

NO. AC. 04/2022

15 August 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 report its financial results for the second quarter of 2022 which ended on 30 June 2022. The Company and its subsidiaries reported a net loss of THB 109.38 million or a loss per share of THB 0.10, comparing to a net loss of THB 68.90 million or loss per share of THB 0.06 for the same period of last year, an increase in loss of THB 40.48 million. Details are as follows:

Operating Results	2nd quarter				6 months			
	2022	2021	Increase (Decrease)	%	2022	2021	Increase (Decrease)	%
	Unit : THB'000							
Residential Property								
Revenue	322,974	400,274	(77,300)	(19.31)	654,736	848,278	(193,542)	(22.82)
Gross Profit	91,764	109,068	(17,304)	(15.87)	183,827	231,155	(47,328)	(20.47)
Gross profit margin (%)	28.41	27.25	1.16	4.27	28.08	27.25	0.83	3.03
Industrial Property								
Revenue	108,610	108,654	(44)	(0.04)	211,165	200,044	11,121	5.56
Gross Profit	65,765	57,847	7,918	13.69	126,910	103,669	23,241	22.42
Gross profit margin (%)	60.55	53.24	7.31	13.73	60.10	51.82	8.28	15.97
Golf & Sport club								
Revenue	31,670	20,889	10,781	51.61	62,443	48,550	13,893	28.62
Gross Profit	15,141	7,037	8,104	115.16	29,574	19,248	10,326	53.65
Gross profit margin (%)	47.81	33.69	14.12	41.92	47.36	39.65	7.72	19.46
Holistic Health & Wellness								
Revenue	16,230	5,968	10,262	171.95	25,580	10,450	15,130	144.78
Gross Profit	(20,308)	(32,102)	11,794	(36.74)	(46,969)	(53,753)	6,784	(12.62)
Gross profit margin (%)	(125.13)	(537.90)	412.78	(76.74)	(183.62)	(514.38)	330.77	(64.30)
All businesses								
Sales & Services revenue	479,484	535,785	(56,301)	(10.51)	953,924	1,107,322	(153,398)	(13.85)
Gross profit	152,362	141,850	10,512	7.41	293,342	300,319	(6,977)	(2.32)
Gross profit margin (%)	31.78	26.48	5.30	20.02	30.75	27.12	3.63	13.38
Total revenue	539,028	554,146	(15,118)	(2.73)	1,073,739	1,148,776	(75,037)	(6.53)
Total Cost & Expenses	649,060	671,609	(22,549)	(3.36)	1,291,478	1,374,389	(82,911)	(6.03)
Selling & Admin. Expenses	214,625	187,501	27,124	14.47	417,529	397,265	20,264	5.10
Finance cost	140,924	117,757	23,167	19.67	268,763	222,986	45,777	20.53
Net profit	(109,379)	(68,897)	(40,482)		(214,042)	(171,311)	(42,731)	
Net porofit margin (%)	(20.29)	(12.43)	(7.86)		(19.93)	(14.91)	(5.02)	
Net profit per share (Baht)	(0.10)	(0.06)	(0.04)		(0.20)	(0.16)	(0.04)	

Total revenue from sales and services for the second quarter of 2022 was THB 479.48 million, a decrease of THB 56.30 million or -10.51% from the second quarter of 2021. The performances of each of the main businesses of the Company and its subsidiaries are as follows:

(1) Residential Property Business

For the second quarter of 2022, revenues from the residential property business were THB 322.97 million, a decrease of THB 77.30 million or -19.31% when comparing to the same period of last year which saw revenues of THB 400.27 million. The reasons for the decline in revenues were the prevailing economic conditions which had yet to recover. Moreover, the rise in inflation rate due to rising energy costs and commodity prices, impacts affordability of middle-class people who are the primary target customers of MK for housing. 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, the company expects that its housing sales will pick up in the second half of the year along with the picking up of the overall economy. It is expected that low-rise housing will continue to be in demand as it answers a long-term housing preference of Thai people. In addition, as it is expected that interest rates will be hiked to curb inflation, those customers who still have purchasing power and who want to take advantage of current, low interest rates, may choose to buy a house now rather than later, in anticipation of future interest rate hikes. Moreover, 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 has also further eased the loan-to-value (LTV) ratio for mortgage lending. MK has also adopted marketing strategies on price and promotions to attract customers. It is anticipated that the abovementioned positive factors will encourage consumers in their buying decisions for the second half of the year.

For the first 6 months of 2022, the residential property business reported a gross profit of THB 183.83 million (gross profit margin of +28.08%), a decrease of THB 47.33 million from THB 231.16 million (gross profit margin of +27.25%) for the same period last year.

(2) Industrial Real Estate Development

For the second quarter of 2022, revenues from the industrial real estate business were THB 108.61 million, a decrease of THB 0.044 million or -0.04% when comparing to the same period of last year which saw revenues of THB 108.65 million. The main reason for the decline in revenues was the sale of Park Court apartment last year. Park Court contributed to rental revenue in the second quarter of 2021. Meanwhile, the company managed to increase the rental revenues from the Bangkok Free Trade Zone project held under Prospect Development Co., Ltd.'s ("Prospect"). As a result, overall revenues from this business declined slightly compared to the same period last year. While revenues declined slightly, the gross margin improved as the gross margin of

Prospect was relatively high. As the gross margin of Prospect was relatively high at above 60%, it made the overall gross margin of the business to be higher as compared to the same period last year by +13.69%.

For the first 6 months of 2022, the company reported revenues from industrial real estate of THB 211.16 million, an increase of THB 11.12 million or +5.56% when comparing to the same period of last year. The main reasons for increased revenue in the first 6 months of 2022 were 1) Prospect developed and rented out more space in Q2 with total rental space of 169,972 SQM. at the end of Q2 while the occupancy rate was kept at a relatively high level at 94%. 2) Prospect had more revenues from managing the Prospect Industrial Leasehold Real Estate Investment Trust (“Prospect REIT”). We would add that on 15 July 2022, Prospect REIT unitholders approved the trust to acquire additional rental space of 70,129 SQM from Prospect at the price not exceeding THB 1,800 million. The acquisition is under review and approval by the Securities and Exchange Commission.

The Gross profit for the first 6 months of 2022 was THB 126.91 million (a gross margin of 60.10%), an increase of THB 23.24 million from a gross margin of THB 103.67 million (a gross margin of 51.82%) for the same period of last year.

(3) Golf & Sport Club Services

For the second quarter of 2022, revenues from golf & sport club services were THB 31.67 million, an increase of THB 10.78 million or +51.61% with a gross profit of THB 15.14 million, an increase of +115.16% when comparing to the same period of last year. The sharp gain in revenue came as a result of the pickup of number of golfers. For the first 6 months of this year, the golf course reported the highest number of golfers for a first half for any year since its opening. This is a result of MK’s strategy of emphasizing online advertising media for local and offshore golfers. This has proved to be very effective. There were also many seasonal events held as the COVID-19 restrictions had been eased by the government. In addition, MK has continued to emphasize strict pandemic controls which have created high confidence amongst golfers. Moreover, the golf course has been well maintained with high standards comparable to any other well-known golf course in Thailand.

Meanwhile, the company still gave its priority to cost control measures which helped lift the gross profit for the first 6 months of 2022 to THB 29.57 million (a gross margin of +47.36%), an increase of THB 10.33 million from a gross margin of THB 19.25 million (a gross margin of +39.65%) for the same period of last year.

(4) Holistic Health and Wellness Business

For the second quarter of 2022, despite the slow U-Shaped recovery of the overall Thai economy, the health and wellness business is amongst the fastest recovering sectors. This resulted in revenues from the health and wellness business rising for the second quarter of 2022 to THB 16.23 million, an increase of THB 10.26 million or +171.95% when comparing to the same period of last year. The second quarter of 2022 saw a gross loss of THB 20.31 million (-125.13%) a decrease in loss of THB 11.79 million (-36.74%) compared to the same period

last year, reflecting the significant growth in revenues. During the COVID-19 pandemic crisis, the company delayed its strategy to target inbound foreign customers and focused on local customers. However, as the COVID-19 situation eased down in second quarter of 2022, the company started to shift its focus back to targeting foreign customers with more marketing and advertising campaigns. The company also plans to launch a new wellness center in Sampran District, Nakhon Pathom province later this year, as well as to launch more wellness locations in Bangkok and some other provinces. The expansion is in line with MK's business plan and in executing this plan, the company has entered into a joint-venture agreement with Vitallife Allianz Co., Ltd. (VitalLife), a wholly owned subsidiary of Bumrungrad Hospital, one of Thailand's leading international hospitals. The joint-venture company, called "RAKxa 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 of the group going forward.

In summary, for the first 6 months of this year, while there has been a slowdown in the residential property estate business, the industrial real estate business continues to see solid growth. In addition, the Golf & Sport Club Services business along with Health and Wellness Business saw a positive recovery in terms of revenues and gross margin. However, in anticipation of a gradual recovery in the economy in the second half of 2022, supported by a recovery tourism, the company has had to spend more on sales and marketing, personnel, and the supporting IT system which resulted in higher selling and administrative expenses for the first 6 months of this year. In addition, as the group continues to expand by investing more on new projects within the industrial real estate and health and wellness businesses, financial costs of the group will be higher, reflecting a higher debt burden. Nonetheless, we are confident that the company's business expansion plans, especially in industrial real estate and the health and wellness businesses will provide substantial growth for the group in the near future.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President