

August 10, 2017

Subject : Interim Management Discussion and Analysis of Q2/2017
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 June 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

	31.12.15	31.12.16	30.06.17
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,246	1,228	1,279
Total Assets	1,378	1,361	1,407
Current Liabilities	936	914	962
Total Liabilities	956	930	975
Shareholder's Equity	422	431	432
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,646	3,979	2,021
Gross Profit	229	258	122
Operating Profit	113	131	58
Profit for the period	79	93	41
Other comprehensive income	0	0.5	0
Total comprehensive income for the period	79	93	41
FINANCIAL RATIOS			
Return on Assets (%)	6.22	6.79	5.89
Return on Equity (%)	19.56	21.81	18.90
Net Profit Margin (%)	2.17	2.34	2.02
Current Ratio (Times)	1.33	1.34	1.33
Debt to Equity Ratio (Times)	2.27	2.16	2.26
Book Value per Share (Baht)	2.11	2.16	2.16
Net Profit per Share (Baht)	0.40	0.46	0.20

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 948.70 million in Q2/2017, decreased Baht 47.8 million from Baht 996.5 million of Q2/2016 or equivalent to 4.79%. The sales value of Commodity Polymer business unit was reduced by 9.53%. The sales value of Specialty and Engineering Polymer business unit was risen by 2.67%. And the sales value of Specialty Chemicals business unit was decreased by 32.05%. The 4.79% 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 Q2/2017, total cost of sales and operating expenses were Baht 934.0 million, decreased by Baht 27.6 million from Baht 961.5 million of Q2/2016 or equivalent to 2.87%. Our major expense was costs of goods sold, a decrease of Baht 31.5 million from Baht 929.4 million of Q2/2016 to be Baht 897.9 million in Q2/2017 or 3.39% decreased from last year's which was lower than the sales falling rate resulting from the downward gross profit margin of Q2/2017.

The gross profit in Q2/2017 was decreased from Baht 67.0 million to be Baht 50.7 million or equivalent to 24.29%. Therefore, the gross profit margin in Q2/2017 was declined from 7.12% in Q2/2016 to be 5.78%. This was derived from the sharp drop in selling price led by oil price fluctuation. This also caused a severe price war among the traders of plastic resins and petrochemical industry.

Total selling and administrative expenses increased from Baht 32.1 million in Q2/2016 to be Baht 36.0 million in Q2/2017, or 12.24% increased. This was due to the increase in warehouse rental amounting Baht 0.9 million resulting from higher inventory level. In addition, there was an increase of reduction cost of inventory to net realizable value amounting of Baht 3.0 million in Q2/2017, whereas there was no such transaction in Q2/2016.

The interest expenses in Q2/2017 was Baht 4.0 million, or 3.47% decreased from Baht 4.1 million of Q2/2016. This was due to nearly the same short term loan requirement level and interest rate.

As a result of the discussed factors, our profit for three-month period of Q2/2017 was Baht 11.4 million versus Baht 26.2 million in Q2/2016 or equivalent to 56.55% decreased.

Comparison of Financial Position (FY 30.06.2017 VS 31.12.2016)

Assets: As of 30 June 2017, GC recorded total assets of Baht 1,407 million, representing an increase of Baht 46 million from Baht 1,361 million of 31 December 2016 or equivalent of 3.39% increased. The assets with major changed were as follows :

As of 30 June 2017 total current assets showed Baht 1,279 million, an increase of Baht 51 million or 4.13% increased from year-end 2016. This was mainly due to the increase in both trade accounts receivable and inventory. The trade accounts receivable was increased by Baht 20 million from Baht 701 million in year-end 2016 to be Baht 721 million in Q2/2017, or 2.91% increased resulting from the higher collection period.

While inventory showed Baht 526 million as of 30 June 2017, an increase of Baht 47 million or 9.86% from last year-end as a result of higher inventory purchased volume.

Liabilities : As of 30 June 2017, GC recorded total liabilities of Baht 975 million, an increase of Baht 45 million or 4.88% increased 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 708 million as of Q2/2017 or equivalent to 6.99% increased resulting from the rise in both trade accounts receivable and inventory. The trade accounts payable as of Q2/2017 was Baht 228 million, an increase of Baht 4 million from Baht 223 million of ending 2016 or 1.89% increased. As a result, the Debts to Equity Ratio as of Q2/2017 was 2.26 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 June 2017, the portion of shareholders' equity amounted to Baht 432 million, an increase of Baht 1 million, or 0.18% from the previous year-end, derived from profit for the period of H1/2017 Baht 41 million deducted dividend paid out Baht 40 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 Q2/2017 GC had a current ratio at 1.33 times compared to 1.34 times in ending 2016, a little bit decrease resulting from the rise in short-term loan from financial institutions.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee