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Ref. HF 0044 / 2019

February 25<sup>th</sup>, 2019.

Subject : Disclosure of Connected Transaction.

Attn : Managing Director of the Stock Exchange of Thailand.

According to the resolution of the Board of Director Meeting No. 1/2019, held on February 25<sup>th</sup>, 2019 of Hwa Fong Rubber (Thailand) Public Company Limited. that approved renew the Technical Cooperation Agreement between Hwa Fong Rubber (Thailand) Public company limited (HFT) and Hwa Fong Rubber Industrial Company Limited (HFR, Under the original agreement, the contractual remuneration of USD 150,000 per year changed to contractual remuneration of USD 200,000 per year, approximately THB 6,284,740 per year, representing 0.22% of the net tangible asset (Net Tangible Asset : NTA) as of December 31<sup>th</sup>, 2018.

Besides, the total value of the transaction is in the scope of a transaction value that higher than 1 million baht, but less than 20 million baht. Thus, this transaction must be revealed to the SET following the details:

**Technical Cooperation Agreement**

**Parties Involved**

Service Provider:

- Hwa Fong Rubber Industrial Company Limited.

Service Recipient:

- Hwa Fong Rubber (Thailand) Public Company Limited.

**Related Relationship**

Hwa Fong Rubber Industrial Company Limited is the major shareholder in The Company, which holds 50.42 % of the company's total shares.

Service providers and service providers have common directors.

- Mr. Shen, Kuo-Jung is the Chairman of Hwa Fong Rubber (Thailand) Public Company Limited and Hwa Fong Rubber Industry Co., Ltd. but Mr. Shen, Kuo-Jung does not holding shares in the company.
- Mr. Chiu, Hsih-Chien
- Mr. Yen, Ming-Shan
- Miss. Wu, Ping-Yi

**Type of transaction** Technical Cooperation Agreement, is given by service providers. It's technical data included design, design standardization, formula instruction, procedure and technical production, production flow, machine standardization, raw material standardization, diagnostic, testing and process control including the procedure and patent and other necessary information required for the production competent and the employee training program.

**Contract Period** 1 Year (January 1<sup>st</sup>, 2019 – December 31<sup>st</sup>, 2019) Other conditions shall be in accordance with the existing agreement. The agreement has upon contract extension for the duration with the identical term and condition. The 1 year agreement will be automatically extended unless the objection from either side.

**Total value of the transaction** USD 200,000.- per year or approximately THB 6,284,740.-  
(The exchange rate of the Bank of Thailand on February 22<sup>nd</sup>, 2019 was THB 31.4237 per 1 USD)

**Method of Payment** Payment will be made every year on June 30<sup>th</sup>.

**Reasonableness of entering into the transaction.**

The Company entered into technical cooperation agreement with Hwa Fong Rubber Industry Co., Ltd., a parent company, on January 1, 2011. According to the agreement, Hwa Fong Rubber Industry Co., Ltd. may provide technical information to the company including design standards, Technical specifications, Production formulas, Production procedures and

techniques, Production chart, Tool Standard, Standards of raw materials, Experimental analysis and control, Procedures and methods, Factory layout design, Equipment design, The contractual terms and conditions used in Taiwan including technical training. The contractual remuneration is effective to present. The parent company has developed and redesigned the products for the company, So that we can compete with other manufacturers. In addition, the Company has a capacity expansion project for the third plant construction project, which requires factory and equipment design. In this regard, the parent company would like to amend the contractual remuneration from USD 150,000 per year to USD 200,000 per year. Other conditions shall be in accordance with the existing agreement.

**Remark:** About increased remuneration, the Hwa Fong Rubber Industry Co., Ltd (HFR) consider and compared with the compensation of HFR paid to technical team at Taiwan and This year, it is necessary to adjust the cost. Payment, will be on 2019 after the board approves.

**Opinion of Board of Directors including Audit Committee**

The Board of Director's meeting, where there was no directors who have interests voting in the meeting, had consciously considered and unanimously approved the management to sign on the Technical Cooperation Agreement Hwa Fong Rubber Industry Co., Ltd. For the reasons mentioned above. This transaction is also considered as business promotion with is reasonable and beneficial to the company.

Anyhow, the Audit committee had no different opinion from the Board.

Please be informed accordingly and disclosed to shareholders and investors for making investment decision. Thank you

Sincerely Yours,

(Mr. Shen Kuo Jung)

Chairman