

GLG Corp Ltd

ACN 116 632 958

PRELIMINARY FINAL REPORT

YEAR ENDED 30 JUNE 2023

1. Highlight of Results
2. Appendix 4E Financial Statements for the Year ended 30 June 2023

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1. Results for announcement to market

Summary financial information for the consolidated entity for the 2022/23 financial year is set out below. Full financial details are attached to this announcement.

Summary Information	30 –JUN-23 USDS'000	Consolidated		Inc/(Dec) %
		30 –JUN-22 USDS'000	Inc/(Dec) USDS'000	
Revenue from Ordinary Activities	116,489	199,609	(83,120)	(41.6)
(Loss)/ profit after Tax from Ordinary Activities	(1,952)	5,184	(7,136)	(137.7)
Net (Loss)/ profit after Tax Attributable to Members	(1,952)	5,184	(7,169)	(137.7)
Basic Earnings – US Cents Per Share	(2.63)	7.00	(9.63)	(137.6)
Diluted Earnings – US Cents Per Share	(2.63)	7.00	(9.63)	(137.6)
Net Tangible Assets – US Cents Per Share	65.80	60.23	5.57	9.3

Dividends

In respect of the financial year ended 30 June 2023, the Directors do not recommend the payment of an interim/final dividend.

In respect of the financial year ended 30 June 2022, dividend was declared and paid as per table below.

Dividends (Distributions)	As per security – US Cents	Unfranked amount per security-US cents	Record date	Payment date
Interim ordinary unfranked dividend	-	-	-	-
Final ordinary unfranked Dividend	1.50	1.50	29 December 2022	16 January 2023
Total unfranked dividend	1.50	1.50		

The financial effect of the final ordinary unfranked dividends was not brought to account in the financial statements for the financial year ended 30 June 2022 and subsequently recognised in financial period ended 31 December 2022 (“1HY2023”).

Summary commentary on results

Directors Comments:

GLG's revenue decreased by 41.6% from US\$199.6m to US\$116.5m during the financial year ended 30 June 2023 ("FY2023"). This was mainly attributable to the loss of sales orders from the impact of COVID-19 environment resulted in delays of delivery during the first half of FY2023, thus, buyers had high inventory levels built-up during the first 6 months that resulted in lower sales orders. In addition, as a result of the delays in delivery, the core program of the two key customers were significantly lower as those garments could not be sold in the right season. The segment report in Note 3 for Canada and USA showed a consistent movement of the revenue as explained above.

The gross profit margin slightly decreased from 20.7% in FY2022 to 18.4% in FY2023 due to lack of orders to maintain the factories fixed overhead cost.

Other income increased by US\$4.0m from US\$0.4m to US\$4.4m in FY2023 as compared to the previous corresponding financial year mainly due to written-back of provision for late shipment claim of \$2.8m and gain on modification of lease terms of \$1.0m.

Selling and distribution costs decreased by 50.0% from US\$18.4m to US\$9.2m as compared to the previous corresponding financial year ended 30 June 2022. This was mainly due to lower duty and freight cost incurred on Land-Duty Paid customers' orders and decline in global freight rates over the period as a flow on improvement from COVID recovery and stabilisation of global supply chains.

Administrative expenses decreased by 7.8% from US\$11.6m in the previous year to US\$10.7m in the current financial year. The overall decrease was mainly due to cost reduction to streamline the manpower cost during the year.

Finance costs increased by 29.4% from US\$1.7m to US\$2.2m in FY2023 as compared to the previous corresponding financial year. The increase was mainly due to increase in the higher interest rates on loans.

Other expenses increased by US\$1.9m from US\$3.1m to US\$5.0m in the FY2023 as compared to the previous corresponding financial year. The increase was mainly due to the write off of deposits with an outsourced manufacturer of US\$2.0m in relation to the decrease in revenue and thereby reduction of allocated production to the third-party manufacturer resulting in the closure of the third-party manufacturer. In addition, an impairment of US\$1.1m was recognised in FY2023 for a claim made against the previous owner of the Group's Cambodian subsidiary's assets and the buyer of raw materials for their outstanding tax obligations as a result of tax audit for the period from 2017 to 2019. Whilst the amounts are considered able to be claimed from the seller and buyer, they have been impaired during the year due to the time that has lapsed and the uncertainty of recovery. Further, there was a reduction of commitment fee by US\$0.36m from \$1.1m to \$0.8m in FY2023 as compared to previous financial year due to closure of 1 outsource manufacturer during the year.

Directors Comments: (cont'd)

GLG's net loss after tax for FY2023 amounted to US\$2.0m, compared with a profit of US\$5.2m in the corresponding financial year. The decrease in net profit after tax was mainly due to the increase in other expenses and lower revenue generated netted by the increase in other income as explained above.

As deliveries were significantly impacted by the logistic disruptions, the results in FY2023 recorded a much lower seasonal sale. For FY2024 the visibility of the trading conditions has stabilised as the logistics issues are back to normal and barring any other unforeseen circumstance the indication for FY2024 result is expected to reflect some improvement.

Balance Sheet position

Trade and other receivables decreased by 30.2% from US\$39.7m as at 30 June 2022 to US\$27.7m as at 30 June 2023. The decrease was primarily due to prompt settlement of payment from customers and also lower revenue generated in FY2023 as compared to the same period of the previous year.

Inventory decreased by 32.5% from US\$37.8m as at 30 June 2022 to US\$25.5m as at 30 June 2023. This was mainly due to decline in customer's order which resulted in reduction of raw materials and work-in-progress in the factories.

Other financial assets decreased by 37.1% from US\$8.9m as at 30 June 2022 to US\$5.6m as at 30 June 2023 mainly attributable to deposits written off for the third party manufacturer amounted to US\$2.0 in relation to the decreased in revenue and thereby reduction of allocated production to the third party manufacturer which resulted in the closure of the third party manufacturer and refund of a rental deposits amounting to US\$1.3m as a result of renegotiated terms of lease from 5 years to 2 years.

The right-of-use assets decreased by 66.7% from US\$11.1m as at 30 June 2022 to US\$3.7m as at 30 June 2023 mainly due to a reassessment which resulted in reduction of lease period from ultimate parent entity from 5 years to 2 years and subsidiary entity from 5 years to 3 years and the amortised value of leases recognised during the year.

The intangible assets decreased by 14.7% from US\$3.4m as at 30 June 2022 to US\$2.9m as at 30 June 2023 mainly due to the amortisation of intangible assets.

Trade and other payables decreased by 28.8% from US\$22.6m as at 30 June 2022 to US\$16.1m as at 30 June 2023, primarily due to decrease in purchases of raw materials such as yarn and fabric and settlement of payables.

Current and non-current borrowings decreased by 27.0% from US\$50.0m as at 30 June 2022 to US\$36.5m as at 30 June 2023, the decrease was mainly due to a decrease in trust receipts.

Cash Flow

In FY2023, net cash flow from operating activities increased from net cash used of \$1.1m in respect of the 30 June 2022 to a net cash flow provided of \$24.1m in respect of the 30 June 2023. This movement was mainly due to lesser payment to suppliers as a result of lower purchases of inventory and lesser advance purchases of yarn. During the COVID-period, advance commitments in FY2022 were due to pent up customer demand and USA stimulus in order to secure the yarn product and the pricing.

Directors Comments: (cont'd)

Cash Flow (cont'd)

Net cash flows used in investing activities amounted to US\$1.2m as compared to previous corresponding financial year of US\$1.3m, mainly due to investment in new machineries in fabric factory to increase the productivity and new order requirements.

Net cash used in financing activities was increased from US\$6.0m net payment in FY2022 to net payment of US\$17.7m in FY2023. This increase was mainly due to the net repayment of trust receipts and bank loans amounted to US\$13.5m, repayment of lease liability amounted to US\$2.1m and partial settlement of borrowing from a related party amounted US\$1.0m.

As a result of the above, there was a net increase of US\$5.3m in cash and cash equivalents from FY2022, from a net cash surplus of US\$13.9m as at 30 June 2022 to a net cash surplus of US\$19.2m as at 30 June 2023.

We believe the balance cash position and forecast cash flow from continuing operations of GLG remains adequate to meet our working capital, capital expenditures, debt servicing and other funding requirements.

Consolidated Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2023

	Note	Consolidated	
		2023 US\$'000	2022 US\$'000
Revenue	5	116,489	199,609
Cost of sales		(95,002)	(158,322)
Gross profit		21,487	41,287
Other income	5	4,395	389
Distribution expenses		(9,160)	(18,437)
Administration expenses		(10,712)	(11,640)
Finance costs		(2,201)	(1,680)
Other expenses	4	(5,027)	(3,076)
(Loss)/profit before income tax expense		(1,218)	6,843
Income tax expense		(734)	(1,659)
(Loss)/profit for the year		(1,952)	5,184
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation (deficit)/surplus, on land and building, net of tax		(673)	(798)
Other comprehensive income, net of tax		(673)	(798)
Total comprehensive (loss)/income for the year		(2,625)	4,386
Earnings per share:			
Basic (cents per share)	12	(2.63)	7.00
Diluted (cents per share)	12	(2.63)	7.00

Notes to the financial statements are included on pages 11 to 31

Consolidated Statement of financial position as at 30 June 2023

	Note	Consolidated	
		2023 US\$'000	2022 US\$'000
Current assets			
Cash and cash equivalents		19,159	13,893
Trade and other receivables	6	27,703	39,677
Inventory	18	25,463	37,825
Other assets		1,192	959
Total current assets		74,217	92,354
Non-current assets			
Other financial assets	8	5,559	8,871
Trade and other receivables	6	2,700	2,000
Intangible assets	17	2,896	3,361
Right-of-use assets	7	3,660	11,062
Property, plant and equipment	14	26,494	29,396
Total non-current assets		41,309	54,690
Total assets		114,826	147,044
Current liabilities			
Trade and other payables	9	16,086	22,642
Borrowings	10	34,003	46,520
Lease liability	7	1,859	2,128
Current tax liabilities		211	481
Total current liabilities		52,159	71,771
Non-current liabilities			
Borrowings	10	2,468	3,465
Lease liability	7	2,000	10,001
Deferred tax liabilities		2,884	2,756
Total non-current liabilities		7,352	16,222
Total liabilities		59,511	87,993
Net assets		55,315	59,051
Equity			
Issued capital	11	10,322	10,322
Revaluation reserves		2,274	2,947
Merger reserves		(14,812)	(14,812)
Retained earnings		57,531	60,594
Total equity		55,315	59,051

Notes to the financial statements are included on pages 11 to 31

Consolidated Statement of changes in equity for the financial year ended 30 June 2023

	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 2021	10,322	3,745	(14,812)	56,151	55,406
Dividend declared	-	-	-	(741)	(741)
Profit after income tax expense	-	-	-	5,184	5,184
Other comprehensive income for the year, net of tax	-	(798)	-	-	(798)
Total comprehensive income	-	(798)	-	5,184	4,386
Balance at 30 June 2022	10,322	2,947	(14,812)	60,594	59,051
Balance at 1 July 2022	10,322	2,947	(14,812)	60,594	59,051
Dividend declared	-	-	-	(1,111)	(1,111)
Loss/ after income tax expense	-	-	-	(1,952)	(1,952)
Other comprehensive income for the year, net of tax	-	(673)	-	-	(673)
Total comprehensive income	-	(673)	-	(1,952)	(2,625)
Balance at 30 June 2023	10,322	2,274	(14,812)	57,531	55,315

Notes to the financial statements are included on pages 11 to 31

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Consolidated Statement of cash flows for the financial year ended 30 June 2023

	Note	Consolidated	
		2023 US\$'000	2022 US\$'000
Cash flows from operating activities			
Receipts from customers		128,936	191,429
Rental deposit refunded		1,312	-
Payments to suppliers and employees		(102,935)	(190,040)
Net (payments to)/proceeds from outsourced manufacturing suppliers		(544)	837
Interest income		44	12
Interest and other costs of finance paid		(1,537)	(740)
Interest paid on lease liabilities		(379)	(558)
Income tax paid		(754)	(1,998)
Net cash provided by/(used in) operating activities	16	24,143	(1,058)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,194)	(1,325)
Proceeds from sale of property, plant and equipment		36	-
Disposal of property, plant and equipment		-	19
Net cash used in investing activities		(1,158)	(1,306)
Cash flows from financing activities			
Repayment of borrowings		(13,514)	(4,283)
Repayments of lease liability		(2,069)	(2,135)
Net (repayments to)/proceeds from Ghim Li Group		(1,025)	1,129
Dividend paid		(1,111)	(734)
Net cash used in financing activities		(17,719)	(6,023)
Net increase/(decrease) in cash and cash equivalents		5,266	(8,387)
Cash and cash equivalents at the beginning of the financial year		13,893	22,280
Cash and cash equivalents at the end of the financial year		19,159	13,893

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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
Suite 4201, Level 42 Australia Square 264-278 George Street Sydney, NWS 2000 Australia	15, Harvey Road, Singapore 369930

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 2022 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 2022 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 2022 annual financial report for the financial year ended 30 June 2022, 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 14 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)

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents 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.

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 2023.

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.

3. Segment information (cont'd)

Consolidated – 30 June 2023	Fabric Manufacturing US\$'000	Garment US\$'000	Intersegment eliminations US\$'000	Total US\$'000
Revenue				
Sales to external customers	409	116,080	-	116,489
Intersegment sales	38,359	-	(38,359)	-
Total revenue	38,768	116,080	(38,359)	116,489
Interest received	41	3	-	44
Depreciation	(2,365)	(909)	-	(3,274)
Amortisation	(195)	(2,626)	198	(2,623)
Bad and doubtful debts		(30)	6	(24)
Impairment of claims from tax settlement		(1,097)	-	(1,097)
Impairment of deposits from outsourced manufacturer	-	(2,000)	-	(2,000)
Unrealised profit	(45)	(505)		(550)
EBIT	(1,618)	2,601	-	983
Finance costs				(2,201)
Loss before income tax expense				(1,218)
Income tax expense				(734)
Loss after income tax expenses				(1,952)

	Fabric Manufacturing US\$'000	Garment US\$'000	Corporates US\$'000	Intersegment eliminations US\$'000	Total US\$'000
Assets	39,130	134,707	113,511	(172,522)	114,826
Liabilities	(19,580)	(80,461)	(23,534)	64,065	(59,510)

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3. Segment information (cont'd)

Consolidated – 30 June 2022	Fabric Manufacturing US\$'000	Garment US\$'000	Intersegment eliminations US\$'000	Total US\$'000
Revenue				
Sales to external customers	311	199,298	-	199,609
Intersegment sales	66,510	-	(66,510)	-
Total revenue	66,821	199,298	(66,510)	199,609
Interest received	9	3	-	12
Depreciation	(2,262)	(947)	-	(3,209)
Amortisation	(199)	(2,908)	220	(2,887)
Impairment on goodwill	-	(1,000)	-	(1,000)
Unrealised profit	(136)	(605)	-	(741)
EBIT	2,670	5,853	-	8,523
Finance costs				(1,680)
Profit before income tax expense				6,843
Income tax expense				(1,659)
Profit after income tax expenses				5,184

	Fabric Manufacturing US\$'000	Garment US\$'000	Corporates US\$'000	Intersegment eliminations US\$'000	Total US\$'000
Assets	45,480	155,905	107,104	(161,445)	147,044
Liabilities	(22,929)	(99,765)	(17,672)	52,373	(87,993)

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3. Segment information (cont'd)

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

	Fabric	
	2023 US\$'000	2022 US\$'000
India	319	201
Malaysia	90	110
	409	311

	Garments	
	2023 US\$'000	2022 US\$'000
Canada	19,797	35,026
Europe	1,347	1,897
Japan	10	144
Singapore	153	98
USA	93,502	160,897
Cambodia	712	476
Malaysia	463	583
Others	96	177
	116,080	199,298

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4. Other expenses

	2023	2022
	US\$'000	US\$'000
Commitment fee (i)	778	1,138
Legal and professional fee	359	244
Bad debts and doubtful accounts	24	46
Bad debts from outsourced manufacturer	-	53
Impairment of goodwill	-	1,000
Impairment of deposits from outsourced manufacturer (iii)	2,000	-
Impairment of claim from tax settlement (ii)	1,097	-
Property, plant and machineries revaluation loss/written-off	1	51
Other	768	544
	5,027	3,076

- (i) The company committed 80% of total available capacity with outsourced manufacturers. If any shortfall in orders satisfaction, the outsourced manufacturers are entitled to claim a commitment fee from the Group.
- (ii) During the year ended 30 June 2023, a tax audit was conducted in respect of the Group's Cambodian subsidiary for the period from 2017 to 2019 which resulted in an amended final notice of assessment of US\$0.2m which was paid and disclosed as tax expenses. In addition, an amount of US\$1.1m was paid in order to finalise and settle the tax audit for tax exposures for those years prior to the Group's acquisition of the Cambodian subsidiary's assets. In accordance with the warranty clause under the Sale and Purchase Agreement and the Sales Agreement, these amounts incurred during those periods were claimable from the seller. Whilst the amounts are considered able of being recouped from the seller, they have been impaired during the year ended 30 June 2023 due to the time that has lapsed and the uncertainty of recovery.
- (iii) The Impairment of deposits from outsourced manufacturer was due to the write off of deposits with an outsourced manufacturer in relation to the decrease in revenue and thereby reduction of allocated production to the third-party manufacturer resulting in the closure of the third party manufacturer.

5. Revenue

	Consolidated	
	2023 US\$'000	2022 US\$'000
Revenue from the sale of goods	116,489	199,609
Other income		
Write-back of provision for late shipment claim (refer note 9)	2,766	-
Gain on modification of lease terms of ROU assets	958	-
Sample income	22	50
Interest income	44	12
Insurance compensation	194	-
Recovery of bad debts receivable	107	96
Government grants	45	57
Other	259	174
Total other income	4,395	389
	120,884	199,998

6. Trade and other receivables

	Consolidated	
	2023 US\$'000	2022 US\$'000
Current		
Trade receivables		
Trade customers	10,638	21,250
GLIT Holdings (i)	1,746	1,029
Outsourced manufacturing suppliers	14,024	15,352
Provision for impairment	-	-
Trade receivables	26,408	37,631
Other receivables		
Other receivables	708	1,954
Goods and services tax recoverable	587	547
Other receivables	1,295	2,501
Less:		
Payable to outsourced manufacturing suppliers	-	(455)
	27,703	39,677
Non-current		
GLIT Holdings (i)	2,700	2,000
	2,700	2,000
Total trade and other receivables	30,403	41,677

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.

- (i) Receivable from GLIT Holdings that are expected to be settled in the next 12 months by netting off from the logistic revenue charged by GLIT Holdings is classified as current, whilst the remaining balance that are expected to be settled in more than a year is classified as non-current.

6. 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. 99.9% 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\$ Nil (2022: \$0.02m) 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	
	2023 US\$'000	2022 US\$'000
30 – 60 days	117	-
60 – 90 days	-	-
90 – 120 days	-	-
More than 120 days	-	24
Total	117	24
<u>Movement in the allowance for expected credit loss</u>		
Balance at the beginning of the year	-	-
Charge / (credit) to profit or loss	-	-
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.

7. Leases

Consolidated		
	2023	2022
	US\$'000	US\$'000
Cost		
Balance as at 1 July	17,093	16,871
Additions	2,427	834
Disposal/ Modification of the terms of leases	(12,617)	(612)
Balance as at 30 June	6,903	17,093
Amortisation		
Balance as at 1 July	6,031	4,125
Amortisation	2,158	2,285
Disposal/ Modification of terms of leases	(4,946)	(379)
Balance as at 30 June	3,243	6,031
Net book value	3,660	11,062

Consolidated		
	2023	2022
	US\$'000	US\$'000
Lease Liability		
Balance as at 1 July	12,129	13,664
Additions	2,427	817
Modification/Disposal of the terms of leases	(8,628)	(251)
Balance as at 30 June	5,928	14,230
Repayment		
Cash payments	(2,069)	(2,101)
Interest expense	379	558
Net payments	1,690	1,543
Balance as at 30 June	3,859	12,129
Current lease liability	1,859	2,128
Non-current lease liability	2,000	10,001
Total lease liability	3,859	12,129

Lease	Location	Term	Interest rate
Head office	Singapore	2 years (01 Jan 2023 to 31 Dec 2024)	4.26%
Kujaya	Malaysia	3 years (01 Nov 2021 to 23 Oct 2024)	4.75%
Factory	Cambodia	3years + 3years option (01 Apr 2023 to 31 Mar 2026)	4.26%

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7. 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.

8. Other financial assets

	Consolidated	
	2023 US\$'000	2022 US\$'000
<u>Non-current</u>		
Security deposit	5,000	7,000
Office rental deposit	559	1,871
	5,559	8,871
Disclosed in the financial statements as :		
Total Non-current other financial assets	5,559	8,871

9. Trade and other payables

	Consolidated	
	2023 US\$'000	2022 US\$'000
Trade payables (i)	8,015	11,458
Other payables	3,271	2,299
Ghim Li Group (ii)	2,354	3,380
Accruals – employee compensation	1,520	1,810
Accruals – late shipment claim (iii)	-	2,766
Accruals – audit fee	115	134
Accruals – trust receipts interest	215	158
Accruals – others	596	637
	16,086	22,642

- (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 current payable due to Ghim Li Group Pte Ltd, ultimate parent entity from Ghim Li Global of US\$2.4m (2022: US\$3.4m).
- (iii) In financial year 2023, the provision of \$2.8m has been reversed as management was able to negotiate the waiver of the prior year balance. No additional penalty provision is required at 30 June 2023 given the delivery periods are back to pre-covid levels with no delays incurred. In the 2022 financial year, the Malaysia and Cambodia governments took the necessary tight control due to Covid-19 pandemic and locked down non-essential businesses. These restrictions had resulted in delayed shipments to buyers, also partly due to the port congestion and lack of containers that had affected the supply chain and as a result there was potential claims from those buyers for those late deliveries and an accrual was recognized to reflect this contractual obligation.

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10. Borrowings

	Consolidated	
	2023 US\$'000	2022 US\$'000
<u>Secured – at amortised cost</u>		
<u>Current</u>		
Trust receipts (Gross) (i)	27,931	44,551
Finance lease liabilities	29	52
Bank loan (ii)	923	899
Term loan	5,120	1,018
Total	34,003	46,520
<u>Non-current</u>		
Finance lease liabilities	18	34
Bank loan (ii)	1,266	2,116
Term loan	1,184	1,315
	2,468	3,465
Disclosed in the financial statements as:		
Current borrowings	34,003	46,520
Non-current borrowings	2,468	3,465
	36,471	49,985

Summary of borrowing arrangements:

- (i) Secured by negative pledge over all assets of Ghim Li Global Pte Ltd and Maxim Textile Technology Sdn Bhd. Refer to Terms & Conditions of Borrowing Balance for details.
- (ii) The bank loan, denominated in Singapore dollar was carried at fixed rate and was repayable over 5 years in 60 instalments from November 2021 to October 2025.

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.

Below are the details of available facilities from banks for the respective financial year end. GLG believe that it will continue to have the strong support from main bankers for its working capital and capital expenditure requirements. The facilities used are inclusive of the contingent liabilities as disclosed in Note 13.

30 June 2023	Used	Unused	Total
	US\$'000	US\$'000	US\$'000
Short term	41,705	41,391	83,096
Long term	1,304	1,144	2,448
Foreign exchange	5,000	12,675	17,675
Total	48,009	55,210	103,219
<hr/>			
30 June 2022	Used	Unused	Total
	US\$'000	US\$'000	US\$'000
Short term	52,787	38,277	91,064
Long term	2,333	348	2,681
Foreign exchange	-	18,317	18,317
Total	55,120	56,942	112,062

10. Borrowings (cont'd)

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

	2023	2022
Bank loans	2.0% p.a.	2.0% p.a
Term loan	4.8%	4.3%
Bill payable	5.9%	4.5%
Trust receipts	6.2%	2.5%
Finance lease liabilities	4.9% p.a.	4.8% p.a.

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

Terms & Conditions of Borrowing Balances:

- 1) Trust Receipts are denominated in USD bear weighted average effective interest rate of 6.2% (2022: 2.5%) per annum for a tenure of 4 months. Trust receipts are a discount form of supplier credit. In commercial terms, they are accounts payable.
- 2) Term Loan relates to purchase of property, plant and machinery of the Company's subsidiaries and are secured by a negative pledge of the assets of the Company. The loan repayment period varies from 8 to 10 years for property and 5 to 6 years for plant and machinery. The weighted average effective interest rate for such loans is 4.8% per annum (2022: 4.3% per annum).
- 3) Bills Payable are amounts received from banks for discounting sales invoices billed to customers, with weighted average effective interest rate of 5.9% (2022: 4.5%) per annum.

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11. Issued capital

	Consolidated	
	2023 US\$'000	2022 US\$'000
74,100,000 (2022: 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	2023 US\$'000	No. '000	2022 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

12. Earnings per share

	Consolidated	
	2023 Cents per share	2022 Cents per share
Basic earnings per share:		
Total basic earnings per share	(2.63)	7.00
Diluted earnings per share:		
Total diluted earnings per share	(2.63)	7.00

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:

	2023 US\$'000	2022 US\$'000
	Net (loss)/ profit	(1,952)
Earnings used in the calculation of basic EPS	(1,952)	5,184

	2023 No.'000	2022 No.'000
	Weighted average number of ordinary shares for the purposes of basic earnings per share	74,100

12. Earnings per share (cont'd)

Diluted earnings per share

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

	Consolidated	
	2023 US\$'000	2022 US\$'000
Net (loss)/ profit	(1,952)	5,184
Earnings used in the calculation of diluted EPS	(1,952)	5,184

	Consolidated	
	2023 No.'000	2022 No.'000
Weighted average number of ordinary shares used in the calculation of diluted EPS	74,100	74,100

13. Contingent liabilities

	Consolidated	
	2023 US\$'000	2022 US\$'000
Contingent liabilities		
Guarantees arising from Letters of credit in force (i)	5,631	4,313
Total	5,631	4,313

- (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.

14. 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 10.

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 2022 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	RM25 to 52 per square foot for land RM50 per square foot for building RM = Malaysian Ringgit currency	RM27.70 per square foot for land RM75 per square foot for building	The higher the price per square foot the higher the fair value

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14. 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	RM46 to 57.5 per square foot for land RM50 to 95 per square foot for building RM = Malaysian Ringgit currency	RM50.50 per square foot for land RM73 per square foot for building	The higher the price per square foot, the higher the fair value

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14. 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 2021	5,326	9,695	15,021	28,240	4,347	3,862	720	52,190
Additions	-	-	-	1,094	199	32	-	1,325
Disposals	-	-	-	(305)	-	(1,225)	-	(1,530)
Revaluation deficit	(331)	(614)	(945)	-	-	-	-	(945)
Balance as at 30 June 2022	4,995	9,081	14,076	29,029	4,546	2,669	720	51,040
Additions	-	-	-	846	63	172	113	1,194
Disposals	-	-	-	(801)	(5)	(11)	(11)	(828)
Revaluation deficit	(282)	(514)	(796)	-	-	-	-	(796)
Balance as at 30 June 2023	4,713	8,567	13,280	29,074	4,604	2,830	822	50,610

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14. 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 2021	-	-	-	12,488	3,622	3,203	581	19,894
Depreciation expense	-	-	-	2,627	325	194	63	3,209
Depreciation on disposals	-	-	-	(234)	-	(1,225)	-	(1,459)
Balance as at 30 June 2022	-	-	-	14,881	3,947	2,172	644	21,644
Depreciation expense	-	-	-	2,739	296	179	61	3,275
Depreciation on disposals	-	-	-	(778)	(5)	(9)	(11)	(803)
Balance as at 30 June 2023	-	-	-	16,842	4,238	2,342	694	24,116
Net book value								
As at 30 June 2022	4,995	9,081	14,076	14,148	599	497	76	29,396
As at 30 June 2023	4,713	8,567	13,280	12,232	366	488	128	26,494

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

15. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		2023 %	2022 %
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

16. Notes to the cash flow statement

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

	Consolidated	
	2023 US\$'000	2022 US\$'000
(Loss)/profit for the year	(1,952)	5184
Depreciation of property, plant and equipment	3,275	3,209
Amortisation of intangible assets	465	602
Amortisation of right on use assets	2,158	2,285
Bad and doubtful debts	2,024	100
Unrealised profit	(550)	741
Impairment/written-off on inventories	578	-
Impairment on goodwill	-	1,000
(Profit)/loss on written off non-current assets	(11)	51
Gain on modification of lease terms of ROU assets	(958)	-
Written back of penalty provision	(2,765)	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Inventories	11,833	(4,228)
Trade and other receivables	12,334	(8,557)
Other assets	(231)	712
Other financial assets	1,312	-
Outsource to manufacturing suppliers	(544)	837
Increase/(decrease) in liabilities:		
Trade and other payables	(2,682)	(2,654)
Current tax	(271)	(154)
Deferred tax	128	(186)
Net cash provided by/(used in) operating activities	24,143	(1,058)

17. 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 2021	2,153	1,841	2,518	407	6,919
Additions	-	-	-	-	-
Balance as at 30 June 2022	2,153	1,841	2,518	407	6,919
Balance as at 30 June 2023	2,153	1,841	2,518	407	6,919
Accumulated Amortisation					
Balance as at 1 July 2021	339	841	504	272	1,956
Amortisation	215	-	252	135	602
Impairment	-	1,000	-	-	1,000
Balance as at 30 June 2022	554	1,841	756	407	3,558
Amortisation	213	-	252	-	465
Impairment	-	-	-	-	-
Balance as at 30 June 2023	767	1,841	756	407	4,023
Net book value					
As at 30 June 2022	1,599	-	1,762	-	3,361
As at 30 June 2023	1,386	-	1,510	-	2,896

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 represents 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.

18. 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	
	2023	2022
	US\$'000	US\$'000
Raw materials	13,032	20,943
Work in progress	5,036	9,013
Goods in transit	4,313	4,057
Consumables	12	20
Stock lot	574	774
Finished goods	2,496	3,018
Total	25,463	37,825

19. 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.

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