

28 February 2023

Subject: Clarification of the Company and its subsidiaries' operating performance

To: The President of the Stock Exchange of Thailand

M.K. Real Estate Development Plc. would like to report its consolidated financial results for the year ended 31 December 2022. The consolidated statement of comprehensive income showed a net loss of Baht 35.83 million, representing a loss per share of 0.03 Baht. Compared to a net operating loss of Baht 185.31 million or a loss per share of 0.17 Baht in the previous year, representing an operating loss decreased by Baht 149.48 million. Details are as follows.

Unit : THB million				
Operating results :	2022	2021	Increase (Decrease)	%
Residential Property				
Revenue	1,791	2,481	(691)	(27.83)
Gross Profit	668	446	223	49.95
Gross profit margin (%)	37.32	17.96	19.36	107.78
Industrial Property				
Revenue	458	432	26	6.01
Gross Profit	286	230	56	24.34
Gross profit margin (%)	62.33	53.14	9.19	17.29
Holistic Health & Wellness				
Revenue	57	26	31	121.98
Gross Profit	(95)	(107)	12	(11.22)
Gross profit margin (%)	(166.00)	(415.03)	249.03	
All bussiness				
Sales & Sevices revenue	2,306	2,939	(633)	(21.54)
Gross profit	859	568	291	51.13
Gross profit margin (%)	37.24	19.33	17.91	92.62
Total revenue	2,562	3,321	(759)	(22.85)
Total Cost & Expense	3,080	3,570	(491)	(13.74)
Cost of Goods Sold	1,447	2,371	(924)	(38.95)
Selling & Admin. Expense	1,013	810	203	25.09
Finance cost	599	477	121	25.42
Net Loss	(36)	(185)	(149)	
Net profit (loss) margin (%)	(1.40)	(5.58)	4.18	
Net loss per share (Baht)	(0.033)	(0.170)	0.137	

Total revenue from sales and services in 2022 were Baht 2,306.23 million, a decrease of Baht 633.11 million or 21.54%. This consisted of revenue from main businesses operated by the Company and its subsidiaries, including

1) Residential real estate development

In 2022, the Company generated revenue from real estate sales amounting to Baht 1,790.54 million, a decrease of Baht 690.60 million or 27.83% compared to the previous year. With the COVID-19 situation easing and the disease became an endemic, the economy started to recover from the previous year. However, most of the Company's products are townhouses within a price range of Baht 2-3 million, the target of which is a vulnerable group with high household debt, meaning they may require some time to pay off their existing debt before buying residential real estate which is a long-term debt. The Company therefore put off investing in new projects for the time being to reduce risk, and instead focused on maintaining liquidity by selling land with no imminent development plans. In addition, the Company exercised caution in managing inventory, for optimal liquidity. Although no new projects were launched this year, the Company continued to develop houses in existing projects that catered to the demands of the present-day customers and allowed it to remain competitive in terms of value-for-money and price. Further, in 2023 the government continues to offer a real estate relief package, including the reduction of transfer fee from 2% to 1% and of mortgage fee from 1% to 0.01% for purchases of residential property of less than 3 million baht. This package, coupled with service sector revenue from foreign tourists in 2023 which is expected to grow significantly and boost the economy further and policy interest rate which is expected to see a slight increase, will help vulnerable customers to recover their earnings and regain their confidence in purchasing residential property.

Residential real estate development recorded a gross profit of Baht 668.26 million this year (gross profit margin of 37.32%), an increase of Baht 222.60 million from gross profit of Baht 445.66 million (gross profit margin of 17.96%).

2) Industrial real estate development

MK has revenue from industrial real estate development amounting to Baht 458.37 million this year, an increase of Baht 25.99 million or 6.01%. This consisted of revenue from rent and services amounting to Baht 340.11 million, a slight decrease from Baht 341.33 million in the previous year. This is because rental business took a big hit as a result of the pandemic in the beginning of the year. However, in the last months of the year tenants stated to return and entered into rent agreements. As at the end of 2022, MK's space for rent amounted to 253,855 square meters. Moreover, MK had revenue from real estate management, which went up to Baht 118.26 million this year, an increase of 30% from Baht 91.04 million revenue in the previous year. In total, industrial real estate development had a gross profit of Baht 285.69 million (gross profit margin of 62.33%), an increase of Baht 55.92 million from a gross profit of Baht 229.77 million (gross profit margin of 53.14) in the previous year.

3) Holistic Health and Wellness

MK's holistic health business recorded a revenue of Baht 57.32 million this year, an increase of Baht 31.50 million or 121.98% from the previous year. It can be seen that the number of customers in the holistic health and wellness business tends to grow gradually, significantly compensating fixed costs. However, while the economy is recovering, negative factors exist, domestically and internationally, which affect living costs and cause a spending slowdown. Therefore, the sales target has not been met, while the Company continues to recognize fixed costs and expenses from depreciation of the property and equipment, as well as costs of personnel hired to make sure services are available when needed. For this reason, the Company recorded a gross loss amounting to Baht 95.15 million (166%), although such loss decreased by Baht 12.02 million compared to the previous year. Furthermore, the Company was making preparations to launch another holistic health and wellness center in Sam Pran District, Nakohn Pathom, which is expected to begin providing services in the first quarter of 2023.

In addition to revenues and expenses from each business, MK Group had a profit from sale of investment and investment revenue amounting to Baht 70.84 million, a decrease of Baht 226.49 million or 76.17% from the previous year. The decrease was because in the previous year the Company recognized a profit from the sale of shares in Munkong Living Company Limited amounting to Baht 272.1 million. In 2022, the Company also sold a piece of land with no imminent development plans and some part of its assets. Meanwhile other income amounted to Baht 185.34 million, an increase of Baht 100.66 million or 118.88% from the previous year, mostly from fees from construction management and building repairs for tenants.

Total costs and expenses this year decreased by Baht 490.61 million, or 13.74%. Although selling and administrative expenses and financial costs increased due to investments in new businesses in line with the recent revenue restructuring plan, MK was able to manage cost of sales and increase gross profits. As a result, in terms of operating results in 2022, its loss decreased by Baht 149.48 million from the previous year. And although the economy has not fully recovered and the Group's revenues from some businesses have not yet met their target, it has become clear that the revenue restructuring plan that has been implemented for a while now has significantly reduced the impact of negative factors. The ratio of profit margin of businesses with stable recurring revenue and service revenue to revenue from all business operations (excluding revenue from sale of land) increased to 43.8%, up from 4.5% as at the end of 2015. The Company remains fully confident that it will successfully implement the business expansion plan which was approved earlier.

Please be informed accordingly.

Yours sincerely,

(Mrs. Siripan Leewanun)

Senior Executive Vice President