

NO. AC. 001/2018

28 February 2018

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 results for the year ended 2017. The Company and its subsidiary reported a net profit of THB 233.25 million or earnings per share of THB 0.24, comparing to a net profit of THB 350.79 million or earnings per share of THB 0.35 in 2016, a decrease of THB 117.54 million or 33.51%. Details were as follows:

Unit : THB'000				
Operating results	2017	2016	Increase (Decrease)	%
Real Estate				
Revenue from sale of real estate	2,765,321	2,647,552	117,769	4.45
Gross Profit : Reals estate	904,529	896,131	8,399	0.94
Gross profit margin (%)	32.71	33.85	(1.14)	(3.36)
Rental and other services				
Revenue from rental & other services	195,894	129,848	66,046	50.86
Gross Profit : Rental & other services	107,139	67,739	39,400	58.16
Gross profit margin (%)	54.69	52.17	2.52	4.84
All bussiness				
Sales & Sevices revenue	3,064,495	2,870,863	193,633	6.74
Gross profit	1,058,006	1,006,730	51,277	5.09
Gross profit margin (%)	34.52	35.07	(0.54)	(1.55)
Total revenue	3,264,365	3,081,285	183,080	5.94
Total Cost & Expense	3,012,725	2,721,688	291,037	10.69
Selling & Admin. Expense	702,236	595,648	106,588	17.89
Finance cost	222,087	147,464	74,623	50.60
Net profit	233,251	350,794	(117,543)	(33.51)
Net porofit margin (%)	7.15	11.38	(4.24)	(37.24)
Net profit per share (Baht)	0.24	0.35	(0.11)	

The main businesses of the Company and its subsidiaries consisted of:

(1) Sale of real estate business

Revenue derived from sale of real estate business, MK's main business, increased by THB 117.77 million or 4.45%. Total sale was THB 2,765.32 million in 2017 comparing to the sale that the Company generated last year was THB 2,647.55 million. This year, the Company recognized sale not only from its low-rise housing projects but also from the Park Court condominium units. The company had number of bookings which would be able to realize revenue in the following years. In 2017, MK improved some of the housing projects to stimulate sale; therefore, gross profit margin from sale of real estate was slightly decreased. However, the Company generated gross profit of THB 904.53 million, an increase of THB 8.4 million or 0.94% when comparing to the year 2016.

(2) Rent and service business

In 2017, The Company and its subsidiaries realized revenue from rent and service of THB 195.90 million, increased from THB 129.85 million of its previous year by THB 66.05 million or 50.86%. The majority of rent and service revenue came from leasing warehouse/factory space by Prospect Development Co., Ltd. ("Prospect"), its subsidiary. Gross profit generated from this business was 107.14 million, an increase of THB 39.40 million or 58.16% comparing to the same period of last year which was reported at THB 67.74 million. In addition, Park Court Project which was operated by Munkong Living Co., Ltd. started to record revenue from rent and service during end of the year. With the two projects that MK had on hand, MK Group could increase the proportion of rent and service continuously.

(3) Golf and property management business

Revenue from golf and property management business in 2017 was THB 81.27 million, increased from THB 71.74 million last year. Its gross profit increased THB 7.48 million or increased by 27.3% from year 2016. The Company constructed a new club house, the new development would help to reposition golf course to a competitive level and serve the customers' needs. The Company targeted to generate higher income from green fee, golf cart rent fee and food and beverage income. In addition to increase golf revenue, this will help to improve the Company's image and surrounding housing projects. The new club house already started operation during February 2018.

From the financial performance of MK's main business, this indicated that MK Group not only had growth potential but also improved in gross profit margin in every business units, especially on its recurring business which contributed significant income. During 2017, MK focused on re-positioning its real estate business and adjusting revenue structure so that the Group will have a more growth in the recurring income. This caused MK to incur higher expenses when comparing to year 2016 which were as follows:

1) Selling and Administrative Expenses

In 2017, Selling and Administrative Expenses increased THB 106.59 million, 17.89%. The percentage increase in selling expenses was in line with the percentage increase in sales. However, selling expenses of total sale in 2017 increased 0.9% when comparing to the year 2016 (in 2016: 8.2% / in 2017: 9.1%). This was due to an increase in promotion expenses to stimulate sale. In 2017, 5 low-rise housing projects was launched together with Park Court Project which was launched at the end of the year.

For administrative expenses, they increased by THB 63.66 million. The percentage administrative expenses by total sale was 13.9% increase by 1.3% when comparing to the year 2016 (in 2016: 12.6% / in 2017: 13.9%). The increase of administrative expenses was due to the renovation of its housing projects and common area readily for handing over to the juristic person. In addition, MK gave the priority to the after sale service as well as the project security. The Company believed that this would help to enhance the Company's image and increase sale. Aside from this, MK also focused on improving the work efficiency of its employees which, in turn, provided good services to customers. As a result, MK incurred expenses on training, retain consultants from various fields, such as marketing, information technology, legal, accounting and risk management. MK also made investment in information technology in both hardware and software to improve work efficiency. And this will help reduce operating expenses in the long-term. MK had increased overall compensation to its employees to improve moral, and maintain good employees. Hopefully, this would help MK to identify capable candidate to join the Company.

2) Financial costs

The Company had set strategy to grow from sale of real estate, especially low-rise housing projects. In the meantime, the Company diversified into recurring business which could provide steady income in the long-term. During the past two years, the Company invested in the projects

that generated revenue from rent and service which were (1) Prospect Development Co., Ltd., constructed warehouse/factory for lease and (2) Munkong Living Co., Ltd. completed Park Court Project (Phase A), a high-end residential condominium for both sale and lease. In addition, the Company invested in constructing new club house in golf course. All of these caused the Company incur financial costs of THB 222.09 million in 2017, increase by THB 74.62 million when comparing to the year 2016.

In 2017, MK had proportion of revenue from rent and service to total revenue increase by 9.8% from only 2.7% in 2015. For overall performance, the Company reported a net profit of THB 233.25 million in 2017

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodom)

Senior Executive Vice President