



Ref: NEP-AC 004/2025

February 27, 2025

Subject: Management Discussion and Analysis of Operating Results for the Year 2024 Ended December 31, 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.
 - The leasing plan for the factory space and buildings continues to progress, with ongoing interest from potential tenants and real estate agents. The leasing process will remain active until a suitable tenant is secured.
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-
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Circular-Green) Economy framework, laying the groundwork for the VAVA Z brand's expansion and development into other BCG areas.

During Board of Directors Meeting No. 1/2025 on January 23, 2025, the company approved the 2025 business plan, reaffirming its focus on core operations under the VAVA Z brand. The company aims to accelerate revenue growth through sales of upcycled bags and other sustainable products to meet set targets. Additionally, there is a strategic investment plan to enter the biodegradable product trading business, further reinforcing the company's commitment to sustainable, eco-friendly business practices.

3. Summary of Operating Results

NEP Realty and Industry Public Company Limited hereby presents the operating results for the year 2024, ending December 31, 2024, compared to 2023, as detailed below:

For 2024, the company recorded a net profit of THB 8.25 million, compared to a net loss of THB 36.36 million in 2023, reflecting an improvement of THB 44.61 million, or an increase of 122.70%. The key contributing factors are as follows:

1. Revenue from Sales and Other Income

The company recorded sales revenue from continuing operations of THB 5.88 million in 2024, marking the first revenue recognition on July 1, 2024, under the VAVA Z brand. The sales outlook for 2024 remained positive, as the company successfully manufactured and delivered products within the stipulated timeframes. The company anticipates increased sales revenue from its Circular Upcycling business model, aligning with the environmental business direction outlined in the business plan. Total sales revenue across all segments in 2024 amounted to THB 22.02 million, compared to THB 126.56 million in 2023, reflecting a decline of THB 104.54 million (82.60%). This decrease resulted from the cessation of plastic sack and flexible packaging production and sales as of February 23, 2024.

Other income from continuing operations in 2024, including rental income and interest income from bank deposits, was THB 1.99 million, compared to THB 1.51 million in 2023, showing a slight increase from the previous year.

2. Cost of Goods Sold and Gross Profit



In 2024, the company incurred cost of sales from continuing operations of THB 3.83 million, resulting in a gross profit of THB 2.05 million, or 34.86% of sales revenue. Total cost of sales across all segments was THB 22.71 million, compared to THB 145.67 million in 2023, representing a reduction of THB 122.96 million (84.41%), primarily due to the termination of plastic sack and flexible packaging production and sales from February 23, 2024.

3. Distribution costs

In 2024, Distribution costs from continuing operations amounted to THB 2.19 million, or 37.24% of total sales revenue. Total distribution costs across all segments stood at THB 3.11 million. If compared to 2023, a reduction of THB 5.90 million (65.48%) from THB 9.01 million in 2023. The decline in distribution costs was consistent with the reduction in total sales revenue.

4. Administrative Expenses

In 2024, administrative expenses totaled THB 34.18 million, compared to THB 54.84 million in 2023, reflecting a decrease of THB 20.66 million (37.67%). The significant reduction was due to the recognition of impairment losses in 2023 related to obsolete machinery, vehicles, and unused equipment following the termination of plastic sack and flexible packaging production and sales. These assets were subsequently sold in 2024.

5. Executive Compensation

In 2024, the company recorded executive compensation of THB 6.27 million, compared to THB 7.34 million in 2023, marking a decrease of THB 1.07 million (14.58%). The reduction resulted from organizational restructuring following the termination of plastic sack and flexible packaging production and sales, ensuring alignment with the company's 2024 business strategy.

6. Finance Costs

In 2024, finance costs amounted to THB 0.16 million, compared to THB 0.44 million in 2023, reflecting a reduction of THB 0.28 million (63.64%). Finance costs were primarily associated with lease agreements, as the company had no long-term financial liabilities with financial institutions. The termination of plastic sack and flexible packaging production and sales also eliminated the need for raw material procurement, reducing financing requirements.

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

In 2024, the company's share of profit from investments in associates was THB 49.84 million, compared to THB 50.27 million in 2023, reflecting a slight decline of THB 0.43 million, due to lower profitability from associated companies.



4. Summary of Financial Position

1. **Total Assets:** As of December 31, 2024, the company reported total assets of THB 580.29 million, reflecting a decrease of THB 23 million (3.81%) from December 31, 2023. The key changes are as follows:
 - 1.1 **Current Assets:** As of December 31, 2024, current assets totaled THB 21.69 million, reflecting a decrease of THB 6.04 million (21.78%) from 2023. This decline was primarily driven by a reduction in trade receivables and inventory, following the cessation of plastic sack and flexible packaging production and sales, resulting in lower revenue. Other current financial assets of 10.12 million baht are 12-month fixed deposits. During 2024, the company changed the debt limit under trust receipts from financial institutions. By withdrawing fixed deposits as collateral for using cash in business operations.
 - 1.2 **Non-Current Assets:** As of December 31, 2024, non-current assets amounted to THB 558.60 million, reflecting a decrease of THB 16.96 million (2.95%) from 2023. The decrease was due to a THB 15 million reduction in pledged bank deposits (TR) and a THB 2.62 million reduction in right-of-use assets, following the cancellation of vehicle leases. Key asset movements included a THB 20.13 million increase in investments in associates and a THB 97.29 million reduction in property, plant, and equipment, following: The reclassification of investment properties (THB 73.29 million) as part of the company's land and building leasing strategy. And The sale of obsolete machinery and equipment, as well as depreciation expenses for the year.
2. **Total Liabilities:** As of December 31, 2024, total liabilities stood at THB 4.92 million, reflecting a decrease of THB 31.25 million (86.40%) from 2023. The key changes are as follows:
 - 2.1 **Current Liabilities:** As of December 31, 2024, current liabilities totaled THB 2.93 million, reflecting a decrease of THB 30.35 million (91.20%) from 2023. The decline was due to scheduled debt repayments and a decrease in raw material procurement, following lower order volumes.
 - 2.2 **Non-Current Liabilities:** As of December 31, 2024, non-current liabilities stood at THB 2.00 million, reflecting a decrease of THB 0.90 million (31.03%) from 2023. The decrease was primarily due to a THB 1.22 million reduction in lease obligations. The company had no long-term financial liabilities with financial institutions.



2.3 Shareholders' Equity: As of December 31, 2024, shareholders' equity stood at THB 575.37 million, reflecting an increase of THB 8.25 million (1.45%) from 2023, due to the company's net profit for the year.

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