

February 21, 2019

Subject : Yearly Management Discussion and Analysis of 2018
Attention : President of The Stock Exchange of Thailand

We attach herewith the financial statements of Global Connections Public Co., Ltd. (GC) for the year-ended 31 December 2018 which had been audited by the Independent Auditor and would like to clarify more details on the Yearly Management Discussion and Analysis as follows :

FINANCIAL SUMMARY

	31.12.16	31.12.17	31.12.18
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,228	1,119	1,154
Total Assets	1,361	1,242	1,268
Current Liabilities	914	784	808
Total Liabilities	930	797	817
Shareholder's Equity	431	445	451
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,979	3,727	3,660
Gross Profit	258	247	263
Operating Profit	131	126	124
Profit for the period	93	90	86
Other comprehensive income	0.5	0	0.4
Total comprehensive income for the year	93	90	86
FINANCIAL RATIOS			
Return on Assets (%)	6.76	6.88	6.84
Return on Equity (%)	21.69	20.44	19.17
Net Profit Margin (%)	2.33	2.40	2.35
Current Ratio (Times)	1.34	1.43	1.43
Debt to Equity Ratio (Times)	2.16	1.79	1.81
Book Value per Share (Baht)	2.16	2.22	2.25
Net Profit per Share (Baht)	0.46	0.45	0.43

Yearly 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 3,660.4 million in 2018, decreased Baht 67.1 million from Baht 3,727.5 million of 2017 or equivalent to 1.80%. The sales value of Commodity Polymer business unit was reduced by 5.42%. The sales value of Specialty and Engineering Polymer business unit was risen by 2.50%. And the sales value of Specialty Chemicals business unit was decreased by 7.97%. The 1.80% decrease in total sales revenue was mainly due to the decline in sales value of Commodity Polymer business unit as a result of soften private consumption.

Financial Operating Results

In 2018, total cost of sales and operating expenses were Baht 3,549.0 million, decreased by Baht 66.0 million from Baht 3,615.0 million of 2017 or equivalent to 1.83%. Our major expense was costs of goods sold, a decrease of Baht 82.3 million from Baht 3,480.1 million of 2017 to be Baht 3,397.8 million in 2018 or 2.37% decreased from last year's which was higher than the sales dropping rate resulting from the upward gross profit margin of 2018.

The gross profit in 2018 was increased from Baht 247.3 million to be Baht 262.5 million or equivalent to 6.14% resulting from the rise in gross profit margin from 7.05% in 2017 to be 7.63%. This was derived from the higher selling price in 2H/2018 resulting from plant maintenance shutdown of some producers.

Total selling and administrative expenses increased by Baht 16.3 million from Baht 134.8 million in 2017 to be Baht 151.1 million, or 12.08% increased. This was due to an increase in Allowance for doubtful accounts of Baht 21.8 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 2.0 million in 2018, whereas there was an increase of Baht 1.0 million in 2017. And there was a decrease in depreciation and amortization cost amounting of Baht 2.4 million due to certain items of equipment were fully depreciated but are still in use.

The interest expenses in 2018 was Baht 11.5 million, or 19.94% decreased from Baht 14.3 million of 2017. This was due to lower short term loan requirement during the year resulting from the lower trade accounts receivable.

In 2018 the transaction in other comprehensive income was Actuarial gain less income tax effect amounting Baht 0.4 million, whereas there was no such transaction in 2017.

As a result of the discussed factors, our total comprehensive income for the year 2018 was Baht 86.2 million versus Baht 89.5 million in 2017 or equivalent to 3.67% decreased.

Comparison of Financial Position (FY31.12.2018 VS 31.12.2017)

Assets: As of 31 December 2018, GC recorded total assets of Baht 1,268 million, representing an increase of Baht 26 million from Baht 1,242 million of 31 December 2017 or equivalent of 2.12% increased. The assets with major changed were as follows :

As of 31 December 2018 total current assets showed Baht 1,154 million, an increase of Baht 35 million or 3.08% increased from year-end 2017. This was mainly due to the increase in inventory by Bath 79 million from Baht 467 million in year-end 2017 to be Baht 546 million in ending 2018, or 16.78% increased resulting from higher inventory purchase volume.

While trade accounts receivable was decreased by Baht 34 million from Baht 612 million in year-end 2017 to be Baht 578 million in 2018, or 5.61% decreased resulting from slowdown of sales volume as well as the increase in Allowance for doubtful accounts.

Liabilities : As of 31 December 2018, GC recorded total liabilities of Baht 817 million, an increase of Baht 20 million or 2.53% 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 606 million as of 2018 or equivalent to 5.47% increased resulting from the rise in inventory. The trade accounts payable as of 2018 was Baht 173 million, a decrease of Baht 6 million from Baht 179 million of ending 2017 or 3.47% decreased. As a result, the Debts to Equity Ratio as of 2018 was 1.81 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 31 December 2018, the portion of shareholders' equity amounted to Baht 451 million, an increase of Baht 6 million, or 1.40% from those of previous year-end's, derived from profit for the period of 2018 Baht 86 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 2018 GC had a current ratio at 1.43 times, same figures as those of ending 2017 due to the risen of both current assets and current liabilities at the same proportion.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee