



20:15

100%



MK GOLD  
Restaurants



Yayoi



Miyazaki  
Teppanyaki



Hakata



Le Siam



Na Siam



MK Restaurants



Le Petit



London Street



Delivery Service

*Sharing Unlimited  
Happiness Forward*



**Annual Report 2015**

MK Restaurant Group Public Company Limited



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## Vision

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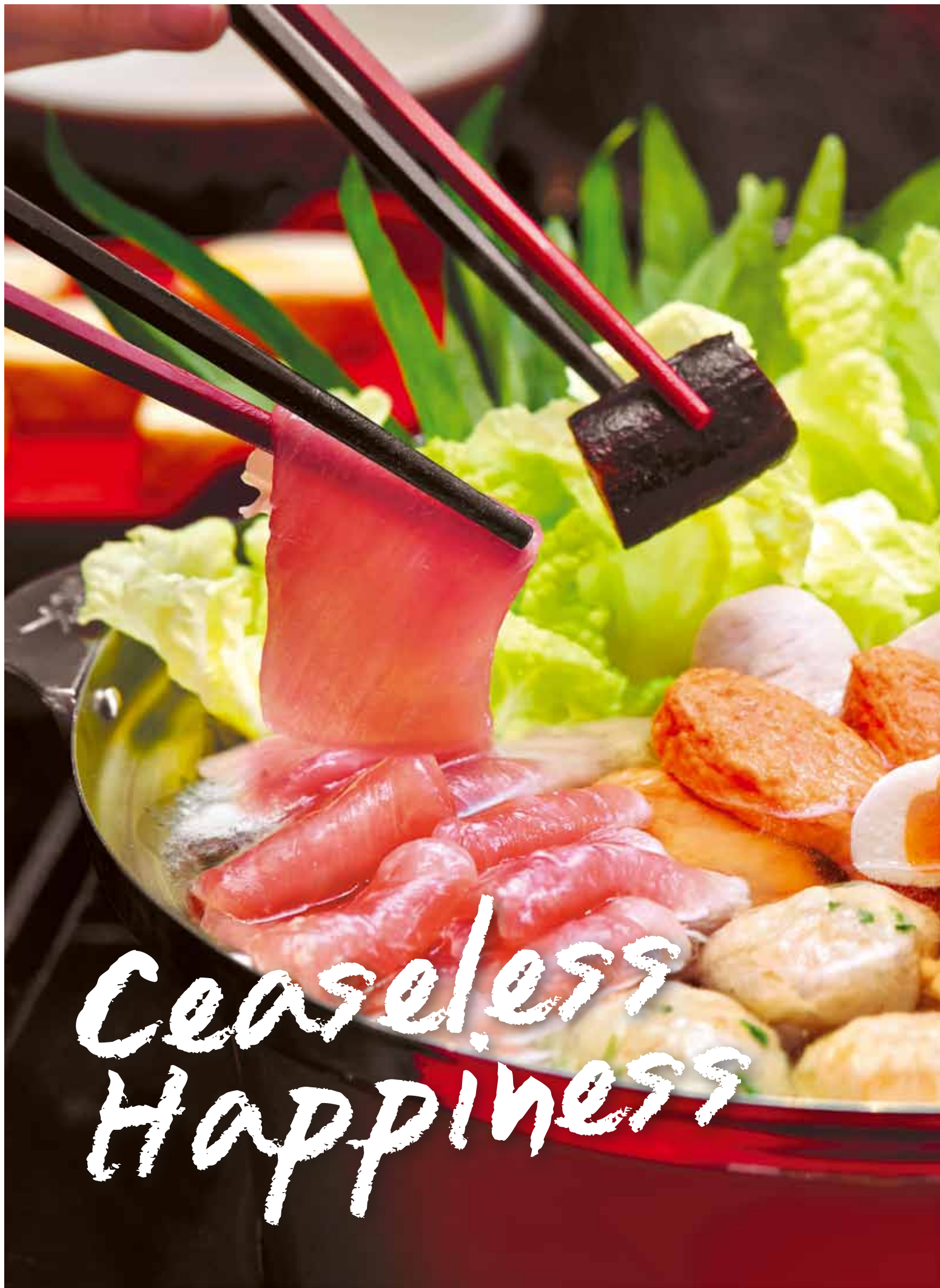
To offer delicious and healthy food along with extraordinary dining service for the happiness and joy of our customers

*MX*

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## Missions

- To be an excellent restaurant operator that offers healthy and delicious food to customers
- To learn and deeply understand the needs of our customers and to provide the best meal and service for our customers at a reasonable price
- To provide a quick and warm service to maximize customer's satisfaction
- To be a restaurant with the highest level of hygiene standard amidst a relaxed atmosphere
- To generate an appropriate and sustainable profit for the company's stakeholders
- To make employees happy and contented in their work
- To assist and provide social and environmental support



Ceaseless  
Happiness





MK Group never ceases to create new healthy recipes from delicately selected quality ingredients for our customers. We strive to innovate new ways of building comfort and convenience, fun, and enriching experiences to “fulfill” our customers with happiness, and enable them to “share” that happiness ceaselessly.





MK Group aims to serve customers as quickly and conveniently as possible. Customers can just “swipe & touch” their desired menus on our digital self-ordering touch screens at MK restaurants and Yayoi.





Quick Serve  
with Easy Click

"Taste. Snap. Share"  
Happiness







MK Group builds a platform for customers to “taste, snap, and share” happiness with plenty of fun activities and new experiences in tasting delicious menus, and sharing happy moments through the MK Official Account and Facebook Fanpage.

# Delivering Happiness

MK Group spreads happy menus in every area by expanding our reach through Home Delivery, MK Group Call Center 1642, and our website. We are ready to serve our happy customers from wherever they are.











# Creating Happy Professionals

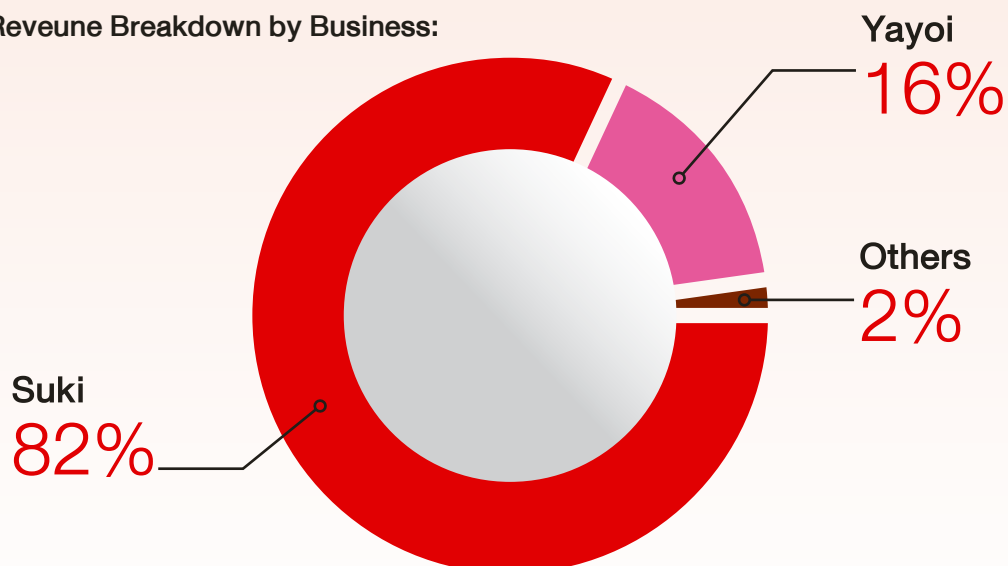
MK Group believes that happy customers begin with happy employees. Not only do we bring in new innovation that delights our customers, but also we are determined to create a happy culture of service professionals who are ready to bring joy and care to our customers with every serving.

# Financial Highlights

	2015	2014	2013
<b>• Income Statement (Million Baht)</b>			
Revenues from Sales and Services	14,478	14,492	13,868
Total Revenues	14,923	14,957	14,139
Gross Profit	9,534	9,507	9,268
Profit before Financial Costs and Income Tax Expenses (EBIT)	2,319	2,545	2,553
Net Profit	1,856	2,042	2,039
<b>• Balance Sheet (Million Baht)</b>			
Total Assets	15,122	14,879	14,987
Total Liabilities	2,124	2,198	2,463
Shareholders' Equity	12,998	12,681	12,524
Paid-up Capital	910	907	906
Net Cash from Operating Activities	2,702	3,016	2,236
<b>• Financial Ratio</b>			
Gross Profit Margin (%)	65.9	65.6	66.8
Net Profit Margin (%)	12.4	13.7	14.4
Return on Equity (%)	14.5	16.2	29.1
Return on Assets (%)	12.4	13.7	20.3
Debt to Equity Ratio (Times)	0.2	0.2	0.2
Current Ratio (Times)	5.2	4.7	2.1
<b>• Per Share Data</b>			
Par Value (Baht per Share)	1	1	1
Earning per Share (Baht)	2.0	2.3	2.6
Dividend per Share (Baht)	1.9	1.8	1.6
Dividend Payout Ratio (%)	93	80	71

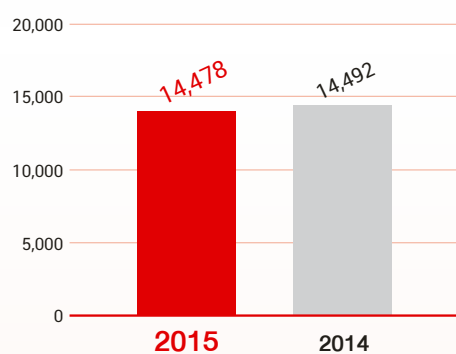
**Notes:** Board of Directors had the resolution on February 25, 2016 to propose the 2015 dividend payment per share to the 2016 Annual General Meeting for shareholders' approval on April 22, 2016.

• Revenue Breakdown by Business:



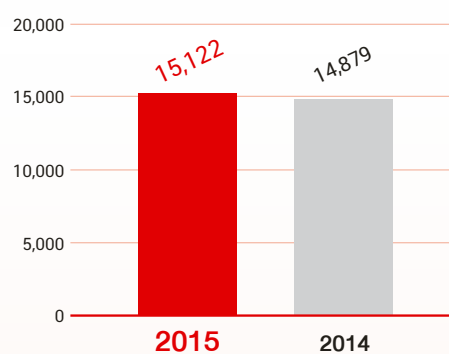
• Revenues from Sales and Services

(Million Baht)



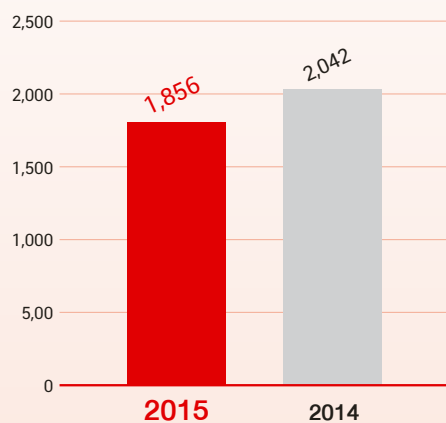
• Total Assets

(Million Baht)



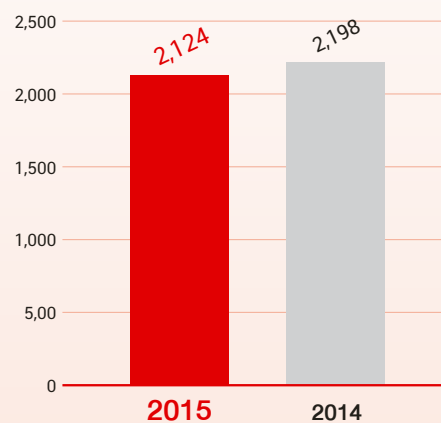
• Net Profit

(Million Baht)



• Total Liabilities

(Million Baht)





## Message from the Chairman

In 2015, despite the Thai economy (GDP) expanded by 2.8 percent as compared to 0.9 percent in the previous year, the negative factors which have direct impact on the Company's operations remained unchanged. The key negative factor was the weak purchasing power of consumers, owing largely to the persistent high household debt, severe drought, and low agricultural prices.

The weak purchasing power of consumers was clearly reflected by the fact that the overall instant noodle sales grew by only 0.4 percent year-on-year for the first 11 months of 2015 which was the second consecutive year of decline in sales growth following the marginal growth of just 1.0 percent in 2014. Before 2014, total market sales of instant noodles used to grow by 5.0 - 9.0 percent annually. Under the unfavorable environment of weak purchasing power of consumers, competition in the restaurant business became even more intense especially competing through greater spending on advertising and promotion as well as offering significant discounts. The use of such competing measures might, as a consequence, adversely affect the operating results if the targeted sales did not materialized as expected.

The operating result of the Company for the year 2015 was also adversely affected by the negative factors mentioned earlier. These factors were external factors and, thus, beyond the control of the Company. To mitigate such negative impact, the Company thus focused on measures aiming at stricter and closer control of, particularly, the controllable costs and expenses which had material impact on the operating result of the Company such as food costs and employee expenses. In addition, the advertising and promotion budget including spending



on various marketing campaigns to promote sales were also monitored closely in order to ensure that the expected result of the proposed spending on the advertising and promotion activities would be most likely to be achieved. The implementation of these measures proved to be fairly satisfactory as indicated by the fact that the Company's revenue from sales and services amounted to Baht 14,478 million in 2015 representing a decrease of 0.1 percent year-on-year, while total revenue of the Company amounted to Baht 14,923 million in 2015 or down by 0.2 percent from the previous year largely as a result of the decrease in interest income. However, the Company's consolidated net income for the year 2015 decreased from the previous year by 9.1 percent to Baht 1,856 million largely due to the increase in fixed expenses such as rents, depreciation and amortization.

For the purposes of sustaining its long-term growth, the Company continued to expand its branch network in 2015 despite the restaurant business having to face increasing risk due to the unfavorable factors and the more intense competition mentioned earlier. In 2015, the Company opened a total number of 41 new restaurant outlets consisting of 16 MK Sukiyaki restaurants, 12 Yayoi Japanese restaurants, 10 Teppanyaki style Japanese restaurants operated under "Miyazaki" brand, 1 Le Siam Thai restaurant, and 2 other restaurants under different brands. However, the Company closed 6 restaurant outlets in 2015 of which three were

due to extended period of operating losses and it was assessed that the chance of turning them around to profitability was very small, while the other three closures were owing to other reasons. Thus, the number of restaurants in operations in Thailand at the end of December 31, 2015 totaled 592 consisting of 413 MK restaurants, 6 MK Gold restaurants, 140 Yayoi restaurants, 22 Miyazaki restaurants, 5 Thai restaurants under "Na Siam" and "Le Siam" brands and 6 other restaurants operated under different brands.

“

In light of the Company's operating result for the year 2015 which registered a consolidated net profit of Baht 1,856 million or Baht 2.04 per share, strong financial status, and high liquidity position, the Board of Directors has resolved to recommend to the 2016 Annual General Meeting of Shareholders to pay a final dividend of Baht 1.00 per share. As an interim dividend of Baht 0.90 per share was paid to shareholders on September 8, 2015, the total dividend for the year 2015 shall thus amount to Baht 1.90 per share representing a dividend payout ratio of 93 percent for the year.

”

Looking ahead into the year of the monkey of 2016, the Bank of Thailand and the Office of the National Economic and Social Development Board forecast that the Thai economy in 2016 will grow at 3.5 percent and 3.3 percent respectively driven largely by the government spending and investments in mega infrastructure

projects, various economic stimulus measures, and the growth momentum of the tourism sector is expected to continue in 2016. Notwithstanding such economic growth forecasts, the persistent weak purchasing power of consumers remains a concern, owing to the high household debt, the extended severe drought, and the agricultural prices are expected to remain low as they continue being pressured by the world's prolonged low commodity prices. Nevertheless, we are confident that the solid foundation supporting our business and the robust infrastructure we have built in the past years to sustain our long-term growth, together with the strong MK brand and the capable, experienced, dedicated and a strong commitment to succeed management team will be able to overcome the tougher challenges and steer the Company to attaining its objectives in 2016.

On behalf of the Board of Directors, I would like to take this opportunity to sincerely thank all our stakeholders including shareholders, customers, business partners and staff for their unfailing trust, confidence and support through the years. We look forward to your continual partnership with us as we embark on the journey to greater success together in the future.



(Mr. Rit Thirakomen)  
Chairman  
and Chief Executive Officer



## Board of Directors

**Mrs. Vilai Chattanrassamee**  
Independent Director and  
Member of the Audit Committee

**Dr. Katiya Greigarn**  
Independent Director

**Dr. Annop Tanlamai**  
Independent Director and  
Chairman of the  
Audit Committee

**Mr. Sujint Chumpolkajana (Left)**  
Director

**Mr. Attapon Chodchoy (Right)**  
Independent Director and  
Member of the Audit Committee





Mr. Rit Thirakomen  
Chairman of the Board  
of Directors

Mr. Somchai Hanjitkasem  
Director

Mr. Pravit Tantiwasinchai (Left)  
Director

Mr. Thanong Chotisrayuth  
Independent Director

Mr. Somchai Pipitvijitkorn (Right)  
Director



## Nature of Business

In 1986, the first MK Suki welcomed its customers for the first time at Central Plaza, Ladprao Branch. As not so many restaurants had such a clear position to offer suki menu at that time, the concept of MK restaurant was warmly received by customers. The introduction of sophisticated restaurant management techniques and marketing strategies to run the business led the Company to consistently expand new branches in both Bangkok and other provinces.

MK Restaurant Group Public Company Limited (the “Company”) was incorporated on July 10, 1989, with an initial capital of Baht 1 million to operate suki restaurants. Aside from this, the Company started opening Japanese restaurants under the “Yayoi” brand and trademark in 2006. In October 2012, the Company operated two more Japanese restaurants under two different trademarks of “Hakata” and “Miyazaki”. The Company also runs Thai restaurant business under “Na Siam” and “Le Siam” trademarks as well as a coffee shop and bakery outlet known as “Le Petit.” Finally, we have our own training institute to train qualified service personnel.

As of December 31, 2015, the Company boasted 419 MK Suki restaurants (including 6 MK Gold restaurants); 140 Yayoi Japanese restaurants; 3 Hakata Japanese restaurants; 22 Miyazaki Japanese restaurants; 4 Le Siam Thai restaurants; 1 Na Siam Thai restaurant; and 3 Le Petit coffee shop and bakery nationwide. The Company has also sold MK Suki franchise to overseas operators in Japan, Vietnam and Laos. In addition, a joint-venture company has been set up to operate a restaurant business in Singapore.



## Products and Services



### Suki Restaurant Business

The suki restaurant business operated by the Company can be classified into two categories as follows:

- **MK Suki Restaurant**



MK Suki is a restaurant run by the Company offering suki as its main dish. More than 100 items of a variety of meat, meatballs and fresh vegetables are offered as suki for customers to simmer in a cast-iron pot. In addition, MK Suki also offers various other dishes; namely dim sum such as steamed buns, pork dumpling, shrimp dumpling and egg roll as well as à la carte dishes such as MK roasted duck, honey-roasted pork, steamed spare ribs roasted with fermented soybean, Hong Kong

slow-cooked beef, Jade noodle, wonton soup and a myriad desserts, ice cream and beverages.

MK Suki positions itself as a family restaurant whose target customers are family, friends and colleagues in medium to high-income brackets. The restaurant highlights its relaxed ambience where everyone can slowly cook his own suki in a pot on the table while taking time chatting and catching up. Customers can also be office workers whose lunch time is limited and therefore are vying for a

quality lunch in less than an hour as one of MK Suki's service signatures is fast and efficient service.

As of December 31, 2015, there were 413 MK Suki restaurants around Thailand, most of which are located in shopping malls, modern trade outlets and community malls such as Big C, Tesco Lotus, Central, Robinson, The Mall, Major, all of which share the same characteristic as a place where medium to high-income earners mostly shop.

## • MK Gold Restaurant



Like MK Suki, MK Gold restaurant, which is also run by the Company, offers suki as its main dish plus other dishes such as dim sum and à la carte menus. Going beyond the standard, MK Gold's ingredients are top-graded. MK Gold's target customers are original customers of MK Suki restaurant, who, having earned high-incomes, long for premium-graded foods and go to MK Gold restaurant for entertainment.

MK Gold restaurant's theme of decoration is luxury in gold. The eatery is adorned with elegant and colorful lighting for glittering effect. Dinnerware is porcelain while the Sukiyaki cast-iron pot is golden. The restaurant's store sign, roasted duck kitchen at the front, placemats and staff's uniforms have been meticulously

designed to reflect the element of gold and an air of luxury.

As of December 31, 2015, there were six MK Gold restaurants in major central business districts of Bangkok's Siam Paragon, Central World, Saladaeng, Esplanade, Ekamai and Phuket's Jungceylon. Customers may order any dish as they wish and will be charged accordingly. However, buffet is also available at certain branches.







## Japanese Restaurant Business

### • Yayoi Restaurant



Japanese way of living which insists that no matter how fast life is to be, everyday's living must be handled in a refined and sophisticated manner including food. This truly accords with Thai lifestyle which places much priority to the food we eat.

Yayoi restaurant offers both à la carte Japanese menus and set menus always served with rice, salad and miso soup. Yayoi's recommended menus are pork Tonkatsu with miso sauce, sizzling grilled pork, rice with a variety of beef, Japanese-styled bento, Udon, Ramen and hors d'oeuvres such as

Japanese dumpling, Japanese pizza and a myriad of scrumptious desserts and delightful beverages.

Yayoi has regularly collaborated with Japan-based Yayoi-ken's chefs to introduce seasonal menus while retaining the much unique Japanese element in its food. As of December 31, 2015, there were 140 Yayoi restaurant nationwide.

Yayoi restaurant is run by MK Interfood Co., Ltd., our subsidiary, which has been franchised a license to run Japanese restaurant under the Yayoi-ken trademark by Plenus Co., Ltd., a listed company in Japan's stock exchange and one of Japanese's leading restaurant operators. Yayoi opened its first branch in Thailand in 2006.

Yayoi restaurant is decorated in a bright colorful theme to convey informal and relaxed ambience and provide fast and quality service underlined with freshly-cooked food offered at a reasonable price tag. This very concept is inspired by the





### • Hakata Restaurant



### • Miyazaki Restaurant



MK Restaurant Group Plc. opened the first Hakata restaurant at Siriraj Hospital.

The eatery offers Japanese ramen of various types and forms as well as Japanese dumpling and beverages. Hakata, Siriraj Branch, is part of the Company's corporate social responsibility (CSR) project as net profit after expenses from the restaurant has been entirely donated to Siriraj Hospital.

As of December 31, 2015, MK Restaurant Group Plc. operated three Hakata branches.

It was not until October 2012 when MK Restaurant Group Plc. opened the first Miyazaki Japanese restaurant at The Scene Town in Town Shopping Center inside Soi Ladprao

94. The restaurant offers Japanese Teppanyaki grilled dishes, desserts and beverages. The Company boasted 22 Miyazaki restaurant branches as of December 31, 2015.



## Thai Restaurant Business

### • Na Siam Thai Restaurant



Run by the Company, Na Siam Thai restaurant offers a comprehensive Thai menu under a traditional Thai ambience where the atmosphere of the original MK eatery in Siam Square in the old days before the Company started operating suki restaurant business is meticulously preserved. Na Siam Thai restaurant targets medium to high-end customers who come to enjoy various kinds of chili

paste dishes, Thai hot soup of tom yum, curry, sauté vegetables of all kinds, à la carte menus, a variety of noodles, traditional desserts, wines and beverages.

As of December 31, 2015, there was one Na Siam restaurant on B1 Floor of Central City, Bangna Branch.

### • Le Siam Thai Restaurant

Like Na Siam, Le Siam Thai restaurant is also operated by MK Restaurant Group Plc. and offers a comprehensive Thai menu. The

restaurant is decorated in a luxurious Thai style and offers premium-graded food and beverages. Le Siam targets foreign customers and high-income earners who look for a sophisticated place offering traditional Thai food to entertain.

As of December 31, 2015, there were four branches of Le Siam restaurant at Saladaeng in Bangkok, Jungceylon in Phuket, Central Festival Samui in Surat Thani; and London Street in Bangkok.



## Coffee Shop and Bakery Business

In September 2012, MK Restaurant Group Plc. opened Le Petit, the first coffee shop. Bakery bistro developed on its own formula at Siriraj Hospital. The place offers snacks, bakeries, coffee and other beverages. Le Petit is part of the Company's CSR project

as net profit after expenses is entirely donated to the hospital.

As of December 31, 2015, there was three Le Petit coffee shop and bakery.





## Home Delivery and Catering Business

MK Restaurant Group Plc. and MK Interfood Co., Ltd. offer home delivery and catering services where food from MK Suki restaurant and Yayoi restaurant could be home delivered between 10 am to 9 pm each day with a minimum order from both restaurants of Baht 150. However, if fresh food items under MK Suki restaurant is ordered, the minimum order will start at Baht 199. There is a charge of Baht 40 per trip for home delivery including VAT. Customers can pay by cash or by Visa credit card of all major banks. They can order food by calling the following numbers or going to the following websites:

Aside from the catering service, both MK Suki restaurant and Yayoi Japanese restaurant also accept advanced orders and can provide lunch boxes for party, feast or other events. The Company has a plan to provide a comprehensive catering service where all equipment and accessories such as suki pot, electronic outlets, chairs and dining tables and competent service personnel are offered and set up for customers to make them feel like they actually dine at MK Suki restaurant.

### • Phone Numbers

Service Areas	Phone Numbers
Bangkok and its vicinity	+66 2248 5555, 1642
Pattaya, Chonburi	+66 2248 5555, +66 3837 4484, 1642
Chiang Mai	+66 2248 5555, +66 5380 5742, 1642
Phuket	+66 7624 8266

### • Websites for Online Order

Service Areas	MK Suki	Yayoi
Bangkok and its vicinity	www.mkrestaurant.com	www.yayoirestaurants.com
Pattaya, Chonburi		
Chiang Mai		



## Overseas Restaurant Business

As of December 31, 2015, the Company had the following MK Suki restaurants, Yayoi and Miyazaki Japanese restaurants overseas:

Number of Restaurants Countries	MK Suki	Yayoi	Miyazaki	Operated by
Japan	30	-	-	Plenus MK Co., Ltd. (The Company holds 12% of its shares; it obtains the franchise right from the Company.)
Singapore	2	6	-	Plenus & MK Pte. Ltd. (The Company holds 50% of its shares; the firm is a joint-venture company.)
Vietnam	4	-	-	Global Investment Gate Joint-Stock Company (not relating to the Company; it obtains the franchise right from the Company.)
Laos	1	-	1	Premium Food Co., Ltd. (not relating to the Company; it obtains the franchise right from the Company to operate MK restaurant.)  V&V Restaurant (not relating to the Company; it obtains the franchise right from the Company to operate Miyazaki restaurant.)





## Training Center

Founded in 2006, the MK Training Center is run by MK Service Training Co., Ltd. to offer service training and other necessary skills for service personnel of the Company and its subsidiaries. Realizing that human resources are the most valuable asset of the Company, MK Restaurant Group Plc. puts endless energy into the recruitment, selection, retention and development of personnel. It has developed training courses to intensively train personnel of all departments whether they are full-time or temporary staff at branch

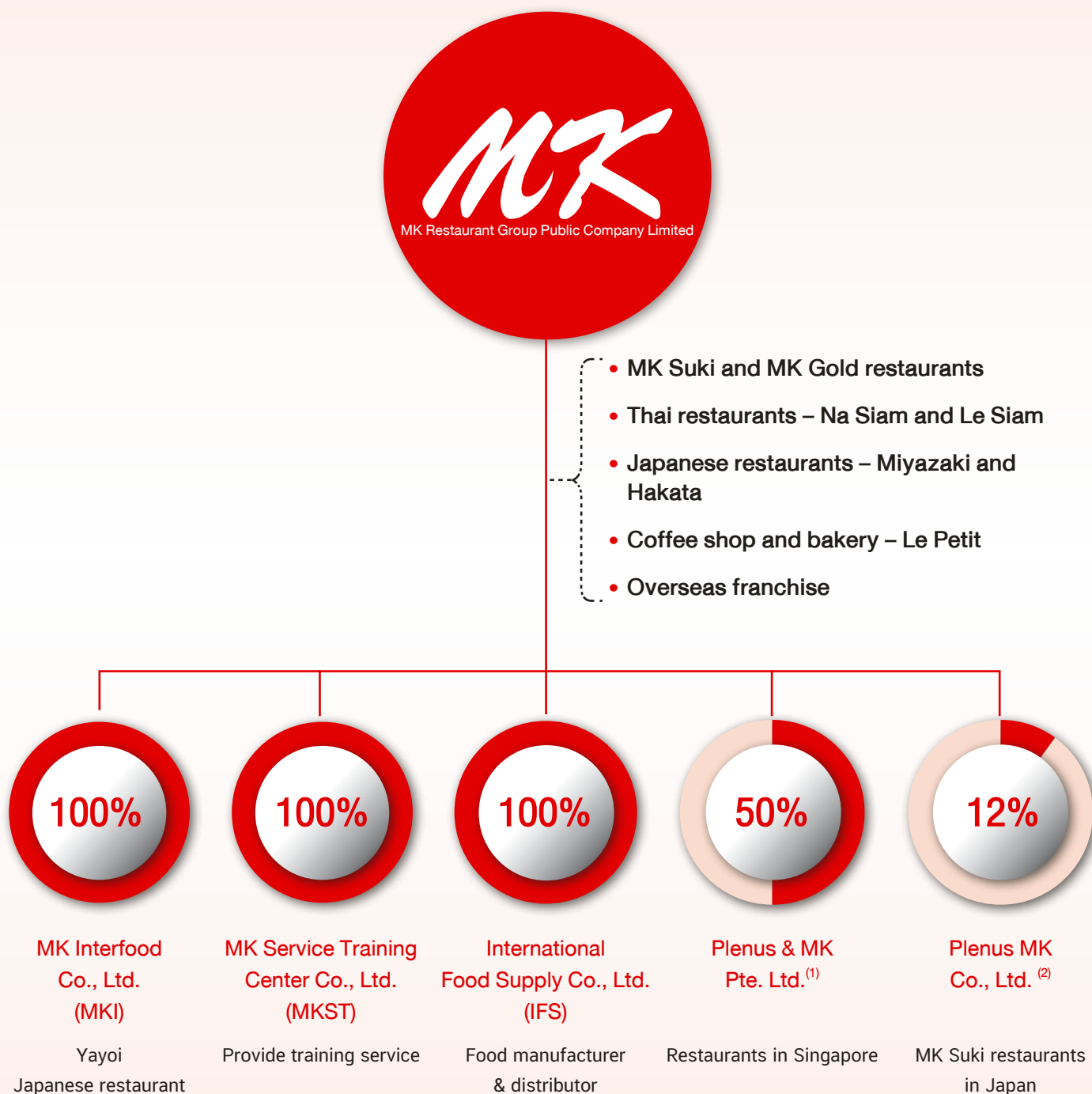
restaurants, students, management or executives. Every employee will go through training and capability building courses that the company specially designed to correspond with their career path.

Located on Km. 3, Bangna-Trad Highway, opposite of Central City, Bangna Branch, the seven-floors, MK Training Center boasts a variety of training rooms and a comprehensive range of training equipment. Most courses depend on knowledge and competency of the Company's own staff. Trainers are executives,

managers, chiefs of sections and experts at various levels. In addition, there are also third-party experienced trainers in the service industry to share their skills, experiences, thoughts and service mind necessary for the profession. The goal is to encourage all MK personnel to commit to the best possible service to fulfill customer's needs.



# Corporate Structure of the Company and Subsidiaries



<sup>(1)</sup> Plenus Co., Ltd. holds 50% of its shares.

<sup>(2)</sup> Plenus Co., Ltd. holds 87.8% and Bridg Co., Ltd. holds 0.2% of its shares.





### Master Franchise Agreement Signing

On March 26, 2015, the Company signed the Master Franchise Agreement with Premium Food Company Limited (Lao PDR) to grant the right to open and operate MK restaurants in the territory of the Lao People's Democratic Republic.



### The Launch of "London Street"

On March 28, 2015, the Company launched the Community Food Mall "London Street" including five brands: "MK Suki", "Yayoi" Japanese restaurant, "Miyazaki" Teppanyaki, "Le Siam" Thai restaurant and "Le Petit" Coffee shop and bakery.



### Money and Banking Award 2015

On June 17, 2015, the Company has been awarded "Best Public Companies of the Year 2015 - Agriculture and Food Industry" from "Money & Banking Magazine".

March

June

August

2015

### New subsidiary "International Food Supply"

On August 11, 2015, the Meeting of the Board of Directors of the Company passed a resolution to approve the incorporation of International Food Supply Company Limited ("a subsidiary") with the registered share capital of Baht 100 million (10 million ordinary shares at a par value of Baht 10 per share) being engaged in the manufacture and distribution of foods. The Company holds 100% interest in this new subsidiary.



# Notable Events in 2015



## ESOP (M-WA)

On October 9, 2015, the Company registered the increase of its paid-up share capital from Baht 907,084,600 to Baht 910,249,500 by issuing 3,164,900 new ordinary shares with a par value of Baht 1 per share from the exercise of ESOP warrants (M-WA).



## Asean Excellent Enterprise & Businessman Award

On November 27, 2015, the Company has been awarded “ASEAN Excellent Enterprise & Businessman” and “ASEAN Admired Brand” from Vietnam Quality Association of Ho Chi Minh City.

October

November

December

2016



## First MK Restaurant in Laos

On December 16, 2015, the first MK restaurant and Miyazaki Teppanyaki were opened in Vientiane, Laos.



## Risk Factors

Like other businesses, the Company's business is exposed to various risks. The following risks are what the Company feels that if occurred, they may adversely affect the Company's business, financial position and performance in a material manner. In addition, there could be other risks that the Company has no knowledge of at the moment; or feels, following its consideration, that they could not yet be classified as risks that could materially damage the Company's business.

### Risk from Intense Competition

The restaurant business that the Company is running is indeed a highly-competitive business and competition will be even more intense as days pass by. As a result, the Company's success will depend on its ability to continue to effectively compete with other contenders.

The Company is to compete with a variety of restaurants that include international restaurant chains, well-established local restaurant chains and numerous small-time restaurateurs. In addition, new operators enter the restaurant business each day due largely to the low barrier of entry into this business. As a result, competition in the restaurant business will be based on price and quality of food, variety and value perception of menu, service quality, number and location of outlets, effectiveness in new product development, advertising and sales promotion activities, restaurant decoration and the way the

restaurant is maintained to continue attracting customers and, finally, brand reputation and strength. Failure by the Company to constantly and effectively compete with other contenders in these aspects will have a material and adverse impact to the business and its operation.

However, the fact that the Company continues to see its branch, income and performance expanding for more than two decades indicates that it does have an ability to constantly and effectively compete with other challengers. In other words, the Company has several competitive advantages; namely (1) strong brand recognition as the "MK Brand" is indeed highly recognized and adored by customers; (2) strong financial position which enables the Company to expand business both in the short and long term; (3) capable and experienced management team which has been in the restaurant business for

more than 20 years and which helps making the Company's management effective and efficient; (4) own service training center which enhances management skills of branch managers and, more importantly, trains service staff to provide standardized service at all the Company's restaurants; (5) best strategic locations of more than 500 branches of "MK" and "Yayoi" restaurants nationwide; (6) business size which is large enough to achieve the economy of scale in many areas such as sourcing and procurement, transportation and advertising; and (7) construction of a new and sophisticated central kitchen and a distribution center which will increase the Company's kitchen facilities totaling three places in order to support the future expansion.

## Risk from Volatility of Raw Material Prices

Since costs of food are the Company's most important cost item as it accounts for as high as 34 percent of the Company's revenues from sales and services and since most of them are costs of raw materials, changes in raw material prices at a time the Company could not hike its sales prices to compensate for the rise or if it could only partially compensate such rise due to intense competitions or weakening purchasing power will



materially and adversely affect the Company's performance.

Most of the Company's raw materials are fresh produce such as meat, seafood, vegetables, fruits, egg, rice and seasoning of which their market prices and quantities fluctuate at any time according to demand and supply. This is especially the case of volumes being produced which could be negatively affected by unfavorable weather condition, natural disaster or contagious diseases in animals or plants, all of which are beyond the Company's control. When raw material prices are up due to depleting production volumes affected by negative factors mentioned above, the Company is required to buy raw materials at higher price and volume that it has not projected. This could eventually make a negative impact to the Company's performance.

To minimize risk from the fluctuation of raw material prices, the Company has embarked on several measures to properly control the costs of raw materials. Significant measures are (1) estimating demands of raw materials that could materially affect the Company's total costs of raw materials in order to plan the sourcing for an amount and within a timeframe as required by the Company's sales plan; (2) the estimated demand of raw materials should allow the Company to have a better negotiating power with manufacturers or distributors thanks to a huge volume of raw materials to be bought and a definite delivery schedule; (3) to prevent risk from price fluctuation, a future sales contract will be signed with reliable manufacturers or distributors where parties will be bound to each other within an agreed timeframe such as within three months, six months or a year; and where the contract will clearly specify the prices, volumes



that will change hands and delivery dates; (4) the sourcing of raw materials of which prices are seasonally fluctuated and which could be properly stored without materially jeopardizing their quality will be made in advance in preparation for consumption during the period when their prices are up; and (5) a comparative report will be regularly made to inform changes of raw material prices that could make a material impact to the total costs of raw materials as this will be used as a guideline to hike menu prices when necessary and if possible. These measures were carried out to reduce volatility from the change of raw material prices as well as to keep the costs of raw material in control.

## Risk from Additional Staff Costs

The restaurant business is a labor-intensive industry which depends very much on employees especially service staff who will make customers happy through their services. As a result, costs of employee are the second most important cost item of the business only after the costs of food. As a result, if the cost keeps rising and the Company could not hike its sales price to compensate for an increasing employee expense or if it could only partially cover the expense due largely to intense competition or weakening purchasing power or any



other factor that may prevent the Company from raising its sales price, this will negatively affect the Company's performance in a material manner.

To minimize the risk from the increase of employee costs as described above, the Company has conducted various measures to keep the cost within an optimal level. The measures are (1) setting and adjusting the number of staff in each restaurant to reflect its traffic volume to maximize efficiency while enabling to maintain quality service to customers at a standard level envisioned by the Company; (2) monitoring each restaurant's staff productivity and ensuring that it is in line with the productivity standard developed by the Company. In addition, to encourage restaurant managers to pay attention to this subject, staff productivity has

become one of the Key Performance Indicators (KPI) used in the evaluation of each restaurant's performance; (3) introducing a computerized technology to the restaurant which will not only enhance staff efficiency but will also improve service quality as the technology will speed up the service and make it more accurate; and (4) staff especially service employees will be constantly trained to enhance performance and standardize service quality. By seriously and incessantly pursuing these measures and by hiking sales prices when necessary and if doable, the Company has managed to control the costs of employees to remain at an optimal level vis-à-vis its revenues and at the same time reduced its loss resulted from staff oversupply and employee underperformance.

## Risk from the Shortage of Branch Operational Employees

The Company's business is a service business which heavily relies upon people as its driving force. The Company plans to open new branches each year and each branch needs approximately 30 - 40 staff. As a result, the Company has to recruit a large number of new staff to accommodate new branch opening. Therefore, failure to recruit new staff to accommodate expansion or to replace resigning staff in a timely fashion will materially affect the Company's service and operation.

However, it has committed to resolve this problem by retaining staff to work as long as possible with the Company and by giving priority to the concept of working under the "MK Culture" where employees of all levels are taken care of. Capable staffs are given a chance to rise along their career path to executive positions in the future. In addition, the Company takes a great care by giving employees fair remunerations and welfare as well as skill-enhancing training and by treating them as family members. As such, the Company continues to attract candidates. New recruits are to attend a training course held by the MK Service Training Center to acknowledge the MK corporate culture

and to perform his/her duty based on the Company's standards. So far, the Company has had no problem recruiting new personnel with required qualifications.

## Risk from Failure to Find Leased Space and to Renew the Leased Space under a Condition Deemed Appropriate by the Company

As the competition in the industry is getting intense and as there is an increasing number of restaurateurs entering the market, leased space

for new restaurant has become rarer. This could expose the Company to a risk from not being able to find and lease space to open a new branch as planned.

However, the Company has been a business partner with several lessors who operate shopping malls, modern-trade outlets and community malls in Bangkok and provinces. Besides, the Company is Thailand's leading restaurateur who offers products and services highly desirable by consumer. As a result, this is unlikely to prevent the Company from finding the leased space. Meanwhile, most of the lease agreements offer a lease term of three years at a time which is renewable 3 - 5 times for another





three years on each occasion. Failure to renew the lease agreement may affect the Company's operation. Yet, the Company has had a warm and long-lasting relationship with the lessors. Together with its excellent rent payment track record, its compliance with the lease agreements, the fact that it has never had problem with the lessors and that it has the lease agreements renewed all the time, not mentioning the fact that the Company and the lessors sometimes joined force to resolve problems of unimpressive branches which had to be closed down for the best interest of both parties, the Company therefore is of the opinion that the risk from not finding leased space and not renewing lease agreement should not be an obstacle to continue its business.

design, construction, mechanical & electricity (M&E) system, furniture, kitchen equipment and other office equipment. The Company plans to constantly expand its MK Suki Restaurant and Yayoi Japanese Restaurant. Locations of newly-opened outlets however may overlap with existing branches located nearby and this could affect the Company's sales and performances in the longer run.

However, to open a new branch, the Company has to do a lot of work studying the branch opening plan. A newly-opened branch must yield a good investment return based on required criteria. The Development and Engineering Department will be responsible for surveying location, population density, target groups

of customers and performance of nearby branches. It will also conduct a financial analysis by looking at, for example, payback period and return on investment (ROI) which must not be less than a required level. This information will be used in considering a new branch opening. In addition, the Company has had experiences in this business for more than 25 years with highly-recognized products and services desirable by customers. At the other end, shopping mall owners, modern-trade outlet and community mall operators are, too, looking for reputable restaurants to lease their space in order to attract customers. That's why the Company has been offered attractive packages of ideal location, space size and rental term. The Company studies every leased

## Risk from New Branch Opening

The Company aims to grow constantly and opening new branch is a factor to achieve the goal. As the competition in this industry has become tougher than before, together with the fact that newcomers step into the industry every day, the Company therefore is exposed to a risk that its new branch may not generate sales up to a target and thereby not yield a satisfying investment return. It needs approximately Baht 8 - 10 million to open a branch. The fund is used for



premise being offered as well as conducts a financial analysis before making an investment decision at an appropriate site that could generate high yield. The Company is confident that new branch opening that covers more extensive service areas should increase its capacity to generate higher profits to shareholders and to reduce its operation risk in the long run. In addition, the Company also takes into consideration sales amounts of nearby branches and population density in the same area to ensure that a new entrant will not affect the business of existing branch nearby but rather is an appealing alternative for customers living in the area

and works strategically to expand the Company's service areas to help maintain its market share.

### **Risk from Failure to Renew the Yayoi Franchise**

MK Interfood Co., Ltd. ("MKI") has been licensed to operate a Japanese restaurant in Thailand by Plenus Co., Ltd. under the "Yayoi" branch. The franchise term is three years and is renewable for three years on each occasion unless either party notifies the other to terminate the agreement 180 days before each expiration date.

As a result, termination of the franchise agreement could prevent the Company from continuing the Yayoi restaurant business which will inevitably affect the Company's operation.

The Company has already operated the Yayoi Japanese Restaurant business for ten years. As of December 31, 2015, it had a total of 140 Yayoi branches. So far, it has strictly complied with the terms and conditions of the franchise agreement where menus and operation procedures of "Yayoi-ken" under the franchise system of the rights owner and its know-how are actively implemented in the business. Others include style of the restaurant, menu change, choices of raw materials,



product development, staff training, commercial and production operation as well as on-time payment of the franchise fee. In addition, the Company is truly committed to expand the Yayoi branch as evident in 2015 where 12 new branches were opened with more planned openings in the future. More importantly, Yayoi restaurant's operation has been growing quite steadily. Besides, the Company and Plenus Co., Ltd. are strong business alliances who have joined force to run MK Suki restaurant overseas. With a long-lasting relationship between us and the fact that the Company has duly complied with conditions in the concerned agreement, the Company is of the view that it should be trusted to continue having the franchise contract renewed.

### **Risk from the Information Technology (IT) System**

To enhance the Company's customer's service capacity, it has introduced the IT system in the food ordering process where the system will directly and immediately send orders to the kitchen to shorten service time and to minimize errors. The IT system is also a crucial component of the Company's home delivery service as it receives orders from customers before sending them to



various branches to execute delivery. The system is also prominent in other management processes. If the system is malfunctioned or in case of an unforeseeable event that may paralyze the system, this could affect the Company's operation.

Having realized the importance of the IT system, the Company has adopted a guideline to modernize the technology with a focus at systems considered crucial to its business; namely accounting, raw material sourcing and procurement, inventory management, product distribution and communication system between the head office and branches nationwide. The enhanced IT system should gather information and deliver it to

executives who need it for analysis and for making crucial decisions. As a result, the Company is confident that as the system has been constantly enhanced, in case of malfunction, the Company will still be able to continue its business as every unit and function does have both manuals and standard operating procedures (SOP) that will help them resolve problems and thereby allow the business to continue running.

### **Risk from Overseas Investment**

The Company has invested abroad through two joint-venture firms in which it holds 12 percent



in Plenus MK Co., Ltd.'s shares to operate MK Suki restaurant in Japan and 50 percent in Plenus & MK Pte. Ltd.'s shares to run MK Suki restaurant in Singapore. Each country is exposed to various risk factors such as economic and political conditions, laws, tax and exchange rates. As a result, in case of an event with material impact to business operation in a concerned country, it will inevitably affect the Company's operation.

Yet, the Company conducts an overseas investment study where it surveys the market and looks at population density and target groups of customers as well as other economic factors such as GDP, inflation rate, exchange rates, political stability, investment policy governing foreign entities and tax rates. The Company also conducts financial analysis for ratios and figures which must not be lower than its threshold required for overseas investment. In addition, by having a strong partner like Plenus Co., Ltd. who is Japan's largest bento lunchbox business operator boasting a network of more than 2,900 branches as well as the owner of the ready-to-serve Yayoi-ken Restaurant which commands an overnight success in Japan, the Company therefore is confident in Plenus Co., Ltd.'s leadership vision and management style as well as its potential to make MK Suki brand recognized and to expand MK Suki branches all over Japan. As

a result, the Company is of the view that careful investment planning and strong business partnership will help reduce the risk. In addition, by expanding the business into countries enjoying a high growth rate with a high density of population who have high purchasing power, this could be a great opportunity for the Company to grow even more and also the opportunity to diversify the operation risk.

## **Risk from Epidemic**

So far, there have been several bouts of outbreaks that hit the restaurant business hard. For example, in 2002, Bovine Spongiform Encephalopathy or the mad cow disease struck the US and Europe. Three years later, several countries suffered from the bird flu (H5N1) outbreak before the world witnessed the infectious disease of swine influenza (H1N1) in Mexico in 2008. The rampant epidemic did erode customer's confidence to consume meat, chicken and pork, all of which are major raw materials of all restaurants under the MK Group. Future epidemic, if any, therefore may affect the Company's revenues.

The Company places a high priority to the selection of raw materials which will be supplied by selected quality manufacturers and distributors. Every piece of raw materials will have a traceability where product can be traced back throughout the entire

food chain from step one to the final stage whether it's about the origin of food, production and transportation. That's why the Company is convinced that every piece of its raw materials meets the standard, is hygienic and, is safe without contaminant. In addition, the Company has the Quality Control Department to verify product quality while the operation of the two central kitchens has been certified by international quality assurance systems which among a few include ISO, HACCP and GMP.

## **Risk from Natural Disasters and Accidents**

Thailand's major flood which started in late July 2011 and last until the end of the year extensively damaged the Thai economy during the latter half of 2011. Water inundated farming areas in the upper Central Plain and industrial sites in the lower Central Plain including seven industrial estates in Ayutthaya and Pathum Thani provinces. The Company's central kitchen at Nava Nakorn (CK3) located at Nava Nakorn Industrial Estate, too, was under the water and had to be closed before part of the production was relocated to the central kitchen at Bangna (CK4), which was able to boast enough production capacity

to accommodate demands of all existing branches. However, the Company has already eyed an ideal site for its new central kitchen (CK5). Meanwhile, 55 MK Suki restaurants and 13 Yayoi Japanese restaurants suffered from the 2011 tragic flood where they were forced to shut down for an average of 0.5 - 2 months. Most, however, were not damaged as they were located in shopping malls and modern-trade outlets which had effective flood-protection measures. Yet, the flood did temporarily suspend the operation of certain suppliers which in effect led to a shortage of certain raw materials for a period of time and this inevitably affected the Company's sales revenues.

Yet, having realized the effect of natural disaster to its business, the Company has planned protective measures to handle the risk. This includes buying casualty insurance, formulating an emergency operation plan, training staff to handle natural disaster incidents, building a new central kitchen at an ideal site, adding a distribution center to its portfolio to diversify risk, approving an emergency fund to assist employees and communicating with all parties of the management's readiness to bolster confidence of shareholders, employees, suppliers and customers that the Company can indeed continue

operating and that it's ready should there be a natural disaster risk.

As for a plan to handle the shortage of certain products the Sourcing and Procurement Department will select every manufacturer and distributor who can produce products that meet the Company's required standard before closely communicating with them to learn which product they can produce, their production capacity and volumes and dates they can deliver such product. The Sourcing and Procurement Department will coordinate with the central kitchen to encourage direct and clear communication to every branch of shortage items, replacement items and expected delivery time if the product cannot be delivered normally. The communication is to ensure that branches learn how to effectively manage inventories while staff at every branch may directly communicate with customers. While it's true that the 2011 major flood did prevent the Company from providing a full-scaled service, yet, the Company managed to return the business to normalcy as quickly as possible. All customers understood what happened and continued trusting the Company, which convinces the Company that it can and is ready to handle the risk.

Aside from being prepared to protect itself from possible flood and to handle the disaster if occurred, the Company has taken out several types

of casualty insurance policies such as accident insurance, third-party liability insurance and property insurance to make itself ready for future incidents.



20:15

100% 

# 2015 Financial Statements



# Report of the Board of Directors' Responsibilities for the Financial Statements

The Board of Directors of MK Restaurant Group Public Company Limited is responsible for the financial statements of the Company and its subsidiaries which have been prepared in accordance with generally accepted accounting standards in Thailand under Accounting Act B.E. 2543 and the Securities and Exchange Act B.E. 2535. The policies pursued are deemed appropriate and applied consistently with adequate disclosure of important information in the notes to the financial statements which the auditors has reviewed and expressed opinions in the auditor's report.

The Board of Directors has appointed the Audit Committee comprising of the independent directors to supervise the financial report, internal control system for the purpose of efficiency and effectiveness and align with the financial reporting standard in Thailand and international Best Practice to ensure that the accounting records are accurate, complete and timely to prevent fraud and materially irregular operations. The opinion of the Audit Committee regarding to these matters appears in the Report of Audit Committee in this Annual Report.

The Board of Directors has confidence that the internal control and the internal audit systems of the Company and its subsidiaries present the financial position, results and cash flow accurately.



(Mr. Rit Thirakomen)

Chairman of the Board of Directors

# Report of the Audit Committee

The Audit Committee appointed by the Company's Board of Directors consists of three independent directors. Chaired by Dr. Annop Tanlamai, the Committee has Mrs. Vilai Chattanrasamee and Mr. Attapon Chodchoy as two audit members with Mr. Pasakorn Lila serving as the Committee's secretary. The qualifications of all Audit Committee's members have passed the criteria laid down by the Office of the Securities and Exchange Commission (SEC).

The Audit Committee has carried out its work within the scope of duties and responsibilities specified in the Audit Committee Charter. In 2015, the Audit Committee convened six meetings with the Company's executives, internal auditors, and the auditors. In addition, the Audit Committee met with the auditors to discuss 2015 financial statements without the presence of the Company's Management. The work of the Audit Committee during 2015 can be summarized as follows:

**1. Review of quarterly financial statements and full year financial statement:** The Audit Committee inquired and received explanations from executives of the Company's finance and accounting units as well as the auditors concerning the accuracy of the Company's financial statements and consolidated financial statements, and also the adequacy of information disclosure and notes to the financial statements. After the review, the Audit Committee agreed with the auditors that fairly the financial statements were accurate in all material aspects and were reliable in accordance with the generally accepted accounting standard. The opinion of the Audit Committee shall be presented to the Company's Board of Directors for approval.

**2. Review of internal-control operations and system:** The Audit Committee reviewed the adequacy, appropriateness and efficiency of internal-control system with aim to help the Company achieve its goals and ensure the operation efficiency from all units. The internal audit department works independently to assess all major systems of the Company based on the approved audit plan and report directly to the Audit Committee. The Audit Committee did not find any material defect. The review showed the Company complied with laws governing securities and exchange, SET requirements, as well as all other applicable laws and regulations. Any authorization and approval granted proceeded in line with prescribed guideline and the good practice for internal control too. The Audit Committee also found that the Company's corporate governance was transparent.

**3. Review of compliance with laws and regulations:** The Audit Committee reviewed the compliance with internal-audit team and relevant executives. The review showed the audited units proceeded in line with prescribed laws and regulations. They also kept abreast of any change in law, accounting standard and relevant issues through quarterly consultations with external auditor. Updated knowledge of laws, regulations and relevant issues allowed the Company to study and understand the changed requirements well for proper compliance.

## Report of the Audit Committee (cont.)

**4. Review of connected transactions or transactions that may cause conflict of interest:** The Audit Committee reviewed the appropriateness of connected transactions or transactions that may cause conflict of interest. The review showed that the connected transactions by the Company in 2015 were done based on normal business practice, reasonable, and in the best interest of the Company's business. These connected transactions were transparent, with related information disclosed fully and accurately.

**5. Promotion of Good Corporate Governance:** The Audit Committee reviewed the Company's compliance with the Securities and Exchange Act, the regulations of the SEC and SET, and other relevant laws related to the Company's business. The Audit Committee concluded that the Company fully complied with the aforementioned regulatory requirements in all material aspects. In addition, the Audit Committee encouraged executives and employees of the Company to follow the policy as good corporate governance shall boost the Company's efficiency.

**6. Consider the appointment of the auditor:** The Audit Committee reviewed the performance of auditor during the past year on the basis of his/her/their reliability, independence, competency and abilities to provide services, counseling on accounting standards, auditing, and certifying financial statements in a timely manner. Based on the review, the Audit Committee recommended to the Board of Directors that EY Office Limited be appointed as the Company's auditor for the year 2016. The appointment of the audit firm and acceptance of its fees will be subjected to the approval from the 2016 Annual General Meeting of Shareholders.

In conclusion, after having thoroughly carried out its duties as defined in the Audit Committee Charter, the Audit Committee has the opinion that the Company accurately reported its financial information and operations; that not only the Company had internal-control system and internal audit in place but it also complied with relevant laws, rules and regulations; that its connected transactions were duly disclosed and the Company's operations responded to the principle of good corporate governance in an adequate, transparent and reliable manner; and that the Company constantly improved its operation systems so as to deliver quality and respond well to changing business environment.



Dr. Annop Tanlamai  
Chairman of the Audit Committee



# Independent Auditor's Report

## To the Shareholders of MK Restaurant Group Public Company Limited

I have audited the accompanying consolidated financial statements of MK Restaurant Group Public Company Limited and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of MK Restaurant Group Public Company Limited for the same period.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MK Restaurant Group Public Company Limited and its subsidiaries and of MK Restaurant Group Public Company Limited as at 31 December 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



(Kamontip Lertwitworatep)

Certified Public Accountant (Thailand) No. 4377

EY Office Limited

Bangkok: 25 February 2016

# Statements of Financial Position

MK Restaurant Group Public Company Limited and its subsidiaries  
As at 31 December 2015

		(Unit: Baht)		
Note		Consolidated financial statements		Separate financial statements
		As at 31 December 2015	As at 31 December 2014 (Restated)	As at 31 December 2015 31 December 2014
	<b>Assets</b>			
	<b>Current assets</b>			
8	Cash and cash equivalents	287,234,156	298,554,225	230,610,057
9	Short-term investments	8,590,994,671	8,358,998,398	8,210,908,401
7, 10	Trade and other receivables	108,413,866	91,695,827	215,436,881
11	Inventories	282,132,956	280,622,315	268,852,064
12	Other current assets	339,372,801	318,137,934	282,684,952
	<b>Total current assets</b>	<b>9,608,148,450</b>	<b>9,348,008,699</b>	<b>9,208,492,355</b>
	<b>Non-current assets</b>			
	Advances for purchases of building and equipment	20,884,196	15,517,961	11,823,596
13	Investments in subsidiaries	-	-	451,479,842
14	Investment in joint venture	118,317,689	133,619,393	149,207,500
15	Other long-term investment	-	-	-
16	Property, plant and equipment	4,494,044,433	4,573,331,844	3,852,688,116
17	Intangible assets	97,762,260	59,171,259	94,863,522
18	Leasehold rights	283,352,364	322,621,566	262,689,318
27	Deferred tax assets	142,361,823	120,270,357	131,662,056
	Deposits	357,428,509	305,963,469	283,910,142
	<b>Total non-current assets</b>	<b>5,514,151,274</b>	<b>5,530,495,849</b>	<b>5,238,324,092</b>
	<b>Total assets</b>	<b>15,122,299,724</b>	<b>14,878,504,548</b>	<b>14,446,816,447</b>

The accompanying notes are an integral part of the financial statements.

		Consolidated financial statements			Separate financial statements		(Unit: Baht)
	Note	As at 31 December 2015	As at 31 December 2014 (Restated)	As at 1 January 2014	As at 31 December 2015	As at 31 December 2014	
<b>Liabilities and shareholders' equity</b>							
<b>Current liabilities</b>							
	7, 19	1,390,727,041	1,443,621,893	1,839,909,888	1,238,619,357	1,311,630,972	
		200,454,032	291,714,120	229,479,338	178,076,471	260,913,843	
		41,777,654	35,565,700	35,336,088	33,383,986	27,136,421	
	20	202,204,625	197,975,016	154,421,785	173,474,802	173,578,875	
		<b>1,835,163,352</b>	<b>1,968,876,729</b>	<b>2,259,147,099</b>	<b>1,623,554,616</b>	<b>1,773,260,111</b>	
<b>Non-current liabilities</b>							
		10,103,194	11,248,395	12,478,698	10,103,194	9,230,690	
	21	269,735,741	217,677,563	191,385,272	253,231,635	204,177,990	
		9,406,579	-	-	9,406,579	-	
		<b>289,245,514</b>	<b>228,925,958</b>	<b>203,863,970</b>	<b>272,741,408</b>	<b>213,408,680</b>	
		<b>2,124,408,866</b>	<b>2,197,802,687</b>	<b>2,463,011,069</b>	<b>1,896,296,024</b>	<b>1,986,668,791</b>	

The accompanying notes are an integral part of the financial statements.



# Statements of Financial Position (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries.  
As at 31 December 2015

		Consolidated financial statements			Separate financial statements			(Unit: Baht)
	Note	As at 31 December 2015	As at 31 December 2014 (Restated)	As at 1 January 2014	As at 31 December 2015	As at 31 December 2014		
<b>Shareholders' equity</b>								
Share capital	22							
Registered								
925,850,000 ordinary shares of Baht 1 each		925,850,000	925,850,000	925,850,000	925,850,000	925,850,000		
Issued and fully paid								
910,249,500 ordinary shares of Baht 1 each (31 December 2014: 907,081,100 ordinary shares of Baht 1 each)		910,249,500	907,081,100	905,850,000	910,249,500	907,081,100		
(1 January 2014: 905,850,000 ordinary shares of Baht 1 each)								
Share premium		8,785,027,903	8,785,027,903	8,785,027,903	8,785,027,903	8,785,027,903		
Capital reserve for share-based payment transactions	23	526,724,744	325,699,406	36,070,481	526,724,744	325,699,406		
Retained earnings								
Appropriated - statutory reserve	24	92,585,000	92,585,000	92,585,000	92,585,000	92,585,000		
Unappropriated		2,675,814,277	2,563,655,462	2,695,310,003	2,235,933,276	2,125,262,204		
Other component of shareholders' equity		7,489,434	6,652,990	9,377,037	-	-		
<b>Total shareholders' equity</b>		<b>12,997,890,858</b>	<b>12,680,701,861</b>	<b>12,524,220,424</b>	<b>12,550,520,423</b>	<b>12,235,655,613</b>		
<b>Total liabilities and shareholders' equity</b>		<b>15,122,299,724</b>	<b>14,878,504,548</b>	<b>14,987,231,493</b>	<b>14,446,816,447</b>	<b>14,222,324,404</b>		

(Unit: Baht)

The accompanying notes are an integral part of the financial statements.

# Income Statements

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014 (Restated)	2015	2014
<b>Revenues</b>					
Sales and service income		14,478,221,148	14,491,693,475	12,949,263,591	13,062,304,334
Interest income		200,957,240	271,708,907	199,617,048	270,781,351
Dividend income	13	796,889	996,111	192,296,798	187,495,922
Other income	25	242,606,209	192,977,881	299,391,767	246,218,060
<b>Total revenues</b>		<u>14,922,581,486</u>	<u>14,957,376,374</u>	<u>13,640,569,204</u>	<u>13,766,799,667</u>
<b>Expenses</b>	26				
Cost of sales and services		4,944,180,605	4,984,290,059	5,014,002,959	5,036,888,270
Selling expenses		6,720,570,939	6,443,421,529	5,565,549,189	5,399,300,693
Administrative expenses		938,988,596	984,355,671	808,677,786	868,045,166
<b>Total expenses</b>		<u>12,603,740,140</u>	<u>12,412,067,259</u>	<u>11,388,229,934</u>	<u>11,304,234,129</u>
<b>Profit before share of loss from investment in joint venture and income tax expenses</b>		2,318,841,346	2,545,309,115	2,252,339,270	2,462,565,538
Share of loss from investment in joint venture	14	(16,138,148)	(11,028,797)	-	-
<b>Profit before income tax expenses</b>		2,302,703,198	2,534,280,318	2,252,339,270	2,462,565,538
Income tax expenses	27	(446,704,579)	(491,904,590)	(398,271,505)	(440,779,148)
<b>Profit for the year</b>		<u>1,855,998,619</u>	<u>2,042,375,728</u>	<u>1,854,067,765</u>	<u>2,021,786,390</u>
<b>Profit attributable to:</b>					
Equity holders of the Company		<u>1,855,998,619</u>	<u>2,042,375,728</u>	<u>1,854,067,765</u>	<u>2,021,786,390</u>
<b>Earnings per share</b>	28				
Basic earnings per share					
Profit attributable to equity holders of the Company		<u>2.04</u>	<u>2.25</u>	<u>2.04</u>	<u>2.23</u>
Diluted earnings per share					
Profit attributable to equity holders of the Company		<u>2.02</u>	<u>2.22</u>	<u>2.02</u>	<u>2.20</u>

The accompanying notes are an integral part of the financial statements.

# Statements of Comprehensive Income

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014 (Restated)	2015	2014
<b>Profit for the year</b>		<u>1,855,998,619</u>	<u>2,042,375,728</u>	<u>1,854,067,765</u>	<u>2,021,786,390</u>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currency		<u>836,444</u>	<u>(2,724,047)</u>	<u>-</u>	<u>-</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods		<u>836,444</u>	<u>(2,724,047)</u>	<u>-</u>	<u>-</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial losses	21	(25,479,080)	-	(24,925,304)	-
Less: Income tax effect		<u>5,095,817</u>	<u>-</u>	<u>4,985,061</u>	<u>-</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		<u>(20,383,263)</u>	<u>-</u>	<u>(19,940,243)</u>	<u>-</u>
<b>Other comprehensive income for the year</b>		<u>(19,546,819)</u>	<u>(2,724,047)</u>	<u>(19,940,243)</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>1,836,451,800</u>	<u>2,039,651,681</u>	<u>1,834,127,522</u>	<u>2,021,786,390</u>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		<u>1,836,451,800</u>	<u>2,039,651,681</u>	<u>1,834,127,522</u>	<u>2,021,786,390</u>

The accompanying notes are an integral part of the financial statements.



# Statements of Changes in Shareholders' Equity

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2015

(Unit: Baht)

Consolidated financial statements						
Note	Issued and paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Total shareholders equity
				Appropriated - statutory reserve	Unappropriated	
					Translation adjustment	
<b>Balance as at 1 January 2014</b>						
Profit for the year	905,850,000	8,785,027,903	36,070,481	92,585,000	2,695,310,003	12,524,220,424
Other comprehensive income for the year	-	-	-	-	-	2,042,375,728
Total comprehensive income for the year	-	-	-	-	(2,724,047)	(2,724,047)
Ordinary shares issued from exercised warrants	1,231,100	-	-	-	(2,724,047)	2,039,651,681
Recognition of expenses against capital reserve for share-based payment transactions	-	-	289,628,925	-	-	1,231,100
Dividend paid	-	-	-	-	(2,174,030,269)	289,628,925
<b>Balance as at 31 December 2014</b>	<b>907,081,100</b>	<b>8,785,027,903</b>	<b>325,699,406</b>	<b>92,585,000</b>	<b>2,563,655,462</b>	<b>12,680,701,861</b>
<b>Balance as at 1 January 2015</b>						
Profit for the year	907,081,100	8,785,027,903	325,699,406	92,585,000	2,563,655,462	12,680,701,861
Other comprehensive income for the year	-	-	-	-	1,855,998,619	1,855,998,619
Total comprehensive income for the year	-	-	-	-	(20,383,263)	(19,546,819)
Ordinary shares issued from exercised warrants	-	-	-	-	1,835,615,356	1,836,451,800
Recognition of expenses against capital reserve for share-based payment transactions	3,168,400	-	-	-	-	3,168,400
Dividend paid	-	-	201,025,338	-	-	201,025,338
<b>Balance as at 31 December 2015</b>	<b>910,249,500</b>	<b>8,785,027,903</b>	<b>526,724,744</b>	<b>92,585,000</b>	<b>2,675,814,277</b>	<b>12,997,890,858</b>

The accompanying notes are an integral part of the financial statements.

# Statements of Changes in Shareholders' Equity (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2015

(Unit: Baht)

	Note	Separate financial statements				
		Issued and paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings	Total shareholders equity
				Appropriated - statutory reserve	Unappropriated	
<b>Balance as at 1 January 2014</b>		905,850,000	8,785,027,903	36,070,481	92,585,000	12,097,039,278
Profit for the year		-	-	-	-	2,021,786,390
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-
Ordinary shares issued from exercised warrants	22, 23	1,231,100	-	-	-	1,231,100
Recognition of expenses against capital reserve for share-based payment transactions	23	-	-	289,628,925	-	289,628,925
Dividend paid	30	-	-	-	(2,174,030,080)	(2,174,030,080)
<b>Balance as at 31 December 2014</b>		<b>907,081,100</b>	<b>8,785,027,903</b>	<b>325,699,406</b>	<b>92,585,000</b>	<b>12,235,655,613</b>
<b>Balance as at 1 January 2015</b>		907,081,100	8,785,027,903	325,699,406	92,585,000	12,235,655,613
Profit for the year		-	-	-	-	1,854,067,765
Other comprehensive income for the year		-	-	-	-	(19,940,243)
Total comprehensive income for the year		-	-	-	-	1,834,127,522
Ordinary shares issued from exercised warrants	22, 23	3,168,400	-	-	-	3,168,400
Recognition of expenses against capital reserve for share-based payment transactions	23	-	-	201,025,338	-	201,025,338
Dividend paid	30	-	-	-	(1,723,456,450)	(1,723,456,450)
<b>Balance as at 31 December 2015</b>		<b>910,249,500</b>	<b>8,785,027,903</b>	<b>526,724,744</b>	<b>92,585,000</b>	<b>12,550,520,423</b>

The accompanying notes are an integral part of the financial statements.

# Cash Flow Statements

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
<b>Cash flows from operating activities</b>				
Profit before tax	2,302,703,198	2,534,280,318	2,252,339,270	2,462,565,538
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Gain on sales of short-term investments	(21,030,988)	(11,430,430)	(17,100,383)	(9,022,249)
Loss (gain) on changes in value of short-term investments	(9,109,285)	960,450	(8,494,676)	674,527
Allowance for doubtful accounts	16,138,148	11,028,797	-	-
Loss on damaged inventories	1,909,427	533,464	1,909,427	533,464
Amortisation of prepaid expenses	16,868,992	14,905,598	15,441,217	13,903,953
Depreciation and amortisation	820,638,246	745,037,109	682,527,044	615,751,585
Allowance for impairment of assets	702,477	23,592,446	702,477	23,592,446
Loss on disposals of equipment	7,855,359	12,848,844	1,971,449	7,282,863
Loss on write-off of equipment and intangible assets	83,161	3,944,315	83,104	3,856,808
Expenses for share-based payment transactions	201,025,338	289,628,925	189,919,778	274,968,770
Provision for long-term employee benefits	32,432,218	29,172,291	29,811,461	26,189,156
Realisation of gift voucher, net of sales and cash received during the year	(22,173,472)	(14,279,353)	(21,340,242)	(13,908,893)
Realisation of deferred income, net of sales and cash received during the year	(56,692,069)	(35,336,089)	(41,205,556)	(25,494,813)
Dividend income	(796,889)	(996,111)	(192,296,798)	(187,495,922)
Interest income	(200,957,240)	(271,708,907)	(199,617,048)	(270,781,351)
Profit from operating activities before changes in operating assets and liabilities	3,089,596,621	3,332,181,667	2,694,650,524	2,922,615,882

The accompanying notes are an integral part of the financial statements.



# Cash Flow Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2015

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
<b>Cash flows from operating activities (continued)</b>				
Operating assets (increase) decrease				
Trade and other receivables	2,536,556	(1,808,361)	4,140,329	(14,971,672)
Inventories	(3,420,068)	(56,246,608)	(1,471,420)	(57,120,323)
Other current assets	(36,817,317)	(1,430,464)	(21,602,408)	18,769,221
Deposits	(51,465,040)	(35,150,796)	(38,071,877)	(24,879,110)
Operating liabilities increase (decrease)				
Trade and other payables	(16,420,958)	(160,892,377)	(27,540,252)	(158,201,653)
Other current liabilities	26,403,081	57,832,586	21,236,169	54,508,891
Deferred income	61,758,822	34,335,398	48,325,625	28,509,678
Provision for long-term employee benefits	(5,853,120)	(2,880,000)	(5,683,120)	(2,750,000)
Other non-current liabilities	9,406,579	-	9,406,579	-
Cash from operating activities	3,075,725,156	3,165,941,045	2,683,390,149	2,766,480,914
Cash received from interest income	181,702,645	335,509,885	180,450,536	334,749,315
Cash paid for income tax	(554,960,316)	(485,853,836)	(497,204,004)	(439,819,170)
<b>Net cash from operating activities</b>	<b>2,702,467,485</b>	<b>3,015,597,094</b>	<b>2,366,636,681</b>	<b>2,661,411,059</b>

The accompanying notes are an integral part of the financial statements.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
<b>Cash flows from investing activities</b>				
Decrease in short-term loan to related party	-	-	-	130,000,000
Decrease (increase) in short-term investments	(201,856,000)	(9,977,689)	(84,756,000)	164,193,801
Cash paid for investment in subsidiary	-	-	(99,999,970)	(250,000,000)
Decrease (increase) in advances for purchases of building and equipment	(5,366,235)	(5,996,443)	3,694,365	(5,996,443)
Cash paid for purchases of property, plant and equipment	(741,598,857)	(1,292,251,777)	(616,508,407)	(1,130,805,939)
Cash paid for intangible assets	(52,277,018)	(14,157,832)	(51,485,961)	(13,406,447)
Proceeds from disposals of property, plant and equipment	6,801,808	1,247,345	18,786,935	10,847,300
Dividend income	796,889	996,111	192,296,798	187,495,922
<b>Net cash used in investing activities</b>	<b>(993,499,413)</b>	<b>(1,320,140,285)</b>	<b>(637,972,240)</b>	<b>(907,671,806)</b>
<b>Cash flows from financing activities</b>				
Cash received from exercised warrants	3,168,400	1,231,100	3,168,400	1,231,100
Dividend paid	(1,723,456,541)	(2,174,030,269)	(1,723,456,450)	(2,174,030,080)
<b>Net cash used in financing activities</b>	<b>(1,720,288,141)</b>	<b>(2,172,799,169)</b>	<b>(1,720,288,050)</b>	<b>(2,172,798,980)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(11,320,069)</b>	<b>(477,342,360)</b>	<b>8,376,391</b>	<b>(419,059,727)</b>
Cash and cash equivalents at beginning of year	298,554,225	775,896,585	222,233,666	641,293,393
<b>Cash and cash equivalents at end of year (Note 8)</b>	<b>287,234,156</b>	<b>298,554,225</b>	<b>230,610,057</b>	<b>222,233,666</b>
<b>Supplemental disclosure of cash flows information</b>				
Non-cash items				
Decrease in accounts payable for purchases of plant and equipment	(37,760,436)	(220,244,507)	(46,382,423)	(200,968,675)

The accompanying notes are an integral part of the financial statements.

# Notes to Consolidated Financial Statements

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 1. General information

MK Restaurant Group Public Company Limited (“the Company”) was incorporated as a limited company under Thai laws and subsequently registered the change of its status to a public limited company under the Public Limited Companies Act, and domiciled in Thailand. The Company is principally engaged in sales of foods and beverages through restaurants, under the trademark “MK Restaurants”. The registered office of the Company is at 1200 Bangna-trad Road, Bangna, Bangkok.

As at 31 December 2015, the Company had operated 452 branches (2014: 428 branches).

## 2. Basis of preparation

**2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.**

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been

translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the notes on accounting policies.

### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of MK Restaurant Group Public Company Limited (“the Company”) and its subsidiaries (“the subsidiaries”) as follows:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2015 Percent	2014 Percent
<u>Subsidiaries</u> (held by the Company)				
MK Interfood Company Limited	Restaurant	Thailand	100	100
MK Service Training Center Company Limited	Training service provider	Thailand	100	100
International Food Supply Company Limited	Manufacture and distribution of foods	Thailand	100	-



- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

### **2.3 The separate financial statements present investments in subsidiaries and joint venture under the cost method.**

## **3. New financial reporting standards**

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

### **(a) Financial reporting standards that became effective in the current year**

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to

key principles, which are summarised below.

### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

The Company and its subsidiaries have changed the recognition of actuarial gains and losses in the current year from an immediate recognition in profit or loss to an immediate recognition in other comprehensive income. However, the change does not have any impact on the financial statements for the current year and the prior years' financial statements, presented as comparative information.

### **TFRS 10 Consolidated Financial Statements**

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of TAS 27 Consolidated and Separate

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

Financial Statements dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any impact on the Company's and its subsidiaries' financial statements.

## TFRS 11 Joint Arrangements

TFRS 11 supersedes TAS 31 Interests in Joint Ventures. This standard requires an entity investing in any other entity to determine whether the entity and other investors have joint control

in the investment. When joint control exists, there is deemed to be a joint arrangement and the entity then needs to apply judgement to assess whether the joint arrangement is a joint operation or a joint venture and to account for the interest in the investment in a manner appropriate to the type of joint arrangement. If it is a joint operation, the entity is to recognise its shares of assets, liabilities, revenue and expenses of the joint operation, in proportion to its interest, in its separate financial statements. If it is a joint venture, the entity is to account for its investment in the joint venture using the equity method in the financial statements in which the equity method is applied or the consolidated financial statements (if any), and at cost in the separate financial statements.

As a result of the adoption of this standard, the Company has had to change the method used to account for its investment in one joint venture from the proportionate consolidation method to the equity method. The Company has restated the prior years' financial statements, presented as comparative information, to reflect the effect of the change. The effects of

changes in accounting policies are presented in Note 4 to the financial statements.

## TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact on the financial statements of the Company and its subsidiaries.

## TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

This standard does not have any significant impact on the Company's and its subsidiaries' financial statements.

**(b) Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new

financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's

management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

## 4. Effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3 to the financial statements, during the current year, the Company and its subsidiaries have changed some of their accounting policies, as a result of the adoption of new and revised financial reporting standards.

The amounts of adjustments affecting the consolidated statement of financial position and the consolidated income statement are summarised below.

### Statements of financial position

	As at 31 December 2014	As at 1 January 2014
Increase in investment in joint venture	133,619	147,372
Decrease in current assets	(85,478)	(102,957)
Decrease in non-current assets	(72,491)	(63,368)
Decrease in current liabilities	(24,350)	(18,953)

(Unit: Thousand Baht)

### Consolidated financial statements

	As at 31 December 2014	As at 1 January 2014
Increase in investment in joint venture	133,619	147,372
Decrease in current assets	(85,478)	(102,957)
Decrease in non-current assets	(72,491)	(63,368)
Decrease in current liabilities	(24,350)	(18,953)

(Unit: Thousand Baht)

### Consolidated financial statement

	For the year ended 31 December 2014
<b>Income statement</b>	
Decrease in revenues	(147,159)
Decrease in expenses	(158,188)
Increase in share of loss from investment in joint venture	11,029



# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 5. Significant accounting policies

### 5.1 Revenue recognition

#### *Sales and service income*

These mainly represent revenues from sales of foods and beverages through the restaurants which are recognised upon goods being delivered and services being rendered. Sales and service income are the invoiced value, excluding value added tax, of goods supplied and services rendered after deducting discounts and allowances.

#### *Membership fee*

Income from membership cards is recognised on a straight-line basis over the membership period.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

#### *Other income*

Other income is recognised on an accrual basis.

### 5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### 5.3 Trade accounts receivable

Trade accounts receivable are stated at their net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

### 5.4 Inventories

Finished goods are valued at the lower of cost (first-in, first-out method) and net realisable value. Cost is defined as all the costs of production including labour cost and attributable factory overheads.

Raw materials and supplies are valued at the lower of cost (first-in, first-out method) and net realisable value, and are charged to production costs whenever consumed.

### 5.5 Investments

a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.

b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

c) Investment in joint venture is accounted for in the consolidated financial statements using the equity method.

d) Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method.

The fair value of unit trusts is determined from their net asset value.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

### 5.6 Property, plant and equipment and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Land improvement	5 years
Building	20 years
Leasehold improvement	Lease term
Utility system	10 years
Kitchen utensils and operating equipment	5 years
Machinery and equipment	5 years and 8 years
Furniture, fixtures and office equipment	3 years and 5 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and equipment under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in the income statement when the asset is derecognised.

## 5.7 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may

be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of intangible assets with finite useful lives is as below.

	<u>Useful lives</u>
Computer software	5 years and 10 years

## 5.8 Leasehold rights and amortisation

Leasehold rights are stated at cost less accumulated amortisation and allowance for loss on impairment of assets (if any).

Amortisation of leasehold rights is calculated by reference to their costs on the straight-line basis over the lease period and included in determining income.

## 5.9 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

## 5.10 Operating leases

Leases of assets which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases. Operating lease payments are recognised as expenses in

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

profit or loss on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## 5.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

## 5.12 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment

reviews in respect of the property, plant and equipment, intangible assets and leasehold rights whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

## 5.13 Equity-settled share-based payment transactions

The Company recognises share-based payment transactions as expenses in profit or loss when services from employees are rendered, based on the fair value of the share options on the grant date. The expenses are recorded over the vesting period, in accordance with the conditions regarding length of service rendered by employees stipulated in the share-based payment plan, together with a corresponding increase in "Capital reserve for share-based payment transactions" in shareholders' equity.

## 5.14 Employee benefits

### *Short-term benefits*

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

### *Post-employment benefits and other long-term employee benefits*

#### *Defined contribution plans*

The Company, the subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by the employees, the Company and the subsidiaries. The fund's assets are held in a separate trust fund and the Company and the subsidiaries' contributions are recognised as expenses when incurred.

#### *Defined benefit plans and other long-term employee benefits*

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other



long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term employee benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings of 2011.

### 5.15 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of

resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 5.16 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

#### Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

#### Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable

profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

### 5.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

quoted market price is not available, the Company and its subsidiaries measure fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair

value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## 6. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into

consideration terms and conditions of the arrangement.

### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### Impairment of other investment

The Company and its subsidiaries treat other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement of the management.

### Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management

exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (both bank and counterparty), liquidity, correlation and long-term volatility of financial instruments. Change in assumptions about these factors could affect the disclosures of fair value hierarchy.

### Property, plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of plant and equipment and to review estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### Equity-settled share-based payment transactions

In estimating fair value for share-based payment transactions, the management is required to exercise judgement and to apply various assumptions, including the expected life of the share options, share price volatility and dividend yield.

### Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plan is determined based on actuarial

techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 7. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised as follows, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and its subsidiaries and those related parties.

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2015	2014	2015	2014	
<b>Transactions with subsidiaries</b>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	833	759	Cost plus margin at the rate of 8% and 10%
Sublease and subservice income	-	-	25	20	At the rate stipulated in the agreements
Management service income	-	-	54	54	At the rate of 4% of sales and service income (after output VAT deduction) with a maximum of Baht 4 million per month and at the rate of Baht 0.5 million per month
Dividend income	-	-	191	187	At the declared rate
Interest income	-	-	-	1	At the rate as stipulated on promissory note of a commercial bank
Sales of fixed assets	-	-	12	10	Net book value plus margin
Training expenses	-	-	76	78	Market price
<b>Transactions with related companies</b>					
Royalty fee income	5	5	5	5	At the rate of 0.5% of gross sales per month
Royalty fee expenses	47	44	-	-	At the rate of 2% of net sales per month
Rental expenses for operating equipment	39	36	28	25	Market price
Purchases of fixed assets	1	2	1	2	Market price
Rental expenses for land and construction thereon	31	28	31	28	At the rate stipulated in the agreement



As at 31 December 2015 and 2014, the balances of the accounts between the Company and its subsidiaries and those related parties are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
<b>Trade and other receivables - related parties (Note 10)</b>				
Subsidiary	-	-	113,273,513	103,889,015
Related companies (related by common directors)	707,866	598,127	707,866	598,127
Total trade and other receivables - related parties	707,866	598,127	113,981,379	104,487,142
<b>Other accounts payable - related parties (Note 19)</b>				
Subsidiaries	-	-	4,775,506	5,528,576
Related companies (related by common directors)	15,690,060	8,552,384	9,914,235	3,099,939
Total other accounts payable - related parties	15,690,060	8,552,384	14,689,741	8,628,515

### Significant agreements with related parties

#### Franchise agreement for use of trademark, servicemark and operating license

On 10 February 1994, the Company entered into a franchise agreement with Plenus-MK Limited, a related party in Japan, in order to grant the latter the right to use the trademark and the servicemark of "MK Restaurants" in its operating of the Thai-style

Sukiyaki restaurants in Japan. An initial franchise fee was Yen 25 million which was fully paid to the Company in 2002. A monthly royalty fee is charged at a rate of 0.5% of gross sales. The agreement shall continue for a term of three years, and thereafter shall be automatically renewed on a three-year basis until being terminated by either party by giving a written notice

180 days prior to the expiration of such agreement.

#### Management service agreements

On 17 February 2014, the Company entered into a management service agreement with MK Interfood Company Limited ("MKI"), whereby the Company agreed to provide management service to MKI in areas of branch operations,

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

business development, engineering, procurement, marketing, accounting and finance, human resources and quality assurance. MKI agreed to pay management fee to the Company at a rate of 4% of sales and service income (after output VAT deduction) with a maximum of Baht 4 million per month. The agreement is effective for a period of two years, from 1 March 2014 to 28 February 2016, and shall be automatically extended for another two years until MKI gives a written notice of termination three months prior to its expiration.

On 20 December 2013, the Company entered into a management service agreement with MK Service Training Center Company Limited ("MKS"), whereby the Company agreed to provide management service to MKS in areas of procurement, accounting and finance, human resources and service training. MKS agreed to pay management fee to the Company at a rate of Baht 500,000 per month. The agreement is effective for a period of two years, from 1 January 2014 to 31 December 2015, and shall be automatically extended for another two years until MKS gives a written notice

of termination three months prior to its expiration.

## Sublease and subservice agreements

The Company entered into several sublease and subservice agreements, granting nine leasehold rights to MK Interfood Company Limited ("MKI"). Sublease and subservice fees are charged according to the terms of the agreements. The agreements are effective for a period of three years and will be renewed automatically for another three years unless MKI has breached them.

## Land, building and warehouse lease agreement

The Company entered into a lease agreement for land, building and warehouse with Global Asset Development Co., Ltd., whereby the latter agrees to lease land and construction thereon under six title deeds to the Company and the Company agrees to pay the rental fee to Global Asset Development Co., Ltd. in a total amount of Baht 1.47 million per month, effective from 1 January 2012 to 31 December 2014. The agreement states that the Company shall begin to pay the monthly rent from 1 November 2012 onwards. In addition, the

Company shall give a written notice to extend the agreement at least 90 days prior to the expiry date.

On 1 December 2014, the Company and Global Asset Development Co., Ltd. entered into a new lease agreement for land, building and warehouse, under which the Company agrees to pay the rental fee to Global Asset Development Co., Ltd. in a total amount of Baht 1.69 million per month, effective from 1 January 2015 to 31 December 2017. In addition, the Company shall give a written notice to extend the agreement at least 90 days prior to the expiry date.

## Land and distribution center building lease agreement

On 1 March 2013, the Company entered into a lease agreement for lease of land and distribution center building with Global Asset Development Co., Ltd., whereby the latter agrees to lease land and distribution center building to the Company and the Company agrees to pay the rental fee to Global Asset Development Co., Ltd. at the rate stipulated in the agreement. The lease agreement is for a period of 20 years, effective from 1 November 2013 to 31 October 2033.

The agreement states that the Company shall begin to pay the monthly rent from 1 November 2013 onwards. In addition, the Company shall give a written notice to extend the agreement at least 90 days prior to the expiry date.

### Directors and management's benefits

During the years ended 31 December 2015 and 2014, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	(Unit: Million Baht)	
	Consolidated financial statements/ Separate financial statements	
	2015	2014
Short-term employee benefits	102	134
Post-employment benefits	4	4
Share-based payment	27	44
<b>Total</b>	<b>133</b>	<b>182</b>

During the years 2015 and 2014, the Company and its subsidiaries had not paid post-employment benefits to their directors and management.

## 8. Cash and cash equivalents

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
		(Restated)		
Cash	156,909,835	156,777,245	135,775,847	136,895,549
Bank deposits	130,324,321	141,776,980	94,834,210	85,338,117
<b>Total</b>	<b>287,234,156</b>	<b>298,554,225</b>	<b>230,610,057</b>	<b>222,233,666</b>

As at 31 December 2015, bank deposits in savings accounts carried interests between 0.05 and 0.40 percent per annum (2014: 0.05 and 0.50 percent per annum).

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 9. Short-term investments

9.1 As at 31 December 2015 and 2014, short-term investments consisted of the following:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Fixed deposits	4,850,000,000	7,660,144,000	4,800,000,000	7,530,144,000
Investments in trading securities (Note 9.2)	3,740,994,671	698,854,398	3,410,908,401	570,413,342
<b>Total</b>	<b>8,590,994,671</b>	<b>8,358,998,398</b>	<b>8,210,908,401</b>	<b>8,100,557,342</b>

As at 31 December 2015, fixed deposits carried interests between 1.90 and 2.60 percent per annum (2014: 2.50 and 3.25 percent per annum).

9.2 As at 31 December 2015 and 2014, investments in trading securities are summarised below.

(Unit: Baht)

	Consolidated financial statements			
	2015		2014	
	Cost	Fair value	Cost	Fair value
Asset Plus Fixed Income Dividend Fund 2	20,000,000	20,311,507	20,000,000	20,497,403
Krungsri Cash Plus Fund	-	-	544,279,854	544,485,923
Krungsri Star Plus Fund	945,587,301	946,516,399	-	-
SCB Treasury Money Open End Fund	-	-	133,709,576	133,836,788
SCB Specific Fixed Income Plus Open End (Fund - I)	2,765,433,117	2,774,131,966	-	-
K Money Market Fund	32,020	34,799	32,020	34,284
Total short-term investments in trading securities	3,731,052,438	3,740,994,671	698,021,450	698,854,398
Add: Gain on change in value	9,942,233		832,948	
<b>Total short-term investments in trading securities</b>	<b>3,740,994,671</b>		<b>698,854,398</b>	



(Unit: Baht)

	Separate financial statements			
	2015		2014	
	Cost	Fair value	Cost	Fair value
Asset Plus Fixed Income Dividend Fund 2	20,000,000	20,311,507	20,000,000	20,497,403
Krungsri Cash Plus Fund	-	-	415,885,007	416,044,867
Krungsri Star Plus Fund	616,161,849	616,430,129	-	-
SCB Treasury Money Open End Fund	-	-	133,709,576	133,836,788
SCB Specific Fixed Income Plus Open End (Fund - I)	2,765,433,117	2,774,131,966	-	-
K Money Market Fund	32,020	34,799	32,020	34,284
Total short-term investments in trading securities	3,401,626,986	<u>3,410,908,401</u>	569,626,603	<u>570,413,342</u>
Add: Gain on change in value	<u>9,281,415</u>		<u>786,739</u>	
<b>Total short-term investments in trading securities</b>		<b><u>3,410,908,401</u></b>		<b><u>570,413,342</u></b>

Movements of short-term investments in trading securities for the years ended 31 December 2015 and 2014 are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Balance at beginning of year</b>	698,854,398	338,550,729	570,413,342	256,403,421
Purchases	14,440,517,326	10,576,146,940	12,556,817,326	8,705,500,000
Sales	(11,428,517,326)	(10,226,313,251)	(9,741,917,326)	(8,399,837,801)
Gain on sales of investments	21,030,988	11,430,430	17,100,383	9,022,249
Gain (loss) on change in value	<u>9,109,285</u>	<u>(960,450)</u>	<u>8,494,676</u>	<u>(674,527)</u>
<b>Balance at end of year</b>	<b><u>3,740,994,671</u></b>	<b><u>698,854,398</u></b>	<b><u>3,410,908,401</u></b>	<b><u>570,413,342</u></b>

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 10. Trade and other receivables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
<b>Trade accounts receivable - related parties</b>				
Aged on the basis of due dates				
Not yet due	-	-	87,433,535	79,271,777
Total trade accounts receivable - related parties	-	-	87,433,535	79,271,777
<b>Trade accounts receivable - unrelated parties</b>				
Aged on the basis of due dates				
Not yet due	27,433,847	26,259,178	23,854,625	23,596,722
Total trade accounts receivable - unrelated parties	27,433,847	26,259,178	23,854,625	23,596,722
Total trade accounts receivable	27,433,847	26,259,178	111,288,160	102,868,499
<b>Other receivables</b>				
Other receivables - related parties	707,866	598,127	26,547,844	25,215,365
Advances	15,427,571	10,079,592	13,691,553	8,458,804
Accrued interest receivable	49,538,822	30,284,227	49,283,753	30,117,241
Others	17,884,070	27,053,013	17,203,881	25,223,539
Total other receivables	83,558,329	68,014,959	106,727,031	89,014,949
Less: Allowance for doubtful accounts	(2,578,310)	(2,578,310)	(2,578,310)	(2,578,310)
Total other receivables - net	80,980,019	65,436,649	104,148,721	86,436,639
<b>Total trade and other receivables - net</b>	<b>108,413,866</b>	<b>91,695,827</b>	<b>215,436,881</b>	<b>189,305,138</b>

## 11. Inventories

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
Finished goods	189,752,391	167,821,422	179,607,526	158,499,712
Raw materials	19,574,307	31,144,849	19,574,308	31,144,849
Supplies	72,806,258	81,656,044	69,670,230	79,645,510
<b>Total</b>	<b>282,132,956</b>	<b>280,622,315</b>	<b>268,852,064</b>	<b>269,290,071</b>

## 12. Other current assets

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
Bank receivable - cash transferred to bank for payment of debts	284,868,705	264,405,696	238,260,220	228,939,116
Prepaid expenses	14,165,370	18,638,811	12,280,273	16,690,800
Undue input VAT	29,454,244	26,154,764	22,334,812	21,827,316
Others	10,884,482	8,938,663	9,809,647	8,155,469
<b>Total</b>	<b>339,372,801</b>	<b>318,137,934</b>	<b>282,684,952</b>	<b>275,612,701</b>

# Notes to Consolidated Financial Statements

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2015

## 13. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received for the year ended 31 December
	2015	2014	2015 (Percent)	2014 (Percent)	2015	2014	
MK Interfood Company Limited	400,000,000	400,000,000	100	100	299,049,977	299,049,977	119,999,944
MK Service Training Center Company Limited	35,000,000	35,000,000	100	100	52,429,895	52,429,895	66,499,867
International Food Supply Company Limited	100,000,000	-	100	-	99,999,970	-	-
<b>Total</b>					<b><u>451,479,842</u></b>	<b><u>351,479,872</u></b>	<b><u>186,499,811</u></b>

(Unit: Baht)

On 11 August 2015, the Meeting of the Board of Directors of the Company passed a resolution to approve the incorporation of International Food Supply Company Limited ("a subsidiary") with the registered share capital of Baht 100 million (10 million ordinary shares at a par value of Baht 10 per share) being engaged in the manufacture and distribution of foods. The Company holds 100% interest in this new subsidiary.



## 14. Investment in joint venture

### 14.1 Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other company. Details of this investment are as follows:

Joint venture	Nature of business	Paid-up capital (Singapore dollar)	Shareholding percentage		Consolidated financial statements		Separate financial statements	
			2015 (Percent)	2014 (Percent)	2015	2014	2015	2014
Plenus and MK Pte Ltd.	Restaurant	298,414	50	50	118,317,689	133,619,393	149,207,500	149,207,500
Total investment in joint venture					<u>118,317,689</u>	<u>133,619,393</u>	<u>149,207,500</u>	<u>149,207,500</u>

(Unit: Baht)

### 14.2 Share of loss

During the years, share of loss from investment in joint venture in the consolidated financial statements was as follows:

	Consolidated financial statements	
	2015	2014
Joint venture		
Share of loss from investment in joint venture for the years ended 31 December		
	2015	2014
Plenus and MK Pte Ltd.	(16,138)	(11,029)

(Unit: Thousand Baht)

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 14.3 Summarised financial information about joint venture

Plenus and MK Pte Ltd

Summarised information about financial position

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Current assets	170,343	170,738
Non-current assets	113,133	144,982
Total assets	283,476	315,720
Current liabilities	46,841	48,481
Total liabilities	46,841	48,481
<b>Net assets</b>	<b>236,635</b>	<b>267,239</b>
Shareholding percentage (%)	50	50
<b>Share of net assets</b>	<b>118,318</b>	<b>133,619</b>
<b>Carrying amounts of joint venture based on equity method</b>	<b>118,318</b>	<b>133,619</b>

## Summarised information about comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Revenue	325,400	291,037
Other income	6,432	3,280
Cost of sales	(84,848)	(73,083)
Selling and administrative expenses	(279,259)	(243,292)
Loss for the year	(32,276)	(22,057)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(32,276)</b>	<b>(22,057)</b>
Shareholding percentage (%)	50	50
Comprehensive income as shareholding percentage	(16,138)	(11,029)
<b>Share of loss from investment in joint venture</b>	<b>(16,138)</b>	<b>(11,029)</b>

## 15. Other long-term investment

(Unit: Baht)

	Consolidated financial statements/ Separate financial statements	
	2015	2014
<b><u>Other investment</u></b>		
Oversea non-marketable securities - cost	7,278,275	7,278,275
Less: Allowance for impairment	(7,278,275)	(7,278,275)
Other investment - net	-	-

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 16. Property, plant and equipment

	Land	Land improvement	Building	Leasehold improvement
<b>Cost</b>				
31 December 2013 - restated	333,100,308	22,006,796	419,952,921	1,484,351,553
Additions	-	117,749	4,096,395	44,946,185
Transfers in (out)	-	-	-	686,534,857
Disposals/write-off	-	-	(275,426)	(19,187,198)
31 December 2014 - restated	333,100,308	22,124,545	423,773,890	2,196,645,397
Additions	-	24,200	2,620,973	12,556,379
Transfers in (out)	-	-	96,645,546	123,049,179
Disposals/write-off	-	-	-	(25,603,595)
31 December 2015	333,100,308	22,148,745	523,040,409	2,306,647,360
<b>Accumulated depreciation</b>				
31 December 2013 - restated	-	6,210,451	215,784,042	450,272,364
Depreciation for the year	-	4,269,625	21,163,493	130,799,507
Transfers in (out)	-	-	-	(101,830)
Depreciation on disposals/write-off	-	-	(112,626)	(9,652,590)
31 December 2014 - restated	-	10,480,076	236,834,909	571,317,451
Depreciation for the year	-	3,567,280	24,972,176	139,687,728
Depreciation on disposals/write-off	-	-	-	(21,016,878)
31 December 2015	-	14,047,356	261,807,085	689,988,301
<b>Allowance for impairment loss</b>				
31 December 2013	-	-	-	-
Increase during the year	-	-	-	-
31 December 2014	-	-	-	-
Increase during the year	-	-	-	-
31 December 2015	-	-	-	-
<b>Net book value</b>				
31 December 2014 - restated	333,100,308	11,644,469	186,938,981	1,625,327,946
31 December 2015	333,100,308	8,101,389	261,233,324	1,616,659,059

### Depreciation for the year

2014 (Baht 132.5 million included in producing cost, and the balance in selling and administrative expenses)

2015 (Baht 152.7 million included in producing cost, and the balance in selling and administrative expenses)



(Unit: Baht)

## Consolidated financial statements

Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture and fixtures and office equipment	Motor vehicles	Construction in progress and equipment under installation	Total
1,489,724,134	1,237,021,417	15,695,748	2,161,983,929	203,093,332	964,745,611	8,331,675,749
46,362,098	161,089,393	7,463,279	86,988,856	10,675,252	710,268,064	1,072,007,271
501,018,194	53,376,606	82,307,583	149,427,450	33,512,779	(1,506,177,469)	-
(16,750,731)	(2,637,206)	(32,000)	(32,766,558)	(7,196,038)	-	(78,845,157)
2,020,353,695	1,448,850,210	105,434,610	2,365,633,677	240,085,325	168,836,206	9,324,837,863
14,466,303	117,180,385	16,249,889	81,076,325	3,907,710	455,756,257	703,838,421
138,515,364	28,116,557	6,662,735	113,185,755	15,084,112	(521,259,248)	-
(22,717,553)	(5,106,026)	-	(62,578,619)	(21,242,535)	-	(137,248,328)
2,150,617,809	1,589,041,126	128,347,234	2,497,317,138	237,834,612	103,333,215	9,891,427,956
698,433,379	828,362,690	10,063,020	1,678,399,970	135,011,579	-	4,022,537,495
157,481,989	143,807,987	15,786,087	195,562,497	23,584,148	-	692,455,333
(109,932)	19,958,751	1,141,900	(20,888,889)	-	-	-
(10,019,230)	(1,526,408)	(31,999)	(32,357,135)	(7,196,018)	-	(60,896,006)
845,786,206	990,603,020	26,959,008	1,820,716,443	151,399,709	-	4,654,096,822
177,382,002	157,510,871	36,920,034	199,241,865	28,402,311	-	767,684,267
(16,648,702)	(1,770,029)	-	(61,831,260)	(21,242,371)	-	(122,509,240)
1,006,519,506	1,146,343,862	63,879,042	1,958,127,048	158,559,649	-	5,299,271,849
-	73,816,751	-	-	-	-	73,816,751
-	23,592,446	-	-	-	-	23,592,446
-	97,409,197	-	-	-	-	97,409,197
-	702,477	-	-	-	-	702,477
-	98,111,674	-	-	-	-	98,111,674
1,174,567,489	360,837,993	78,475,602	544,917,234	88,685,616	168,836,206	4,573,331,844
1,144,098,303	344,585,590	64,468,192	539,190,090	79,274,963	103,333,215	4,494,044,433
						692,455,333
						767,684,267

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

	Land	Land improvement	Building	Leasehold improvement
<b>Cost</b>				
31 December 2013	311,361,198	22,006,796	362,213,546	1,269,921,778
Additions	-	117,749	4,096,395	40,556,741
Transfers in (out)	-	-	-	660,245,217
Disposals/write-off	-	-	(275,426)	(15,906,089)
31 December 2014	311,361,198	22,124,545	366,034,515	1,954,817,647
Additions	-	24,200	1,383,987	10,439,068
Transfers in (out)	-	-	96,645,546	102,360,711
Disposals/write-off	-	-	-	(22,774,268)
31 December 2015	311,361,198	22,148,745	464,064,048	2,044,843,158
<b>Accumulated depreciation</b>				
31 December 2013	-	6,210,451	204,413,956	406,955,095
Depreciation for the year	-	4,269,625	18,276,529	114,947,989
Transfers in (out)	-	-	-	(17,366)
Depreciation on disposals/write-off	-	-	(112,626)	(8,708,597)
31 December 2014	-	10,480,076	222,577,859	513,177,121
Depreciation for the year	-	3,567,280	22,053,731	122,434,340
Depreciation on disposals/write-off	-	-	-	(20,419,114)
31 December 2015	-	14,047,356	244,631,590	615,192,347
<b>Allowance for impairment loss</b>				
31 December 2013	-	-	-	-
Increase during the year	-	-	-	-
31 December 2014	-	-	-	-
Increase during the year	-	-	-	-
31 December 2015	-	-	-	-
<b>Net book value</b>				
31 December 2014	311,361,198	11,644,469	143,456,656	1,441,640,526
31 December 2015	311,361,198	8,101,389	219,432,458	1,429,650,811

## Depreciation for the year

2014 (Baht 130.2 million included in producing cost, and the balance in selling and administrative expenses)

2015 (Baht 150.1 million included in producing cost, and the balance in selling and administrative expenses)

(Unit: Baht)

### Separate financial statements

Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture and fixtures and office equipment	Motor vehicles	Construction in progress and equipment under installation	Total
1,254,945,910	964,665,264	15,695,748	1,918,012,855	203,093,332	960,693,991	7,282,610,418
39,717,203	129,902,736	7,463,279	74,177,173	10,675,252	623,130,736	929,837,264
470,010,891	26,418,961	82,307,583	138,268,878	33,512,779	(1,410,764,309)	-
(12,724,693)	(7,817,342)	(32,000)	(31,171,684)	(7,196,038)	(4,191,770)	(79,315,042)
1,751,949,311	1,113,169,619	105,434,610	2,099,287,222	240,085,325	168,868,648	8,133,132,640
12,371,214	106,280,047	8,049,500	63,796,724	3,907,710	363,873,534	570,125,984
115,009,713	25,490,266	-	89,138,565	15,084,112	(443,728,913)	-
(19,692,750)	(11,222,945)	-	(61,566,450)	(21,242,535)	(4,988,160)	(141,487,108)
1,859,637,488	1,233,716,987	113,484,110	2,190,656,061	237,834,612	84,025,109	8,561,771,516
629,763,176	679,098,390	10,063,020	1,538,293,734	135,011,579	-	3,609,809,401
132,188,653	104,253,558	15,786,087	152,275,247	23,584,147	-	565,581,835
(106,478)	6,814,768	1,141,900	(7,832,824)	-	-	-
(8,588,150)	(1,584,028)	(31,999)	(31,110,562)	(7,196,018)	-	(57,331,980)
753,257,201	788,582,688	26,959,008	1,651,625,595	151,399,708	-	4,118,059,256
149,498,346	127,172,583	20,002,788	158,942,716	28,402,310	-	632,074,094
(15,668,519)	(2,174,359)	-	(61,142,497)	(21,242,371)	-	(120,646,860)
887,087,028	913,580,912	46,961,796	1,749,425,814	158,559,647	-	4,629,486,490
-	55,301,987	-	-	-	-	55,301,987
-	23,592,446	-	-	-	-	23,592,446
-	78,894,433	-	-	-	-	78,894,433
-	702,477	-	-	-	-	702,477
-	79,596,910	-	-	-	-	79,596,910
998,692,110	245,692,498	78,475,602	447,661,627	88,685,617	168,868,648	3,936,178,951
972,550,460	240,539,165	66,522,314	441,230,247	79,274,965	84,025,109	3,852,688,116
						565,581,835
						632,074,094

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

As at 31 December 2015 and 2014, certain equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross

carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 2,893

million and Baht 2,819 million, respectively (the Company only: Baht 2,656 million and Baht 2,637 million, respectively).

## 17. Intangible assets

Details of intangible assets which are computer software are as follows:

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
31 December 2013 - restated	95,949,081	91,971,728
Additions	14,157,833	13,406,447
Disposals/write-off	(315,622)	(35,622)
31 December 2014 - restated	109,791,292	105,342,553
Additions	52,277,018	51,485,961
Disposals/write-off	(87,860)	(87,860)
31 December 2015	161,980,450	156,740,654
<b>Accumulated amortisation</b>		
31 December 2013 - restated	40,726,715	39,125,080
Amortisation for the year	10,117,587	9,683,986
Amortisation on disposals/write-off	(224,269)	(31,713)
31 December 2014 - restated	50,620,033	48,777,353
Amortisation for the year	13,684,777	13,186,399
Amortisation on disposals/write-off	(86,620)	(86,620)
31 December 2015	64,218,190	61,877,132
<b>Net book value</b>		
31 December 2014 - restated	59,171,259	56,565,200
31 December 2015	97,762,260	94,863,522
<b>Amortisation for the year</b>		
2014	10,117,587	9,683,986
2015	13,684,777	13,186,399



## 18. Leasehold rights

(Unit: Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
1 January 2014	1,058,827,290	1,022,447,531
31 December 2014	1,058,827,290	1,022,447,531
31 December 2015	1,058,827,290	1,022,447,531
<b>Accumulated amortisation</b>		
1 January 2014	693,741,535	682,005,898
Amortisation for the year	42,464,189	40,485,764
31 December 2014	736,205,724	722,491,662
Amortisation for the year	39,269,202	37,266,551
31 December 2015	775,474,926	759,758,213
<b>Net book value</b>		
31 December 2014	322,621,566	299,955,869
31 December 2015	283,352,364	262,689,318
<b>Amortisation for the year</b>		
2014	42,464,189	40,485,764
2015	39,269,202	37,266,551

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 19. Trade and other payables

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
Trade accounts payable - unrelated parties	395,301,098	413,415,479	391,084,489	409,934,979
Other accounts payable - related parties	15,690,060	8,552,384	14,689,741	8,628,515
Other accounts payable - unrelated parties	111,671,523	78,891,780	95,537,615	73,010,450
Other accounts payable - unrelated parties (purchases of fixed assets)	164,175,780	200,649,673	140,313,398	185,784,760
Accrued expenses	687,927,585	726,929,752	581,965,627	620,030,342
Others	<u>15,960,995</u>	<u>15,182,825</u>	<u>15,028,487</u>	<u>14,241,926</u>
<b>Total</b>	<b><u>1,390,727,041</u></b>	<b><u>1,443,621,893</u></b>	<b><u>1,238,619,357</u></b>	<b><u>1,311,630,972</u></b>

## 20. Other current liabilities

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
Property tax payable	78,173,962	75,966,650	64,736,476	65,524,810
Value added tax payable	65,112,263	60,023,458	57,183,550	52,611,543
Unearned income - gift voucher	14,005,360	21,158,554	13,389,960	20,438,314
Withholding tax payable, provident fund and social security fund payable	31,563,523	25,306,529	27,431,135	22,090,532
Others	13,349,517	15,519,825	10,733,681	12,913,676
<b>Total</b>	<b>202,204,625</b>	<b>197,975,016</b>	<b>173,474,802</b>	<b>173,578,875</b>

## 21. Provision for long-term employee benefits

### 21.1 Defined contribution plans

The Company, its subsidiaries and their permanent employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. Such fund is monthly contributed by both the employees, the Company and its subsidiaries at rates of 2 percent of the employees'

basic salaries. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2015, the contribution of the Company and its subsidiaries amounting to Baht 37.9 million

(2014: Baht 37.7 million) and of the Company amounting to Baht 34.4 million (2014: Baht 34.2 million) were recognised as expenses.

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 21.2 Defined benefit plans and other long-term employee benefits

(Unit: Baht)

	Consolidated financial statements		
	Employee retirement benefits	Other long-term employee benefits	Total
<b>Provision for long-term employee benefits as at 1 January 2014</b>	161,511,042	29,874,230	191,385,272
Included in profit or loss:			
Current service cost	17,905,001	3,546,866	21,451,867
Interest cost	6,582,064	1,138,360	7,720,424
Benefits paid during the year	-	(2,880,000)	(2,880,000)
<b>Provision for long-term employee benefits as at 31 December 2014</b>	185,998,107	31,679,456	217,677,563
Included in profit or loss:			
Current service cost	20,016,452	7,578,203	27,594,655
Interest cost	7,432,540	1,224,268	8,656,808
Actuarial loss (gain)			
Financial assumptions changes	-	916,501	916,501
Experience adjustments	-	(4,735,746)	(4,735,746)
Included in other comprehensive income:			
Actuarial loss			
Financial assumptions changes	20,226,162	-	20,226,162
Experience adjustments	5,252,918	-	5,252,918
Benefits paid during the year	(893,120)	(4,960,000)	(5,853,120)
<b>Provision for long-term employee benefits as at 31 December 2015</b>	<u>238,033,059</u>	<u>31,702,682</u>	<u>269,735,741</u>



(Unit: Baht)

	Separate financial statements		
	Employee retirement benefits	Other long-term employee benefits	Total
<b>Provision for long-term employee benefits as at 1 January 2014</b>	153,021,434	27,717,400	180,738,834
Included in profit or loss:			
Current service cost	16,077,415	2,825,598	18,903,013
Interest cost	6,233,971	1,052,172	7,286,143
Benefits paid during the year	-	(2,750,000)	(2,750,000)
<b>Provision for long-term employee benefits as at 31 December 2014</b>	175,332,820	28,845,170	204,177,990
Included in profit or loss:			
Current service cost	18,012,079	6,709,658	24,721,737
Interest cost	6,995,259	1,107,928	8,103,187
Actuarial loss (gain)			
Financial assumptions changes	-	809,490	809,490
Experience adjustments	-	(3,822,953)	(3,822,953)
Included in other comprehensive income:			
Actuarial loss			
Financial assumptions changes	18,845,280	-	18,845,280
Experience adjustments	6,080,024	-	6,080,024
Benefits paid during the year	(893,120)	(4,790,000)	(5,683,120)
<b>Provision for long-term employee benefits as at 31 December 2015</b>	<u>224,372,342</u>	<u>28,859,293</u>	<u>253,231,635</u>

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cost of sales and services	2,050,798	2,004,556	2,050,798	2,004,556
Selling expenses	24,777,426	21,919,833	22,740,904	19,397,252
Administrative expenses	5,603,994	5,247,902	5,019,759	4,787,348
<b>Total expenses recognised in profit or loss</b>	<b>32,432,218</b>	<b>29,172,291</b>	<b>29,811,461</b>	<b>26,189,156</b>

The Company and its subsidiaries expect to pay Baht 25.23 million for long-term employee benefits during the next year (separate financial statements: Baht 24.67

million) (2014: Baht 5.85 million, separate financial statements: Baht 5.68 million).

As at 31 December 2015, the weighted average duration of the

liabilities for long-term employee benefits are 22 years (Separate financial statements: 22 years) (2014: 24 years, separate financial statements 24 years).

Significant actuarial assumptions are summarised below.

	(Unit: % per annum)	
	Consolidated financial statements/ Separate financial statements	
	2015	2014
Discount rate	3.5	4.1
Future salary increase rate (depending on age of employees)	4.0 - 6.0	4.0 - 6.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2015 are summarised below.

(Unit: Million Baht)

#### Consolidated financial statements

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Employee retirement benefits	(32.4)	39.7	38.8	(32.4)
Other long-term employee benefits	(1.5)	1.6	-	-

(Unit: Million Baht)

#### Separate financial statements

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Employee retirement benefits	(30.2)	36.9	36.1	(30.2)
Other long-term employee benefits	(1.3)	1.5	-	-

## 22. Share capital

As at 31 December 2015, the Company's issued and paid-up share capital had increased from Baht 907.08 million (907.08 million ordinary shares of Baht 1 each) to Baht 910.25 million (910.25 million ordinary shares of Baht 1 each) as a result of the exercise of the warrants (M-WA) to ordinary shares amounting to Baht 3.17 million (3.17 million ordinary shares of Baht 1 each) (2014: Baht 1.23 million,

1.23 million ordinary shares of Baht 1 each).

The Company registered the corresponding increase in its issued and paid-up share capital with the Ministry of Commerce on 12 January 2015 and 9 October 2015.

## 23. Warrants

On 18 September 2012, the Extraordinary Meeting of Shareholders of the Company passed a special resolution to issue and offer 20,000,000

registered warrants (the warrants are exercisable within 5 years after the warrants are issued with the exercise price of Baht 1 per 1 ordinary share) to the management including the management in the director position and employees of the Company and/or employees of the subsidiaries of the Company at free of charge. Such warrants identify the name of the holder and are non-transferable unless being transferred as inheritance or transferred to heirs or legal representatives or transferred in

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

any case deemed appropriate by a committee. The warrants are to be a reward for the work of the management and staff as well as for the warrant holders to take part in the Company's ownership. The Company will allocate the warrants to its owners within one year from the date of approval for issuance of warrants from the meeting of shareholders of the Company.

On 26 February 2013, the Meeting of the Board of Directors of the Company passed a resolution to amend type of warrants to be specific name and non-transferable warrants. The transfer of warrant can be conducted only in the case when the management and employees pass away.

On 7 August 2013, the Company allocated and issued 20,000,000 warrants to the management including the management in the director position and employees of the Company and/or employees of the subsidiaries of the Company at free of charge ("ESOP" or "M-WA"). The exercise period is within 5 years commencing on 7 August 2013, and the warrants can be exercised to acquire the new ordinary shares of the Company for totaling 17 times. The warrants are first exercisable after 1 year since

the date that the Company allotted and issued the warrants, with the first exercise date falling on 30 September 2014. The following exercise dates fall on the last working days of March, June, September and December and the last exercise date is 6 August 2018.

The exercise ratio is 1 warrant per 1 new ordinary share, and the exercise price is Baht 1 per share. The warrants are exercisable under the following conditions.

- Up to 10 percent of all allotted warrants are exercisable after 12 months from the allotted date.
- Additional 20 percent of all allotted warrants are exercisable after 24 months from the allotted date.
- Additional 30 percent of all allotted warrants are exercisable after 36 months from the allotted date.
- The remainder of unexercised warrants is exercisable without limitation after the 48 months from the allotted date until the warrants expire.
- In the event that a warrant holder no longer holds a position of management or employee of the Company

and/or employee of the subsidiaries of the Company due to retirement according to the Company's regulations, such management or employee is entitled to exercise warrants until the expiry date.

- In case a warrant holder passes away, heirs or legatees (as the case may be) of such holder is entitled to exercise warrants to acquire ordinary shares in an amount of the warrants that are exercisable in accordance with the exercising period until the expiry date.
- If a warrant holder is transferred to another unit or another company as approved by the Board of Directors whereby such director, management or employee has remained to be management or employee of the Company and/or of the subsidiaries of the Company as at the exercise date, such management or employee is entitled to exercise warrants until the expiry date.

The estimated fair value of each share option granted is Baht 42.40 - 46.38, which was calculated by applying the Black-Scholes-Merton formula. The model inputs were the share price at price determination date of Baht 49, exercise price of Baht

1, expected volatility of 38.3%, expected dividend yield of 3%, contractual life of 1 - 5 years, and a risk-free interest rate of 3.5% per annum.

During the year ended 31 December 2015, the Company and its subsidiaries recorded expenses

related to the ESOP or M-WA scheme of Baht 201.0 million (2014: Baht 289.6 million) and for the Company of Baht 189.9 million (2014: Baht 275.0 million) as employee related expenses in profit or loss, together with a corresponding increase in

“Capital reserve for share-based payment transactions” in the shareholders’ equity.

As at 31 December 2015 and 2014, the remaining warrants were as follows:

		(Unit: Thousand Units)	
		2015	2014
Warrants issued as at 7 August 2013		20,000	20,000
Less: Cumulative number of exercised warrants -			
beginning of year	(1,235)	-	
Warrants exercised during the year	(3,165)	(1,235)	
Cumulative number of exercised warrants - end of year	(4,400)	(1,235)	
Less: Warrants written-off - beginning of year			
Warrants exercised during the year	(1,014)	(3,289)	
Warrants written-off during the year*	(4,303)	(3,289)	
Warrants at the end of year	11,297	15,476	

\* The Company wrote-off M-WA of director, management and employees of the Company and its subsidiaries that were not eligible for the privilege due to resignation before the warrants matured.

## 24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit

after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not

available for dividend distribution. At present, the statutory reserve has fully been set aside.



# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 25. Other income

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
Member card fees	56,692,069	47,174,696	41,205,556	35,543,110
Salvage and scrap sales	43,793,521	41,933,097	37,732,832	41,616,130
Sublease and subservice income	-	-	24,549,475	19,718,004
Management service income	-	-	54,000,000	54,000,000
Royalty fee income	18,433,093	7,489,296	18,433,093	7,489,296
Service income	47,900,752	24,298,214	47,900,752	24,298,214
Compensation for leasehold improvements	-	11,500,000	-	11,500,000
Expiry of gift voucher	5,565,400	3,120,400	5,273,400	3,021,500
Gain on sales and changes in value of short-term investments	30,140,273	10,469,980	25,595,059	8,347,722
Others	40,081,101	46,992,198	44,701,600	40,684,084
<b>Total</b>	<b>242,606,209</b>	<b>192,977,881</b>	<b>299,391,767</b>	<b>246,218,060</b>

## 26. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014 (Restated)	2015	2014
Salaries, wages and other employee benefits	4,301,193,328	4,265,920,307	3,715,240,486	3,716,891,212
Raw materials and consumables used	2,044,185,515	1,702,792,847	1,984,417,296	1,648,231,705
Rental and service expenses from operating lease agreements	1,398,995,452	1,274,494,755	1,174,463,680	1,063,914,650
Utilities expenses	712,279,226	681,325,277	584,196,515	564,904,695
Depreciation and amortisation	820,638,246	745,037,109	682,527,044	615,751,585
Advertising expenses	257,400,926	227,468,753	160,856,024	149,524,181
Repair and maintenance expenses	138,632,200	126,267,225	117,592,255	107,980,286
Training expenses	3,796,420	5,078,863	75,976,161	77,941,847
Property tax expenses	73,700,112	63,656,057	62,205,681	54,895,951
Travelling expenses	42,962,085	45,149,422	35,994,342	35,041,827
Allowance for impairment of property, plant and equipment	702,477	23,592,446	702,477	23,592,446
Changes in finished goods	(21,930,969)	(23,750,296)	(21,107,814)	(23,691,473)

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 27. Income tax

Income tax expenses for the years ended 31 December 2015 and 2014 are made up as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Current income tax:</b>				
Current income tax charge	463,700,228	548,088,617	414,366,632	494,037,033
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(16,995,649)	(56,184,027)	(16,095,127)	(53,257,885)
<b>Income tax expenses reported in the income statements</b>	<u>446,704,579</u>	<u>491,904,590</u>	<u>398,271,505</u>	<u>440,779,148</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Deferred tax relating to actuarial losses	5,095,817	-	4,985,061	-
<b>Income tax charged to other comprehensive income</b>	<u>5,095,817</u>	<u>-</u>	<u>4,985,061</u>	<u>-</u>

The reconciliation between accounting profit and income tax expenses for the years ended 31 December 2015 and 2014 is presented below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Accounting profit before tax	<u>2,302,703,198</u>	<u>2,534,280,318</u>	<u>2,252,339,270</u>	<u>2,462,565,538</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	460,540,640	506,856,064	450,467,854	492,513,108
Effects of:				
Income not subject to tax	(159,378)	(199,222)	(38,459,359)	(37,499,184)
Non-deductible expenses	6,621,440	5,358,279	2,673,126	2,936,593
Additional expense deductions allowed	(20,298,123)	(20,110,531)	(16,410,116)	(17,171,369)
Total	<u>(13,836,061)</u>	<u>(14,951,474)</u>	<u>(52,196,349)</u>	<u>(51,733,960)</u>
Income tax expenses reported in the income statements	446,704,579	491,904,590	398,271,505	440,779,148

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Baht)

	Statements of financial position as at 31 December			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	515,662	515,662	515,662	515,662
Allowance for impairment of other long-term investment	1,455,655	1,455,655	1,455,655	1,455,655
Allowance for impairment of assets	19,622,335	19,481,839	15,919,382	15,778,887
Provision for long-term employee benefits	53,947,148	43,535,513	50,646,327	40,835,598
Expenses for share-based payment transactions	65,396,039	53,720,198	61,941,836	50,815,964
Others	3,365,597	1,728,080	3,039,477	1,337,450
<b>Total</b>	<b>144,302,436</b>	<b>120,436,947</b>	<b>133,518,339</b>	<b>110,739,216</b>
<b>Deferred tax liabilities</b>				
Unrealised gain on changes in value of investments	1,940,613	166,590	1,856,283	157,348
<b>Total</b>	<b>1,940,613</b>	<b>166,590</b>	<b>1,856,283</b>	<b>157,348</b>
<b>Net deferred tax assets</b>	<b>142,361,823</b>	<b>120,270,357</b>	<b>131,662,056</b>	<b>110,581,868</b>



## 28. Earnings per share

Basic earnings per share is calculated by dividing profit for the years attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profit

for the years attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary

shares into ordinary shares. The calculation assumes that such conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

### 28.1 Weighted average number of ordinary shares

(Unit: Thousand Units)

	Consolidated financial statements/ Separate financial statements	
	2015	2014
Balance brought forward	907,081	905,850
Add: The weighted average number of ordinary shares issued during the year	732	283
Weighted average number of ordinary shares	907,813	906,133

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 28.2 Reconciliation of diluted earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

Consolidated financial statements					
For the years ended 31 December					
Profit for the year		Weighted average number of ordinary shares		Earnings per share	
2015	2014	2015	2014	2015	2014
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company					
<u>1,855,999</u>	<u>2,042,376</u>	907,813	906,133	<u>2.04</u>	<u>2.25</u>
<b>Effect of dilutive potential ordinary shares</b>					
Warrants (M-WA)		<u>10,761</u>	<u>12,851</u>		
<b>Diluted earnings per share</b>					
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares					
<u>1,855,999</u>	<u>2,042,376</u>	<u>918,574</u>	<u>918,984</u>	<u>2.02</u>	<u>2.22</u>

## Separate financial statements

For the years ended 31 December

	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2015 (Thousand Baht)	2014 (Thousand Baht)	2015 (Thousand shares)	2014 (Thousand shares)	2015 (Baht)	2014 (Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	<u>1,854,068</u>	<u>2,021,786</u>	907,813	906,133	<u>2.04</u>	<u>2.23</u>
<b>Effect of dilutive potential ordinary shares</b>						
Warrants (M-WA)			<u>10,124</u>	<u>11,838</u>		
<b>Diluted earnings per share</b>						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>1,854,068</u>	<u>2,021,786</u>	<u>917,937</u>	<u>917,971</u>	<u>2.02</u>	<u>2.20</u>

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 29. Operating segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Company and its subsidiaries are engaged in 2 business segments which are restaurant business and training service provider business. Their operations are carried on only in Thailand.

However, the restaurant business is the main business segment and the segment information that has been considered based on a quantitative basis is over 90 percent of operating segments and geographical areas. For this reason, the chief operating decision maker considers aggregating the operating segments into one reportable segment of restaurant operation.

Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits

and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

### Major customers

For the years 2015 and 2014, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

## 30. Dividends

Dividends declared during the years ended 31 December 2015 and 2014 consist of the following:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
<b>2015</b>				
Final dividends on 2014 profit	Annual General Meeting of the shareholders on 24 April 2015	907	1.0	21 May 2015
Interim dividends on the profit for the six-month period ended 30 June 2015	Board of Directors' Meeting on 11 August 2015	816	0.9	8 September 2015
Total		1,723	1.9	

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
<b>2014</b>				
Final dividends on 2013 profit	Annual General Meeting of the shareholders on 28 April 2014	1,449	1.6	21 May 2014
Interim dividends on the profit for the six-month period ended 30 June 2014	Board of Directors' Meeting on 8 August 2014	725	0.8	4 September 2014
Total		<u>2,174</u>	<u>2.4</u>	

## 31. Commitments and contingent liabilities

### 31.1 Capital commitments

As at 31 December 2015, the Company and its subsidiaries had outstanding capital commitments in respect of construction and agreements to purchase machinery of Baht 33.9 million (2014: Baht 49.0 million).

### 31.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of building space and equipment and other service agreements. The terms of the agreements are generally between 3 and 20 years.

Future minimum payments required under these non-cancellable operating lease and service contracts were as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2015	2014
Payable within:		
Less than 1 year	1,220	1,228
1 to 5 years	1,305	1,496
More than 5 years	356	396

### 31.3 Futures contracts

The Company has entered into futures contracts with many local companies, whereby the Company and those companies have agreed quantity, schedule, place and price of goods to be delivered. The Company has agreed to pay for the goods at the rates stipulated in the contracts.



# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## 31.4 Guarantees

As at 31 December 2015, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries of approximately Baht 17.6 million (2014: Baht

17.3 million), in respect of certain performance bonds as required in the normal course of businesses. These included letters of guarantee amounting to Baht 6.3 million (2014: Baht 6.3

million) to guarantee payments due to creditors and Baht 11.3 million (2014: Baht 11.0 million) to guarantee electricity use.

## 32. Fair value hierarchy

As at 31 December 2015, the Company and its subsidiaries had the assets that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)				
Consolidated Financial Statements				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Held for trade investments				
Debt instruments	-	3,741	-	3,741

(Unit: Million Baht)				
Separate Financial Statements				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Held for trade investments				
Debt instruments	-	3,411	-	3,411

## 33. Financial instruments

### 33.1 Financial risk management

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally com-

prise cash and cash equivalents, trade and other receivables, investments, and trade and other payables. The financial risks associated with these financial

instruments and how they are managed is described below.

### **Credit risk**

The Group is exposed to credit risk primarily with respect to trade and other receivables. The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Group does not

have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, as stated in the statement of financial position.

### **Interest rate risk**

The Group's exposure to interest rate risk relates primarily

to its bank deposits that bear floating interest rates or fixed interest rates which are close to the market rate. The interest rate risk is therefore expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below.

(Unit: Million Baht)

## **Consolidated financial statements as at 31 December 2015**

	Fixed interest rates - within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	-	140	147	287	0.05 - 0.40
Short-term investments	4,850	-	3,741	8,591	1.90 - 2.60
Trade and other receivables	-	-	108	108	-
	4,850	140	3,996	8,986	
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,391	1,391	-
	-	-	1,391	1,391	

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

(Unit: Million Baht)

	Consolidated financial statements as at 31 December 2014 - restated				
	Fixed interest rates - within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	-	148	151	299	0.05 - 0.50
Short-term investments	7,660	-	699	8,359	2.50 - 3.25
Trade and other receivables	-	-	92	92	-
	7,660	148	942	8,750	
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,444	1,444	-
	-	-	1,444	1,444	

(Unit: Million Baht)

	Separate financial statements as at 31 December 2015				
	Fixed interest rates - within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	-	100	131	231	0.05 - 0.40
Short-term investments	4,800	-	3,411	8,211	2.025 - 2.60
Trade and other receivables	-	-	215	215	-
	4,800	100	3,757	8,657	
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,239	1,239	-
	-	-	1,239	1,239	

(Unit: Million Baht)

**Separate  
financial statements as at 31 December 2014**

	Fixed interest rates - within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
<b>Financial assets</b>					
Cash and cash equivalents	-	89	133	222	0.05 - 0.50
Short-term investments	7,530	-	570	8,100	2.65 - 3.25
Trade and other receivables	-	-	189	189	-
	7,530	89	892	8,511	
<b>Financial liabilities</b>					
Trade and other payables	-	-	1,312	1,312	-
	-	-	1,312	1,312	

**Foreign currency risk**

The Group's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2015 and 2014 are summarised as follows.

# Notes to Consolidated Financial Statements (Cont.)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2015

## As at 31 December 2015

Foreign currency	Financial assets		Average exchange rate as at 31 December 2015 (Baht per 1 foreign currency unit)
	Consolidated financial statements	Separate financial statements	
	(Million)	(Million)	
Japanese yen	1.6	1.6	0.2965
US dollar	0.1	0.1	35.9233

Foreign currency	Financial liabilities		Average exchange rate as at 31 December 2015 (Baht per 1 foreign currency unit)
	Consolidated financial statements	Separate financial statements	
	(Million)	(Million)	
Japanese yen	56.7	20.6	0.3028

## As at 31 December 2014

Foreign currency	Financial assets		Average exchange rate as at 31 December 2014 (Baht per 1 foreign currency unit)
	Consolidated financial statements	Separate financial statements	
	(Million)	(Million)	
Japanese yen	1.6	1.6	0.2712
US dollar	0.1	0.1	32.8128

Foreign currency	Financial liabilities		Average exchange rate as at 31 December 2014 (Baht per 1 foreign currency unit)
	Consolidated financial statements	Separate financial statements	
	(Million)	(Million)	
Japanese yen	16.0	0.8	0.2765



### 33.2 Fair values of financial instruments

Since the majority of the Group's financial instruments are short-term in nature and bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

## 34. Capital management

The primary objective of the Group's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value. As at

31 December 2015, the Group's debt-to-equity ratio was 0.16:1 (2014: 0.17:1) and the Company's was 0.15:1 (2014: 0.16:1).

## 35. Events after the reporting period

On 25 February 2016, the meeting of the Board of Directors of the Company No. 1/2016 passed a resolution approving the payment of dividend for 2015 to the Company's shareholders at Baht 1 per share or a total dividend of Baht 910.2 million.

The payment of dividend will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

## 36. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2016.

# Management Discussion and Analysis

## Overview

In 2015, the Company and its subsidiaries recorded total incomes of Baht 14,923 million, down by Baht 35 million or a decrease of 0.2 percent from the previous year. This were due largely to a decrease of interest income amounted Baht 71 million which mainly from a decrease of interest rate as well as a decrease of revenue from sales and services amounted Baht 13 million which primarily from the continued slowdown of the economy and the persistent high household debt which adversely affected the purchasing power and the confidence of consumers. As a result, the Company and its subsidiaries recorded the net profit of Baht 1,856 million, down by Baht 186 million or a decrease of 9.1 percent

### • Revenues from Sales and Services

	2014		2015	
	Million Baht	%	Million Baht	%
MK Suki / MK Gold	12,113	83.6	11,816	81.6
Yayoi Japanese Restaurant	2,198	15.2	2,374	16.4
Other Restaurants	165	1.1	273	1.9
Restaurants Abroad	11	0.1	14	0.1
<b>Revenues from Sales and Services</b>	<b>14,492</b>	<b>100.0</b>	<b>14,478</b>	<b>100.0</b>

In 2015, the Company and its subsidiaries recorded revenues from sales and services of Baht 14,478 million, down by Baht 13 million or a decrease of 0.1 percent from the previous year. This was mainly from a negative same-store sales growth which was affected from the weak purchasing power of consumers and

the stiffer competition. Although there were 35 net new branches, they were not able to offset the drop of same-store sales. In addition, more than 98 percent of the total incomes generated by the Company and its subsidiaries were from sales and services incomes of MK Suki restaurant and MK Gold restaurant operated by the Company

as well as Yayoi Japanese restaurant run by MK Interfood Co., Ltd. Yet, while sales and service incomes from the suki business tended to fall, those from the Yayoi Japanese restaurant were likely to increase because Yayoi Japanese restaurant has higher growth rate than MK Suki restaurant.

### • Performance of the Company's Suki Restaurant Business

	2014	2015
<b>Number of Branches – Suki Restaurant</b>		
Net Newly-opened Outlets	26	12
Number of Branches at the End of Fiscal Period	407	419
<b>Financial Performance and Growth Rate – Suki Restaurant</b>		
Revenues from Sales and Services (Million Baht)	12,113	11,816
Total Sales Growth Rate (%)	3.0	(2.5)
Same-Store Sale Growth (%)	(3.7)	(6.1)

### • Revenues from Sales and Services – MK Suki Restaurant

In 2015, the Company recorded Baht 11,816 million total sales and services incomes from the suki restaurant business, down by Baht 297

million or a decrease of 2.5 percent. The decrease of incomes from the suki restaurant business was primarily from a negative same-store sales growth

of 6.1%. Although there were 12 net new stores, it was not able to offset the decrease of same-store sales.

# Management Discussion and Analysis (Cont.)

## • Performance of the Company's Yayoi Japanese Restaurant Business

	2014	2015
<b>Number of Branches – Yayoi Japanese Restaurant</b>		
Net Newly-opened Outlets	16	11
Number of Branches at the End of Fiscal Period	129	140
<b>Financial Performance and Growth Rate – Yayoi Japanese Restaurant</b>		
Revenues from Sales and Services (Million Baht)	2,198	2,374
Total Sales Growth Rate (%)	10.8	8.0
Same-Store Sale Growth (%)	(4.3)	(1.2)

### • Revenues from Sales and Services – Yayoi Japanese Restaurant

In 2015, the Company recorded Baht 2,374 million as sales and services revenues from Yayoi Japanese restaurant which represented an 8.0 percent increase from the year before. The increase of Yayoi's incomes was largely from the rapid increase of Yayoi's branches where in 2015, the net number of Yayoi branch rose by 11 as a result of strong positive responses to the Yayoi brand which prompted the Company to expand the Japanese restaurant branch in residential areas in Bangkok, its vicinity and in the provinces to meet consumer's demands.

### • Other Revenues

In 2015, the Company recorded Baht 444 million as other revenues which mainly comprising of interest income amounted Baht 201 million, decreased Baht 71 million due mainly to the decrease of interest rate, and other income amounted Baht 243 million which mainly came from member card fees, service income, revenue from salvage and scrap sales, gain from investment in money market fund, royalty fee income, etc.

### • Costs of Sales and Services

More than 90 percent of the Company's costs of sales and services were costs of food and beverages. Other costs included transportation, storage and warehousing expenses

and expenses of consumables at branches. The Company has an efficient sourcing and production process where orders of raw materials and finished products for the suki restaurants, Yayoi Japanese restaurants and other eateries have been centralized to profit from the economy of scale so that huge orders can be made at a time while simultaneously enabling the Company to command better purchasing power with distributors. At the other end, the fact that almost all of the manufacturing is done through the central kitchen not only results in an economy scale production but also helps the Company standardizing its food quality. The Company also actively manages inventories of raw materials and finished products by estimating demands of each branch on a daily basis and therefore could effectively control food delivered to each branch

and waste generated from them each day. The centralized management of raw materials and finished products helps managing delivery costs more effectively.

As revenues from sales and services for the year 2015 failed to expand from the previous year, the Company and its subsidiaries thus turned to focus on stricter and closer control of costs and expenses in order to mitigate the negative impact of the stagnant sales on the operating result. The implementation of such measure was relatively effective as the Company and its subsidiaries were able to maintain gross profit for the year 2015 at relatively the same level as in 2014. This was reflected by the fact that the Company and its subsidiaries were able to register gross profit of Baht 9,534 million for the year 2015 compared with Baht 9,507 million for the prior year, representing a slight increase of 0.3%. Gross profit as a percentage of revenues from sales and services also increased from 65.6% for the year 2014 to 65.9% for the year 2015.

### • Selling and Administrative Expenses

Selling and administrative expenses consist mainly of employee expenses, rents, utilities, advertising and sales promotion, restaurant supplies, depreciation and amortization.

As a result of the stricter control of expenses, the Company and its subsidiaries were able to keep the controllable expenses at the desirable levels. However, fixed expenses such as rent, depreciation and amortization, increased from last year in term of a percentage of revenues from sales and services. This was reflected by the fact that selling and administrative expenses increased from Baht 7,428 million for the year 2014 to Baht 7,660 million for the year 2015, or up by 3.1%. Selling and administrative expenses as a percentage of revenues from sales and services also increased from 51.3% for the year 2014 to 52.9% for year 2015, owing mainly to the increase in fixed expenses while revenues from sales and services for the year 2015 remained flat compared with last year.

### • Net Profits

As a result of the various factors which affected the operating results of the Company and its subsidiaries as mentioned earlier, net profit of the Company and its subsidiaries dropped from Baht 2,042 million for the year 2014 to Baht 1,856 million for the year 2015 representing an decrease of Baht 186 million or 9.1 percent.

## Financial Position

As of December 31, 2015, the Company recorded total assets of

Baht 15,122 million, which represented an increase of Baht 244 million or up by 1.6 percent from at the end of 2014 due mainly to the following:

- (1) An increase of short-term investments amounted Baht 232 million due mainly from an increase of investment in trading securities amounted Baht 3,042 million and a decrease of fixed deposits amounted Baht 2,810 million.
- (2) A decrease of property, plant and equipment amounted Baht 79 million due largely to the depreciation on disposal and sales of assets amounted Baht 768 million and Baht 15 million respectively while an increase from purchase of assets amounted Baht 704 million.
- (3) An increase of deposits amounted Baht 51 million.
- (4) A decrease of leasehold rights amounted Baht 39 million due mainly from the amortization.
- (5) An increase of intangible assets amounted Baht 39 million from purchase of computer software.

As of December 31, 2015, the Company's total liabilities were Baht 2,124 million which was down by 3.3



## Management Discussion and Analysis (Cont.)

percent or Baht 73 million from the prior year due mainly to a decrease of Baht 92 million from income tax payable, a decrease of Baht 53 million from trade account payable and an increase of Baht 52 million from

provision for long-term employee benefits.

As of December 31, 2015, the Company's shareholders' equity recorded Baht 12,998 million, increased Baht 317 million from the prior year

mainly due to an increase of capital reserve for share-based payment transactions amounted Baht 201 million as well as an increase of retained earnings amounted Baht 112 million.

### • Financial Ratios

	Unit	Consolidated Financial Statements	
		2014	2015
Liquidity Ratios			
Liquidity Ratio	times	4.7	5.2
Quick Ratio	times	4.4	4.9
Cash Ratio	times	1.4	1.4
Account Receivables Turnover Ratio	times	514	539
Average Collection Period	days	1	1
Inventory Turnover Ratio	times	32.0	27.7
Average Sale Period	days	11	13
Account Payables Turnover Ratio	times	10.6	12.2
Payment Period	days	34	29
Cash Cycle	days	(22)	(16)
Profitability Ratios			
Gross Profit Margin	%	65.6	65.9

	Unit	Consolidated Financial Statements	
		2014	2015
Operating Profit Margin	%	14.4	12.9
Operating Cash Flow to Operating Profit Ratio	%	145.0	144.2
Net Profit Margin	%	13.7	12.4
Return on Equity	%	16.2	14.5
Efficiency Ratios			
Return on Assets	%	13.7	12.4
Return on Fixed Assets	%	58.0	54.5
Total Asset Turnover Ratio	times	1.0	1.0
Financial Policy Ratios			
Debt to Equity Ratio	times	0.2	0.2
Interest-bearing Debt to Equity Ratio	times	0.0	0.0
Interest Coverage Ratio	times	N/A	N/A
Obligation Coverage Ratio (Cash Basis)	times	0.9	1.1

## • Efficiency Ratios

In 2015, the Company's Return on Equity (ROE) was 14.5 percent, down from 16.2 percent in 2014. This was due mainly to a decrease of net profit amounted Baht 186 million as well as an increase of shareholders'

equity from the capital reserve for share-based payment transactions.

As for the Company's Return on Assets (ROA), this was down from 13.7 percent in 2014 to 12.4 percent a year

later as a result of a decrease of net profit amounted Baht 186 million.

# Management Discussion and Analysis (Cont.)

## • Liquidity

In 2015, the Company recorded Baht 2,702 million net cash from operating activities, most of which were operating profit before changes in operating assets and liabilities. Meanwhile, it spent Baht 993 million net cash in investing activities of

which Baht 742 million was paid for the purchase of property, plant and equipment as a result of additional branch expansion, Baht 202 million was for the short-term investments and Baht 52 million was for the purchase of computer software.

In 2015, the Company recorded Baht 1,720 million net cash used in financing activities due primarily to the dividend payment of Baht 1,723 million.

(Unit: Million Baht)

	2014	2015
Net cash from operating activities	3,016	2,702
Net cash used in investing activities	(1,320)	(993)
Net cash used in financing activities	(2,173)	(1,720)
<b>Increase (decrease) of net cash and cash equivalent</b>	<b>(477)</b>	<b>(11)</b>

As a result of cash movements in operating activities, investing activities and financing activities, the Company's cash and cash equivalents in 2015 decreased by Baht 11 million.

## • Liquidity Ratios

As of December 31, 2015, the Company's liquidity ratio increased from 4.7 times in 2014 to 5.2 times a year later; while the quick ratio also rose to 4.9 times in 2015 from 4.4 times a year ago. This was mainly due to an increase of short-term investment amounted Baht 232 million

and a decrease of income tax payable and trade payable amounted Baht 91 million and 53 million respectively.

As a result of the nature of the Company's business which immediately collected cash after its sales and services, the Company's average collection period was very brief; namely 1 day while trade payables from the purchase of raw and finished products would be made later thanks to the credit term policy which the payment period was around 30 days. The average sale period was around

13 days. Thus, the Company recorded a cash surplus causing its cash cycle to be negative, namely (16) days.

## • Capital Structure

As of December 31, 2015, the Company's debt to equity ratio (D/E) was 0.2 times, which was quite stable compared to the year before since the Company had no financial debt and had cash surplus from the capital increase and the share premiums from the issuance of capital-increase shares.

## • Contingent Liabilities

As of December 31, 2015, the Company had approximately Baht 34 million worth of outstanding capital commitments in respect of a construction and agreement to purchase machinery as well as a lease agreements of building space

and equipment and other service agreements that obliged the Company to pay Baht 2,881 million in the future. As for the management of contingency liabilities and investment projects, during 2015, the Company recorded Baht 2,702 million net cash flow from

the operating activities which should be able to pay for contingency liabilities. Meanwhile, the Company's executives prudently made an investment decision in a project to ensure maximum returns to shareholders.

# Connected Transactions

## Persons with Potential Conflict of Interest and Nature of Relationship

Connected Person	Relationship
1. Mr. Rit Thirakomen	<ul style="list-style-type: none"> <li>Director and major shareholder of the Company holding 55.3% of its shares (combining shares held by both Mr. Rit and Mrs. Yupin).</li> </ul>
2. Mrs. Yupin Thirakomen	<ul style="list-style-type: none"> <li>Executive and major shareholder of the Company holding 55.3% of its shares (combining shares held by both Mr. Rit and Mrs. Yupin).</li> </ul>
3. Mr. Somchai Hanjitasem	<ul style="list-style-type: none"> <li>Director and major shareholder of the Company holding 18.0% of its shares.</li> </ul>
4. Mr. Pravit Tantiwasinchai	<ul style="list-style-type: none"> <li>Director and shareholder of the Company holding 0.5% of its shares.</li> </ul>
5. Global Asset Development Co., Ltd. (formerly named MK Global Co., Ltd.) (GAD)	<ul style="list-style-type: none"> <li>The company's business is to invest in other businesses.</li> <li>Three directors and/or executives and major shareholders of the Company; namely, Mrs. Yupin Thirakomen, Mr. Rit Thirakomen and Mr. Somchai Hanjitasem are GAD's major shareholders holding 65.7% of its shares (combining shares held by both Mr. Rit and Mrs. Yupin) and 17.1% respectively (As of April 23, 2015).</li> <li>Common directors; namely, Mr. Rit Thirakomen and Mr. Somchai Hanjitasem.</li> </ul>
6. MK Worldwide Co., Ltd. (MKWW)	<ul style="list-style-type: none"> <li>The company's business is to invest in other businesses.</li> <li>Three directors and/or executives and major shareholders of the Company; namely, Mrs. Yupin Thirakomen, Mr. Rit Thirakomen and Mr. Somchai Hanjitasem are MKWW's major shareholders holding 70% of its shares (combining shares held by both Mr. Rit and Mrs. Yupin) and 15% respectively (As of April 23, 2015).</li> <li>Common directors; namely, Mr. Rit Thirakomen and Mr. Somchai Hanjitasem.</li> </ul>
7. Superior Food Service Co., Ltd. (SFS)	<ul style="list-style-type: none"> <li>The company sells and distributes ice-making machines and dish/glass washers.</li> <li>The Company's executive and major shareholder; namely Mrs. Yupin Thirakomen, is SFS's director and major shareholder holding 65% of its shares (As of April 30, 2015).</li> <li>Common director; namely, Mr. Somchai Hanjitasem.</li> </ul>



Connected Person	Relationship
<b>8. KVE Electronic Co., Ltd. (KVE)</b>	<ul style="list-style-type: none"> <li>The company produces and sells transformers as well as repairs electronic devices.</li> <li>Dr. Katiya Greigarn, its director, is KVE's authorized director and major shareholder holding 61% of its shares (As of April 30, 2014).</li> </ul>
<b>9. Precision Manufacturing Co., Ltd. (PM)</b>	<ul style="list-style-type: none"> <li>The company's business is metal pressing/casting.</li> <li>Directors and major shareholders namely Mr. Rit Thirakomen and Mr. Thanong Chotisorayuth are PM shareholders holding 9.8% (combining shares held by related person) and 0.9% of its shares respectively (As of April 30, 2015).</li> <li>Common director; namely, Mr. Rit Thirakomen.</li> </ul>
<b>10. SE-Education Public Company Limited (SE-ED)</b>	<ul style="list-style-type: none"> <li>The company sells and distributes books.</li> <li>Directors and major shareholders namely Mr. Rit Thirakomen and Mr. Thanong Chotisorayuth are SE-ED shareholders holding 7.1% and 5.5% (combining shares held by related person) of its shares (As of May 7, 2015).</li> <li>Common directors; namely Mr. Thanong Chotisorayuth (SE-ED's authorized signatory) and Mr. Pravit Tantiwasinchai.</li> </ul>
<b>11. Premier Marketing Public Company Limited (PMK)</b>	<ul style="list-style-type: none"> <li>The company sells and distributes consumer products and consumables.</li> <li>Common director; namely Dr. Katiya Greigarn.</li> </ul>
<b>12. National Food Retail Co., Ltd. (NFR)</b>	<ul style="list-style-type: none"> <li>The company runs a restaurant business.</li> <li>The Company's executive and major shareholder; namely Mrs. Yupin Thirakomen, is SFS's director and major shareholder holding 74.9% of its shares (As of April 23, 2015).</li> </ul>

Note: Shareholding ration presented in this table includes shareholding ratio of related person.

# Connected Transactions (Cont.)

## Connected Transactions

Connected Person	A Nature of Transaction	Transaction Size in 2015 (Million Baht)	Necessity and Rationale
1. GAD	<ul style="list-style-type: none"> <li>Account Preparation</li> </ul>	0.02	<ul style="list-style-type: none"> <li>The account preparation fee for GAD was Baht 16,050.</li> <li>The fee was determined on the basis of estimated service time and costs of staff required in the service.</li> </ul>
	<ul style="list-style-type: none"> <li>Outstanding at the end of fiscal period</li> </ul>	0.02	<ul style="list-style-type: none"> <li><u>Audit Committee's opinion:</u> The account preparation fee for GAD was charged on the basis of the costs of staff involving in this service which did not deprive the Company of any interest. The transaction therefore was considered reasonable and necessary.</li> </ul>
	<ul style="list-style-type: none"> <li>Rent for land</li> </ul>	30.33	<ul style="list-style-type: none"> <li>The monthly rent of Baht 1,687,554 a month was paid for a new office building.</li> </ul>
	<ul style="list-style-type: none"> <li>Outstanding at the end of fiscal period</li> </ul>	-	<ul style="list-style-type: none"> <li>The monthly rent of Baht 840,000 a month was paid for the new central kitchen (CK5) on Bangna-Trad Road.</li> <li><u>Audit Committee's opinion:</u> The land rent was a normal transaction. The rate was comparable to market rates of nearby properties. The transaction was considered reasonable and for the best interest of the Company.</li> </ul>
2. MKWW	<ul style="list-style-type: none"> <li>Account Preparation</li> </ul>	0.02	<ul style="list-style-type: none"> <li>The Account preparation fee for MKWW was Baht 16,050.</li> </ul>
	<ul style="list-style-type: none"> <li>Outstanding at the end of fiscal period</li> </ul>	0.02	<ul style="list-style-type: none"> <li>The fee was determined on the basis of estimated service time and cost of staff required in the service.</li> <li><u>Audit Committee's opinion:</u> The account preparation fee for MKWW was charged on the basis of the costs of staff involving in this service which did not deprive the Company of any interest. The transaction therefore was considered reasonable and necessary.</li> </ul>

Connected Person	A Nature of Transaction	Transaction Size in 2015 (Million Baht)	Necessity and Rationale
3. SFS	• Rent for dishwasher and ice-making	44.75	<ul style="list-style-type: none"> <li>This involved rent of dishwashers for all branches of both MK Suki and Yayoi Restaurant. SFS was one of several service providers chosen by the Company. SFT's price was not different from what other service providers proposed.</li> <li>This involved rent of ice-making machines for all branches of both MK Suki and Yayoi restaurants. SFS was the only supplier offering the rent of ice-making machines with after-sales maintenance service.</li> <li><u>Auditor Committee's opinion:</u> This equipment rent was a normal transaction where the pricing had been compared with what was quoted by other service providers. The transaction therefore was reasonable and was carried out for the Company's best interest.</li> </ul>
	• Outstanding at the end of fiscal period	4.58	
4. KVE	• IT advisory fee and computer system implementation	0.72	<ul style="list-style-type: none"> <li>The Company hired KVE as an IT consultant for Baht 60,000 a month fee which was not different from what other service providers had proposed.</li> <li><u>Auditor Committee's opinion:</u> This hiring-of-service transaction was a normal transaction of the Company of which the IT system required constant upgrades to cope with its business expansion. The consulting fee was made in relation to quotations made by other service providers. The transaction therefore was reasonable and for the Company's best interest.</li> </ul>
	• Outstanding at the end of fiscal period	-	

## Connected Transactions (Cont.)

Connected Person	A Nature of Transaction	Transaction Size in 2015 (Million Baht)	Necessity and Rationale
<b>5. PM</b>	<ul style="list-style-type: none"> <li>Costs of suki pots</li> <li>Outstanding at the end of fiscal period</li> </ul>	0.89  -	<ul style="list-style-type: none"> <li>This item involved the hiring of PM's service to manufacture suki pots for all branches. PM was the sole manufacturer of suki pots for the Company because it had jointly developed the pot with the Company. The pot commanded higher safety standard than what's available in the market. The charge was based on estimated costs of equipment and costs of labor required to manufacture the suki pot plus profit.</li> <li><u>Audit Committee's opinion:</u> The hire-of-work transaction was a normal transaction of the Company. PM had been involved in the joint development of suki pot which commanded a higher safety standard than suki pots available in general for so long. Besides, PM was able to cope with the Company's constant business expansion. The fee was made on the basis of estimated costs of equipment and labor involved in the manufacturing. The transaction therefore was reasonable and for the Company's best interest.</li> </ul>
<b>6. SE-ED</b>	<ul style="list-style-type: none"> <li>Sponsorship fee</li> <li>Outstanding at the end of fiscal period</li> </ul>	0.75  -	<ul style="list-style-type: none"> <li>Sponsorship fee for the Kitty Camp</li> <li><u>Audit Committee's opinion:</u> This hire-of-service item was the Company's normal transaction where the price was made in comparison with other quotations made by other service providers. The transaction therefore was considered reasonable and for the Company's best interest.</li> </ul>

Connected Person	A Nature of Transaction	Transaction Size in 2015 (Million Baht)	Necessity and Rationale
7. PMK	• Costs of raw material purchase	0.02	• This involved costs of purchased raw materials where the quoted price was not different from what other suppliers had made.
	• Outstanding at the end of fiscal period	0.00	• <u>Audit Committee's opinion:</u> This transaction to purchase raw materials was indeed the Company's normal transaction where the price was set after comparing it with quotations made by other suppliers. The transaction therefore was reasonable and for the best interest of the Company.
8. NFR	• Account Preparation	0.02	• The Account preparation fee for NFR was Baht 16,050.
	• Outstanding at the end of fiscal period	0.02	• The fee was determined on the basis of estimated service time and cost of staff required in the service.  • <u>Audit Committee's opinion:</u> The account preparation fee for NFR was charged on the basis of the costs of staff involving in this service which did not deprive the Company of any interest. The transaction therefore was considered reasonable and necessary.
9. Mrs. Yupin Thirakomen	• Rent of property • Outstanding at the end of fiscal period	1.04 -	• The premise was rented as a home delivery call center and Chokchai sub-branch.  • <u>Audit Committee's opinion:</u> The property rent was for the Company's business and was carried out after the location had been considered appropriate to service customers. The rent was comparable to rents offered in the same location. The transaction therefore was reasonable and for the best interest of the Company.



## Connected Transactions (Cont.)

Connected Person	A Nature of Transaction	Transaction Size in 2015 (Million Baht)	Necessity and Rationale
<b>10. Mr. Rit Thirakomen</b>	<ul style="list-style-type: none"> <li>Sales of gift vouchers</li> <li>Outstanding at the end of fiscal period</li> </ul>	0.08 -	<ul style="list-style-type: none"> <li>This involved sales of gift vouchers for use at restaurants of the Company and its subsidiaries with the same price offered to other customers in general.</li> <li><u>Audit Committee's opinion:</u> The transaction in which gift vouchers were sold was the Company's normal transaction with the same price offered to other customers. The transaction therefore was reasonable and for the best interest of the Company.</li> </ul>
<b>11. Mr. Somchai Hanjtkasem</b>	<ul style="list-style-type: none"> <li>Sales of gift vouchers</li> <li>Outstanding at the end of fiscal period</li> </ul>	0.08 -	<ul style="list-style-type: none"> <li>This involved sales of gift vouchers for use at restaurants of the Company and its subsidiaries with the same price offered to other customers in general.</li> <li><u>Audit Committee's opinion:</u> The transaction in which gift vouchers were sold was the Company's normal transaction with the same price offered to other customers. The transaction therefore was reasonable and for the best interest of the Company.</li> </ul>
<b>12. Mr. Pravit Tantiwasin-chai</b>	<ul style="list-style-type: none"> <li>Sales of gift vouchers</li> <li>Outstanding at the end of fiscal period</li> </ul>	0.12 -	<ul style="list-style-type: none"> <li>This involved sales of gift vouchers for use at restaurants of the Company and its subsidiaries with the same price offered to other customers in general.</li> <li><u>Audit Committee's opinion:</u> The transaction in which gift vouchers were sold was the Company's normal transaction with the same price offered to other customers. The transaction therefore was reasonable and for the best interest of the Company.</li> </ul>

## Necessity and Rationality behind the Transactions

The Company and subsidiaries have conducted connected transactions with prudence taking into consideration the best interest of the Company and its shareholders. All connected transactions of the Company and subsidiaries carried out with persons having potential conflict of interest therefore were normal, necessary and reasonable to be executed to support normal business course of the Company itself and the subsidiaries. Conditions in these connected transactions were made on the basis of normal business conditions and aligned with market prices. In addition, the transactions were executed in the same manner if done at arm's length with customers having the same or similar nature. Regarding money borrowed from related companies, the Company and subsidiaries did so only to increase liquidity when required.

## Connected Transaction Approval Procedure

The Company approved connected transactions on the basis of the best interest of itself and the subsidiaries. The approval had to go through a review process based on related regulations of both itself and its subsidiaries and

through related committees which included senior management of the Company and subsidiaries who would review impacts and ensured that the pricing was appropriate as in normal business conditions as if the transaction was executed at arm's length. The significant connected transactions will be approved by the Board of Director. The Company has sought approval in principle regarding business agreements with general business conditions in a transaction between the Company and its subsidiaries vs. director, executive or related persons. Details are as follows: as the Company and subsidiaries may have transaction with each other in the future, that's why the Company has sought an approval in principle to allow the management to approve such transaction as long as it contains the same business agreement normal people would execute with contractual parties under the same circumstance and as long as there is no influence from the fact that one is a director, executive or a related person over a business negotiation. The Company will submit a summary of transactions being executed and report to the meeting of the Audit Committee and the Board of Directors on a quarterly basis. If a company director, executive director, managing director or anyone with potential conflict of interest has an interest or conflict of interest, the director will not be authorized to

approve the transaction for the Company or its subsidiaries as stipulated by the SEC and/or the SET.

The Company will disclose major connected transactions in Notes to Financial Statements audited by the auditor of the Company and its subsidiaries.

## Future Policy on Connected Transactions

The Company and its subsidiaries have a policy to execute connected transactions at present and in the future with persons having potential conflict of interest where they will be treated as if they were customers in general. This will be carried out through a fair price policy and will also correspond with business conditions in general. The transactions will also be executed through a clear, transparent and fair approval process which corresponds to the principles of corporate governance (CG) as well as rules and regulations of the Company and its subsidiaries. Finally, the transactions must be done in accordance with approval authority governing the execution of connected transactions.

# Shareholder and Management Structure

## Ordinary Shares

As of December 31, 2015, the Company was registered with Baht 925,850,000 capital which as divided into 925,850,000 ordinary shares at Baht 1 par value per share. Of this, Baht 910,249,500 was paid-up capital divided into 910,249,500 shares at Baht 1 par value per share.

## Shareholders

Top ten shareholders in the shareholder registration book as of December 30, 2015 were as follows:

List of Shareholders	No. of Shares	%
1. Mrs. Yupin Thirakomen	363,199,979	39.9
2. Mr. Somchai Hanjitsasem	164,210,012	18.0
3. Mr. Rit Thirakomen	139,743,333	15.4
4. Aunt Thongkam MK Foundation	31,265,983	3.4
5. N.C.B.TRUST LIMITED-NORGES BANK 11	17,481,100	1.9
6. Bualuang Long-term Equity Fund	17,293,000	1.9
7. Social Security Office	16,071,300	1.8
8. Bualuang Long-term Equity Fund 75/25	11,072,700	1.2
9. DBS Bank Ltd	8,437,400	0.9
10. Bualuang Top Ten Open-end Fund	8,313,700	0.9

## Warrants

The Extraordinary General Meeting of Shareholders No. 1/2013 dated January 3, 2013 resolved to allow the Company to issue and offer 20,000,000 units of warrants to executives (including executive directors) and employees of the Company and its subsidiaries (hereinafter referred to as the “M-WA”) with the following details:

<b>Type</b>	Warrant to purchase ordinary shares of MK Restaurant Group Public Company Limited in a name-registered and non-transferable form except for transfer upon death of directors, executives and employees
<b>Term</b>	5 years from the issued and offered date
<b>Quantity</b>	20,000,000 units
<b>Offering price</b>	Baht 0 per unit (Zero Baht)
<b>Offering method</b>	One-time offering to more than 50 executives (including executive directors) and employees of the Company and/or subsidiaries
<b>Allocation method</b>	<p>To be allocated to executives (including executive directors) and employees of the Company and/or subsidiaries without going through securities broker</p> <p>The number of warrants allotted to each executive (including executive directors) and employee needs not be equal. This will depend on positions, years of service, knowledge and experiences, responsibilities, performances and potential or profits the Company will generate.</p>
<b>Total number of shares reserved for rights exercise</b>	20,000,000 shares

## Shareholder and Management Structure (Cont.)

<b>Exercise ratio</b>	One warrant for the rights to exercise one ordinary share (subject to subsequent change based on the rights adjustment condition)
<b>Exercise price</b>	Baht 1 per share unless the price is adjusted otherwise based on the rights adjustment condition. The exercise price is lower than the market price for an offer of shares calculated from the IPO of capital-increase shares at Baht 49 a share.
<b>Exercise period</b>	<p>On the last business day of each quarter (March, June, September or December) throughout the warrant's term. The first exercise date will be on the date when the 12-month period from the date the warrant was issued to executives (including executive directors) and employees of both the Company and/or subsidiaries becomes due (the exercise date) based however on the following conditions:</p> <ul style="list-style-type: none"> <li>• After 12 months from the allotted date, a warrant holder may exercise no more than 10 percent of the allotted warrants.</li> <li>• After 24 months from the allotted date, a warrant holder may exercise another 20 percent of the allotted warrants.</li> <li>• After 36 months from the allotted date, a warrant holder may exercise another 30 percent of the allotted warrants.</li> <li>• After 48 months from the allotted date, a warrant holder may exercise any number of the warrants until the warrant's maturity date.</li> <li>• Warrants left from the exercise or not exercised on any exercise date can be accumulated for the next exercise date throughout the term of the warrant. However, on the due date, any warrant not yet exercised will be terminated and voided.</li> <li>• The last exercise date will be the last business day of the five-year period starting from the warrant issuance date.</li> </ul>
<b>Period to notify the last exercise intention</b>	Not less than 15 days before the last exercise date.

<p><b>Condition of the warrant exercise</b></p>	<ol style="list-style-type: none"> <li>1. Warrant holder must be an executive (including executive director) and an employee of the Company and/or subsidiaries on the exercise date.</li> <li>2. If the warrant holder is no longer an executive (including executive director) or an employee of the Company and/or subsidiaries following his/her retirement based on the Company's regulations, the executive or the employee may exercise his rights under the warrants until the warrant's maturity date.</li> <li>3. If the warrant holder dies, his/her successor or estate may buy ordinary shares under the warrants up to an amount of warrants due for exercise only. The exercise can be done on any exercise date up to the maturity date of such warrants.</li> <li>4. If the warrant holder is transferred to another department or another company upon the Board of Directors' approval where the executive or the employee still retains his/her status at the Company and/or subsidiaries, on the exercise date, the executive or employee may exercise his rights under the warrants up to their maturity date.</li> <li>5. If the warrant holder is no longer an executive (including executive director) or employee of the Company and/or subsidiary before or on any exercise date due to other reasons than stated in Clause 2 - 4 above, such executive or employee of the Company and/or subsidiary will no longer be able to exercise his rights under the remaining warrants (whose rights have not yet been exercised). The warrants will be considered immediately terminated and void.</li> </ol>
<p><b>Reason for new shares issuance to accommodate the change of rights exercise</b></p>	<p>Whenever the exercise price and the exercise ratio under the rights adjustment condition as stipulated in terms and conditions of the warrants is adjusted.</p> <p>The adjustment is an event/situation stated in the Capital Market Supervisory Boards' announcement or any other related notice.</p>



## Shareholder and Management Structure (Cont.)

<b>Issuance date and offering period</b>	The Company will completely allocate warrants to executives (including executive directors) and employees of itself and/or subsidiaries within one year from the day the Shareholders' Meeting approves such issuance and offering.
<b>Secondary market for warrants</b>	The Company will not list the warrants on the SET.
<b>Secondary market for ordinary shares resulted from the warrant exercise</b>	The Company will list ordinary shares resulted from the warrant exercise on the SET.
<b>Dilution effect</b>	<ul style="list-style-type: none"> <li>• <b>Price Dilution:</b> If the entire 20 million units of warrants allotted to directors, executives and employees of the Company and/or subsidiaries are exercised, the market price of the Company's shares will be diluted by 2.1 percent based on its IPO price of Baht 49 a share and the warrant's exercise price of Baht 1 a share.</li> <li>• <b>Earnings Per Share Dilution and Control Dilution:</b> If the entire 20 million units of warrants allotted to directors, executives and employees of the Company and/or subsidiaries are exercised, the Earnings Dilution and the Control Dilution will be 2.2 percent of the original EPS Dilution and the Control Dilution based on the Company's total 925,850,000 shares sold (paid-up capital after the Company offered capital-increase shares as IPO to existing shareholders and the public and the exercise of all warrants).</li> </ul>

Other rules, conditions and details of the warrants including a reason that new shares will be issued to accommodate the adjustment of exercise price and exercise ratio shall be at the discretion of the Board of Directors who may determine or amend them as deemed appropriate. The Board shall entrust Chairman of the Board to adopt terms governing the rights and responsibilities of warrant issuer

as well as to adopt or amend terms, conditions and details relating to the warrant issuance to accord with laws and announcements of relevant agencies.

### Dividend Policy

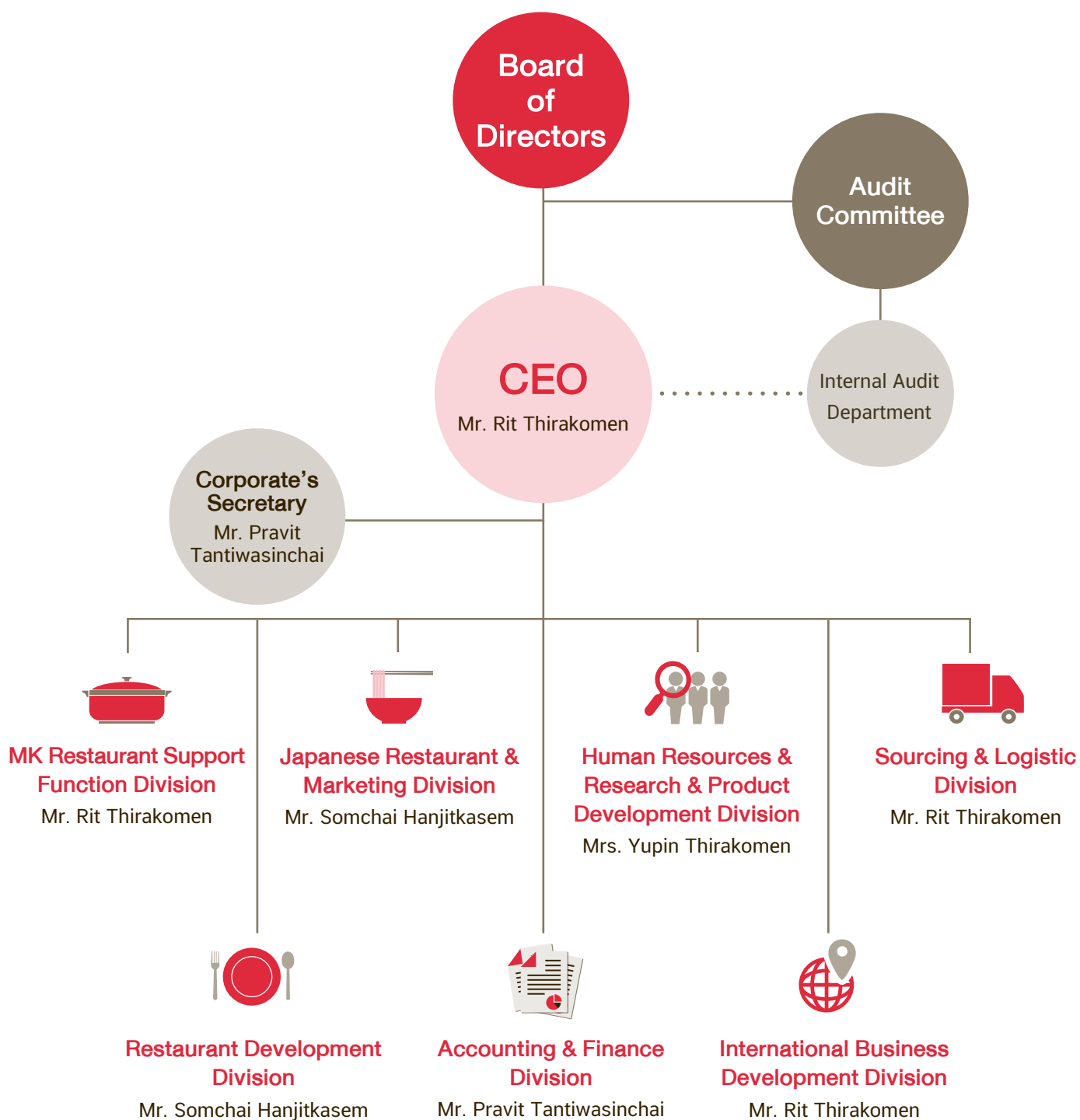
The Company and subsidiaries will pay no less than 50 percent of net profit after corporate income tax and statutory reserves as dividend

based however mainly on consolidated financial statements.

Yet, the Company and subsidiaries may pay dividend at a lower rate than what's stated above or it may abstain from dividend payment subject to economic condition, performance, financial position, liquidity of the Company and its subsidiaries and an extent to which the Company and its subsidiaries require working capital to manage and expand business.

## Management Structure of MK Restaurant Group Public Company Limited

As of December 31, 2015, the management structure was as follows:



# Shareholder and Management Structure (Cont.)

The Company's management structure consists of the Board of Directors and the Audit Committee. Details of their components, qualifications and clearly-divided roles and responsibilities are as follows.

## Board of Directors

As of December 31, 2015, the Board of Directors consisted of 10 directors as follows:

1. Mr. Rit Thirakomen Chairman
2. Mr. Somchai Hanjirkasem Director
3. Mr. Somchai Pipitvijitkorn Director
4. Dr. Annop Tanlamai Independent Director & Chairman of the Audit Committee
5. Mrs. Vilai Chattanrassamee Independent Director & Member of the Audit Committee
6. Mr. Attapon Chodchoy Independent Director & Member of the Audit Committee
7. Mr. Thanong Chotisorayuth Independent Director

8. Dr. Katiya Greigarn  
Independent Director

9. Mr. Sujint Chumpolkajana  
Director

10. Mr. Pravit Tantiwasinchai  
Director & Company  
Secretary

## Authorized Directors

Authorized directors who may sign on behalf of the Company are Mr. Rit Thirakomen, Mr. Somchai Hanjirkasem, Mr. Pravit Tantiwasinchai, Mr. Somchai Pipitvijitkorn totaling two persons together with the Company's seal.

## • Roles and Responsibilities of the Board of Directors

1. To manage the Company in accordance with the laws, the Company's objectives, its Articles of Association and resolutions of the Shareholders' Meeting with integrity and care to protect the Company's interest.

2. To consider and approve key business matters such as vision and mission of the Company, strategy, financial targets, risks, major plans of action and budget.

3. To monitor and follow-up the compliance of management on approved policies and plans.

4. To govern long-term business operations, including executive development plan and management succession plan.

5. To set and approve a written corporate governance policy for the Company and review and enforce the policy regularly, at least annually.

6. To ensure that a written code of business conduct be in place and all directors, executives and employees understand business ethical standards of the Company. To closely monitor the enforcement of the code of business conduct.

7. To consider any conflict of interest thoroughly. There should be clear guidelines on the approval of transactions with conflict of interests so that the transactions are conducted for the best interests of the Company and all shareholders. The person who has conflict of interest should not participate in decision-making process. The Board should also monitor the regulation regarding criteria, procedures and disclosure of transactions with conflict of interests.

8. To oversee and ensure that the Company has efficient risk management and to review and evaluate the efficiency of risk management regularly and wherever there is change in risk level.

9. To ensure that an internal control system is in place, including financial, compliance, and policy controls, and to assign an independent person or department to audit and report at least annually.

10. The annual report should contain a statement from the Board of Directors or the audit committee on the adequacy of the Company's internal controls and risk management.

11. To set up the clear procedures on whistle-blowing for related parties or stakeholders and publish them on the Company's website or directly report to the Company. One channel is via independent directors or the audit committee, who should arrange an investigation and report findings to the Board.

12. To have clear procedures on governing its subsidiaries in order to protect investor benefits including assigning directors of its subsidiaries to be the director of its subsidiaries to ensure the alignment of the parent company's policy and under the Securities and Exchange laws or SET regulations.

13. To attend the meeting of Board of Directors and Shareholders unless in case of force majeure where absent directors shall notify Chairman of the Board or Company Secretary before the meeting.

14. To evaluate once a year of its work, functions and performance.

## Audit Committee

As of December 31, 2015, the Audit Committee consisted of three directors as follows:

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1. Dr. Annop Tanlamai  
Independent Director &  
Chairman of the Audit  
Committee

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2. Mrs. Vilai Chattanrassamee  
Independent Director &  
Member of the Audit  
Committee

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3. Mr. Attapon Chodchoy  
Independent Director &  
Member of the Audit  
Committee

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Mr. Pasakorn Lila  
Secretary of the Audit  
Committee

*The three members of the Audit Committee are knowledgeable and experienced persons in finance and accounting.*

## • Roles and Responsibilities of the Audit Committee

1. To verify that the Company has accurately and adequately reported its financial position.

2. To verify that the Company has proper and effective internal control and internal audit systems and to review the independence of internal audit function of the Company; to approve the appointment, transfer and termination of head of the internal audit function or any other functions responsible for internal auditing.

3. To verify the Company's compliance with the laws on securities and exchange, the SET's regulations and laws relating to the Company's business.

4. To review and discuss the Company's major risk with the management and to discuss measures the management has put in place to monitor and control the risk.

5. To review, select and nominate independent person as the Company's auditor and to propose his/her remunerations; to attend the meeting with the auditor without the management's presence at least once a year.

6. To review connected transactions or those with potential conflict of interest that they comply with the laws and the SET's requirements to ensure that the transactions are reasonable and carried out for the best interest of the Company.

## Shareholder and Management Structure (Cont.)

7. To prepare the Audit Committee's report and submit it to the Board of Directors after each meeting of the Audit Committee.

8. To prepare the Audit Committee's report for disclosure in the annual report. This report must be signed by Chairman of the Audit Committee and must consist of the following information to the least:

(a) Opinion on the accuracy, completion and reliability of the Company's financial statements

(b) Opinion on the adequacy of the Company's internal control system

(c) Opinion on legal compliance with the laws on securities and exchange, the SET's regulations or laws relating to the Company's business

(d) Opinion regarding the soundness of the auditor

(e) Opinion regarding transactions with potential conflict of interest

(f) Number of meetings organized by the Audit Committee and an attendance record of each member

(g) Opinion or observation in general that the Audit Committee receives from its performance under the Charter

(h) Other items that the Audit Committee feels that shareholders and investors should know within its scopes of roles and responsibilities designated by the Board.

9. To do other things as designated by the Board upon the Audit Committee's approval.

10. During its performance, if the Audit Committee finds or is suspicious of the following action which could materially affect the Company's financial position and performance, it must report the incident to the Board for remedy purpose within a deadline deemed appropriate by the Audit Committee:

(a) Transactions that could lead to conflict of interest

(b) Corruption or unusual or material defects in the internal control system

(c) Violation against the laws on securities and exchange, the SET's regulations or laws relating to the Company's business if the Board or the executives fail to amend it within the timeframe under paragraph one before reporting it to the SEC or the SET.

During its performance, the Audit Committee may seek advice from third-party independent advisor or expert in relevant profession if considered necessary and appropriate at the Company's expense. When performing its duties mentioned above,

the Audit Committee is directly liable to the Board of Directors who shall remain responsible for the Company's operation to the third party.

### Corporate Governance, Nominating and Compensation Committee

As of December 31, 2015, the Corporate Governance, Nominating and Compensation Committee consisted of three directors as follows:

1. Dr. Katiya Greigarn  
Chairman

2. Mr. Attapon Chodchoy  
Member

3. Mr. Somchai Pipitvijitkorn  
Member

### • Roles and Responsibilities of the Corporate Governance, Nominating and Compensation Committee

#### Corporate Governance

1. To develop and recommend the best practice of the corporate governance principles for the Company to the Board of Directors for approval. The corporate governance principles should be consistent with SET's corporate governance principles.

2. To oversee the Company's operations to ensure the consistency

with the Company's corporate governance principles as approved by the Board of Directors.

3. To review, compare the corporate governance principles of the Company with the international best practice and SET's principles and recommend changes as necessary to the Board of Directors.

4. To review the business philosophy, code of conduct for the business operation, directors, and employees as well as other related principles and recommend changes as necessary to the Board of Directors.

5. To perform any other duty regarding the corporate governance matters as designated by the Board of Directors.

#### Nomination

1. To search for individuals qualified to become members of the Board of Directors as well as the Chief Executive Officer. The nominees for the Chief Executive Officer and members of the Board of Directors in order to replace the vacancies caused from any matters except retiring by rotation shall be approved by the Board of Directors or be proposed by the Board of Directors to the Annual General Meeting of Shareholders for approval if necessary.

2. In order to search for individuals qualified to become members of the Board of Directors as well as the Chief Executive Officer as mentioned in no.1, the Committee shall perform as follows:

2.1 Define the required qualifications and characteristics for the directors and the Chief Executive Officer by taking into consideration various attributes such as knowledge, experience, expertise in required matter, leadership skill, integrity and accountability, professional, maturity and stability as well as ability to express their opinion differently and independently, etc.

2.2 Consider and ensure the qualification of candidates nominated to be independent directors of the Company.

2.3 Consider the time dedication to perform duties as a director. The number of meeting attendance shall be considered for the retiring directors to be re-appointed for another term while the number of existing board memberships with other companies shall be considered for the new candidate.

2.4 Examine carefully the qualifications of the candidates to ensure their qualifications complied with the laws and regulations of government agencies.

3. Review and make recommendation to the Board of Directors

for the size and the composition of the Board of Directors to achieve the efficiency in the Board of Directors. For example, there should be enough qualified members to be assigned by the Board of Directors for members of other sub-committee. In addition, to achieve the prudence decisions in any matters, the Board of Directors shall comprise of directors with knowledge, capability, experience, and expertise in various aspects. Furthermore, the number of independent directors shall be considered to conform to the good corporate governance principles.

4. To perform any other duty regarding the nominating matters as designated by the Board of Directors.

#### Compensation

1. To consider the remuneration for the Board of Directors, the sub-committee assigned by the Board of Directors, and the Chief Executive Office and recommend to the Board of Directors or the Annual General Meeting of Shareholders for approval. The remunerations are including (a) Retainer which is the monthly compensation (b) Attendance fee which is the compensation paid only for the directors attending the meeting (c) Incentive which based on the Company's performance such as annual bonus (d) other benefits as specified by the Board of Directors.



# Shareholder and Management Structure (Cont.)

2. In order to create the transparency, fairness, and reasonability, the Committee shall consider the remuneration according to the following principles and guidelines:

2.1 The compensation should be reasonable and attractive enough to retain the qualified directors and executive management. The compensation shall be compared with that of other companies with good corporate governance principles and having the same size measured by company's size such as sales size, asset size, etc., profitability and complexity.

2.2 The remuneration of directors should commensurate with the duties and responsibilities of each director. Directors with more responsibilities should receive additional compensation for their increased responsibilities. The director who is the members of the sub-committee should receive the additional compensation. The chairman of the Board of Directors and the chairman of the sub-committee should receive the compensation more than the member of the Board of Directors or the member of the sub-committee.

2.3 The compensation which is paid to directors in accordance with the annual performance of the Company, such as directors' annual bonus, should be linked to

the payment of dividends to shareholders. If no dividend payments were paid to shareholders in any one year, the directors would also not be paid their annual bonus in that year.

2.4 Executives of the Company who also serve as directors of the Company shall not be paid any additional compensation in their capacity as the directors of the Company.

3. To review and recommend on an annual basis the remuneration of directors based on the principles and guideline mentioned above to the Board of Directors to consider before propose to the Annual General Meeting of Shareholders for approval.

4. To evaluate the Chief Executive Officer's performance in order to set the Chief Executive Officer's compensation based upon these evaluation on an annual basis and propose to the Board of Directors for approval. The Committee shall evaluate the Chief Executive Officer's performance with consideration of the Company's performance, the performance of other important duties and the sustainable return to the Company and shareholders. In addition, the Committee shall compare with the performance of

other comparable companies in the same industry.

5. To perform any other duty regarding the compensation matters as designated by the Board of Directors.

## The Management Team

As of December 31, 2015, the Company had four executives. Their names and titles are as follows:

1. Mr. Rit Thirakomen  
Chief Executive Officer

2. Mr. Somchai Hanjirkasem  
Chief Operating Officer  
(Business Development,  
Marketing and Japanese  
Restaurant Business)

3. Mrs. Yupin Thirakomen  
Chief Human Resources  
and Research and Product  
Development

4. Mr. Pravit Tantiwasinchai  
Chief Financial Officer

## • Roles and Responsibilities of Chief Executive Officer (CEO)

CEO is the Company's top executive who has authority, roles and responsibilities to manage the Company's affairs as entrusted by the Board and he directly reports to the Board. The CEO's authority, roles and

responsibilities as designated by the Board shall include the following:

1. To manage the Company's affairs to be in compliance with the laws, objectives, Articles of Association and resolutions of the Shareholders' Meeting as well as with policy, regulations, orders and resolutions of the Board of Directors.

2. To perform duty with integrity and care for the best interest of the Company. When performing its duties mentioned above, the Audit Committee is directly liable to the Board of Directors who shall remain responsible for the Company's operation to the third party.

3. To adopt business plan, investment plan and annual budget of the Company and to amend the plan and budget during the year if necessary to correspond to a material situation change before submitting the amendment to the Board for approval.

4. To control and monitor the operation according to business plan, investment plan and budget approved by the Board to achieve the goal.

5. To submit an operation report; the Company's monthly, quarterly and annual financial report and other related information deemed crucial for

the review of the Company's operation to the Board for acknowledgement or approval.

6. To promptly report the Board in case of an incident or any event that may likely and materially make a negative impact to the Company's performance or its financial position or reputation in the future; to propose measures or offer advice to remedy such incident for the Board's approval.

7. To formulate or improve the executive organizational structure; to determine roles and responsibilities of senior executives under the CEO's line of command and to submit it to the Board for approval.

8. To formulate or amend a table of authority and submit it for the Board's approval.

9. To efficiently supervise the Company's operation and daily activities; to supervise employees for strict compliance with policies, regulations, orders and resolutions of the Board of Directors.

10. To command all employees and staff; to employ, appoint, transfer, exercise disciplinary actions and terminate their employment. However, any action affecting employees in the position of director

or higher shall be reported to the Board for acknowledgment.

11. To issue regulations regarding the Company's operation; to adopt, change, amend or terminate regulations, orders or announcements regarding the Company's operation without conflicting with or against regulations or orders of the Board of Directors.

12. To authorize other persons to perform or do anything on his behalf as deemed appropriate subject however to the CEO's scopes of authority.

13. To approve or act in other matters as stated in the table of authorization already approved by the Board.

14. To perform any other duty as designated by the Board of Directors from time to time.

However, the CEO's exercise of his authority as described above is not allowed if the CEO or a person with potential conflict of interest as defined in the notifications of the SEC and the SET has any interest or may have a conflict of interest in any other manner with the Company or subsidiaries unless it's an approval of a normal business transaction with general business conditions and unless the Board has already approved the matter in principle according to the laws on securities and exchange.

# Shareholder and Management Structure (Cont.)

## Corporate's Secretary

The Board of Directors reviewed and appointed the Corporate's Secretary at the Board of Directors' Meeting No. 1/2012 where Mr. Pravit Tantiwasinchai, with his proper experience and qualifications, was designated as Corporate's Secretary to do the following:

1. To perform duty with care, prudence and integrity for the best interest of the Company and to comply with the laws, objectives and Articles of Association of the Company and resolutions of the Board of Directors and Shareholders' meetings.

2. To manage the meetings of the Board of Directors and Shareholders so that they are in compliance with the laws, the Company's regulations and its best practices.

3. To record the minutes of the meetings of the Board of Directors and Shareholders including to inform resolutions of these two meetings to the management and monitor the compliance with such resolutions through CEO.

4. To prepare and keep the following documents:

4.1 Registration of Directors

4.2 Invitation letter to attend the Board of Directors' meeting, minutes of the Board of Directors' meeting and the Company's annual report

4.3 Invitation letter to attend the Shareholders' meeting and minutes of the Shareholders' Meeting.

5. To keep and maintain a report of interest as filed by directors and executives.

6. To disclose information and reports under his responsibility to

supervisory agencies based on the authorities' regulations.

7. To communicate shareholders' rights and the Company's information to shareholders.

8. To provide recommendations and information relating to laws and regulations that the Board is required to know and comply with; and to regularly monitor accurate compliance.

9. To oversee activities of the Board of Directors to ensure that directors can effectively perform their duties.

Table of the Board's Meeting Attendance in 2015

List of Directors	Board of Directors	Audit Committee
1. Mr. Rit Thirakomen	5/5	-
2. Mr. Somchai Hanjittkasem	5/5	-
3. Mr. Somchai Pipitvijitkorn	5/5	-
4. Dr. Annop Tanlamai	4/5	5/6
5. Mrs. Vilai Chattanrassamee	4/5	6/6
6. Mr. Attapon Chodchoy	5/5	6/6
7. Mr. Thanong Chotisorayuth	5/5	-
8. Dr. Katiya Greigarn	5/5	-
9. Mr. Sujint Chumpolkajana	5/5	-
10. Mr. Pravit Tantiwasinchai	5/5	-

## • Remunerations of Directors and Executives

The Company has clearly and transparently determined director's remunerations which are in line with their roles and responsibilities to supervise the Company's business operation. The remunerations were also reviewed taking into consideration the Company's best interest. Remunerations of directors and executives in 2015 are as follows:

### Director's Remunerations

In 2015, the Company paid Baht 5,767,500 to its directors. However, based on the rules governing director's remunerations, executive director was remunerated for his status as an executive only and not as a director.

Table of Director's Remunerations

Name	Position	Remunerations and Meeting Allowances (Baht)
1. Mr. Rit Thirakomen	Chairman	-
2. Mr. Somchai Hanjirkasem	Director	-
3. Mr. Somchai Pipitvijitkorn	Director	877,500
4. Dr. Annop Tanlamai	Director	952,500
5. Mrs. Vilai Chattanrassamee	Director	937,500
6. Mr. Attapon Chodchoy	Director	952,500
7. Mr. Thanong Chotisorayuth	Director	862,500
8. Dr. Katiya Greigarn	Director	885,000
9. Mr. Sujint Chumpolkajana	Director	300,000
10. Mr. Pravit Tantiwasinchai	Director	-
<b>Total</b>		<b>5,767,500</b>

### Executive's Remunerations

In 2015, the Company paid Baht 48,593,887 worth of salaries, bonuses and other remunerations to its executives.

Table of Executives' Remunerations

Type of Remunerations	Number (Persons)	Remunerations (Baht)
Salary	4	37,669,680
Bonus	4	10,170,813
Other remunerations*	4	753,394
<b>Total</b>	<b>4</b>	<b>48,593,887</b>

\*Other remunerations including gas, medical expenses, provident fund, etc.

## Shareholder and Management Structure (Cont.)

### Other Remunerations

Aside from paying monetary remunerations to directors and executives as described above, the Extraordinary General Meeting of Shareholders No. 1/2012 held on September 18, 2012 approved to allow the Company to issue and offer 20 million units of warrants (M-WA) to executives (including executive directors) and employees of both the Company and/or subsidiaries. The warrants were allocated simultaneously with the IPO of the Company's ordinary shares in August 2013. Meanwhile, executives (including executive directors) have been allocated 1,678,900 units of warrants as follows:

Executives Allocated the M-WA	Number of Warrant Units Being Allotted	Number of Warrant Units Exercised in 2015
Mr. Rit Thirakomen	451,300	90,200
Mrs. Yupin Thirakomen	406,800	81,400
Mr. Somchai Hanjitsakem	406,800	81,400
Mr. Sujint Chumpolkajana	251,200	50,200
Mr. Pravit Tantiwasinchai	162,800	32,600



20:15

100% 

# Corporate Governance



# Corporate Governance

Being in a food and service business, MK Restaurant Group Public Company Limited operates restaurant chains in Thailand and abroad where the service reaches a large number of customers. The Company has been recognized not only for quality and safe food but also great service which have solidly driven its growth so far. Aside from running the business on this fundamental, the Board of Directors also places an extremely high priority to corporate governance (CG). In other words, as the Company firmly believes in the CG principles, CG rules and regulations have been applied in the operation while CG policy is adopted to manage the business and supervise internal functions. The goal, after all, is to ensure that the business is run efficiently and effectively to achieve its objectives.

The essence of the CG is to commit to integrity, transparency and fairness when doing business to reinforce confidence among shareholders, investors, customers, staff and all stakeholders. Our personnel are encouraged to be aware of the principles and to commit to moral practices when conduct the service business. As this reflects the Company's standards of management, it should be favorable to our business and further enhance our recognition here and abroad. That's why the Board of Directors has adopted the CG policy which corresponds to the CG principles for the business to grow sustainably and for us to remain trusted by our shareholders, investors, customers, staff and all stakeholders.



(Mr. Rit Thirakomen)

Chairman of the Board of Directors

## MK Restaurant Group Plc.'s Corporate Governance

To make the Company an efficient organization when it comes to business operation, corporate governance practices and management excellence where shareholders are treated with the best interest and stakeholders are taken into consideration while the Company's business is carried out with transparency and accountability, the Board of Directors has adopted the following corporate governance (CG) policy for itself, the Company's executives and employees to adhere to. Details are as follows:

1. The Board of Directors, executives and employees will perform duty with transparency and integrity towards the organization and other colleagues.

2. The Board of Directors' first priority is customers, to be followed, respectively, by welfare and happiness of employees and best interest of the organization and business partners.

3. The Board of Directors strives to perform its duty with responsibility and independence. Roles and responsibilities of chairman of the Board, Chief Executive Officer and every executive are clearly defined.

4. The Board of Directors strives to be respectable. It will be a leader in ethical practice and a role model for corporate governance compliance.

5. The Board of Directors will devote to the Company without considering their personal interests. Its actions will be mainly based on outcomes affecting the organization and the public at large.

6. The Board of Directors will disclose the Company's financial and non-financial information in an adequate and timely fashion for shareholders and stakeholders to equally access the information.

7. Shareholders will be equally treated for the rights to information and will be offered appropriate channels to communicate with the Company.

8. The Board may appoint a specific committee to carefully screen important matters as deemed appropriate. There will also be an appropriate selection process to recruit important executives of all levels as well as a transparent and fair nomination process.

# Corporate Governance (Cont.)

## The Importance of Corporate Governance

1. To strengthen and standardize the management process while making the process accountable which should enhance the Company's competitiveness, prevent and do away with potential conflict of interest.

2. To bolster confidence of both local and international investors as the CG should let everyone equally share the interest.

3. To become a tool for the Company to measure its performance and examine its work process to improve its efficiency and achieve its goals.

## The Corporate Governance Policy

### • Section 1: Shareholders' Rights

The Board of Directors is aware of shareholders' rights to own and control the Company through the Board of Directors appointed to perform duty on their behalf and to make decisions on the Company's major changes. That's why the Board of Directors has encouraged shareholders to exercise their rights based on the following fundamental rights of shareholders:

#### 1. Shareholders' Meeting

1.1 The Board will ensure that the Company discloses information, identifies date and time of the meeting

and meeting agendas with supporting explanations and rationale in each agenda in an invitation letter to attend the Annual General Meeting of Shareholders (AGM) and the Extraordinary General Meeting of Shareholders (EGM) as well as posts the information on its website. The Company will refrain from doing anything that will restrict shareholders from studying the Company's information.

1.2 The Board will facilitate the Shareholders' Meeting which will be held at a place large enough to accommodate shareholders in Bangkok or nearby provinces not too far away to deter shareholders from travelling to.

1.3 The Company will allow shareholders to propose meeting agenda or send questions to the Company before the meeting day through available channels such as the Company's website.

1.4 The Company will allow shareholders who are unable to attend the meeting themselves to appoint a proxy who may vote on their behalf where absent shareholders will receive documents and explanations on how to appoint a legal proxy. Simultaneously, the Company will propose independent directors as a choice to be appointed as a proxy.

#### 2. Procedures on the Shareholders' Meeting Date

2.1 The Company will introduce technology at the Shareholders'

Meeting to register shareholders, count votes and present voting results to allow the meeting to proceed fast, correctly and accurately.

2.2 The Company will allow shareholders to pose questions to Chairman of the Board and Chairman of sub-committees in matters relating to the meeting.

2.3 Shareholders are entitled to vote separately in each proposed agenda. For an election of member of the Board, shareholders are entitled to vote for each individual director.

2.4 The Company will appoint an independent person to count or check votes at both the AGM and the EGM before disclosing voting result to the meeting and recording it in the minutes of the meeting.

2.5 Chairman of the meeting shall appropriately manage the meeting session while encouraging shareholders to express their views and ask related questions to the meeting under a relevant meeting agenda.

### 3. Minutes of the meeting and disclosure of resolutions of the Shareholders' Meeting

3.1 Voting procedures and presentation of counted votes will be explained to the meeting before it starts. Shareholders will be allowed to ask questions or raise an issue. In addition, questions and answers and voting results of each agenda indicating the number of shareholders who have voted yes, no or abstention will be recorded. A list of directors

present at the meeting and absent from the meeting will also be recorded.

3.2 The Company will disclose to the public voting results of each meeting agenda at both the AGM and the EGM on the next business day on the Company's website.

## • Section 2: Equal Treatment of Shareholders

Realizing the importance of equal and fair treatment to all shareholders, the Board of Directors has done the following:

### 1. Giving information prior to the Shareholders' Meeting

1.1 The Board of Directors will have the Company submit a meeting schedule, meeting agendas and the Board's opinions to the Stock Exchange of Thailand (SET) as well as post them on the Company's website at least 28 days before the date of the shareholders' meeting.

1.2 The Board will have the Company notify shareholders all rules and regulations to be applied at the meeting including how to adopt a resolution and voting rights of different classes of shares held by shareholders.

1.3 An invitation letter to attend the Shareholders' Meeting will be entirely made both in Thai and English.

### 2. Protecting the rights of minority shareholders

2.1 The Board of Directors will adopt clear rules to allow minority shareholders to propose additional meeting agendas in advance prior

to the meeting day for the purpose of fairness and transparency when deciding whether or not the agenda proposed by minority shareholders will be added into existing meeting agendas.

2.2 The Board of Directors will adopt procedures to allow minority shareholders to nominate a person as a director. For example, a nomination can be made through the Nomination Committee 3 - 4 months prior to the Shareholders' Meeting where qualification sheets and consents from the nominee will also be submitted.

2.3 The Board of Directors will proceed with the meeting based on the agendas notified in the invitation letter to attend the Shareholders' Meeting and will not add any meeting agenda during the meeting without notifying shareholders in advance.

2.4 The Board of Directors will allow shareholders to appoint a director on an individual basis.

### 3. Protection against the use of insider information

To promote equal access to information and to prevent the use of insider information for the benefit of directors, executives and employees including their spouse and children not yet legally matured as well as to strengthen our CG practice, the Company has adopted the insider information policy as follows:

3.1 Directors, executives and employees including their spouses and children not yet legally matured who

have access to material information and the Company's financial statements not yet disclosed to the public are prohibited to disseminate or disclose the information to other persons both in and outside the organization. In addition, there shall be the Chinese Wall among departments to prevent premature disclosure of material information not yet disclosed to the public unless such department is required by its duty to access the information which it shall take a good care of the information the same way the information owner does. This however excludes the disclosure of information to the supervising authorities.

3.2 The Company's directors, executives and employees including their spouses and children not yet legally matured who have access to the Company's material information and its financial statements are prohibited to buy, sell, transfer or take transfer the Company's securities within seven days prior to the disclosure of the Company's financial statements to the public.

### 4. Director's interest

4.1 At the Board of Directors' meeting, a director having an interest in a meeting agenda must report his interest to the meeting for the Board's acknowledgment. He/she has to leave the meeting room during the agenda.

4.2 The Board of Directors has a duty to review and resolve an issue of potential conflict of interest and connected transactions for the

# Corporate Governance (Cont.)

benefit of the Company and all stakeholders where it may designate the Audit Committee to review the issue and express an opinion regarding the transaction with potential conflict of interest and any item relating to the Company's transaction. The Audit Committee should inform the Board on a quarterly basis.

## • Section 3: Roles of Stakeholders

The Board of Directors has given priority to the rights of all groups of stakeholders; namely customers, suppliers, competitors, the society, employees and shareholders. Realizing its roles and responsibilities, the Board has formulated the Code of Conduct and best practices for employees to be aware of the stakeholders, to be faithful to their duties and to refrain from corruption. In order to protect the interest of all parties in an honest and fair manner, various groups of stakeholders are treated as follows:

**Customers** The Company commits to make customers satisfactory and confident in us. It will develop quality products and provide excellent services to customers. It will also facilitate customers. The Company is responsible for customers through a department set up to follow up with customers grievances to further improve its services.

**Suppliers** The Company commits to create a mutual relationship with suppliers through which both may share reciprocal benefits and which

the Company may honestly maintain supplier's rights in the service business because it places high priority to supplier's integrity. In addition, the Company also focuses at keeping supplier's information confidential.

**Competitors** The Company aims to compete on quality and service efficiency for the best interest of customers. It will not destroy competitor's reputation just for the Company's interest. Simultaneously, the Company considers other firms both as a supplier and a person sharing the same profession who has mutually committed to the ratification governing the profession.

**Society** Realizing that the Company is a component in a society, the Board of Directors has instructed the Management to adopt the CSR (corporate social responsibility) policy to provide assistance and support and to create something beneficial for communities and the society. In addition, employees are urged to be aware of their responsibilities to every sector of the society.

**Employees** Equal opportunity is given to employees at all levels. Human resources management is carried out on the basis of ethics and fairness. Remunerations, welfare and the provident fund will be provided for employee's secured future. The Company also pays attention to the development of human resources regardless of their levels both in terms of knowledge and skill enhancement

as well as work attitude. The Company will take care of safety and healthcare issues of factory workers. All employees will be subject to a competency evaluation system. Besides, the Key Performance Indicators (KPIs) have been introduced to evaluate employee's performance vis-à-vis the Company's goals.

**Shareholders** The Company commits to maintain the interest of shareholders for their maximum satisfaction through remarkable returns and a steady growth. In addition, information will be accurately and transparently disclosed to investors and shareholders in an accurate and reliable manner. All shareholders are given a chance to equally exercise their rights.

## • Section 4: Disclosure of Information and Transparency

1. The Board of Directors has a duty to equally disclose all financial and non-financial information in a timely and reliable manner to shareholders and stakeholders via the Company's annual report, the SET's electronic notification system and the Company's website. Information to be disclosed will cover what's stated in the SET's best practices which requires the Company to disclose significant and necessary information on a regular basis in Thai and English through the SET's communication channels and on the Company's website.

2. The Company has set up the Investor Relations Unit to coordinate with institutional investors, securities analysts and shareholders of the Company to provide them with the Company's performance and investment information through a convenient, fast and easy-to-access channel of communication.

3. Significant information with effect to the Company's securities price or which could affect investment decision or make an impact to shareholders' rights and benefits will only be disclosed after the information has been officially disseminated to the SET.

4. The Board of Directors is responsible for reporting its liability to the financial statements where such report must be published with the Annual Report. It is to report remunerations of each director in the annual report and to disclose the number of meetings held annually.

5. The Board of Directors has entrusted the Audit Committee to oversee the Management Discussion and Analysis (MDA) in conjunction with financial statements on a quarterly basis. This includes reviewing an auditing fee which shall also be disclosed in the annual report.

6. The Board of Director is required to disclose a policy under which remunerations are paid to directors and senior executives that can reflect each individual's roles and responsibilities. The disclosure shall

include nature or characteristics of the remunerations as well as what each director receives from his/her directorship of subsidiary companies.

7. The Board of Directors must report changes in the Company's shareholding ratio based on the regulations of the Securities and Exchange Commission (SEC) and the SET.

8. The Board of Directors requires the Audit Committee to examine and oversee risk management where a risk assessment analysis will be conducted and risk is to be kept at an acceptable level.

## • Section 5: Responsibilities of the Board of Directors

### 1. Components, qualifications of the Board of Directors and appointment

1.1 The Board of Directors shall consist of no fewer than five members but not exceeding 12. This however depends on what the Shareholders' Meeting may determine from time to time. Of this, at least half shall be independent directors.

1.2 Directors shall possess qualifications and shall not have prohibited characteristics as stated in the laws on public limited company. Nor shall they possess any feature that indicates the lack of qualifications to be trusted to manage a business whose shares are held by the public under the laws and the SEC's notification on securities and exchange.

1.3 The Board of Directors shall adopt rules and regulations that carefully allow directors to hold positions at other companies taking into consideration how efficient directors who work for several firms will be and how reassuring that directors can adequately dedicate themselves for the Company. As such, each director may hold position complementary to the nature of the Company's business in no more than five listed companies. In other words, efficiency of a person as the Company director may fall if he/she holds directorship in too many companies. In addition, the rule must be disclosed to the public.

1.4 The Board of Directors will assign Company Secretary to inform legal and regulatory advice that it had better learn. The Company Secretary will oversee the Board's activities and coordinate with other parties to ensure compliance with the Board's resolutions. The Company Secretary shall be a law or accounting graduate or has attended training relating to the Company Secretary's functions.

1.5 The Board of Directors may appoint an unlimited number of sub-committee as necessary to help it screen and oversee work under its responsibility.

1.6 Members of the Board shall be appointed with transparency. The Nomination Committee shall start a nomination process where a person with appropriate qualifications will be nominated as the Company's director together with detailed resume. The



# Corporate Governance (Cont.)

Nomination Committee will then submit a list of nominees to the Board who will propose them to the Shareholders' Meeting for approval and appointment.

1.7 Resumes of all directors will be posted on the Company's website.

1.8 Newly-appointed directors will attend an orientation session within three months after the appointment in which information proven beneficial and necessary to their performance will be presented to them.

1.9 The Board of Directors will clearly adopt a policy and procedures governing the way the Company's CEO and senior executives hold directorship at other companies. This will include types of directorship and a number of companies they may sit at. All of this is subject to the Board's approval.

1.10 The Board of Directors has designated the Company Secretary to summarize and brief new information to new directors via the Board of Directors' Manual. New directors will make a company visit to better understand the Company's business.

## **2. Roles and responsibilities of the Board of Directors**

The following are major roles and responsibilities of the Board of Directors:

2.1 To manage the Company in accordance with the laws, the Company's objectives, its Articles of Association and resolutions of the Shareholders' Meeting with integrity

and care to protect the Company's interest.

2.2 To consider and approve key business matters such as vision and mission of the Company, strategy, financial targets, risks, major plans of action and budget.

2.3 To monitor and follow-up the compliance of management on approved policies and plans.

2.4 To govern long-term business operations, including executive development plan and management succession plan.

2.5 To set and approve a written corporate governance policy for the Company and review and enforce the policy regularly, at least annually.

2.6 To ensure that a written code of business conduct be in place and all directors, executives and employees understand business ethical standards of the Company. To closely monitor the enforcement of the code of business conduct.

2.7 To consider any conflict of interest thoroughly. There should be clear guidelines on the approval of transactions with conflict of interests so that the transactions are conducted for the best interests of the Company and all shareholders. The person who has conflict of interest should not participate in decision-making process. The Board should also monitor the regulation regarding criteria, procedures

and disclosure of transactions with conflict of interests.

2.8 To oversee and ensure that the Company has efficient risk management and to review and evaluate the efficiency of risk management regularly and wherever there is change in risk level.

2.9 To ensure that an internal control system is in place, including financial, compliance, and policy controls, and to assign an independent person or department to audit and report at least annually.

2.10 The annual report should contain a statement from the Board of Directors or the audit committee on the adequacy of the Company's internal controls and risk management.

2.11 To set up the clear procedures on whistle-blowing for related parties or stakeholders and publish them on the Company's website or directly report to the Company. One channel is via independent directors or the audit committee, who should arrange an investigation and report findings to the Board.

2.12 To have clear procedures on governing its subsidiaries in order to protect investor benefits including assigning directors of its subsidiaries to be the director of its subsidiaries to ensure the alignment of the parent company's policy and under the Securities and Exchange laws or SET regulations.

2.13 To attend the meeting of Board of Directors and Shareholders

unless in case of force majeure where absent directors shall notify Chairman of the Board or Company Secretary before the meeting.

2.14 To evaluate once a year of its work, functions and performance.

### **3. Specific committee**

One of the Board of Directors' duties is to thoroughly and effectively review and approve important matters relating to the Company's operation. As a result, the Board has decided to set up the following specific committees:

3.1 The Audit Committee – At least three independent directors are appointed as members of the Audit Committee, one of whom must be knowledgeable in finance and accounting. They shall be independent as defined in the SET's announcement and according to the definition of independent director specifically for company. The Audit Committee will audit internal control system, financial reporting system and risk management and will select and appoint auditor.

3.2 The Corporate Governance, Nominating and Compensation Committee – All members are appointed from the Board of Directors. At least three of them shall be independent non-executive directors and at least 50% of them as well as the chairman of the committee shall be the independent directors. Moreover, the chairman of the Board of Directors should not be the chairman or the member of the

Corporate Governance, Nominating and Compensation Committee.

### **4. The Board of Directors' Meeting, information and documents**

4.1 The Board of Directors will schedule meeting dates of the Board of Directors in advance on an annual basis. The Company Secretary will inform each director accordingly.

4.2 The Board of Directors will receive information relating to the meeting in advance. The Company Secretary will prepare an invitation letter to attend the meeting plus meeting agendas and supporting documents at least five days before the meeting date to allow the Board enough time to study the information before attending the meeting unless it's an emergency meeting.

4.3 Chairman of the Board shall approve meeting agendas where he is to consult with the CEO. Each director has liberty to propose a matter into the meeting agendas. The Company Secretary will gather proposed agendas from each director.

4.4 Directors having an interest in an agenda are required to abstain from voting or refrain from expressing opinion in the agenda. At the Board of Directors' meeting, if a director is having an interest in an agenda, Chairman of the Board will ask the director to comply with the policy by acknowledging his interest in the agenda to the meeting before he/she is invited to step out of the meeting during the agenda.

4.5 The Board of Directors has designated the Company Secretary to record a minutes of the meeting in a complete, accurate and timely fashion. The minutes must be clear in terms of meeting results and opinions of the Board for further use as reference.

### **5. Remunerations of the Board and CEO**

The Board of Directors and CEO may not set their own remunerations since this is obviously a conflict of interest. To do so, Corporate Governance, Nominating and Compensation Committee will determine the rates and propose them for the Board to approve before the matter is presented to shareholders for their approval based on the Board's performance.

5.1 Corporate Governance, Nominating and Compensation Committee has a duty to provide advice regarding remunerations of the Board and CEO to the Board of Directors. Other advice includes structure/components of the remunerations proven fair to the Board's responsibilities and in line with its performance at an amount that can effectively retain qualified directors in the same industry. Meanwhile, structure/components of the remunerations shall be clear, transparent and easy to understand.

5.2 Shareholders are entitled to review rules and policies regarding remunerations of each director annually. The Board of Directors is to submit director's remunerations to shareholders who will review the

# Corporate Governance (Cont.)

information as part of the meeting agendas at the Annual General Meeting of Shareholders (AGM).

5.3 The Board of Directors and senior executives are required to report principles and rationale regarding director's remunerations in the Company's Annual Report and its financial statements.

## 6. Evaluation of the Board and CEO

6.1 The Board of Directors will evaluate itself on an annual basis. Directors will discuss what they have achieved and problems they are confronting for further improvement. An evaluation of the Board of Directors' performance will be based on evaluation guidelines as suggested by the SET. Improvement will be made to suit the Company's nature of business.

6.2 The Board of Directors will evaluate CEO's performance and compared it with the Board's performance. The evaluation will be made on the basis of performance. Chairman of the Board is designated to inform evaluation result to CEO and the Board of Directors.

## 7. Succession plan

7.1 The Board of Directors has entrusted CEO and the management to adopt a succession plan for executives and positions in line operation.

7.2 The Board of Directors has designated CEO to regularly report actions under the development and succession plan so that the Company is constantly ready for a successor in

case the CEO could no longer perform his duty.

7.3 The Board will ensure that a system is in place to properly select responsible personnel.

## 8. Enhancement of directors and executives

8.1 The Board will promote and facilitate CG training to enhance knowledge on this subject.

8.2 The Board will regularly attend knowledge-enhancement courses organized by supervisory agencies where the Company Secretary is designated to coordinate with directors to inform them of relevant courses.

## 9. Roles and Responsibilities of Company Secretary

9.1 To perform duty with care, prudence and integrity for the best interest of the Company and to comply with the laws, objectives and Articles of Association of the Company and resolutions of the Board of Directors and Shareholders' meetings.

9.2 To manage the meetings of the Board of Directors and Shareholders so that they are in compliance with the laws, the Company's regulations and its best practices.

9.3 To record the minutes of the meetings of the Board of Directors and Shareholders including to inform resolutions of these two meetings to the management and monitor the

compliance with such resolutions through CEO.

9.4 To prepare and keep the following documents:

- (a) Registration of Directors
- (b) Invitation letter to attend the Board of Directors' meeting, minutes of the Board of Directors' meeting and the Company's annual report
- (c) Invitation letter to attend the Shareholders' meeting and minutes of the Shareholders' Meeting.

9.5 To keep and maintain a report of interest as filed by directors and executives.

9.6 To disclose information and reports under his responsibility to supervisory agencies based on the authorities' regulations.

9.7 To communicate shareholders' rights and the Company's information to shareholders.

9.8 To provide recommendations and information relating to laws and regulations that the Board is required to know and comply with; and to regularly monitor accurate compliance.

9.9 To oversee activities of the Board of Directors to ensure that directors can effectively perform their duties.



20:15

100% 

Corporate  
Social  
Responsibility

# Corporate Social Responsibility

Throughout its 30 years in operation, MK Restaurant Group Public Company Limited has placed a strong emphasis on good corporate governance as well as commitment to ethical principle. As a result, the Company's guidelines and policies clearly reflect corporate social responsibility (CSR). Its internal management systems, knowledge creation, and human resource development proceed based on a conviction that a good organization shall enjoy sustainable growth in a happy society. True to its slogan of sharing **"Happy Moments"**, the Company aims to expand its CSR dimensions even further:

## CSR-in-Process

### Fair Business Practice

To ensure transparent business practice, the Company has laid down policies to treat suppliers fairly and equally. In other words, The Company requires that remunerations and benefits involved are on the basis of equality and fairness to suppliers as well as all parties involved in the whole supply chain.

At the Company, commitment and punctuality are the heart of the business. Therefore, if any dishonestly-gotten benefits are detected, the Company is ready to disclose details related to the case to suppliers and to engage them in solving the issue fast and fairly. In addition, the Company has the policy to proceed in line with the good framework of competition. The Company shall neither violate nor acquire through unscrupulous means trade secrets of its competitors. Also, it shall never seek its competitors' confidential information via any dishonest or improper methods. Strictly, the Company shall not damage its competitors' reputation with false and malicious accusations.

### Anti-Corruption Practice

As the aggravating corruption problem stretches its root into all sectors of the Thai society, social and economic development has faltered. Damages also happen in the face of raging graft. In a bid to efficiently solve this problem, leaders from both government and private sectors have joined forces in pursuing corruption-free practice on a serious and continued basis. Such cooperation has been embraced by the business sector as well.

Listed on the Stock Exchange of Thailand (SET), the Company makes it an important mission to set a good example of corruption-free practice for other players in the private sector to follow. The Company, after all, is committed to conducting its business in line with ethics, good corporate governance, transparency, and accountability, free from any form of corruption. In pursuit of tangible results, the Company via its chairman and CEO ratified the Declaration on Thailand's Private Sector Collective Action

Coalition against Corruption on September 23, 2014. The chairman and CEO of the Company also established the anti-corruption panel on October 24, 2014 for the purpose of suppressing corruption with great efficiency. The panel is tasked with reviewing the Company's anti-corruption measures, and formulating practical policies/guidelines on anti-corruption. In 2015, the anti-corruption policy and guideline have been developed by the anti-corruption panel and approved by the Board of Directors to be the guidance for directors, managements and employees.

In addition to prescribing clear-cut policies against corruption, the Company has also inculcated in its employees the attitudes of not taking any bribe or gift from others. In events that employees have to accept gifts on special occasions, all these gifts shall be used for public benefits.

## Respect for Human Rights

"MK Culture" serves as a key tool and guideline for the Company's promotion of respect for human rights. It, in addition, is the driving force behind the Company's operation. At the Company, management style allows all its members to work toward shared goals like they are in one same family. The Company has treated all its employees equally and fairly. There is

no discrimination on the basis of social class, ethnicity, nationality, domicile, complexion, sexual preference, and religion because the Company is well aware these factors are no indicators of human value. The Company firmly believes that all humans have their honor, dignity, rights and liberty.

Moreover, the Company has offered job opportunities to people with visual impairment or communication disorders because it has confidence in their potential. Many of the Company's employees are people with such disabilities and they are assigned to jobs that are within the scope of their capabilities. The Company has recruited them in a hope of helping them attain the quality of life.

## Fair Labor Treatment

Recognizing that employees are highly valuable and crucial to its success, the Company has treated them fairly in term of opportunities, remunerations, transfers, promotions, as well as potential development as follows:

(1) The Company is polite to its employees, and respects their individuality as well as human dignity;

(2) The Company offers fair remunerations to its employees;

(3) The Company provides safe work environment to its employees both in terms of their lives and their property;

(4) Any appointment, transfer, reward or punishment for the Company's employees are done, in good faith, based on their knowledge, abilities, and qualifications;

(5) The Company recognizes the importance of human resource development, thus offering comprehensive and regular opportunities for its employees to enhance their knowledge and abilities;

(6) The Company listens to employees' opinions and recommendations when they are based on their occupational knowledge;

(7) The Company strictly complies with laws and regulations related to its employees;

(8) The Company refrains from any unfair action, which otherwise could affect employees' job security, intimidate employees or put them under pressure.

The Company, moreover, has established the Employee Relations Department so as to provide a channel via which employees can seek counseling or discuss grievances. Employee visits are regularly carried out at the Company's branches both in Bangkok and other provinces so as to check employees' well being and



# Corporate Social Responsibility (Cont.)

extend assistance. The welfare offered by the Company to its employees is indeed better than what is required by laws. For example, the Company has even offered a pension fund for its employees. It, in addition, has organized Big Cleaning activities to ensure that its work environment is in line with hygienic standards.

Inspired by the Thai Health Promotion Foundation's Happy Workplace concept, the Company has also implemented the Happy 8 project to help its employees acquire sustainable happiness through eight means. They are good health, kindness, morality, knowledge, smart use of money, good family, relaxation, and sharing happiness with others, all of which can help building a good and sustainable society.

As the Company has placed a strong emphasis on occupational safety, it has organized training on fire drills every year. Its workplaces are also well-prepared, with adequate safety equipment to ensure that its employees can enjoy safety and good work environment.

## Responsibility to Consumers

The Company has paid serious attention to customers' health and safety, thus underlining that all items on its menu must be clean and of good quality. Its food-safety experts have

monitored food-safety standards at all stages right from the receipt of ingredients, cooking at central kitchens, food delivery to branches nationwide, to food storage at each branch. In addition, the Company has provided training to all its employees so that they understand and can follow the Company's standards. Various institutes have certified the Company's standards. Certifications include:

- ISO 9001:2008 certification for quality management system: It certifies that MK central kitchens use quality-management and food-safety systems that are on par with international standards;
- Hazard Analysis Critical Control Point (HACCP) certification: The HACCP management system ensures food safety by prescribing critical control points in food-manufacturing industry. To create food safety, HACCP standards apply to all players in the food chain from primary producers to end consumers;
- Good Manufacturing Practices (GMP) certification: The Company focuses on GMP as it aims to deliver quality products. GMP here covers the manufacturing process at central kitchens, manufacturing equipment and the delivery to end consumers;
- Fruit/Vegetable Contaminant Testing certification from the Department of Medical Sciences, the Public

Health Ministry: It certifies that the Company can conduct tests on fresh vegetables and fruits for contaminants in a systematic manner. The tests and their results are verifiable;

- Food Safety certification from the Department of Medical Sciences, the Public Health Ministry: It focuses on determining whether any food item is contaminated with borax, salicylic acid, sodium hydrosulfite, formalin or pesticide;
- "Q Restaurant" certification from a program of the National Bureau of Agricultural Commodity and Food Standards, Ministry of Agriculture and Cooperatives: This program encourages restaurants to use Q products, or materials produced in line with good manufacturing practices so as to ensure that consumers can enjoy safe products;
- Certification from the "No MSG" project, the Food Institute, the Ministry of Industry: The Company has won this certification after the Food Institute inspected its systems and conducted tests on samples of its food, seasoning and sauces with lab results showing that all MK dishes are free from MSG or Monosodium Glutamate. The Food Institute has now granted "No MSG" certification signboard to all MK branches.



The Company has closely monitored the level of polar compounds in reused oil for deep frying. No reuse is allowed when the level exceeds safety limits. In addition, the Company sells its used oil for the production of biodiesel only.

Aware that consumers prefer “natural” food ingredients, the Company has seriously tried to use natural food dyes for its dishes. Although this policy incurs a higher financial cost, the Company goes ahead with it to assure consumers that they enjoy chemical-free food at MK restaurants.



# Corporate Social Responsibility (Cont.)

## Environmental Care



The Company has accorded much importance to environmental care. For the purposes of protecting ecological system and environment of communities in which the Company operates its business, the following actions have been taken:

- On the control of its environmental impacts, the Company has strictly complied with the standards of the Department of Industrial Works, international standards, and all applicable laws and regulations.
- The Company has encouraged its employees to use available resources with prudence and maximum efficiency for example by means of recycling paper, saving water, and separating garbage.
- In line with its care for the environment, the Company has replaced “bamboo chopsticks” with “plastic chopsticks” that are resistant to high heat, washable, and reusable.
- Since late 2013, the Company started installing LED lamps at its new branches as such type of bulbs is energy-saving and durable. The Company has also planned to replace old bulbs at all its older branches with LED lamps in the future.
- On transportation process, the Company has an efficient fleet-management system in place. Its fleet of 150 delivery vehicles adopts the speed range of between 80 and 90 kilometers per hour, which is found to have been the most petrol-saving range. All these vehicles are equipped with GPS (Global Positioning System) devices, which allow the Company to conveniently manage and check their routes.
- Infected waste has been disposed at the microbiological lab of the Company’s factory, using sterilization at temperature of 121 degrees Celsius. The Company has also treated its wastewater, with water-quality tests conducted on the treated water to ensure that it is on par with proper standards under the Factory Act of B.E. 2535, the Ministry of Industry, before any discharge to public waterways.





## Community and Social Development



### • Dual Education Project

The Company has joined hands with the Office of the Vocational Education Commission (OVEC) and more than 40 participating colleges in organizing the “Dual Education System Project” and establishing “MK training center” in the participating colleges. This is the collaboration among the educational institutions and business organizations to combine vocational education with on-the-job training at a business premise to ensure students acquire practical knowledge, abilities and qualifications

required by entrepreneurs prior to their graduation. This project is open to students of vocational-certificate, high-vocational-certificate and bachelor degree levels. In addition to the on-the-job training, the Company has been participating from starting point including PR activities with teachers, parents, students, recruitment, plan for classroom renovation, scholarships, training courses, and various other useful activities for the students such as a commencement ceremony.



## Corporate Social Responsibility (Cont.)



- **Project to Support Impaired Students**

The Company has supported communities by offering job opportunities to students from more than 18 institutions including schools for the deaf and Panyanukun schools, schools for children with special needs. The Company has provided service training courses to these students in line with the MK Training Center's dual-education curriculum for senior secondary education so as to help them acquire necessary skills. As parts of the courses, the students are

brought on tour around and on-the-job training at MK branches. Following the training, students may apply for jobs at the Company if they wish to earn income or more experiences. For the convenience of these students, designated officials of the Company can coordinate with their schools and give them jobs at an MK branch closest to their home. At present, a number of impaired students have continued to work for the Company either as part-time or full-time employees.





### • Project for Student Trainees/Cooperative Education Students

The Company collaborated with more than 10 universities to recruit trainees and co-operative education students to work at MK restaurants and head office. Under this project, students will get both experiences

and wages. In addition, participating students will also get certificates of training from the Company. Moreover, the Company also collaborated with Suan Sunandha Rajabhat University and Hue University, Socialist Republic of Vietnam to recruit foreign students from Vietnam to work at our restaurants.

### • Cook House/Library Project

The Company has constructed a cook house for the Sathira Dhammasathan. Believing that this place is the Thailand's only Dhamma-practice facility for females to have the potential of becoming a university, the Company wishes to play a role in developing good, clean and hygienic environment for its food for the benefits of its female users. The cookhouse constructed by the Company is clean and modern.

Moreover, the Company has created a library for Pai Dam Temple in Sing Buri province for the educational benefits of monks, novice monks and local people.



# Corporate Social Responsibility (Cont.)

## Innovations



The Company has constantly introduced innovations to its business. It is the first to have replaced gas stoves with electric pots in Thailand. In addition, it has also replaced brass strainers with stainless strainers. To completely prevent the risk of an electric shock, the Company has also introduced pot with induction system. The Company, moreover, has equipped its employees with PDA devices to speed up food-ordering process. Customers can thus enjoy faster and more efficient services. The Company also has brought the robots for food serving.

At present, the Company has been experimenting with an innovative self-ordering system. More than 50 branches of the Company have had

a tablet on its table so that customers can conveniently use that tablet in ordering food by themselves.

Guided by its focus on its customers' good health, the Company has worked with the Mahidol University's Food Institute in developing a special

calories-calculation system. At the end of each meal at the MK restaurant, customers can thus get a slip showing the amount of calories and nutritional facts. The information is useful for customers' healthcare.



## CSR-After-Process



Recognizing the importance of corporate social responsibility (CSR), the Company has constantly donated money and extended assistance to various organizations such as educational institutes and public hospitals. In the hope of delivering the good quality of life to the hospital's dedicated staff via the delivery of good food, the Company has set up four restaurants at Siriraj Hospital's new building or "Piyamaharajkarun". They are MK Suki, Yayoi, Hakata Ramen and Le Petit outlets. The net income after

expenses of these four outlets will donate to Siriraj Hospital.

In addition, the Company has donated money to Siriraj Hospital for the construction of Intermediate Coronary Care Unit (ICCU) and quarantine unit.

# Report of the Corporate Governance, Nominating and Compensation Committee

The Corporate Governance, Nominating and Compensation Committee (the “Committee”) was established by the Board of Directors of the Company (the “Board”) on November 11, 2015 for the purpose of assisting the Board in the oversight of the Company’s corporate governance, nomination and compensation functions. Pursuant to the Company’s Charter of the Corporate Governance, Nominating and Compensation Committee (the “Charter”), the Committee shall be comprised of at least three Board members appointed by the Board and not less than half of the members and the Chairman of the Committee shall be independent directors. The current Committee consists of three Board members appointed by the Board on November 11, 2015 as follows:

1. Dr. Katiya Greigarn	Chairman
2. Mr. Attapon Chodchoy	Member
3. Mr. Somchai Pipitvijitkorn	Member

To perform its duties as specified in the Charter, two meetings were held by the Committee during the period since its establishment to February 16, 2015 and the results of the meetings may be summarized as follows:

1. As the Committee is required to review the compensation of the Chief Executive Officer (CEO) on an annual basis, the annual payment of bonus for 2015 and the salary adjustment for the year 2016 of the CEO were considered by the Committee based on the evaluation of the yearly operating performance of the Company as a whole, the CEO’s performance in other key functions as well as the creation of long term returns to the Company. In addition, the appropriateness of the CEO’s total compensation was also reviewed by the Committee based on the comparison of the CEO’s compensation with the compensation of executives in comparable positions of other organizations having comparable size which may be measured in terms of total sales or total assets. The meeting concluded that the current compensation of the CEO was appropriate whereas the annual payment of bonus for 2015 and the salary adjustment for the year 2016 of the CEO should be in line with the resolution of the Board in respect of the annual payment of bonus and the salary adjustment for executives of the Company.

2. As required by the Charter, the compensations of directors of the Company and members of the sub-committees established by the Board were reviewed based on the guidelines stated in the Charter. The Committee concluded that the current monthly retaining fee for the Company directors and the attendance fee for the members of the sub-committees as approved by the Annual General Meeting of Shareholders last year were still appropriate. For the Directors’ compensation in the form of bonus, the meeting recommended that the annual bonus for the Company’s directors for the year 2015 should vary proportionally to the change of the annual dividend for the year 2015 to be proposed to the 2016 Annual General Meeting of Shareholders for approval.

3. In respect of the nomination of qualified persons to replace the directors retiring by rotation, the Committee reviewed the candidates' qualifications in accordance with the guidelines provided in the Charter and recommended that the retiring directors namely, Dr. Katiya Greigarn, Mr. Attapon Chodchoy, Mr. Sujint Chumpolkajana, and Mr. Pravit Tantiwasinchai, be reappointed as the directors of the Company for another term because they meet the required qualifications, attended Board meetings regularly, and were able to provide constructive and useful recommendations to the meetings. In the deliberation of this item of the agenda, Dr. Katiya Greigarn or Mr. Attapon Chodchoy was not present at the meeting when he was being proposed for reappointment as the director of the Company for another term.



(Dr. Katiya Greikarn)

Chairman of the Corporate Governance,  
Nominating and Compensation Committee



# Internal Control and Risk Management

MK Restaurant Group Public Company Limited has placed much importance on internal-control system on a continued basis to ensure that the internal control of the Company is satisfied for the business. The internal-control division has the duty to audit operations systems used by each unit of the Company and reports directly the Audit Committee. It aims to ensure that the operations of the Company are effective and efficient; that the Company's resources are used efficiently for maximum benefits; that the Company's assets are well protected and maintained; and that any risk of

mistake is minimized and damages are prevented. The audits are also carried out to supervise the Company's operations, to ensure that financial statements are accurate, reliable, and prepared in a timely manner, as well as to ensure compliance with policies, rules, regulations and laws so as to prevent any damage from being done to the Company.

The Audit Committee has already reviewed the adequacy of the Company's internal-control system. The conclusion of the review is listed in five aspects as follows:



## 1. Organization and Environment

The Company's organizational structure and work environment are adequately proper. Efforts have been made to encourage the environment for good operations so as to promote good attitudes towards the Company among staff at all levels. The efforts are about reinforcing the corporate culture that prioritizes honesty and ethics, creating clear organizational structure, clear delegation of duties and responsibilities that respond well to the Company's operations, clear job description, and continued human resource development. In addition, the Company has continued to place much importance on performance based evaluation system. The Company's goals are clearly communicated to every business line and division. Key Performance Indicators (KPIs) are also in place to create the efficiency of work. In addition, the Company has planned to enhance its human resource development further by developing succession plans to groom its employees for executive roles.

## 2. Risk Management

At present, the Company has not yet had a work panel on risk management to supervise and control risks. The Company, however, has placed a strong emphasis on

managing risks that may affect its business and prevent it from achieving its identified goals. The Company will set up a work panel on risk management to prepare and submit a report on risk management to the Audit Committee and the Board of Directors to review and acknowledge. The risk management detail is described in the "Risk Factors" topic.

## 3. Control Measures

The Company has adequate and proper control measures. It has formulated policies and guidelines in a way that clearly prescribes the scope of duties, authority and power to approve, delegation of duties, and mechanisms that will prevent or minimize mistakes. Control measures also include manuals that offer work guideline at every stage, as well as audits of financial statements and reports on the Company's non-financial operating results to ensure compliance with rules and regulations. All the accounting transactions are recorded accurately and completely. The accounting information and documents are retained systematically and legally. The Company also has the procedures and policies for the procurement which define the roles and responsibilities for the procurement process clearly including approval authority, clarification of product specification, product inspection,

product control and protection as well as stocktaking. Besides, the Company has implemented the human resources management system in order to monitor and evaluate staffs' performance efficiently. All employees are trained continuously to create the efficiency of work. In events that the Company plans to conduct transactions with related parties or persons who may have conflict of interests, the Management shall report those plans to the Audit Committee that will review their appropriateness before proposing to the Board of Directors for approvals. Moreover, the Company has constantly monitored the operations of its subsidiaries.

## 4. Information System and Communications

The Company has used information systems for its operations so as to support internal control and facilitate the work of the Management. The systems have stored information and kept documents in an efficient manner. Relevant information is also reported to executives and operations-level staff accurately through proper channels. Communications have been made to ensure that all employees know the rules and regulations about their jobs and duties in respect to internal control. In addition, the Company's Investor Relations Unit is in place to coordinate with investors ensuring



# Internal Control and Risk Management (Cont.)

that they can get information on the Company's operations and investments promptly and conveniently through highly accessible channels. The Company also provides channel to receive the suggestions and recommendations from its organization as well as whistleblowing or complaints from outside via convenient channels such as Company's website, e-mail, call center, etc. All suggestions or complaints will be collected and reviewed systematically and the

preventive and proactive actions are created to avoid the recurrence.

## 5. Monitoring System

The Company has monitored and evaluated its internal-control system on a continued basis driven by the internal audit department and aligned with the annual internal-audit plans approved by the Audit Committee. In addition, the Audit Committee has invited the Company's auditor to its meeting to review and acknowl-

edge the results of financial-statement audits and internal-control issues. If any flaw is detected, improvements shall be made immediately so as to ensure timely response.

# Details of Directors and Executives

## 1. Mr. Rit Thirakomen

<b>Position</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors</li> <li>• Chief Executive Officer</li> <li>• Director (Authorized Signature)</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	64 years
<b>M Shareholding</b>	139,743,333 shares or 15.4% of paid up shares
<b>Family Relationship</b>	Spouse of Mrs. Yupin Thirakomen
<b>Education</b>	Bachelor's Degree (Electrical Engineering), Chulalongkorn University
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	Director Accreditation Program (DAP) 97/2555
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Chairman of the Board of Directors and Chief Executive Officer, MK Restaurant Group Pcl.</li> <li>1989 - 2012 Director, MK Restaurant Group Pcl.</li> <li>1986 - 2012 Managing Director, MK Restaurant Group Pcl.</li> <li>1987 - 1999 Chairman of the Board of Directors, SE-EDUCATION Pcl.</li> <li>1974 - 1987 Managing Director, SE-EDUCATION Pcl.</li> </ul> </li> <li>• <b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>Present Director, MK Worldwide Co., Ltd.</li> <li>Present Director, Global Asset Development Co., Ltd.</li> <li>Present Director, MK Interfood Co., Ltd.</li> <li>Present Director, MK Service Training Center Co., Ltd.</li> <li>Present Director, Precision Manufacturing Co., Ltd.</li> <li>Present Director, Totems Co., Ltd.</li> <li>Present Director, Hanthi Unity Group Co., Ltd.</li> <li>Present Director, International Food Supply Co., Ltd.</li> </ul> </li> </ul>

## Details of Directors and Executives (Cont.)

### 2. Mr. Somchai Hanjitkasem

<b>Position</b>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director (Authorized Signature)</li> <li>• Chief Operating Officer (Development, Marketing and Japanese Restaurant Business)</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	55 years
<b>M Shareholding</b>	164,210,012 shares or 18.0% of paid up shares
<b>Family Relationship</b>	Brother of Mrs. Yupin Thirakomen
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor's Degree, Bangkok University</li> <li>• Master's Degree (MS), Abilene Christian University</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• Director Accreditation Program (DAP) 97/2555</li> <li>• Director Accreditation Program (DAP) 6/2546</li> <li>• Financial Statements for Directors (FSD) 9/2547</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>Present Chief Operating Officer (Development, Marketing and Japanese Restaurant Business), MK Restaurant Group Pcl.</li> <li>1989 - Present Director, MK Restaurant Group Pcl.</li> <li>2012 - 2015 Managing Director, MK Restaurant Group Pcl.</li> <li>1992 - 2012 Executive Vice President, MK Restaurant Group Pcl.</li> </ul> </li> <li>• <b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>Present Director, MK Worldwide Co., Ltd.</li> <li>Present Director, Global Asset Development Co., Ltd.</li> <li>Present Director, MK Interfood Co., Ltd.</li> <li>Present Director, MK Service Training Center Co., Ltd.</li> <li>Present Director, Dawiburi Villa Owner Association Co., Ltd.</li> <li>Present Director, Shellhut Entertainment Co., Ltd.</li> <li>Present Director, Hanthi Unity Group Co., Ltd.</li> <li>Present Director, International Food Supply Co., Ltd.</li> <li>Present Director, National Food Retail Co., Ltd.</li> <li>Present Director, Kipson Intertech Co., Ltd.</li> <li>Present Director, Superior Food Service Co., Ltd.</li> </ul> </li> </ul>

### 3. Mr. Somchai Pipitvijitkorn

<b>Position</b>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director (Authorized Signature)</li> <li>• Member of Corporate Governance, Nominating and Compensation Committee</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	77 years
<b>M Shareholding</b>	-None-
<b>Family Relationship</b>	Uncle of Mr. Rit Thirakomen
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor's Degree (Accounting), Chulalongkorn University</li> <li>• Master's Degree (Business Administration), Michigan State University</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	-None-
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Director, MK Restaurant Group Pcl.</li> <li>2009 - 2014 Chairman of the Board of Directors, Bangsaphan Barmill Pcl.</li> <li>2003 - Present Director, Sahaviriya Steel Industries Pcl.</li> <li>2004 - 2009 Director, Bangsaphan Barmill Pcl.</li> <li>1986 - 1998 Director, Siam City Cement Pcl.</li> <li>1984 - 1999 Director, Bank of Ayudhya Pcl.</li> </ul> </li> <li>• <b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>2004 - Present Director, Sahaviriya Plate Mill Pcl.</li> </ul> </li> </ul>

## Details of Directors and Executives (Cont.)

### 4. Dr. Annop Tanlamai

<b>Position</b>	<ul style="list-style-type: none"> <li>Independent Director</li> <li>Chairman of Audit Committee</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	65 years
<b>M Shareholding</b>	-None-
<b>Family Relationship</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>Bachelor's Degree (Mechanical Engineering), Chulalongkorn University</li> <li>Master's Degree (Engineering Management), University of Missouri</li> <li>MBA (Quantitative Business Analysis), Indiana University</li> <li>Ph.D. (Engineering Management), University of Missouri</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>Director Certification Program (DCP) 154/2554</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li><b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Independent Director and Chairman of Audit Committee, MK Restaurant Group Pcl.</li> <li>2011 - Present Director and Member of Audit Committee, Bangkok Expressway Pcl.</li> </ul> </li> <li><b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>Present Director, Ex.19 Co., Ltd.</li> <li>2012 - Present Dean, College of Management, Mahidol University</li> <li>2007 - 2011 Dean, Faculty of Commerce and Accountancy, Chulalongkorn University</li> <li>1999 - 2007 Director of the Master of Business Administration (MBA) Program, Faculty of Commerce and Accountancy, Chulalongkorn University</li> <li>1995 - 1999 Head of Department of Commerce, Faculty of Commerce and Accountancy, Chulalongkorn University</li> <li>1989 - 1995 Director of the Master of Business Administration (MBA) Program, Faculty of Commerce and Accountancy, Chulalongkorn University</li> </ul> </li> </ul>

## 5. Dr. Katiya Greigarn

<b>Position</b>	<ul style="list-style-type: none"> <li>Independent Director</li> <li>Chairman of Corporate Governance, Nominating and Compensation Committee</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	64 years
<b>M Shareholding</b>	-None-
<b>Family Relationship</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>Bachelor's Degree (Electrical Engineering), Chulalongkorn University</li> <li>Master's Degree (Electrical Engineering), University of Missouri - Rolla</li> <li>Ph.D. (Electrical Engineering), University of Missouri - Rolla</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>Director Accreditation Program (DAP) 37/2548</li> <li>Financial Statements for Directors (FSD) 3/2551</li> <li>Advanced Audit Committee Program (AACP) 34/2554</li> <li>Director Certification Program (DCP) 110/2551</li> <li>Director Certification Program Update (DCPU) 5/2558</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li><b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Independent Director, MK Restaurant Group Pcl.</li> <li>2011 - Present Independent Director and Chairman of Audit Committee, Planet Communications Asia Pcl.</li> <li>2007 - Present Independent Director and Chairman of Audit Committee, Premier Marketing Pcl.</li> <li>2005 - 2014 Independent Director and Chairman of Audit Committee, Premier Technology Pcl.</li> </ul> </li> <li><b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>2013 - Present Director, Lynx Corporation Co., Ltd.</li> <li>2008 - Present Director, Mekfah Development Co., Ltd.</li> <li>2008 - Present Director, Viptel Co., Ltd.</li> <li>2002 - Present Director, Chok Udom Property Co., Ltd.</li> <li>2002 - Present Director, Sab Udom Properties Co., Ltd.</li> <li>Present Director, KV Electronics Co., Ltd.</li> <li>1988 - Present Managing Director, KV Electronics Co., Ltd.</li> </ul> </li> </ul>



## Details of Directors and Executives (Cont.)

### 6. Mr. Thanong Chotisorayuth

<b>Position</b>	Independent Director
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	62 years
<b>M Shareholding</b>	-None-
<b>Family Relationship</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor's Degree (Electrical Engineering), Chulalongkorn University</li> <li>• Master's Degree (Education in Educational Administration), Chulalongkorn University</li> <li>• Honorary Doctorate in Business Administration, National Institute of Development Administration</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) 33/2546</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Independent Director, MK Restaurant Group Pcl.</li> <li>1993 - Present Director and Managing Director, SE-EDUCATION Pcl.</li> </ul> </li> <li>• <b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>2013 - Present Director, BaesLab Co., Ltd.</li> <li>2010 - Present Director, Plearnpattana School, Plearn Patt Co., Ltd.</li> <li>2006 - Present Chairman of Executive Directors, Plearnpattana School, Plearn Patt Co., Ltd.</li> <li>2001 - Present Director, SE-ED Book Center Co., Ltd.</li> <li>1984 - Present Director, M&amp;E Co., Ltd.</li> <li>2003 - 2006 Director and Executive Director, Plearn Patt Co., Ltd.</li> <li>1987 - 1993 Director and Managing Director, SE-EDUCATION Co., Ltd.</li> </ul> </li> </ul>

## 7. Mrs. Vilai Chattanrassamee

<b>Position</b>	<ul style="list-style-type: none"> <li>• Independent Director</li> <li>• Member of Audit Committee</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	62 years
<b>M Shareholding</b>	-None-
<b>Family Relationship</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor's Degree (Accounting), Chulalongkorn University</li> <li>• Master's Degree (Accounting), Thammasart University</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) 13/2544</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Independent Director and Member of Audit Committee, MK Restaurant Group Pcl.</li> <li>2013 - Present Independent Director and Member of Audit Committee, Shun Thai Rubber Gloves Industry Pcl.</li> <li>2010 - 2012 Independent Director and Member of Audit Committee, Asian Seafoods Coldstorage Pcl.</li> <li>1999 - 2009 Vice President - Accounting and Finance, Sahaviriya Steel Industries Pcl.</li> <li>1998 - 1999 Chief Financial Officer, Grammy Entertainment Pcl.</li> <li>1996 - 1998 Executive Vice President, Siam Integrated Cold Rolled Steel Pcl.</li> </ul> </li> <li>• <b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>2015 - Present Independent Director and Chairman of Audit Committee, BCPG Co., Ltd.</li> <li>Present Director, Horton International Co., Ltd.</li> <li>Present Director, Executive Search Services Co., Ltd.</li> <li>2014 - Present Financial Accounting Specialist for Audit Committee, Metropolitan Waterworks Authority</li> <li>2011 - Present Secretary General, Federation of Accounting Professions under the Royal Patronage of His Majesty the King</li> <li>2002 - 2011 Director and Treasurer, Federation of Accounting Professions under the Royal Patronage of His Majesty the King</li> </ul> </li> </ul>

## Details of Directors and Executives (Cont.)

### 8. Mr. Attapon Chodchoy

<b>Position</b>	<ul style="list-style-type: none"> <li>• Independent Director</li> <li>• Member of Audit Committee</li> <li>• Member of Corporate Governance, Nominating and Compensation Committee</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	59 years
<b>M Shareholding</b>	-None-
<b>Family Relationship</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor's Degree (Cost Accounting), Chulalongkorn University</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• Director Certification Program (DCP) 54/2548</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Independent Director and Member of Audit Committee, MK Restaurant Group Pcl.</li> <li>2013 - Present Independent Director and Member of Audit Committee, M Pictures Entertainment Pcl.</li> <li>1982 - 1999 Director and Chief Finance Officer, Minor Corporation Pcl.</li> </ul> </li> <li>• <b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Financial Advisor, Unique Plastic Industry Co., Ltd.</li> <li>2001 - 2011 Director and Director of Finance Department, Molnlycke Health Care (Thailand) Co., Ltd.</li> <li>1999 - 2001 Director of Accounting and Finance Department, The British Dispensary (L.P.) Co., Ltd.</li> </ul> </li> </ul>

## 9. Mr. Sujint Chumpolkanjana

<b>Position</b>	Director
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	65 years
<b>M Shareholding</b>	7,075,300 shares or 0.8% of paid up shares
<b>Family Relationship</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>Bachelor's Degree (Electrical Engineering), Chulalongkorn University</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>Director Accreditation Program (DAP) 97/2555</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li><b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>2012 - Present Director, MK Restaurant Group Pcl.</li> <li>2012 - 2014 Executive Vice President - Restaurant Development Division, MK Restaurant Group Pcl.</li> <li>2006 - 2012 Executive Vice President - International Business Development Division, MK Restaurant Group Pcl.</li> <li>1992 - 2006 Vice President, MK Restaurant Group Pcl.</li> </ul> </li> </ul>

## Details of Directors and Executives (Cont.)

### 10. Mr. Pravit Tantiwasinchai

<b>Position</b>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Director (Authorized Signature)</li> <li>• Chief Financial Officer</li> <li>• Corporate Secretary</li> </ul>
<b>Date of the First Appointment as Director</b>	June 2012
<b>Age</b>	60 years
<b>M Shareholding</b>	4,998,800 shares or 0.5% of paid up shares
<b>Family Relationship</b>	-None-
<b>Education</b>	<ul style="list-style-type: none"> <li>• Bachelor's Degree (Accounting-Finance and Banking), Chulalongkorn University</li> <li>• Graduate Diploma (Auditing), Chulalongkorn University</li> </ul>
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	<ul style="list-style-type: none"> <li>• Director Accreditation Program (DAP) 97/2555</li> <li>• Director Accreditation Program (DAP) 6/2546</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <ul style="list-style-type: none"> <li>Present Chief Financial Officer, MK Restaurant Group Pcl.</li> <li>2012 - Present Director and Corporate Secretary, MK Restaurant Group Pcl.</li> <li>2006 - 2015 Executive Vice President - Accounting and Finance Division, MK Restaurant Group Pcl.</li> <li>1999 - Present Independent Director and Member of Audit Committee, SE-EDUCATION Pcl.</li> <li>1994 - 2006 Director of Accounting and Finance Department, MK Restaurant Group Pcl.</li> </ul> </li> <li>• <b>Positions in Non-Listed Companies</b> <ul style="list-style-type: none"> <li>Present Director, MK Interfood Co., Ltd.</li> </ul> </li> </ul>

## 11. Mrs. Yupin Thirakomen

<b>Position</b>	Chief Human Resource and Research and Product Development Officer																						
<b>Date of the First Appointment as Director</b>	-																						
<b>Age</b>	59 years																						
<b>M Shareholding</b>	363,199,979 shares or 39.9% of paid up shares																						
<b>Family Relationship</b>	<ul style="list-style-type: none"> <li>• Spouse of Mr. Rit Thirakomen</li> <li>• Sister of Mr. Somchai Hanjikasem</li> </ul>																						
<b>Education</b>	<ul style="list-style-type: none"> <li>• Honorary Master's Degree (Business Administration), Kalasin Rajabhat University</li> </ul>																						
<b>Related Training Program Held by Thai Institute of Directors Association (IOD)</b>	-None-																						
<b>Experience</b>	<ul style="list-style-type: none"> <li>• <b>Positions in Listed Companies</b> <table> <tr> <td>Present</td><td>Chief Human Resource and Research and Product Development Officer, MK Restaurant Group Pcl.</td></tr> <tr> <td>2012 - 2015</td><td>Managing Director -Japanese Food Restaurant Group, MK Restaurant Group Pcl.</td></tr> <tr> <td>2006 - 2012</td><td>Executive Vice President - Supply Chain and Japanese Restaurant, MK Restaurant Group Pcl.</td></tr> <tr> <td>1986 - 2006</td><td>Vice President, MK Restaurant Group Pcl.</td></tr> </table> </li> <li>• <b>Positions in Non-Listed Companies</b> <table> <tr> <td>Present</td><td>Director, Global Asset Development Co., Ltd.</td></tr> <tr> <td>Present</td><td>Director, National Food Retail Co., Ltd.</td></tr> <tr> <td>Present</td><td>Director, Kipson Intertech Co., Ltd.</td></tr> <tr> <td>Present</td><td>Director, Superior Food Service Co., Ltd.</td></tr> <tr> <td>Present</td><td>Director, Hanthi Unity Group Co., Ltd.</td></tr> <tr> <td>Present</td><td>Director, Health Plus Creation Co., Ltd.</td></tr> <tr> <td>Present</td><td>Director, International Food Supply Co., Ltd.</td></tr> </table> </li> </ul>	Present	Chief Human Resource and Research and Product Development Officer, MK Restaurant Group Pcl.	2012 - 2015	Managing Director -Japanese Food Restaurant Group, MK Restaurant Group Pcl.	2006 - 2012	Executive Vice President - Supply Chain and Japanese Restaurant, MK Restaurant Group Pcl.	1986 - 2006	Vice President, MK Restaurant Group Pcl.	Present	Director, Global Asset Development Co., Ltd.	Present	Director, National Food Retail Co., Ltd.	Present	Director, Kipson Intertech Co., Ltd.	Present	Director, Superior Food Service Co., Ltd.	Present	Director, Hanthi Unity Group Co., Ltd.	Present	Director, Health Plus Creation Co., Ltd.	Present	Director, International Food Supply Co., Ltd.
Present	Chief Human Resource and Research and Product Development Officer, MK Restaurant Group Pcl.																						
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1986 - 2006	Vice President, MK Restaurant Group Pcl.																						
Present	Director, Global Asset Development Co., Ltd.																						
Present	Director, National Food Retail Co., Ltd.																						
Present	Director, Kipson Intertech Co., Ltd.																						
Present	Director, Superior Food Service Co., Ltd.																						
Present	Director, Hanthi Unity Group Co., Ltd.																						
Present	Director, Health Plus Creation Co., Ltd.																						
Present	Director, International Food Supply Co., Ltd.																						



## Change in M Shares Held by Directors and Executives

No.	Name	Position	M shares held as of January 8, 2015	M shares held as of December 30, 2015	Increase/ (Decrease) in M Shares held	Percentage of shares held (%)
1	Mr. Rit Thirakomen	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors</li> <li>Chief Executive Officer</li> </ul>	139,653,133	139,743,333	90,200	15.4%
	Spouse and minor children		363,118,579	363,199,979	81,400	39.9%
2	Mr. Somchai Hanjitkasem	<ul style="list-style-type: none"> <li>Director</li> <li>Chief Operating Officer</li> </ul>	164,128,612	164,210,012	81,400	18.0%
	Spouse and minor children		-	-	-	-
3	Mr. Somchai Pipitvijitkorn	<ul style="list-style-type: none"> <li>Director</li> </ul>	-	-	-	-
	Spouse and minor children		-	1,760,000	1,760,000	0.2%
4	Dr. Annop Tanlamai	<ul style="list-style-type: none"> <li>Independent Director</li> <li>Chairman of Audit Committee</li> </ul>	-	-	-	-
	Spouse and minor children		-	-	-	-
5	Dr. Katiya Greigarn	<ul style="list-style-type: none"> <li>Independent Director</li> </ul>	-	-	-	-
	Spouse and minor children		-	-	-	-
6	Mr. Thanong Chotisorayuth	<ul style="list-style-type: none"> <li>Independent Director</li> </ul>	-	-	-	-
	Spouse and minor children		-	15,000	15,000	0.0%

No.	Name	Position	M shares held as of January 8, 2015	M shares held as of December 30, 2015	Increase/ (Decrease) in M Shares held	Percentage of shares held (%)
7	Mrs. Vilai Chattanrassamee	<ul style="list-style-type: none"> <li>Independent Director</li> <li>Member of Audit Committee</li> </ul>	-	-	-	-
	Spouse and minor children		-	-	-	-
8	Mr. Attapon Chodchoy	<ul style="list-style-type: none"> <li>Independent Director</li> <li>Member of Audit Committee</li> </ul>	-	-	-	-
	Spouse and minor children		-	-	-	-
9	Mr. Sujint Chumpolkanjana	• Director	7,225,100	7,075,300	-149,800	0.8%
	Spouse and minor children		-	-	-	-
10	Mr. Pravit Tantiwasinchai	<ul style="list-style-type: none"> <li>Director</li> <li>Chief Financial Officer</li> </ul>	5,366,200	4,998,800	-367,400	0.5%
	Spouse and minor children		30,000	30,000	-	0.0%
11	Mrs. Yupin Thirakomen	• Chief Human Resource and Research and Product Development Officer	363,118,579	363,199,979	81,400	39.9%
	Spouse and minor children		139,653,133	139,743,333	90,200	15.4%

# General Corporate Information and Other References

**Company Name :** MK Restaurant Group Public Company Limited

**Primary Business:** Restaurant

**Head Office:** 1200 Bangna-Trad Road, Bangna, Bangkok 10260

**Registration No.:** 0107555000317

**Homepage:** [www.mkrestaurant.com](http://www.mkrestaurant.com)

**Telephone:** +66 2836-1000

**Fax:** +66 2836-1099

## Share Capital as of December 31, 2015

**Registered Capital:** Baht 925,850,000 comprising of 925,850,000 shares with a par value of Baht 1 each

**Issued and Paid-up Capital:** Baht 910,249,500 comprising of 910,249,500 shares with a par value of Baht 1 each

**Registrar:** Thailand Securities Depository Co., Ltd.  
The Stock Exchange of Thailand Building  
93 Rachadapisek Road, Dindaeng, Bangkok 10400  
Tel: +66 2009-9000  
Fax: +66 2009-9991

**Auditors:** EY Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Office Complex  
193/136-137 Rajadapisek Road, Klongtoey, Bangkok 10110  
Tel: +66 2264-0777  
Fax: +66 2264-0789



# MK



**MK Restaurant Group Public Company Limited**

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