



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



(Translation)

NEP-AC 010/2024

February 28, 2024

Subject : Management Discussion and Analysis for year end 2023 at the end of 31 December 2023

To : The President

The Stock Exchange of Thailand

Overall achievement

NEP Realty and Industry Public company Limited would like to explain the operating result for year ended of 2023 compare with the same period of the previous year as follows

The operating result for the year end of 2023 show a net loss of 36.36 million baht, compare to the same period of previous year which a net loss of 54.35 million baht, the performance is still consecutive loss by decreasing 18 million baht loss. the main reasons are as follow;

1. Sales revenue and other income

The company had sale revenue for year end of 2023 at the ended of 31 December 2023 at 126.56 million baht compared to 2022 which has revenue of 282.22 million baht, which decrease by 155.66 million baht or 55.15 % decrease, due to the cancellation of the plastic sack's production. and sales of flexible packaging products also decreased. Due to the delay in ordering products in large quantities. Changed to ordering only as many products as necessary in order to use the products and lacked confidence in the quality of products resulting from the production process.

Other income for 2023 at 2.65 million baht compares to 4.09 million baht last year, decrease of 1.44 million baht, Because in 2022 the company has other income from selling sack production machinery.



2. Cost of Sales & Gross Profit

For year end of 2023, the company had cost of sale at 145.67 million baht compare to 298.03 million baht last year with the decreasing of 152.36 million baht or 51.12 % decreased, while sale revenue decrease by 55.15 % shows that the company has lower cost per unit sale results in gross loss of margin at 15.09 %.

NEP changing the business model by selling plastic bags in the form of Outsourcing or Trading by hiring production from other manufacturers who are business partners instead of producing it ourselves. As a result, the company's gross profit from selling plastic bags is quite stable in 2023, However, in 2023, sales of plastic bags will also decrease. Because customers can choose manufacturers who are direct factories themselves. and get a lower price.

However, in 2023, Flexible Packaging products had a gross loss. Due to sales that are still less than the target causing production capacity not to cover fixed costs (Fix costs), Waste control still does not meet the required standards. And another important factor this year is the delay of customers ordering large quantities of products. Change to ordering only what is necessary to use the product, which affects the selling price. Negotiating the price of raw materials that cannot be ordered and stored in large quantities. Including controlling waste in the production process that increases from ordering less quantity per production lot.

3. Sales & Marketing costs

For year end of 2023, the selling expenses was 9.01 million baht or 7.12 % from sale revenue compare to 9.48 million baht or 3.36 % from sale revenue, Distribution costs are slightly reduced. It is in the same direction as sales are decreasing.

4. Administrative expenses

For year end of 2023, the administration expenses were 54.84 million baht or 42.44 % from sale revenue compared to 48.8 million baht or 17.04 % from sale revenue. Administrative expenses increased by 6.03 million baht higher than the same period last year. This is because the company has set up an increase in impairment of assets. Because the company Stop product production It was found that the company had machinery and cars that were not in use. The company has therefore opened an auction to sell



machinery and cars. From the machinery and automobile auction data, it was found that the highest buyer bid is lower than the asset's book value. Therefore, in order to comply with Accounting Standard No. 36 regarding impairment of assets. The entity shall take steps to ensure that the entity will not show the carrying value of an asset to be higher than the recoverable value of that asset. If the book value of an asset is higher than the amount expected to be recovered from the use or sale of that asset in such case, the asset is considered impaired.

5. Benefit management

For year end of 2023, benefit management amounted 7.34 million baht, a reduction of 13.31 million baht or 44.87 % compared to the same period in 2022. Because the company has improved its organizational structure.

6. Financial expenses

For year end of 2023, financial expense was 0.44 million baht to compare with the same period of year 2022, it was 0.60 million baht. Financial expenses are similar to last year. The company's financial expenses will be interest from the hire purchase contract. and interest from purchasing raw materials by paying through the bank (TR) where the company has no long-term debt from financial institutions.

7. Share of profit (loss) from investment in associated company

For year end of 2023, share of profit from investment in associated company was 50.27 million baht, compared to 27.32 million baht in the same period of 2022, resulting in an increase of 22.95 million baht due to higher profits from investment companies.

Company Financial status

1. Total assets: the company had total asset as at December 31, 2023 with amount of 603.29 million baht, which decreased by 48.77 million baht or accounted for 7.48 % from December 31, 2022.

1.1 Current assets: as of December 31, 2023, with amount of 27.73 million baht, a decrease of 27.02 million baht or accounted for 49.35 % from 2022. The details of the decrease include a reduction of cash by 7.7 million baht due to losses from operations, and a decrease of debtors and inventories 9.35 million baht and 9.29 million baht, respectively. This is due to decreased sales from the company stopping production of plastic bags in 2022.



1.2 Fixed assets: As of December 31, 2023, the total value was 575.56 million baht, an increase of 21.76 million baht or accounted for 35.81 % from the sale of assets in the amount of 10 million baht, from the estimated impairment of assets that the company will sell due to the discontinuation of product production in 2024, in the amount of 20.77 million baht, and from annual depreciation.

2. Total liability: the company had total liability as of December 31, 2023 at 36.17 million baht decrease from December 31, 2022 at 12.42 million baht or 25.56 % decrease, the details of the change are as follows:

2.1 Current liability: as of December 31, 2023, the total value was 33.28 million baht and slightly decreasing 8.94 million baht or accounted for 21.17 % from 2022. The main thing came from bank overdrafts and short-term loans decreasing in the amount of 7.32 million baht. Because the company has decreased orders for raw materials due to the company ceasing production of plastic bags in 2022.

2.2 Fix liability: as of December 31, 2023, the total value was 2.9 million baht, decreased 3.48 million baht or accounted for 54.59 % from 2022. Decreased from the estimation of non-current liabilities for employee benefits. This information has been recalculated due to the cancellation of a flexible packaging production line. Resulting in the need for early retirement of employees. and laid off some employees the company has no long-term debt from financial institutions.

3. Shareholder equity: as of December 31, 2023, with amount of 567.12 million baht decrease from December 31, 2022 by 36.36 million baht or 6.02 % decrease, since the company loss from operation.

Future trends

For the direction of sales in 2024, The Company's ability to continue its business depends on the business plan and product development. The Company has also improved the efficiency and effectiveness of product production. By reducing waste from production in order to increase the number and increase the sales value of products. In 2024, the company plans to stop producing and selling plastic sacks and flexible packaging products. and layoffs of employees in the production line Marketing and sales departments and some support lines including selling assets, machinery, equipment, vehicles,



and raw materials that are not in use. and renting factory space and buildings. It also depends on the performance and value of investments in associated companies that the Company has invested in. These financial statements continue to be prepared on a going concern basis, assuming sales or the recoverable amount of assets. and the payment of the Company's debts will be in accordance with normal business. There is no expected disruption to the company's normal operations.

The meeting of the Board of Directors Meeting of NEP Realty and Industry Public Company Limited (“the Company”) No. 18/2023 held December 21, 2023, the meeting resolved to approve the principles of the 2024 annual business plan, which is a plan Stop producing and distributing plastic sacks and flexible packaging products. and the layoff of employees in all production lines Marketing and sales division and some support lines Including selling assets, machinery, equipment, vehicles, and raw materials that are not in use. The company has a plan to stop operations in businesses that are making losses. and reduce the size of the organizational structure. To clearly reduce fixed costs in order for the company to have positive cash flow and there will be cash from the sale of assets to be used as Working Capital for new business plans in the future.

Later, at the Board of Directors Meeting of NEP Realty and Industry Public Company Limited (“the Company”) No. 1/2024 on January 18, 2024, the Board of Directors' meeting passed a resolution. Stay informed of progress to solve the loss problem according to the business plan for 2024, with the following action plans:

- Announcement of the termination of the production and distribution of plastic sacks and flexible packaging products, signed on January 9, 2024.
- Stop production and sales on February 23, 2024 onwards.
- Lay off all employees in the production line. Marketing and sales department and some support departments, totaling 108 people. Group 1, ending on February 24, 2024, totaling 75 people. Group 2, ending on March 24, 2024, totaling 12 people. Group 3, ending on May 1, 2024, totaling 21 people.



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- Open an auction to sell assets that are machinery, equipment, vehicles, and raw materials that are not in use. Announced on the company website from 19 January - 20 February 2024. The bid envelope will open on February 20, 2024, with the winning bidder announced on March 1, 2024, after a committee meeting approves the sale of unused assets, machinery, equipment, vehicles and raw materials.
- Announcement for renting factory space and buildings. During March - April 2024
- Study new business with long-term potential for further investment within 2024

Please be informed accordingly.

Sincerely yours,

Mr. Weerachart Lohsiri
Managing Director