



Ref: NEP043/2022

August 24, 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 Quarter 2 ended June 30, 2022. The Company arranged the meeting on August 24, 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 Efficiency in Cost control.
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. The production line expansion is completed.
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.

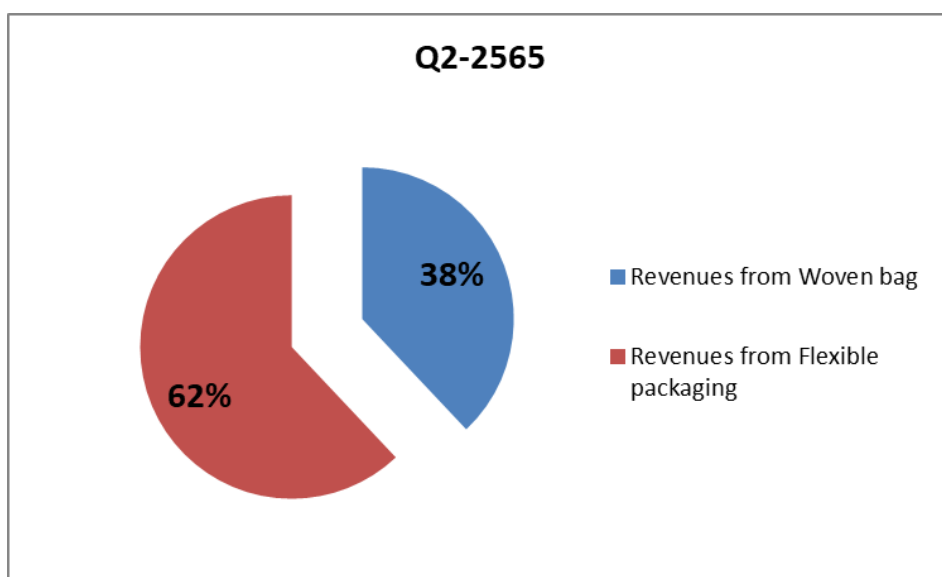
Reducing operating costs:

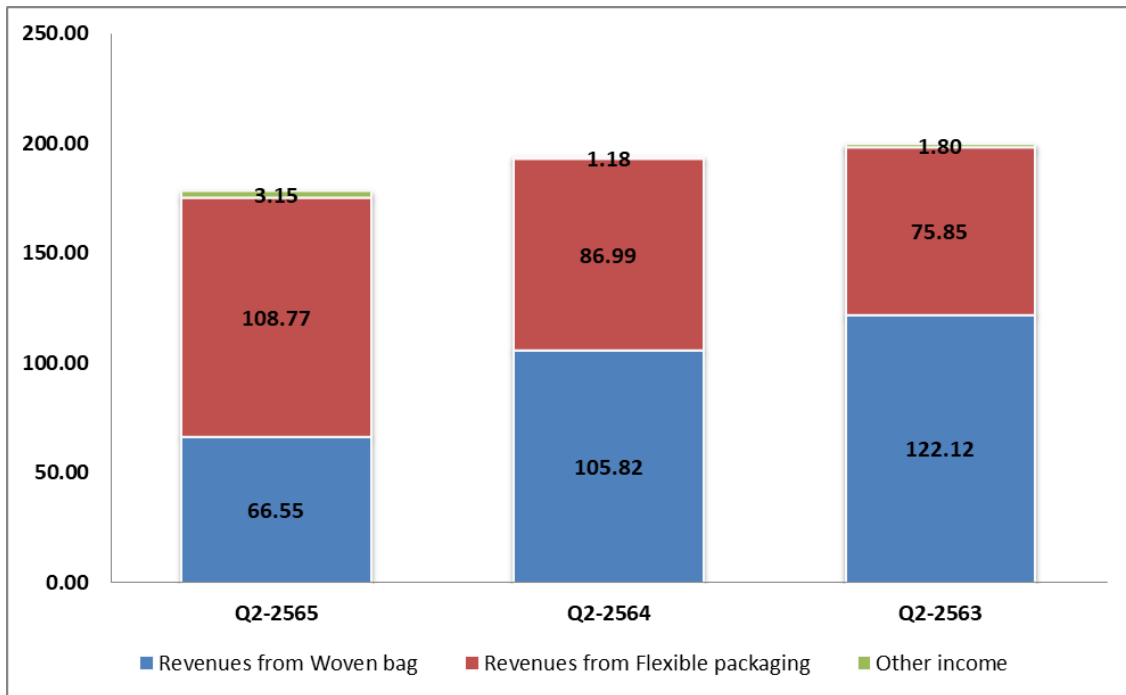
1. The Company has improved the potential of the production of plastic woven bags and Flexible Packaging for product quality, reducing the production costs and waste.
2. The Company has restructured the Company organization to reduce management cost and develop working process rapidly.
3. The Company 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 6 months periods at the end of June 30, 2022 at 175.32 million baht compared with the same periods of last year at 192.81 million baht, which decrease by 17.48 million baht or 9.07% decreased with the following details.

- Revenue from sales of plastic woven bags decreased from previous year at 39.27 million baht from the cancellation of the plastic woven bags production line and adjust the strategies to outsourcing and selected only large customers.
- Revenue from sale of flexible packaging increased from previous year at 21.78 million baht or increased by 25.03% 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. Together with the expansion of the company by investing in pouch manufacturing machinery in order to make more product diversity and to meet the needs of more packaging users.

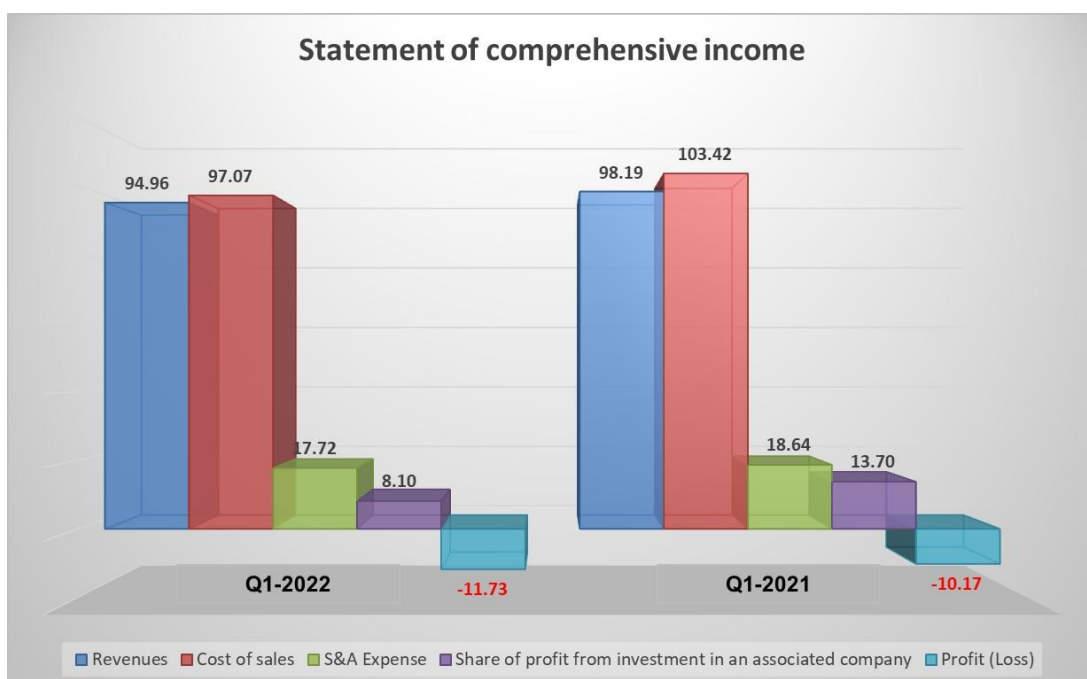
Proportion of revenue classified by product types





From changing the business model to outsourcing production of plastic woven bag or Trading by hiring other partnership manufacturer to produce instead of our own manufacturing. As a results, the company has a relatively stable gross profit margin in this quarter even the sale is reduced. The company still get loss in gross margin due to the increasing cost of raw materials show 15-20% increase and fluctuates every week according to oil prices from the world economic downturn from the War between Russia and Ukraine , while the selling price has been committed with customers.

However, the company has ability to control administrative expenses but as the problem of gross profit margin loss and received less profit sharing from associated companies compared to the same periods last year results in net loss of 24.14 million Baht for 6 months periods of 2022.



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 economic 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, the company has adjusted 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.
- Another concerned point of the company is the increasing cost of raw materials that still tendency to increase continuously following the higher oil prices, the company has set advance planned to purchases raw materials with the order receiving plan, setting the selling price in accordance with the raw materials purchased planned.

Please be informed accordingly.

Yours sincerely,

(Mr. Vee Worasakyothin)

Acting Managing Director