

February 18, 2020

Subject: Management's Explanation and Analysis for the year ended December 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 year ended 31, 2019 which the details are as follows:

## 1. Performance Analysis

### 1.1 Performance for the year ended 31, 2019 as follows:

| Unit : Million Baht                                     | 2019           |               | 2018           |               | Increase (Decrease)      |                |
|---|----------------|---------------|----------------|---------------|--------------------------|----------------|
|   | Amount         | %             | Amount         | %             | Amount                   | %              |
| Revenues from dental service                            | 506.33         | 93.63         | 456.03         | 96.61         | 50.29                    | 11.03          |
| Other main revenues                                     | 34.42          | 6.37          | 16.00          | 3.39          | 18.42                    | 115.09         |
| <b>Total revenues from medical services</b>             | <b>540.75</b>  | <b>100.00</b> | <b>472.04</b>  | <b>100.00</b> | <b>68.71</b>             | <b>14.56</b>   |
| Cost of services  | (487.80)       | (90.21)       | (443.49)       | (93.95)       | (44.31)                  | 9.99           |
| Revenues from dental service                            | <b>52.95</b>   | <b>9.79</b>   | <b>28.55</b>   | <b>6.05</b>   | <b>24.40</b>             | <b>85.47</b>   |
| Other revenues  | 7.54           | 1.40          | 12.81          | 2.71          | (5.27)                   | (41.13)        |
| Distribution cost                                       | (19.82)        | (3.66)        | (24.33)        | (5.15)        | 4.51                     | (18.54)        |
| Administrative expenses                                 | (73.10)        | (13.52)       | (47.46)        | (10.05)       | (25.64)                  | 54.04          |
| Financial cost  | (0.31)         | (0.06)        | (0.69)         | (0.15)        | 0.38                     | (54.95)        |
| <b>Profit (loss) before income tax expenses</b>         | <b>(32.74)</b> | <b>(6.05)</b> | <b>(31.11)</b> | <b>(6.59)</b> | <b>(1.62)</b>            | <b>5.52</b>    |
| Income tax (expense) revenue                            | 5.65           | 1.04          | (7.33)         | (1.55)        | 12.98                    | (177.07)       |
| <b>Profit (loss) for the year</b>                       | <b>(27.09)</b> | <b>(5.01)</b> | <b>(38.44)</b> | <b>(8.14)</b> | <b>11.35</b>             | <b>(29.53)</b> |
| Other comprehensive income (loss)                       | 0.00           | 0.00          | (2.17)         | 0.00          | 2.17                     | (100.00)       |
| <b>Total comprehensive income (loss) for the period</b> | <b>(27.09)</b> | <b>(5.01)</b> | <b>(40.61)</b> | <b>(8.60)</b> | <b>13.52<sup>1</sup></b> | <b>(33.29)</b> |

**Note**<sup>1</sup> Net loss decreased compared to the year 2018 by Baht 13.52 million or equivalent to 33.29%.

For the year 2019, the Company has total revenues at Baht 548.29 million which increased compared year 2018 by Baht 63.44 million or equivalent to 13.08% resulting gross profit at Baht 52.95 million, resulting gross profit at Baht 27.09 million

## 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 year  |               | Increase (Decrease) |              |
|----------------------------|---------------|---------------|---------------------|--------------|
|                            | Dec. 31, 19   | Dec 31, 18    | Amount              | %            |
| Medical treatment          | 478.45        | 442.26        | 36.19               | 8.18         |
| Medical service            | 24.70         | 16.18         | 8.53                | 52.70        |
| Drugs and medical supplies | 0.86          | 0.98          | (0.12)              | (12.27)      |
| Other supplies             | 1.14          | 1.35          | (0.22)              | (15.92)      |
| X-ray                      | 11.30         | 10.09         | 1.21                | 11.97        |
| Discount                   | (10.13)       | (14.83)       | 4.70                | (31.70)      |
| <b>Total</b>               | <b>506.33</b> | <b>456.03</b> | <b>50.29</b>        | <b>11.03</b> |

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

Unit : Million Baht

| Items                              | For the year  |               | Increase (Decrease) |              |
|------------------------------------|---------------|---------------|---------------------|--------------|
|                                    | Dec. 31, 19   | Dec 31, 18    | Amount              | %            |
| Bangkok and vicinity <sup>/2</sup> | 419.08        | 383.93        | 35.15               | 9.16         |
| Other provinces <sup>/3</sup>      | 87.24         | 72.10         | 15.14               | 21.00        |
| <b>Total</b>                       | <b>506.33</b> | <b>456.03</b> | <b>50.29</b>        | <b>11.03</b> |

Bangkok and vicinity<sup>/2</sup> 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 provinces<sup>/3</sup> Total 10 branches have been operated since year 2016: Nakorn Panom, Mukdaharn, Nakorn Ratchsrima, Nakorn Sri Thammarat, Udon Thani, Lampang, Maha Sarakam, Chiang Rai, Ubonratchathani and Chiang Mai

For the year 2019, the Company has revenues from dental services at Baht 506.33 million, which increased compared to the year 2018 by Baht 50.29 million or equivalent to 11.03% Revenues from dental services can be classified according the operation areas as follows:

- Bangkok and vicinity generated revenues from dental services at Baht 419.08 million and which increased compared to the year 2018 or equivalent to 9.16%.
- Other provinces generated revenues from dental services at Baht 87.24 million and which increased compared to year 2018 or equivalent to 21.00%.

### 1.2.2 Other main revenues

Unit : Million Baht

|                          | For the year |              | Increase (Decrease) |              |
|--------------------------|--------------|--------------|---------------------|--------------|
|                          | Dec. 31, 19  | Dec 31, 18   | Amount              | %            |
| Revenues from sales      | 10.37        | 7.85         | 2.53                | 32.21        |
| Revenues from tour guide | 19.88        | 8.04         | 11.85               | 147.40       |
| <b>Total</b>             | <b>30.26</b> | <b>15.88</b> | <b>14.37</b>        | <b>90.50</b> |

For the year 2019, the Company has revenues from sales at Baht 10.37 million, which increased compared to the year 2018 by Baht 2.53 million or equivalent to 32.21% and revenues from tour guide at Baht 19.88 million, which increased compared to the year 2018 by Baht 11.85 million or equivalent to 147.40%.

### 1.2.3 Other revenues

Unit : Million Baht

|                           | For the year |              | Increase (Decrease) |                |
|---------------------------|--------------|--------------|---------------------|----------------|
|                           | Dec. 31, 19  | Dec 31, 18   | Amount              | %              |
| Membership                | 2.20         | 1.91         | 0.28                | 14.83          |
| Training                  | 0.71         | 0.77         | (0.06)              | (8.19)         |
| Interest received         | 0.72         | 0.80         | (0.08)              | (9.64)         |
| Space rental and services | 2.35         | 4.29         | (1.94)              | (45.20)        |
| Others                    | 1.57         | 5.05         | (3.48)              | (68.85)        |
| <b>Total</b>              | <b>7.54</b>  | <b>12.81</b> | <b>(5.27)</b>       | <b>(41.13)</b> |

For the year 2019, the Company has other revenues at Baht 7.54 million which decreased compared to the year 2018 by Baht 5.27 million or equivalent to 41.13 % due to decreasing of space rental and services of Nakorn Ratchsrima branch.

### 1.3 Cost of services

Unit : Million Baht

|                                     | For the year  |               | Increase (Decrease) |             |
|-------------------------------------|---------------|---------------|---------------------|-------------|
|                                     | Dec. 31, 19   | Dec. 31, 18   | Amount              | %           |
| Dentist remuneration                | 236.14        | 221.91        | 14.22               | 6.41        |
| Rental of office and branches       | 51.57         | 52.71         | (1.15)              | (2.18)      |
| Employees' salaries of branches     | 70.10         | 64.29         | 5.81                | 9.04        |
| Depreciation                        | 21.28         | 21.32         | (0.04)              | (0.19)      |
| Medical supplies and other supplies | 41.17         | 36.99         | 4.19                | 11.32       |
| Dental laboratory                   | 31.80         | 23.02         | 8.78                | 38.14       |
| Utilities                           | 13.35         | 12.66         | 0.70                | 5.51        |
| Tourism cost                        | 18.75         | 7.58          | 11.17               | 147.35      |
| Others                              | 3.64          | 3.00          | 0.63                | 21.01       |
| <b>Total</b>                        | <b>487.80</b> | <b>443.49</b> | <b>44.31</b>        | <b>9.99</b> |

For the year 2019 the Company has cost of services at Baht 487.80 which increased compared to the year 2018 by Baht 44.31 million or equivalent to 9.99 % 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 14.22 million, Baht 5.81 million, Baht 4.19 million, Baht 8.78 million and Baht 11.17 million, respectively.

#### 1.4 Distribution cost and administrative expenses

##### 1.4.1 Distribution cost

Unit : Million Baht

|                            | For the year |              | Increase (Decrease) |                |
|----------------------------|--------------|--------------|---------------------|----------------|
|                            | Dec. 31, 19  | Dec. 31, 18  | Amount              | %              |
| Credit card fee            | 6.87         | 7.38         | (0.51)              | (6.90)         |
| Advertising and PR expense | 1.82         | 2.01         | (0.19)              | (9.21)         |
| Sales promotion - CLMV     | 0.00         | 2.05         | (2.05)              | (100)          |
| Sales incentive            | 7.95         | 9.56         | (1.60)              | (16.79)        |
| Others                     | 3.17         | 3.33         | (0.16)              | (4.71)         |
| <b>Total</b>               | <b>19.82</b> | <b>24.33</b> | <b>(4.51)</b>       | <b>(18.54)</b> |

For the year 2019, the Company has distribution cost at Baht 19.82 million decreased compared to the year 2018 by Baht 4.51 million or equivalent to 18.54 % mainly due to decreasing of advertising and promotion expenses – CLMV (because the project was canceled) and decrease of sales incentive by Baht 2.05 million and Baht 1.60 million, respectively

##### 1.4.2 Administrative expenses

Unit : Million Baht

|                               | For the year |              | Increase (Decrease) |              |
|-------------------------------|--------------|--------------|---------------------|--------------|
|                               | Dec. 31, 19  | Dec. 31, 18  | Amount              | %            |
| Employee expense              | 26.05        | 25.02        | 1.03                | 4.13         |
| Depreciation and amortization | 1.18         | 1.09         | 0.09                | 8.39         |
| Office rental                 | 1.45         | 1.45         | 0.00                | (0.10)       |
| Utilities                     | 0.39         | 0.79         | (0.40)              | (50.55)      |
| Repair and maintenance        | 1.48         | 1.39         | 0.09                | 6.50         |
| Director remuneration         | 0.86         | 0.87         | (0.01)              | (1.07)       |
| Others                        | 41.69        | 16.85        | 24.84               | 147.38       |
| <b>Total</b>                  | <b>73.10</b> | <b>47.46</b> | <b>25.64</b>        | <b>54.04</b> |

For the year 2019 the Company has administrative expenses at Baht 73.10 million increased compared to the year 2018 by Baht 25.64 million or equivalent to 54.04% mainly due to decreasing of consultant fee Baht 2.72 million (because CLMV project was canceled, and increasing from loss of closing Nakorn Sawan branch Baht 3.58 million and loss on asset impairment Baht 23.33 million (assets on long-term lease Baht 16.27 million and dental medical equipment Baht 7.06 million).

## 2 Financial position analysis

Unit : Million Baht

| Items                             | December 31,<br>2019 | December 31,<br>2018 | Increase<br>(Decrease) | %             |
|-----------------------------------|----------------------|----------------------|------------------------|---------------|
| Total assets                      | 340.25               | 379.77               | (39.53)                | (10.41)       |
| Total liabilities                 | 86.37                | 98.81                | (12.44)                | (12.59)       |
| <b>Total shareholders' equity</b> | <b>253.88</b>        | <b>280.97</b>        | <b>(27.09)</b>         | <b>(9.64)</b> |

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

### 2.1 Asset analysis

As at December 31, 2019, the Company has total assets at Baht 340.25 million which decreased from as at December 31, 2018 by Baht 39.53 million or equivalent to 10.41%.

Unit : Million Baht

| Items                         | December 31,<br>2019 | December 31,<br>2018 | Increase<br>(Decrease) | %              |
|-------------------------------|----------------------|----------------------|------------------------|----------------|
| Current assets                | 109.87               | 111.45               | (1.57)                 | (1.41)         |
| Land, building and equipment  | 138.20               | 149.96               | (11.75)                | (7.84)         |
| Assets on long-term lease     | 71.47                | 99.17                | (27.70)                | (27.93)        |
| Deferred income tax increased | 7.72                 | 2.07                 | 56.65                  | 272.32         |
| Other non-current assets      | 12.98                | 17.13                | (4.14)                 | (24.20)        |
| <b>Total assets</b>           | <b>304.25</b>        | <b>379.77</b>        | <b>(39.53)</b>         | <b>(10.41)</b> |

Current assets at Baht 109.87 million, decreased by Baht 1.57 million or equivalent to 1.41%, mainly due to decreasing of cash and cash equivalent by Baht 11.16 million or equivalent to 17.46% (because it was used in the operation).

Account receivable and other receivable at Baht 1.41 million, increased by Baht 4.40 million or equivalent to 62.76%, mainly because of advance payment for the rental – Changwattana branch in amount of Baht 1.12 million and account receivable-tour in amount of Baht 2.50 million.

Inventory at Baht 20.34 million, increase by Baht 4.82 million or equivalent to 31.07%, mainly from beauty products Baht 2.27 million and dental supplies Baht 0.78 million.

Land, building and equipment at Baht 138.20 million, decreased by Baht 11.75 million or equivalent to 7.84% because of the depreciation, and from impairment allowance of dental medical equipment Baht 7.06 million.

Assets on long-term lease at Baht 71.47 million, decreased by Baht 27.70 million or equivalent to 27.93% mainly because of write-off the asset impairment, write-off the remaining value of asset on lease of Nakorn Ratchsima branch which was closed Baht 3.38 million and from allowance of asset impairment was recorded Baht 16.27 million.

Deferred income tax increased by Baht 5.65 million or equivalent to 272.32% from allowance of asset impairment.

## 2.2 Liability analysis

As at December 31, 2019, the Company has total liabilities at Baht 86.37 million which decreased from as at December 31, 2018 by Baht 12.44 million or equivalent to 12.59%.

**Unit : Million Baht**

|                                   | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> | <b>Increase<br/>(Decrease)</b> | <b>%</b>       |
|-----------------------------------|------------------------------|------------------------------|--------------------------------|----------------|
| Current liabilities               | 80.11                        | 81.85                        | (1.74)                         | (2.12)         |
| Liabilities under financial lease | 0.68                         | 11.84                        | (11.17)                        | (94.29)        |
| Other non-current liabilities     | 5.58                         | 5.11                         | 0.47                           | 9.15           |
| <b>Total</b>                      | <b>86.37</b>                 | <b>98.81</b>                 | <b>(12.44)</b>                 | <b>(12.59)</b> |

Liabilities under financial lease at Baht 0.68 million, decreased by Baht 11.17 million or equivalent to 94.29% because the installations made according to the financial lease contract and no additional contract.

Non-current provisions for employee benefits at Baht 5.58 million, increased by Baht 0.47 million or equivalent to 9.15% because of new calculation based on 400 days

### 2.3 Shareholders' Equity Analysis

As at December 31, 2019, Shareholders' equity at Baht 253.88 million, decreased by Baht 27.09 million or equivalent to 9.64% resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director