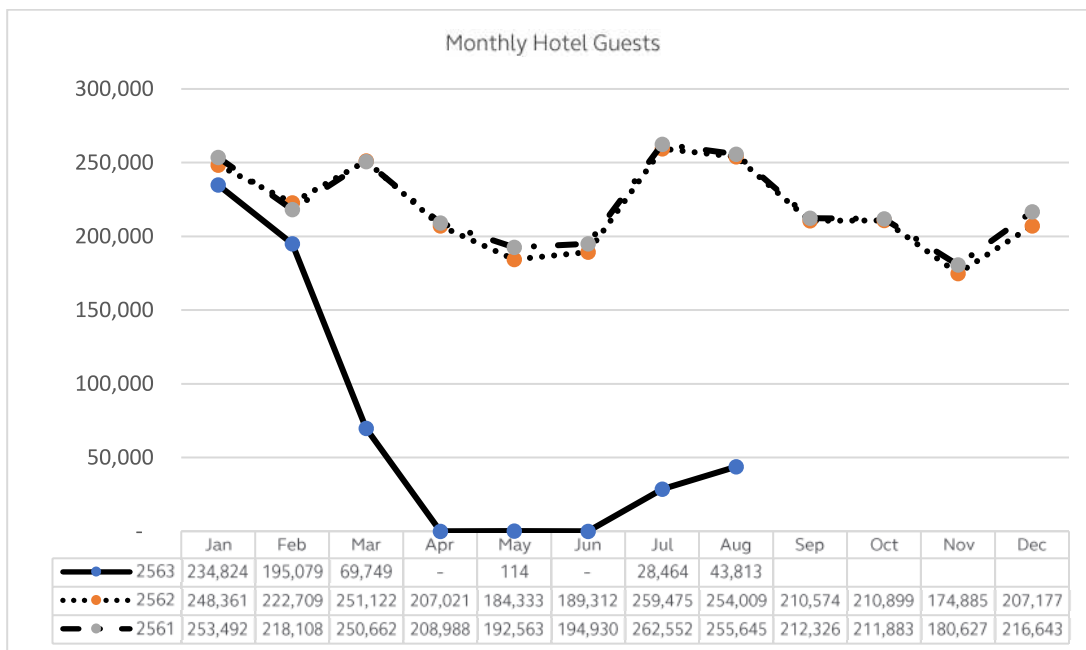
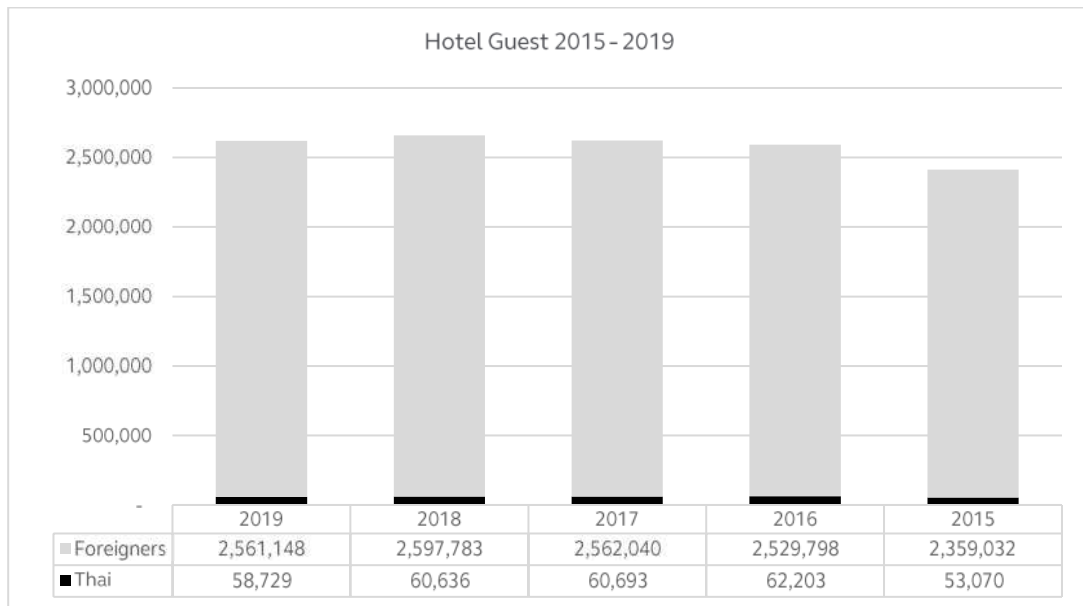


According to the information from the Tourism Authority of Thailand<sup>1</sup>, it was found that there were 199 flights as per the monthly flight plan of Samui International Airport in August 2020, which decreased from 205 flights in July 2020, whereby cargo flights were included in these figures. Based on such information, it was found that the number of flights decreased from 958 and 1,039 flights during the same month in 2019 and 2018 causing the decrease in the number of passenger seats from 103,986 and 117,144 seats in August 2019 and 2018 to only 22,940 seats in August 2020.



<sup>1</sup> as of 8 September 2020

With respect to the proportion of tourists staying in hotels during 2015 – 2019, most of the tourists staying in hotels of approximately 97 percent were foreign tourists. Therefore, hotel business in Samui Island having foreign tourists as guests would suffer direct impacts from the outbreak of the disease, travel bans including the disease outbreak situation in, and impacts on the economies of, the countries of origin such as China and European countries.



The number of tourists staying in hotels that was shown as zero in the above diagram was caused by the measure to close hotels in Surat Thani Province as mentioned above. The number of tourists staying in hotels in August 2020 decreased from an average of 250,000 tourists in the same month of 2019 and 2018 to only 43,813 tourists. The increase in the number of tourists staying in hotels in July 2020 resulted from the Government's campaign(s) and measures to promote Thai people's travelling and tourism. Although the relevant authorities have relaxed several measures including allowing hotels to resume their services, the extension of the temporary ban on international flights to Thailand still cause negative impacts on the tourism industry.

## *2.2 Tendency in 2020 and 2021*

With respect to the tourism industry in Samui Island, the main businesses which are connected to tourism being hotels, restaurants, tour services and others rely mainly on foreign tourists. Therefore, in considering the tendency of the hotel business on Samui Island, the key factors are mainly the impacts of the outbreak of the disease on the economies and the recovery of foreign markets.

Although during the beginning of the outbreak, the relevant authorities had tried to turn to the markets that had not yet been impacted such as India and Russia as to compensate the losing of Chinese and European tourists, it subsequently appeared that both India and Russia also suffered no less severe impacts than other countries.

This disease outbreak has widely caused impacts around the globe as well as several airlines have to temporarily shut down, cancel flights and lay off employees. It could be said that the economic impacts are greater than the direct impacts on health.

Tendency of hotel business in 2020 and 2021 is as follows:

1. It is believed that during the second half of 2020 and the whole 2021, tourism in Thailand (including Samui Island) needs to mainly rely on domestic market. The main issue that should be considered is Thai economy is highly dependent on exports and tourism. The economic impacts in Thailand and groups of countries which are the main market would of course affect the domestic manufacturing sectors that rely on such markets. Therefore, the domestic purchasing power during the second half of the year may still not be strong enough to support Thailand's tourism.

2. In the past, there were only 2 – 3 percent of Thai tourists in the hotel industry in Samui Island. Speed expansion of this group of tourists to grow by 15 – 20 times of such percentage in order to compensate foreign tourists within a limited period of time (12 – 18 months) is unlikely possible under the purchasing power deterioration due to the condition of Thai economy. In the past, there were only 2 – 3 percent of Thai tourists in the hotel industry in Samui Island. Speed expansion of this group of tourists to grow by 15 – 20 times of such percentage in order to compensate foreign tourists within a limited period of time (12 – 18 months) is unlikely possible under the purchasing power deterioration due to the condition of Thai economy.

3. The Government allowing hotels to resume their services, airport to reopen and airlines to resume their services does not mean there will be tourists who will travel and use the services.

4. During late 2020, domestic tourisms will likely be short-distance travels within driving distance where crowded public transportations will be avoided. Samui Island may not be the tourists' destination during this period.

5. Social distancing measure will be the main factor that will cause higher travel expenses. That is because public transportation operators need to implement social distancing; therefore, they cannot sell all existing seats.

6. Moreover, there are news saying the Chinese Government will still prohibit Chinese people from travelling to other countries but will allow domestic travels instead in order to stimulate the Chinese economy itself. That will cause direct impacts as China is an important tourism market of Thailand.

7. The group of nearby countries also starts to have 'Travel Bubble' policy allowing travels between the contracting countries without having to quarantine for 14 days pursuant to the current measure. However, there has not yet been a conclusion that will lead to actions.

8. The key factor which will support the recovery of tourism is the vaccine or the medical measure that is able to deal with the outbreak and treat the illness efficiently. That should take 1 – 2 more years.

9. Thailand's and global tourism industry may have to take around 3 – 4 more years to get back to the same level before the outbreak.

## RISK FACTORS

### Risks associated to the invested property

#### 1) *Risks from the economic volatility of the country or other macro factors*

The Project to be invested by the Fund contains some risk from the economic volatility of the country and outside the country, since the guests are both Thai tourists and foreign tourists. Furthermore, the hotel may be affected from the change in other macro factors such as the adverse change of the international economic, increase of Thai currency value, the view point of the foreigner on Thailand, effect of terrorism, war, insurrection, protestation, obstruction and spreading out of the 2009 flu, avian flu or other disease in the region including the effect of the political fluctuation of Thailand in the present or in the future, or the change of political policy of the government which may cause serious problem to the operation, financial status, operation result and the growth of the Fund.

#### 2) *Risks from Master Lease Approach Structure*

As the Fund is managed under the master lease approach structure, therefore, the Fund is exposed to the risks that the Lessee does not pay rent to the Fund due to business conditions that deviated from business plan or even though as planned.

#### 3) *Risks from the Guarantee*

Although the Fund has specified the Lessee to provide Bank Guarantee, however, in the case that the Fund enforces the guarantee, commercial bank may use the law as excuse not to pay. Consequently, the Fund may need to exercise legal right by filing lawsuit to enforce the issuer bank to pay as obliged per the Bank Guarantee.

#### 4) *Risks associated with Political Situation*

The political situation on government stability and from the assembly to protest the government of some people may affect the economic and tourism condition of Thailand and the Stock Exchange of Thailand. This might be resulted in adversely affected on the operation of the Samui Buri Beach Resort Hotel, on the financial status and operation result of the Lessee's business which might also result to the operation of the Fund. The Management Company is incapable of guaranteeing that



the political situation in Thailand, at the present and in the future, or change of the political policies of Thai Government will not have material adverse impacts on the operation of the Samui Buri Beach Resort Hotel, financial status and operation result of the Lessee's business and growth of the Fund.

*5) Risks on operation of Hotel Business*

The operation of the hotel business is the high-risk real estate business if compares with other real estate businesses such as shopping mall business or lease of office space etc. because the operation of the hotel business depends on various external factors including the tourism industry of Thailand. Therefore, if the Fund lease the property of the Fund to the lessee to utilize such property in hotel business and if the Lessee under the Lease Agreement has adverse effect from the operation on hotel business and the Lessee is unable to pay the rent on time or the varied rent may not reach the estimation, it may impact on the operation result of the Fund.

*6) Risks from Higher Competition*

The operational result of the Fund may be affected by the market situation of the southern tourism, the increase of the hotel in Samui Island, the increase or decrease of the number of the hotel, and the increase of the number of the hotel or residential development which will cause the increase of supply in the market resulting in higher competition in seeking the guest.

*7) Risks associated with Change in popularity of the Style of the Project*

The Samui Buri Beach Resort Hotel which is invested by the Fund may affected by the change in popularity of tourists because if the behavior of the customer on emphasize to the accession to the nature which is differently to the Project. It may affect to the number of the tourist using the service in the Project. If the Project will not able to improve or change the style or image of the Project as soon as such change.

*8) Risks from Natural Disaster such as earthquake or tsunami, accident and terrorism*

Despite the facts that the natural disaster such as earthquake or tsunami, accident and terrorism do not often occur, if these incidents are to occur at the location of the property of the Fund, it will not only cause damages to the properties of the Fund, but it will also cause enormous damages to the lives and properties of the lessee and people using the service of the Project. Nonetheless, the

Fund has procured insurance policies on properties of the Fund to cover damages from natural disaster such as earthquake or tsunami, accident and terrorism for immovable property of the Fund.

Furthermore, any necessity repairing to recover the immovable property may need high expense and need the long time including may cause the Fund to lose the income in significance in such period which may stop the operation of the Hotel. Therefore, the serious circumstance and/or damage on the immovable property may significantly affect to operation result and financial situation of the Fund.

However, the Fund has procured insurance policy on immovable property of the fund to protect and has insurance financial amount conform to the insurance standard of the immovable property which has usage conform with the usage of the immovable property of the Fund.

### **Risks from the operation of the Fund**

#### *1) Risks in relation to Change in Accounting Standards or Change in Relevant Law*

The financial report of the Fund may be affected by the enactment of new accounting standards or revision of the same, which is not predictable by the Fund or amendment to regulations of the SEC Office or relevant agency in recording on accounting of the Immovable Property Fund. The Fund manager is not in the position to evaluate the impact caused by any of the above-mentioned changes, nor in the position to assure that such changes will not affect the presentation of the financial report or the operation result of the Fund. In addition, the accounting value of property of the Fund may change in the future if the opinion of the appraisal company has changed and may affect the accounting value of the property. Therefore, the Fund shall conduct to appraisal the value of the property and shall change the appraisal company as detail described in the Project.

#### *2) Risks in relation to the Fund's ability to pay dividend*

The dividend payment of the Fund will be considered from the operational result of the Fund which is subject to other factors, e.g. local and international economic situation, ability of the executive members to manage the immovable properties, the costs of the management of the immovable properties, the operation costs, the competition, the change of law and rules relating to the immovable properties. The dividend payment of the Fund shall be considered from the operation result of the Fund. Such rent depends on the ability of the Lessee on rent payment in accordance with

the Lease Agreement and the ability of the Fund on guarantee enforcement under procedure and time abovementioned when the cause of termination occurs. Therefore, the fluctuation of the varied rent may result that the investor may have the risk on do not receive the dividend payment as being expected herein or the Fund may not be able to maintain the level of the dividend payment or increase the amount of dividend payment in the following years.

*3) Risks from the compensation from the immovable property insurance do not cover the actual damage*

Under the provisions of the Land and Building Lease Agreement, the Fund shall procure the All Risk Insurance Policy and the Lessee shall procure the Business Interruption Insurance Policy which the Lessee shall be responsible on all cost throughout the lease term and to specific that the Fund is the beneficial party of the insurance policies. Furthermore, the Fund shall make the Lessee to procure third party insurance policy to cover the damage of the third party from the defective invested properties.

Nevertheless, if the circumstance which is not under the protection of the insurance policy occurs or the damage exceeding the coverage in accordance with the insurance policy or the Fund not being able to recover the all that it is entitled to under the insurance policy, such case may adversely effect to the financial situation of the Fund and cause the immovable property income to be under estimation. In such case, the Fund may have the financial damage because the compensation from the insurance may not cover all damage.

Furthermore, The Fund may not be able to insure against certain types of risks that may occur. Even if the Fund can find insurance, the premium may not be worth the economic benefits that the Fund might receive or there might be incidents outside the cover the insurance policy or the damage exceeding the coverage in accordance with the insurance policy, or the Fund not being able to recover the all that it is entitled to under the insurance policy. This may have affected on the higher cost and may cause the income in the future to be under estimation.

*4) Risks form the actual operation result and the property of the Fund may difference from the estimation*

Any financial report appears in this Project Scheme which is not the real information in the past (Including any report on the objectives of the investment and other plan and objectives of the executive for the future proceeding or economic situation or assumption or relating forecast) is the



estimation and unable to guarantee that it will happen as described such as the forecast of income and cost of the Fund. It depends on several assumptions which are changeable. These assumptions are not in the control of the Fund such as the decrease of the tourist and the decrease of the rent rate etc. These factors may cause the effect to the operation of the Fund. Therefore, the actual circumstance and operation result may be significantly difference from the forecast herein.

Such Estimation is the forecast concerning to the business operation result, business expansion planning, change in law, rules and regulations of the authorities relating to the business operation of the Fund, the government's policies and other which are the forecast in the future and being the opinion of the Management Company in the present and unable to assure such operation result or such future circumstance and such estimation based on several assumptions which are uncertainly. It could happen or maybe not. And these factures are not in the control of the Fund. In the case of such assumption will not happen, some of the proceeding of the Fund might not be in accordance with the described estimation and may affect to the actual operation of the Fund or the investment and the operation result of the Fund may be significantly difference from the estimation herein.

#### *5) Risks on taxes and changes in relevant laws in the future*

In the sale and transfer or receipt of transfer of the leasehold right; or in the sale and transfer or receipt of the transfer of the real properties (in the case that the Fund makes investment in the real properties) in the future, there may be the incurrence of tax burden and fee arising out of the sale, purchase or transfer of the ownership in relation to the leasehold right or the real properties by which the Fund will be responsible for all or part of them. And such fee and tax rate that the Fund must pay may be different from the current rate or there may be the change in any regulation on income tax, other taxes of the Fund or tax relating to the dividend which the investment unit holder receive from the Fund or there may be the change in law, notification, rule, regulation, legal provision, policy and/or ordinance of the authority or the agency authorized by the law in the future which is unforeseen circumstance. If there is such change, it may be adverse effect to the operation result and the value of the investment unit of the Fund and investor including the change in tax burden of the investment unit holder.

#### *6) Risks arise when the building must be renovated*

Normally, each hotel and residential building project in this characteristic must always be repaired and improved to modernize and conform to the style of demand of the customer to attract

the customer to use the service continuously. Normally the yearly improvement, repairing or maintenance will not affect the operation of the Fund unless in the case of the big improvement and repairing. The improvement to change outside and inside image of the hotel and resting building which usually conducted every 5-7 years or the change of the importance system of the project which usually conducted every 20 years approximately, such improvement will conduct separately only in the area that need to be improved. Therefore, the effect to the income of the Fund will occur only in the improvement area or nearby area which is disturbed from the improvement.

Nevertheless, in each big improvement and repairing, the project management will plan to minimize impact on the customer and will always study the impact on the income and the benefit before conducting. Moreover, during each big improvement and repairing period, the Lessee shall pay the fixed rent to the Fund unless the big improvement and repairing cause by force majeure.

#### *7) Risks relating to the license*

In accordance with the law, the license to operate hotel business must be renewed every 5 years. If the license to operate hotel business of the Lessee has been revoked or has not been renewed or the Lessee fail to proceed in order to obtain the license to operate hotel business (partial or whole), it may cause adverse effect to the Lessee that is to say that the Lessee will be unable to operate the hotel business (partial or whole) in the future and may cause the Lessee to be unable to pay the rent to the Fund and/or may cause the income of the Fund lower than estimation and may cause the Lessee to fail to comply with the conditions and duties under the Lease Agreement. However, the rules and regulations and the principle of consideration of the officials of the relevant authorities relating to the renewal of the license may be changed in the future which may delay the application for renewal or may be unable to renew the license. In such case, the Fund may consider the Lease Agreement terminating and may acquire the benefit from the hotel buildings and/or the villas in partial or whole in other types such as long-term lease resting building, or separately sell each hotel building or villa.

#### *8) Risks from the Lessee's Failure to comply with the Lease Agreement*

In the case that the Lessee fail to comply with the conditions and duties under the Lease Agreement, it will be the cause to terminate the Agreement and the Fund has the right to terminate the Lease Agreement so that the Fund may seeking the new lessee. If the Fund is unable to seek the new lessee in the reasonable time or unable to negotiate with the new party in the new lease agreement which contain the benefit condition to the Fund, the cash flow of the Fund may stop or reduce which affect adversely in significance to the operation result of the Fund.

*9) Risks from the Lessee or the owner fail to comply with the Management Agreement*

The lessee may have the risk from short of the cash flow or may be unable to procure the sufficient cash flow considered by the hotel executive officer as suitable for the hotel operation in accordance with the standard of the hotel executive officer and may cause the Lessee to default the Hotel Management Agreement.

The cancellation between the hotel executive officer and the Lessee may occur, if the hotel executive officer and/or the Lessee fail to comply with the conditions and duties under such agreement (or both parties may cancel the agreement by voluntariness) which cause the Lessee to seek the new hotel executive officer. Even if the management company believes that the Lessee will find the new hotel executive officer within the reasonable time because there are a lot of the professional hotel executive officers in the world and there should be some of the hotel executive officers who want to become the executive officer in this hotel as the result of the quality and location of the Project. However, during the negotiation and contacting to the new hotel executive officer the cash flow of the Fund may stop or reduce which affect adversely in significance to the operation result of the Fund.

*10) Risks as to net asset value of the Fund may not reflect actual value which the Fund will receive if there is the sale whole property or there is dissolution of the Fund*

The Net Asset Value of the Fund specified herein is calculated by basing on the information obtained from the Appraisal Report and such Net Asset Value may not reflect actual value which the Fund will receive if there is the sale whole property or there is dissolution of the Fund.

*11) Risks from the Lack of Liquidity*

As the Fund is the closed fund registered with the SET, the liquidity in the trade of the Investment Units will be analyzed from the frequency and the volume of the Investment Unit being traded in the SET which is subject to the volume of the bid-offer. Such bid-offer is also subject to many factors which the Fund is unable to control such as the security exchange situation and the market demand. Accordingly, there is a risk that the Investment Unit will face the lack of liquidity in the secondary market. Furthermore, as the Fund is listed in the size that lowers than 2,000 million Baht, it may affect to the liquidity on trading the Investment Units and bid price-offer price of the Investment Unit of the Fund may be differently in significance from the Net Asset Value (NAV).



*12) Risks relating to the Ability to Procure Benefit in the Leased Property by the Lessee that Affect the Benefit Procurement of the Fund*

*(1) Risks from the volatility of income*

Since the Initial Investment Date, the Fund will take the Samui Buri Beach Resort Hotel to procure the benefit by lease whole project under the lease agreement which contains the substantial concerning to the rent which the Fund will receive as follow:

(a) The Fund will receive remuneration in form of the fixed rent as specified in the summary of the Property Lease Agreement of the Initial Investment Property and the varied rent from the Lessee under the formula as prescribed in such agreement.

(b) In the case of the Lessee show to the Fund that there is any circumstance which significantly affects to the tourism industry of the country such as avian flu or 2009 flu. If such circumstance occurs temporarily, the Fund will consider that the Lessee may pay the rent to the Fund at the lower rate than the fixed rate.

In addition, the rent that the Fund will not receive during such time shall be deemed as the Accrued Unpaid Amount and the Lessee will reimburse such rent to the Fund which the Fund will receive the rent respectively as follow:

- a. Rent as specified in the agreement
- b. Accrued Unpaid Amount
- c. Other rent as prescribed in the agreement (if any)

The Fund prescript that there shall be outstanding payment not more than 60 days and the Fund will charge the fine interest on the fine interest rate notified by the Bank of Thailand.

*(2) Risks from higher competition which may affect that the guest of the Samui Buri Beach Resort Hotel will significantly decrease*

The Lessee has the main income from providing the room service of the Samui Buri Beach Resort Hotel and other relevant service to the guests and the income which the Lessee receive from such services must affect directly to the rent which the Fund will receive under the Lease Agreement especially the varied rent which is calculated from the portion of the income of the Lessee.

If in the future, there is the higher competition in providing room service in Samui Island by other entrepreneurs that built the new hotel or has improved the current hotel to be better than the Samui Buri Beach Resort Hotel in nearby area of the Samui Buri Beach Resort Hotel. It may affect that

the guest of the Samui Buri Beach Resort Hotel may be decrease and will affect to the operation result of the Lessee and finally to the operation result and financial situation of the Fund.

## LEGAL DISPUTES

The Fund has no legal disputes in the past year.

## SECTION 2

### MANAGEMENT AND CORPORATE GOVERNANCE

## INFORMATION OF INVESTMENT UNITS, SECURITIES AND BONDS ISSUED BY THE FUND

### Investment Units

Capital	828,000,000 Baht
PAR	10.00 Baht
Numbers of Investment Units	82,800,000 Units
Type of Investment Units	Name Certified
IPO Price	10.00 Baht
Registered Cap	828,000,000 Baht

### Securities Price<sup>2</sup>

Closing Price as of 30 June 2020	2.50 Baht per unit
Market Capital as of 30 June 2020	207,000,000 Baht
Volume as of 30 June 2020	470 Baht per day
Net Asset Value (NAV) as of 30 June 2020	391,475,947.15 Baht

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<sup>2</sup> As of 26 June 2020

## Information of Unitholders

Unitholders as of 15 June 2020 Type of Book Closing : XM

### Top 10 Major Unitholders

No.	Major Unitholders	Numbers of Share (Share)	%
1.	Government Saving Bank	20,000,000	24.15
2.	Samui Buri Beach Resort Co., Ltd.	6,285,500	7.59
3.	Ms. Pronpat Prapluetchop	2,377,020	2.87
4.	Mrs. Nongnart Penchome	2,237,200	2.70
5.	Ms. Varinda Jantarungsri	2,011,800	2.43
6.	Mr. Chin Raoprasert	1,016,200	1.23
7.	Mrs. Araya Kriengkraikul	1,000,000	1.21
8.	Thailand Krungthai Panich Insurance Plc.	1,000,000	1.21
9.	Ms. Varangkha Nakprasert	894,500	1.08
10.	Ms. Varin Thitapiwatanakul	705,400	0.85

### Major Unitholder (Holding 10% and above by the same group of investors)

No.	Major Unitholders	Numbers of Share (Share)	%
1.	Government Saving Bank	20,000,000	24.15



Group of Major Unitholders with significant influence on management policy or Management Company

None

Capital Reduction

There was no reduction in this period

#### Dividend Payment Record

No.	Operation Period	Pay Out Date	Dividend Paid (per Unit)	Dividend Paid (Percentage)
1	22 Jul 2010–31 Dec 2010	15 Mar 2011	0.2902	2.902
2	1 Jan 2011–30 June 2011	20 Sep 2011	0.3224	3.224
3	1 Jul 2011 – 31 Dec 2011	9 Mar 2012	0.3375	3.375
4	1 Jan 2012 – 30 Jun 2012	24 Sep 2012	0.3375	3.375
5	1 Jul 2012 – 31 Dec 2012	15 Mar 2013	0.3500	3.500
6	1 Jan 2013 – 30 Jun 2013	23 Sep 2013	0.3500	3.500
7	1 Jul 2013 – 31 Dec 2013	28 Mar 2014	0.3500	3.500
8	1 Jan 2014 – 30 Jun 2014	26 Sep 2014	0.0800	0.800
<b>Total</b>			<b>2.4176</b>	

#### Payment of Dividend Payment Policy

##### 1) *Rules, Policy, and Methods of Payment of Dividends to Unitholders*

In case that the Fund has made profit as per criteria to pay out dividend, the Fund has Policy of Payment of Dividends to Unitholders not more than 2 times per year. Detail are as follows:

(1) In cases where the Fund has net profit in any accounting period, the Management Company shall pay out dividends to the Unitholders not less than 90% of the net profit not including

the unrealized profits from the Appraisal or Review of Appraisal of the immovable properties or the right to lease out the immovable properties of that accounting period under guidance from the Securities and Exchange Commission to be in lined with the cash position of the Fund.

(2) In cases where the Fund has an accumulated profit in any accounting period, the Management Company may pay out dividends to the Unitholders from the said accumulated profit.

The payment of dividends must not cause increased cumulative loss to the Fund in the accounting period in which the dividend is paid out.

#### Payment of Dividend for the Accounting Period

The payment of dividends in accordance with (1) and (2), the Management Company shall notify the payment of dividend and the lists of persons who is entitled to receive the dividend (Closing Date). The Management Company will pay out the said dividends to the Unitholders within 90 days from the end of the accounting period in which there is the pay out of the dividends.

#### Payment of Interim Dividend

The Management Company will notify the payment of dividend and the lists of persons who is entitled to receive the dividend on closing date and will pay out the dividend within 30 days from the Closing Date. In case where the Management Company cannot pay out the dividends in the said period, the Management Company shall inform the Unitholders and the Office of the SEC in writing.

#### *2) Condition and Methods for Payment of Dividends*

(1) The Unitholders who are entitled to receive dividend payment must have their names in the register of Unitholders at the Closing Date in accordance with ratio of investment units held. In cases where the Management Company discovers that any person or person of the same group holds more than 1/3 of the total investment units of the Fund sold. The Management Company shall not pay out the dividends to that person or person of the same group for the part which exceeds 1/3 of the total Investment Units of the Fund sold as prescribed under 8 “Rules and Limitation on Holding of Investment units”.

(2) The Management Company shall notify the payment of dividend, closing date for the dividend payment and the rate of dividend payment via the Fund Report and Prospectus (MRAP) and publicly disclose at every office of Management Company, given that the Management Company may notify such dividend payment in the following manners:

- (1) Submitting the written notice to the Unitholders who have their names in the register of Unitholders on the Closing Date and the Trustee; or
- (2) Announcement in at least one newspaper.
- (3) The Management Company will pay out the dividend to the Unitholders under 7.1, given that the Management Company will deduct the withholdings tax at the rate of 10% of the dividend payment for the individual or otherwise as prescribed under the relevant laws, unless such unitholders give the notification in writing to the Management Company to proceed otherwise within 3 days from the Closing Date.
- (4) The Management Company will make dividend payments through bank transfers to bank accounts of the Unitholders or crossed account-payee-only cheques as per the names and addresses in the register book of the Unitholders. In this regard, the Unitholders shall be responsible for the fee, expenses incurred from such money transfer and any risk associated with the exchange rate (if any), given that the Management Company will deduct such fees and expenses from the amount transferred to the Unitholders.
- (5) In case the Unitholder does not invoke his right to certain dividend within the statute of limitation under the Civil and Commercial Code, the Management Company will not use such dividend in any way other than for the benefit of the Fund.

### *3) Additional conditions*

In the consideration of the pay out of the dividends, if the dividend announced to be paid per each investment unit during the accounting year has a value lower than or equal to Baht 0.10, the Management Company reserves the right not to pay out the dividends at the said time and shall pay out at the end of the accounting year. Regarding the methods for the pay out of the dividends, the Management Company shall proceed in accordance with the stipulated details except in cases where the SEC, the Office of the SEC and/or other agencies with authority under the law has amended, changed, added, announced, ruled, ordered, approved, and/or decided otherwise, the Management Company shall proceed accordingly.

## MANAGEMENT STRUCTURE

### Management Company

Principal Asset Management Company Limited  
44 CIMB Thai Bank Building 16<sup>th</sup> Floor, Langsuan Road,  
Lumpini, Pathumwan, Bangkok 10330  
Tel. 0-2686-9500 Fax 0-2657-3167  
Website: [www.principal.th](http://www.principal.th)

Principal Asset Management Company Limited is one of the companies within Principal Asset Management Bernhard, Malaysia that provide full service in respect of Fund Management which comprises of mutual fund, private fund, provident fund and property fund.

Principal Asset Management Bernhard holds 99.99% in Principal Asset Management Thailand also being a shareholder in Principal Asset Management in Singapore and Indonesia. Principal Asset Management Bernhard Malaysia is a corporative of the 2 leading financial institutes in both regional and global level which are

- Principal Financial Group holds 60%
- CIMB Group, Malaysia holds 40%

Therefore, this made us be ready to provide asset management service with global standard under supporting from CIMB Group and Principal Financial Group.

Currently, Principal Asset Management Thailand is the asset management company that ready to provide services that cover all sectors which are individual, SMEs, large scale business and corporate including government agencies under strong investment networks that connect all regions in the world. This gives us advantage in investment information with unique investment management by stocks selection process including both qualitative and quantitative, fundamental analysis and strict investment discipline frameworks and modern technology that supporting development in investment innovation and product creation.

Under compliance and risks control and good governance under the concept of TRUST, we emphasize on how to ensure that the investors can reach their financial goal and creating good return in long-term with cautious investment under proper risks management.

## Principal and concept



**Think** = positive think to find solution and commitment to solve problems



**Respect** = honestly respect the others



**Unleash** = continue to learn and develop



**Show** = courage, creative and quick response



**Teamwork** = work as a team for the best result

## Name of Directors and Management of Principal Asset Management Company Limited

### Directors

- |  |  |
|--|--|
| 1. Mr. Cheong Wee Yee                  | Chairman of the Board  |
| 2. Mr. Effendy Shahul Hamid            | Director   |
| 3. Mr. Jaun Ignacio Eyzaguirre Banaona | Director   |
| 4. Mr. Jason Leong Kok Yew             | Director   |
| 5. Mr. Jumpon Saimala                  | Director and Chief Executive Officer                         |
| 6. Ms. Wilaiporn Liwagasemsan          | Chairperson of the Audit Committee<br>(Independent Director) |
| 7. Mr. Boonsak Chiempricha             | Audit Committee<br>(Independent Director)                    |

### Management

- |                           |                                    |
|---------------------------|------------------------------------|
| 1. Mr. Jumpon Saimala     | Chief Executive Officer            |
| 2. Ms. Brenda Choo        | Chief Operating Officer            |
| 3. Mr. Win Phromphaet     | Chief Investment Officer           |
| 4. Mr. Tor Indhavivadhana | Chief Business Development Officer |

### Property Fund Manager

1. Mr. Suttipan Kreemaha



#### Fund Managers – Fund Liquidity Management

1. Mr. Win Phromphaet
2. Ms. Chanaikarn Sawatdiruerk
3. Mr. Wasuchon Saikaew

#### *Rights, Duties and Responsibilities of the Management Company*

Management Company has its rights, duties and responsibilities as follows:

1) The right to administer and manage the Fund in accordance with the objectives, investment criteria and restrictions of the Project as approved, as well as the commitments between the Unitholders of the Fund and the Management Company and various agreements which have been made.

2) The right to instruct the Investment Unit Registrar to reject the transfer the investment unit, in case that those transfers have been conflicted to the transfer conditions.

3) The right to resign as the Management Company as specified under the “Change of Management Company”.

4) The right to veto any act or decision of the Investment Committee or a resolution of Unitholders or the management procedures which is in contravention of the laws, regulations rules, and/or ethics and/or the Project or which may have an adverse effect on the reputation of or cause damage to the Management Company or the interest of the Fund.

5) The right to manage the Fund in the following cases:

- The right to terminate the Project and/or the Fund in case of the resignation of the Management Company with the conditions as mutually agree and the Fund cannot find new Management Company within 90 days (details as shown in the condition of “Change of the Management Company”).

- The right to proceed in accordance with the stipulations of the Project and/or as announced, prescribed, approved, permitted, relaxed, or instructed by the Office of the SEC Committee, the SEC and/or any other competent authority under law; and/or command.

- The right to amend, supplement, change the Project, in cases where it is otherwise changed, amended, supplemented, announced, prescribed, approved, permission, relaxed, and/or instructed by the Office of the SEC, the SEC Committee and/or any other competent authority under law.

- The right to sell/distribute/dispose/transfer properties wholly or partially of the Fund as deems appropriate in case of a lack of liquidity.

- The right to manage the Fund with a view to accomplishing the objectives of the Fund and maintaining the benefits of the Unitholders, given that the Securities Law and/or any other relevant laws are not contravened.

6) The right to appoint the trustee of the Fund, who has qualifications as prescribed in the Notification of the Office of the SEC regarding qualifications of trustees of property fund as well as to change the trustee of the Fund and appoint other trustee in replacement pursuant to the conditions for the change of the trustee specified in the fund scheme, given that such change shall be approved by the Office of the SEC.

7) Other right as specified by the Office of the SEC, the SEC Committee and/or any other competent authority under laws and regulations.

8) The Management Company shall arrange the commitment between Unitholders and the Management Company, other agreements on behalf of the Fund under the Securities Law and/or any other relevant laws.

9) The Management Company shall deliver, distribute and make available the up-to-date prospectus and the fund scheme in accordance with the following criteria and procedures:

(1) Prior to the offering of Investment Units to the public, the Management Company shall deliver the prospectus to the Office of the SEC at least one (1) business day prior to the date for the delivery or the distribution of the prospectus to the public. And the Management Company shall deliver such document via Mutual Fund Report and Prospectus (MRAP) of the Office of the SEC. Should there be any change to such details, the Management Company shall proceed to update such details without delay, given that such update shall be done via MRAP.

(2) In the offering of Investment Units, the Management Company shall sufficiently arrange the distribution of material details of Investment Units and the Fund to investors. Regarding to the details of the fund scheme, the Management Company shall make them ready for the examination and for the request by investors, given that such details shall be up to date.

(3) Upon the expiry date of the offering period, the Management Company shall make available the prospectus in the part of the Project details at every business place of the Management Company to be accessed by public; and the Management Company shall provide the copy of the same upon the request of the Unitholder. In the case that Investment Units of the Fund are the securities listed on the SET, and if there is any amendment to the fund scheme, the Management Company shall give notice of such amendment to the SET without delay after the date that the Office of the SEC approves the amendment to the fund scheme or the date of the rendering of the resolution to amend the fund scheme as the case may be, until the dissolution of the Fund.

10) The Management Company shall arrange the registration of pool of asset with the Office of the SEC within 15 days from the date of ending initial offering.

11) The Management Company shall arrange the listing of Investment Units of the Fund as listed securities on the SET within 30 days from the date of registration of the Fund.

12) The Management Company shall bring the money of the Fund to invest in the real properties or other properties as well as seeking benefit from the purchase, lease, distribution, transfer of the leasehold right, sale, order for the transfer and improvement of the real properties or other properties that the Fund has invested in accordance with the policy, objectives, criteria, conditions and procedures specified in the fund scheme and in accordance with the rules and criteria prescribed in the Notification of the SEC Committee and the Notification of the Office of the SEC.

13) In the case that the fact is known to the Management Company that any Person of the Same Group holds more than 1/3 of Investment Units of all sold Investment Units, the Management Company will proceed in accordance with the prescription in the Notification of the Office of the SEC.

14) The Management Company shall allocate the profit of the Fund to pay dividend to the unitholders in accordance with the criteria and procedures specified in the fund scheme and in accordance with the prescription of the Office of the SEC.

15) The Management Company shall procure the insurance policy for the Fund in accordance with the prescription and criteria in the Notification of the Office of the SEC.

16) The Management Company shall arrange the Appraisal of the properties in accordance with the prescription and criteria in the Notification of the Office of the SEC.

17) To appoint the trustee of the Fund, who has qualifications as prescribed in the Notification of the Office of the SEC regarding qualifications of trustees of property fund.

18) To separate the properties of the Fund from the properties of the Management Company and bring the Fund's properties to the possession of the trustee and/or Thai Securities Depository Co., Ltd.

19) To arrange for the investment of the Fund to gain revenue and benefits and bring such revenue and benefits to the possession of the trustee.

20) To appoint one or several individuals or juristic persons as advisors of the Fund. However, the advisors of the Fund shall not participate in making any decisions concerning investment or sell; or shall not participate in property management or lease of property. The Management Company shall prepare and submit the report for appointment or termination the agreement within 15 days from the date of appointment or termination and shall submit the copy of such agreement to the Trustee within 5 days from the date of execution of agreement.

21) To appoint the Property Fund Manager responsible for making decision to invest or to distribute the real properties or the leasehold right, given that such person shall be approved by the Office of the SEC.

22) To appoint the Fund manager responsible for making decision to invest or distribute the properties in Clause for the liquidity management of the Fund, given that such person shall be approved by the Office of the SEC.



23) To appoint the Investment Units Registrar as well as to change the Investment Units Registrar of the Fund and appoint other Investment Units Registrar, who has qualifications as prescribed by the Office of the SEC, in replacement, and give notice of such appointment to the Office of the SEC.

24) To appoint the Appraisal Company, given that such Appraisal Company shall be those in the list approved by the Office of the SEC to appraise or review the Appraisal for the properties invested by the Fund. The Management Company shall deliver the copy of such Appraisal Report and supporting documents to the Trustee and to the Office of the SEC within 15 days from the date of receipt of such report.

25) To appoint the Property Manager (if any), given that the Property Manager shall have the qualifications and possess no prohibited characteristics prescribed in the Notification of the Office of the SEC.

26) To appoint the auditor of the Fund, given that the auditor must have qualifications and does not possess prohibited characteristics per the Notification of the Office of the SEC regarding rules for approval of auditors, as well as to change the auditor and appoint other auditor who have qualifications as prescribed by the Office of the SEC, in replacement and give notice of such appointment to the Office of the SEC.

27) In the case that the Management Company wishes to appoint the underwriter to distribute Investment Units, such underwriter shall not have the relationship of the Person of the Same Group with the owner, the lessor, the transferor of the leasehold right and the grantor of the right in the real properties to be invested by the Fund.

28) To appoint other persons to perform other duties related to the Fund, e.g. construction supervisor, expert, estimator, building inspector, cleaning service provider and construction contractor etc.

29) To deliver a summary of significant information concerning the investment or the disposal of ownership or leasehold rights in real properties of the Fund to the Unitholders and the Office of the SEC within fifteen (15) days from the date of such investment or disposal of ownership or leasehold rights in real properties, and to provide such significant information at an open place at the Management Company and the head office of the trustee within fifteen (15) days from the date of investment or disposal of ownership or leasehold rights in real properties. Such summary shall be substantially in accordance with the notification of the Office of the SEC.

30) To immediately deliver the following documents to the trustee upon the investment or the dispose of the real properties and the leasehold right:

(1) The document showing the ownership or the possession of the real properties and the agreement regarding the purchase, lease, receipt of the transfer of the leasehold right or the grant of the right in the real properties, as the case maybe.

(2) The agreement in writing showing the disposal of the real properties or the leasehold right of the real properties.

The Management Company will give the notice of the possession of the real properties to the trustee within five (5) business days from the possession date of such real properties together with disclose such information at the office of the Trustee within 15 days after the date of investment or disposition of the asset.

31) To provide the copy of the following agreements to the trustee:

(1) Agreement to appoint the Appraisal Company within five (5) days from the execution date or from the date of appointment of the trustee in the case that the appointment of the Appraisal Company prior to the appointment of the trustee, as the case may be.

(2) Agreement to appoint the Property Manager (if any) and the agreement to appoint the advisor (if any) within five (5) business days from the execution date thereof.

32) To collect, follow up, proceed and order every person with duties under the appointment agreements, e.g. Property Manager, advisor and construction supervisor etc. To prepare, deliver and complete every report and/or any proceeding as specified in the appointment agreements and/or as prescribed by the investment committee and/or as per the request of the Unitholders and/or the competent agency.

33) To sell, dispose of, distribute or transfer the properties whether in whole or in part of the Fund as proper.

34) To perform other duties prescribed by the Securities Law to be the duties of the Management Company.

35) If the Investment Units of the Fund have been approved to be listed securities on the Stock Exchange of Thailand, the Management Company shall deliver the summary of significant information under the preceding paragraph to the Stock Exchange of Thailand in lieu of taking action under the first paragraph within the next business day from the date of purchase, lease, disposal or transfer of leasehold rights in immovable properties of the Fund or within such other period as prescribed by the Stock Exchange of Thailand.

36) To calculate the value of the properties, Net Asset Value and the Value of Investment Units pursuant to the Notification of the Office of the SEC regarding the criteria, conditions and procedures for the establishment and the management of the Fund or any criteria and procedures prescribed by the Office of the SEC.

37) To give notice to the Unitholders in the case that any change or any situation occurs after the date of the calculation of the properties' value, the Net Asset Value and the Value of Investment Units, which materially affects the properties of the Fund.

38) To prepare a financial statement of the Fund in accordance with the accounting standards specific to the investment business and accounting standards prescribed by the accountant council,

and to prepare a report of the Fund which has the required by the Office of the SEC at the end of every financial year, and deliver such report to the Unitholders whose names appear in the register of Unitholders and the Office of the SEC within four (4) months from the end of the financial year.

39) The Management Company shall increase or decrease the capital of the Fund in accordance with criteria and procedures specified in the Fund Scheme.

40) To proceed the litigation, both civil and criminal procedures on behalf of the Fund including the appointment of representative to do such litigation.

41) To attend the meeting and voting on the properties, rights and other benefits for the benefit of the Fund's benefit.

42) The right to amend, supplement, change the Fund Scheme.

43) The Management Company shall dissolve the Fund as per the specification in the Fund Scheme.

44) Upon dissolution of the Fund, the Management Company shall appoint a liquidator approved by the Office of the SEC to dispose of the assets of the Fund, pay the debts of the Fund, collect and distribute money or assets to Unitholders in the proportion of their respective Unitholding per the register of Unitholders, as well as inform the Trustee thereof.

45) The Management Company shall receive and pay the fees and expenses and/or other compensation as specified in the Fund Scheme.

46) The Management Company shall conduct any proceeding to achieve the objectives of the Fund and maintain the benefit of unitholders in general in accordance with the scope, duties and responsibilities of the Management Company, given that such proceeding shall not violate Securities Law and/or any relevant laws.

### ***Conditions for Replacement of the Management Company***

The Fund may replace the Management Company upon the occurrence of the following events and/or upon the approval of the Office of the SEC:

(1) When the Unitholders of the Fund pass a resolution by a majority vote representing more than one-half of the total number of Investment Units sold to replace the Management Company, the Unitholders shall give a notice in writing to the Management Company of not less than ninety (90) days in advance. If such change of Management Company is not resulting from the mistake or gross-negligence of the Management Company and the term of being Management Company has not been 5 years from the date of establishment of the Fund, the Management Company shall be entitled to receive the compensation for the remaining years out of 5 years.

The Unitholders must notify Management Company in written form not less than 5 days in advanced, unless the Management Company agreed to shorten the said notification period.



(2) If there is a change and amendment in the management policy as specified in the Project according to a resolution of Unitholders' meeting or an amendment to the Securities and Exchange Act, notifications of the SEC, notifications of the Office of the SEC and/or other relevant laws, which causes the Management Company to be unable to comply with those notifications, instructions, regulations and rules because such change imposes more duty on the Management Company and the Management Company does not want to accept such duty, the Management Company reserves the right not to accept the duty to manage the Fund, given that the Management Company must give prior written notice to the Unitholders of its intention not to perform the duties. The Management Company shall propose a new Management Company who is fully qualified according to the Securities Law with approval of the Office of the SEC except in the case that the Unitholders wish to find a new Management Company on their owns. In this regard, the Unitholders shall complete the appointment of the new Management Company within 90 days from the date of receiving the notice from the Management Company.

(3) If there is a change in policy, management procedures, operations, administration of the Fund, or material change in structure of Unitholders (the change of the names of Unitholders or the change to the holding of Investment Units by the Unitholders or the Person of the Same Group which is equivalent to five percent (5%) of all Investment Units sold), or in any other case which causes the Management Company to be no longer desirous of performing its duties, the Management Company reserves the right not to accept the duty of managing the Fund, given that the Management Company must notify the Unitholders in writing of its intention not to continue performing the duties (resignation). The Management Company shall propose a new Management Company who is fully qualified according to the Securities Law with approval of the Office of the SEC except in the case that the Unitholders wish to find a new Management Company on their owns. In this regard, the Unitholders shall complete the appointment of the new Management Company within 90 days from the date of receiving the notice from the Management Company.

(4) In the case that the license for the operation of the securities business in the type of mutual fund management of the Management Company is revoked and the Management Company is unable to continue performing its duties as the Management Company.

Replacement of Management Company, if it is the case that specified by law that approval from SEC is required; Management Company shall apply for such approval and remain functional until the new Management Company is appointed. However, if the Management Company notifies its resignation under (2) and (3) and the Fund and/or the Unitholders is unable to replace new management company within 90 days from the date of receiving the notice from the Management Company, the Management Company reserves the right to dissolve the Fund.

## Trustee

CITI Bank N.A.  
339 Sukhumvit Road, Interchange 21 Building,  
Klongton Nua Sub-district, Wattana District, Bangkok 10500  
Tel. 02-788-2000

### *Rights, Duties and Responsibilities of the Trustee*

The trustee has the rights, duties and responsibilities under this Project as follow:

- 1) To receive remuneration for being the trustee at the rate specified in the agreement to appoint the trustee has entered with the Management Company.
- 2) To supervise the Management Company to strictly comply with Section 125 of the Securities and Exchange Act B.E. 2535, Announcement, Notification of SEC, Office of SEC and Capital Market Advisory Board that issued as per the said Act both currently in effect and to be notified in the future. To notify the Management Company if the Management Company fails to comply the above laws.
- 3) If the Management Company does any act that causes damage to the Fund or fails to perform its duties under Section 125, the Securities Law and the terms of the approved Fund Management Project, the trustee shall make a detailed report thereon and submit it to the Office of the SEC within five (5) days from the date on which the trustee is aware of such circumstance.
- 4) To deposit the properties of the Fund by separating the properties of the Fund from the properties of the Trustee under the supervision of the trustee and monitor the expense of the Fund to be in accordance with the agreement between the Management Company and the Trustee.
- 5) To complete the inspection of real properties of the Fund per the timeframe as follows:
  - (1) Within thirty (30) days from the date of receiving a notice of possession of real property from the Management Company.
  - (2) Every year after the last inspection by the trustee.
- 6) To correctly, completely and truthfully record the condition of any real property from the inspection of such properties.
- 7) To notify the Management Company within five (5) business days from the date the trustee has found that any real property of the Fund has any material defect.
- 8) To notify the Management Company to conduct a new Appraisal immediately when the trustee is of the view that any circumstance or change has occurred which has a material effect on the value of the real properties of the Fund.



9) To verify that the investment or disposal of real properties or leasehold rights of the real properties of the Fund comply with the Project and the criteria prescribed by the Securities Law.

10) To approve the insurance against all losses which the Fund will be a beneficiary.

11) To give opinion on the operational result of the Fund in the report of the Fund.

12) For the assets invested in by the Fund which are real properties, the Management Company shall keep the documents of right in the real properties invested in by the Fund, namely land title deeds or certificates of utilization, agreements on sale of real property, lease agreements or agreements for the transfer of leasehold right in real property as well as insurance policies, at the office of the Trustee of the Fund, except for assets which, by their nature, cannot be kept at the office of the Trustee or where the Management Company and the Trustee agree otherwise.

13) To take delivery or delivery the documents regarding investing or divesting of the asset by the Fund to be in accordance with the Fund Scheme and Notification of the Office of the SEC.

14) To certify that the calculation of the value of the properties, Net Asset Value and the Value of Investment Units is correct and in accordance with the criteria prescribed by the Office of the SEC.

15) To prepare and deliver the report as follows:

(1) Detail on incomes and expenses of from the bank account, depository at every of the last business day of SET and commercial banks.

(2) Report on the investment of the Fund specified the type and status of the fund at the end of Business Day.

(3) Report on the detail of securities purchase and sale (if any).

16) To proceed under the clause 14 and 15 above, the Trustee shall use the information obtained from the Management Company or any other relevant person.

17) Report certified by the Trustee under clause 14 and the report prepared by the Trustee under clause 15 is deemed to be approved from the Management Company if the Management Company fails to object within 180 days from the date of reporting.

18) To file the case enforcing the Management Company to perform its duty or to claim damages in compensation to the damages caused by the Management Company for the benefit of all Unitholders or upon the receipt of the order from the Office of the SEC.

19) In the case the Management Company appoints the liquidator, such liquidator shall proceed in accordance as follows:

(1) deliver the account and supporting documents of the Fund to the liquidator within 5 days from the date of dissolution of the Fund;

(2) deposit the properties of the Funds until the completion of the liquidation;

(3) monitor the liquidator to comply with the Section 130 of the Securities and Exchange Act B.E. 2535 (1992), as amended and shall inform the Office of the SEC upon the non-compliance by the liquidator;

(4) distribute the fund and other assets to the Unitholders per their Investment Units ratio in the register book of Investment Units.

20) Deposit and the properties of the Fund and receive the income from the operation of the Fund and deposit it in the account of the Fund.

21) Pay the expense of the Fund as instructed by the Management Company.

22) To have such other rights, duties and responsibilities as specified in the agreement to appoint the trustee.

23) To perform other duties as prescribed by the SEC committee or the Office of the SEC as duties of trustees.

24) To be responsible for the damages to the Management Company or any expenses incurred from the mistake or gross-negligence of the Trustee under the Securities and Exchange Act B.E. 2535 (1992), as amended. Such mistake results from the non-compliance and gross-negligence conduct committed by the Trustee or the Trustee's employee, representatives or agent. Such damages shall include the damages from the delay of the Trustee in approving the matters as specified as obligations of the Trustee under the agreement to appoint Trustee or the Fund Scheme.

25) To allow the representative of the Management Company or the auditor to inspect the properties of the Fund, documentations and accounts of the Fund which in possession of the Trustee at all time within the business hour of the Trustee and to facilitate the Management Company in proceeding the duty under the relevant agreement and the Fund Scheme and to deliver the documents as instructed by the Management Company to the Unitholders and other person who is eligible to request such documents.

26) To be responsible for the damages to the Fund due to the act, omission to act by fraudulent, gross-negligence which is inconsistent with the obligations under the relevant agreement entering with the Management Company.

#### ***Conditions for replacement of the Trustee***

Management Company as representative of the Fund may replace Trustee upon occurrence of the following events and upon the approval of the Office of the SEC:

(1) When either the Management Company or the Trustee wishes to terminate the Trustee Appointment Agreement by giving written notice of such termination to the other party not less than ninety (90) days prior to the effective date of termination of the Trustee Appointment Agreement.

(2) The Management Company or the Trustee fails to perform the duties or responsibilities as prescribed in the Trustee Appointment Agreement. In such event, the Trustee or the Management Company may terminate such agreement by giving prior written notice of such termination to the other party with a period not less than thirty (30) days. In the case where the Trustee fails to perform the

obligations under such agreement with or without intention, willful or gross-negligence, the Trustee shall compensate the Fund and the Management Company including other expenses incurred from changing the trustee. In the case where the Management Company fails to perform the obligations under such agreement, with or without intention, willful or gross-negligence, the Management Company shall be responsible for the expenses and compensation for the damages to the Trustee.

(3) There is a change in any condition of the Project or an amendment to the Securities Law or any other circumstance causes the Management Company and the Trustee to be unable to agree on the amendment of the Trustee Appointment Agreement to comply with such change or amendment because such change or amendment imposes more duties on the Trustee and the Trustee does not want to accept such duties. In such event, the Trustee shall have the right to terminate the Trustee Appointment Agreement by giving written notice thereof to the Management Company not less than ninety (90) days in advance.

(4) The Unitholders of the Fund pass a resolution by a majority vote representing more than half of the total number of Investment Units sold, requesting the replacement of the Trustee. Such request to the Management Company shall be made not less than 90 days.

(5) The Trustee lacks any qualification under the notifications of the Office of SEC regarding the qualifications of trustees of mutual funds and the amendments thereto (if any). In such event, the Management Company shall notify the Trustee in writing to make a rectification within fifteen (15) days from the day following the date on which the Management Company is or should reasonably be aware of such disqualification or the date on which such disqualification is discovered from the inspection of the Office of SEC. The Management Company shall also notify such rectification to the Office of SEC within three (3) business days following the date the Trustee completes the rectification.

If the Trustee fails to make the rectification within such prescribed period, the Management Company shall seek permission to replace the Trustee from the Office of SEC within fifteen (15) days from the day following the expiry date of the rectification period. When permission is obtained from the Office of SEC, the Management Company shall appoint a new Trustee in place of the former Trustee immediately unless otherwise instructed by the Office of SEC.

(6) The Trustee unduly discloses information relating to the management of the Fund or any other information relating to the management of the Fund in a manner that causes or may cause damage to the Fund or the Management Company or obtains any benefit for the Trustee itself, or another person enjoys any benefit because of such undue disclosure. In such event, the Management Company may terminate the Trustee Appointment Agreement by giving written notice of not less than fifteen (15) days in advance to the Trustee. The Trustee must be responsible to the Management Company and/or the Fund for any expenses and/or damages including expenses incurred because the Management Company must contact and/or procure another person to perform duties as a new Trustee, or any other expenses which are or might be incurred in connection with the replacement of the Trustee.



(7) When any person proposes, or files a petition to the Court or any other relevant authority about the Trustee (a) for the dissolution of the Trustee's business or any other similar purpose; or (b) for the reorganization, composition or relaxation of debt payment, management of properties, liquidation or any other similar request under the current or future laws or under various regulations.

(8) When a government authority or agency believes, the Trustee has committed a mistake or gross negligence and gives a notice thereof to the Management Company or makes an announcement to the public.

In all cases, the replacement of the Trustee shall require prior permission of the Office of SEC. Since the Securities and Exchange Act B.E. 2535 provides that the Fund must have a trustee, if the Trustee is discharged from its duties under Clause 13.2 "Conditions for Replacement of Trustee", the Trustee must fully perform the duties of a trustee until the completion of the transfer and delivery of all assets and documents and evidence of the Fund to the new Trustee or as instructed by the Management Company or the Office of SEC, including any other necessary arrangements for the proper and complete transfer and delivery of all assets and documents to the new Trustee within a reasonable time to ensure continuous performance of duties.

In the case of expiration of Trustee Appointment Agreement due to termination by the Trustee, if the Management Company is unable to find new trustee to replace the same Trustee within the expiration date of the Trustee Appointment Agreement, such Trustee shall remain their position as a Trustee until there is a replacement of trustee. If such Trustee will receive the fee in proportion including any other expenses incurred from the operation of Trustee duty until their duty as a Trustee is ceased.

For the cease of being Trustee, the Trustee shall collect and transfer all properties and documentation of the Fund to the new trustee or proceed other duty as advised by the Management Company or the Office of the SEC within 15 business days from the day of cease to be a trustee.

### **Place of Custody of Assets of the Fund**

CITI Bank N.A., Bangkok Branch  
339 Sukhumvit Road, Interchange 21 Building,  
Klongton Nua Sub-district, Wattana District, Bangkok 10500  
Tel. 02-788-2000

In the case of change of the Trustee, the Management Company shall keep the properties at the office of the Trustee where the Management Company establishes or the office new trustee.

However, for the assets invested in by the Fund which are real properties, the Management Company shall keep the documents of right in the real properties invested in by the Fund, namely land title deeds or certificates of utilization, agreements on sale of real property, lease agreements or agreements for the transfer of leasehold right in real property as well as insurance policies, at the office of the Trustee of the Fund, except for assets which, by their nature, cannot be kept at the office of the Trustee or where the Management Company and the Trustee agree otherwise.

#### **Auditor**

Mr. Sa-Nga Chokenitisawat      Certified Auditor No. 11251  
Price Waterhouse Cooper ABAS Company Limited  
179/74-80, Bangkok Tower, Floor 15, South Sathorn Road  
Tung Mahamek Sub-district, Sathorn District, Bangkok  
Tel. 0-2344-100 and 0-2824-5000 Fax. 0-2286-5050

#### **Registrar**

Principal Asset Management Company Limited  
44 CIMB Thai Building, Floor 16, Langsuan Road,  
Lumpini, Pathumwan District, Bangkok 10330  
Tel. 0-2686-9500 Fax. 0-2657-3167  
Website: [www.principal.th](http://www.principal.th)

#### **Penalized and Fined Records**

On February 19, 2013, The Office of Securities and Exchange Commission had a letter no. Kor Lor Tor For Khor 298/2556 regarding fining for not comply with the law. Such letter stated that Management Company has breach article 117 and 125 (1) of the Securities and Exchange Act 2535 B.E. as follows:



1. During February 27, 2012 to July 17, 2012 Management Company did not perform as per rules, conditions and procedure as specified in the notification of Capital Market Supervisory Board. Management Company did not have proper compliance on investment for the cautious investment management for the best interest of unitholder by not undertaking due diligence before entering into investment.

2. During May 17, 2012 to February 27, 2013 Management Company, as being the Management Company of the Mercure Samui Property Fund (Mercure Fund), did not properly manage the Fund as specified in the notification of the Capital Market Supervisory Board by not control about the Income Guarantee as the Fund was approved.

3. During February 27, 2012 to December 25, 2012 Management Company did not perform as per rules, conditions and procedure as specified in the notification of Capital Market Supervisory Board. Which are (1) did not control and checking on payment of the Fund (2) did not perform the asset annual inspection by preparing invested asset registration properly and correctly (3) did not arrange for Revenue Guarantee Agreement and did not follow and monitor the guarantors to comply with the agreement (4) did not properly disclose information in the Fund Project and Prospectus.

Management Company accepted the penalty and fine as per the Committee's resolution in the meeting No 1/2556 dated February 2013 Order No 12/2556.

## **CORPORATE GOVERNANCE AND COMPLIANCE**

### **Corporate Governance Policy**

The Management Company strictly complies with Securities Law, announcements, regulations, rules, order or circular notice as amended or enacted by S.E.C., Capital Market Supervisory Board, office of S.E.C. and the stock exchange.

The Management Company stipulated a variety of policies for Corporate Governance such as report on conflict of interests, policy for fund operation, code of conduct for fund operation.

## Corporate Social Responsibility

The Management Company strictly complies with Securities Law, announcements, regulations, rules, order or circular notice as amended or enacted by S.E.C., Capital Market Supervisory Board, office of S.E.C. and the stock exchange.

## Internal Control and Risk Management

The Management Company strictly complies with Securities Law, announcements, regulations, rules, order or circular notice as amended or enacted by S.E.C., Capital Market Supervisory Board, office of S.E.T. and the stock exchange. Apart from Real Estate Investment Committee, The Management Company also established Compliance and Risk Management Department which is separated from Real Estate Investment Committee and reports directly to the Board of Directors and CIMB Group.

## Inter-connected Transactions

*Transactions of the Fund with the Management Company and other connected party to the Management Company*

No inter-connected person has any transaction with the Fund

Remark: The investors can directly verify the transaction with the Management Company or at website <http://www.principal.th>; and at the Securities and Exchange Commission ([www.sec.or.th](http://www.sec.or.th)).

## *Soft Commission Report*

There is no soft commission

## *Sales Commission from order to sell or purchase security*

There is no Sales Commission from order to sell or purchase security

## *Voting guidelines and voting execution*

Investors can examine voting guidelines and voting execution in the companies' Shareholders Meeting in the calendar year from website of the Management Company ([www.principal.th](http://www.principal.th)).

## SECTION 3

### FINANCIAL STATUS AND PERFORMANCE

## IMPORTANT FINANCIAL INFORMATION

### Performance of SamuiBuri Property Fund

For the period from 1 July 2019 to 30 June 2020

*Summary of Net Asset Value and Value of Investment Unit as of 30 June 2020*

Net Asset Value	391,475,947	Baht
No. of Investment Unit	82,800,000	Units
Value per Unit	4.7279	Baht

*Information regarding borrowing of the Fund as of 30 June 2020*

	Market Value (Baht)* <sup>1</sup>	% NAV
<b>Domestic Securities or Assets</b>		
Bank Deposit	6,525,575	1.667
<b>Investment in Real Estate</b>		
Land with Construction Samui Buri Beach Resort Hotel	399,000,000	101.922
<b>Others</b>		
Other Assets	3,221,595	0.823
Other Debts	(17,271,223)	(4.412)
<b>Net Asset Value</b>	<b>391,475,947</b>	<b>100.000</b>
Remark:	* <sup>1</sup> total market value including receivable interest	

*Summary of Investment in Debt, Deposit or Semi Debt of the Fund*

Bonds	Market Value (Baht)*	% NAV
(A) Thai and Foreign Government Bonds		
- Thai Government Bonds	- None -	-None-
- Foreign Government Bonds	- None -	-None-
(B) Bonds that Bank or Credit Fancier is Issuer, Payer, Aval, Certified or Guarantor	6,525,575	1.667
(C) Investment Grade Bonds	- None -	- None -
(D) Under Investment Grade Bonds	399,000,000	101.922
Remark: * value based on market price including interest receivable		

*Details of all Bonds and Rating in Port*

Item	Issuer	Insurer/ Guarant or/Certi fier	Due Date	Rating	Principal / Face Value	Market Value <sup>*1</sup>
1 Real Estate Investment	Samui Buri Beach Resort Hotel	-	-	N/A	828,000,000	399,000,000
2 Deposit	CITI Bank N.A.	-	-	N/A	6,525,575	6,527,379
Remark: <sup>*1</sup> Market Value including Interest receivable						



### Fund Expense

For the period of 1 July 2019 to 30 June 2020

Fund's Direct Expenses*	Unit Thousand Baht	% of NAV
Fund Management Fee	3,087.86	0.622
Trustee Fee	617.57	0.124
Registrar Fee	514.64	0.104
Adverts, PR and Sale Promotion		
- During IPO	-	-
- After IPO	-	-
Legal Advisor Fee	909.75	0.183
Property and Land Tax	310.63	0.063
Audit Fee	945.50	0.190
SET Registration Fee – Annual	103.64	0.021
Insurance Premium	277.41	0.056
Unitholders' Meeting	213.59	0.043
Other expense	40.03	0.008
<b>Total Expenses ***</b>	<b>7,020.62</b>	<b>1.414</b>

Remarks \* Fee and expenses already include VAT, Specific Business Tax and other Taxes and Duties (if any)

\*\* Excluding securities agent and other fees related to stocks/securities trade and reversion of doubtful debt.

The amount of Doubtful Account and asset appraisal fee are charged to the Fund after 30 June 2020 are not shown in this accounting period but will be in the period of 30 June 2021 which might be higher than the past report due to the figure is the sum of the expense in 2020 and 2021.

## APPENDIX 1

### REPORT OF CERTIFIED AUDITOR, AUDITED FINANCIAL STATEMENT

**SAMUI BURI PROPERTY FUND**

**STATUTORY FINANCIAL STATEMENTS**

**30 JUNE 2020**



## **Independent Auditor's Report**

To the Unitholders of Samui Buri Property Fund

### **My opinion**

In my opinion, the financial statements of Samui Buri Property Fund ("the Fund") present fairly, in all material respects, the financial position of the Fund as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### **What I have audited**

The Fund's financial statements comprise:

- the balance sheet as at 30 June 2020;
- the details of investments as at 30 June 2020;
- the statement of income for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- significant financial information and ratios for the year then ended; and
- a summary of significant accounting policies and other notes.

### **Basis for opinion**

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Fund in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key audit matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I determine one key audit matter: valuation of investment in properties. These matter was addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



Key audit matters	How my audit addressed the key audit matter
<p><b><i>Valuation of investment in properties</i></b></p> <p>Refer to significant accounting policies no. 3.3 and notes to financial statements no. 9, the fair value of investment properties were carried at Baht 399 million as at 30 June 2020 with unrealised loss from investments of Baht 137.8 million.</p> <p>The investment properties comprises of the land, buildings (except sport club), public utilities, furniture and equipment for hotel business.</p> <p>Valuations of investment properties were carried out by independent appraiser.</p> <p>There were significant judgements and estimates to be made in relation to the valuation of investment properties. The valuations was based on Income Approach.</p> <p>The most significant judgements and estimates affecting all the valuations of investment properties include estimated rental income, discount rate, which was determined from business type, the location of project, ability to generate income, competitive market and risk-free return rate. The appraiser applied discounted cash flow for valued asset based on yield rate of government bond plus market, operational, and liquidity risk.</p> <p>The unrealised loss was incurred from lower estimated rental income, which was unfavourably reflected from lower demand of customers and fixed costs.</p> <p>The significant estimation could result in material effect to investment in properties at fair value, which is why I have given specific audit focus and attention to this area.</p>	<p>All investment properties are appraised by an independent valuer, who hold a recognised relevant professional qualification by the Securities and Exchange Commission and has recent experience in the segment of the investment properties valued.</p> <p>I assessed the competence, independence and objectivity and verified their qualifications.</p> <p>I obtained the valuation reports and agreed fair value in valuation report to accounting record. I discussed directly with external valuer and challenged on the appropriateness of the methodology and assumptions used. The property information in the valuation was tested by tracing a sample of data inputs underpinning the valuation for properties, including rental income and related cost/ expenses with lease agreement of Mercure Samui Buri Resort. I, therefore, held a discussion with the Fund's management to ensure the appropriateness, completeness and correctness of data input by the valuer.</p> <p>In addition, I challenged the unfavourable movements in the valuation and obtained the explanations and related reference of supporting evidences from independent valuer.</p> <p>From procedures mentioned above, I found that the management's significant judgements and estimates were appropriated in an acceptable range.</p>





### **Other information**

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

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the Fund's management.

### **Responsibilities of the Fund's management for the financial statements**

The Fund's management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the Fund's management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Fund's management is responsible for overseeing the Fund's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

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

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

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

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

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in blue ink, reading 'Sa-nga Chokenitisawat'.

**Sa-nga Chokenitisawat**  
Certified Public Accountant (Thailand) No. 11251  
Bangkok  
27 August 2020



**Samui Buri Property Fund****Balance Sheet****As at 30 June 2020**

		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>Baht</b>	<b>Baht</b>
<b>Assets</b>			
Investment in properties at fair value (at cost Baht 828,000,000)	9	399,000,000	536,800,000
Cash and cash equivalents	10	6,525,575	8,239,320
Rental receivable and accrued rental income, net	11	1,200,000	1,100,000
Other receivable		1,795,988	1,661,000
Prepaid expenses		144,782	148,298
Other assets		80,825	22,542
<b>Total assets</b>		<b>408,747,170</b>	<b>547,971,160</b>
<b>Liabilities</b>			
Accrued expenses	14	17,271,223	15,964,671
Other payable		-	1,107,028
Other liabilities		-	6,605
<b>Total liabilities</b>		<b>17,271,223</b>	<b>17,078,304</b>
<b>Net assets</b>		<b>391,475,947</b>	<b>530,892,856</b>
<b>Net assets:</b>			
Capital received from unitholders (82,800,000 units, Baht 10 each)	12	828,000,000	828,000,000
Deficits	12	(436,524,053)	(297,107,144)
<b>Net assets</b>		<b>391,475,947</b>	<b>530,892,856</b>
Net assets value per unit (Baht)		4.7279	6.4117
Number of units outstanding at the end of the year (units)		82,800,000	82,800,000

The notes to financial statements from pages 11 to 20 are an integral part of these financial statements.

Samui Buri Property Fund  
Details of Investments  
As at 30 June 2020

Type of investment	Cost		Fair value		Percentage of investment	
	2020	2019	2020	2019	2020	2019
	Baht	Baht	Baht	Baht	%	%
<b>Investment in properties (Note 9)</b>						
Land and Buildings						
1) 5 plots of land, total area of 13-0-27 rai,						
2) buildings, total area of 15,772.86 sqm. with facilities,						
swimming pool, dining room, and parking area for						
hotel business	828,000,000	828,000,000	399,000,000	535,800,000	100	100
<b>Total investment in properties</b>	<u>828,000,000</u>	<u>828,000,000</u>	<u>399,000,000</u>	<u>535,800,000</u>	<u>100</u>	<u>100</u>

The notes to financial statements from pages 11 to 20 are an integral part of these financial statements.



Samui Buri Property Fund  
Statement of Income  
For the year ended 30 June 2020

	Notes	2020 Baht	2019 Baht
<b>Investment income</b>			
Rental income	9	7,200,000	7,200,000
Interest income		3,723	4,286
<b>Total income</b>		<u>7,203,723</u>	<u>7,204,286</u>
<b>Expenses</b>			
Management fee	13, 14	3,087,864	3,696,567
Trustee fee	13	617,573	740,942
Registrar fee	13, 14	514,644	616,095
Professional fee		1,855,251	1,777,913
Doubtful debt expense	11	1,800,000	-
Other expenses		945,300	13,076,666
<b>Total expenses</b>		<u>8,820,632</u>	<u>19,908,183</u>
<b>Net investment (expenses)</b>		<u>(1,616,909)</u>	<u>(12,703,897)</u>
<b>Net (loss) from investments</b>			
Net unrealised (loss) from investments	9	<u>(137,800,000)</u>	<u>(64,600,000)</u>
<b>Total net (loss) from investments</b>		<u>(137,800,000)</u>	<u>(64,600,000)</u>
<b>Net (decrease) in net assets from operations</b>		<u><u>(139,416,909)</u></u>	<u><u>(77,303,897)</u></u>

The notes to financial statements from pages 11 to 20 are an integral part of these financial statements.

Samui Buri Property Fund  
Statement of Changes in Net Assets  
For the year ended 30 June 2020

	<b>Note</b>	<b>2020 Baht</b>	<b>2019 Baht</b>
<b>(Decrease) in net assets from operations during the year</b>			
Net investment (expenses)		(1,616,909)	(12,703,897)
Net (loss) from investment	9	<u>(137,800,000)</u>	<u>(64,600,000)</u>
<b>Net (decrease) in net assets from operations</b>		<u>(139,416,909)</u>	<u>(77,303,897)</u>
<b>(Decrease) in net assets during the year</b>		(139,416,909)	(77,303,897)
Net assets at the beginning of the year		<u>530,892,856</u>	<u>608,196,753</u>
<b>Net assets at the end of the year</b>		<u><u>391,475,947</u></u>	<u><u>530,892,856</u></u>

The notes to financial statements from pages 11 to 20 are an integral part of these financial statements.

**Samui Buri Property Fund**  
**Statement of Cash Flows**  
**For the year ended 30 June 2020**

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>Baht</b>	<b>Baht</b>
<b>Cash flows from operating activities</b>			
Net (decrease) in net assets from operations		(139,416,909)	(77,303,897)
Adjustments to reconcile net increase (decrease) in net assets from operations to net cash provided by operating activities:			
Interest income		(3,723)	(4,286)
Net unrealised loss from investment	9	137,800,000	64,600,000
Doubtful debt expense	11	1,800,000	-
(Increase) in rental receivable and accrued rental income		(1,900,000)	(1,100,000)
(Increase) in other receivable		(134,988)	(1,661,000)
Decrease in prepaid expenses		3,516	10,593
(Increase) decrease in other assets		(58,510)	12,769
Increase in accrued expenses		1,306,552	12,479,926
(Decrease) increase in other payable		(1,107,028)	1,107,028
(Decrease) increase in other liabilities		(6,605)	759
Cash flows from operating activities		(1,717,695)	(1,858,108)
Cash received from interest income		3,950	4,881
<b>Net cash used in operating activities</b>		<b>(1,713,745)</b>	<b>(1,853,227)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(1,713,745)</b>	<b>(1,853,227)</b>
Cash and cash equivalents at the beginning of the year		8,239,320	10,092,547
<b>Cash and cash equivalents at the end of the year</b>		<b>6,525,575</b>	<b>8,239,320</b>

The notes to financial statements from pages 11 to 20 are an integral part of these financial statements.

Samui Buri Property Fund  
Significant Financial Information and Ratios  
For the year ended 30 June 2020

	2020	2019	2018	2017	2016	2015
	Baht	Baht	Baht	Baht	Baht	Baht
<b>Operating performance (per unit)</b>						
Net assets value at the beginning of the year	6,417	7,3453	8,3227	7,2504	9,9193	10,2682
<u>Add</u> Income (expenses) from investment activities:						
Net investment (expenses) income	(0.0195)	(0.1534)	(0.4315)	0.7003	(0.1705)	(0.1888)
Net unrealised (loss) gain from investments	(1.6643)	(0.7802)	(0.5459)	0.3720	(2.4984)	(0.0801)
Total income (expenses) from investment activities	(1.6838)	(0.9336)	(0.9774)	1.0723	(2.6689)	(0.2689)
<u>Less</u> Dividend paid	-	-	-	-	-	(0.0800)
<b>Net assets value at the end of the year</b>	<b>4,7279</b>	<b>6,4117</b>	<b>7,3453</b>	<b>8,3227</b>	<b>7,2504</b>	<b>9,9193</b>
<b>Ratio of net (decrease) increase in net assets from operations to average net assets value during the periods/year (%)</b>	<b>(28.0678)</b>	<b>(13.0877)</b>	<b>(12.5082)</b>	<b>14.4116</b>	<b>(27.6721)</b>	<b>(2.5730)</b>

**Significant financial ratios and additional information**

Net assets value at the end of the year (Baht)	391,475,947	530,892,856	608,196,753	589,121,091	600,334,485	821,318,438
Ratio of total expenses to average net assets value during the year (%)	1.7758	3.3705	6.6196	(8,9421)	1.7674	7.9341
Ratio of investment income to average net assets value during the year (%)	1.4503	1.2197	1.0978	0.4701	-	6.1273
Ratio of weighted average investment purchase and sale during the year to average net assets value during the year (%)	-	-	-	-	-	-
Average net assets value during the year (Baht)	496,715,497	590,658,601	646,968,367	616,075,821	798,578,989	865,310,598

The notes to financial statements from pages 11 to 20 are an integral part of these financial statements.



## **1 General information**

Samui Buri Property Fund ("the Fund") was registered on 22 July 2010 with indefinite expiration date. The purpose of the Fund is to raise funds from the investors to invest in properties which consist of land, buildings (except sport club), with facilities, swimming pool, dining room, and parking area for hotel business.

As at 30 June 2020, the major unitholder is Government Savings Bank, holding 24.15% of total authorised units.

Principal Asset Management Company Limited is the Fund's Management Company ("the Management Company"). Citibank N.A. has been appointed as the Fund's Trustee.

On 22 April 2019, the Management Company had informed the Securities and Exchange Commission to change its name from "CIMB Principal Asset Management Company Limited" to "Principal Asset Management Company Limited".

These financial statements were authorised for issue by authorised manager of the Management Company on 27 August 2020.

## **2 Significant events during the current period**

The outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, it has resulted in adverse effects on operating results for the year ended 30 June 2020 particularly on the rental businesses.

The adverse effects from COVID-19 outbreak may lead to early termination, breach or renewal of certain existing lease contracts as well as affect new contract signing, and rental income in the coming periods. The Fund's management is now paying close attention to the development of the COVID-19 outbreak situation and its impact on the leasing market, performing relevant assessments and taking proactive measures for remediation.

## **3 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **3.1 Basis of preparation**

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. In addition, the financial statements have been prepared under the basis and format as required by the Thai Accounting Standard No. 106 "Accounting for Investment Companies". The primary financial statements (i.e. balance sheet, the details of investments, statement of income, statement of changes in net assets, statement of cash flows and significant financial information and ratios) are prepared in the full format as required by the Securities and Exchange Commission.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

### 3 Accounting policies (Cont'd)

#### 3.1 Basis of preparation (Cont'd)

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 to the financial statements.

An English language version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

#### 3.2 Revised accounting standards, revised financial reporting standards, and related interpretations

The Fund has adopted revised financial reporting standards that are effective for accounting periods beginning or after 1 January 2019 and are relevant to the Fund. These revised standards do not have a significant impact on the Fund.

The Fund has not adopted new and revised financial reporting standards that are effective for accounting periods beginning or after 1 January 2020. The management of the Management Company is currently assessing the impact of initial adoption of these standards.

The Fund has not adopted accounting guidance for Property Fund, Real Estate Investment Trust, Infrastructure Fund and Infrastructure Trust which was endorsed by the Securities and Exchange Commission that are effective for accounting periods beginning or after 1 January 2020.

#### 3.3 Investment in properties

Investment in properties consist of land, building (excluding sport club) with facilities, swimming pool, dining room, and parking area for hotel business which held to earn rentals or for capital appreciation and not used in the ordinary business of the fund.

Investment in properties are initially measured at cost, including transaction costs and borrowing cost.

Investment in properties are subsequently measured at fair value, with change in fair value under fair value model being recognised in profit or loss.

The fund should be recognised expense after initially measured as assets when it is probable that the future economic benefits associated with the asset will flow to the fund.

The Management Company measured their fair value as at first balance sheet date at the acquisition cost of the properties. At the subsequent balance sheet dates, they are presented at fair value which is based on appraisal value by independent valuers approved by the Securities and Exchange Commission. The Management Company will conduct appraisal of properties every two years from the date of the appraisal for purchase or lease of the properties and will conduct a review of appraisal every year after the date of the latest appraisal. The Management Company will not appoint any appraiser to appraise the property or leased property for more than 2 consecutive times.



**3 Accounting policies (Cont'd)**

**3.4 Cash and cash equivalents**

Cash and cash equivalents includes deposits held at call, short-term highly liquid investments with maturities of three months or less from the date of acquisition and are not used as collaterals.

**3.5 Leases**

Rental income under operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**3.6 Rental receivable**

Rental receivable is carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful accounts based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the rental receivable and the amount expected to be collectible. Bad debt are written-off during the year in which they are identified and recognised in statement of income as the Fund's expenses.

**3.7 Revenues and expenses recognition**

Rental income under operating leases is recognised in the statement of income on the straight-line basis over the lease term.

Interest income is recognised on an accrual basis based on the effective interest rate.

Other income are recognised on an accrual basis in accordance with the substance of the relevant transactions.

Expenses are recognised on an accrual basis.

**3.8 Income taxes**

The Fund is exempted from Thailand corporate income tax. No provision for corporate income tax has been made in the accompanying financial statements.

**3.9 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as board of directors that makes strategic decisions.

## 4 Financial risk management

### 4.1 Financial risk factors

The Fund exposes to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

#### Interest rate risk

The Fund has interest rate risk from borrowings and debentures at fixed and floating interest rates.

#### Credit risk

Credit risk is the risk that counterparties might not discharge their obligation causing the Fund to incur a financial loss. Credit risk arises from risk in the collectability of lease rental from counterparties. The Fund have a concentration of credit risk with respect to an account receivable as it has only one customer. The carrying amount of financial assets as recorded in balance sheet represents the Fund's maximum exposure to credit risk.

#### Liquidity risk

The Fund manages sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

### 4.2 Fair value estimation

The following table presents the financial assets that are measured at fair value, excluding where its fair value is approximating the carrying amount as at 30 June 2020 and 2019 are as following:

	2020 Level 3 Baht	2019 Level 3 Baht
Investment in properties	399,000,000	536,800,000
Total	399,000,000	536,800,000

Fair values are categorised into hierarchy based on input used as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 : Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).



#### 4 Financial risk management (Cont'd)

##### 4.2 Fair value estimation (Cont'd)

###### *Transfer between fair value hierarchy*

During the year, there was no transfers within the fair value hierarchy.

###### *Valuation processes*

The Management Company arranges the valuation of Investment In properties by Independent professionally qualified valuer ("independent valuer") who hold a recognised relevant professional qualification and has recent experience in the segment of the investment properties valued. The independent valuer reports directly to the Management Company. For financial reporting purpose, the Management Company reviews the valuation performed by the independent valuer. Review of valuation process and result is held between the Management Company and the Trustee which will evaluate in each accounting period, in line with the Fund's reporting dates.

The main information that the appraiser used for fair value assessment Level 3 such as discount rate was determined from business type, the location of project, generated cash flow, competitive market and risk-free return rate. The appraiser applied 12% of discounted cash flow for valued asset based on yield rate of government bond plus market risk, operational risk, and liquidity risk.

Changes in fair value are analysed at each reporting date by the Management Company and the Trustee. As part of this review, the Management Company presents valuation assumption of the independent valuer to explain the reasons for changes in fair value.

There were no changes to the valuation techniques during the year.

#### 5 Critical accounting estimates, assumptions and judgments

Estimated and judgements are continually evaluated and are based on historical experience and other factor, including expectations of future events that are believed to be reasonable under the circumstances.

###### *Fair value of investment in properties*

The fair value of investment in properties that are not traded in an active market is determined by using discounted expected future cash flows received from investment in properties by the appropriate discount rate which reflect related risks. The Fund engages independent appraiser to assess the fair value of properties.

###### *Allowance for doubtful accounts*

The Management Company considers an allowance for doubtful accounts to reflect impairment of account receivable relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Management Company's assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

## **6 Capital risk management**

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Fund may adjust the amount of dividends paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt (if any).

## **7 Dividend payment policy**

Regulations, policy and criteria for paying dividends to unitholders are as follows:

- 1) If the Fund has net profit in each year, the Fund shall pay dividend to unitholders at the rate of no less than 90 percent of the adjusted net profit for the year ended. The adjusted net profit means the net profit that deducts unrealised gain from appraisal or reviewed appraisal of real estate or leasehold rights to real estate including other adjustments to align with cash status of the Fund according to the guideline of Securities and Exchange Commission.
- 2) If the Fund has accumulated profits, the Fund may pay dividend to unitholders out of the accumulated profits provided that dividend payment under (1) must not cause increase in its deficit in the period which dividend is paid.

In considering the payment of dividends, if the value of interim dividend per unit to be paid is lower than or equal to Baht 0.10. The Fund reserves the right not to pay dividend at that time and to bring such dividend forward for payment together with the year end dividend payment.

## **8 Segment information**

The Fund operates in business which is the investment in properties and the business is only operated in Thailand. Income and expenses from this segment are the same amount with the statement of income. Therefore, the presentation of segment information is not necessary.

## **9 Investment in properties at fair value**

	<b>2020 Baht</b>	<b>2019 Baht</b>
Investment in properties at the beginning of the year	536,800,000	601,400,000
Net unrealised (loss) from the revaluation of investment at fair value	<u>(137,800,000)</u>	<u>(64,600,000)</u>
Investment in properties at the end of the year	<u>399,000,000</u>	<u>536,800,000</u>

On 28 July 2010, the Fund invested in properties, the Mercure Samui Buri Resort sized of 88 rooms, consisted of 1) 5 plots of land, total area is 13-0-27 rai, 2) buildings, total area is 15,772.86 sqm. close to the river with beach width of 6.5 metre with facilities, swimming pool, dining room and parking area for hotel business. The land and building are located at 26/24, Soi Wat Nha Pra Lan, Tambon Mae Nam, Amphur Koh Samui, Surat Thani.



**9 Investment in properties at fair value (Cont'd)**

Amounts recognised in profit and loss that are related to investment in properties for the year ended 30 June 2020 and 2019 are follows:

	<b>2020</b>	<b>2019</b>
Rental income	7,200,000	7,200,000
Direct operation expense that did not generate rental income	277,409	416,083

The Fund has an operating lease agreement in respect of Commercial Real Estate that consists of land, building (excluding sport club) with facilities, swimming pool, dining room, and parking area for hotel business. The term of the agreement is initially 3 years starting from 1 August 2018 onward. As at 30 June 2020, future minimum rental income to be generated under this operating lease is as follows.

	<b>In Million Baht</b>
Due within 1 year	8.30
Due within 2 years - 3 years	0.70

The Fund hired an independent appraiser, Real Estate Appraisal Co., Ltd., to appraise its investment in properties by using the Income Approach derived from cumulative of present value of net income based on the period of 10 years and its present value of such assets at the end of year 10<sup>th</sup>, report dated 15 May 2020. The valuation technique used significant unobservable inputs such that the Fund classified the fair value measurement as Level 3 of fair value hierarchy according to TFRS13 Fair value measurement.

As at 30 June 2020, the Fund adjusted investment in properties to fair value of Baht 399 million (2019 : Baht 536.8 million) and recognised net unrealised loss from investment in the statement of income for the year ended 30 June 2020 at Baht 137.8 million (2019 : unrealised loss of Baht 64.6 million).

**Sensitivity analysis for each significant assumptions**

	<b>Impact on fair value increase/ (decrease) 2020 Million Baht</b>
<b>Discount rate</b>	
Discount rate, decrease of 0.50 percent	14.60
Discount rate, increase of 0.50 percent	(14.00)
<b>Capitalisation rate</b>	
Capitalisation rate, decrease of 0.50 percent	12.00
Capitalisation rate, increase of 0.50 percent	(10.80)
<b>Rental growth rate</b>	
Rental growth rate, decrease of 0.50 percent	(11.20)
Rental growth rate, increase of 0.50 percent	11.40

**10 Cash and cash equivalents**

	Principal		Interest rate per annum	
	2020 Baht	2019 Baht	2020 %	2019 %
Deposits in bank saving account - Citibank N.A.	6,525,575	8,239,320	0.05	0.05
Total cash and cash equivalents	<u>6,525,575</u>	<u>8,239,320</u>		

**11 Rental receivable and accrued rental income, net**

	2020 Baht	2019 Baht
Rental receivable	1,800,000	-
<u>Less</u> Allowance for doubtful account	(1,800,000)	-
Rental receivable, net	-	-
Accrued rental income	1,200,000	1,100,000
Total rental receivable and accrued rental income, net	<u>1,200,000</u>	<u>1,100,000</u>

**12 Unitholders' equity**

As of 30 June 2020 and 2019, there are 82,800,000 units of Baht 10 par value registered, issued and paid-up.

	2020		2019	
	Number of units	Baht	Number of units	Baht
<b>Units registered</b>				
Issued and paid-up	<u>82,800,000</u>	<u>828,000,000</u>	<u>82,800,000</u>	<u>828,000,000</u>
<b>Capital received from unitholders</b>				
Beginning balance for the year	82,800,000	828,000,000	82,800,000	828,000,000
Issue of units	-	-	-	-
Ending balance for the year	<u>82,800,000</u>	<u>828,000,000</u>	<u>82,800,000</u>	<u>828,000,000</u>

Movements in deficits for the year ended 30 June 2020 and 2019 are as follows:

	2020 Baht	2019 Baht
Beginning balance	(297,107,144)	(219,803,247)
<u>Less</u> Net investment (expenses)	(1,616,909)	(12,703,897)
Net (loss) from investments	(137,800,000)	(64,600,000)
Ending balance	<u>(436,524,053)</u>	<u>(297,107,144)</u>



### 13 Fees

The management fee, trustee fee, and registrar fee are calculated as follows:

#### Management fee

The Management Company is entitled to receive a monthly management fee from the Fund at a rate not exceeding 1.00% per annum (exclusive of value added tax, specific business tax or any other similar tax) of the net assets value of the Fund as calculated by the Management Company and verified by the Trustee.

#### Trustee fee

The Trustee is entitled to receive a monthly remuneration at a rate not exceeding 0.50% per annum (exclusive of value added tax, specific business tax or any other similar tax) of the net assets value of the Fund as calculated by the Management Company and verified by the Trustee. The foregoing does not include other expenses as actually incurred such as the expenses for the inspection of the Fund's assets.

#### Registrar fee

The Registrar fee shall be at a rate not exceeding 0.10% per annum (exclusive of value added tax, specific business tax or any other similar tax) of the net assets value of the Fund as calculated by the Management Company and verified by the Trustee.

### 14 Related party transactions

Enterprises and individuals that, directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Fund, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Fund. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Fund that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Fund and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Types of relationship of related company are as follows:

Name of company	Type of relationship
Principal Asset Management Co., Ltd.	The Fund's Management Company and Registrar

#### 14 Related party transactions (Cont'd)

The following significant transactions were carried out with related party:

Significant income and expenses for the years then ended 30 June 2020 and 2019 were as follows:

	2020 Baht	2019 Baht
<u>Principal Asset Management Co., Ltd.</u>		
Management fee	3,087,864	3,696,567
Registrar fee	514,644	610,095

Balances with related party as at 30 June 2019 and 2018 were as follows:

	2020 Baht	2019 Baht
<u>Principal Asset Management Co., Ltd.</u>		
Accrued management fee	627,517	280,333
Accrued registrar fee	104,586	46,722

#### 15 Lawsuit

On 24 April 2017, the Fund received the notice from the Koh Samui City Municipality to pay additional property tax from 2013 to 2017, thereafter the Fund appealed to the Koh Samui City Municipality for the property tax re-assessment on 8 May 2017 and also informed this matter to unitholders in the Unitholders' Meeting no. 1/2017.

On 10 August 2017, the Fund received the final consideration from the Koh Samui City Municipality to pay the additional taxes in the total amount of Baht 31,457,935. Therefore, the Fund had paid such taxes to the Koh Samui City Municipality on 31 August 2017 and recognised to statement of income for the year ended 30 June 2018.

On 18 August 2017, the Fund had appointed Siam City Law Offices Limited to launch the civil lawsuit against the Koh Samui City Municipality with the Central Tax Court as a Black Case No. Por 182/2017 on 8 September 2017 for claiming of the revocation of the property tax re-assessment including refund the taxes' payment from the Koh Samui Citi Municipality.

On 22 July 2019, the Central Tax Court dismissed the case that the Fund claimed the revocation of the property tax re-assessment including refund the taxes' payment from the Koh Samui Citi Municipality as a Black Case No. Por. 182/2017 and a Red Case No. Por. 77/2018.

## APPENDIX 2

### TRUSTEE'S OPINION ON THE FUND'S PERFORMANCE IN THE PAST YEAR



## **Mutual Fund Supervisor Report**

To: Unit holders of the Samui Buri Property Fund

Whereas Citibank, N.A. Bangkok, the Mutual Fund Supervisor of the Samui Buri Property Fund which was managed by Principal Asset Management Company Limited has performed duties as the Mutual Fund Supervisor for the period beginning 1 July 2019 to 30 June 2020.

We have prepared this report based on given sources of information as of the date hereof and believed by us to be reliable, but we do not warrant the accuracy or completeness of the same and expressly disclaims liability for any error or omission (including any third party liability). There can be no assurance that future event or results will be consistent with any such report. Neither us nor any of its directors, employees or agents guarantees the repayment of capital, the performance or the distribution of the funds and be liable for any loss as a result of any action or omission made in reliance of this report.

In our opinion, Principal Asset Management Company Limited has performed its duties in managing the Fund correctly and appropriately according to the objectives specified in the Fund management project, which was approved by the Office of the Securities and Exchange Commission and under the Securities Exchange Act B.E. 2535.

Citibank, N.A. - Bangkok

(Kris Antakon      Joedjun Sunantapongsak)

Mutual Fund Supervisor



**Principal Asset Management Company Limited**

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