

Ref no: FC201802/06

Date: February 27, 2018

Subject: Management Discussion and Analysis - Explanation of net profit (loss) for the year ended December 31, 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 year ended December 31, 2017, there are net loss attributable to the equity holders of the Company of Baht 943.3 million, increased by Baht 520.0 million or 123% compared to prior year which there was a net loss of Baht 423.4 million.

The main variances are as follows:

1. Revenue from sales and services for the year ended December 31, 2017 was Baht 703 million, increased by Baht 19.4 million, or 3%, compared to Baht 683.6 million from the prior year. Revenue can breakdown by business segment as follows:

Revenues by business segment	2017 (Million Baht)	2016 (Million Baht)	Change (Million Baht)	Change (%)
Food & beverages	695.9	672.3	23.6	4%
Others	7.1	11.3	(4.2)	(37%)
Total	703.0	683.6	19.4	3%

Revenue from food and beverage business increased by Baht 23.6 million, or 4% compare to prior period, mainly reason came from revenues of G Enterprise & Co Co., Ltd. ("G Enterprise") which the Company completed the acquisition transaction in 1st quarter 2017. The Company commenced consolidation of revenue from such new subsidiary from March 2017, onwards.

However, revenues from Quick Service Restaurants (Domestic sales) decreased by Baht 100 million which resulted from the closure of non-performance stores in last year. The new stores for 2017 has started its operation after first-half of 2017. Whist, revenue from Quick Service Restaurants in Cambodia increased by Baht 16 million arising from an expansion of a new store in September 2017.

In addition, revenues from Life Style Restaurants decreased by Baht 35 million compare with prior year as resulted from the termination of lease at Seen Space in Thong Lor in June 2017.

2. Cost of sales for the current year was Baht 254.3 million, or 36.5% of sales which increased by Baht 1.4 million or 0.6%, compared to cost of sales of the prior year of Baht 252.8 million, or 37.6% of sales. Cost percentage to sales decrease by 1.1%, due to change in the Group's cost structures after acquired "G Enterprise" which cost of product is different compare to the QSR group. In addition, cost percentage to sales decreased affect from material prices controllable and select proper vendor to maintain cost of goods along with products quality.

3. Administrative expenses for the current year are Baht 857.7 million, an increase of Baht 484.2 million or 130%, compared to Baht 373.5 million of prior year, mainly resulted from the recognition of loss from devaluation of investment in Red Planet Hotels Limited Group of Baht 348 million, based on reassessment of investment, and impairment loss on goodwill of Baht 137.1 million recorded in the current year. In addition, there was accounted allowance for impairment on receivable from sales of investment of Baht 37 million which these transactions are non-cash losses and non-recurring.

4. Financial cost for the current period are Baht 46.3 million, an increase by Baht 15.2 million or 49%, compared to prior year, due to the issuance of debenture in August 2016.

Please be informed accordingly.

Yours Sincerely,

(Ms. Naravadee Waravanitcha)
Chief Executive Officer