

NO. AC. 003/2017

11 August 2017

Subject: Clarification of changes in operating performance of more than 20%

To: The President of the Stock Exchange of Thailand

M.K. Real Estate Development Plc. would like to inform the financial performance for the second quarter ended 30 June 2017. The Company and its subsidiary reported a net profit of THB 24.02 million or earnings per share of THB 0.02, a decrease of THB 22.39 million or 48.25%. Details were as follows:

	2017	2016	Increase (Decrease)	%
<b>Unit : THB'000</b>				
<b>Operating Results : 2nd Quarter</b>				
Revenue from sales of real estate	602,001	615,657	(13,656)	(2.22)
Total revenues	687,009	675,185	11,824	1.75
Total expenses	658,411	627,006	31,405	5.01
Gross profit	227,598	229,555	(1,957)	(0.85)
Net profit	24,017	46,410	(22,393)	(48.25)
Gross profit margin (%)	33.73	34.46	(0.73)	(2.12)
Net profit margin (%)	3.50	6.87	(3.38)	(49.14)
<b>Per Share (Baht)</b>				
Net profit per share	0.02	0.05	(0.02)	

The decrease in operating performance when comparing with the same period of last year was caused by the following reasons:

- (1) Total revenues were THB 687.01 million, an increase of THB 11.82 million or 1.75% derived from the main business of the Company and its subsidiaries as follows:
  - Decrease in sale of real estate business by THB 13.66 million or 2.22% when comparing to the same period of last year. However, revenue realized from sale of low-rise housing units increased THB 46.03 million or 10% yoy, revenue from land sale declined by THB 59.69 million or 38.24%. Gross margin derived from this segment down by THB 15.09 million or 7.4%

- Revenue from rent and service was THB 49.16 million comparing to THB 28.17 million reported during the second quarter of last year, an increase of THB 20.99 million or 74.52% due to an increase in rent and service income from warehouse/factory space. This was a result from diversifying the Company's business risk by expanding into recurring income business. The Company's gross margin in this segment was THB 28.44 million, an increase of 85.74% from the same period of last year which was reported at THB 15.31 million.
- (2) The Company recorded total costs and expenses of THB 658.41 million, increase by THB 31.41 million or 5.01%. The increase in total costs and expenses was higher than the growth in revenue (83.30%). The Government stimulus measures by providing financial support to housing loan, reducing transfer fee and mortgage fee. The measures ended in April 2016. This caused transfer fees during the first 4 months of this year higher than that of the previous year. In addition, the Company and its subsidiaries incurred financial costs during the development of real estate projects which can generate revenue when these projects completed.

The company's financial results during the first half of 2017 can be summarized as follows:

	<b>Unit : THB'000</b>			
	<b>2017</b>	<b>2016</b>	<b>Increase (Decrease)</b>	<b>%</b>
<b>Operating Results : 1st half year</b>				
Revenue from sales of real estate	1,185,083	1,121,251	63,832	5.69
Total revenues	1,359,066	1,286,951	72,115	5.60
Total expenses	1,302,360	1,141,309	161,051	14.11
Gross profit	475,359	437,660	37,699	8.61
Net profit	50,636	140,824	(90,188)	(64.04)
Gross profit margin (%)	35.85	35.82	0.03	0.09
Net profit margin (%)	3.73	10.94	(7.22)	(65.95)
<b>Per Share (Baht)</b>				
Net profit per share	<b>0.05</b>	<b>0.14</b>	<b>(0.09)</b>	

During the first 6 months of this year, total revenues were THB 1,359.07 million, an increase of THB 72.12 million or 5.60% yoy. For the Company's main business, sale of real estate business increased by THB 63.83 million despite the slowdown of real estate sector in Thailand and none of the Government stimulus

measures. In addition, revenue from rent and service increased by THB 39.58 million. Overall gross margin improved by THB 37.70 million. The Company was able to maintain the gross margin to be the same level of previous year. However, the Company realized financing costs of developing projects as expenses and income derived from the reversal of liabilities (which already passed the legal deadlines) in 2016, these caused net profit for the first half of 2017 declined by THB 90.19 million, or 64.04% when comparing with the same period of last year.

Please be informed accordingly.

Yours sincerely,

( Mrs. Sutida Suriyodorn)  
Deputy Managing Director