

**November 8, 2017**

**Subject : Interim Management Discussion and Analysis of Q3/2017**  
**Attention : President of The Stock Exchange of Thailand**

We attach herewith the financial statements of Global Connections Public Co., Ltd. (GC) for the three-month period ended 30 September 2017 which had been reviewed by the Independent Auditor and would like to clarify more details on the Interim Management Discussion and Analysis as follows :

**FINANCIAL SUMMARY**

	<b>31.12.15</b>	<b>31.12.16</b>	<b>30.09.17</b>
<b>FINANCIAL POSITION (MILLION BAHT)</b>			
Current Assets	1,246	1,228	1,165
Total Assets	1,378	1,361	1,290
Current Liabilities	936	914	860
Total Liabilities	956	930	873
Shareholder's Equity	422	431	417
<b>OPERATING RESULT (MILLION BAHT)</b>			
Sales Revenue	3,646	3,979	2,884
Gross Profit	229	258	186
Operating Profit	113	131	97
Profit for the period	79	93	62
Other comprehensive income	0	0.5	0
Total comprehensive income for the period	79	93	62
<b>FINANCIAL RATIOS</b>			
Return on Assets (%)	6.22	6.79	6.23
Return on Equity (%)	19.56	21.81	19.47
Net Profit Margin (%)	2.17	2.34	2.15
Current Ratio (Times)	1.33	1.34	1.36
Debt to Equity Ratio (Times)	2.27	2.16	2.09
Book Value per Share (Baht)	2.11	2.16	2.09
Net Profit per Share (Baht)	0.40	0.46	0.31

## **Interim Management Discussion and Analysis**

### **Analysis of Overall Performance**

The distribution business of the plastic resins, plastic, and petrochemical related products needs relatively high working capital. The key success factors of this business depend on the inventory management, the logistic systems that meet the clients' needs in time, cost of capital, receivables management and sales revenue. Due to this business has low gross profit margin, to build up more sales revenue will result in good net profit.

### **Sales revenue**

The Company had total sales revenue of Baht 863.2 million in Q3/2017, decreased Baht 142.8 million from Baht 1,006.1 million of Q3/2016 or equivalent to 14.20%. The sales value of Commodity Polymer business unit was reduced by 24.06%. The sales value of Specialty and Engineering Polymer business unit was dropped by 0.86%. And the sales value of Specialty Chemicals business unit was increased by 5.02%. The 14.20% decrease in total sales revenue was mainly due to the decline in sales value of Commodity Polymer business unit as a result of shrinking in purchasing power.

### **Financial Operating Results**

In Q3/2017, total cost of sales and operating expenses were Baht 836.3 million, decreased by Baht 136.8 million from Baht 973.1 million of Q3/2016 or equivalent to 14.06%. Our major expense was costs of goods sold, a decrease of Baht 133.6 million from Baht 939.5 million of Q3/2016 to be Baht 805.9 million in Q3/2017 or 14.22% decreased from last year's which was in line with sales dropping rate.

The gross profit in Q3/2017 was decreased from Baht 66.6 million to be Baht 57.4 million or equivalent to 13.86%. While the gross profit margin in Q3/2017 was risen from 7.02% in Q3/2016 to be 7.10%. This was due to the higher selling price in Q3/2017 resulting from plant maintenance shutdown of some producers.

Total selling and administrative expenses decreased from Baht 33.6 million in Q3/2016 to be Baht 30.4 million in Q3/2017, or 9.61% decreased. This was due to the reversal of reduction cost of inventory to net realizable value amounting of Baht 2.0 million in Q3/2017, whereas there was an increase of Baht 1.5 million in Q3/2016.

The interest expenses in Q3/2017 was Baht 3.4 million, or 11.72% decreased from Baht 3.9 million of Q3/2016. This was due to lower short term loan requirement level in this quarter.

As a result of the discussed factors, our profit for three-month period of Q3/2017 was Baht 21.1 million versus Baht 24.4 million in Q3/2016 or equivalent to 13.39% decreased.

## **Comparison of Financial Position ( FY 30.09.2017 VS 31.12.2016)**

**Assets:** As of 30 September 2017, GC recorded total assets of Baht 1,290 million, representing a decrease of Baht 71 million from Baht 1,361 million of 31 December 2016 or equivalent of 5.22% decreased. The assets with major changed were as follows :

As of 30 September 2017 total current assets showed Baht 1,165 million, a decrease of Baht 63 million or 5.15% decreased from year-end 2016. This was mainly due to the decrease in trade accounts receivable by Baht 54 million from Baht 701 million in year-end 2016 to be Baht 646 million in Q3/2017, or 7.77% decreased resulting from slowdown of sales volume.

While inventory showed Baht 492 million as of 30 September 2017, an increase of Baht 13 million or 2.71% from last year-end as a result of higher inventory level.

**Liabilities :** As of 30 September 2017, GC recorded total liabilities of Baht 873 million, a decrease of Baht 57 million or 6.12% decreased from the previous year-end. The major liabilities were short-term loans from financial institutions and trade accounts payable. The ending 2016 balance of short-term loan was Baht 662 million versus 615 million as of Q3/2017 or equivalent to 7.12% decreased resulting from the decline in trade accounts receivable. The trade accounts payable as of Q3/2017 was Baht 219 million, a decrease of Baht 4 million from Baht 223 million of ending 2016 or 2.05% decreased. As a result, the Debts to Equity Ratio as of Q3/2017 was 2.09 times compared to 2.16 times of ending 2016.

**Sources of Funds :** The structure of GC's funds in 2017 was not much different from those of 2016 as they were in term of short-term liabilities. The major liabilities were short-term loans from financial institutions, bank overdrafts, and trade accounts payable.

**Shareholders' Equity:** As of 30 September 2017, the portion of shareholders' equity amounted to Baht 417 million, a decrease of Baht 14 million, or 3.26% from the previous year-end, derived from profit for the period of 9M/2017 Baht 62 million deducted dividend paid out Baht 76 million.

**Liquidity:** In 2017 GC had better liquidity. Since after listed, GC had good fund from the IPO proceeds at the end of 2005 and the working capital from deposits redemption at the beginning of 2006. This caused a better working capital management to reduce the cost of fund.

In Q3/2017 GC had a current ratio at 1.36 times compared to 1.34 times in ending 2016, a little bit increased resulting from the drop in both short-term loan from financial institutions and trade accounts payable.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee