

(Translation)

Ref. JCKH 014/2561

May 15, 2018

Subject: Management Discussion and Analysis for the Quarter 1/2018

To: The President  
The Stock Exchange of Thailand

CC: The Secretary General  
The Securities and Exchange Commission

JCK Hospitality Public Company Limited (“the Company”) would like to clarify the operating results for the Quarter 1/2018 period ended as of March 31, 2018. The Company has minimized loss from the operations result compare with the same period of previous year with the significant detail as follows;

## **1. Operating Results**

### **Revenue**

In the 1<sup>st</sup> Quarter of 2018, the Company’s sales revenue was Baht 396.79 million decreased by Baht 122.81 million or 23.64% as compared with the 1<sup>st</sup> Quarter of 2017. This was mainly reflected from the company’s policy to close the stores with operating loss whereas the number of active stores were decreased from 141 stores to 102 stores compare with the same period of last year.

### **Cost of Sales and Gross Profit**

In the 1<sup>st</sup> Quarter of 2018, the Cost of sales was Baht 193.86 million, dropped by Baht 75.34 million or 27.99% as compared with the 1<sup>st</sup> Quarter of 2017. Gross profit for the 1<sup>st</sup> Quarter 2018 was in total Baht 202.94 million, dropped by Baht 47.47 million or 18.96% as compared with the 1<sup>st</sup> Quarter 2017, which in line with the dropped of sales revenue effect from the closing of non-performing stores. However, the Company’s policy to close the operating loss stores and to reduce wastage from the production process and storage process as well as to improve purchasing management by sourcing the new suppliers, which result in a decrease of the proportion of the cost of sales to net sales revenues from 51.81% to 48.86% and the improving of gross profit margin which increased from 48.19% to 51.14%.

However, the Company still pay attention and monitor closely to the food cost management especially, to reduce food wastage without compromising on food standards and customer satisfaction. At the same time, the Company also improve on the purchasing management to be more efficient in order to reduce the food cost continually.

### **Selling Expenses, Administrative Expenses and Other Expenses**

The Company recorded selling expenses, administrative expenses and the other expenses for the 1<sup>st</sup> Quarter 2018 as Baht 242.17 million, decreased by Baht 54.12 million or 18.27% compared to the 1<sup>st</sup> Quarter 2017. This is mainly affect from the decreased of selling expenses at Baht 51.56 million from the same period of last year.

Financial cost for the 1<sup>st</sup> Quarter 2018 was total Baht 2.32 million, dropped by Baht 1.17 million or 33.52% compared to the 1<sup>st</sup> Quarter 2017 which effect from the repayment of the financial institution.

**Net Loss**

The 1<sup>st</sup> Quarter 2018, the Company's posted net loss of Baht 33.26 million decreased by Baht 15.56 million or 32.54% compared to the 1<sup>st</sup> Quarter 2017 which posted net loss of Baht 47.82 million.

**2. Financial Positioning**

The Company's total assets as of March 31, 2018 were Baht 508.30 million, showing a decrease by Baht 24.87 million or 4.66% compared to the year-end 2017, mainly due to the closing of 3 non-performing stores in the 1st Quarter 2018 which reflect to the decreasing number of lands, properties, plants and equipment by Baht 18.95 million.

The Company's total liabilities as of March 31, 2018 amounted to Baht 507.18 million, showing an increase by Baht 7.39 million or by 1.48 % compared to the end of 2017 due to higher outstanding balance of trade payables and short-term loan from related persons.

The Company's shareholders' equity as of March 31, 2018 was Baht 1.12 Million, showing a decrease by Baht 32.26 million compared to the end of 2017 at Baht 33.38 million.

Please be informed accordingly.

Sincerely yours,

*-Signature -*

(Mr. Chotiwit Taechaubol)

Chief Executive Officer

Authorized to sign on behalf of the Company