



Ref: NEP-AC 008/2025

May 15, 2025

Subject: Management Discussion and Analysis of Operating Result for the First Quarter of 2025 Ended March 31, 2025

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

Operating Results

NEP Realty and Industry Public Company Limited (“the Company”) would like to provide a clarification of its operating results for the three-month period ended March 31, 2025, compared with the same period of the previous year, as follows:

For the three-month period ended March 31, 2025

The Company reported a net profit of THB 3.62 million, compared to a net profit of THB 1.13 million for the same period in 2024. This represents an increase in net profit of THB 2.49 million, primarily due to the following key factors:

1. Revenue from Sales and Other Income

In Q1/2025, the Company generated THB 3.70 million in sales revenue, representing the first revenue recognition under the “VAVA Z” brand, effective from July 1, 2024. Compared to the same period in 2024, which recorded sales revenue of THB 15.38 million, this reflects a decrease of THB 11.68 million, or 75.94%, mainly due to the significant drop in sales of woven plastic sack products and flexible packaging following the Company’s decision to cease their production and distribution since February 23, 2024.

Other income for Q1/2025 was THB 0.48 million, compared to THB 0.73 million in Q1/2024, reflecting a decrease of THB 0.25 million without any material changes.

2. Cost of Sales and Gross Profit

In Q1/2025, the Company incurred a cost of sales of THB 2.66 million from its sales under the “VAVA Z” brand in the Circular Upcycling product category, resulting in a gross profit of THB 1.04 million, or 28.15% of total sales. In comparison, the cost of sales in Q1/2024 was THB 20.38 million, representing a decrease of THB 17.72 million, or 86.95%, while sales revenue declined by 75.94%. This change reflects the discontinuation of plastic sack and flexible packaging products in 2024.

The Company expects that revenue from “VAVA Z” Circular Upcycling products will continue to grow in line with the environmental business direction outlined in its business plan.



3. Selling Expenses

Selling expenses in Q1/2025 amounted to THB 1.36 million, or 36.76% of total sales, compared to THB 0.94 million, or 6.10% of sales, in Q1/2024. The increase in selling expenses is attributable to the Company's new strategic focus on business transformation and sustainable growth in 2025. The key strategic objectives include increasing revenue, expanding the customer base under the “VAVA Z” brand, optimizing the use of existing assets, expanding market reach, and developing new product offerings with value-added features.

Additionally, the Company employed integrated marketing strategies—both online and offline—to drive sales and generate supplementary income from other assets in alignment with its strategic business targets.

4. Administrative Expenses

In Q1/2025, the Company reported administrative expenses of THB 6.32 million, accounting for 151.20% of total revenue, compared to THB 12.07 million, or 78.49% of total revenue, in the same period of 2024. This represents a decrease of THB 5.75 million in administrative expenses, primarily due to severance payments made in 2024 as part of the Company's plan to discontinue the production and distribution of woven plastic sacks and flexible packaging. The restructuring resulted in the termination of employees in the production line, marketing and sales departments, and certain support functions.

In 2025, the Company continues to implement cost control measures and consistently reduce operational expenses.

5. Management Remuneration

In Q1/2025, management remuneration amounted to THB 1.73 million, compared to THB 1.62 million in the same period of 2024, representing an increase of THB 0.11 million, or 6.79%. This increase reflects the Company's strategic adjustment in operational spending to support its sales-driving initiatives as set out in its business plan.

6. Finance Costs

In Q1/2025, the Company incurred finance costs of THB 0.02 million, compared to THB 0.07 million in the same period of 2024, a decrease of THB 0.05 million. The Company's finance costs primarily relate to interest expenses from lease agreements. The Company does not have any long-term liabilities with financial institutions.

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

In Q1/2025, the share of profit from investment in associate amounted to THB 11.53 million, compared to THB 20.11 million in the same period of 2024, representing a decrease of THB 8.58 million, due to lower profit contributions from the associate company.



Financial Position

1. Total Assets

As of March 31, 2025, the Company reported total assets of THB 583.97 million, representing an increase of THB 3.68 million or 0.63% from December 31, 2024. The key changes are as follows:

1.1 Current Assets

As of March 31, 2025, current assets totaled THB 15.35 million, a decrease of THB 6.34 million or 29.23% from the previous year. The primary reason was a THB 5.11 million decrease in other current financial assets, due to the Company's withdrawal of fixed deposits to support business operations.

1.2 Non-Current Assets

As of March 31, 2025, non-current assets amounted to THB 568.62 million, an increase of THB 10.01 million or 1.79%. The key factor contributing to this increase was the higher value of investment in associate, following the recognition of a share of profit from investment in associate amounting to THB 11.53 million.

2. Total Liabilities

As of March 31, 2025, the Company reported total liabilities of THB 4.98 million, an increase of THB 0.05 million or 1.01% from December 31, 2024. The main components are as follows:

2.1 Current Liabilities

As of March 31, 2025, current liabilities stood at THB 3.00 million, an increase of THB 0.07 million or 2.39%, primarily from scheduled repayments.

2.2 Non-Current Liabilities

As of March 31, 2025, non-current liabilities amounted to THB 1.97 million, a decrease of THB 0.03 million or 1.50%, due to a THB 0.06 million reduction in lease liabilities, partially offset by an increase of THB 0.04 million in provisions for employee benefits. The Company has no long-term liabilities with financial institutions.

3. Shareholders' Equity

As of March 31, 2025, shareholders' equity was THB 578.99 million, an increase of THB 3.62 million or 0.63% from December 31, 2024, due to the net profit generated during the period.

Future Outlook

In 2025, the Company remains focused on key strategies to drive sustainable growth, with the objective of increasing revenue and expanding its customer base under the VAVAZ brand. The Company also aims to maximize the value of its assets through the following strategic directions:



1. Market Expansion and Channel Development

1.1 Omnichannel Expansion

- Expand VAVAZ retail presence in department stores and tourist destinations such as Emsphere
- Increase the number of distributors and B2B partners, including eco-friendly retailers, lifestyle shops, and businesses aligned with the upcycled fashion concept
- Penetrate new markets through partnerships and online platforms such as Shopee, Lazada, and TikTok Shop

1.2 E-commerce & Social Commerce Development

- Grow sales through Shopee, Lazada, TikTok Shop, and Facebook/Instagram Store
- Leverage live commerce and influencer marketing to boost brand awareness and conversion rate
- Expand targeted advertising via Google Ads, Meta Ads, and TikTok Ads

1.3 B2B and Corporate Sales Expansion

- Position VAVAZ as a corporate gift solution for companies seeking eco-friendly gifts
- Target hotels, resorts, and environmental organizations seeking sustainable products

2. Product Development and Value Enhancement

2.1 Product Diversification

- Introduce more products made from recycled and upcycled materials, such as accessories and lifestyle goods
- Launch limited collections and seasonal campaigns

2.2 Brand Positioning and Differentiation

- Position VAVAZ as a modern upcycled fashion brand that supports environmental sustainability
- Enhance perceived value through compelling storytelling and brand identity that encourages consumer engagement in sustainability

2.3 Collaboration and Co-branding

- Partner with designers, artists, or creators to develop unique product offerings
- Launch collaborations with like-minded brands, such as organic or sustainable fashion brands

3. Marketing Strategies to Increase Sales

3.1 Content & Digital Marketing

- Produce user-generated content (UGC) and customer reviews to build credibility
- Implement SEO and content marketing strategies to enhance discoverability on search engines



- Use LINE OA to re-engage customers and drive repeat purchases

3.2 Experiential Marketing

- Organize pop-up stores and roadshows in target locations to test markets and build awareness
- Participate in environmental and fashion fairs/events to expand business opportunities

4. Asset Management for Additional Revenue Streams

4.1 Leasing of Space and Buildings

- Lease unused factory buildings to other businesses such as warehouses or manufacturers

4.2 Investment in New Sustainability-Related Businesses

- Explore investment opportunities in biodegradable products or high-growth green businesses
- Conduct R&D to develop new materials applicable in the circular upcycling economy

For the direction of 2025, the Company has established a business plan that has already been approved by the Board of Directors. The Company will continue to focus on its core business under the VAVA Z brand, accelerating revenue generation from the sales of upcycled bags and related products in line with the set targets. In addition, the Company plans to invest in the trading business of biodegradable products, as well as expedite the search for tenants to lease unused factory buildings in order to maximize the utilization of assets and generate supplementary income.

The Company is fully committed to achieving its objectives through the diligent execution of its strategic and operational plans. All actions will be conducted with caution and in strict compliance with the rules and regulations of the Stock Exchange of Thailand (SET), the Office of the Securities and Exchange Commission (SEC), and all other applicable regulatory requirements to ensure the best interests of the Company and its shareholders, with the goal of long-term sustainability.

Please be informed accordingly.

Sincerely yours,

- Weerachart Lohsiri -

Mr. Weerachart Lohsiri
Managing Director