



NEP031/2024

20 June 2024

Subject: Acquisition of VAVA Z from Related Parties ([Additional Information](#))
To: Board of Directors and Management
The Stock Exchange of Thailand
Enclosures: Related Transaction Information

Management has proposed the acquisition of VAVA Z to develop it into a core business aligned with the direction of NEP Real Estate and Industry Public Company Limited, focusing on environmental products as previously explained to investors at the Annual General Meeting of Shareholders on April 24, 2024, and during the Public Presentation on May 23, 2024.

The Board of Directors of NEP Real Estate and Industry Public Company Limited ("the Company"), in its 5/2024 meeting held on June 20, 2024, resolved to approve the acquisition of VAVA Z business with a total value of [8,434,797.63 baht \(Including VAT\)](#) from VAVA Z Company Limited ("VAVA Z"). The directors and authorized signatories of VAVA Z are Mr. Weerachat Lohsiri, who is also a shareholder in VAVA Pack Company Limited and the Company, and an authorized signatory of the Company. This transaction is considered a related party transaction involving assets or services, with a transaction size of [1.48%](#) of the net tangible assets value based on the Company's latest consolidated financial statements audited as of March 31, 2024. The Company has not engaged in any other asset or service acquisition transactions with VAVA Z in the past six months.

This related party transaction exceeds 1 million baht but does not exceed 20 million baht, qualifying it as a medium-sized transaction under the Capital Market Supervisory Board Notification No. TorChor. 21/2008 Re: Rules on Related Party Transactions (as amended) and the SET Notification on Disclosure of Information and Other Acts of Listed Companies Concerning the Related Party Transactions B.E. 2003 (as amended). Therefore, the Company must obtain approval from the Board of Directors and disclose information about this transaction to the Stock Exchange of Thailand before proceeding with the transaction.

Additionally, the aforementioned transaction is considered an acquisition of assets or services, with a transaction size of [1.41%](#) calculated based on the total consideration value according to the Company's consolidated financial statements reviewed as of March 31, 2024, audited by the Company's certified public accountant. Since the transaction size is less than 15%, the Company is not required to report information according to the criteria for acquisition and disposition of assets of listed companies.

The acquisition of VAVA Z includes assets, equipment, machinery for design and production, active inventory, the VAVA Z trademark/brand, and its customer base. VAVA Z operates in the environmental products sector using the Circular Upcycling model, which adds value to recycled materials. The Company will complete this acquisition by June 30, 2024, [and will begin to recognize revenue from the new business](#) on July 1, 2024, replacing the revenue recognition from the existing business, which will end in June 2024.

Attached herewith is the related transaction information as per the enclosed documents.

Your attention to this matter is appreciated.

Sincerely,

Mr. Soontorn Pojthanamas
Chairman of the Board

Information on Related Party Transactions

1) Date of Transaction

The Board of Directors of NEP Real Estate and Industry Public Company Limited held its 5/2024 meeting on 20 June 2024, and resolved to approve the purchase of VAVA Z brand assets. These assets include tangible assets such as equipment, machinery for production design and inventory, and intangible assets such as the customer database and VAVA Z trademark/brand from VAVA Z Company Limited. The Company expects to complete this transaction by 30 June 2024 to recognize revenue from the new business replacing the old business, which will end in June 2024. The Company will start production and sales of products under the VAVA Z brand from 1 July 2024 onwards.

2) Contracting Parties

Seller: VAVA Z Company Limited ("VAVA Z")

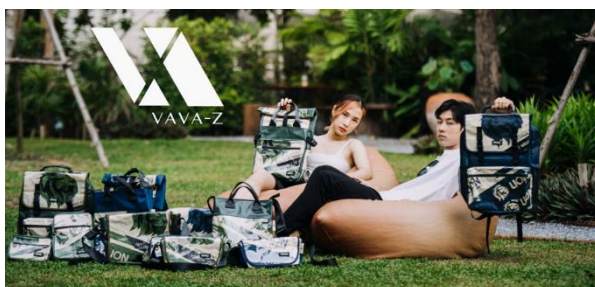
Buyer: NEP Real Estate and Industry Public Company Limited ("the Company")

3) General Nature of the Transaction

The company will acquire VAVA Z, which includes purchasing assets, equipment, machinery for production design, and active inventory, as well as the VAVA Z trademark/brand, including its customers and customer base, from VAVA Z Company. VAVA Z has been in business for 3 years and 8 months. The total consideration for the acquisition is **8,434,797.63 Baht (inclusive of VAT)**. The company has agreed to pay the first installment within 30 days from the date of the sale agreement and to pay in installments over 6 months, completing the payment by December 31, 2024. **The funds for acquiring VAVA Z will come from the proceeds of selling machinery and equipment from the previous business after settling debts with trade creditors, and from dividends received from investments in associated companies. The company has sufficient working capital for this new investment.** The acquisition price is a fair value assessed by UK Valuation and Agency Co., Ltd., an independent external appraiser approved by the Securities and Exchange Commission.

- VAVA Z Products

VAVA Z products include tote bags under the concept of "VAVA Zero Waste," an eco-friendly brand. The products are in the form of Circular Upcycle, adding value to leftover or recycled materials. This involves working with communities to create jobs and provide income. VAVA Z products range from travel bags, shopping bags, camping gear, lifestyle products, and fashion items, among others.



Examples of VAVA Z products available through all distribution channels

Shopping Bag



SHOPPING BAG



şu VSH11-28BG



şu VSH11-28RD



şu VSH11-28NV



şu VSH11-28BU



şu VSH11-28GN

Earth tone model (Big bag)

SIZE: 53 x 16 x 42 cm.

SHOPPING BAG



şu VSH11-29BG



şu VSH11-29RD



şu VSH11-29NV



şu VSH11-29BU



şu VSH11-29GN

Earth tone model (Small bag)

SIZE: 44 x 17 x 25.5 cm.

Backpack Bag, Messenger Bag

BACKPACK BAG



şu VBP01-30BG

şu BACKPACK BAG 1
SIZE: 36 x 19 x 40 cm.

BACKPACK BAG



şu VBPO2-30BG

şu BACKPACK BAG 2
SIZE: 42 x 11 x 43 cm.

TOTE BAG 5



şu VTB05-30BG

şu TOTE BAG 5
SIZE: 27 x 6.5 x 33.5 cm.

MESSENGER BAG 1



şu VMB01-30BG

şu MESSENGER BAG 1
SIZE: 30 x 10 x 14 cm.

MESSENGER BAG 2



şu VMB02-30BG

şu MESSENGER BAG 2
SIZE: 33 x 12 x 27 cm.

COSSBODY BAG



şu VCB03-30BG

şu COSSBODY BAG
SIZE: 20 x 7.5 x 28 cm.

BACKPACK BAG



şu VBP01-02GN

şu BACKPACK BAG 1
SIZE: 36 x 19 x 40 cm.

BACKPACK BAG



şu VBPO2-02GN

şu BACKPACK BAG 2
SIZE: 42 x 11 x 43 cm.

TOTE BAG 5



şu VTB05-02GN

şu TOTE BAG 5
SIZE: 27 x 6.5 x 33.5 cm.

MESSENGER BAG 1



şu VMB01-02GN

şu MESSENGER BAG 1
SIZE: 30 x 10 x 14 cm.

MESSENGER BAG 2



şu VMB02-02GN

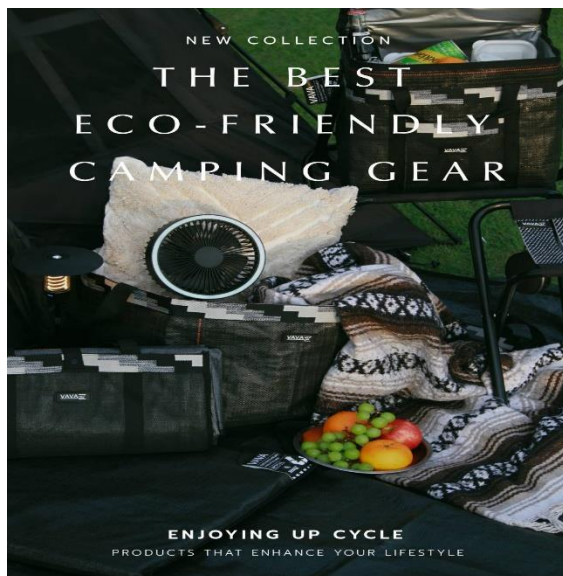
şu MESSENGER BAG 2
SIZE: 33 x 12 x 27 cm.

COSSBODY BAG



şu VCB03-02GN

şu COSSBODY BAG
SIZE: 20 x 7.5 x 28 cm.



● Main customer segments are:

- (A) Corporate (B2B): This group contributes the highest proportion of total revenue with a compound annual growth rate (CAGR) of 6.52%
- (B) Retail and Online (B2C): This group has a CAGR of 49.34%
- (C) Retailers (B2B2C): This group has a CAGR of 56.48%
- (D) Booths and Events (B2C): This group supports customers in segments (A), (B), and (C)

- **Distribution channels:**

1. Physical stores: VAVA Z has two stores, one at Asiatique in Bangkok and the other at One Nimman in Chiang Mai
2. Consignment in various stores
3. B2B orders for custom-made products according to customer specifications
4. Online platforms: LAZADA, Shopee, Facebook, Line Shopping, and Instagram

- **Locations for VAVA Z business operations:**

The factory area of NEP Public Company Limited in Navanakorn Industrial Estate, Nakhon Ratchasima, and production areas where raw materials are distributed to various communities in Nakhon Ratchasima and Buriram provinces. This collaboration with the community is part of a project to create jobs and incomes for local communities.

- **Past performance of the VAVA Z business:**

Revenue of VAVA-Z from 2020 to 2023

From 2020 to 2023, VAVA-Z's revenue includes (1) revenue from sales and services with a CAGR of 96.15% and (2) other income with a CAGR of 7,432.86%. In 2023, the overall revenue of the business had a CAGR of 97.51% as follows:

Revenue (Million Baht)	2020/2563	2021/2564	2022/2565	2023/2566
Revenue from Sales and Services	1.43	7.93	8.87	10.8
<i>4-Year CAGR</i>	<i>96.15%</i>			
Other Income	0.000001	0.05	0.28	0.23
<i>4-Year CAGR</i>	<i>(7,432.86%)</i>			
Total Revenue	1.43	7.93	9.15	11.03
<i>4-Year CAGR</i>	<i>97.51%</i>			

Summary of Financial Position and Performance of VAVA Z Company Limited from 2020 to 2023

Unit: Baht

Vava Z Company Limited								
Revenue	2020/2563	%	2021/2564	%	2022/2565	%	2023/2566	%
Revenue from Sales and Services	1,431,487	100.00	7,927,390	99.94	8,871,363	96.96	10,803,487	97.95
Other Income	1	0.00	4,569	0.06	277,951	3.04	226,546	2.05
Total Revenue	1,431,487	100.00	7,931,958	100.00	9,149,314	100.00	11,030,032	100.00
Expenses								
Cost of Sales and Services	934,319	65.27	5,179,244	65.33	6,912,702	77.92	9,751,941	90.27
Selling Expenses	7,135	0.50	3,703,831	46.70	2,796,582	30.57	4,610,014	41.80
Administrative Expenses	23,889	1.67	534,235	6.74	431,814	4.72	1,102,207	9.99
Total Expenses	965,343	67.44	9,417,309	118.76	10,141,097	113.21	15,464,162	142.05
Profit (Loss) Before Finance Costs and Income Tax Expenses	466,145	32.56	(1,485,351)	(18.73)	(991,783)	(10.84)	(4,434,129)	(40.20)
Finance Costs	-	-	-	-	-	-	32,824	0.30
Profit (Loss) Before Income Tax	466,145	32.56	(1,485,351)	(18.73)	(991,783)	(10.84)	(4,434,129)	(40.50)
Income Tax Expenses	25,657	1.79	-	-	-	-	-	-
Net Profit (Loss) for the Year	440,487	30.77	(1,485,351)	(18.73)	(991,783)	(10.84)	(4,434,129)	(40.50)

- Financial Performance: VAVA Z Company Limited experienced losses during 2021 and 2022 due to the COVID-19 pandemic. The pandemic significantly impacted VAVA Z's early-stage environmental business, which included opening stores in malls and tourist areas. Consequently, the company had to gradually close its mall stores to reduce rental expenses due to decreased sales during the pandemic.
- 2023 Performance: Despite continuing losses in 2023, VAVA Z saw increased revenue from sales compared to 2021-2022. The company adopted a more aggressive marketing approach by participating in various trade shows, such as Style Bangkok 2024 and Thailand Local BCG 2024. This strategy aimed to promote the environmental brand and boost sales across all customer segments. Additionally, VAVA Z invested in online platforms to enhance product awareness and provide more purchasing channels for customers.
- Sales Growth and Environmental Trend: From 2020 to 2023, VAVA Z experienced sales growth, reflecting the rising interest in environmental products. The company believes that VAVA Z's brand has a promising future in the environmental sector. By expanding marketing strategies across all channels and introducing other upcycled or lifestyle products, VAVA Z can capitalize on this trend.

- **Revenue Structure Post-Acquisition**

2024 Revenue Structure: Following the acquisition of VAVA Z, the company expects its revenue structure to consist of approximately 50-60% from dividends from investments in affiliated companies, about 30-40% from VAVA Z product sales, and around 10-20% from other sources.

- **Revenue Recognition Post-Acquisition of VAVA Z**

Starting July 1, 2024: The company will begin accounting for revenue from sales through all its distribution channels from July 1, 2024, onwards.

4) Total Value and Size of the Transaction

The total consideration for acquiring tangible assets (equipment, machinery for production design and inventory) and intangible assets (customer database and trademark/brand) from VAVA Z is 8,434,797.63 THB (Including VAT), representing 1.48% of the net tangible asset value. This amount exceeds 1 million THB but does not exceed 20 million THB, classifying it as a medium-sized transaction per the Capital Market Supervisory Board Notification No. TorJor. 21/2008 on the criteria for related party transactions (including amendments) and the Stock Exchange of Thailand's Notification on Disclosure of Information and Operations of Listed Companies concerning Related Party Transactions B.E. 2003 (including amendments).

5) Details of Related Persons

The directors and authorized signatories of VAVA Z are Mr. Weerachat Lohsiri, who is also a director and authorized signatory of the Company. Mr. Weerachat Lohsiri holds 1.39% of the Company's paid-up capital, and his wife, Mrs. Thicomporn Chaiiam, holds 1.62% of the Company's paid-up capital. Therefore, Mr. Weerachat Lohsiri indirectly and directly holds 22.79% of the Company's paid-up capital.

Additionally, Mr. Weerachat Lohsiri is a director, managing director, and authorized signatory of NEP Real Estate and Industry Public Company Limited. The details are as follows:

Related Persons to the Company	Details of Shareholding and Position in the Company	Current Shareholding of the Company as of the Book Closure Date (March 13, 2024)	Percentage of Paid-Up Capital
VAVA Pack Company Limited Mr. Weerachat Lohsiri is a major shareholder of the company	Major shareholder of the company	460,000,000 shares	19.78 %

Mrs. Thicomporn Chaiiam is a major shareholder of the company / Director / Authorized Director			
Mr. Weerachat Lohsiri is a shareholder, director, and authorized signatory of VAVA Z Company Limited.	Shareholder / Director / Authorized Director of the Company	32,330,200 shares	1.39 %
Mrs. Thicomporn Chaiiam	Mr. Weerachat Lohsiri's wife Shareholder	37,735,300 shares	1.62 %
Total			22.79 %

The acquisition of VAVA Z does not present any conflicts of interest with other businesses owned by the major shareholders. VAVA Z commenced operations on October 27, 2020, with the business objective of manufacturing and distributing eco-friendly products, specifically bags made from upcycled materials under the "VAVA Zero Waste" concept. These products are created through a Circular Upcycling process, utilizing waste or recycled materials to add value, which is distinctly different from the business of VAVA Pack Co., Ltd. VAVA Pack specializes in producing jumbo bags, container bags, small sacks, and gravure-printed sacks according to customer orders with a minimum production quantity set by the company. Following the acquisition of VAVA Z, the related party shareholder will close VAVA Pack Co., Ltd. (as stipulated in the sales agreement), and the company will own the VAVA Z brand products, including all customers and the customer base, as per the sales agreement, continuing under the company's operations.

6) Reasons and Necessity for the Transaction

Due to the company's ongoing net losses and negative cash flow resulting from production volumes not reaching the break-even point, increasing sales and production volumes of plastic sacks beyond the break-even point would require significant time and working capital. Continuing the current business would negatively impact the company's financial statements and liquidity. Therefore, the company needs to cease the production and distribution of plastic sacks and flexible packaging products effective from February 23, 2024. The company will still deliver products to customers as scheduled and recognize revenue from the sale of flexible packaging until June 2024. In this business shift, the company focuses on profitable, environmentally-related businesses with low risk and sustainable growth potential. The related transaction is necessary and aligns with the strategic goals set by the organization. The VAVA Z business, a Circular Upcycling environmental product, follows the 2024 business plan approved by the Board of Directors meeting No. 18/2023 on December 21, 2023. This transaction allows the company to recognize revenue from the new business under the BCG (Bio-Circular-Green) sector starting from July 1, 2024. This business

model change aims to reduce operating losses while ensuring the company meets the qualifications of a listed company.

7) Opinion of the Board of Directors

The Board of Directors has reviewed and concluded that the company has been continuously operating at a loss from producing and selling plastic sacks and flexible packaging products. The Board approved a business plan focusing on low-risk environmental businesses, suitable for the current economic conditions, which they believe can sustain the company's future. The VAVA Z business, producing and selling Circular Upcycling environmental products that add value to recycled materials under the Zero Waste concept, represents the start of the company's new environmental product line. Moreover, the purchase value of VAVA Z, which includes assets, equipment, machinery for production design, active inventory, trademark/brand VAVA Z, and the customer base, is a fair value assessed by UK Valuation and Agency Co., Ltd., an independent appraiser approved by the Securities and Exchange Commission (SEC). Thus, this transaction is deemed beneficial for the company.

Mr. Weerachat Lohsiri, being an interested director, did not participate in the meeting for this agenda item and had no voting rights on this matter.

8) Opinions of the Audit Committee Differing from the Board of Directors

- None -