

14 May 2020

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 its financial results for the first quarter of 2020 which ended on 31 March 2020. The Company and its subsidiaries reported a net loss of THB 59.75 million or loss per share of THB 0.05, comparing to a net profit of THB 127.61 million or earnings per share of THB 0.12 from the same period of last year, a decrease of THB 187.35 million or -146.82% when comparing with the first quarter of 2019. Details were as follows:

Unit : THB'000				
Operating results : 3 months	2020	2019	Increase (Decrease)	%
Real Estate				
Revenue	496,928	1,679,837	(1,182,909)	(70.42)
Gross Profit	140,712	452,876	(312,164)	(68.93)
Gross profit margin (%)	28.32	26.96	1.36	5.03
Rental and Services				
Revenue	106,052	76,312	29,740	38.97
Gross Profit	56,739	41,954	14,785	35.24
Gross profit margin (%)	53.50	54.98	(1.48)	(2.68)
Golf Services & Property Management				
Revenue	37,795	40,531	(2,736)	(6.75)
Gross Profit	15,601	17,223	(1,622)	(9.42)
Gross profit margin (%)	41.28	42.49	(1.22)	(2.86)
All business				
Sales & Services revenue	640,919	1,796,680	(1,155,761)	(64.33)
Gross profit	213,102	512,053	(298,951)	(58.38)
Gross profit margin (%)	33.25	28.50	4.75	16.66
Total revenue	666,277	1,819,624	(1,153,347)	(63.38)
Total Cost & Expense	719,232	1,685,730	(966,498)	(57.33)
Selling & Admin. Expense	200,500	303,598	(103,098)	(33.96)
Finance cost	95,243	77,519	17,724	22.86
Net profit	(59,745)	127,606	(187,351)	(146.82)
Net profit margin (%)	(8.97)	7.01	(15.98)	(227.87)
Net profit per share (Baht)	(0.05)	0.12	(0.17)	

Total revenue was THB 640.92 million, a decrease of THB 1,155.76 million or -64.33%. The main businesses of the Company and its subsidiaries were as follows:

(1) Real Estate Business

For the first quarter of 2020, sale of real estate business was THB 496.93 million, a decrease of THB 1,182.91 million or -70.42% when comparing to the same period of last year which was THB 1,679.84 million. During the first quarter of 2019, MK recorded a sale from undeveloped land for a total amount of THB 871.07 million. In addition, MK accelerated the transfer of housing units to customers before the Bank of Thailand housing loan control measure (Loan-to-Value: LTV) became effective on April 1, 2019. Even though, the majority of MK customers were the first-time home buyers who had no housing loan obligations and were impacted less by the BoT measure, the strict measure caused a significant negative effect toward real estate industry. In addition, the economic slowdown in 2019 created a price war competition in this industry. For this quarter, the outbreak of COVID-19 since middle of March 2020 caused a direct impact toward customers' purchasing power. The home buyers postponed their decision making. As a result, sales of low-rise housing units during the first quarter of this year were 18% lower than the average sales of housing units per quarter after the BoT measure became effective. In order to maintain sales of real estate to be the same level as the previous year, MK revised the business strategies to match with the current situation. MK worked closely with customers to prepare financial documents for housing loan package. The Company also revised the marketing strategies and channels. MK created several marketing plans such as setting up the sale price of the housing units at a competitive level as well as presenting 360° virtual tour to show MK housing design to customers. MK staffs were able to give various advices to customers through Line application. MK adopted marketing strategies that helped to ease customers to make decision. All of these strategies were effective in driving the sale of housing units even though Thailand was locked down due to the COVID-19. MK could generate sales from both pre-approve and backlog at the end of the first quarter 40% higher than the sales at the end of 2019.

(2) Rent and Service Business

MK Group was able to grow continuously revenue from rent and service business, which was recurring income, despite the negative impact on both economic and the COVID-19 pandemic. Revenue from rent and service came from leased spaces of warehouse/factory in Bangkok Free Trade Zone Project (by Prospect Development Co., Ltd.) was THB 92.86 million, an increase of THB 29.31 million, 46.12% when comparing to the same period of last year. Revenue of rent and service derived from Park Court Project was THB 11.34 million, an increase 17% when comparing to the first quarter of last year. Total gross profit from rent and service business this year was THB 56.74 million, an increase of THB 41.95 million or 35.24%, comparing to the same period of last year.

(3) Golf Course and Property Management Business

For the past 2 years and after the opening of the new club house in February 2018, MK increased significantly its competitive advantage in services. Flora Ville Golf and Country Club generated the highest revenue since its opening in 1997. Due to the COVID-19 pandemic, MK has temporarily closed the golf course since the middle of March 2020. Even though, number of days opening during the first quarter of this year was less than the same period of last year, MK still maintained both revenue and gross profit at the same level of last year. The revenue was THB 28.42 million, a decrease of only THB 2.32 million when comparing to last year, or 7.56%. For the property management business, revenue was THB 13.87 million, increase by 8.83% when comparing to the same period of last year.

Therefore, MK Group was able to grow rent and service business continuously. Gross margin from this business increased significantly to MK Group which was in line with business restructuring of MK Group. The objectives were to reduce the business risk and increase revenue from recurring business in the long-term. For the total gross profit (excluding sale of vacant land), the proportion of gross profit contributed from rent and service business increased from 19.5% at the end of the first quarter of 2019 to 34% in the same period of 2020. The Company recorded total costs and expenses of THB 719.23 million, decrease by THB 966.50 million or -57.33%, when comparing to the same period of last year. The details of expenses were as follow:

- Total selling and administrative expenses decreased by THB 103.1 million or -33.96%. Selling expenses declined which were in line with the decrease in revenue. However, the percentage decreased in selling and administrative expenses were lower than the percentage decreased in sales. MK Group was preparing to launch the new business which was Wellness business. The Company incurred pre-opening expenses. MK planned to launched the Wellness business during the fourth quarter of this year.
- Financial Costs increased by THB 17.72 million or 22.86% comparing to the same period of last year MK group made an investment in the new business according to the business restructuring plan.

For the first quarter of 2020, even though MK's financial results decreased, the 5-year plan adopted by the Company reduced the impact of the economic slowdown and amid the COVID-19 pandemic. In addition, MK Group was able to control both cost of sales and operating expenses at an appropriate level and to run business according to the business restructuring plan.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)

Senior Executive Vice President