

November 7, 2018

**Subject : Interim Management Discussion and Analysis of Q3/2018**  
**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 2018 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>31.12.16</b>	<b>31.12.17</b>	<b>30.09.18</b>
<b>FINANCIAL POSITION (MILLION BAHT)</b>			
Current Assets	1,228	1,119	1,249
Total Assets	1,361	1,242	1,366
Current Liabilities	914	784	925
Total Liabilities	930	797	935
Shareholder's Equity	431	445	431
<b>OPERATING RESULT (MILLION BAHT)</b>			
Sales Revenue	3,979	3,727	2,811
Gross Profit	258	247	206
Operating Profit	131	126	97
Profit for the period	93	90	66
Other comprehensive income	0.5	0	0
Total comprehensive income for the period	93	90	66
<b>FINANCIAL RATIOS</b>			
Return on Assets (%)	6.76	6.88	6.77
Return on Equity (%)	21.69	20.44	20.17
Net Profit Margin (%)	2.33	2.40	2.36
Current Ratio (Times)	1.34	1.43	1.35
Debt to Equity Ratio (Times)	2.16	1.79	2.17
Book Value per Share (Baht)	2.16	2.22	2.15
Net Profit per Share (Baht)	0.46	0.45	0.33

## **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 923.6 million in Q3/2018, increased Baht 60.4 million from Baht 863.2 million of Q3/2017 or equivalent to 7.00%. The sales value of Commodity Polymer business unit was increased by 5.59%. The sales value of Specialty and Engineering Polymer business unit was risen by 9.33%. And the sales value of Specialty Chemicals business unit was reduced by 29.00%. The 7.00% increase in total sales revenue was mainly due to the rise in sales value of Commodity Polymer business unit as well as Specialty and Engineering Polymer business unit, whereas there was a shrinking in purchasing power during Q3/2017.

### **Financial Operating Results**

In Q3/2018, total cost of sales and operating expenses were Baht 895.6 million, increased by Baht 59.3 million from Baht 836.3 million of Q3/2017 or equivalent to 7.10%. Our major expense was costs of goods sold, an increase of Baht 57.4 million from Baht 805.9 million of Q3/2017 to be Baht 863.3 million in Q3/2018 or 7.12% increased from last year's which was in line with sales growth.

The gross profit in Q3/2018 was increased from Baht 57.4 million to be Baht 60.4 million or equivalent to 5.31% which was lower than the sales growth rate resulting from the drop in gross profit margin from 7.10% in Q3/2017 to be 6.99%. This was due to the higher selling price in Q3/2017 resulting from plant maintenance shutdown of some producers.

Total selling and administrative expenses increased from Baht 30.4 million in Q3/2017 to be Baht 32.3 million in Q2/2018, or 6.46% increased. This was due to an increase in Allowance for doubtful accounts of Baht 3.6 million resulting from liquidity problem of one major accounts receivable. In addition, there was a reversal of reduction cost of inventory to net realizable value amounting of Baht 2.5 million in Q3/2018.

The interest expenses in Q3/2018 was Baht 2.8 million, or 18.16% decreased from Baht 3.4 million of Q3/2017. This was due to lower short term loan requirement during the quarter resulting from the lower of both average trade accounts receivable and inventory.

As a result of the discussed factors, our profit for three-month period of Q3/2018 was Baht 22.4 million versus Baht 21.1 million in Q3/2017 or equivalent to 5.73% increased.

## **Comparison of Financial Position ( FY30.09.2018 VS 31.12.2017)**

**Assets:** As of 30 September 2018, GC recorded total assets of Baht 1,366 million, representing an increase of Baht 124 million from Baht 1,242 million of 31 December 2017 or equivalent of 9.96% increased. The assets with major changed were as follows :

As of 30 September 2018 total current assets showed Baht 1,249 million, an increase of Baht 130 million or 11.61% increased from year-end 2017. This was mainly due to the increase in both trade accounts receivable and inventory. The trade accounts receivable was increased by Baht 56 million from Baht 612 million in year-end 2017 to be Baht 668 million in Q3/2018, or 9.18% increased resulting from the higher Q3/2018 sales value than those of Q4/2017.

While inventory showed Baht 547 million as of 30 September 2018, an increase of Baht 80 million or 16.99% from last year-end as a result of higher inventory purchase volume.

**Liabilities :** As of 30 September 2018, GC recorded total liabilities of Baht 935 million, an increase of Baht 138 million or 17.24% increased from the previous year-end. The major liabilities were short-term loans from financial institutions and trade accounts payable. The ending 2017 balance of short-term loan was Baht 575 million versus 595 million as of Q3/2018 or equivalent to 3.52% increased resulting from the rise in both trade accounts receivable and inventory. The trade accounts payable as of Q3/2018 was Baht 303 million, an increase of Baht 124 million from Baht 179 million of ending 2017 or 68.95% increased. As a result, the Debts to Equity Ratio as of Q3/2018 was 2.17 times compared to 1.79 times of ending 2017.

**Sources of Funds :** The structure of GC's funds in 2018 was not much different from those of 2017 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 2018, the portion of shareholders' equity amounted to Baht 431 million, a decrease of Baht 14 million, or 3.10% from those of previous year-end, derived from profit for the period of 9M/2018 Baht 66 million deducted dividend paid out Baht 80 million.

**Liquidity:** In 2018 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 Q3/2018 GC had a current ratio at 1.35 times compared to 1.43 times in ending 2017, a decrease due to the rise in short-term loan from financial institutions and trade accounts payable.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee