

15 May 2019

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 inform the financial results for the first quarter of 2019. The Company and its subsidiary reported a net profit of THB 127.61 million or earnings per share of THB 0.13, comparing to a net profit of THB 44.48 million or earnings per share of THB 0.04 in 1Q2018, an increase of THB 83.12 million or 186.86%. Details were as follows:

Unit : THB'000				
Operating results	2019	2018	Increase (Decrease)	%
Real Estate				
Revenue	1,679,837	1,170,702	509,135	43.49
Gross Profit	452,876	331,824	121,052	36.48
Gross profit margin (%)	26.96	28.34	(1.38)	(4.88)
Rental and other services				
Revenue	76,312	57,760	18,552	32.12
Gross Profit	41,954	32,219	9,735	30.22
Gross profit margin (%)	54.98	55.78	(0.80)	(1.44)
Golf Services & Property Management				
Revenue	40,531	30,147	10,384	34.44
Gross Profit	17,223	14,118	3,105	21.99
Gross profit margin (%)	42.49	46.83	(4.34)	(9.26)
All bussiness				
Sales & Sevices revenue	1,796,680	1,258,609	538,071	42.75
Gross profit	512,053	378,161	133,892	35.41
Gross profit margin (%)	28.50	30.05	(1.55)	(5.15)
Total revenue	1,819,624	1,272,735	546,889	42.97
Total Cost & Expense	1,685,730	1,222,945	462,785	37.84
Selling & Admin. Expense	303,598	257,018	46,580	18.12
Finance cost	77,519	72,753	4,766	6.55
Net profit	127,606	44,483	83,123	186.86
Net porofit margin (%)	7.01	3.50	3.52	100.65
Net profit per share (Baht)	0.13	0.04	0.08	

The main businesses of the Company and its subsidiaries consisted of:

(1) Revenue from sale and service was THB 1,796.68 million, increase by THB 538.07 million or 42.75%. The revenue from the main businesses of the Company and its subsidiaries as follows:

- Sale of real estate business increased by THB 509.14 million or 43.49% when comparing to the same period of last year. Sale of low-rise residential units was THB 808.77 million, an increase of THB 175.94 million or 27.8% when comparing to the same period of last year which was THB 632.82 million. This was mainly come from the transfer of housing units from the housing projects that the Company launched during the fourth quarter of last year. In addition, the accelerating of the ownership transfer by some customers was due to the impact of the Bank of Thailand (BoT) housing loan control measure which would be effective on April 1, 2019. However, the majority of MK customers were the first time home buyers who did not get any impact from this BoT measure. In addition, there was a sale from undeveloped land for a total of THB 871.07 million.

For this quarter, the gross profit margin from low-rise housing projects was 29.8%, lower than the same period of last year which was 33%. Since the Company applied the Thai Financial Reporting Standard No. 15, subject to Revenue from Contracts Made with Customers ("TFRS15") which was effective on January 1, 2019. As a result, the Company was required to record some items of selling and administrative expenses as costs of sales and some was required to deduct from gross sales. These caused gross profit declining; however, in turn, selling and administrative expenses reduced. At the bottom level, there was no impact on net profit. This Thai Financial Reporting Standard had no effect for other income items.

- Revenue from rent and service of MK Group grew continuously to be THB 76.31 million, an increase of THB 18.55 million or 32.12% when comparing with the first quarter of last year. Of which, THB 63.55 million was came from leasing space of warehouse/factory in Bangkok Free Trade Zone Project (by Prospect Development Co., Ltd.) which recorded a high gross profit margin of 59% and leasing apartment units of Park Court Project (by Munkong Living Co., Ltd.) that could generate another THB 9.7 million, an increase of THB 2.45 million from the same period of last year. Gross profit derived from this business was

THB 41.95 million, an increase of THB 32.22 million or 30.22% when comparing to the first quarter of last year.

- Revenue from golf course was THB 30.74 million, increase 32.3% from revenue which was reported last year at THB 23.24 million. For the property management business, the revenue recognition also improved. Revenue recognition was THB 12.75 million, increased by 41.3% from the same period of last year.

In summary, revenue from rent and service grew continuously and was able to add a significant gross profit to the Group. For this quarter, the proportion of profit margin contributed by this business was 20.5% of total gross profit (not including profit from sale of vacant land); even though, profit from real estate business continued to grow.

(2) In this quarter, the Company recorded total costs and expenses of THB 1,685.73 million, increase by THB 462.79 million or 37.84%, when comparing to the same period of last year. Details were as follow:

- Selling and Administrative Expenses increased THB 46.58 million or 18.12%. The percentage increase in selling expenses was in line with the percentage increase in sales such as transfer fee, specific tax, commission and other fees etc. However, selling expenses of total sale in 1Q2019 was 16.9% lower than 20.4% when comparing to the first quarter of 2018. This was due to the effect of applying the Thai Financial Reporting Standard as mentioned above.
- Financial costs increased by THB 4.77 million or 6.55% comparing to the same period of last year. However, the percentage of financing cost over total sale and service income was 4.3% lower than last year which was 5.8%

During 1Q2019, MK Group reported a growth of revenue in every business unit. The Company was able to maintain cost of sales and expenses to increase as a percentage less than the percentage increase in revenue. Therefore, the Company reported an increase in net profit of THB 83.12 million or 186.86%.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President