

May 2, 2019

**Subject : Interim Management Discussion and Analysis of Q1/2019**  
**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 31 March 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>31.03.19</b>
<b>FINANCIAL POSITION (MILLION BAHT)</b>			
Current Assets	1,119	1,154	1,196
Total Assets	1,242	1,268	1,309
Current Liabilities	784	808	820
Total Liabilities	797	817	828
Shareholder's Equity	445	451	481
<b>OPERATING RESULT (MILLION BAHT)</b>			
Sales Revenue	3,727	3,660	920
Gross Profit	247	263	71
Operating Profit	126	124	40
Profit for the period	90	86	31
Other comprehensive income	0	0.4	0
Total comprehensive income for the period	90	86	31
<b>FINANCIAL RATIOS</b>			
Return on Assets (%)	6.88	6.84	9.48
Return on Equity (%)	20.44	19.17	26.21
Net Profit Margin (%)	2.40	2.35	3.32
Current Ratio (Times)	1.43	1.43	1.46
Debt to Equity Ratio (Times)	1.79	1.81	1.72
Book Value per Share (Baht)	2.22	2.25	2.41
Net Profit per Share (Baht)	0.45	0.43	0.15

## **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 920.1 million in Q1/2019, decreased Baht 49.3 million from Baht 969.4 million of Q1/2018 or equivalent to 5.09%. The sales value of Commodity Polymer business unit was reduced by 8.16%. The sales value of Specialty and Engineering Polymer business unit was dropped by 1.45%. And the sales value of Specialty Chemicals business unit was decreased by 16.63%. The 5.09% decrease in total sales revenue was mainly due to the decline in selling price resulting from the global economy slowdown. However, the total sales volume of Q1/2019 was increased by 6.40% compared to those of Q1/2018.

### **Financial Operating Results**

In Q1/2019, total cost of sales and operating expenses were Baht 882.4 million, decreased by Baht 55.9 million from Baht 938.3 million of Q1/2018 or equivalent to 5.96%. Our major expense was costs of goods sold, a decrease of Baht 44.6 million from Baht 893.9 million of Q1/2018 to be Baht 849.3 million in Q1/2019 or 4.99% decreased from last year's which was in line with sales dropping rate.

The gross profit in Q1/2019 was decreased from Baht 75.4 million to be Baht 70.8 million or equivalent to 6.17% resulting from the drop in gross profit margin from 8.22% in Q1/2018 to be 8.15%. 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 11.2 million from Baht 44.3 million in Q1/2018 to be Baht 33.1 million, or 25.40% decreased. This was due to an increase in Allowance for doubtful accounts of Baht 10.0 million in Q1/2018 whereas there was a reversal of such transaction of Baht 1.0 million in Q1/2019.

The interest expenses in Q1/2019 was Baht 3.0 million, or 9.59% increased from Baht 2.7 million of Q1/2018. 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 2019 was Baht 30.6 million versus Baht 24.2 million in Q1/2018 or equivalent to 26.12% increased.

## **Comparison of Financial Position (FY31.03.2019 VS 31.12.2018)**

**Assets:** As of 31 March 2019, GC recorded total assets of Baht 1,309 million, representing an increase of Baht 41 million from Baht 1,268 million of 31 December 2018 or equivalent to 3.21% increased. The assets with major changed were as follows :

As of 31 March 2019 total current assets showed Baht 1,196 million, an increase of Baht 42 million or 3.61% increased from year-end 2018. This was mainly due to the increase in trade accounts receivable by Bath 85 million from Baht 578 million in year-end 2018 to be Baht 663 million of ending Q1/2019, or 14.72% increased resulting from the higher collection period.

While inventory showed Baht 503 million as of 31 March 2019, a decrease of Baht 43 million or 7.82% from last year-end resulting from both lower purchasing volume and cost of inventory.

**Liabilities :** As of 31 March 2019, GC recorded total liabilities of Baht 828 million, an increase of Baht 10 million or 1.25% 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 556 million as of Q1/2019 or equivalent to 8.36% decreased resulting from the lower level in inventory. The trade accounts payable as of Q1/2019 was Baht 233 million, an increase of Baht 60 million from Baht 173 million of ending 2018 or 34.63% increased. As a result, the Debts to Equity Ratio as of Q1/2019 was 1.72 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 31 March 2019, the portion of shareholders' equity amounted to Baht 481 million, an increase of Baht 31 million, or 6.77% from those of previous year-end, derived from profit for the period of Q1/2019.

**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 Q1/2019 GC had a current ratio at 1.46 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