

13 May 2024

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

TO: The President of the Stock Exchange of Thailand

M.K. Real Estate Development Plc. (“the Company” “MK” “MK Group”) would like to report its consolidated financial results for the three-month period ended 31 March 2024. The consolidated statement of comprehensive income showed a net loss of THB 527.52 million, representing a loss per share of THB 0.48. This compares to a net operating loss of THB 11.01 million or a loss per share of THB 0.01 in Q1-2023. Details are as follows.

Unit : THB'000				
Operating results :	Q1-2024	Q1-2023	Increase (Decrease)	%
<b>Residential Property</b>				
Revenue	143,348	250,330	<b>(106,982)</b>	<b>(42.74)</b>
Gross profit	33,147	80,068	<b>(46,921)</b>	<b>(58.60)</b>
Gross profit margin (%)	23.12	31.98		
<b>Industrial Property</b>				
Revenue	141,947	148,338	<b>(6,391)</b>	<b>(4.31)</b>
Gross profit	67,638	93,691	<b>(26,053)</b>	<b>(27.81)</b>
Gross profit margin (%)	47.65	63.16		
<b>Holistic Health &amp; Wellness</b>				
Revenue	61,545	22,945	<b>38,600</b>	<b>168.23</b>
Gross loss	(31,145)	(23,907)	<b>7,238</b>	<b>0.00</b>
Gross loss margin (%)	(50.61)	(104.19)		
<b>All bussiness</b>				
Sales & Sevices revenue	346,840	421,613	<b>(74,773)</b>	<b>(17.73)</b>
Gross profit	69,640	149,852	<b>(80,212)</b>	<b>(53.53)</b>
Gross profit margin (%)	20.08	35.54		
Total revenue	410,769	657,571	<b>(246,802)</b>	<b>(37.53)</b>
Total cost & Expense	778,794	503,868	<b>274,926</b>	<b>54.56</b>
Cost of business	277,200	271,761	<b>5,439</b>	<b>2.00</b>
Selling, admin. & other expenses	309,386	232,107	<b>77,279</b>	<b>33.29</b>
Impairment loss	192,208	-	<b>192,208</b>	
Finance cost	167,368	151,486	<b>15,882</b>	<b>10.48</b>
Profit sharing under equity method	56,271	(358)	<b>56,629</b>	
Income tax expense	(50,089)	(14,648)	<b>35,441</b>	
Net Loss	(527,522)	(11,005)	<b>516,517</b>	
Net loss margin (%)	(128.42)	(1.67)		
Net loss per share (Baht)	(0.48)	(0.01)		

Total revenue from sales and services in Q1-2024 were THB 346.84 million, a decrease of THB 74.77 million or 17.73% from Q1-2023. This revenue derives from the main businesses operated by the Company and its subsidiaries, which are:

1) Residential real estate development

The residential real estate sector is relying on the economic growth; however, the economic is slow. Household income and purchasing power is low from high household debt and increasing interest rate. Further, the government offers a real estate relief package, including the reduction of transfer fee from 2% to 0.01% and of mortgage fee from 1% to 0.01% for purchases of residential property of less than THB 7 million for the year 2024. This package will help speed up decision in purchasing residential property.

For the first quarter of 2024, revenues from the residential real estate business were THB 143.35 million, a decrease of THB 106.98 million or 42.74% from Q1-2023 (comprised of revenues from the sale of residential property of THB 136.11 million, and from the sale of undeveloped land of THB 7.24 million). Gross profit was THB 33.15 million (a gross profit margin of 23.12%), a decrease of THB 46.92 million from a gross profit of THB 80.07 million (a gross profit margin of 31.97%) recorded in Q1-2023.

2) Industrial real estate development

MK Group had revenue from industrial real estate development amounting to THB 141.95 million in Q1-2024, a decrease of THB 6.39 million or 4.31% from recorded in Q1-2023. This consisted of revenue from rent and services amounting to THB 110.91 million, an increase from THB 106.82 million recorded in Q1-2023. As at the end of March 2024, the space for rent amounted to 248,731 square meters. In addition, the Group had revenue from real estate management amounting to THB 31.03 million, a decrease from THB 41.52 million revenue in Q1-2023. In total, industrial real estate development had a gross profit of THB 67.64 million (a gross profit margin of 47.65%), a decrease of THB 26.05 million from a gross profit of THB 93.69 million (a gross profit margin of 63.16%) recorded in Q1-2023.

3) Holistic Health and Wellness

MK's holistic health business recorded revenue of THB 61.55 million in Q1-2024, an increase of THB 38.60 million or 168.23% from the revenue recorded in Q1-2023. At the end of the first quarter 2023, a holistic health and wellness center was opened in Sam Pran District, Nakhonn Pathom. There are now two health and wellness properties under management. Though sales are improving, the number of customers in the holistic health and wellness business tends to grow gradually. 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 THB 31.15 million (a gross loss margin of 50.61%). The loss increased by THB 7.24 million compared to the same period last year

For the combined businesses, MK was able to manage cost of sales and recorded gross profits of THB 69.64 million in Q1-2024, a decrease of THB 80.21 million or 53.53% from a gross profit of THB 149.85 million recorded in Q1-2023.

The selling and administrative expenses for Q1-2024 was THB 225.49 million, a decrease of THB 6.62 million from Q1-2023. In arriving at the net result, a wellness business subsidiary recorded an impairment on its fixed assets of THB 192.21 million and MK also recorded losses on fair value valuation of its financial asset and of its payables from a transfer of right agreement to receive cash inflow totaled THB 83.90 million. Finance costs increased to THB 167.37 million, an increase of THB 15.88 million from Q1-2023 due to investments in its holistic health and wellness business. As a result, its performance in this Q1-2024 showed net operating loss.

Please be informed accordingly.

Yours sincerely,

(Mrs. Siripan Leewanun)  
Deputy Managing Director