

GUNKUL 64/135

10th November 2021

Subject : Disclosure of Acquisition of new office assets and Connected Transactions in the Matter of Land Lease (1st amendment)

To : Managing Director of Stock Exchange of Thailand

The Board of Directors Meeting of Gunkul Engineering Public Company Limited ("the Company") No. 9/2021 held on 10th November 2021, passed a resolution of the meeting regarding the acquisition of assets in regards to new office and the connected transaction regarding the land lease by approving the subsidiary to enter into a land lease agreement with Great Miracle Asset Co., Ltd. for using as an office. The lease term is 22 years (including construction period) from 1st January 2022 – 31st December 2043, with total rental value approximately 50,500,000.00 baht. The purpose is to use as an area for the construction of a new office.

However, the construction cost of the new office has a total budget 235,000,000.00 baht, divided into the budget for the new subsidiary to be established in the amount of 186,000,000.00 baht. (to be used for demolition and license fees, building construction costs and the construction cost of the system work that is part of the building) and the budget for the Company in the amount of 49,000,000.00 baht. (to be used for construction costs of the Communication system, building design and decoration costs and investment cost for Solar Roof System) The entry into the said transaction is considered as an asset acquisition transaction in accordance with the rules of information disclosure according to the regulations of the Stock Exchange of Thailand Re: Criteria, Conditions and Procedures for Disclosure of Information and Any Acts of a Listed Company B.E. 2560 (2017) and according to the Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules for making significant transactions that are considered to be the acquisition or disposition of assets, and Announcement of the Board of Directors of the Stock Exchange of Thailand Re: Disclosure of Information and Acts of Listed Companies Concerning the Acquisition or Disposition of Assets B.E. 2547 (2004), including the amended Notifications. However, if considering the size of the aforementioned transaction, combined with the transaction size of the past 6 months, the transaction size does not reach the criteria for disclosure under the aforementioned announcement because the transaction size is less than 15%. Moreover, the establishment of such a new company is considered to be a subsidiary of the Company; therefore, it meets the criteria to disclose information in accordance with the regulations of the SET, by showing the calculation of the transaction size of the acquisition of assets in regard to the new office and transactions for the past 6 months as details follows.

Date of Approval	Details	Calculated item size (maximum) according to the total value of consideration paid or received
10 NOV 2021	Establishing a subsidiary and constructing a new office including rent (Lease term 22 years)	0.671
24 SEP 2021	Invest in a subsidiary project, G.K. Hemp Group Co., Ltd.	1.431
24 SEP 2021	Acquired 50% of ordinary shares and increased capital in the type of preferred shares of THCG Group Co., Ltd. (which is an associate company)	0.577
Total transaction size (+ past 6 months)		2.679

As for the total value of the aforementioned land lease, it is considered as a connected transaction according to the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning Connected Transactions, B.E. 2546: Types of connected transactions related to assets or services. The details of the information are as follows.

1. Transaction Date : 1st January 2022 – 31st December 2043

2. Contractual Parties

Lessee : GUNKUL's Subsidiary
Company Name : In the process of determining the name and establishing the company
 (The establishment is scheduled to be completed by November 2021)

Objective : Develop, allocate, rent real estate

Registered Capital : Not more than 186,000,000.00 baht
 (par value at 100.00 baht per share)

List of Directors : 1. Mr. Somboon Aueatchasai
 2. Mr. Theerapab Punyasakhon
 3. Mrs. Somluk Kanuenghet

Source of Funds Used: Cash flow from operations of Gunkul Engineering Plc.

Shareholding Structure :

List of Shareholders	Number of Shares	Percentage %
1. Gunkul Engineering Plc.	1,859,997	99.999838
2. Mr. Somboon Aueatchasai	1	0.000054
3. Mr. Theerapab Punyasakhon	1	0.000054
4. Mrs. Somluk Kanuenghet	1	0.000054

Lessor: Great Miracle Asset Co., Ltd ("GMA"), which owns land.

Business of the lessor : Develop allocate and lease the real estate.

Relationship:

Name	Relationship	GMA	GUNKUL / subsidiaries
1. Mr. Gunkul Dhumrongpiyawut	Authorized Directors	√	-
	Shareholder	√	√ (328,696,670 shares) *
2. Miss Sopacha Dhumrongpiyawut	Authorized Directors	-	√
	Shareholder	√	-
3. Miss Naruechon Dhumrongpiyawut	Authorized Directors	-	√
	Shareholder	√	√ (431,193 shares) **

The number of paid-up shares of GUNKUL is 8,882,530,974 shares.

* From GUNKUL shareholders' list as of 21st October 2021, holding 3.7005% of the paid-up capital.

** From GUNKUL shareholders' list as of 21st October 2021, holding 0.0049% of the paid-up capital.

3. Nature of transaction:

The subsidiary will enter into a land lease agreement for 1 plot of land, located at Dusit District, Bangkok Province, with an area of 304 square wa for the construction of a new office of the Group. The lease term is 22 years (including construction period) from 1st January 2022 – 31st December 2043, with total rental value approximately 50,500,000.00 baht, by paying monthly rent divided into 2 periods as follows:

Phase 1: During the construction period of 2 years, the rental rate is 100,000.00 baht per month.

Phase 2: Starts in the 3rd year after the construction is completed, the rental rate is 150,000.00 baht per month with 10% rent adjustment every 3 years.

And after the expiration of the lease term of 22 years, the lease can be renewed every 3-5 years. However, the consideration of the renewal of the lease for 3-5 years depends on the suitability and adequacy of the use of the space in accordance with the number of employees and the goals of the Company and the Group in the future, also under the termination of the lease under the contract, the lessee is required to deliver the land and buildings to the lessor without determining the value.

In this regard, the reason that the lease term is set to 22 years is because it is an appropriate time frame considering the cost of construction compared to the use according to the Company's needs. If the Company considers that the buildings and structures are suitable for further use and business expansion, the Company will exercise the right to renew the lease for a period as it deems appropriate at that time.

4. Total value and criteria used to determine the transaction value:

The total value of the 22-year lease agreement (including construction period) has a transaction size of 50,500,000.00 baht or equivalent to 0.5776% of the Company's net tangible assets according to the financial statements as of 30th September 2021, amounting to 8,743,325,000.00 baht. The rental price is in accordance with the lease agreement agreed between each other.

The criteria that used to determine the total value of the transaction or the rental price are based on the market price or the fair price based on the appraised value from an independent appraiser. The terms of the contract are in accordance with normal conditions that can be compared with transactions with other unrelated parties.

5. Attendance and voting at the meeting:

Directors who are connected persons or directors who have conflicts of interest under Clause 2. did not attend the meeting and did not vote at the Board of Directors' meeting in considering the said agenda.

6. Nature and scope of conflict of interest of connected persons in entering into the transaction:

Such items have a total value of 50,500,000.00 baht, which is worth more than 20,000,000.00 baht and having the transaction size equal to 0.5776% which is more than 0.03% but not more than 3% of the Company's net tangible assets according to the financial statements as of September 30, 2021. According to the criteria, a higher value is chosen as the item size, 0.5776%; therefore, it is considered as a connected transaction under the Notification of the Stock Exchange of Thailand; Subject: The Disclosure of Information and Practice of Listed Companies Concerning the Connected Transaction Type of "transactions related to assets or services: Level 2" There are no connected transactions in the past 6 months to be counted in the calculation of the transaction size this time. Therefore, the Company must seek approval for entering into such connected transaction at the Board of Directors' meeting and disclose information to the Stock Exchange of Thailand.

7. Opinion of the Board of Directors Related to the Transaction:

The Board of Directors considered that Subsidiary need to lease land for use in the construction of new office buildings in the business of the Company and the Group, which will generate more benefits than renting the space of other juristic persons to use as offices as follows:

- 1) Comparison of expenses from leasing the space of the current head office of the Company and the Group of Companies according to the Company's certificate with other juristic persons in case of office rental for 22 years and in the case of land lease for 22 years as listed above, including the construction cost of a new office building, calculated from the NPV value at a discount rate of 8%, as follows:
 - Expenses from renting spaces of other juristic persons, accounted for the present value of total office expenses of 226.6 million baht.
 - Expenses from land lease for 22 years as listed above (In case of not renewing the additional lease according to the specified conditions, the right to renew the lease for 3-5 years at a time), include the cost of construction of a new office building, accounted for the present value of total office expenses of 218.8 million baht.
- 2) Comparison of the current usable area that the Company and the Group has rented is approximately 2,000 square meters. In case, there is the construction of such a new office, the usable area of the Company and the Group will increase approximately 1 - 1.5 times.
- 3) If the Company and the Group are expanding their business and need to use additional space, the office space rental from other juristic persons will be limited and may not be convenient for additional procurement.

The rental price list is reasonable which can be referenced from the market price or the fair price based on the appraised price from an independent appraiser. In this regard, the terms of the contract are in accordance with normal conditions that can be compared with transactions with other unrelated parties.

8. Opinions of the Audit Committee and / or Directors which are different from the opinion of the Board of Directors under Clause 7:

-None-

Please be informed accordingly.

Sincerely yours,

(Mr. Somboon Aueatchasai)
Chief Executive Officer

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