

No. AC04/2024

17 June 2024

RE: Clarification of the Company and its subsidiaries' operating performance [\(additional data as requested by SET\)](#)

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)	%
Residential Property				
Revenue	143,348	250,330	(106,982)	(42.74)
Gross profit	33,147	80,068	(46,921)	(58.60)
Gross profit margin (%)	23.12	31.98		
Industrial Property				
Revenue	141,947	148,338	(6,391)	(4.31)
Gross profit	67,638	93,691	(26,053)	(27.81)
Gross profit margin (%)	47.65	63.16		
Holistic Health & Wellness				
Revenue	61,545	22,945	38,600	168.23
Gross loss	(31,145)	(23,907)	7,238	0.00
Gross loss margin (%)	(50.61)	(104.19)		
All bussiness				
Sales & Sevcies revenue	346,840	421,613	(74,773)	(17.73)
Gross profit	69,640	149,852	(80,212)	(53.53)
Gross profit margin (%)	20.08	35.54		
Total revenue	410,769	657,571	(246,802)	(37.53)
Total cost & Expense	778,794	503,868	274,926	54.56
Cost of business	277,200	271,761	5,439	2.00
Selling, admin. & other expenses	309,386	232,107	77,279	33.29
Impairment loss	192,208	-	192,208	
Finance cost	167,368	151,486	15,882	10.48
Profit sharing under equity method	56,271	(358)	56,629	
Income tax expense	(50,089)	(14,648)	35,441	
Net Loss	(527,522)	(11,005)	516,517	
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. [The PROSPECT REIT management subsidiary received the assets acquisition fee from acquiring assets which comprised leaseholds land, land, factory, warehouse, office and other constructions in Q1-2022, however there was no comparable income in Q1-2024. As a result, there was a decline in revenue, year on year.](#) 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.

[In addition, in Q1-2023 MK group recorded a gain from sale of investment property assets which comprised leaseholds land, land, factory, warehouse, office and other constructions to the Prospect REIT of THB 191.56 million while there was none in Q1-2024. From such sale, costs related to the sold assets were lower than those recorded in Q1-2024 as the subsidiary has built additional warehouses and factories.](#)

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

On 1 April 2024, MK disposed of its investment in ordinary shares in a wellness subsidiary (RX Wellness Co., Ltd.) to FNS Holdings Public Company Limited, a major shareholder of 49.5%, following the resolutions of the Extraordinary General Meeting held on 1 March 2024 (MK news on 1 March 2024). MK's Wellness business outside of Thailand will be operated by Rx Wellness Blocker US, Inc (a 100% subsidiary) which will provide wellness services in the United States of America. At present, the US wellness business is undergoing studying and designing in relation to the property development and renovation. The property is expected to be ready to operate in 3 years. Although, the Company wellness business is similar to the major shareholder's core business, the wellness revenue is considered to be insignificant compared to the Group total revenues. Moreover, FNS' and MK's business location and customer groups are difference and business operations and management are separated. MK is still focused on its main businesses number 1 and 2 as mentioned above.

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.

Other income of the Company and its subsidiaries came mainly from maintenance and other services for the subsidiaries' warehouse and factory rental customers which consider to be normal business of the warehouse rental subsidiary. Other income also came from common area maintenance fees from the residential real estate development business.

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 as the recoverable amount is less than the carrying amount of assets. MK also recorded a loss on fair value measurement of warrants of THB 33.45 million and other expense of THB 50.45 million incurred from its Payables from a transfer of right agreement to receive cash inflow signed in 2023. The Company determines that the fair value of payables from a transfer of right agreement to receive cash inflow on initial recognition differs from the transaction price. The financial instrument is therefore initially measured at fair value adjusted for the difference between the fair value on initial recognition and the transaction price which the fair value are categorised as level 3, such difference being recognised as deferred loss and will be recognised in profit or loss on an appropriate basis over the life of the instrument or until the fair value level is transferred or the transaction is closed out. However, the impairment loss, loss on fair value measurement and other expense mentioned above are non-cash items; therefore, did not affect the Company cash flow. 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