

Ref. No. HARN 007/2023

August 15, 2023

Subject: Report on Connected Transaction in Respect of Office Building Lease Agreement Extension

To: Director and Manager  
The Stock Exchange of Thailand

The Board of Directors of Harn Engineering Solutions Public Company Limited (the Company) at the meeting No.4/2023 on August 15, 2023 has passed a resolution to approval to enter into 3-year office building lease agreement with Jainnopsiri Co.,Ltd. (share capital held by Mrs. Sirima Iamsakulrat and Mr.Jain Charnnarong), and Jainnopsiri Co.,Ltd. has given The Company a promise to renew the lease agreement for another 4-year period. Which was the connected transaction in the category 2 normal business-support transactions general commercial conditions. The Board of Directors is authorized to approve the principles by develop a framework for the management to proceed. According to the announcement of the Stock Exchange of Thailand regarding the disclosure of information and the operations of registered companies in the related parties' transaction in 2003. Details of transaction are as follows:

**1. Date, month, year of entering into the transaction (Contract Date)**

August 31, 2023

**2. Characteristics and Details of Connected Transaction**

Lessee : Harn Engineering Solutions Public Company Limited

Lessor : Jainnopsiri Company Limited

Relationship with the Company : Mrs. Sirima Iamsakulrat and Mr.Jain Charnnarong were connected persons because both of them are shareholders and the director of Jainnopsiri Co.,Ltd. and shareholders and the director of the Company. Representing the shareholding proportion as follows:

List of connected persons	Harn Engineering Solutions Public Company Limited		Jainnopsiri Company Limited	
	%	Committee*	%	Committee*
Ms.Sirima Iamsakulrat	14.01	/	50.00	/
Mr.Jain Charnnarong	11.80	/	50.00	/

*\* Directors and Authorized signatories, major shareholders***3. General characteristics and details of Related Parties Transaction**

3.1 Information on the Leased Area: 6-floor office building, 559 Rama 9 Soi 13, Rama 9 Road, Bangkok, Huaykwang District, Bangkok, used as head office has a total area of 14,353 square meters, divided into usable area in the building 6,594 square meters, area 1 futsal field of 1,182 square meters, and parking area 6,577 square meters.

3.2 The leasing period: 3-years starting from January 1, 2024 to December 31, 2026 and Jainnopsiri Co.,Ltd. has given the Company a promise to renew the lease agreement for another 4-year period. In which the company is responsible for maintaining the office building, futsal field, parking lot, paying land and building tax and lease premise insurance and procurement of information systems including furniture and office furnishings.



- 3.3 The total value of the transaction: The rental rate is Baht 143 per square meter per month (Previous rate was Baht 130) with the total value of the office building lease agreement Baht 942,942 per month (Only the usable area of the building is 6,594 square meters). When combined throughout the agreement period, the total value Baht 33,945,912. At the beginning of the contract, the rental rate will be increased by 10% every 3 years. The company has the right to sublease the area that has not been used to third parties. The duration of each contract is not more than 3-years without obtaining the consent of the lessor. At the end of the lease agreement the Company has the right to renew the lease. The transaction throughout 7-years is equal to Baht 84,977,928.
- 3.4 Criteria used to determine compensation / appraised value: The rental rate which is Baht 143 per square meter per month, as compared to the estimated rate by experts who estimated the suitable rental rate at Baht 178.80 per square meter. The rental rate at the market rate is estimated by CPM Capital Company Limited according to the asset appraisal report No. A62GEN1136, dated October 10, 2019, which is a company that assesses the value of assets in the capital market and has been approved by the Securities and Exchange Commission according to the Notification of the Securities and Exchange Commission No. SorChor. 24/2555 regarding approval of asset valuation companies and major appraiser for capital market transactions.

#### 4. Settlement

Monthly rental payment and 2,000,000 baht deposit must be made in cash.

#### 5. Size of Transactions

Entering into a commercial lease agreement is considered as acquisition of asset, according to the Notification of the Capital Market Supervisory Board No. TorChor. 20/2551 regarding the rules on significant transactions as an acquisition or disposal of assets, which has the highest transaction size equal to 5.35%

7-year lease fees (including promise period)	84,977,928	baht
<b>Total value of asset on June 30, 2023 (According to recent financial statement that has been reviewed by an auditor)</b>	<b>1,721,610,250</b>	<b>baht</b>
<b>Transaction size per total assets</b>	<b>4.94%</b>	

##### Transaction size of asset acquisition

$$\text{Value of benefit} = \frac{\text{Amount paid} \times 100}{\text{Total assets of company}}$$

$$\text{Transaction size} = \frac{(84.98 \text{ million baht} \times 100)}{1,721.61 \text{ million baht}} = 4.94\% \text{ of total assets of company}$$

If the calculation above includes other assets acquired over the past 6 months, with a value of Baht 7,105,021 or equivalent to 0.41% (other assets Baht 7.11 million x 100 / total assets Baht 1,721.61 million), it will result in the total transaction size equal to 5.35% which is still lower than 15%.

Transaction size: The transaction size of asset acquisition above is less than 15%. The Board of Directors is authorized to approve the operation and do not have to disclose information to the Stock Exchange or organize a shareholders' meeting to request approval according to the announcement of the marketing committee of The Stock Exchange of Thailand regarding disclosure of information and operations of registered companies in acquisition or disposal of assets 2004 ("Announcement of Acquisition or Disposal of Assets")

However, entering into a commercial lease agreement is considered as a transaction related to the Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 regarding rules on connected transactions, Category 2, which is related to normal business support with general trading conditions. The Board of Directors is authorized to approve the principles by develop a framework for the management to proceed and do not have to consider the transaction size to disclose the information to the Stock Exchange or organize a shareholder meeting to request approval.

According to the announcement of the Stock Exchange of Thailand regarding the disclosure of information and the operations of registered companies in the related parties' transaction in 2003.

However, the transaction size per total net tangible assets of the company is shown as the following.

7-year lease fees (including promise period)	84,977,928	baht
<b>Total net tangible assets on June 30, 2023</b> (according to latest financial statement reviewed by an auditor)	<b>878,955,124</b>	baht
<b>Transaction size per net tangible assets)</b> <b>(Net Tangible Assets) NTA</b>	<b>9.67%</b>	

\*Net Tangible Asset: NTA calculated from total equity attributable to owners of the parent Baht 1,326,667,325 minus right of use assets Baht 77,615,441 (partly presented in investment property included) minus goodwill Baht 334,672,061 minus customer relationship Baht 5,752,441 minus Intangible assets Baht 13,084,696 minus deferred tax assets Baht 16,587,562 totally Baht 878,955,124.

Calculation of connected transaction size

$$\begin{aligned} &= \frac{\text{Value of transaction} \times 100}{\text{Net tangible assets of company}} \\ \text{Transaction size} &= (84.98 \text{ million baht} \times 100) / 878.96 \text{ million baht} \\ &= 9.67\% \text{ of Net tangible assets of company} \end{aligned}$$

**6. Attending and voting in the meeting of interested directors**

Mrs. Sirima Iamsakulrat and Mr. Jain Charnnarong, interested director, they did not attend the meeting and vote in consideration of the such agenda.

**7. Reasonableness and benefits of the transaction to the company**

The previous Office Lease Agreement expires in December 31, 2023, the Board of Directors had considered that such connected transaction was reasonable and benefit for the company. Because the rental rate was not exceeding comparable to the buildings around the nearby area. Furthermore, it's necessary to be used as the company headquarter for the business proceed, include benefits in using the space and conditions under the lease agreement by reference asset appraisal report.

**8. The opinions of the audit committee and/or director of the company which are different from the opinions of the board of directors.**

- None -

Please be informed accordingly.

Yours Sincerely,

- Signed -

(Mr. Thammanoon Tripetchr)

Chief Executive Officer

Authorized to sign on behalf of the Company

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