

**July 31, 2020**

**Subject : Interim Management Discussion and Analysis of Q2/2020**  
**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 30 June 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**

	<b>31.12.18</b>	<b>31.12.19</b>	<b>30.06.20</b>
<b>FINANCIAL POSITION (MILLION BAHT)</b>			
Current Assets	1,154	1,054	1,054
Total Assets	1,268	1,185	1,304
Current Liabilities	808	698	817
Total Liabilities	817	707	826
Shareholder's Equity	451	478	478
<b>OPERATING RESULT (MILLION BAHT)</b>			
Sales Revenue	3,660	3,610	1,707
Gross Profit	263	274	136
Operating Profit	124	154	74
Profit for the period	86	115	56
Other comprehensive income	0.4	0	0
Total comprehensive income for the period	86	115	56
<b>FINANCIAL RATIOS</b>			
Return on Assets (%)	6.84	9.36	9.06
Return on Equity (%)	19.17	24.72	23.60
Net Profit Margin (%)	2.35	3.18	3.30
Current Ratio (Times)	1.43	1.51	1.29
Debt to Equity Ratio (Times)	1.81	1.48	1.73
Book Value per Share (Baht)	2.25	2.39	2.39
Net Profit per Share (Baht)	0.43	0.57	0.28

## **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 761.7 million in Q2/2020, decreased Baht 93.6 million from Baht 855.3 million of Q2/2019 or equivalent to 10.94%. The sales value of Commodity Polymer business unit was reduced by 3.01%. The sales value of Specialty and Engineering Polymer business unit was dropped by 19.78%. And the sales value of Specialty Chemicals business unit was increased by 2.39%. The 10.94% decrease in total sales revenue was mainly due to the decline in selling price resulting from the impact of Covid-19 pandemic. However, the total sales volume of Q2/2020 was increased by 16.80% compared to those of Q2/2019 due to the rise in demand of plastic packaging products.

### **Financial Operating Results**

In Q2/2020, total cost of sales and operating expenses were Baht 737.9 million, decreased by Baht 86.0 million from Baht 823.9 million of Q2/2019 or equivalent to 10.44%. Our major expense was costs of goods sold, a decrease of Baht 84.9 million from Baht 789.8 million of Q2/2019 to be Baht 704.9 million in Q2/2020 or 10.76% decreased from last year's which was in line with sales dropping rate.

The gross profit in Q2/2020 was decreased from Baht 65.5 million to be Baht 56.8 million or equivalent to 13.22% resulting from the drop in gross profit margin from 8.16% in Q2/2019 to be 7.99%. 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 1.1 million from Baht 34.1 million in Q2/2019 to be Baht 33.0 million, or 3.16% decreased. This was due to an increase in Allowance for doubtful accounts of Baht 0.5 million in Q2/2019 whereas there was a reversal of such transaction of Baht 0.7 million in Q2/2020.

The interest expenses in Q2/2020 was Baht 1.9 million, or 44.19% decreased from Baht 3.3 million of Q2/2019. This was due to the downward trend of interest rate during Q2/2020.

As a result of the discussed factors, our profit for three-month period of Q2/2020 was Baht 21.6 million versus Baht 25.0 million in Q2/2019 or equivalent to 13.66% decreased.

## **Comparison of Financial Position (FY30.06.2020 VS 31.12.2019)**

**Assets:** As of 30 June 2020, GC recorded total assets of Baht 1,304 million, representing an increase of Baht 119 million from Baht 1,185 million of 31 December 2019 or equivalent to 10.08% increased. The assets with major changed were as follows :

As of 30 June 2020 total current assets showed Baht 1,054 million, equivalent to those of year-end 2019's. The trade accounts receivable was decreased by Baht 67 million from Baht 592 million in year-end 2019 to be Baht 525 million in Q2/2020, or 11.31% decreased resulting from the lower sales value during Q2/2020.

While inventory showed Baht 460 million as of 30 June 2020, an increase of Baht 51 million from Baht 409 million of ending 2019 or 12.62% increased resulting from the lower purchasing volume during year-end 2019.

**Liabilities :** As of 30 June 2020, GC recorded total liabilities of Baht 826 million, an increase of Baht 119 million or 16.84% 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 621 million as of Q2/2020 or equivalent to 19.27% increased resulting from the higher in inventory. The trade accounts payable as of Q2/2020 was Baht 168 million, an increase of Baht 32 million from Baht 136 million of ending 2019 or 23.68% increased. As a result, the Debts to Equity Ratio as of Q2/2020 was 1.73 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 30 June 2020, the portion of shareholders' equity amounted to Baht 478 million, equivalent to those of previous year-end, derived from profit for the period of 1H/2020 Baht 56 million deducted dividend paid out of Baht 56 million.

**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 Q2/2020 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