

**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

## INDEPENDENT AUDITOR'S REPORT

To The Unitholders and Managing Company of Quality Hospitality Leasehold Property Fund

### Opinion

I have audited the financial statements of Quality Hospitality Leasehold Property Fund (the Fund), which comprise the statement of financial position and the statement of detail of investments as at December 31, 2021, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position and detail of investments of Quality Hospitality Leasehold Property Fund as at December 31, 2021, and its financial performance, its cash flows and its significant financial information for the year then ended in accordance with the accounting guidance for Property Fund, Real Estate Investment Trust, Infrastructure Fund and Infrastructure Trust required by the Association of Investment Management Companies and approved by the Securities and Exchange Commission.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. 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, 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 our professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were 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.

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### **Fair value measurement of investment in real estate**

As discussed in Note 8 to the financial statements, the fund had the investments in real estate which were stated at fair value in the statement of financial position as at December 31,2021 amounting to Baht 1,013.00 million or 79.74% of total assets and recognized the unrealized loss from investment of Baht 40.00 million stated in the statement of comprehensive income for the year ended on the same day. Such investments had no traded in active markets and no comparable or similar investments. Therefore, the fund's management determined the fair value of such investment by benchmarking to the appraised value from an independent appraiser using the income-based basis that was estimated from the current and future rent discounted cash flows. The fund was exposed to material misstatement risk. As a result, the fund management had substantial judgments regarding the future performance expectations. This included determining the discount rate and key assumptions used in forecasting future net cash flows discounted as the fair value of the investment. Therefore, I paid attention to the valuation audit of such investments.

### **Risk response by the auditor**

I had assessed the appropriateness of the fund's main internal control system related to the fair value calculation of investments in real estate by inquiring the responsible persons and understanding the controls designed by the fund manager. I had considered the scope and objectives of the independent appraiser's fair value valuation. as well as assessed the knowledge, capability and independence of such independent appraisers, inquired the independent appraiser directly about the reasonableness of the appraisal method, assessment assumptions, checked the accuracy and appropriateness of the information used to estimate the fair value of investments in real estate. I had also compared actual operating information with information used to estimate cash flows, tested to calculate fair value of investments including reviewed the disclosure of information in the notes to the financial statements.

### **Emphasis of Matter**

I draw attention to Note 8 to the financial statements, the sub-Lessee is unable to meet full payment of the rental fee according to the Sub-Lease Agreement and issues the letter to extend the default payment to the fund. Therefore, the rental income is recognised on cash basis according to amount paid from the sub-Lessee.

### 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 Fund's management for correction of the misstatement.

### Fund's Management Responsibilities for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting guidance for Property Fund, Real Estate Investment Trust, Infrastructure Fund and Infrastructure Trust required by the Association of Investment Management Companies as approved by The Securities and Exchange Commission, 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 Standards on Auditing 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 Standards on Auditing, I exercise professional judgment and maintain professional skepticism 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 management.
- Conclude on the appropriateness of 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 the financial statements or, if such disclosures are inadequate, to modify our 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 the internal control system that we identify during my audit.

I also provide 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 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is Ms. Thanyaphorn Tangthanopajai.

(Ms. Thanyaphorn Tangthanopajai)

Certified Public Accountant

Registration No. 9169

Dharmniti Auditing Company Limited

Bangkok, Thailand

February 22, 2022.

QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

		Baht	
	Note	2021	2020
<b>ASSETS</b>			
Investments in securities at fair value through profit or loss	7	250,880,202	227,826,016
Investments in leasehold right over properties at fair value	8	1,013,000,000	1,053,000,000
Cash and cash equivalents	9	6,205,629	35,666,591
Accounts receivable from interest	12	12,579	11,535
Other assets		270,014	182,189
<b>Total assets</b>		<b>1,270,368,424</b>	<b>1,316,686,331</b>
<b>LIABILITIES</b>			
Accrued expenses	12	638,808	656,153
Distribution payable		1,548,357	1,858,077
Other liabilities		17,468	17,721
<b>Total liabilities</b>		<b>2,204,633</b>	<b>2,531,951</b>
<b>NET ASSETS</b>		<b>1,268,163,791</b>	<b>1,314,154,380</b>
<b>NET ASSETS :</b>			
Capital received from unitholders	14	1,585,877,000	1,585,877,000
Deficit	10	(317,713,209)	(271,722,620)
<b>Net Assets</b>		<b>1,268,163,791</b>	<b>1,314,154,380</b>
Net asset value per unit		6.6291	6.8696
Total investment units sold at the end of the year (units)		191,300,000	191,300,000

QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

DETAILS OF INVESTMENTS

AS AT DECEMBER 31, 2021

Details of investments are classified by type of investments.

Type of investments	Maturity date	Principal	Fair value	Percent of investments
		(Baht)	(Baht)	

**Investments in leasehold rights to properties**

Leasehold right in Boulevard Hotel Bangkok Project

Location No. 2 Sukhumvit Soi 5, Klongtoeynua Sub-district, Wattana District, Bangkok	1,013,000,000	80.15
	1,013,000,000	80.15

**Total investments in leasehold rights to properties**

(at cost of Baht 1,887,586,496 )

**Investments in securities**

Bonds - Bank of Thailand

CB22106A	06/01/2022	50,000,000	49,996,781	3.96
CB22120A	20/01/2022	40,000,000	39,990,112	3.16
CB22210A	10/02/2022	35,000,000	34,981,867	2.77
CB22317A	17/03/2022	23,000,000	22,978,894	1.82
CB22324A	24/03/2022	63,000,000	62,942,378	4.98
TB22119A	19/01/2022	40,000,000	39,990,170	3.16
<b>Total investments in securities</b>			<b>250,880,202</b>	<b>19.85</b>

(at cost of Baht 250,875,989)

**Total investments (at cost of Baht 2,138,462,485 บาท)**

**1,263,880,202** **100.00**

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**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**DETAILS OF INVESTMENTS**

**AS AT DECEMBER 31, 2020**

Details of investments are classified by type of investments.

<u>Type of investments</u>	<u>Maturity date</u>	<u>Principal</u> (Baht)	<u>Fair value</u> (Baht)	<u>Percent of investments</u>
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**Investments in leasehold rights to properties**

Leasehold right in Boulevard Hotel Bangkok Project

<u>Location</u> No. 2 Sukhumvit Soi 5, Klongtoeynua Sub-district, Wattana District, Bangkok	<u>1,053,000,000</u>	<u>82.21</u>
	<u>1,053,000,000</u>	<u>82.21</u>

**Total investments in leasehold rights to properties**

(at cost of Baht 1,887,586,496 )

**Investments in securities**

Bonds - Bank of Thailand

CB21114A	14/01/2021	20,000,000	19,996,439	1.56
CB21311A	11/03/2021	70,000,000	69,963,298	5.46
CB21422B	22/04/2021	28,000,000	27,974,928	2.19
CB21506A	06/05/2021	30,000,000	29,969,221	2.34
CB21604A	04/06/2021	30,000,000	29,960,730	2.34
CB21708A	08/07/2021	50,000,000	49,961,400	3.90
<b>Total investments in securities</b>			<b>227,826,016</b>	<b>17.79</b>

(at cost of Baht 227,676,815 )

**Total investments (at cost of Baht 2,115,263,311)**

**1,280,826,016**

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**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Note	2021	Baht 2020
<b>INVESTMENT INCOME</b>			
Rental income	8, 12	-	7,693,145
Interest income	12	1,070,194	4,457,443
Total income		1,070,194	12,150,588
<b>EXPENSES</b>			
Management fee	11, 12	4,125,509	4,378,852
Trustee fee	11	1,375,169	1,459,618
Registrar fee	11, 12	687,585	729,809
Professional fee		525,390	1,078,085
Other expenses		201,935	348,858
Total expenses		6,915,588	7,995,222
Net gain (loss) on investments		(5,845,394)	4,155,366
Net gain (loss) on investments			
Net gain on investments		-	9,561
Loss on investments from change in the fair value of investments		(40,145,195)	(78,802,593)
Total net loss on investments		(40,145,195)	(78,793,032)
Net decrease in net assets from operations		(45,990,589)	(74,637,666)

QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021

		Baht		
	Note		2021	2020
Net increase (decrease) of net assets from operations during the year				
Net gain (loss) on investments			(5,845,394)	4,155,366
Net gain on investments			-	9,561
Loss on investments from change in the fair value of investments			(40,145,195)	(78,802,593)
Decrease in net assets from operations			<u>(45,990,589)</u>	<u>(74,637,666)</u>
Increase (decrease) in capital received from unitholders during the year				
Return of capital to unitholders	14		-	(28,695,000)
Distribution to unitholders	15		-	(22,956,000)
Decrease in capital received from unitholders			-	(51,651,000)
Decrease in net assets during the year			(45,990,589)	(126,288,666)
Net assets at the beginning of the year			<u>1,314,154,380</u>	<u>1,440,443,046</u>
Net assets at the end of the year			<u>1,268,163,791</u>	<u>1,314,154,380</u>
Changes in investment units		Units		
(Value at Baht 8.2900 per unit)				
Investment units at the beginning of the year			<u>191,300,000</u>	<u>191,300,000</u>
Investment units at the end of the year			<u>191,300,000</u>	<u>191,300,000</u>

QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Baht	
	2021	2020
<b><u>Cash flows from operating activities</u></b>		
Decrease in net assets from operations	(45,990,589)	(74,637,666)
Adjustments to reconcile the increase (decrease) in net assets from operations to net cash provided by (used in) operating activities		
Net unrealised gain on investments from change in the fair value of investments	40,145,195	78,802,593
Purchases of investments	(790,151,739)	(710,966,410)
Sales of investments	768,000,000	786,946,267
Amortisation of discount on debt instruments	(1,047,642)	(2,064,045)
Decrease (Increase) in accounts receivable from interest	(1,044)	18,573
Decrease (Increase) in other assets	(87,825)	(90,458)
Increase (Decrease) in accrued expenses	(17,345)	(83,134)
Increase (Decrease) in distribution payable	(309,720)	564,909
Increase (Decrease) in other liabilities	(253)	(112,121)
Net (gain) loss on investments	-	(9,561)
Net cash provided by (used in) operating activities	<u>(29,460,962)</u>	<u>78,368,947</u>
<b><u>Cash flows from financing activities</u></b>		
Return of capital to unitholders	-	(28,695,000)
Distribution to unitholders	-	(22,956,000)
Net cash used in financing activities	<u>-</u>	<u>(51,651,000)</u>
Net increase (decrease) in cash and cash equivalents	(29,460,962)	26,717,947
Cash and cash equivalents at the beginning of the year	<u>35,666,591</u>	<u>8,948,644</u>
Cash and cash equivalents at the end of the year	<u>6,205,629</u>	<u>35,666,591</u>



## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### 1. NATURE OF QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

Quality Hospitality Leasehold Property Fund (“the Fund”) was approved by the Office of the Securities and Exchange Commission (“SEC”) on March 14, 2008 and on April 3, 2008, the Stock Exchange of Thailand approved the listing of the Fund’s units. Presently, the Fund has the registered capital of Baht 1,585.88 million (divided into 191.30 million units at Baht 8.29 each).

UOB Asset Management (Thailand) Company Limited (“The Management Company”) serves as the Fund’s Manager and the Investment Unit Registrar.

The Hongkong and Shanghai Banking Corporation Limited serves as the Fund’s Trustee.

The Fund is a close-ended leasehold property fund and a specific property fund, which specified the exact properties it would buy or lease in the Fund’s prospectus with no project life stipulated. The Fund has objective to mobilise funds from the public and general investors to purchase and/or lease immovable properties, and to seek benefits from those properties, including the modification, development and disposal of the properties invested in or held by the Fund, by way of letting, subletting and/or disposal or any other means for the benefit of the properties themselves and to generate income and returns for the unitholders and the Fund. This includes investment in other assets and/or securities and/or seeking returns by any other means as prescribed by the securities law and/or other relevant laws.

The major unitholder is Quality Inn Co., Ltd. with the units holding 33.33 percent and the Social Security Office with the units holding 32.93 percent.

The Fund has a policy to pay dividend in accordance with the procedures as specified in the prospectus.

#### 2. THE IMPACT OF THE COVID-19 PANDEMIC

The situation of the Coronavirus pandemic 2019 (COVID-19) affects the tourism industry and resulting in significant decrease in tourists and affecting cash flow receipt from rental income. In 2021, the Fund did not receive rental income due to such circumstance has caused the hotel to stop its operation since April 2020. The fund manager has closely monitored such situation as such pandemic situation had resulted in some uncertainties in estimating the effect expected to arise on the fund.



## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

### 3. PRINCIPLES OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Guidance for Property Funds, Real Estate Investment Trusts, Infrastructure Funds and Infrastructure Trusts required by the Association of Investment Management Companies and approved by the Securities and Exchange Commission of Thailand, while for those matters not covered by the Accounting Guidance, the entity is to follow the financial reporting standards issued by TFAC that are effective in that financial reporting period.

The financial statements of the Fund have been prepared in the Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Revenues and Expenses Recognition

Rental income is recorded in the statement of income in accordance with the accrual basis since July 1, 2014. The Fund records to recognise the rental income by the cash basis as the sublessee has not fully paid the amount in accordance with the sublease agreement and had requested waiver on the default rent. The management company issued a letter informing the change in recording rent by the cash basis with the Stock Exchange of Thailand on October 8, 2014. (Note 8)

Interest income is recognised on an interest accrues basis, based on the effective rate method.

Expenses are recognized on an accrual basis.

Amortisation of premium and discount on debt instruments is amortised by the effective rate method. The amortised amount is presented as an adjustment of the interest income.

Gain (loss) on trading of securities is recorded as revenues or expenses on the trading date.



## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### 4.2 Financial instruments

##### **Classification and measurement of financial assets**

All financial assets are classified, at initial recognition, as financial assets that are subsequently measured at fair value through profit or loss. Transaction costs directly attributable to the acquisition are recognised in profit or loss when it occurs.

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

##### **Investments measured at fair value through profit or loss**

The Fund classifies investments in debt instruments as financial assets that are subsequently measured at fair value through profit or loss.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

##### **Classification and measurement of financial liabilities**

At initial recognition, the Fund's financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Fund takes into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

##### **Derecognition of financial instruments**

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

1

## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

#### Write-off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### 4.3 Investments in leasehold property at fair value

Investments in leasehold property to earn rental income, or for capital appreciation or for both, but are not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investments in leasehold property are initially measured at cost, including transaction costs, on initial recognition and subsequently at fair value, with any change recognised in profit or loss and presented as “gain (loss) from changes in fair value of investment” .

Subsequent expense are included as part of the book value of the asset when it is highly probable that the Fund will receive the future economic benefits in such expense.

The management company defines the fair value of such investments through an assessment by an independent appraiser in the SEC approved name list in accordance with the announcement of the Securities and Exchange Commission. The Fund carries out the property price evaluation yearly from the appraisal date of the acquired asset or the latest asset appraisal or disposal date or when there is an indication of impairment.

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## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### 4.4 Cash and cash equivalents

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

#### 4.5 Related party transactions

The Fund's related party means the individuals or entities that directly or indirectly invested in the Fund's interest at 10% or higher of the total interest with the voting right. It also means the management that comprised of the individuals responsible for the Fund's management or determining or making decision for the Fund to achieve its planned objectives, including the management's spouses and minor children.

Furthermore, the related person or entities also mean the individuals or entities that have the power to control the Fund or under the Fund's controlling power or have significant influence over the Fund or significantly under the influence of the fund.

#### 4.6 Distributions of Income

The Fund records decreases of retained earnings on the notifying date of dividend payment declaration.

#### 4.7 Liability estimates

The Fund recognised liability estimates whenever a liability or obligation occurs at the present from the result connected with the past event and there is a certainty that the Fund is expected a loss of the useful economic resources in order to make settle such obligation and the amount to be paid is reliably estimated.

#### 4.8 Income tax

According to the Revenue Code Additional Amendment Act (No. 52) announced in the Royal Gazette on May 22, 2019 effective August 20, 2019 onward, the Fund has to pay income tax for the assessed income under Section 40 (4) (kor) of the Revenue Code from the investment of mutual fund such as bond interest, saving interest, debenture interest, bill interest and difference between redeem price and bill selling price or debt instruments that the company or corporate partnership or other juristic entity is the issuer and first seller at the price below the redeem price, by paying at the income tax rate 15 percent of income before deducting any expenses.

## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### 4.9 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 the board of directors that makes strategic decisions.

### 5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates 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 an independent appraiser to assess the fair value of properties.

### 6. FINANCIAL RISK MANAGEMENT

#### Interest Rate Risk

Interest rate risk is the risk of change in the value of financial assets and liabilities as a result of changes in the market rates.

The following schedule summarises interest rate risk of the fund which comprises the assets of the fund at fair value and classify by types of interest rates.

1

QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Baht					
The net balance of financial tool as at					
December 31, 2021					
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
<b>Financial assets</b>					
Investments in securities at					
fair value through profit or loss	-	-	250,880,202	250,880,202	0.28 - 0.49
Cash and cash equivalents	6,205,629	-	-	6,205,629	0.05 - 0.25
Receivable from interest	-	-	12,579	12,579	-
<b>Financial liabilities</b>					
Accrued expenses	-	-	638,808	638,808	-

Baht					
The net balance of financial tool as at					
December 31, 2020					
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
<b>Financial assets</b>					
Investments in securities at					
fair value through profit or loss	-	-	227,826,016	227,826,016	-
Cash and cash equivalents	35,666,591	-	-	35,666,591	0.26- 0.63
Receivable from interest	-	-	11,535	11,535	-
<b>Financial liabilities</b>					
Accrued expenses	-	-	656,153	656,153	-

18

**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**Credit Risk**

Credit risk is the risk that counterparties might not discharge their obligation which may affect the cash receipt from the Fund's financial assets. Credit risk arises from the risk in the collection of rental income. For the year ended December 31, 2021, the Fund has unpaid rent in the amount of Baht 466.72 million (Notes to the financial statements 8).

**Market Risk**

The Fund is exposed to market risks due to its comes rental income from only one Sub-Lessee. The returns on investment fluctuate depending on domestic and overseas factors including the economic and political situations.

**Risk Management**

The Fund manages risk that may arise from investments by establishing risk management policy such as portfolio diversification and analysis of investees' financial position.

**7. INVESTMENTS IN SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

The movements in the investments measured at fair value through profit or loss for the year ended December 31, 2021 and 2020 can be summarised as follows

	Baht	
	2021	2020
Beginning balance of the year	227,826,016	302,534,860
Additions during the year	790,151,739	710,069,233
Amortisation	(768,000,000)	(786,946,267)
Amortisation of discount on debt instruments	1,047,642	2,064,044
Gain (loss) on revaluation of investment	(145,195)	104,146
Ending balance of the year	<u>250,880,202</u>	<u>227,826,016</u>

6

## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### 8. INVESTMENTS IN LEASEHOLD PROPERTY

##### Details of investments

On March 18, 2008, the Fund invested in leasehold rights in the Amari Boulevard Hotel Project, which comprise 18 land title deeds (land title deeds No. 10023, 10038, 191276 to 191283 and 192788 to 192795) covering a total area of 2 rai and 57.9 square wah, and buildings of Amari Boulevard Hotel thereon, including utility systems and other facilities. These assets are owned by Quality Inn Company Limited. The Fund entered into a lease agreement with Quality Inn Company Limited for a period of 30 years, from March 18, 2008 to March 17, 2038. The Fund paid all rental fees, totalling Baht 1,780 million, on the agreement date. And on the same day, the Fund entered into the Purchase and Sale of Furniture and Equipment Agreement with Quality Inn Company Limited, whereby it invested a total of Baht 50 million in the furniture and equipment to be used in the operation of Amari Boulevard Hotel.

##### Benefit from investments

The Fund derives benefits from the investments in leasehold rights in Amari Boulevard Hotel Project through the Sub-Lease Agreement made with Boulevard Hotel Company Limited (“the Sub-Lessee”), whereby it sublets the aforesaid assets for an initial term of 3 years. The Sub-Lessee is committed to continue to sub-lease the assets from the Fund, but the renewal period will not exceed 9 periods of 3 years each. Rental fees comprise an annual fixed rental fee of Baht 124 million and a monthly variable rental fee that is calculated based on the operating results of the hotel business operations, as specified in the agreement. The Sub-Lessee has pledged shares of Boulevard Hotel Company Limited and transferred rights over bank accounts of Boulevard Hotel Company Limited to the Fund to secure its compliance with the agreement and has arranged to have Quality Inn Company Limited mortgage the leased land and buildings thereon to the Fund.

The second Sub-Lease Agreement was expired on March 17, 2014, the Fund had issued a letter dated November 25, 2013 to the Sub-Lessee to renew the Sub-Lease Agreement for 3 years, started from March 18, 2014 to March 17, 2017, with the same conditions of the previous Sub-Lease Agreement. The Sub-Lessee did not respond, but issued a letter dated February 6, 2014 proposing to amend the Sub-Lease Agreement. However, the Fund did not respond and it will consider later. The Fund's legal advisor has considered with the opinion that the act of renewing Sub-Lease Agreement has been completely made under the term and condition of the Sub-Lease Agreement.

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## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

The third Sub-Lease Agreement is due on March 17, 2017, the Fund had issued a letter dated November 23, 2016, to the Sub-Lessee to renew the Sub-Lease Agreement for 3 years, started from March 18, 2017 to March 17, 2020, with the same conditions of the previous Sub-Lease Agreement. The Sub-Lessee did not response. The Fund has considered with the opinion that the act of renewing Sub-Lease Agreement has been completely made under the term and condition of the Sub-Lease Agreement.

According to the lease renewal memorandum dated December 9, 2020, the Fund and the sublessee agreed to renew the lease under the sublease agreement 3 more years from March 18, 2020 until March 17, 2023 with all the terms and conditions in the sublease agreement. The parties agreed and accepted that such lease agreement period renewal shall take effect back to March 18, 2020 which is the lease period due date in accordance with the third promise.

#### Payments of the rental fees under the Sub-Lease Agreement

In the year 2014, the Sub-Lessee cannot make the payment on schedule because of the effect of the political situation in the country then the Sub-Lessee requested an extension of the payment schedule of fixed rental fee by calculating the rent as follows:

- The first portion (fixed rent) is equivalent of the earnings before interest, taxes, depreciation and amortisation of Amari Boulevard Hotel (“EBITDA”) calculated from the business operations of the Hotel.
- The residual portion is as soon as possible.

The Fund approved the first portion payment schedule as mentioned above and the second portion to be extended for 3 months, with the condition that the Sub-Lessee must pay the rescheduled rental fees together with interest at the average MLR (Minimum Loan Rate) of the five largest commercial banks in Thailand per annum, calculated from the due date until the settlement date. If the Sub-Lessee defaults on the payment, then the Sub-Lessee shall pay the default interest at the rate of 15% per annum.

According to the minutes of the property Fund under the management of UOB Asset Management (Thailand) Company Limited No. 7/2014 held on September 1, 2014, it had the resolution for the Fund to recognise rental income by the cash basis. On October 8, 2014, the management company made a letter informing the status summary of the rent payment and changed the rental income record of the Fund to the cash basis to the Stock Exchange of Thailand.

**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

As at December 31, 2021 the Fund has accrued rentals (excluded VAT) and accrued interest as specified in the major asset repair agreement not yet paid by the Sub-Lessee as follows:

Year	Month	Amount (Million Baht)			
		Fixed rent	Variable rental	Accrued interest	Total
2014	February - July	28.44	-	2.82	31.26
2017	November - December	20.72	-	10.10	30.82
2018	October - December	28.72	-	12.26	40.98
2019	May - December	79.53	-	18.64	98.17
2020	January - December	124.35	0.03	13.85	138.23
2021	January - December	124.35	0.08	2.83	127.26
Total		406.11	0.11	60.50	466.72

As at December 31, 2020 the Fund has accrued rentals (excluded VAT) and accrued interest as specified in the major asset repair agreement not yet paid by the Sub-Lessee as follows:

Year	Month	Amount (Million Baht)			
		Fixed rent	Variable rental	Accrued interest	Total
2014	February - July	28.44	-	1.30	29.74
2017	November - December	20.72	-	8.99	29.71
2018	October - December	28.72	-	10.72	39.44
2019	May - December	79.53	-	14.38	93.91
2020	January - December	124.35	0.03	7.20	131.58
Total		281.76	0.03	42.59	324.38

1

## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### **UOB Asset Management Company Limited (Thailand) notified the resolution to unitholders**

On July 23, 2018, UOB Asset Management (Thailand) Co., Ltd. has prepared the letter No.Yor.Thor.03869/2018 notifying the resolution of the unitholders of the fund of the Quality Hospitality Leasehold Property Fund (QHOP) No.1/2561 to the Stock Exchange of Thailand as follows:

1. The unitholders passed a resolution objecting the Fund to proceed as follows:
  - (a) The renovation and improvement of image of the Leased Property;
  - (b) The waiver on the rent payment during the renovation and improvement of image of the Leased Property;
  - (c) The increase of the fixed rent and the waiver to the rent payment after the completion of the renovation and improvement of image of the Leased Property;
  - (d) The amendment to the payment term of variable rent; and
  - (e) The waiver on the overdue fixed rent and the variable rent and the payment method of such overdue rent.

Therefore, the management company has not allowed the fund to proceed with the above.

2. The unitholders passed a resolution of objecting the Fund in granting waiver on the payment of overdue rent and default interest to Boulevard Hotel Co., Ltd.

On April 1, 2020, UOB Asset Management (Thailand) Co., Ltd. has prepared the letter No.Yor.Thor.01612/2563 notifying the resolution of the unitholders of the fund of the Quality Hospitality Leasehold Property Fund (QHOP) No.1/2563 to the Stock Exchange of Thailand as follows:

1. There were unitholders returning their vote the Management Company in the total number of 71,609,500 units or equivalent to 37.43 percent of the total units sold, and there were unitholders not returning their voting form without making any votes or by making vote with incomplete voting instruction. Boulevard deemed that the Management Company has in total 119,690,500 investment units or equivalent to 62.57 percent of the total units sold.



## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### 2. The unitholders passed a resolution objecting the Fund to proceed

Agenda 1 To consider and approve the renovation and improvement of the image of the leased building with the Fund's expense in order to such renovation and improvement the image of the leased building, the unitholders Not object : 66,457,100 units equivalent to 52.11 percent of the units of the unitholders who have the right to vote.

Agenda 2 To consider and approve the waiver on the payment of overdue rent and default interest, waiver on the payment during the renovation and improvement of the image of leased building, waiver on the rent after the accepting date of the renovation and improvement of the image of the leased building, and for the amendment of payment term of variable rent. The unitholders did not object :2,457,600 units equivalent to 1.93 percent of the units of the unitholders who have the right to vote.

As the unitholder did not have a resolution not objecting more than 50 percent (Including the unitholders who do not pass the resolution, do not vote, vote incorrectly and do not object) of both of the agenda and the Securities and Exchange Commission Office has not responded to the Management Company's consultation on whether the Renovation Agreement requires approval from the Fund Supervisor or not. Therefore, the Management Company shall seek approval from the Fund Supervisor. In the event that the Fund Supervisor grants approval, the Management Company shall arrange the Fund to enter into the Renovation Agreement with Boulevard as per the daft Agreement for the Material Property Renovation of Boulevard Bangkok and any agreement or amendment of the Sub-lease agreement to be entered into between Boulevard and the Fund for the payment term of variable rent and related matters as detailed in Agenda 1 and Agenda 2. In the event that the Fund Supervisor does not grant approval, the Management Company shall exercise the right to terminate the Sub-Lease Agreement and file a lawsuit against Boulevard in the same way that the unitholders pass the resolution with the vote more than 50 percent to object any item of the agenda or both items stated above. The Management Company shall notify the Fund Supervisor's determination to the unitholders via the information system of the Stock Exchange of Thailand.



## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

#### **Notification of Fund Supervisor's Determination Regarding Entry into Agreement between QHOP Fund and Boulevard Hotel, a related person, To Implement Renovation Not Objecting Renovation and Waiver on Rental Payment**

On May 11, 2020, UOB Asset Management (Thailand) Co., Ltd. issued a Notification of Fund Supervisor's Determination Regarding Entry into Agreement between QHOP Fund and Boulevard Hotel, a related person, to implement renovation not objecting renovation and waiver on rental payment.

UOB Asset Management (Thailand) Co., Ltd. ("Management Company"), in its capacity of the management company of the Fund sent the letter seeking approval from the Fund's Supervisor on 3 April 2020. Later, on 28 April 2020 the Fund Supervisor granted approval to proceed as per No Objection Resolution On Renovation and Waiver on the payment of overdue rent and default interest and rent payment during the renovation.

#### **Asset renovation agreement of Bangkok Boulevard Hotel**

On December 9, 2020 the Fund signed an agreement with Quality Inn Co., Ltd. ("owner of the leased property") and Boulevard Hotel ("Sub-Lessee") to renovate and repair the assets of the project Bangkok Boulevard Hotel. The major repair budget relating to the structure and image improvement of the leased building is Baht 250 million with the repair period of total 24 months from the day Boulevard first received the repair and renovation budget paid by the fund. The agreement specifies the rent and accrued rent payment schedule as follows:

1. Overdue rent before 2017 and default interest at the average rate of MLR loan interest of 5 large commercial banks due not over 10 years from the agreement date.
2. Overdue rent before 2017 until the last day before the agreement date and overdue interest calculated at 15 percent p.a. due not over 10 years from the agreement date.
3. Rental payment from the agreement date until assigned the renovation and image improvement of the leased building with overdue interest at the average rate of MLR loan interest of 5 large commercial banks due not over 10 years from the agreement date.

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## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

4. Rent after being assigned the renovation and image improvement of the leased building with overdue interest calculated at 15 percent p.a. due not over 10 years from the agreement date. The lessee has to pay the rent in accordance with the conditions of the agreement.

The scheduled payment in 1-4 does not take effect in case that the Sub-Lessee agreement ends before the complete payment of overdue rent regardless of any reasons and no renewal of the rent. In such case, Boulevard has to pay the remaining overdue rent along with the interest at the average rate of MLR loan interest of 5 large commercial banks in full within 6 months from the Sub-Lessee agreement expiration.

For maintenance and improve image. Boulevard will report the progress of the maintenance plan to the management company every 16 th and 30 th of every month starting from April 16, 2021, onwards.

On April 9, 2021, Boulevard had selected the Minor Hotels hotel management contractor under the brand “NH”. Presently, the management company is preparing information to propose to the unitholders for consideration.

### INVESTMENTS IN PROPERTIES AT FA0IR VALUE

During the year 2021, the Fund has an independent appraisal company, Pornsiam Consultant and Service Co.,Ltd., appraised the value of leasehold rights to properties using the income approach. The independent appraiser assessed the fair value to be Baht 1,013.00 million. Under the report dated November 26, 2021.

During the year 2020, the Fund has an independent appraisal company, 15 Business Advisory Co., Ltd., appraised the value of leasehold rights to properties using the income approach. the independent appraiser assessed the fair value to be Baht 1,053.00 million. Under the report dated November 23, 2020.



QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Reconciliations of carrying values of investments in leasehold rights to properties were as follows:

	Baht	
	2021	2020
Beginning balance of the year	1,053,000,000	1,131,000,000
Additions during the year	-	897,178
Losses on revaluation of investments		
in leasehold rights to properties	(40,000,000)	(78,897,178)
Ending balance of the year	<u>1,013,000,000</u>	<u>1,053,000,000</u>

Sensitivity analysis for each significant assumptions as at December 31, 2021 and 2020.

	Baht	
	2021	2020
<b>Discount rate</b>		
Decrease of 1 percent	95,000,000	99,000,000
Increase of 1 percent	(87,000,000)	(88,000,000)

**9. CASH AND CASH EQUIVALENTS**

As at December 31, 2021 and 2020 cash and cash equivalents consisted of:

	2021		2020	
	Interest rate	Amount	Interest rate	Amount
	%	Baht	%	Baht
The Hongkong and Shanghai Banking				
Corporation Limited	0.01 - 0.05	2,002,036	0.43 - 0.34	2,001,933
United Overseas Bank (Thai) Plc.	0.20 - 0.30	<u>4,203,593</u>	0.26 - 0.63	<u>33,664,658</u>
Total cash and cash equivalents		<u>6,205,629</u>		<u>35,666,591</u>

1

**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**10. DEFICIT**

	Baht	
	2021	2020
Accumulated net gain from investments	1,530,637,611	1,526,482,245
Accumulated net gain on investments	820,264	810,703
Loss on investments from change in the fair value of investment	(834,437,295)	(755,634,702)
Equity allocation to unitholders during the year	<u>(968,743,200)</u>	<u>(945,787,200)</u>
Deficit at the beginning of the year	(271,722,620)	(174,128,954)
Net gain (loss) on investments	(5,845,394)	4,155,366
Net loss on investments	(40,145,195)	(78,793,032)
Equity allocation to the unitholders during the year	<u>-</u>	<u>(22,956,000)</u>
Deficit at the end of the year	<u>(317,713,209)</u>	<u>(271,722,620)</u>

**11. EXPENSES**

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

<u>Expenses</u>	<u>Percentage</u>
Management fee	Not over 1.00 per year. (actual rate 0.30 per year) of the Fund's net assets (with a minimum charge of Baht 200,000 per month)
Trustee fee	Not over 0.10 per year. (actual rate 0.10 per year) of the Fund's net assets
Registrar fee	Not over 0.06 per year. (actual rate 0.05 per year) of the Fund's net assets

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**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**12. RELATED PARTY TRANSACTIONS**

During the year, the Fund had significant business transactions with the Management Company and other enterprises, which have the same shareholders and/or directors as the Management Company and the Fund. Such transactions for the years ended December 31, 2021 and 2020 were summarised as follows:

	Baht		Pricing Policy
	2021	2020	
Quality Inn Company Limited (As a purchasing company)			
Purchases of furniture and equipment	-	897,178	At the actual cost
Dividend paid	-	6,376,660	As declared
Return of capital to unitholder	-	9,564,990	As declared a reduction in the value
Boulevard Hotel Company Limited			
Rental income	-	7,693,145	Cash basis
Interest income	-	2,359,025	Average MLR <sup>(1)</sup> / Cash basis
United Overseas Bank (Thai) Public Company Limited			
Interest income	22,553	32,645	Market price
UOB Asset Management (Thailand) Company Limited			
Management fee	4,125,509	4,378,852	The basis stated in the prospectus
Registrar fee	687,585	729,809	The basis stated in the prospectus

<sup>(1)</sup> Being the average of the Minimum Loan Rate (MLR) per annum of the five largest commercial banks in Thailand.

As at December 31, 2021 and 2020, the Fund had the significant outstanding balances with the related companies as follows:

	Baht	
	2021	2020
United Overseas Bank (Thai) Public Company Limited		
Cash at bank	4,203,593	33,664,658
Accounts receivable from interest	12,576	11,524
UOB Asset Management (Thailand) Company Limited		
Accrued management fee	345,872	357,435
Accrued registrar fee	57,645	59,573

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QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

**13. INVESTMENT TRADING INFORMATION**

The Fund had investment trading transactions for the year ended December 31, 2021, excluding investments in promissory notes, amounting to Baht 1,558.15 million (year 2020: Baht 1,497.91 million) which is 119.48 percent (year 2020: 108.24 percent) of the average net asset value during the year.

**14. INVESTMENT UNITS**

As at December, 2021 and 2020, the Fund had movements of investment units from unitholders as follows:

2021			
	Number of units (Units)	Value per unit (Baht)	Amount ( Baht)
<b>Fund registered capital</b>			
Balance at the beginning of the year	191,300,000	8.29	1,585,877,000
Balance at the end of the year	<u>191,300,000</u>	<u>8.29</u>	<u>1,585,877,000</u>
<b>Capital from unitholders</b>			
Balance at the beginning of the year	191,300,000	8.29	1,585,877,000
Balance at the end of the year	<u>191,300,000</u>	<u>8.29</u>	<u>1,585,877,000</u>
2020			
	Number of units (Units)	Value per unit (Baht)	Amount ( Baht)
<b>Fund registered capital</b>			
Balance at the beginning of the year	191,300,000	8.44	1,614,572,000
<u>Less:</u> Decrease in the registered value of capital of the unitholders whose names appeared on the book closing date as of January 31, 2020	<u>-</u>	<u>(0.15)</u>	<u>(28,695,000)</u>
Balance at the end of the year	<u>191,300,000</u>	<u>8.29</u>	<u>1,585,877,000</u>
<b>Capital from unitholders</b>			
Balance at the beginning of the year	191,300,000	8.44	1,614,572,000
<u>Less:</u> Return of capital to unitholders on February 14, 2020	<u>-</u>	<u>(0.15)</u>	<u>(28,695,000)</u>
Balance at the end of the year	<u>191,300,000</u>	<u>8.29</u>	<u>1,585,877,000</u>

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## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

According to the minutes of the meeting of the leasehold property fund under the management of UOB Asset Management (Thailand) Company Limited No. 1/2563, it had the resolution to reduce the registered capital. On January 17, 2020, UOB Asset Management (Thailand) Co., Ltd. issued a letter notifying the registered capital reduction No.10 with The Securities Exchange of Thailand unitholders by reducing the value of investment unit at Baht 0.15 per share or total amount of Baht 28.70 million.

This registered capital reduction aims to pay back the excess liquidity from the Fund's recognition of unrealised losses because the decline in the appraised value of the property leasehold rights is an accounting entry that does not have real outgoing cash flow in this operating period.

#### 15. DISTRIBUTIONS

On February 14, 2020, the Fund had announced to pay the dividend at Baht 0.12 per unit, totaling Baht 22.96 million. The dividend payment to the unitholders was made on March 13, 2020.

#### 16. SEGMENT INFORMATION

The one main reportable operating segment of the Fund is sublease of property investments and the single geographical area of its operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.



**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**17. DISCLOSURE FOR FINANCIAL INSTRUMENTS**

The Fund does not speculate in or engage in the trading of any derivative financial instruments.

The Fund uses the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

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 assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data.

As at December 31, 2021, the following table presents the Fund's assets that are measured at fair value.

	Baht			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Investments in securities at fair value				
through profit or loss	-	250,880,202	-	250,880,202
Investments in leasehold right over				
properties at fair value	-	-	1,013,000,000	1,013,000,000
<b>Total</b>	<b>-</b>	<b>250,880,202</b>	<b>1,013,000,000</b>	<b>1,263,880,202</b>

**QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

As at December 31, 2020, the following table presents the Fund's assets that are measured at fair value.

	Baht			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments in securities at fair value				
through profit or loss	-	227,826,016	-	227,826,016
Investments in leasehold right over				
properties at fair value	-	-	1,053,000,000	1,053,000,000
<b>Total</b>	<b>-</b>	<b>227,826,016</b>	<b>1,053,000,000</b>	<b>1,280,826,016</b>

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

Valuation techniques and inputs to Level 2 valuation

The fair value of investments in securities has been determined by using the yield curve as announced by the Thai Bond Market Association.

Valuation techniques and inputs to Level 3 valuation

The fair value of the investment properties has been determined based on the income approach by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The independent valuer reports directly to the Management of the Fund. For financial reporting purpose, the Management of the Fund reviews the valuation performed by the independent valuer. Review of valuation process and result is held between the Management of the Fund and the Trustee in each accounting period, in line with the Fund's reporting dates.



## QUALITY HOSPITALITY LEASEHOLD PROPERTY FUND

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

The main information that the appraiser uses to assess the third level of fair value includes the cash flow discount rate considering from ability to generate income, market condition, competitor, and economic situation. It is also included the risk-free rate. In this case, the appraiser has determined the cash flow discount rate for the appraised property at 12 percent by considering from the yields of government bonds plus the risk compensation from management and from liquidity.

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

### 18. CAPITAL MANAGEMENT

The primary objectives of the Fund's capital management are to maintain its ability to continue as a going concern and to maintain an appropriate capital structure.

### 19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved for issue by the authorized persons of the Fund on February 22, 2022.

