

NO. AC.05/2022

14 November 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 third quarter of 2022 which ended on 30 September 2022. The Company and its subsidiaries reported a net profit of THB 87.66 million or a profit per share of THB 0.08, comparing to a net loss of THB 62.31 million or loss per share of THB 0.06 for the same period of last year, an increase in profit of THB 149.97 million. Details are as follows:

Unit : THB'000

Operating Results	3rd quarter				9 months			
	2022	2021	Increase (Decrease)	%	2022	2021	Increase (Decrease)	%
Residential Property								
Revenue	879,573	663,995	215,578	32.47	1,534,309	1,512,273	22,036	1.46
Gross Profit	421,495	175,435	246,060	140.26	605,322	406,590	198,732	48.88
Gross profit (Loss) margin (%)	47.92	26.42	21.50	81.37	39.45	26.89	12.57	46.74
Industrial Property								
Revenue	120,104	107,536	12,568	11.69	331,269	307,580	23,689	7.70
Gross Profit	76,482	54,522	21,960	40.28	203,392	158,191	45,201	28.57
Gross profit (Loss) margin (%)	63.68	50.70	12.98	25.60	61.40	51.43	9.97	19.38
Golf & Sport club								
Revenue	32,115	11,709	20,406	174.28	94,558	60,259	34,299	56.92
Gross Profit	15,060	(337)	15,397		44,634	18,911	25,723	136.02
Gross profit (Loss) margin (%)	46.89	(2.88)	49.77		47.20	31.38	15.82	50.41
Holistic Health & Wellness								
Revenue	14,695	3,021	11,674	386.43	40,275	13,471	26,804	198.98
Gross Profit (Loss)	(22,523)	(30,272)	7,749		(69,492)	(84,025)	14,533	
Gross profit (Loss) margin (%)	(153.27)	(1,002.05)	848.78		(172.54)	(623.75)	451.20	
All businesses								
Sales & Services revenue	1,046,487	786,261	260,226	33.10	2,000,411	1,893,583	106,828	5.64
Gross profit (Loss)	490,514	199,348	291,166	146.06	783,856	499,667	284,189	56.88
Gross profit (Loss) margin (%)	46.87	25.35	21.52	84.87	39.18	26.39	12.80	48.50
Total revenue	1,120,048	815,171	304,877	37.40	2,193,787	1,963,947	229,840	11.70
Total Cost & Expenses	1,037,121	882,496	154,625	17.52	2,328,599	2,256,885	71,714	3.18
Cost of Goods Sold	555,973	586,913	(30,940)	(5.27)	1,216,555	1,393,916	(177,361)	(12.72)
Selling & Admin. Expenses	282,984	190,435	92,549	48.60	700,513	587,700	112,813	19.20
Finance cost	161,156	123,898	37,258	30.07	429,919	346,884	83,035	23.94
Net profit (Loss)	87,659	(62,311)	149,970		(126,383)	(233,622)	107,239	
Net profit (Loss) margin (%)	7.83	(7.64)	15.47		(5.76)	(11.90)	6.13	
Net profit per share (Baht)	0.08	(0.06)	0.14		(0.12)	(0.21)	0.10	

Total revenue from sales and services for the third quarter of 2022 was THB 1,046.49 million, an increase of THB 260.23 million or +33.10% from the third 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 third quarter of 2022, revenues from the residential property business were THB 879.57 million, an increase of THB 215.58 million or +32.47% when comparing to the same period of last year which saw revenues of THB 664.00 million. These revenues include the revenues from the sales of raw land plots. The main reason for the increase in revenues were the improving economic conditions following the government relaxation of the Covid-19 preventive measures. Despite the rise in the inflation rate, which impacts the affordability of middle-class people, the primary target customers of MK, the demand for value for money housing within the price range of THB 2-6 Million continues to be strong. MK continued to adopt marketing strategies on pricing and promotions to attract more customers such as including free furniture and free housing transfer fees, which proved effective in encouraging customers to make quick buying decisions. In addition, the commercial banks are now less stringent in terms of loan approval criteria, which lifted the loan approval rate from the same period last year. This resulted in growing housing sales for the company in Q3.

In Q3 and going into Q4, the government has continued to keep in place 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 eased the loan-to-value (LTV) ratio for mortgage lending. Together with a moderately rising interest rate, this has stimulated customers' buying decisions. MK has meanwhile continued to give its priority to cost control as well as the management of housing inventory and financial liquidity.

For the first 9 months of 2022, the Residential Property Business reported a gross profit of THB 605.32 million (gross profit margin of +39.45%), an increase of THB 198.73 million from THB 406.59 million (gross profit margin of +26.89%) for the same period last year.

(2) Industrial Real Estate Development

For the third quarter of 2022, revenues from the industrial real estate business were THB 120.10 million, an increase of THB 12.57 million or +11.69% when comparing to the same period of last year which saw revenues of THB 107.54 million. The main reasons for the increase in revenues were 1) Prospect Development Co., Ltd. ("Prospect") has developed and rented out more space during the quarter. At the end of the third quarter 2022, a total of 198,577 s.q.m. has been rented with the occupancy rate of 85% 2) Prospect had increased revenues from managing warehouse construction as well as for managing the Prospect Industrial Leasehold Real Estate Investment Trust ("Prospect REIT"). In addition, the gross margin of Prospect was higher at 63.68% in the third quarter of 2022, an increase of 12.98% from the gross margin of 50.70% recorded in the third quarter of 2021.

For the first 9 months of 2022, the Industrial Real Estate Development reported a revenue of THB 331.27 million, an increase of THB 23.69 million (+7.70%) when comparing to the same period of last year with a gross profit of THB 203.39 million (gross profit margin of +61.40%), an increase of THB 45.20 million from THB 158.19 million (gross profit margin of +51.43%) for the same period last year.

(3) Golf & Sport Club Services

For the third quarter of 2022, revenues from golf & sport club services were THB 32.12 million, an increase of THB 20.41 million or +174.28% when comparing to the same period last year, with a gross profit of THB 15.06 million (gross profit margin of 46.89%) against a loss of THB 337,000 recorded in the third quarter of 2021. The gain in revenue came as a result of the pickup in number of golfers as a result of MK's strategy of emphasizing online advertising media both locally and internationally. There were also many seasonal events held as the COVID-19 restrictions had been eased by the government. In addition, MK has continued to maintain high standards at the golf course, when compared with other well-known golf courses in Thailand. This contributed to all-time highs in terms of number of golfers and year-to-date revenue.

For the first 9 months of 2022, the Golf & Sport Club Services reported revenues of THB 94.56 million, an increase of 56.92% over the revenues of THB 60.259 million recorded in the first 9 months of 2021. For the first 9 months of 2022, the gross profit was THB 44.63 million (gross profit margin of 47.20%), an increase of THB 25.72 million from THB 18.91 million (gross profit margin of +31.38%) for the same period last year (an increase of +136.02%).

(4) Holistic Health and Wellness Business

For the third quarter of 2022, Holistic Health and Wellness Business reported total revenues of THB 14.70 million, an increase of THB 11.67 million (+386.43%). For 9 months 2022, the revenues were THB 40.28 million, an increase of THB 26.80 million (+198.98%) when compared to the same period last year. The increase in revenues reflected an improving trend within the health and wellness business. However, despite the increasing number of inbound tourists, the slow U-Shaped recovery of the global economy together with a rising inflation rate has affected consumers' confidence, which resulted in lower than expected revenue for the Holistic Health and Wellness Business. With the company incurring the full amount of depreciation for the building and facilities as well as incurring the manpower costs necessary to sustain service standards, the impact of revenues below being budget was a continuation of losses in the Holistic Health and Wellness Business. Despite the challenges faced to date, the company remains committed to developing the Health and Wellness business and is looking to launch a new wellness center in Sampran District, Nakhon Pathom province later this year. This new facility will target the domestic market.

For the first 9 months of 2022, the Holistic Health and Wellness Business reported a gross loss of THB 69.49 million (gross loss margin of -172.54%), a decrease in loss of THB 14.53 million from THB 84.03 million (gross loss margin of -623.75%) for the same period last year.

In summary, for the first 9 months of 2022, The Company and its subsidiaries reported total revenues of THB 2000.41 million, an increase of THB 106.83 million (+5.64%) with a net loss of THB 126.38 million. The net loss decreased by THB 107.24 million when comparing to the same period last year. The company continued to give priority to cost control. Total costs and expenses of the company in the first 9 months of 2022 increased by just 3.18% year on year to THB 71.71 million, even though there were additional costs incurred as a result of business expansion. While the Thai economy is yet to see a full recovery and the performance of the health and wellness business is below target, the company's restructuring plan, implemented now over several years has shown some positive results. The aim of the business restructuring is to generate more recurring revenue for the group. The ratio of recurring to non-recurring revenue of the group has increased from just 4.5% in Y.2015 to 40.4% at the end of the third quarter 2022. This restructuring has proved to be very successful in mitigating the negative business factors which affected the company. Finally, despite the challenges faced in recent years, management remains fully confident that the company will successfully implement the business expansion plan which was approved earlier.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President