



**FRESH** from a transfer to the Main Market of Bursa Malaysia, GD Express Carrier Bhd (GDEX), the largest home-grown entrepreneur-run logistics and courier firm in Malaysia, is seeking to reduce its dependence on the domestic market by expanding to regional markets.

However, GDEX is taking a conservative approach in its regional expansion. In this second phase of its growth story, the company plans to tap the massive opportunities in the rapidly growing Asean region.

"In the next financial year, we may start to set up some representative offices in Asean to prepare ourselves for Afta [Asean Free Trade Area]," says Teong Teck Lean, the managing director and group CEO of GDEX, who is also the company's single largest shareholder with a 41.78% stake or 110.48 million shares.

Setting up a representative office in Indonesia is just the first step on account of its huge population, trade opportunities, as well as culture and language commonalities, he says. GDEX will then aggressively engage with some local partners and conduct more regional trade activities. "By expanding there, the return will be many fold if it is successful," he says.

As intra-Asean trade grows, GDEX is looking at expanding its presence to Thailand. "Hopefully by the next financial year, we can complete a ground linehaul to connect Peninsular Malaysia to Thailand."

Afta is an Asean trade bloc agreement to support local manufacturing activities in member countries. Its main thrust is to create a single market and international production base, attract foreign direct investment and expand intra-Asean trade and investment. Asean is scheduled to become a complete free trade area in 2015.

Currently, domestic business makes up 90% of GDEX's turnover. The company registered a RM13.61 mil net profit on the back of RM135 mil in revenue in its financial year ended June 30, 2013.

Teong admits the current business model is too dependent on domestic



GDEX plans to add 50 to 60 vehicles to its fleet, from the current 400 units, to accommodate larger parcels



by Lim Cian Yui



photos by Anwar Faiz Ahmad Tajudin

## GDEX gears up to be regional force

Home-grown logistics and courier firm plans to set up representative offices in Asean to prepare for Afta

growth and he hopes regional expansion will bring steady and sustainable growth.

### Singapore synergy

Currently, GDEX is handling express non-mail shipments such as parcel and documents for Singapore Post Ltd (SingPost) in Malaysia.

SingPost emerged as the second-largest shareholder after Teong in March 2011, with 27.08% equity interest in GDEX. It further increased its shareholding to 27.41% in October last year. SingPost is 27.08% owned by Singapore Telecommunications Ltd, which is in turn a subsidiary of Singapore sovereign fund Temasek Holdings (Pte) Ltd.

While GDEX's collaboration with SingPost is strategic, the two parties have yet to generate significant synergy. In FY13, business in Singapore contributed only RM1.17 mil of sales to GDEX.

"We will definitely start to think how to work more closely and create a win-win situation. It involves a lot of discussion and it is never easy," he says, when asked on the steps taken to foster collaboration.

Sabah and Sarawak will be GDEX's next area of interest in the medium

term. However, growth in the two states is not expected to be phenomenal.

"We are not neglecting it, there are a lot of deliveries to cities like Kota Kinabalu, Kuching, Bintulu and Miri, boosted by robust oil and gas activities. But it is not cost-efficient to deliver to East Malaysia at the moment, because it is a consumption centre rather than a production centre," Teong explains.

### Impressive growth

The share price of GDEX has been bullish in recent years. It recorded a historic high of RM3.25 on Oct 1 this year, since its debut on Bursa Malaysia on May 17, 2005. This is a 983% increase from its initial public offering price of 30 sen.

In its FY14 first quarter ended Sept 30, GDEX registered a 16% year-on-year increase in turnover to RM37.1 mil, while net profit grew by only 5.44% or RM190,000 to RM3.68 mil.

"Profit did not grow much as we did not pass fuel surcharge to customers and our scale of operation has helped us to maintain the growth," says Teong, who is also responsible for business development and setting the strategic direction of the company.

Teong says in the next financial year, GDEX may start to set up representative offices in Asean countries



## Finding his true calling

**AFTER** experiencing failure in the timber trading business, GD Express Carrier Bhd (GDEX) managing director and group CEO Teong Teck Lean appears to have found his true calling when he acquired a controlling stake in GD Express Sdn Bhd in 2000.

Prior to that, he had honed his technical and finance skills as an engineer at Texas Instruments and Lembaga Letrik Negara (now Tenaga Nasional Bhd) as well as being a dealer with OSK Securities Bhd in the

1980s and 1990s.

Before Teong joined the stockbroking industry, he had tried his luck in timber trading and investment activities. However, these did not fare well and he eventually gave them up. "Every experience is important, I have my fair share of failures as well. These mistakes have made me a stronger and more complete person."

Though the earlier stints might seem irrelevant to his current business, the knowledge gleaned from

On Sept 2, the Malaysian government raised the retail price of diesel and RON-95 petrol by 20 sen a litre each. It was reported the subsidy cut could save the government an estimated RM1.1 bil this year and another RM3.3 bil in 2014.

"The fuel price increase actually makes you more disciplined. If you could mitigate the impact and not pass it through to clients, they will appreciate it.

"We have to be more efficient and increase productivity. So even if the operating cost is high, the overall cost per unit will be reduced as people are trained to be more productive," Teong points out.

The company has embarked on a restructuring to streamline operations and expand hub facilities.

One of the measures taken by GDEX to boost productivity is the use of technology. Teong says some 60-70% of workload in its 2ha sorting and distribution hub in Petaling Jaya is done through automation.

"We try to make frontliners more productive by equipping them with a scanning system and manifesting system. We also opt for cost-efficient engines to reduce carbon footprint, pare down fuel cost, as well as preserve sustainability of environment and business."

Besides, during the quarter under review, GDEX has also allocated some capital to scale up its hub facilities and fleet size, which made its bottom line less attractive.

"We are increasing our capacity by another 20%, to around 160 to 170 tonnes per day. We anticipate a higher capex [capital expenditure] for this year, because we are expanding hub and fleet capacity," adds Teong.

Moving in tandem with the booming e-commerce business in Malaysia, GDEX plans to increase its fleet size by another 50 to 60 vehicles, from the current 400, to accommodate space-consuming parcels.

Part of the allocation will be spent for upgrading works of branches. It operates a network of 136 stations, comprising 59 branches, two affiliate stations, 52 agents and 23 lodge-in centres throughout Sabah, Sarawak and the peninsula, according to its corporate website.

Commenting on the overall performance, Teong expects topline to grow steadily this year. "I cannot see exceptional growth this year, it would still be in line with market expectation and be steady," he says.

GDEX commands a decent 5.5% and 10% of the market share in terms of value and number of parcels, respectively, amidst stiff competition in the courier industry. [GDEX](#)

the engineering and stockbroking industries has prepared him well to run a listed logistics and courier firm.

"What customers want is very simple - cost-efficient, speedy delivery and reliable service," Teong adds.

"Engineering taught me about quality, workflow and process while the finance industry gave me insights into cost-efficiency and cost-management. I am fortunate to have gone through these processes to prepare myself," he says.