

GLG Corp Ltd

ACN 116 632 958

PRELIMINARY FINAL REPORT

YEAR ENDED 30 June 2021

1. Highlight of Results
2. Appendix 4E Financial Statements for the Year ended 30 June 2021

1. Results for announcement to market

Summary financial information for the consolidated entity for the 2020/21 financial year is set out below. Full financial details are attached to this announcement.

Summary Information	30 –JUN-21 USDS'000	Consolidated		Inc/(Dec) USDS'000	Inc/(Dec) %
		30 –JUN-20 USDS'000			
Revenue from Ordinary Activities	183,804	178,047		5,757	3.23
Profit/(Loss) after Tax from Ordinary Activities	2,261	3,796		(1,535)	(40.44)
Net Profit/(Loss) after Tax Attributable to Members	2,261	3,796		(1,535)	(40.44)
Basic Earnings – US Cents Per Share	3.05	5.12		(2.07)	(40.43)
Diluted Earnings – US Cents Per Share	3.05	5.12		(2.07)	(40.43)
Net Tangible Assets – US Cents Per Share	50.87	43.88		6.99	15.93

Dividends (Distributions)	As per security – US Cents	Unfranked amount per security-US cents	Record date	Payment date
Interim ordinary unfranked dividend	1.00	1.00	26 March 2021	15 April 2021
Proposed Final ordinary unfranked Dividend	1.00	1.00	20 September 2021	18 October 2021
Total unfranked dividend	2.00	2.00		

The financial effect of the final ordinary unfranked dividends has not been brought to account in the financial statements for the year ended 30 June 2021 and will be recognised in the subsequent financial period.

Summary commentary on results

Directors Comments:

GLG Corp Ltd (“GLG” or the “Company”) accounts are in the process of being audited by BDO Audit Pty Ltd.

The Directors note that whilst they do not expect the final audited results to differ materially from those included in this Preliminary Financial Report, as at the date of this report, the audit process has not been finalised.

Comparison of Consolidated Statement of Profit or Loss and Comprehensive Income for the financial year ended 30 June 2021 with that of 30 June 2020.

GLG’s sales increased by US\$5.8m or 3.2% from US\$178.0m in the previous year to US\$183.8m in this financial year. This is mainly due to reinstatement orders from existing garment customers and growth in athleisure programs.

The gross margin weakened from 22% in the previous year to 18% in this financial year, mainly due to increase in yarn price and our need to support long running core annual programs.

Selling and distribution costs increased by 34.8% from US\$6.7m in the previous year to US\$9.1m in this financial year. This was mainly due to duty and freight cost incurred on reinstatement of sales from postponed Land-Duty Paid customers’ orders, increase in global freight rates and customs duties incurred by the subsidiaries.

Administrative expenses slightly decreased by 1.6% to US\$11.7m compared to US\$11.9m in the previous financial year. The decrease in costs was achieved through streamlining of manpower.

Finance costs decreased by 48.3% from US\$3.5m in the previous year to US\$1.8m in this financial year. The decrease was mainly due to lower interest rate and better cash management on invoice financing.

Other expenses decreased by 34.8% from US\$15.0m to US\$9.7m due to reduction in debts written off on outsource manufacturer and a joint-venture in the previous year.

Net profit after tax for GLG was US\$2.3m, which represented a decrease of US\$1.5m compared to the financial year ended 30 June 2020 of US\$3.8m. Overall, the decrease was mainly due to lower gross margin generated in this financial year.

Summary commentary on results (cont'd)**Comparison of the Consolidated Statement of Financial Position as at 30 June 2021 with that of 30 June 2020.**

Trade and other receivables decreased by 27.9% from US\$47.1m as at 30 June 2020 to US\$34.0m as at 30 June 2021. The decrease was primarily due to the prompt settlement of payment from customers and partial write-off debts due from outsourced manufacturer.

Inventory increased by about 30.3% from US\$26.4m as at 30 June 2020 to US\$34.3m as at 30 June 2021. This was mainly attributed to an increase in the inventory of raw materials in the factories arising from yarn price increase and the need to purchase yarn and fabric in advance to meet the deliveries of customers' orders amidst yarn price increases and sporadic country lockdowns affecting supply chain.

The right-of-use assets decreased by 13.3% from US\$14.7m as at 30 June 2020 to US\$12.7m as at 30 June 2021 mainly due to the amortised value of leases recognised as non-current assets in the Group's statement of financial position as at 30 June 2021.

The intangible assets decreased by 22.6% from US\$6.4m as at 30 June 2020 to US\$5.0m as at 30 June 2021 mainly due to the goodwill impairment of US\$0.8m of a subsidiary.

Current and non-current borrowings increased by 19.6% from US\$45.4m as at 30 June 2020 to US\$54.3m as at 30 June 2021, as a result of increase in trust receipts to meet the increase orders from buyers and advance purchases of yarn and fabric.

Summary commentary on results (cont'd)

Comparison of the Consolidated Statement of Cash Flows for the financial year ended 30 June 2021 with that of 30 June 2020.

Overall, the net cash flow generated from operating activities of US\$20.1m, this was mainly due to high revenue and prompt settlement from customers.

Net cash flows used in investing activities amounted to US\$3.5m mainly due to investment in new machineries in fabric factory to increase the productivity and order requirements.

Net cash used in financial activities amounted to US\$1.9m, was mainly attributed to the repayments to Ghim Li Group Pte Ltd for the Maxim's acquisition amounted to US\$8.2m and net off against the proceeds from bank's borrowings amounted to US\$8.9m.

As a result of the above, there was a net increase of US\$14.7m in cash and cash equivalents for financial year ended 30 June 2021, from a net cash surplus of US\$7.6m as at 30 June 2020 to a net cash surplus of US\$22.3m as at 30 June 2021.

We believe the cash flows from operations of GLG remains sufficient to meet our working capital requirements, capital expenditures, debt servicing and other funding obligations.

Consolidated Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2021

	Note	Consolidated	
		2021 US\$'000	2020 US\$'000
Revenue	4	183,804	178,047
Cost of sales		(150,712)	(138,892)
Gross profit		33,092	39,155
Other income	4	3,151	3,170
Distribution expenses		(9,083)	(6,739)
Administration expenses		(11,715)	(11,909)
Finance costs		(1,813)	(3,504)
Other expenses		(9,742)	(14,950)
Profit before income tax expense		3,890	5,223
Income tax expense		(1,629)	(1,427)
Profit for the year		2,261	3,796
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus/(deficit), on land and building, net of tax		267	(1,438)
Other comprehensive income, net of tax		267	(1,438)
Total comprehensive income for the year		2,528	2,358
Earnings per share:			
Basic (cents per share)	11	3.05	5.12
Diluted (cents per share)	11	3.05	5.12

Notes to the financial statements are included on pages 10 to 31

Consolidated Statement of financial position as at 30 June 2021

	Note	Consolidated	
		2021 US\$'000	2020 US\$'000
Current assets			
Cash and cash equivalents		22,280	7,614
Trade and other receivables	5	33,966	47,098
Inventory	17	34,338	26,352
Other assets		1,671	1,855
Total current assets		92,255	82,919
Non-current assets			
Other financial assets	7	8,871	6,871
Intangible assets	16	4,963	6,409
Right-of-use assets	6	12,746	14,694
Property, plant and equipment	13	32,296	33,123
Total non-current assets		58,876	61,097
Total assets		151,131	144,016
Current liabilities			
Trade and other payables	8	24,070	25,508
Borrowings	9	49,621	42,148
Lease liability	6	1,981	1,875
Current tax liabilities		635	1,369
Total current liabilities		76,307	70,900
Non-current liabilities			
Borrowings	9	4,646	3,230
Lease liability	6	11,683	13,520
Deferred tax liabilities		3,089	2,747
Total non-current liabilities		19,418	19,497
Total liabilities		95,725	90,397
Net assets		55,406	53,619
Equity			
Issued capital	10	10,322	10,322
Revaluation reserves		3,745	3,478
Merger reserves		(14,812)	(14,812)
Retained earnings		56,151	54,631
Total equity		55,406	53,619

Notes to the financial statements are included on pages 10 to 31

Consolidated Statement of changes in equity for the financial year ended 30 June 2021

	Issued Capital	Asset Revaluation Reserve	Merger Reserve	Retained Earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Consolidated					
Balance at 1 July 2019	10,322	4,916	(14,812)	50,835	51,261
Profit after income tax expense	-	-	-	3,796	3,796
Other comprehensive income for the year, net of tax	-	(1,438)	-	-	(1,438)
Total comprehensive income	-	(1,438)	-	3,796	2,358
Balance at 30 June 2020	10,322	3,478	(14,812)	54,631	53,619
Balance at 1 July 2020	10,322	3,478	(14,812)	54,631	53,619
Dividend declared	-	-	-	(741)	(741)
Profit after income tax expense	-	-	-	2,261	2,261
Other comprehensive income for the year, net of tax	-	267	-	-	267
Total comprehensive income	-	267	-	2,261	2,528
Balance at 30 June 2021	10,322	3,745	(14,812)	56,151	55,406

Notes to the financial statements are included on pages 10 to 31

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Consolidated Statement of cash flows for the financial year ended 30 June 2021

	Note	Consolidated	
		2021 US\$'000	2020 US\$'000
Cash flows from operating activities			
Receipts from customers		191,737	178,702
Receipts from insurance compensation		2,517	-
Payments to suppliers and employees		(164,678)	(171,127)
Net (Payments to)/ proceeds from outsourced manufacturing suppliers		(3,395)	29,412
Interest income		20	3
Interest and other costs of finance paid		(885)	(2,415)
Interest paid on lease liabilities		(624)	(685)
Income tax paid		(2,106)	(642)
Net cash provided by operating activities	15	20,069	33,248
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,492)	(1,968)
Disposal of property, plant and equipment		21	10,682
Disposal of software		-	21
Purchase of software		-	(3)
Disposal of subsidiary		-	1,320
Net cash (used in)/ from investing activities		(3,471)	10,054
Cash flows from financing activities			
Net Proceeds from/ (Repayment of) borrowings		8,889	(25,202)
Repayments of lease liability		(1,908)	(1,717)
Repayments to Ghim Li Group		(8,177)	(10,415)
Repayments to key management personnel		-	(3,658)
Dividend paid		(736)	-
Net cash used in financing activities		(1,932)	(40,992)
Net increase in cash and cash equivalents		14,666	2,310
Cash and cash equivalents at the beginning of the financial year		7,614	5,304
Cash and cash equivalents at the end of the financial year		22,280	7,614

Notes to the financial statements are included on pages 10 to 31

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Notes to the Appendix 4E

1. General information

GLG Corp Ltd (the Company) is a public company listed on the Australian Securities Exchange (ASX: 'GLE'), incorporated in Australia and operating in Asia.

GLG Corp Ltd's registered office and principal place of business are as follows:

Registered office	Principal place of business
Level 12, 225 George St Sydney, NSW, 2000 Australia	21 Jalan Mesin, Singapore 368819

The entity's principal activities are the global supply of knitwear/apparel and supply chain management operation.

2. Significant accounting policies

Statement of compliance

The preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Standards Board for the measurement and recognition criteria. The preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcement made by the consolidated entity during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001. Unless otherwise detailed in this note, accounting policies have been consistency applied by the entities in the group, and are consistent with those applied in the 30 June 2021 annual report.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States dollars, unless otherwise noted.

The consolidated entity satisfies the requirements of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission in relation to rounding of amounts in the directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the financial statements in accordance with that Legislative Instrument.

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the company's 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the new and revised Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. Significant accounting policies (cont'd)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value hierarchy

The following details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Assets and liabilities measured at fair value include:

- Freehold and leasehold land and buildings - Level 3 – refer to Note 13 for further details
- Contingent consideration - Level 3

There were no transfers between levels during the period.

- *Valuations of land and buildings and investment properties*
- Freehold and leasehold land and building, along with investment properties have been valued based on similar assets, location and market conditions at fair value on an annual basis.

2. Significant accounting policies (cont'd)

Common Control Business Combination

A business combination involving entities under common control is accounted for under the pooling of interest method since the combining businesses are ultimately controlled by the same party, both before and after the business combination. The assets and liabilities of the combining entities are reflected at their carrying amounts and no adjustments are made to reflect fair values at the date of combination. Goodwill is not recognised as a result of the combination. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place. Comparatives are also restated as there has been effectively no change in control. Any difference between the consideration paid and the equity acquired is reflected within equity.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at the acquisition date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognized (subject to certain limited exemptions).

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represent the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognized directly in the statement of profit or loss and other comprehensive income.

2. Significant accounting policies (cont'd)

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

New accounting standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current financial year ended 30 June 2021.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. Segment information

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: fabric and garments. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The directors' review EBIT (earnings before interest and tax). The accounting policies adopted for internal reporting to the directors are consistent with those adopted in the financial statements.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Fabric manufacturing	the manufacture and wholesaling of fabric
Garment	the manufacturing and wholesaling of garments

Intersegment transactions

Intersegment transactions were made at market rates. The garment retailing operating segment purchases fabric from the fabric manufacturing operating segment. Intersegment transactions are eliminated on consolidation.

	Fabric Manufacturing	Garment	Intersegment Eliminations	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Consolidated – 30 June 2021				
Revenue				
Sales to external customers	611	183,193	-	183,804
Intersegment sales	69,762	-	(69,762)	-
Total revenue	70,373	183,379	(69,762)	183,990
Interest revenue	1	19	-	20
Depreciation and amortisation	2,382	3,540	-	5,922
Stock written back	-	(2,662)	-	(2,662)
Impairment on goodwill	-	841	-	841
Impairment loss on receivables	(43)	7,173	(1,004)	6,126
EBIT	1,883	3,820	-	5,703
Finance costs				(1,813)
Profit before income tax expense				3,890
Income tax expense				(1,629)
Profit after income tax expenses				2,261

3. Segment information (cont'd)

Consolidated – 30 June 2020	Fabric Manufacturing	Garment	Intersegment Eliminations	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue				
Sales to external customers	1,478	176,569	-	178,047
Intersegment sales	51,478	33	(51,511)	-
Total revenue	52,956	176,602	(51,511)	178,047
Interest revenue	1	2	-	3
Depreciation	2,205	3,529	-	5,734
Impairment loss on receivables	-	11,900	-	11,900
EBIT	6,655	2,072	-	8,727
Finance costs				(3,504)
Profit before income tax expense				5,223
Income tax expense				(1,427)
Profit after income tax expenses				3,796

3. Segment information (cont'd)

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	Fabric	
	2021 US\$'000	2020 US\$'000
Cambodia	-	482
India	430	202
Korea	11	-
Malaysia	134	175
Myanmar	-	599
Singapore	36	70
	611	1,478

	Garments	
	2021 US\$'000	2020 US\$'000
Canada	29,129	15,427
Europe	1,022	529
Japan	55	60
Singapore	21,162	44,813
USA	131,051	113,339
Cambodia	96	667
Vietnam	-	265
Others	678	1,469
	183,193	176,569

4. Revenue

	Consolidated	
	2021 US\$'000	2020 US\$'000
Revenue from the sale of goods	183,804	178,047
Other income		
Sample income	25	39
Interest income	20	3
Insurance compensation	2,517	431
Payable written back	-	298
Receivable's debts recovered	74	-
Gain on disposal of subsidiary	-	1,320
Government Grant	321	408
Other	194	671
Total other income	3,151	3,170
	186,955	181,217

5. Trade and other receivables

	Consolidated	
	2021 US\$'000	2020 US\$'000
Trade receivables		
Trade customers	13,330	22,235
GLIT Holdings	5,056	6,406
Outsourced manufacturing suppliers	14,163	18,407
Provision for Doubtful Debts	-	(43)
Trade receivables	32,549	47,005
Other receivables		
Other receivables	1,415	1,564
Goods and services tax recoverable	457	-
Other receivables	1,872	1,564
Less:		
Payable to GLIT Holdings	-	(1,021)
Payable to outsourced manufacturing suppliers	(455)	(450)
	33,509	47,098
	33,966	47,098

The average credit period on sales of goods and rendering of services is 75 days. No interest is charged on the trade receivables outstanding balance.

5. Trade and other receivables(cont'd)

Before accepting any new customers, the Group uses an external scoring system to assess the potential customer's credit quality and defines credit limits by customers. Limits and scoring attributed to customers are reviewed twice a year. 93% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of US\$0.05m (2020: \$1.7m) which are past due at the reporting date. There has been no significant change in credit quality and all amounts are considered recoverable. The Group does not hold any collateral over these balances.

Ageing of Trade Receivables (trade customers) - past due but not impaired

	Consolidated	
	2021	2020
	US\$'000	US\$'000
30 – 60days	36	985
60 – 90 days	2	322
90 – 120 days	-	100
More than 120 days	11	257
Total	49	1,664

Movement in the allowance for expected credit loss

Balance at the beginning of the year	43	-
Charge / (credit) to profit or loss	(43)	43
Allowance written off during the year	-	-
Balance at the end of the year*	-	43

Movement in the allowance for non-trade doubtful debts

Balance at the beginning of the year	-	-
Allowance written off during the year	-	-
Balance at the end of the year	-	-

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Credit risk is concentrated with a few significant counterparties.

6. Adoption of AASB 16 – Leases

Consolidated		
	2021	2020
	US\$'000	US\$'000
Cost		
Balance as at 1 July	16,693	16,126
Additions	178	567
Balance as at 30 June	16,871	16,693
Amortisation		
Balance as at 1 July	1,999	-
Amortisation	2,126	1,999
Balance as at 30 June	4,125	1,999
Net book value	12,746	14,694

Consolidated		
	2021	2020
	US\$'000	US\$'000
Lease Liability		
Balance as at 1 July	15,395	16,543
Additions	173	567
Balance as at 30 June	15,568	17,110
Repayment		
Cash payments	(2,528)	(2,400)
Interest expense	624	685
Net payments	1,904	1,715
Balance as at 30 June	13,664	15,395
Current lease liability	1,981	1,875
Non-current lease liability	11,683	13,520
Total lease liability	13,664	15,395

Lease	Location	Term	Interest rate
Head office	Singapore	10years + 5years option (01 Jan 2013 to 31 Dec 2027)	4.26%
Intrasource	Malaysia	3 years (01 Jan 2020 to 31 Dec 2022)	4.75%
Factory	Cambodia	5years + 5years option (01 Mar 2018 to 28 Feb 2028)	4.26%
Factory	Cambodia	5years + 5years option (01 Apr 2018 to 31 Mar 2028)	4.26%

6. Adoption of AASB 16 – Leases

Accounting policies in relation to AASB 16

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

7. Other financial assets

	Consolidated	
	2021 US\$'000	2020 US\$'000
<u>Non-current</u>		
Security deposit	7,000	5,000
Office rental deposit	1,871	1,871
	8,871	6,871
Disclosed in the financial statements as :		
Total Non-current other financial assets	8,871	6,871

8. Trade and other payables

	Consolidated	
	2021 US\$'000	2020 US\$'000
Trade payables (i)	13,983	8,153
Other payables	3,700	3,645
Ghim Li Group (ii)	2,251	17,908
Accruals – employee compensation	2,042	2,469
Accruals – late shipment claim (iii)	1,582	-
Accruals – audit fee	87	104
Accruals – TR interest	109	116
Accruals – others	622	593
	24,070	32,988
Less:		
Receivables from Ghim Li Group	-	(7,480)
	24,070	25,508

- (i) The average credit period on purchases of certain goods is 4 months. No interest is charged on the outstanding balance of trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.
- (ii) The 30 June 2020 payable due to Ghim Li Group (majority shareholder of GLG) represents the outstanding amount of contingent consideration of US\$13.3m owed by GLG for the purchase consideration payable for the acquisition of Maxim entities in December 2016. This balance was fully settled during the period ended 31 December 2020. The current payable due to Ghim Li Group from Ghim Li Global of US\$5.4m. The receivables of US\$3.2m from Maxim SG to Ghim Li Group as at 30 June 2021.
- (iii) Malaysia and Cambodia government took the necessary tight control due to Covid-19 pandemic and locked down the non-essential businesses. These restrictions had resulted in delayed shipments to buyers and there are potential claims from those buyers for those late deliveries.

9. Borrowings

	Consolidated	
	2021 US\$'000	2020 US\$'000
Secured – at amortised cost		
Current		
Trust receipts (Gross) (i)	47,710	35,641
Bills payable (Gross)	-	145
Finance lease liabilities	47	39
Bank loan	620	4,938
Term loan	1,244	1,385
Total	49,621	42,148
Non-current		
Finance lease liabilities	91	93
Bank loan	3,099	350
Term loan	1,456	2,787
	4,646	3,230
Disclosed in the financial statements as:		
Current borrowings	49,621	42,148
Non-current borrowings	4,646	3,230
	54,267	45,378

Summary of borrowing arrangements:

- (i) Secured by corporate guarantee from Ghim Li Group Pte Ltd and negative pledge over all assets of Ghim Li Global Pte Ltd.

Banking relationship: the Group uses bank facilities to support the working capital requirement of its operations. Presently, the bank facilities provided to the Group are uncommitted short term trade financing facilities which are renewable annually by the banks and long term financing facilities.

At 30 June 2021 GLG Corp Ltd had short term financing facilities available of US\$142.8m, long-term financing facilities available of US\$6.1m and foreign exchange available of US\$18.6m. (Short term: US\$60.4m was used and US\$82.4m was unused. Long-term: US\$2.7m was used and US\$3.4m was unused. Foreign exchange of US\$3.1m was used and US\$15.5m was unused). Compared with US\$129.1m, long-term financing facilities available of US\$5.7m and foreign exchange available of US\$12.1m. (Short term: US\$44.1m was used and US\$85.0m was unused. Long-term: US\$4.2m was used and US\$1.5m was unused. Foreign exchange of US\$12.1m was unused). GLG believe that it will continue to have the strong support from main bankers for its working capital and capital expenditure requirements.

The weighted average effective interest rates for bank overdrafts, bills payable and trust receipts at the balance sheet date were as follows:

	2021	2020
Bank loans	2.88% p.a.	4.45% p.a.
Term loan	4.27%	4.76%
Trust receipts / Bill payable	1.3% -1.9%	3.51%
Finance lease liabilities	5.05% p.a.	5.53% p.a.

10. Issued capital

	Consolidated	
	2021 US\$'000	2020 US\$'000
74,100,000 (2020: 74,100,000) fully paid ordinary shares	10,322	10,322

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Vote Right

The voting rights attached to each class of equity security are as follows:

Ordinary shares:

- Each ordinary share is entitled to one vote when a poll is called; otherwise each member present at a meeting or by proxy has one vote on a show of hands.

	Consolidated		Consolidated	
	No. '000	2021 US\$'000	No. '000	2020 US\$'000
Fully paid ordinary shares				
Balance at beginning of financial year	74,100	10,322	74,100	10,322
Balance at end of financial year	74,100	10,322	74,100	10,322

11. Earnings per share

	Consolidated	
	2021 Cents per share	2020 Cents per share
Basic earnings per share:		
Total basic earnings per share	3.05	5.12
Diluted earnings per share:		
Total diluted earnings per share	3.05	5.12

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2021	2020
	US\$'000	US\$'000
Net profit	2,261	3,796
Earnings used in the calculation of basic EPS	2,261	3,796

	2021	2020
	No.'000	No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	74,100	74,100

11. Earnings per share (con't)**Diluted earnings per share**

The earnings used in the calculation of diluted earnings per share is as follows:

	Consolidated	
	2021 US\$'000	2020 US\$'000
Net profit	2,261	3,796
Earnings used in the calculation of diluted EPS	2,261	3,796

	Consolidated	
	2021 No.'000	2020 No.'000
Weighted average number of ordinary shares used in the calculation of diluted EPS	74,100	74,100

12. Contingent liabilities

	Consolidated	
	2021 US\$'000	2020 US\$'000
Contingent liabilities		
Guarantees arising from Letters of credit in force (i)	8,161	2,066
Total	8,161	2,066

- (i) A number of contingent liabilities have arisen as a result of the Group's letter of credit issued by banks for purchase of goods.

13. Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are carried in the Statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Assets are pledged as security – refer further to Note 9.

Land and buildings are initially recognized at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on property, plant and equipment, including freehold buildings. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The lease period is for 60 years, ending 2050. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation

Building on freehold land	50 years
Leasehold properties	Over term of lease
Plant and machinery	10 years
Furniture, fittings and office equipment	3-10 years
Motor vehicles	5-10 years

Assets measured at fair value include:

- Freehold and leasehold land and buildings - Level 3

Freehold and leasehold land and buildings of the Company were revalued on 30 June 2021 by One Asia Property Consultants (KL) Sdn. Bhd, an external, independent and registered valuer. The comparison method was adopted in arriving at the market value of the freehold and leasehold land and buildings. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique as compared with previous financial year and revaluations are done on an annual basis.

Freehold and leasehold land and buildings at valuation are categorised as Level 3 fair value, which has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input to this valuation approach is price per square foot of comparable properties.

Description	Valuation Approach	Unobservable inputs	Range of inputs	Weighted average	Relationship of unobservable inputs to fair value
Leasehold Property	Sales comparison	Price per square foot	RM27-65 per square foot for land RM30-100 per square foot for building RM = Malaysian Ringgit currency	RM28 per square foot for land RM75 per square foot for building	The higher the price per square foot the higher the fair value

13. Property, plant and equipment (cont'd)

- Freehold and leasehold land and buildings - Level 3 (cont'd)

Description	Valuation Approach	Unobservable inputs	Range of inputs	Weighted average	Relationship of unobservable inputs to fair value
Freehold property	Sales comparison	Price per square foot	RM37 to 61 per square foot for land RM40 to 100 per square foot for building RM = Malaysian Ringgit currency	RM50 per square foot for land RM73 per square foot for building	The higher the price per square foot, the higher the fair value

13. Property, plant and equipment (cont'd)

Consolidated								
	At Valuation			At Cost				
	Freehold land and buildings	Leasehold land and buildings	Sub-total	Plant and machinery	Renovation	Other assets	Motor vehicles	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2019	5,326	9,684	15,010	25,224	4,075	3,607	672	48,588
Additions	-	-	-	1,574	191	193	30	1,988
Disposals	-	-	-	(70)	(32)	-	-	(102)
Revaluation deficit	-	(341)	(341)	-	-	-	-	(341)
Balance as at 30 June 2020	5,326	9,343	14,669	26,728	4,234	3,800	702	50,133
Additions	-	-	-	3,290	113	63	26	3,492
Disposals	-	-	-	(1,778)	-	(1)	(8)	(1,787)
Revaluation surplus	-	352	352	-	-	-	-	352
Balance as at 30 June 2021	5,326	9,695	15,021	28,240	4,347	3,862	720	52,190

13. Property, plant and equipment (cont'd)

Consolidated								
	At Valuation							
	Freehold land and buildings	Leasehold land and buildings	Sub-total	Plant and machinery	Renovation	Other assets	Motor vehicles	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Accumulated depreciation								
Balance as at 1 July 2019	-	-	-	7,758	2,910	2,716	440	13,824
Depreciation expense	-	-	-	2,494	400	262	77	3,233
Depreciation on disposals	-	-	-	(34)	(13)	-	-	(47)
Balance as at 30 June 2020	-	-	-	10,218	3,297	2,978	517	17,010
Depreciation expense	-	-	-	2,568	325	226	72	3,191
Depreciation on disposals	-	-	-	(298)	-	(1)	(8)	(307)
Balance as at 30 June 2021	-	-	-	12,488	3,622	3,203	581	19,894
Net book value								
As at 30 June 2020	5,326	9,343	14,669	16,510	937	822	185	33,123
As at 30 June 2021	5,326	9,695	15,021	15,752	725	659	139	32,296

Other assets comprise of computers, furniture and fittings, hostel and office equipment.

14. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		2021 %	2020 %
Ghim Li Global Pte Ltd	Singapore	100	100
Ghim Li Global International Ltd	Hong Kong	100	100
Escala Fashion Pte. Ltd.	Singapore	100	100
Ghim Li International (S) Pte Ltd	Singapore	100	100
G&G International Pte Ltd	Singapore	100	100
AES (USA) Inc	USA	100	100
Maxim Textile Technology Sdn Bhd	Malaysia	100	100
Maxim Textile Technology Pte Ltd	Singapore	100	100
Ghim Li Fashion (M) Sdn Bhd	Malaysia	100	100
GG Fashion (Cambodia) Co., Ltd	Cambodia	100	100

15. Notes to the cash flow statement

Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated	
	2021 US\$'000	2020 US\$'000
Profit for the year	2,261	3,796
Depreciation of property, plant and equipment	3,191	3,233
Amortisation of intangible assets	605	502
Amortisation of right on use assets	2,126	1,999
Bad and doubtful debts	6,126	11,943
(Written back) / Impairment on inventories	(2,662)	2,890
Impairment on goodwill	841	-
Loss on written off non-current assets	1,459	35
Gain on disposal of subsidiary	-	(1,320)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Inventories	(5,325)	(8,486)
Trade and other receivables	8,402	(1,193)
Other assets	183	(1,012)
Outsource to manufacturing suppliers	(3,395)	29,412
Increase/(decrease) in liabilities:		
Trade and other payables	6,734	(9,336)
Current tax	(734)	942
Deferred tax	257	(157)
Net cash provided by operating activities	20,069	33,248

16. Intangible Assets

Consolidated					
	Software	Goodwill	Trademark & customers network	Others	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 July 2019	2,150	1,841	2,518	407	6,916
Additions	3	-	-	-	3
Balance as at 30 June 2020	2,153	1,841	2,518	407	6,919
Balance as at 30 June 2021	2,153	1,841	2,518	407	6,919
Accumulated Amortisation					
Balance as at 1 July 2019	8	-	-	-	8
Amortisation	114	-	252	136	502
Balance as at 30 June 2020	122	-	252	136	510
Amortisation	217	-	252	136	605
Impairment	-	841	-	-	841
Balance as at 30 June 2021	339	841	504	272	1,956
Net book value					
As at 30 June 2020	2,031	1,841	2,266	271	6,409
As at 30 June 2021	1,814	1,000	2,014	135	4,963

Software

Computer software is stated as intangible assets in the statement of financial position and amortised on the straight-line method over 3 - 10 years.

Goodwill – recognition and measurement

All business combinations are accounted for by applying the acquisition method. Goodwill represent the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired and has an indefinite useful life. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assessed as part of the Ghim Li Fashion (M) Sdn Bhd CGU as the goodwill originated from this acquisition in FY17. Goodwill is not amortized but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Trademark and customers network

Trademark and customers network are stated as intangible assets in the statement of financial position and amortised on the straight-line method over 10 years.

17. Inventory

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

	Consolidated	
	2021 US\$'000	2020 US\$'000
Raw materials	14,344	8,042
Work in progress	10,533	10,936
Goods in transit	5,687	2,124
Consumables	12	4
Stock lot	746	1,209
Finished goods	3,016	6,927
Provision of obsolescence stock	-	(2,890)
Total	34,338	26,352

18. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of the consolidated entity in future financial year.