

August 14, 2019

Subject: Management's Explanation and Analysis for the 3 months and 6 months period ended June 30, 2019

Attention: Director and Manager

The Stock Exchange of Thailand

LDC Dental Public Company Limited (LDC) would like to clarify the performance of the Company for the 3 months and 6 months period ended June 30, 2019 which the details are as follows:

1. Performance Analysis

1.1 Performance for the 3 months and 6 months period ended June 30, 2019 as follows:

Unit : Million Baht	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amoun	%	June 30, 2019	June 30, 2018	Amoun	%
Revenues from dental service	125.90	115.34	10.56	9.16	242.44	215.98	26.46	12.25
Other main revenues	8.20	1.95	6.25	320.08	13.36	3.43	9.93	289.52
Total revenues from medical services	134.10	117.29	16.81	14.33	255.80	219.41	36.39	16.58
Cost of services	(120.99)	(107.97)	13.02	12.06	(235.23)	(207.57)	27.66	13.33
Revenues from dental service	13.11	9.33	3.79	40.62	20.57	11.84	8.73	73.68
Other revenues	1.68	4.47	(2.79)	(62.41)	4.00	8.63	(4.62)	(53.58)
Distribution cost	(5.88)	(5.69)	0.20	3.46	(11.03)	(12.24)	(1.22)	(9.93)
Administrative expenses	(11.82)	(13.09)	(1.27)	(9.68)	(23.98)	(26.36)	(2.38)	(9.03)
Financial cost	(0.09)	(0.18)	(0.09)	(49.73)	(0.21)	(0.39)	(0.18)	(47.14)
Profit (loss) before income tax expenses	(3.00)	(5.16)	(2.16)	(41.85)	(10.64)	(18.52)	(7.89)	(42.58)
Income tax (expense) revenue	0.26	(0.30)	(0.56)	(188.72)	0.38	(1.82)	(2.19)	(120.72)
Profit (loss) for the year	(2.74)	(5.46)	(2.72)	(49.81)	(10.26)	(20.34)	(10.08)	(49.55)
Other comprehensive income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total comprehensive income (loss) for the period	(2.74)	(5.46)	(2.72)	(49.81)	(10.26)	(20.34)	(10.08)¹	(49.55)

Note¹ Net loss decreased compared to the same quarter of prior year by Baht 10.08 million or equivalent to 49.55%.

For the 3 months period (quarter 2/2019), the Company has total revenues at Baht 135.78 million which increased compared to the same quarter of prior year by Baht 14.02 million or equivalent to 10.33% and For the 6 months period of 2019, the Company has total revenues at Baht 259.81 million which increased compared to the same quarter of prior year by Baht 31.77 million or equivalent to 12.23%, resulting gross profit at Baht 20.57 million but the Company has total comprehensive loss at Baht 10.26 million. However, the loss decreased compared to the same quarter of prior year 49.55%

1.2 Analysis details for each type of revenues

A. Revenues from service, classified by type of revenues

1.2.1 Revenues from dental services

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amount	%	June 30, 2019	June 30, 2018	Amount	%
Medical treatment	119.87	112.21	7.66	6.83	232.45	210.38	22.07	10.49
Medical service	5.35	3.91	1.44	36.72	9.99	6.50	3.49	53.69
Drugs and medical supplies	0.24	0.25	(0.01)	(5.90)	0.44	0.47	(0.03)	(6.15)
Other supplies	0.41	0.27	0.13	48.17	0.58	0.65	(0.08)	(11.65)
X-ray	2.95	2.41	0.54	22.58	5.71	4.61	1.11	23.98
Discount	(2.91)	(3.71)	(0.80)	(21.63)	(6.74)	(6.63)	0.11	1.60
Total	125.90	115.34	10.56	9.16	242.44	215.98	26.46	12.25

1.2.1 (1) Revenues from medical services, classified by operation areas:

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amount	%	June 30, 2019	June 30, 2018	Amount	%
Bangkok and vicinity ^{1/2}	103.90	97.13	6.78	6.98	200.65	182.43	18.23	9.99
Other provinces ^{1/3}	22.00	18.21	3.79	20.78	41.79	33.56	8.23	24.52
Total	125.90	115.34	10.56	9.16	242.44	215.98	26.46	12.25

Bangkok and vicinity² Total 20 branches have been operated before year 2016: Ladprao, Ramkhamhaeng, Ram-Intra KM. 4, Changwattana, Srinakarin, Onnut, Ratchapraek, Rangsit, Petchkasem, Saijai Dental Saimai, Rama 2, Ngamwongwan, Rama 5, Bang Yai, Nawamin, Saphanmai, Seri Thai, Phetchaburi, Ram-Intra KM. 10 and Salaya.

Other provinces³ Total 11 branches have been operated since year 2016: Nakorn Panom, Mukdaharn, Nakorn Ratchsrima, Nakorn Sawan, Nakorn Sri Thammarat, Udon Thani, Lampang, Maha Sarakam, Chiang Rai, Ubonratchathani and Chiang Mai

For the 3 months and 6 months period (quarter 2/2019), the Company has revenues from dental services at Baht 125.90 million and at Baht 242.44 million, which increased compared to the same quarter of prior year by Baht 10.56 million and Baht 26.46 million or equivalent to 9.16% and 12.25%. Revenues from dental services can be classified according the operation areas as follows:

- Bangkok and vicinity generated revenues from dental services at Baht 103.90 million and Baht 200.65 million which increased compared to the same quarter of prior year by Baht 6.78 million and Baht 18.23 million or equivalent to 6.98% and 9.99%.
- Other provinces generated revenues from dental services at Baht 22.00 million and Baht 41.79 million which increased compared to the same quarter of prior year by Baht 6.78 million and Baht 8.23 million or equivalent to 20.78% and 24.52%.

1.2.2 Other main revenues

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amoun	%	June 30, 2019	June 30, 2018	Amoun	%
Revenues from sales	2.79	1.95	0.83	42.76	4.76	3.43	1.33	38.76
Revenues from tour guide	5.41	2.29	3.13	136.71	8.60	4.41	4.20	95.24
Total	8.20	4.24	3.96	93.45	13.36	7.84	5.53	70.51

For the 3 months and 6 months period (quarter 2/2019), the Company has revenues from sales at Baht 2.79 million and Baht 4.76 million, which increased compared to the same quarter of prior year by Baht 0.83 million and Baht 1.33 million or equivalent to 42.76% and 38.76% and revenues from tour guide at Baht 5.41 million and Baht 8.60 million, which increased compared to the same quarter of prior year by Baht 3.13 million and Baht 4.20 million or equivalent to 136.71% and 95.24%.

1.2.3 Other revenues

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amoun	%	June 30, 2019	June 30, 2018	Amoun	%
Membership	0.63	0.43	0.21	48.25	1.26	0.81	0.46	56.28
Training	0.03	0.32	(0.28)	(89.84)	0.32	0.37	(0.04)	(11.68)
Interest received	0.18	0.20	(0.01)	(7.00)	0.37	0.38	(0.02)	(4.30)
Space rental and services	0.53	0.97	(0.45)	(45.98)	1.35	1.98	(0.63)	(31.70)
Others	0.30	0.27	0.04	13.82	0.70	0.68	0.02	2.26
Total	1.68	2.18	(0.50)	(22.99)	4.00	4.22	(0.22)	(5.10)

For the 3 months and 6 months period (quarter 2/2019), the Company has other revenues at Baht 1.68 million and Baht 4.00 million, which decreased compared to the same quarter of prior year by Baht 0.50 million and Baht 0.22 million or equivalent to 22.99% and 5.10%. It is not a significant difference.

1.3 Cost of services

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amoun	%	June 30, 2019	June 30, 2018	Amoun	%
Dentist remuneration	58.64	54.56	4.08	7.48	114.11	105.56	8.55	8.10
Rental of office and branches	13.28	13.30	(0.02)	(0.15)	26.36	26.57	(0.21)	(0.79)
Employees' salaries of branches	17.06	15.50	1.56	10.06	33.92	29.77	4.15	13.94
Depreciation	5.26	5.28	(0.02)	(0.38)	10.30	10.55	(0.25)	(2.37)
Medical supplies and other supplies	10.70	9.02	1.68	18.63	20.26	16.86	3.40	20.17
Dental laboratory	7.26	6.26	1.00	15.97	13.96	10.69	3.27	30.59
Utilities	3.83	3.38	0.45	13.31	7.05	6.20	0.85	13.71
Others	4.95	0.67	4.28	638.81	9.27	1.36	7.91	581.62
Total	120.99	107.97	13.01	12.05	235.23	207.57	27.67	13.33

For the 3 months and 6 months period (quarter 2/2019), the Company has cost of services at Baht 120.99 million and Baht 235.23 million which increased compared to the same quarter of prior year by Baht 13.01 million and Baht 27.67 million or equivalent to 12.05% and 13.33% mainly due to increasing dentist remuneration, employees' salaries of the office and branches, medical supplies and other supplies, laboratory expense, utilities and tourism cost by Baht 4.33 million and Baht 7.51 million, respectively.

1.4 Distribution cost and administrative expenses

1.4.1 Distribution cost

Unit : Million Baht

Items	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amount	%	June 30, 2019	June 30, 2018	Amount	%
Credit card fee	1.78	1.99	(0.21)	(10.53)	3.26	3.56	(0.31)	(8.57)
Advertising and PR expense	0.76	0.51	0.25	48.26	1.44	0.94	0.49	52.13
Sales promotion - CLMV	0.00	0.01	(0.01)	(100)	0.00	2.05	(2.05)	(100)
Sales incentive	2.57	2.35	0.22	9.48	4.73	4.03	0.71	17.55
Others	0.77	0.83	(0.06)	(7.01)	1.60	1.65	(0.06)	(3.35)
Total	5.88	5.69	0.20	3.46	11.03	12.24	(1.22)	(9.93)

For the 3 months and 6 months period (quarter 2/2019), the Company has distribution cost at Baht 5.88 million and Baht 11.03 million which increased and decreased compared to same quarter of prior year by Baht 0.20 million and Baht 1.22 million or equivalent to 3.46% and 9.93% mainly due to decreasing of advertising and promotion expenses – CLMV (because the project was canceled) and increasing of sales incentive by Baht 0.22 million and Baht 0.71 million.

1.4.2 Administrative expenses

Unit : Million Baht

	For the 3 months		Change between YoY		For the 6 months		Change between YoY	
	Q2/19	Q2/18	Amount	%	June 30, 2019	June 30, 2018	Amount	%
Employee expense	7.04	5.92	1.12	18.93	13.02	11.54	1.48	12.83
Depreciation and amortization	0.25	0.25	(0.00)	0.96	0.53	0.49	0.04	8.97
Office rental	0.35	0.36	(0.01)	(3.27)	0.72	0.72	0.00	(0.06)
Utilities	0.09	0.21	(0.13)	(59.77)	0.27	0.39	(0.13)	(31.93)
Repair and maintenance	0.34	0.15	0.18	118.35	0.50	0.45	0.06	12.30
Director remuneration	0.11	0.44	(0.32)	(74.34)	0.57	0.54	0.04	6.96
Others	3.65	5.75	(2.11)	(36.63)	8.35	12.22	(3.87)	(31.64)
Total	11.82	13.09	(1.27)	(9.68)	23.98	26.36	(2.38)	(9.03)

For the 3 months and 6 months period (quarter 2/2019), the Company has administrative expenses at Baht 11.82 million and Baht 23.98 million which decreased compared to same quarter of prior year by Baht 1.27 million and Baht 2.38 million or equivalent to 9.68% and 9.03% mainly due to decreasing of tourism expense Baht 2.02 million and Baht 3.56 million (because in this year the tourism expense is presented under cost of services) and decreasing of consultant fee Baht 0.64 million and Baht 2.65 million.

2 Financial position analysis

Unit : Million Baht

Items	June 30, 2019	December 31, 2018	Increase (Decrease)	%
Total assets	363.57	379.77	(16.20)	(4.27)
Total liabilities	92.87	98.80	(5.93)	(6.00)
Total shareholders' equity	270.71	280.97	(10.26)	(3.65)

Significant movement of assets, liabilities and shareholders' equity as at June 30, 2019, compared to the balance as at December 31, 2018 are as follows:

2.1 Asset analysis

As at June 30, 2019, the Company has total assets at Baht 363.57 million which decreased from as at December 31, 2018 by Baht 16.20 million or equivalent to 4.27%.

Unit : Million Baht

Items	June 30, 2019	December 31, 2018	Increase (Decrease)	%
Current assets	102.61	111.45	(8.83)	(7.93)
Land, building and equipment	148.97	149.96	(0.99)	(0.66)
Assets on long-term lease	94.83	99.17	(4.34)	(4.38)
Other non-current assets	17.17	19.20	(2.03)	(10.60)
Total assets	363.57	379.77	(16.20)	(4.27)

Current assets at Baht 102.61 million, decreased by Baht 8.83 million or equivalent to 7.93%, mainly due to decreasing of cash and cash equivalent by Baht 20.14 million or equivalent to 31.50% (because it was used in the operation).

Account receivable and other receivable at Baht 15.38 million, increased by Baht 8.37 million or equivalent to 119.43%, mainly because of advance payment for the rental – Changwattana branch in amount of Baht 2.80 million and accrued income – tour in amount of Baht 4.20 million.

Land, building and equipment at Baht 148.97 million, decreased by Baht 0.99 million or equivalent to 0.66% because of the depreciation.

Assets on long-term lease at Baht 94.83 million, decreased by Baht 4.34 million or equivalent to 4.38% mainly because of write-off the asset impairment.

2.2 Liability analysis

As at June 30, 2019, the Company has total liabilities at Baht 92.87 million which decreased from as at December 31, 2018 by Baht 5.94 million or equivalent to 6.01%.

Unit : Million Baht

Items	June 30, 2019	December 31, 2018	Increase (Decrease)	%
Current liabilities	81.97	81.85	0.12	0.14
Liabilities under financial lease	5.58	12.52	(6.94)	(55.43)
Other non-current liabilities	5.32	4.44	0.88	19.84
Total	92.87	98.81	(5.94)	(6.01)

Liabilities under financial lease at Baht 5.58 million, decreased by Baht 6.94 million or equivalent to 55.43% because the installations made according to the financial lease contract and no additional contract.

Non-current provisions for employee benefits at Baht 5.32 million, increased by Baht 0.88 million or equivalent to 19.84% because of new calculation based on 400 days benefit in case of retirement according to the Labour Protection Act in the quarter that it was applied.

2.3 Shareholders' Equity Analysis

As at June 30, 2019, Shareholders' equity at Baht 270.71 million, decreased by Baht 10.26 million or equivalent to 3.65% resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director