

NO. AC. 002/2017

12 May 2017

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 performance for the first quarter ended 31 March 2017. The Company and its subsidiary reported a net profit of THB 26.62 million or earnings per share of THB 0.03, a decrease of THB 67.80 million or 71.81%. Details were as follows:

	Unit : THB'000			
Operating results : 1st Quarter	2017	2016	Increase (Decrease)	%
Real Estate				
Revenue from sale of real estate	583,082	505,594	77,488	15.33
Gross Profit : Reals estate	212,644	182,632	30,012	16.43
Gross profit margin (%)	36.47	36.12	0.35	0.96
Rental and other services				
Revenue from rental & other services	42,917	24,328	18,589	76.41
Gross Profit : Rental & other services	24,074	12,484	11,590	92.84
Gross profit margin (%)	56.09	51.32	4.78	9.31
All bussiness				
Sales & Sevices revenue	651,260	555,766	95,494	17.18
Gross profit	247,761	208,105	39,656	19.06
Gross profit margin (%)	38.04	37.44	0.60	1.60
Total revenue	672,057	611,766	60,291	9.86
Total Cost & Expense	643,949	514,303	129,646	25.21
Selling & Admin. Expense	165,350	113,299	52,051	45.94
Finance cost	49,709	23,757	25,952	109.24
Net profit	26,619	94,414	(67,795)	(71.81)
Net porofit margin (%)	3.96	15.43	(11.47)	(74.34)
Net profit per share (Baht)	0.03	0.10	(0.07)	

During the first three months of 2017, the Company generated revenue from sale and services of THB 651.26 million, an increase of THB 95.5 million comparing to revenue of THB 555.77 million from the same period of last year. Gross profit was THB 247.76 million, an increase of THB 39.66 million (or 19.06%) from previous year. The main business of the Company and its subsidiaries can be summarized as follows:

(1) Sales of Real Estate Business

Sales revenue from real estate business were THB 583.08 million, an increase of THB 77.49 million or 15.33% when comparing with the same period of 2016 which was THB 505.59 million. Gross profit margin from sales of real estate business was THB 212.65 million, increase by THB 30 million.

(2) Rental and Other Services Business

Income from rental and other services were THB 42.92 million, increase by THB 18.59 million or 76.41% when comparing to THB 24.33 million reported last year. The major income came from leasing warehouse/factory area by Prospect Development Co., Ltd., a wholly owned subsidiary. Gross profit derived from this business was THB 24.07 million, an increase of 92.84% when comparing with gross profit of THB 12.49 million during the first quarter of 2016.

(3) Golf Course and Property Management Business

Revenue from golf course and property management business during the first quarter of 2017 were THB 25.26 million, similar to last year's which were recorded at THB 25.84 million.

During the first quarter of 2017, the Company and its subsidiaries were able to increase both gross profit and gross profit margin. However, net profit declined when comparing with the same period of last year; the main reasons are as follows:

- (1) The Company recorded selling and administrative expenses of THB 165.35 million, an increase of THB 52.05 million or 45.94% when comparing with the first quarter of last year. The reason came from the Government's stimulus measures by reducing transfer fee and mortgage fee which ended in April 2016 caused the transfer expense of the 2017 higher than the previous year. Even though, the Government stimulus measures already ended, the Company was able to realize sale of its housing projects in the first quarter of this year higher than the same period of last year by THB 77.49 million or 15.33%. The gross margin in this business was 36%, same as previous year. However, if we excluded the impact from the Government stimulus package,

selling and administrative expenses as a percentage of sales was closed to that of previous year. The increase amount of these expenses was used for upgrading the project status to meet the customer demand, launching promotion package to further drive sales and together with re-position corporate identity. All of these were able the Company to reach its targeted customer group ie. know what customers had in minds and expand customer base.

- (2) In order to diversify its business risk, the Company invested in the recurring income business which would contribute a stable income in the long-term. As a result, the Company had to realize costs and expenses during the development stage; however, a stable income could be realized once the project completed. During the first quarter of 2017, the financial costs increased by THB 25.95 million or 109.24% when comparing with the same period of last year. The Company expected the project to be completed and start to realize revenue during the fourth quarter of 2017.
- (3) The Company reverted its overdue liabilities of THB 40 million and recorded this transaction as other income in the first quarter of 2016.

Please be informed accordingly.

Yours sincerely,

(Mrs. Sutida Suriyodorn)
Deputy Managing Director