

May 15, 2020

Subject: Management's Explanation and Analysis for the 3 months period ended March 31, 2020

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, 2020 which the details are as follows:

1. Performance Analysis

1.1 Performance for the 3 months period ended March 31, 2020 as follows:

Unit : Million Baht	March 31, 2020		March 31, 2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues from dental service	112.83	96.38	115.64	95.02	(2.81)	(2.43)
Other main revenues	4.24	3.62	6.06	4.98	(1.82)	(29.98)
Total revenues from medical services	117.07	100.00	121.70	100.00	(4.63)	(3.80)
Cost of services	(109.23)	(93.30)	(114.25)	(93.87)	(5.02)	(4.39)
Gross profit (loss)	7.85	6.70	7.46	6.13	0.39	5.22
Other revenues	1.44	1.23	2.33	1.91	(0.88)	(38.03)
Distribution cost	(3.56)	(3.04)	(5.15)	(4.23)	(1.58)	(30.73)
Administrative expenses	(11.98)	(10.23)	(12.16)	(9.99)	(0.18)	(1.49)
Financial cost	(4.69)	(4.00)	(0.12)	(0.10)	4.57	3,910.38
Profit (loss) before income tax expenses	(10.94)	(9.34)	(7.64)	(6.27)	3.30	43.27
Income tax (expense) revenue	0.65	0.56	0.11	0.09	0.54	473.20
Profit (loss) for the year	(10.29)	(8.79)	(7.52)	(6.18)	2.77	36.78
Other comprehensive (expense) for the period, net of tax	(0.16)	(0.14)	0.00	0.00	0.16	100.00
Total comprehensive income (loss) for the period	(10.45)	(8.92)	(7.52)	(6.18)	2.93	38.90

For the 3 months period ended March 31, 2020, the Company has total revenues at Baht 118.52 million which decreased compared to the same quarter of prior year by Baht 5.51 million, resulting gross profit at Baht 4.65 million but the Company has total comprehensive loss at Baht 7.85 million. Since the revenues of some branches did not cover their expenses including the effect of COVID-19 outbreak and the

government's declaration of an emergency situation in March 2020, the Company has to temporarily close some branches.

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, 2020	March 31, 2019	Increase (Decrease)	
			Amount	%
Medical treatment	104.71	111.67	(6.96)	(6.24)
Medical service	7.01	4.65	2.36	50.77
Drugs and medical supplies	0.18	0.21	(0.02)	(11.02)
Other supplies	0.22	0.17	0.05	30.82
X-ray	2.26	2.76	(0.50)	(18.23)
Discount	(1.55)	(3.81)	(2.27)	(59.44)
Total	112.83	115.64	(2.81)	(2.43)

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

Unit : Million Baht

Revenues from dental services	March 31, 2020	March 31, 2019	Increase (Decrease)	
			Amount	%
Bangkok and vicinity ^{/2}	93.10	95.86	(2.76)	(2.88)
Other provinces ^{/3}	19.73	19.79	(0.05)	(0.27)
Total	112.83	115.64	(2.81)	(2.43)

Bangkok and vicinity^{/2} 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^{/3} Total 10 branches have been operated since year 2016: Nakorn Panom, Mukdaharn, Nakorn Ratchasima, Nakorn Sawan, Nakorn Sri Thammarat, Udon Thani, Lampang, Maha Sarakam, Chiang Rai, Ubonratchathani and Chiang Mai

For the 3 months period ended March 31, 2020, the Company has revenues from dental services at Baht 112.83 million, which decreased compared to the same quarter of prior year by Baht 2.81 million or

equivalent to 2.43%. Revenues from dental services can be classified according the operation areas as follows:

- Bangkok and vicinity generated revenues from dental services at Baht 93.10 million which decreased compared to the same quarter of prior year by Baht 2.76 million or equivalent to 2.88%.
- Other provinces generated revenues from dental services at Baht 19.73 million which decreased compared to the same quarter of prior year by Baht 0.05 million or equivalent to 0.27%.

1.2.2 Other main revenues

Unit : Million Baht

	March 31, 2020	March 31, 2019	Increase (Decrease)	
			Amount	%
Revenues from sales	2.51	1.97	0.53	27.09
Revenues from beauty	1.73	0.89	0.83	93.77
Revenues from tour guide	0.01	3.19	(3.19)	(99.80)
Total	4.24	6.06	(1.82)	(29.98)

For the 3 months period ended March 31, 2020, the Company has revenues from sales at Baht 2.51 million, which increased compared to the same quarter of prior year by Baht 0.53 million or equivalent to 27.09%, Revenues from beauty service Baht 1.73 million increased Baht 0.83 million or equivalent to 93.77% because in the first quarter of year 2019, the Company launched only 1 branch of beauty service (LDC Esthetics). Tourism revenues Baht 0.01 million decreased Baht 3.19 million or equivalent to 99.80% because the Company ceased the tourism business due to unconformity with the Company's policy.

1.2.3 Other revenues

Unit : Million Baht

	March 31, 2020	March 31, 2019	Increase (Decrease)	
			Amount	%
Membership	0.29	0.63	(0.34)	(53.93)
Training	0.16	0.29	(0.14)	(46.46)
Interest received	0.14	0.18	(0.05)	(25.39)
Space rental and services	0.40	0.82	(0.43)	(51.82)
Others	0.46	0.40	0.06	16.15
Total	1.44	2.33	(0.88)	(38.03)

For the 3 months period ended March 31, 2020, the Company has other revenues at Baht 1.44 million, which decreased compared to the same quarter of prior year by Baht 0.88 million or equivalent to 38.03%. It is not a significant difference.

1.3 Cost of services

Unit : Million Baht

	March 31, 2020	March 31, 2019	Increase (Decrease)	
			Amount	%
Dentist remuneration	54.11	55.47	(1.36)	(2.44)
Rental of office and branches	0.36	13.08	(12.73)	(97.29)
Depreciation – Leasehold right asset	10.03	0.00	10.03	100.00
Employees' salaries of branches	19.32	16.86	2.46	14.59
Depreciation-asset	5.08	5.04	0.04	0.84
Medical supplies and other supplies	9.02	9.56	(0.54)	(5.61)
Dental laboratory	7.54	6.70	0.84	12.57
Others	3.77	7.54	(3.77)	(49.95)
Total	109.23	114.25	(5.02)	(4.39)

For the 3 months period ended March 31, 2020, the Company has cost of services at Baht 109.23 million which decreased compared to the same quarter of prior year by Baht 5.05 million or equivalent to 4.39% mainly due to decreased dentist remuneration, medical supplies and other supplies, and tourism cost by Baht 1.36 million, Baht 0.54 million, and Baht 3.17 million.

1.4 Distribution cost and administrative expenses

1.4.1 Distribution cost

Unit : Million Baht

Distribution cost	March 31, 2020	March 31, 2019	Increase (Decrease)	
			Amount	%
Credit card fee	1.53	1.48	0.06	3.96
Advertising and PR expense	0.16	0.68	(0.52)	(76.34)
Sales incentive	1.21	2.16	(0.95)	(43.92)
Others	0.66	0.83	(0.17)	(20.70)
Total	3.56	5.15	(1.58)	(30.73)

For the 3 months period ended March 31, 2020, the Company has distribution cost at Baht 3.56 million which decreased compared to same quarter of prior year by Baht 1.58 million or equivalent to 30.73% mainly due to decreasing of advertising and promotion expenses by Baht 0.52 million and increasing of sales incentive by Baht 0.95 million.

1.4.2 Administrative expenses

Unit : Million Baht

Administrative expenses	March 31, 2020	March 31, 2019	Increase (Decrease)	
			Amount	%
Employee expense	7.26	5.99	1.27	21.21
Depreciation and amortization	0.41	0.28	0.13	44.81
Office rental	0.24	0.37	(0.13)	(34.57)
Utilities	0.06	0.18	(0.13)	(68.84)
Repair and maintenance	0.24	0.17	0.07	42.51
Director remuneration	0.49	0.46	0.02	5.18
Others	3.29	4.71	(1.42)	(30.10)
Total	11.98	12.16	(0.18)	(1.49)

For the 3 months period ended March 31, 2020, the Company has administrative expenses at Baht 11.98 million which decreased compared to same quarter of prior year by Baht 0.18 million or equivalent to 1.49%

1.4.3 Financial cost

For the 3 months period ended March 31, 2020, the Company has financial cost at Baht 4.69 million which increased compared Baht 4.57 million, due to interest expense of lease contract.

2 Financial position analysis

Unit : Million Baht

	March 31, 2020	December 31, 2019	Increase (Decrease)	ร้อยละ
Total assets	534.59	340.25	194.34	57.12
Total liabilities	291.16	86.37	204.79	237.11
Total shareholders' equity	243.43	253.88	(10.45)	(4.12)

Significant movement of assets, liabilities and shareholders' equity as at March 31, 2020, compared to the balance as at December 31, 2019 are as follows:

2.1 Asset analysis

As at March 31, 2020, the Company has total assets at Baht 534.59 million which increased from as at December 31, 2019 by Baht 194.34 million or equivalent to 57.12 % which having the significant movement as follows:

- Cash and cash equivalent decreased Baht 20.72 million or equivalent to 39.27% due to using the Company's working capital.
- Current investment decreased in full amount because it was transferred to other current financial assets according to TFRS 9 effective on January 1, 2020, resulting other current financial assets increased Baht 30.17 million, due to fixed deposit and, in this period, the Company purchased investment units Baht 5 million. As at end of period, the mentioned investment units got loss Baht 0.20 million and it has been recognized in other comprehensive income.

- Account receivable and other current receivable increased Baht 1.93 million or equivalent to 16.95%, due to decreasing of bonus payment Baht 1.62 million, cash card Baht 4.75 million and account receivable Baht 4.62 million (tour and Social Security).
- Inventory increased Baht 1.92 million or equivalent to 9.44%, due to beauty products Baht 0.30 million, dental products Baht 1.11 million and deferred laboratory expense Baht 0.51 million.
- Property, plant and equipment decreased Baht 8.80 million or equivalent to 6.37%, due to the depreciation and the medical equipment under hire purchase contract was transferred to right-of-use asset at net Baht 5.14 million.
- Assets on long-term lease land decreased in full amount because in this period, they were transferred to right-of-use asset, so in this period, the right-of-use asset increased Baht 284.83 million
- Deferred income tax increased Baht 0.69 million or equivalent to 8.95% due to right-of-use asset.

2.2 Liability analysis

As at March 31, 2020, the Company has total liabilities at Baht 291.16 million which increased from as at December 31, 2019 by Baht 204.79 million or equivalent to 237.11% which having the significant movement as follows:

- Account payable and other current payable decreased Baht 41.35 million, due to decreasing of accrued rental payment Baht 32.62 million which it was adjusted in right-of-use asset and decreasing of account payable and accrued dentist remuneration.
- Liabilities under lease contract increased Baht 245.95 million because the Company complied to TFRS 16: Lease

2.3 Shareholders' Equity Analysis

As at March 31, 2020, Shareholders' equity at Baht 243.43 million, decreased by Baht 10.45 million or equivalent to 4.12% resulting from operation loss.

Please be informed accordingly.

Yours sincerely,

(Dr. Wattana Chaiwat)

Managing Director