

NO. AC. 03/2019

14 August 2019

Subject: Inform the operating performance for the second quarter of 2019

To: The President of the Stock Exchange of Thailand

M.K. Real Estate Development Plc. would like to inform the financial results for the second quarter of 2019. The Company and its subsidiary reported a net profit of THB 131.25 million, comparing to a net profit of THB 126.43 million in 2Q 2018, an increase of THB 4.82 million or 3.81%. Earnings per share remained the same as last year which were THB 0.12. Details were as follows:

Unit : THB'000

Operating Results	2nd quarter				6 months			
	2019	2018	Increase (Decrease)	%	2019	2018	Increase (Decrease)	%
Real Estate								
Revenue from sale of real estate	929,571	1,235,799	(306,228)	(24.78)	2,609,408	2,406,501	202,907	8.43
Gross Profit : Real estate	355,918	368,158	(12,240)	(3.32)	808,794	699,982	108,812	15.54
Gross profit margin (%)	38.29	29.79	8.50	28.52	31.00	29.09	1.91	6.56
Rental and other services								
Revenue from rental & other services	79,812	62,115	17,697	28.49	156,124	119,875	36,249	30.24
Gross Profit : Rental & other services	43,354	33,107	10,247	30.95	85,308	65,326	19,982	30.59
Gross profit margin (%)	54.32	53.30	1.02	1.91	54.64	54.50	0.15	0.27
All businesses								
Sales & Services revenue	1,049,761	1,331,640	(281,879)	(21.17)	2,846,441	2,590,249	256,192	9.89
Gross profit	415,645	416,712	(1,067)	(0.26)	927,698	794,873	132,825	16.71
Gross profit margin (%)	39.59	31.29	8.30	26.53	32.59	30.69	1.90	6.21
Total revenue	1,151,091	1,374,128	(223,037)	(16.23)	2,970,715	2,646,863	323,852	12.24
Total Cost & Expenses	1,013,853	1,243,461	(229,608)	(18.47)	2,699,583	2,466,406	233,177	9.45
Selling & Admin. Expenses	277,383	217,667	59,716	27.43	580,981	474,685	106,296	22.39
Finance cost	82,670	70,310	12,360	17.58	160,189	143,063	17,126	11.97
Net profit	131,254	126,434	4,820	3.81	258,860	170,917	87,943	51.45
Net profit margin (%)	11.40	9.20	2.20	23.93	8.71	6.46	2.26	34.94
Net profit per share (Baht)	0.12	0.12	0.00		0.24	0.16	0.08	

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

- (1) Revenue from sale and service was THB 1,049.76 million, decreased by THB 281.88 million or 21.17%. The revenue from the main businesses of the Company and its subsidiaries as follows:
 - Sale of real estate business was THB 929.57 million, decreased by THB 306.23 million or 24.78% when comparing to the same period of last year. Sale of low-rise residential units was THB 490 million, a decrease of THB 183.30 million or 27.2% when comparing to the same period of last year which was THB 673.29 million. This was mainly come from the impact of the Bank of Thailand (BoT) housing loan control measure which has been effective on April 1, 2019. MK assisted customers by negotiating with banks to reduce the burden of down payments by way of refinancing their existing housing loans or seeking an alternative funding. All of these strategies helped to reduce impact toward MK. As a result, MK could maintain the sales of housing units same as the first six months of 2018. Sale of real estate business including a sale from undeveloped land increased by THB 202.91 million or 8.43%.
 - Revenue from rent and service of MK Group grew continuously from the two projects which were Bangkok Free Trade Zone and Park Court. This quarter, revenue from rent and service was THB 79.81 million, an increase of THB 17.70 million or 28.5% when comparing with the first quarter of last year. For the first 6 months of this year, revenue increased by THB 36.23 million or 30.24% when comparing to the same period of last year.
 - Revenue from golf course showed an upward trend. Revenue for the first half of this year increased by 22.34 from THB 49.45 million last year to THB 60.50 million this year. The gross margin was more than 40% even though there was an increase of depreciation expense from the new clubhouse. For the property management business, revenue for the first half was THB 26.34 million, increased by 41.65% 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 30.3% of total gross profit (not including profit from sale of vacant land). When comparing to the first six months, the proportion of profit margin was 24.5%. In the meantime, gross profit from real estate business continued to grow.

- (2) In this quarter, the Company recorded total costs and expenses of THB 1,013.85 million, a decrease by THB 229.61 million or 18.47, when comparing to the same period of last year. The reason was the decrease from cost of real estate business. Detailed were as follow:

- Selling and Administrative Expenses increased THB 59.72 million or 27.43%. This was mainly due to the bank charge incurred from sale of land held for future development and the increase of provision of employees' benefit calculated as per the Labour Protection Act (No.7). This Labour Protection Act has been effective on May 2019 to increase the statutory severance pay for an employee who has worked for at least 20 years. The key changes of employees' benefit resulted from this Labour Protection Act caused an impact on the profit and loss statement.
- Financial costs increased by THB 12.36 million or 17.58% comparing to the same period of last year. However, financial costs increased only THB 17.13 million or 11.97% for the first six months.

In addition, MK Group reported a gain from sale of investment property for an amount of THB 79.62 million and this helped to improve the Group's cashflow status. The cash inflow from this transaction was used for developing real estate projects, including the investment in new project which were nursing home, rehabilitation center and wellness center. This was the business that Thailand had competitive advantages. According to 5-year plan, investment in this business will help MK to generate revenue in the long-term. This new investment would start to operate by the middle of 2020. The cash inflow helped the Company to maintain interest bearing debt ratio to be same as at the end of last year.

During 1H2019, MK Group reported total revenue of THB 2,970.72 million, an increase of THB 323.85 million or 12.24% comparing to the same period of last year. MK's gross margin increased by THB 132.83 million. Therefore, the Company reported a net profit of THB 258.86 million during the first half of this year, increase by THB 87.59 million or 51.45%.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)
Senior Executive Vice President