

NO. AC.004/2018

13 November 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 third quarter of 2018 which ended on 30 September 2018. The Company and its subsidiary reported a net profit of THB 1.39 million or earnings per share of THB 0.001, comparing to a net profit of THB 34.81 million or earnings per share of THB 0.035 during the third quarter last year, a decrease of THB 33.42 million or 96.01%. Net profit for the first 9 months of 2018 was THB 172.31 million, an increase of THB 86.87 million or 101.67% when comparing with the same period of last year. Earnings per share increased from THB 0.086 per share to THB 0.174 per share. Details were as follows:

	3rd quarter				9 months			
	2018	2017	Increase (Decrease)	%	2018	2017	Increase (Decrease)	%
Unit : THB'000								
Operating Results								
Revenue from sales of real estate	633,094	577,164	55,930	9.69	3,039,595	1,762,247	1,277,348	72.48
Total revenues	755,838	702,991	52,847	7.52	3,402,701	2,062,058	1,340,643	65.01
Total expenses	746,891	662,055	84,836	12.81	3,213,297	1,964,416	1,248,881	63.58
Selling & Admin. Expense	208,270	151,667	56,603	37.32	682,955	481,877	201,078	41.73
Finance cost	74,294	59,602	14,692	24.65	217,357	160,371	56,986	35.53
Gross profit	278,414	220,013	58,401	26.54	1,073,287	695,372	377,915	54.35
Net profit	1,389	34,805	(33,416)	(96.01)	172,306	85,440	86,866	101.67
Gross profit margin (%)	37.99	33.69	4.30	12.76	32.30	35.14	(2.84)	(8.08)
Net profit margin (%)	0.18	4.95	(4.77)	(96.29)	5.06	4.14	0.92	22.21
Per Share (Baht)								
Net profit per share	0.001	0.04	(0.03)	-	0.174	0.086	0.088	

For the third quarter of 2018, the significant items which caused the Company's financial performance different from the same period of last year were as follows:

- 1) Revenue from sale and service was THB 732.80 million, increase by THB 79.83 million or 12.22%. The revenue from the main businesses of the Company and its subsidiaries as follows:
 - Sale of real estate business was THB 633.09 million or increased by THB 55.93 million or 9.69% when comparing to the same period of last year. For this quarter, the Company reported revenue less than its first and second quarter of this year. During the first half, the Company launched new

projects which were ready to transfer and these housing units were well fit with customers' demand. As a result, sale and transfer units were higher than MK's projection. In addition, the Company was able to complete sell of all units in some of the existing projects. For the third quarter, some of the existing projects did not have enough housing units for sale to customers and construction were underway. In some projects, number of backlogs were satisfactory and these would be recorded as revenue in the next quarter. However, the Company was able to realize revenue from its housing projects THB 588.39 million which was higher than that of the same period of last year by THB 13.73 million or 2.39%. The Company recorded additional sale from Park Court units for a total of THB 44.7 million. All of these made the Company's gross profit margin from its real estate for sale business was 36.2% in this quarter.

- Revenue from rent and service was THB 62.89 million, an increase of THB 12.52 million or 24.85%. The majority of revenue from rent and service was come from leasing space of warehouse/factory in Bangkok Free Trade Zone Project (by Prospect Development Co., Ltd.) for an amount of THB 52.43, THB 6.12 million or 13.21% higher than the same period of last year. Prospect was able to maintain its gross margin higher than 50%. In addition, the Company realized revenue from leasing apartment units of Park Court Project. Gross profit derived from this business was THB 33.80 million, an increase of THB 10.43 million or 44.62%.
 - Revenue from golf course increased 39.68% when comparing to the same period of last year. The Company achieved the higher growth rate in every quarter since the golf club's renovation in February 2018. For property management business, operated by Yours Property Management Co., Ltd.- one of Mk's subsidiaries, revenue generated by Yours was not significant but growth rate was satisfactory. In addition, Yours supported property management services in other MK's main business.
- 2) In this quarter, the Company recorded total costs and expenses of THB 746.89 million, increase by THB 84.84 million or 12.81%, when comparing to the same period of las year. Details were as follow:
- Selling and Administrative Expenses increased THB 56.60 million or 37.32%.
 - Selling expenses increased by THB 21.33 million. The selling expenses of sale and service was 11.2% higher than 9.3% when comparing to the third quarter of 2017. In this quarter, the Company incurred expenses from newly launched housing projects and this helped to stimulate sales.
 - Administrative expenses increased by THB 35.28 million. Of which, more than 50% came from one-time expenses consisting of :

- (1) THB 12.16 million expenses incurred from delivering utilities, including land and building to juristic person of MK housing project. Even though this juristic person was founded since 1997, the Company had to comply with the Land Act 2000 which the outcome was retroactive.
- (2) THB 3.80 million for engaging Independent Financial Advisor.
- (3) THB 2.53 million for specific tax (which did not receive tax-exempted).

Besides, the Company recorded depreciation expense from golf course business and amortization of lease rights from the land that the Company used to develop new head office. All of these are non-cash expenses. If the Company excluding one-time expenses as above, the expenses of revenue from sale and service was 14.66%, only 0.78% higher than the same period of last year.

- 3) Financial costs increased by THB 14.69 million or 24.65% comparing to the same period of last year. MK, as parent Company, gave financial support to its subsidiaries in the beginning. After the subsidiaries operated for a period of time and had a favorable track record, these subsidiaries would seek financial directly from financial institutions. They would be less dependent on their parent company. This would help MK Group increase its working capital overall. However, the percentage of financial costs over total sale and service income for the first 9 months of this year was 6.5%, declining from 8.1% of the previous year. However, the Company gave priority to maintain interest-bearing debt to equity ratio in an optimal level. At the end of the third quarter, interest-bearing debt to equity ratio was 1.22.

During the first 9 months of this year, total revenues increased by THB 1,277.35 million. For the Company's main business, sale of real estate business, including golf course improved continuously. Therefore, MK Group reported revenue for an amount of 3,402.70 million, increased by THB 1,340.64 million or 65.01% when comparing to the same period of last year. Overall gross margin improved by THB 377.92 million. The percentage increase in overall costs and expenses was less than percentage increase in revenue; therefore, net income of the Group increased.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President