



Ref : NEP022/2020

May 25, 2020

Subject: Plan and Progress Report in Solving C Caution  
To: The President  
The Stock Exchange of Thailand

NEP Realty and Industry Public Company Limited (“the Company”) arranged a Public Presentation to provide information to investors and related parties as the company has been remarked as C (Caution) sign due to the company’s shareholder’s equity is less than 50% of paid-up capital for the financial statement for the Quarter 1 ended of March 31, 2020. The Company arranged the meeting on May 25, 2020. The summary of the meeting as below:

**Causes:**

1. The Company had continued the loss in operating results. Until the Company canceled the operation line of sack and the real estate business unit, the Company had only the operation line of plastic woven bag that is not sufficient to get more revenue.
2. Production Cost efficiency
3. During 2014-2015, the Company had the loss recognition from investment in associated company (Navanakorn Public Company Limited) due to the flood. The accumulated deficit had been increased.

**Solutions:**

The Company recognized the situation of the Company and already set a recovery plan in order to improve our performance. The solutions are as the following:

**Generating the sources of revenues:**

1. In 2017, the Company had launched the new production line of Flexible Packaging to increase the revenue.
2. In 2018, the Company had expanded the production line of Flexible Packaging. As a result, the operating result has been improved. The revenue from sale increased and the loss of operation result decreased.
3. The Company has improved sales strategies and marketing plan to keep our customers and increase the new customers.

4. The Company has a business partner from the capital increase in the form of private placement. At the beginning of 2018, Vava Pack has been our business partner by supporting the production and introducing new customers to the Company.

5. The associated company (Navanakorn Public Company Limited) has better operating result from the power plant project and the utility revenue. So, the Company received more dividend and more profit recognition.

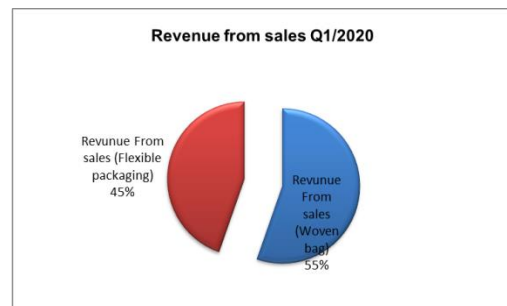
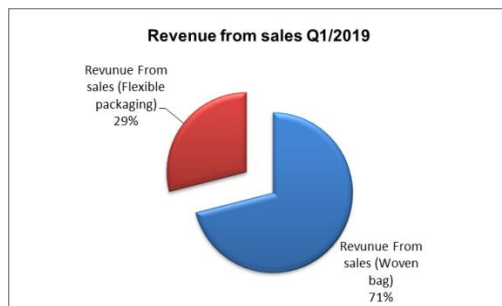
Reducing operating costs:

1. The Company has improved the potential of the production of plastic woven bags and Flexible Packaging for product quality, reducing the production costs and waste.
2. The Company has restructured the Company organization to reduce management cost and develop working process rapidly.
3. The Company has restructured the Board of Directors and directors' remuneration in accordance with the Company's operating result.
4. The Company has controlled all expenses and budget in order to reduce the operating costs.

The Sales revenue in Q1/2020 compare with the same period of previous year

Unit: Million Baht

|   | Q1/2019       | Q1/2020      |
|---|---------------|--------------|
| Revunue From sales (Woven bag)          | 76.93         | 54.31        |
| Revunue From sales (Flexible packaging) | 31.35         | 43.83        |
| <b>Total Revunue From sales</b>         | <b>108.28</b> | <b>98.14</b> |



The decreased sale of plastic woven bag is decreased from the recessions of economic plus the baht appreciated results in our main customers in Exporter of Tapioca flour has less order. In additional, the sale of gravure packaging of rice industry also reduces. The companies have a trend to solve the problem by trying to increase the order from Pet food industry instead.

On the contrary, sales of Flexible packaging still continue growing compared to last year, due to the market size increased of the company in the past few months, the Covid-19 effects the rice industry operators to increased their order of small sizes packaging (1kg, 2 kg, 5 kg) follow the consumer behaviors changes during Stay-home campaign from the governments, consumer start to hoarding rice products, plus the reasons that the government ordered the closure of various stores, more home cooking behaviors. The results of the expanding production line into flexible packaging group help reducing impact from uncontrollable external environmental risks for the company. Allowing the company to sustain the sale from dramatically fall in the economic crisis.

#### **Future Direction of the Company**

The Company has followed the plans as mentioned causing the operating results for the Quarter 1 ended of March 31, 2020. Had better gross profit margin and decreased loss of 8.53 million or decreased loss percentages of 57.91% compare to the same period of previous year. The Company expects to be able to increase sales revenue continuously to be higher than the previous year due to the positive feedback from customers. Also, the Company will focus on the potential development in production and employees' skill in order to control production costs for better efficiency. The Company will implement as planned but increase more concentration. Therefore, the Company will have good operating results and can make profit from the operations within the near future.

Please be informed accordingly.

Yours sincerely,

(Mr. Weerachart Lohsiri)

Managing Director