



22 February 2018

SUBJECT : Submit the audited financial statements and clarify the 2018 fiscal year end result

ATTN : The President
Stock Exchange of Thailand

Attachment : The audited financial statements for the year ended 31 December 2018 of Asia Hotel Public Company Limited and its subsidiaries

Attached please find the audited financial statements for the year ended 31 December 2018 of Asia Hotel Public Company Limited (“ASIA”) and its subsidiaries which have been approved by the Board of Directors. ASIA would like to clarify the result of the year 2018 as follows:

Analysis and explanations by the management

Overall picture of the business operations

In the year 2018, the company and subsidiaries had total revenue of 1,336.07 million baht (in the year 2017 had total revenue of 1,320.41 million baht), an increase of 15.66 million baht, or 1.19% from last year, consist of revenue from hotel business increased 4.25% from last year and revenue from rental and service decreased 2.37%

In the part of leasing space operated by Zeer Property PCL which is its subsidiary, had total revenue of 595.77 million baht in the year 2018 a decrease of 14.49 million baht or 2.37% from last year. The company has opened the apartment business "AA Town" at the end of 2014, 130 rooms and has opened a wholesale and retail shopping center as a building. The 3-storey shopping center in the middle of year 2015 “The Hub Shopping Center”.

In 2016, Zeer Property PCL had collaborated with the original business owner and established new company named SPA HOTEL CO., LTD. (SPA) and holds 92% of SPA registered capital. SPA had invested in land and structures located at Chang Moi, Amphoe Mueang, Chiang Mai, project “Laan Sook Plaza and Darley Hotel Chiang Mai” with 140 million Baht which is under the evaluation price (237 million Baht). The location potential is closed to Warorot Market, the development aims to attract both Thai and international visitors who spend their vacation time in Chiang Mai, Thailand. SPA did renovation this area to the Darley Hotel Chiang Mai which launched since October 2018.

In April 2018, the subsidiary, Zeer Asset Co., Ltd. entered into a purchase and sale of land and construction agreement with other party. The property is located at Nongkwai Sub-district, Hang Dong District, Chiang Mai (Ratchapruek Lanna Boutique formerly named: Prat Rajapruek Resort & Spa), at a total price of Baht 85.13 million. The subsidiary has paid the transferred ownership of land and building on April 30, 2018 and Ratchapruek Lanna Boutique was opened in May 2018.

On November 1, 2018, the subsidiary, ZEER OVERSEA LLC. invested in a hotel business and acquired land and buildings (Quality Inn Long Beach Airport) from the third party, located 3201 E. Pacific High Way, Signal Hill, California, U.S.A. The subsidiary has paid for the purchase in amount of USD 14.44 million.

The company and its subsidiaries had total gross profit 366.81 million baht, decreased from the previous year by 30.12 million baht or 7.59% lower, and had net profit (the net worth of the parent company) amount to 3.06 million baht, decreased from last year 159.39 million baht.

Statements of Profit or Loss and other comprehensive income for the year end December 31, 2018			
Unit : Millon Baht	Year /2018	Year / 2017	Change
			Amount
Revenue			
Income from hotel business	740.30	710.15	30.15
Rental and service income	595.77	610.26	(14.49)
Total Revenue	1,336.07	1,320.41	15.66
Cost of hotel business	472.67	453.29	19.38
Cost of rental and service	496.59	470.19	26.40
Total cost of sales and service	969.26	923.48	45.78
Gross Profit	366.81	396.93	(30.12)
Other Income	85.27	260.37	(175.10)
Profit before expenses	452.08	657.30	(205.22)
Selling expenses	66.64	64.52	2.12
Administrative expenses	244.68	232.80	11.88
Loss on Goodwill impairment	4.90	-	4.90
loss from fixed assets revaluation	-	50.75	(50.75)
Management benefit expenses	15.80	14.88	0.92
Director ' remuneration	4.49	3.43	1.06
Reversal of provision for doubtful debt	4.07	(1.88)	5.95
Profit befor interest and tax	111.50	292.80	(181.30)
Financial cost	105.06	113.56	(8.50)
profit (loss) before income tax	6.44	179.24	(172.80)
Income tax (expense) revenue	(3.77)	(17.66)	13.89
Net profit (loss) for the period	2.67	161.58	(186.69)

The Operating Results and Profitability

In an analysis of the operation results for the year 2018 and profitability of the company and its subsidiaries classified according to the revenue structure, cost of sale and service, expense on the operations and financial cost as follows:

Revenue from the hotel business

The company and its subsidiaries had revenue from the total hotel business for 2018 in the amount of 740.30 million baht, an increase from the previous year by 30.15 million baht, up by 4.25%. The revenue from the hotel business consisted of income from rooms and serviced apartments and income from food and beverages, which was the cause of increase or decrease of the revenue of each type as follows:

Details on Revenue from Hotel Business						
Unit : Millon Baht	Room		Food & Beverage		Total Hotel Business	
	year 2018	year 2017	year 2018	year 2017	year 2018	year 2017
Revenue						
Revenue from hotel business	480.35	439.01	259.95	271.14	740.30	710.15
Proportion of Room : F&B	64.9%	61.8%	35.1%	38.2%	100.0%	100.0%
Cost of Sale	254.93	234.74	217.74	218.55	472.67	453.29
Cost Ratio (Cost of Sale / Revenue)	53.1%	53.5%	83.8%	80.6%	63.8%	63.8%
Gross Profit	225.42	204.27	42.21	52.59	267.63	256.86
GP Margin(Gross profit / Revenue)	46.9%	46.5%	16.2%	19.4%	36.2%	36.2%

a) Income from the rooms

The company and its subsidiaries operated 7 hotels consisted of 1) Asia Hotel, which situated in Ratcha Thewi district, Bangkok, 2) Asia Pattaya Hotel at Pattaya city, 3) Asia Airport Hotel in Rangsit, Pathum Thani province, 4) Asia Hotel Cha-um, at Cha-um Beach, Phetchaburi province, 5) Ratchapruet Lanna Boutique at Nongkwai Sub-district, Hang Dong District, Chiang Mai, 6) Darley Hotel Chiang Mai at Chang Moi, Amphoe Mueang, Chiang Mai and 7) Quality Inn Long Beach Airport, located 3201 E. Pacific High Way, Signal Hill, California, U.S.A.. The company and its subsidiaries had revenue from rooms in the year 2018 totaled 480.35 million baht, increased from the previous year by 41.34 million baht, or 9.4% higher. It was resulted from all the hotels had increased occupancy rate with the average rate of the seven hotels in 2018 equaled to 66.05%. While the previous year had the average rate of occupancy equaled to 62.55%.

However, the average room rate of the hotel group in 2018 decreased slightly from the previous year with the average room rate in 2018 equaled to 1,268 baht, while in the previous year had the average room rate equaled to 1,269 baht.

In addition to the hotel room revenue as mentioned above, Asia Airport Hotel Co., Ltd., a subsidiary, still has revenue from serviced apartments, which is a long-term rental of rooms with similar services. Like the hotel, this portion of revenue is not much compared to hotel room revenue. In 2018, revenue from serviced apartments was 4.52 million baht, representing approximately 4.9% of room revenue of Asia Airport Hotel at Rangsit

b) Income from food and beverages

The company and its subsidiaries had the income of food and beverages from restaurants and banquets in 2018 amounted to 259.95 million baht, in 2017 amounted to 271.14 million baht, decreased from the previous year by 11.2 million baht or 4.13%. They had the ratio of the room to income from food and beverage in 2018 was 64.9 : 35.1 while the ratio of the room to income from food and beverage in 2017 was 61.8 : 38.2

The income from food and beverages would consist of income from the restaurants in the hotel and from the banquets. In general the income from food and beverages from the restaurants would be in relation with the income from the guest rooms. That is, if there are the more hotel guests, the more income from food and beverages to follow. In the year 2018, the income from the restaurant decreased, resulting from the response from customers are changing their behavior through online booking and they booked room only. As a result, the increase in room revenue and food and beverage income is not as significant as in the past.

Income from rent and services

Zeer Property and its subsidiaries have rental and services income from leasing space income such as Zeer Rangsit Shopping Center, The Hub Shopping Mall, AA-Town Apartment, Asia Airport Hotel, Rungsit and Asia Cha-um Hotel. The 3 subsidiaries that shareholding by Zeer Property consist of 1) Zeer Asset Co., Ltd. which invested and leasing in “Rachapruek Lanna Boutique” Chiang Mai in 2018, 2) Spa Hotel Co., Ltd. which operated “Laan Sook Plaza Project” and leasing in “Darley Hotel Chiang Mai” and 3) Zeer Overseas LLC, which is a subsidiary of Zeer Property, incorporated in the USA., which operated “Glendale Plaza” in California, USA. In 2018, Zeer Overseas LLC has invested in “Quality Inn Long Beach Airport” in U.S.A.

Details on Revenue from Rental and service Business						
Unit : Million Baht	Domestic		Overseas		Total	
	year 2018	year 2017	year 2018	year 2017	year 2018	year 2017
Revenue						
Revenue from rental and service business	571.32	586.00	24.45	24.26	595.77	610.26
Cost of Sale	484.99	460.41	11.60	9.78	496.59	470.19
Cost Ratio (Cost of Sale / Revenue)	84.9%	78.6%	47.4%	40.3%	83.4%	77.0%
Gross Profit	86.33	125.59	12.85	14.48	99.18	140.07
GP Margin (Gross profit / Revenue)	15.1%	21.4%	52.6%	59.7%	16.6%	23.0%

The leasing business of the company has revenue decline in 2018. The company and its subsidiaries had income from rent and service amounted to 595.77 million baht, revenue in 2017 amounted to 610.26 million baht, decreased from the previous year by 14.49 million baht, or 2.4% lower which due to Zeer Rangsit Shopping Center had adjusted rental space and improved the front of building.

Other Revenue

Other revenue consisted of rental, service and electricity, laundry, telephone, gain on exchange rate and other revenue collected from customers and miscellaneous things.

Cost of sale and service

Cost of sale and service consists of two main items according to the type of revenue from the operations are the cost of sale from hotel operations and cost from rentals and services

In 2018 the company and its subsidiaries has the cost of sale and service for 969.26 million baht, increased from the previous year by 45.78 million baht, or 4.96% higher, The company has gross profit margin decline in 2018 for 27.5% of revenue from the operations, while the previous year had the gross profit of 30%. The cost of sale and service can be classified as following:

a) Cost of room sale

In 2018 the company and its subsidiaries had the cost of room sale of 254.93 million baht, increased from the previous year by 20.19 million baht, or 8.6% higher, with the cost ratio for room sale in 2018 and 2017 for 53.1% and 53.5%. The gross profit margin for 2018 and 2017 equaled to 46.9% and 46.5% respectively.

Cost of food sale and beverages

In 2018 the company and its subsidiaries had the cost of food and beverage sale of 217.74 million baht, or decreased by 0.81 million baht, or 0.37% from the previous year. They had the ratio of the cost of food and beverage sale for 2018 and 2017 equaled to 83.8% and 80.6% and the gross profit margin for 2018 and 2017 equaled to 16.2% and 19.4% respectively.

b) Cost of rental and service

In 2018, the company and its subsidiaries had the cost of rent and service of 496.59 million baht, in 2017 amounted to 470.19 million baht, increased by 26.4 million baht or 5.6% higher from the previous year due to depreciation cost and increased operations cost, resulting cost ratio for 2018 and 2017 equaled to 83.4% and 77.0% respectively. The gross profit margin for 2018 and 2017 equaled to 16.6% and 23.0% respectively.

Expenses on the sale, administration and others

In 2018, the company and its subsidiaries had the expense on sale and service and other expenses totaled 340.58 million baht, decreased from the previous year by 23.92 million baht, or 6.56%. It has details on the expense of each type as follows:

- Selling Expense in 2018 amounted to 66.64 million baht, increased from the previous year by 2.12 million baht, or 3.29% higher.
- Administrative Expense in 2018 amounted to 244.68 million baht, increased by 11.88 million baht, or 5.1% higher.
- Management benefit expense in 2018 amounted to 15.8 million baht, increased from the previous year by 0.90 million baht, or 6.18% higher.
- Directors' Remuneration in 2018 amounted to 4.49 million baht, increased from the previous year by 1.06 million baht, or 30% higher.
- Loss from fixed assets revaluation amounted to 50.75 million baht.
- Loss on Goodwill impairment amounted to 4.9 million baht.
- Doubtful debts in 2018 amounted to 4.07 million baht, increased from the previous year by 5.95 million baht due to in the previous year had the reversal of provision for doubtful debts of 1.88 million baht.

Profit before the financial cost and the income tax

In 2018 the company and its subsidiaries had the earnings before interest and taxes (EBIT) amounted to 111.5 million baht, while in 2017 amounted to 292.8 million baht, decreased from the previous year by 181.3 million baht.

Financial cost

In 2018 the company and its subsidiaries had the financial cost amounted to 105.06 million baht, decreased from the previous year by 8.5 million baht due to the company group repayment.

Net Profit and Tax Expense

In 2018 the company and its subsidiaries had the EBIT totaled 6.44 million baht, decreased from the previous year of 172.8 million baht due to Gain on compensation from insurance claim amounted 181 million baht and the company incurred a tax expense in 2018 totaled 3.77 million baht, decreased from the previous year by 13.89 million. The company and its subsidiaries had a net profit (net worth of the parent company) totaled 3.06 million baht, decreased from the previous year by 150.39 million baht and the basic earning per share in 2018 equaled to 0.01 baht while in 2017 had the earning per share equaled to 0.48 baht.

This information is provided for notification to the SET and for disclosure to investors.

Best regards,

(Mrs. Pornpun Tanariyakul)
Deputy Managing Director