

Ref no: FC201708/02

Date: August 11, 2017

Subject: Management Discussion and Analysis - Explanation of net profit (loss) for the three-month period ended June 30, 2017

To: The President of Stock Exchange of Thailand

Food Capitals Public Company Limited would like to notify the operating performance to the Stock Exchange of Thailand as follows:

For the three-month period ended June 30, 2017, there are net loss attributable to the equity holders of the Company of Baht 173.7 million, net loss increased by Baht 51.2 million or 42% compared to prior period which there was a net loss of Baht 122.5 million.

The main variances are as follows:

1. Revenue from continuing operations for the three-month period ended June 30, 2017 was Baht 173.4 million, decreased by Baht 1.8 million, or -1%, compared to Baht 175.2 million from the prior period. Revenue from continuing operations can breakdown by business segment as follows:

Revenues by business segment	Q2' 2017 Million Baht	Q2' 2016 Million Baht	Change Million Baht	Change (%)
Food & beverages	173.4	175.2	(1.8)	(1%)
Others	7.3	10.8	(3.5)	(32%)
Total	180.7	186.0	(5.3)	(3%)

Revenue from food and beverage decreased by Baht 1.8 million, or 1%, due to the closure of non-performing of Quick Service Restaurants (QSR) stores in the second-half of year 2016. The Company resume opened the new QSR stores in the late of second quarter 2017. The number of stores decreased compare to the same period of last year resulted to the decrement in revenue from F&B segment.

However, the Group's revenues decreased in this quarter were supported by revenues from the new subsidiary acquired – G Enterprise & Co Co., Ltd. (G Enterprise) which the Company completed the acquisition transaction in 1st quarter 2017. G Enterprise is engaged in leading restaurant tradenames "Chingcha Chalee", "Moommum Park", "Umami Fallabella" and "Pirate Chambre". The Company commenced consolidate revenue from such new subsidiary from March 2017, onwards.

2. Cost of sales for the current period are Baht 61.4 million, decreased by Baht 9.9 million compared to Baht 71.2 million cost of sales for the same period of last year. Cost percentage to sales decrease by 5% compare to the same period of last year resulted from cost control ability as the Company able to control material prices and select proper supplier to maintain appropriate cost level and products quality. In addition, the decrease in cost percentage to sales due to the change in revenue composition raised from G Enterprise which cost structures different from the QSR group of restaurants.

3. Administrative expenses for the current period are Baht 154.9 million, an increase by Baht 49.7 million or 47%, compared to Baht 105.2 million administrative expense for the same period of last year due to the increment of expenses related to the business expansion. In addition, there were accounted provisions loss from impairment on receivable from sales of investment of Baht 36 million and impairment loss on goodwill of Baht 46 million, in the current period which both transactions are non-cash losses and non-recurring.



4. Financial cost for the current period are Baht 11.6 million, an increase by Baht 6.9 million, compared to Baht 4.3 million due to issuance of debenture in the third quarter of 2016.

Please be informed accordingly.

Yours Sincerely,

(Mr. Tarakorn Angpubate)  
Chief Executive Officer