

NO. AC. 04/2019

14 November 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 third quarter of 2019 which ended on 30 September 2019. The Company and its subsidiary reported a net loss of THB 26.14 million or loss per share of THB 0.024, comparing to a net profit of THB 1.39 million or earnings per share of THB 0.001 during the third quarter last year, a decrease of THB 27.53 million. Net profit for the first 9 months of 2019 was THB 232.72 million, an increase of THB 60.42 million or 35.06% when comparing with the same period of last year. Earnings per share increased from THB 0.16 per share to THB 0.21 per share. Details were as follows:

Operating Results	3rd quarter				9 months			
	2019	2018	Increase (Decrease)	%	2019	2018	Increase (Decrease)	%
	Unit : THB'000							
Real Estate								
Revenue from sale of real estate	627,210	633,094	(5,884)	(0.93)	3,236,618	3,039,595	197,023	6.48
Gross Profit : Real estate	173,981	229,042	(55,061)	(24.04)	982,775	929,024	53,751	5.79
Gross profit margin (%)	27.74	36.18	(8.44)	(23.33)	30.36	30.56	(0.20)	(0.65)
Rental and other services								
Revenue from rental & other services	86,188	62,893	23,295	37.04	242,312	182,768	59,544	32.58
Gross Profit : Rental & other services	44,279	33,798	10,481	31.01	129,587	99,124	30,463	30.73
Gross profit margin (%)	51.37	53.74	(2.36)	(4.40)	53.48	54.23	(0.76)	(1.39)
All businesses								
Sales & Services revenue	751,447	732,800	18,647	2.54	3,597,888	3,323,049	274,839	8.27
Gross profit	232,534	278,414	(45,880)	(16.48)	1,160,232	1,073,287	86,945	8.10
Gross profit margin (%)	30.94	37.99	(7.05)	(18.55)	32.25	32.30	(0.05)	(0.16)
Total revenue	770,795	755,838	14,957	1.98	3,741,510	3,402,701	338,809	9.96
Total Cost & Expenses	791,052	746,891	44,161	5.91	3,490,635	3,213,297	277,338	8.63
Selling & Admin. Expenses	190,122	208,270	(18,148)	(8.71)	771,103	682,955	88,148	12.91
Finance cost	81,631	74,294	7,337	9.88	241,820	217,357	24,463	11.25
Net profit	(26,138)	1,389	(27,527)	(1,981.79)	232,722	172,306	60,416	35.06
Net porofit margin (%)	(3.39)	0.18	(3.57)	(1,945.27)	6.22	5.06	1.16	22.83
Net profit per share (Baht)	(0.024)	0.001	(0.025)		0.21	0.16	0.06	

For the third quarter of 2019, the significant items which caused the Company's financial performance different from the same period of last year were as follows:

- (1) Revenue from sale and service was THB 751.45 million, increase by THB 18.65 million or 2.54%. The revenue from the main businesses of the Company and its subsidiaries as follows:
 - Sale of real estate business was THB 627.21 million, decreased by THB 5.88 million or 0.93% when comparing to the same period of last year. Gross profit margin was 27.7%, comparing to the same period of last year which was 36.1%. The lower in gross profit margin came from the reason that the Company firstly adopted the Thai Financial Reporting Standard No. 15, subject to Revenue from Contracts Made with Customers ("TFRS15") which was effective on January 1, 2019. In order to comply with the accounting standard, the Company was required to record (a) several items of selling and administrative expenses were recorded as cost of sales; and, (b) some items were deducted from gross sales. If the Company complied with the previous accounting standard, sale of real estate business in the quarter should be THB 641.26 million which was higher than sale that recorded in the same period of last year. MK employed several strategies in order to help customers reduce the impact of the Bank of Thailand housing loan control measure (LTV). As a result, MK could maintain the sales of housing units at the same level as the previous year. However, MK's gross profit margin was also impacted by the economic slowdown during the first 6 months of this year. This caused most developers to delay launching new housing projects as well as speed up the sale of housing inventory. Unavoidably, these created price competitiveness among the real estate developers. MK had several housing projects close to closing and prices were discounted to buyers. All of the factors that mentioned in the above caused MK's gross profit margin in this quarter lower than the margin recorded in the same period of last year. For the fourth quarter, MK planned to launch 4 new housing projects. The Thai government had just announced the housing stimulus measure by way of reducing both transfer fee and mortgage fee for the house that selling price was less than THB 3.00 million. MK housing projects are in this price range.
 - Revenue from rent and service was THB 86.19 million, an increase of THB 23.29 million or 37.04%. The majority of revenue from rent and service was come from leasing space of warehouse/factory in Bangkok Free Trade Zone Project (by Prospect Development Co., Ltd.) for an amount of THB 74.36, THB 21.94 million or 41.84% higher than the same period of last year. Prospect was able to maintain its gross margin higher than 50%. In addition, the Company realized

revenue from leasing apartment units of Park Court Project. Gross profit derived from this business was THB 44.27 million, an increase of THB 10.5 million or 31%.

- Revenues from golf course and property management were in the same level. Even though, revenues were not significant but growth rates were satisfactory.

(2) In this quarter, the Company recorded total costs and expenses of THB 791.05 million, increase by THB 44.16 million or 5.91%, when comparing to the same period of last year. Details were as follow:

- Selling and Administrative Expenses decreased THB 18.15 million or 8.7%. Partly came from applying the Accounting Standard by shifting some of the expenses to costs of sale.
- Financial costs increased by THB 7.34 million or 9.88% comparing to the same period of last year. Financing cost to revenue ratio was 10.9%, closed to the same period of last year which was 10.1%. However, MK still focused on maintaining its interest-bearing debt to equity ratio in an optimal level. At the end of third quarter, the ratio was 1.15x lower than 1.17x at the end of last year.

During the first 9 months of this year, total revenues increased by THB 197.02 million. For the rental and service business, including golf course improved continuously and this business generated substantial gross profit to the Group. For the first 9 months of this year, the gross profit of rent and service business contributed 25% of total gross margin (excluding sales of vacant land). In addition, MK's real estate business was able to maintain the gross margin closed to the same level of last year. For the first 9 months of this year, MK Group reported revenue for an amount of 3,741.51 million, increased by THB 338.81 million or 9.96% when comparing to the same period of last year. Overall gross margin improved by THB 86.95 million, gross profit margin of 32.25%. At the bottom level, the net profit increased by THB 60.42 million, or 35.06% when comparing to the same period of last year.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President