JCK HOSPITALITY

Risk Management

Policy and Risk management plan

The Company emphasizing the importance on risk management which is considered an important mechanism and tool in management that will enable the organization to achieve its objectives and goals. It is defined as a risk management policy that focuses on the development of a risk management system in accordance with the good Corporate Governance guidelines and to have an integrated risk management throughout the organization. This is done in a systematic and continuous activities that covers financial controls, administrative operations and overseeing the operation to be in accordance with the relevant laws both internally and externally. In addition, the implementation in accordance with the framework of risk management throughout the organization which covers both the organizational and operational levels to manage the risk to an acceptable level and to ensure that the following objectives can be achieved.

1) Strategies and goals are clearly defined and can be implement in accordance with and support the mission of the Company
2) Performance results of the Company achieve the set objectives effectively and the Company's resources are managed efficiently and cost effectively, including having an appropriate protection, control and supervision system of assets.
3) The financial and non-financial information reports are accurate, reliable and timely.
4) Operations and performances are in accordance with policies, rules and regulations according to the law and other regulations related to the Company's internal and external business operations.
5) There is an improvement in quality and good working practices in terms of personnel, assets, equipment and various operating systems continuously
6) Set up the internal control by appropriate self-assessment on critical work systems.

Risk management helps the organizations to achieve their goals and reduce obstacles or unexpected things that may arise. At the same time, it prevents the damage to the corporate resources and ensures the Company reporting and compliance. The Company has established a policy for risk management with the following guidelines:

- The Company has set up a risk management committee at the Company level with the Deputy Chief Executive Officer as the chairman and the Executive Officers as the directors. The Committee will set the guidelines for risk management, risk management report, monitoring and evaluating risk management results to be presented to the Chief Executive Officer. In addition, a risk management committee was also established at the department level with the Chief Administrative Officer as the chairman and Line Management Officer and Department Manager as directors of the Committee which will perform to identify risk factors, risk assessment, prepare a risk management plan, monitor and review risk management plans as well as prepare a quarterly report on the implementation of the plan to present to the Executive Committee.

- The Company has assigned all employees to share roles and responsibilities and clearly define the operational powers at all levels of management and operational levels to set that the risk management is the responsibility of employees at all levels and to make employees aware of the risks involved in working in their own units and organizations by focusing on managing risks in various fields t be at an acceptable and appropriate level.
- The Company has an organizational risk management process by preparing the risk management manual so that all levels of executives and employees in the Company have knowledge, understanding of the principles, processes and procedures of the risk management and can prepare a risk management plan at the unit level that is consistent with the Company's risk management plan. It is an integrated risk management by bringing the risk management system to be a part of decision making, strategic planning, plans and Company's operations including focusing on achieving objectives, goals, visions, missions and strategies to create operational excellence and build the confidence of stakeholders.
- The Company has a risk management plan by defining the risks classified for each working system and lay out guidelines to prevent and mitigate operational risks to avoid damage or losses that may occur including regularly monitoring and evaluating risk management results.

Risk Factor for the Company's Business Operation

1. Risks in the competition in restaurant business

The restaurant businesses still have to face with several negative factors including the intense competitions while the target group of customers are still limited. The entrepreneurs especially the large ones, still have to invest to expand their branches both in kind of their existing style and to expand the new variety of restaurants to penetrate to the new market niche and also to maintain their total Store Sale (TSS) of their portfolio as well as the small-scale entrepreneurs, which still emphasize to enter into the restaurant industry, resulting in high competition.

The Company therefore emphasizes great importance to the research and development on food continuously, by develop a healthy menu to fit with the food trend in each situation as consumers became more concerned with taking care of their own health. It also has a set of ingredients menu, ready to cook with sauces and various condiments together so that customers can cook their own meals at home and thus meet the needs of consumers who do not want to go out to avoid the virus. Including a promotion program in each festival. Promotion Member Card / Credit Card to boost sales for the company by also taking into account the quality, cleanliness and value in order to build confidence among consumers who come to dine in the store.

2. Risks from the economy impact

The restaurant business has faced a variety of negative factors from the global economic slowdown, inflation problem, high energy prices, war conditions and purchasing power of consumers who are fragile. This may limit revenue and profit growth because the price of food and service cannot be increased. As a result, the value of the restaurant business is shrinking. The groups most likely to be severely affected are full-service restaurants, limited-service restaurants located in shopping malls and tourist attractions, buffet type restaurant and various types of food gardens. Because these restaurants tend to face high challenges in terms of income and expenses. By that income, it is expected that the income proportion is not less than 65% of the groups come from the consumers dining in the restaurant as well as the major revenue come from the portion of services and beverage expenses. As a result, the aforementioned income has continued to contract due to changes in consumer behavior. For the cost side Restaurants in this group have fixed costs. higher than other types of restaurants Causing the need to carry regular expenses in this situation, such as renting space wages Location maintenance expenses, etc. This cost may account for up to 30-40% of the revenue in some restaurants. Thus, the breakeven of business and the average profit per capita of entrepreneurs change which cause the restaurant operators have to adjust the strategy to meet the requirement of the consumers. This is because if they still run the business model in such situation, it may not worthwhile because the breakeven point of the business has increased significantly.

Though the Company has received the impacts from the about the risk factors but Company still has monitored the situation closely and ready to set the strategy and the marketing plan which suit with the situation and timeline, to upgrade its business in accordance with the changed that occur.

3. Financial and Liquidity Risks

The Company has the financial risks as the Company has to depend on the short-term borrowing from the outsiders, drawdown of credit line, overdraft, promissory note and bills of exchange to be used as working capital in business operations during economic conditions which has slowed down greatly since the crisis of the COVID-19 epidemic.

However, the Company was able to maintain its financial position gradually by relying on financial tools to help strengthen the financial position to get past the lowest point. However, the Company is also able to implement planned as plans for the modernization of existing stores ready to serve customers efficiently including further expansion of new brand restaurants. The Company is confident that the current business plan will be able to turn around the operating results and better financial position.

4. Risks of development of the new products

As the ready-to-cook and ready-to-eat food which are sold currently have the channels of distribution mainly through the convenience stores which causes the products to be developed continuously. Though the Company has cautiously and carefully planned the development of the products, due to the consumers' behavior, it has impacts that some products or some flavors may not respond to the needs of the market and the target customers. Thus, the Research and Develop Product Department has placed the importance to the development of product and product innovation in order to be able to directly and timely fulfill the needs and to capture with the trends in the changing of consumers' behavior.

5. Risks to procure rental spaces for the expansion of new branches and maintain the continuity of the rental spaces for the existing branches.

As the location of each branch is the key success factor of the restaurant business and due to the intense competition in the restaurant business in present, these cause the limitation to the restaurateurs to find the new location for the new branches, especially the rental space in the shopping complexes which focus on the places which close to community. Normally, the rental agreement will be short-term for the period of 3 years and will be renewed from time to time, thus the Company may face the risk that the rental contract will not be extended or the rental rate may be increased. The Company has planned to maintain its rental spaces by maintain the good relationship with the lessors as well as to follow up and seek for new potential locations to ensure that the Company will have the spaces in the good locations with potential to serve for the expansion of the new branches continuously since the increase in numbers of branches is one of the important strategy for the growth of the Company's business and also to provide the services to all target customers including to be able to expand the new customers' base.

However, the Company may face the risks incurred from the investment in new branches if the restaurants cannot generate the sales as the predetermined target or the return on investment is not as predicted, which will affect to the overall operation of the Company. In case which the Company has to close down that branches, the Company will also have to amortize assets such as the modification, the decoration from the book account and also the demolition charges, the relocation and the adjustment of the area to hand over to the lessor according to the conditions which included in the contract. In the case that the branch has been closed before the tenant term in the lease agreement, it may cause the lessor not to pay back the guarantee deposit as determined in the lease and service agreement which results in the cost from the close down of the branch.

The Company will focus market trends and demands by opening new brands that serve different target groups. The Company plans to expand its popular restaurant brands to cover every important economic region in order to support future growth. By giving importance to choose the location, rental costs to suit the selling price in order to reach the market groups. As a result, the Company is able to expand the customers target groups. However, the Company will proceed with branch expansion with caution in accordance with the Company's cash flow and liquidity.

6. Risk from the cost of the deterioration of raw materials and products.

The Company focus on the importance of selecting quality raw materials that are fresh, clean in order to meet the Company's standard. They are inspected as well as management while giving importance to services within the restaurant personnel development There is continuous training for employees in terms of products and service in order to create the best impression.

7. Risk from quality of food and service standards

For restaurant business, the main factors for attracting customers are quality of food, food with good taste, clean place and proper service standards which from the fact that the Company has branches and has a large number of employees serving, therefore, there may be operational risks.

The Company focuses on the risk from quality of food and service standards. As a result, the Company has established several measures to protect or minimize such a risk. These measures include regular training and development of branch staffs, preparation of operations manuals, monitoring quality of food and services by quality control unit as well as following up and evaluating operations performance on regularly basis. In addition, semi-finished foods are developed by the Company's center kitchen in order to facilitate, to reduce time of food preparation for staffs at branches and to achieve standard of taste. With respect to cleanliness of branches, 5S activity is implemented as usual, big cleaning is conducted on monthly basis, and suppliers are arranged to handle pest control at least once a month. The Company also provides channels for customers to complain or give feedback.

8. Risk from the fluctuation of raw material prices and production cost

Most of the raw materials of the Company are agricultural products such as meat, vegetables, fruits, seafood and various spices, etc., which are raw materials that may fluctuate according to demand and supply and may be affected by many negative factors outside beyond the control of the Company, such as weather conditions, natural disasters, the spread of contagious diseases in plants and animals. As a result, the Company has to purchase raw materials at higher prices.

The Company also pays high attention to the efficient costs control and management. Every year, the procurement operation plan is identified and the cost reduction plan is an important issue by focusing on cost management in terms of product prices, requesting special conditions such as discounts, payment terms including increasing the efficiency of vendors in quality control and delivery in order to get good products which can be used with the utmost benefits and minimized the loss. The procurement department will have to try to reduce the effects of fluctuations in the cost of raw materials by purchasing raw materials from many vendors as well as finding new suppliers regularly to prevent the monopolies and also the product shortages. The annual purchase contract of raw materials in advance or large volume reservations with a clear specific delivery period as agreed, enable the Company to negotiate prices, receive more discounts and ensure that the Company will not have shortage of raw materials. The Company also has closely monitored the market situation, trends and prices of raw materials in each period or season to assess the risk which may arise from shortages or fluctuations in prices of various raw materials and enable the Company to prepare to resolve and deal with such situations which may occur promptly and timely.

In the past, the Company has never experienced a shortage of raw materials or an increase in raw material prices which have a significant impact to the operation of the Company. The Company will not suddenly increase the prices of food because most of raw materials are agricultural products, which their prices fluctuate almost every day. The Company will consider increasing the prices of food only when the prices of raw material tend to be increased steadily so that the Company will not bear the high cost of product, which may affect to its performance. However, the Company will compare prices with the market or competitors so that the price increase will not affect on sales or the customer base of the Company.

9. **Risks from the change of customers' behavior**

From consumers' behavior that changes according to popular trends more diverse Including being familiar with using technology to order food causing the business to continuously adjust. The Company has planned and adjusted strategies to increase the Company's revenue by developing healthy food to meet current consumer trends including selling ready-made dipping sauce products for consumers to buy back and eat at home. Organize various promotional programs to feel worthwhile and renovating branches to look modern, clean and safe to build confidence for consumers and use the service in the store.

In addition, the Company plans to change the image of the restaurant to be modern and attractive to customers including plans to add Grab & Go and delivery services to support other income streams by focusing on the market for customers who buy back (Take Away).

10. **Risks of not renewing the franchise agreement**

The Company has reached an agreement to acquire the right to operate Burger & Lobster brand, a new restaurant in Thailand and territories according to the conditions from the franchise owner B&L Operating Limited (B&L). The Company has opened its first branch in November 2022 at Siam Paragon.

However, the said restaurant brand license agreement is for a period of 5 years and has the right to consider renewing from time to time. The Company has a risk that the contract will not be renewed or the conditions may be adjusted. The Company therefore has a plan to maintain and build a good relationship with the franchise owner. The Company has communicated continuously and regularly including planning and strictly following the plan especially plans to open new branches in suitable areas Including co-developing products and providing professional services.

Securities holder investment risk

1. **Risk from return on investment**

The Company has continuously invested to expand its business as well as finding investment channels in new businesses to create value for the Company which investment risk may cause the returns that do not meet the target or there may be a delay or the case that the investment exceeds the budget the Company has set. The investment policy is therefore an operational guideline for the Board of Directors, Executive Committee, Executives, and officers who are in charge of managing the Company's investments to adhere to the principle of caution in creating a suitable return on investment and in accordance with the Company's strategies, policies and plans. There are investment criteria set forth and the Company has assigned the Executive Committee to monitor the performance of investments and monitor the changes in various factors which may cause the return on investment to be not consistently meet the target in order to resolve problems that may arise quickly and efficiently.

2. Risk of investment in foreign securities

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