

## DISCUSSION & ANALYSIS OF OPERATING RESULTS & FINANCIAL POSITION

### Analysis of Overall Performance

The distribution business of the plastic resins, plastic, and petrochemical related products need 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 2,647 million in 2009, decreased Baht 763 million from last year or equivalent to 22.37%. This was due to the shrinking in purchasing power which was the impact of global economic downturn that occurred since Q4/2008 as well as the dropping of selling price in accordance with oil price fluctuation.

### Financial Operating Results

In 2009, total cost of sales and operating expenses were Baht 2,537 million, or 23.15% decreased from last year. Our major expenses was costs of goods sold, a decrease of 22.37% from last year which was in line with the decrease of sales revenue. The costs of goods sold compared to sales value was maintained from 92.92% to 92.91% in 2009 due to nearly the same average gross profit margin.

GC incurred Baht 78 million in selling and administrative expenses, a decrease of 41.69% from last year. This was due to the allowance for diminution in value of inventory made in 2008 amounting to Baht 23 million whereas in 2009 there was a reversal of such account amounting to Baht 21 million for the inventory items sold. Additionally, there was an increase in allowance for doubtful accounts of Baht 7 million in 2008 whereas there was no such transaction in 2009.

Interest expenses were Baht 6 million, or 61.55% lower than last year's. This was due the decline in short term loan requirement during the year coupled with the downward trend of interest rate during 2009.

As a result of the discussed factors, our net income rose to Baht 96 million in 2009 versus Baht 77 million in 2008 or equivalent to 25.82% increased.

## Comparison of Financial Position (FY2008/2007)

**Assets:** As of 31 December 2009, GC recorded total assets of Baht 828 million, representing an increase of Baht 57 million from last year. This was mainly due to the increase in trade accounts receivable. The assets with major changed were as follows :

As of 31 December 2009 total current assets showed Baht 676 million, an increase of Baht 66 million or 10.87% increased from last year. This was mainly due to the increase in trade accounts receivable of Baht 102 million from Baht 283 million in 2008 to be Baht 386 million in 2009 resulting from the higher collection period. In addition, the major portion of accounts receivable or equivalent to 70.50% was not yet due resulting from the higher monthly sales revenue since Q3/2009 onward.

While inventories showed Baht 266 million as of 31 December 2009, a decrease of Baht 39 million or 12.88% decreased from last year. This was due to the lower inventory unit costs compared to last year's. In addition, there was high inventory level in ending 2008 resulting from the slow down sales revenue during the last quarter of 2008.

**Liabilities :** As of 31 December 2009, GC recorded total liabilities of Baht 433 million, an increase of Baht 12 million or 2.92% increased from the previous year. The major liabilities was short-term loans from financial institutions. The ending 2009 balance of short-term loan was Baht 220 million versus 290 million as of 2008 or equivalent to 24.14% decreased as lower inventories. This was also caused the Debts to Equity Ratio reduced to 1.10 times compared to 1.20 times of 2008.

**Sources of Funds :** The structure of GC's funds in 2009 was not much different from those of 2008 as they were in term of short-term liabilities. The major liabilities were from short-term loans from financial institutions, bank overdrafts, and trade accounts payable.

**Shareholders' Equity:** As of 31 December 2009, the portion of shareholders' equity amounted to Baht 395 million, an increase of Baht 44 million, or 12.63%, due to a rise in net profit from operations of fiscal year 2009.

**Liquidity:** In 2009 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 2009 GC had a current ratio at 1.58 times compared to 1.48 times in 2008 which had been increasing since 2002 at 0.86 time. The key factor was the decrease in short term loans as lower inventories while the accounts receivable increased in accordance with sales growth.