

November 8, 2019

Subject : Interim Management Discussion and Analysis of Q3/2019
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 September 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

	31.12.17	31.12.18	30.09.19
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,119	1,154	1,176
Total Assets	1,242	1,268	1,300
Current Liabilities	784	808	842
Total Liabilities	797	817	851
Shareholder's Equity	445	451	449
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,727	3,660	2,730
Gross Profit	247	263	209
Operating Profit	126	124	117
Profit for the period	90	86	86
Other comprehensive income	0	0.4	0
Total comprehensive income for the period	90	86	86
FINANCIAL RATIOS			
Return on Assets (%)	6.88	6.84	8.96
Return on Equity (%)	20.44	19.17	25.57
Net Profit Margin (%)	2.40	2.35	3.16
Current Ratio (Times)	1.43	1.43	1.40
Debt to Equity Ratio (Times)	1.79	1.81	1.89
Book Value per Share (Baht)	2.22	2.25	2.25
Net Profit per Share (Baht)	0.45	0.43	0.43

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 954.8 million in Q3/2019, increased Baht 31.1 million from Baht 923.7 million of Q3/2018 or equivalent to 3.37%. The sales value of Commodity Polymer business unit was risen by 4.38%. The sales value of Specialty and Engineering Polymer business unit was increased by 1.31%. And the sales value of Specialty Chemicals business unit was increased by 71.81%. The 3.37% increase in total sales revenue was resulting from lower inventory level of most customers.

Financial Operating Results

In Q3/2019, total cost of sales and operating expenses were Baht 916.2 million, increased by Baht 20.6 million from Baht 895.6 million of Q3/2018 or equivalent to 2.30%. Our major expense was costs of goods sold, an increase of Baht 19.2 million from Baht 863.3 million of Q3/2018 to be Baht 882.5 million in Q3/2019 or 2.23% increased from last year's which was lower than sales growth rate reflecting from the higher gross profit margin.

The gross profit in Q3/2019 was increased from Baht 60.4 million to be Baht 72.3 million or equivalent to 19.71% resulting from the rise in gross profit margin from 6.99% in Q3/2018 to be 8.13%. This was derived from our well manage in purchase timing as well as the currency appreciation in this quarter.

Total selling and administrative expenses increased by Baht 1.4 million from Baht 32.3 million in Q3/2018 to be Baht 33.7 million, or 4.31% increased. This was due to a reversal of reduction cost of inventory to net realizable value amounting of Baht 2.5 million in Q3/2018, whereas there was an increase of Baht 0.5 million in Q3/2019.

The interest expenses in Q3/2019 was Baht 3.0 million, or 8.26% increased from Baht 2.8 million of Q3/2018. 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 Q3/2019 was Baht 30.8 million versus Baht 22.4 million in Q3/2018 or equivalent to 37.54% increased.

Comparison of Financial Position (FY31.09.2019 VS 31.12.2018)

Assets: As of 30 September 2019, GC recorded total assets of Baht 1,300 million, representing an increase of Baht 32 million from Baht 1,268 million of 31 December 2018 or equivalent to 2.49% increased. The assets with major changed were as follows :

As of 30 September 2019 total current assets showed Baht 1,176 million, an increase of Baht 22 million or 1.94% increased from year-end 2018. This was mainly due to the increase in trade accounts receivable by Bath 70 million from Baht 578 million in year-end 2018 to be Baht 648 million of ending Q3/2019, or 12.24% increased resulting from the higher collection period.

While inventory showed Baht 483 million as of 30 September 2019, a decrease of Baht 63 million or 11.50% from last year-end resulting from lower unit cost of inventory.

Liabilities : As of 30 September 2019, GC recorded total liabilities of Baht 851 million, an increase of Baht 33 million or 4.07% increased 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 562 million as of Q3/2019 or equivalent to 7.40% decreased resulting from the lower value in inventory. The trade accounts payable as of Q3/2019 was Baht 248 million, an increase of Baht 75 million from Baht 173 million of ending 2018 or 43.00% increased. As a result, the Debts to Equity Ratio as of Q3/2019 was 1.89 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 September 2019, the portion of shareholders' equity amounted to Baht 449 million, a decrease of Baht 2 million, or 0.37% from those of previous year-end, derived from profit for the period of 9M/2019 Baht 86 million deducted dividend paid out of Baht 88 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 Q3/2019 GC had a current ratio at 1.40 times compared to 1.43 times of ending 2018, a little bit decrease resulting from the rise in trade accounts payable.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee