



บริษัท เอ็นอีที อสังหาริมทรัพย์และอุตสาหกรรม จำกัด (มหาชน)
NEP REALTY AND INDUSTRY PUBLIC COMPANY LIMITED
Public Company Registration No. 0107537000831



Ref: NEP010/2023

March 10, 2023

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 2022 ended December 31, 2022. The Company arranged the meeting on March 10, 2023. 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.

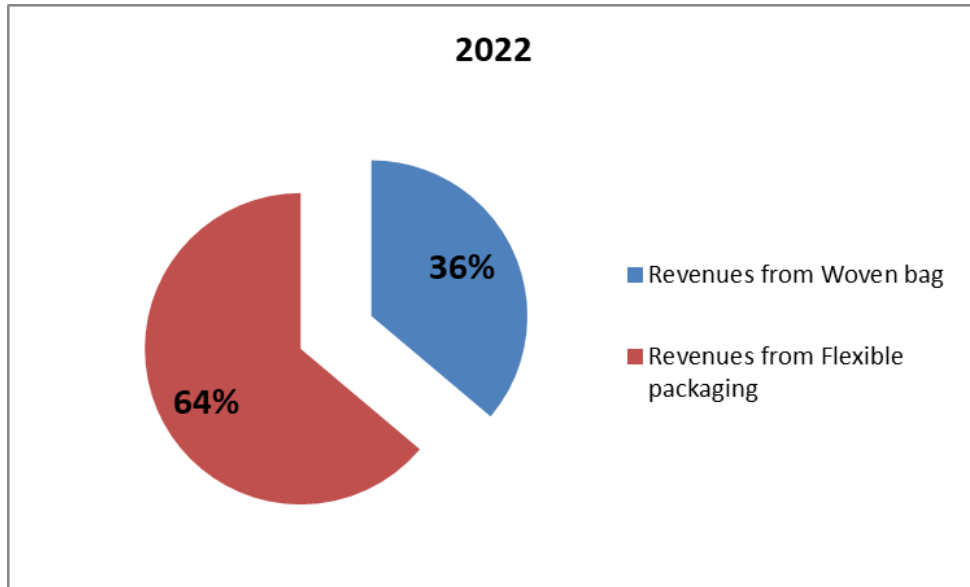
Reducing operating costs:

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.

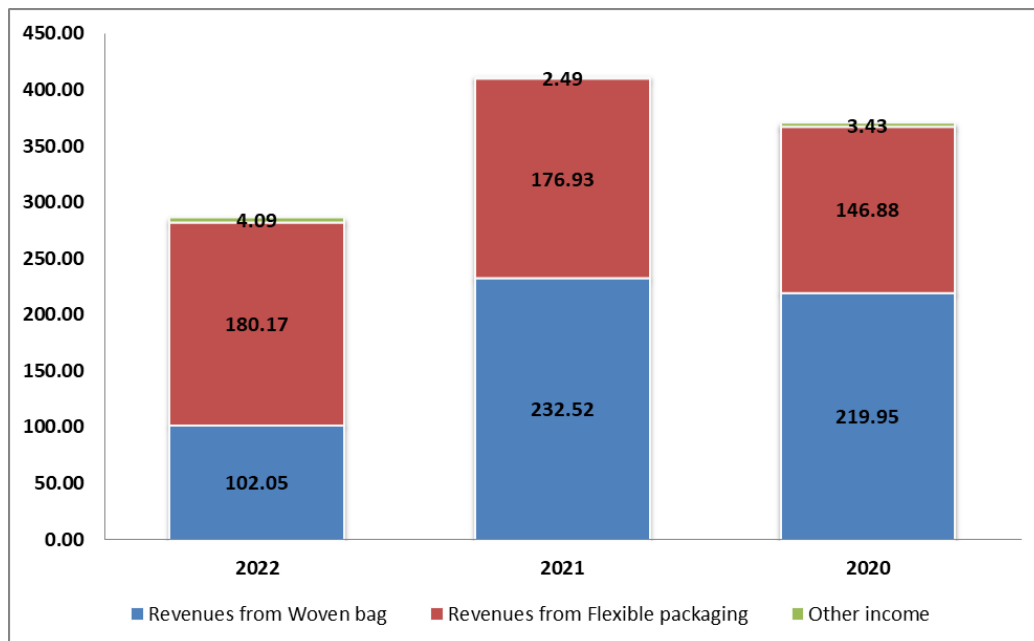
The company had sale revenue for 2022 at 282.22 million baht compared with last year at 409.45 million baht, which decrease by 127.23 million baht or 31.07% decreased with the following details.

- Revenue from sales of plastic woven bags decreased from previous year at 130.47 million baht from the cancellation of the plastic woven bags production line and adjust the strategies to outsourcing or Trading. Since the company already has an existing customer base, outsourcing production from other manufacturers who are business partners instead of producing ourself. In the past, the company suffered losses from the production of plastic woven bags almost every year due to the smaller production capacity than competitors in the market, resulting in high production costs. While price competition is the main factor of this business, along with plastic woven bags market is starting to shrink. The Cancellation of the plastic woven bags production line help eliminate the risks of economy of scale and waste controlling which are uncontrollable in the past. This will result in a certain gross profit for the company even if sales are declining.
- Revenue from sale of flexible packaging increased from 2021 at 3.24 million baht. The company was able to maintain a slightly higher sales level than the previous year due to the sales of gravure film rolls for plastic bag coatings decreased due to the cancellation of plastic woven bags production lines. However, the company has focus on looking for new customers who use products with more value added to replaced.

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. Currently flexible packaging 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 be consumed in daily necessities. Economic factors have little impact on sales. Therefore, it is the company's core business to focus on for future growth.



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 result, the

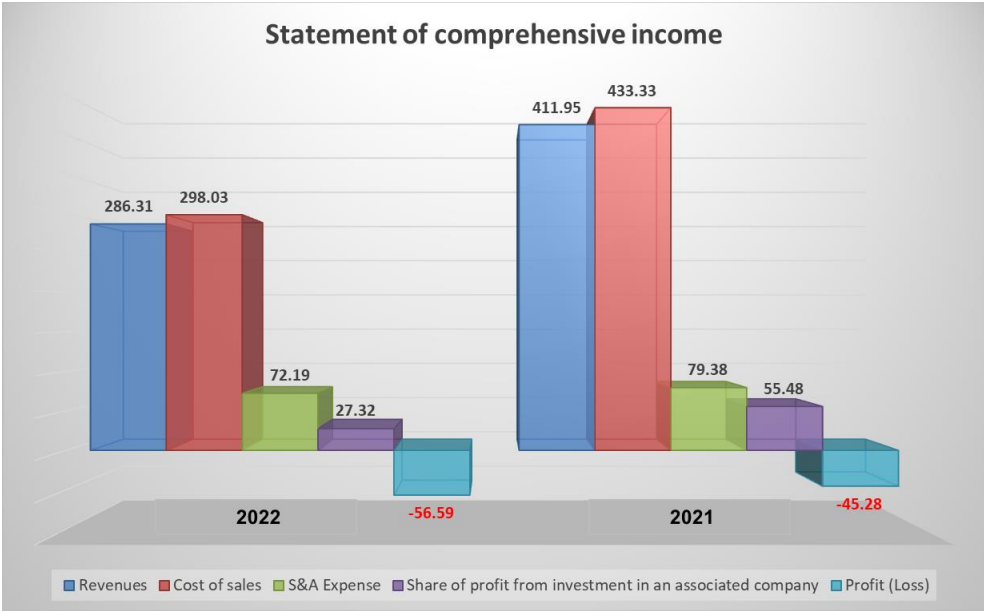
company has a relatively stable gross profit margin even the sale is reduced. With the average gross profit margin at 7.45%.

However, for the year 2022, the company got negative gross profit margin from Flexible packaging at 10.42% the main factors that results the company negative lost are the less sale revenue than target, Production capacity does not cover fixed cost, plus the wasted controlled also over the standard setting.

With the additional factors of the increasing cost of raw materials such as Plastic granules, films, printing colors still tendency to increase continuously following the higher oil prices. Those effected directly to the selling price that has been set in the pre-ordered from the customer.

The manufacturing process of Flexible packaging is a high-resolutions process that requires precisions, the accuracy of machinery with also the experiences of the operators. Therefore, the Company has a solution by restructuring the management of the factory side. Find personnel with specialized expertise in flexible packaging to create a standard procedure of manufacturing, standard of raw material utilized and also strictly in wasted controlling systems. Focus on keeping machines in good working conditions and training employees to be more skills.

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 56.60 million Baht for the year 2022.



Future Direction of the Company

The Company is aware of the situation of the company's operating results. Therefore, the problems has been continuously solves 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, the company has adjusted the sales model of the plastic woven bags to outsource or trading instead of producing it ourselves. By selling the company plastic woven bag's machines to business partners which has enough production capacity to produce products for the company. This 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 factors that the company has concern are, the rising cost of raw materials that continually increase following the oil price increasing. The Company has planned to order raw materials in advance and plan to received order from customers, setting selling price with customers in accordance with the raw material's purchase plan.

Please be informed accordingly.

Yours sincerely,

(Mr. Vee Worasakyothin)

Acting Managing Director