

**August 9, 2019**

**Subject : Interim Management Discussion and Analysis of Q2/2019**  
**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 2019 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>31.12.17</b>	<b>31.12.18</b>	<b>30.06.19</b>
<b>FINANCIAL POSITION (MILLION BAHT)</b>			
Current Assets	1,119	1,154	1,159
Total Assets	1,242	1,268	1,275
Current Liabilities	784	808	804
Total Liabilities	797	817	813
Shareholder's Equity	445	451	462
<b>OPERATING RESULT (MILLION BAHT)</b>			
Sales Revenue	3,727	3,660	1,775
Gross Profit	247	263	136
Operating Profit	126	124	75
Profit for the period	90	86	56
Other comprehensive income	0	0.4	0
Total comprehensive income for the period	90	86	56
<b>FINANCIAL RATIOS</b>			
Return on Assets (%)	6.88	6.84	8.74
Return on Equity (%)	20.44	19.17	24.33
Net Profit Margin (%)	2.40	2.35	3.13
Current Ratio (Times)	1.43	1.43	1.44
Debt to Equity Ratio (Times)	1.79	1.81	1.76
Book Value per Share (Baht)	2.22	2.25	2.31
Net Profit per Share (Baht)	0.45	0.43	0.28

# 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 855.3 million in Q2/2019, decreased Baht 62.4 million from Baht 917.7 million of Q2/2018 or equivalent to 6.79%. The sales value of Commodity Polymer business unit was reduced by 8.57%. The sales value of Specialty and Engineering Polymer business unit was dropped by 6.22%. And the sales value of Specialty Chemicals business unit was increased by 75.25%. The 6.79% decrease in total sales revenue was mainly due to the decline in selling price resulting from the global economy slowdown which was the effect of the US-China trade conflict. However, the total sales volume of Q2/2019 was increased by 6.47% compared to those of Q2/2018.

### Financial Operating Results

In Q2/2019, total cost of sales and operating expenses were Baht 823.9 million, decreased by Baht 64.8 million from Baht 888.7 million of Q2/2018 or equivalent to 7.29%. Our major expense was costs of goods sold, a decrease of Baht 57.2 million from Baht 847.0 million of Q2/2018 to be Baht 789.8 million in Q2/2019 or 6.75% decreased from last year's which was in line with sales dropping rate.

The gross profit in Q2/2019 was decreased from Baht 70.7 million to be Baht 65.5 million or equivalent to 7.33% resulting from the drop in gross profit margin from 8.19% in Q2/2018 to be 8.16%. This was derived from the severe price competition in some products of Specialty and Engineering Polymer business unit.

Total selling and administrative expenses decreased by Baht 7.6 million from Baht 41.6 million in Q2/2018 to be Baht 34.1 million, or 18.22% decreased. This was due to an increase in Allowance for doubtful accounts of Baht 10.0 million in Q2/2018 compared to Baht 0.5 million in Q2/2019 (decreased by Baht 9.5 million). And there was an additional long-term employee benefit expenses of Baht 1.5 million in Q2/2019 reflected from the change in legal severance pay rate as per the Labor Protection Law which had been effective in this quarter.

The interest expenses in Q2/2019 was Baht 3.3 million, or 17.43% increased from Baht 2.8 million of Q2/2018. This was due to higher short term loan requirement during the period resulting from higher trade accounts receivable.

As a result of the discussed factors, our profit for three-month period of Q2/2019 was Baht 25.0 million versus Baht 19.6 million in Q2/2018 or equivalent to 27.44% increased.

## **Comparison of Financial Position (FY31.06.2019 VS 31.12.2018)**

**Assets:** As of 30 June 2019, GC recorded total assets of Baht 1,275 million, representing an increase of Baht 7 million from Baht 1,268 million of 31 December 2018 or equivalent to 0.52% increased. The assets with major changed were as follows :

As of 30 June 2019 total current assets showed Baht 1,159 million, an increase of Baht 5 million or 0.48% increased from year-end 2018. This was mainly due to the increase in trade accounts receivable by Bath 24 million from Baht 578 million in year-end 2018 to be Baht 602 million of ending Q2/2019, or 4.17% increased resulting from the higher collection period.

While inventory showed Baht 536 million as of 30 June 2019, a decrease of Baht 10 million or 1.82% from last year-end resulting from lower unit cost of inventory.

**Liabilities :** As of 30 June 2019, GC recorded total liabilities of Baht 813 million, a decrease of Baht 5 million or 0.60% decreased from the previous year-end. The major liabilities were short-term loans from financial institutions and trade accounts payable. The ending 2018 balance of short-term loan was Baht 606 million versus 591 million as of Q2/2019 or equivalent to 2.49% decreased resulting from the lower value in inventory. The trade accounts payable as of Q2/2019 was Baht 183 million, an increase of Baht 10 million from Baht 173 million of ending 2018 or 5.64% increased. As a result, the Debts to Equity Ratio as of Q2/2019 was 1.76 times compared to 1.81 times of ending 2018.

**Sources of Funds :** The structure of GC's funds in 2019 was not much different from those of 2018 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 2019, the portion of shareholders' equity amounted to Baht 462 million, an increase of Baht 12 million, or 2.56% from those of previous year-end, derived from profit for the period of 1H/2019 Baht 56 million deducted dividend paid out of Baht 44 million.

**Liquidity:** In 2019 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 Q2/2019 GC had a current ratio at 1.44 times compared to 1.43 times of ending 2018, a little bit increase resulting from the drop in short-term loan from financial institutions.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee