



Ref: NEP013/2022

March 7, 2022

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 fiscal year 2021 ended December 31, 2021. The Company arranged the meeting on March 7, 2022. The summary of the meeting has details as below:

Causes:

1. The Company had continued the loss in operating results. Since 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 sales 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.

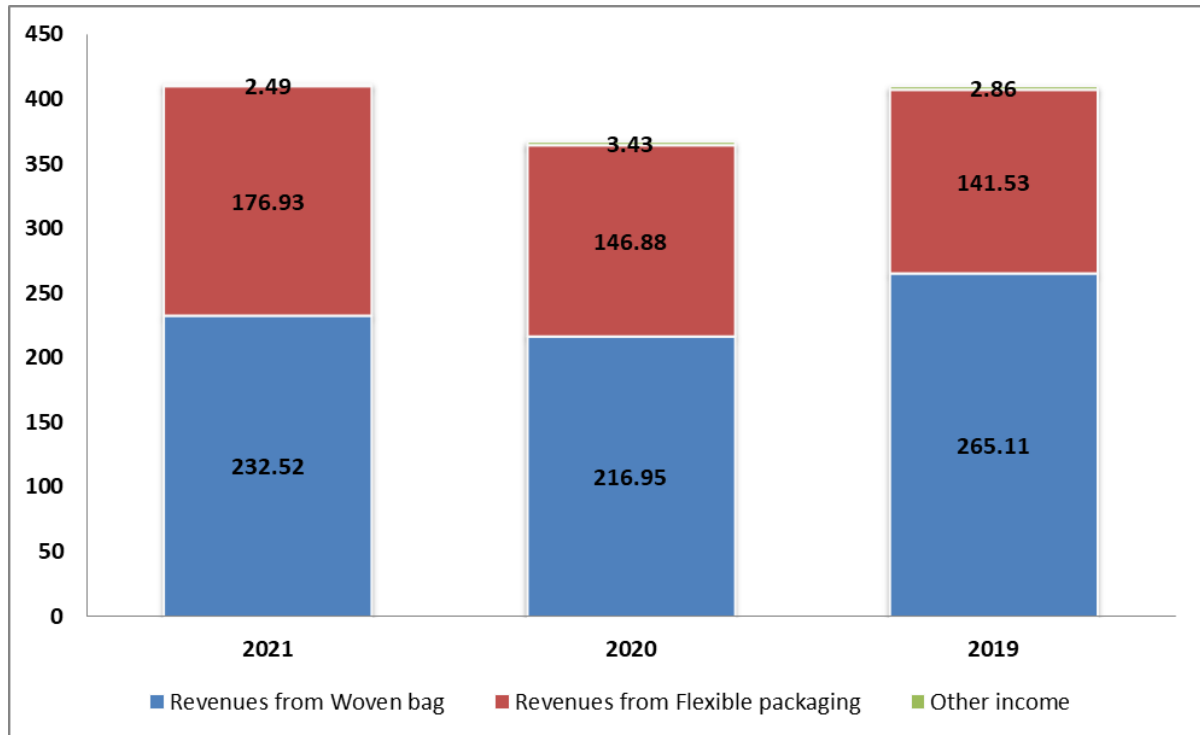
3. The Company has restructured the Board of Directors and directors' remuneration in accordance with the Company's operating result.

4. The Company has controlled all expenses and budget in order to reduce the operating costs.

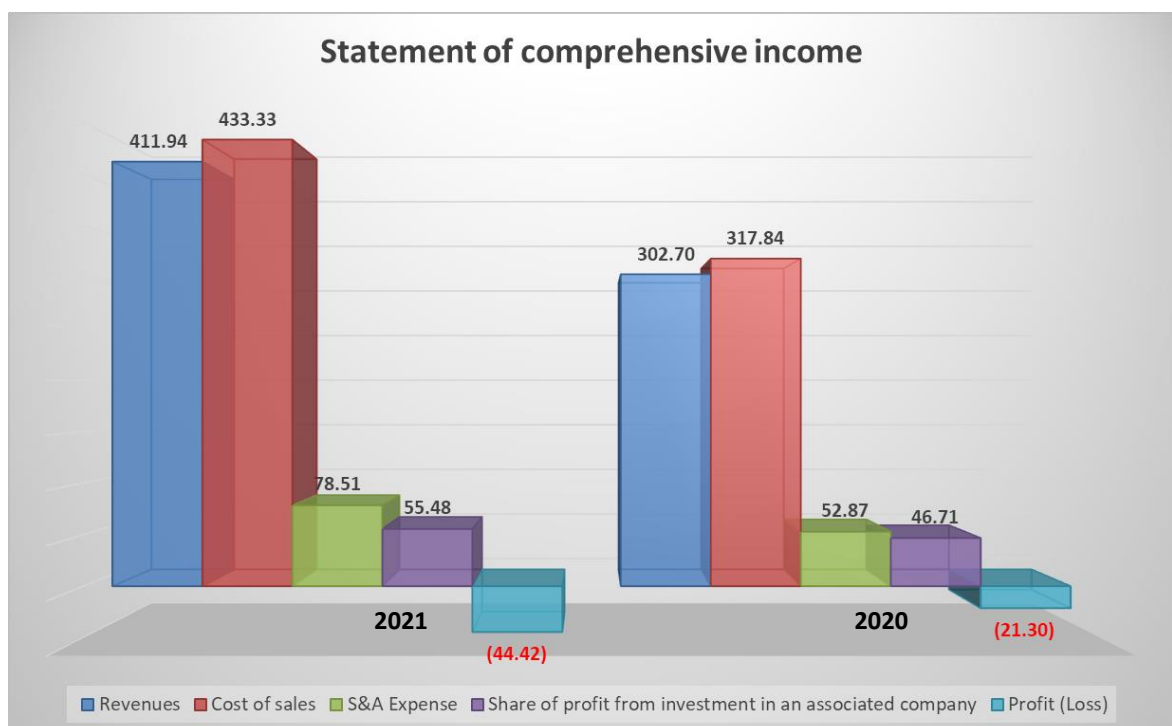
The Company had sale revenue for year end of 2021 at 409.45 million baht compared with year end 2020 at 363.83 million baht, which increase by 45.62 million baht or 12.54 % increased with the following details.

- Revenue from sales of plastic woven bags increased from previous year at 15.57 million baht following the recovering of the economic all over the country. In addition, the Company was won the auctioned of plastic woven bag from major customers in the animal feed sector during the 3rd quarter of the year resulting in better sale direction of plastic woven bags compared to previous year.
- Revenue from sale of flexible packaging increased from previous year at 30.05 million baht or increased by 20.46% due to varieties of selection of flexible packaging that can support more varieties of customer in the market compared to plastic woven bags, the market of flexible packaging is larger than plastic woven bag, and as the products are in the consumer lifestyles that need to consumed in daily necessities results in less affected to the economic factors. In addition, the government ordered the closure of services and department stores to stop the pandemic of Covid-19 virus, customers in the small packing size (1 kg, 2 kg, 5 kg) rice group, which is the Company's main customer group, has increased their orders following the need of consumers to stocks the rice or increased their household cooking. As a result, the Company has been able to maintain higher sales levels with previous years. Together with the Company has expanded its market by investing in pouch manufacturing machinery in order to make more product diversity and to meet the needs of more packaging users.
- Other revenue in the year 2021 are 2.49 million baht compared to 2020 at 3.43 million baht, decreased by 0.94 million baht or 27.41% without significant changes. Major source of other revenue came from sale of waste generated from production process, general waste and unused equipment and tools.

Proportion of revenue classified by product types



Main reasons of the negative profit lost is the sale revenue that still below target as a result, the production capacity can't cover fixed cost, plus the wasted controlled also cannot reach the standard target. Another important effected is the increasing cost of raw materials such as Plastic granules, films, printing colors also increasing their cost starting from quarter 4 of 2020 by 15-20% and still tendency to increase continuously following the higher oil prices. However, the Company has effective ability to control various expenses and received an increase in profit sharing from associated companies which is better than the same period of last year.



Future Direction of the Company

The Company is aware of the situation of the company's operating results. Therefore, the problems have been continuously solving to have a better performance with the following guidelines,

- Increase revenue channel, in 2017, the Company had launched the new production line of Flexible Packaging which has the largest market size in the packaging group to increase the revenue and 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. The production line capacity expansion has been completed.
- Reducing operation cost, the company has improved efficiency in both production capacity and both plastic woven bag and flexible packaging products in order to increase quality of product, reduce operation cost and wasted reduction. Apart from that the company also restructured the Company organization to reduce management cost and develop working process rapidly.
- From the Operating results analysis, the major reasons of net loss are the results of production and sales of plastic woven bags, which has low gross profit margin. The production cost controlling to achieve the economics of scales is an important aspect. Since the company production capacity of plastic woven bag is considered very small compared to its competitors in the industry, price competition and cost control is therefore difficult. Therefore, in the year 2021-2022, the Company has an idea to adjust the sales model of the plastic woven bags to outsource or trading instead of producing it ourselves. By renting or selling the Company plastic woven bag's machines to other manufacturers or business partners which has enough production capacity as a contractor to produce products for the Company. This will result in the company having a relatively stable gross profit margin from the sale of plastic woven bags, compared to the past that continuous loss from this type of products. The company is able to focus on marketing to fully expand the customers in Flexible packaging and also reduce the Company's fixed cost.

Please be informed accordingly.

Yours sincerely,

(Mr. Weerachart Lohsiri)

Managing Director