

August 7, 2018

Subject : Interim Management Discussion and Analysis of Q2/2018
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 June 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

	31.12.16	31.12.17	30.06.18
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,228	1,119	1,172
Total Assets	1,361	1,242	1,290
Current Liabilities	914	784	835
Total Liabilities	930	797	845
Shareholder's Equity	431	445	445
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,979	3,727	1,887
Gross Profit	258	247	146
Operating Profit	131	126	65
Profit for the period	93	90	44
Other comprehensive income	0.5	0	0
Total comprehensive income for the period	93	90	44
FINANCIAL RATIOS			
Return on Assets (%)	6.76	6.88	6.93
Return on Equity (%)	21.69	20.44	19.72
Net Profit Margin (%)	2.33	2.40	2.32
Current Ratio (Times)	1.34	1.43	1.40
Debt to Equity Ratio (Times)	2.16	1.79	1.90
Book Value per Share (Baht)	2.16	2.22	2.22
Net Profit per Share (Baht)	0.46	0.45	0.22

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 917.7 million in Q2/2018, decreased Baht 31.0 million from Baht 948.7 million of Q2/2017 or equivalent to 3.27%. The sales value of Commodity Polymer business unit was reduced by 10.45%. The sales value of Specialty and Engineering Polymer business unit was risen by 5.55%. And the sales value of Specialty Chemicals business unit was increased by 26.17%. The 3.27% 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 Q2/2018, total cost of sales and operating expenses were Baht 888.7 million, decreased by Baht 45.3 million from Baht 934.0 million of Q2/2017 or equivalent to 4.85%. Our major expense was costs of goods sold, a decrease of Baht 50.9 million from Baht 897.9 million of Q2/2017 to be Baht 847.0 million in Q2/2018 or 5.67% decreased from last year's which was higher than the sales dropping rate resulting from the upward gross profit margin of Q2/2018.

The gross profit in Q2/2018 was increased from Baht 50.7 million to be Baht 70.7 million or equivalent to 39.29% resulting from the risen in gross profit margin from 5.78% in Q2/2017 to be 8.19%. This was due to the higher selling price in Q2/2018 resulting from plant maintenance shutdown of some producers. In addition, during Q2/2017 there was a severe price war among traders of plastic resins and petrochemical industry led by oil price fluctuation.

Total selling and administrative expenses increased from Baht 36.0 million in Q2/2017 to be Baht 41.6 million in Q2/2018, or 15.52% increased. This was due to an increase in Allowance for doubtful accounts of Baht 10.0 million resulting from liquidity problem of one major accounts receivable, whereas there was a reversal of Baht 1.0 million in Q2/2017. 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 Q2/2018.

The interest expenses in Q2/2018 was Baht 2.8 million, or 28.43% decreased from Baht 4.0 million of Q2/2017. 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 Q2/2018 was Baht 19.6 million versus Baht 11.4 million in Q2/2017 or equivalent to 72.28% increased.

Comparison of Financial Position (FY30.06.2018 VS 31.12.2017)

Assets: As of 30 June 2018, GC recorded total assets of Baht 1,290 million, representing an increase of Baht 48 million from Baht 1,242 million of 31 December 2017 or equivalent of 3.85% increased. The assets with major changed were as follows :

As of 30 June 2018 total current assets showed Baht 1,172 million, an increase of Baht 53 million or 4.68% increased from year-end 2017. This was mainly due to the increase in trade accounts receivable by Baht 60 million from Baht 612 million in year-end 2017 to be Baht 672 million in Q2/2018, or 9.88% increased resulting from the higher Q2/2018 sales value than those of Q4/2017.

While inventory showed Baht 463 million as of 30 June 2018, a decrease of Baht 4 million or 0.85% from last year-end. This was due to lower inventory purchase volume in accordance with sales forecast.

Liabilities : As of 30 June 2018, GC recorded total liabilities of Baht 845 million, an increase of Baht 48 million or 6.01% 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 534 million as of Q2/2018 or equivalent to 7.11% decreased resulting from the lower level in both average trade accounts receivable and inventory. The trade accounts payable as of Q2/2018 was Baht 271 million, an increase of Baht 92 million from Baht 179 million of ending 2017 or 51.31% increased. As a result, the Debts to Equity Ratio as of Q2/2018 was 1.90 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 June 2018, the portion of shareholders' equity amounted to Baht 445 million, same amount as those of previous year-end, derived from profit for the period of H1/2018 Baht 44 million deducted dividend paid out Baht 44 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 Q2/2018 GC had a current ratio at 1.40 times compared to 1.43 times in ending 2017, a little bit lower due to the risen of trade accounts payable.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee