

MK Restaurant Group Public Company Limited
and its subsidiaries
Review report and interim financial statements
For the three-month and six-month periods ended
30 June 2019

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of MK Restaurant Group Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of MK Restaurant Group Public Company Limited and its subsidiaries as at 30 June 2019, the related consolidated statements of income, comprehensive income for the three-month and six-month periods then ended, the related consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of MK Restaurant Group Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Wichart Lokatekrawee

Certified Public Accountant (Thailand) No. 4451

EY Office Limited

Bangkok: 13 August 2019

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of financial position

As at 30 June 2019

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2019 (Unaudited but reviewed)	31 December 2018 (Audited)	30 June 2019 (Unaudited but reviewed)	31 December 2018 (Audited)
Assets					
Current assets					
Cash and cash equivalents	3	305,013	725,203	240,335	621,568
Short-term investments	4	9,418,025	9,086,422	8,770,567	8,306,345
Trade and other receivables	2, 5	128,835	98,583	231,997	239,220
Inventories		291,746	329,091	264,171	301,469
Other current assets		376,048	340,079	340,923	300,882
Total current assets		10,519,667	10,579,378	9,847,993	9,769,484
Non-current assets					
Investments in subsidiaries	6	-	-	692,480	691,480
Investments in joint ventures	7	690,466	720,191	744,832	744,832
Other long-term investments	8	1,252,685	1,235,773	1,252,685	1,235,773
Property, plant and equipment	9	3,635,490	3,738,080	2,892,372	2,985,350
Intangible assets	10	93,486	89,302	88,567	84,019
Leasehold rights	11	226,156	248,521	212,548	233,912
Deferred tax assets		106,366	119,693	96,268	110,147
Deposits		457,230	442,770	345,589	337,581
Total non-current assets		6,461,879	6,594,330	6,325,341	6,423,094
Total assets		16,981,546	17,173,708	16,173,334	16,192,578

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 financial position (continued)

As at 30 June 2019

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2019 (Unaudited but reviewed)	31 December 2018 (Audited)	30 June 2019 (Unaudited but reviewed)	31 December 2018 (Audited)
Liabilities and shareholders' equity					
Current liabilities					
Trade and other payables	2, 12	1,548,726	1,945,410	1,373,984	1,745,299
Income tax payable		278,564	288,953	235,667	248,604
Current portion of deferred income of membership fee		33,275	44,796	23,889	35,477
Other current liabilities		<u>232,073</u>	<u>232,933</u>	<u>191,297</u>	<u>191,733</u>
Total current liabilities		<u>2,092,638</u>	<u>2,512,092</u>	<u>1,824,837</u>	<u>2,221,113</u>
Non-current liabilities					
Deferred income of membership fee - net of current portion		-	153	-	153
Provision for long-term employee benefits	13	492,071	465,501	455,537	431,648
Other non-current liabilities		<u>20,042</u>	<u>19,900</u>	<u>21,673</u>	<u>21,531</u>
Total non-current liabilities		<u>512,113</u>	<u>485,554</u>	<u>477,210</u>	<u>453,332</u>
Total liabilities		<u>2,604,751</u>	<u>2,997,646</u>	<u>2,302,047</u>	<u>2,674,445</u>

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..... Director
Rit Thirakomen

..... Director
Somchai Hanjtkasem

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 30 June 2019

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital				
Registered				
920,878,100 ordinary shares of Baht 1 each	<u>920,878</u>	<u>920,878</u>	<u>920,878</u>	<u>920,878</u>
Issued and fully paid				
920,878,100 ordinary shares of Baht 1 each	920,878	920,878	920,878	920,878
Share premium	8,785,028	8,785,028	8,785,028	8,785,028
Capital reserve for share-based payment transactions	656,331	656,331	656,331	656,331
Retained earnings				
Appropriated - statutory reserve	92,585	92,585	92,585	92,585
Unappropriated	3,918,797	3,717,674	3,415,301	3,065,452
Other component of shareholders' equity	<u>3,176</u>	<u>3,566</u>	<u>1,164</u>	<u>(2,141)</u>
Total shareholders' equity	<u>14,376,795</u>	<u>14,176,062</u>	<u>13,871,287</u>	<u>13,518,133</u>
Total liabilities and shareholders' equity	<u>16,981,546</u>	<u>17,173,708</u>	<u>16,173,334</u>	<u>16,192,578</u>
	-	-	-	-

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

..... Director
Rit Thirakomen

..... Director
Somchai Hanjtkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Income statements

For the three-month period ended 30 June 2019

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Revenues					
Sales and service income		4,470,273	4,249,138	3,906,938	3,734,383
Interest income		37,717	29,435	37,682	29,397
Dividend income	6	-	-	352,500	308,000
Other income		77,489	100,950	113,717	130,930
Total revenues		4,585,479	4,379,523	4,410,837	4,202,710
Expenses					
Cost of sales and services		1,385,568	1,337,882	1,436,698	1,392,630
Selling expenses		2,025,028	1,943,814	1,654,270	1,560,901
Administrative expenses		318,681	289,573	254,384	240,264
Total expenses		3,729,277	3,571,269	3,345,352	3,193,795
Profit before share of loss from investments in joint ventures and income tax expenses					
		856,202	808,254	1,065,485	1,008,915
Share of loss from investments in joint ventures		(23,554)	(1,472)	-	-
Profit before income tax expenses		832,648	806,782	1,065,485	1,008,915
Income tax expenses	14	(144,139)	(147,285)	(121,061)	(129,818)
Profit for the period		688,509	659,497	944,424	879,097
Profit attributable to:					
Equity holders of the Company		688,509	659,497	944,424	879,097
Earnings per share					
Basic earnings per share	15				
Profit attributable to equity holders of the Company		0.75	0.72	1.03	0.95

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..... Director
Rit Thirakomen

..... Director
Somchai Hanjitkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the three-month period ended 30 June 2019

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
Note	2019	2018	2019	2018
Profit for the period	<u>688,509</u>	<u>659,497</u>	<u>944,424</u>	<u>879,097</u>
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of financial statements in foreign currency	<u>(1,106)</u>	<u>609</u>	<u>-</u>	<u>-</u>
Gain (loss) on changes in value of available-for-sale investments	<u>1,606</u>	<u>(2,614)</u>	<u>1,606</u>	<u>(2,614)</u>
Less: Income tax effect	<u>14 (321)</u>	<u>523</u>	<u>(321)</u>	<u>523</u>
Gain (loss) on changes in value of available-for-sale investments - net of income tax	<u>1,285</u>	<u>(2,091)</u>	<u>1,285</u>	<u>(2,091)</u>
Other comprehensive income for the period	<u>179</u>	<u>(1,482)</u>	<u>1,285</u>	<u>(2,091)</u>
Total comprehensive income for the period	<u>688,688</u>	<u>658,015</u>	<u>945,709</u>	<u>877,006</u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>688,688</u>	<u>658,015</u>	<u>945,709</u>	<u>877,006</u>

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..... Director
Rit Thirakomen

..... Director
Somchai Hanjitkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Income statements

For the six-month period ended 30 June 2019

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2019	2018	2019	2018
Revenues					
Sales and service income		8,821,805	8,298,409	7,719,346	7,314,795
Interest income		72,846	53,788	72,811	53,750
Dividend income	6	-	-	352,500	308,000
Other income		147,248	191,079	220,761	247,009
Total revenues		9,041,899	8,543,276	8,365,418	7,923,554
Expenses					
Cost of sales and services		2,758,487	2,614,648	2,859,053	2,723,691
Selling expenses		3,952,284	3,781,838	3,215,224	3,044,172
Administrative expenses		608,959	565,826	491,200	472,100
Total expenses		7,319,730	6,962,312	6,565,477	6,239,963
Profit before share of loss from investments in joint ventures and income tax expenses					
		1,722,169	1,580,964	1,799,941	1,683,591
Share of loss from investments in joint ventures	7	(26,030)	(2,826)	-	-
Profit before income tax expenses		1,696,139	1,578,138	1,799,941	1,683,591
Income tax expenses	14	(297,876)	(286,775)	(252,952)	(254,427)
Profit for the period		1,398,263	1,291,363	1,546,989	1,429,164
Profit attributable to:					
Equity holders of the Company		1,398,263	1,291,363	1,546,989	1,429,164
Earnings per share					
15					
Basic earnings per share					
Profit attributable to equity holders of the Company		1.52	1.40	1.68	1.55

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..... Director
Rit Thirakomen

..... Director
Somchai Hanjirkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of comprehensive income

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
Note	2019	2018	2019	2018
Profit for the period	<u>1,398,263</u>	<u>1,291,363</u>	<u>1,546,989</u>	<u>1,429,164</u>
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of financial statements in foreign currency	<u>(3,695)</u>	<u>(199)</u>	<u>-</u>	<u>-</u>
Gain (loss) on changes in value of available-for-sale investments	4 <u>4,131</u>	<u>(1,608)</u>	<u>4,131</u>	<u>(1,608)</u>
Less: Income tax effect	14 <u>(826)</u>	<u>322</u>	<u>(826)</u>	<u>322</u>
Gain (loss) on changes in value of available-for-sale investments - net of income tax	<u>3,305</u>	<u>(1,286)</u>	<u>3,305</u>	<u>(1,286)</u>
Other comprehensive income for the period	<u>(390)</u>	<u>(1,485)</u>	<u>3,305</u>	<u>(1,286)</u>
Total comprehensive income for the period	<u><u>1,397,873</u></u>	<u><u>1,289,878</u></u>	<u><u>1,550,294</u></u>	<u><u>1,427,878</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u><u>1,397,873</u></u>	<u><u>1,289,878</u></u>	<u><u>1,550,294</u></u>	<u><u>1,427,878</u></u>

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

..... Director
Rit Thirakomen

..... Director
Somchai Hanjirkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of cash flows

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before tax	1,696,139	1,578,138	1,799,941	1,683,591
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Gain on sales of investments	(14,996)	(35,891)	(8,484)	(31,662)
Loss (gain) on change in value of short-term investments	(19,237)	16,635	(19,168)	16,367
Unrealised loss (gain) on exchange	(2,794)	5,931	(2,794)	5,931
Amortised premium on investments in available-for-sale securities	849	819	849	819
Share of loss from investments in joint ventures	26,030	2,826	-	-
Loss from damaged inventories	1,491	974	1,491	974
Amortisation of prepaid expenses	19,764	13,282	16,420	11,452
Depreciation and amortisation	386,841	414,673	304,713	333,733
Loss (gain) on disposals and write-off of equipment and intangible assets	9,819	(33,656)	9,008	(37,006)
Provision for long-term employee benefits	28,425	16,563	25,744	13,686
Reduction of inventory to net realisable value (reversal)	(108)	-	-	-
Realisation of gift voucher, net of sales and cash received during the period	(20,143)	(17,538)	(19,113)	(17,001)
Realisation of deferred income, net of sales and cash received during the period	(34,264)	(25,955)	(26,968)	(17,523)
Dividend income	-	-	(352,500)	(308,000)
Interest income	(72,847)	(53,788)	(72,811)	(53,750)
Profit from operating activities before changes in operating assets and liabilities	2,004,969	1,883,013	1,656,328	1,601,611

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

Director

Rit Thirakomen

Director

Somchai Hanjitkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash flows from operating activities (continued)				
Operating assets (increase) decrease				
Trade and other receivables	(5,966)	908	31,509	10,611
Inventories	35,962	87,651	35,807	92,403
Other current assets	(9,656)	273,985	(9,403)	220,671
Deposits	(14,460)	(17,348)	(8,008)	(11,291)
Operating liabilities increase (decrease)				
Trade and other payables	(342,093)	(308,126)	(329,825)	(291,267)
Other current liabilities	19,283	29,503	18,677	21,203
Deferred income	22,590	11,253	15,227	9,166
Provision for long-term employee benefits	(1,855)	(6,430)	(1,855)	(6,170)
Other non-current liabilities	142	7,744	142	7,744
Cash from operating activities	1,708,916	1,962,153	1,408,599	1,654,681
Cash received from interest income	48,561	42,058	48,525	42,020
Cash paid for income tax	(295,764)	(217,393)	(252,836)	(182,513)
Net cash from operating activities	1,461,713	1,786,818	1,204,288	1,514,188

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

..... Director

Rit Thirakomen

..... Director

Somchai Hanjikasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
Cash flows from investing activities				
Decrease (increase) in short-term investments	(297,370)	656,229	(436,570)	533,629
Increase in other investments	(70,000)	(361,000)	(70,000)	(361,000)
Cash paid for investments in joint ventures	-	(646,750)	-	(646,750)
Cash paid for investments in subsidiaries	-	-	(1,000)	(60,000)
Cash paid for purchases of plant and equipment	(306,295)	(275,839)	(227,490)	(200,437)
Cash paid for purchases of computer software	(12,885)	(1,633)	(12,831)	(825)
Cash paid for purchases of leasehold rights	(404)	-	(404)	-
Proceeds from disposals of equipment	2,191	98,171	7,414	118,206
Dividend income	-	-	352,500	308,000
Net cash used in investing activities	(684,763)	(530,822)	(388,381)	(309,177)
Cash flows from financing activities				
Dividend paid	(1,197,140)	(1,105,052)	(1,197,140)	(1,105,052)
Net cash used in financing activities	(1,197,140)	(1,105,052)	(1,197,140)	(1,105,052)
Net increase (decrease) in cash and cash equivalents	(420,190)	150,944	(381,233)	99,959
Cash and cash equivalents at beginning of period	725,203	409,622	621,568	331,540
Cash and cash equivalents at end of period	305,013	560,566	240,335	431,499

Supplement disclosure of cash flows information

Non-cash transactions

Decrease in accounts payable for purchases

of plant and equipment	(41,504)	(7,064)	(29,384)	(1,776)
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The accompanying notes are an integral part of the financial statements.

..... Director

Rit Thirakomen

..... Director

Somchai Hanjitkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

Consolidated financial statements

						Other component of equity				Total
	Issued and paid-up	Share premium	Capital reserve of share-based payment transactions	Retained earnings		Exchange differences on translation of financial statements in foreign currencies	Surplus (deficit) on changes in value of available-for-sale investments	Total other components of shareholders' equity		
share capital				reserve	Appropriated - statutory				Unappropriated	
Balance as at 1 January 2018	920,878	8,785,028	656,331	92,585	3,367,262	6,726	(169)	6,557	13,828,641	
Profit for the period	-	-	-	-	1,291,363	-	-	-	1,291,363	
Other comprehensive income for the period	-	-	-	-	-	(199)	(1,286)	(1,485)	(1,485)	
Total comprehensive income for the period	-	-	-	-	1,291,363	(199)	(1,286)	(1,485)	1,289,878	
Dividend paid	16	-	-	-	(1,105,052)	-	-	-	(1,105,052)	
Balance as at 30 June 2018	<u>920,878</u>	<u>8,785,028</u>	<u>656,331</u>	<u>92,585</u>	<u>3,553,573</u>	<u>6,527</u>	<u>(1,455)</u>	<u>5,072</u>	<u>14,013,467</u>	

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

..... Director

Rit Thirakomen

..... Director

Somchai Hanjitkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

Consolidated financial statements

						Other component of equity				Total
						Other comprehensive income			Total other components of shareholders' equity	
	Issued and paid-up	Share premium	Capital reserve of share-based payment transactions	Retained earnings Appropriated - statutory reserve	Unappropriated	Exchange differences on translation of financial statements in foreign currencies	Surplus (deficit) on changes in value of available-for-sale investments			
Note	share capital									
Balance as at 1 January 2019	920,878	8,785,028	656,331	92,585	3,717,674	5,707	(2,141)	3,566	14,176,062	
Profit for the period	-	-	-	-	1,398,263	-	-	-	1,398,263	
Other comprehensive income for the period	-	-	-	-	-	(3,695)	3,305	(390)	(390)	
Total comprehensive income for the period	-	-	-	-	1,398,263	(3,695)	3,305	(390)	1,397,873	
Dividend paid	16	-	-	-	(1,197,140)	-	-	-	(1,197,140)	
Balance as at 30 June 2019	<u>920,878</u>	<u>8,785,028</u>	<u>656,331</u>	<u>92,585</u>	<u>3,918,797</u>	<u>2,012</u>	<u>1,164</u>	<u>3,176</u>	<u>14,376,795</u>	

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..... Director

Rit Thirakomen

..... Director

Somchai Hanjitkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

Separate financial statements							
						Other component of shareholders' equity	
						Other comprehensive income	
						Surplus (deficit) on changes in value of available-for-sale	
	Issued and paid-up	Capital reserve of share-based payment	Retained earnings Appropriated - statutory	Unappropriated			Total
Note	share capital	Share premium	transactions	reserve	investments		
Balance as at 1 January 2018	920,878	8,785,028	656,331	92,585	2,794,015	(169)	13,248,668
Profit for the period	-	-	-	-	1,429,164	-	1,429,164
Other comprehensive income for the period	-	-	-	-	-	(1,286)	(1,286)
Total comprehensive income for the period	-	-	-	-	1,429,164	(1,286)	1,427,878
Dividend paid	-	-	-	-	(1,105,052)	-	(1,105,052)
Balance as at 30 June 2018	<u>920,878</u>	<u>8,785,028</u>	<u>656,331</u>	<u>92,585</u>	<u>3,118,127</u>	<u>(1,455)</u>	<u>13,571,494</u>

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..... Director

Rit Thirakomen

..... Director

Somchai Hanjitkasem

(Unaudited but reviewed)

MK Restaurant Group Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the six-month period ended 30 June 2019

(Unit: Thousand Baht)

		Separate financial statements					Other component of shareholders' equity	
				Capital reserve of share-based payment	Retained earnings Appropriated - statutory reserve	Unappropriated investments	Other comprehensive income	
		Issued and paid-up share capital	Share premium	transactions			Surplus (deficit) on changes in value of available-for-sale	Total
Note		share capital	Share premium	transactions	reserve	Unappropriated	investments	Total
	Balance as at 1 January 2019	920,878	8,785,028	656,331	92,585	3,065,452	(2,141)	13,518,133
	Profit for the period	-	-	-	-	1,546,989	-	1,546,989
	Other comprehensive income for the period	-	-	-	-	-	3,305	3,305
	Total comprehensive income for the period	-	-	-	-	1,546,989	3,305	1,550,294
	Dividend paid	-	-	-	-	(1,197,140)	-	(1,197,140)
16	Balance as at 30 June 2019	<u>920,878</u>	<u>8,785,028</u>	<u>656,331</u>	<u>92,585</u>	<u>3,415,301</u>	<u>1,164</u>	<u>13,871,287</u>

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
Notes to consolidated interim financial statements
For the three-month and six-month periods ended 30 June 2019

1. General information

1.1 Corporate 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 address of the Company is at 1200 Debaratna Road, Bangnatai, Bangna, Bangkok.

As at 30 June 2019, the Company had operated 494 branches (31 December 2018: 490 branches).

1.2 Basis of preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 Basis of consolidation

These consolidated financial statements include the financial statements of MK Restaurant Group Public Company Limited (herein after called “the Company”) and its subsidiaries which were incorporated in Thailand (herein after called “the subsidiaries”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2018. There have been changes in the structure of the subsidiaries during the period as described in Note 6.

1.4 New financial reporting standards

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

During the period, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

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

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

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

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

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

TFRS 16 Leases

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

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

The management of the Company and its subsidiaries is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2018.

2. Related party transactions

During the periods, 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, its subsidiaries and those related parties.

(Unit: Million Baht)

	For the three-month periods ended 30 June				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2019	2018	2019	2018	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	290	299	Cost plus margin
Sublease and subservice income	-	-	6	6	At the rate stipulated in the agreements
Management service income	-	-	38	33	At the rate stipulated in the agreements
Dividend income	-	-	353	308	At the declared rate
Sales of fixed assets	-	-	2	10	Net book value plus margin
Rental income	-	-	2	2	At the rate stipulated in the agreements
Purchases of goods	-	-	61	48	Market price
Training expenses	-	-	47	35	Market price
<u>Transactions with related companies</u>					
Sales of fixed assets	-	75	-	75	Market price
Royalty fee income	1	2	1	2	At the rate stipulated in the agreement
Operation support service income	2	-	2	-	At the rate stipulated in the agreement
Rental income	3	-	3	-	At the rate stipulated in the agreements
Royalty fee expenses	15	14	-	-	At the rate stipulated in the agreement
Rental expenses for operating equipment	11	11	7	7	Market price
Rental expenses for land and construction	9	9	9	9	At the rate stipulated in the agreement
Logistic expenses	49	-	49	-	At the rate stipulated in the agreement

(Unit: Million Baht)

	For the six-month periods ended 30 June				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2019	2018	2019	2018	
<u>Transactions with subsidiaries</u>					
(Eliminated from the consolidated financial statements)					
Sales of goods	-	-	574	578	Cost plus margin
Sublease and subservice income	-	-	12	12	At the rate stipulated in the agreements
Management service income	-	-	77	62	At the rate stipulated in the agreements
Dividend income	-	-	353	308	At the declared rate
Sales of fixed assets	-	-	5	20	Net book value plus margin
Rental income	-	-	3	3	At the rate stipulated in the agreements
Purchases of goods	-	-	120	100	Market price
Training expenses	-	-	88	65	Market price
<u>Transactions with related companies</u>					
Sales of fixed assets	-	75	-	75	Market price
Royalty fee income	2	3	2	3	At the rate stipulated in the agreement
Management service income	1	-	1	-	At the rate stipulated in the agreement
Operation support service income	4	-	4	-	At the rate stipulated in the agreement
Rental income	5	-	5	-	At the rate stipulated in the agreements
Royalty fee expenses	30	28	-	-	At the rate stipulated in the agreement
Rental expenses for operating equipment	22	22	14	14	Market price
Rental expenses for land and construction	18	18	18	18	At the rate stipulated in the agreement
Logistic expenses	96	-	96	-	At the rate stipulated in the agreement

.....Director
Rit Thirakomen

.....Director
Somchai Hanjtkasem 6

As at 30 June 2019 and 31 December 2018, the balances of the accounts between the Company and its subsidiaries and those related parties are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Trade and other receivables - related parties (Note 5)				
Subsidiaries	-	-	112,476	148,862
Related companies (related by common directors)	2,978	2,944	2,945	2,814
Total trade and other receivables - related parties	<u>2,978</u>	<u>2,944</u>	<u>115,421</u>	<u>151,676</u>
Trade and other payable - related parties (Note 12)				
Subsidiaries	-	-	41,726	42,836
Related companies (related by common directors)	31,516	45,347	23,685	36,600
Total trade and other payable - related parties	<u>31,516</u>	<u>45,347</u>	<u>65,411</u>	<u>79,436</u>

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 six-year basis until being terminated by either party by giving a written notice 180 days prior to the expiration of such contract.

Management service agreements

The Company entered into a management service agreement with MK Interfood Company Limited (“MKI”), whereby the Company agreed to provide management service to MKI in areas of branch operations, business development, engineering, procurement, marketing, accounting and finance, human resources and quality assurance. MKI agreed to pay management fee to the Company at a rate of Baht 12.5 million per month. The agreement is effective from 1 January 2019 to 31 December 2019 (2018: at a rate of Baht 10 million per month). The agreement shall be automatically extended for another one year until MKI gives a written notice of termination three months prior to its expiration.

The Company entered into a management service agreement with MK Service Training Center Company Limited (“MKS”), whereby the Company agreed to provide management service to MKS in areas of procurement, accounting and finance, human resources and service training. MKS agreed to pay management fee to the Company at a rate of Baht 0.17 million per month. The agreement is effective from 1 January 2019 to 31 December 2019 (2018: at a rate of Baht 0.15 million per month). The agreement shall be automatically extended for another one year until MKS gives a written notice of termination three months prior to its expiration.

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

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

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 and construction lease thereon agreement

On 1 December 2014, the Company entered into a lease agreement for lease of land and construction thereon with Global Asset Development Co., Ltd., whereby the latter agrees to lease land and construction thereon under six title deeds to the Company and the Company agrees to pay the rental to Global Asset Development Co., Ltd. In a total amount of Baht 1.69 million per month, from 1 January 2015 to 31 December 2017. In addition, the Company shall give a written notice to extend the agreement at least 90 days prior to the expiry date.

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

Operation support service agreement

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

Land and distribution center building lease agreement

On 1 March 2013, the Company entered into a lease agreement for lease of land and distribution center building with Global Asset Development Co., Ltd., whereby the latter agrees to lease land and distribution center building to the Company and the Company agrees to pay the rental to Global Asset Development Co., Ltd. At the rate stipulated in the agreement. The lease agreement is for a period of 20 years, from 1 November 2013 to 31 October 2033. The agreement states that the Company shall begin to pay the monthly rent from 1 November 2013 onwards. In addition, the Company shall give a written notice to extend the agreement at least 90 days prior to the expiry date.

On 18 April 2016, the Company entered into additional lease agreement for lease of land with Global Asset Development Co., Ltd., whereby the latter agrees to lease land to the Company and the Company agrees to pay the rental to Global Asset Development Co., Ltd. At the rate stipulated in the agreement. The lease agreement is for a period of 17 years and 6 months, from 1 May 2016 to 31 October 2033. The agreement states that the Company shall begin to pay the monthly rent from 1 May 2016 onwards. In addition, the Company shall give a written notice to extend the agreement at least 90 days prior to the expiry date.

Warehousing and logistics service agreement

The Company entered into a warehousing and logistics service agreement with M-Senko Logistics Company Limited (“M-Senko”), whereby the latter agrees to provide the service for the warehousing and logistics to the Company and the Company agrees to pay the service fee at the rate stipulated in the agreement. The agreement is effective from 1 July 2018 to 30 June 2019.

Directors and management’s benefits

During the three-month and six-month periods ended 30 June 2019 and 2018, 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			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Short-term employee benefits	38	36	76	72
Post-employment benefits	2	1	3	2
Total	40	37	79	74

During the six-month periods ended 30 June 2019 and 2018, the Company has no paid post-employment benefits to its directors and management.

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Cash	112,470	179,098	92,577	152,286
Bank deposits	192,543	546,105	147,758	469,282
Total	305,013	725,203	240,335	621,568

As at 30 June 2019, bank deposits in savings accounts carried interests between 0.10 and 0.40 percent per annum (31 December 2018: between 0.10 and 0.40 percent per annum).

4. Short-term investments

4.1 As at 30 June 2019 and 31 December 2018, short-term investments consisted of the following:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Fixed deposits	5,800,000	6,000,000	5,800,000	6,000,000
Investments in trading securities (Note 4.2)	3,618,025	3,086,422	2,970,567	2,306,345
Total	9,418,025	9,086,422	8,770,567	8,306,345

As at 30 June 2019, fixed deposits carried interests between 1.75 and 1.96 percent per annum (31 December 2018: 1.45 and 1.96 percent per annum).

- 4.2 Movements of investments in trading securities for the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2019	3,086,422	2,306,345
Purchases	11,315,752	9,634,952
Sales	(10,818,352)	(8,998,352)
Gain on sales of investments	14,966	8,454
Gain on change in value	19,237	19,168
Balance as at 30 June 2019	3,618,025	2,970,567

- 4.3 As at 30 June 2019 and 31 December 2018, investments in private funds are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	30 June 2019	31 December 2018
Deposits at financial institutions		
Fixed deposits	306,730	325,520
Deposits at financial institutions	306,730	325,520
Investments in available-for-sale securities		
Overseas marketable corporate bonds	639,000	639,000
Local corporate bond	331,040	261,889
Add (less): Gain (loss) on change in value	1,455	(2,676)
Add (less): Unrealised gain (loss) on exchange	(25,540)	12,040
Investments in available-for-sale securities - fair value	945,955	910,253
Total investments in private funds	1,252,685	1,235,773
Classified as:		
Other long-term investments (Note 8)	1,252,685	1,235,773

5. Trade and other receivables

	Consolidated		(Unit: Thousand Baht) Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	566	684	93,696	132,509
Total trade accounts receivable - related parties	566	684	93,696	132,509
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	32,737	32,680	28,622	26,375
Total trade accounts receivable - unrelated parties	32,737	32,680	28,622	26,375
Total trade accounts receivable	33,303	33,364	122,318	158,884
<u>Other receivables</u>				
Other receivables - related parties	2,412	2,260	21,725	19,167
Advances	16,087	10,718	13,898	9,825
Accrued interest receivable	57,641	33,355	57,641	33,355
Others	19,392	18,886	16,415	17,989
Total other receivables	95,532	65,219	109,679	80,336
Total trade and other receivables	128,835	98,583	231,997	239,220

6. 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: Thousand Baht) Dividend received during the six-month periods ended	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	
	2019	2018	2019	2018	2019	2018	2019	2018
			(Percent)	(Percent)				
MK Interfood Company Limited	400,000	400,000	100	100	299,050	299,050	300,000	280,000
MK Service Training Center Company Limited	35,000	35,000	100	100	52,430	52,430	52,500	28,000
International Food Supply Company Limited	280,000	280,000	100	100	280,000	280,000	-	-
Mark One Innovation Center Company Limited	60,000	60,000	100	100	60,000	60,000	-	-
Catapult Company Limited	1,000	-	100	-	1,000	-	-	-
Total					<u>692,480</u>	<u>691,480</u>	<u>352,500</u>	<u>308,000</u>

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

7. Investments in joint ventures

7.1 Details of investments in joint ventures

Investments in joint ventures represents investments in entities which are jointly controlled by the Company and other company. Details of these investments are as follows:

(Unit: Thousand Baht)

Joint venture	Nature of business	Paid-up capital	Shareholding percentage		Consolidated financial statements		Separate financial statements							
					Carrying amount based on equity method		Cost		Allowance for impairment loss		Carrying amount based on cost method - net			
					30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
					(Percent)	(Percent)								
Plenus and MK Pte Ltd.	Restaurant	12.5 million Singapore dollar	50.0	50.0	48,317	73,134	149,208	149,208	(51,126)	(51,126)	98,082	98,082		
M-Senko Logistics Co., Ltd.	Logistic	Baht 1,300 million	49.7	49.7	642,149	647,057	646,750	646,750	-	-	646,750	646,750		
Total					690,466	720,191	795,958	795,958	(51,126)	(51,126)	744,832	744,832		

.....Director
Rit Thirakomen

.....Director
Somchai Hanjitkasem

7.2 Share of loss

During the periods, share of loss from investments in joint ventures in the consolidated financial statements was as follows:

Joint ventures	(Unit: Thousand Baht)	
	Consolidated financial statements	
	Share of loss from investments in joint ventures for the six-month periods ended 30 June	
	2019	2018
Plenus and MK Pte Ltd	21,122	2,782
M-Senko Logistics Company Limited	4,908	44
	<u>26,030</u>	<u>2,826</u>

8. Other long-term investments

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	30 June 2019	31 December 2018
<u>Investments in private funds (Note 4.3)</u>		
Fixed deposits	306,730	325,520
Investments in available-for-sale securities	945,955	910,253
Total investments in private funds	<u>1,252,685</u>	<u>1,235,773</u>
<u>Other investment</u>		
Oversea non-marketable securities - cost	7,278	7,278
Less: Allowance for impairment	(7,278)	(7,278)
Other investment - net	-	-
Other long-term investments - net	<u>1,252,685</u>	<u>1,235,773</u>

As at 30 June 2019, fixed deposits carried interest at 2.56 percent per annum (31 December 2018: 2.56 percent per annum).

9. Property, plant and equipment

Movements in the property, plant and equipment account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2019	3,738,080	2,985,350
Acquisitions - at cost		
Decrease in accounts payable for purchases of equipment during the period	(41,504)	(29,384)
Cash paid for purchases of equipment	306,295	227,490
Total	264,791	198,106
Disposals and write-off - net book value at disposal and write-off date		
Proceeds from disposals of equipment	(2,191)	(7,414)
Loss on disposals of equipment	(3,074)	(2,263)
Loss on write-off of equipment	(6,735)	(6,735)
Total	(12,000)	(16,412)
Depreciation for the period	(355,381)	(274,672)
Net book value as at 30 June 2019	3,635,490	2,892,372

10. Intangible assets

Movements in the intangible assets account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2019	89,302	84,019
Acquisitions during the period - at cost	12,885	12,831
Amortisation for the period	(8,691)	(8,273)
Loss on write-off	(10)	(10)
Net book value as at 30 June 2019	93,486	88,567

11. Leasehold rights

Movements in the leasehold rights account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2019	248,521	233,912
Acquisition during the period - at cost	404	404
Amortisation for the period	(22,769)	(21,768)
Net book value as at 30 June 2019	<u>226,156</u>	<u>212,548</u>

12. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Trade accounts payable - related party	-	-	20,144	30,978
Trade accounts payable - unrelated parties	471,822	614,692	456,559	599,124
Other payables - related parties	31,516	45,347	45,267	48,458
Other payables - unrelated parties	106,563	115,372	94,862	105,777
Accounts payable for purchases of plant and equipment	103,999	148,666	85,134	116,700
Accrued expenses	813,066	989,598	652,167	814,153
Derivative contract payable	-	9,924	-	9,924
Others	21,760	21,811	19,851	20,185
Total	<u>1,548,726</u>	<u>1,945,410</u>	<u>1,373,984</u>	<u>1,745,299</u>

13. Provision for long-term employee benefits

Movements in the provision for long-term employee benefits account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
As at 1 January 2019	465,501	431,648
Expenses recognised during the period	28,425	25,744
Benefit paid during the period	(1,855)	(1,855)
As at 30 June 2019	<u>492,071</u>	<u>455,537</u>

14. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and six-month periods ended 30 June 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current income tax:				
Interim corporate income tax charge	138,852	168,063	115,106	151,165
Adjustment in respect of income tax of previous year	(653)	2,912	(352)	2,020
Deferred tax:				
Relating to origination and reversal of temporary differences	5,940	(23,690)	6,307	(23,367)
Income tax expenses reported in the income statements	<u>144,139</u>	<u>147,285</u>	<u>121,061</u>	<u>129,818</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current income tax:				
Interim corporate income tax charge	286,028	302,908	240,251	270,926
Adjustment in respect of income tax of previous year	(653)	2,912	(352)	2,020
Deferred tax:				
Relating to origination and reversal of temporary differences	12,501	(19,045)	13,053	(18,519)
Income tax expenses reported in the income statements	<u>297,876</u>	<u>286,775</u>	<u>252,952</u>	<u>254,427</u>

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2019 and 2018 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax relating to changes in value of available-for-sale investments	321	(523)	826	(322)

15. Earnings per share

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

16. Dividends

Dividend declared for the six-month periods ended 30 June 2019 and 2018 consist of the following:

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
<u>Year 2019</u>				
Final dividend on 2018 profit	Annual General Meeting of the shareholders on 29 April 2019	1,197	1.3	23 May 2019
Total		<u>1,197</u>	<u>1.3</u>	
<u>Year 2018</u>				
Final dividend on 2017 profit	Annual General Meeting of the shareholders on 27 April 2018	1,105	1.2	23 May 2018
Total		<u>1,105</u>	<u>1.2</u>	

17. 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, manufacture and distribution of foods and research and development of technology and innovation of food and beverage products. Their operations are carried on in geographical areas of Thailand. However, the restaurant business in Thailand is the main business segment and the segment information that has been considered based on a quantitative basis is over 90 percent of operating segments and geographical areas. For this reason, the chief operating decision maker considers aggregating the operating segments into one reportable segment of restaurant operation.

Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

18. Commitments and contingent liabilities

18.1 Capital commitments

As at 30 June 2019, the Company had material capital commitment in respect of software license and installation fee of Baht 56.5 million (31 December 2018: Baht 59.6 million).

18.2 Operating lease and service commitments

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

As at 30 June 2019, future minimum payments required under these non-cancellable operating lease and service contracts were as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Payable within:		
Less than 1 year	1,553	1,243
1 year to 5 years	1,490	1,234
More than 5 years	243	237

18.3 Futures contracts

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

18.4 Guarantees

18.4.1 Bank guarantees

As at 30 June 2019, there were outstanding letters of guarantee issued by the banks on behalf of the Company and its subsidiaries of approximately Baht 21.3 million (31 December 2018: Baht 21.2 million), in respect of certain performance bonds as required in the normal course of businesses. These included letters of guarantee amounting to Baht 8.3 million (31 December 2018: Baht 8.3 million) to guarantee payments due to creditors and Baht 13.0 million (31 December 2018: Baht 12.9 million) to guarantee electricity use.

18.4.2 Guarantees to related party

As at 30 June 2019, the Company had guaranteed bank credit facilities of International Food Supply Co., Ltd. (“a subsidiary”) of Baht 45 million (31 December 2018: Baht 45 million).

19. Foreign currency risk

The Company’s exposure to foreign currency risk arises mainly from short-term investments that are denominated in foreign currencies. The Company enters into forward exchange contracts to hedge such risk.

The balances of financial assets denominated in foreign currencies as at 30 June 2019 are summarised below.

Foreign currency	Amount	Exchange rates as at 30 June 2019
	(Million)	(Baht per foreign currency unit)
US dollar	30	30.5733
Yen	1	0.2818

Forward exchange contracts outstanding as at 30 June 2019 are summarised below.

Foreign currency	Sold amount	Contractual maturity date	Contractual exchange rate
	(Million)		(Baht per foreign currency unit)
US dollar	30	June and October 2020	31.95 - 32.62

20. Fair value hierarchy

As of 30 June 2019, the Company and its subsidiaries had the assets that were measured at fair value as follows:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	Level 2	Level 2
Financial assets measured at fair value		
Investments in trading securities - debt instruments	3,618	2,971
Available-for-sale investment - debt instruments	946	946
Derivatives - forward exchange contracts - gain	49	49

During the current period, there were no transfers within the fair value hierarchy.

21. Events after the reporting period

On 13 August 2019, the Meeting of the Board of Directors of the Company passed the following resolutions.

- To approve an interim dividend payment in respect of the profit for the six-month period ended 30 June 2019 to the Company's shareholders at Baht 1.3 per share, totaling Baht 1,197.1 million, which will be paid to the shareholders on 11 September 2019.
- To approve an additional investment in M-Senko Logistics Co., Ltd. in the proportion of the Company of Baht 223.7 million, in which the Company's shareholding remains at 49.7 percent of share capital.

22. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 13 August 2019.