

GUNKUL 64/123

7<sup>th</sup> October 2021

Subject: The information on the investment in the acquisition of 50 percent of ordinary shares and the capital increase in the type of preferred shares of THCG Group Company Limited ([Revised No.1](#))

To: President and Managing Director  
Stock Exchange of Thailand

Refer to Board of Directors' Meeting No. 07/2021 of Gunkul Engineering Public Company Limited ("the Company") held on 24<sup>th</sup> September 2021, has resolved to approve the investment and authorize the Executive Committee to proceed with G.K. Hemp Group Company Limited ("GKHG") (a subsidiary) to purchase 50 percent of the ordinary shares and increase the capital in the type of preferred shares of THCG Group Company Limited ("THCG"); [as a result, the said company became a joint venture company](#) in order to operate hemp and cannabis cultivation business for distribution, including production and selling products that derived from hemp and cannabis ("the Project"), with a value of this investment not exceeding 250,000,000 baht.

[However, such transaction is not subject to disclosure of information under the regulations of the Stock Exchange of Thailand Re: Rules, Conditions and Procedures for Disclosure of Information and any Acts of Listed Companies B.E. 2560, including the criteria for calculating the transaction size and investing in other companies that make it a subsidiary, but since entering into such a transaction is considered as a transaction that is significant to the expansion of the Company's business group. The Company would like to inform the information of such transaction as follows.](#)

### 1. Date of entering into transaction

7<sup>th</sup> October 2021, which was the date of the change from the former shareholder to a new shareholder.

### 2. The parties involved

Seller : [Mr. Thanarat Chitpayap and THCG Group Company Limited \("THCG"\)](#)

Buyer : [G.K. Hemp Group Company Limited \("GKHG"\)](#)

### 3. General information of transaction

The Company intends for its subsidiary, G.K. Hemp Group Company Limited ("GKHG") [to acquired 50 percent of the ordinary shares of THCG Group Company Limited \("THCG"\) from Mr. Thanarat Chitpayap, valued at 10,500,000 baht and invest by increasing capital in the type of preferred shares of THCG Group Company Limited \("THCG"\), valued at 239,500,000 baht](#) with a total investment value of not exceeding 250,000,000 baht. The size of the transaction is calculated in accordance with the Notification of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004, equal to [0.577% of the total value of the Company's consideration](#) according to the latest consolidated financial statement as of 30<sup>th</sup> June 2021 which the auditor has already audited. This is classified as a transaction based on the calculation method of the transaction size by using the total value of consideration criterion. In this regard, if calculating the sum of the transaction size during the 6-month period (including the above transaction), it is considered as 0.933%. [According to the criteria for calculating the size of the transaction less](#)

than 15%; therefore, this is not in the scope to comply with the criteria of the Stock Exchange of Thailand regarding the acquisition or disposal of assets above.

Shareholding structure in Thai Stick Herb Company Limited (“TSH”) before investment, details are shown in table as follows:

List of Shareholders	Number of paid-up shares (shares)			
	Common Stock	Preferred Stock	Total	Proportion
THCG Group Company Limited	98,000	-	98,000	98.00%
Mrs. Saiwaree Sornsamran	1,000	-	1,000	1.00%
Mr. Apiwat Chamta	1,000	-	1,000	1.00%
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>100.00%</b>

Note: TSH is a subsidiary of THCG.

#### 4. Acquisition of assets information

##### a. Business information

Company name : THCG Group Company Limited

Location : 1213/387 Ladprao 94 (Panchamit), Phlapphla Sub-district, Wang Thonglang District, Bangkok

Nature of Business : Invest in assets and provide consultancy in the Hemp & Cannabis Cultivation Business, Hemp & Cannabis Distribution, including the production and distribution of products that derived from Hemp & Cannabis, and also being a contractual party with the public and private sectors. There are projects that are licensed and operated, namely the Mae Sariang Project at Mae Hong Son Province, Khao Kho Project at Phetchabun Province and Lom Kao Project at Phetchabun Province.

With Thai Stick Herb Company Limited (“TSH”) as a subsidiary, its main objectives are to engage in the business of cultivation, production, processing, analysis, possession, import and export of various herbal products.

**b. Board of Directors of the project**

Board of Directors of the Project after the acquisition, total of 6 persons as follows:

List of Directors	Position	Representative
Mr. Phongsakorn Damnoen	Chairman of the board and representatives of group B directors	GKHG
Mr. Somboon Aueatchasai	Representatives of group B directors	GKHG
Mr. Tritti Boonyayone	Representatives of group B directors	GKHG
Mrs. Orapin Phayapithaksakul	Representatives of group A directors	THCG
Mr. Pollawat Phayapithaksakul	Representatives of group A directors	THCG
Mr. Thanarat Chitpayap	Managing Director and representatives of group A directors	THCG

**c. Shareholding structure**

List of shareholders of THCG and TSH as of 7<sup>th</sup> October 2021, which was the date of the change from the former shareholder to a new shareholder.

- Shareholders List of THCG

List of Shareholders	Number of paid-up shares (shares)				Right to vote		Dividend
	Common Stock	Preferred Stock	Total	Proportion	Total	Proportion	Proportion
G.K. Hemp Group Co., Ltd	1,049,999	23,950,000	24,999,999	95.9324597%	24,999,999	49.999998%	49.999998%
THCG Holding Co., Ltd	1,049,999	10,000	1,059,999	4.0675327%	24,999,999	49.999998%	49.999998%
Mr. Phongsakorn Damnoen	1	-	1	0.0000038%	1	0.000002%	0.000002%
Mr. Thanarat Chitpayap	1	-	1	0.0000038%	1	0.000002%	0.000002%
<b>Total</b>	<b>2,100,000</b>	<b>23,960,000</b>	<b>26,060,000</b>	<b>100.00%</b>	<b>50,000,000</b>	<b>100.0%</b>	<b>100.00%</b>

- Shareholders List of TSH

List of Shareholders	Number of paid-up shares (shares)				Right to vote		Dividend
	Common Stock	Preferred Stock	Total	Proportion	Total	Proportion	Proportion
THCG Group Co., Ltd	99,998	-	99,998	99.998%	99,998	99.998%	99.998%
THCG Holding Co., Ltd	1	-	1	0.001%	1	0.001%	0.001%
G.K. Hemp Group Co., Ltd	1	-	1	0.001%	1	0.001%	0.001%
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>100.00%</b>	<b>100,000</b>	<b>100.00%</b>	<b>100.00%</b>

**d. Key financial status**

The financial position of THCG and TSH according to the independent auditor's review of financial statements for the period ended 23<sup>rd</sup> July 2021 are as follows:

- The financial status and financial results of THCG ended of 23<sup>rd</sup> July 2021

<b>Financial status</b> (Consolidated financial statements)	<b>As of 23<sup>rd</sup> July 2021</b> (Baht)
Current assets	19,446,700
Non-current assets	661,095
Total Assets	20,107,794
Total Current liabilities	140,111
Long-term Debt	-
Total Liabilities	140,111
Paid up capital	21,000,000
Shareholders' equity	19,967,683

<b>Financial result</b> (Consolidated financial statements)	<b>As of 23<sup>rd</sup> July 2021</b> (Baht)
Net profit (loss)	215,535

- The financial status and financial results of Yun Yang ended of 23<sup>rd</sup> July 2021

<b>Financial status</b> (Consolidated financial statements)	<b>As of 23<sup>rd</sup> July 2021</b> (Baht)
Current assets	250,729
Non-current assets	207,232
Total Assets	457,961
Total Current liabilities	18,412
Long-term Debt	-
Total Liabilities	18,412
Paid up capital	250,000
Shareholders' equity	439,548

<b>Financial result</b> (Consolidated financial statements)	<b>As of 23<sup>rd</sup> July 2021</b> (Baht)
Net profit (loss)	215,535

Note: Reviewed by independent auditor for the period ended 23<sup>rd</sup> July 2021, the review report was dated 2<sup>nd</sup> August 2021.

## 5. Total value of transaction

The value of the total transaction size is 250,000,000.00 baht.

## 6. Value of acquired assets

The assets that the Company will acquire, consist of 50 percent of THCG's ordinary shares, including the project assets, other assets and inventories under the name of THCG & TSH.

## 7. Criterion for purchase price determination

The criteria that used to determine the value of consideration for investment in the assets of the Project are determined from the actual investment value in the Project according to the independent auditor's review of financial statements for the period ended 23<sup>rd</sup> July 2021.

The criteria that used to determine the value of consideration for the purchase of 50 percent of ordinary shares [from existing shareholder](#) and investment by increasing the preferred shares of THCG Group Company Limited ("THCG") with a total investment value of not exceeding 250,000,000 baht is the price agreed by both parties, by considering the value of the compensation from the expected rate of return from investment (Internal Rate of Return "IRR") according to the Company's policy criteria.

## 8. Expected benefits

The acquisition of 50 percent of ordinary shares and investment by increasing capital in the type of preferred shares of THCG for the purpose of investing in hemp and cannabis-related businesses. It is a business of cultivating, selling hemp and cannabis, including the production and distribution of hemp and cannabis products, which can support the Company's growth in both assets and earnings. As such business is considered a New S Curve that the Company intends to work with partners to become a leader in the hemp - cannabis business from upstream to downstream.

In addition, the Company considers that such business is in line with the National Strategic Plan on investment plan in health promotion businesses. This also links to other industries that can be further developed into downstream products, whether food and pharmaceutical products; such as beauty products, herbal drinks for health, etc.

The Company is able to recognize income and returns from such business since the investment by taking into account the return on investment in accordance with the Company's policy criteria.

## 9. Source of fund

The Company uses cash flow from operating activities and its working capital for investment.

## 10. Opinions of the Board of Directors

The Board of Directors has considered the transaction and agreed that the acquisition of the Project is appropriate and beneficial to the Company as follows:

- 10.1 The acquisition of 50 percent of ordinary shares and investment by increasing the preferred shares of THCG Group Company Limited with a total investment value of not exceeding 250,000,000 baht. The purpose of the investment is to operate the business of cultivation, distribution of hemp and cannabis, including the production of and selling products that derived from hemp and cannabis, regarded as fulfilling the mission and a new business plan of the Company in making profit and returns to the Company including all stakeholders.
- 10.2 The Board of Directors has assessed the area for cultivation, extraction and production; as well as, operating results from the start of cultivation, return on investment, results of technical, legal, accounting and financial studies and has considered that the Project has the potential to operate a commercial business.
- 10.3 The Board of Directors agreed that the Project can generate the returns, the growth rate of assets and profits for the Company and shareholders of the Company continuously.

## 11. Opinions from Audit Committee and/or Directors which are different from the Board of Director's

- N/A -

The Company hereby certified that the information of this report is accurate and complete in all aspects.

Please be informed accordingly.

Sincerely yours,

(Mr. Somboon Aueatchasai)  
Chief Executive Officer

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