

February 15, 2022

Subject : Yearly Management Discussion and Analysis of 2021
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 2021 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

	31.12.19	31.12.20	31.12.21
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,054	1,192	1,558
Total Assets	1,185	1,453	1,808
Current Liabilities	698	918	1,244
Total Liabilities	707	932	1,258
Shareholder's Equity	478	522	550
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,610	3,597	4,989
Gross Profit	274	306	378
Operating Profit	154	176	244
Profit for the period	115	136	189
Other comprehensive income	0	0	(1)
Total comprehensive income for the period	115	136	188
FINANCIAL RATIOS			
Return on Assets (%)	9.36	10.31	11.60
Return on Equity (%)	24.72	27.22	35.30
Net Profit Margin (%)	3.18	3.78	3.79
Current Ratio (Times)	1.51	1.30	1.25
Debt to Equity Ratio (Times)	1.48	1.79	2.29
Book Value per Share (Baht)	2.39	2.61	2.75
Net Profit per Share (Baht)	0.57	0.68	0.95

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 4,988.8 million in 2021, increased Baht 1,391.3 million from Baht 3,597.5 million of 2020 or equivalent to 38.67%. This was due to the rise in demand from various industries, such as packaging products, automotive parts, electrical and electronic appliances as well as the higher of average selling price in 2021.

Financial Operating Results

In 2021, total cost of sales and operating expenses were Baht 4,756.4 million, increased by Baht 1,319.2 million from Baht 3,437.2 million of 2020 or equivalent to 38.38%. Our major expense was costs of goods sold, an increase of Baht 1,319.3 million from Baht 3,291.6 million of 2020 to be Baht 4,610.9 million in 2021 or 40.08% increased from last year's which was higher than sales increasing rate reflecting from the lower gross profit margin of 2021.

The gross profit in 2021 was increased from Baht 305.9 million to be Baht 377.8 million or equivalent to 23.53% resulting from the decline in gross profit margin from 9.05% in 2020 to be 8.00%. This was due to the lower gross profit margin in Q3/2021 derived from the severe delta variant pandemic, the prolonged lockdown measure, as well as the depreciation of Thai baht.

Total selling and administrative expenses in 2021 was Baht 145.4 million versus Baht 145.5 million in 2020 or equivalent to Baht 0.1 million or 0.08% decrease.

The interest expenses in 2021 was Baht 7.8 million, or 15.11% increased from Baht 6.8 million of 2020. This was due to the increase in short-term loan.

In 2021 the transaction in other comprehensive income was Actuarial loss less income tax effect amounting Baht 1.0 million, whereas there was no such transaction in 2020.

As a result of the discussed factors, our total comprehensive income for the year 2021 was Baht 188.1 million versus Baht 136.0 million in 2020 or equivalent to 38.26% increased.

Comparison of Financial Position (FY31.12.2021 VS 31.12.2020)

Assets: As of 31 December 2021, GC recorded total assets of Baht 1,808 million, representing an increase of Baht 355 million from Baht 1,453 million of 31 December 2020 or equivalent to 24.39% increased. The assets with major changed were as follows :

As of 31 December 2021 total current assets showed Baht 1,558 million, an increase of Baht 366 million or 30.67% from year-end 2020's. This was mainly due to the increase of both trade accounts receivable and inventory. The trade accounts receivable was increased by Baht 161 million from Baht 705 million in year-end 2020 to be Baht 866 million of ending 2021, or 22.86% increased resulting from the higher sales value.

While inventory showed Baht 651 million as of 31 December 2021, an increase of Baht 194 million from Baht 457 million of ending 2020 or 42.44% increased resulting from the higher purchasing volume to cope with sales growth and longer lead time from container shortage.

Liabilities : As of 31 December 2021, GC recorded total liabilities of Baht 1,258 million, an increase of Baht 326 million or 35.03% from the previous year-end. The major liabilities were short-term loans from financial institutions and trade accounts payable. The ending 2020 balance of short-term loan was Baht 603 million versus 872 million as of 2021 or equivalent to 44.57% increased resulting from the higher in both trade accounts receivable and inventory. The trade accounts payable as of 2021 was Baht 320 million, an increase of Baht 58 million from Baht 262 million of ending 2020 or 22.28% increased resulting from the higher purchasing volume. As a result, the Debts to Equity Ratio as of 2021 was 2.29 times compared to 1.79 times of ending 2020.

Sources of Funds : The structure of GC's funds in 2021 was not much different from those of 2020 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 2021, the portion of shareholders' equity amounted to Baht 550 million, an increase of Baht 28 million, or 5.39% from those of previous year-end, derived from total comprehensive income for the year 2021 Baht 188 million deducted dividend paid out of Baht 160 million.

Liquidity: In 2021 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 2021 GC had a current ratio at 1.25 times compared to 1.30 times of ending 2020, which was due to the rise in both short-term loan from financial institutions as well as trade accounts payable.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee