

Issuer: GDS Global Limited

Security: GDS Global Limited

Meeting details:

Date: 19 January 2018

Time: 10.00 a.m.

Venue: 86 International Road, Singapore 629176

Company Description

GDS Global Limited, an investment holding company, provides commercial and industrial door and shutter solutions in Singapore and the South East Asia region. The company's industrial door systems include Gliderol continuous sheet roller doors; Gliderol GIANT series roller shutters; heavy duty and high security roller shutters; insulated and Louvred roller shutters; sectional overhead doors; Renlita bi-folding doors; and Butzbach stacking doors. It also provides commercial door systems, such as Gliderol continuous and Alfresco steel roller shutters, crystal aluminum and CrystalClear transparent shutters, aluminum roller grilles, high security roller shutters, and Butzbach glass stacking doors; Gliderol GIANT series and Butzbach sliding hangar doors; and garage door systems that include sectional garage and roller doors, as well as Renlita tiltup doors for use in private homes. In addition, the company offers proprietary fire-rated shutter systems, which comprise non-insulated fire shutters, normal heat and fire insulated shutters, fire insulated curtains, and fire insulated panel shutters; door systems for Gliderol swift high-speed traffic doors, Gliderol horizontally coiling hatches, Butzbach NOVOSPRINT high-speed traffic doors, Won-Door DuraSound acoustic accordion doors, and Won-Door FireGuard fire-rated accordion doors. Further, it provides preventive, general maintenance, repair, and replacement services for faulty components and safety checks; and ad hoc repair and maintenance services. Additionally, the company manufactures metal doors, window and door frames, and grilles and gratings; distributes industrial doors and door components; and designs, produces, and trades in production components. Its products are used in manufacturing, retail, food processing, hospitality, health, education, aerospace, and security and defense industries. The company was founded in 1982 and is headquartered in Singapore. GDS Global Limited is a subsidiary of D'Oasis Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5VP)

Q1. As noted in the Chairman's message to shareholders (page 4 of the annual report), the group recorded a 4.7% decline in total revenue on lower sales of doors and shutters system. Revenue for the year was \$23.88 million with the group achieving a gross profit margin of 37.7%, down from 45.4% in FY2016 and 43.6% in FY2015.

In particular, revenue from the group's doors and shutter system decreased by \$3.98 million or 20.1% to \$15.79 million in FY2017.

- a) **Can management help shareholders understand the main drivers of revenue for the group's core product of doors and shutter system?**
- b) **Can the company elaborate further on its strategy to increase sales?**

As disclosed in the Company's Offer Document dated 11 April 2013, the top five players in the Commercial and Industrial Doors segment in Singapore accounted for 77.6% of the market in terms of customer value spending.

- c) **Has the company maintained or extended its market-leading position?**
- d) **Has the company evaluated its options to drive consolidation in the market?**

Q2. Revenue from service and maintenance works increased to \$2.3 million in 2017, up 18% from \$1.9 million in 2016. The \$2.3 million achieved in 2017 is 60% higher than the \$1.4 million achieved in 2012.

- a) **What was the proportion of profits contributed by the group's service offering?**
- b) **Are there plans for the group to offer service contracts with every sale of its doors and shutter system? Doing so would allow the group to grow its recurring service revenue and maintain the relationships it has with its customers.**
- c) **Is the group currently positioning itself as a one-stop shop for all doors and shutters needs (including servicing and maintenance) of its customers?**

Q3. The allowance for doubtful debts increased to \$724,751 in 2017, up from \$398,292. This is significant as the group reported profit for the year of \$904,184. The increase in the allowance is due to customers of the group being placed under liquidation.

- a) **Can management provide better visibility on the number of customers who have defaulted and are being placed under liquidation, and the amounts owed by each of these customers?**
- b) **What is management's assessment of the chances of recovery of the outstanding debt?**

The allowance for doubtful debts is one of the key audit matters highlighted in the Independent Auditors' Report (page 42). Key audit matters are those matters that, in the professional judgement of the independent auditors, were of most significance in the audit of the financial statement of the current year.

- c) **Has the board and management critically reviewed and re-assessed the robustness of the group's processes of granting credit to customers, monitoring its trade receivables, collecting debt, and assessing of allowance for doubtful trade receivables?**
- d) **What changes have been made to better manage/reduce the group's credit risks of its customers?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=GDS%20Global%20Ltd>

The company's response could be found here:

https://sias.org.sg/media/qareport/company_responce/1485227031_GDS_SIAS-QAs_-AR-FY2016.pdf