GDS
Global Limited

FORWARD STEPS FUTURE STRENGTHS

ANNUAL REPORT 2018

CONTENTS

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone (65) 6337 5115.

CORPORATE PROFILE

A leading specialist provider of commercial and industrial door and shutter solutions in Singapore and the South East Asia region.

Established in 1982, GDS Global Limited (the "**Company**" or "**GDS**" and together with its subsidiaries, the "**Group**") is a leading specialist provider of commercial and industrial door and shutter solutions in Singapore and the South East Asia region.

Backed by its strong technical expertise, proprietary know-how and technology-based solutions, the Group's extensive range of door and shutter systems can be tailored to the specific needs and requirements of its customers. The Group's products include door systems, fire-rated shutter systems and doors for special applications which are widely used across a broad spectrum of industries such as manufacturing, retail, food processing, hospitality, health, education, aerospace, security and defence.

Underscoring its technology-driven edge, GDS is the first Singapore manufacturer which can offer steel insulated fire shutters with an insulation value of up to 240 minutes and also UL[1] and FM[2] listed fire shutters.

The Group also provides service and maintenance works for the products supplied or installed by the Group or third parties, and sale of production components.

GDS is headquartered in Singapore where it operates one of the largest manufacturing facilities amongst industry players, spanning an area of approximately 7,797 square metres.

In 2013, GDS became a public-listed company on the Catalist of the Singapore Exchange Securities Trading Limited (Stock code: 5VP).

Please visit www.gdsglobal.com.sg for more information.

[1] UL LLC (Underwriters Laboratories), a global independent safety science company offering expertise including, *inter alia* product safety and verification services.

[2] FM Approval, a division of Factory Mutual Insurance Company, which provides third party certification of property loss prevention products and services.

BUSINESS OVERVIEW

DOOR SYSTEMS

We manufacture and supply an extensive range of door and shutter systems that can be tailored to our customers' specific needs and requirements. These systems, which comprise our own proprietary products as well as third party products, include:

Industrial Door Systems

- *Gliderol* continuous sheet roller doors
- *Gliderol* GIANT series extra-large roller shutters
- Heavy duty roller shutters
- High security roller shutters
- Insulated roller shutters
- Louvred roller shutters
- Sectional overhead doors
- *Renlita* bi-folding doors
- *Butzbach* stacking doors

Commercial Door Systems

- *Gliderol* continuous sheet roller doors
- Alfresco steel roller shutters
- Crystal aluminium shutters
- Crystal Clear transparent shutters
- Premium aluminium roller grilles
- High security roller shutters
- *Butzbach* glass stacking doors

Hangar Door Systems

- *Gliderol* GIANT series hangar doors
- *Butzbach* sliding hangar doors

Garage Door Systems

- Various types of garage door systems such as sectional garage doors, roller doors and *Renlita* tilt-up doors, for use in private homes.

Fire-rated Shutter Systems

We manufacture and supply a range of proprietary fire-rated shutter systems, which are able to serve as effective barriers against fire in the event of a fire, while doubling as security shutters during normal circumstances. Our fire-rated shutter systems are tested against a set of stringent criteria set by various regulatory authorities in recognised test laboratories and accorded a performance rating for fire insulation and integrity. The range of fire-rated shutter systems which we offer includes:

- Model FRSA non-insulated fire shutters
- Model FRSC non-insulated fire shutters
- Model TIFS with normal heat insulation shutters
- Model IFS series fire insulated shutters
- Model IFC fire insulated curtains
- Model IFPS series fire insulated panel shutters

Special Applications

- *Gliderol* swift high-speed traffic doors
- *Gliderol* horizontally coiling hatches
- *Gliderol* fall arresters
- *Butzbach* NOVOSPRINT high-speed traffic doors
- *Won-Door* DuraSound acoustic accordion doors
- *Won-Door* FireGuard fire-rated accordion doors

NON-DOOR SYSTEM

Through its majority-owned subsidiary, Grimm Industries Pte. Ltd., the Group also trades and designs production components that include engineering and machinery tools, hardware, industrial metal parts and fixtures.

SERVICES

Service and Maintenance Works

Our maintenance services are offered on a renewable fixed term service contract basis as well as on an ad hoc basis.

- Preventive and general maintenance
- Repair, replacement and overhaul of faulty components
- Safety checks

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

It gives me great pleasure to present to you the annual report of GDS for the financial year ended 30 September 2018 ("**FY2018**").

A YEAR OF DISRUPTION

By most accounts, FY2018 was a challenging year, marked by continued geopolitical uncertainties, widening political divisions and lingering concerns over the state of the global economy. Trade tensions in particular, have raised the spectre of protectionism and stoked fears of a slowdown in global trade. Meanwhile, businesses continued to face headwinds from a rising interest rate environment. The potential dangers of global contagion have led to a decline in business confidence around the world. Singapore, with its open economy and integration into the global economic system, has not been spared.

Amidst the above developments, challenges in the operating environment for FY2018 have remained unabated. This was reflected by our weaker financial performance during the year, where the Group recorded a net loss of S$0.63 million for FY2018 on revenue of S$17.74 million, against net profit of S$0.90 million and revenue of S$23.88 million in the financial year ended 30 September 2017 ("**FY2017**"). The decline in revenue was mainly attributed to lower sales of our doors and shutters system and fewer provision of service and maintenance work, despite higher contributions from Grimm Industries Pte. Ltd. ("**Grimm**"), a subsidiary principally engaged in the trading and designing of production components.

Despite our net loss position, our operations remain active and healthy as we recorded a positive net cash from operating activities after changes in working capital of S$1.40 million for FY2018. Our financial resources remain strong, with cash and cash equivalents of S$10.16 million as at 30 September 2018. This puts us in a good position to ride out this cycle and to take advantage of suitable market opportunities should they arise.

To thank our valued shareholders for their generous support during the financial year, the Board of Directors is pleased to propose a first and final dividend of 0.5 Singapore cent per ordinary share for FY2018, representing a dividend yield of 2.0% based on the GDS's closing share price of S$0.25 on 30 September 2018.

INNOVATION AS OUR ANCHOR

In the face of disruptive macro forces, it is easy for companies to adopt short-term stopgap solutions and lose sight of their competitive advantage. At GDS, however, we are aware that our edge has been built on our long-term commitment to innovation which has given us a first mover advantage in the industrial door and shutter systems industry. As a leader in fire shutter products in Singapore, we are proud to have achieved several industry firsts, such as the Insulated Fire Panel Shutter ("**IFPS**"), which is capable of four hours of fire insulation with four hours of fire integrity, the highest performance level required by most Fire Codes around the world.

Today, we continue to invest strategically in research and development ("**R&D**") to apply new and innovative ways to improve our existing product line. To that end, we have a pipeline of new and improved products at different phases of development, including one model which is nearing completion. We also have two patent applications pending approval, which stands as a testament to our strong R&D capabilities.

In addition, we started working with new distributors to expand our market reach. The acquisition of a majority 51% stake in Grimm had allowed us to tap on its expertise and network to procure proprietary components for our door and shutter systems.

Our multi-faceted strategy has successfully paved the way for GDS to emerge as a leading provider of commercial and industrial door and shutter solutions in Singapore and the South East Asia region.

OVERSEAS GROWTH

On the projects front, we took on several noteworthy industrial and commercial projects in FY2018, including work on JTC Space at Tuas Avenue 1, a warehouse building at Pandan Road and a commercial building at Tukang Innovation Drive. In addition, we also worked on public and institutional projects at Changi Naval Base and the National Centre for Infectious Diseases.

We continue to do well in our overseas markets, with higher contributions from export sales in FY2018 as compared to a year ago. The Middle East has been a growing market for us and we have witnessed more orders streaming in from customers in Qatar and the United Arab Emirates. While we expect the momentum to continue in the year ahead, we remain mindful of potential risks stemming from geopolitical tensions in the region.

Closer to home, we are also making good progress in Vietnam and Myanmar. While sales remain modest, we believe there is potential for GDS to gain a foothold in these two countries. We will continue to closely monitor our progress in these fledging markets and set them on the path for stronger growth in the future. Meanwhile, with increasingly stringent and mandatory fire safety requirements in markets in Greater China, we expect demand for our insulated fire shutters to increase correspondingly.

With our distinct first mover advantage, we believe we are in a strong position to capture a larger share of the local and overseas market, and ultimately fortify our leadership position in the industrial door and shutter industry in Singapore and the region.

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

OUTLOOK AND FUTURE STRATEGIES

Weakness in Singapore's construction sector continued to persist in 2018, with the sector contracting 2.3%[1] in the third quarter, extending the 4.2% decline in the preceding quarter. Economists polled by the Monetary Authority of Singapore has tipped the sector to contract 2.1%[2] on a full-year basis, weighed down by the government's ongoing labour restructuring process and the still-weak property market. Contract sizes have also shrunk during the year, which attracted greater competition from a larger pool of construction service providers during the tender process.

Against this backdrop, we expect the operating environment to remain challenging in 2019. However, our reasonably healthy order book as at 30 September 2018 will provide the Group with clear revenue visibility as we move into the next financial year.

There have been some new changes to fire regulations for all fire shutters to comply with Revised Standards SS 489:2015 or BS EN 1634-1, which required us to incur additional costs to re-test all our fire shutter models to the revised standards. The upside to this is that BS EN 1634-1, being the most stringent standards currently, is widely accepted internationally and we will no longer need to test our fire shutter models against the other standards like before. This will generate savings for the Group in the future.

In light of the increasingly tight labour market and rising manpower costs in Singapore, we have also made it a point to increase the Group's productivity and reduce costs through various initiatives. As it stands, our customised production automation programme, which was first announced in Annual Report 2016, has already led to visible cost savings as a result of fewer headcount needed for the production process. It also puts GDS on firmer ground in view of Singapore's strict allotment of foreign labour. In addition, the automation programme has significantly increased our production capacity and positioned us strongly to meet export orders with a faster turnaround time as we strive for overseas growth.

Meanwhile, we will continue to build new capabilities for Grimm to handle more intricate components, which we believe, will enable the company to tap into a wider spectrum of industries for new customers in the years to come.

SUSTAINABLE PRACTICES

As a responsible business, we firmly believe that our success must not be at the expense of the larger community and environment. On this note, we are pleased to include our inaugural sustainability report as part of this year's annual report. We have been communicating some of our environmental management efforts and corporate social responsibility activities over the past years, but the Sustainability Report allows us to share more details on our sustainable business practices, contribution to society and efforts to protect our environment. We will continue to seek new and innovative ways to reduce our environmental footprint and to ensure the most efficient utilisation of our resources.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my sincere appreciation to the management team and staff for their dedication and commitment.

To our customers and business associates, thank you for your support over the past year and we look forward to closer collaboration and partnership with you in the years ahead. Lastly, to our valued shareholders, thank you for your unwavering trust and confidence in us. Your continued support will spur us to do even better next year.

Yours sincerely,

MICHAEL WONG
Chairman and Chief Executive Officer

[1] *Economic Survey of Singapore*, Ministry of Trade and Industry
[2] *MAS Survey of Professional Forecasters:* June 2018, Monetary Authority of Singapore

FINANCIAL HIGHLIGHTS
(FINANCIAL YEAR ENDED 30 SEPTEMBER)

	FY2018	FY2017	FY2016
Income Statement (S$'000)			
Revenue	17,744	23,878	25,051
Gross profit	5,434	9,012	11,381
Net (loss) profit	(631)	904	2,740
Gross profit margin (%)	30.6	37.7	45.4
Net (loss) profit margin (%)	(3.6)	3.8	10.9
Balance Sheet (S$'000)			
Total assets	23,561	25,905	28,712
Total liabilities	2,938	3,785	6,351
Total equity	20,623	22,120	22,361
Cash and cash equivalents	10,162	9,816	10,084
Cash Flows (S$'000)			
Operating cash flows	1,400	3,730	4,406
Capital expenditure	(158)	(1,853)	(891)
Key Ratios (%)			
Revenue growth	(25.7)	(4.7)	14.5
Net profit growth	(169.8)	(67.0)	(18.1)
Return on shareholders' equity	(5.0)	2.9	14.2
Return on total assets	(2.6)	3.3	10.4
Dividend pay-out ratio	(56.1)	92.0	31.6
Per Share Information (Singapore cents)			
(Loss) earnings per share	(0.89)	0.54	2.53
Net asset value per share	16.97	18.37	18.63
Dividend per share	0.5	0.5	0.8
Market Capitalisation (S$'000)[1]	28,000	33,600	33,600

[1] Based on GDS's closing share price as at the end of respective financial years

OPERATIONS AND FINANCIAL REVIEW

REVIEW OF INCOME STATEMENT

Revenue

For the financial year ended 30 September 2018 ("**FY2018**"), the Group reported a net loss of S$0.63 million on the back of S$17.74 million in revenue as compared to a net profit of S$0.90 million and revenue of S$23.88 million in the previous financial year ended 30 September 2017 ("**FY2017**").

The Group's revenue in FY2018 dipped by 25.7% year-on-year ("**yoy**") mainly due to a decrease in the sale of door and shutter systems and lower provision of service and maintenance work, which was partially offset by improved revenue contributions from Grimm Industries Pte. Ltd. ("**Grimm**"), a subsidiary principally engaged in the trading and designing of production components.

Revenue from the Group's sale of doors and shutter system decreased by S$6.38 million or 40.4% from S$15.79 million in FY2017 to S$9.41 million in FY2018. This was mainly due to the decrease in sales of manufactured products of S$7.67 million, which was offset by higher sales of distributed products of S$1.29 million.

The Group benefited from another year of higher revenue from Grimm in FY2018, whose contribution increased 6.9% to S$6.20 million in FY2018 from S$5.80 million in FY2017. At the same time, revenue from the Group's service and maintenance work declined by S$0.16 million or 7.0% from S$2.29 million in FY2017 to S$2.13 million in FY2018.

In terms of revenue share, Singapore remained as the Group's largest market, accounting for 59.4% of its FY2018 revenue, followed by Europe at 23.9%, Australia at 7.9%, Others at 7.8% and Greater China at 1.0%. Underscoring the Group's export-oriented strategy, the proportion of revenue from overseas has improved, collectively contributing 40.6% of FY2018's revenue compared to 35.9% in FY2017.

Gross Profit

In FY2018, the Group's gross profit decreased by S$3.58 million or 39.7% from S$9.01 million in FY2017 to S$5.43 million in FY2018. Corresponding to this, gross profit margin decreased from 37.7% in FY2017 to 30.6% in FY2018 mainly due to lower sales in manufactured products which typically command better margins as compared to distributed products.

Costs and Expenses

Corresponding to the lower revenue in FY2018, the Group's cost of sales declined by S$2.56 million or 17.2% from S$14.87 million in FY2017 to S$12.31 million in FY2018, mainly due to lower material and labour costs of S$2.06 million and S$0.44 million respectively.

The Group's marketing and distribution expenses remained stable, dipping slightly by S$0.01 million or 2.3% from S$0.62 million in FY2017 to S$0.61 million in FY2018, mainly due to the decline in transportation expenses.

Administrative expenses decreased by S$1.13 million or 17.0% from S$6.66 million in FY2017 to S$5.53 million in FY2018, mainly due to lower personnel cost, which declined by S$0.77 million on the back of a leaner workforce. In addition, there was a decline in professional fees and rental expenses of S$0.18 million and S$0.15 million respectively.

Other operating expenses decreased by S$0.47 million or 48.0% from S$0.98 million in FY2017 to S$0.51 million in FY2018. The decline was due to lower allowance for doubtful receivables, which decreased from S$0.72 million in FY2017 to S$0.20 million in FY2018 as a result of the Group's efforts in managing credit risks of customers by taking a cautious and prudent approach in tendering for project work. However, this was partially offset by an increase in research and development ("**R&D**") expenses of S$0.07 million as a result of more R&D activities carried out during the year.

Finance costs decreased by S$9,000 or 81.8% to S$2,000 in FY2018 from S$11,000 in FY2017, mainly due to the absence of finance cost from a subsidiary, Gliderol Doors Asia Limited which had been disposed off in FY2017.

Other Operating Income and Other Gains / Losses

In FY2018, other operating income remained stable, with a slight decrease of S$0.01 million or 4.4% from S$0.18 million in FY2017 to S$0.17 million in FY2018, which was largely due to lower government incentives received in FY2018.

Other gains and losses widened from a net loss of S$6,000 in FY2017 to a net loss of S$26,000 in FY2018. The increase was mainly due to a higher net foreign exchange loss of S$0.02 million arising from the translation of US dollar denominated trade receivables, payables and bank balances in FY2018.

Income Tax Benefit

During the year, the Group came into an income tax credit position of S$0.42 million from an income tax expense position of S$0.02 million in FY2017, mainly due to a net tax refund of S$0.08 million and reversal of over provision of tax in prior years of S$0.32 million.

(Loss) Profit for the year

As a result of the above, the Group recorded a loss of S$0.63 million in FY2018 as compared to a profit of S$0.90 million in FY2017.

REVIEW OF FINANCIAL POSITION

Assets

Current assets decreased by S$1.64 million from S$19.22 million as at 30 September 2017 to S$17.58 million as at 30 September 2018. This was mainly due to a decrease in trade and other receivables of S$1.56 million as a result of lower sales volume and a decrease in inventories of S$0.43 million, and partially offset by an increase in cash and cash equivalents of S$0.35 million.

Non-current assets decreased by S$0.71 million from S$6.69 million as at 30 September 2017 to S$5.98 million as at 30 September 2018. The decrease was mainly attributable to lower net book value in property, plant & equipment and intangible assets arising from depreciation and amortisation charges.

Liabilities

Current liabilities decreased by S$0.96 million from S$3.09 million as at 30 September 2017 to S$2.13 million as at 30 September 2018. The decrease was mainly due to a decrease in trade and other payables of S$0.84 million, a decrease in finance lease payables of S$0.06 million and a decrease in income tax payable of S$0.05 million.

Non-current liabilities increased by S$0.10 million from S$0.70 million as at 30 September 2017 to S$0.80 million as at 30 September 2018, largely due to an increase in other payables of S$0.39 million which are deferred income on government grant received, partially offset by the decrease in deferred tax liabilities of S$0.29 million.

Capital, Reserves and Non-Controlling Interest

Total equity as at 30 September 2018 was S$20.62 million as compared to S$22.12 million as at 30 September 2017.

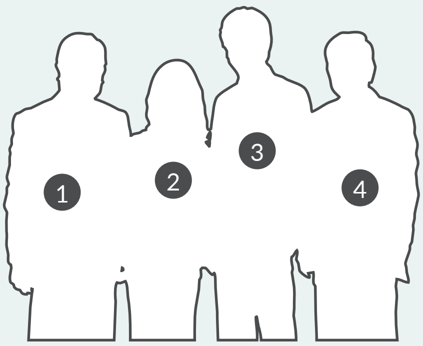
Dividends

For FY2018, the Company has declared a first and final dividend of 0.5 Singapore cent per ordinary share, which translates into a dividend yield of 2.0% based on the Company's closing share price on 30 September 2018.

REVIEW OF CASH FLOWS

Notwithstanding its net loss position, the Group generated a net cash from operating activities of S$1.40 million in FY2018, after taking into account changes in working capital.

BOARD OF DIRECTORS



1 **Mr Wu Chiaw Ching**
(Lead Independent Non-Executive Director)

2 **Ms Pebble Sia-Huei Chieh**
(Independent Non-Executive Director)

3 **Mr Michael Wong**
(Chairman and Chief Executive Officer)

4 **Mr Goh Boon Kok**
(Independent Non-Executive Director)

MICHAEL WONG

Chairman and Chief Executive Officer

Date of first appointment: 17 July 2012
Date of last re-election: 22 January 2016 (standing for re-election at the upcoming annual general meeting)

Mr Michael Wong has more than 20 years of experience in the commercial and industrial doors industry. He is responsible for the Group's overall management, formulating the Group's strategic directions and expansion plans, developing and maintaining relationships with customers and suppliers and overseeing the Group's general operations.

Mr Wong established Gliderol Doors (S) Pte. Ltd. in 1982 and as its Managing Director, he has been instrumental in the expansion of the Group and continually sources for investment opportunities to promote the growth of the Group's business. Mr Wong attended the Building Technician Diploma course in Singapore Polytechnic from 1972 to 1973.

Present directorships in other listed companies: Nil

Past directorships in other listed companies: Nil

WU CHIAW CHING

Lead Independent Non-Executive Director

Date of first appointment: 21 March 2013
Date of last re-election: 20 January 2017 (standing for re-election at the upcoming annual general meeting)

Mr Wu Chiaw Ching has been the proprietor of Wu Chiaw Ching & Company since 1987. He is a fellow member of the Institute of Singapore Chartered Accountants, the Association of Chartered Certified Accountants, United Kingdom and Certified Public Accountants, Australia and a member of the Singapore Institute of Directors.

Mr Wu obtained a Bachelor of Commerce (Accountancy) from Nanyang University, Singapore and a Post-graduate Diploma in Business and Administration from Massey University, New Zealand. He also obtained a Diploma in Management Consultancy from the National Productivity Board, Singapore and a Master of Arts (Finance and Accounting) from Leeds Metropolitan University, United Kingdom.

Present directorships in other listed companies:

- Goodland Group Limited
- LHT Holdings Limited

Past directorships in other listed companies:

- Gaylin Holdings Limited
- Natural Cool Holdings Limited

GOH BOON KOK

Independent Non-Executive Director

Date of first appointment: 21 March 2013
Date of last re-election: 19 January 2018

Mr Goh Boon Kok runs his own practice, GBK Company, which he established in 2017. He was the founder of Goh Boon Kok & Co established in 1977 and retired in December 2016. Mr Goh is a member of the Institute of Singapore Chartered Accountants, the Chartered Institute of Management Accountants, United Kingdom and the Chartered Institute of Secretaries and Administrators, United Kingdom.

Mr Goh accumulated more than 30 years of experience in both auditing and accounting through holding various positions with companies and government agencies.

Mr Goh obtained a Bachelor of Accountancy from the University of Singapore.

Present directorships in other listed companies: Nil

Past directorships in other listed companies:

- Pan Asian Holdings Limited
- Super Group Ltd (delisted on 6 June 2017)

PEBBLE SIA HUEI-CHIEH

Independent Non-Executive Director

Date of first appointment: 21 March 2013
Date of last re-election: 19 January 2018

Ms Pebble Sia Huei-Chieh is the founder director of Esquire Law Corporation. She commenced her legal practice in David Lim & Partners in 1997 and thereafter practiced at John Koh & Co which was renamed J Koh & Co. She was admitted as a Barrister-at-law (Middle Temple) of England in 1996 and as an Advocate and Solicitor of the Supreme Court of Singapore in 1997.

Ms Sia obtained a Bachelor of Laws with Honours, Second Upper Division from King's College London in 1995.

Present directorships in other listed companies:

- Singapore Shipping Corporation Limited

Past directorships in other listed companies:

- Choo Chiang Holdings Ltd

SENIOR MANAGEMENT

GINA LEE

Senior Manager (Corporate Affairs, Human Resource and Administration)

Ms Gina Lee is responsible for the Group's corporate affairs, human resource and administrative matters.

Ms Lee first joined Gliderol Doors (S) Pte. Ltd. in August 1991 as a confidential secretary and has been with the Group since. In the course of her career with the Group, she has held other positions including Management Executive and Manager (Human Resource and Administration).

Ms Lee obtained a Diploma in Business Efficiency & Productivity (Personnel Management) from the Institute for Productivity Training of the National Productivity Board of Singapore in 1994.

KAREN LIM

Senior Manager (Operations)

Ms Karen Lim is responsible for overseeing the Group's operations which include production and overall projects management.

Ms Lim joined Gliderol Doors (S) Pte. Ltd. as an Operations Executive in April 1990. In January 1994, she left the Group and pursued a career in real estate in Data Property Consultant Pte Ltd in October 1994 and thereafter, Salease Realty Network Pte Ltd in October 1996. She re-joined Gliderol Doors (S) Pte. Ltd. as Manager (Operations) in 2000 and has been with the Group since.

Ms Lim graduated with a Diploma in Architectural Technology from Singapore Polytechnic in 1986.

LIM LAY KHIM

Financial Controller

Ms Lim Lay Khim is responsible for the Group's financial accounting and business reporting. She also provides oversight of the Group's treasury functions and compliance with regulatory bodies as well as the day-to-day functioning of the finance and accounting operations, internal controls, taxation and financial reporting matters.

Ms Lim joined the Group in May 2016. Prior to joining the Group, Ms Lim was the Financial Controller of Albedo Limited from May 2015 to November 2015 and was the Finance Manager of Wilmar International Limited from May 2005 to April 2015.

Ms Lim obtained a Bachelor of Business (Accounting) from the Curtin University of Technology in 1993. She is a member of the Institute of Singapore Chartered Accountants.

LEOW CHYAN

Senior Manager (Technical)

Mr Leow Chyan is responsible for the design, development and systems integration of products from conception to implementation. He identifies system deficiencies in the technical aspects of the products' operation and implements solutions and revisions to them. He also manages complex projects (local and overseas) and serves as the liaison between overseas principals and project managers. In addition, he also ensures that products manufactured by the Group comply with the relevant regulatory codes in various jurisdictions.

Mr Leow joined Gliderol Doors (S) Pte. Ltd. as a Marketing Executive in May 1997 and has been with the Group since. He began his career as a Police Officer with the Singapore Police Force in 1990. From 1996 to 1997, he was a Sales Executive in Azen Manufacturing Pte Ltd.

Mr Leow graduated from Sumbershire Business School in 1996 with an Advanced Certificate in Marketing.

SUSTAINABILITY REPORT 2018

CONTENTS

BOARD STATEMENT

The Board of GDS Global Limited ("**GDS**" or together with its subsidiaries "**the Group**") considers sustainability issues as part of strategic formulation. The Board determines and endorses the material Environmental, Social and Governance ("**ESG**") factors presented in this report. The Board also provides oversight of the management and monitoring of these material ESG factors, through periodic review of the key performance indicators.

ABOUT THIS REPORT

This is the first annual Sustainability Report of GDS. The report covers GDS performance on the Group's material ESG factors for the period 1 October 2017 to 30 September 2018 ("**FY2018**"). The ESG data included in this report refers to the Group's manufacturing and business activities in Singapore and relates to Gliderol Doors (S) Pte Ltd. The Group has its head office in Singapore.

Reporting Framework

This report has been prepared in accordance with the Global Reporting Initiative ("**GRI**") Standards: Core option. The GRI Standards is the most widely used and internationally accepted sustainability reporting framework. A GRI Index at the end of the report specifies the location of the relevant disclosures.

This report also complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide.

Report Content and Quality

We have determined the content of the report by assessing the material economic, social and environmental impact of our business operations and through the analysis of stakeholder expectations. We have also considered potential ESG risks and opportunities arising from our business activities.

While developing the report, we have applied GRI's principles of accuracy, balance, clarity, comparability, reliability and timeliness to help stakeholders fairly assess our sustainability performance.

ESG performance data presented in the report have mainly been extracted from internal information systems and original records to ensure accuracy. We have used international measurement units for presenting the ESG data. Financial figures are in Singapore dollars unless specified otherwise.

Restatement

Restatements do not apply as this is our first sustainability report.

Assurance

We have not obtained external assurance for this sustainability report. We have relied on internal verification to ensure the accuracy of data.

Availability

This report is available as part of our FY2018 annual report in PDF format for download on our website at http://www.gdsglobal.com.sg/

Feedback

Stakeholders are welcome to send their feedback or suggestions regarding this report to us at ir@gliderol.com.sg

ESG PERFORMANCE OVERVIEW

MATERIAL ESG FACTORS	Financial Year Ended 30 September 2018 ("FY2018")	Financial Year Ended 30 September 2017 ("FY2017")
ENVIRONMENTAL		
Electricity used (kWh)	**454,610**	471,608
Total energy consumption (GJ)	**3,357**	3,904
CO_2 emissions (tCO_2)	**311**	351
Waste (Tonnes)	**133**	220
SOCIAL: EMPLOYEES		
Full-time employees (Number)	**102**	111
New hires (Number)	**14**	35
Female employees (%)	**27**	22
Female Managers and Supervisors (%)	**55**	40
Female Heads of Department (%)	**71**	63
Training expenditure per employee ($)	**180**	294
Employee turnover rate (%)	**27**	41
Injury rate (Times)[3]	**2,752**	840
Fatal accidents (Number)	**0**	0
ECONOMIC (S$'000)		
Revenue	**17,744**	23,878
Net (loss) profit	**(631)**	904
Employee wages and benefits	**5,537**	6,407
Income tax (benefit) expense	**(418)**	22
Dividends	**560**	896

Notes:

1 Energy and emissions relate to electricity, diesel and petrol consumption.

2 Environmental and employee data refers to Gliderol Doors (S) Pte Ltd.

3 Formula for calculating the injury rate: (no. of fatal and non-fatal workplace injuries / no. of employed persons) x 100,000

STAKEHOLDER ENGAGEMENT

We believe in strengthening our relationships with customers, employees, suppliers and other key stakeholders to drive long-term growth of our business. As such, we engage with a variety of stakeholders on regular basis. Our sustainability reporting firmly aligns with the needs of our business and the expectations of our stakeholders.

A list of our important stakeholders and how we engage with them to meet their expectations is illustrated below.

Stakeholders	Expectations	How We Engage
Customers	• Product quality and safety standards • Innovative solutions • Timely completion of projects	• Sales meetings • Quality inspections
Employees	• Workplace safety • Training opportunities • Fair remuneration and rewards • Welfare programmes • Work-life balance	• Regular team meetings • Internal communication • Training programmes • Performance reviews • Company get-together events
Government agencies and regulators	• Compliance applicable regulations • Productivity and innovation	• Timely filing of reports and returns as required by regulations • Attending meetings, briefings and seminars organised by government agencies
Suppliers and contractors	• Clarity of specifications and quality standards • Payment according to contractual terms	• Request for proposal and purchase agreements • Meetings • Quality inspections
Investors and shareholders	• Consistent return on investment • Good corporate governance • Risk management • Long-term business growth	• Regular updates through announcements on SGXNet and Group website • Accurate and timely disclosure in accordance with regulatory rulings and best practices • Annual General Meetings ("**AGM**") • Annual Reports • Sustainability Reports • Dedicated investor relations section within our website
Community	• Corporate citizenship	• By supporting various community initiatives

Membership of Associations

We engage with various industry and trade associations through our participation as a member. Our membership of associations include:

- Singapore Business Federation ("**SBF**")
- Singapore Manufacturers Federation ("**SMF**")
- Building and Construction Authority ("**BCA**")
- Association of Catalist Companies

MATERIAL
ESG FACTORS

Material ESG Factors			
Material Topics (GRI Standards)	**The Group's Involvement**	**Area of Impact**	**Goals and Targets**
		ENVIRONMENT	
Energy Consumption and Greenhouse Gas ("**GHG**") Emissions	Direct	GDS Head Office, manufacturing facility and transport for deliveries	Explore ways to improve energy efficiency
Waste	Direct	Generated in the manufacturing process	Minimise waste by better resource utilisation, reuse and recycling
		SOCIAL	
Occupational Health and Safety	Direct and Indirect	Manufacturing facility and installations on sites	Maintain zero accident at workplace
Employment (Attracting and retaining talent)	Direct	Across the Group	Hire and retain suitable talent through effective human resources policies
Employee Training and Education	Direct	Across the Group	Provide opportunities for skills development
Product Quality and Safety	Direct	Across the Group	Maintain high standards of product quality and safety
		GOVERNANCE	
Anti-corruption	Direct and Indirect	Across the Group	Maintain zero-tolerance policy against corruption and bribery
Regulatory Compliance (Socio-economic and environmental compliance)	Direct and Indirect	Across the Group	No violations of applicable laws and regulations

MATERIAL ESG FACTORS

GDS is a leading provider of commercial and industrial door and shutter solutions in Singapore and the South East Asia region with a history spanning over 26 years. We carry and supply an extensive range of door and shutter products comprising industrial door systems, fire-rated shutter systems, commercial door systems, hangar door systems and special applications door systems. We operate one of the largest manufacturing facilities in the door and shutter solutions industry in Singapore.

GDS is one of the few players in the industry who is capable of supplying steel insulated fire shutters with an insulation value of up to 240 minutes. GDS is Singapore's only manufacturer which can offer UL and FM listed fire shutters, which building and construction companies may require for overseas projects.

Sustainability is at the heart of our business, from innovation to the manufacturing of products. For example, we use our extensive expertise in materials and manufacturing to develop insulated fire door and shutters that prevent fire from spreading in buildings and warehouses.

Our sustainability approach is to adequately address the significant ESG impact, risks and opportunities arising from our manufacturing activities to achieve sustainable business growth.

With help from an external sustainability expert, we have assessed and prioritised the material impact that we want to focus on. We have considered the expectations of our various stakeholders in identifying the significant ESG issues for reporting. We have also examined the boundary of each impact and the extent of the Group's involvement in causing the impact.

Our material topics are aligned with our key operational risks and opportunities. Our sustainability priorities include product quality and safety, energy efficiency, resource conservation and waste reduction, workplace safety and health, employee welfare and good governance.

We have outlined our material ESG factors in the table on page 18.

Sustainability Governance

At GDS, the Chief Executive Officer ("**CEO**"), guided by the Board, provides the strategic direction for developing and implementing sustainability strategy as well as sustainability reporting. The CEO is assisted by a team of senior management team which is responsible for implementing sustainability strategies, monitoring performance and collecting data for sustainability reporting.

PRODUCT QUALITY AND SAFETY

Product quality and safety are of high importance to us, our customers, and the general public as the impact arising from the product's usability and safety extend far beyond its installation. Our focus on product quality, safety, innovation and excellence has helped us forge long lasting relationships with a large number of customers. We have implemented a robust quality management system and obtained ISO 9001:2015 certification from SGS United Kingdom Ltd.

We offer a wide range of fire shutters carrying different levels of fire and heat insulation for our customers. These shutters are developed using our patented technology after years of intense research and development and are tested by reputable international laboratories like Branz, TUV SUD, UL and FM to meet numerous industry standards like the EN, British and other international standards. Some fire shutters, like the Insulated Fire Panel Shutter, also double up as a security shutter which can withstand both harsh weather and strong winds. Together, they help to keep both people and property safe from fire and unauthorised access.

We also emphasise quality by customising our other products to our customers' needs, such as having see-through panels and having additional safety devices to enhance user safety for our industrial and commercial door systems. One of our patented innovations is the Louvred Roller Shutter, which can be operated to provide natural ventilation to common areas.

Finally, we also provide after sales services to our customers. These typically include preventive and general maintenance works, repair and replacement of faulty components and safety checks.

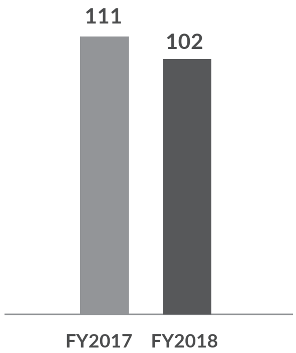
The end users of our products operate across a broad spectrum of industries. Over the years, our products have been installed in iconic places like Marina Bay Sands Integrated Resort, Resorts World Sentosa, Rolls-Royce Singapore's facility and Marina Bay Financial Centre.

EMPLOYEES

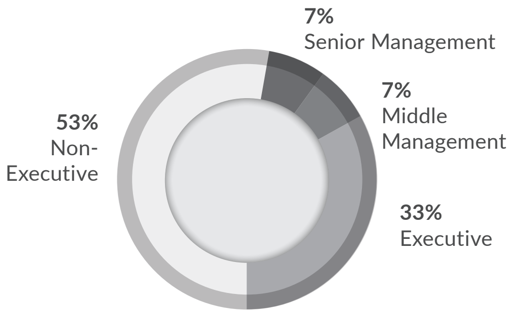
Our people are our most important asset. Our approach is to attract and retain the best talent. We provide conducive working conditions that support the personal and professional development of our people and motivate them to perform their job responsibilities well.

As at the end of FY2018, we employed 102 full-time employees and 7 part-time employees. Permanent employees represented 95% of our workforce with the remaining 5% on fixed-term employment contracts.

Full-time Employees



Employees by Category - FY2018 (%)



Occupational Health and Safety

Safety and health at workplace is our topmost priority. Our target is to have zero accidents or injuries.

We have implemented the necessary measures to address health and safety risks at workplace. Our occupational health and safety management system has obtained OHSAS18001:2007 certification from SGS International Certification Services Singapore Pte Ltd. We have also received BizSafe Star certification from the Workplace Safety and Health Council, Ministry of Manpower in Singapore.

Our health and safety committee has representatives from various functions who participate in the development and monitoring of our health and safety programmes.

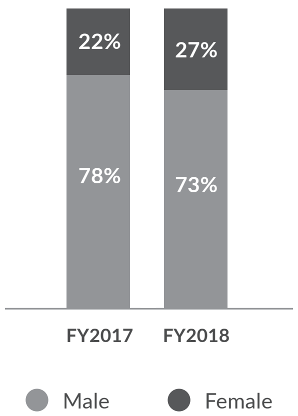
We have implemented a three-step approach to ensuring safety and health at workplace that involve identifying hazards that affect organisational performance, assessing potential risks to employees' health and safety and implementing necessary control measures to eliminate risks.

EMPLOYEES

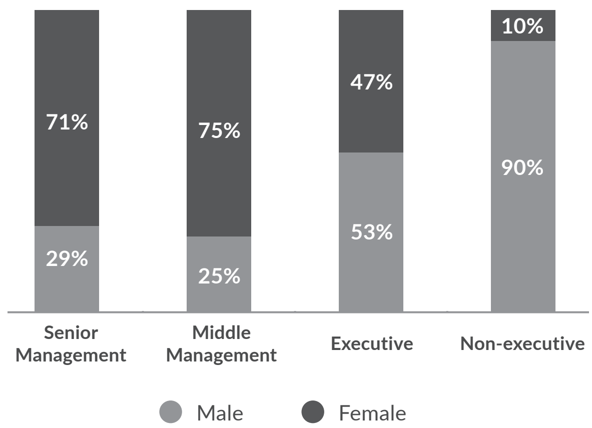
Diversity

We respect the diverse backgrounds of our employees. Women represented 27% of our full-time headcount. A relatively lower proportion of female employees is a reflection of a common trend in the manufacturing sector due to physically demanding nature of the jobs. However, women held 55% of the managerial and supervisory responsibilities and 71% of the head of department positions.

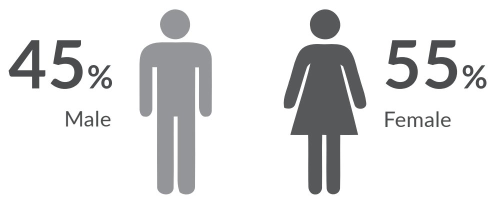
Gender Diversity (%)



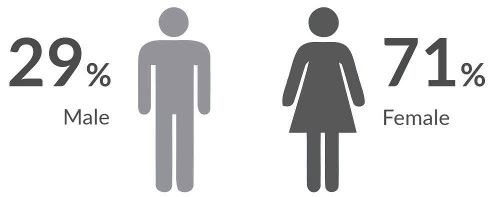
Gender Diversity by Employee Category - FY2018 (%)



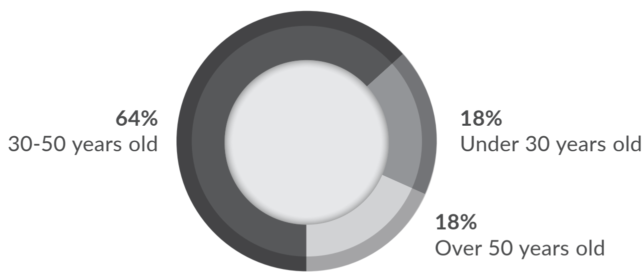
Supervisors and Managers - FY2018 (%)



Heads of Department - FY2018 (%)



Diversity by Age - FY2018 (%)



EMPLOYEES

Training and Education

We invest in the ongoing development of our people to maintain our competitive edge in the market. All new employees undergo a compulsory orientation programme to be familiar with the Group's corporate identity, policies and standard procedures. Our employees also receive regular training in product knowledge, emerging industry trends and new technologies to stay up to date.

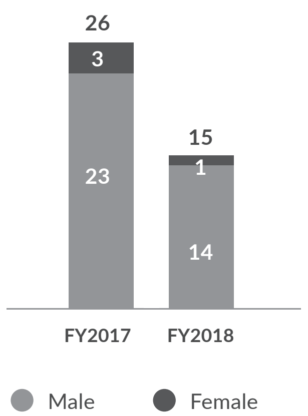
On-the-job training and mentoring are important parts of our people development programme. On-the-job training for operational employees ensures practical training in technical aspects under the guidance of experienced supervisors. On-the-job training is also offered to non-operational staff to supplement their skills and knowledge.

Our employees also attend relevant seminars and conferences to stay attuned to the latest developments in the industry.

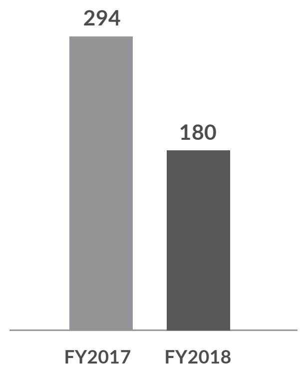
In FY2018, we invested approximately $20,000 in employee training in various disciplines. Some of the courses included the following:

- Prestressing
- Operate Scissor Lift
- WSQ Respond to Fire Emergency in Buildings
- WSQ Supervise Workplace Safety & Health in Process Plant
- Occupational First Aid Refresher Course (With CPR & AED)
- Fire Patrollers
- WSQ Apply Workplace Safety & Health in Construction Sites - Re-Certification
- Operate Boom Lift
- Operate Vertical Personnel Platform Lift

Average Training Hours per Employee (Hours)



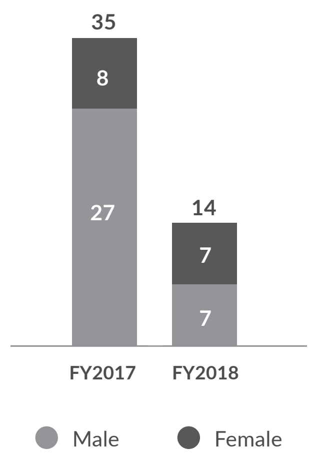
Average Training Expenditure per Employee ($)



Hiring

Our policy is to hire the most suitable talent based on merit and competence. In FY2018, we hired 14 new employees among whom 7 were female.

New Hires (Number)

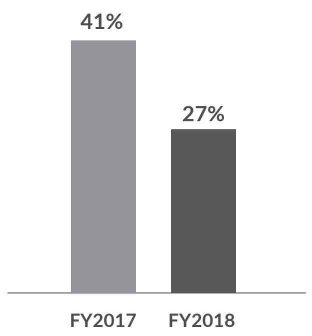


EMPLOYEES

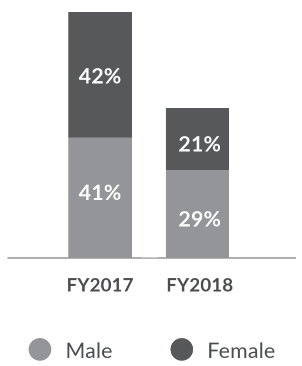
Turnover
Retaining high performing employees is a crucial factor in maintaining productivity and growth. Our human resources policies and management practices are geared to attract, develop and retain talent.

In FY2018, our employee turnover rate was 27% as compared with the national industry average of 20% for the Fabricated Metal Products, Machinery & Equipment sector (Source: Ministry of Manpower Singapore, Labour Market Reports).

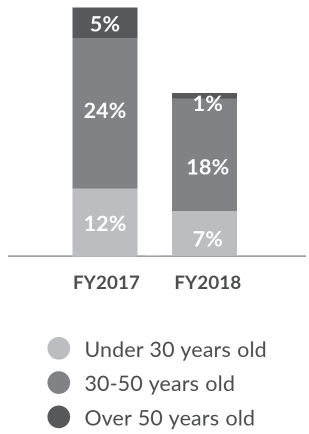
Employee Turnover Rate (%)



Employee Turnover by Gender (%)



Employee Turnover by Age (%)



Performance Management
Performance appraisals are conducted on an annual basis. All employees are evaluated by their immediate supervisors using the Performance Appraisal Forms. The immediate supervisor will have a discussion with the employee to discuss on his/her performance. Subsequently, performance evaluations are approved by respective Department Heads. Salary increments and promotions are determined by the rating of an employee's performance evaluation.

Welfare and Benefits
The welfare of our people is important to us. Our employee welfare initiatives include Outpatient Medical Benefits and Hospitalisation & Surgical Benefits. We organise various recreational and sports activities to promote teamwork and bonding.

We have also instituted long service award to recognise the contribution of employees. In FY2018, 7 employees received the award, ranging from 10 to 30 years of service.

Freedom of Association
We respect our employees' right to freedom of association and collective bargaining in accordance with applicable laws. Currently, our employees are not unionised.

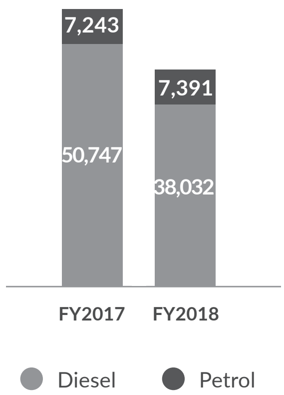
ENVIRONMENT

Our direct environmental impact is limited to energy use and manufacturing waste. We strive to improve energy and resource efficiency in our operations to minimise our impact.

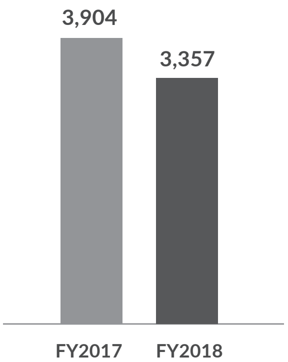
Energy
We use electricity in our manufacturing plant as well as in our office. We use diesel for our delivery trucks. We track our energy use to identify opportunities for reducing consumption.

In FY2018, we used a total of 3,357 gigajoules of energy for our Singapore operations compared with 3,904 gigajoules in FY2017.

Fuel Consumption (Litres)



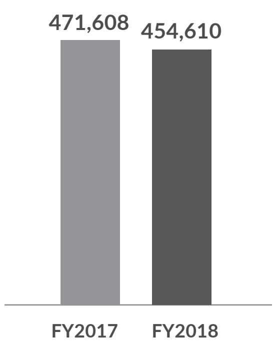
Energy Consumption (Gigajoule)



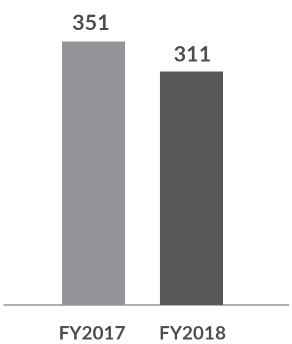
GHG Emissions
Climate change due to global warming is a global concern, and we are supportive of the Paris Agreement that aims to restrict the rise in global temperatures to less than 2°C from industrial levels by 2030.

Our greenhouse gas ("**GHG**") emissions are attributed to electricity and diesel consumption. We monitor, review and report our carbon dioxide ("**CO_2**") emissions resulting from our energy use.

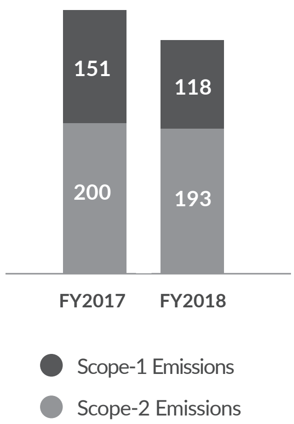
Electricity Consumption (kWh)



Carbon Emissions (tCO_2)



CO_2 Emissions by Sources (tCO_2)



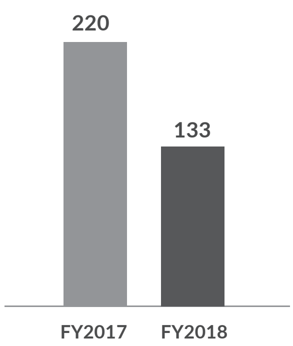
ENVIRONMENT

Waste Management

Waste is generated during the manufacturing process in our facility. The main types of waste from our operations include metal waste, aluminium, wood and general waste. Metal accounts for more than half of our total waste. We sell metal waste as scrap for recycling by other users.

We dispose waste through licensed waste management contractors for recycling or safe disposal in accordance with local regulations.

Non-hazardous Waste (tonnes)



Compliance

Our policy is to comply with the applicable environmental regulations. There were no incidents of non-compliance against environmental laws or regulations in the reported period.

COMMUNITY

As a responsible corporate citizen, our business philosophy is centred on an unwavering commitment to improve the economic, environmental and social well-being of our stakeholders.

Anti-Corruption

We maintain zero-tolerance towards bribery and corruption. There were no incidents of corruption in the reported period.

Whistle-Blowing Policy

Our Whistle-Blowing Policy provides guidance on suspicion, reporting and investigation of fraudulent practices within the Group. Its objectives are to maintain a high standard of corporate governance; provide a channel of communication for employees to report fraudulent practices and guide employees on actions to address their concerns on suspicions of fraudulent activities. The policy also provides the process for investigation and management reporting. This policy deals with:

- *Conflicts of interest*: An employee or officer should always act in the best interest of the Group. A "conflict of interest" occurs when an individual's personal interests interferes or appears to interfere with the interests of the Group.
- *Taking advantage of corporate opportunities*: Employees and directors are prohibited from taking advantage of corporate property, information, or position, or opportunities arising from these, for personal gains or to compete with the Group.
- *Confidentiality*: Employees and directors must maintain the confidentiality of information entrusted to them by the Group or its customers, except when disclosure is authorised or legally mandated.
- *Fair dealing*: Each employee and director should endeavour to deal fairly with the Group's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through dishonesty, misrepresentation of material facts or any other unfair practice.
- *Protection and proper use of the Group's assets*: All employees and officers should protect the Group's assets and ensure their efficient use for legitimate business purposes.
- *Compliance with laws, rules and regulations (including insider trading laws)*: We actively promote compliance with laws, rules and regulations, including insider trading laws. Insider trading is both unethical and illegal.
- *Unethical behaviour*: We actively promote ethical behaviour and encourage employees to report any misconduct in this regard.

Socio-economic Compliance

We are committed to conducting our business activities in a lawful manner. We have implemented measures to stay updated about the regulations that apply to our business to ensure compliance. There were no incidents of non-compliance with socio-economic laws or regulations in the reported period.

GRI CONTENT INDEX

GRI CONTENT INDEX 'IN ACCORDANCE' – CORE		
GRI STANDARD	**DISCLOSURE**	**PAGE NUMBER(S) / DIRECT REFERENCE**
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
GENERAL DISCLOSURES		
GRI 102: General Disclosures 2016		
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	Cover, 1
102-2	Activities, brands, products, and services	1-3
102-3	Location of headquarters	1
102-4	Location of operations	1
102-5	Ownership and legal form	1, 96, 97
102-6	Markets served	1, 5, 95
102-7	Scale of the organisation	7, 16, 20
102-8	Information on employees and other workers	16, 20
102-9	Supply chain	17, 26
102-10	Significant changes to the organisation and its supply chain	None
102-11	Precautionary principle or approach	19, 24
102-12	External initiatives	15, 19, 20
102-13	Membership of associations	17
STRATEGY		
102-14	Statement from senior decision-maker	4-6
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behaviour	15, 19, 20
GOVERNANCE		
102-18	Governance structure	33-49
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	17
102-41	Collective bargaining agreements	23
102-42	Identifying and selecting stakeholders	17
102-43	Approach to stakeholder engagement	17
102-44	Key topics and concerns raised	17

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) / DIRECT REFERENCE
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	87
102-46	Defining report content and topic boundaries	15
102-47	List of material topics	18
102-48	Restatements of information	15
102-49	Changes in reporting	15
102-50	Reporting period	15
102-51	Date of most recent report	This is our first report
102-52	Reporting cycle	15
102-53	Contact point for questions regarding the report	15
102-54	Claims of reporting in accordance with the GRI Standards	15
102-55	GRI content index	27-30
102-56	External assurance	15
ECONOMIC PERFORMANCE		
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundaries	4-7, 17
103-2	The management approach and its components	4-7, 17
103-3	Evaluation of the management approach	4-7, 17
GRI 201: Economic performance		
201-1	Direct economic value generated and distributed	7, 16, 57-58
ANTI-CORRUPTION		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 26
103-3	Evaluation of the management approach	26
GRI 205: Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	26
ENERGY		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 24
103-3	Evaluation of the management approach	24

GRI CONTENT INDEX

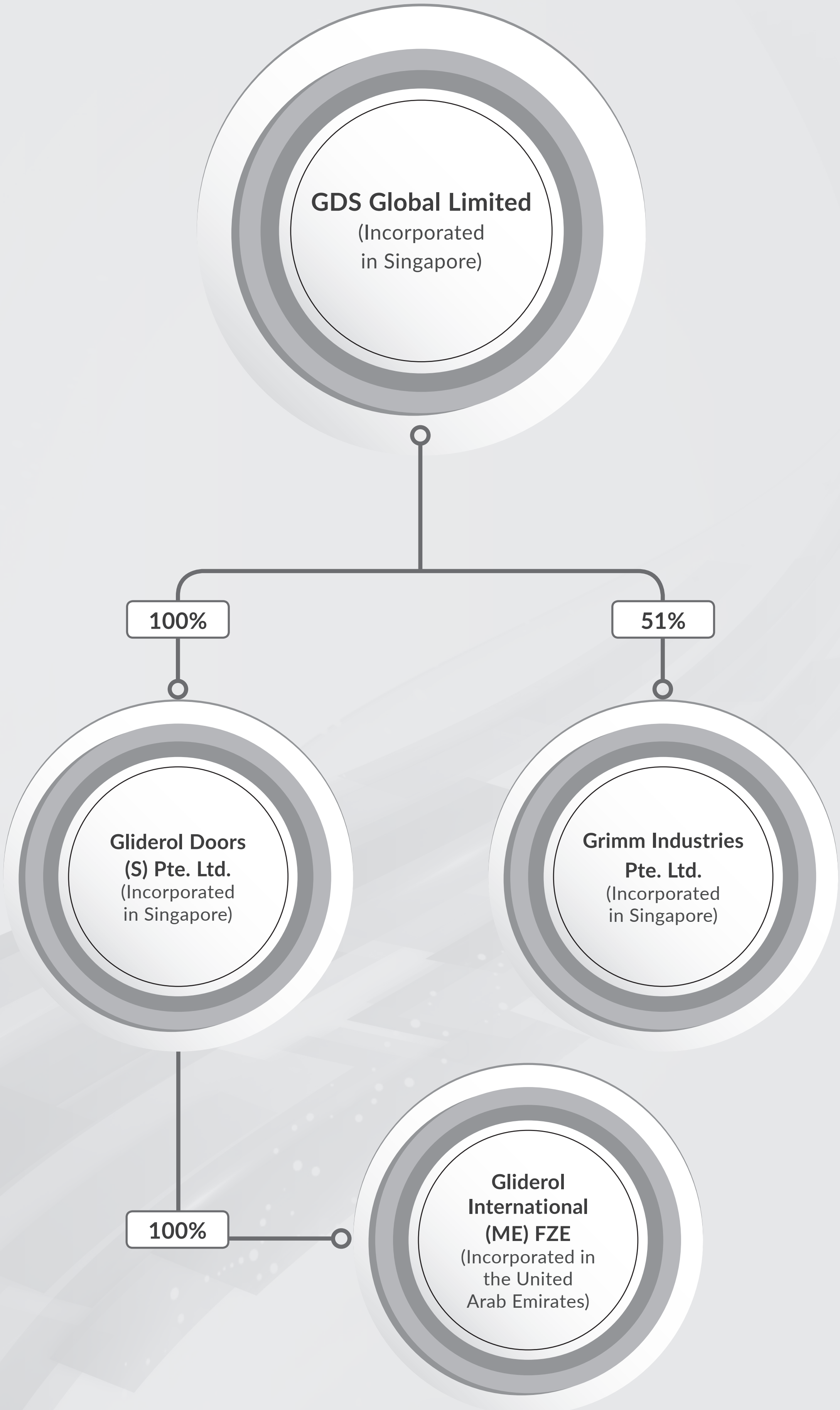
GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) / DIRECT REFERENCE
GRI 302: Energy		
302-1	Energy consumption within the organisation	24
18		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 24
103-3	Evaluation of the management approach	24
GRI 305: Emissions		
305-1	Direct (scope 1) GHG emissions	24
305-2	Energy indirect (Scope 2) GHG emissions	24
WASTE		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 25
103-3	Evaluation of the management approach	25
GRI 306: Effluents and waste		
306-2	Waste by type and disposal methods	25
ENVIRONMENTAL COMPLIANCE		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 25
103-3	Evaluation of the management approach	25
GRI 307: Environmental compliance		
307-1	Non-compliance with environmental laws and regulations.	25
EMPLOYMENT		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18
103-3	Evaluation of the management approach	20-23
GRI 401: Employment		
401-1	New Employee hires and employee turnover	22, 23

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) / DIRECT REFERENCE
OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 20
103-3	Evaluation of the management approach	20
GRI 403: Occupational health and safety		
403-1	Workers representation in formal joint management-worker health and safety committees	20
403-2	Types of injury and rate of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	16, 20
TRAINING AND EDUCATION		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 22
103-3	Evaluation of the management approach	22
GRI 404: Training and education		
404-1	Average hours of training per year per employee	22
404-3	Percentage of employees receiving regular performance and c areer development reviews	23
SOCIO-ECONOMIC COMPLIANCE		
GRI 103: Management approach		
103 -1	Explanation of the material topic and its boundaries	18
103-2	The management approach and its components	18, 26
103-3	Evaluation of the management approach	26
GRI 419: Socio-economic compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	26

CORPORATE STRUCTURE

For the financial year ended 30 September 2018



CORPORATE INFORMATION

BOARD OF DIRECTORS

Michael Wong *(Chairman and Chief Executive Officer)*
Wu Chiaw Ching *(Lead Independent Non-Executive Director)*
Goh Boon Kok *(Independent Non-Executive Director)*
Pebble Sia Huei-Chieh *(Independent Non-Executive Director)*

AUDIT COMMITTEE

Wu Chiaw Ching *(Chairman)*
Goh Boon Kok
Pebble Sia Huei-Chieh

REMUNERATION COMMITTEE

Pebble Sia Huei-Chieh *(Chairman)*
Wu Chiaw Ching
Goh Boon Kok

NOMINATING COMMITTEE

Goh Boon Kok *(Chairman)*
Michael Wong
Wu Chiaw Ching
Pebble Sia Huei-Chieh

COMPANY SECRETARIES

Yeoh Kar Choo Sharon, ACIS
Chiang Wai Ming, ACIS

REGISTERED OFFICE

86 International Road
Singapore 629176
Tel: (65) 6266 6668
Fax: (65) 6266 6866
Website: www.gdsglobal.com.sg

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

Deloitte & Touche LLP
6 Shenton Way, OUE Downtown 2
#33-00
Singapore 068809
Partner-in-charge: Ong Bee Yen *(a member of the Institute of Singapore Chartered Accountants)*
Date of Appointment: 22 April 2014

SPONSOR

CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

INVESTOR RELATIONS

GDS Global Limited
Lim Lay Khim, *Financial Controller*
ir@gliderol.com.sg

August Consulting
Silvia Heng
silviaheng@august.com.sg

CORPORATE GOVERNANCE

GDS Global Limited (the "**Company**" or "**GDS**") and its subsidiaries (together with the Company, the "**Group**") are committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance (the "**Code**") which was issued on 2 May 2012. This report describes the Group's corporate governance practices that were in place during the financial year ended 30 September 2018 ("**FY2018**").

On 6 August 2018, a revised Code was issued. The revised Code, together with associated changes to the listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), will be effective for financial years beginning from 1 January 2019, except for specified requirements that take effect in 2022. Accordingly, the revised Code will take effect for the Company in respect of its annual report relating to financial year beginning on 1 October 2019 and ending on 30 September 2020.

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:

- Providing entrepreneurial leadership, 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 and effectiveness of internal control, risk management, financial reporting and compliance to safeguard shareholders' interest and the Company's assets.
- 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 FY2018

	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;
- 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 of 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 FY2018

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 and diversity 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 agreed goals and objectives and monitor the reporting of performance. 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.

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 leads the Board to ensure its effectiveness on all aspects of its role; 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; encourage constructive relations within the Board and between Board and management 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 where they have concerns, and for which 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.

The NC has reviewed and is satisfied that notwithstanding their multiple directorships and principal commitments, 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.

Alternate Directors

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 Michael Wong and Mr Wu Chiaw Ching will retire and submit themselves for re-appointment at the forthcoming AGM.

The NC is satisfied that Mr Michael Wong and Mr Wu Chiaw Ching who are retiring at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their 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 committee's 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, commitment to the role 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 and independent access to management, the Directors are also provided with the names and contact details of the management team.

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. She also facilitates orientation and assisting with professional development as required.

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 FY2018.

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 was payable based on both qualitative and quantitative performance criteria. Qualitative criteria include leadership skills, people development, commitment and teamwork. Quantitative performance conditions measure the achievement of individual and corporate performance targets such as sales and profitability targets.

The RC also ensures that the remuneration of the Independent Non-Executive Directors is 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 Executive Director and 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 the Executive Director and key management personnel.

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 FY2018:

Remuneration Band and Name of Director (1)	Salary	Bonus	Fees	Other Benefits	Total
	%	%	%	%	%
S$500,001 to S700,000					
Mr Michael Wong (2)	86	14	–	–	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 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 of the Company.

The service agreement between the Company and Mr Michael Wong in relation to his appointment as the Chairman and CEO was last renewed on 19 April 2016 for a period of three years.

During FY2018, 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 FY2018:

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	83	7	10	100
Ms Karen Lim	84	7	9	100
Ms Lim Lay Khim	92	8	–	100
Mr Leow Chyan	83	7	10	100

Notes:

(1) The remuneration disclosed in the table above includes all forms of remuneration from the Company and 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 had resigned from his role as the General Manager of Gliderol Doors (S) Pte. Ltd. on 31 December 2017. The above disclosure is based on the remuneration paid to him for the period from 1 October 2017 to 31 December 2017.

	S$
Aggregate of the total remuneration paid or payable to the top five key management personnel (who are not Directors or the CEO)	544,721

There is no employee who is an immediate family member of a Director or the CEO and whose remuneration exceeded S$50,000 in FY2018.

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 10 to 13 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.

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.

<u>Assurance from the CEO and the FC</u>

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 2018 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.

<u>Opinion on the adequacy and effectiveness of the risk management and internal control systems</u>

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 2018.

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 scope and result of 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.

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 33 to 34. 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:

- The Key Audit Matters ("KAM") presented by the external auditors and considered assessment, judgements and estimates on the significant matter reported by the external auditors;
- 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.

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 fees paid to Deloitte & Touche LLP is S$124,450. The breakdown of audit and non-audit fees paid or payable to the external auditors for FY2018 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 unfettered 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.

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 0.5 Singapore cent per ordinary share for FY2018 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 2018 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 FY2018 were as follows:

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

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of GDS Global Limited (the "**Company**") and its subsidiaries (the "**Group**") and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 September 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 57 to 95 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Wong Lok Yung	(Chairman, Executive Director and Chief Executive Officer)
Wu Chiaw Ching	(Lead Independent Non-Executive Director)
Goh Boon Kok	(Independent Non-Executive Director)
Pebble Sia Huei-Chieh	(Independent Non-Executive Director)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	**Shareholdings registered in name of directors**		**Shareholdings in which directors are deemed to have an interest**	
	At beginning of year	**At end of year**	**At beginning of year**	**At end of year**
<u>The Company</u>				
(Ordinary shares)				
Wong Lok Yung	–	–	88,500,000	88,500,000
<u>Ultimate holding company</u>				
<u>D'Oasis Pte. Ltd.</u>				
(Ordinary shares)				
Wong Lok Yung	80	90	10	10

By virtue of Section 7 of the Singapore Companies Act, Wong Lok Yung is deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares of the Company at 21 October 2018 were the same at 30 September 2018.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all independent non-executive directors, is as follows:

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

The Audit Committee will meet periodically to perform the following functions:

(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 scope and results of 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 of directors (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 Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and the Code of Corporate Governance;

(g) review the co-operation given by management to the external auditors and internal auditors, where applicable;

5 AUDIT COMMITTEE (cont'd)

(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;

(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 Audit Committee;

(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; and

(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.

The Audit Committee convened two meetings during the financial year with full attendance from all members. The Audit Committee has also met with the internal and external auditors, without the presence of the Company's management, at least once a year.

The Audit Committee also reviews the independence and objectivity of the external auditors and having reviewed the scope and value of non-audit services provided by the external auditors to the Group is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director or key management personnel or any executive officer to attend its meetings. The internal and external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming annual general meeting of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Wong Lok Yung

Wu Chiaw Ching

14 December 2018

INDEPENDENT AUDITORS' REPORT

To the Members of GDS Global Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of GDS Global Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 95.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") Code of Professional Conduct and Ethics for Public Accountant and Accounting Entities ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter (s)	How the matter was addressed in the audit
Allowance for doubtful debts As at 30 September 2018, the Group has trade receivables amounting to $4,633,927 (2017 : $5,715,034) net of allowance amounting to $1,467,679 (2017 : $1,270,102). Management judgement is required in assessing and determining the recoverability of trade receivables and adequacy of the allowance made. These judgements include estimating and evaluating expected future receipts from customers based on past payment trends, relative age of the debtors, knowledge of the customers' businesses and its financial condition.	We performed procedures to understand management's process over the monitoring of trade receivables, the collection process and assessment of allowance for doubtful trade receivables. We assessed the appropriateness of the Group's policy on allowance for trade receivables and assessed the adequacy of the allowance, including discussing with management on the credit quality of the existing customers and collectability of significant past due trade receivables. For significant past due amounts yet to be collected, we also considered amongst other factors, such as the credit risk, past payment history, settlement arrangements, subsequent receipts and on-going business dealings with the debtors involved to assess the appropriateness of any allowance for doubtful debts to be made. The key assumptions and estimation on allowance for doubtful debts are disclosed in Note 3 to the financial statements, and further information related to trade receivables is provided in Note 7 to the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms Ong Bee Yen.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

14 December 2018

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2018

	Note	Group		Company	
		2018	**2017**	**2018**	**2017**
		$	**$**	**$**	**$**
ASSETS					
Current assets					
Cash and cash equivalents	6	10,162,126	9,815,543	4,041,352	542,189
Trade and other receivables	7	4,938,485	6,498,033	1,150,982	1,798,074
Inventories	8	2,476,017	2,904,603	–	–
Total current assets		17,576,628	19,218,179	5,192,334	2,340,263
Non-current assets					
Property, plant and equipment	9	3,805,215	4,268,819	–	–
Intangible assets	10	2,179,353	2,418,186	–	–
Subsidiaries	11	–	–	4,040,000	4,040,000
Total non-current assets		5,984,568	6,687,005	4,040,000	4,040,000
Total assets		23,561,196	25,905,184	9,232,334	6,380,263
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	12	1,983,510	2,827,540	203,043	206,806
Finance lease payable	13	–	59,994	–	–
Income tax payable		150,695	197,676	7,705	4,695
Total current liabilities		2,134,205	3,085,210	210,748	211,501
Non-current liabilities					
Deferred tax liabilities	14	334,085	622,650	–	–
Other payables	12	469,410	76,819	–	–
Total non-current liabilities		803,495	699,469	–	–
Total liabilities		2,937,700	3,784,679	210,748	211,501
Capital, reserves and non-controlling interests					
Share capital	15	5,244,520	5,244,520	5,244,520	5,244,520
Reserves		13,756,423	15,326,967	3,777,066	924,242
Equity attributable to owners of the Company		19,000,943	20,571,487	9,021,586	6,168,762
Non-controlling interests		1,622,553	1,549,018	–	–
Total equity		20,623,496	22,120,505	9,021,586	6,168,762
Total liabilities and equity		23,561,196	25,905,184	9,232,334	6,380,263

See accompanying notes to financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 September 2018

		Group	
	Note	**2018**	**2017**
		$	**$**
Revenue	16	17,743,839	23,878,135
Cost of sales		(12,309,832)	(14,866,441)
Gross profit		5,434,007	9,011,694
Other operating income	17	173,598	181,880
Marketing and distribution expenses		(605,678)	(618,995)
Administrative expenses		(5,528,363)	(6,662,143)
Other operating expenses		(513,441)	(980,796)
Investment revenue	18	18,962	10,986
Other gains and losses	19	(26,222)	(6,066)
Finance costs	20	(1,794)	(10,794)
(Loss) profit before tax		(1,048,931)	925,766
Income tax benefit (expense)	21	417,871	(21,582)
(Loss) profit for the year	22	(631,060)	904,184
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(11,949)	4,380
Other comprehensive (loss) income for the year, net of tax		(11,949)	4,380
Total comprehensive (loss) income for the year		(643,009)	908,564
(Loss) profit attributable to:			
Owners of the Company		(998,595)	608,932
Non-controlling interests		367,535	295,252
		(631,060)	904,184
Total comprehensive (loss) income attributable to:			
Owners of the Company		(1,010,544)	605,884
Non-controlling interests		367,535	302,680
		(643,009)	908,564
Basic and diluted (loss) earnings per share (cents)	23	(0.89)	0.54

See accompanying notes to financial statements

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2018

	Share capital	Translation reserve	Capital reserves (Note 24)	Merger reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	$	$	$	$	$	$	$	$
Group								
Balance at 30 September 2016	5,244,520	(44,563)	277,634	18,908	15,365,104	20,861,603	1,499,079	22,360,682
Total comprehensive income for the year								
Profit for the year	–	–	–	–	608,932	608,932	295,252	904,184
Other comprehensive income (loss) for the year	–	(3,048)	–	–	–	(3,048)	7,428	4,380
Total	–	(3,048)	–	–	608,932	605,884	302,680	908,564
Transactions with owners, recognised directly in equity								
Dividends (Note 25)	–	–	–	–	(896,000)	(896,000)	(147,000)	(1,043,000)
Disposal of a subsidiary	–	–	–	–	–	–	(105,741)	(105,741)
Total	–	–	–	–	(896,000)	(896,000)	(252,741)	(1,148,741)
Balance at 30 September 2017	5,244,520	(47,611)	277,634	18,908	15,078,036	20,571,487	1,549,018	22,120,505
Total comprehensive income (loss) for the year								
Profit (loss) for the year	–	–	–	–	(998,595)	(998,595)	367,535	(631,060)
Other comprehensive income (loss) for the year	–	(11,949)	–	–	–	(11,949)	–	(11,949)
Total	–	(11,949)	–	–	(998,595)	(1,010,544)	367,535	(643,009)
Transactions with owners, recognised directly in equity								
Dividends (Note 25)	–	–	–	–	(560,000)	(560,000)	–	(560,000)
Dividends paid to non-controlling shareholders by subsidiaries	–	–	–	–	–	–	(294,000)	(294,000)
Total	–	–	–	–	(560,000)	(560,000)	(294,000)	(854,000)
Balance at 30 September 2018	5,244,520	(59,560)	277,634	18,908	13,519,441	19,000,943	1,622,553	20,623,496

See accompanying notes to financial statements

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2018

	Share capital	Retained earnings	Total
	$	$	$
Company			
Balance at 30 September 2016	5,244,520	1,142,443	6,386,963
Profit for the year, representing total comprehensive income for the year	–	677,799	677,799
Transactions with owners, recognised directly in equity			
Dividends (Note 25)	–	(896,000)	(896,000)
Balance at 30 September 2017	5,244,520	924,242	6,168,762
Profit for the year, representing total comprehensive income for the year	–	3,412,824	3,412,824
Transactions with owners, recognised directly in equity			
Dividends (Note 25)	–	(560,000)	(560,000)
Balance at 30 September 2018	5,244,520	3,777,066	9,021,586

See accompanying notes to financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2018

	Group	
	2018	**2017**
	$	**$**
Operating activities		
(Loss) profit before tax	(1,048,931)	925,766
Adjustments for:		
Interest income	(18,962)	(10,986)
Finance costs	1,794	10,794
Depreciation of property, plant and equipment	614,708	536,258
Amortisation of intangible assets	238,833	238,833
Allowance for doubtful receivables, net	191,678	724,751
Allowance for inventory obsolescence	25,898	–
Loss (Gain) on disposal of property, plant and equipment	615	(3,705)
Net foreign exchange losses	5,106	15,317
Loss on disposal of subsidiary	–	56,028
Amortisation of deferred grant income	(39,929)	(5,324)
Operating cash flows before movements in working capital	(29,190)	2,487,732
Inventories	402,688	230,461
Trade and other receivables	1,368,117	1,474,481
Trade and other payables	(423,706)	(42,184)
Cash generated from operations	1,317,909	4,150,490
Income tax refund (paid)	82,325	(420,876)
Net cash from operating activities	1,400,234	3,729,614
Investing activities		
Purchase of property, plant and equipment (Note A)	(157,709)	(1,852,745)
Proceeds from disposal of property, plant and equipment	5,990	69,707
Interest received	18,962	10,986
Net cash outflow from disposal of subsidiary	–	(1,001,495)
Net cash used in investing activities	(132,757)	(2,773,547)
Financing activities		
Dividends paid	(560,000)	(896,000)
Repayment of bank borrowings	–	(111,076)
Repayment of obligations under finance leases	(59,994)	(67,360)
Drawndown of bank loan	–	22,850
Interest paid	(1,794)	(10,794)
Dividends paid to non-controlling shareholders by subsidiary	(294,000)	(147,000)
Net cash used in financing activities	(915,788)	(1,209,380)
Net increase (decrease) in cash and cash equivalents	351,689	(253,313)
Cash and cash equivalents at beginning of year	9,815,543	10,084,173
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(5,106)	(15,317)
Cash and cash equivalents at end of year (Note 6)	10,162,126	9,815,543

Note A

In 2017, there were acquisitions of property, plant and equipment with a total cost of $1,933,343 of which $80,598 were acquired by means of a finance lease.

See accompanying notes to financial statements

1 GENERAL INFORMATION

The Company (Registration Number 201217895H) is incorporated in the Republic of Singapore with its principal place of business and registered office at 86 International Road, Singapore 629176. The Company was listed on Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 19 April 2013. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 September 2018 were authorised for issue by the board of directors on 14 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS IN CURRENT YEAR - On 1 October 2017, the group and the company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2018 - In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The group and the company will be adopting the new framework for the first time for financial year ending 30 September 2019 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the group and the company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (30 September 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 30 September 2019, an additional opening statement of financial position as at date of transition (1 October 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (1 October 2017) and as at end of last financial period under FRS (30 September 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 30 September 2018). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the group's and the company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

- Option to reset the translation reserve to zero as at date of transition

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (September 30, 2019), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at September 30, 2019, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact - The following SFRS(I) pronouncements are expected to have an impact to the group and the company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after January 1, 2018

- SFRS(I) 9 Financial Instruments
- SFRS(I) 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 Leases

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management anticipates that the initial application of the new SFRS(I) 9 may result in changes to the accounting policies relating to the impairment of financial assets. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment.

<u>SFRS(I) 15 Revenue from Contracts with Customers</u>

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

Management anticipates that the initial application of the new SFRS(I) 15 may result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made with respect of trade receivables and revenue, including any significant judgement and estimation made. The Company is currently in the process of assessing the full impact of the application of SFRS(I) 15 on the Company's financial statements and it is not practical to provide a reasonable financial estimate or the impact of the effect until management completes the detailed review.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 Leases

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

As at 30 September 2018, the Group has non-cancellable operating lease commitments as disclosed in Note 27. The Group anticipates that the initial application of the SFRS(I) 16 may result in operating leases to be recognised as right-of-use assets with corresponding lease liabilities, unless they qualify for low value or short-term leases. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact to the amounts recognised in the Group's financial statements and management is currently assessing its potential impact. It is not practical to provide a reasonably estimate impact to the Group's financial statements until management completes its detailed assessment.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interests were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

MERGER RESERVE - Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group from a common shareholder and consideration paid for the acquisition.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

<u>Financial assets at fair value through profit or loss ("FVTPL")</u>

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income.

Held-to-maturity financial assets

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownerships of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or "other financial liabilities".

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- On initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line in the statement of profit or loss and other comprehensive income.

<u>Other financial liabilities</u>

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

<u>Derecognition of financial liabilities</u>

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or when they expire.

OFFSETTING ARRANGEMENTS - Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Renovations	-	10 years
Furniture and fittings	-	10 years
Computers	-	3 years
Motor vehicles	-	5 to 10 years
Machinery and equipment	-	5 to 10 years
Office equipment	-	10 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service and maintenance works

Revenue from service and maintenance works is recognised upon the completion of the services rendered and acceptance by customers.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has not made any judgements that will have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as discussed below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

<u>Allowance for doubtful debts</u>

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The estimation of allowance for doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Management made an allowance for doubtful debts of $457,497 (2017 : $340,690) for an outstanding receivable of $457,497 (2017 : $454,253), which was under legal action and management is of the view that the amount is no longer recoverable.

Management monitors outstanding receivables and the financial health of customers, particularly those of larger debtors. Where there are indications that raises doubt about the financial health of customers, management takes proactive steps to recover outstanding debts. Management assesses the ability to recover outstanding debts, estimates recoverable amounts from those debts and impairs recorded receivables.

Based on management's assessment, allowance for trade and other receivables of $1,467,679 (2017 : $1,270,102) was recorded as at 30 September 2018. The carrying amount of trade and other receivables is disclosed in Note 7 to the financial statements.

<u>Impairment of goodwill</u>

The recoverable value is based on the value in use of the cash-generating unit. The value in use methodology that is based on cash flows requires significant management's judgement about future market conditions, including growth rates and discount rates. As disclosed in Note 10, the carrying amount of goodwill as at 30 September 2018 was $859,531 (2017 : $859,531).

<u>Allowance for inventory obsolescence</u>

At the end of each reporting period, management determines whether an allowance for inventory obsolescence is required, taking into consideration the usability, market demand and market value of the inventory. For spare parts that are in usable condition but market value and demand are diminishing, allowance for inventory obsolescence will be made over time.

Based on management's assessment, an allowance for inventory obsolescence of $25,898 (2017 : $Nil) was made as at 30 September 2018. The carrying amount of inventory is disclosed in Note 8 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Financial assets				
Loan and receivables (including cash and cash equivalents)	14,853,475	15,648,324	5,177,076	2,324,567
Financial liabilities				
Amortised cost	1,445,005	2,015,381	203,043	206,806

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

The Company's netting arrangement are as follows:

<u>2018</u>

Financial assets	a Gross amounts of recognised financial asset	b Gross amounts of recognised financial liabilities set off in the statement of financial position	c = a – b Net amounts of financial assets presented in the statement of financial position
	$	$	$
Trade receivable due from a subsidiary	1,304,330	(728,606)	575,724
	1,304,330	(728,606)	575,724

Financial liabilities	a Gross amounts of recognised financial liabilities	b Gross amounts of recognised financial assets set off in the statement of financial position	c = a – b Net amounts of financial liabilities presented in the statement of financial position
	$	$	$
Trade payable due to a subsidiary	728,606	(728,606)	–
	728,606	(728,606)	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements (cont'd)

2017

Financial assets	a Gross amounts of recognised financial asset	b Gross amounts of recognised financial liabilities set off in the statement of financial position	c = a – b Net amounts of financial assets presented in the statement of financial position
	$	$	$
Trade receivable due from a subsidiary	2,653,600	(1,431,222)	1,222,378
	2,653,600	(1,431,222)	1,222,378

Financial liabilities	a Gross amounts of recognised financial liabilities	b Gross amounts of recognised financial assets set off in the statement of financial position	c = a – b Net amounts of financial liabilities presented in the statement of financial position
	$	$	$
Trade payable due to a subsidiary	1,431,222	(1,431,222)	–
	1,431,222	(1,431,222)	–

In reconciling the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position' to the line item amounts presented in the statement of financial position, the above amounts represent only those which are subject to offsetting, enforceable master netting arrangements and similar agreements.

(c) Financial risk management policies and objectives

The Group's overall financial risk management policies and objectives seek to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the board of directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

The Group does not hold or issue derivative financial instruments for speculative purposes.

The Company is not exposed to significant foreign exchange risk, interest rate risk, credit risk and liquidity risk.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States dollar, Euro, Swiss Franc and Hong Kong dollar and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	Group			
	Assets		Liabilities	
	2018	2017	2018	2017
	$	$	$	$
United States dollar	2,513,778	2,466,452	177,319	164,330
Euro	75,816	41,720	6,705	260,311
Swiss Franc	96,063	14,380	–	–
Hong Kong dollar	96,138	71,632	53,359	–

The Company has investment in a foreign subsidiary, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each entity. 10% is the sensitivity rate that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the relevant foreign currency weakens by 10% against the functional currency of each entity, profit or loss will increase (decrease) by:

	United States dollar impact		Euro impact		Swiss Franc impact		Hong Kong dollar impact	
	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
Group								
Profit	(233,646)	(230,212)	(6,911)	21,859	(9,606)	(1,438)	(4,278)	(7,163)

If the relevant foreign currency strengthens by 10% against the functional currency of each entity, profit or loss will increase (decrease) by:

	United States dollar impact		Euro impact		Swiss Franc impact		Hong Kong dollar impact	
	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
Group								
Profit	233,646	230,212	6,911	(21,859)	9,606	1,438	4,278	7,163

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. No sensitivity analysis is prepared as the Group and Company are not exposed to interest rate risk as there are no interest-bearing financial assets or liability.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining advance payments of sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management periodically.

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect the Group's counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. There is no concentration of credit risk as the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for doubtful debts, represents the Group's maximum exposure to credit risk.

Further details of credit risk on trade and other receivables are disclosed in Note 7 to the financial statements.

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Group minimises liquidity risk by keeping committed credit lines available.

Liquidity and interest risk analyses

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
Group						
2018						
Non-interest bearing	–	1,445,005	–	–	–	1,445,005
Finance lease liability (fixed rate)	–	–	–	–	–	–
		1,445,005	–	–	–	1,445,005
2017						
Non-interest bearing	–	1,955,387	–	–	–	1,955,387
Finance lease liability (fixed rate)	2.99	59,994	–	–	–	59,994
		2,015,381	–	–	–	2,015,381

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
Company						
2018						
Non-interest bearing	–	203,043	–	–	–	203,043
2017						
Non-interest bearing	–	206,806	–	–	–	206,806

(v) Fair value of financial assets and financial liabilities

Management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

Management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

5 ULTIMATE HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of D'Oasis Pte. Ltd., a company incorporated in the Republic of Singapore, which is also the Company's ultimate holding company. During the financial year, the Group did not enter into any transactions with the ultimate holding company.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the financial year was as follows:

	Group	
	2018	**2017**
	$	**$**
Short-term benefits	1,492,890	1,647,010
Post-employment benefits	77,698	81,627
Total	1,570,588	1,728,637

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Cash on hand	2,152	2,573	7	7
Cash at banks	5,687,141	7,798,207	1,594,880	542,182
Bank deposits	4,472,833	2,014,763	2,446,465	–
	10,162,126	9,815,543	4,041,352	542,189

Bank deposits bear an average effective interest rate of 0.56% (2017 : 0.49%) per annum.

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Trade receivables due from third parties	6,101,606	6,985,136	–	–
Allowance for doubtful debts	(1,467,679)	(1,270,102)	–	–
	4,633,927	5,715,034	–	–
Trade receivables due from a subsidiary	–	–	575,724	1,222,378
Other receivables due from third parties	764	2,080	–	–
Dividends receivable from a subsidiary	–	–	560,000	560,000
Deposits	56,658	115,667	–	–
Prepayments	129,310	466,246	15,258	15,696
Advances to supplier	117,826	199,006	–	–
	4,938,485	6,498,033	1,150,982	1,798,074

The trade and other receivables due from a subsidiary are unsecured, interest-free and repayable on demand.

The average credit period for trade receivables is approximately 30 to 60 days (2017 : 30 to 60 days). No interest is charged on the outstanding trade receivables.

The table below is an analysis of trade receivables as at the end of the reporting period:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Not past due and not impaired	2,846,196	3,785,067	575,724	1,222,378
Past due but not impaired (i)	1,787,731	1,792,775	–	–
	4,633,927	5,577,842	575,724	1,222,378
Impaired receivables (individually assessed) (ii)				
- Customers placed under liquidation	792,936	756,269	–	–
- Customer under litigation	457,497	454,253	–	–
- Past due more than 12 months and no response to repayment demands	217,246	196,772	–	–
Less: Allowance for doubtful debts	(1,467,679)	(1,270,102)	–	–
	–	137,192	–	–
Total trade receivables, net	4,633,927	5,715,034	575,724	1,222,378

7 TRADE AND OTHER RECEIVABLES (cont'd)

(i) Aging of trade receivables that are past due but not impaired is as follows:

	Group	
	2018	2017
	$	$
< 1 month	800,832	1,009,539
1 month to 3 months	808,319	661,689
3 months to 6 months	139,955	36,792
6 months to 12 months	3,437	80,122
> 12 months	35,188	4,633
	1,787,731	1,792,775

There has not been a significant change in credit quality of these trade receivables and the amounts are still considered recoverable. Included in trade receivables that are past due for more than 12 months is an amount of $457,497 (2017 : $454,253) for which legal actions for recovery are ongoing (Note 3).

(ii) These amounts are stated before any deduction for impairment losses.

Movements in the allowance for doubtful debts are as follows:

	Group	
	2018	2017
	$	$
Balance at beginning of the year	1,270,102	550,423
Increase in allowance recognised in profit or loss	204,686	724,751
Amounts received during the year	(13,008)	–
Exchange differences	5,899	(5,072)
Balance at end of the year	1,467,679	1,270,102

8 INVENTORIES

	Group	
	2018	2017
	$	$
Raw materials	2,123,739	2,625,121
Finished goods	352,278	279,482
	2,476,017	2,904,603

During the year, an allowance for inventory obsolescence of $25,898 (2017 : Nil) was made.

9 PROPERTY, PLANT AND EQUIPMENT

	Renovations	Furniture and fittings	Computers	Motor vehicles	Machinery and equipment	Office equipment	Total
	$	$	$	$	$	$	$
Group							
Cost:							
At 30 September 2016	817,372	343,341	261,356	1,126,651	2,261,851	155,945	4,966,516
Additions	22,704	11,086	19,605	328,081	1,523,226	28,641	1,933,343
Disposals	–	–	–	(200,591)	(140,424)	(592)	(341,607)
Disposal of subsidiary	–	–	–	(59,501)	(249,908)	(39,264)	(348,673)
Exchange differences	–	–	–	2,020	10,336	814	13,170
At 30 September 2017	840,076	354,427	280,961	1,196,660	3,405,081	145,544	6,222,749
Additions	–	–	892	75,440	56,007	25,370	157,709
Disposals	–	–	–	(41,131)	–	–	(41,131)
At 30 September 2018	840,076	354,427	281,853	1,230,969	3,461,088	170,914	6,339,327
Accumulated depreciation:							
At 30 September 2016	66,908	64,444	132,984	490,660	1,095,349	34,391	1,884,736
Depreciation	84,622	36,671	48,695	103,152	243,831	19,287	536,258
Disposals	–	–	–	(189,256)	(85,757)	(592)	(275,605)
Disposal of subsidiary	–	–	–	(26,965)	(156,823)	(15,185)	(198,973)
Exchange differences	–	–	–	740	6,308	466	7,514
At 30 September 2017	151,530	101,115	181,679	378,331	1,102,908	38,367	1,953,930
Depreciation	89,305	36,398	45,714	104,194	321,538	17,559	614,708
Disposals	–	–	–	(34,526)	–	–	(34,526)
At 30 September 2018	240,835	137,513	227,393	447,999	1,424,446	55,926	2,534,112
Carrying amount:							
At 30 September 2018	599,241	216,914	54,460	782,970	2,036,642	114,988	3,805,215
At 30 September 2017	688,546	253,312	99,282	818,329	2,302,173	107,177	4,268,819

In 2017, included in the carrying amount of the Group's property, plant and equipment of $308,062 is an amount of $59,994 held under finance lease (Note 13).

10 INTANGIBLE ASSETS

	Patent	Goodwill	Other intangibles	Total
	$	$	$	$
Group				
Cost:				
At 1 October 2016, 30 September 2017 and 2018	1,698,040	859,531	824,087	3,381,658
Accumulated amortisation:				
At 1 October 2017	526,706	–	197,933	724,639
Amortisation	94,336	–	144,497	238,833
At 30 September 2017	621,042	–	342,430	963,472
Amortisation	94,336	–	144,497	238,833
At 30 September 2018	715,378	–	486,927	1,202,305
Carrying amount:				
At 30 September 2018	982,662	–	337,160	2,179,353
At 30 September 2017	1,076,998	859,531	481,657	2,418,186

Goodwill and other intangibles arise from the acquisition of a subsidiary during the financial year 2016.

(a) The patent has a finite useful life. Amortisation is charged using the straight-line method over its estimated useful life of 18 years.

(b) Other intangibles comprise of customer relationships of $722,485 and order backlog of $101,602. The useful life of customer relationships is estimated to be 5 years and order backlog has been fully amortised in 2016.

The amortisation expenses have been included in the line item "administrative expenses" in profit or loss.

(c) Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from Grimm is 14.0% (2017 : 14.9%). As at 30 September 2018, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount of the CGU.

11 SUBSIDIARIES

	Company 2018	Company 2017
	$	$
Unquoted equity shares, at cost	4,040,000	4,040,000

(i) Details of the Group's subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and operations	Proportion of ownership interest and voting power held 2018	2017	Principal activities
		%	%	
Held by the Company				
Gliderol Doors (S) Pte. Ltd. (1)	Singapore	100	100	Manufacture of metal doors, window and door frames, grilles and gratings
Grimm Industries Pte. Ltd. (1)	Singapore	51	51	Trading and design of production components
Held by Gliderol Doors (S) Pte. Ltd.				
Gliderol International (ME) FZE	United Arab Emirates	100	100	Dormant

(1) Audited by Deloitte & Touche LLP, Singapore

(ii) The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest 2018	2017	Profit (loss) allocated to non-controlling interests 2018	2017	Accumulated non-controlling interests 2018	2017
		%	%	$	$	$	$
Grimm Industries Pte. Ltd.	Singapore	49	49	367,535	382,801	1,622,553	1,549,018
Individually immaterial subsidiary with non-controlling interests				–	(87,549)	–	–
Total				367,535	295,252	1,622,553	1,549,018

11 SUBSIDIARIES (cont'd)

(iii) Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Grimm Industries Pte. Ltd.	
	2018	2017
	$	$
Current assets	3,027,319	2,781,052
Non-current assets	55,475	83,555
Current liabilities	(453,125)	(385,006)
Non-current liabilities	(2,330)	(2,330)
Equity attributable to owners of the company	1,004,786	928,252
Non-controlling interests	1,622,553	1,549,018
Revenue	6,197,374	5,803,772
Expenses	(5,447,304)	(5,022,546)
Profit for the year	750,070	781,226
Profit attributable to owners of the company	382,535	398,425
Profit attributable to the non-controlling interests	367,535	382,801
Profit for the year	750,070	781,226
Other comprehensive income attributable to owners of the company	–	–
Other comprehensive income attributable to non-controlling interests	–	–
Other comprehensive income	–	–
Total comprehensive income attributable to owners of the company	382,535	398,425
Total comprehensive income attributable to non-controlling interests	367,535	382,801
Total comprehensive income for the year	750,070	781,226
Dividend paid to non-controlling interest	294,000	147,000
Net cash inflow from operating activities	565,744	1,009,743
Net cash outflow from investing activities	(1,216)	(40,589)
Net cash outflow from financing activities	(599,402)	(299,607)
Net cash (outflow) inflow	(34,874)	669,547

12 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Trade payables due to third parties	679,973	1,123,175	41,158	41,606
Accruals	765,032	832,212	161,885	165,200
Deposits from third parties	481,320	863,026	–	–
Deferred grant income	526,595	85,946	–	–
	2,452,920	2,904,359	203,043	206,806
Less : Non-current deferred grant income	(469,410)	(76,819)	–	–
	1,983,510	2,827,540	203,043	206,806

The average credit period for trade payables is 30 to 60 days (2017 : 30 to 60 days). No interest is charged on the outstanding balances.

Included in the deposits from third parties is an amount of advance billing of $211,507 (2017 : $576,286).

13 FINANCE LEASE PAYABLE

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	$	$	$	$
Amounts payable under finance leases:				
Within one year	–	61,788	–	59,994
Less: Future finance charges	–	(1,794)	NA	NA
Present value of lease obligations	–	59,994	–	59,994
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(59,994)
Amount due for settlement after 12 months			–	–

In 2017, the lease term was 1 year and the applied interest rate was 2.99% per annum.

14 DEFERRED TAX LIABILITIES

Deferred tax liabilities arise from the excess of tax over book depreciation of property, plant and equipment and intangible assets.

	Group
	$
At 30 September 2016	604,776
Charged to profit or loss for the year (Note 21)	17,874
At 30 September 2017	622,650
Credit to profit or loss for the year (Note 21)	(288,565)
At 30 September 2018	334,085

15 SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Issued and paid up	
	2018	2017	2018	2017
	’000	’000	$	$
Issued and paid up:				
At the beginning and end of the year	112,000	112,000	5,244,520	5,244,520

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

16 REVENUE

	Group	
	2018	2017
	$	$
Revenue from sale of goods	15,610,299	21,591,275
Revenue from service and maintenance works	2,133,540	2,286,860
	17,743,839	23,878,135

17 OTHER OPERATING INCOME

	Group	
	2018	2017
	$	$
Rental income	19,800	19,800
Sundry income	113,869	156,756
Amortisation of deferred income	39,929	5,324
	173,598	181,880

18 INVESTMENT REVENUE

	Group	
	2018	2017
	$	$
Interest income from bank deposits	18,962	10,986

19 OTHER GAINS AND LOSSES

	Group	
	2018	2017
	$	$
Loss on disposal of subsidiary	–	(56,028)
(Loss) Gain on disposal of property, plant and equipment	(615)	3,705
Net foreign exchange (loss) gains	(25,607)	46,257
	(26,222)	(6,066)

20 FINANCE COSTS

	Group	
	2018	2017
	$	$
Interest on bank borrowings	–	8,900
Interest on obligations under finance leases	1,794	1,894
	1,794	10,794

21 INCOME TAX (BENEFIT) EXPENSE

	Group	
	2018	2017
	$	$
Income tax (benefit) expense comprises:		
Current tax expense	121,482	122,997
Deferred tax (benefit) expense (Note 14)	(125,613)	25,436
Adjustments recognised in the current year in relation to current tax of prior years	(250,788)	(119,289)
Adjustments recognised in the current year in relation to deferred tax of prior years (Note 14)	(162,952)	(7,562)
Total income tax (benefit) expense	(417,871)	21,582

Domestic income tax is calculated at 17% (2017 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2018	2017
	$	$
Numerical reconciliation of income tax (benefit) expense		
(Loss) Profit before tax	(1,048,931)	925,766
Income tax (benefit) expense calculated at 17% (2017 : 17%)	(178,318)	157,380
Effect of income that is exempt from taxation	(39,908)	(9,975)
Effect of expenses that are not deductible in determining taxable profit	15,665	42,456
Effect of tax concessions	(11,929)	(281,109)
Adjustments recognised in the current year in relation to current tax of prior years	(250,788)	(119,289)
Adjustments recognised in the current year in relation to deferred tax of prior years	(162,952)	(7,562)
Effect of unused tax offsets not recognised as deferred tax assets	193,603	232,514
Others	16,756	7,167
Income tax (benefit) expense	(417,871)	21,582

Deferred tax assets have not been recognised on unabsorbed tax loss of approximately $1,138,843.

The unabsorbed tax loss are allowed to be carried forward and used to offset against future taxable profits of a subsidiary in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in Singapore. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the subsidiary can utilise the benefits.

22 (LOSS) PROFIT FOR THE YEAR

(Loss) Profit for the year has been arrived at after charging (crediting):

	Group	
	2018	2017
	$	$
Cost of inventories recognised as expenses	8,532,412	10,594,371
Allowance for doubtful debts for trade receivable, net	191,678	724,751
Allowance for inventory obsolescence	25,898	–
Depreciation of property, plant and equipment	614,708	536,258
Amortisation of intangible assets	238,833	238,833
Net foreign exchange losses (gains)	25,607	(46,257)
Audit fees:		
- paid to auditors of the Company	111,000	111,000
- paid to other auditors	–	2,565
Total audit fees	111,000	113,565
Non-audit fees:		
- paid to auditors of the Company	13,450	13,450
Aggregate amount of fees paid to auditors	124,450	127,015
Directors' remuneration		
- of the Company	736,783	739,650
- of the subsidiaries	139,733	148,956
Total directors' remuneration	876,516	888,606
Employee benefits expense (including directors' remuneration)		
Defined contribution plans	331,077	401,972
Salaries and related expenses	5,205,736	6,004,727
Total employee benefits expense	5,536,813	6,406,699

23 (LOSS) EARNINGS PER SHARE

The calculation of the (loss) earnings per share attributable to the ordinary owners of the Company is based on the following data:

	Group	
	2018	2017
	$	$
(Loss) earnings		
(Loss) profit attributable to owners of the Company	(998,595)	608,932
Number of shares		
Weighted average number of ordinary shares for the purpose of earnings per share	112,000,000	112,000,000

There were no dilutive equity instruments for 2018 and 2017.

24 CAPITAL RESERVES

	Group		
	Acquisition deficit[1]	Deemed capital contribution[2]	Total
	$	$	$
At beginning and end of the year	(72,206)	349,840	277,634

The capital reserves represent:

(1) acquisition deficit arising from the changes in the Group's ownership interest in a subsidiary that did not result in change of control; and

(2) deemed capital contribution from former shareholders of Gliderol International (ME) FZE.

25 DIVIDENDS

On 20 February 2018, the Company paid a final tax-exempt (one-tier) dividend of $0.005 per ordinary share totalling $560,000 to the shareholders of the Company. On 20 February 2017, the Company paid a final tax-exempt (one-tier) dividend of $0.008 per ordinary share, totalling $896,000 to the shareholders.

Subsequent to 30 September 2018, the directors recommended that a final tax-exempt (one-tier) dividend of $0.005 (2017 : $0.005) per ordinary share totalling $560,000 (2017 : $560,000) be paid to shareholders for the financial year ended 30 September 2018. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

26 GUARANTEES

Guarantees arising from investment in a subsidiary are as follows:

	Company	
	2018	2017
	$	$
Guarantees given to a bank in respect of banking facilities granted to a subsidiary		
- Utilised	1,590,097	1,037,526
- Unutilised	1,634,903	2,187,474
	3,225,000	3,225,000

27 OPERATING LEASE ARRANGEMENTS

	Group	
	2018	2017
	$	$
The Group as lessee		
Minimum lease payments under operating leases recognised as an expense	1,383,491	1,402,471

27 OPERATING LEASE ARRANGEMENTS (cont'd)

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	2017
	$	$
Within one year	1,528,174	1,341,083
In the second to fifth years inclusive	5,687,006	5,444,794
After five years	7,389,705	8,832,959
	14,604,885	15,618,836

Operating lease payments represent rentals payable by the Group for its office and manufacturing premises, workers dormitory and motor vehicles. The leases are negotiated for terms between 1 to 10 years (2017 : 1 to 10 years) and rentals have varying terms and escalation clauses to reflect current market rental and value.

The Group as lessor

The Group has future lease income receivables in respect of the sub-leasing of its office and manufacturing premises. The rental income earned during the financial year is $19,800 (2017 : $19,800).

At the end of the reporting period, the Group's future lease income receivables are as follows:

	Group	
	2018	2017
	$	$
Within one year	3,300	3,300

28 SEGMENT INFORMATION

By business segment

The Group operates and manages its business primarily as a single operating segment in the manufacture and supply of door and shutter systems and provision of service and maintenance works. As such, no operating segmental revenue has been prepared. The Group's chief operating decision maker reviews the consolidated results prepared based on the Group's accounting policies when making decisions, including the allocation of resources and assessment of performance of the Group.

28 SEGMENT INFORMATION (cont'd)

By geographical segment

The Group operates mainly in the geographical areas of Singapore, European, Australia, Middle East, Greater China and Others. The Group's revenue from external customers and information about its segment assets (non-current assets) by geographical locations are detailed below:

	Group	
	2018	**2017**
	$	**$**
Revenue from external customers (based on location of products delivered)		
Singapore	10,540,083	15,305,808
European	4,241,972	4,252,685
Australia	1,394,932	1,217,247
Middle East	639,123	121,805
Greater China	185,046	2,588,238
Others *	742,683	392,352
	17,743,839	23,878,135
Non-current assets (based on location of assets)		
Singapore	5,984,568	6,687,005

* Others include Myanmar, USA, Mauritius, Africa, Brunei, Malaysia, Indonesia, Pakistan, Bangalore, Vietnam, Thailand, Oman, Maldives and India.

STATISTICS OF SHAREHOLDINGS

As at 10 December 2018

Issued and fully paid-up capital	:	S$5,480,000**
Number of shares issued	:	112,000,000 shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil

** This is based on records kept with the Accounting and Corporate Regulatory Authority ("**ACRA**") and differs from the accounting records of the Company which is $5,244,520 due to certain share issue expenses.

Analysis of Shareholders

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	130	52.00	126,300	0.11
1,001 - 10,000	51	20.40	225,500	0.20
10,001 - 1,000,000	64	25.60	8,665,500	7.74
1,000,001 AND ABOVE	5	2.00	102,982,700	91.95
TOTAL	**250**	**100.00**	**112,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	D'Oasis Pte. Ltd.	88,500,000	79.02
2	Raffles Nominees (Pte) Limited	6,069,000	5.42
3	UOB Kay Hian Private Limited	3,844,700	3.43
4	DB Nominees (Singapore) Pte Ltd	3,106,000	2.77
5	Lim Teck Chuan	1,463,000	1.31
6	CGS-CIMB Securities (Singapore) Pte. Ltd.	775,000	0.69
7	Siah Iek Hoi	500,000	0.45
8	United Overseas Bank Nominees (Private) Limited	500,000	0.45
9	Chua Kim Yan	400,000	0.36
10	Neo Aik Cheng	400,000	0.36
11	Ong Keow Hiong	400,000	0.36
12	Seah Chiong Soon	360,000	0.32
13	Chew Chong King	300,000	0.27
14	Citibank Nominees Singapore Pte Ltd	300,000	0.27
15	DBS Nominees (Private) Limited	287,600	0.26
16	Lee Hui-Ling (Li Huiling)	266,900	0.24
17	Arleen Sanny	250,000	0.22
18	Lim Mui Guek	250,000	0.22
19	Suan Tju	220,000	0.20
20	Tan Guan	219,000	0.20
	TOTAL	**108,411,200**	**96.82**

STATISTICS OF SHAREHOLDINGS

As at 10 December 2018

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Shareholdings registered in the Name of Substantial Shareholder		Shareholdings in which the Substantial Sharesholders are deemed to be interested	
	No. of Shares	%	No. of Shares	%
D'OASIS PTE. LTD.	88,500,000	79.02	–	–
MICHAEL WONG LOK YUNG (1)	–	–	88,500,000	79.02

Note:

(1) Mr Michael Wong Lok Yung owns 90 ordinary shares representing 90.0% of the issued share capital of D'Oasis Pte. Ltd. Accordingly, Mr Michael Wong Lok Yung is deemed to be interested in all the shares held by D'Oasis Pte. Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information provided, to the best knowledge of the Directors and the substantial shareholder of the Company, 20.85% of the issued ordinary shares of the Company is held in the hands of the public as at 10 December 2018. Accordingly, Rule 723 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of GDS GLOBAL LIMITED (the "**Company**") will be held at 86 International Road, Singapore 629176 on Friday, 18 January 2019 at 10.00 a.m. to transact the following business:

As Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 September 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a First and Final Dividend of 0.5 Singapore cent per ordinary share one-tier tax exempt for the financial year ended 30 September 2018. **(Resolution 2)**

3. To approve the sum of S$130,000/- as Directors' fees for the financial year ending 30 September 2019 and the payment thereof on a half yearly basis. **(Resolution 3)**

4. To re-elect Mr Wong Lok Yung, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company. **(Resolution 4)**

5. To re-elect Mr Wu Chiaw Ching, who is retiring by rotation in accordance with Regulation 114 of the Company's Constitution, as Director of the Company.
   [See Explanatory Note (i)] **(Resolution 5)**

6. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other business that may be transacted at an Annual General Meeting.

As Special Business

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without modifications:

8. Authority to allot and issue shares in the capital of the Company

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") and the Constitution of the Company, authority be and is hereby given to the Directors to (i) issue shares whether by way of rights, bonus or otherwise; (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

   (a) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) and Instruments to be issued pursuant to this resolution shall not exceed 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued (including shares to be issued pursuant to the Instruments) other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

   (b) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares (including shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (a) above, the percentage of shares that may be issued shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution, after adjusting for (i) new shares arising from the conversion or exercise of the Instruments or any convertible securities; and (ii) any subsequent bonus issue, consolidation or sub-division of shares;

(c) in exercising such authority, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(d) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (i) the conclusion of the next Annual General Meeting of the Company; or (ii) the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (ii)] **(Resolution 7)**

By Order of the Board

Yeoh Kar Choo Sharon
Company Secretary

Singapore, 2 January 2019

Explanatory Notes:

(i) Mr Wu Chiaw Ching, if re-elected, will remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee. The Board of Directors of the Company considers Mr Wu Chiaw Ching to be independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Ordinary Resolution 7, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company up to an amount not exceeding one hundred percent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which the total number of shares issued other than on a pro rata basis to existing shareholders of the Company, shall not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holding). This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

1. A member who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting. A proxy need not be a member of the Company.

2. A member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Act.

3. The instrument appointing a proxy or proxies shall, in the case of an individual, be signed by the appointor or his attorney, and in case of a corporation, shall be either under the common seal or signed by its attorney or an authorised officer on behalf of the corporation.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 86 International Road, Singapore 629176 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

GDS GLOBAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No: 201217895H

IMPORTANT:

1. A relevant intermediary may appoint more than two (2) proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "**relevant intermediary**").
2. An investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investors**") may attend and cast his vote(s) at the Annual General Meeting in person. SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the SRS Investors shall be precluded from attending the Annual General Meeting.
3. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We ______________________________ NRIC/Passport/Co. Registration No. ______________

of ____

being a member/members of **GDS GLOBAL LIMITED** hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as *my/our *proxy/proxies to attend, speak or vote for me/us and on *my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at 86 International Road, Singapore 629176 on Friday, 18 January 2019 at 10.00 a.m. and at any adjournment thereof.

*I/We have directed *my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the *proxy/proxies may vote or abstain from voting at *his/their discretion, as *he/they will on any other matters arising at the AGM.

Voting would be conducted by poll. Please indicate your vote "For" or "Against" with a tick [√] within the box provided.

No.	Resolutions Relating To:	For	Against
AS ORDINARY BUSINESS			
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 30 September 2018		
2	Declaration of First and Final Dividend		
3	Approval of Directors' fees for the financial year ending 30 September 2019		
4	Re-election of Mr Wong Lok Yung as a Director		
5	Re-election of Mr Wu Chiaw Ching as a Director		
6	Re-appointment of Deloitte & Touche LLP as Auditors		
AS SPECIAL BUSINESS			
7	Authority to issue new shares		

Dated this ________ day of ______________ 2019

Total Number of Shares Held

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the AGM.

3. Where a member appoints more than one proxy, the proportion of his/her shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named.

4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50, who is either:

   a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap.289) and holds shares in that capacity; or

   c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   You are entitled to appoint one (1) or more proxies to attend and vote at the AGM. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming AGM.

5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the office of the Company's registered office at 86 International Road, Singapore 629176 not less than 48 hours before the time set for holding the AGM.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority or a duly certified copy thereof shall (failing previous registration with the Company), if required by law, be duly stamped and be deposited at the office of the Company's registered office at 86 International Road, Singapore 629176 not less than 48 hours before the time set for holding the AGM or adjourned meeting, failing which the instrument of proxy shall not be treated as valid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time set for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 2 January 2019.

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