

May 13, 2019

Subject: Management's Explanation and Analysis for the 3 months period ended March 31, 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 period ended March 31, 2019 which the details are as follows:

1. Performance Analysis

1.1 Performance for the 3 months period ended March 31, 2019 as follows:

Unit : Million Baht	March 31, 2019		March 31, 2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues from dental service	116.54	95.75	100.64	98.55	15.89	15.79
Other main revenues	5.17	4.25	1.48	1.45	3.69	249.23
Total revenues from medical services	121.70	100.00	102.12	100.00	19.58	19.18
Cost of services	(114.25)	(93.87)	(99.60)	(97.53)	14.64	14.70
Gross profit (loss)	7.46	6.13	2.52	2.47	4.94	196.12
Other revenues	2.33	1.91	4.16	4.07	(1.83)	(44.09)
Distribution cost	(5.15)	(4.23)	(6.56)	(6.42)	(1.41)	(21.54)
Administrative expenses	(12.16)	(9.99)	(13.27)	(12.99)	(1.11)	(8.39)
Financial cost	(0.12)	(0.10)	(0.21)	(0.21)	(0.10)	(44.96)
Profit (loss) before income tax expenses	(7.64)	(6.27)	(13.36)	(13.08)	(5.73)	(42.86)
Income tax (expense) revenue	0.11	0.09	(1.52)	(1.49)	(1.63)	(107.47)
Profit (loss) for the year	(7.52)	(6.18)	(14.88)	(14.57)	(7.36)	(49.45)
Other comprehensive income (loss)	0.00	0.00	0.00	0.00	0.00	0.00
Total comprehensive income (loss) for the period	(7.52)	(6.18)	(14.88)	(14.57)	(7.36)¹	(49.45)

Note¹ Net loss decreased compared to the same quarter of prior year by Baht 7.36 million or equivalent to 49.45%.

For the 3 months period ended March 31, 2019, the Company has total revenues at Baht 124.03 million which increased compared to the same quarter of prior year by Baht 17.75 million, resulting gross profit at Baht 7.46 million but the Company has total comprehensive loss at Baht 7.52 million. However, the loss decreased compared to the same quarter of prior year 49.45%

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

	March 31, 2019	March 31, 2018	Increase (Decrease)	
			Amount	%
Medical treatment	112.58	98.17	14.41	14.68
Medical service	4.65	2.59	2.05	79.29
Drugs and medical supplies	0.21	0.22	(0.01)	(6.42)
Other supplies	0.17	0.38	(0.21)	(55.07)
X-ray	2.76	2.20	0.56	25.52
Discount	(3.83)	(2.92)	0.91	31.15
Total	116.54	100.64	15.89	15.79

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

Unit : Million Baht

Revenues from dental services	March 31, 2019	March 31, 2018	Increase (Decrease)	
			Amount	%
Bangkok and vicinity ^{/2}	96.75	85.30	11.45	13.43
Other provinces ^{/3}	19.79	15.34	4.44	28.95
Total	116.54	100.64	15.89	15.79

Bangkok and vicinity^{/2} Total 21 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 provinces^{/3} 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 period (the 1st quarter) of year 2019, the Company has revenues from dental services at Baht 116.54 million, which increased compared to the same quarter of prior year by Baht 15.89 million or equivalent to 15.79%. Revenues from dental services can be classified according the operation areas as follows:

- Bangkok and vicinity generated revenues from dental services at Baht 96.75 million which increased compared to the same quarter of prior year by Baht 11.45 million or equivalent to 13.43%.
- Other provinces generated revenues from dental services at Baht 19.79 million which increased compared to the same quarter of prior year by Baht 4.44 million or equivalent to 28.95%.

1.2.2 Other main revenues

Unit : Million Baht

	March 31, 2019	March 31, 2018	Increase (Decrease)	
			Amount	%
Revenues from sales	1.97	1.48	0.50	33.48
Revenues from tour guide	3.19	2.12	1.07	50.53
Total	5.17	3.60	1.57	43.52

For the 3 months period ended March 31, 2019, the Company has revenues from sales at Baht 1.97 million, which increased compared to the same quarter of prior year by Baht 0.50 million or equivalent to 33.48% and revenues from tour guide at Baht 3.19 million, which increased compared to the same quarter of prior year by Baht 1.07 million or equivalent to 50.53%.

1.2.3 Other revenues

Unit : Million Baht

	March 31, 2019	March 31, 2018	Increase (Decrease)	
			Amount	%
Membership	0.63	0.38	0.25	65.29
Training	0.29	0.05	0.24	474.75
Interest received	0.18	0.19	(0.00)	(1.41)
Space rental and services	0.82	1.00	(0.18)	(17.87)
Others	0.40	0.42	(0.02)	(5.06)
Total	2.33	2.04	0.29	14.02

For the 3 months period ended March 31, 2019, the Company has other revenues at Baht 2.33 million, which increased compared to the same quarter of prior year by Baht 0.29 million or equivalent to 14.02%. It is not a significant difference.

1.3 Cost of services

Unit : Million Baht

	March 31, 2019	March 31, 2018	Increase (Decrease)	
			Amount	%
Dentist remuneration	55.47	51.01	4.46	8.74
Rental of office and branches	13.08	13.27	(0.19)	(1.43)
Employees' salaries of branches	16.86	14.26	2.59	18.17
Depreciation	5.04	5.27	(0.23)	(4.37)
Medical supplies and other supplies	9.56	7.84	1.72	21.93
Dental laboratory	6.70	4.43	2.27	51.36
Others	7.54	3.52	4.02	(114.11)
Total	114.25	99.60	14.25	14.31

For the 3 months period ended March 31, 2019, the Company has cost of services at Baht 114.25 million which increased compared to the same quarter of prior year by Baht 14.25 million or equivalent to 14.31% mainly due to increasing dentist remuneration, employees' salaries of the office and branches, medical supplies and other supplies, laboratory expense and tourism cost by Baht 4.46 million, Baht 2.59 million, Baht 1.72 million, Baht 2.27 million and Baht 3.18 million, respectively.

1.4 Distribution cost and administrative expenses

1.4.1 Distribution cost

Unit : Million Baht

Distribution cost	March 31, 2019	March 31, 2018	Increase (Decrease)	
			Amount	%
Credit card fee	1.48	1.57	(0.10)	(6.07)
Advertising and PR expense	0.68	0.43	0.25	56.70
Sales promotion - CLMV	0.00	2.05	(2.05)	(100)
Sales incentive	2.16	1.68	0.48	28.87
Others	0.83	0.83	0.00	0.30
Total	5.15	6.56	(1.41)	(21.54)

For the 3 months period ended March 31, 2019, the Company has distribution cost at Baht 5.15 million which decreased compared to same quarter of prior year by Baht 1.41 million or equivalent to 21.54% mainly due to decreasing of advertising and promotion expenses – CLMV by Baht 2.05 million (because the project was canceled) and increasing of sales incentive by Baht 0.48 million.

1.4.2 Administrative expenses

Unit : Million Baht

Administrative expenses	March 31, 2019	March 31, 2018	Increase (Decrease)	
			Amount	%
Employee expense	5.99	5.63	0.36	6.42
Depreciation and amortization	0.28	0.24	0.04	17.39
Office rental	0.37	0.36	0.01	2.07
Utilities	0.18	0.18	0.00	0.41
Repair and maintenance	0.17	0.29	(0.13)	(43.34)
Director remuneration	0.46	0.10	0.36	365.96
Others	4.71	8.00	(3.29)	(41.17)
Total	12.16	13.27	(1.11)	(8.39)

For the 3 months period ended March 31, 2019, the Company has administrative expenses at Baht 12.16 million which decreased compared to same quarter of prior year by Baht 1.11 million or equivalent to 8.39% mainly due decreasing of tourism expense Baht 1.53 million (because in this year the tourism expense is presented under cost of services) and decreasing of consultant fee Baht 2.01 million (because CLMV project was canceled).

2 Financial position analysis

Unit : Million Baht

	March 31, 2019	December 31, 2018	Increase (Decrease)	ร้อยละ
Total assets	365.57	379.77	(14.21)	(3.74)
Total liabilities	92.12	98.80	(6.68)	(6.76)
Total shareholders' equity	273.45	280.97	(7.52)	(2.68)

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

2.1 Asset analysis

As at March 31, 2019, the Company has total assets at Baht 365.57 million which decreased from as at December 31, 2018 by Baht 14.21 million or equivalent to 3.74 %.

Unit : Million Baht

	March 31, 2019	December 31, 2018	Increase (Decrease)	ร้อยละ
Current assets	101.93	111.45	(9.52)	(8.54)
Land, building and equipment	147.24	149.96	(2.72)	(1.81)
Assets on long-term lease	96.64	99.17	(2.53)	(2.55)
Other non-current assets	19.76	19.20	0.56	2.90
Total assets	365.57	379.77	(14.21)	(3.74)

Current assets at Baht 101.93 million, decreased by Baht 9.52 million or equivalent to 8.54%, mainly due to decreasing of cash and cash equivalent by Baht 11.30 million or equivalent to 17.68% (because it was used in the operation).

Land, building and equipment at Baht 147.24 million, decreased by Baht 2.72 million or equivalent to 1.81% because of the depreciation.

Assets on long-term lease at Baht 96.64 million, decreased by Baht 2.53 million or equivalent to 2.55% because of write-off the asset impairment.

2.2 Liability analysis

As at March 31, 2019, the Company has total liabilities at Baht 92.12 million which decreased from as at December 31, 2018 by Baht 6.68 million or equivalent to 6.76%.

Unit : Million Baht

	March 31, 2019	December 31, 2018	Increase (Decrease)	%
Current liabilities	77.03	81.85	(4.82)	(5.89)
Liabilities under financial lease	10.50	12.52	(2.02)	(16.13)
Other non-current liabilities	4.59	4.44	0.15	3.44
Total	92.12	98.81	(6.68)	(6.76)

Current liabilities at Baht 77.03 million, decreased by Baht 4.82 million or equivalent to 5.89% from decreasing of trade account and other payable Baht 4.82 million.

Liabilities under financial lease at Baht 10.50 million, decreased by Baht 2.02 million or equivalent to 16.13% because the installations made according to the financial lease contract and no additional contract.

2.3 Shareholders' Equity Analysis

As at March 31, 2019, Shareholders' equity at Baht 273.45 million, decreased by Baht 7.52 million or equivalent to 2.68% resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director