

February 19, 2020

Subject : Yearly Management Discussion and Analysis of 2019
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 2019 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

	31.12.17	31.12.18	31.12.19
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,119	1,154	1,054
Total Assets	1,242	1,268	1,185
Current Liabilities	784	808	698
Total Liabilities	797	817	707
Shareholder's Equity	445	451	478
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,727	3,660	3,610
Gross Profit	247	263	274
Operating Profit	126	124	154
Profit for the period	90	86	115
Other comprehensive income	0	0.4	0
Total comprehensive income for the period	90	86	115
FINANCIAL RATIOS			
Return on Assets (%)	6.88	6.84	9.36
Return on Equity (%)	20.44	19.17	24.72
Net Profit Margin (%)	2.40	2.35	3.18
Current Ratio (Times)	1.43	1.43	1.51
Debt to Equity Ratio (Times)	1.79	1.81	1.48
Book Value per Share (Baht)	2.22	2.25	2.39
Net Profit per Share (Baht)	0.45	0.43	0.57

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 3,610.5 million in 2019, decreased Baht 49.9 million from Baht 3,660.4 million of 2018 or equivalent to 1.36%. The sales value of Commodity Polymer business unit was reduced by 1.69%. The sales value of Specialty and Engineering Polymer business unit was dropped by 1.99%. And the sales value of Specialty Chemicals business unit was increased by 49.28%. The 1.36% 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 2019 was increased by 19.34% compared to those of 2018.

Financial Operating Results

In 2019, total cost of sales and operating expenses were Baht 3,469.5 million, decreased by Baht 79.5 million from Baht 3,549.0 million of 2018 or equivalent to 2.24%. Our major expense was costs of goods sold, a decrease of Baht 61.3 million from Baht 3,397.8 million of 2018 to be Baht 3,336.5 million in 2019 or 1.81% decreased from last year's which was higher than sales dropping rate reflecting from the upward gross profit margin of 2019.

The gross profit in 2019 was increased from Baht 262.5 million to be Baht 273.9 million or equivalent to 4.36% resulting from the rise in gross profit margin from 7.63% in 2018 to be 8.10%. This was derived from our well manage in purchase timing as well as the currency appreciation in this year.

Total selling and administrative expenses decreased by Baht 18.0 million from Baht 151.1 million in 2018 to be Baht 133.1 million, or 11.97% decreased. This was due to an increase in Allowance for doubtful accounts of Baht 21.8 million in 2018 whereas there was a reversal of such transaction of Baht 4.0 million in 2019. And there was an increase in total staff expenses of Baht 8.4 million in 2019.

The interest expenses in 2019 was Baht 11.7 million, or 2.14% increased from Baht 11.5 million of 2018. This was due to higher interest rate during 2019.

In 2018 the transaction in other comprehensive income was Actuarial gain less income tax effect amounting Baht 0.4 million, whereas there was no such transaction in 2019.

As a result of the discussed factors, our total comprehensive income for the year 2019 was Baht 114.8 million versus Baht 86.2 million in 2018 or equivalent to 33.10% increased.

Comparison of Financial Position (FY31.12.2019 VS 31.12.2018)

Assets: As of 31 December 2019, GC recorded total assets of Baht 1,185 million, representing a decrease of Baht 83 million from Baht 1,268 million of 31 December 2018 or equivalent to 6.60% decreased. The assets with major changed were as follows :

As of 31 December 2019 total current assets showed Baht 1,054 million, a decrease of Baht 100 million or 8.67% from year-end 2018's. This was mainly due to the reduction in inventory by Bath 137 million from Baht 546 million in year-end 2018 to be Baht 409 million of ending 2019, or 25.09% decreased resulting from both lower purchasing volume and lower unit cost of inventory.

While trade accounts receivable showed Baht 592 million as of 31 December 2019, an increase of Baht 14 million from Baht 578 million of ending 2018 or 2.41% increased resulting from the higher collection period.

Liabilities : As of 31 December 2019, GC recorded total liabilities of Baht 707 million, a decrease of Baht 110 million or 13.52% 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 521 million as of 2019 or equivalent to 14.10% decreased resulting from the lower value in inventory. The trade accounts payable as of 2019 was Baht 136 million, a decrease of Baht 37 million from Baht 173 million of ending 2018 or 21.47% decreased. As a result, the Debts to Equity Ratio as of 2019 was 1.48 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 December 2019, the portion of shareholders' equity amounted to Baht 478 million, an increase of Baht 27 million, or 5.94% from those of previous year-end, derived from profit for the period of 2019 Baht 115 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 2019 GC had a current ratio at 1.51 times compared to 1.43 times of ending 2018, which was due to the drop in both short-term loan from financial institutions as well as trade accounts payable.

Yours truly,

(Somchai Kulimakin)

Chairman of The Executive Committee