

NO. AC.03/2022

17 May 2022

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 present its financial results for the first quarter of 2022 which ended on 31 March 2022. The Company and its subsidiaries reported a net loss of THB 104.66 million or a loss per share of THB 0.096, comparing to a net loss of THB 102.41 million or loss per share of THB 0.094 for the same period of last year, an increase in loss of THB 2.25 million or 2.20% when comparing with the first quarter of 2021. Details are as follows:

Unit : THB'000				
Operating results :	Q1-22	Q1-21	Increase (Decrease)	%
Real Estate				
Revenue	331,762	448,005	(116,243)	(25.95)
Gross Profit	92,063	122,088	(30,025)	(24.59)
Gross profit margin (%)	27.75	27.25	0.50	1.83
Rental and Property Management				
Revenue	102,555	91,390	11,165	12.22
Gross Profit	61,145	45,822	15,323	33.44
Gross profit margin (%)	59.62	50.14	9.48	18.91
Golf & Sport club Services				
Revenue	30,773	27,661	3,112	11.25
Gross Profit	14,433	12,211	2,222	18.20
Gross profit margin (%)	46.90	44.15	2.76	6.24
Health & Wellness				
Revenue	9,350	4,482	4,868	108.61
Gross Profit	(26,661)	(21,651)	(5,010)	23.14
Gross profit margin (%)	(285.14)	(483.07)	197.92	
All bussiness				
Sales & Sevices revenue	474,440	571,538	(97,098)	(16.99)
Gross profit	140,980	158,470	(17,490)	(11.04)
Gross profit margin (%)	29.72	27.73	1.99	7.17
Total revenue	534,711	594,630	(59,919)	(10.08)
Total Cost & Expense	642,418	702,780	(60,362)	(8.59)
Cost of Goods Sold	333,460	413,068	(79,608)	(19.27)
Selling & Admin. Expense	202,904	209,764	(6,860)	(3.27)
Finance cost	127,839	105,229	22,610	21.49
Net profit	(104,663)	(102,414)	(2,249)	2.20
Net porofit margin (%)	(19.57)	(17.22)	(2.35)	
Net profit per share (Baht)	(0.096)	(0.094)	(0.002)	

Total revenue from sales and services was THB 474.44 million, a decrease of THB 97.10 million or -16.99%. The performances of each of the main businesses of the Company and its subsidiaries are as follows:

(1) Real Estate Business

For the first quarter of 2022, revenues from real estate business were THB 331.76 million, a decrease of THB 116.24 million or -25.95% when comparing to the same period of last year which saw revenues of THB 448.00 million. Gross profit for the first quarter of 2022 was THB 92.06 million (a gross margin of 27.75%), a decrease of THB 30.03 million or -24.59% when comparing to the same period of last year. The reasons for a decline in revenues and gross profit were the economic conditions which had yet to recover from the negative impact of Covid-19. Moreover, as the inflation rate has risen due to rising energy cost and commodity prices, it impacts affordability as middle class people tend to have higher debt burdens. Middle class people are the primary target customers of MK for housing priced in the range of 2-3 million Baht per unit. Many of those customers chose to delay their buying decisions which affected the company's housing sales. In the meantime, MK gave its priority to cost control as well as the management of housing inventory and financial liquidity. Nevertheless, there are some positive developments. For example, in April 2022, the Bank of Thailand announced the decision to keep the policy interest rate at 0.5% per year to stimulate the economic recovery. It is expected that Thailand's economy will start to recover in the second half of 2022. In addition, the government has continued the measures to help the real estate sector such as the reduction of the housing transfer fee to 0.01% while the Bank of Thailand also has further eased the loan-to-value (LTV) ratio for mortgage lending. MK also adopted marketing strategies on price and promotions to attract customers. Given the abovementioned positive factors, it should encourage consumers in their buying decisions, which will result in higher housing revenue for the company for the next quarter and for the second half of the year.

(2) Rental and Service Business

For the first quarter of 2022, revenues from rental and service business were THB 102.56 million, an increase of THB 11.17 million or +12.22% when comparing to the same period of last year which saw revenues of THB 91.39 million. Gross profit for the first quarter of 2022 was THB 61.15 million (a gross margin of 59.62%), an increase of THB 15.32 million or +33.44% when comparing to the same period of last year. An increase in revenues came primarily from an increase in rental revenues from the Bangkok Free Trade Zone project held under Prospect Development Co., Ltd.'s ("Prospect"). Prospect reported rental revenues of THB 77.35 million, increasing by THB 19.91 million (+34.66%) from the same period last year. More space has been developed which brought the total available space for rent to 164,242 sq.m., an increase of 32,425 sq.m compared with the same quarter last year. The occupancy rate was kept at a relatively high level at 93%. The warehousing business has also proved less vulnerable to the effects of COVID-19 and continued to grow in line with the

company's business plan. Prospect also received management revenues for managing 3 funds including the Prospect Industrial Leasehold Real Estate Investment Trust ("Prospect REIT") with 222,203 sq.m rental area under management and 2 other REITs of MK's affiliate companies. For the quarter, Prospect reported revenue from property management of THB 16.58 m, increasing by THB 5.69 million

(3) Golf & Sport club Services

For the first quarter of 2022, revenues from golf & sport club services were THB 30.77 million, an increase of THB 3.11 million or +11.25% when comparing to the same period of last year which saw revenues of THB 27.66 million. Gross profit for the first quarter of 2022 was THB 14.43 million (a gross margin of 46.90%), an increase of THB 2.22 million or +18.20% when comparing to the same period of last year. Flora Ville Golf and Country Club gained positive momentum from the less severe impact of the Covid-19 pandemic. Despite the fact that Thailand has still not fully opened up to foreign travelers, the local traffic of golfers has picked up sharply. For this quarter, the golf course reported highest golfers and golf carts usage compared to figures of any other first quarters since its opening. MK emphasized online advertising media which proved to be very effective. There were many seasonal events held at the golf course to attract golfers which makes the Flora Ville golf course to be better recognized among Thai golfers. The quality and level of services were also being raised to make golfers more satisfied. The golf course has been well maintained with high standards comparable to any other well-known golf course in Thailand. In addition, MK has emphasized strict pandemic controls which have created high confidence from golfers. Together with cost control measures, for this quarter, MK reported its highest quarterly profit for the golf course since its inception.

(4) Health and Wellness Business

For the first quarter of 2022, revenues from health and wellness business were THB 9.35 million, an increase of THB 4.87 million or +108.61% when comparing to the same period of last year which saw revenues of THB 4.48 million. Gross loss for the first quarter of 2022 was THB 26.66 million, an increase of THB 5.01 million or 23.14% when comparing to the same period of last year. Although the COVID-19 pandemic crisis has eased compared to the year before, with the spread of the COVID-19 omicron variant at the beginning of the year, the government continued to impose restrictions on inbound foreign visitors which are the main target customers of the RAKxa project, the main health and wellness operation of MK. This meant that MK was unable to implement its strategy to target inbound foreign customers in 1Q2022. The company then turned to focus specifically on local customers which proved to be the right decision. Revenues for the first quarter doubled as compared to the same quarter last year which mostly came from domestic customers. RAKxa continued to use cost control and expense reduction measures which resulted in an improvement in the operating results. Nonetheless, the company still operated at a loss for the quarter, but showed some positive signs of improvement.

In the meantime, MK has made a decision to expand its health and wellness business to cover a full range of services. MK has entered into a joint-venture agreement with Vitallife Allianz Co., Ltd. (VitalLife) which is a wholly-owned subsidiary of Bumrungrad Hospital, one of Thailand's leading international hospitals. The joint-venture company, called "Health & Wellness Venture Co., Ltd.," aims to expand into the "wellness and prevention" business which is a new trend and seen as an important driver of the health and wellness business going forward.

In summary, MK reported a net loss for the quarter that was comparable to the same quarter last year with management continuing its efforts to combat a challenging revenue environment through effective cost control and expense reduction. It is important to note that the company was able to conduct its business in line with its original business plan despite the lingering effects of COVID-19 and poor local economic conditions. MK expects the economy to pick up during the second half of the year following the easing of foreign tourist inbound restrictions together with the fact that the inflation rate is expected to be moderate later in the year, helping to propel the company's businesses towards the year end.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President