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GLG Corp Ltd

ACN 116 632 958

PRELIMINARY FINAL REPORT

YEAR ENDED 30 JUNE 2016

1. Highlight of Results
2. Appendix 4E Financial Statements for the Year ended 30 June 2016

1. Results for announcement to market

Summary financial information for the consolidated entity for the 2015/16 financial year is set out below. Full financial details are attached to this announcement.

Summary Information	30 –JUN-16 USDS'000	Consolidated		Inc/(Dec) USDS'000	Inc/(Dec) %
		30 –JUN-15 USDS'000			
Revenue from Ordinary Activities	170,797	180,126		(9,329)	(5.18)
Profit/(Loss) after Tax from Ordinary Activities	2,920	3,148		(228)	(7.24)
Net Profit/(Loss) after Tax Attributable to Members	2,920	3,148		(228)	(7.24)
Basic Earnings – US Cents Per Share	3.94	4.25		(0.31)	(7.29)
Dilute Earnings – US Cents Per Share	3.94	4.25		(0.31)	(7.29)
Net Tangible Assets – US Cents Per Share	78.98	75.04		3.94	5.25

Dividends (Distributions)	As per security – US Cents	Franked amount per security-US cents
Dividends Paid during Year	Nil	Nil
Proposed Final Dividend	Nil	Nil
Proposed payment date for final dividend	N/A	N/A

Summary commentary on results

Directors Comments:

GLG Corp Ltd (“GLG” or the “Company”) accounts are in the process of being audited by Deloitte Touche Tohmatsu, Chartered Accountants.

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 and further changes may be forthcoming.

The discussion that follows compares the **Consolidated Statement of Profit or Loss and Comprehensive Income for the financial year ended 30 June 2016 with that of 30 June 2015.**

GLG’s net profit decreased 7.24% to US\$2,920 thousand, against a net profit of US\$3,148 thousand in the previous year. The decrease in net profit was mainly due to provision of doubtful debts of US\$300 thousand. GLG achieved a higher gross margin of 11.51% for year ended 30 June 2016 as compared to 10.42% in the previous year, due to changes in the product mix.

GLG’s sales decreased by US\$9,329 thousand, or 5.18% to US\$170,797 thousand compared to sales of US\$180,126 thousand in the previous year. The decline in sales was mainly attributed to continued weakness observed from a major customer and GLG’s decision to decrease the orders with this particular customer which has continued to close a number of their stores in 2015/16 amid their own restructuring. The decline of orders from this customer accounted for a drop of US\$18,703 thousand in sales. GLG managed to increase orders from other existing customers to make up some of the shortfall.

Selling and distribution costs increased by 114.16% to US\$2,238 thousand compared to US\$1,045 thousand in the previous year. The increase in the expenses was mainly due to the higher number of samples required for presentation to gain new orders for compensating the fall in decline in sales mentioned above and higher freight costs incurred in order to achieve timely delivery to customers.

Administration expenses decreased by 8.30% to US\$10,242 thousand compared to US\$11,169 thousand in the previous year. This reduction in expenses was achieved through a streamlining of processes and saving in net employee costs.

Finance costs increased by 94.13% to US\$761 thousand compared to US\$392 thousand in the previous year due to higher financing costs charged by one of the agents for a key customer.

Comparison of the Consolidated Statement of Financial Position as at 30 June 2016 with that of 30 June 2015.

The Group’s financial position was stable as at 30 June 2016 as equity improved from US\$55,607 thousand to US\$58,527 thousand as at 30 June 2016, the net debt to equity ratio decreased from 55.83% to 45.29% as at 30 June 2016.

Trade and other receivables decreased by 21% to US\$67,473 thousand as at 30 June 2016 compared to US\$85,408 thousand as at 30 June 2015. The decrease was primarily due to the Goods-in-transit (Inventory) sold by GLIT to GLG which reduced the GLIT receivable. This is the reason for the increase in the Inventory balance during the period.

Non-current other assets increased to US\$1,391 thousand as at 30 June 2016 because of the payment of infrastructure costs in Vietnam on an operating lease to an external party for the usage of land. The security deposit of US\$5,000 thousand payable by GLG to GLIT for reserving the 100% production capacity of GLIT for GLG was reclassified from a current to a non-current asset, as at 30 June 2016.

Summary commentary on results (cont'd)

Property, plant and equipment increased to US\$5,315 thousand as at 30 June 2016 due to the costs of construction-in-progress for the facility in Vietnam which commenced in November 2015.

Current borrowings decreased by 24.8%, to US\$31,463 thousand as at 30 June 2016 compared to US\$41,813 thousand as at 30 June 2015. The decrease was largely due to a decline in trust receipts attributable to lower sales for the year. However, the increases in Non-current borrowings to US\$2,438 thousand consist of an external bank loan to finance the investment in Vietnam.

Comparison of the Consolidated Statement of Cash Flows for the financial year ended 30 June 2016 with that of 30 June 2015.

GLG's cash from operating activities decreased to US\$2,788 thousand as at 30 June 2016 compared to US\$12,228 thousand as at 30 June 2015. The decrease was due to the decline in lower sales for the financial year.

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

Consolidated Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2016

	Note	Consolidated	
		2016 US\$'000	2015 US\$'000
Revenue	3	170,797	180,126
Cost of sales		(151,136)	(161,358)
Gross profit		19,661	18,768
Other revenue	3	43	142
Other income	3	423	75
Distribution expenses		(2,238)	(1,045)
Administration expenses		(10,242)	(11,169)
Finance costs		(761)	(392)
Other expenses		(3,243)	(2,514)
Profit before income tax expense		3,643	3,865
Income tax expense		(723)	(717)
Profit for the year		2,920	3,148
Other comprehensive income		-	-
Total comprehensive income for the year		2,920	3,148
Earnings per share:			
Basic (cents per share)	9	3.94	4.25
Diluted (cents per share)	9	3.94	4.25

Notes to the financial statements are included on pages 9 to 17

Consolidated Statement of financial position as at 30 June 2016

	Note	Consolidated	
		2016 US\$'000	2015 US\$'000
Current assets			
Cash and cash equivalents		7,394	10,831
Trade and other receivables	4	67,388	85,408
Inventory		7,466	114
Other assets		327	180
Other financial assets	5	344	344
Total current assets		82,919	96,877
Non-current assets			
Other assets		1,391	-
Other financial assets	5	7,333	2,333
Investments accounted for using the equity method	12	-	-
Property, plant and equipment		5,315	2,393
Total non-current assets		14,039	4,726
Total assets		96,958	101,603
Current liabilities			
Trade and other payables	6	3,102	2,913
Borrowings	7	31,463	41,813
Current tax liabilities		1,085	949
Total current liabilities		35,650	45,675
Non-current liabilities			
Borrowings	7	2,438	64
Deferred tax liabilities		343	257
Total non-current liabilities		2,781	321
Total liabilities		38,431	45,996
Net assets		58,527	55,607
Equity			
Issued capital	8	10,322	10,322
Retained earnings		48,205	45,285
Total equity		58,527	55,607

Notes to the financial statements are included on pages 9 to 17

Consolidated Statement of changes in equity for the financial year ended 30 June 2016

Note	Issued Capital	Retained Earnings	Total
	US\$'000	US\$'000	US\$'000
Consolidated			
Balance at 1 July 2014	10,322	42,137	52,459
Profit for the year	-	3,148	3,148
Other comprehensive income	-	-	-
Total comprehensive income	-	3,148	3,148
Balance at 30 June 2015	10,322	45,285	55,607
Balance at 1 July 2015	10,322	45,285	55,607
Profit for the year	-	2,920	2,920
Other comprehensive income	-	-	-
Total comprehensive income	-	2,920	2,920
Balance at 30 June 2016	10,322	48,205	58,527

Notes to the financial statements are included on pages 9 to 17

Consolidated Statement of cash flows for the financial year ended 30 June 2016

	Consolidated	
	2016 US\$'000	2015 US\$'000
Cash flows from operating activities		
Receipts from customers	176,843	188,515
Payments to suppliers and employees	(173,033)	(175,419)
Interest and other costs of finance paid	(521)	(206)
Income tax paid	(501)	(662)
Net cash provided by operating activities	2,788	12,228
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	114	13
Grant received	101	-
Payment for property, plant and equipment	(3,318)	(144)
Net cash used in investing activities	(3,103)	(131)
Cash flows from financing activities		
(Repayment of)/proceeds from borrowings	(7,976)	5,470
Repayment from (amounts advanced) to related parties	30	169
(Advances to)/ received from other parties	4,824	(15,126)
Net cash used in financing activities	(3,122)	(9,487)
Net (decrease)/ increase in cash and cash equivalents	(3,437)	2,610
Cash and cash equivalents at the beginning of the financial year	10,831	8,221
Cash and cash equivalents at the end of the financial year	7,394	10,831

Notes to the financial statements are included on pages 9 to 17

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 40 North Point 100 Miller St North Sydney NSW 2060 Australia	21 Jalan Mesin, Singapore 368819

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

2. Segment information

GLG Corp Ltd operates in the apparel industry and reports only one reportable segment under AASB8 "Operating Segments".

3. Revenue

	Consolidated	
	2016 US\$'000	2015 US\$'000
Revenue from the sale of goods	170,797	180,126
Revenue from the rendering of services	43	142
	170,840	180,268
Other income		
Rental income	9	9
Interest Income	9	12
Grant	47	-
Payable written back	99	-
PIC cash payout	180	33
Other	79	21
Total other income	423	75
	171,263	180,343

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4. Trade and other receivables

	Consolidated	
	2016 US\$'000	2015 US\$'000
Trade receivables		
Third parties	20,154	20,707
Other party- GLIT group	40,894	53,267
Related Parties	8,075	8,096
Other receivables	835	984
Other receivables – GLIT group	-	5,000
Provision for Doubtful Debts	(2,610)	(2,351)
	67,348	85,703
Less:		
Payable to Related Parties	-	-
Payable to Other Parties – GLIT group	(6)	(328)
	67,342	85,375
Goods and services tax recoverable	46	33
	67,388	85,408

The average credit period on sales of goods and rendering of services is 60 days. No interest is charged on the trade receivables outstanding balance.

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. 80% 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. Of the trade receivables balance at the end of the year, US\$4,405 thousand (2015: US\$3,577 thousand) is due from the Group's largest customer.

4. Trade and other receivables(cont'd)

Included in the Group's trade receivable balance are debtors with a carrying amount of US\$435 thousand (2015: \$327 thousand) 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 (excluding GLIT and Related Party amounts) past due but not impaired

	Consolidated	
	2016 US\$'000	2015 US\$'000
60 – 90 days	78	327
90 – 120 days	45	-
More than 120 days	312	-
Total	435	327

Movement in the allowance for doubtful debts

Balance at the beginning of the year	2,351	2,360
Charge / (credit) to profit or loss	300	(9)
Allowance written off during the year	(41)	-
Balance at the end of the year*	2,610	2,351

*Includes the provision for doubtful debts for Trade Receivables, both current and non-current. The Group has made a provision of US\$300 thousand for one of the customer which filed for Chapter 11 bankruptcy in the United States.

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.

5. Other financial assets

	Consolidated	
	2016 US\$'000	2015 US\$'000
Current		
Trade receivables – Third parties (i)	368	368
Provision for Bad Debts	(24)	(24)
Total Current other financial assets	344	344
Non-current		
Other receivables – GLIT group	5,000	-
Loans and receivables – related parties (ii)(a)(b)	2,333	2,333
	7,333	2,333
Disclosed in the financial statements as :		
Total Non-current other financial assets	7,333	2,333

(i) The current trade receivable owed by third party has a provision for non-recovery in FY2016 of US\$24 thousand (FY2015: US\$24 thousand).

(ii) The loan owed by related parties consist of:

(a) US\$1,871 thousand of rental deposit paid for the 10 years lease rental from Ghim Li Group Pte Ltd (2015: US\$1,871 thousand).

(b) US\$462 thousand of terms loan repayable over 10 years at fixed interest rate of 2% p.a. commencing January 2016 (2015: US\$462 thousand).

6. Trade and other payables

	Consolidated	
	2016 US\$'000	2015 US\$'000
Trade payables (i)	395	281
Other payables	7	537
Accruals	2,700	2,095
	3,102	2,913

(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.

7. Borrowings

	Consolidated	
	2016 US\$'000	2015 US\$'000
Secured – at amortised cost		
Current		
Trust receipts (i) (ii) (Gross)	29,529	36,307
Bills payable (Gross)	1,679	3,434
Finance lease liabilities	38	72
Bank loan	217	2,000
Total	31,463	41,813
Non-current		
Finance lease liabilities	20	64
Bank loan	2,418	-
	2,438	64
Disclosed in the financial statements as:		
Current borrowings	31,463	41,813
Non-current borrowings	2,438	64
	33,901	41,877

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.
- (ii) Banking relationship: the Group is dependent on 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 2016 GLG Corp Ltd had short term financing facilities available of US\$115,916 thousand and long term financing facilities available of US\$11,736 thousand. (Short term: US\$36,686 thousand was used and US\$79,230 thousand was unused. Long term: US\$2,635 thousand was used and US\$9,101 thousand was unused). This is compared with US\$119,432 thousand at 30 June 2015 (US\$54,696 thousand was used and US\$64,736 thousand was unused). GLG believe it continues 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:

	2016	2015
Bank overdrafts	10.95%	10.95%
Bank loans	3.52%p.a.	2.05%p.a.
Trust receipts / Bill payable	1.72%-1.96%	1.50%-1.89%
Finance lease liabilities	3.72%p.a.	3.87%p.a.

8. Issued capital

	Consolidated	
	2016 US\$'000	2015 US\$'000
74,100,000 (2011: 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.

	Consolidated		Consolidated	
	No. '000	2016 US\$'000	No. '000	2015 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

9. Earnings per share

	Consolidated	
	2016 Cents per share	2015 Cents per share
Basic earnings per share:		
Total basic earnings per share	3.94	4.25
Diluted earnings per share:		
Total diluted earnings per share	3.94	4.25

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:

	2016 US\$'000	2015 US\$'000
	Net profit	2,920
Earnings used in the calculation of basic EPS	2,920	3,148
	2016 No.'000	2015 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	74,100	74,100

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

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

	Consolidated	
	2016 US\$'000	2015 US\$'000
Net profit	2,920	3,148
Earnings used in the calculation of diluted EPS	2,920	3,148

	Consolidated	
	2016 No.'000	2015 No.'000
Weighted average number of ordinary shares used in the calculation of basic EPS	74,100	74,100
Weighted average number of ordinary shares used in the calculation of diluted EPS	74,100	74,100

10. Contingent liabilities

	Consolidated	
	2016 US\$'000	2015 US\$'000
Contingent liabilities		
Guarantees arising from Letters of credit in force (i)	7,156	13,713
Total	7,156	13,713

- (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.

11. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		2016 %	2015 %
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
Escala (USA) Inc (i)	USA	-	100
Ghim Li Global International (GuangZhou) Ltd	China	100	100
G&G Fashion (Vietnam) Co., Ltd.	Vietnam	100	-

i) The company liquidated on 21 January 2016

12. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			2016 %	2015 %
Jointly controlled entities				
JES Apparel LLC	USA	Importer of knitwear products	51	51

Summarised financial information in respect of the Group's jointly controlled entity is set out below:

	Consolidated	
	2016 US\$'000	2015 US\$'000
Financial position:		
Current assets	393	393
Current liabilities	(1,879)	(1,879)
Net assets	(1,486)	(1,486)
Group's share of jointly controlled entity's net assets	(757)	(757)
Financial performance:		
Income	-	-
Expenses	-	-
Total loss for investment in joint venture	-	-
Group's share of jointly controlled entity's losses	-	-

The entity ceased business in 2012 and the consolidated entity's share of losses for 2016 and 2015 was nil. The entity's cumulative unrecognised share of retained losses is US\$757 thousand (2015: US\$757 thousand).

13. Notes to the cash flow statement

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

	Consolidated	
	2016 US\$'000	2015 US\$'000
Profit for the year	2,920	3,148
Gain/(Loss) on sale or disposal of non-current assets	(51)	20
Depreciation and amortisation of non-current assets	232	263
Bad and doubtful debts	2,533	-
Interest Income	(9)	(12)
Increase in income tax	222	55
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Inventories	(7,352)	146
Trade and other receivables	5,642	8,183
Other assets	(1,538)	(10)
Increase/(decrease) in liabilities:		
Trade and other payables	189	434
Net cash provided by/(used in) operating activities	2,788	12,228

14. Economic dependency

The consolidated entity is sourcing its apparel manufacturing requirements significantly from the GLIT entities. In return, the consolidated entity has an obligation to fulfill a minimum of 80% of the production capacity of GLIT entities. The agreement was entered into in June 2012 and will expire on 31 December 2017 with an automatic renewal for further successive period of 1 year unless this agreement is terminated pursuant to giving 3 months' prior advance written notice by the manufacturer.

15. Subsequent event

The Company has entered a share purchase agreement with Ghim Li Group Pte Ltd to acquire a fabric and yarn mill in Malaysia. Due to changing market conditions, the Company needs to provide additional services beyond its existing business by acquiring Maxim Textile Technology, a company incorporated in Malaysia which owns the fabric and yarn mill. In addition, the company will acquire Maxim Textile Technology Pte Ltd, a company incorporated in Singapore with the intention to serve as a procurement and sourcing centre for fabric and other direct materials used in the manufacturing process of finished garments.

By executing this acquisition strategy, the Company will have a vertically-integrated textile manufacturing and supply chain business, offering the flexibility to plan for shorter production lead times resulting in speed-to-market advantage to its customers by controlling each step in the value chain.

The completion of this acquisition is conditional on shareholders' approval, obtaining necessary regulatory and statutory approvals, including Australian Securities Exchange and other related authorities. The company anticipates that the requisite approvals will be obtained to facilitate completion of the acquisition and do not expect any changes to the board or senior management of the Company as part of this acquisition.