



ANNUAL  
REPORT  
2019

Our Delicious and  
Quality Meal Towards  
an International Level

**MK**

MK Restaurant Group Public Company Limited



# INDEX

Vision &  
Mission

**001**

Financial  
Highlights

**002**

Message  
from CEO

**004**

Board of  
Directors

**006**

Nature of  
Business

**008**

Corporate  
Structure of  
the Company  
and Subsidiaries

**023**

Notable Events  
in 2019

**024**

Risk Factors

**026**

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

**036**

Report of the  
Audit Committee

**037**

Independent  
Auditor's Report

**039**

Financial  
Statements

**043**

Management  
Discussion  
and Analysis

**110**

Connected  
Transactions

**116**

Shareholder and  
Management  
Structure

**123**

Corporate  
Governance

**135**

Corporate Social  
Responsibility

**144**

Report of the  
Corporate Governance,  
Nominating, and  
Compensation  
Committee

**154**

Internal Control and  
Risk Management

**155**

Details of Directors  
and Executives

**157**

General Corporate  
Information and  
Other References

**171**



## VISION & MISSION

### VISION

"To serve happiness to our customers through delicious, quality meals and extraordinary restaurant experience while working toward the greater good for our employees, community and environment."



### MISSIONS

- > To delight and nourish our customers with healthy, quality and delicious food and excellent service at a reasonable price
- > To understand our customer's changing needs and constantly improve our customer experience
- > To generate a sustainable profit growth for our company's shareholders
- > To create long-term relationships with our business partners
- > To enhance our employee's excellence, continuous development and happiness
- > To contribute to our society through initiatives that align with our corporate social responsibility program



## FINANCIAL HIGHLIGHTS

### Financial Highlights

2017

2018

2019

#### Income Statement (Million Baht)

Revenues from Sales and Services	16,073	16,770	<b>17,409</b>
Total Revenues	16,458	17,234	<b>17,871</b>
Gross Profit	10,899	11,475	<b>11,926</b>
Profit Before Financial costs and Income tax expenses	2,964	3,131	<b>3,164</b>
Net Profit	2,425	2,574	<b>2,604</b>

#### Balance Sheet (Million Baht)

Total Assets	16,283	17,174	<b>17,942</b>
Total Liabilities	2,454	2,998	<b>3,315</b>
Total Equity	13,829	14,176	<b>14,627</b>
Paid-up Capital	921	921	<b>921</b>
Net Cash from Operating Activities	3,575	3,727	<b>3,434</b>

#### Financial Ratio

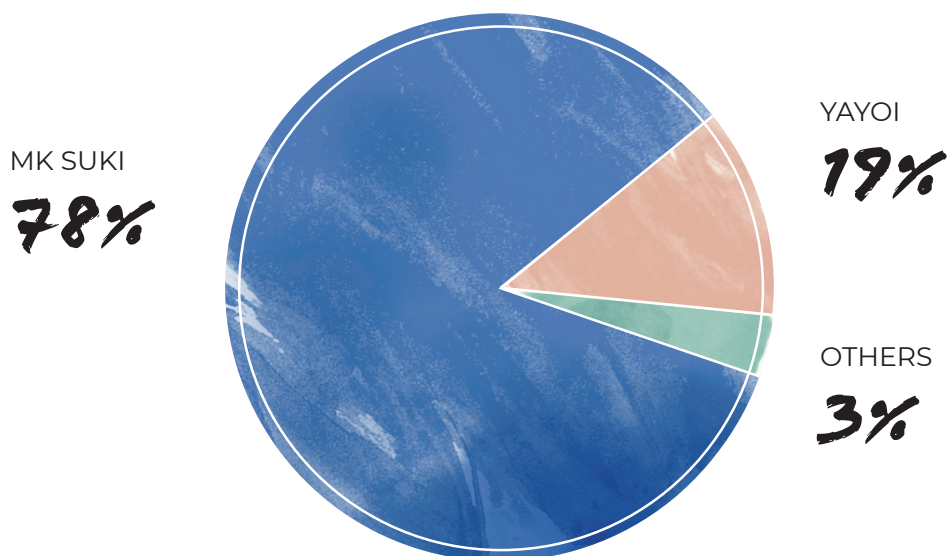
Gross Profit Margin (%)	67.8	68.4	<b>68.5</b>
Net Profit Margin (%)	14.7	14.9	<b>14.6</b>
Return on Equity (%)	17.8	18.4	<b>18.3</b>
Return on Assets (%)	15.2	15.4	<b>14.8</b>
Debt to Equity Ratio (Times)	0.2	0.2	<b>0.2</b>
Current Ratio (Times)	5.0	4.2	<b>3.5</b>

#### Par Share Data

Par Value (Baht per Share)	1	1	<b>1</b>
Earnings per Share (Baht)	2.7	2.8	<b>2.8</b>
Dividend per Share (Baht)	2.3	2.5	<b>2.6</b>
Dividend Payout Ratio (%)	87	89	<b>92</b>

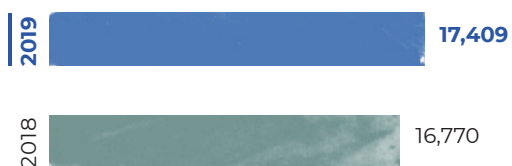
Notes: Board of Directors had the resolution on February 25, 2020 to propose the 2019 dividend payment per share to the 2020 Annual General Meeting for shareholders' approval on April 27, 2020.

## REVENUE BREAKDOWN BY BUSINESS



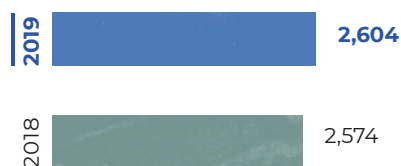
## REVENUES FROM SALES AND SERVICES

(Million Baht)



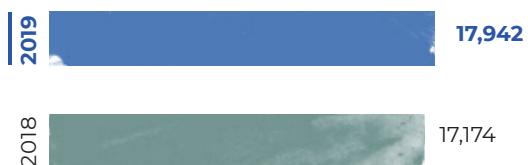
## NET PROFIT

(Million Baht)



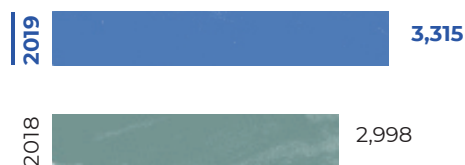
## TOTAL ASSETS

(Million Baht)



## TOTAL LIABILITIES

(Million Baht)





## MESSAGE FROM CEO



The continued satisfactory operating performance for the year 2019 was largely the result of the stricter control of costs and expenses as well as the successful implementation of marketing strategies to match the changing conditions.



**MR. RIT THIRAKOMEN**

CHAIRMAN AND CHIEF  
EXECUTIVE OFFICER



Dear Shareholders,

On behalf of the Board of Directors, I am very delighted to report that the Company was able to achieve another year of satisfactory operating result for the year 2019 amid the much slowdown of the Thai economy as indicated by the significant decline in its growth rate from 4.1 percent in 2018 to 2.4 percent in 2019. The economic slowdown was due largely to external and internal negative factors including the global economic slowdown, the protracted US-China trade tensions and the strengthening of Thai baht. The continued satisfactory operating performance for the year 2019 was largely the result of the stricter control of costs and expenses as well as the successful implementation of marketing strategies to match the changing conditions.

In terms of financial performance, total revenue of the Company for the year 2019 amounted to Baht 17,871 million representing an increase of 3.8 percent year on year while net income for the year 2019 also increased by 1.2 percent year on year to Baht 2,604 million. As a result of the increase in net income, earnings per share also increased from Baht 2.79 per share for 2018 to Baht 2.83 per share for 2019.

In order to sustain its long term growth as well to maintain its market leadership, the Company continued to expand its restaurant network in 2019 by opening a total number of 40 new restaurant outlets consisting of 17 MK Sukiyaki restaurants, 15 Yayoi Japanese restaurants, and another 8 restaurants operated under other brands. I am also pleased to inform you that the Company has made an important strategic decision in November 2019 to acquire a 65% equity interest in Laem Charoen Seafood Company Limited (LCS) for a total investment of Baht 2,060 million. Under the joint venture agreement, the Company has participated in the management of LCS since December 2019. The acquisition of LCS is in line with the Company's policy to expand its business by acquisition of or joint venture in companies with good operating performance and potential to grow in the future. I am also confident that with the combined strengths and experiences of the Company and LCS as well as the strong support of the efficient infrastructure and operating systems of the Company, LCS will be able to expand successfully in the future as expected and thereby create additional value to shareholders.

As a testament to the Company's achievements in its outstanding management practices in various areas, I am pleased to inform you that the Company continued to receive numerous awards for excellence from reputable rating institutes in 2019 as follows:

1. "Thailand Top Company Awards" for Performance Excellence under the category of Food and Beverage Industry. The awards event was jointly organized by Business+ Magazine and the University of the Thai Chamber of Commerce.
2. "Asian Service Awards 2019" for Quality Management Excellence. The awards event was jointly organized by the Standard and Quality Association of Thailand and Kano

Award of Japan.

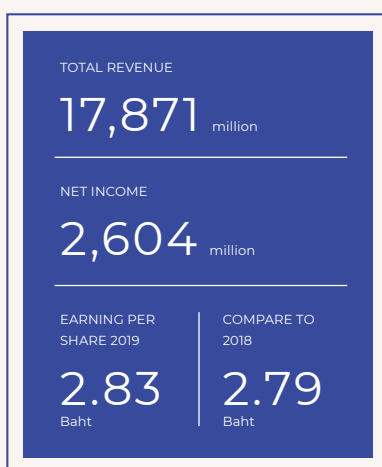
3. "Thailand Corporate Excellence Awards 2019" for Marketing Excellence and Corporate Improvement Excellence. The awards event was jointly organized by Thailand Management Association and Sasin Graduate Institute of Business Administration of Chulalongkorn University.

In view of the satisfactory operating performance for the year 2019 and the solid financial position of the Company, the Board of Directors resolved to recommend a full year dividend of Baht 2.60 per share (2018: Baht 2.50). As an interim dividend of Baht 1.30 per share was already paid by the Company to shareholders during the year, the final dividend of Baht 1.30 per share, subject to the approval of shareholders at the 2020 Annual General Meeting, will be paid to shareholders who are eligible to receive dividends on May 22, 2020.

Looking to the year ahead, it is relatively clear that the Thai economy in 2020 looks set to grow at a rate lower than that of last year. This is due to the fact that apart from the persistent headwinds from last year, it has also been aggravated by three new risk factors including the outbreak of the novel coronavirus or COVID-19 which originated in central China at the end of 2019 and has since spread rapidly to other countries, the delay in the disbursements of the fiscal 2020 budget, and the severe drought conditions. These factors will negatively and materially affect tourism and export sectors as well as

investments and private and public consumptions. The severity of the impact depends largely on how long the coronavirus outbreak will last. Bank of Thailand forecast that if the outbreak is unduly prolonged, the Thai economy in 2020 is likely to grow at a rate less than 2 percent. This dire condition will unavoidably and adversely affect the operations of the Company. Thus, the year 2020 will be a big test of the Company's wisdom and ability to overcome the increasing challenges. However, as the Company was well aware of the looming threats at the beginning of 2020, the Company has thus made preparations and taken necessary measures in order to mitigate such risks. With these early preparations and measures coupled with the strengths of the Company including strong financial position, robust and efficient infrastructure, strong "MK" brand, and the capable, experienced, committed and dedicated management team, I am confident that the Company will be able to overcome the tougher challenges and successfully achieve its targeted objective in 2020.

Lastly, on behalf of the Board of Directors, I would like to express my sincere gratitude to our shareholders, business partners, customers and all other relevant parties for their continued support. My heartfelt appreciation also goes out to our employees who have executed their duties with commitment and dedication which contributed greatly to another year of satisfactory operating performance amid the very challenging year in 2019.





## BOARD OF DIRECTORS



**MR. RIT THIRAKOMEN**  
Chairman of the Board of Directors



**MR. THANONG CHOTISORAYUTH**  
Independent Director



**MR. SUJINT CHUMPOLKANJANA**  
Independent Director



**DR. KATIYA GREIGARN**  
Independent Director and Chairman of  
Corporate Governance, Nominating and  
Compensation Committee



**DR. ANNOP TANLAMAI**  
Independent Director and Chairman of  
Audit Committee



**MR. ATTAPON CHODCHOY**

Independent Director, Member of Audit Committee and Member of Corporate Governance, Nominating and Compensation Committee



**MR. PRAVIT TANTIWASINCHAI**

Director



**MR. SOMCHAI HANJITKASEM**

Director



**MRS. VILAI CHATTANRASSAMEE**

Independent Director and Member of Audit Committee



**MR. SOMCHAI PIPITVIJITKORN**

Director and Member of Corporate Governance, Nominating and Compensation Committee



## 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.

# 2019 PERFORMANCE

MK SUKI

**463**

Restaurants



YAYOI

**198**

Restaurants



MIYAZAKI

**23**

Restaurants

HAKATA

**6**

Restaurants

## LE SIAM

3

Restaurants



## NA SIAM

1

Restaurant

## LE PETIT

3

Restaurants



## MK HARVEST

1

Restaurant

## BIZZY BOX

8

Restaurants

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

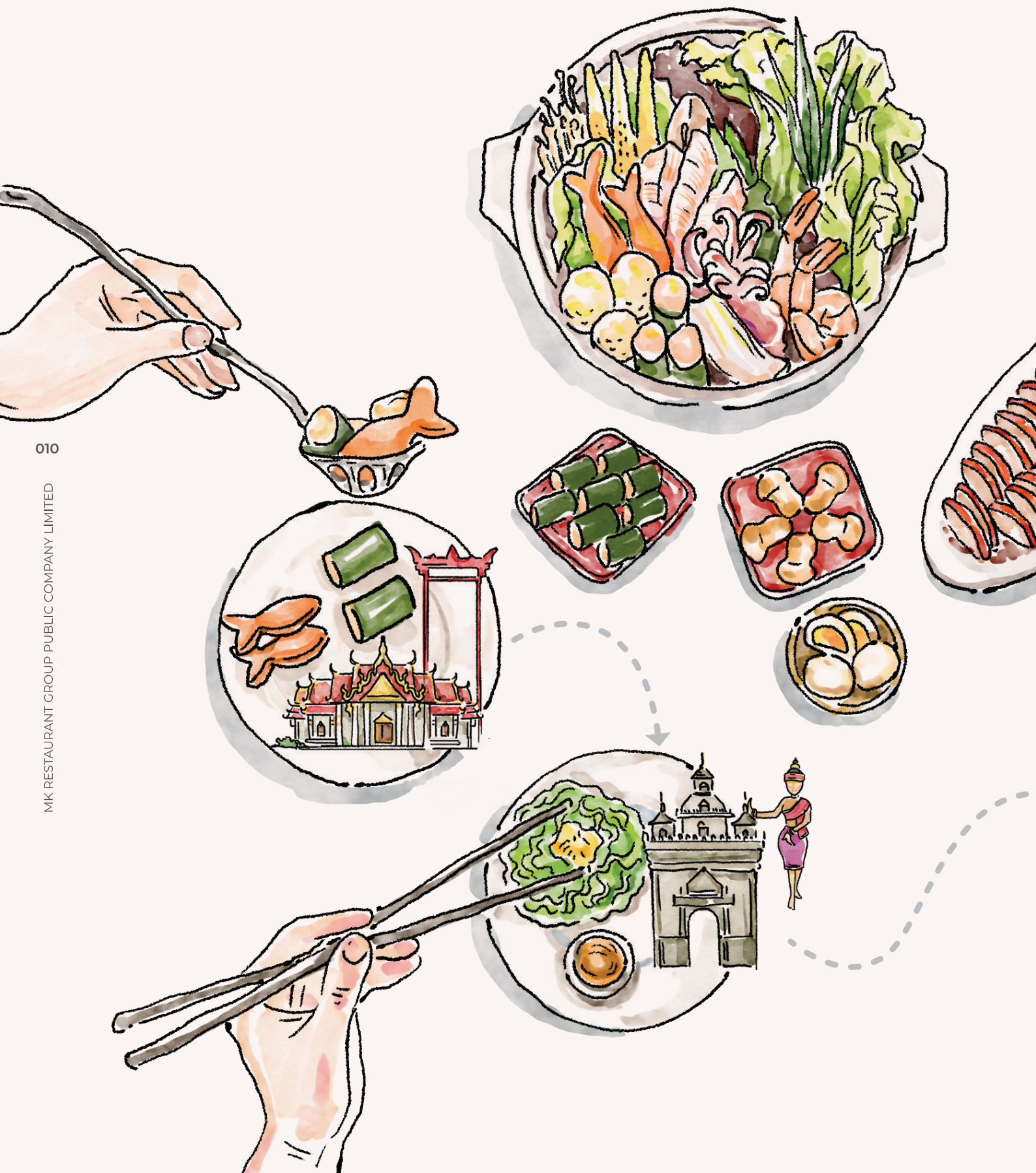
under "Na Siam" and "Le Siam" trademarks, grab and go shop under "Bizzy Box" trademark, dessert shop under "MK Harvest" trademark as well as a coffee shop and bakery outlet known as "Le Petit." Finally, we have our own training institute to train qualified service personnel.

As of December 31, 2019, the Company boasted 463 MK Suki Restaurants (including 6 MK Gold Restaurants and 6 MK Live); 198 Yayoi Japanese restaurants; 6 Hakata

Japanese restaurants; 23 Miyazaki Japanese restaurants; 3 Le Siam Thai restaurants; 1 Na Siam Thai restaurant; 8 Bizzy Box shops; 1 MK Harvest dessert shop 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.

# HOTPOT RESTAURANT BUSINESS

The suki restaurant business operated by the Company can be classified into three 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 a 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, 2019, there were 451 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 Department Store, Robinson Department Store, The Mall Department Store, all of which share the same characteristic as a place where medium to high-income earners mostly shop.



## MK LIVE RESTAURANT

MK LIVE is a new brand under hotpot category of MK Restaurant Group Public Company Limited. MK LIVE is positioned to be a concept store of MK Suki restaurant in which its concept was inspired by the core strength of "MK" mother brand and today's modern customer's lifestyle.

LIVE means being alive in this concept. There are six main LIVE attributes that MK LIVE designed its restaurant experience upon; LIVE

Ingredients, LIVEly Service, LIVE Showcase, LIVE Decoration, LIVE Experiences, and LIVE Bonding. At MK LIVE, both food and beverages menus are completely different from what offered in MK Suki Restaurant, for example, the restaurant is famous for its signature Steamed Shabu and Original Japanese-styled Sukiyaki. The services at MK LIVE are also unique. Staffs can interact with customers in a 'lively' way, recommending signature

menu and providing information on the origin of each ingredient. In addition, customers can enjoy MK LIVE Showcase where they can see how their food are being prepared by our chefs.

As of December 31, 2019, MK LIVE had 6 branches, locating at The EmQuartier Department Store, Mega Bangna, Central Phuket, Icon Siam, Central World and Central Westgate.

## 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 a 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, 2019, there were 6 MK Gold restaurants in major central business district areas including Siam Paragon, Saladaeng, Esplanade, Ekamai, Central Patong 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

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 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 a 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, 2019, there were 198 Yayoi Restaurant nationwide.



## HAKATA 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, 2019, MK Restaurant Group Plc. operated 6 Hakata branches locating at Siriraj Hospital, Central Chiang Mai, Central Hatyai, Don Mueang Airport, Central Westgate and The Mall Ngamwongwan.





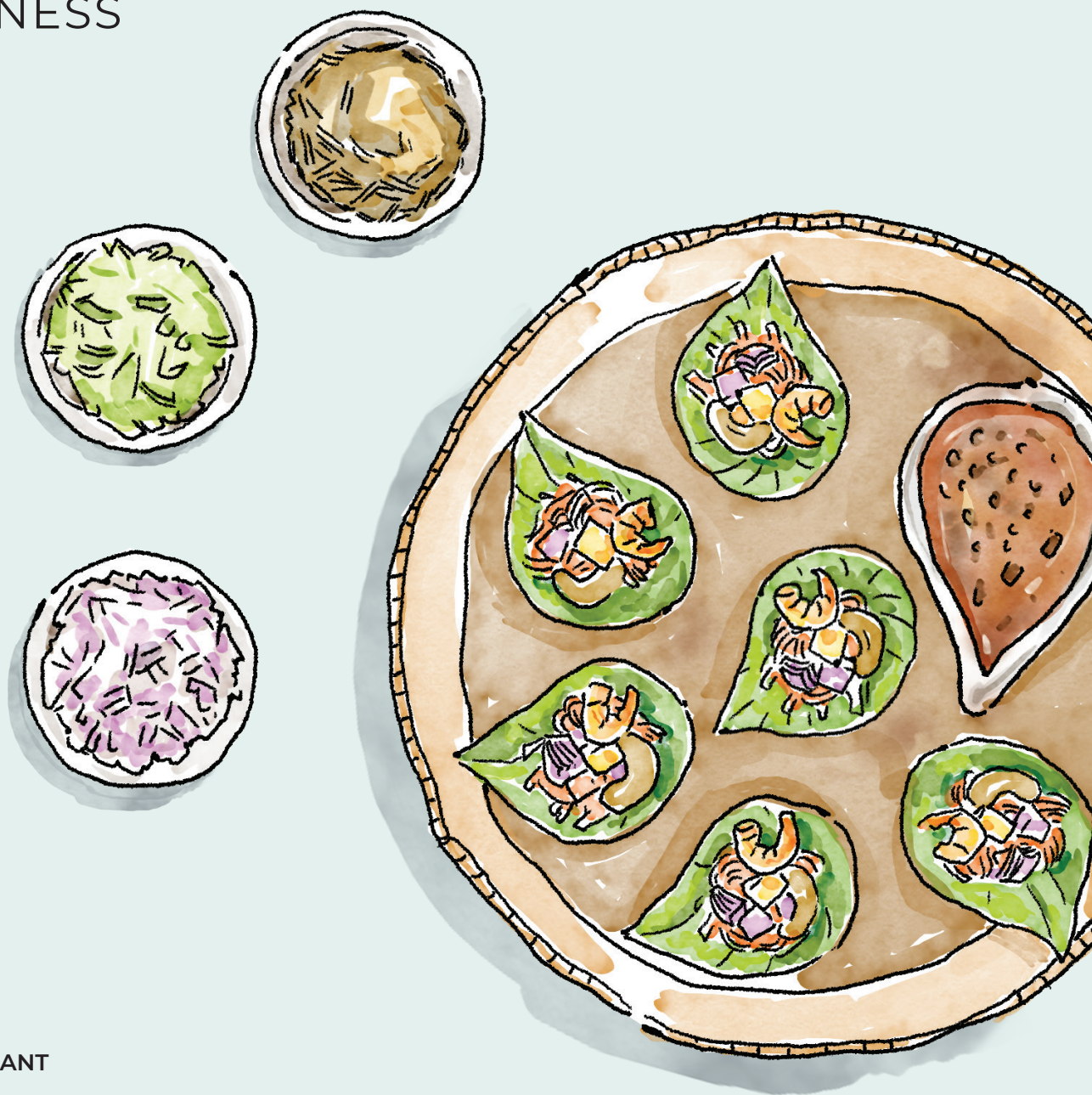
## MIYAZAKI RESTAURANT

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 23 Miyazaki Restaurant branches as of December 31, 2019.



# THAI RESTAURANT BUSINESS



## NA SIAM 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, a la carte menus, a variety of noodles, traditional desserts, and beverages. As of December 31, 2019, there was 1 Na Siam Restaurant on B1 Floor of Central Plaza Bangna Shopping Center.

## LE SIAM 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, 2019, there were 3 branches of Le Siam Restaurant at Saladaeng in Bangkok, Jungceylon in Phuket and London Street in Bangkok.

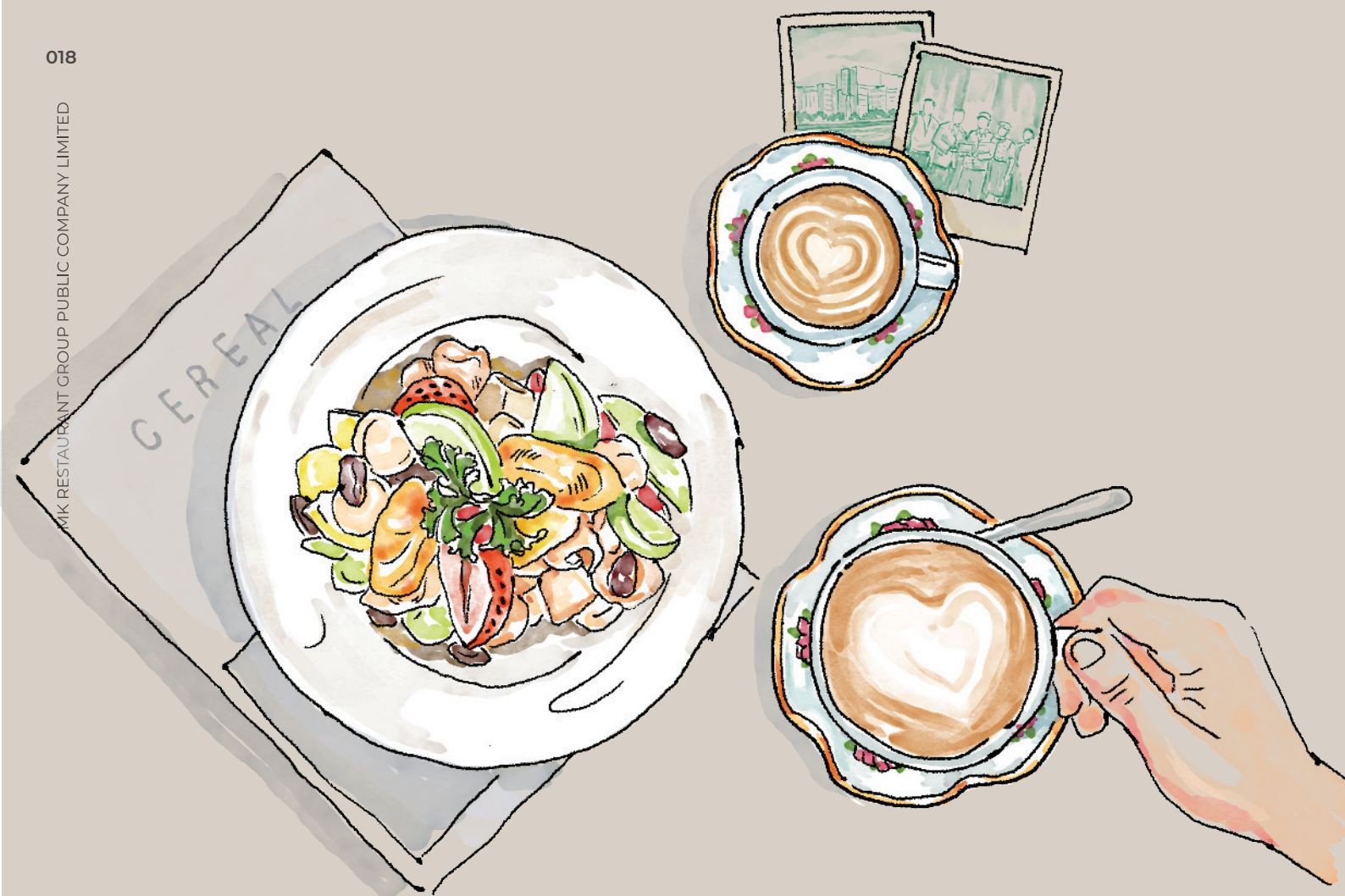


# COFFEE SHOP AND BAKERY BUSINESS

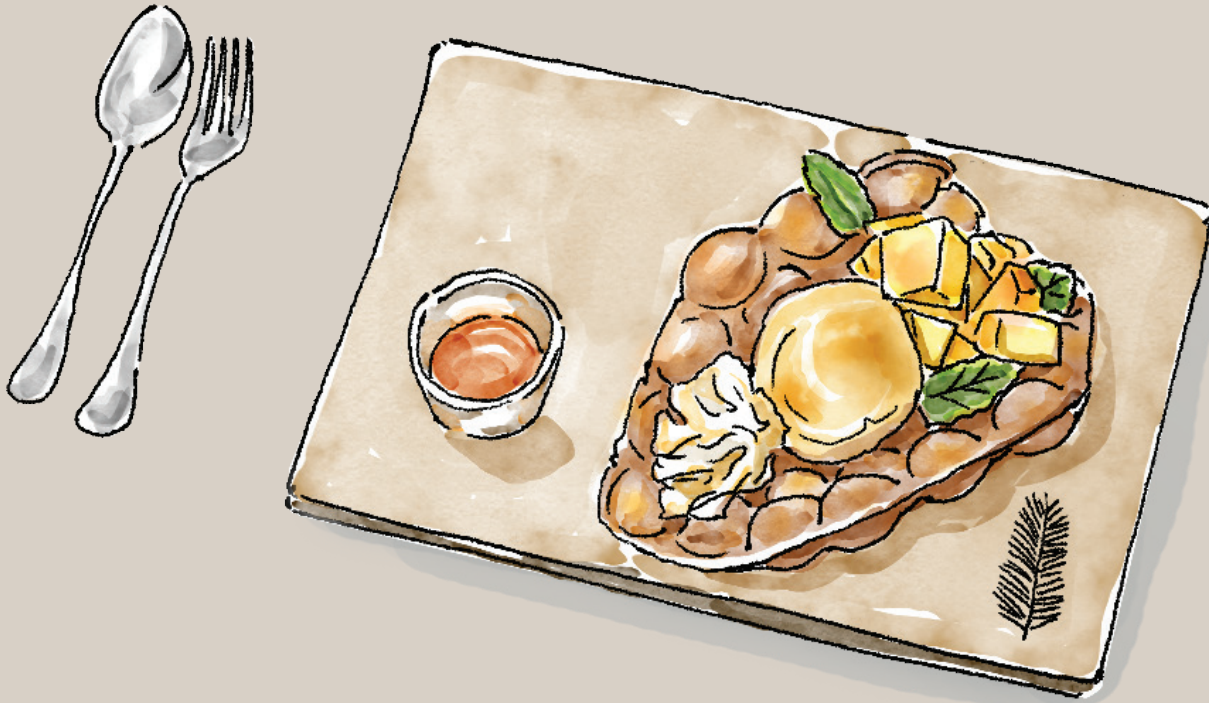
## LE PETIT

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, 2019, there were 3 branches of Le Petit coffee shop and bakery, locating at Siriraj Hospital, London Street and MK's Head Office.



# BEVERAGE AND DESSERT BUSINESS



019

ANNUAL REPORT 2019

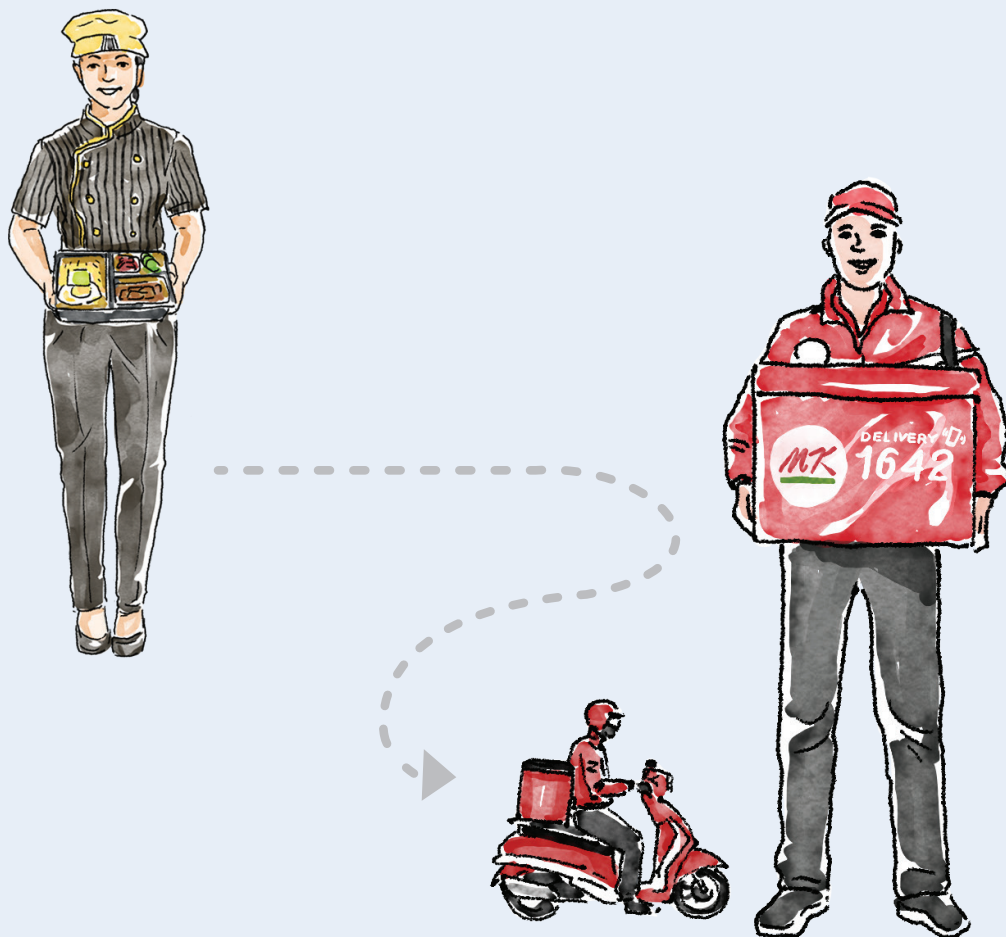
## **MK HARVEST**

MK Harvest is a beverage and dessert restaurant that was inspired by nature. The restaurant offers variety of desserts for example, homemade ice cream, fruit waffles, Thai homemade bualoy parfait etc. MK Harvest also offers beverage menu like coffee, tea,

and signature blended menu. As of December 31, 2019, MK Harvest has 1 branch locating on the 6<sup>th</sup> floor of The EmQuartier.



# GRAB AND GO BUSINESS



 **MK DELIVERY**  
0-2248-5555, 1642

## BIZZY BOX

"BIZZY BOX" is a one-stop grab and go destination for working adults during their rush meal hours including breakfast, lunch, or dinner. The restaurant offers a selection of freshly-made dishes, favorite menus from different

nationalities, for example, Thai, Japanese, Western etc. delicious main and side dishes that customers can have and afford every day. As of December 31, 2019, Bizzy Box has 8 branches locating in Bangkok area.



# OTHER BUSINESSES

## 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 (or up to the opening hours of the mall) 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. Moreover, customers can make order in advance for the seminar or meeting events. Customers can pay by cash or by visa or master credit card of all major banks. The customer can order food via the following channels:

### Phone Number's

0-2248-5555,  
1642

### Website

<https://www.mk1642.com>  
<https://yayoirestaurants.com>

Aside from the home delivery 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 also provides 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.



## OVERSEAS RESTAURANT BUSINESS

As of December 31, 2019, the Company had the following MK Suki Restaurants and Yayoi Japanese Restaurants overseas:

Countries	Number of MK Suki Restaurants	Number of Yayoi Restaurants	Number of Miyazaki Restaurants	Operated by
Japan	36	-	-	<b>Plenus MK Co., Ltd.</b> (The Company holds 12% of its shares; it obtains the franchise right from the Company)
Singapore	-	10	-	<b>Plenus &amp; MK Pte. Ltd.</b> (The Company holds 50% of its shares; the Firm is a joint-venture company)
Vietnam	9	-	-	<b>Global Investment Gate Joint-Stock Company</b> (not relating to the Company; it obtains the franchise right from the Company).
Laos	2	-	1	<b>Premium Food Co., Ltd.</b> (not relating to the Company; it obtains the franchise right from the Company to operate MK Restaurant). <b>V&amp;V Restaurant</b> (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 to Central Plaza Bangna Shopping Center, MK Training Center boasts a variety of training rooms and a comprehensive range of training equipment in the seven-floors building. 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

### MK RESTAURANT GROUP PUBLIC COMPANY LIMITED (M)



MK SUKI, MK GOLD AND  
MK LIVE RESTAURANTS



THAI RESTAURANTS:  
NA SIAM AND LE SIAM



JAPANESE RESTAURANTS:  
MIYAZAKI AND HAKATA



OTHER RESTAURANTS: LE PETIT,  
MK HARVEST, BIZZY BOX



OVERSEAS  
FRANCHISE



<b>MK INTERFOOD CO., LTD. (MKI)</b>  <b>100%</b>  > Yayoi Japanese Restaurants	<b>MK SERVICE TRAINING CENTER CO., LTD. (MKST)</b>  <b>100%</b>  > Provide training services	<b>INTERNATIONAL FOOD SUPPLY CO., LTD. (IFS)</b>  <b>100%</b>  > Food manufacturer & distributor	<b>M-SENKO LOGISTICS CO., LTD.<sup>(1)</sup> (MSL)</b>  <b>49.75%</b>  > Provide logistics & warehouse services
<b>MARK ONE INNOVATION CENTER CO., LTD. (MKO)</b>  <b>100%</b>  > Research & development	<b>CATAPULT CO., LTD.</b>  <b>100%</b>  > Invest in restaurant business	<b>PLENUS &amp; MK PTE. LTD.<sup>(2)</sup></b>  <b>50%</b>  > Restaurants in Singapore	<b>PLENUS MK CO., LTD.<sup>(3)</sup></b>  <b>12%</b>  > MK Suki Restaurants in Japan

<sup>(1)</sup> Senko Group Holdings Co., Ltd., Runtec Co., Ltd., Senko (Thailand) Co., Ltd. and J-Will International (Thailand) Co., Ltd. hold 34.14%, 14.86%, 0.88%, 0.37% respectively.

<sup>(2)</sup> Plenus Co., Ltd. hold 50% of its shares.

<sup>(3)</sup> Plenus Co., Ltd. hold 87.8% and Bridg Co., Ltd. hold 0.2% of its shares.



## NOTABLE EVENTS IN 2019

### MARCH

#### THAILAND TOP COMPANY AWARDS 2019

On Mar 19, 2019, the Company awarded "Thailand Top Company Awards 2019" in food and beverage category from BUISNESS+ magazine and University of The Thai Chamber of Commerce to recognize the company with the outstanding performance in each industry in Thailand.



### APRIL

#### OPENED THE 8<sup>th</sup> MK BRANCH

On April 26, 2019, opened the 8<sup>th</sup> MK Branch in Hanoi City, Vietnam.



### JUNE

#### THAIPAT INSTITUTE'S 2019 ESG100 COMPANIES

On June 7, 2019, the Company was included in THAIPAT Institute's 2019 ESG100 Companies, recognized as outstanding performance in environment, social and governance aspects for 4 consecutive years.



## OCTOBER

### ASIAN SERVICE AWARD 2019

On October 23, 2019, the Company awarded "Asian Service Award 2019" from The Standards and Quality Association of Thailand (SQAT) for excellence in quality management.

## JUNE



### CATAPULT COMPANY LIMITED

On June 11, 2019 the Company has set up the new subsidiary "Catapult Company Limited" in order to invest in food business with the registered share capital of Baht 2,070 million (207 million ordinary shares at a par value of Baht 10 per share). The Company holds 100% in this new subsidiary.

## NOVEMBER

### THAILAND CORPORATE EXCELLENCE AWARDS 2019

On November 28, 2019, the Company has been awarded "Thailand Corporate Excellence Awards 2019" in the category of "Marketing Excellence" and "Corporate Improvement Excellence" organized by Thailand Management Association (TMA) and Sasin Graduate Institute of Business Administration of Chulalongkorn University.

## JUNE

### OPENED THE 9<sup>th</sup> MK BRANCH

On June 28, 2019, opened the 9<sup>th</sup> MK Branch in Ho Chi Minh City, Vietnam.



### INVESTED IN SHARES OF LAEM CHAROEN SEAFOOD COMPANY LIMITED

On November 29, 2019, Catapult Company Limited, its subsidiaries, invested in 65% of shares of Laem Charoen Seafood Company Limited.



## 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 600 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 capability 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 32-33 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 staffs. 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.

## 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 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 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 over than ten years. As of December 31, 2019, it had a total of 198 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 2019 where 15 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 the 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 (CK 3) 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.

## RISK ARISING FROM THE COMPANY'S MAJOR SHAREHOLDERS WHO ARE ALSO SENIOR EXECUTIVES OF THE COMPANY TOGETHER HOLDING MORE THAN 50% OF THE COMPANY'S TOTAL ISSUED SHARE CAPITAL

At the closing date of the Company's share register on December 30, 2019, it is noted that the Company's major shareholders who are also senior executives of the Company together held 617,038,924 shares which accounted

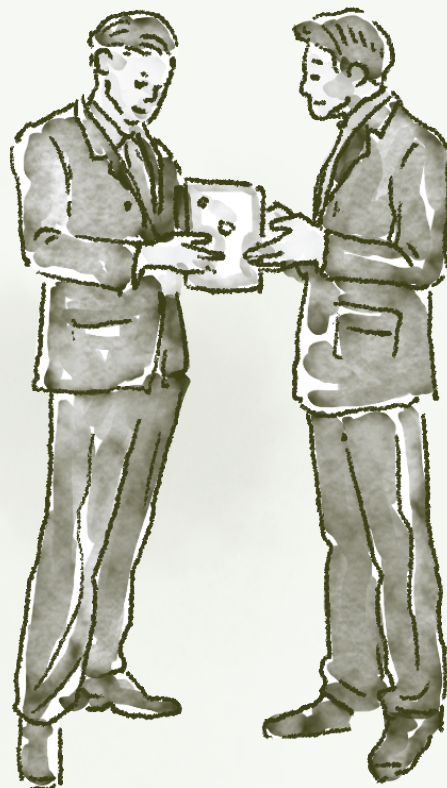
for 67.04% of the total issued share capital of the Company of 920,878,100 shares. Of the shares held by the major shareholders, 123,059,333 shares or 13.4% were held by Mr. Rit Thirakomen, 182,396,802 shares or 19.8% were held by Mrs. Yupin Thirakomen who is Mr. Rit Thirakomen's wife and 164,087,977 shares or 17.8% were held by Mrs. Yupin Thirakomen on behalf of the estate of Mr. Somnuk Hanjirkasem, Mrs. Yupin Thirakomen's deceased brother who died on June 11, 2014. The remaining 147,494,812 shares or 16.0% were held by Mr. Somchai Hanjirkasem who is another brother of Mrs. Yupin Thirakomen. As a result of such shareholdings, the afore-mentioned major shareholders who are also senior executives of the Company are able to control the vote on almost every resolutions at the meeting of shareholders such as the election of directors of the Company or other important resolutions which require the majority vote of shareholders except in the case where it is required by law or the articles of association of the Company that a vote of not less than three-fourths of the votes of shareholders is needed to pass such resolution. Thus, other shareholders of the Company may face the risk of being unable to gather enough votes in order to examine and to balance the power of major shareholders in respect of the matters

presented by the major shareholders to the shareholders' meeting for consideration.

However, the afore-mentioned major shareholders who are also senior executives of the Company are the founder of the Company since 1986 and the prime movers responsible for the Company's continuing growth as shown by the Company's impressive performance as well as the strong financial status since the Company's inception to the present, lasting for almost 30 years. It is clear evidence that the afore-mentioned major shareholders who are also senior executives of the Company are qualified to continue to lead the Company to achieve further growth and successful performance in the future. Nevertheless, in order to create sustainable growth and value added to the Company, the afore-mentioned major shareholders who are also senior executives of the Company decided to bring the Company listed on the Stock Exchange of Thailand in 2013 to ensure that the Company is effectively and transparently managed under the good corporate governance principles. Being the listed company in the Stock Exchange of Thailand, the Company must comply by the rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand which require

that the Company must have the audit committee comprising of all independent directors and other committees as deemed necessary in order to assist the Board of Directors in the corporate governance of the Company to adhere to the good corporate governance principles. Presently, the Company is comprised of 2 committees including the Audit Committee which consists of 3 directors, all of them are independent directors, and the Corporate Governance, Nominating and Compensation Committee which consists of 2 independent directors out of all 3 directors and the chairman of the committee shall be the independent director. The roles and responsibilities of the committees are clearly defined and written to ensure that the committees perform their duties efficiently and in accordance with the principles of good corporate governance especially the matter of the transparent disclosure of accurate and complete information, the assessment of the transactions that may cause the conflict of interest, and the compliance with the laws and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission in order to create the confidence to shareholders on the balance of power among the major shareholders who are also senior executives of the Company.

# REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE 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 Chattanrassamee 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 and emphasized on the internal control system and good corporate governance.

In 2019, the Audit Committee convened six meetings with the Company's executives, internal auditors, and the auditors. In addition, the Audit Committee met the auditors without the presence of the Company's Management in order to discuss and share opinions to ensure that the auditor works independently. The work of the Audit Committee during 2019 can be summarized as follows:

### **1. Review of quarterly financial statements and full year financial statement for the year 2019:**

The Audit Committee reviewed the quarterly financial statements and full year financial statement for the Company and its subsidiaries to ensure the accuracy aligned with Thai Financial Reporting Standards (TFRS) as well as the connected transactions and transaction that may have a conflict of interest with executives, internal audit department and auditors. 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. The Audit Committee also brought the auditor's observations and suggestions to improve the operation process to be more efficient. 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.

### **2. Review of internal-control operations and system:**

The Audit Committee reviewed the internal control based on the report from the internal audit department together with executives every quarter to consider the business operation, use of resources, asset management, fraud, the reliability of financial reports, and compliance with laws and regulations. The Audit Committee did not find any material defect. The Audit Committee also reviewed the auditor's report including the Company's internal control and information technology system which also indicated that there was no any material defect, all branches and all units have efficient processes. 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.

### **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 understand the changed requirements well for proper compliance.

### **4. Review and disclosure of connected transactions or transactions that may cause conflict of interest:**

The Audit Committee had the opinion

that the connected transactions by the Company in 2019 were done based on normal business practice, reasonable, in the best interest of the Company's business and aligned with the Stock Exchange of Thailand's requirement. These connected transactions were transparent, with related information disclosed fully and accurately.

#### 5. Promotion of Good Corporate

**Governance:** the Audit Committee has placed much importance on the good corporate governance and reviewed the Company's corporate governance policy annually. 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 and create morality, transparency and more social responsibility. The Audit Committee also reviewed the Company's operation

according to the 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.

#### 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 2020. The appointment will be subjected to the approval

from the 2020 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; and 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. With cooperation from executives, employees and all related parties, it enables the business operation under the good corporate governance system is effective, efficient, transparent and creates much confidence for all stakeholders.



Dr. Annop Tanlamai

Chairman of the Audit Committee

# INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MK Restaurant Group Public Company Limited

### OPINION

I have audited the accompanying consolidated financial statements of MK Restaurant Group Public Company Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of MK Restaurant Group Public Company Limited for the same period.

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 December 31, 2019, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### BASIS FOR OPINION

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's

Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures,

including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

#### Revenue recognition

Revenues from sales and services are the Group's main transactions that have significant volume of transactions and amounts, and directly affect profit or loss of the Group. The Group has numerous sales and services made by cash and credit cards through a large number of branches nationwide. In addition, because of the intensified competition of the food and beverage industry, the Group has to continually adapt its marketing strategies and promotional activities in order to boost sales. I have therefore focused on the revenue recognition of the Group.

I examined the Group's revenue recognition by assessing and testing the Group's information technology general controls and internal controls with respect to the revenue cycle by making enquires of responsible executives, gaining an understanding of controls and selecting representative samples to test the operation of the designed controls. In addition, I applied a sampling method to select sales and service transactions occurring during

the year and near the end of the accounting period to examine the supporting documents. I also performed analytical procedures on disaggregated data to detect possible irregularities in sales and service transactions throughout the period, particularly for accounting entries made through journal vouchers.

#### **Business combinations and impairment of goodwill**

As discussed in Note 11 to the financial statements, Catapult Company Limited. (“a subsidiary”) invests in ordinary shares of Laem Charoen Seafood Company Limited in proportion of 65 percent, or equivalent to the estimated investment value of Baht 2,060 million and had control over such company. As at the date of acquisition, the Group recognised and measured the assets acquired and liabilities assumed at their fair value and recognised goodwill from the business combination by applying the acquisition method. I have focused on this business acquisition since it is material to the financial statements as a whole, and management was required to exercise substantial judgment when appraising the fair value of the assets acquired and liabilities assumed. Therefore, there is a risk with respect to the recognition and measurement of the assets acquired and liabilities assumed, including recognised goodwill.

In addition, I have focused my audit on the impairment of goodwill, as disclosed in Note 11 to the financial statements, because the assessment

of impairment of goodwill is a significant accounting estimate requiring management to exercise a high degree of judgement in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate. There are thus risks with respect to the amount of goodwill.

I reviewed the terms and conditions of the business purchase agreement and inquired with management as to the nature and objectives of the acquisitions in order to determine whether the acquisitions met the definition of a business combination under Thai Financial Reporting Standard No. 3 (revised 2018) Business Combinations. In addition, I assessed the fair value of assets acquired and liabilities assumed as prepared by management, by considering the methods and significant assumptions used by the management in calculating the fair value of assets and liabilities and goodwill and also reviewed the disclosures related to the business combination in the notes to financial statements.

In addition, I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management’s decision-making process and assessing whether the decisions made were consistent with how assets are utilised. I also tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised

from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the average costs of the Group and of the industry, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosure made with respect to impairment assessment for goodwill.

## **OTHER INFORMATION**

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the

other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the 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.

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that I identify during my audit.

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of

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

I am responsible for the audit resulting in this independent auditor's report.



**Mr. Wichart Lokatekrawee**

Certified Public Accountant (Thailand)

No. 4451

EY Office Limited

Bangkok: February 25, 2020



## STATEMENTS OF FINANCIAL POSITION

MK Restaurant Group Public Company Limited and its subsidiaries

As at 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
<b>Assets</b>					
Current assets					
Cash and cash equivalents	7	808,107,695	725,203,243	508,643,560	621,568,344
Short-term investments	8	7,225,069,278	9,086,421,642	6,437,426,824	8,306,345,420
Trade and other receivables	6, 9	157,845,146	98,583,034	276,424,868	239,219,569
Inventories	10	358,098,079	329,091,107	309,863,744	301,468,500
Other current assets		191,141,984	340,078,813	152,449,893	300,881,763
<b>Total current assets</b>		<b>8,740,262,182</b>	<b>10,579,377,839</b>	<b>7,684,808,889</b>	<b>9,769,483,596</b>
Non-current assets					
Investments in subsidiaries	11	-	-	2,761,479,762	691,479,812
Investments in joint ventures	12	902,043,320	720,191,033	912,947,457	744,831,853
Other long-term investments	13	1,218,838,142	1,235,773,144	1,218,838,142	1,235,773,144
Property, plant and equipment	14	3,769,143,405	3,738,080,163	2,866,865,660	2,985,350,264
Goodwill	11	1,477,657,048	-	-	-
Intangible assets	15	976,996,122	89,302,478	115,344,587	84,019,114
Leasehold rights	16	205,964,426	248,520,507	193,374,157	233,912,045
Deferred tax assets	23	121,586,397	119,693,057	108,501,318	110,147,480
Deposits		529,095,947	442,769,984	357,223,848	337,581,018
<b>Total non-current assets</b>		<b>9,201,324,807</b>	<b>6,594,330,366</b>	<b>8,534,574,931</b>	<b>6,423,094,730</b>
<b>Total assets</b>		<b>17,941,586,989</b>	<b>17,173,708,205</b>	<b>16,219,383,820</b>	<b>16,192,578,326</b>

043

ANNUAL REPORT 2019

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

## STATEMENTS OF FINANCIAL POSITION (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

As at 31 December 2019

(Unit: Baht)

044

MK RESTAURANT GROUP PUBLIC COMPANY LIMITED

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade and other payables	6, 17	1,855,307,507	1,945,410,377	1,512,781,209	1,745,298,666
Current portion of deferred income of membership fee		36,477,189	44,795,771	24,057,813	35,477,601
Current portion of liabilities under financial lease agreements	18	12,849,656	-	12,849,656	-
Income tax payable		278,647,215	288,953,094	217,593,661	248,604,535
Other current liabilities		283,314,646	232,932,743	220,420,247	191,733,283
<b>Total current liabilities</b>		<b>2,466,596,213</b>	<b>2,512,091,985</b>	<b>1,987,702,586</b>	<b>2,221,114,085</b>
<b>Liabilities and shareholders' equity</b>					
<b>Non-current liabilities</b>					
Deferred income of membership fee - net of current portion		-	152,705	-	152,705
Liabilities under finance lease agreements - net of current portion	18	38,502,572	-	38,502,572	-
Provision for long-term employee benefits	19	617,352,274	465,500,611	553,721,258	431,647,931
Deferred tax liabilities	23	170,985,763	-	-	-
Other non-current liabilities		21,461,956	19,900,217	21,663,402	21,530,951
<b>Total non-current liabilities</b>		<b>848,302,565</b>	<b>485,553,533</b>	<b>613,887,232</b>	<b>453,331,587</b>
<b>Total liabilities</b>		<b>3,314,898,778</b>	<b>2,997,645,518</b>	<b>2,601,589,818</b>	<b>2,674,445,672</b>

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

## STATEMENTS OF FINANCIAL POSITION (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

As at 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
<b>Liabilities and shareholders' equity (continued)</b>					
<b>Shareholders' equity</b>					
Share capital	20				
Registered					
920,878,100 ordinary shares of Baht 1 each		920,878,100	920,878,100	920,878,100	920,878,100
Issued and fully paid					
920,878,100 ordinary shares of Baht 1 each		920,878,100	920,878,100	920,878,100	920,878,100
Share premium		8,785,027,903	8,785,027,903	8,785,027,903	8,785,027,903
Capital reserve for share-based payment transactions		656,331,057	656,331,057	656,331,057	656,331,057
Retained earnings					
Appropriated - statutory reserve	21	92,585,000	92,585,000	92,585,000	92,585,000
Unappropriated		3,844,557,041	3,717,674,184	3,160,649,715	3,065,451,568
Other component of shareholders' equity		7,098,631	3,566,443	2,322,227	(2,140,974)
Equity attributable to owners of the Company		14,306,477,732	14,176,062,687	13,617,794,002	13,518,132,654
Non-controlling interests of the subsidiaries		320,210,479	-	-	-
<b>Total shareholders' equity</b>		<b>14,626,688,211</b>	<b>14,176,062,687</b>	<b>13,617,794,002</b>	<b>13,518,132,654</b>
<b>Total liabilities and shareholders' equity</b>		<b>17,941,586,989</b>	<b>17,173,708,205</b>	<b>16,219,383,820</b>	<b>16,192,578,326</b>
		-	-	-	-

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
<b>Revenues</b>					
Sales and service income		17,408,959,581	16,770,437,131	15,163,808,622	14,751,853,720
Interest income		131,732,290	120,711,441	131,491,944	120,637,267
Dividend income	11	-	-	352,499,843	307,999,895
Other income		330,138,147	342,610,746	479,091,386	454,541,975
<b>Total revenues</b>		<b>17,870,830,018</b>	<b>17,233,759,318</b>	<b>16,126,891,795</b>	<b>15,635,032,857</b>
<b>Expenses</b>	22				
Cost of sales and services		5,482,624,603	5,294,998,439	5,654,149,285	5,523,105,628
Selling and distribution expenses		7,901,861,167	7,668,500,503	6,361,222,446	6,196,767,905
Administrative expenses		1,281,077,006	1,137,361,034	1,007,449,581	933,641,973
Other expenses	12	-	-	55,759,396	-
<b>Total expenses</b>		<b>14,665,562,776</b>	<b>14,100,859,976</b>	<b>13,078,580,708</b>	<b>12,653,515,506</b>
<b>Profit before share of loss from investments in joint ventures, finance cost and income tax expenses</b>		<b>3,205,267,242</b>	<b>3,132,899,342</b>	<b>3,048,311,087</b>	<b>2,981,517,351</b>
Share of loss from investments in joint ventures	12	(41,091,701)	(1,415,956)	-	-
<b>Profit before finance cost and income tax expenses</b>		<b>3,164,175,541</b>	<b>3,131,483,386</b>	<b>3,048,311,087</b>	<b>2,981,517,351</b>
Finance cost		(690,344)	-	(690,344)	-
<b>Profit before income tax expenses</b>		<b>3,163,485,197</b>	<b>3,131,483,386</b>	<b>3,047,620,743</b>	<b>2,981,517,351</b>
Income tax expenses	23	(553,253,624)	(557,950,748)	(482,021,042)	(484,510,730)
<b>Profit for the year</b>		<b>2,610,231,573</b>	<b>2,573,532,638</b>	<b>2,565,599,701</b>	<b>2,497,006,621</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		2,603,590,376	2,573,532,638	2,565,599,701	2,497,006,621
Non-controlling interests of the subsidiaries		6,641,197	-	-	-
		2,610,231,573	2,573,532,638		
<b>Earnings per share</b>	24				
Basic earnings per share					
Profit attributable to equity holders of the Company		2.83	2.79	2.79	2.71

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
<b>Profit for the year</b>		<b>2,610,231,573</b>	<b>2,573,532,638</b>	<b>2,565,599,701</b>	<b>2,497,006,621</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income reclassified or to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currency		(931,013)	(1,018,236)	-	-
Gain (loss) on changes in value of available-for-sale investments	8	5,579,000	(2,464,921)	5,579,000	(2,464,921)
Less: Income tax effect	23	(1,115,799)	492,985	(1,115,799)	492,985
Gain (loss) on changes in value of available-for-sale investments - net of income tax		4,463,201	(1,971,936)	4,463,201	(1,971,936)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial losses	19.2	(102,805,823)	(15,862,207)	(95,152,677)	(19,332,172)
Less: Income tax effect	23	20,377,874	2,846,279	19,030,535	3,866,434
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(82,427,949)	(13,015,928)	(76,122,142)	(15,465,738)
<b>Other comprehensive income for the year</b>		<b>(78,895,761)</b>	<b>(16,006,100)</b>	<b>(71,658,941)</b>	<b>(17,437,674)</b>
<b>Total comprehensive income for the year</b>		<b>2,531,335,812</b>	<b>2,557,526,538</b>	<b>2,493,940,760</b>	<b>2,479,568,947</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		2,524,694,615	2,557,526,538	2,493,940,760	2,479,568,947
Non-controlling interests of the subsidiaries		6,641,197	-	-	-
		<b>2,531,335,812</b>	<b>2,557,526,538</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 2019

(Unit: Baht)

048

MK RESTAURANT GROUP PUBLIC COMPANY LIMITED

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Profit before tax	3,163,485,197	3,131,483,386	3,047,620,743	2,981,517,351
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Gain on sales of investments	(63,862,879)	(69,664,282)	(51,130,679)	(62,129,146)
Loss (gain) on revaluation of short-term investments	(15,593,630)	15,008,920	(14,559,940)	15,945,271
Unrealised loss (gain) on exchange	(22,095,047)	780,287	(22,095,048)	780,287
Amortised premium on investments in available-for-sale securities	1,704,002	1,659,812	1,704,002	1,659,812
Allowance for impairment loss on investment in joint venture	-	-	55,759,396	-
Share of loss from investments in joint ventures	41,091,701	1,415,956	-	-
Loss on damaged inventories	3,068,429	4,255,517	3,068,429	4,255,517
Amortisation of prepaid expenses	26,898,820	17,357,110	22,470,881	14,986,576
Depreciation and amortisation	777,055,959	819,177,869	604,746,026	656,618,738
Loss (gain) on disposals and write-off of equipment and intangible assets	27,451,552	(21,974,191)	20,999,559	(28,658,687)
Provision for long-term employee benefits	58,527,808	145,251,200	51,301,647	134,517,300
Reduction of inventory to net realisable value (reversal)	(107,534)	82,716	-	-
Realisation of gift voucher, net of sales and cash received during the year	(22,854,432)	(20,795,062)	(21,654,582)	(19,998,652)
Realisation of deferred income, net of sales and cash received during the year	(44,795,771)	(42,313,771)	(35,477,601)	(29,390,090)
Dividend income	-	-	(352,499,843)	(307,999,895)
Interest income	(131,584,195)	(120,711,441)	(131,491,944)	(120,637,267)
Interest expenses	690,344	-	690,344	-
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>3,799,080,324</b>	<b>3,861,014,026</b>	<b>3,179,451,390</b>	<b>3,241,467,115</b>

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

## CASH FLOW STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from operating activities (continued)</b>				
Operating assets (increase) decrease				
Trade and other receivables	(14,848,892)	(9,018,116)	(11,763,926)	(30,551,252)
Inventories	(20,783,377)	16,915,861	(11,463,673)	22,330,284
Other current assets	209,570,432	11,875,979	211,055,906	(21,134,759)
Deposits	(30,916,019)	(43,766,384)	(19,642,830)	(30,065,304)
Operating liabilities increase (decrease)				
Trade and other payables	(103,516,906)	255,882,002	(178,653,393)	248,883,658
Other current liabilities	52,501,503	11,386,306	50,341,546	7,241,479
Deferred income	34,879,203	35,681,308	23,905,108	26,837,072
Provision for long-term employee benefits	(24,311,958)	(6,122,192)	(24,380,997)	(5,862,192)
Other non-current liabilities	196,914	6,314,696	132,452	6,314,696
Cash from operating activities	3,901,851,224	4,140,163,486	3,218,981,583	3,465,460,797
Cash received from interest income	106,142,822	106,961,807	106,050,571	106,887,633
Cash paid for income tax	(573,754,557)	(520,080,999)	(493,471,018)	(453,530,338)
<b>Net cash from operating activities</b>	<b>3,434,239,489</b>	<b>3,727,044,294</b>	<b>2,831,561,136</b>	<b>3,118,818,092</b>

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

## CASH FLOW STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(Unit: Baht)

050

MK RESTAURANT GROUP PUBLIC COMPANY LIMITED

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from investing activities</b>				
Decrease (increase) in short-term investments and other long-term investments	1,885,808,873	(93,313,104)	1,879,609,215	61,286,895
Cash paid for investments in join ventures	(223,875,000)	(646,750,000)	(223,875,000)	(646,750,000)
Cash paid for investment in subsidiaries	(1,939,453,967)	-	(2,069,999,950)	(59,999,970)
Cash paid for purchases of plant and equipment	(658,967,945)	(517,086,188)	(487,922,632)	(352,777,678)
Cash paid for intangible assets	(26,141,789)	(20,069,674)	(24,733,720)	(18,820,237)
Cash paid for leasehold rights	(404,321)	(24,589,830)	(404,321)	(24,589,830)
Proceeds from disposals of equipment	5,978,682	100,450,571	24,620,057	114,965,775
Dividend income	-	-	352,499,843	307,999,895
<b>Net cash used in investing activities</b>	<b>(957,055,467)</b>	<b>(1,201,358,225)</b>	<b>(550,206,508)</b>	<b>(618,685,150)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(2,394,279,570)	(2,210,104,658)	(2,394,279,412)	(2,210,104,553)
<b>Net cash used in financing activities</b>	<b>(2,394,279,570)</b>	<b>(2,210,104,658)</b>	<b>(2,394,279,412)</b>	<b>(2,210,104,553)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>82,904,452</b>	<b>315,581,411</b>	<b>(112,924,784)</b>	<b>290,028,389</b>
Cash and cash equivalents at beginning of year	725,203,243	409,621,832	621,568,344	331,539,955
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>808,107,695</b>	<b>725,203,243</b>	<b>508,643,560</b>	<b>621,568,344</b>
<b>Supplemental disclosure of cash flows information</b>				
Non-cash items				
Increase (decrease) in accounts payable for purchases of plant and equipment	(44,075,044)	47,666,708	(41,053,933)	46,384,568
Equipment and computer software under finance lease agreements	50,661,883	-	50,661,883	-

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

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

Consolidated financial statements												
Equity attributable to owners of the Company												
	Note	Retained earnings					Other component of shareholders' equity					
		Issued and paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Appropriated statutory reserve	Unappropriated	Exchange differences on translation of financial statements in foreign currencies	Deficit on changes in value of available-for-sale investments	Total other components of shareholders' equity	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders equity
Balance as at 1 January 2018		920,878,100	8,785,027,903	656,331,057	92,585,000	3,367,262,132	6,725,653	(169,038)	6,556,615	13,828,640,807	-	13,828,640,807
Profit for the year		-	-	-	-	2,573,532,638	-	-	-	2,573,532,638	-	2,573,532,638
Other comprehensive income for the year		-	-	-	-	(13,015,928)	(1,018,236)	(1,971,936)	(2,990,172)	(16,006,100)	-	(16,006,100)
Total comprehensive income for the year	26	-	-	-	-	-	(1,018,236)	(1,971,936)	(2,990,172)	2,557,526,538	-	2,557,526,538
Dividend paid		-	-	-	-	(2,210,104,658)	-	-	-	(2,210,104,658)	-	(2,210,104,658)
Balance as at 31 December 2018		920,878,100	8,785,027,903	656,331,057	92,585,000	3,717,674,184	5,707,417	(2,140,974)	3,566,443	14,176,062,687	-	14,176,062,687
Balance as at 31 December 2019		920,878,100	8,785,027,903	656,331,057	92,585,000	3,717,674,184	5,707,417	(2,140,974)	3,566,443	14,176,062,687	-	14,176,062,687
Non-controlling interests of the subsidiaries from acquisition of a subsidiary	11	-	-	-	-	-	-	-	-	-	313,569,282	313,569,282
Profit for the year		-	-	-	-	2,603,590,376	-	-	-	2,603,590,376	6,641,197	2,610,231,573
Other comprehensive income for the year		-	-	-	-	(82,427,949)	(931,013)	4,463,201	3,532,188	(78,895,761)	-	(78,895,761)
Total comprehensive income for the year		-	-	-	-	-	(931,013)	4,463,201	3,532,188	2,524,694,615	6,641,197	2,531,335,812
Dividend paid	26	-	-	-	-	(2,394,279,570)	-	-	-	(2,394,279,570)	-	(2,394,279,570)
Balance as at 31 December 2019		920,878,100	8,785,027,903	656,331,057	92,585,000	3,844,557,041	4,776,404	2,322,227	7,098,631	14,306,477,732	320,210,479	14,626,688,211

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

(Unit: Baht)

Separate financial statements										
	Retained earnings									
	Note	Issued and paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Appropriated - statutory reserve	Unappropriated				
							Other components of shareholders' equity	Total shareholders equity		

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 2019

## 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 Debaratna Road, Bangnatai, Bangna, Bangkok.

As at 31 December 2019, the Group had operated 733 branches (the Company only: 508 branches) (2018: 674 branches, the Company only: 490 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 11 October 2016, 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:

053

ANNUAL REPORT 2019

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2019 Percent	2018 Percent
<b>Subsidiaries (held by the Company)</b>				
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	100
Mark One Innovation Center Company Limited	Research, development of technology and innovation of food and beverage products	Thailand	100	100
Catapult Company Limited	Invest in food business	Thailand	100	-
<b>Subsidiaries (held by Catapult Company Limited)</b>				
Laem Charoen Seafood Company Limited	Restaurant	Thailand	65	-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

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.

f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

g) The excess of the fair value of net assets at the date of the acquisition of the subsidiaries over related cost of investment is accounted as "Goodwill" in the consolidated statement of financial positions.

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

### 3. New financial reporting standards

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

During the year, the Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment

with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for use of the standards. The adoption of these financial reporting standards and interpretations does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are summarised below.

#### TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that

reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

This standard does not have any significant impact on the Group's financial statements.

### **(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning

on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Group believes that this standard does not have any significant impact on the Group's financial statements.

### **TFRS 16 Leases**

IFRS 16 supersedes TAS 17 Leases together with related interpretations. The standard set out the principles of the recognition, measurement, presentation and disclosure of leases and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify all leases as either operating or finance leases using similar principles to those under TAS 17.

The Group expects to use the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The management of the Group is currently finalising the impact of this standard on the financial statements in the year when they are adopted.

### **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations as follows:

#### **Financial Reporting Standards:**

TFRS 7  
TFRS 9

#### **Accounting Standard:**

TAS 32

#### **Financial Reporting Standard**

#### **Interpretations:**

TFRIC 16

TFRIC 19

Financial Instruments: Disclosures  
Financial Instruments

Financial Instruments: Presentation

Hedges of a Net Investment  
in a Foreign Operation  
Extinguishing Financial  
Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual

cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 4. Significant accounting policies

#### 4.1 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.

#### 4.2 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.

#### 4.3 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.

#### 4.4 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

#### 4.5 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 available-for-sale securities are stated at fair value.

Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.

c) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.

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

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

f) Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

The fair value of unit trusts is determined from their net asset value. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 4.6 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:

cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may

which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

### 4.8 Intangible assets

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any 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 the income statement.

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

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 10 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.

### 4.7 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of

be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Group estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to

Computer software	5 years and 10 years
Trademark	30 years

#### Useful lives

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 4.9 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.

### 4.10 Related party transactions

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

They also include individuals or enterprises 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.

### 4.11 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 the income statement 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.

### 4.12 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Group'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.

### 4.13 Impairment of assets

At the end of each reporting period, the Group performs 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. In determining value in use, the estimated future cash flows are

discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

### 4.14 Equity-settled share-based payment transactions

The Company recognises share-based payment transactions as expenses in the income statement 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.

### 4.15 Employee benefits

#### Short-term benefits

Salaries, wages, bonuses and

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

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

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

The Group has obligations in respect of the severance payments they must make to employees upon retirement under labor law. The Group treat these severance payment obligations as a defined benefit plan. In addition, the Group provides 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 the income statement.

### **4.16 Provisions**

Provisions are recognised when the Group has 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.

### **4.17 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 Group recognises 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 Group reviews 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 Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

### **4.18 Derivatives**

#### **Forward exchange contracts**

Forward exchange contracts are stated at fair value, which is calculated by reliable financial institutions. Gains or losses arising from changes in the fair value of the contracts are recognised in the income statement.

### **4.19 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 Group applies 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 quoted market price is not available, the Group measures fair value using

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

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:

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

consideration of credit risk (both bank and counterparty), liquidity, correlation and longer-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.

## Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 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

At the end of each reporting period, the Group determines 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.

## 5. 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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 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.

### 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.

### 6. Related party transactions

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2019	2018	2019	2018	
<b>Transactions with subsidiaries</b> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	1,157	1,210	Cost plus margin
Sublease and subservice income	-	-	24	23	At the rate stipulated in the agreements
Management service income	-	-	155	124	At the rate stipulated in the agreements
Dividend income	-	-	353	308	At the declared rate
Sales of fixed assets	-	-	19	14	Net book value plus margin
Rental income	-	-	6	6	At the rate stipulated in the agreements
Purchases of goods	-	-	248	231	Market price
Training expenses	-	-	165	139	Market price
<b>Transactions with related companies</b>					
Sales of goods	5	1	5	1	Cost plus margin
Sales of fixed assets	3	69	3	69	Market price
Royalty fee income	5	5	5	5	At the rate stipulated in the agreements
Management service income	3	1	3	1	At the rate stipulated in the agreements
Operation support service income	9	3	9	3	At the rate stipulated in the agreements
Rental and service income	8	5	8	5	At the rate stipulated in the agreements
Royalty fee expenses	58	58	-	-	At the rate stipulated in the agreements
Rental expenses for operating equipment	44	44	28	29	Market price
Rental expenses for land and construction	36	36	36	36	At the rate stipulated in the agreement
Logistic expenses	192	98	192	98	At the rate stipulated in the agreement
Service expenses	35	-	28	-	Contractually agree prices
Warehousing service expenses	43	-	43	-	At the rate stipulated in the agreement

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

As at 31 December 2019 and 2018, 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	
	2019	2018	2019	2018
<b>Trade and other receivables - related parties (Note 9)</b>				
Subsidiaries	-	-	140,018,146	148,861,955
Related companies (related by common directors)	4,854,175	2,944,197	4,754,022	2,814,192
Total trade and other receivables - related parties	4,854,175	2,944,197	144,772,168	151,676,147
<b>Trade and other payable - related parties (Note 17)</b>				
Subsidiaries	-	-	38,000,076	42,835,949
Related companies (related by common directors)	63,793,969	45,346,692	53,122,145	36,600,514
Total trade and other payable - related parties	63,793,969	45,346,692	91,122,221	79,436,463

### Significant agreements with related parties

#### Franchise agreement for use of trademark, servicemark and license to operate

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. A monthly royalty fee is charged at a rate stipulated in the agreement. 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 contract.

#### Management service agreements

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, 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 Baht 12.5 million per month. The agreement is effective from 1 January 2019 to 31 December 2019 (2018: at a rate of Baht 10 million per

month). The agreement shall be automatically extended for another one year until MKI gives a written notice of termination three months prior to its expiration.

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 0.17 million per month. The agreement is effective from 1 January 2019 to 31 December 2019 (2018: at a rate of Baht 0.15 million per month). The agreement shall be automatically

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

extended for another one year until MKS gives a written notice of termination three months prior to its expiration.

The Company entered into a management service agreement with International Food Supply Company Limited ("IFS"), whereby the Company agreed to provide management service to IFS in areas of procurement, accounting and finance, human resources and quality assurance. IFS agreed to pay management fee to the Company at a rate of Baht 0.20 million per month. The agreement is effective from 1 January 2019 to 31 December 2019 (2018: at a rate of Baht 0.16 million per month). The agreement shall be automatically extended for another one year until IFS gives a written notice of termination three months prior to its expiration.

The Company entered into management service agreements with International M-Senko Logistics Company Limited ("M-Senko"), whereby the Company agreed to provide management service to M-Senko in areas of procurement, accounting and finance, human resources and service training. M-Senko agreed to pay management fee to the Company at a rate of Baht 0.22 million per month, effective from 1 July 2018 to 31 August 2019 and at a rate of Baht 0.31 million per month, effective from 1 September 2019 to 31 August 2020.

The Company entered into a management service agreement

with Laem Charoen Seafood Company Limited ("LCS"), whereby the Company agreed to provide management service to LCS in areas of procurement, accounting and finance, human resources and service training. LCS agreed to pay management fee to the Company at a rate of Baht 0.78 million per month. The agreement is effective from 1 December 2019 to 30 November 2020. The agreement shall be automatically extended for another one year until LCS 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 six 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.

### **Building lease agreement**

On 1 February 2016, the Company entered into a lease agreement for lease of building to International Food Supply Co., Ltd. ("IFS"), under which IFS agrees to pay rental to the Company at a rate of Baht 0.54 million per month. The lease agreement is for a period of 6 years, from 1 May 2016 to

30 April 2022. Subsequently, on 17 May 2016, the Company and IFS agrees to adjust the rental space and the rental rate to be Baht 0.37 million per month. On 15 June 2017, the Company and IFS agrees to adjust the rental space and the rental to be Baht 0.46 million per month.

### **Land and construction lease thereon agreement**

On 1 December 2014, the Company entered into a lease agreement for lease of land and construction thereon 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 to Global Asset Development Co., Ltd. in a total amount of Baht 1.69 million per month, 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.

On 16 November 2017, the Company and Global Asset Development Co., Ltd. entered into a new lease agreement, whereby the latter agrees to lease land and construction thereon to the Company and the Company agrees to pay the rental to Global Asset Development Co., Ltd. in a total amount of Baht 1.94 million per month, from 1 January 2018 to 31 December 2020. In addition, the Company shall give a written notice to extend the agreement at least 90 days

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

prior to the expiry date.

### **Operation support service agreement**

The Company entered into operation support service agreements with M-Senko Logistics Company Limited ("M-Senko"), whereby the Company agreed to provide service of truck parking and office area, utilities and truck repair and maintenance to M-Senko. M-Senko agreed to pay service fee to the Company at a rate of Baht 1.28 million per month, effective from 1 July 2018 to 31 August 2019, and at a rate of Baht 0.63 million per month, effective from 1 September 2019 to 31 August 2020.

### **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 to Global Asset Development Co., Ltd. at the rate stipulated in the agreement.

The lease agreement is for a period of 20 years, 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.

On 18 April 2016, the Company entered into additional lease agreement for lease of land with Global Asset Development Co., Ltd., whereby the latter agrees to lease land to the Company and the Company agrees to pay the rental to Global Asset Development Co., Ltd. at the rate stipulated in the agreement. The lease agreement is for a period of 17 years and 6 months, from 1 May 2016 to 31 October 2033. The agreement states that the Company shall begin to pay the monthly rent from 1 May 2016

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

### **Warehousing and logistics service agreement**

The Company entered into a warehousing and logistics service agreement with M-Senko Logistics Company Limited ("M-Senko"), whereby the latter agrees to provide the service for the warehousing and logistics to the Company and the Company agrees to pay the service fee at the rate stipulated in the agreement. The agreement is expired on 30 June 2020.

### **Directors and management's benefits**

During the years ended 31 December 2019 and 2018, the Group had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements / Separate financial statements	
	2019	2018
Short-term employee benefits	158	145
Post-employment benefits	5	11
<b>Total</b>	<b>163</b>	<b>156</b>

During the year 2019, the Company has paid post-employment benefits to its directors and management of approximately Baht 2.3 million.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash	195,051,954	179,098,229	158,534,019	152,285,727
Bank deposits	613,055,741	546,105,014	350,109,541	469,282,617
<b>Total</b>	<b>808,107,695</b>	<b>725,203,243</b>	<b>508,643,560</b>	<b>621,568,344</b>

As at 31 December 2019, bank deposits in savings accounts carried interests between 0.10 and 0.37 percent per annum (2018: 0.10 and 0.40 percent per annum).

### 8. Short-term investments

8.1 As at 31 December 2019 and 2018, short-term investments consisted of the following:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Fixed deposits	1,600,000,000	6,000,000,000	1,600,000,000	6,000,000,000
Investments in trading securities (Note 8.2)	5,625,069,278	3,086,421,642	4,837,426,824	2,306,345,420
<b>Total</b>	<b>7,225,069,278</b>	<b>9,086,421,642</b>	<b>6,437,426,824</b>	<b>8,306,345,420</b>

As at 31 December 2019, fixed deposits carried interests between 1.70 and 1.95 percent per annum (2018: 1.45 and 1.96 percent per annum).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

8.2 As at 31 December 2019 and 2018, investments in trading securities are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Units of investments in local open - end funds - cost	5,595,022,042	3,071,968,036	4,810,438,180	2,293,916,716
Add: Gain on change in value	30,047,236	14,453,606	26,988,644	12,428,704
<b>Total short-term investments in trading securities - fair value</b>	<b>5,625,069,278</b>	<b>3,086,421,642</b>	<b>4,837,426,824</b>	<b>2,306,345,420</b>

066

Movements of investments in trading securities for the years ended 31 December 2019 and 2018 are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Balance at beginning of year</b>	<b>3,086,421,642</b>	<b>4,510,493,176</b>	<b>2,306,345,420</b>	<b>3,893,488,440</b>
Purchases	30,681,864,459	23,403,440,219	25,344,062,459	20,431,840,219
Sales	(28,222,478,281)	(24,862,304,014)	(22,878,478,281)	(22,045,304,013)
Gain on sales of investments	63,667,828	49,801,181	50,937,286	42,266,045
Gain (loss) on change in value	15,593,630	(15,008,920)	14,559,940	(15,945,271)
<b>Balance at end of year</b>	<b>5,625,069,278</b>	<b>3,086,421,642</b>	<b>4,837,426,824</b>	<b>2,306,345,420</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

8.3 As at 31 December 2019 and 2018, investments in private funds are summarised below.

(Unit: Baht)

	Consolidated financial statements / Separate financial statements	
	2019	2018
<b>Deposits at financial institutions</b>		
Fixed deposits	300,250,000	325,520,000
Deposits at financial institutions	300,250,000	325,520,000
<b>Investments in available-for-sale securities</b>		
Overseas marketable corporate bonds	639,000,000	639,000,000
Local corporate bond	315,185,361	261,889,363
Add (less): Accumulated gain (loss) on change in value	2,902,781	(2,676,219)
Add (less): Unrealised gain (loss) on exchange	(38,500,000)	12,040,000
Investments in available-for-sale securities - fair value	918,588,142	910,253,144
<b>Total investments in private funds</b>	<b>1,218,838,142</b>	<b>1,235,773,144</b>
<b>Classified as:</b>		
Other long-term investments (Note 13)	1,218,838,142	1,235,773,144

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

Movements of investments in available-for-sale securities for the years ended 31 December 2019 and 2018 are summarise below.

(Unit: Baht)

	Consolidated financial statements / Separate financial statements	
	2019	2018
<b>Balance at beginning of year</b>	<b>910,253,144</b>	<b>148,337,877</b>
Purchases	148,243,391	867,378,170
Sales during the year - at cost		
Proceeds from sales	(95,142,444)	(115,198,496)
Gain on sales	195,051	160,514
<b>Total</b>	<b>(94,947,393)</b>	<b>(115,037,982)</b>
Gain (loss) on change in value	5,579,000	(2,464,921)
Unrealised gain (loss) on exchange	(50,540,000)	12,040,000
<b>Balance at end of year</b>	<b>918,588,142</b>	<b>910,253,144</b>

The Company had set up private funds for investments which are managed by asset management companies. The investments include bonds in local and overseas markets. These investments are classified as available-for-sale investments.

As at 31 December 2019, the Company had assessed the fair value

of available-for-sale investments by referring to the value quoted by the asset management company in which the fair value had increased by Baht 5.58 million (2018: decreased by Baht 2.46 million). The change in the fair value of such securities is recorded in other comprehensive income in the statement of comprehensive income.

As at 31 December 2019, the Company presented investments in private funds due more than 1 year totaling Baht 1,218.8 million (2018: Baht 1,235.8 million) as "Other long-term investments" under non-current assets in the statement of financial position.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 9. Trade and other receivables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Trade accounts receivable</b>				
<b>- related parties</b>				
Aged on the basis of due dates				
Not yet due	206,810	684,355	116,881,794	132,509,402
<b>Total trade accounts receivable</b>				
<b>- related parties</b>	<b>206,810</b>	<b>684,355</b>	<b>116,881,794</b>	<b>132,509,402</b>
<b>Trade accounts receivable</b>				
<b>- unrelated parties</b>				
Aged on the basis of due dates				
Not yet due	62,908,026	32,679,441	43,876,390	26,374,926
<b>Total trade accounts receivable</b>				
<b>- unrelated parties</b>	<b>62,908,026</b>	<b>32,679,441</b>	<b>43,876,390</b>	<b>26,374,926</b>
<b>Total trade accounts receivable</b>	<b>63,114,836</b>	<b>33,363,796</b>	<b>160,758,184</b>	<b>158,884,328</b>
<b>Other receivables</b>				
Other receivables - related parties	4,647,365	2,259,842	27,890,374	19,166,745
Advances	10,516,343	10,718,233	9,486,420	9,824,747
Accrued interest receivable	58,796,443	33,355,070	58,796,443	33,355,070
Others	20,770,159	18,886,093	19,493,447	17,988,679
<b>Total other receivables</b>	<b>94,730,310</b>	<b>65,219,238</b>	<b>115,666,684</b>	<b>80,335,241</b>
<b>Total trade and other receivables</b>	<b>157,845,146</b>	<b>98,583,034</b>	<b>276,424,868</b>	<b>239,219,569</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 10. Inventories

(Unit: Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	226,873,972	209,720,117	-	(107,534)	226,873,972	209,612,583
Raw materials	41,978,234	39,007,582	-	-	41,978,234	39,007,582
Supplies	89,245,873	80,470,942	-	-	89,245,873	80,470,942
<b>Total</b>	<b>358,098,079</b>	<b>329,198,641</b>	<b>-</b>	<b>(107,534)</b>	<b>358,098,079</b>	<b>329,091,107</b>

070

MK RESTAURANT GROUP PUBLIC COMPANY LIMITED

(Unit: Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
Finished goods	189,659,884	187,160,082	-	-	189,659,884	187,160,082
Raw materials	36,344,360	36,624,604	-	-	36,344,360	36,624,604
Supplies	83,859,500	77,683,814	-	-	83,859,500	77,683,814
<b>Total</b>	<b>309,863,744</b>	<b>301,468,500</b>	<b>-</b>	<b>-</b>	<b>309,863,744</b>	<b>301,468,500</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 11. Investments in subsidiaries

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

(Unit: Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received for the year ended 31 December	
	2019	2018	2019 Percent	2018 Percent	2019	2018	2019	2018
MK Interfood Company Limited	400,000,000	400,000,000	100	100	299,049,977	299,049,977	299,999,947	279,999,951
MK Service Training Center Company Limited	35,000,000	35,000,000	100	100	52,429,895	52,429,895	52,499,896	27,999,944
International Food Supply Company Limited	280,000,000	280,000,000	100	100	279,999,970	279,999,970	-	-
Mark One Innovation Center Company Limited	60,000,000	60,000,000	100	100	59,999,970	59,999,970	-	-
Catapult Company Limited	2,070,000,000	-	100	-	2,069,999,950	-	-	-
<b>Total</b>					<b>2,761,479,762</b>	<b>691,479,812</b>	<b>352,499,843</b>	<b>307,999,895</b>

11.2 Details of investments in subsidiary that have material non-controlling interests

(Unit: Baht)

Company's name	Proportion of equity interest held by non-controlling interests	Accumulated balance of non-controlling interests	Profit allocated to non-controlling interests during the year
	2019 (Percent)	2019	2019
Laem Charoen Seafood Company Limited	35	320,210,479	6,641,197

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 11.3 Summarised financial information that based on amounts before inter-company elimination about subsidiary that have material non-controlling

Summarised information about financial position

(Unit: Baht)

		Laem Charoen Seafood Company Limited	
		2019	
Current assets		228,117,072	
Non-current assets		195,401,140	
Current liabilities		179,066,126	
Non-current liabilities		16,693,190	

Summarised information about comprehensive income

(Unit: Baht)

		For the period as from 29 November 2019 (the date on which the Company obtains control) to 31 December 2019	
		Laem Charoen Seafood Company Limited	
Revenue		116,949,750	
Profit		18,974,849	
Other comprehensive income		-	
Total comprehensive income		18,974,849	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

**11.4 On 14 May 2018**, the Meeting of the Board of Directors of the Company passed a resolution to approve the incorporation of Mark One Innovation Center Co., Ltd. ("a subsidiary") with the registered share capital of Baht 60 million (6 million ordinary shares at a par value of Baht 10 per share) being engaged in the research and development of technology and innovation of food and beverage products. The Company holds 100 percent in this subsidiary company.

**11.5 On 13 May 2019**, the Meeting of the Board of Directors of the Company passed a resolution to approve the incorporation of Catapult Company Limited ("a subsidiary") with the registered share capital of Baht 1 million (0.1 million ordinary shares, at Baht 10 per share) being engaged in the invest in food business. The Company holds 100 percent in this new subsidiary company.

**11.6 On 6 September 2019**, the Meeting of the Board of Directors of the Company passed the following resolutions.

- To approve that Catapult Company Limited ("the subsidiary") invests in ordinary shares of Laem Charoen Seafood Company Limited in proportion of 65 percent, or equivalent to the estimated investment value of Baht 2,060 million. The investment is subject to the completion of the significant conditions precedents specified.

- To approve an additional investment in Catapult Company Limited ("the subsidiary") of Baht 2,069 million, The registered share capital of such subsidiary will be increased from Baht 1 million to Baht 2,070 million (207 million ordinary shares, at Baht 10 per share), in which the Company's shareholding remains at 100 percent. The subsidiary registered to change in its share capital with Ministry of Commerce on 1 November 2019.

**11.7 On 8 November 2019**, Catapult Company Limited ("a subsidiary") entered into a business acquisition agreement to purchase ordinary shares of Laem Charoen Seafood Company Limited from existing shareholders. The objectives of this business

acquisition are to increase its branch network throughout locally and internationally, achieve significant synergy for the current business and expand the customer base.

On 28 November 2019, a subsidiary acquired 1,202,890 ordinary shares (at Baht 100 per share) of Laem Charoen Seafood Company Limited from existing shareholders for total of Baht 2,060 million. The payment was made on 29 November 2019.

The Group assessed the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. The assessment was completed in the fourth quarter of 2019 and within the period of twelve months from the acquisition date allowed by Thai Financial Reporting Standard No. 3 (revised 2018) "Business Combinations".

Fair value amount of assets acquired and the liabilities of Laem Charoen Seafood Company Limited as at the acquisition date are as follows.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(Unit: Thousand Baht)

Cash and cash equivalents	120,546
Trade and other receivables	18,972
Inventories	11,184
Other current assets	2,505
Building improvement and equipment	136,276
Intangible assets	858,310
Other non-current assets	55,410
Trade and other payables	(70,367)
Income tax payable	(27,088)
Deferred income of membership fee	(1,445)
Other current liabilities	(20,735)
Provision for long-term employee benefits	(14,830)
Deferred tax liabilities	(171,462)
Other non-current liabilities	(1,364)
Net assets	895,912
Non-controlling interests	(313,569)
Fair value of net assets	582,343
Cash paid for acquisition	2,060,000
Goodwill	1,477,657
Acquisition cost of investment in subsidiary	2,060,000
Less: Cash and cash equivalents of subsidiary	(120,546)
Net cash paid for acquisition of investment in subsidiary	1,939,454

The consolidated income statement for the year ended 31 December 2019 included revenue and profit of Laem Charoen Seafood Company Limited as from the acquisition date were Baht 117 million and Baht 19 million, respectively. If the business combinations had taken place at the beginning of the period, revenue and profit of Laem Charoen Seafood Company Limited would have been included in the consolidated income statements for the year ended 31 December 2019 were Baht 826.6 million and Baht 120 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 11.8 Goodwill

The Group has determined recoverable amounts of its cash generating units (CGUs) based on value in use calculation using cash flow projections from financial budgets approved by the management covering a five-year period.

Key assumptions used in value in use calculations summarise as follows:

(Unit: Percent per annum)

Terminal growth rate	2
Discount rate	11

The management has considered the growth rate from policy, business plan, expected overall market growth rate, and discount rate which are the rates before income tax which relate to the specific risk in that operating segment.

The management has considered and believed that no impairment was required for goodwill.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

### 12. Investments in joint ventures

#### 12.1 Details of investments in joint ventures

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:

(Unit: Baht)

Joint venture	Nature of business	Paid-up capital	Shareholding percentage		Consolidated financial statements		Separate financial statements			
			2019 Percent	2018 Percent	Carrying amount based on equity method	Cost	2019	2018	Allowance for impairment loss	Carrying amount based on cost method - net
Plenus and MK Pte Ltd.	Restaurant	12.5 million Singapore dollar	50.00	50.00	42,322,457	149,207,500	42,322,457	73,134,386	(51,125,647)	98,081,853
M-Senko Logistics Co., Ltd.	Logistic	Baht 1,750 million	49.75	49.75	859,720,863	870,625,000	870,625,000	646,750,000	-	646,750,000
<b>Total</b>					<b>902,043,320</b>	<b>1,019,832,500</b>	<b>912,947,457</b>	<b>795,957,500</b>	<b>(51,125,647)</b>	<b>744,831,853</b>

On 2 April 2018 and 28 May 2018, the Company invested in M-Senko Logistics Company Limited by purchasing of 64,675,000 ordinary share (at a par value of Baht 10 per share) in the amount of Baht 646.8 million. As a result, the Company holds 49.75 percent interest in this company.

On 13 August 2019, the Meeting of the Board of Directors of the Company passed a resolution to approve an additional investment in M-Senko Logistics Company Limited of Baht 223.9 million. The registered share capital of such joint venture increased to Baht 1,750 million (175 million ordinary shares, at Baht 10 per share). The Company's shareholding remains at 49.7 percent. Such joint venture registered the change in its share capital with the Ministry of Commerce on 4 October 2019.

During the year 2019, the Company recorded allowance for impairment loss of investment in Plenus and MK Pte Ltd. of Baht 55.8 million since the Company's management considered that there is an indicator of impairment loss of investment.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 12.2 Share of loss

During the years, share of gain (loss) from investments in joint ventures in the consolidated financial statements was as follows:

(Unit: Thousand Baht)

Joint ventures	Consolidated financial statements	
	2019	2018
Plenus and MK Pte Ltd.	(29,881)	(1,723)
M-Senko Logistics Co., Ltd.	(11,211)	307
	<b>(41,092)</b>	<b>(1,416)</b>

### 12.3 Summarised financial information about joint ventures

Summarised information about financial position

(Unit: Thousand Baht)

	As at 31 December			
	M-Senko Logistics Co., Ltd.		Plenus and MK Pte Ltd.	
	2019	2018	2019	2018
Current assets	660,698	774,786	46,065	94,226
Non-current assets	1,150,684	579,216	223,403	89,913
<b>Total assets</b>	<b>1,811,382</b>	<b>1,354,002</b>	<b>269,468</b>	<b>184,139</b>
Current liabilities	66,373	43,444	33,805	27,198
Non-current liabilities	16,926	9,941	151,018	10,672
<b>Total liabilities</b>	<b>83,299</b>	<b>53,385</b>	<b>184,823</b>	<b>37,870</b>
<b>Net assets</b>	<b>1,728,083</b>	<b>1,300,617</b>	<b>84,645</b>	<b>146,269</b>
Shareholding percentage (%)	49.75	49.75	50.00	50.00
Share of net assets	859,721	647,057	42,322	73,134
<b>Carrying amounts of joint ventures based on equity method</b>	<b>859,721</b>	<b>647,057</b>	<b>42,322</b>	<b>73,134</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### Summarised information about comprehensive income

(Unit: Thousand Baht)

	As at 31 December			
	M-Senko Logistics Co., Ltd.		Plenus and MK Pte Ltd.	
	2019	2018	2019	2018
Revenue	256,659	98,416	306,290	297,829
Other income	6,661	10,404	1,846	4,121
Cost of sales and services	(260,647)	(104,092)	(73,622)	(77,103)
Selling and administrative expenses	(25,207)	(4,111)	(294,276)	(228,292)
Profit (loss) for the year	(22,534)	617	(59,762)	(3,445)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>(22,534)</b>	<b>617</b>	<b>(59,762)</b>	<b>(3,445)</b>
Shareholding percentage (%)	49.75	49.75	50.00	50.00
Comprehensive income as shareholding percentage	(11,211)	307	(29,881)	(1,723)
<b>Share of profit (loss) from investments in joint ventures</b>	<b>(11,211)</b>	<b>307</b>	<b>(29,881)</b>	<b>(1,723)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

### 13. Other long-term investments

(Unit: Baht)

	Consolidated financial statements/ Separate financial statements	
	2019	2018
<b>Investments in private funds (Note 8.3)</b>		
Fixed deposits	300,250,000	325,520,000
Investments in available-for-sale securities	918,588,142	910,253,144
<b>Total investments in private funds</b>	<b>1,218,838,142</b>	<b>1,235,773,144</b>
<b>Other investment</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	-	-
<b>Other long-term investments - net</b>	<b>1,218,838,142</b>	<b>1,235,773,144</b>

As at 31 December 2019, fixed deposits carried interest at 2.56 percent per annum (2018: 2.56 percent per annum)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

### 14. Property, plant and equipment

(Unit: Baht)

Consolidated financial statements											
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and equipment under installation	Total
Cost											
1 January 2018	333,100,308	22,204,128	527,595,003	2,548,266,525	2,322,466,419	1,833,744,970	165,074,684	2,744,205,348	259,734,379	67,855,544	10,824,247,308
Additions	-	232,960	1,732,512	23,948,606	22,611,710	141,218,496	11,167,563	53,651,211	830,000	309,359,838	564,752,896
Transfers in (out)	-	-	(588,833)	110,998,650	87,681,139	16,510,591	27,099,986	97,043,263	2,843,216	(341,588,012)	-
Disposals/ write-off	(8,024,493)	-	(12,514,266)	(38,093,445)	(32,904,318)	(47,354,930)	-	(72,662,871)	(175,647,852)	(4,413,302)	(391,615,477)
31 December 2018	325,075,815	22,437,088	516,224,416	2,645,120,336	2,399,854,950	1,944,119,127	203,342,233	2,822,236,951	87,759,743	31,214,068	10,997,384,727
Additions	-	-	454,237	16,451,080	16,022,779	137,523,360	20,053,720	88,745,699	1,121,495	334,520,531	614,892,901
Equipment acquired under financial lease agreements	-	-	-	-	-	-	-	24,470,363	-	-	24,470,363
Increase from business combinations (Note 11.4)	-	-	-	148,089,758	1,912,765	1,731,469	-	1,098,210	-	158,375	152,990,577
Transfers in (out)	-	-	1,965,661	28,763,994	135,267,864	38,600,636	1,124,000	120,946,972	4,653,365	(331,322,492)	-
Disposals/ write-off	-	-	-	(47,583,296)	(40,903,758)	(204,029,837)	(554,100)	(80,346,056)	(4,834,343)	-	(378,251,390)
31 December 2019	325,075,815	22,437,088	518,644,314	2,790,841,872	2,512,154,600	1,917,944,755	223,965,853	2,977,152,139	88,700,260	34,570,482	11,411,487,178
Accumulated depreciation											
1 January 2018	-	20,289,083	309,505,632	970,980,027	1,330,857,294	1,474,864,180	93,999,078	2,316,760,046	196,629,290	-	6,713,884,630
Depreciation for the year	-	1,821,913	22,842,026	158,003,929	179,945,112	152,810,997	30,245,005	197,259,448	17,518,927	-	760,447,357
Depreciation on disposals/write-off	-	-	(3,905,137)	(22,637,562)	(22,539,867)	(43,224,147)	-	(75,115,266)	(145,717,118)	-	(313,139,097)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

(Unit: Baht)

Consolidated financial statements											
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and equipment under installation	Total
31 December 2018	-	22,110,996	328,442,521	1,106,346,394	1,488,262,539	1,584,451,030	124,244,083	2,438,904,228	68,431,099	-	7,161,192,890
Increase from business combinations (Note 11.4)	-	-	-	16,660,206	15,740	27,182	-	11,579	-	-	16,714,707
Depreciation for the year	-	67,592	22,833,422	153,736,090	185,119,841	150,344,838	18,679,875	172,493,052	7,887,859	-	711,162,569
Depreciation on disposals/ write-off	-	-	-	(31,297,784)	(31,969,298)	(199,370,171)	(279,600)	(77,980,523)	(3,940,691)	-	(344,838,067)
31 December 2019	-	22,178,588	351,275,943	1,245,444,906	1,641,428,822	1,535,452,879	142,644,358	2,533,428,336	72,378,267	-	7,544,232,099
Allowance for impairment loss											
1 January 2018	-	-	-	-	-	98,111,674	-	-	-	-	98,111,674
31 December 2018	-	-	-	-	-	98,111,674	-	-	-	-	98,111,674
31 December 2019	-	-	-	-	-	98,111,674	-	-	-	-	98,111,674
Net book value											
31 December 2018	325,075,815	326,092	187,781,895	1,538,773,942	911,592,411	261,556,423	79,098,150	383,332,723	19,328,644	31,214,068	3,738,080,163
31 December 2019	325,075,815	258,500	167,368,371	1,545,396,966	870,725,778	284,380,202	81,321,495	443,723,803	16,321,993	34,570,482	3,769,143,405
Depreciation for the year											
2018 (Baht 148.5 million included in producing cost, and the balance in selling and administrative expenses)											760,447,357
2019 (Baht 120.8 million included in producing cost, and the balance in selling and administrative expenses)											711,162,569

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

(Unit: Baht)

Separate financial statements											
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and equipment under installation	Total
<b>Cost</b>											
1 January 2018	311,361,198	22,204,128	468,618,642	2,201,101,077	1,957,429,974	1,352,147,712	131,083,295	2,354,426,804	259,040,622	42,606,327	9,100,019,779
Additions	-	232,960	1,650,780	19,949,821	18,741,747	93,890,215	7,276,314	50,860,771	830,000	205,729,638	399,162,246
Transfers in (out)	-	-	(588,833)	78,113,414	54,961,429	6,204,519	800,000	68,379,069	2,843,216	(210,712,814)	-
Disposals/ write-off	(8,024,493)	-	(12,514,266)	(33,672,175)	(29,472,093)	(55,635,068)	-	(71,848,439)	(175,647,852)	(4,413,302)	(391,227,688)
31 December 2018	303,336,705	22,437,088	457,166,323	2,265,492,137	2,001,661,057	1,396,607,378	139,159,609	2,401,818,205	87,065,986	33,209,849	9,107,954,337
Additions	-	-	318,437	13,752,752	9,036,767	106,285,854	7,773,020	64,765,534	1,121,495	243,814,840	446,868,699
Equipment acquired under financial lease agreements	-	-	-	-	-	-	-	24,470,363	-	-	24,470,363
Transfers in (out)	-	-	-	89,144,738	67,041,468	6,913,416	1,124,000	68,790,896	4,653,365	(237,667,883)	-
Disposals/ write-off	-	-	-	(40,238,733)	(35,869,313)	(211,439,382)	-	(77,094,892)	(4,834,343)	(8,307,979)	(377,784,642)
31 December 2019	303,336,705	22,437,088	457,484,760	2,328,150,894	2,041,869,979	1,298,367,266	148,056,629	2,482,750,106	88,006,503	31,048,827	9,201,508,757
<b>Accumulated depreciation</b>											
1 January 2018	-	20,289,083	286,432,500	855,700,208	1,150,917,665	1,116,917,183	89,637,297	2,031,322,612	195,978,885	-	5,747,195,433
Depreciation for the year	-	1,821,913	19,893,162	133,106,579	146,073,591	101,911,722	24,331,773	156,121,063	17,472,527	-	600,732,330
Depreciation on disposals/ write-off	-	-	(3,905,137)	(21,318,140)	(21,203,818)	(42,109,776)	-	(70,666,611)	(145,717,118)	-	(304,920,600)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

(Unit: Baht)

	Separate financial statements										
	Land	Land improvement	Building	Leasehold improvement	Utility systems	Kitchen utensils and operating equipment	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and equipment under installation	Total
	-	22,110,996	302,420,525	967,488,647	1,275,787,438	1,176,719,129	113,969,070	2,116,777,064	67,734,294	-	6,043,007,163
	-	67,592	19,828,936	135,952,027	144,686,933	96,423,000	11,805,461	127,615,553	7,841,459	-	544,220,961
	-	-	-	(26,658,112)	(27,812,408)	(199,607,966)	-	(74,162,760)	(3,940,691)	-	(332,181,937)
	-	22,178,588	322,249,461	1,076,782,562	1,392,661,963	1,073,534,163	125,774,531	2,170,229,857	71,635,062	-	6,255,046,187
	-	-	-	-	-	79,596,910	-	-	-	-	79,596,910
	-	-	-	-	-	79,596,910	-	-	-	-	79,596,910
	-	-	-	-	-	79,596,910	-	-	-	-	79,596,910
<b>Net book value</b>											
31 December 2018	303,336,705	326,092	154,745,798	1,298,003,490	725,873,619	140,291,339	25,190,539	285,041,141	19,331,692	33,209,849	2,985,350,264
31 December 2019	303,336,705	258,500	135,235,299	1,251,368,332	649,208,016	145,236,193	22,282,098	312,520,249	16,371,441	31,048,827	2,866,865,660
Depreciation for the year											
2018 (Baht 135.1 million included in producing cost, and the balance in selling and administrative expenses)	600,732,330										
2019 (Baht 105.7 million included in producing cost, and the balance in selling and administrative expenses)	544,220,961										

2018 (Baht 135.1 million included in producing cost, and the balance in selling and administrative expenses)  
2019 (Baht 105.7 million included in producing cost, and the balance in selling and administrative expenses)

As at 31 December 2019 and 2018, certain equipment items of the Group 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 4,753 million and Baht 4,322 million, respectively (the Company only: Baht 4,089 million and Baht 3,755 million, respectively).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

### 15. Intangible assets

Details of intangible assets which are as follows:

(Unit: Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
1 January 2018	181,012,748	172,298,510
Additions	20,069,674	18,820,237
31 December 2018	201,082,422	191,118,747
Additions	26,141,789	24,733,720
Computer software acquired under financial lease agreements	26,191,520	26,191,520
Increase from business combinations (Note 11.7)	858,310,234	-
Write-off	(93,456)	(93,456)
31 December 2019	1,111,632,509	241,950,531
<b>Accumulated amortisation</b>		
1 January 2018	95,510,925	91,656,524
Amortisation for the year	16,269,019	15,443,109
31 December 2018	111,779,944	107,099,633
Amortisation for the year	22,932,988	19,582,856
Amortisation on write-off	(76,545)	(76,545)
31 December 2019	134,636,387	126,605,944
<b>Net book value</b>		
31 December 2018	89,302,478	84,019,114
31 December 2019	976,996,122	115,344,587
<b>Amortisation for the year</b>		
2018	16,269,019	15,443,109
2019	22,932,988	19,582,856

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

### 16. Leasehold rights

(Unit: Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
1 January 2018	1,123,542,290	1,087,162,531
Additions	24,589,830	24,589,830
Disposals	(36,532,575)	(36,532,575)
31 December 2018	1,111,599,545	1,075,219,786
Additions	404,321	404,321
31 December 2019	1,112,003,866	1,075,624,107
<b>Accumulated amortisation</b>		
1 January 2018	857,150,120	837,397,017
Amortisation for the year	42,461,493	40,443,299
Amortisation on disposals	(36,532,575)	(36,532,575)
31 December 2018	863,079,038	841,307,741
Amortisation for the year	42,960,402	40,942,209
31 December 2019	906,039,440	882,249,950
<b>Net book value</b>		
31 December 2018	248,520,507	233,912,045
31 December 2019	205,964,426	193,374,157
<b>Amortisation for the year</b>		
2018	42,461,493	40,443,299
2019	42,960,402	40,942,209

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 17. Trade and other payables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts payable -related party	1,403,113	-	27,654,654	30,978,281
Trade accounts payable - unrelated parties	518,760,830	614,691,752	435,142,432	599,123,615
Other payables - related parties	62,390,856	45,346,692	63,467,567	48,458,182
Other payables - unrelated parties	74,076,107	115,372,328	59,491,638	105,776,798
Accounts payable for purchases of plant and equipment	101,637,472	148,666,610	72,760,265	116,700,356
Accrued expenses	1,066,814,789	989,598,275	837,517,207	814,152,594
Derivative contract payable	-	9,923,973	-	9,923,973
Others	30,224,340	21,810,747	16,747,446	20,184,867
<b>Total</b>	<b>1,855,307,507</b>	<b>1,945,410,377</b>	<b>1,512,781,209</b>	<b>1,745,298,666</b>

### 18. Liabilities under financial lease agreements

(Unit: Baht)

	Consolidated financial statements / Separate financial statements	
	2019	2018
Liabilities under financial lease agreements	54,160,000	-
Less: Deferred interest expenses	(2,807,772)	-
<b>Total</b>	<b>51,352,228</b>	<b>-</b>
Less: Portion due within one year	(12,849,656)	-
<b>Liabilities under financial lease agreements - net of current portion</b>	<b>38,502,572</b>	<b>-</b>

The Company entered into finance lease agreements with a company for lease of equipments and computer software for use in its operation, whereby it is committed to pay rental on a yearly basis. The terms of the agreements are generally 5 years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Baht)

	As at 31 December 2019		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	13,540,000	40,620,000	54,160,000
Deferred interest expenses	(690,344)	(2,117,428)	(2,807,772)
Present value of future minimum lease payments	12,849,656	38,502,572	51,352,228

### 19. Provision for long-term employee benefits

#### 19.1 Defined contribution plans

The Group 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 and the Group 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 2019, the contributions of the Group amounting to Baht 32.8 million (2018: Baht 33.7 million) and of the Company amounting to Baht 28 million (2018: Baht 28.9 million) were recognised as expenses.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 19.2 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 2018</b>	<b>284,397,774</b>	<b>35,632,942</b>	<b>320,030,716</b>
Included in profit or loss:			
Current service cost	26,035,788	7,379,215	33,415,003
Past service cost	103,559,622	-	103,559,622
Interest cost	9,793,278	1,192,303	10,985,581
Actuarial loss (gain)			
Demographic assumptions changes	-	(1,276,361)	(1,276,361)
Financial assumptions changes	-	348,787	348,787
Experience adjustments	-	(1,781,432)	(1,781,432)
Included in other comprehensive income:			
Actuarial loss (gain)			
Demographic assumptions changes	1,222,722	-	1,222,722
Financial assumptions changes	(57,623)	-	(57,623)
Experience adjustments	14,697,108	-	14,697,108
Transferred out	(8,875,143)	(646,177)	(9,521,320)
Benefits paid during the year	(1,322,192)	(4,800,000)	(6,122,192)
<b>Provision for long-term employee benefits as at 31 December 2018</b>	<b>429,451,334</b>	<b>36,049,277</b>	<b>465,500,611</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(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 2019</b>	<b>429,451,334</b>	<b>36,049,277</b>	<b>465,500,611</b>
Included in profit or loss:			
Current service cost	34,793,350	5,785,243	40,578,593
Interest cost	13,853,643	1,145,812	14,999,455
Actuarial loss (gain)			
Financial assumptions changes	-	2,949,760	2,949,760
Included in other comprehensive income:			
Actuarial loss (gain)			
Financial assumptions changes	102,805,823	-	102,805,823
Transferred in (out)	9,157,529	(616,919)	8,540,610
Benefits paid during the year	(14,312,578)	(3,710,000)	(18,022,578)
<b>Provision for long-term employee benefits as at 31 December 2019</b>	<b>575,749,101</b>	<b>41,603,173</b>	<b>617,352,274</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(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 2018</b>	<b>261,994,244</b>	<b>30,815,658</b>	<b>292,809,902</b>
Included in profit or loss:			
Current service cost	22,516,306	6,140,543	28,656,849
Past service cost	97,025,504	-	97,025,504
Interest cost	9,021,937	1,022,003	10,043,940
Actuarial loss (gain)			
Demographic assumptions changes	-	131,822	131,822
Financial assumptions changes	-	306,437	306,437
Experience adjustments	-	(1,647,252)	(1,647,252)
Included in other comprehensive income:			
Actuarial loss (gain)			
Demographic assumptions changes	7,496,531	-	7,496,531
Financial assumptions changes	(59,741)	-	(59,741)
Experience adjustments	11,895,382	-	11,895,382
Transferred out	(8,509,720)	(639,531)	(9,149,251)
Benefits paid during the year	(1,322,192)	(4,540,000)	(5,862,192)
<b>Provision for long-term employee benefits as at 31 December 2018</b>	<b>400,058,251</b>	<b>31,589,680</b>	<b>431,647,931</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(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 2019</b>	<b>400,058,251</b>	<b>31,589,680</b>	<b>431,647,931</b>
Included in profit or loss:			
Current service cost	29,987,441	4,845,892	34,833,333
Interest cost	12,889,424	1,004,766	13,894,190
Actuarial loss (gain)			
Financial assumptions changes	-	2,574,124	2,574,124
Included in other comprehensive income:			
Actuarial loss (gain)			
Financial assumptions changes	95,152,677	-	95,152,677
Transferred out	(6,199,356)	(632,092)	(6,831,448)
Benefits paid during the year	(14,129,549)	(3,420,000)	(17,549,549)
<b>Provision for long-term employee benefits as at 31 December 2019</b>	<b>517,758,888</b>	<b>35,962,370</b>	<b>553,721,258</b>

Line items in the income statements under which long-term employee benefit expenses are recognised are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cost of sales and services	5,825,353	15,074,513	3,709,511	13,702,440
Selling expenses	44,732,387	97,774,851	40,185,182	92,855,265
Administrative expenses	7,970,068	32,401,836	7,406,954	27,959,595
<b>Total expenses recognised in the income statements</b>	<b>58,527,808</b>	<b>145,251,200</b>	<b>51,301,647</b>	<b>134,517,300</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

The Group expects to pay Baht 9.22 million for long-term employee benefits during the next year (separate financial statements: Baht 8.32 million) (2018: Baht 12.30 million, separate financial statements: Baht 11.76 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefits of the Group is 19 years (Separate financial statements: 19 years) (2018: 19 years, separate financial statements: 19 years).

Significant actuarial assumptions are summarised below.

(Unit: % per annum)

	Consolidated financial statements / Separate financial statements	
	2019	2018
Discount rate	1.9	3.3
Future salary increase rate (depending on age of employees)	4.0 - 5.5	4.0 - 5.5

092

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below.

**31 December 2019**

(Unit: Million Baht)

	Consolidated financial statements			
	Discount rate		Future salary increase rate	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Employee retirement benefits	(59.1)	70.9	69.5	(59.1)
Other long-term employee benefits	(1.9)	2.0	-	-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries  
For the year ended 31 December 2019

(Unit: Million Baht)

	Separate financial statements			
	Discount rate		Future salary increase rate	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Employee retirement benefits	(54.7)	65.6	64.3	(54.7)
Other long-term employee benefits	(1.6)	1.8	-	-

31 December 2018

(Unit: Million Baht)

	Consolidated financial statements			
	Discount rate		Future salary increase rate	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Employee retirement benefits	(41.0)	49.1	48.1	(41.0)
Other long-term employee benefits	(1.7)	1.8	-	-

(Unit: Million Baht)

	Separate financial statements			
	Discount rate		Future salary increase rate	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Employee retirement benefits	(38.0)	45.6	44.6	(38.0)
Other long-term employee benefits	(1.5)	1.6	-	-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 20. Share capital

On 27 April 2018, the Annual General Meeting of the Company's shareholders passed the resolutions to approve the reduction of the registered share capital of the Company of Baht 4.97 million from Baht 925.85 million (925.85 million ordinary share of Baht 1 each) to Baht 920.88 million (920.88 million ordinary shares of Baht 1 each) in order to cut the registered shares that have not been issued.

### 21. 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.

### 22. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Salaries, wages and other employee benefits	5,097,610,540	4,941,799,838	4,117,498,205	4,079,637,268
Raw materials and consumables used	2,493,545,548	2,391,768,287	2,247,228,307	2,177,124,888
Rental and service expenses from operating lease agreements	1,809,302,505	1,683,627,933	1,426,183,251	1,349,675,503
Depreciation and amortisation	777,055,959	819,177,869	604,746,026	656,618,738
Utilities expenses	736,128,686	724,734,913	578,228,895	570,734,036
Advertising expenses	317,797,926	394,148,015	224,045,400	274,456,311
Repair and maintenance expenses	158,638,428	141,062,094	122,999,008	109,295,711
Training expenses	4,816,988	4,641,885	165,644,767	139,786,912
Property tax expenses	93,015,729	91,351,720	74,720,175	74,634,154
Travelling expenses	35,093,350	37,228,083	27,733,492	29,135,135
Changes in finished goods	(17,153,855)	12,695,202	(2,499,802)	17,983,844

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 23. Income tax

23.1 Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Current income tax:</b>				
Current income tax charge	536,553,519	597,977,517	462,812,506	523,738,512
Adjustment in respect of income tax of previous year	(653,546)	2,911,784	(352,362)	2,021,376
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	17,353,651	(42,938,553)	19,560,898	(41,249,158)
<b>Income tax expenses reported in the income statements</b>	<b>553,253,624</b>	<b>557,950,748</b>	<b>482,021,042</b>	<b>484,510,730</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax relating to change in value of available-for-sale investments	(1,115,799)	492,985	(1,115,799)	492,985
Deferred tax relating to actuarial losses	20,377,874	2,846,279	19,030,535	3,866,434
<b>Income tax charged to other comprehensive income</b>	<b>19,262,075</b>	<b>3,339,264</b>	<b>17,914,736</b>	<b>4,359,419</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

The reconciliation between accounting profit and income tax expenses for the years ended 31 December 2019 and 2018 is presented below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Accounting profit before tax	3,163,485,197	3,131,483,386	3,047,620,743	2,981,517,351
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	632,697,039	626,296,677	609,524,149	596,303,470
Adjustment in respect of income tax of previous year	(653,546)	2,911,784	(352,362)	2,021,376
Effects of: Income not subject to tax	-	-	(70,499,969)	(61,599,979)
Promotional privileges (Note 23.2)	(5,836,762)	(7,638,877)	-	-
Non-deductible expenses	18,792,807	4,357,094	15,817,521	3,039,912
Unrecognised tax losses of subsidiaries	2,037,113	823,320	-	-
Additional expense deductions allowed	(93,783,027)	(68,799,250)	(72,468,297)	(55,254,049)
<b>Total</b>	<b>(78,789,869)</b>	<b>(71,257,713)</b>	<b>(127,150,745)</b>	<b>(113,814,116)</b>
Income tax expenses reported in the income statements	553,253,624	557,950,748	482,021,042	484,510,730

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

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	
	2019	2018	2019	2018
<b>Deferred tax assets</b>				
Allowance for impairment of assets	19,622,335	19,622,335	15,919,382	15,919,382
Provision for long-term employee benefits	119,196,104	92,149,662	110,744,252	86,329,586
Unrealised loss on changes in value of available-for-sale investments	-	535,244	-	535,244
Derivative contract payable	-	1,984,795	-	1,984,795
Others	6,517,079	8,073,170	5,412,184	7,864,214
<b>Total</b>	<b>145,335,518</b>	<b>122,365,206</b>	<b>132,075,818</b>	<b>112,633,221</b>
<b>Deferred tax liabilities</b>				
Intangible assets	170,985,763	-	-	-
Unrealised gain on changes in value of available-for-sale investments	580,556	-	580,556	-
Unrealised gain on changes in value of trading securities investments	5,572,350	2,672,149	5,397,729	2,485,741
Derivative contract receivable	17,596,215	-	17,596,215	-
<b>Total</b>	<b>194,734,884</b>	<b>2,672,149</b>	<b>23,574,500</b>	<b>2,485,741</b>
<b>Net deferred tax assets (liabilities)</b>	<b>(49,399,366)</b>	<b>119,693,057</b>	<b>108,501,318</b>	<b>110,147,480</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

As at 31 December 2019 and 2018, the above deferred tax assets and liabilities are presented in the statements of financial position as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax assets	121,586,397	119,693,057	108,501,318	110,147,480
Deferred tax liabilities	(170,985,763)	-	-	-
<b>Total deferred tax assets (liabilities) - net</b>	<b>(49,399,366)</b>	<b>119,693,057</b>	<b>108,501,318</b>	<b>110,147,480</b>

As at 31 December 2019, the subsidiary has deductible temporary differences and unused tax losses totaling Baht 56.6 million (2018: Baht 44.6 million), on which deferred tax assets have not been recognised as the subsidiary considers that future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses of the subsidiary amounting to Baht 53.8 million will expire by 2023.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 23.2 Promotional privileges

The subsidiary has received promotional privileges from the Board of Investment. Subject to the imposed conditions, the significant privileges are as follows:

International Food Supply Company Limited	
Certificate No.	58-2617-1-00-1-0
1. Certificate date	18 December 2015
2. Promotional privileges for	Manufacture of foods and semi-frozen foods
3. The significant privileges are:	
3.1 Exemption from import duty on machinery as approved by the Board.	Granted
3.2 Exemption from corporate income tax on net income from promoted operations, not over a hundred percent of investments excluding cost of land and working capital, for a period of six years from the date on which the income is first derived from such operations.	Granted
3.3 Exemption from income tax on dividends paid from the profit of the promoted operations, throughout the period in which the corporate income tax is exempted.	Granted
4. Date of first earning of operating income	7 July 2016

099

ANNUAL REPORT 2019

The subsidiary's operating revenues for the years ended 31 December 2019 and 2018, divided between promoted and non-promoted operations, are summarised below.

(Unit: Million Baht)

	Promoted operations		Non-promoted operations		Total	
	2019	2018	2018	2018	2019	2018
Sales	196.0	215.0	52.0	16.5	248.0	231.5

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 24. 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.

### 25. 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 Group is engaged in two business segments which are restaurant business and other businesses that support restaurant business including training service provider and manufacture and distribution of foods and research and development of technology and innovation of food and beverage products. Their operations are carried on in geographical areas of Thailand. However, the restaurant business in Thailand 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 2019 and 2018, the Group has no major customer with revenue of 10 percent or more of an entity's revenues.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 26. Dividends

Dividends declared during the years ended 31 December 2019 and 2018 consist of the following:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
<b>Year 2019</b>				
Final dividend on 2018 profit	Annual General Meeting of the shareholders on 29 April 2019	1,197	1.3	23 May 2019
Interim dividends on the profit for the six-month period ended 30 June 2019	Board of Directors' meeting on 13 August 2019	1,197	1.3	11 September 2019
<b>Total</b>		<b>2,394</b>	<b>2.6</b>	
<b>Year 2018</b>				
Final dividend on 2017 profit	Annual General Meeting of the shareholders on 27 April 2018	1,105	1.2	23 May 2018
Interim dividends on the profit for the six-month period ended 30 June 2018	Board of Directors' meeting on 9 August 2018	1,105	1.2	7 September 2018
<b>Total</b>		<b>2,210</b>	<b>2.4</b>	

### 27. Commitments and contingent liabilities

#### 27.1 Capital commitments

As at 31 December 2019, the Group had no significant outstanding capital commitments (2018: the Group had significant outstanding capital commitments in respect of agreements related to leasehold rights and purchase of machinery and equipment 59.6 million, the Company only: Baht 59.6 million).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 27.2 Operating lease commitments

The Group has entered into several lease agreements in respect of the leases 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	
	2019	2018
<b>Payable within:</b>		
Less than 1 year	1,689	1,582
1 to 5 years	1,587	1,588
More than 5 years	224	242

### 27.3 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.

### 27.4 Bank guarantees

As at 31 December 2019, there were outstanding letters of guarantee issued by the banks on behalf of the Group of approximately Baht 21.1 million (separate financial statements: Baht 20.8 million) (2018: Baht 21.2 million, separate financial statements: Baht 20.9 million), in respect of certain performance bonds as required in the normal course of businesses. These included letters of guarantee amounting to Baht 8.3 million (separate financial statements: Baht 8.3 million) (2018: Baht 8.3 million, separate financial statements: Baht 8.3 million) to guarantee payments due to creditors and Baht 12.8 million (separate financial statements: Baht 12.5 million) (2018: Baht 12.9 million, separate financial statements: Baht 12.6 million) to guarantee electricity use.

### 27.5 Guarantees to related party

As at 31 December 2019, the Company had guaranteed bank credit facilities of International Food Supply Co., Ltd. ("a subsidiary") of Baht 45 million (2018: Baht 45 million).

## 28. Fair value hierarchy

As at 31 December 2019 and 2018, the Group had the assets and liabilities that were measured at fair value based on levels of inputs as follows:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(Unit: Million Baht)

	Consolidated financial statements							
	Level 1		Level 2		Level 3		Level 4	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Assets measured at fair value</b>								
Investments in trading securities -								
debt instruments	-	-	5,625	3,086	-	-	5,625	3,086
Available-for-sale investment -								
debt instruments	-	-	919	910	-	-	919	910
Derivatives - forward exchange contracts -								
gain	-	-	88	-	-	-	88	-
<b>Liabilities measured at fair value</b>								
Derivatives - forward exchange contracts -								
loss	-	-	-	10	-	-	-	10

(Unit: Million Baht)

	Separate financial statements							
	Level 1		Level 2		Level 3		Level 4	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Assets measured at fair value</b>								
Investments in trading securities -								
debt instruments	-	-	4,837	2,306	-	-	4,837	2,306
Available-for-sale investment -								
debt instruments	-	-	919	910	-	-	919	910
Derivatives - forward exchange contracts -								
gain	-	-	88	-	-	-	88	-
<b>Liabilities measured at fair value</b>								
Derivatives - forward exchange contracts -								
loss	-	-	-	10	-	-	-	10

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 29. Financial instruments

#### 29.1 Financial risk management

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, trade and other payables and liabilities under financial lease agreements. 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 2019

	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1 - 4 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	608	200	808	0.10 - 0.37
Short-term investments	1,600	-	-	5,625	7,225	1.45 - 1.96
Trade and other receivables	-	-	-	158	158	-
Other long-term investments	-	1,219	-	-	1,219	2.16 - 3.00
	<b>1,600</b>	<b>1,219</b>	<b>608</b>	<b>5,983</b>	<b>9,410</b>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	1,855	1,855	-
Liabilities under financial lease agreements	12	39	-	-	51	2.73
	<b>12</b>	<b>39</b>	<b>-</b>	<b>1,855</b>	<b>1,906</b>	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2018						
	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1 - 4 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	529	196	725	0.10 - 0.40
Short-term investments	6,000	-	-	3,086	9,086	1.45 - 1.96
Trade and other receivables	-	-	-	99	99	-
Other long-term investments	-	1,236	-	-	1,236	2.01 - 2.74
	<b>6,000</b>	<b>1,236</b>	<b>529</b>	<b>3,381</b>	<b>11,146</b>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	1,945	1,945	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,945</b>	<b>1,945</b>	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(Unit: Million Baht)

Separate financial statements as at 31 December 2019						
	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1 - 4 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	358	151	509	0.10 - 0.37
Short-term investments	1,600	-	-	4,837	6,437	1.45 - 1.96
Trade and other receivables	-	-	-	276	276	-
Other long-term investments	-	1,219	-	-	1,219	2.16 - 3.00
	<b>1,600</b>	<b>1,219</b>	<b>358</b>	<b>5,264</b>	<b>8,441</b>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	1,513	1,513	-
Liabilities under financial lease agreements	12	39	-	-	51	2.73
	<b>12</b>	<b>39</b>	<b>-</b>	<b>1,513</b>	<b>1,564</b>	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

(Unit: Million Baht)

Separate financial statements as at 31 December 2018						
	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1 - 4 years				
<b>Financial assets</b>						
Cash and cash equivalents	-	-	452	170	622	0.10 - 0.40
Short-term investments	6,000	-	-	2,306	8,306	1.45 - 1.96
Trade and other receivables	-	-	-	239	239	-
Other long-term investments	-	1,236	-	-	1,236	2.01 - 2.74
	<b>6,000</b>	<b>1,236</b>	<b>452</b>	<b>2,715</b>	<b>10,403</b>	
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	1,745	1,745	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,745</b>	<b>1,745</b>	

### **Foreign currency risk**

The Group's exposure to foreign currency risk arises mainly from short-term investments and purchase transactions that are denominated in foreign currencies.

As at 31 December 2019 and 2018, the balances of financial assets and liabilities denominated in foreign currencies were summarised below.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

Foreign currency	Consolidated financial statements (Million)		Separate financial statements (Million)		Exchange rate as at 31 December (Baht per 1 foreign currency unit)	
	2019	2018	2019	2018	2019	2018
<b>Financial assets</b>						
US dollar	30.1	30.1	30.1	30.1	29.9967	32.2848
Yen	3.2	1.6	3.2	1.6	0.2723	0.2892
<b>Financial liabilities</b>						
Yen	24.3	21.9	5.2	2.5	0.2796	0.2970

108

The Group had the following outstanding forward exchange contracts:

Foreign currency	Consolidated financial statements/ Separate financial statements (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
<b>As at 31 December 2019</b>			
<b>Sold amount</b>			
US dollar	30.0	31.95 - 32.62	June and October 2020
<b>As at 31 December 2018</b>			
<b>Sold amount</b>			
US dollar	30.0	31.95 - 32.62	June and October 2020
<b>Bought amount</b>			
Yen	2.5	0.2952	January 2019

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

MK Restaurant Group Public Company Limited and its subsidiaries

For the year ended 31 December 2019

### 29.2 Fair values of financial instruments

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

### 30. 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 2019, the Group's debt-to-equity ratio was 0.23:1 (2018: 0.21:1) and the Company's was 0.19:1 (2018: 0.20:1).

### 31. Events after the reporting period

On 25 February 2020, the meeting of the Board of Directors of the Company No. 1/2020 passed the following resolutions.

- To approve the payment of final dividend for 2019 to the Company's shareholders at Baht 1.3 per share or a total dividend of Baht 1,197.1 million.

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

### 32. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

### PERFORMANCE OVERVIEW

In 2019, the Company and its subsidiaries recorded total incomes of Baht 17,871 million, up by Baht 637 million or an increase of 3.7 percent from the previous year. The increase of Baht 639 million was partly attributable to the continued expansion of MK Suki and Yayoi restaurant outlets, and partly to the revenue from Laem Charoen Seafood restaurants since the acquisition date amounted Baht 117 million. The Company and its subsidiaries also recorded the gross profit of Baht 11,926 million, up by 3.9 percent from the prior year. As a result, the Company and its subsidiaries recorded the net profit of Baht 2,604 million, up by Baht 30 million or an increase of 1.2 percent.

### REVENUES FROM SALES AND SERVICES

	2018		2019		% Increase (Decrease)
	Million Baht	%	Million Baht	%	
MK Suki/ MK Gold/ MK Live	13,125	78.3	13,580	78.0	3.5
Yayoi Japanese Restaurant	3,256	19.4	3,320	19.1	2.0
Other Restaurants*	389	2.3	509	2.9	30.9
<b>Revenues from Sales and Services</b>	<b>16,770</b>	<b>100.0</b>	<b>17,409</b>	<b>100.0</b>	<b>3.8</b>

\* Other Restaurants are Miyazaki, Hakata, Na Siam, Le Siam, Bizzy Box, Le Petit and Laem Charoen Seafood which is a newly acquired business in 2019.

In 2019, the Company and its subsidiaries recorded revenues from sales and services of Baht 17,409 million, up by Baht 639 million or an increase of 3.8 percent from the previous year. The increase was partly due to the continued expansion of MK Suki and Yayoi restaurant outlets, and partly to the increase of revenues from Laem Charoen Seafood restaurants due to the business acquisition last year. In addition, more than 97 percent of the total incomes generated by the Company and its subsidiaries were from sales and services incomes of MK Suki, MK Gold and MK Live restaurants 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 and Yayoi Japanese restaurant business tended to fall, those from the other restaurants were likely to increase due to the acquisition of Laem Charoen Seafood, the seafood restaurant business which the Company and its subsidiaries plan to expand many outlets in the future in order to contribute sales to the Company.

### PERFORMANCE OF THE COMPANY'S SUKI RESTAURANT BUSINESS (MK SUKI, MK GOLD AND MK LIVE)

	2018	2019
<b>Number of Branches – Suki Restaurant</b>		
Net newly-opened outlets	13	15
Number of Branches at the end of fiscal period	448	463

#### Financial Performance and Growth Rate – Suki Restaurant

Revenues from Sales and Services (Million Baht)

Total Sales Growth Rate (%)

Same-Store Sale Growth (%)

2018

13,125

3.5

0.4

2019

13,580

3.5

0.6

### REVENUES FROM SALES AND SERVICES - SUKI RESTAURANT BUSINESS

In 2019, the Company recorded Baht 13,580 million total sales and services incomes from the suki restaurant business, up by Baht 455 million or an increase of 3.5 percent, primarily from the 15 new branches expansion (Y2018: 13 branches) and growth of the same-store sales. In addition, the revenues were partly contributed from the sales of Fire Tiger's bubble milk tea and bubble fresh milk which the campaign started since the end of November.

### PERFORMANCE OF THE COMPANY'S YAYOI JAPANESE RESTAURANT BUSINESS

#### Number of Branches – Yayoi Japanese Restaurant

Net newly-opened outlets

Number of Branches at the end of fiscal period

2018

19

184

2019

14

198

#### Financial Performance and Growth Rate – Yayoi Japanese Restaurant

Revenues from Sales and Services (Million Baht)

Total Sales Growth Rate (%)

Same-Store Sale Growth (%)

3,256

7.6

-0.2

3,320

2.0

-4.8

### REVENUES FROM SALES AND SERVICES - YAYOI JAPANESE RESTAURANT BUSINESS

In 2019, the Company recorded Baht 3,320 million as sales and services revenues from Yayoi Japanese Restaurant which represented a 2.0 percent increase from the year before. The increase of Yayoi's incomes was largely from the increase of Yayoi's branches where in 2019, the net number of Yayoi branches rose by 14 branches (Y2018 : 19 branches). However, the same-store sales growth dropped by 4.8 percent mainly due to the economic slowdown and the high competition among Japanese restaurant business.

## OTHER REVENUES

In 2019, the Company and its subsidiaries recorded Baht 462 million as other revenues which mainly comprising of interest income amounted Baht 132 million, increased by Baht 11 million due mainly to the increase of the interest rate, and other income amounted Baht 330 million, decreased by Baht 12 million, which mainly due to the decrease of revenues from partners to support the marketing promotion as agreed as well as gain from sales of assets.

## 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, depreciation of factory buildings and machinery and utilities expenses. 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.

## GROSS PROFIT

For the year 2019, gross profit of the Company and its subsidiaries amounted to Baht 11,926 million, or up by 3.9 percent year-on-year. Gross profit as a percentage of revenues from sales and services also slightly increased from 68.4 percent for the year 2018 to 68.5 percent for the year 2019. The increase of gross profit as a percentage of revenues from sales and services was due largely to the improvement of product cost management.

## SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses consist mainly of employee expenses, rents, utilities, advertising and sales promotion, restaurant supplies, depreciation and amortization. For the year 2019, selling and administrative expenses of the Company and its subsidiaries was Baht 9,183 million, increased by Baht 377 million or 4.3 percent compared to last year mainly resulting from the reasons as follows;

1. An increase in personnel expenses related to the increase of employees and executives in order to support

the Company's business expansion.

2. An increase in rental cost due to the expansion of new restaurant outlets.

As a result, selling and administrative expenses as a percentage of total revenues increased from 51.1 percent for the year 2018 to 51.4 percent for the year 2019.

## NET PROFITS

As a result of the various factors which affected the operating results of the Company and its subsidiaries as mentioned above, net profit of the Company and its subsidiaries increased from Baht 2,574 million for the year 2018 to Baht 2,604 million for the year 2019, representing an increase of Baht 30 million or up by 1.2 percent.

## FINANCIAL POSITION

### Assets

As of December 31, 2019, the Company and its subsidiaries recorded total assets of Baht 17,942 million, which represented an increase of Baht 768 million or up by 4.5 percent from at the end of 2018 due mainly to the following:

1. In the year 2019, the Company and its subsidiary recorded goodwill of Baht 1,478 million resulting from the business acquisition. By this, Catapult Company Limited. ("a subsidiary") invested in ordinary shares of Laem Charoen Seafood Company Limited in proportion of 65 percent, or equivalent to the estimated investment value of Baht 2,060 million. The difference between the fair value of net asset value and the purchase price recorded as goodwill in

the consolidated financial statements.

2. An increase in intangible asset totaling Baht 888 million. Baht 858 million out of the total amount was the trademark of brand “Laem Charoen Seafood” due to the business acquisition. The trademark value was initially recognized at the fair value on the date of acquisition.

3. An increase in investment in joint venture Baht 182 million. In 2019, the Company invested additional capital of Baht 224 million in M-Senko Logistics Co., Ltd., (the shareholding remain at 49.75 percent after capital increase) while recognized share of loss from investment in joint ventures of Baht 41 million.

4. An increase in deposits of Baht 86 million which primarily came from an increase in deposits from Laem Charoen Seafood Company Limited of Baht 55 million and deposits from new branch opening of the MK Suki and Yayoi restaurants.

5. An increase in cash and cash equivalents amounted Baht 83 million.

6. An increase in trade accounts receivable and other receivables amounted Baht 59 million which is due primarily to an increase in credit card receivables as a result of the higher sales and the trade receivables from food delivery operator, which the Company started using such operator in 2019.

7. A decrease in short-term investments amounted Baht 1,861 million mainly from the investment in Laem Charoen Seafood Co., Ltd. of Baht 2,060 million during the year 2019.

8. A decrease in other current assets amounted Baht 149 million mainly from a decrease in advance payment for goods.

### Liabilities And Shareholders' Equity

As of December 31, 2019, the Company and its subsidiaries recorded total liabilities of Baht 3,315 million which was

up by Baht 317 million or 10.6 percent from the prior year due mainly to the following:

1. An increase of deferred tax liabilities of Baht 171 million resulting from the recognition of intangible asset (trademark) at their fair value on the date of acquisition of Laem Charoen Seafood.

2. An increase of provision for long-term employee benefits of Baht 152 million due to the change in discount rate assumption under actuarial estimation method.

As of December 31, 2019, the Company and its subsidiaries recorded shareholders' equity of Baht 14,627 million, increased Baht 451 million from the prior year mainly due to an increase of non-controlling interests of the subsidiaries (Laem Charoen Seafood Co., Ltd.) of Baht 320 million and an increase of retained earnings amounted Baht 127 million.

## CASH FLOWS

(Unit: Million Baht)

Type of Cash Flows	2018	2019
Net cash from operating activities	3,727	3,434
Net cash used in investing activities	(1,201)	(957)
Net cash used in financing activities	(2,210)	(2,394)
<b>Increase (decrease) of net cash and cash equivalent</b>	<b>316</b>	<b>83</b>

In 2019, the Company and its subsidiaries recorded Baht 3,434 million net cash from operating activities which decreased by Baht 293 million or 7.9 percent from the prior year. Most of which were from a decrease in

operating profit before changes in operating assets and liabilities, a decrease in other current assets, and an increase in trade and other payables.

Meanwhile, the Company and its

subsidiaries spent Baht 957 million net cash in investing activities, decreased by Baht 244 million from last year. This is mainly from cash paid for the investment in Laem Charoen Seafood, capital injection

in M-Senko Logistics which is the joint venture company, and the purchase of property, plant and equipment as a result of the branch expansion.

In 2019, the Company and its

subsidiaries recorded Baht 2,394 million net cash used in financing activities which were up by Baht 184 million due primarily to the higher of dividend payment when compared to last year.

As a result of cash movements in operating activities, investing activities and financing activities, the Company's cash and cash equivalents in 2019 increased by Baht 83 million.

## FINANCIAL RATIOS ANALYSIS

Financial Ratios	Unit	Consolidated Financial Statements	
		2018	2019
Liquidity Ratios			
Liquidity Ratio (Current Ratio)	times	4.2	3.5
Quick Ratio	times	3.9	3.3
Cash Ratio	times	1.6	1.4
Account Receivables Turnover Ratio	times	534	361
Average Collection Period	days	1	1
Inventory Turnover Ratio	times	24.5	25.1
Average Sale Period	days	15	14
Account Payables Turnover Ratio	times	9.8	9.7
Payment Period	days	37	37
Cash Cycle	days	(22)	(22)
Profitability Ratios			
Gross Profit Margin	%	68.4	68.5
Operating Profit Margin	%	15.9	15.8
Operating Cash Flow to Operating Profit Ratio	%	139.6	125.2
Net Profit Margin	%	14.9	14.6
Return on Equity	%	18.4	18.3
Efficiency Ratios			
Return on Assets	%	15.4	14.8
Return on Fixed Assets	%	80.4	64.5
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
Interest Coverage Ratio	times	N/A	N/A
Obligation Coverage Ratio (Cash Basis)	times	1.3	1.1

## LIQUIDITY RATIOS

As of December 31, 2019, the Company had strong liquidity ratios. The current ratio for the year 2019 was 3.5 times which slightly decreased from 4.2 times in 2018. Moreover, due to 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 37 days. The average sale period was around 14 days. Thus, the Company recorded a cash surplus causing its cash cycle to be negative, namely (22) days.

However, in the year 2019, the Company invested Baht 2,060 million in Laem Charoen Seafood and invested Baht 224 million to increase capital in M-Senko Logistics, as a result, the current ratio dropped from the previous year.

## PROFITABILITY RATIOS

In 2019, the Company's profitability ratios slightly decreased compared to last year. Return on Equity (ROE) was 18.3 percent, decreased from 18.4 percent in 2018. This was due mainly to an increase in net profit at a rate lower than the increase in shareholders' equity. In addition, the gross profit margin was 68.5 percent and the net profit margin was 14.6 percent which were higher than the average of the restaurant business.

## EFFICIENCY RATIOS

As for the Company's Return on Assets (ROA), as of December 31, 2019, ROA stood at 14.8 percent, down from 15.4 percent in 2018 since net profit increased by 1.2 percent while the net assets increased by 4.5 percent due to the recognition of goodwill and intangible assets as a result of the acquisition of Laem Charoen Seafood.

## CAPITAL STRUCTURE

As of December 31, 2019 the Company's debt to equity ratio (D/E) was 0.2 times, which was 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.

## FACTORS THAT MAY AFFECT THE COMPANY'S OPERATIONS IN THE YEAR 2020

In 2020, it is expected that the restaurant business will still face an uncertain and fluctuating economy due to the negative factors from both the economic and social which have been occurred since 2019 including event that occurred in early 2020, the outbreak of COVID-19 virus (Coronavirus). As a result, the tourism sector and the overall economy of the country are foreseen a slowdown, especially the Chinese tourists, which are the majority of the country's tourists, have decreased significantly. In addition, the impact of drought which

may affect agricultural product productivity and may result in the rise of agricultural product prices due to an insufficient supply.

Nowadays, consumers prefer to use food delivery service by ordering food through the application of the food delivery service providers which provide a wide variety of choices including brands from chain restaurants, international brands or even street food restaurants. As a result, the food ordering application service business has shown a very high growth in the past year. Restaurant operators, both chain restaurants and general restaurants, need to speed up their strategies to cope with the intense competition in the market and the economic downturn in order to generate the revenue growth as well as manage costs and expenses efficiently.

Nonetheless, the Company and its subsidiaries continue to aim for continued growth. The branch expansion is still the Company's main strategy by focusing on the expansion of the existing brands including MK Suki, Yayoi and also Laem Charoen Seafood, the new brand that the Company invested in late 2019. In addition to the branch expansion, the Company also focuses on the co-operation with the food delivery partners to do the marketing campaign or co-promotion with them as well as initiate the new menus that suit for delivery and are convenient for customers to cope with the rapid change of consumer behavior. Moreover, in the year 2020, the Company will continue to look for the new opportunities for investment in restaurant business in order to enhance the business with more diversity and strength.



## CONNECTED TRANSACTIONS

Connected Person	Relationship	Type of Transaction	Amount (Million Baht)			Necessity and Rationale
			2017	2018	2019	
1. Global Asset Development Co., Ltd. (GAD)	Three directors and executives and major shareholders of the Company; namely, Mrs. Yupin Thirakomen, Mr. Rit Thirakomen and Mr. Somchai Hanjikasem are GAD's major shareholders holding 82.9% of its shares (combining shares held by Mr. Rit, Mrs. Yupin and Mrs. Yupin on behalf of the estate of Mrs. Thongkam Mekto and Mr. Somnuk Hanjikasem) and 17.1% respectively.  Common directors; namely, Mr. Rit Thirakomen and Mr. Somchai Hanjikasem.	Account Preparation	0.02	0.02	0.02	<ul style="list-style-type: none"> <li>Service fee for account preparation for GAD.</li> <li>The fee was determined on the basis of estimated service time and costs of staff required in the service.</li> </ul> <p><b>Audit Committee's opinion:</b></p> <p>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.</p>
		Rent for land	35.72	38.77	36.09	<ul style="list-style-type: none"> <li>Rent for Company's Head Office and Central Kitchen (CK5) and the rent was paid by monthly basis.</li> </ul> <p><b>Audit Committee's opinion:</b></p> <p>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.</p>
2. MK Worldwide Co., Ltd. (MKWW)	Three directors and executives and major shareholders of the Company; namely, Mrs. Yupin Thirakomen, Mr. Rit Thirakomen and Mr. Somchai Hanjikasem are MKWW's major shareholders holding 85% of its shares (combining shares held by Mr. Rit, Mrs. Yupin and Mrs. Yupin on behalf of the estate of Mrs. Thongkam Mekto and Mr. Somnuk Hanjikasem) and 15% respectively.  Common directors; namely, Mr. Rit Thirakomen and Mr. Somchai Hanjikasem.	Account Preparation	0.02	0.02	0.02	<ul style="list-style-type: none"> <li>Service fee for account preparation for MKWW.</li> <li>The fee was determined on the basis of estimated service time and cost of staff required in the service.</li> </ul> <p><b>Audit Committee's opinion:</b></p> <p>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.</p>

Connected Person	Relationship	Type of Transaction	Amount (Million Baht)			Necessity and Rationale
			2017	2018	2019	
3. Superior Food Service Co., Ltd. (SFS)	The Company's executive and major shareholder; namely Mrs. Yupin Thirakomen, is SFS's director and major shareholder holding 65% of its shares. Common director; namely, Mr. Somchai Hanjikasem.	Rent for dishwasher and ice-making	56.40	56.25	57.74	<ul style="list-style-type: none"> <li>This involved rent of dishwashers for the restaurants in MK Group. SFS was one of several service providers chosen by the Company. SFS price was not different from what other service providers proposed.</li> <li>This involved rent of ice-making machines for the restaurants in MK Group. SFS was the only supplier offering the rent of ice-making machines with after-sales maintenance service.</li> </ul> <p><b>Auditor Committee's opinion:</b></p> <p>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.</p>
4. KV Electronic Co., Ltd. (KVE)	Dr. Katiya Greigarn, its director, is KVE's authorized director and major shareholder holding 60% of its shares. Common director; namely, Dr. Katiya Greigarn.	IT advisory fee	0.90	0.84	0.91	<ul style="list-style-type: none"> <li>The Company hired KVE as an IT consultant and the service fee was paid by monthly basis which was not different from other service providers proposed.</li> </ul> <p><b>Auditor Committee's opinion:</b></p> <p>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.</p>

Connected Person	Relationship	Type of Transaction	Amount (Million Baht)			Necessity and Rationale
			2017	2018	2019	
5. Precision Manufacturing Co., Ltd. (PM)	The Company's director and major shareholder; namely Mr. Rit Thirakomen, is PM's director and shareholder holding 9.0% of its shares. Common director; namely, Mr. Rit Thirakomen.	Purchase of goods	-	-	0.91	<ul style="list-style-type: none"> <li>Purchase kitchen equipment for the restaurants at the market price and conditions.</li> </ul> <p><b>Audit Committee's opinion:</b></p> <p>The transaction in which products were sold was the Company's normal transaction at the market price. The transaction therefore was reasonable and fair.</p>
6. National Food Retail Co., Ltd. (NFR)	Two directors and executives and major shareholders of the Company; namely, Mrs. Yupin Thirakomen and Mr. Rit Thirakomen are NFR's major shareholders holding 99.9% of its shares (combining shares held by Mr. Rit, Mrs. Yupin and Mrs. Yupin on behalf of Mr. Somnuk Hanjitkasem). Common director; namely, Mr. Somchai Hanjitkasem.	Account Preparation	0.02	0.02	0.02	<ul style="list-style-type: none"> <li>Service fee for account preparation for NFR.</li> <li>The fee was determined on the basis of estimated service time and cost of staff required in the service.</li> </ul> <p><b>Audit Committee's opinion:</b></p> <p>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.</p>
7. M-Senko Logistics Co., Ltd. (MSL)	Joint venture business and the Company hold 49.75% of its shares.	Logistic and warehouse management service fee	-	97.87	240.98	<ul style="list-style-type: none"> <li>The Company hired MSL as a warehouse management and logistic provider for the restaurant in MK Group. The fee was determined on the basis of distance and capacity.</li> </ul> <p><b>Auditor Committee's opinion:</b></p> <p>This item 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.</p>

Connected Person	Relationship	Type of Transaction	Amount (Million Baht)			Necessity and Rationale
			2017	2018	2019	
		Operation support service fee	-	9.26	14.86	<ul style="list-style-type: none"> <li>The Company provided the operation support service including property rent, utilities and maintenance for MSL to operate logistic business.</li> </ul> <p><b>Audit Committee's opinion:</b> This service was for the purpose of optimizing resource sharing. The transaction therefore was reasonable and for the best interest of the Company.</p>
		Sales of product	-	1.57	2.13	<ul style="list-style-type: none"> <li>This involved sales of products to MSL at the market price and conditions.</li> </ul> <p><b>Audit Committee's opinion:</b> The transaction in which products were sold was the Company's normal transaction at the market price. The transaction therefore was reasonable and fair.</p>
		Management fee	-	1.29	4.46	<ul style="list-style-type: none"> <li>The Company provide services including human resources, accounting and finance, information technology, procurement and training for MSL.</li> <li>The fee was determined on the basis of estimated service time and cost of staff required in the service.</li> </ul> <p><b>Audit Committee's opinion:</b> This service was for the purpose of optimizing resource sharing. The transaction therefore was reasonable and fair.</p>
8. Laem Charoen Seafood Co., Ltd. (LCS)	Catapult Co, Ltd., the subsidiary, hold 65% of its shares. Common directors; namely, Mr. Rit Thirakomen.	Management fee	-	-	0.78	<ul style="list-style-type: none"> <li>The Company provide services including human resources, accounting and finance, information technology, and management for LCS.</li> </ul>

Connected Person	Relationship	Type of Transaction	Amount (Million Baht)			Necessity and Rationale
			2017	2018	2019	
		Advisory fee	-	-	3.25	<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> </ul> <p><b>Audit Committee's opinion:</b> This service was for the purpose of optimizing resource sharing. The transaction therefore was reasonable and fair.</p> <ul style="list-style-type: none"> <li>The Company hired legal advisor to provide advisory service for the business acquisition and the company restructure for LCS.</li> <li>The fee was determined on the basis of estimated advisory service time for LCS.</li> </ul> <p><b>Audit Committee's opinion:</b> This service fee was determined by the independent party. The transaction therefore was reasonable and fair.</p>
		Sales of assets	-	-	0.24	<ul style="list-style-type: none"> <li>The Company sold office equipment to LCS at market price and conditions.</li> </ul> <p><b>Audit Committee's opinion:</b> The transaction was the Company's normal transaction at the market price. The transaction therefore was reasonable and fair.</p>
9. Modern Intelligent Service Co., Ltd. (MIS)	The Company's executive and major shareholder; namely Mrs. Yupin Thirakomen, is MIS's director and major shareholder holding 57% of its shares (combining shares held by Mrs. Yupin Thirakomen in Superior Food Service Co., Ltd.)	Maintenance service fee	-	-	30.17	<ul style="list-style-type: none"> <li>The Company hired MIS to provide the maintenance service for machines and equipment in the restaurants for all branches at the market price and conditions.</li> </ul> <p><b>Audit Committee's opinion:</b> The transaction was the Company's normal transaction at the market</p>

Connected Person	Relationship	Type of Transaction	Amount (Million Baht)			Necessity and Rationale
			2017	2018	2019	
		Sales of assets	-	-	5.91	<p>price. The transaction therefore was reasonable and fair.</p> <ul style="list-style-type: none"> <li>The Company sold spare parts and other equipment to MIS at market price and conditions.</li> </ul> <p><b>Audit Committee's opinion:</b> The transaction was the Company's normal transaction at the market price. The transaction therefore was reasonable and fair.</p>
		Rental and service fee	-	-	0.93	<ul style="list-style-type: none"> <li>The Company provided the rental services including property rent, public utilities and office equipment for MIS at market rate to operate the maintenance business.</li> </ul> <p><b>Audit Committee's opinion:</b> This service was for the purpose of optimizing resource sharing. The transaction therefore was reasonable and for the best interest of the Company.</p>
10. Mrs. Yupin Thirakomen	The Company's executive and major shareholder	Rent of property	0.40	0.40	0.45	<ul style="list-style-type: none"> <li>The premise was rented as a home delivery call center and Chokchai sub-branch.</li> </ul> <p><b>Audit Committee's opinion:</b> 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.</p>

## 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, 2019, the Company was registered with Baht 920,878,100 capital which is divided into 920,878,100 ordinary shares at Baht 1 par value per share. Of this, Baht 920,878,100 was paid-up capital divided into 920,878,100 shares at Baht 1 par value per share.

### SHAREHOLDERS

Top 10 shareholders in the shareholder registration book as of December 30, 2019 were as follows:

List of Shareholders	No. of Shares	%
1 Mrs. Yupin Thirakomen	182,396,802	19.8
2 Mrs. Yupin Thirakomen on behalf of the estate of Mr. Somnuk Hanjirkasem <sup>(1)</sup>	164,087,977	17.8
3 Mr. Somchai Hanjirkasem <sup>(2)</sup>	147,494,812	16.0
4 Mr. Rit Thirakomen <sup>(3)</sup>	123,059,333	13.4
5 Aunt Thongkam MK Foundation <sup>(4)</sup>	31,265,983	3.4
6 Bualuang Long-term Equity Fund	23,242,400	2.5
7 Social Security Office	17,731,000	1.9
8 Bualuang Long-term Equity Fund 75/25	12,304,800	1.3
9 N.C.B.TRUST LIMITED-NORGES BANK 1	11,792,400	1.3
10 Tisco Master Pooled Fund	9,224,400	1.0

#### Remark:

- (1) Mr. Somnuk Hanjirkasem is a deceased brother of Mrs. Yupin Thirakomen.
- (2) Mr. Somchai Hanjirkasem is a brother of Mrs. Yupin Thirakomen.
- (3) Mr. Rit Thirakomen is a spouse of Mrs. Yupin Thirakomen.
- (4) Aunt Thongkam MK Foundation was founded by Mrs. Yupin Thirakomen and Mr. Somchai Hanjirkasem, a daughter and a son of Mrs. Thongkam Mekto. Mrs. Yupin Thirakomen and Mr. Somchai Hanjirkasem are the chairman and vice chairman of Aunt Thongkam MK Foundation respectively.

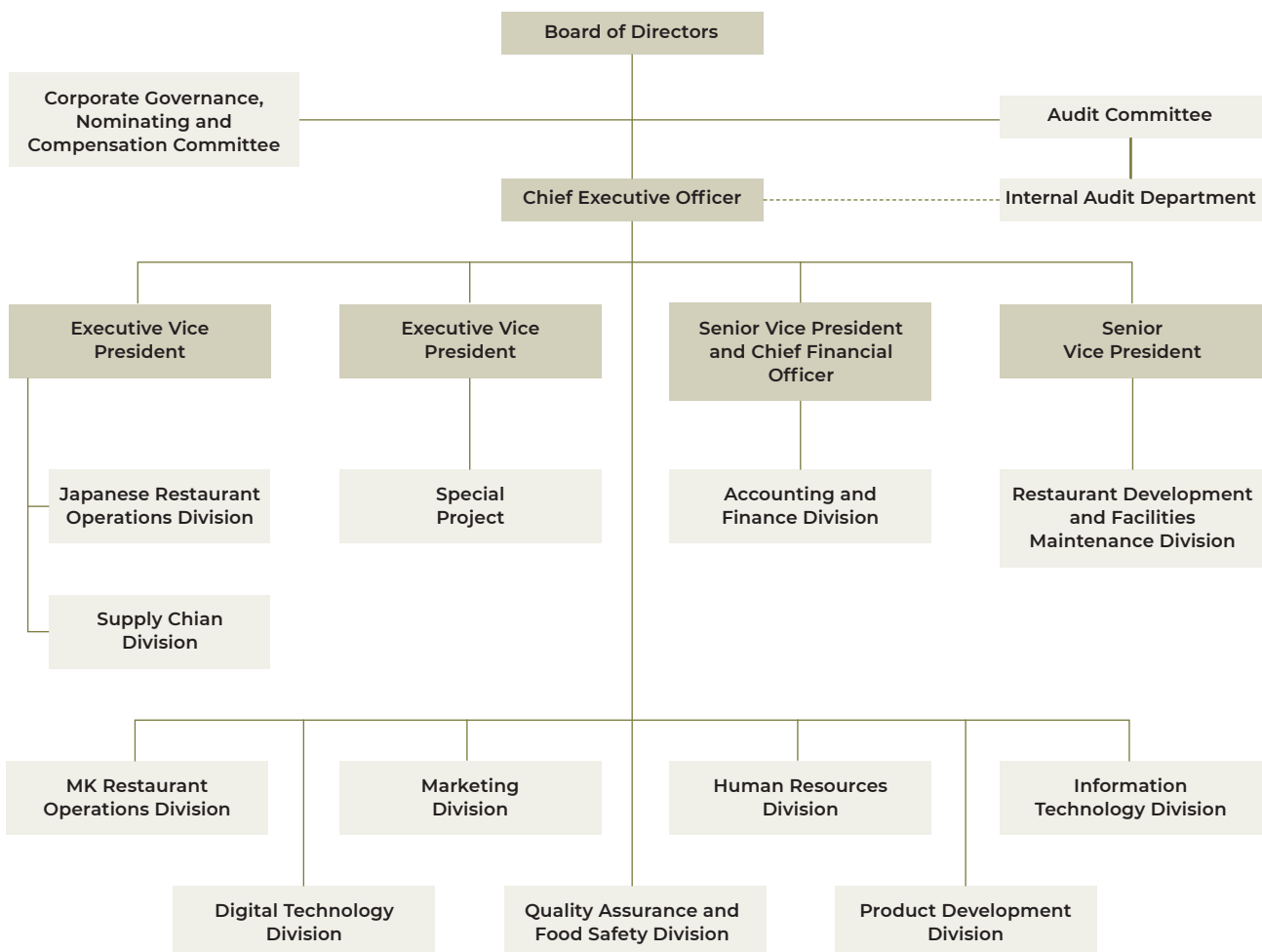
## DIVIDEND POLICY

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, 2019, the management structure was as follows:



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, 2019, the Board of Directors consisted of 10 directors as follows:

1. Mr. Rit	Thirakomen	Chairman
2. Mr. Somchai	Hanjitkasem	Director
3. Mr. Somchai	Pipitvijitkorn	Director
		Member of Corporate Governance, Nominating and Compensation Committee
4. Dr. Annop	Tanlamai	Independent Director
		Chairman of Audit Committee
5. Mrs. Vilai	Chattanrassamee	Independent Director
		Member of Audit Committee
6. Mr. Attapon	Chodchoy	Independent Director
		Member of Audit Committee
		Member of Corporate Governance, Nominating and Compensation Committee
7. Mr. Thanong	Chotisorayuth	Independent Director
8. Dr. Katiya	Greigarn	Independent Director
		Chairman of Corporate Governance, Nominating and Compensation Committee
9. Mr. Sujint	Chumpolkajana	Independent Director
10. Mr. Pravit	Tantiwasinchai	Director

## AUTHORIZED DIRECTORS

Authorized directors who may sign on behalf of the Company are Mr. Rit Thirakomen, Mr. Somchai Hanjitkasem, 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 with an annual revision and approval.

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, 2019, the Audit Committee consisted of 3 directors as follows:

1. Dr. Annop Tanlamai	Chairman
2. Mrs. Vilai Chattanrassamee	Member
3. Mr. Attapon Chodchoy	Member

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

remu-nerations; 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.

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.

11. 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, 2019, the Corporate Governance, Nominating and Compensation Committee consisted of 3 directors as follows:

- |    |                            |
|----|----------------------------|
| 1. | Dr. Katiya Greigarn        |
| 2. | Mr. Attapon Chodchoy       |
| 3. | Mr. Somchai Pipitvijitkorn |

Chairman
Member
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 reappointed 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.

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, 2019, the Company had 5 executives. Their names and titles are as follows:

1. Mr. Rit	Thirakomen	Chief Executive Officer
2. Mr. Somchai	Hanjitkasem	Executive Vice President
3. Mrs. Yupin	Thirakomen	Executive Vice President
4. Mr. Kiatkong	Kungwanwong	Senior Vice President
5. Mrs. Sudarut	Patvivatsiri	Senior Vice President

## 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.

## CORPORATE'S SECRETARY

The Board of Directors reviewed and appointed the Corporate's Secretary at the Board of Directors' Meeting No. 1/2017 where Mrs. Sudarut Patvivatsiri, with her 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 2019**

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

## REMUNERATIONS OF DIRECTORS AND EXECUTIVES

### Remunerations for the Board of Directors and the Sub-Committees

The Company sets appropriate remuneration for members of the Board of Directors and Sub-Committees at the rates which comparable to those of leading companies listed in the SET and other companies in the same industries. Remunerations for the Board and Sub-Committees are also considered the operating performance of the Company before proposed for approval in the Shareholder's Meeting.

### Director's Remunerations

In 2019, the Company paid Baht 9,052,000 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.

In addition to monetary remunerations, the Company does not grant other privileges to the directors.

Table of Director's Remunerations

Name		Remunerations			Total
		Board of Directors	Audit Committee	Corporate Governance, Nominating and Compensation Committee	
1. Mr. Rit	Thirakomen	-	-	-	-
2. Mr. Somchai	Hanjitkasem	-	-	-	-
3. Mr. Somchai	Pipitvijitkorn	1,079,000	-	30,000	1,109,000
4. Dr. Annop	Tanlamai	1,079,000	135,000	-	1,214,000
5. Mrs. Vilai	Chattanasamee	1,079,000	90,000	-	1,169,000
6. Mr. Attapon	Chodchoy	1,079,000	90,000	30,000	1,199,000
7. Mr. Thanong	Chotisorayuth	1,079,000	-	-	1,079,000
8. Dr. Katiya	Greigarn	1,079,000	-	45,000	1,124,000
9. Mr. Sujint	Chumpolkajana	1,079,000	-	-	1,079,000
10. Mr. Pravit	Tantiwasinchai	1,079,000	-	-	1,079,000
Total		8,632,000	315,000	105,000	9,052,000

## EXECUTIVE'S REMUNERATIONS

In 2019, the Company paid Baht 63,332,583 worth of salaries, bonuses and other remunerations to its executives.

**Table of Executives' Remunerations**

Type of Remunerations	No. of Executives	Remunerations (Baht)
Salary	5	45,687,900
Bonus	5	16,604,324
Other remunerations *	5	1,040,359
<b>Total</b>	<b>5</b>	<b>63,332,583</b>

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

## OTHER REMUNERATIONS

-None-

## AUDIT FEE

For the year 2019, the Company paid the audit fee amounted Baht 2,340,000.

## NON-AUDIT FEE

For the year 2019, the non-audit fee which were the service fee for the deal diligence, the advisory fee for the new accounting standard, the witness for asset destruction and other expenses such as the travel expenses etc. amounted Baht 7,138,269.

# 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.

## **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.

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. Procedure 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 Company has prescribed the criteria and procedures whereby minority shareholders may propose agendas for the Meeting and nominate candidate to be considered for election as a director in advance. Such criteria and procedures are posted on the Company's website.

2.2. 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.

2.3. 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 who are minors 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 one month prior to the disclosure of the Company's financial statements to the public and 24 hours after the release (Blackout Period). The Company will inform all concerned persons of the blackout period 14 days prior to such period.

#### 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 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, creditors, 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.

#### Creditor

The Company treats creditors fairly and strictly complies with the terms and conditions of contracts. In case that the Company is not able to comply with the terms and conditions, the Company shall inform the creditors in advance in order to find the solutions to prevent the damages.

### 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.

### Contacts for Stakeholders

The Company has provided channels for employees and external stakeholders to contact, complain and report violation cases through various channels as follows:

- Report directly to trusted supervisor
- Send e-mail to supervisor or internal audit manager
- Send mail to Chairman of Audit Committee or directors

When the Company receives the complaint, the Company will assign internal audit department or other appropriate department to collect relevant facts from the whistle blower. In the event that the violation is proven, internal audit department or other appropriate department will propose to Audit Committee and Board of Directors to consider and set the action plan including forming the investigation committee.

After investigated the case, the investigation committee will propose the guidance to Audit Committee and Board of Directors for the corrective action and punishment.

### 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 and 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 should hold directorship in a maximum of four other listed companies. In other words, efficiency of a person as the Company director may fall if he/she holds directorship in too many companies.

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 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 Chairman of the Board of Directors**

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

2.1. Set the Board meeting agenda and ensure Board members receive accurate, complete, timely, and clear

information prior to the meeting in order to make decision properly.

2.2. Be the leader and chair the Board of Directors

2.2.1. Conduct the meeting according to the agenda, the Company's Articles of Association and applicable laws.

2.2.2. Allocate sufficient time for discussion and encourage all members to participate and share opinion independently and carefully by taking into account all stakeholders.

2.2.3. Conclude the meeting's solutions and action plan clearly.

2.2.4. Setup the Board meeting without the presence of the executive directors.

2.3. Oversee, monitor and ensure that the Board performs duties efficiently and achieves the Company's objectives.

2.4. Chair the meeting of shareholders according to the agenda, the Company's Articles of Association, and relevant laws by allocating time appropriately and providing opportunities for shareholders to express their opinions equitably and ensuring that shareholders' enquiries are responded appropriately and transparently.

2.5. Support and be a role model in compliance with the principles of good corporate governance and the Company's code of conduct.

2.6. Strengthen the relationship between the Board of Directors and the management and support the management's duty in accordance with the Company's policy.

2.7. Oversee to ensure the transparency

of disclosure and management in the event of conflict of interest.

2.8. Oversee to ensure that the Board of Directors has appropriate structure and composition.

2.9. Oversee that the Board of Directors, Sub-Committees, and each individual member perform duties efficiently and effectively

### 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, Nomination 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 director. Moreover, the chairman of the Board of Directors should not be the chairman

or the member of the Corporate Governance, Nomination and Compensation Committee.

### 4. The Board of Directors' Meeting and information provided for the Meeting

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

4.6 Non-executive directors should be able to meet, as necessary, among themselves without the management team in order to debate their concerns.

## 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, the 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 The 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 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. Performance Assessment

6.1 The Company has stipulated the performance assessment for the Board of Directors and Sub-Committees at least once a year on a yearly basis in order to improve each of the committee's performance and enhance their efficiency. The assessment is divided into two types, namely the performance assessment of the Board of Directors as a whole and the self-assessment. An assessment of the Board of Directors and Sub-Committees will be based on the guideline as suggested by SET. Adjustment will be made to suit the Company's nature of business.

6.2 The Corporate Governance, Nominating and Compensation Committee has the responsibility to assess CEO's performance by considering the Company's operating result compared with other companies having comparable size in the same industry,

the implementation of the Company's policies and the overall socio-economic circumstances. By taking into account those information, the Corporate Governance, Nominating and Compensation Committee will consider the CEO's remuneration and propose to 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.

# CORPORATE SOCIAL RESPONSIBILITY



## CORPORATE SOCIAL RESPONSIBILITY



Forward-looking business leaders are working across sectors to map a collective route towards sustainability, prioritizing key technologies, reviewing resource management efficiency and developing new skill profiles to gear up for a transition. Reflecting the founder's values and compassion throughout its 34 years in operation, MK Restaurant Group Public Company Limited has continued to place a strong emphasis on good corporate governance, ethical principles and long-term commitment to be a responsible business. Through engaging in socially responsible internal management practices and sharing some of its profits with external partners, the Company believes that a stable, competitive performance and sustainability go hand-in-hand. Aligned with its vision, "To serve happiness to our customers through delicious, quality meals and extraordinary restaurant experience while working toward the greater good for our employees, community and environment," the Company is dedicated to integrating both CSR-in-process and CSR-after-process into various aspects of its business practice.

### CSR-IN-PROCESS

Traditional business and CSR tend to be more focused on one or the other separately. MK Restaurant Group Public Company Limited believes that companies could bring business and society together if they redefine their purpose as creating "shared value." The concept of CSR-in-process and CSR-after- process builds on the idea that economic value can be generated in a way that also produces value for the society and reconnects company sustainable success with social progress.

### GOVERNANCE

Corporate governance is essential in business because it is a system that instills policies and rules for maintaining cohesiveness of an organization. Good corporate governance holds a company accountable for its financial, legal and ethical conducts as well as drives an organization towards organizational excellence.

### FAIR BUSINESS PRACTICE

To ensure fair and transparent business practice, MK Restaurant Group Public Company Limited has laid down policies to treat suppliers fairly and equally. In other words, the

Company requires that remunerations and benefits involved be on the basis of equality and fairness to suppliers as well as all parties involved in the whole supply chain.

The Company also has a policy to proceed in line with fair competition framework. The Company is committed to engage with its suppliers to solve significant issues fairly and timely. In addition, the Company shall neither violate nor acquire through unscrupulous means trade secrets of its competitors and never seek its competitors' confidential information via dishonest or improper methods. Strictly, the Company shall not damage its competitors' reputation with false and malicious accusations.

## ANTI-CORRUPTION PRACTICE

Corruption is a national issue that roots deep within the Thai society. It lowers economic growth, erodes trust, discourages investment, and marginalizes markets. Due to this persisting problem, heavy economic burden is put on the poor and social and economic development has only been able to progress at a slow pace. In a bid to effectively combat this problem, leaders from both government and private sectors have joined forces to pursue corruption-free practice on a serious and continued basis. Such cooperation has also been embraced by the business sector.

Listed on The Stock Exchange of Thailand (SET), MK Restaurant Group Public Company Limited makes it an important mission to set good example

of corruption-free practice for other members in the private sector. The Company is committed to conducting its business in line with good ethics, corporate governance, transparency and accountability that is free from any form of corruption. In order to hold itself accountable, the Company has pledged under 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 an anti-corruption panel on October 24, 2014 for the purpose of suppressing corruption with greater efficiency. The panel is tasked with the responsibility to review the Company's anti-corruption measures and formulate practical guidelines on anti-corruption. In 2015,

the anti-corruption policy and guideline, developed by the anti-corruption panel, was approved by the Board of Directors and enacted as guidance for directors, management teams and employees. In addition, on August 18, 2017, the Company has certified to be a member of Thailand's Private Sector Collective Action Coalition against Corruption which the certification is valid for 3 years.

In addition to setting a policy against corruption, the Company has also instilled in its employees an attitude of not taking bribes, money or gift from other parties. In the event that employees must accept gifts on special occasions, all received items shall be commonly redistributed.

## RESPECT FOR HUMAN RIGHTS

"MK Culture" serves as a key value and guideline for the Company's promotion of respect for human rights. As the driving force behind the Company's operation, the MK Culture instills respect, teamwork and management style that unites all members to work toward shared goals. The Company treats all its employees equally and does not discriminate on the basis of social class, ethnicity, nationality, domicile, complexion, sexual preference and religion. The Company is well aware that these factors are not indicators of human value and firmly believes that all humans have honor,

dignity, rights and liberty.

The Company also runs a program which employs staff with hearing impairment, intellectual disability and communication disorders. Along with the hope to help them attain a better quality of life and empower them with capabilities and job opportunities, the Company is confident that the disabled community holds a potential to contribute to the society within the scope of their capabilities.

The Company has guidelines regarding the respect of human rights as follows:

1. Pay respect to human right and treat each other with respect and honor

on equality basis without considering differences in physical and mental appearances, race, nationality, religion, gender, language, age, skin, education, social status and any other factors.

2. Perform duties with care to prevent any risks from human rights violation in business and oversee to protect the human rights.

3. Support actions to protect human rights.

4. Communicate, disseminate, educate, set guideline and provide support to stakeholders in the business value chain including suppliers, contractors, and partners in order to

participate in conducting business with morality, respect of human rights and treating everyone according to human rights principle.

5. Monitor and provide any support

to protect human rights, report to supervisor or the responsible person when finding a violation of human rights as well as cooperate in the investigation. If there is any question,

consult with supervisor or person in charge.

6. Determine to create and maintain corporate culture committed to respecting human rights.

## FAIR LABOR TREATMENT

Recognizing that employees are valuable assets, the Company treats all employees fairly and commits to provide fair compensation, remunerations, transfers, promotions, as well as opportunities for personal 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 working 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

With the emphasis on occupational safety, the Company makes sure that all its workplaces and processing plants are equipped with adequate tools and protocols to ensure employee safety and provide good work environment. Additionally, the Company established an Employee Relations Department to provide employees with a channel to seek counseling or discuss grievances.

## EMPLOYEE ENGAGEMENT

People are an organization's key driver. A strong and healthy workforce raises productivity, rates of retention and customer satisfaction. Empowered and engaged employees have potential to introduce creativity and bottoms-up innovation. In line with its intention to promote good health for its employees, the Company organizes sports and health-focused recreational activities to emphasize to employees the importance of good health and the principle of eating

well. Moreover, these activities also contribute to stress release from work. The activities held in the year 2019 are as follows:

(1) In partnership with Kao Kon La Kao Foundation, this year the Company organized two running activities to promote health benefits and raise awareness on healthcare for employees. The first activity was to engage our employees in each region of Thailand to join the Kao Kon La Kao mini-marathon,

a public event to raise funds for local small hospitals. In addition, MK with Aunty Thongkam Foundation also donated 1 million Baht to Kao Kon La Kao for each regional event, totaling up to Baht 5 million nationwide.

The second activity was "MK Virtual Run". The activity invited employees to download the distance tracking application and submit the number of kilometers they collected to turn into donations. For every 1 kilometer collected, the

Company matched Baht 1 in support for Kao Kon La Kao Foundation. More than 500 employees participated in the activity and accumulated a combined distance of more than 50,000 kilometers, raising more funds for local small hospitals.

(2) Annually, the Company also organized its own charity mini-marathon to raise funds for small-sized non-profit organizations and community hospitals. Held for the second year in 2019, the Company transformed the Central Kitchen and M-Senko Logistics Center into a runner's track. All proceeds from the runners' subscription fee without expense deduction were donated to Bangbo Hospital to fund for the hospital's emergency unit. This year, the number of participants increased by 30% compared to last year. The Company, together with more than 650 employees who joined the mini-marathon, raised more than Baht 130,000 for Bangbo Hospital.

(3) The Company allocated a sports budget to encourage all units in different locations to exercise, allowing employees to pick and choose activities that match their needs. For instance, the Central Kitchen and Warehouse Division chose to spend their allocated budget for a soccer league and mini-marathon. At the Call Center, employees voted for Ping Pong and Fitness equipment. At the Head Office, the Badminton

Championship was held. To further inspire our employees, the Company invited a professional athlete from Indonesia to participate in the tournament by showcasing and competing with representative athletes from different divisions.

(4) The Company held the biggest competition of the year, the MK Restaurant Group Olympics 2019, where restaurant staffs from all over the country competed for the Gold Medal title. The Gold Medal was awarded to restaurant staff who was able to best meet restaurant standards without compromising on quality and food safety. Not only that this competition rewarded staff with trophies and prizes on their high performance, the competition also helped emphasized company-wide the importance of food standards and quality. For MK brand, the positions that competed in the event included Best Store Manager, Best Front of House, Best Dessert Kitchen, Best Suki Kitchen, Best Roasted Duck Kitchen, and Best Dishwashing Station. For Yayoi brand, the positions that competed in the event included Best Store Manager and Best Japanese Kitchen. For Miyazaki brand, the positions that competed in the event included Best Teppanyaki Chef. For Le Petit brand, the position that competed in the event included Best Barista. For Hakata brand, the position

that competed in the event included Best Ramen Kitchen. To further develop professional skills of our employees, this year the Company also added the Best Dance Team Competition as well as opened an exclusive league for our disabled employees.

(5) The Company believes in career development and internal promotion. In collaboration with partner universities, the Company offers educational loans to employees who wish to pursue an advanced degree. Under this program, employees not only get a chance to earn a bachelor's degree, but also gain an opportunity to excel in their career path. The Company also annually awarded scholarships to employees' family. With the intention to open a wider opportunity for our employee's family and enable a higher quality of life, the Company awarded 1,735 scholarships at Baht 4,500 per scholarship and add more MK Gift voucher Baht 1,000 per scholarship, totaling at Baht 9.54 million in 2019. (Scholarships for the year 2018 totally was 1,324 scholarships at Baht 7.28 million)

(6) Internal budget allocation to groups of employees who wish to volunteer their time for social works. In 2019, the Company allocated Baht 186,300 for volunteer projects initiated by more than 6 divisions.

## RESPONSIBILITY TO CONSUMERS

Aligned with its vision, MK Restaurant Group Public Company Limited aims to delight and nourish our customers

with quality food and excellent service. Food at the Company comes from a simple idea. It wants to serve quality

ingredients with great taste. With this idea, the Company has always placed a special focus on customer's health

and food safety. The Company employs expert team to ensure compliance of food safety standards at all stages, starting from ingredient delivery, handling, cooking and food delivery to storage and preparing at each location.

The Company also provides training to all its employees so that they understand and adhere to the Company's standards. The Company has been certified by various institutions:

- ISO 9001:2015 certification: certifies that MK applies quality management, food safety and service systems that are on par with international standards
- Hazard Analysis Critical Control Point (HACCP) certification: ensures food safety by verifying critical control points and procedures in food manufacturing industry. HACCP standards apply to all organizations that handle food, from primary producers to retailers
- Good Manufacturing Practices (GMP) certification: certifies for quality products by validating manufacturing processes, equipment and delivery

process to end consumers

- Fruit/Vegetable Contaminant Testing certification from the Department of Medical Sciences, the Public Health Ministry: certifies the Company's qualification to conduct contaminant tests on fresh vegetables and fruits in a systematic manner
- Food Safety certification from the Department of Medical Sciences, the Public Health Ministry: certifies the Company's qualification to conduct contaminant tests (borax, salicylic acid, sodium hydrosulfite, formalin and pesticide) on food items
- "Q Restaurant" certification from a program of the National Bureau of Agricultural Commodity and Food Standards, Ministry of Agriculture and Cooperatives: encourages restaurants to use Q products, or materials produced in line with good manufacturing practices, to ensure product safety
- "No MSG" project certification, the Food Institute, the Ministry of Industry: awarded this certification after the Food Institute inspected the Company's food handling systems

and conducted tests on food samples, seasonings and sauces. Lab results showed all MK dishes are free from MSG or Monosodium Glutamate. The Food Institute has now granted "No MSG" certification signboard to all MK branches

Additionally, the Company closely monitors the level of polar compounds in cooking oil used for deep-frying. No reuse is allowed when the level exceeds safety limits. To further demonstrate its commitment to the health of the community, the Company makes sure only to sell its used cooking oil for the production of biodiesel.

Guided by this same principle to take care of its customer's health, the Company introduced a calorie-calculation program. This program counts the number of calories that the customers consume during their meal at MK Restaurant and provides a slip at the end of the meal to inform the calories intake of each diner. Health-conscious customers particularly value this data because the provided nutritional information assists them in controlling their diet.

## ENVIRONMENTAL CARE

The Company tries to minimize its environmental impact throughout its supply chain. For the purpose of protecting the ecological system and the environment of communities in which it operates, the following actions have been taken:

- Stringent process is put in place to dispose of infected waste. Infected waste is only disposed of at the microbiological lab within the Company's factory,

applying a sterilization method at a temperature of 121 degrees Celsius

- The Company treats its wastewater with water-quality tests to ensure that it passes proper standards under the Factory Act of B.E. 2535, the Ministry of Industry, before any discharge to public waterways
- The Company strictly complies with the standards of the Department

of Industrial Works, international standards, and all applicable laws and regulations. A policy is set in place to track and reduce energy usage at its central kitchens and restaurant outlets

- Since late 2013, the Company has started installing and replacing LED light bulbs at its branches as LED bulbs are more energy efficient and durable
- To improve energy efficiency in

our logistics system, the Company conducted a fleet optimization program. The logistics team did a study to redraw delivery routes in order to minimize fuel usage and maximize carriage space. The Company has also enacted a speed limit policy and installed technology to monitor its fleet so that its speed

range falls between 80 – 90 kilometers per hour. Its drivers have been trained fuel-saving driving technique. All delivery vehicles are equipped with GPS (Global Positioning System) devices, which allow the Company to conveniently manage its logistics network

- The Company continues to

encourage its employees to use available resources with prudence through daily actions; for example, recycling paper, saving water, reducing electricity usage and separating garbage

## COMMUNITY DEVELOPMENT

True to the Company's belief in the value of CSR-in-process, the Company builds on the idea of integrating social value with the way its value chain functions and tries to connect its business success with social progress.

### (1) Sourcing fresh produce from The Royal Project Foundation

The Company tries to locally source its produce. Since 2015, it has been doing contract farming with the Royal Project Foundation. More than half of its produce supply is currently being sourced from farms under the Royal Project Foundation in Chiang Mai. The Company's partnership with the foundation goes beyond being just buyer and seller. It has been engaged with the Royal Project Foundation in social development projects and has funded to help farming communities improve access to agricultural infrastructure and childcare.

This year MK funded the Royal Project Foundation in support for a community learning center, school building renovation, and facilities for the Royal Project's model community. The supporting fund also include

installation of water filters in 14 communities to ensure that communities have access to clean water, as well as organization of youth training camps to raise awareness of environmental resources in their homeland. Future projects include supporting programs related to agricultural innovations, education and water.

### (2) Providing educational scholarship and career opportunities for vocational students under the Dual Education System Project

Hand in hand with the Office of Vocational Education Commission (OVEC) and 65 participating colleges, the Company offers educational scholarships and job opportunities for vocational students under the Dual Education System Project. This collaboration between educational institutions and business organizations integrates vocational education with on-the-job training right on 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 to gain a real-world work experience in the service sector. The Company participates in the program full-loop from recruiting, creating mutual understanding with teachers, parents, and students, supervising students during the term, funding for academic terms and living expenses, providing prep curriculum before training and organizing commencement ceremony. In 2019, over 1,722 students graduated from the program and 93 from the graduating class further their career with the Company.

The Company's collaboration with vocational colleges has extended further. In 2019 the Company with OVEC, kicked off the Vocational Classroom Thailand 4.0 Project, a public-private collaboration to align vocational curriculum with the national strategy. In line with the Thailand 4.0 strategy, the project offers work experience in the strategic value-added service industry along with additional opportunities to learn through specialized tracks. Since 2015, the Company has been engaged with Chiang Rai Vocational College to explore its community

need and funded a training center, “MK Brain Center”, with a goal to provide the community a restaurant service learning space that closely simulates a real work place and offers service training classes as well as related curriculums. In 2019, the Company donated Vocational Classroom for two colleges including Srisaket Technical College and Surin Vocational College. The classrooms, which offer vocational students an operation-based learning space, opened on November 18, 2019.

In support for the bilateral vocational education management in 2019, MK Restaurant Group Public Company Limited was honored with certificate plaque of co-operation from OVEC for partnership in Ubon Ratchathani province, from the Public Private Joint Subcommittee of Vocational Personnel Development, and from Bang Na Commercial College for vocational

education development.

### **(3) Providing job opportunities for students with disabilities**

The Company tries its best to support and empower communities with disabilities by offering job opportunities to students from more than 21 institutions, including schools for the hearing impaired, Panyanukun schools and schools for students with communication disorders. In line with the Company’s hope to help students with disabilities attain a better quality of life, the Company applies MK Training Center’s dual-education curriculum for senior secondary education in providing service training to these students in order to help them acquire necessary skills. As part of the course, students and parents are oriented, toured around training site and participated in on-the-job training at

restaurant outlets. Following training, students are open to options to apply for a job at the Company if they wish to earn more income and experience. Visits by the Company’s Disabilities Empowerment Team are conducted regularly to ensure students’ smooth transition and to specially address any unique issues that may arise. In 2019, the Company provided career opportunities to 220 students with disabilities.

In addition this year, the Company organized a Disability Empowerment Workshop, in which disabled employees and their supervisors were invited from various departments to learn about each other and brainstorm ways to better work with one another in the work place. Insights from the workshop were then taken to design a disability empowerment manual.

## **INNOVATIONS**

Ever since the start of its journey, the Company has always put a focus on design and process innovation. In the past, one of the main causes for explosions and fires in Thailand were related to gas. Concerned with worker and customer safety, the Company tackled the issue of gas stove, invented its own electric suki pots, and was able to ban gas usage in both front of house and kitchen operations in all restaurants. This red suki pot has also since then grown to become the signature icon. The Company has continued to improve the design of

its pot and eventually introduced an induction system, which completely prevents the risk of an electric shock.

In order to alleviate the problem of limited tabletop space, MK has also created an innovative serving plate called “condo.” Inspired by the design of a condominium, the condo plates can be stacked high on top of one other. They not only immensely helped free up table space, but also help control food safety standards.

The Company has equipped all its branches with the PDA system. The system made the work of its service

staff smoother by automating the food-ordering process, thereby increasing staff efficiency, reducing human error and cutting down customer wait time. The Company has also partnered with Bangkok University to fund a student research program in inventing a serving robot. The inventive program not only has brought a unique and fun experience to the restaurants through its serving robots, but also allowed the student team to hone technical skills, practice real world problem-solving and enable them to see the project come to life.

As the digital trend has arrived, MK Restaurant Group Public Company Limited continues to challenge itself to come up with innovations that redefine our service experience. The Company has experimented with customer self-ordering system since 2013 and constantly advanced the capability of the program. At present, self-order tablets have been installed in over 140 branches and are smoothly servicing customer orders.

In 2019, the Company has introduced the Mobile Application with the aim to enhance MK loyalty program and provide convenience to customers who own membership cards. After downloading the myMK application onto their mobile phones, customers are able to check their membership information including usage history, collected points and discount redemption via mobile phone. Customers also receive benefits such as discount coupons via mobile phone while the application also allows customers to search for the nearest MK branch, make a reservation in advance, and order their food ahead of time. In

addition, this year MK has partnered with LINE Business Connect to merge MK membership cards onto the LINE MK Official account platform, enabling customers to seamlessly link their my MK application in all respects to their LINE application. The ease of use of the Mobile Application thus met the needs of our customers in the digital age.

In 2019, MK Restaurant Group Public Company Limited, in joint venture with Senko Group Holdings, has opened a new logistics company called M-Senko Logistics, located on Bangna-Trad km.21 near the Central Kitchen, the distribution center brought in innovation from Japan to manage logistic operations, including both cold-chain and dry food, as well as equipment, for all stores nationwide. With the goal to improve productivity, reduce human error, and save on operating costs, M-Senko Logistics implemented the Cold Storage Auto Rack Robot: 9 Crane. The Auto Rack digitally sorts and picks items from the cold storage without the need for human intervention. Not only that this innovation helped

reduce manpower and turnover, it also improved the work conditions and health of employees who no longer have to operate in a minus degree environment for an extended period of time.

At the same time, with the objective to increase production efficiency and reduce production cost in our supply chain, the Central Kitchen continues to improve and apply new technological innovations. New innovations include the electric cart, which helps increase the efficiency by reducing the time of raw material transportation by more than 35%. The electric cart also improves the ergonomics of employees by reducing the need for employees to exert and haul heavy objects.

Another innovation at the Central Kitchen includes the Digital Assorting System (DAS). This technology helps ensure accuracy of the sorting process in the product distribution workflow by using visual control to display numeric signal, which instructs employees to correctly sort the specified items onto their trays.

## CSR-AFTER-PROCESS

Aligned with its vision, the Company is dedicated to create a positive impact on the communities it serves. Every year, the Company shares some of its operating profits to support various non-profit organizations and foundations.

- With an ambition to deliver a good quality of life through its food service business, the Company has made

a lifelong commitment to donate a hundred percent of its net income after deducting expense, from our four restaurants (MK Restaurant, Yayoi, Hakata Ramen and Le Petit) established at Siriraj Hospital's Piyamaharajkarun Building, to the Siriraj Hospital Foundation annually, in support for expense and purchase of medical equipment and

treatments. From the past year's operations, the Company donated Baht 5 million to the Siriraj Hospital Foundation.

- The Company specifically organized promotional campaigns to raise funds for the Yuwabadhana Foundation in the "Food4Good" project, of which part of the revenue gained from every

order made under the promotional campaign is donated to school lunch program in underserved communities. Through this campaign, customers also get to contribute in the donations. At the end of the campaign, the Company has donated a total of Baht 400,000.

In partnership with Aunty Thongkam Foundation, MK Restaurant Group Public Company Limited annually extends assistance to non-profit and social organizations to help those in need. In 2019, the Company and Foundation donated over Baht 78 million in support for projects aligned with our 4 missions:

#### **Mission 1: Improving Family's Nutrition**

We believe that eating well is the basis of good health. The Foundation supports and partners with organizations that combat nutritional deficiencies for disadvantaged communities and teach families about nutrition as well as help to integrate the concept into everyday life. The projects are as follows:

- Yuvabadhana Foundation

#### **Mission 2: Fostering Healthcare for Underserved Communities**

As part of our company's commitment to improving health, we support

healthcare organizations that are devoted to aiding underserved communities. Our grants support underfunded public hospital, district health hospital, community hospital, and research institution as follows:

- The Nawamin Bophit 84<sup>th</sup> Building at Siriraj Hospital, Bangkok Province
- The Gastrointestinal Endoscopy Center at Buddhachinaraj Hospital, Phitsanulok Province
- The Emergency Unit at Bang Bo Hospital through charity mini-marathon
- General fund for community hospitals in Mae Ngon, Chiang Mai Province through mini-marathon sponsorship
- Kao Kon La Kao Foundation
- The Heart Foundation of Thailand under the Royal Patronage
- Foundation of the Elderly of Thailand
- Contemplative Education Center, Mahidol University

#### **Mission 3: Nurturing Young Leaders**

With energy and passion, young people have a lot to contribute to their communities. Our donations and grants program helps give youth the opportunity to fulfill their potential and make a difference by reinforcing their efforts to make the world a better place as follows:

- Bannokkamin Foundation, Bangkok province
- Ban Non Sawang School, Nongbua Lamphu province
- Ban Nong Thanon School, Buriram province
- Wat Pong School, Chonburi province
- Surin Vocational College, Surin province

#### **Mission 4: Special Project**

Every year, Thailand suffers from natural disasters such as flash floods and draught. The Foundation reserves part of its funds to provide emergency aid to those who are in most need. In addition, the Foundation also supports disaster prevention projects that help agricultural communities mitigate natural disasters and improve access to water resources as follows:

- The Royal Project Foundation supported for the Community Learning Center and installation of water filters in the community
- Utokepat Foundation under the Royal Patronage supported for Muang Chum Community, Chiang Rai province
- Flood Emergency Relief donate for Ubon Ratchathani province
- Sang Tawan Fund at Pathum Wanaram Temple, Bangkok province



## 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 term of office of the member of the Committee is 3 years starting from the appointed date. In case of member substitution, the substitute member shall hold office only for the remaining term of office of the member whom he/she replaces. The current committee consists of three Board members as follows:

- |                               |          |
|-------------------------------|----------|
| 1. Dr. Katiya Greigarn        | Chairman |
| 2. Mr. Attapon Chodchoy       | Member   |
| 3. Mr. Somchai Pipitvijitkorn | Member   |

During the year 2019 two meetings were held by the Committee 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 2019 and the salary adjustment for the year 2020 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 2019 and the salary adjustment for the year 2020 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 audit committee and other sub-committees 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 2019 should vary proportionally to the change of the annual dividend for the year 2019 to be proposed to the 2020 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, Mr. Rit Thirakomen, Mr. Somchai Hanjitkasem and Mr. Thanong Chotisorayuth, 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.

4. The Committee reviewed the Corporate Governance Report of Thai Listed Companies 2019 which was run by the Thai Institute of Directors on an annual basis to improve the corporate governance of Thai listed companies. Based on the Company's historical corporate governance reports during 2015-2019, the Company had the better performance respectively. However, in order to enhance the Company's corporate governance, the Committee had opinion that the Company should continue to improve the corporate governance for the important issues as suggested by the Thai Institute of Directors.

(Dr. Katiya Greigarn)

Chairman of the Corporate Governance,  
Nominating and Compensation Committee

## INTERNAL CONTROL AND RISK MANAGEMENT



The Board of Directors has placed much importance on internal-control system on a continued basis since we believe that the good internal control system leads to a good operation process, good organization structure and good system and helps the Company to achieve the goals and objectives efficiently and effectively. It also helps to reduce and prevent the risk that might occur in the business. The Audit Committee is assigned to supervise in order 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 of each unit based on the annual audit plan and report directly to 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. In addition, the Board of Directors performs the internal control assessment of the Company every year based on the guidelines from the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) which comprised of five components including Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities. There is no significant defect found to the Company's internal control. In addition, the Audit Committee also has the responsibility to appoint the auditor and fix the audit fee as well as ensure the accuracy of information disclosure for the related transactions and the transactions that may have a conflict of interest.

### 1. Control Environment

The Company's organizational structure is properly designed to support the good internal control. Also, the Company's business goals and key performance indicators (KPIs) are clearly defined to ensure the efficiency of work and the alignment of the Company's target. The authority delegation manuals and the operation manuals for all functions are clearly defined and written. The Company's targets are communicated through all divisions and functions. Efforts also have been made to promote good attitudes, honesty and ethics among staffs at all levels in the Company. In addition, the Company has continued to reinforce the good corporate governance principles to all executives and employees in order to create the sustainable growth in the future.

### 2. Risk Assessment

The Company has continue to place much importance on the risk management which may affect its business and prevent from achieving its goals. The Board of Directors had the resolution to setup the risk management working panel comprising of the managements from various functions responsible for defining, measuring and monitoring the risks regularly and report to the Board of Directors. 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 and delegation of duties. 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 nonfinancial 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 internal audit and quality control departments have the responsibilities to check and ensure the accuracy in order to prevent and reduce the mistake that may occur. The information systems are also implemented to improve the work efficiency. The Company also implemented the human resource management system, the evaluation of employee performance

and human development to ensure that employees have the knowledge of work and can perform their work efficiently. In addition, the management must propose the transaction with the parties that may have conflict of interest to the Audit Committee in order to consider the suitability of the transaction and propose to the Board of Directors for approval.

#### **4. Information System and Communications**

The Company recognizes the important of the information systems and communications, therefore the information systems are continuously improved to ensure the accuracy, up to date and effectiveness. The systems

have stored information and kept documents in an efficient manner to ensure the data accuracy and adequacy for the management and stakeholders to utilize it. The Company also has the policy for the information security and data utilization in order to prevent and prepare for the new technology in the future. In addition, the Company's Investor Relations Unit is in place to coordinate with investors ensuring that they can get information on the Company's operations and investments promptly and conveniently through highly accessible channels such as Company's website, e-mail, call center, etc. The whistle-blowing or complaints from outside also are reported via these channels.

#### **5. Monitoring System**

Assigned by the Board of Directors, the Audit Committee is responsible for monitoring and assessing the Company's internal control system driven by the internal audit department based on the annual internal-audit plans approved by the Audit Committee and reported to the Audit Committee and executives quarterly. In addition, the Audit Committee has invited the Company's auditor to its meeting to review and acknowledge the results of financial-statement audits and internal-control issues which no significant issues found.

## DETAILS OF DIRECTORS AND EXECUTIVES



### DETAILS OF DIRECTORS AND EXECUTIVES

#### 1. Mr. Rit Thirakomen

Position

- Chairman of the Board of Directors
- Chief Executive Officer
- Director (Authorized Signature)
- June 2012

Date of the First Appointment as Director

Age

- 68 years

M Shareholding

- Held personally 123,059,333 shares or 13.4%
- Held by spouse or minor children 182,396,802 shares or 19.8%

Family Relationship

- Spouse of Mrs. Yupin Thirakomen

Education

- Bachelor's Degree (Electrical Engineering), Chulalongkorn University

Related Training Program held by Thai Institute of Directors Association (IOD)

- Director Accreditation Program (DAP) 97/2012

Experience

#### • Positions in Listed Companies

2012-Present	Chairman of the Board of Directors and Chief Executive Officer, MK Restaurant Group Pcl.
1989-2012	Director, MK Restaurant Group Pcl.
1986-2012	Managing Director, MK Restaurant Group Pcl.
1987-1999	Chairman of the Board of Directors, SE-EDUCATION Pcl.
1974-1987	Managing Director, SE-EDUCATION Pcl.

#### • Positions in Non-Listed Companies

2019-Present	Director, Laem Charoen Seafood Co., Ltd.
2019-Present	Director, Catapult Co., Ltd.
2018-Present	Director, Mark One Innovation Center Co., Ltd.
2016-Present	Director, Unity Global Development Co., Ltd.
2015-Present	Director, International Food Supply Co., Ltd.
2012-Present	Director, Hanthi Unity Group Co., Ltd.
2006-Present	Director, MK Interfood Co., Ltd.
2006-Present	Director, MK Service Training Center Co., Ltd.
1999-Present	Director, Global Asset Development Co., Ltd.
1994-Present	Director, MK Worldwide Co., Ltd.
1991-Present	Director, Totems Co., Ltd.
1990-Present	Director, Precision Manufacturing Co., Ltd.

## 2. Mr. Somchai Hanjtkasem

### Position

- Director
- Director (Authorized Signature)
- Executive Vice President
- June 2012

### Date of the First Appointment as Director

### Age

- 58 years

### M Shareholding

- Held personally 147,494,812 shares or 16.0%
- Held by spouse or minor children (None)

### Family Relationship

- Brother of Mrs. Yupin Thirakomen

### Education

- Bachelor's Degree, Bangkok University
- Master's Degree (MS), Abilene Christian University, USA

### Related Training Program held by Thai Institute of Directors Association (IOD)

- Director Accreditation Program (DAP) 97/2012
- Director Accreditation Program (DAP) 6/2003
- Financial Statements for Directors (FSD) 9/2004

### Experience

#### • Positions in Listed Companies

- 2015-Present Executive Vice President, MK Restaurant Group Pcl.
- 1989-Present Director, MK Restaurant Group Pcl.
- 2012-2015 Managing Director, MK Restaurant Group Pcl.
- 1992-2012 Executive Vice President, MK Restaurant Group Pcl.

#### • Positions in Non-Listed Companies

- 2018-Present Director, Mark One Innovation Center Co., Ltd.
- 2016-Present Director, M Performance Co., Ltd.
- 2016-Present Director, M HQ Co., Ltd.
- 2015-Present Director, International Food Supply Co., Ltd.
- 2012-Present Director, Hanthi Unity Group Co., Ltd.
- 2007-Present Director, Shellhut Entertainment Co., Ltd.
- 2006-Present Director, MK Interfood Co., Ltd.
- 2006-Present Director, MK Service Training Center Co., Ltd.
- 2005-Present Director, Superior Food Service Co., Ltd.
- 2004-Present Director, Dawiburi Villa Owner Association Co., Ltd.
- 1999-Present Director, Global Asset Development Co., Ltd.
- 1996-Present Director, Superior Solution and Service Co., Ltd.
- 1994-Present Director, MK Worldwide Co., Ltd.

### 3. Mr. Somchai Pipitvijitkorn

Position

- Director
- Director (Authorized Signature)
- Member of Corporate Governance, Nominating and Compensation Committee

Date of the First Appointment as Director

- June 2012

Age

- 80 years

M Shareholding

- Held personally (None)
- Held by spouse or minor children 3,700,000 shares or 0.4%

Family Relationship

- Uncle of Mr. Rit Thirakomen

Education

- Bachelor's Degree (Accounting) (Second Class Honors), Chulalongkorn University
- Master's Degree (Business Administration), Michigan State University, USA
- Director Compensation Survey 2004

Related Training Program held by Thai Institute of Directors Association (IOD)

Experience

#### • Positions in Listed Companies

2012-Present	Director, MK Restaurant Group Pcl.
2003-Present	Director, Sahaviriya Steel Industries Pcl.
2009-2014	Chairman of the Board of Directors, Bangsaphan Barmill Pcl.
2004-2009	Director, Bangsaphan Barmill Pcl.
1986-1998	Director, Siam City Cement Pcl.
1984-1999	Director, Bank of Ayudhya Pcl.
1983-1999	Director, The Ayudhya Life Assurance Pcl.

#### • Positions in Non-Listed Companies

2004-Present	Director, Sahaviriya Plate Mill Pcl.
2009-2012	Director, Thai Cold Rolled Sheet Pcl.

#### 4. Dr. Annop Tanlamai

Position

- Independent Director
- Chairman of Audit Committee
- June 2012

Date of the First Appointment as Director

Age

- 69 Years

M Shareholding

- Held personally (None)
- Held by spouse or minor children (None)

Family Relationship

- -None-

Education

- Bachelor's Degree (Mechanical Engineering), Chulalongkorn University
- Master's Degree (Engineering Management), University of Missouri, USA
- MBA (Quantitative Business Analysis), Indiana University, USA
- Ph.D. (Engineering Management), University of Missouri, USA
- Director Certification Program (DCP) 154/2011

Related Training Program held by Thai Institute of Directors Association (IOD)

Experience

#### • Positions in Listed Companies

- 2012-Present Independent Director and Chairman of Audit Committee, MK Restaurant Group Pcl.
- 2015-Present Director and Member of Audit Committee, Bangkok Expressway and Metro Pcl.
- 2011-2015 Director and Member of Audit Committee, Bangkok Expressway Pcl.

#### • Positions in Non-Listed Companies

- 2016-Present Dean of Business Administrative Faculty, Chitralada Institute of Technology
- 2016-2017 Director, Tor Or Co., Ltd.
- 2006-2017 Director, Ex.19 Co., Ltd.
- 2012-2016 Dean, College of Management Mahidol University
- 2007-2011 Dean, Faculty of Commerce and Accountancy, Chulalongkorn University
- 1999-2007 Director of the Master of Business Administration (MBA) Program, Faculty of Commerce and Accountancy, Chulalongkorn University
- 1995-1999 Head of Department of Commerce, Faculty of Commerce and Accountancy, Chulalongkorn University
- 1989-1995 Director of the Master of Business Administration (MBA) Program, Faculty of Commerce and Accountancy, Chulalongkorn University

## 5. Dr. Katiya Greigarn

### Position

- Independent Director
- Chairman of Corporate Governance, Nominating and Compensation Committee
- June 2012

### Date of the First Appointment as Director

### Age

- 67 years

### M Shareholding

- Held personally (None)
- Held by spouse or minor children (None)

### Family Relationship

- -None-

### Education

- Bachelor's Degree (Electrical Engineering), Chulalongkorn University
- Master's Degree (Electrical Engineering), University of Missouri–Rolla, USA
- Ph.D. (Electrical Engineering), University of Missouri–Rolla, USA
- Director Accreditation Program (DAP) 37/2005
- Financial Statements for Directors (FSD) 3/2008
- Advanced Audit Committee Program (AACP) 34/2011
- Director Certification Program (DCP) 110/2008
- Director Certification Program Update (DCPU) 5/2015

### Related Training Program held by Thai Institute of Directors Association (IOD)

### Experience

#### • Positions in Listed Companies

- 2012-Present Independent Director, MK Restaurant Group Pcl.
- 2017-Present Independent Director, Kulthorn Kirby Pcl.
- 2007-Present Independent Director and Chairman of Audit Committee, Premier Marketing Pcl.
- 2011-2018 Independent Director and Chairman of Audit Committee, Planet Communications Asia Pcl.
- 2005-2014 Independent Director and Chairman of Audit Committee, Premier Technology Pcl.

#### • Positions in Non-Listed Companies

- 2008-Present Director, Mekfah Development Co., Ltd.
- 2008-Present Director, Viptel Co., Ltd.
- 2002-Present Director, Sab Udom Properties Co., Ltd.
- 1988-Present Director and Managing Director, KV Electronics Co., Ltd.
- 2013-2018 Director, Lynx Corporation Co., Ltd.

## 6. Mr. Thanong Chotisorayuth

Position

Date of the First Appointment as  
Director

Age

M Shareholding

Family Relationship

Education

Related Training Program held  
by Thai Institute of Directors

Association (IOD)

Experience

- Independent Director
- June 2012
- 66 years
- Held personally (None)
- Held by spouse or minor children (None)
- -None-
- Bachelor's Degree (Electrical Engineering), Chulalongkorn University
- Master's Degree (Education in Educational Administration), Chulalongkorn University
- Honorary Doctorate in Business Administration, National Institute of Development Administration
- Director Certification Program (DCP) 33/2003
- **Positions in Listed Companies**
  - 2012-Present Independent Director, MK Restaurant Group Pcl.
  - 1993-Present Director, SE-EDUCATION Pcl.
  - 1987-2018 Managing Director, SE-EDUCATION Pcl.
- **Positions in Non-Listed Companies**
  - 2013-Present Director, BaesLab Co., Ltd.
  - 2010-Present Director, Plearnpattana School, Plearn Patt Co., Ltd.
  - 2006-Present Chairman of Executive Directors, Plearnpattana School, Plearn Patt Co., Ltd.

## 7. Mrs. Vilai Chattanrassamee

Position

Date of the First Appointment as Director

Age

M Shareholding

Family Relationship

Education

Related Training Program held by Thai Institute of Directors Association (IOD)

Experience

- Independent Director
- Member of Audit Committee
- June 2012
- 66 years
- Held personally (None)
- Held by spouse or minor children (None)
- -None-
- Bachelor's Degree (Accounting), Chulalongkorn University
- Master's Degree (Accounting), Thammasart University
- Certified Public Accountant
- Fellow (FIOD)
- DCP Refresher 2/2006
- Director Certification Program (DCP) 13/2001
- **Positions in Listed Companies**
  - 2012-Present Independent Director and Member of Audit Committee, MK Restaurant Group Pcl.
  - 2017-Present Independent Director and Chairman of Audit Committee, Sahathai Terminal Pcl.
  - 2015-Present Independent Director, Chairman of Audit Committee, and Member of Corporate Governance Committee, BCPG Pcl.
  - 2013-2015 Independent Director and Member of Audit Committee, Shun Thai Rubber Gloves Industry Pcl.
  - 2010-2012 Independent Director and Member of Audit Committee, Asian Seafoods Coldstorage Pcl.
- **Positions in Non-Listed Companies**
  - 2018-Present Member of Sub-Committee of Procurement and Administrative Government Policy, The Comptroller General's Department
  - 2017-Present Director, Sahathai Steel Pipe Pcl.
  - 2016-Present Member of Audit Committee, King Mongkut's Institute of Technology Ladkrabang
  - 2016-Present Independent Observer of Integrity Pact, Anti-Corruption Organization of Thailand
  - 1997-Present Director, Horton International Co., Ltd.
  - 1992-Present Director, Executive Search Services Co., Ltd.
  - 2014-2019 Advisor of Audit Committee, Metropolitan Waterworks Authority
  - 2011-2017 Secretary General, Federation of Accounting Professions under the Royal Patronage of His Majesty The King

## 8. Mr. Attapon Chodchoy

### Position

- Independent Director
- Member of Audit Committee
- Member of Corporate Governance, Nominating and Compensation Committee

### Date of the First Appointment as Director

- June 2012

### Age

- 63 years

### M Shareholding

- Held personally (None)
- Held by spouse or minor children (None)

### Family Relationship

- -None-

### Education

- Bachelor's Degree (Cost Accounting), Chulalongkorn University

### Related Training Program held by Thai Institute of Directors Association (IOD)

- Director Certification Program (DCP) 54/2005

### Experience

#### • Positions in Listed Companies

- |              |   |
|--------------|---|
| 2012-Present | Independent Director and Member of Audit Committee, MK Restaurant Group Pcl.      |
| 2018-Present | Director and Chairman of Audit Committee, Veranda Resort Pcl.                     |
| 2013-Present | Independent Director and Member of Audit Committee, M Pictures Entertainment Pcl. |
| 1982-1999    | Director and Chief Finance Officer, Minor Corporation Pcl.                        |

#### • Positions in Non-Listed Companies

- |              |   |
|--------------|---|
| 2012-Present | Financial Advisor, Unique Plastic Industry Co., Ltd.                                    |
| 2017-2018    | Director and Chairman of Audit Committee, Veranda Resort And Spa Co., Ltd.              |
| 2001-2011    | Director and Director of Finance Department, Molnlycke Health Care (Thailand) Co., Ltd. |
| 1999-2001    | Director of Accounting and Finance Department, The British Dispensary (L.P.) Co., Ltd.  |

## 9. Mr. Sujint Chumpolkajana

Position

Date of the First Appointment as  
Director

Age

M Shareholding

Family Relationship

Education

Related Training Program held  
by Thai Institute of Directors  
Association (IOD)

Experience

- Independent Director

- June 2012

- 68 years

- Held personally 4,200,500 shares or 0.5%

- Held by spouse or minor children (None)

- -None-

- Bachelor's Degree (Electrical Engineering), Chulalongkorn University

- Director Accreditation Program (DAP) 97/2012

- **Positions in Listed Companies**

2018-Present Independent Director, MK Restaurant Group Pcl.

2012-2018 Director, MK Restaurant Group Pcl.

2012-2014 Executive Vice President – Restaurant Development  
Division, MK Restaurant Group Pcl.

2006-2012 Executive Vice President – International Business  
Development Division, MK Restaurant Group Pcl.

1992-2006 Vice President, MK Restaurant Group Pcl.

**10. Mr. Pravit Tantiwasinchai**

Position

- Director
- Director (Authorized Signature)
- June 2012

Date of the First Appointment as Director

Age

- 63 years

M Shareholding

- Held personally 3,862,800 shares or 0.4%
- Held by spouse or minor children (None)

Family Relationship

- -None-

Education

- Bachelor's Degree (Accounting-Finance and Banking), Chulalongkorn University
- Graduate Diploma (Auditing), Chulalongkorn University
- Director Accreditation Program (DAP) 97/2012
- Director Accreditation Program (DAP) 6/2003

Related Training Program held by Thai Institute of Directors Association (IOD)

Experience

- **Positions in Listed Companies**

2017-Present Director, MK Restaurant Group Pcl

2017-Present Independent Director and Chairman of Audit Committee, SE-EDUCATION Pcl.

1999-2017 Independent Director and Member of Audit Committee, SE-EDUCATION Pcl.

2012-2016 Director and Corporate Secretary, MK Restaurant Group Pcl.

2015-2016 Chief Financial Officer, MK Restaurant Group Pcl.

2006-2015 Executive Vice President – Accounting and Finance Division, MK Restaurant Group Pcl.

1994-2006 Director of Accounting and Finance Department, MK Restaurant Group Pcl.

## 11. Mrs. Yupin Thirakomen

Position

Date of the First Appointment as Director

Age

M Shareholding

Family Relationship

Education

Related Training Program held by Thai Institute of Directors Association (IOD)

Experience

• Executive Vice President

• -

• 63 years

• Held personally 182,396,802 shares or 19.8%

• Held by spouse or minor children 123,059,333 shares or 13.4%

• Spouse of Mr. Rit Thirakomen

• Sister of Mr. Somchai Hanjirkasem

• Honorary Master's Degree (Business Administration), Kalasin Rajabhat University

• -None-

### • Positions in Listed Companies

2015-Present Executive Vice President, 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.

### • Positions in Non-Listed Companies

2019-Present Director, Modern Intelligent Service Co., Ltd.

2018-Present Director, Mark One Innovation Center Co., Ltd.

2016-Present Director, Unity Global Development Co., Ltd.

2015-Present Director, International Food Supply Co., Ltd.

2014-Present Director, Health Plus Creation Co., Ltd.

2012-Present Director, Hanthi Unity Group Co., Ltd.

2005-Present Director, Superior Food Service Co., Ltd.

1999-Present Director, Global Asset Development Co., Ltd.

1996-Present Director, Superior Solution and Service Co., Ltd.

## 12. Mr. Kiatkong Kungwanwong

Position

Date of the First Appointment as  
Director

Age

M Shareholding

Family Relationship

Education

Related Training Program held  
by Thai Institute of Directors

Association (IOD)

Experience

- Senior Vice President – Development and Maintenance Division

- -

- 52 years

- Held personally 30,000 shares or 0.0%

- Held by spouse or minor children 400,000 shares or 0.0%

- -None-

- Bachelor's Degree (Mechanical Engineering), Kasetsart University

- -None-

- **Positions in Listed Companies**

2017-Present    Senior Vice President – Development and Maintenance  
Division, MK Restaurant Group Pcl.

2012-2017       Vice President – Development and Engineering  
Department, MK Restaurant Group Pcl.

### 13. Mrs. Sudarut Patvivatsiri

Position

- Senior Vice President – Accounting and Finance Division
- Corporate Secretary

Date of the First Appointment as Director

- -

Age

- 47 years

M Shareholding

- Held personally 880,000 shares or 0.1%
- Held by spouse or minor children (None)

Family Relationship

- Niece of Mr. Rit's Mother

Education

- Bachelor's Degree (Statistics), Chulalongkorn University
- Master's Degree (Business Administration), University of Illinois at Urbana-Champaign, USA

Related Training Program held by Thai Institute of Directors Association (IOD)

- Company Secretary Program (CSP) 82/2017
- Board Reporting Program (BRP) 25/2018

Experience

- **Positions in Listed Companies**
  - 2017-Present Senior Vice President – Accounting and Finance Division, MK Restaurant Group Pcl.
  - 2013-2017 Vice President – Accounting and Finance Department, MK Restaurant Group Pcl.
- **Positions in Non-Listed Companies**
  - 2019-Present Director, Laem Charoen Seafood Co., Ltd.
  - 2019-Present Director, Catapult Co., Ltd.
  - 2018-Present Director, MK Interfood Co., Ltd.
  - 2018-Present Director, M-Senko Logistics Co., Ltd.

## CHANGE IN M SHARES HELD BY DIRECTORS AND EXECUTIVES

No.	Name	Position	M shares held as of December 28, 2018	M shares held as of December 30, 2019	Increase/ (Decrease) in M Shares held	Percentage of shares held (%)
1	Mr. Rit Thirakomen	Chairman of the Board of Directors Chief Executive Officer	123,059,333	123,059,333	-	13.4%
	Spouse and minor children		182,396,802	182,396,802	-	19.8%
2	Mr. Somchai Hanjtkasem	Director Executive Vice President	147,494,812	147,494,812	-	16.0%
	Spouse and minor children		-	-	-	-
3	Mr. Somchai Pipitvijitkorn	Director	-	-	-	-
	Spouse and minor children		3,700,000	3,700,000	-	0.4%
4	Dr. Annop Tanlamai	Independent Director Chairman of Audit Committee	-	-	-	-
	Spouse and minor children		-	-	-	-
5	Dr. Katiya Greigarn	Independent Director	-	-	-	-
	Spouse and minor children		-	-	-	-
6	Mr. Thanong Chotisorayuth	Independent Director	-	-	-	-
	Spouse and minor children		91,900	-	-91,900	-
7	Mrs. Vilai Chattanrassamee	Independent Director Member of Audit Committee	-	-	-	-
	Spouse and minor children		-	-	-	-
8	Mr. Attapon Chodchoy	Independent Director Member of Audit Committee	-	-	-	-
	Spouse and minor children		-	-	-	-
9	Mr. Sujint Chumpolkajana	Independent Director	4,200,500	4,200,500	-	0.5%
	Spouse and minor children		-	-	-	-
10	Mr. Pravit Tantiwasinchai	Director	3,862,800	3,862,800	-	0.4%
	Spouse and minor children		-	-	-	-
11	Mrs. Yupin Thirakomen	Executive Vice President	182,396,802	182,396,802	-	19.8%
	Spouse and minor children		123,059,333	123,059,333	-	13.4%
12	Mr. Kiatkong Kungwanwong	Senior Vice President	30,000	30,000	-	0.0%
	Spouse and minor children		400,000	400,000	-	0.0%
13	Mrs. Sudarut Patvivatsiri	Senior Vice President	880,000	880,000	-	0.1%
	Spouse and minor children		-	-	-	-

## GENERAL CORPORATE INFORMATION AND OTHER REFERENCES

---



<b>Company Name</b>	: <b>MK Restaurant Group Public Company Limited</b>
Primary Business	: Restaurant
Head Office	: 1200 Debaratna Road, Bangnatai, Bangna, Bangkok 10260
Registration No.	: 0107555000317
Homepage	: <a href="http://www.mkrestaurant.com">www.mkrestaurant.com</a>
Telephone	: +66 2836 1000
Fax	: +66 2836 1099

### Share Capital as of December 31, 2019

Registered Capital	: Baht 920,878,100 comprising of 920,878,100 shares with a par value of Baht 1 each
Issued and Paid-up Capital	: Baht 920,878,100 comprising of 920,878,100 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, 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**

**Head Office :** 1200 Debaratna Road,  
Bangnatai, Bangna, Bangkok 10260

**Telephone :** +66 2836 1000 | **Fax :** +66 2836 1099



[www.mkrestaurant.com](http://www.mkrestaurant.com)