

NO. AC. 01/2019

22 February 2019

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 its financial results for the year 2018 which ended on 31 December 2018. The Company and its subsidiaries reported a net profit of THB 305.93 million or earnings per share of THB 0.31, comparing to a net profit of THB 233.25 million or earnings per share of THB 0.24 last year, an increase of THB 72.67 million or 31.16% when comparing with the year 2017. Details were as follows:

Unit : THB'000				
Operating results	2018	2017	Increase (Decrease)	%
Real Estate				
Revenue	4,152,925	2,765,321	1,387,604	50.18
Gross Profit	1,287,804	904,529	383,274	42.37
Gross profit margin (%)	31.01	32.71	(1.70)	(5.20)
Rental and other services				
Revenue	252,137	195,894	56,243	28.71
Gross Profit	136,320	107,139	29,180	27.24
Gross profit margin (%)	54.07	54.69	(0.63)	(1.15)
Golf Services & Property Management				
Revenue	141,745	103,281	38,465	37.24
Gross Profit	61,130	46,338	14,793	31.92
Gross profit margin (%)	43.13	44.87	(1.74)	(3.88)
All bussiness				
Sales & Sevices revenue	4,546,807	3,064,495	1,482,312	48.37
Gross profit	1,485,253	1,058,006	427,247	40.38
Gross profit margin (%)	32.67	34.52	(1.86)	(5.38)
Total revenue	4,713,138	3,264,365	1,448,772	44.38
Total Cost & Expense	4,385,762	3,012,725	1,373,037	45.57
Selling & Admin. Expense	947,221	702,236	244,984	34.89
Finance cost	296,498	222,087	74,410	33.50
Net profit	305,925	233,251	72,674	31.16
Net porofit margin (%)	6.49	7.15	(0.65)	(9.16)
Net profit per share (Baht)	0.31	0.24	0.07	

Total revenue was THB 4,546.81 million, an increase of THB 1,482.31 million or 48.37%. The main businesses of the Company and its subsidiaries were as follows:

(1) Real Estate Business

Sale of real estate business was THB 4,152.93 million, an increase of THB 1,387.60 million or 50.18% when comparing to the year 2017. The Company recorded sale of vacant land which the Company had not planned for development in the short-term. Gross margin derived from real estate business was higher than the previous year for an amount of THB 383.27 million. Its gross margin for this year was 31.01%. Revenue generated from single family housing projects and low-rise condominium units were THB 2,853.81 million, higher than last year which was THB 2,653.52 million. The Company had a number of backlogs which the units were under construction from its newly launched projects during the fourth quarter of 2018 and from its existing projects. In addition to the continuous growth of its housing development, the gross profit margin this year was 34.7% which was higher than 32.6% recorded in the previous year. The Company had a higher contribution from sale of Park Court units.

(2) Rent and Service Business

This year, revenue from rent and service business was THB 252.14 million, an increase of THB 56.24 million or 28.71% from the previous year of THB 195.89 million. Revenue from rent and service came from leased spaces of warehouse/factory in Bangkok Free Trade Zone Project (by Prospect Development Co., Ltd.) increased significantly. Prospect's revenue increased from THB 17 million per quarter for the year 2015 to almost THB 60 million per quarter this year. Gross profit margin was 58.3% in the fourth quarter of 2018. As of 31 December 2018, Prospect had a total warehouse/factory area of 125,000 sq.m. for lease. Prospect planned to own approximately 285,000 sq.m. of warehouse/factory space for lease when the project is fully developed. In addition, Park Court Project operated by Munkong Living, had apartment units for lease as well. Revenue of rent and service derived from Park Court Project increased continuously. Total gross profit from rent and service business this year was THB136.32 million, an increase of THB 29.18 million or 27.24%.

(3) Golf Course and Property Management Business

Revenue from golf course was THB 109.25 million, an increase of THB 27.98 million when comparing to last year, or 34.4% due to the opening of the new club house in February 2018. The new club house was enable the Company to increase its competitive advantage in services of both golf course and restaurant. The Company was able to maintain the same gross margin as the previous year. For the property management business operated by Yours Property Management Co., Ltd, revenue and gross profit increased continuously. In addition, there was

another revenue form property management business which was operated by Prospect Development. The operation of both companies helped to improve MK Group's image.

This year, MK and its subsidiaries were able to grow every business and maintain gross profit margin in the same level of its previous year. As a result, total gross profit increased THB 427.25 million when comparing to its previous year. The Company recorded total costs and expenses of THB 4,385.76 million, increase by THB 1,373.04 million or 45.57%, when comparing to the same period of last year. In addition, the Company realized loss of THB 25.98 million from Samakkee Cement Co., Ltd. – an associated company that MK owned 40.64%. Details were as follow

(1) Selling and Administrative Expenses

Selling and administrative expenses increased THB 244.98 million or 34.89%. The increase of these expenses were in line with the increase in revenue such as transfer fee, specific tax and other fees etc. However, the percentage of selling and administrative expenses to revenue was 20.8% for this year, which was lower than 22.9% of the previous year. Besides, the Company recorded a higher 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.

(2) Financial Costs

Financial costs increased by THB 74.41 million or 33.5% 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 this year was 6.5%, declining from 7.2% 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 year, interest-bearing debt to equity ratio was 1.17.

During the past 3 years, MK Group was able to improve its gross profit margin continuously and increase the service income over total revenue (excluding sale of vacant land) from the proportion of 4.5% at the end of year 2015 to 17.3% in 2018. This was align with business restructuring of MK Group. The objectives were to reduce the business risk and increase revenue from recurring business in the long-term. Real estate business of low-rise housing projects and condominium project remained the Company's main business. The Company was able to grow continuously during the past three years. In 2018, gross profit was THB 990.7 million, an increase of THB 265.36 million or 36.6% from year 2015. During its business restructuring, the Company

made a lot of investment in recurring business. In parallel, the Company was also concentrated on increase revenue of real estate business by improving the quality of the housing construction and after sale services. The Company also focused on training its employees and improve working procedure to be more effectively. As a result, these caused an increase of selling and administrative expenses as well as financial costs. Nevertheless, MK Group reported a net profit of THB 305.93 million for the year 2018.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President