

May 8, 2020

Subject : Interim Management Discussion and Analysis of Q1/2020
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 2020 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

	31.12.18	31.12.19	31.03.20
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,154	1,054	1,183
Total Assets	1,268	1,185	1,451
Current Liabilities	808	698	918
Total Liabilities	817	707	938
Shareholder's Equity	451	478	513
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,660	3,610	946
Gross Profit	263	274	79
Operating Profit	124	154	45
Profit for the period	86	115	35
Other comprehensive income	0.4	0	0
Total comprehensive income for the period	86	115	35
FINANCIAL RATIOS			
Return on Assets (%)	6.84	9.36	10.57
Return on Equity (%)	19.17	24.72	28.12
Net Profit Margin (%)	2.35	3.18	3.68
Current Ratio (Times)	1.43	1.51	1.29
Debt to Equity Ratio (Times)	1.81	1.48	1.83
Book Value per Share (Baht)	2.25	2.39	2.56
Net Profit per Share (Baht)	0.43	0.57	0.17

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 945.6 million in Q1/2020, increased Baht 25.5 million from Baht 920.1 million of Q1/2019 or equivalent to 2.77%. The sales value of Commodity Polymer business unit was risen by 9.99%. The sales value of Specialty and Engineering Polymer business unit was dropped by 5.93%. And the sales value of Specialty Chemicals business unit was increased by 62.56%. The 2.77% increase in total sales revenue was resulting from the rise in demand of plastic packaging products.

Financial Operating Results

In Q1/2020, total cost of sales and operating expenses were Baht 903.2 million, increased by Baht 20.8 million from Baht 882.4 million of Q1/2019 or equivalent to 2.36%. Our major expense was costs of goods sold, an increase of Baht 17.0 million from Baht 849.3 million of Q1/2019 to be Baht 866.3 million in Q1/2020 or 2.00% decreased from last year's which was lower than sales increasing rate reflecting from the upward gross profit margin of Q1/2020.

The gross profit in Q1/2020 was increased from Baht 70.8 million to be Baht 79.3 million or equivalent to 12.02% resulting from the rise in gross profit margin from 8.15% in Q1/2019 to be 8.97%. This was derived from our well manage in purchase timing.

Total selling and administrative expenses increased by Baht 3.8 million from Baht 33.1 million in Q1/2019 to be Baht 36.9 million, or 11.66% increased. This was due to a reversal of Allowance for doubtful accounts amounting of Baht 1.0 million in Q1/2019 whereas there was no such transaction in Q1/2020. And there was an increase in reduction cost of inventory to net realizable value amounting of Baht 1.5 million in Q1/2020 compared to Baht 0.5 million in Q1/2019.

The interest expenses in Q1/2020 was Baht 1.8 million, or 38.03% decreased from Baht 3.0 million of Q1/2019. This was due to the decrease in short term loan requirement resulting from lower average inventory level as well as the downward trend of interest rate during Q1/2020.

As a result of the discussed factors, our profit for three-month period of 2020 was Baht 34.8 million versus Baht 30.6 million in Q1/2019 or equivalent to 13.94% increased.

Comparison of Financial Position (FY31.03.2020 VS 31.12.2019)

Assets: As of 31 March 2020, GC recorded total assets of Baht 1,451 million, representing an increase of Baht 266 million from Baht 1,185 million of 31 December 2019 or equivalent to 22.45% increased. The assets with major changed were as follows :

As of 31 March 2020 total current assets showed Baht 1,183 million, an increase of Baht 129 million or 12.28% from year-end 2019's. This was mainly due to the increase in both trade accounts receivable and inventory. The trade accounts receivable was increased by Baht 67 million from Baht 592 million in year-end 2019 to be Baht 659 million in Q1/2020, or 11.45% increased resulting from the higher collection period.

While inventory showed Baht 445 million as of 31 March 2020, an increase of Baht 36 million from Baht 409 million of ending 2019 or 8.79% increased resulting from the lower purchasing volume during year-end 2019.

Liabilities : As of 31 March 2020, GC recorded total liabilities of Baht 938 million, an increase of Baht 231 million or 32.70% from the previous year-end. The major liabilities were short-term loans from financial institutions and trade accounts payable. The ending 2019 balance of short-term loan was Baht 521 million versus 609 million as of Q1/2020 or equivalent to 16.99% increased resulting from the higher in both trade accounts receivable and inventory. The trade accounts payable as of Q1/2020 was Baht 263 million, an increase of Baht 127 million from Baht 136 million of ending 2019 or 93.41% increased. As a result, the Debts to Equity Ratio as of Q1/2020 was 1.83 times compared to 1.48 times of ending 2019.

Sources of Funds : The structure of GC's funds in 2020 was not much different from those of 2019 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 2020, the portion of shareholders' equity amounted to Baht 513 million, an increase of Baht 35 million, or 7.29% from those of previous year-end, derived from profit for the period of Q1/2020.

Liquidity: In 2020 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 Q1/2020 GC had a current ratio at 1.29 times compared to 1.51 times of ending 2019, 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