

**FOOD CAPITALS PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
DECEMBER 31, 2017
AND AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

To The Shareholder of Food Capitals Public Company Limited and its subsidiaries

Opinion

I have audited the financial statements of Food Capitals Public Company Limited and its subsidiary, which comprise the consolidated and separate statements of financial position and as at December 31, 2017, and the related consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position of Food Capitals Public Company Limited and its subsidiary as at December 31, 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the consolidated financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern

Without modify my opinion, I draw attention to the Note 40 to financial statements, which states that for the year ended December 31, 2017, the Group posted net loss of Baht 943.33 million and resulted negative of net cash flows from operation amount of Baht 237.97 million. As of December 31, 2017 the Group had deficit of Baht 2,196.57 million. For the year ended December 31, 2017, The Company posted net loss of Baht 586.17 million and resulted net negative cash flows from operation amount of Baht 145.83 million. As of December 31, 2017 the Company had deficit of Baht 1,519.62 million.

As discussed in Note 23 to the financial statements, the Company has a debenture of Baht 600 million, due for repayment on May 11, 2018. The Board of Directors' Meeting No. 2/2018 held February 21, 2018 approved various matters in accordance with the Merger & Acquisition plan i.e. the transaction of the Entire Business Transfer ("EBT") and the Allocation of Securities to be allotted to the Private Placement and including disposition of investments in subsidiaries. The Company will arranging the Annual General Meeting of Shareholders on April 23, 2018 to consider and approve as in according to the resolutions proposed by the Company's Board of Directors.

Material Uncertainty Related to Going Concern (CONT.)

The consolidated and separate financial statements have been prepared on a going concern basis under assumption that the shareholders will be resolved propose Agenda in the Annual General Meeting of Shareholders following to the Business integration Plan through Entire business Transfer transaction. Pursuant to the condition precedent of the Share Subscription Agreement, the Company has to dispose its investment in subsidiaries and redeemed of the Company's debenture before the completion of the Entire Business Transfer. However, the appropriateness of these assumptions is subject to the approved resolutions from such Shareholders' Meeting, including process to improve the Company's profitability and maintain adequate cash flows for the Company, and subject to the succession of the Company's capital restructure as well as ability to obtain debt repayment within maturity date. These circumstances indicate the existence of a material uncertainty which casts significant doubt about the Group's and the Company's ability to continue as going concern.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty Related to Going Concern section, I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matters included Audited Procedures are as follows:

Revenue recognition

Risk

Revenues from sales are the Group's significant item in the statement of comprehensive income and it is a key performance indicator on which the financial statements' users focus. The Group has numerous sales made by cash and credit cards through a large number of branches. In addition, because of the intensified competition of the food and beverage industry, the Group has to continually adapt its promotional activities in order to boost sales. Therefore there are thus risks with respect to revenue recognition.

Risk Responses of Auditor

My audit procedures responded to the risk referred to above are as follows:

- I examined the Group's revenue recognition by assessing and testing the Group's internal controls with respect to the revenue cycle by making enquires of responsible executives, gaining an understanding of controls and selecting representative samples to test the operation of the designed controls.
- I applied a sampling method to select sales and service transactions occurring near the end of the accounting period to examine the supporting documents. I also performed analytical procedures of disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

Impairment of Goodwill

Risk

As discussed in Note 18 to the financial statements, as at December 31, 2017 the Company has balance of goodwill from business combination of Food Group amounting to Baht 84.63 million. During the year 2017, impairment loss on goodwill of Baht 137.06 million was recognized in the consolidated statement of comprehensive income. Those amounts are thus significant to the consolidated financial statements. The consideration of the impairment of goodwill is, therefore, the significant accounting estimate requiring the management to exercise a high degree of judgement in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate. There are thus risks with respect to the amount of goodwill.

Risk Responses of Auditor

My audit procedures responded to the risk referred to above are as follows:

- I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of the management's decision-making process and assessing whether the decisions made were consistent with how assets are utilised.
- In addition, I tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from the assets, by comparison those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by the management through analysis of the moving average finance costs of the Company and of the industry and involving internal expert to assist in the assessment of this information by comparing it to external sources based on an expert's knowledge and past experience, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values. Moreover, I reviewed the disclosure made with respect to impairment assessment for goodwill.

Deferred tax

Risk

As discussed in Note 29, The Group has disclosed its accounting policy and details relating to deferred tax. A deferred tax asset is recognised when it is highly probable that the Group's taxable profit will be sufficient to allow utilisation of the deferred tax in the future. Determining whether there will be sufficient future taxable profit to utilise temporary differences or taxable losses requires significant management judgement with respect to preparation of business plans and projections of future taxable profit based on approved business plans. Therefore, there is a risk with respect to the amount of deferred tax assets.

Risk Responses of Auditor

My audit procedures responded to the risk referred to above are as follows:

- I gained an understanding of and tested the key related controls over the preparation and approval of the estimates of future taxable profit for the purposes of deferred tax asset recognition. I assessed the estimates of future taxable profit by checking the required information and key economic assumptions used in the projections against information from both internal and external sources, with consideration of information and assumptions that directly affect revenue growth and gross profit margin, such as interest rates, consumer spending and gross domestic product.
- I compared the past projections with actual taxable profits to assess the exercise of management judgment in estimating taxable profits. I also tested the calculation of future taxable profit based on the above information and assumptions, and considered the effects of changes to key assumptions on the projected future taxable profits.
- In addition, I reviewed the disclosure of information regarding temporary differences and unused tax losses for which deferred tax assets were not recognised by the Group.

Other matters

The consolidated financial statements of Food Capitals Public Company Limited and its subsidiary and the separate financial statement of Food Capitals Public Company Limited as at December 31, 2016 and the related consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2016, and notes to the consolidated financial statements were audited and reviewed by other auditor, who expressed unqualified opinions on those statements, under her reports dated March 1, 2017.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation, whether.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control if I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Jadesada Hungsapruerk

Mr. Jadesada Hungsapruerk
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Registration No. 3759

Karin Audit Company Limited
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February 27, 2018