

CORPORATE GOVERNANCE

GDS Global Limited (the “**Company**” or “**GDS**”) and its subsidiaries (the “**Group**”) are committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance (the “**Code**”) which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)’s listing rules.

This report describes the Group’s corporate governance practices that were in place throughout the financial year ended 30 September 2016 (“**FY2016**”).

BOARD MATTERS

Principle 1: The Board’s Conduct of its Affairs

The primary function of the board of directors (the “**Board**”) is to provide effective leadership and direction to enhance the long-term value of the Group to the Company’s shareholders and other stakeholders. The Board oversees the business affairs of the Group. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans, key operating initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

In addition, the principal duties of the Board include:

- Setting the Group’s strategic objectives and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting and compliance.
- Reviewing the performance of management and overseeing succession planning for management.
- Identify the key stakeholder groups and recognize that their perceptions affect the company’s reputation.
- Setting the Group’s values and standards (including ethical standards) and ensuring the obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues as part of the strategic formulation.

Independent judgement

The Company’s directors (“**Directors**”) exercise due diligence and independent judgement and make decisions objectively in the best interests of the Group.

The current members of the Board and their membership on the board committees of the Company are as follows:

	Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
1	Mr Michael Wong	Chairman, Executive Director and Chief Executive Officer	–	Member	–
2	Mr Wu Chiaw Ching	Lead Independent Non-Executive Director	Chairman	Member	Member
3	Mr Goh Boon Kok	Independent Non-Executive Director	Member	Chairman	Member
4	Ms Pebble Sia Huei-Chieh	Independent Non-Executive Director	Member	Member	Chairman

Currently, the Board comprises four members. There is a strong and independent element on the Company's Board. Of the four members, three are Independent Non-Executive Directors.

Delegation by the Board

The Board has delegated certain functions to various board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Key features of board processes

The dates of Board and board committee meetings as well as annual general meetings ("AGMs") are scheduled in advance. To assist Directors in planning their attendance, the Company Secretary consults every Director before fixing the dates of these meetings. The Board meets at least two times a year and as warranted by particular circumstances. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at Board and board committee meetings are allowed under the Company's Constitution. The details of the number of Board and board committee meetings held in the financial year as well as the attendance of each board member at those meetings are disclosed below.

Directors' attendance at Board and board committee meetings in FY2016

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Directors	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended
Mr Michael Wong	2	2	2	2 ⁽²⁾	1	1	1	1 ⁽²⁾
Mr Wu Chiaw Ching	2	2	2	2	1	1	1	1
Mr Goh Boon Kok	2	2	2	2	1	1	1	1
Ms Pebble Sia Huei-Chieh	2	2	2	2	1	1	1	1

Notes:

⁽¹⁾ Represents the number of meetings held as applicable to each individual Director.

⁽²⁾ Attendance at meetings on a "By Invitation" basis.

Board's approval

Matters specifically reserved for the Board's approval are listed below:

- Strategies and objectives of the Group;
- Announcement of half-year and full year financial results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;

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- Material investments, divestments or capital expenditure;
- Commitments to term loans and lines of credits from banks and financial institutions; and
- Interested person transactions.

Clear directions have been imposed on management that the above matters must be approved by the Board.

Induction and training of Directors

The Board ensures that incoming new Directors are given guidance and orientation (including onsite visits, if necessary) to get familiarised with the Group's business and corporate governance practices upon their appointment and to facilitate the effective discharge of their duties. Newly appointed Directors will be provided a formal letter setting out their duties and obligations. If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such person to undertake training in the roles and responsibilities of a director a listed company and to familiarise such person with the relevant rules and regulations governing a listed company. Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in training courses, seminars and workshops as relevant and/or applicable.

Briefings, updates and trainings provided for Directors in FY2016

The NC reviews and makes recommendations on the training and professional development programs to the Board.

The Group has an open policy for professional training for all the Board members, including Executive Director and Independent Directors. The Company endorses the Singapore Institute of Directors ("SID") training programs and sets a budget for such training and professional development programs. All Board members are encouraged to attend relevant training organised by the SID or any other organisation which provides relevant training courses for directors. The cost of such training will be borne by the Company.

On a half-yearly basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The Chief Executive Officer updates the Board at each meeting on business and strategic developments of the Group.

As part of the Company's continuing education for Directors, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Group's business to keep Directors updated on current industry trends and issues. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are also circulated to the Board.

Principle 2: Board Composition and Guidance

Board size and composition

The Board comprises four Directors, three Independent Non-Executive Directors (the "**Independent Non-Executive Directors**" or the "**Independent Directors**" or each the "**Independent Non-Executive Director**" or the "**Independent Director**"), and one Executive Director (the "**Executive Director**").

Each year, the NC reviews the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience, gender and knowledge of the Company. These competencies include accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's business and the number of board committees, the Board believes that the current size and composition provide sufficient diversity without interfering with efficient decision making. The NC is of the opinion that the current Board composition represents a well balanced mix of expertise and experience comprising accounting, finance, consultancy and legal knowledge to provide core competencies necessary to meet the requirements of the Company and the Group and also takes into consideration gender diversity.

Directors' independence review

A Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group, is considered to be independent.

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a Director is independent, bearing in mind the guidelines set forth in the Code and any other salient factor which would render a Director to be deemed not independent. Each of the Independent Directors has provided declaration of their independence to the NC and none of the Independent Directors has any relationships or falls into circumstances as described under Guidelines 2.3 and 2.4 the Code which may deem him or her to be not independent. The NC has reviewed, determined and confirmed the independence of the Independent Directors.

None of the Independent Directors has served on the Board for a period exceeding nine years from the date of their appointments.

The Independent Directors make up more than half of the Board. This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgement on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

Role of the Non-Executive Directors

The Board and management fully appreciate that an effective and robust Board whose members engage in open and constructive debate and challenge management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by management to achieve set objectives. For this to happen, the Board and Non-Executive Directors, in particular, must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in.

To ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, they have unrestricted access to management.

The Group has also adopted initiatives to put in place processes to ensure that the Non-Executive Directors have sufficient time and resources to discharge their oversight function effectively. These initiatives include:

- Regular informal meetings are held by management to brief the Non-Executive Directors on prospective deals and potential developments at an early stage, before formal Board's approval is sought.
- The Company has also made available on the Company's premises an office for use by the Non-Executive Directors at any time for them to meet regularly without the presence of management.

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Principle 3: Chairman and Chief Executive Officer

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

Mr Michael Wong is the Chairman of the Board and the Chief Executive Officer (the "CEO"). He assumes responsibility for the smooth functioning of the Board and ensures adequate and timely flow of information between management and the Board; sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues; facilitates the effective contribution of Non-Executive Directors; promotes a culture of openness and debate at the Board; ensure effective communication with shareholders and promotes high standards of corporate governance. In addition, he also assumes responsibility for running the day-to-day business of the Group; ensures implementation of policies and strategy across the Group as set by the Board; manages the management team; and leads the development of the Group's future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing business.

The Board has not adopted the recommendation of the Code to have separate Directors appointed as the Chairman and the CEO. This is because the Board is of the view that there is already a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board as well as the contributions made by each member at meetings which relate to the affairs and operations of the Group. The Board is satisfied that one person is able to effectively discharge the duties of both positions.

The Board has also appointed Mr Wu Chiaw Ching as the Lead Independent Director to co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on board issues between the Independent Directors and the Chairman. He is available to shareholders with concerns, when contact through the normal channels via the Chairman and CEO, and/or Financial Controller (the "FC") has failed to provide satisfactory resolution, or when such contact is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors where necessary, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

All the board committees are chaired by Independent Directors and more than half of the Board consists of Independent Directors.

Principle 4: Board Membership

NC composition

The NC consists of three Independent Non-Executive Directors and one Executive Director, the majority of whom, including the NC Chairman, are independent:

Mr Goh Boon Kok - Chairman
Mr Wu Chiaw Ching - Member
Ms Pebble Sia Huei-Chieh - Member
Mr Michael Wong - Member

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The key terms of reference of the NC include the following:

- Review and recommend to the Board on the appointment and re-appointment of Directors (including alternate Directors, if applicable).
- Review the skills required by the Board and the size of the Board.
- Determine annually whether or not a Director is independent.
- Develop a process for evaluating the performance of the Board, its board committees and Directors and implementing such process for assessing the effectiveness of the Board as a whole and the contribution of each individual Director.
- Evaluate whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company.
- Make recommendation to the Board in determining the maximum number of listed company board representations which any Director may hold.
- Review the training and professional development programs for the Board.
- Review the Board's succession plans for Directors, in particular, the Chairman and the CEO.

Directors' independence review

The task of assessing the independence of the Directors is delegated to the NC. The NC reviews the independence of each Director annually, and as and when circumstances require.

Annually, each Independent Director is required to complete a Director's Independence Checklist (the "Checklist") to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the Code. Thereafter, the NC reviews the Checklist completed by each Independent Director, assess the independence of the Independent Directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that Mr Goh Boon Kok, Mr Wu Chiaw Ching and Ms Pebble Sia Huei-Chieh are independent.

Directors' time commitments and multiple directorships

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. The guidelines provide that, as a general rule, each Director should hold no more than six listed company board representations.

The NC determines annually whether a Director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a Director of the Company. The NC takes into account the respective Directors' actual conduct on the Board, in making this determination.

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The NC has reviewed and is satisfied that notwithstanding their multiple directorships and principal commitments, Mr Goh Boon Kok, Mr Wu Chiaw Ching and Ms Pebble Sia Huei-Chieh who hold multiple listed company board representations, have been able to devote sufficient time and attention to the affairs of the Group to adequately discharge their duties as Directors of the Company. The NC is of the view that each Director's directorships is in line with the Company's guideline of a maximum of six listed company board representations and that each Director has discharged his/her duties adequately.

Currently, the Company does not have any alternate Director on the Board.

Succession planning for the Board and management

Currently, there is an informal succession plan put in place by the Chairman and CEO. Going forward and at the relevant time, the NC will look into such plan in close consultation with the Chairman and CEO.

Process for selection and appointment of new Directors

The NC has put in place formal and written procedures for making recommendations to the Board on the selection and appointment of Directors. Such procedures would be activated when a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board. Notwithstanding that the Chairman of the Board is an Executive Director, the Company maintains a very strong and independent element on the Board with Independent Directors making up more than half of the Board.

In identifying suitable candidates, the NC may:

1. Advertise or use services of external advisers to facilitate a search.
2. Approach alternative sources such as the SID.
3. Consider candidates from a wide range of backgrounds from internal or external sources.
4. After short listing the candidates, the NC shall:
 - (a) consider and interview all candidates on merit against objective criteria, taking into consideration that appointees have enough time available to devote to the position; and
 - (b) evaluate and agree to a preferred candidate for recommendation to and appointment by the Board.

Process for re-appointment of Directors

The NC is responsible for re-appointment of Directors. In its deliberations on the re-appointment of existing Directors, the NC takes into consideration the Director's contribution and performance.

All Directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Regulation 114 of the Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not lesser than one-third) shall retire from office by rotation and be subject to re-appointment at the Company's AGM. Pursuant to the one-third rotation rule, Mr Wu Chiaw Ching will retire and submit himself for re-appointment at the forthcoming AGM.

The NC is satisfied that Mr Wu Chiaw Ching who is retiring at the forthcoming AGM is properly qualified for re-appointment by virtue of his skills, experience and his contribution of guidance and time to the Board's deliberations.

Principle 5: Board Performance

The Board has implemented a process carried out by the NC for assessing the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board on an annual basis.

Evaluation process

The Company Secretary sends out a customised Board Evaluation Questionnaire (the “**Questionnaire**”) and an Individual Director Assessment Checklist (the “**Checklist**”) to each Director for completion. The Questionnaire is customised to seek the views of the Directors on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The Board performance criteria includes board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions and board committees performance in relation to discharging their responsibilities set out in their respective terms of reference. The Checklist is a self-assessment evaluation to assess the contribution by each individual Director to the effectiveness of the Board. The individual Director's performance criteria includes his/her knowledge, availability and overall contribution to the effectiveness of the Board.

The completed Questionnaires and Checklists are submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review before submitting to the Board for discussion and determining areas for improving and enhancing the effectiveness of the Board. The Chairman will act on the results of the performance evaluation and, in consultation with the NC, will propose, where appropriate, new members to be appointed to the Board or seek resignation of Directors. For the financial year under review, the Board has performed the evaluation and is of the view that the Board as a whole operates effectively and the contribution by each individual Director is satisfactory.

The Board has not engaged any external consultant to conduct an assessment of the effectiveness of the Board and the contribution by each individual Director to the effectiveness of the Board. Where relevant, the NC will consider such an engagement.

Principle 6: Access to Information

Complete, adequate and timely information

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to the Directors a week in advance of the meetings. The Board also receives regular reports pertaining to the operational and financial performance of the Group with explanations for material variance between budget and actual performance. Any additional material or information requested by the Directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and board committee meetings. In order to keep the Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

To facilitate direct access to management, the Directors are also provided with the names and contact details of the management team.

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Company Secretary

The Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST Listing Manual Section B: Rules of Catalist (the "**Listing Manual**"), are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring good information flows within the Board and its board committees and between management and the Non-Executive Directors.

As primary compliance officer for the Group's compliance with the listing rules, the Company Secretary is responsible for designing and implementing a framework for management's compliance with the listing rules, including advising management to ensure that material information is disclosed promptly.

The Company Secretary attends and prepares minutes for all Board meetings. As secretary for all board committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman of board committees and management in the development of the agendas for the various Board and board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Independent professional advice

The Board has a process for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Group's expense.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

RC composition

The RC consists of three members, all of whom are Independent Non-Executive Directors:

Ms Pebble Sia Huei-Chieh - Chairman
Mr Wu Chiaw Ching - Member
Mr Goh Boon Kok - Member

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel.

The members of the RC carried out their duties in accordance with the terms of reference which include the following:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind.

- Review and recommend to the Board the specific remuneration packages for each Director as well as for key management personnel.
- Review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel.
- Review the Group's obligations arising in the event of termination of the Executive Director's and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC from time to time and where necessary seeks advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for Directors and key management personnel. The Board has not engaged any external remuneration consultant to advise on remuneration matters for FY2016.

None of the members of the RC or any Director is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him/her.

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure of Remuneration

As part of its review, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Group's relative performance and the performance of individual Directors and key management personnel. The Executive Director is paid a basic salary and a fixed bonus of two month's basic salary. Key management personnel are paid basic salary and variable bonus. The variable bonus varies according to the Group's performance objectives.

The RC also ensures that the remuneration of the Independent Non-Executive Directors are appropriate to their level of contribution taking into account factors such as efforts and time spent, and their responsibilities. Independent Non-Executive Directors receive a basic fee for their services. The RC ensures that the Independent Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised.

All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of the shareholders at the AGM.

Having reviewed and considered the variable components of the remuneration packages for the key management personnel, which are moderate, the RC is of the view that there is no need to institute contractual provisions to allow the Company to reclaim incentive components in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by key management personnel.

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Although Guideline 9.2 of the Code recommends that companies fully disclose the name and remuneration of each Director and the CEO, the Board is of the opinion that it is in the best interest of the Company to maintain confidentiality of the exact remuneration details of the Executive Director of the Group. As such, the Board has deviated from complying in full with the above recommendation and has instead provided below a breakdown showing the level and mix of remuneration of the Chairman and CEO in a narrower band for FY2016:

Remuneration Band and Name of Director ⁽¹⁾	Salary	Bonus	Fees	Other Benefits	Total
	%	%	%	%	%
S\$500,001 to S\$600,000					
Mr Michael Wong ⁽²⁾	93	7	–	–	100
Up to S\$50,000					
Mr Wu Chiaw Ching	–	–	100	–	100
Mr Goh Boon Kok	–	–	100	–	100
Ms Pebble Sia Huei-Chieh	–	–	100	–	100

Notes:

⁽¹⁾ The remuneration disclosed in the table above includes all forms of remuneration from the Company and any of its subsidiaries. In deciding whether an item or benefit is to be included in the remuneration, regard has been given to the taxability of such item.

⁽²⁾ Mr Michael Wong is the Chairman and Chief Executive Officer.

The Company had on 22 March 2013 entered into a service agreement with Mr Michael Wong in relation to his appointment as the Chairman and CEO. The service agreement took effect from the date of the Company's admission to Catalist, being 19 April 2013, for an initial period of three years, and has since been renewed on 19 April 2016 for another three years.

During FY2016, the amount of Directors' fees paid to the Non-Executive Directors were as follows:

Name	Amount
Mr Wu Chiaw Ching	S\$50,000
Mr Goh Boon Kok	S\$40,000
Ms Pebble Sia Huei-Chieh	S\$40,000

Guideline 9.3 of the Code recommends that companies disclose the name and remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S\$250,000. As best practice, companies are encouraged to fully disclose the remuneration of the said top five key management personnel. In addition, companies should also disclose the aggregate of the total remuneration paid or payable to the top five key management personnel (who are not Directors or the CEO).

The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of the remuneration of the Company's top five key management personnel due to the competitiveness of the industry for key talent. As such, the Board has deviated from complying with the above recommendation. The Board only partially complies with the above recommendation by providing below a breakdown showing the level and mix of remuneration of each of the top five key management personnel (who are not Directors or the CEO) in bands of S\$250,000 for FY2016:

Remuneration Band and Name of Executive ⁽¹⁾	Salary	Bonus	Other Benefits	Total
	%	%	%	%
Up to S\$250,000				
Mr Franco Liu ⁽²⁾	100	–	–	100
Ms Gina Lee	87	13	–	100
Ms Karen Lim	87	13	–	100
Ms Lim Lay Khim ⁽²⁾	100	–	–	100
Mr Leow Chyan	87	13	–	100

Notes:

⁽¹⁾ The remuneration disclosed in the table above includes all forms of remuneration from the Company and any of its subsidiaries. In deciding whether an item or benefit is to be included in the remuneration, regard has been given to the taxability of such item.

⁽²⁾ Mr Franco Liu was appointed on 1 April 2016 and Ms Lim Lay Khim was appointed on 3 May 2016. The disclosure above is based on the actual remuneration paid to each of Mr Franco Liu and Ms Lim Lay Khim for the period that each of them had served in that capacity during FY2016.

	S\$
Aggregate of the total remuneration paid or payable to the top five key management personnel (who are not Directors or the CEO)	556,753

There is no employee who is an immediate family member of a Director or the CEO and whose remuneration exceeded S\$50,000 in FY2016.

The Directors, the Chairman and CEO and key management personal are not entitled to any benefits upon termination, retirement or post-employment. The Company currently does not have any share option scheme or performance share plan.

Further information on the Directors and key management personnel is on pages 16 to 19 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board strives to provide its shareholders a balanced and understandable assessment of the Group's performance, position and prospects.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where appropriate. The Independent Directors in consultation with management will request for management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

Management provides appropriately detailed management accounts of the Group's performance on a half-yearly basis to the Board to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As and when circumstances arise, the Board can request management to provide any necessary explanation and/or information on the management accounts of the Group.

For the financial year under review, the CEO and the FC have provided assurance to the Board on the integrity of the financial statements of the Company and the Group.

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Principle 11: Risk Management and Internal Controls

The Board, with the assistance from the AC, is responsible for the governance of risk by ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The AC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to the requirements in the Listing Manual and the Code.

The Company has engaged an independent accounting firm, KPMG Services Pte. Ltd. ("KPMG"), as its internal auditors, and KPMG has presented their Enterprise Risk Management ("ERM") proposal to the AC and the Board to assist the AC and the Board in their review on the adequacy and effectiveness of the Group's risk management and internal control systems focusing on financial, operational, compliance and information technology controls.

Management regularly reviews the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the AC and the Board for further discussion. The AC and the Board also work with the internal auditors, external auditors and management on their recommendations to institute and execute relevant controls with a view to managing such risks.

With assistance from the internal auditors, key risk areas which have been identified are analysed, monitored and reported. In this connection, the Group has conducted the enterprise risk assessment and has established the risk reporting dashboard with a view to develop a detailed risk register and to develop a structured ERM to ensure that the Group's risk management and internal control systems are adequate and effective.

Assurance from the CEO and the FC

The Board has received written assurance from the CEO and the FC that:

- a) The financial records of the Group have been properly maintained and the financial statements for the financial year ended 30 September 2016 give a true and fair view of the Group's operations and finances; and
- b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

The CEO and the FC have obtained similar assurance from the business and corporate executive heads in the Group.

Opinion on the adequacy and effectiveness of the risk management and internal control systems

The AC sought the views of the external auditors in making assessment of the internal controls over financial reporting matters. Based on the internal controls established and maintained by the Group, the work performed by the internal auditors as well as the assurance received from the CEO and the FC, the Board with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks were adequate and effective as at 30 September 2016.

The Board notes that the system of risk management and internal controls established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledges that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities.

Principle 12: Audit Committee

AC composition

The AC consists of three members, all of whom are Independent Non-Executive Directors:

Mr Wu Chiaw Ching - Chairman

Mr Goh Boon Kok - Member

Ms Pebble Sia Huei-Chieh - Member

All members of the AC have extensive management and financial experience. The Board considers them as having sufficient financial knowledge and experience to discharge their responsibility in the AC.

The members of the AC carried out their duties in accordance with the terms of reference which include the following:

- a) Review the audit plans of the Company's external auditors and internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal controls.
- b) Review the external auditors' reports.
- c) Review with independent internal auditors the findings of their review report, internal control processes and procedures, and make recommendations on the internal control processes and procedures to be adopted by the Group.
- d) Review and recommend to the Board the types of risks or risk appetite the Company undertakes to achieve its business strategies. Oversee the risk management framework, policies and resources to manage and report risks within the Company's risk appetite.
- e) Review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls.
- f) Recommend to the Board on the opinion and disclosure in the annual report on the adequacy and effectiveness of the Company's risk management and internal control systems in accordance with the Listing Manual and the Code.
- g) Review the co-operation given by management to the external auditors and internal auditors, where applicable.
- h) Review the financial statements of the Company and the Group, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from the audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before their submission to the Board for approval.

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- i) Review and discuss with auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and management's response.
- j) Review the transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual, if any.
- k) Review any potential conflicts of interest and set out a framework to resolve or mitigate any potential conflicts of interest.
- l) Review the key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET.
- m) Review the independence of the external auditors and recommend their appointment or re-appointment, remuneration and terms of engagement.
- n) Review and approve foreign exchange hedging policies implemented by the Group and conduct periodic review of foreign exchange transactions and hedging policies and procedures.
- o) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.
- p) Review arrangements by which an employee may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up.
- q) Undertake generally such other functions and duties as may be required by statute or the Listing Manual, as amended, modified or supplemented from time to time.

Apart from the above, the AC shall:

- r) Commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.
- s) Commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal control weaknesses (if any).

The AC has explicit authority to investigate any matter within its term of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any Director or executive officer to attend its meetings.

Summary of the AC's activities

The AC met two times during the financial year under review. Details of members and their attendance at meetings are provided on pages 22 to 23. The FC, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of management are also invited to attend, as appropriate, to present reports.

During the financial year, the AC had one meeting with the internal auditors and external auditors separately, without the presence of management. These meetings enable the internal auditors and external auditors to raise issues encountered in the course of their work directly to the AC.

The principal activities of the AC during the financial year are summarised below:

Financial reporting

The AC met on a bi-annual basis and reviewed the half-year and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the annual financial statements and also discussed with management, the FC and the external auditors the significant accounting policies, judgements and estimates applied by management in preparing the annual financial statements. The AC focused particularly on:

- Significant adjustments resulting from the audit;
- The appropriateness of the going concern assumption in the preparation of the financial statements; and
- Significant deficiencies in internal controls over financial reporting matters that came to the external auditors' attention during their audit together with their recommendations.

Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

External audit processes

The AC manages the relationship with the Group's external auditors on behalf of the Board. The AC is of the view that the external auditors demonstrated appropriate qualifications and expertise. It is also satisfied with the adequacy of the scope and quality of the external audits being conducted by Deloitte & Touche LLP. Therefore, the AC recommended to the Board that Deloitte & Touche LLP be re-appointed as the external auditors. The Board accepted this recommendation and has proposed a resolution to shareholders for the re-appointment of Deloitte & Touche LLP at the forthcoming AGM.

Pursuant to the requirement in the Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Deloitte & Touche LLP's audit partner for the Company was appointed on 22 April 2014. In appointing auditors for the Company and its subsidiaries, the Group has complied with Rules 712 and 715 of the Listing Manual.

Auditors' independence

In order to maintain the independence of the external auditors, the Group has specific policy which governs the conduct of non-audit work performed by the external auditors. This policy prohibits the external auditors from:

- Performing services which would result in the auditing of their own work;
- Participating in activities normally undertaken by management;
- Acting as advocate for the Group; or
- Creating a mutuality of interest between the external auditors and the Group, for example being remunerated through a success fee structure.

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The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The AC received a half-yearly report setting out the non-audit services provided by Deloitte & Touche LLP and the fees charged. The aggregate amount of audit and non-audit fees paid or payable to the external auditors for FY2016 are S\$111,000 and S\$13,450 respectively.

Having undertaken a review of the non-audit services provided during the financial year, the AC is satisfied that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services which they provided to the Group.

Internal audit

During the financial year, the AC has reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with management, internal auditors and external auditors.

The AC considered and reviewed with management and internal auditors on the following:

- Annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group; and
- Significant internal audit observations and management's response thereto.

The AC has reviewed the adequacy and effectiveness of the internal audit function.

Interested person transactions

The AC reviews the Group's interested person transactions to ensure that the transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company or its non-controlling shareholders. On a half-yearly basis, management reports to the AC the interested person transactions.

There were no interested person transactions during the financial year under review.

The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of interested person transactions were effective.

Whistle blowing

The Company has adopted a Whistle-Blowing Policy to provide a channel for employees of the Group to report in good faith and in confidence their concerns about possible improprieties in matters of financial reporting or other matters. The AC exercises the overseeing function over the administration of the Whistle-Blowing Policy. The Whistle-Blowing Policy provides for procedures to validate concerns and for investigations to be carried out independently. The Whistle-Blowing Policy has been circulated to all employees.

Principle 13: Internal Audit

The AC approves the appointment, removal, evaluation and compensation of internal auditors. The AC also reviews annually the adequacy and effectiveness of the internal audit function. The internal audit function of the Group is outsourced to KPMG. The internal auditors' primary line of reporting is the AC Chairman. Administratively, the internal auditors report to the CEO. The selection of KPMG as the internal auditors, its fee proposal and the internal audit proposal were reviewed and approved by the AC. The internal auditors carry out their function in accordance to the standards set by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The primary purpose of the internal audit function is to assist the Board and management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The internal audit approach focuses on key financial, operational, compliance and information technology risks. The annual internal audit plan is established in consultation with, but independent of management. The internal audit plan is reviewed and approved by the AC. All internal audit findings, recommendations and status of remediation, are circulated to the AC, the CEO, the external auditors and relevant management.

The AC ensures that management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their function accordingly. The AC meets with the internal auditors once a year, without the presence of management.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders' Rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the AGM which will be held in Singapore. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters.

The Company allows corporations which provide nominee or custodial services to appoint not more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Principle 15: Communication with Shareholders

Disclosure of information on a timely basis

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET, press release and corporate website. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information is not selectively disclosed. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Group's corporate website is the key resource of information for shareholders. In addition to the half-yearly financial results materials, it contains a wealth of investor related information on the Group, including annual reports, shares and dividend information and factsheets.

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Interaction with shareholders

The Company has an internal investor relations function which focuses on facilitating communications with shareholders and analysts on a regular basis, attending to their queries or concerns and keeping them apprised of the Group's corporate developments and finance performance. During such interactions, the Company solicits and understands the views of shareholders and the investment community.

Dividend policy

The Company does not have a fixed dividend policy. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- The level of the Group's cash and retained earnings.
- The Group's actual and projected financial performance.
- The Group's projected levels of capital expenditure and other investment plans.
- The Group's working capital requirements and general financing condition.

A first and final dividend of 0.8 Singapore cent per ordinary share for FY2016 has been recommended by the Board and is subject to the approval by shareholders at the forthcoming AGM.

Principle 16: Conduct of Shareholders Meetings

The Group supports and encourages active shareholders' participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

The Company's Constitution allows all shareholders to appoint proxies to attend general meetings and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate. All Directors including Chairman of the Board and the respective Chairman of the AC, NC and RC, management, and the external auditors are intended to be in attendance at general meetings to address any queries of the shareholders.

The Company records the minutes of general meetings that include relevant and substantial comments from shareholders relating to the agenda of the meetings and responses from management. Such minutes will be available to shareholders upon their request.

The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings.

Dealing in Securities

The Group has adopted an internal compliance code to provide guidance to its Directors and all employees of the Group with regard to dealings in the Company's securities. The code prohibits dealing in the Company's securities by the Directors and employees of the Group while in possession of unpublished price sensitive information. Directors and employees are not allowed to deal in the Company's securities on short-term considerations and during the one month before the announcement of the Company's half-year and full year financial results. The Directors and employees are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Listing Manual and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Material Contracts

Save for the following material contracts previously disclosed in the Company's offer document in relation to its initial public offering dated 11 April 2013, there are no other material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling shareholder either still subsisting as at 30 September 2016 or if not then subsisting, entered into since the end of the previous financial year:

- (a) the assignment deed dated 25 February 2013 entered into between Mr Michael Wong and Gliderol Doors (S) Pte. Ltd. in relation to two inventions entitled "*Louvred Shutter*" and "*Security Shutter (Improvements to Roller Shutters)*";
- (b) the non-competition deed dated 19 March 2013 entered into between the Company, Mr Michael Wong and GIID Pty Limited; and
- (c) the Service Agreement of Mr Michael Wong dated 22 March 2013 which took effect from the date of the Company's admission to Catalist, being 19 April 2013, for an initial period of three years, and has since been renewed on 19 April 2016 for another three years.

Non-Sponsor Fees

In compliance with Rule 1204(21) of the Listing Manual, there were no non-sponsor fees paid to the Company's Sponsor, CIMB Bank Berhad, Singapore Branch, during the financial year under review.

Interested Person Transactions

The Company confirms that there were no interested person transactions during the financial year under review.

Non-Audit Fees

The nature of the non-audit services that were rendered by the Company's auditors, Deloitte & Touche LLP, to the Group and their related fees for FY2016 were as follows:

Fees for tax compliance services rendered to the Group – S\$13,450.