

MK Restaurant Group Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2017

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 31 December 2017, 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 31 December 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

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.

Kamontip Lertwitworatep
Certified Public Accountant (Thailand) No. 4377

EY Office Limited
Bangkok: 26 February 2018

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Assets					
Current assets					
Cash and cash equivalents	7	409,621,832	322,524,253	331,539,955	236,267,152
Short-term investments	8	9,336,129,839	9,288,255,319	8,719,125,103	8,951,572,621
Trade and other receivables	6, 9	75,815,284	103,946,584	194,918,683	217,723,217
Short-term loan to related party	6	-	-	-	1,000,000
Inventories	10	350,345,201	323,842,992	328,054,301	304,340,386
Other current assets		404,657,837	359,297,051	330,576,094	290,730,656
Total current assets		10,576,569,993	10,397,866,199	9,904,214,136	10,001,634,032
Non-current assets					
Investments in subsidiaries	11	-	-	631,479,842	451,479,842
Investment in joint venture	12	75,875,225	98,081,853	98,081,853	149,207,500
Other long-term investments	13	793,720,094	-	793,720,094	-
Property, plant and equipment	14	4,012,251,004	4,261,475,839	3,273,227,436	3,543,441,753
Intangible assets	15	85,501,823	94,854,383	80,641,986	89,528,848
Leasehold rights	16	266,392,170	283,475,771	249,765,514	264,815,377
Deferred tax assets	23	73,415,240	135,560,230	64,538,903	125,801,665
Deposits		399,003,600	370,986,518	307,515,714	289,219,878
Total non-current assets		5,706,159,156	5,244,434,594	5,498,971,342	4,913,494,863
Total assets		16,282,729,149	15,642,300,793	15,403,185,478	14,915,128,895

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

.....
Director
Rit Thirakomen

.....
Director
Somchai Hanjitsasem

MK Restaurant Group Public Company Limited and its subsidiaries
Statements of financial position (continued)
As at 31 December 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Liabilities and shareholders' equity					
Current liabilities					
Trade and other payables	6, 17	1,627,926,195	1,479,548,063	1,436,591,547	1,311,933,354
Income tax payable		208,144,792	209,475,620	176,374,985	186,520,274
Current portion of deferred income of membership fee		39,962,594	36,620,928	29,390,090	32,027,724
Other current liabilities		232,820,179	215,551,430	195,341,205	181,592,790
Total current liabilities		2,108,853,760	1,941,196,041	1,837,697,827	1,712,074,142
Non-current liabilities					
Deferred income of membership fee - net of current portion		11,618,345	12,240,558	8,793,234	9,745,203
Provision for long-term employee benefits	18	320,030,716	299,549,797	292,809,902	277,245,094
Other non-current liabilities		13,585,521	12,083,724	15,216,255	13,714,458
Total non-current liabilities		345,234,582	323,874,079	316,819,391	300,704,755
Total liabilities		2,454,088,342	2,265,070,120	2,154,517,218	2,012,778,897
Shareholders' equity					
Share capital	19				
Registered					
925,850,000 ordinary shares of Baht 1 each		925,850,000	925,850,000	925,850,000	925,850,000
Issued and fully paid					
920,878,100 ordinary shares of Baht 1 each					
(31 December 2016: 914,849,400 ordinary shares of Baht 1 each)		920,878,100	914,849,400	920,878,100	914,849,400
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	20	656,331,057	626,325,025	656,331,057	626,325,025
Retained earnings					
Appropriated - statutory reserve	21	92,585,000	92,585,000	92,585,000	92,585,000
Unappropriated		3,367,262,132	2,955,082,401	2,794,015,238	2,487,288,366
Other component of shareholders' equity		6,556,615	3,360,944	(169,038)	(3,725,696)
Total shareholders' equity		13,828,640,807	13,377,230,673	13,248,668,260	12,902,349,998
Total liabilities and shareholders' equity		16,282,729,149	15,642,300,793	15,403,185,478	14,915,128,895

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

..... Director
Rit Thirakomen

..... Director
Somchai Hanjitkasem

MK Restaurant Group Public Company Limited and its subsidiaries

Income statements

For the year ended 31 December 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
Revenues					
Sales and service income		16,072,821,597	15,145,882,364	14,174,533,577	13,436,647,305
Interest income		113,154,343	109,841,904	112,404,560	108,762,771
Dividend income	11	-	-	234,999,895	187,999,916
Other income		271,767,942	242,640,153	386,653,476	325,920,011
Total revenues		16,457,743,882	15,498,364,421	14,908,591,508	14,059,330,003
Expenses					
	22				
Cost of sales and services		5,173,596,160	4,952,433,152	5,320,959,340	5,045,095,693
Selling expenses		7,219,232,540	6,941,696,392	5,863,064,517	5,675,070,527
Administrative expenses		1,079,528,303	1,000,774,698	875,636,418	836,693,379
Other expenses		-	-	51,125,647	-
Total expenses		13,472,357,003	12,894,904,242	12,110,785,922	11,556,859,599
Profit before share of loss from investment					
in joint venture and income tax expenses		2,985,386,879	2,603,460,179	2,797,805,586	2,502,470,404
Share of loss from investment in joint venture	12	(21,845,641)	(19,833,042)	-	-
Profit before income tax expenses		2,963,541,238	2,583,627,137	2,797,805,586	2,502,470,404
Income tax expenses	23	(538,694,922)	(483,864,929)	(478,412,234)	(430,621,314)
Profit for the year		2,424,846,316	2,099,762,208	2,319,393,352	2,071,849,090
Profit attributable to:					
Equity holders of the Company		2,424,846,316	2,099,762,208	2,319,393,352	2,071,849,090
Earnings per share					
	24				
Basic earnings per share					
Profit attributable to equity holders of the Company		2.65	2.30	2.53	2.27
Diluted earnings per share					
Profit attributable to equity holders of the Company		2.63	2.28	2.52	2.25

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

..... Director
Rit Thirakomen

..... Director
Somchai Hanjitkasem

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2017

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit for the year		<u>2,424,846,316</u>	<u>2,099,762,208</u>	<u>2,319,393,352</u>	<u>2,071,849,090</u>
Other comprehensive income:					
<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		<u>(360,987)</u>	<u>(402,794)</u>	<u>-</u>	<u>-</u>
Loss on changes in value of available-for-sale investments	8	<u>(211,298)</u>	<u>(4,657,120)</u>	<u>(211,298)</u>	<u>(4,657,120)</u>
Transferred the effect of changes in value of available-for-sale investments disposed during the period to profit and loss	8	<u>4,657,120</u>	<u>-</u>	<u>4,657,120</u>	<u>-</u>
Less: Income tax effect	23	<u>(889,164)</u>	<u>931,424</u>	<u>(889,164)</u>	<u>931,424</u>
Gain (loss) on changes in value of available-for-sale investments - net of income tax		<u>3,556,658</u>	<u>(3,725,696)</u>	<u>3,556,658</u>	<u>(3,725,696)</u>
Other comprehensive income for the year		<u>3,195,671</u>	<u>(4,128,490)</u>	<u>3,556,658</u>	<u>(3,725,696)</u>
Total comprehensive income for the year		<u><u>2,428,041,987</u></u>	<u><u>2,095,633,718</u></u>	<u><u>2,322,950,010</u></u>	<u><u>2,068,123,394</u></u>
Total comprehensive income attributable to:					
Equity holders of the Company		<u><u>2,428,041,987</u></u>	<u><u>2,095,633,718</u></u>	<u><u>2,322,950,010</u></u>	<u><u>2,068,123,394</u></u>

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

.....
Director
Rit Thirakomen

.....
Director
Somchai Hanjirkasem

MK Restaurant Group Public Company Limited and its subsidiaries

Cash flow statements

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities				
Profit before tax	2,963,541,238	2,583,627,137	2,797,805,586	2,502,470,404
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Gain on sales of short-term investments	(71,567,757)	(52,680,938)	(65,272,617)	(48,086,346)
Gain on revaluation of short-term investments	(10,438,892)	(9,081,401)	(9,711,995)	(9,380,565)
Unrealised gain (loss) on exchange	(5,474,876)	858,562	(5,474,876)	858,562
Amortised premium on investments in available-for-sale securities	159,642	-	159,642	-
Allowance for impairment loss on investment in joint venture	-	-	51,125,647	-
Share of loss from investment in joint venture	21,845,641	19,833,042	-	-
Loss on damaged inventories	3,077,541	1,112,467	3,077,541	1,112,467
Amortisation of prepaid expenses	25,777,440	13,204,199	18,823,629	11,488,863
Depreciation and amortisation	854,298,254	864,762,333	697,050,960	712,089,064
Loss on disposals and write-off of equipment and intangible assets	19,201,205	19,317,417	11,285,635	14,520,244
Expenses for share-based payment transactions	30,006,032	99,600,281	25,530,397	95,036,075
Provision for long-term employee benefits	41,392,099	39,233,362	36,175,988	34,492,408
Reduction of inventory to net realisable value (reversal)	(61,537)	86,355	-	-
Realisation of gift voucher, net of sales and cash received during the year	(16,639,799)	(16,411,572)	(16,055,919)	(15,661,072)
Realisation of deferred income, net of sales and cash received during the year	(36,620,928)	(41,777,654)	(32,027,724)	(33,383,986)
Dividend income	-	-	(234,999,895)	(187,999,916)
Interest income	(113,154,343)	(109,844,903)	(112,404,560)	(108,762,771)
Profit from operating activities before changes in operating assets and liabilities	3,705,340,960	3,411,838,687	3,165,087,439	2,968,793,431

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

Director

Rit Thirakomen

Director

Somchai Hanjitkasem

MK Restaurant Group Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities (continued)				
Operating assets (increase) decrease				
Trade and other receivables	(375,203)	3,040,399	(444,074)	(1,356,237)
Inventories	(29,518,213)	(42,908,858)	(26,791,456)	(36,600,789)
Other current assets	(31,780,792)	(36,871,574)	(19,311,633)	(23,535,822)
Deposits	(28,017,082)	(13,558,009)	(18,295,836)	(5,309,736)
Operating liabilities increase (decrease)				
Trade and other payables	242,339,071	62,047,460	218,342,406	53,142,314
Other current liabilities	33,908,548	29,758,377	29,804,334	23,779,060
Deferred income	39,340,381	38,758,292	28,438,121	31,669,733
Provision for long-term employee benefits	(20,911,180)	(9,419,306)	(20,611,180)	(8,798,916)
Other non-current liabilities	1,501,797	2,677,145	1,501,797	4,307,879
Cash from operating activities	3,911,828,287	3,445,362,613	3,357,719,918	3,006,090,917
Cash received from interest income	141,660,846	111,271,786	140,128,803	110,716,845
Cash paid for income tax	(478,769,924)	(467,110,324)	(428,183,925)	(415,385,696)
Net cash from operating activities	3,574,719,209	3,089,524,075	3,069,664,796	2,701,422,066

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

..... Director
Rit Thirakomen

..... Director
Somchai Hanjirkasem

MK Restaurant Group Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from investing activities				
Decrease (increase) in short-term loan to related party	-	-	1,000,000	(1,000,000)
Increase in short-term investments				
and other long-term investments	(833,688,905)	(596,509,429)	(560,388,904)	(644,208,429)
Cash paid for investment in subsidiary	-	-	(180,000,000)	-
Decrease in advances for purchases of				
building and equipment	-	20,884,196	-	11,823,596
Cash paid for purchases of plant and equipment	(619,374,684)	(614,229,960)	(448,511,318)	(407,666,076)
Cash paid for intangible assets	(6,404,045)	(12,874,997)	(6,059,403)	(9,691,697)
Cash paid for leasehold rights	(24,960,000)	(39,755,000)	(24,960,000)	(39,755,000)
Proceeds from disposals of equipment	3,443,889	4,145,396	16,165,517	22,626,819
Dividend income	-	-	234,999,895	187,999,916
Net cash used in investing activities	(1,480,983,745)	(1,238,339,794)	(967,754,213)	(879,870,871)
Cash flows from financing activities				
Cash received from exercised warrants	6,028,700	4,599,900	6,028,700	4,599,900
Dividend paid	(2,012,666,585)	(1,820,494,084)	(2,012,666,480)	(1,820,494,000)
Net cash used in financing activities	(2,006,637,885)	(1,815,894,184)	(2,006,637,780)	(1,815,894,100)
Net increase in cash and cash equivalents	87,097,579	35,290,097	95,272,803	5,657,095
Cash and cash equivalents at beginning of year	322,524,253	287,234,156	236,267,152	230,610,057
Cash and cash equivalents at end of year (Note 7)	409,621,832	322,524,253	331,539,955	236,267,152

Supplemental disclosure of cash flows information

Non-cash items

Accounts payable for purchases

of plant and equipment	96,988,403	146,444,780	66,800,868	115,980,519
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The accompanying notes are an integral part of the financial statements.

..... Director
Rit Thirakomen

..... Director
Somchai Hanjitasem

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2017

(Unit: Baht)

Consolidated financial statements									
	Note	Issued and paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Other component of shareholders' equity		
					Appropriated - statutory reserve	Unappropriated	Other comprehensive income	Total other components of shareholders' equity	Total shareholders' equity
							Exchange differences on translation of financial statements in foreign currencies	Deficit on changes in value of available-for-sale investments	
Balance as at 1 January 2016		910,249,500	8,785,027,903	526,724,744	92,585,000	2,675,814,277	7,489,434	-	12,997,890,858
Profit for the year		-	-	-	-	2,099,762,208	-	-	2,099,762,208
Other comprehensive income for the year		-	-	-	-	-	(402,794)	(3,725,696)	(4,128,490)
Total comprehensive income for the year		-	-	-	-	2,099,762,208	(402,794)	(3,725,696)	2,095,633,718
Ordinary shares issued from									
exercised warrants	19, 20	4,599,900	-	-	-	-	-	-	4,599,900
Recognition of expenses against capital reserve									
for share-based payment transactions	20	-	-	99,600,281	-	-	-	-	99,600,281
Dividend paid	26	-	-	-	-	(1,820,494,084)	-	-	(1,820,494,084)
Balance as at 31 December 2016		<u>914,849,400</u>	<u>8,785,027,903</u>	<u>626,325,025</u>	<u>92,585,000</u>	<u>2,955,082,401</u>	<u>7,086,640</u>	<u>(3,725,696)</u>	<u>13,377,230,673</u>
Balance as at 1 January 2017		914,849,400	8,785,027,903	626,325,025	92,585,000	2,955,082,401	7,086,640	(3,725,696)	13,377,230,673
Profit for the year		-	-	-	-	2,424,846,316	-	-	2,424,846,316
Other comprehensive income for the year		-	-	-	-	-	(360,987)	3,556,658	3,195,671
Total comprehensive income for the year		-	-	-	-	2,424,846,316	(360,987)	3,556,658	2,428,041,987
Ordinary shares issued from									
exercised warrants	19, 20	6,028,700	-	-	-	-	-	-	6,028,700
Recognition of expenses against capital reserve									
for share-based payment transactions	20	-	-	30,006,032	-	-	-	-	30,006,032
Dividend paid	26	-	-	-	-	(2,012,666,585)	-	-	(2,012,666,585)
Balance as at 31 December 2017		<u>920,878,100</u>	<u>8,785,027,903</u>	<u>656,331,057</u>	<u>92,585,000</u>	<u>3,367,262,132</u>	<u>6,725,653</u>	<u>(169,038)</u>	<u>13,828,640,807</u>

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

..... Director
Rit Thirakomen

..... Director
Somchai Hanjtkasem

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

Separate financial statements							
Note	Issued and paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Other component of shareholders' equity	Total shareholders equity
				Appropriated - statutory reserve	Unappropriated	Other comprehensive income Deficit on changes in value of available-for-sale investments	
Balance as at 1 January 2016	910,249,500	8,785,027,903	526,724,744	92,585,000	2,235,933,276	-	12,550,520,423
Profit for the year	-	-	-	-	2,071,849,090	-	2,071,849,090
Other comprehensive income for the year	-	-	-	-	-	(3,725,696)	(3,725,696)
Total comprehensive income for the year	-	-	-	-	2,071,849,090	(3,725,696)	2,068,123,394
Ordinary shares issued from exercised warrants	19, 20	4,599,900	-	-	-	-	4,599,900
Recognition of expenses against capital reserve for share-based payment transactions	20	-	-	99,600,281	-	-	99,600,281
Dividend paid	26	-	-	-	(1,820,494,000)	-	(1,820,494,000)
Balance as at 31 December 2016	<u>914,849,400</u>	<u>8,785,027,903</u>	<u>626,325,025</u>	<u>92,585,000</u>	<u>2,487,288,366</u>	<u>(3,725,696)</u>	<u>12,902,349,998</u>
Balance as at 1 January 2017	914,849,400	8,785,027,903	626,325,025	92,585,000	2,487,288,366	(3,725,696)	12,902,349,998
Profit for the year	-	-	-	-	2,319,393,352	-	2,319,393,352
Other comprehensive income for the year	-	-	-	-	-	3,556,658	3,556,658
Total comprehensive income for the year	-	-	-	-	2,319,393,352	3,556,658	2,322,950,010
Ordinary shares issued from exercised warrants	19, 20	6,028,700	-	-	-	-	6,028,700
Recognition of expenses against capital reserve for share-based payment transactions	20	-	-	30,006,032	-	-	30,006,032
Dividend paid	26	-	-	-	(2,012,666,480)	-	(2,012,666,480)
Balance as at 31 December 2017	<u>920,878,100</u>	<u>8,785,027,903</u>	<u>656,331,057</u>	<u>92,585,000</u>	<u>2,794,015,238</u>	<u>(169,038)</u>	<u>13,248,668,260</u>

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

..... Director
Rit Thirakomen

..... Director
Somchai Hanjtkasem

MK Restaurant Group Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the year ended 31 December 2017

1. General information

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

As at 31 December 2017, the Company had operated 473 branches (2016: 461 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:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2017	2016
			Percent	Percent
<u>Subsidiaries</u> (held by the Company)				
MK Interfood Company Limited	Restaurant	Thailand	100	100
MK Service Training Center Company Limited	Training service provider	Thailand	100	100
International Food Supply Company Limited	Manufacture and distribution of foods	Thailand	100	100

.....Director
Rit Thirakomen

.....Director
Somchai Hanjikasem

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

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

3. New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of the revised financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, one standard involves changes to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard does not have any significant impact on the Company's and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believes that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

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.

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:

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

Depreciation is included in determining income.

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

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

4.7 Intangible assets

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

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

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

Useful lives

Computer software	5 years and 10 years
-------------------	----------------------

4.8 Leasehold rights and amortisation

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

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

4.9 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.

4.10 Operating leases

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

4.11 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

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

4.13 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.

4.14 Employee benefits

Short-term benefits

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

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

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

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

Actuarial gains and losses arising from other long-term employee benefits are recognised immediately in the income statement.

4.15 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.16 Income tax

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

Current tax

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

Deferred tax

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

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

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

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

4.17 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.

4.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

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

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

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

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

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

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 matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Leases

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

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (both bank and counterparty), liquidity, correlation and 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.

Deferred tax assets

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

Equity-settled share-based payment transactions

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

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

The obligation under the defined benefit plan and other long-term employee benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

During the years, the Company and its subsidiaries 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 Company and its subsidiaries and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2017	2016	2017	2016	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	1,101	976	Cost plus margin
Sublease and subservice income	-	-	24	23	At the rate stipulated in the agreements
Management service income	-	-	119	91	At the rate stipulated in the agreements
Dividend income	-	-	235	188	At the declared rate
Sales of fixed assets	-	-	13	25	Net book value plus margin
Rental income	-	-	5	3	At the rate stipulated in the agreements
Purchases of goods	-	-	152	32	Market price
Training expenses	-	-	110	103	Market price
<u>Transactions with related companies</u>					
Royalty fee income	5	5	5	5	At the rate stipulated in the agreements
Royalty fee expenses	55	50	-	-	At the rate stipulated in the agreements
Rental expenses for operating equipment	44	42	29	29	Market price
Rental expenses for land and construction	33	31	33	31	At the rate stipulated in the agreement

As at 31 December 2017 and 2016, the balances of the accounts between the Company and its subsidiaries and those related parties are as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade and other receivables - related parties (Note 9)				
Subsidiaries	-	-	129,770,000	126,351,799
Related companies (related by common directors)	510,011	541,227	510,011	541,227
Total trade and other receivables - related parties	510,011	541,227	130,280,011	126,893,026
Trade and other payable - related parties (Note 17)				
Subsidiaries	-	-	35,540,560	14,900,029
Related companies (related by common directors)	10,601,718	10,095,161	3,979,299	4,001,952
Total trade and other payable - related parties	10,601,718	10,095,161	39,519,859	18,901,981

.....Director
Rit Thirakomen

.....Director
Somchai Hanjtkasem

Short-term loan to related party

As at 31 December 2017 and 2016, the balance of short-term loan to related party and the movements are as follows:

(Unit: Baht)					
		Separate financial statements			
		Balance as at	During the year		Balance as at
Loan to related party	Relationship	31 December 2016	Increase	Decrease	31 December 2017
International Food Supply					
Company Limited	Subsidiary	1,000,000	22,000,000	(23,000,000)	-
Total		1,000,000	22,000,000	(23,000,000)	-

The short-term loan to related party is unsecured loan in the form of promissory note, carrying interest at the rate of 12-month fixed deposit rate of a commercial bank plus 0.25% per annum and due for repayment on call. During the year, the Company fully received the payment of such loan.

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 9 million per month. The agreement is effective from 1 January 2017 to 28 February 2018 (2016: at a rate of Baht 7.6 million per month). The agreement shall be automatically extended for another two years 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 0.8 million per month. The agreement is effective from 1 January 2017 to 31 December 2017 (2016: at a rate of Baht 0.5 million per month). The agreement shall be automatically extended for another two years 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 0.15 million per month. The agreement is effective from 1 January 2017 to 31 December 2017 (2016: at a rate of Baht 0.15 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.

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 agreed 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 agreed to adjust the rental space and the rental to be Baht 0.46 million per month.

Land, building and warehouse lease agreement

On 1 December 2014, the Company entered into a lease agreement for lease of land, building and warehouse with Global Asset Development Co., Ltd., whereby the latter agrees to lease land and construction thereon under six title deeds to the Company and the Company agrees to pay the rental 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 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 prior to the expiry date.

Land and distribution center building lease agreement

On 1 March 2013, the Company entered into a lease agreement for lease of land and distribution center building with Global Asset Development Co., Ltd., whereby the latter agrees to lease land and distribution center building to the Company and the Company agrees to pay the rental 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.

Directors and management's benefits

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	(Unit: Million Baht)	
	Consolidated financial statements/ Separate financial statements	
	<u>2017</u>	<u>2016</u>
Short-term employee benefits	131	117
Post-employment benefits	3	3
Share-based payment	5	15
Total	<u>139</u>	<u>135</u>

During the year 2017, the Company paid post-employment benefits to its directors and management of approximately Baht 15 million (2016: Nil).

7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash	143,447,079	158,577,057	121,779,125	135,881,696
Bank deposits	266,174,753	163,947,196	209,760,830	100,385,456
Total	<u>409,621,832</u>	<u>322,524,253</u>	<u>331,539,955</u>	<u>236,267,152</u>

As at 31 December 2017, bank deposits in savings accounts carried interests between 0.10 and 0.40 percent per annum (2016: 0.10 and 0.40 percent per annum).

8. Short-term investments

8.1 As at 31 December 2017 and 2016, short-term investments consisted of the following:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Fixed deposits	4,825,636,663	5,963,176,000	4,825,636,663	5,913,176,000
Investments in trading securities (Note 8.2)	4,510,493,176	2,254,991,095	3,893,488,440	1,968,308,397
Investments in private funds (Note 8.3)	-	1,070,088,224	-	1,070,088,224
Total	<u>9,336,129,839</u>	<u>9,288,255,319</u>	<u>8,719,125,103</u>	<u>8,951,572,621</u>

As at 31 December 2017, fixed deposits carried interests between 1.60 and 2.06 percent per annum (2016: 1.63 and 2.03 percent per annum).

8.2 As at 31 December 2017 and 2016, investments in trading securities are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Units of investments in local open-end funds - cost	4,481,030,650	2,235,967,461	3,865,114,465	1,949,646,417
Add: Gain on change in value	29,462,526	19,023,634	28,373,975	18,661,980
Total short-term investments in	<u>4,510,493,176</u>	<u>2,254,991,095</u>	<u>3,893,488,440</u>	<u>1,968,308,397</u>

.....Director
Rit Thirakomen

.....Director
Somchai Hanjitkasem

trading securities - fair value

Movements of investments in trading securities for the years ended 31 December 2017 and 2016 are summarised below.

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year	2,254,991,095	3,740,994,671	1,968,308,397	3,410,908,401
Purchases	20,313,712,188	16,379,290,114	17,633,912,187	14,347,989,114
Sales	(18,116,512,187)	(17,927,056,029)	(15,760,012,187)	(15,848,056,029)
Gain on sales of investments	47,863,188	52,680,938	41,568,048	48,086,346
Gain on change in value	10,438,892	9,081,401	9,711,995	9,380,565
Balance at end of year	<u>4,510,493,176</u>	<u>2,254,991,095</u>	<u>3,893,488,440</u>	<u>1,968,308,397</u>

8.3 As at 31 December 2017 and 2016, investments in private funds are summarised below.

(Unit: Baht)

	Consolidated financial statements/ Separate financial statements	
	<u>2017</u>	<u>2016</u>
Deposits at financial institutions		
Fixed deposits	971,018,880	-
Deposits at financial institutions	<u>971,018,880</u>	<u>-</u>
Investments in available-for-sale securities		
Overseas marketable corporate bonds - cost	-	1,043,275,344
Local corporate bond - amortised cost	148,708,817	-
Add: Unrealised gain on exchange	-	31,470,000
Less: Amortised premium on securities	(159,642)	-
Less: Loss on change in value	<u>(211,298)</u>	<u>(4,657,120)</u>
Investments in available-for-sale securities - fair value	<u>148,337,877</u>	<u>1,070,088,224</u>
Total investments in private funds	<u>1,119,356,757</u>	<u>1,070,088,224</u>
Classified as:		
Short-term investments (Note 8)	325,636,663	1,070,088,224
Other long-term investments (Note 13)	793,720,094	-

Movements of investments in available-for-sale securities for the years ended 31 December 2017 and 2016 are summarise below.

	(Unit: Baht)	
	Consolidated financial statements/ Separate financial statements	
	<u>2017</u>	<u>2016</u>
Balance at beginning of year	1,070,088,224	-
Reversal of unrealised gain on exchange at beginning of year	(31,470,000)	-
Reversal of loss on change in value at beginning of year	4,657,120	-
Purchases	148,708,817	1,043,275,344
Sales during the year - at cost		
Proceeds from sales	(1,066,979,913)	-
Gain on sales	23,704,569	-
Total	(1,043,275,344)	-
Unrealised gain on exchange	-	31,470,000
Amortised premium on securities	(159,642)	-
Loss on change in value	(211,298)	(4,657,120)
Balance at end of year	<u>148,337,877</u>	<u>1,070,088,224</u>

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.

During the year ended 31 December 2017, the Company disposed the available-for-sale investments and transferred the change in fair value of investments previously recorded in other comprehensive income to the income statement of Baht 4.66 million.

As at 31 December 2017, 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 decreased by Baht 0.21 million (2016: Baht 4.66 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 2017, the Company presented investments in private funds due more than 1 year totaling Baht 793.7 million as "Other long-term investments" under non-current assets in the statement of financial position.

9. Trade and other receivables

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	113,750,530	103,331,679
Total trade accounts receivable				
- related parties	-	-	113,750,530	103,331,679
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	29,492,686	27,589,188	23,501,643	23,763,631
Total trade accounts receivable				
- unrelated parties	29,492,686	27,589,188	23,501,643	23,763,631
Total trade accounts receivable	29,492,686	27,589,188	137,252,173	127,095,310
<u>Other receivables</u>				
Other receivables - related				
parties	510,011	541,227	16,529,481	23,561,347
Advances	11,421,934	11,103,253	10,084,575	9,713,221
Accrued interest receivable	19,605,436	48,111,939	19,605,436	47,329,679
Others	14,785,217	16,600,977	11,447,018	10,023,660
Total other receivables	46,322,598	76,357,396	57,666,510	90,627,907
Total trade and other				
receivables	75,815,284	103,946,584	194,918,683	217,723,217

10. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Finished goods	222,415,319	211,710,357	(24,818)	(86,355)	222,390,501	211,624,002
Raw materials	45,990,959	41,364,568	-	-	45,990,959	41,364,568
Supplies	81,963,741	70,854,422	-	-	81,963,741	70,854,422
Total	<u>350,370,019</u>	<u>323,929,347</u>	<u>(24,818)</u>	<u>(86,355)</u>	<u>350,345,201</u>	<u>323,842,992</u>

(Unit: Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Finished goods	205,143,926	194,319,299	-	-	205,143,926	194,319,299
Raw materials	43,094,479	40,803,351	-	-	43,094,479	40,803,351
Supplies	79,815,896	69,217,736	-	-	79,815,896	69,217,736
Total	<u>328,054,301</u>	<u>304,340,386</u>	<u>-</u>	<u>-</u>	<u>328,054,301</u>	<u>304,340,386</u>

During the current year, a subsidiary reversed the write-down of cost of inventories by Baht 0.06 million, to reduce the amount of inventories recognised as expenses during the year (2016: a subsidiary reduced cost of inventories by Baht 0.09 million, to reflect the net realisable value).

11. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding percentage		Cost		(Unit: Baht)	
							Dividend received for	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	the year ended	
			(Percent)	(Percent)			31 December	
MK Interfood Company Limited	400,000,000	400,000,000	100	100	299,049,977	299,049,977	199,999,965	159,999,972
MK Service Training Center Company Limited	35,000,000	35,000,000	100	100	52,429,895	52,429,895	34,999,930	27,999,944
International Food Supply Company Limited	280,000,000	100,000,000	100	100	279,999,970	99,999,970	-	-
Total					631,479,842	451,479,842	234,999,895	187,999,916

On 11 May 2017, the Meeting of the Board of Directors of the Company passed a resolution to approve an additional investment in International Food Supply Company Limited (“the subsidiary”) of Baht 180 million. The registered share capital of such subsidiary increased from Baht 100 million to Baht 280 million (28 million ordinary shares, at Baht 10 per share), in which the Company’s shareholding remains at 100 percent. Such subsidiary registered the share capital increase with the Ministry of Commerce on 1 June 2017.

12. Investment in joint venture

12.1 Details of investment in joint venture

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

(Unit: Baht)

Joint venture	Nature of business	Paid-up capital	Shareholding percentage		Consolidated		Separate financial statements					
					financial statements							
					Carrying amount based on		Cost		Allowance for		Carrying amount based on	
					equity method				impairment loss		cost method - net	
			2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
			(Percent)	(Percent)								
Plenus and MK Pte Ltd.	Restaurant	12.5 million	50	50	75,875,225	98,081,853	149,207,500	149,207,500	(51,125,647)	-	98,081,853	149,207,500
		Singapore dollar										
Total					75,875,225	98,081,853	149,207,500	149,207,500	(51,125,647)	-	98,081,853	149,207,500

During the year 2017, the Company recorded allowance for impairment loss of investment in Plenus and MK Pte Ltd. of Baht 51.1 million since the Company's management considered that there is an indicator of impairment loss of investment.

.....Director
Rit Thirakomen

.....Director
Somchai Hanjitasem

12.2 Share of loss

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

Joint venture	(Unit: Thousand Baht)	
	Consolidated financial statements	
	<u>2017</u>	<u>2016</u>
Plenus and MK Pte Ltd.	21,846	19,833

12.3 Summarised financial information about joint venture

Plenus and MK Pte Ltd

Summarised information about financial position

	(Unit: Thousand Baht)	
	As at 31 December	
	<u>2017</u>	<u>2016</u>
Current assets	80,529	129,202
Non-current assets	108,106	106,609
Total assets	188,635	235,811
Current liabilities	36,885	39,647
Total liabilities	36,885	39,647
Net assets	151,750	196,164
Shareholding percentage (%)	50	50
Share of net assets	75,875	98,082
Carrying amounts of joint venture based on equity method	75,875	98,082

Summarised information about comprehensive income

(Unit: Thousand Baht)		
For the years ended 31 December		
	<u>2017</u>	<u>2016</u>
Revenue	298,279	345,665
Other income	3,600	5,348
Cost of sales	(81,009)	(93,437)
Selling and administrative expenses	(264,561)	(297,242)
Loss for the year	(43,691)	(39,666)
Other comprehensive income	-	-
Total comprehensive income	(43,691)	(39,666)
Shareholding percentage (%)	50	50
Comprehensive income as shareholding percentage	(21,846)	(19,833)
Share of loss from investment in joint venture	(21,846)	(19,833)

13. Other long-term investments

(Unit: Baht)		
Consolidated financial statements/ Separate financial statements		
	<u>2017</u>	<u>2016</u>
<u>Investments in private funds (Note 8.3)</u>		
Fixed deposits	645,382,217	-
Investments in available-for-sale securities	148,337,877	-
Total investments in private funds	793,720,094	-
<u>Other investment</u>		
Oversea non-marketable securities - cost	7,278,275	7,278,275
Less: Allowance for impairment	(7,278,275)	(7,278,275)
Other investment - net	-	-
Other long-term investments - net	793,720,094	-

As at 31 December 2017, fixed deposits carried interest between 2.01 and 2.06 percent per annum.

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 2016	333,100,308	22,148,745	523,040,409	2,306,647,360	2,150,617,809	1,603,904,250	113,484,110	2,497,317,138	237,834,612	103,333,215	9,891,427,956
Additions	-	-	3,124,307	16,507,780	16,036,874	125,704,257	11,193,714	56,370,222	1,245,000	370,059,931	600,242,085
Transfers in (out)	-	-	-	134,122,288	106,409,092	34,982,833	23,488,883	105,773,477	29,269,065	(434,045,638)	-
Disposals/write-off	-	(16,092)	-	(22,143,625)	(17,835,309)	(35,760,787)	(245,000)	(45,094,103)	(18,130,394)	-	(139,225,310)
31 December 2016	333,100,308	22,132,653	526,164,716	2,435,133,803	2,255,228,466	1,728,830,553	147,921,707	2,614,366,734	250,218,283	39,347,508	10,352,444,731
Additions	-	105,000	639,360	30,890,442	21,760,731	107,648,314	12,704,659	85,680,118	1,112,500	309,377,183	569,918,307
Transfers in (out)	-	-	790,927	102,580,581	76,805,442	12,219,158	4,507,318	67,474,415	16,491,306	(280,869,147)	-
Disposals/write-off	-	(33,525)	-	(20,338,301)	(31,328,220)	(14,953,055)	(59,000)	(23,315,919)	(8,087,710)	-	(98,115,730)
31 December 2017	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
Accumulated depreciation											
1 January 2016	-	14,047,356	261,807,085	689,988,301	1,006,519,506	1,163,261,108	46,961,796	1,958,127,048	158,559,649	-	5,299,271,849
Depreciation for the year	-	3,159,068	24,367,979	148,173,259	179,152,776	186,853,376	20,679,676	214,260,632	32,701,100	-	809,347,866
Depreciation on disposals/write-off	-	(9,808)	-	(10,144,893)	(12,211,314)	(31,433,137)	(112,627)	(43,724,555)	(18,126,163)	-	(115,762,497)
31 December 2016	-	17,196,616	286,175,064	828,016,667	1,173,460,968	1,318,681,347	67,528,845	2,128,663,125	173,134,586	-	5,992,857,218
Depreciation for the year	-	3,118,295	23,330,568	152,774,554	181,016,637	168,404,472	26,528,489	210,674,566	30,685,646	-	796,533,227
Depreciation on disposals/write-off	-	(25,828)	-	(9,811,194)	(23,620,311)	(12,221,639)	(58,256)	(22,577,645)	(7,190,942)	-	(75,505,815)
31 December 2017	-	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

.....Director
Rit Thirakomen

.....Director
Somchai Hanjtkasem

(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
Allowance for impairment loss											
1 January 2016	-	-	-	-	-	98,111,674	-	-	-	-	98,111,674
31 December 2016	-	-	-	-	-	98,111,674	-	-	-	-	98,111,674
31 December 2017	-	-	-	-	-	98,111,674	-	-	-	-	98,111,674
Net book value											
31 December 2016	333,100,308	4,936,037	239,989,652	1,607,117,136	1,081,767,498	312,037,532	80,392,862	485,703,609	77,083,697	39,347,508	4,261,475,839
31 December 2017	333,100,308	1,915,045	218,089,371	1,577,286,498	991,609,125	260,769,116	71,075,606	427,445,302	63,105,089	67,855,544	4,012,251,004
Depreciation for the year											
2016 (Baht 153.2 million included in producing cost, and the balance in selling and administrative expenses)											809,347,866
2017 (Baht 155.0 million included in producing cost, and the balance in selling and administrative expenses)											796,533,227

.....Director
Rit Thirakomen

.....Director
Somchai Hanjitkasem

(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
Cost											
1 January 2016	311,361,198	22,148,745	464,064,048	2,044,843,158	1,859,637,488	1,233,716,987	113,484,110	2,190,656,061	237,834,612	84,025,109	8,561,771,516
Additions	-	-	3,124,307	14,268,236	14,708,109	80,588,672	9,169,626	35,080,184	1,245,000	229,150,318	387,334,452
Transfers in (out)	-	-	-	78,361,175	58,453,462	17,187,507	(2,116,845)	77,652,690	29,269,065	(258,807,054)	-
Disposals/write-off	-	(16,092)	-	(20,593,847)	(18,044,535)	(43,494,851)	(245,000)	(44,279,197)	(18,824,151)	(6,868,362)	(152,366,035)
31 December 2016	311,361,198	22,132,653	467,188,355	2,116,878,722	1,914,754,524	1,287,998,315	120,291,891	2,259,109,738	249,524,526	47,500,011	8,796,739,933
Additions	-	105,000	639,360	27,273,159	16,313,144	80,551,919	10,850,404	72,291,775	1,112,500	190,194,406	399,331,667
Transfers in (out)	-	-	790,927	71,287,901	51,990,594	5,072,432	-	43,607,285	16,491,306	(189,240,445)	-
Disposals/write-off	-	(33,525)	-	(14,338,705)	(25,628,288)	(21,474,954)	(59,000)	(20,581,994)	(8,087,710)	(5,847,645)	(96,051,821)
31 December 2017	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
Accumulated depreciation											
1 January 2016	-	14,047,356	244,631,590	615,192,347	887,087,028	913,580,912	46,961,796	1,749,425,814	158,559,647	-	4,629,486,490
Depreciation for the year	-	3,159,068	21,419,161	127,858,336	148,176,860	132,868,321	19,330,768	173,939,536	32,681,702	-	659,433,752
Depreciation on disposals/write-off	-	(9,808)	-	(9,825,142)	(12,303,403)	(31,927,811)	(112,627)	(42,329,413)	(18,710,768)	-	(115,218,972)
31 December 2016	-	17,196,616	266,050,751	733,225,541	1,022,960,485	1,014,521,422	66,179,937	1,881,035,937	172,530,581	-	5,173,701,270
Depreciation for the year	-	3,118,295	20,381,749	130,252,430	148,808,908	114,829,772	23,515,616	170,554,112	30,639,246	-	642,100,128
Depreciation on disposals/write-off	-	(25,828)	-	(7,777,763)	(20,851,728)	(12,434,011)	(58,256)	(20,267,437)	(7,190,942)	-	(68,605,965)
31 December 2017	-	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

.....Director
Rit Thirakomen

.....Director
Somchai Hanjirkasem

(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
Allowance for impairment loss											
1 January 2016	-	-	-	-	-	79,596,910	-	-	-	-	79,596,910
31 December 2016	-	-	-	-	-	79,596,910	-	-	-	-	79,596,910
31 December 2017	-	-	-	-	-	79,596,910	-	-	-	-	79,596,910
Net book value											
31 December 2016	311,361,198	4,936,037	201,137,604	1,383,653,181	891,794,039	193,879,983	54,111,954	378,073,801	76,993,945	47,500,011	3,543,441,753
31 December 2017	311,361,198	1,915,045	182,186,142	1,345,400,869	806,512,309	155,633,619	41,445,998	323,104,192	63,061,737	42,606,327	3,273,227,436
Depreciation for the year											
2016 (Baht 147.5 million included in producing cost, and the balance in selling and administrative expenses)											659,433,752
2017 (Baht 147.0 million included in producing cost, and the balance in selling and administrative expenses)											642,100,128

.....Director
Rit Thirakomen

.....Director
Somchai Hanjirkasem

As at 31 December 2017 and 2016, certain equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment loss of those assets amounted to approximately Baht 3,960 million and Baht 3,394 million, respectively (the Company only: Baht 3,503 million and Baht 3,074 million, respectively).

15. Intangible assets

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

	(Unit: Baht)	
	Consolidated	Separate
	financial statements	financial statements
Cost		
1 January 2016	161,980,450	156,740,654
Additions	12,874,997	9,691,697
31 December 2016	174,855,447	166,432,351
Additions	6,404,045	6,059,403
Write-off	(246,744)	(193,244)
31 December 2017	181,012,748	172,298,510
Accumulated amortisation		
1 January 2016	64,218,190	61,877,132
Amortisation for the year	15,782,874	15,026,371
31 December 2016	80,001,064	76,903,503
Amortisation for the year	15,721,426	14,940,969
Amortisation on write-off	(211,565)	(187,948)
31 December 2017	95,510,925	91,656,524
Net book value		
31 December 2016	94,854,383	89,528,848
31 December 2017	85,501,823	80,641,986
Amortisation for the year		
2016	15,782,874	15,026,371
2017	15,721,426	14,940,969

16. Leasehold rights

	(Unit: Baht)	
	Consolidated	Separate
	financial statements	financial statements
Cost		
1 January 2016	1,058,827,290	1,022,447,531
Additions	39,755,000	39,755,000
31 December 2016	1,098,582,290	1,062,202,531
Additions	24,960,000	24,960,000
31 December 2017	1,123,542,290	1,087,162,531
Accumulated amortisation		
1 January 2016	775,474,926	759,758,213
Amortisation for the year	39,631,593	37,628,941
31 December 2016	815,106,519	797,387,154
Amortisation for the year	42,043,601	40,009,863
31 December 2017	857,150,120	837,397,017
Net book value		
31 December 2016	283,475,771	264,815,377
31 December 2017	266,392,170	249,765,514
Amortisation for the year		
2016	39,631,593	37,628,941
2017	42,043,601	40,009,863

17. Trade and other payables

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Trade accounts payable -related party	-	-	26,549,881	4,830,991
Trade accounts payable - unrelated parties	470,865,552	410,081,588	458,241,773	403,026,513
Other payables - related parties	10,601,718	10,095,161	12,969,978	14,070,989
Other payables - unrelated parties	99,637,763	71,993,853	92,678,174	66,215,988
Accounts payable for purchases of plant and equipment	96,988,403	146,444,780	66,800,868	115,980,519
Accrued expenses	934,774,279	779,917,988	765,689,404	648,032,772
Derivative contract payable	-	44,504,562	-	44,504,562
Others	15,058,480	16,510,131	13,661,469	15,271,020
Total	1,627,926,195	1,479,548,063	1,436,591,547	1,311,933,354

.....Director
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.....Director
Somchai Hanjirkasem

18. Provision for long-term employee benefits

18.1 Defined contribution plans

The Company, its subsidiaries and their permanent employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. Such fund is monthly contributed by both the employees, the Company and its subsidiaries at rates of 2 percent of the employees' basic salaries. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2017, the contributions of the Company and its subsidiaries amounting to Baht 35.3 million (2016: Baht 38.3 million) and of the Company amounting to Baht 31.1 million (2016: Baht 34.2 million) were recognised as expenses.

18.2 Defined benefit plans and other long-term employee benefits

(Unit: Baht)

	Consolidated financial statements		
	Employee retirement benefits	Other long-term employee benefits	Total
Provision for long-term employee benefits			
as at 1 January 2016	238,033,059	31,702,682	269,735,741
Included in profit or loss:			
Current service cost	25,133,924	5,171,561	30,305,485
Interest cost	7,914,204	1,013,673	8,927,877
Benefits paid during the year	(4,979,306)	(4,440,000)	(9,419,306)
Provision for long-term employee benefits			
as at 31 December 2016	266,101,881	33,447,916	299,549,797
Included in profit or loss:			
Current service cost	25,351,032	6,222,127	31,573,159
Interest cost	8,736,041	1,082,899	9,818,940
Benefits paid during the year	(15,791,180)	(5,120,000)	(20,911,180)
Provision for long-term employee benefits			
as at 31 December 2017	284,397,774	35,632,942	320,030,716

(Unit: Baht)

	Separate financial statements		
	Employee retirement benefits	Other long-term employee benefits	Total
Provision for long-term employee benefits			
as at 1 January 2016	224,372,342	28,859,293	253,231,635
Included in profit or loss:			
Current service cost	22,094,038	4,091,084	26,185,122
Interest cost	7,392,260	915,026	8,307,286
Transferred out	(1,591,814)	(88,219)	(1,680,033)
Benefits paid during the year	(4,638,916)	(4,160,000)	(8,798,916)
Provision for long-term employee benefits			
as at 31 December 2016	247,627,910	29,617,184	277,245,094
Included in profit or loss:			
Current service cost	22,068,071	5,067,140	27,135,211
Interest cost	8,089,443	951,334	9,040,777
Benefits paid during the year	(15,791,180)	(4,820,000)	(20,611,180)
Provision for long-term employee benefits			
as at 31 December 2017	261,994,244	30,815,658	292,809,902

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

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cost of sales and services	3,861,355	3,641,229	3,427,436	3,214,058
Selling expenses	31,678,406	29,398,135	27,311,964	25,470,215
Administrative expenses	5,852,338	6,193,998	5,436,588	5,808,135
Total expenses recognised in the income statements	<u>41,392,099</u>	<u>39,233,362</u>	<u>36,175,988</u>	<u>34,492,408</u>

The Company and its subsidiaries expect to pay Baht 6.14 million for long-term employee benefits during the next year (separate financial statements: Baht 6.01 million) (2016: Baht 22.31 million, separate financial statements: Baht 21.76 million).

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefits is 22 years (Separate financial statements: 22 years) (2016: 22 years, separate financial statements: 22 years).

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.....Director
Somchai Hanjitsakem

Significant actuarial assumptions are summarised below.

	(Unit: % per annum)	
	Consolidated financial statements/ Separate financial statements	
	<u>2017</u>	<u>2016</u>
Discount rate	3.5	3.5
Future salary increase rate (depending on age of employees)	4.0 - 6.0	4.0 - 6.0

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below.

31 December 2017

	(Unit: Million Baht)			
	Consolidated financial statements			
	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Employee retirement benefits	(38.7)	47.4	46.4	(38.7)
Other long-term employee benefits	(1.7)	1.9	-	-

	(Unit: Million Baht)			
	Separate financial statements			
	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Employee retirement benefits	(35.1)	42.9	42.0	(35.1)
Other long-term employee benefits	(1.4)	1.6	-	-

31 December 2016

	(Unit: Million Baht)			
	Consolidated financial statements			
	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Employee retirement benefits	(34.2)	41.8	40.9	(34.2)
Other long-term employee benefits	(1.6)	1.8	-	-

	(Unit: Million Baht)			
	Separate financial statements			
	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Employee retirement benefits	(31.2)	38.2	37.4	(31.2)

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.....Director
Somchai Hanjitasem

Other long-term employee benefits	(1.3)	1.5	-	-
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19. Share capital

As at 31 December 2017, the Company's issued and paid-up share capital had increased from Baht 914.85 million (914.85 million ordinary shares of Baht 1 each) to Baht 920.88 million (920.88 million ordinary shares of Baht 1 each) as a result of the exercise of the warrants (M-WA) to ordinary shares amounting to Baht 6.03 million (6.03 million ordinary shares of Baht 1 each) (2016: Baht 4.60 million, 4.60 million ordinary shares of Baht 1 each).

The Company registered the corresponding increase in its issued and paid-up share capital with the Ministry of Commerce on 10 October 2017.

20. Warrants

On 18 September 2012, the Extraordinary Meeting of Shareholders of the Company passed a special resolution to issue and offer 20,000,000 registered warrants (the warrants are exercisable within 5 years after the warrants are issued with the exercise price of Baht 1 per 1 ordinary share) to the management including the management in the director position and employees of the Company and/or employees of the subsidiaries of the Company at free of charge. Such warrants identify the name of the holder and are non-transferable unless being transferred as inheritance or transferred to heirs or legal representatives or transferred in any case deemed appropriate by a committee. The warrants are to be a reward for the work of the management and staff as well as for the warrant holders to take part in the Company's ownership. The Company will allocate the warrants to its owners within one year from the date of approval for issuance of warrants from the meeting of shareholders of the Company.

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

On 7 August 2013, the Company allocated and issued 20,000,000 warrants to the management including the management in the director position and employees of the Company and/or employees of the subsidiaries of the Company at free of charge ("ESOP" or "M-WA"). The exercise period is within 5 years commencing on 7 August 2013, and the warrants can be exercised to acquire the new ordinary shares of the Company for totaling 17 times. The warrants are first exercisable after 1 year since the date that the Company allotted and issued the warrants, with the first exercise date falling on 30 September 2014.

The following exercise dates fall on the last working days of March, June, September and December and the last exercise date is 6 August 2018.

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

- Up to 10 percent of all allotted warrants are exercisable after 12 months from the allotted date.
- Additional 20 percent of all allotted warrants are exercisable after 24 months from the allotted date.
- Additional 30 percent of all allotted warrants are exercisable after 36 months from the allotted date.
- The remainder of unexercised warrants is exercisable without limitation after the 48 months from the allotted date until the warrants expire.
- In the event that a warrant holder no longer holds a position of management or employee of the Company and/or employee of the subsidiaries of the Company due to retirement according to the Company's regulations, such management or employee is entitled to exercise warrants until the expiry date.
- In case a warrant holder passes away, heirs or legatees (as the case may be) of such holder is entitled to exercise warrants to acquire ordinary shares in an amount of the warrants that are exercisable in accordance with the exercising period until the expiry date.
- If a warrant holder is transferred to another unit or another company as approved by the Board of Directors whereby such director, management or employee has remained to be management or employee of the Company and/or of the subsidiaries of the Company as at the exercise date, such management or employee is entitled to exercise warrants until the expiry date.

The estimated fair value of each share option granted is Baht 42.40 - 46.38, which was calculated by applying the Black-Scholes-Merton formula. The model inputs were the share price at price determination date of Baht 49, exercise price of Baht 1, expected volatility of 38.3%, expected dividend yield of 3%, contractual life of 1 - 5 years, and a risk-free interest rate of 3.5% per annum.

During the year ended 31 December 2017, the Company and its subsidiaries recorded expenses related to the ESOP or M-WA scheme of Baht 30 million (2016: Baht 99.6 million) and for the Company of Baht 25.5 million (2016: Baht 95.0 million) as employee related expenses in the income statements, together with a corresponding increase in “Capital reserve for share-based payment transactions” in the shareholders’ equity.

As at 31 December 2017 and 2016, the remaining warrants were as follows:

	(Unit: Thousand Units)	
	<u>2017</u>	<u>2016</u>
Warrants issued as at 7 August 2013	20,000	20,000
Less: Cumulative warrants exercised - beginning of year	(9,000)	(4,400)
Warrants exercised during the year	(6,029)	(4,600)
Cumulative warrants exercised - end of year	(15,029)	(9,000)
Less: Cumulative warrants written-off - beginning of year	(4,807)	(4,303)
Warrants written off during the year	(164)	(504)
Cumulative warrants written-off - end of year*	(4,971)	(4,807)
Warrants at the end of year	<u>-</u>	<u>6,193</u>

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

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		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Salaries, wages and other employee benefits	4,688,656,190	4,482,938,787	3,895,044,826	3,769,582,149
Raw materials and consumables used	2,342,473,909	2,102,367,869	2,169,395,567	2,003,898,688
Rental and service expenses from operating lease agreements	1,553,566,007	1,468,429,715	1,262,286,422	1,207,168,682
Depreciation and amortisation	854,298,254	864,762,333	697,050,960	712,089,064
Utilities expenses	686,944,023	688,146,198	540,211,525	551,134,483
Advertising expenses	298,401,201	240,040,694	204,876,292	153,782,534
Repair and maintenance expenses	157,260,420	156,809,378	127,108,969	130,632,781
Training expenses	3,225,663	2,853,619	111,410,636	104,662,581
Property tax expenses	81,924,470	77,668,773	67,462,600	65,250,023
Travelling expenses	42,667,640	44,019,100	33,379,567	35,989,151
Changes in finished goods	(10,704,962)	(21,871,611)	(10,824,627)	(14,711,773)

23. Income tax

23.1 Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

			(Unit: Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current income tax:				
Current income tax charge	477,439,096	476,912,584	418,038,636	424,394,226
Adjustment in respect of income tax of previous year	-	(780,672)	-	(564,727)
Deferred tax:				
Relating to origination and reversal of temporary differences	61,255,826	7,733,017	60,373,598	6,791,815
Income tax expenses reported in the income statements	<u>538,694,922</u>	<u>483,864,929</u>	<u>478,412,234</u>	<u>430,621,314</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred tax relating to change in value of available-for-sale investments	(889,164)	931,424	(889,164)	931,424
Income tax charged to other comprehensive income	<u>(889,164)</u>	<u>931,424</u>	<u>(889,164)</u>	<u>931,424</u>

The reconciliation between accounting profit and income tax expenses for the years ended 31 December 2017 and 2016 is presented below.

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Accounting profit before tax	<u>2,963,541,238</u>	<u>2,583,627,137</u>	<u>2,797,805,586</u>	<u>2,502,470,404</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	592,708,248	516,725,427	559,561,117	500,494,081
Adjustment in respect of income tax of previous year -		(780,672)	-	(564,727)
Effects of:				
Income not subject to tax	-	-	(46,999,979)	(37,599,983)
Non-deductible expenses	11,208,516	10,781,093	16,645,189	5,885,000
Unrecognised tax losses of subsidiary	181,922	5,655,902	-	-
Additional expense deductions allowed	(65,403,764)	(48,516,821)	(50,794,093)	(37,593,057)
Total	<u>(54,013,326)</u>	<u>(32,079,826)</u>	<u>(81,148,883)</u>	<u>(69,308,040)</u>
Income tax expenses reported in the income statements	<u>538,694,922</u>	<u>483,864,929</u>	<u>478,412,234</u>	<u>430,621,314</u>

.....Director
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.....Director
Somchai Hanjirkasem

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		Separate financial statements	
	statements			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Deferred tax assets				
Allowance for impairment of assets	19,622,335	19,622,335	15,919,382	15,919,382
Provision for long-term employee benefits	63,607,061	59,544,854	58,561,980	55,449,019
Expenses for share-based payment transactions	-	45,215,764	-	43,462,157
Unrealised loss on changes in value of available-for-sale investments	42,260	931,424	42,260	931,424
Derivative contract payable	-	8,900,912	-	8,900,912
Others	3,792,436	5,149,664	3,561,563	4,871,167
Total	87,064,092	139,364,953	78,085,185	129,534,061
Deferred tax liabilities				
Unrealised gain on changes in value of trading securities investments	5,777,365	3,804,723	5,674,795	3,732,396
Derivative contract receivable	7,871,487	-	7,871,487	-
Total	13,648,852	3,804,723	13,546,282	3,732,396
Net deferred tax assets	73,415,240	135,560,230	64,538,903	125,801,665

As at 31 December 2017, the subsidiary has deductible temporary differences and unused tax losses totaling Baht 28.2 million (2016: Baht 29.4 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 28.6 million will expire by 2021.

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

The subsidiary's operating revenues for the years ended 31 December 2017 and 2016 are from the promoted operations.

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.

Diluted earnings per share is calculated by dividing profit for the years attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that such conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

24.1 Weighted average number of ordinary shares

	(Unit: Thousand shares)	
	Consolidated financial statements/ Separate financial statements	
	<u>2017</u>	<u>2016</u>
Balance brought forward	914,849	910,249
Add: The weighted average number of ordinary shares issued during the year	<u>1,371</u>	<u>1,081</u>
Weighted average number of ordinary shares	<u>916,220</u>	<u>911,330</u>

24.2 Reconciliation of diluted earnings per share

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

	Consolidated financial statements					
	For the years ended 31 December					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit attributable to equity holders of the Company	<u>2,424,846</u>	<u>2,099,762</u>	916,220	911,330	<u>2.65</u>	<u>2.30</u>
Effect of dilutive potential ordinary shares						
Warrants (M-WA)			<u>4,617</u>	<u>8,536</u>		
Diluted earnings per share						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>2,424,846</u>	<u>2,099,762</u>	<u>920,837</u>	<u>919,866</u>	<u>2.63</u>	<u>2.28</u>

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Somchai Hanjitsakem

Separate financial statements					
For the years ended 31 December					
Profit for the year		Weighted average number of ordinary shares		Earnings per share	
<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share					
Profit attributable to equity holders of the Company	<u>2,319,393</u>	<u>2,071,849</u>	916,220	911,330	<u>2.53</u> <u>2.27</u>
Effect of dilutive potential ordinary shares					
Warrants (M-WA)		<u>4,370</u>	<u>8,080</u>		
Diluted earnings per share					
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>2,319,393</u>	<u>2,071,849</u>	<u>920,590</u>	<u>919,410</u>	<u>2.52</u> <u>2.25</u>

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 Company and its subsidiaries are 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. 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 2017 and 2016, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

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26. Dividends

Dividends declared during the years ended 31 December 2017 and 2016 consist of the following:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
<u>Year 2017</u>				
Final dividend on 2016 profit	Annual General Meeting of the shareholders on 26 April 2017	1,006	1.1	23 May 2017
Interim dividends on the profit for the six-month period ended 30 June 2017	Board of Directors' meeting on 10 August 2017	1,006	1.1	8 September 2017
Total		<u>2,012</u>	<u>2.2</u>	
<u>Year 2016</u>				
Final dividend on 2015 profit	Annual General Meeting of the shareholders on 22 April 2016	910	1.0	19 May 2016
Interim dividends on the profit for the six-month period ended 30 June 2016	Board of Directors' meeting on 11 August 2016	910	1.0	8 September 2016
Total		<u>1,820</u>	<u>2.0</u>	

27. Commitments and contingent liabilities

27.1 Capital commitments

As at 31 December 2017, the Company and its subsidiaries had significant outstanding capital commitments in respect of agreements related to leasehold rights and purchase of machinery and equipment of Baht 23.3 million (the Company only: Baht 21.9 million) (2016: Nil).

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.....Director
Somchai Hanjirkasem

27.2 Operating lease commitments

The Company and its subsidiaries have 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	
	<u>2017</u>	<u>2016</u>
Payable within:		
Less than 1 year	1,383	1,331
1 to 5 years	1,448	1,358
More than 5 years	285	313

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 2017, there were outstanding letters of guarantee issued by the banks on behalf of the Company and its subsidiaries of approximately Yen 19.5 million and Baht 21.3 million (2016: Baht 20.1 million), in respect of certain performance bonds as required in the normal course of businesses. These included letters of guarantee amounting to Yen 19.5 million and Baht 8.3 million (2016: Baht 8.3 million) to guarantee payments due to creditors and Baht 13.0 million (2016: Baht 11.8 million) to guarantee electricity use.

27.5 Guarantees to related party

As at 31 December 2017, the Company had guaranteed bank credit facilities of International Food Supply Co., Ltd. ("a subsidiary") of Baht 45 million (2016: Nil).

28. Fair value hierarchy

As at 31 December 2017 and 2016, the Company and its subsidiaries had the assets and liabilities that were measured at fair value based on levels of inputs as follows:

(Unit: Million Baht)

Consolidated financial statements								
Level 1		Level 2		Level 3		Total		
<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Assets measured at fair value								
Investments in trading securities -								
debt instruments	-	-	4,510	2,255	-	-	4,510	2,255
Available-for-sale investment -								
debt instruments	-	-	148	1,070	-	-	148	1,070
Derivatives - forward exchange contracts -								
gain	-	-	39	-	-	-	39	-
Liabilities measured at fair value								
Derivatives - forward exchange contracts -								
loss	-	-	-	45	-	-	-	45

(Unit: Million Baht)

Separate financial statements								
Level 1		Level 2		Level 3		Total		
<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Assets measured at fair value								
Investments in trading securities -								
debt instruments	-	-	3,893	1,968	-	-	3,893	1,968
Available-for-sale investment -								
debt instruments	-	-	148	1,070	-	-	148	1,070
Derivatives - forward exchange contracts -								
gain	-	-	39	-	-	-	39	-
Liabilities measured at fair value								
Derivatives - forward exchange contracts -								
loss	-	-	-	45	-	-	-	45

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, and trade and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

.....Director
Rit Thirakomen

.....Director
Somchai Hanjitsakem

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 2017						
	Fixed interest rates					
	Within 1 year	1 - 4 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
Financial assets						
Cash and cash equivalents	-	-	262	148	410	0.10 - 0.40
Short-term investments	4,826	-	-	4,510	9,336	1.60 - 2.06
Trade and other receivables	-	-	-	76	76	-
Other long-term investments	-	794	-	-	794	2.01 - 2.36
	4,826	794	262	4,734	10,616	
Financial liabilities						
Trade and other payables	-	-	-	1,628	1,628	-
	-	-	-	1,628	1,628	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016

	Fixed interest rates - within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	166	157	323	0.10 - 0.40
Short-term investments	5,963	-	3,325	9,288	1.63 - 2.03
Trade and other receivables	-	-	104	104	-
	5,963	166	3,586	9,715	
Financial liabilities					
Trade and other payables	-	-	1,480	1,480	-
	-	-	1,480	1,480	

(Unit: Million Baht)

Separate financial statements as at 31 December 2017

	Fixed interest rates					
	Within 1 year	1 - 4 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
Financial assets						
Cash and cash equivalents	-	-	203	129	332	0.10 - 0.40
Short-term investments	4,826	-	-	3,893	8,719	1.60 - 2.06
Trade and other receivables	-	-	-	195	195	-
Other long-term investments	-	794	-	-	794	2.01 - 2.36
	4,826	794	203	4,217	10,040	
Financial liabilities						
Trade and other payables	-	-	-	1,436	1,436	-
	-	-	-	1,436	1,436	

(Unit: Million Baht)

Separate financial statements as at 31 December 2016

	Fixed interest rates - within 1 year	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
Financial assets					
Cash and cash equivalents	-	101	135	236	0.10 - 0.40
Short-term investments	5,913	-	3,039	8,952	1.63 - 2.03
Trade and other receivables	-	-	218	218	-
	5,913	101	3,392	9,406	
Financial liabilities					
Trade and other payables	-	-	1,312	1,312	-
	-	-	1,312	1,312	

.....Director
Rit Thirakomen

.....Director
Somchai Hanjitkasem

Foreign currency risk

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

As at 31 December 2017 and 2016, the balances of financial assets and liabilities denominated in foreign currencies were summarised below.

Foreign currency	Consolidated		Separate		Exchange rate as at	
	financial statements		financial statements		31 December	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(Million)		(Million)		(Baht per 1 foreign currency unit)	
Financial assets						
US dollar	20.0	50.0	20.0	50.0	32.5146	35.6588
Yen	1.6	1.6	1.6	1.6	0.2860	0.3046
Dirham	36.0	-	36.0	-	8.8531	-
Financial liabilities						
Yen	36.7	15.9	-	1.4	0.2936	0.3113

The Group had the following outstanding forward exchange contracts:

Foreign currency	Consolidated financial statements/Separate financial statements	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
<u>As at 31 December 2017</u>			
Sold amount			
US dollar	20	33.864 - 34.286	May and July 2018
Dirham	36	8.9905	October 2018
<u>As at 31 December 2016</u>			
Sold amount			
US dollar	50	34.85 - 35.17	July and September 2017

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 2017, the Group's debt-to-equity ratio was 0.18:1 (2016: 0.17:1) and the Company's was 0.16:1 (2016: 0.16:1).

31. Reclassification

The Company and its subsidiaries have reclassified the following items in the income statements for the year ended 31 December 2016 to conform to the current year's classification.

	Consolidated		Separate	
	financial statements		financial statements	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Sales and service income	15,145,882,364	15,115,182,444	13,436,647,305	13,397,274,890
Other income	242,640,153	273,340,073	325,920,011	365,292,426

The reclassifications had no effect to previously reported profit for the year or shareholders' equity.

32. Events after the reporting period

On 26 February 2018, the meeting of the Board of Directors of the Company No. 1/2018 passed the following resolutions.

- To approve the payment of final dividend for 2017 to the Company's shareholders at Baht 1.20 per share or a total dividend of Baht 1,105 million.

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

- 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 shares 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.

.....Director
Rit Thirakomen

.....Director
Somchai Hanjitkasem

The reduction of the registered share capital of the Company will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

- To approve the co-investment with four companies to establish a new company named "M-Senko Logistic Company Limited" with the registered share capital of Baht 1,300 million (130 million ordinary shares of Baht 10 each), which will be engaged in the transportation, warehousing rental and international freight shipping. The Company will have 49.75 percent interest in this new company.

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2018.

.....Director
Rit Thirakomen

.....Director
Somchai Hanjirkasem