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November 14, 2024

Subject: Interim Management Discussion and Analysis: “Interim MD&A” of Operating Results for 3rd Quarter of Year 2024 as of September 30, 2024.

To: The Directors and Managers,
The Stock Exchange of Thailand

1. Overview of Business Operations, Economic Conditions, and Industry Impact

Due to sustained losses in its core business since 2008, totaling over 15 years of net losses and continuous negative cash flow, the company has made every effort to address these challenges. This includes improving product quality, reducing production waste, controlling expenses, planning workforce allocation to match orders, slowing down recruitment in production, and reducing overtime. However, the company’s sales of self-produced flexible packaging products have been significantly affected by declining orders due to the economic slowdown, intense price competition, and reduced bulk orders, which have led to higher production costs. Despite ongoing efforts to improve performance, the company has not been able to generate a gross profit.

Given these circumstances, the company has decided to discontinue all unprofitable operations, as previously reported in the company's Corrective Action Plan when flagged with a “C” mark on November 23, 2023. As part of this, the company will cease the production and sale of plastic sacks and flexible packaging, lay off all production, marketing, sales, and some support staff, and sell unused assets, including machinery, equipment, vehicles, and raw materials. These actions aim to reduce fixed costs, achieve positive cash flow, and generate working capital through asset sales for future business development.

At its 18/2023 meeting on December 21, 2023, the Board of Directors of NEP Realty and Industry Public Company Limited (the "Company") approved the 2024 business plan, which includes the termination of plastic sack and flexible packaging production, workforce reduction, and the sale of non-essential assets. This business plan also involves downsizing to cut fixed costs, create positive cash flow, and generate capital for future ventures. The board approved the transition to a low-risk environmental business, aligning with the current economic situation and presenting sustainable potential for the company.



The company's environmental business strategy follows the government's Bio-Circular-Green (BCG) Economy policy, a national agenda where Thailand aims to lead in driving sustainable economic development and addressing climate change. The BCG Economy Model intends to add value for domestic businesses, strengthen Thailand's unique biodiversity and cultural heritage, and apply science, technology, and innovation to create high-value products and services. This model fosters resilience and self-reliance, integrating social responsibility and environmental consciousness.

Under this model, the company launched products under the VAVA Z brand, which follows a Circular Upcycling concept. These products add value by repurposing excess materials from production and using recycled raw materials, designed locally to create unique, one-of-a-kind bags and lifestyle items. Some designs are produced in limited quantities, appealing to customers seeking distinct and original items. This trend has gained attention both domestically and internationally, as consumers increasingly value products made from recycled materials and industrial or household waste for their practicality and waste reduction benefits.

Moreover, the company's production model engages skilled community artisans, providing stable employment for local communities in nearby provinces. This community-focused approach aligns with the company's commitment to creating jobs and supporting local economies. The Circular Upcycling and recycled product market still has limited competition, allowing the company to establish a strong presence and build brand awareness both domestically and abroad. These products represent the company's initial entry into the BCG Economy Model, laying the foundation for the VAVA Z brand and paving the way for expansion into other areas of the BCG business model.

2. Summary of Key Events and Developments

At the 18th Board Meeting of NEP Realty and Industry Public Company Limited (the "Company") on December 21, 2023, the board approved the 2024 business plan, which includes the termination of production and distribution of plastic sacks and flexible packaging, as well as the dismissal of all employees in production, marketing, and sales, along with certain support roles. Additionally, the plan involves selling unused machinery, equipment, vehicles, and raw materials, aiming to downsize the organizational structure and reduce fixed costs. This measure is intended to ensure positive cash flow and generate capital from asset sales to fund future business plans.

Subsequently, at the first Board Meeting of 2024 held on January 18, 2024, the board reviewed progress in reducing losses under the 2024 business plan, which includes the following actions:



1. Announcement of Production and Sales Termination: Issued on January 9, 2024, marking the end of plastic sack and flexible packaging production.
2. Production and Sales Cessation: Effective February 23, 2024.
3. Employee Termination:
 - Total of 108 employees laid off across various dates:
 - Group 1: 75 employees as of February 24, 2024.
 - Group 2: 12 employees as of March 24, 2024.
 - Group 3: 21 employees as of May 1, 2024.
4. Asset Auction for Unused Machinery, Equipment, Vehicles, and Raw Materials:
 - Board Meeting No. 2/2024 on February 28, 2024: Unanimous approval to sell 5 machines and 4 vehicles to successful external bidders.
 - Board Meeting No. 3/2024 on March 21, 2024: Unanimous approval to sell 19 machines, 1 vehicle, 10 equipment items, 8 unused raw materials, and 4 office assets to external bidders.
 - Board Meeting No. 6/2024 on July 25, 2024: Unanimous approval to sell 1 machine, 1 set of spare parts, and 162 additional items to external bidders.
 - The Company still holds some assets, including tools, machinery spare parts, consumables, and other miscellaneous assets that are unnecessary for future business plans. The accounting department is currently updating the asset list before proceeding with a third auction.
5. Factory Space and Building Lease: Announced during March - April 2024.
 - Interested clients and brokers have visited the factory premises. Clients are assessing the space to ensure it aligns with their system requirements and standards. Due to this evaluation process, the originally planned rental income recognition, scheduled for June 2024, may be delayed. The Company is awaiting final decisions from both parties before submitting for board approval.
6. Exploring New Business Opportunities: Identifying potential long-term investment opportunities in 2024.
 - On June 30, 2024, the Company acquired the business of VAVA Z Co., Ltd., which produces and distributes products under the VAVA Z brand in a Circular Upcycling format, adding value to recycled materials. The total acquisition value was 7.72 million baht, per the resolution passed at Board Meeting No. 5/2024 on June 20, 2024. The Company began recognizing revenue from this acquisition on July 1, 2024, marking the start of a new environmental-focused business under the BCG (Bio-



Circular-Green) Economy framework, laying the groundwork for the VAVA Z brand's expansion and development into other BCG areas.

3. Summary of Operating Results

NEP Realty and Industry Public Company Limited presents the operating results for the 3-month period of the 3rd quarter of 2024, ending September 30, 2024 compared to the same period in 2023, as detailed below:

For the Three-Month Period of Quarter 3 Ending September 30, 2024

The Company reported a net profit of 1.73 million baht for the 3-month period of the 3rd quarter of 2024, ending September 30, 2024 compared to a net profit of 2.93 million baht in the same period of 2023, a decrease of 1.20 million baht, or 41%, due to the following main factors:

1. Revenue from Sales and Other Income

In the 3rd Quarter of Year 2024 as of September 30, sales revenue from continuing operations of 1.37 million baht. This represents the first revenue recognition under the VAVA Z brand as of July 1, 2024. Customer orders showed positive growth, and the Company was able to meet delivery timelines. The Company expects to grow sales under the VAVA Z brand, which focuses on Circular Upcycling, aligning with its environmental business plan. In comparison, sales revenue from discontinued operations in the same period of 2023 was 32.15 million baht, a reduction of 30.78 million baht, or 95.74%, due to the discontinuation of plastic sack and flexible packaging production since February 23, 2024.

Other income from continuing operations in 2024, including rental income and bank deposit interest, amounted to 0.42 million baht, compared to 0.39 million baht in 2023, remaining stable.

2. Cost of Goods Sold and Gross Profit

In the 3rd Quarter of Year 2024 as of September 30, cost of goods sold for continuing operations amounted to 1.07 million baht, yielding a gross profit of 0.60 million baht, or 43.80% of sales. In comparison, cost of goods sold for discontinued operations in the same period of 2023 was 35.92 million baht, a decrease of 34.85 million baht, or 97.02%, due to the discontinuation of plastic sack and flexible packaging production.

3. Selling Expenses

In the 3rd Quarter of Year 2024 as of September 30, Selling expenses for continuing operations amounted to 0.90 million baht, or 65.69% of sales, compared to 1.94 million baht in the same period of 2023, a reduction of 1.04 million baht, or 53.61%.



4. Administrative Expenses

In the 3rd Quarter of Year 2024 as of September 30, Administrative expenses totaled 6.29 million baht, compared to 8.52 million baht in the same period of 2023, a decrease of 2.23 million baht, or 26.17%.

5. Executive Compensation

In the 3rd Quarter of Year 2024 as of September 30, Executive compensation was 1.57 million baht, compared to 1.25 million baht in the same period of 2023, an increase of 0.32 million baht, or 25.60%.

6. Finance Costs

In the 3rd Quarter of Year 2024 as of September 30, Finance costs were 0.02 million baht, compared to 0.11 million baht in the same period of 2023, a reduction of 0.09 million baht, or 81.82%. The finance costs primarily comprised lease interest, as the Company has no long-term debt from financial institutions, and no additional raw material purchases were made due to the cessation of production.

7. Share of Profit (Loss) from Investment in Associates

In the 3rd Quarter of Year 2024 as of September 30, the share of profit from associates was 7.82 million baht, compared to 17.80 million baht in the same period of 2023, a decrease of 9.98 million baht due to lower profits from associates.

For the Nine-Month Period of Quarter 3 Ending September 30, 2024

The Company recorded a net profit of 6.39 million baht for the nine months ending September 30, 2024, compared to a net loss of 7.38 million baht in the same period of 2023, an increase of 13.77 million baht due to the following main factors:

1. Revenue from Sales and Other Income

For end 3rd Quarter of Year 2024 as of September 30, sales revenue totaled 17.54 million baht, including 1.37 million baht from continuing operations and 16.17 million baht from discontinued operations. In comparison, sales revenue in 2023 was 100.63 million baht, a reduction of 83.09 million baht, or 82.57%, due to the discontinuation of plastic sack and flexible packaging production.

Other income from continuing operations for the nine-month period of 2024 included rental income and bank deposit interest totaling 1.19 million baht, compared to 1.14 million baht in 2023, remaining stable.



2. Cost of Goods Sold and Gross Profit

For end 3rd Quarter of Year 2024 as of September 30, the cost of goods sold was 19.95 million baht, comprising 1.07 million baht for continuing operations, with a gross profit of 0.60 million baht, or 43.80% of sales, and 18.88 million baht for discontinued operations. This compares to a total cost of goods sold of 113.03 million baht in the same period of 2023, a reduction of 93.08 million baht, or 82.35%, due to decreased sales.

3. Selling Expenses

For end 3rd Quarter of Year 2024 as of September 30, Selling expenses totaled 1.81 million baht, or 10.32% of sales, comprising 0.90 million baht for continuing operations and 0.91 million baht for discontinued operations. In comparison, selling expenses in 2023 were 7.36 million baht, or 7.31% of sales, reduced due to lower staffing costs following the production discontinuation.

4. Administrative Expenses

For end 3rd Quarter of Year 2024 as of September 30, Administrative expenses were 27.07 million baht, including 6.44 million baht from continuing operations and 21.68 million baht from discontinued operations. In comparison, administrative expenses in 2023 were 25.16 million baht, an increase of 1.91 million baht due to employee severance payments associated with the production discontinuation.

5. Executive Compensation

For end 3rd Quarter of Year 2024 as of September 30, Executive compensation was 4.76 million baht, including 1.57 million baht from continuing operations, compared to 6.33 million baht in 2023, a decrease of 1.57 million baht, or 24.80%, due to organizational restructuring following production discontinuation.

6. Finance Costs

For end 3rd Quarter of Year 2024 as of September 30, Finance costs were 0.14 million baht, compared to 0.35 million baht in the same period of 2023, a reduction of 0.21 million baht. Finance costs primarily included interest on lease agreements and interest on raw material purchases paid through banks. The Company has no long-term debt and reduced raw material purchases due to decreased production.

7. Share of Profit (Loss) from Investment in Associates

For end 3rd Quarter of Year 2024 as of September 30, the share of profit from associates was 40.06 million baht, compared to 41.67 million baht in 2023, a decrease of 1.61 million baht due to lower profits from associates compared to the previous year.



4. Summary of Financial Position

1. **Total Assets:** As of September 30, 2024, the Company reported total assets of 580.99 million baht, a decrease of 22.30 million baht, or 3.70%, compared to December 31, 2023.

Key changes include:

1.1 **Current Assets:** As of September 30, 2024, current assets totaled 18.99 million baht, a reduction of 8.74 million baht, or 31.52%, from 2023. This decrease mainly reflects lower trade receivables and inventory following the cessation of plastic sack and flexible packaging production, which impacted revenue.

1.2 **Non-Current Assets:** As of September 30, 2024, non-current assets amounted to 562 million baht, a decrease of 13.56 million baht, or 2.36%. This change was due to a 4.99 million baht reduction in restricted cash deposits, a 1.71 million baht decrease in right-of-use assets after the Company canceled a vehicle lease, and an 11.68 million baht increase in profit share from investment in associates. Other changes included a 97.94 million baht decrease in land, buildings, and equipment, as the Company reclassified 79 million baht in investment property due to land and building leasing plans and 13 million baht in idle machinery and equipment as assets held for sale, following the discontinuation of production.

2. **Total Liabilities:** As of September 30, 2024, the Company's total liabilities were 7.48 million baht, a reduction of 28.69 million baht, or 79.32%, from December 31, 2023. Notable changes include:

2.1 **Current Liabilities:** Current liabilities as of September 30, 2024, stood at 5.67 million baht, down by 27.61 million baht, or 82.96%, due to scheduled repayments and a reduction in raw material orders, in line with decreased production.

2.2 **Non-Current Liabilities:** Non-current liabilities as of September 30, 2024, totaled 1.81 million baht, a decrease of 1.09 million baht, or 37.59%, mainly due to a 1.10 million baht reduction in lease liabilities. The Company has no long-term debt with financial institutions.

2.3 **Shareholders' Equity:** As of September 30, 2024, shareholders' equity amounted to 573.51 million baht, an increase of 6.39 million baht, or 1.13%, from December 31, 2023, resulting from the Company's net profit.



5. Factors Impacting Future Operations and Growth

The Company's future operations and growth; It may be affected by many factors both internal and external to the organization, including rapidly changing Geopolitical Trends. Especially from factors related to economic, social, technological and political situations that may change in the future. This can affect the business operations and operating results of the company in the long run.

1. Economic Conditions

Economic conditions at both the national and global levels, such as inflation rates, interest rates, and economic growth, can impact consumer spending power. Economic downturns may reduce consumer purchasing power, affecting the demand for products. The company must monitor these factors to understand potential market shifts and adjust its strategies accordingly.

2. Regulations and Compliance

Changes in regulations, such as environmental measures, labor laws, or product safety standards, can increase operational costs or limit business practices. The company must stay informed about regulatory updates and ensure compliance to avoid penalties and operational disruptions.

3. Adequacy of Production Capacity

Assessing the adequacy of production capacity for the future is critically important, especially when the company grows or expands its market to new customer segments. If the company is unable to meet the demand for products in a timely manner, it could affect product delivery and long-term revenue.

4. Technological Advancements

Advancements in technology, such as new manufacturing technologies that improve production efficiency or create innovative products, can offer opportunities for cost reduction and growth. However, outdated technology can result in a loss of competitiveness. Adapting to emerging technologies is crucial for maintaining a competitive edge in the market.

5. Political Stability

Political changes and government policies can create uncertainty for businesses, such as shifts in trade policies or environmental regulations. Sudden changes in these areas can disrupt operations, forcing companies to adapt quickly to new regulations or market conditions.

6. Sustainability Developments

The company is committed to sustainable development across economic, social, and environmental dimensions. It aligns its operations with the 17 Sustainable Development Goals (SDGs) set by the United Nations, driving initiatives that enhance environmental quality, societal well-being, economic growth, and sustainable corporate governance.



Economic: In 2024, the company participated in the 2024 Annual General Meeting (AGM) Quality Assessment Program, which took place on April 24, 2024. This program is conducted by the Thai Investors Association (TIA) to elevate the standard of AGM organization for listed companies. It is an important component of good corporate governance and helps improve individual investor capabilities, encouraging shareholders to recognize the importance of participation and equal access to information for investment decisions. On August 6, 2024, the company received an outstanding score of 95% for the quality of its 2024 AGM.

Social: In 2024, through the production of VAVA Z brand products, the company contributed to local employment by creating jobs, careers, and income opportunities for the community. This reflects the company's ongoing awareness of being part of the society and community, fostering sustainable coexistence.

Environmental: In 2024, through the production of VAVA Z brand products using Circular Upcycling, the company added value to leftover materials from the production process and used recycled raw materials from industrial and household waste. This helps reduce the demand for new plastic made from petroleum, minimizes landfill waste, reduce the use of energy and resources for maximum benefit.

The company recognizes the importance of good corporate governance to ensure a management system based on ethics, transparency, and accountability. This supports maximizing the company's benefits and builds trust with shareholders, investors, stakeholders, and all related parties.

Please be informed accordingly.

Sincerely yours,

- Weerachart Lohsiri -

Mr. Weerachart Lohsiri

Managing Director