GDS Global Limited

GDS GLOBAL LIMITED

(Company Registration No.: 201217895H)
(Incorporated in the Republic of Singapore on 19 July 2012)

RESPONSE TO QUERIES BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors ("the **Board**") of GDS Global Limited (the "**Company**", and together with its subsidiaries, collectively the "**Group**") wishes to announce the following in response to the queries received from The Securities Investors Association (Singapore) ("**SIAS**") on 8 January 2025. The Company has not received any questions from shareholders as at the deadline for submission of questions in advance of the Company's Annual General Meeting ("**AGM**").

Q1. Following a change in Board and executive leadership, the group achieved a 9.5% increase in revenue to $13.4 million, driven by the post-pandemic recovery of Singapore's construction sector and a stronger focus on the domestic market. Shutter production output has also more than doubled year-on-year, leading to reduced unit costs.

However, the Group reported net loss of $(2.27) million in FY2024, continuing a trend of losses over the past six years: $(2.1) million in FY2023, $(1.7) million in FY2022, $(1.6) million in FY2021, $(1.1) million in FY2020, $(1.8) million in FY2019, and $(0.6) million in FY2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 September 2024

	Note	Group 2024	Group 2023
		$'000	$'000
Revenue	19	13,360	12,203
Cost of sales		(8,932)	(8,816)
Gross profit		4,428	3,387
Other operating income	20	262	118
Marketing and distribution expenses		(324)	(320)
Administrative expenses		(5,673)	(4,782)
Other operating expenses		(358)	(347)
Interest revenue	21	19	13
Other losses	22	(401)	(118)
Finance costs	23	(152)	(174)
Loss before tax		(2,199)	(2,223)
Income tax (expense) credit	24	(71)	105
Loss for the year	25	(2,270)	(2,118)

(Source: company annual report; emphasis added)

(i) **Could management provide a detailed breakdown of administrative expenses?** The administrative expenses have consistently been higher than the group's gross profit.

Company's Response:

The administrative expenses comprise salaries and related expenses, professional fees, audit fees, depreciation and amortization, general expenses, utilities and other expenses which included an one-off transaction cost in relation to the Rights cum Warrants issue completed in August 2024. The administrative expenses were higher than the Group's gross profit due to the legacy of the global Covid-19 pandemic which affected most businesses and further eroded gross profit margins with a standstill in construction during that period and higher raw materials and freight costs.

Revenue has not recovered to pre-pandemic levels after the Covid-19 pandemic as the local construction industry faced many challenges including rising material costs due to increased demand but limited supply, thereby increasing project cost significantly, supply chain disruptions caused by global shipping delays and port congestions affecting timely delivery of construction materials and labour shortages due to workers exodus as many construction workers left the industry during Covid-19 and wage inflation as companies compete for skilled labour which led to increased wages adding to project costs, which in turn affected the awarding of projects.

The higher administrative expenses of $5.67 million in FY2024, an increase of 18.6% from FY2023 was mainly due to a one-off Rights cum Warrants issue transaction costs ($0.29 million), additional headcount salaries and related statutory payments to replace staff attrition due to Covid-19 and professional fees.

(ii) **What are management's specific priorities for FY2025 to restore profitability? Could the company provide an overview of the strategic initiatives, key milestones and operational and financial key performance indicators?**

Company's Response:

The new leadership (including a new Board of Directors and a new management team) took over the stewardship of the Group from Mr. Michael Wong, the Company's former Non-Executive Non-Independent Chairman and founder of the Group, in a transition which commenced in November 2023 and was effectively completed in May 2024. As part of the transition, the new management's primary focus in the financial year ended 30 September ("FY") 2024 was to ensure operational continuity and stability in the Group.

In FY2025, one of primary focuses of the new leadership is to turnaround the Group by amplifying revenue, prudent cost management, optimising capacity utilisation and operational efficiency. The Group has addressed production bottlenecks, reduced idle time and minimised material wastages in FY2024. The Group will also continue to focus on product innovation, with the Group's patented fourth-generation Gliderol® Insulated Fire Shutter ("IFS-4G") passing critical fire tests in Malaysia and Singapore in FY2024, which paves the way for commercial sales in both markets.

Other specific strategic initiatives include strengthening and deepening our existing overseas distributor relationships, increasing sales and marketing efforts outside of Singapore, securing more projects locally with the new management team's extensive experience and well-established networks in the local construction industry and to bolster our capacity in our recurring service and maintenance business to handle multi-year term contracts from town councils and other assets owners.

All of the above contributed to an increase of 9.5% in revenue to $13.4 million as compared to $12.2 million in FY2023.

Another significant milestone in FY2024 is our maiden entry into the United States ("US") market through an exclusive partnership with Blast Resource Group LLC ("BRG") to market and distribute Gliderol's blast-mitigating and blast-resistant shutters in the United States, an important new market for the Group.

Q2. The group achieved a significant milestone with its entry into the United States market through a partnership with Blast Resource Group, LLC (BRG) to market and distribute Gliderol's blast-mitigating and blast-resistant shutters.

(i) **Can management help shareholders better understand the potential of the US market for blast-mitigating and blast-resistant shutters? What is the size of the total address market and what specific sectors or customer segments are expected to drive demand?**

Company's Response:

The US market for blast-mitigating and blast-resistant shutters presents a significant opportunity, driven by heightened security concerns and growing urbanization. In the US, the demand for blast-mitigating and blast-resistant shutters is expected to come from various sectors, including:

- Government and Military: Federal, state, and local government agencies, as well as military installations, require blast-mitigating and blast-resistant shutters to protect personnel and assets.

- Commercial and Industrial: High-risk facilities, such as data centers, financial institutions, and critical infrastructure such as oil & gas refineries, chemical plants and water treatment plants, need blast-resistant to mitigate potential threats.

The total addressable market size for blast-mitigating and blast-resistant shutters in the US is not publicly available but it is likely to be significant given its vast and dynamic market.

Texas is well known for its significant oil, gas and industrial infrastructure. Whilst BRG has a strong focus in the Texas and Louisiana markets with presence in multiple states currently, it has plans to expand its presence nationwide.

(ii) **What criteria were used to select BRG as a partner? Can management elaborate on BRG's operational scale, market reach, and distribution capabilities? Does BRG possess a nationwide presence, or is it a specialised entity operating within a niche market, such as in Texas?**

Company's Response:

When selecting BRG as a partner, the management considered the following key criteria:

1) Technical Expertise
2) Industry experience
3) Operational Scale and Market Reach
4) Financial Stability and Compatibility

BRG is a leading supplier of metal building systems and offers specialty engineering and design services in support of clients with hazardous risks. Its in-house expertise enables BRG to provide turnkey built solutions for industrial operations challenged with mitigating fire and blast concerns. Key capabilities include blast engineering, protective design, civil and structural engineering, and natural hazard assessment.

Our blast-mitigating and blast-resistant shutters align seamlessly with BRG's core competencies, and their executive team has a deep understanding of our products' technical aspects. With substantial financial resources, a large operational scale, and extensive market reach, BRG boasts a diverse customer base spanning government, industrial, and commercial sectors.

(iii) **What relevant experience does the board and senior management have in business development and entering foreign markets, particularly the United States? The biographies of the directors and senior management can be found on pages 10 to 13 of the annual report.**

Company's Response:

Our Board and senior management team possess a wealth of experience in business development and entering foreign markets.

As stated in the Chairman's Message to Shareholders (Page 4 of the Annual Report), the Group already has presence in the foreign markets in Vietnam, Malaysia, Taiwan and Hong Kong. Entry into the US market is another significant milestone in our ordinary course of business.

Relevant Skills and Expertise:

1) Market research and analysis: Our team has experience conducting market research and analysis for the foreign markets;

2) Partnership development: We have a proven ability to establish and maintain successful partnerships with overseas distributors; and

3) Cultural adaptation: We understand the importance of cultural adaptation when entering new markets and have experience tailoring our approach to local customs and business practices.

Q3. As disclosed in the corporate governance report, the group's internal audit function is outsourced to KPMG Services Pte Ltd. In FY2024, KPMG conducted reviews on sales and credit management, production and inventory management, follow-up audit and risk mitigation review.

The internal audits in recent years have focused on the following areas:
FY2021 - risk mitigation, sales, credit management and collections, production and inventory management, procurement and payments (trade)
FY2022 - risk mitigation, financial management, and human resource and payroll
FY2023 - sales and credit management, production and inventory management and risk mitigation review

(i) **What is the length of the group's internal audit cycle? How does the audit committee (AC) proactively identify and prioritise emerging risks across the group's operations?**

Company's Response:

KPMG conducts their internal audit on the Group on an annual basis. They presented their FY2024 Internal Audit Plan to the AC on 10 May 2024, and completed their fieldwork on 16 August 2024. The FY2024 Internal Audit Report to AC was presented in November 2024.

The AC engages and communicates with management on a regular ongoing basis, as well as the internal and external auditors to gain visibility of the organisation's risk universe, and to gain better understanding and visibility into new risks, risk trends and management's risk appetite of the business environment in which the Group operates. The AC proactively involves the risk owners (being the management team) to identify and evaluate emerging risks (eg. cybersecurity risks, regulatory changes around climate disclosures, use of artificial intelligence) on the horizon, and enables and encourages front-line risk owners to report emerging risks at discussions with AC using structured approaches such as heatmaps, trend analyses and stress testing to ensure that the organization remains resilient and prepared for future challenges.

(ii) **What were the key findings and recommendations by the internal auditor for FY2024?**

Company's Response:

Key findings and recommendations by the internal auditor for FY2024 were as follows:

- Review of sales and credit management – Establish formal guidelines and documentation for conducting customer credit assessments and granting discounts.

- Review of follow-up audit and risk mitigation review – Implement more robust review processes to ensure the accuracy and reliability of inputs used in sustainability reporting.

All recommendations by the internal auditor above were implemented and completed by November 2024.

(iii) **How does the AC monitor the timely and effective implementation of internal audit recommendations?**

Company's Response:

The AC monitors the timely and effective implementation of internal audit recommendations through the Group's established clear monitoring and tracking system and action plans. The AC requires management to assign specific individuals or teams to address each recommendation for clear ownership and accountability.

The AC proactively communicates with management to have regular reporting and progress updates that follow-up actions have been implemented within the set timelines. The AC maintains an open line of communication and feedback loop with management for effective review and continuous improvements and refinements of internal controls and processes.

BY ORDER OF THE BOARD

Lee Pei Fang
Executive Director

Singapore
22 January 2025

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any statements or opinions made, or reports contained in this announcement.

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