# *GLG Corp Ltd*

*ACN 116 632 958*

Statutory report for the financial year ended 30 June 2016

# Statutory Report for the financial year ended 30 June 2016

# Corporate governance statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations. The Company has prepared this statement which sets out its corporate governance practices that were in operation for the financial year ended 30 June 2016, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations. The Company's corporate governance policies and charters and policies are all available on the Company's web site (www.ghimli.com) (Website).

| **Principle** | **ASX Corporate Governance Council Recommendations – 3rd Edition** | **Comply?** |
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| **1.** | **Lay solid foundations for management and oversight** | |
| 1.1 | A listed entity should disclose: (a) the respective roles and responsibilities of its board and management;<br>and (b) those matters expressly reserved to the board and those delegated to management | **Yes**<br>The Board has adopted a charter which establishes the role of the Board and its relationship with management. The primary role of the Board is the protection and enhancement of long term shareholder value. Its responsibility is the overall strategic direction of the Group.<br>The functions and responsibilities of the Board and management are consistent with ASX Principle 1. A copy of the Board Charter is posted on the Website. |
| 1.2 | A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director;<br>and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director | **Yes**<br>The Board has a formal Nomination & Remuneration Committee. The Nomination and Remuneration Committee's functions and powers are formalised in a Charter and is posted on the Website. It is the role of the Nomination & Remuneration Committee to identify suitable candidates to complement the existing Board, to undertake appropriate checks on the candidate; to seek confirmation from the candidate that he/she will have sufficient time to fulfil his or her responsibilities as a director; and subject to the results of such checks and confirmations, to make recommendations to the Board on their appointment.<br><br>The Company provides information to shareholders about Directors seeking re-election at general meeting to enable them to make an informed decision on whether or not to re-elect the Director, including their relevant qualifications and experience and the skills they bring to the Board; details of any other listed directorships held by the Director in the preceding 3 years; the term of office already served by the Director; whether the Director is considered to be independent; and a recommendation by the Board in respect of the re-election of the Director |
| 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | **Yes**<br>Each Director is given a letter upon appointment which outlines the Director's duties, obligations, remuneration, expected time commitments and notification of the Company's policies. Similarly |

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| | | senior executives including the CEO and CFO, have a formal job description and services agreement describing their term of office, duties, rights and responsibilities, and entitlements on termination.<br><br>The Company will disclose the material terms of any employment, service or consultancy agreement it enters into with its CEO (or equivalent). |
| 1.4 | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | **Yes**<br>The Company Secretary is responsible for co-ordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies, ASX and all statutory and other filings. The Company Secretary is accountable to the Board, and all Directors have access to the Company Secretary. The decision to appoint or remove the Company Secretary is be made and/or approved by the Board. |
| 1.5 | A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;<br>(b) disclose that policy or a summary of it; and<br>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:<br>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes);<br>or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. | **Yes**<br>The Company is committed to the principles of employing people with a broad range of experiences, skills and views. All executives, managers and employees are responsible for promoting workforce diversity. The Company has adopted a Diversity Policy which can be viewed on the Website. The Diversity Policy requires the commitment of the Directors and Senior Management to promote the specific objective of diversity and seeks to ensure, to the extent that is practicable and appropriate, that the Company's director appointment and employee recruitment processes are undertaken with reference to the objectives of the Diversity Policy. The objectives of the Company's Diversity policy are centred on a wide range of diversity criteria including gender, age, ethnicity and cultural background.<br><br>The Company discloses the proportion of women on the Board, in Senior positions and in the company as a whole. Measurable objectives have been specified and the company has exceeded the objectives since the inception of the policy. |
| 1.6 | A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and<br>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | **Yes**<br>The Directors undertake an annual process to review the performance and effectiveness of the Board, the Board Committees and individual directors. The CEO leads a discussion and provides feedback to individual Directors as necessary. |

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| 1.7 | A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and<br>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | **Yes**<br>The Company's Chief Executive Officer evaluates the performance of the Group's senior executives annually. The Nomination and Remuneration Committee reviews the Chief Executive Officer's performance annually. The Committee also reviews and approves senior management bonuses. Evaluations were undertaken this year. |
| **2.** | **Structure the board to add value** | |
| 2.1 | The board of a listed entity should:<br>(a) have a nomination committee which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director, and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively | **Yes**<br>The Board has a formal Nomination & Remuneration Committee comprising two independent directors and the CEO. Current members are Shane Hartwig (Independent Director and Chairman) Christopher Chong (Lead Independent Director),and Estina Ang (CEO). The Nomination & Remuneration Committee's functions and powers are formalised in a Charter and is posted on the Group's website. The number of times that the Nomination & Remuneration Committee met throughout the financial year and the individual attendances of the members at those meetings are disclosed in the Company's Annual Report. |
| 2.2 | A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | **Yes**<br>The Company has a skills matrix which is disclosed in the Directors report. |
| 2.3 | A listed entity should disclose:<br>(a) the names of the directors considered by the board to be independent directors;<br>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and<br>(c) the length of service of each director | **Yes**<br>Currently, the Board comprises four Directors, two independent and two Executives. Christopher Chong (Lead Independent Director), Shane Hartwig (Independent Director), Estina Ang (CEO) and Felicia Gan (Chief Marketing Officer). The Board has considered the circumstances of each Director and determined that all Non-Executive Directors were independent as described in box 2.3 of the Recommendations. The Corporations Act 2001, the Company's Constitution and the Board meeting process requires Directors to advise the Board of any interest they have that has the potential to conflict with the interests of the Group, including any development that may impact their perceived or actual independence. If the Board determines that a Director's status as an independent Director has changed, that determination will be disclosed and explained in a timely manner to the market. The length of service of each Director is set out in the Company's Annual Report. Independent Directors formally advise the Board of their independent (or other) status each year. |

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| 2.4 | A majority of the board of a listed entity should be independent directors. | **No**<br>Currently, the Board comprises two independent Directors and two executive Directors. Christopher Chong (Lead Independent Director), Shane Hartwig (Independent Director), Estina Ang (CEO) and Felicia Gan (Chief Marketing Officer). The company believes this is an appropriate mix of skills and experience. |
| 2.5 | The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | **No**<br>The Chairperson and CEO, Estina Ang Suan Hong, is integral in maintaining the business and important customer and banking relationships. This is commonplace in Asia and reflects 'respect' and economic imperative. |
| 2.6 | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | **Yes**<br>The Company has procedures and policies in place to assist Directors in fulfilling their responsibilities. Each Director, at any time, is able to seek reasonable independent professional advice on any business-related matter at the expense of the Company. Directors also have access to adequate internal resources to seek any information from any officer or employee of the Company, or to require the attendance of management at meetings to enable them as Directors to fulfil their duties. |
| **3** | **Act ethically and responsibly** | |
| 3.1 | A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it | **Yes**<br>The Board has established a Code of Conduct which articulates acceptable practices for directors, senior executives and employees, to guide their behaviour and to demonstrate the commitment of the Company to ethical practices. |
| **4.** | **Safeguard integrity in corporate reporting** | |
| 4.1 | The board of a listed entity should:<br>(a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br>(2) is chaired by an independent director, who is not the chair of the board, and disclose:<br>(3) the charter of the committee;<br>(4) the relevant qualifications and experience of the members of the committee; and<br>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | **Partly**<br>The Board has a formal Audit Committee currently comprising two Independent Directors – Christopher Chong and Shane Hartwig. The role of the Audit Committee is to advise on financial information prepared for use by the Board or for inclusion in financial statements. The Chairman of the Audit Committee is the Lead Independent Director. The Audit Committee's functions and powers are formalised in a Charter and is posted on the Group's website. The number of times that the Audit Committee met throughout the financial year and the individual attendances of the members at those meetings, and the relevant qualifications and experience of the Audit Committee members are disclosed in the Company's Annual Report. |

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| 4.2 | The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | **Yes**<br>The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Company's financial position and prospects. The Board reviews the Group's half yearly and annual financial statements. The Board requires that the Chief Executive Officer and the Chief Financial Officer state in writing that the Group's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. |
| 4.3 | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | **Yes**<br>Shareholders are encouraged to attend the Company's Annual General Meeting, with the auditors available via conference call. Shareholders are given an opportunity to ask questions of the Company's auditors regarding the conduct of the audit and preparation and content of the auditor's report. |
| **5.** | **Make timely and balanced disclosure** | |
| 5.1 | A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. | **Yes**<br>The Company has a documented policy which has established procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The focus of these procedures is on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities and improving access to information for all investors. The Chief Executive Officer and the Company Secretary are responsible for interpreting the Group's policy and where necessary informing the Board. The purpose of the procedures for identifying information for disclosure is to ensure timely and accurate information is provided equally to all shareholders and market participants. |
| **6.** | **Respect the rights of security holders** | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | **Yes**<br>The Board informs shareholders of all major developments affecting the Group's state of affairs as follows: 1. Placing all relevant announcements made to the market, on the Website after they have been released to ASX; 2. Publishing all corporate governance policies and 3. Placing the full text of notices of meeting and explanatory material on the Website. |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | **Yes**<br>The Company communicates with its shareholders and investors by posting information via the ASX or website, and by encouraging attendance and participation of shareholders at general meetings. Management and/or Directors may meet with shareholders from time to time upon request and respond to any enquiries they may make. |

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| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | **Yes**<br>Shareholders are encouraged to attend the Company's Annual General Meeting. The AGM is an opportunity for shareholders to hear the Directors provide updates on Company performance, ask questions of the Board and vote on the various resolutions affecting the business. Shareholders are given an opportunity to ask questions of the Company's auditors regarding the conduct of the audit and preparation and content of the auditor's report. |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | **Yes**<br>Investors are able communicate with the Company electronically via the website. Investors are also able communicate with the Company's registry electronically by emailing the registry or via the registry's website. |
| **7.** | **Recognise and manage risk** | |
| 7.1 | The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. | **Partly**<br>The Board is responsible for the management of risk due to the current size of the Board. GLG is committed to embedding risk management practices to support the achievement of business objectives. The Board is responsible for reviewing and overseeing the risk management strategy and for ensuring GLG has an appropriate corporate governance structure. Within that overall strategy, management has designed and implemented a risk management and internal control system to manage material business risks.<br><br>GLG has implemented a 5-step process to manage risk as follows:<br>1) Review the Risk context and Identification of specific key risks<br>2) Analysing and Prioritizing selected risks<br>3) Evaluation and Treatment of risks<br>4) Monitoring and Reporting; and<br>5) Controlling, Communication and Knowledge-Capturing<br><br>GLG risk categories are:<br>1) Customer Risks (including their financial conditions, solvency, credit worthiness, etc.)<br>2) Competitor Risks<br>3) Investment Risks<br>4) Operational Risks<br>5) Outsourced Partner and Contract Manufacturing Risks<br>6) Legal, Regulatory and Compliance Risks<br>7) Resources Risks (including HR, IT, etc.)<br>8) Finance Risks (including liquidity, trade credit financing, forex, etc.)<br>9) Reputation Risks<br>10) External Factors Risks<br><br>The Management Risk Committee provides reports for Board meetings.<br>The policy is available on the website www.ghimli.com |

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| 7.2 | The board or a committee of the board should:<br>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and<br>(b) disclose, in relation to each reporting period, whether such a review has taken place. | **Yes**<br>The Board reviews the risk management framework and policies of the Company. The Board has delegated responsibilities to the Management Risk Committee who then provides reports to the Board. The Board is responsible for approving policies on risk assessment and management.<br><br>A review has been untaken this year and a new policy approved. The policy is available at www.ghimli.com |
| 7.3 | A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | **Yes**<br>Management reviews the Company's business units, organisational structure and accounting controls and processes on a regular basis and reports to the Audit Committee and in turn to the Board; the Board is satisfied that the processes in place to identify the Company's material business risks are appropriate and that these risks are being effectively managed. The Group's risk management processes continue to be monitored and reported against. A description of the Group's risk management policy and internal compliance and control systems is available on the Website. |
| 7.4 | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | **Yes**<br>The Company's operations are not subject to any significant environmental regulations. The Directors believe that the Company has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements. |
| **8.** | **Remunerate fairly and responsibly** | |
| 8.1 | The board of a listed entity should:<br>(a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | **Yes**<br>The Board has a formal Nomination and Remuneration Committee comprising three members two of whom are independent and the CEO. Current members are Shane Hartwig (Independent Director and Chairman), Christopher Chong (Lead Independent Director) and Estina Ang (CEO). The role of the Nomination and Remuneration Committee is to review and make recommendations to the Board on remuneration packages and practices applicable to the Chief Executive Officer, Senior Executives and Directors themselves. This role also includes responsibility for share option schemes, incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. The Nomination and Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages. The Nomination and Remuneration Committee's functions and powers are formalised in a Charter and is posted on the Group's website. The number of times that the Nomination and Remuneration Committee met throughout the financial year and the individual |

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| | | attendances of the members at those meetings are disclosed in the Company's Annual Report. |
| 8.2 | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. | Details of the Directors and Key Senior Executives remuneration are set out in the Remuneration Report of the Annual Report. The structure of Non-Executive Directors' remuneration is distinct from that of executives and is further detailed in the Remuneration Report of the Annual Report. |
| 8.3 | A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. | **Yes**<br>Currently, the Company does not have an equity based remuneration scheme. |

**Composition of the Board**

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet regularly and follow guidelines set down to ensure all directors are made aware of, and have available, all necessary information to participate in an informed discussion of all agenda items.

**The Directors in office at the date of this statement are as follows:**

| **Name** | **Position** |
|---|---|
| Estina Ang Suan Hong | Executive Chairman and Chief Executive Officer |
| Christopher Chong Meng Tak | Lead Independent Director |
| Shane Hartwig | Independent Director |
| Felicia Gan Peiling | Director (appointed 15 September 2015) |
| Por Khay Ti | Director (resigned 3 August 2015) |

The skills, experience and expertise relevant to the position of director as well as the period of office held by each director are set out in the Directors' Report on pages 14 to 15.

**Board Responsibilities**

As the Board acts on behalf of the shareholders and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board, through the Audit Committee, receives reports from management on an on-going basis as to the material risks associated with the company's operations and the recommended risk mitigation process that they undertake. The Board has established a Code of Conduct which in summary, requires that at all times Directors and employees act with the integrity, objectivity and in compliance with the letter and spirit of the law and company policies. GLG has established a written policy designed to ensure compliance with ASX listing rule disclosure and accountability as senior executive level for compliance.

Under the guidance of the ASX's Corporate Governance Principles and Recommendations (3rd edition), the Board has established a Nomination and Remuneration Committee and an Audit Committee. The name of members of each committee and their attendance at meetings is contained on page 19 of the Annual Report.

The Nomination and Remuneration Committee has established a policy prohibiting transactions in associated products which limit the economic risk of participating in unvested entitlements under equity-based remuneration scheme.

A copy of the Company's Code of Conduct, Audit Committee charter, Nomination and Remuneration Committee charter and the terms and conditions of the continuous disclosure and shareholder communication policy is made publically available on the Company's website.

**Diversity**

The Company has implemented a Diversity Policy. This policy sets as a target 25% of all Board seats and management positions to be held by women. The Board is also considering other means to encourage diversity. The Company recognises the benefits of a diverse workforce and is committed to providing an environment that encourages diversity. The Board monitors the diversity profile of its workforce. As the Company already has gender diversity as evidenced by the proportion of women reported below, the Board has not set any measurable objectives.

At 30 June 2016, the proportion of women employed by GLG Corp Ltd was:

- Board of Directors 50%
- Senior Executives 61%
- Total Workforce 73%

**Dealing in GLG Corporation's Securities by Directors and employees**

Directors, officers and employees of the Company are prohibited from trading in GLG securities apart from the period 15 days commencing the day after GLG announces its half-yearly, preliminary final reports and full year accounts. A full outline of the Company's securities trading policy is made publically available on the Company website.

**Risk Management Policy**

Risk is an inherent part of GLG Corp's business, which operates in a highly competitive market sector. GLG Corp is committed to the management of risk as an integral part of its business, focusing on strategies to minimise risk which are regarded as threats to its achievement of objectives and goals.

The objectives of this policy are to:

- Outline the company's approach to risk management;
- Improve decision-making, accountability and outcomes through the effective use of risk management;
- Integrate risk management into daily operations of the company and its outsourced business partners;
- Consider risk appetite in protecting staff and business assets and strategy execution

GLG Corp is committed to managing risk in order to benefit the company and manage the cost of risk. To meet this commitment, risk is every employee's business. All employees are required to be responsible and accountable for managing risk in so far as reasonably practicable within their area of responsibility.

Sound risk management principles and practices must become part of the normal management strategy for all business units within GLC Corp including its outsourcing business partners.

The management of risk is to be integrated into GLG Corp's existing planning and operational processes and fully recognised in GLG Corp's reporting processes.

**Risk Management Policy (cont'd)**

The following are the specific risk categories included in the risk register and reporting:

- Customer risks (including their financial conditions, solvency, credit worthiness);
- Competitor risks;
- Investment risks;
- Operational risks;
- Outsourced partner and contract manufacturing risks;
- Legal, regulatory and compliance risks (including product liability, legal compliance guideline set by customers);
- Resources risks (including HR, IT, etc.);
- Finance risks (including liquidity, trade credit financing, foreign exchange, etc.);
- Reputation risks; and
- External factors risks

The Management Risk Committee is responsible for reviewing this policy document in conjunction with senior management and staff every year. The outcome of this review process will be submitted to the Board for approval. The Management Risk Committee will indicate, in its opinion and based on its activities, any significant business risks which remain at un unacceptably high level.

Full disclosure of the Company's policies in relation to risk oversight and management of material business risk are made publicly available on the Company website.

**Other Information**

The Company's corporate governance practices and policies in relation to the matters reserved to the board, matters delegated to senior executives and a copy of the board charter are publicly available at the Company's registered office. The policies have also been posted on the Company's website.

# Directors' report

The Directors of GLG Corp Ltd ("GLG" or "the Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## Information about the Directors and senior management

The names and particulars of the Directors of the Company during and since the end of the financial year are:

### *Estina Ang Suan Hong*

Executive Chairman Estina Ang Suan Hong is the founder of GLG Corp Ltd and was appointed to the Board in 2005. Ms Ang is the Executive Chairman of GLG and is a member of the Nomination and Remuneration committee.

Ms Ang has over 35 years of experience in the textile and apparel industry. She began her career in the industry in 1975, working for Polly Allied Knitwear Pte Ltd, a Singapore based apparel group.

Under her leadership, GLG Corp Ltd has established itself as a global supplier of quality apparel to major retailers in the USA. Ms Ang also spearheaded the Business' expansion into USA, Guatemala and Hong Kong.

Ms Ang was also the founder of GLIT Group, a key garment manufacturing supplier to GLG. She oversaw GLIT Group's establishment of operations in Malaysia, Fiji, Brunei, Indonesia, Guatemala, China and Sri Lanka. Ms Ang divested GLIT Group following the listing of GLG.
Ms Ang graduated from Nanyang University in 1974 with a Bachelor of Arts degree, and is a member of the Singapore Institute of Directors.

### *Christopher Chong Meng Tak*

Lead Independent Director, joined the Board on 12 October 2005. Mr Chong is the Chairman of the Audit Committee and member of the Nomination and Remuneration Committee.

Mr Chong is a partner of ACH Investments Pte Ltd, a specialist corporate advisory firm in Singapore, and, an Associate of Shadforths Limited, a leading financial firm in Tasmania, Australia. Prior to co-founding ACH Investments Pte Ltd, Mr Chong was a multi-award winning equity analyst and the Managing Director of HSBC James Capel Securities (Singapore) Pte Ltd, (now known as HSBC Securities (Singapore) Pte Ltd), a member of the Hong Kong Bank Group of companies. Mr Chong is an independent director of several listed public companies. Mr Chong is also a Director and/or advisor to many private companies and to many Asian families and the judicial branch of the Singapore government.

Mr Chong has extensive Asia Pacific experience having previously also been an advisor to listed companies on the Exchange of Hong Kong, Jakarta (Indonesia), Kuala Lumpur (Malaysia), Makati (Philippines) and Bangkok (Thailand). Mr Chong is a fellow of the Australia Institute of Company Directors, a fellow of the Singapore Institute of Directors and a Master Stockbroker of the Securities and Derivatives Industry Association of Australia.

Mr Chong has received a B.Sc. (Economics) from the University College of Wales, an MBA from London Business School and is a member of the Institute of Chartered Accountants of Scotland.

## *Shane Hartwig*

Mr Hartwig is a Certified Practicing Accountant and Chartered Company Secretary and holds a Bachelor of Business degree, majoring in Accounting and Taxation from Curtin University of Technology in Western Australia. He was appointed to the Board on 2 December 2014. Mr Hartwig is a member of the Audit Committee and the Chairman of the Nomination and Remuneration Committee.

Mr Hartwig is involved in the areas of initial public offerings, capital raisings, prospectus and information memorandum preparation and project management, company assessments and due diligence reviews, mergers and acquisitions and providing general corporate advice. Mr Hartwig has over 20 years' experience in the finance industry both nationally and internationally with exposure to both the debt and equity capital markets.

Mr Hartwig is also Company Secretary of Anteo Diagnostics Limited and Rutila Resources Limited on a contract basis. Mr Hartwig was previously the Company Secretary of GLG Corp Ltd until July 2011.

## *Felicia Gan Peiling (appointed 15 September 2015)*

Ms Gan joined the Board on 15 September 2015. Ms Gan joined the Company in 2006 as a legal officer responsible for the legal compliance office. Ms Gan is currently responsible for the overall management of Business Development, Sales & Marketing Teams including Outsourced Manufacturing and Product, Development and Design departments. Ms Gan builds, direct and drives the annual strategic sales and marketing plan and implements marketing strategies to identify and develop new customers and business opportunities on a global scale.

Ms Gan graduated with a Bachelor of Laws (Honours) from University of Nottingham in 2003 and was admitted to the Singapore Bar in May 2005. She is a member of the Singapore Academy of Law and a management committee member of the Textile Apparel Fashion Federation Singapore.

## *Por Khay Ti (resigned 3 August 2015)*

Director joined the Board on 1 July 2014 and was an Executive Director and Chief Operating Officer. Mr Por was responsible for the Marketing and Operations divisions.

**Board Skills Matrix**

| Skills | Description | Number of Directors |
|---|---|---|
| Strategic and commercial acumen | The ability to define strategic objectives, constructively question business plans and implement strategy using commercial judgment. | 5 |
| Financial acumen | Financial knowledge, accounting or related financial management qualifications and experience | 3 |
| Risk and compliance | An understanding of compliance matters and risk management, including environmental, technological and governance risk | 4 |
| Executive leadership | Experience in senior leadership roles, including on the boards of other listed companies. | 1 |
| Diversity | The ability to contribute to inclusion and diversity. | 5 |
| International/global | Senior leadership experience across a range of international businesses and exposure to a range of political, cultural, regulatory and business environments | 5 |

## Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

| Name | Company | Period of directorship |
|---|---|---|
| Christopher Chong Meng Tak | ASL Marine Holdings Ltd | Since 03 January 2015 |
| | Ying Li International Real Estate Ltd | Since 19 December 2007 |
| | Singapore O&G Ltd | Since 14 May 2015 |
| | Cedar Strategic Holdings Ltd | Since 24 June 2015 |
| | Forise International Ltd | Since 19 August 2015 |
| | Koda Ltd | Ceased 28 October 2013 |
| | Lorenzo Ltd | Ceased 7 October 2014 |
| | Koon Holdings Ltd | Ceased 31 December 2015 |

## Former partners of the audit firm

No officer of the Company has been a partner in an audit firm, or a director of an audit company that is an auditor of the Company during the period or was such a partner or director at a time when the audit firm or the audit company undertook an audit of the Company.

## Directors' shareholdings

The following table sets out each director's relevant interest in shares or options in shares or debentures of the Company or a related body corporate as at the date of this report.

| *Directors* | Fully Paid Ordinary Shares Number | Share options Number |
|---|---|---|
| Estina Ang Suan Hong | 54,560,000 | - |
| Christopher Chong Meng Tak | 160,007 | - |

## Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 20 to 26.

## Share options granted to directors and senior management

During and since the end of the financial year no share options (2015: nil) were granted to the directors as part of their remuneration.

## Company Secretary

Ms Joanne (Jo) Bourke was appointed as Company Secretary on 5 July 2011. Ms Bourke is a qualified accountant and chartered secretary. Her previous experience includes 5 years in the oil and gas industry and 12 years' experience in the financial services industry both in Australia and overseas. Ms Bourke has extensive experience in the areas of corporate governance, statutory, regulatory and compliance reporting and activities. Ms Bourke was Company Secretary for ASX listed Elk Petroleum Ltd until December 2011.

## Principal Activities

The consolidated entity's principal activities in the course of the financial year were being a global supplier of knitwear/apparel and supply chain management operations.

## Review of Operations

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 (a) the higher number of samples required for presentation to customers aimed at gaining new orders to boost future sales and (b) 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 costs incurred for export trade financing for a key customer.

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 21.10% to US$67,388 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. And the decrease in the receivable is also due by to a decline in sales.

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 paid 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.

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.

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 2016. The decrease was due to the decline in operating cash attributable to 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.

## Changes in state of affairs

During the financial period, there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

## Dividends

In respect of the financial year ended 30 June 2016, the Directors do not recommend the payment of a final dividend and no interim dividend was paid. In respect of the financial year ended 30 June 2015, no dividend was declared.

## Subsequent events

The Company has entered a share purchase agreement with Ghim Li Group Pte Ltd to acquire a fabric 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 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 Australia 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.

## Future Developments

The consolidated entity is expanding fabric suppliers to include fashion novelty and also to increase the amount of work with outsourced factories. The performance depends on many economic and industry factors. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the future course of markets, performance of the Consolidated Entity's or the forecast of the likely result of the Consoldiated Entity's activities.

## Environmental Regulation

The consolidated Entity is not subject to any particular or significant environmental regulation.

## Shares under option or issued on exercise of options

There are no shares under option or issues on exercise of options during the year (2015: Nil).

## Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or exectuvie officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

## Directors’ meetings

The following table sets out the number of directors’ meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year 4 Board meetings, 2 Nomination and Remuneration Committee meeting and 2 Audit Committee meetings were held:

| Directors | Board of directors | | Nomination & remuneration committee | | Audit committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| Estina Ang Suan Hong | 4 | 4 | 2 | 2 | - | - |
| Christopher Chong Meng Tak | 4 | 4 | 2 | 2 | 2 | 2 |
| Shane Hartwig | 4 | 4 | 2 | 2 | 2 | 2 |
| Felicia Gan Peiling | 3 | 2 | - | - | - | - |
| Por Khay Ti | - | - | - | - | - | - |

## Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 29 of the financial report.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor’s behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 29 to the full financial statements do not compromise the external auditors’ independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## Auditor’s independence declaration

The auditor’s independence declaration is included on page 28 of the annual report.

## Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors’ Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors’ report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

### Directors' response to audit qualification

The Directors note that although the qualification in the audit report refers to a lack of sufficient audit evidence with respect to the recoverability of a portion of the GLIT Receivable (being $13,573,000), the Audit Committee and the Board have had confirmation that the qualification is not a result of any error, irregularity or breach of internal controls by GLG Corp Ltd. The Directors note that:

1) Due to the commercial nature of the Company's business, a large GLIT Receivable is and should be expected. This is evidenced by the fact that a large GLIT Receivables has been a regular item in the Balance Sheet of the Company, since its inception and IPO in 2005.

2) The GLIT Receivable has been the subject of a third party guarantee from the Ghim Li Group. The collateral provided for the guarantee was valued at US$8.747m at 30 June 2016. Based on verbal representations made at Board meetings the directors believe the Ghim Li guarantee could and would be extended to cover the whole of the receivable.

3) Due to changes in the textile and garment industry, existing and potential customers require supply chain managers such as our Company to provide greater value add in terms of time to market and fabric control. The Board has therefore approved a change in strategy which includes the acquisition of a fabric mill and the acquisition of CMT (cut, make and trim) factories. The Company has identified, negotiated and signed a Sales & Purchase Agreement with Ghim Li Group for the acquisition of Maxim entities (which include a fabric mill) as noted in the Subsequent Events note of the Financial Statements. A Notice of Meeting has been sent to shareholders to hold an extraordinary shareholders' meeting to approve the proposed acquisition.

a) As the acquisition is from the Ghim Li Group, and given that the Ghim Li Group has agreed that $7.6 million of the Consideration can be withheld as security against the GLIT Receivable, the Board is of the opinion that the GLIT Receivable is better secured this year relative to last year; and

b) The Company is in discussions with GLIT to buy a CMT factory and pay the Consideration by way of an offset arrangement. This will result in a reduction in the GLIT Receivable instead of the Company paying cash for the CMT factory. In the event such an acquisition is undertaken, the GLIT Receivable will be reduced further.

4) Taking into account of the subsequent acquisition of Maxim fabric mill and the possible acquisition of a CMT factory as subsequent events to the Balance Sheet date, the Directors are of the view that GLIT Receivable is wholly recoverable.

5) By acquiring CMT factories as part of the Company's strategy on vertical integration, the Directors are of the view that the Company will be far less reliant on GLIT in the future, resulting in a gradual decrease in the level of GLIT Receivable.

# Remuneration Report (audited)

This Remuneration report, which forms part of the Directors' report, sets out information about the remuneration of GLG's directors and its senior management for the financial year ended 30 June 2016. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management.
- key terms of employment contracts

## Director and senior management details

The following persons acted as directors of the Company during or since the end of the financial year:

- Estina Ang Suan Hong as Executive Chairman and Chief Executive Officer
- Christopher Chong Meng Tak as Lead Independent Director
- Shane Hartwig as Independent Director
- Felicia Gan Peiling as Senior Vice President – Business Development (appointed as an Executive Director 15 September 2015)
- Por Khay Ti as Executive Director (resigned 3 August 2015)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Susan Yong as Executive Vice President - Operations
- Timothy Ngui as Chief Information Officer
- Cheah Eng Kean as EVP, Marketing & Contract Manufacturing (appointed 1 April 2016)
- Shawn Fung as Chief Financial Officer (appointed 13 June 2016)

## Remuneration policy

The remuneration for Key Management Personnel is determined as follows:

- For the Executive Chairman, Chief Executive Officer, by the Nominations and Remuneration Committee and by the Board and with a view to attract, retain and develop appropriately skilled people. Remuneration is reviewed on an annual basis having regard to personal and corporate performance and relevant comparative information.
- The remuneration of non-executive directors may not exceed in aggregate in any financial period the amount fixed by the Company at the general meeting. The amount has not changed since the Company listed in 2005.
- For executives the Nomination and Remuneration Committee reviews remuneration policies and practices and makes recommendations to the Board regarding their approval. Remuneration is reviewed on an annual basis having regard to personal and corporate performance and relevant comparative information.

## Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2016:

| | 30 June 2016 US$'000 | 30 June 2015 US$'000 | 30 June 2014 US$'000 | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|---|---|---|
| Revenue from all sources | 171,263 | 180,343 | 226,718 | 230,884 | 237,891 |
| Net profit before tax | 3,643 | 3,865 | 4,681 | 3,592 | 8,051 |
| Net profit after tax | 2,920 | 3,148 | 4,038 | 3,115 | 7,524 |
| Share price at start of year | $0.18 | $0.24 | $0.28 | $0.21 | $0.24 |
| Share price at end of year | $0.15 | $0.18 | $0.24 | $0.28 | $0.21 |
| Final Dividend (unfranked) | - | - | - | - | - |

## Relationship between the remuneration policy and company performance (cont'd)

| | 30 June 2016<br>US$'000 | 30 June 2015<br>US$'000 | 30 June 2014<br>US$'000 | 30 June 2013<br>US$'000 | 30 June 2012<br>US$'000 |
|---|---|---|---|---|---|
| Basic earnings per share | 3.94 cps | 4.25 cps | 5.45 cps | 4.20 cps | 10.15 cps |
| Diluted earnings per share | 3.94 cps | 4.25 cps | 5.45 cps | 4.20 cps | 10.15 cps |

GLG Corp Ltd employees may be entitled to receive a discretionary bonus, as set and agreed by senior management and / or the Nomination and Remuneration Committee. These bonuses are accrued prior to year end based on the expected bonuses to be paid, however the amounts may not be finalized or paid until a future date that is not necessarily within 12 months of balance sheet date. -As a result, there is a difference in timing of the accrual of the bonus and the timing of the payment of the bonus.

## Remuneration of directors and senior management

Each executive director of the Company has entered into an Executive Service Agreement with Ghim Li Global Pte Ltd, a major subsidiary of GLG. They are not remunerated separately for being a director or executive of the Company or other operating entities. Under their respective terms of engagement, all executives:

- commenced their terms as an executive of Ghim Li Global Pte Ltd for a 3 year term, and thereafter their engagement automatically continues from year to year, unless their Executive Service Agreement is terminated;
- are covenanted to not compete against GLG's operations for a period of 12 months after cessation of employment with GLG;
- agree that either party may terminate their Executive Service Agreement by giving 3 months written notice. In addition, Ghim Li Global Pte Ltd may without prior notice terminate their Service Agreements under certain conditions, for example, if the executive commits a serious breach of his or her obligations, or is guilty of grave misconduct in the discharge of his or her duties, or becomes bankrupt.

The service agreements contain otherwise standard terms, including with regard to each executive's duties, GLG owns any intellectual property created by its executives, confidentiality, entitlements to minor benefits in addition to their remuneration, and devoting substantially the whole of their time and attention during business hours to the discharge of their duties.

Each executive director receives a salary per annum. They may also be entitled to an annual bonus determined by the Nomination and Remuneration Committee, in its absolute discretion.

Each of the key managers have entered into a service agreement with Ghim Li Global Pte Ltd, the general terms of which are not materially different to those of the executive directors described above.

Each key manager receives a salary per annum, reviewed by the Chief Executive Officer annually with reference to the progress of GLG. Each may also be entitled to an annual bonus determined by the Chief Executive Officer, reviewed by the Nomination and Remuneration Committee, and approved by the Board taking into account overall management performance and the Company's profit for the year.

## Elements of Key Management Personnel remuneration

Remuneration packages contain the following key elements:

(a) Short-term employment benefits – salaries/fees, bonuses; and
(b) Post-employment benefits

## Remuneration of directors and senior management

| 2016 | Short term employment benefits | | | | Post-employment benefits super - annuation | Other long term employee benefits | Share based payments, options &rights | Total |
|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Non-monetary | Other | | | | |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Directors** | | | | | | | | |
| Estina Ang Suan Hong [1] | 479,445 | 105,977 | - | - | 4,580 | - | - | 590,002 |
| Christopher Chong Meng Tak | 36,465 | - | - | - | - | - | - | 36,465 |
| Por Khay Ti [2] | 36,754 | - | - | - | 625 | - | - | 37,379 |
| Shane Hartwig | 24,724 | - | - | - | - | - | - | 24,724 |
| Felicia Gan Peiling [3] | 121,337 | 17,663 | - | - | 11,080 | - | - | 150,080 |
| | **698,725** | **123,640** | **-** | **-** | **16,285** | **-** | **-** | **838,650** |
| **Executives** | | | | | | | | |
| Shawn Fung [4] | 10,988 | - | - | - | 565 | - | - | 11,553 |
| Cheah Eng Kean [5] | 38,144 | - | - | - | 1,194 | - | - | 39,338 |
| Susan Yong | 140,336 | 12,717 | - | - | 7,615 | - | - | 160,668 |
| Timothy Ngui | 113,564 | 6,217 | - | - | 9,134 | - | - | 128,915 |
| | **303,032** | **18,934** | **-** | **-** | **18,508** | **-** | **-** | **340,474** |
| **Total** | **1,001,757** | **142,574** | **-** | **-** | **34,793** | **-** | **-** | **1,179,124** |

1. Estina Ang Suan Hong and Felicia Gan Peiling (appointed as an Executive 15 September 2015) are both Directors and Executives of GLG Corp Ltd. Estina Ang Suan Hong acts as the Chief Executive Officer; Felicia Gan Peiling is Senior Vice President, Business Development.
2. Por Khay Ti resigned 3 August 2015.
3. Felicia Gan Peiling appointed as an Executive Director on 15 September 2015.
4. Shawn Fung appointed as Chief Financial Officer on 13 June 2016.
5. Cheah Eng Kean appointed as EVP, Marketing & Contract Manufacturing on 1 April 2016.

| 2015 | Short term employment benefits | | | | Post-employment benefits super - annuation | Other long term employee benefits | Share based payments, options &rights | Total |
|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Non-monetary | Other | | | | |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Directors** | | | | | | | | |
| Estina Ang Suan Hong [1] | 465,921 | 73,910 | - | - | 5,134 | - | - | 544,965 |
| Christopher Chong Meng Tak | 42,168 | - | - | - | - | - | - | 42,168 |
| Surina Gan Meng Hui [1] | 11,051 | - | - | - | - | - | - | 11,051 |
| Por Khay Ti [2] | 230,654 | 22,173 | - | - | 3,564 | - | - | 256,391 |
| Shane Hartwig [3] | 18,364 | - | - | - | - | - | - | 18,364 |
| Thongviboon [4] | 9,209 | - | - | - | - | - | - | 9,209 |
| | **777,367** | **96,083** | **-** | **-** | **8,698** | **-** | **-** | **882,148** |
| **Executives** | | | | | | | | |
| Felicia Gan Peiling [5] | 115,030 | 10,200 | - | - | 9,338 | - | - | 134,568 |
| Timothy Ngui | 76,393 | 6,008 | - | - | 8,625 | - | - | 91,026 |
| Susan Yong | 149,926 | 22,173 | - | - | 7,395 | - | - | 179,494 |
| | **341,349** | **38,381** | **-** | **-** | **25,358** | **-** | **-** | **405,088** |
| **Total** | **1,118,716** | **134,464** | **-** | **-** | **34,056** | **-** | **-** | **1,287,236** |

1. Estina Ang Suan Hong and Surina Gan Meng Hui (resigned as an Executive 21 October 2013) are both Directors and Executives of GLG Corp Ltd. Estina Ang Suan Hong acts as the Chief Executive Officer; Surina Gan Meng Hui retired as non executive director on 31 October 2015.
2. Por Khay Ti appointed as director and executive on 1 July 2014 and resigned 3 August 2015.
3. Share Hartwig appointed as director on 2 December 2014.
4. Thongviboon retired on 31 October 2014.
5. Felicia Gan Peiling appointed as an Executive Director on 15 September 2015.

The relative proportions of those elements of remuneration of key management personnel that are linked to performance:

| | Fixed remuneration | | Remuneration linked to performance | |
|---|---|---|---|---|
| **Directors** | **2016** | **2015** | **2016** | **2015** |
| Estina Ang Suan Hong | 82.0% | 86.4% | 18.0% | 13.6% |
| Christopher Chong Meng Tak | 100% | 100% | - | - |
| Surina Gan Meng Hui | - | 100% | - | - |
| Por Khay Ti | 100% | 91.4% | - | 8.8% |
| Shane Hartwig | 100% | 100% | - | - |
| Thongviboon | - | 100% | - | - |
| Felicia Gan Peiling | 88.2% | 92.4% | 11.8% | 7.6% |
| | | | | |
| **Executives** | | | | |
| Shawn Fung | 100% | - | - | - |
| Timothy Ngui | 95.2% | 93.4% | 4.8% | 6.6% |
| Cheah Eng Kean | 100% | - | - | - |
| Susan Yong | 92.1% | 87.6% | 7.9% | 12.4% |

## Bonuses payment as compensation for the current financial year

Cash Bonuses

Madam Estina Ang Suan Hong was granted a cash bonus of US$105,977 (FY2015: US$73,910) during the financial year ended 30 June 2016. The cash bonus was given for her stewardship as Chief Executive Officer on the company's overall performance.

Ms Felicia Gan Peiling was granted a cash bonus of US$17,663 (FY2015: US$10,200) during the financial year ended 30 June 2016. The cash bonus was given for her contribution as Senior Vice President, Business Development for on-going business development and management of legal matters.

Mr Timothy Ngui was granted a cash bonus of US$6,217 (FY2015: US$6,008) during the financial year ended 30 June 2016. The cash bonus was given for his contribution as Chief Information Officer on the improvement to Workforce Efficiency, Cost Savings and Process Automation through application of Information Technology Systems and Group Human Resource Management.

Ms Susan Yong was granted a cash bonus of US$12,717 (FY2015: US$22,173) during the financial year ended 30 June 2016. The cash bonus was given for her contribution as Executive Vice President Operations for her achievements in operational efficiencies and overall cost reduction.

## Loans to Key Management Personnel

The Group has not provided any loans to key management personnel.

## Other transactions with Key Management Personnel in the Group

There have been no other transactions between the Group and key management personnel.

## Key Management Personnel equity holdings

Fully paid ordinary shares of GLG Corp Ltd

| | Balance at 1 July No. | Granted as compensation No. | Net other change No. | Balance at resignation date No. | Balance at 30 June No. | Balance at 30 Sep 2016 No. |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Estina Ang Suan Hong | 54,560,000 | - | - | - | 54,560,000 | 54,560,000 |
| Christopher Chong Meng Tak | 160,007 | - | - | - | 160,007 | 160,007 |
| **2015** | | | | | | |
| Estina Ang Suan Hong | 54,560,003 | - | 3 | - | 54,560,000 | |
| Christopher Chong Meng Tak | 160,007 | - | - | - | 160,007 | |

## Key terms of employment contract

A summary of the key term of employment are set out below:

| Position | Key term of service agreements |
|---|---|
| Chief Executive Officer | • Base salary: US$522,483 (SG$660,000) excluding superannuation. The contract for remuneration is in Singapore Dollars.<br>• Term: no fixed term<br>• Base remuneration: Reviewed annually by the Nomination and Remuneration Committee.<br>• Bonus entitlements: Determined annually by the Nomination and Remuneration Committee.<br>• Termination notice period: 6 months' notice or without notice in the event of serious misconduct.<br>• Termination payment: in lieu of notice<br>• Restraint and confidentiality provisions. |
| Executive Director | • Base salary: US$121,337 (SG$168,600) excluding superannuation. The contract for remuneration is in Singapore Dollars.<br>• Term: no fixed term<br>• Base remuneration: Reviewed annually by the Nomination and Remuneration Committee.<br>• Bonus entitlements: Determined annually by the Nomination and Remuneration Committee.<br>• Termination notice period: 3 months' notice or without notice in the event of serious misconduct.<br>• Termination payment: in lieu of notice<br>• Restraint and confidentiality provisions. |
| Senior Management | • Base salary: refer to remuneration of directors and senior management for individual's salary<br>• Term: no fixed term<br>• Base remuneration: Reviewed annually by the Nomination and Remuneration Committee.<br>• Bonus entitlements: Determined annually by the Nomination and Remuneration Committee.<br>• Termination notice period: one month' notice or without notice in the event of serious misconduct.<br>• Termination payment: in lieu of notice<br>• Restraint and confidentiality provisions. |

This concludes the Remuneration Report, which has been audited.

The Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On the behalf of the Director

Estina Ang Suan Hong, CEO

Singapore, 30 September 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
GLG Corp Ltd
Level 40 100 Miller Street
NORTH SYDNEY NSW 2060

30 September 2016

Dear Board Members

**GLG Corp Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of GLG Corp Ltd.

As lead audit partner for the audit of the financial statements of GLG Corp Ltd for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carl Harris
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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# Independent Auditor's Report to the members of GLG Corp Ltd

**Report on the Financial Report**

We have audited the accompanying financial report of GLG Corp Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 31 to 71.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of GLG Corp Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

*Basis for Qualified Opinion*

As at 30 June 2016 the Consolidated entity has included within trade and other receivables in note 9 an amount receivable from the GLIT Group. This receivable and the trust receipts payable disclosed in note 15, are related to the arrangements disclosed in note 28 under which the Consolidated entity sources its apparel manufacturing requirements from the GLIT Group and in return guarantees to fulfil a minimum of 80% of the production capacity of GLIT Group entities. We were unable to obtain sufficient appropriate audit evidence regarding the recoverability of US$13,573,000 of the balance receivable from GLIT Group because we did not have access to the current financial information of the GLIT group. Further we were unable to perform alternative procedures sufficient to satisfy ourselves regarding the recoverability of the balance. Consequently, we were unable to determine what adjustment, if any, to the balance receivable from GLIT Group may be necessary.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

(a) the financial report of GLG Corp Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 20 to 26 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of GLG Corp Ltd for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carl Harris
Partner
Chartered Accountants
Hobart, 30 September 2016

# Directors' declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On the behalf of the Director

Estina Ang Suan Hong, CEO

Singapore, 30 September 2016

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

| | Note | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|---|
| Revenue | 5 | 170,797 | 180,126 |
| Cost of sales | | (151,136) | (161,358) |
| Gross profit | | 19,661 | 18,768 |
| Other revenue | 5 | 43 | 142 |
| Other income | 5 | 423 | 75 |
| Distribution expenses | | (2,238) | (1,045) |
| Administration expenses | | (10,242) | (11,169) |
| Finance costs | 6 | (761) | (392) |
| Other expenses | | (3,243) | (2,514) |
| **Profit before income tax expense** | | **3,643** | **3,865** |
| Income tax expense | 8 | (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) | 18 | 3.94 | 4.25 |
| Diluted (cents per share) | 18 | 3.94 | 4.25 |

Notes to the financial statements are included on page 37 to 71

# Consolidated Statement of financial position as at 30 June 2016

| | Note | Consolidated 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 24(a) | 7,394 | 10,831 |
| Trade and other receivables | 9 | 67,388 | 85,408 |
| Inventory | 21 | 7,466 | 114 |
| Other assets | 13 | 327 | 180 |
| Other financial assets | 10 | 344 | 344 |
| **Total current assets** | | **82,919** | **96,877** |
| | | | |
| **Non-current assets** | | | |
| Other assets | | 1,391 | - |
| Other financial assets | 10 | 7,333 | 2,333 |
| Investments accounted for using the equity method | 11 | - | - |
| Property, plant and equipment | 12 | 5,315 | 2,393 |
| **Total non-current assets** | | **14,039** | **4,726** |
| **Total assets** | | **96,958** | **101,603** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 3,102 | 2,913 |
| Borrowings | 15 | 31,463 | 41,813 |
| Current tax liabilities | 8(b) | 1,085 | 949 |
| **Total current liabilities** | | **35,650** | **45,675** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 2,438 | 64 |
| Deferred tax liabilities | 8(c) | 343 | 257 |
| **Total non-current liabilities** | | **2,781** | **321** |
| **Total liabilities** | | **38,431** | **45,996** |
| **Net assets** | | **58,527** | **55,607** |
| | | | |
| **Equity** | | | |
| Issued capital | 16 | 10,322 | 10,322 |
| Retained earnings | 17 | 48,205 | 45,285 |
| **Total equity** | | **58,527** | **55,607** |

Notes to the financial statements are included on pages 37 to 71

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

| | Issued Capital US$'000 | Retained Earnings US$'000 | Total 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 for the year | - | - | - |
| **Total comprehensive income for the year** | **-** | **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 for the year | - | - | - |
| **Total comprehensive income for the year** | **-** | **2,920** | **2,920** |
| **Balance at 30 June 2016** | **10,322** | **48,205** | **58,527** |

Notes to the financial statements are included on pages 37 to 71

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

| | Note | Consolidated 2016 US$'000 | Consolidated 2015 US$'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** | 24(c) | **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** | | | |
| Net (Repayment of)/proceeds from borrowings | | (7,976) | 5,470 |
| Repayment from related parties | | 30 | 169 |
| Received from / (amounts advanced to) 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** | 24(a) | **7,394** | **10,831** |

Notes to the financial statements are included on pages 37 to 71

# Notes to the financial report

## 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** |
|---|---|
| L40 100 Miller St | 21 Jalan Mesin, |
| North Sydney NSW 2060 | Singapore 368819 |
| Australia | |

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

## 2. Significant accounting policies

**Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report comprises the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statement, the company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 September 2016.

**Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in US dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

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

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

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated

## 2. Significant accounting policies (cont'd)

**Adoption of new and revised Accounting Standards**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

New and revised Standards and Interpretations effective for the current period that are relevant to the Company include:

- AASB 2016-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or the financial position.

**Standards and Interpretations issued not yet effective**

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

| **Standard/Interpretation** | **Effective for annual reporting periods beginning on or after** | **Expected to be initially applied in the financial year ending** |
|---|---|---|
| *AASB 9 Financial Instruments, and the relevant amending standards* | 1 January 2018 | 30 June 2019 |
| *AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'* | 1 January 2018 | 30 June 2019 |
| *AASB 16 Leases* | 1 January 2019 | 30 June 2020 |
| *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 | 30 June 2017 |
| *AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* | 1 January 2016 | 30 June 2017 |
| *AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 Cycle* | 1 January 2016 | 30 June 2017 |
| *AASB 1057 Application of Australian Accounting Standard* | 1 January 2016 | 30 June 2017 |
| *AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* | 1 January 2016 | 30 June 2017 |
| *AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative; Amendments to AASB 107'* | 1 January 2017 | 30 June 2018 |
| *AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'* | 1 January 2018 | 30 June 2019 |

As at the date of the report management are quantifying the impact, if any, on the adoption of the above accounting standards.

## 2. Significant accounting policies (cont'd)

*(a) Basis of consolidation*

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Control is achieved when the company:

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

Total comprehensive income of subsidiaries is attributed to the owners of the Company.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

A list of subsidiaries appears in note 23 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

*(b) Business combinations*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

When a change in the Group ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

## 2. Significant accounting policies (cont'd)

*(c) Foreign currency*

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States dollars, which is the functional currency of GLG Corp Ltd and the presentation currency for the consolidated financial statements. All subsidiaries of GLG Corp Ltd have functional currency of United States dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

*(i)* exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings (refer note 2 (l);

*(ii)* exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

*(iii)* exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

*(d) Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

*(i)* where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

*(ii)* for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

## 2. Significant accounting policies (cont'd)

*(e) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered to buyers' forwarders which is taken to be the point in time when the buyers have accepted the goods and the related risks and rewards of ownership.

Rendering of services

Rendering of services is commission income recognised upon completion of services rendered to fabric suppliers and garments manufacturers.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

*(f) Income tax*

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

## 2. Significant accounting policies (cont'd)

*(f) Income tax(cont'd)*

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*(g) Cash and cash equivalents*

Cash comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of financial position.

*(h) Financial assets*

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

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment, if any, in the Company's financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company's financial statements.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

## 2. Significant accounting policies (cont'd)

*(h) Financial assets (cont'd)*

Impairment of financial assets

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

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized through profit and loss.

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

Derecognition of financial assets

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

*(i) Inventories*

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.

*(j) 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.

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 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

| | |
|---|---|
| Leasehold improvements | 5-44 years |
| Plant and machinery | 5-10 years |
| Furniture, fittings and office equipment | 3-5 years |
| Motor vehicles | 5-10 years |

## 2. Significant accounting policies (cont'd)

*(k) Impairment of tangible and intangible assets other than goodwill*

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

*(l) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

*(m) Leased assets*

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

<u>Group as lessee</u>

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

<u>Lease incentives</u>

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

## 2. Significant accounting policies (cont'd)

*(n) Employee benefits*
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

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

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

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

*(p) Financial instruments issued by the Company*

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

## 2. Significant accounting policies (cont'd)

*(p) Financial instruments issued by the Company (cont'd)*

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

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

A financial liability other than a financial liability held for trading is designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 25.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

*(q) Derivative financial instruments*

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

Further details of derivative financial instruments disclosed in note 25.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

*Receivables*

The GLIT Receivables carrying value is estimated to be recoverable on the basis that GLIT continues to operate as our outsourced manufacturing partner dedicated to serve the day-to-day needs of GLG Corp. It is assumed that GLIT has sufficient resources, financial and otherwise to support the order fulfilment processes in the factories, with guidance and loadings from GLG Corp.

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

## 4. Segment information

GLG operates in the apparel industry and reports only one reportable segment under AASB 8 "Operating Segments".

## 5. Revenue

| | Consolidated | |
|---|---|---|
| | **2016 US$'000** | **2015 US$'000** |
| **Continuing operations** | | |
| 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 | - |
| Productivity and Innovation Credit cash payout | 180 | 33 |
| Other | 79 | 21 |
| **Total other income** | **423** | **75** |
| | **171,263** | **180,343** |

## 6. Finance costs

| | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|
| Interest on loans | 22 | 11 |
| Interest on obligations under finance leases | 3 | 7 |
| Bank charges | 234 | 179 |
| Total interest expense | 259 | 197 |
| Line of credit charges and interest | 502 | 195 |
| | **761** | **392** |

## 7. Profit For The Year Before Income Tax Expense

Profit/ (loss) for the year has been arrived at after (crediting)/charging the following gains and losses:

| | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|
| (Gain)/ loss on disposal of property, plant and equipment | (51) | 20 |
| Allowance / (written back) – doubtful debts | 300 | (9) |
| Bad and doubtful debts (Recovered bad debts) | 2,233 | (213) |
| Net foreign exchange (gain)/ losses | (31) | 44 |
| Depreciation of non-current assets | 232 | 267 |
| Operating lease rental expenses: | | |
| Minimum lease payments | 1,459 | 1,794 |
| Employee benefit expense: | | |
| Post-employment benefits: | | |
| Defined contribution plans | 448 | 464 |
| Other employee benefit | 5,318 | 6,904 |
| Total employee benefit expenses | 5,766 | 7,368 |
| Finance lease interest expenses | 3 | 7 |

## 8. Income taxes

### (a) Income tax recognised in profit or loss

| | Consolidated | |
|---|---|---|
| | 2016 US$'000 | 2015 US$'000 |
| **Tax expense comprises:** | | |
| Current tax expense in respect of the current year | 613 | 547 |
| Deferred tax expense in respect of the current year | 86 | 170 |
| Adjustments recognised in the current year in relation to the current tax of prior years | 24 | - |
| **Total tax expense** | **723** | **717** |

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Profit from operations | 3,643 | 3,865 |
| Income tax expense calculated at 30% | 1,093 | 1,160 |
| Effect of expenses that are not deductible/assessable in determining taxable profit | 365 | 192 |
| Effect of income not taxable for tax purposes | (76) | (5) |
| Effect of tax allowance | (118) | - |
| Effect of tax losses not recognised | 25 | - |
| Effects of different tax rates of subsidiaries operating in other jurisdiction | (611) | (609) |
| Utilisation of tax losses of a related company | - | (115) |
| | **678** | **623** |
| Other | 21 | (19) |
| | **699** | **604** |
| Adjustments recognised in the current year in relation to the current tax of prior years | 24 | 113 |
| **Income tax expense recognised in profit** | **723** | **717** |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. However, for the purposes of tax reconciliation, certain subsidiaries were operating in Singapore and Hong Kong, in which these entities are taxed at the respective local tax rates.

## 8. Income taxes (cont'd)

### (b) Current tax liabilities

| | Consolidated | |
|---|---|---|
| | 2016 US$'000 | 2015 US$'000 |
| **Current tax liabilities** | | |
| Income tax payable attributable to entities in the consolidated group | 1,085 | 949 |
| | **1,085** | **949** |

### (c) Deferred tax balances

Deferred tax liabilities arise from the following:

| 2016 | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance US$'000 | Charged to income US$'000 | Charged to Equity US$'000 | Acquisitions/ disposals US$'000 | Exchange differences US$'000 | Changes in tax rate US$'000 | Closing balance US$'000 |
| **Temporary differences** | | | | | | | |
| Property, plant and equipment | 257 | 86 | - | - | - | - | 343 |
| | 257 | 86 | - | - | - | - | 343 |
| **Unused tax loses and other credits:** | | | | | | | |
| Nil | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | **257** | **86** | **-** | **-** | **-** | **-** | **343** |

Presented in the statement of financial position as follows:

**Deferred tax liability** **343**

| 2015 | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance US$'000 | Charged to income US$'000 | Charged to Equity US$'000 | Acquisitions/ disposals US$'000 | Exchange differences US$'000 | Changes in tax rate US$'000 | Closing balance US$'000 |
| **Temporary differences** | | | | | | | |
| Property, plant and equipment | 87 | 170 | - | - | - | - | 257 |
| | 87 | 170 | - | - | - | - | 257 |
| **Unused tax loses and other credits:** | | | | | | | |
| Nil | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | **87** | **170** | **-** | **-** | **-** | **-** | **257** |

Presented in the statement of financial position as follows:

**Deferred tax liability** **257**

## 9. Trade and other receivables

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Trade receivables | | |
| Third parties | 20,154 | 20,707 |
| Other party- GLIT group | 40,894 | 53,267 |
| Related Parties | 4,769 | 4,769 |
| Other receivables | 835 | 984 |
| Parent Company | 3,306 | 3,327 |
| Other receivables – GLIT Group (i) | - | 5,000 |
| Allowance for doubtful debts | (2,610) | (2,351) |
| | **67,348** | **85,703** |
| Less: | | |
| Payable to Related Parties | - | - |
| Payable to other party – 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.

(i) The receivable was classified as a non-current financial assets from 1 July 2015.

## 9. Trade and other receivables (cont'd)

| Age of receivables 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 customer which has 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. Significant counterparties include the GLIT group, the parent entity and the groups largest customer.

## 10. Other financial assets

| | Consolidated | |
|---|---|---|
| | 2016 US$'000 | 2015 US$'000 |
| Loans carried at amortised cost: | | |
| Current | | |
| Loans and receivables – related parties (i)(a) | 368 | 368 |
| Provision for Non-Repayment | (24) | (24) |
| **Total current other financial assets** | **344** | **344** |
| Non-current | | |
| Other receivables – GLIT group (i)(d) | 5,000 | - |
| Loans and receivables – related parties (i)(b)(c) | 2,333 | 2,333 |
| **Total non-current other financial assets** | **7,333** | **2,333** |

(i) The loan owed by related party and parent company consists of:

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

(b) 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).

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

(d) US$5,000 thousand of deposit to secure the factory capacity. The deposit is repayable on demand. There is no intention to call on the balance in the next 12 months.

## 11. 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 since 2012 and 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).

## 12. Property, plant and equipment

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Construction work in progress at Cost US$'000 | Leasehold improvements US$'000 | Plant & Machinery at cost US$'000 | Furniture Fittings and office equipment at cost US$'000 | Motor Vehicles At cost US$'000 | Total US$'000 |
| **Gross carrying amount** | | | | | | |
| **Balance at 1 July 2014** | **-** | **555** | **6** | **4,093** | **529** | **5,183** |
| Additions | - | 49 | - | 95 | - | 144 |
| Disposals | - | (150) | - | (162) | (28) | (340) |
| **Balance at 1 July 2015** | **-** | **454** | **6** | **4,026** | **501** | **4,987** |
| Additions | 2,960 | 27 | 5 | 225 | - | 3,217 |
| Disposals | - | (9) | (4) | (382) | (255) | (650) |
| **Balance at 30 June 2016** | **2,960** | **472** | **7** | **3,869** | **246** | **7,554** |
| **Accumulated depreciation** | | | | | | |
| **Balance at 1 July 2014** | **-** | **132** | **6** | **1,981** | **425** | **2,544** |
| Disposals | - | (79) | - | (110) | (28) | (217) |
| Depreciation expense | - | 53 | - | 144 | 70 | 267 |
| **Balance at 1 July 2015** | **-** | **106** | **6** | **2,015** | **467** | **2,594** |
| Disposals | - | (9) | (4) | (321) | (253) | (587) |
| Depreciation expense | - | 47 | - | 153 | 32 | 232 |
| **Balance at 30 June 2016** | **-** | **144** | **2** | **1,847** | **246** | **2,239** |
| **Impairment** | | | | | | |
| **Balance at 1 July 2014** | **-** | **57** | **-** | **37** | **-** | **94** |
| (Disposals)/additions | - | (57) | - | (37) | - | (94) |
| **Balance at 30 June 2015** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net book value** | | | | | | |
| **As at 30 June 2015** | **-** | **348** | **-** | **2,011** | **34** | **2,393** |
| **As at 30 June 2016** | **2,960** | **328** | **5** | **2,022** | **-** | **5,315** |

There was no depreciation during the year that was capitalised as part of the cost of other assets (2015: nil).

## 13. Other assets

| | Consolidated | |
|---|---|---|
| | 2016 US$'000 | 2015 US$'000 |
| Current | | |
| Prepayments | 327 | 180 |

## 14. 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.

## 15. Borrowings

| | Consolidated | |
|---|---|---|
| | 2016 US$'000 | 2015 US$'000 |
| **Secured – at amortised cost** | | |
| Current | | |
| Trust receipts (Gross) (i) | 29,529 | 36,307 |
| Bills payable (Gross) | 1,679 | 3,434 |
| Finance lease liabilities (Note 22) | 38 | 72 |
| Term Loan | 217 | - |
| Bank loan | - | 2,000 |
| **Total current borrowings** | **31,463** | **41,813** |
| Non-current | | |
| Finance lease liabilities (Note 22) | 20 | 64 |
| Term Loan | 2,418 | - |
| **Total non-current borrowings** | **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** |

## 15. Borrowings (cont'd)

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 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 facilities used are inclusive of the contingent liabilities as disclosed in note 20.

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

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

## 16. Issued capital

| | Consolidated | |
|---|---|---|
| | 2016 US$'000 | 2015 US$'000 |
| **74,100,000 (2015: 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 | | | |
|---|---|---|---|---|
| | 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** |

## 17. Retained earnings

| | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|
| Balance at beginning of financial year | 45,285 | 42,137 |
| Net profit attributable to members of the parent entity | 2,920 | 3,148 |
| **Balance at end of financial year** | **48,205** | **45,285** |

## 18. Earnings per share

| | Consolidated 2016 Cents per share | Consolidated 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:

| | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|
| Net profit | 2,920 | 3,148 |
| 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 |

**Diluted earnings per share**

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

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

| | Consolidated 2016 No.'000 | Consolidated 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 |

## 19. Commitments for expenditure

**Lease commitments**

Finance lease liabilities and non-cancelable operating lease commitments are disclosed in Note 22 to the financial statements.

At the balance date, the consolidated entity had entered into contracts for the construction of a factory with an outstanding amount of approximately US$1,338 thousand and for infrastructure usage fee with an outstanding amount of approximately US$1,232 thousand.

## 20. Contingent liabilities

| | Consolidated | |
|---|---|---|
| | **2016 US$'000** | **2015 US$'000** |
| Guarantees arising from Letters of Credit in force (i) | 7,156 | 13,827 |
| **Total** | **7,156** | **13,827** |

(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.

## 21. Inventory

| | Consolidated | |
|---|---|---|
| | **2016 US$'000** | **2015 US$'000** |
| Raw Materials | 108 | 114 |
| Goods In Transit | 7,344 | - |
| Finished Goods | 14 | - |
| **Total** | **7,466** | **114** |

Inventories are stated at net realisable value that represents the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses.

## 22. Leases

**Finance lease liabilities**

Leasing arrangement

The Group leases motor vehicles and office equipment under finance leases expiring from one to five years. All the leases involve lease payments of a fixed base amount. No contingent rentals were paid during the year (2015: nil)

| | Minimum future lease payments | | Present value of minimum future lease payments | |
|---|---|---|---|---|
| | Consolidated | | Consolidated | |
| | 2016 US$'000 | 2015 US$'000 | 2016 US$'000 | 2015 US$'000 |
| No later than 1 year | 40 | 74 | 38 | 72 |
| Later than 1 year and not later than 5 years | 20 | 68 | 20 | 64 |
| Later than 5 years | - | - | - | - |
| Minimum future lease payments* | 60 | 142 | 58 | 136 |
| Less future finance charges | (2) | (6) | - | - |
| **Present value of minimum lease payments** | **58** | **136** | **58** | **136** |
| Included in the financial statements as (note 15) | | | | |
| Current borrowings | | | 38 | 72 |
| Non-current borrowings | | | 20 | 64 |
| | | | **58** | **136** |

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

**Operating leases**

Leasing arrangement

The Group leases property under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal, at which time all terms are renegotiated.

Operating leases for

(i) Rental of office will increase every 5 years at the rate of 5%. No contingent rentals were paid during the year (2015: nil). Note 7 shows the expense recognised in the income statement in respect of operating leases. Renewals are at the option of the specific entity that holds the lease.

(ii) Land rental and infrastructure maintenance fee payable by the Company for land lease in Lot C, Loc An - Binh Son Industrial Park, Binh Son Commune, Long Thanh District, Dong Nai Province for a period of 45 years from 9 January 2016 to 17 May 2060. The land rental will be adjusted in accordance with Decree No. 46/2014/NĐ-CP issued by the Government on 15 May 2014 providing guidance on land and water rental. The infrastructure maintenance fee will be adjusted every 5 years at the increasing rate which shall not exceed 15% of the previous fee.

Non-cancellable operating lease payments

| | Consolidated | |
|---|---|---|
| | 2016 US$'000 | 2015 US$'000 |
| Not longer than 1 year | 1,288 | 1,513 |
| Longer than 1 year and not longer than 5 years | 5,070 | 4,466 |
| Longer than 5 years | 6,070 | 3,402 |
| | **12,428** | **9,381** |

## 23. Subsidiaries

| Name of subsidiary | Country of incorporation | Ownership interest 2016 % | Ownership interest 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. (ii) | Vietnam | 100 | - |

i) The company liquidated on 21 January 2016.
ii) The company was incorporated on 11 December 2015.

## 24. Notes to the cash flow statement

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of financial position as follows:

| | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|
| Cash and cash equivalents | 7,394 | 10,831 |
| | **7,394** | **10,831** |
| **(b) Financing facilities** | | |
| Secured bank loan facilities with various maturity dates and which may be extended by mutual agreement: | | |
| • amount used | 39,321 | 54,696 |
| • amount unused | 88,331 | 64,736 |
| | **127,652** | **119,432** |

## 24 Notes to the cash flow statement (cont'd)

**(c) 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 | 267 |
| Bad and doubtful debts | 2,533 | - |
| Interest Income | (9) | (12) |
| Increase in income tax | 222 | 55 |
| | | |
| **Changes in net assets and liabilities:** | | |
| (Increase)/decrease in assets: | | |
| Inventories | (7,352) | 146 |
| Trade and other receivables | 5,642 | 8,180 |
| Other assets | (1,538) | (10) |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 189 | 434 |
| **Net cash provided by operating activities** | **2,788** | **12,228** |

## 25. Financial instruments

**(a) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15 and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed in notes 16 and 17 respectively.

Operating cash flows are used to maintain and expand the group's assets, as well as to make the routine outflows of tax and repayment of maturing debt. The Group's policy is to borrow centrally, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

## 25. Financial instruments (cont'd)

**Gearing ratio**

An integral function of the Group's Board is risk management. The Board reviews the capital structure on a semi-annual basis.

The gearing ratio at year end was as follows:

| | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|
| Debt (i) | 33,901 | 41,877 |
| Cash and cash equivalents | (7,394) | (10,831) |
| **Net Debt** | **26,507** | **31,046** |
| Equity (ii) | 58,527 | 55,607 |
| Net debt to equity ratio | 45.29% | 55.83% |

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 15.

(ii) Equity includes all capital and retained earnings.

### (b) Categories of financial instruments

| | Consolidated 2016 US$'000 | Consolidated 2015 US$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | 75,065 | 88,085 |
| Cash and cash equivalents | 7,394 | 10,831 |
| **Financial liabilities** | | |
| Amortised cost | 37,003 | 44,790 |

### (c) Financial risk management objectives

The Group co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the consolidated entity.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group minimises its financial risk of changes in foreign currency exchange rate through the natural hedge of matching its revenues and purchases in US dollars and matching of its assets and liabilities in US dollars.

## 25. Financial Instruments (cont'd)

### (d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2016 US$'000 | 2015 US$'000 | 2016 US$'000 | 2015 US$'000 |
| Singapore dollars | 788 | 921 | 895 | 645 |
| Hong Kong dollars | - | 1 | 26 | 83 |
| China Yuan | - | 570 | - | 106 |
| Vietnamese Dong | 826 | - | 1,668 | - |
| Other | 85 | 131 | 114 | 116 |
| | **1,699** | **1,623** | **2,703** | **950** |

### (e) Foreign currency sensitivity analysis

The Group is mainly exposed to movements in the value of Singapore dollars and Hong Kong dollars compared to the US dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the United States dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss where the United States dollars strengthens against the respective currency. For a weakening of the United States dollars against the respective currency there would be an equal and opposite impact on the profit, and the balances below would be negative.

| | Singapore dollars Impact | | Hong Kong dollars Impact | | Vietnamese Dong Impact | | Other Foreign Currency Impact | |
|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Consolidated | | Consolidated | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Profit or loss | 21 | (55) | 5 | 16 | 168 | - | 6 | (96) |

## 25. Financial Instruments (cont'd)

### (f) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and define risk appetite; ensuring optimal hedging strategies are applied, by either positioning the Statement of financial position or protecting interest expense through different interest rate cycles.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

Net profit would increase by $13 thousand and decrease by $12 thousand (2015: increase by $4 thousand and decrease by $4 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

## 25. Financial instruments (cont'd)

### (g) Credit risk management

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

Trade accounts receivable consist of a number of retail customers located in the United States of America. Ongoing credit evaluation is performed on the financial condition of accounts and, where appropriate, trading within the credit limits or discounting of receivables on non-recourse basis with credit acceptance or insurance in place.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except to the GLIT receivable as disclosed in Note 9. This is supported by the guarantees in Note 27d. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The consolidated entity also faces risks of orders cancellation. This is related to fabric, accessories and manufacturing cost incurred on orders cancelled prior to shipment. The consolidated entity is now exploring credit insurance to cover this risk as well.

### (h) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 23(b) is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

## 25. Financial instruments (cont'd)

**Liquidity and interest risk tables**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to receive/pay. The table includes both interest and principal cash flows.

Consolidated

| | Weighted average effective interest rate<br>% | Less than 1 month<br>$'000 | 1-3 months<br>$'000 | 3 months to 1 year<br>$'000 | 1-5 years<br>$'000 | 5+ years<br>$'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Financial Assets** | | | | | | |
| Interest bearing | 2.00% | - | - | - | - | 522 |
| Non-interest bearing | - | - | 65,186 | 2,546 | 5,000 | 1,871 |
| **Financial Liabilities** | | | | | | |
| Non-interest bearing | - | - | 3,102 | - | - | - |
| Variable interest rate instruments | 1.89% | 12,974 | 17,649 | 585 | - | - |
| Term Loan | 3.52% | - | - | 271 | 1,704 | 1,310 |
| Finance lease liability | 3.72% | 3 | 11 | 26 | 20 | - |
| **2015** | | | | | | |
| **Financial Assets** | | | | | | |
| Interest bearing | 2.00% | - | - | - | - | 471 |
| Non-interest bearing | - | - | 85,081 | 671 | - | 1,871 |
| **Financial Liabilities** | | | | | | |
| Non-interest bearing | - | 2,913 | - | - | - | - |
| Variable interest rate instruments | 1.89% | 39,741 | - | - | - | - |
| Fixed interest rate | 2.05% | 2,010 | | | | |
| Finance lease liability | 3.94% | 7 | 15 | 72 | 68 | - |

The variable interest rates were as follows:

| | 2016 | 2015 |
|---|---|---|
| Term loan | 3.52% p.a. | - |
| Bank loan | - | 2.05% p.a. |
| Finance lease liabilities | 3.72%p.a | 3.87%p.a |
| Trust receipts / Bill payables | 1.72%-1.96% | 1.50%-1.89% |

### (i) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:
the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

## 25. Financial instruments (cont'd)

### (ii) Forward foreign exchange contracts

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

2016 – no forward contract entered at the end of the reporting period

| | Exchange rate | Foreign Currency IDR'000 | Notional Currency US$'000 | Fair Value $'000 |
|---|---|---|---|---|
| **2015** | | | | |
| **CTBC** | | | | |
| Less than 3 months | 12,385 | 12,385 | 1,000 | (74) |
| Less than 3 months | 12,445 | 12,445 | 1,000 | (76) |
| 3 to 6 months | - | - | - | - |
| 6 to 9 months | 13,000 | 13,000 | 1,000 | (74) |
| 6 to 9 months | 13,100 | 13,100 | 1,000 | (78) |
| | | **Foreign Currency MYR'000** | **Notional Currency US$'000** | **Fair Value $'000** |
| **CTBC** | | | | |
| Less than 3 months | 3.240 | 1,620 | 500 | (71) |

Fair value measurement is Level Two within the fair value hierarchy.

## 26. Key management personnel compensation

The aggregate compensation made to directors and other members of the key management personnel of the Company and the Group is set out below:

| | Consolidated | |
|---|---|---|
| | **2016** **US$** | **2015** **US$** |
| Short-term employee benefits | 1,144,331 | 1,253,180 |
| Post-employment benefits | 34,793 | 34,056 |
| | **1,179,124** | **1,287,236** |

The compensation of each member of the key management personnel of the Group is set out in the remuneration report:

**(a) Key management personnel compensation policy**

**Details of key management personnel**
The Directors of GLG Corp Ltd during the year were:

- Estina Ang Suan Hong as Executive Chairman and Chief Executive Officer
- Christopher Chong Meng Tak as Independent Director
- Por Khay Ti as Director (resigned 3 August 2015)
- Shane Hartwig as Independent Director
- Felicia Gan Peiling as Director on 15 September 2015 and Senior Vice President – Business Development

Other key management personnel of GLG Corp Ltd during the year were:

- Shawn Fung as Chief Financial Controller (appointed 13 June 2016)
- Cheah Eng Kean as EVP, Marketing & Contract Manufacturing (appointed 1 April 2016)
- Susan Yong as Executive Vice President – Operations
- Timothy Ngui as Chief Information Officer

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

## 27. Related party transactions

### (a) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22 to the financial statements

### (b) Transactions with key management personnel

**(i) Key management personnel remuneration**

Details of key management personnel remuneration are disclosed in note 26 to the financial statements.

Key management personnel equity holdings

Fully paid ordinary shares of GLG Corp Ltd

| | Balance at 1 July No. | Granted as compensation No. | Net other change No. | Balance at resignation date No. | Balance at 30 June No. |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Estina Ang Suan Hong | 54,560,000 | - | - | - | 54,560,000 |
| Christopher Chong Meng Tak | 160,007 | - | - | - | 160,007 |
| **2015** | | | | | |
| Estina Ang Suan Hong | 54,560,003 | - | 3 | - | 54,560,000 |
| Christopher Chong Meng Tak | 160,007 | - | - | - | 160,007 |

### (c) Transactions with other related parties

During the year, group entities entered into the following expenditure transactions with related parties that are not members of the group:

| | Transaction with Ghim Li Group Pte Ltd (Parent entity) | | Transaction with Kai Li Textile Sdn Bhd | |
|---|---|---|---|---|
| | **2016 US$** | **2015 US$** | **2016 US$** | **2015 US$** |
| Rental | 1,122,551 | 1,122,551 | - | - |
| Loan Interest | 9,240 | 11,551 | - | - |
| Financial Guarantee fee | 110,852 | 149,040 | - | - |
| Management Fees | - | - | - | 300,875 |
| | **1,242,643** | **1,283,142** | **-** | **300,875** |

No amounts were provided for doubtful debts relating to debts due from related parties at reporting date.

Amounts receivable from and payable to these related parties are disclosed in note 9 to the financial statements.

### (d) Parent entities

GLG Corp Ltd's parent entity is Ghim Li Group Pte Ltd. Ghim Li Group Pte Ltd is incorporated in Singapore.

The parent company Ghim Li Group Pte Ltd has entered into a letter of undertaking dated 27 June 2013 to guarantee the repayment of GLIT and other receivables up to a cap of US$25 million, however based on the share price at the year end this is valued at US$8,747 thousand.

## 28. 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.

## 29. Remuneration of auditors

| | Consolidated | |
|---|---|---|
| | **2016 US$** | **2015 US$** |
| **Auditor of the parent entity** | | |
| Audit or review of the financial report (i) | 54,032 | 69,338 |
| Tax services | 3,526 | 5,163 |
| | **57,558** | **74,501** |
| **Related Practice of the parent entity auditor** | | |
| Audit or review of the subsidiaries | 238,566 | 257,890 |
| Tax services | 11,975 | 30,562 |
| | **250,541** | **288,452** |

The auditor of *GLG Corp Ltd* is Deloitte Touche Tohmatsu.

The related practices are Deloitte & Touche Singapore, Deloitte & Touche Hong Kong and Deloitte & Touche Vietnam.

(i) Includes audit services provided for reporting to the parent entity relating to prior years but provided in the current year.

## 30. Parent entity disclosures

*Financial position*

| | **2016 US$'000** | **2015 US$'000** |
|---|---|---|
| **Assets** | | |
| Current assets | 916 | 927 |
| Non-current assets | 30,000 | 30,000 |
| Total assets | 30,916 | 30,927 |
| **Liabilities** | | |
| Current liabilities | 3,124 | 2,986 |
| Non-current liabilities | 163 | 141 |
| Total liabilities | 3,287 | 3,127 |
| **Equity** | | |
| Issued capital | 53,552 | 53,552 |
| Accumulated Losses | (25,923) | (25,752) |
| Total equity | 27,629 | 27,800 |

## 30. Parent entity disclosures (cont'd)

*Financial performance*

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Loss for the year | (171) | (208) |
| Other comprehensive income | - | - |
| Total comprehensive income | (171) | (208) |

## 31. Subsequent events

The Company has entered a share purchase agreement with Ghim Li Group Pte Ltd to acquire a fabric company in Malaysia. Due to changing market conditions, the consolidated entity needs to provide additional services beyond its existing business by acquiring Maxim Textile Technology Sdn Bhd, a company incorporated in Malaysia which owns a fabric 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 Australia 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.

# Additional Australian Securities Exchange information as at 21 September 2016

### Holding distribution

| | 21 Sep 2016 | | | |
|---|---|---|---|---|
| Range | Securities | % | No. of holders | % |
| 100,001 and Over | 71,807,911 | 96.91 | 17 | 4.37 |
| 10,001 to 100,000 | 1,404,018 | 1.89 | 34 | 8.74 |
| 5,001 to 10,000 | 204,868 | 0.28 | 22 | 6.17 |
| 1,001 to 5,000 | 678,800 | 0.92 | 308 | 79.18 |
| 1 to 1,000 | 4,403 | 0.01 | 8 | 2.06 |
| **Total** | **74,100,000** | **100.00** | **389** | **100.00** |
| Unmarketable Parcels | 561,903 | 0.76 | 288 | 74.04 |

**Substantial shareholders**

The names of the substantial shareholders listed in the GLG Corp Ltd register as at 21 September 2016 were:

| Ordinary shareholders | Fully paid ordinary shares | |
|---|---|---|
| | Number | Percentage |
| Ghim Li Group Pte Ltd | 50,116,000 | 67.63% |
| Ghim Li Capital 1 Pte Ltd | 2,222,000 | 3.00% |
| Ghim Li Capital 2 Pte Ltd | 2,222,000 | 3.00% |
| | 54,560,000 | 73.63% |

**Twenty largest holders of quoted equity securities**

## Top 20 holders – 21 September 2016

| Rank | Name | Shares | % |
|---|---|---|---|
| 1 | Ghim Li Group Pte Ltd | 54,560,000 | 73.63% |
| 2 | Mr Yin Min Yong | 3,504,751 | 4.73% |
| 3 | HSBC Custody Nominees (Australia) Limited | 3,310,419 | 4.47% |
| 4 | Mr Yoke Min Pang | 2,000,000 | 2.70% |
| 5 | Mr Choon Ming Ngui | 1,798,000 | 2.43% |
| 6 | Mr Yu Bai | 1,363,607 | 1.84% |
| 7 | Mr Ah Yian Au | 1,322,957 | 1.79% |
| 8 | BNP Paribas Noms Pty Ltd | 1,133,600 | 1.53% |
| 9 | Gowing Bros Limited | 830,903 | 1.12% |
| 10 | Mr Gerald Francis Pauley & Mr Michael James Pauley | 621,663 | 0.84% |
| 11 | Dixson Trust Pty Limited | 330,000 | 0.45% |
| 12 | Markess Trustee Limited | 250,000 | 0.34% |
| 13 | Kam Hing Piece Works Ltd | 206,010 | 0.28% |
| 14 | Ang Leong Aik | 200,000 | 0.27% |
| 15 | Chean Moy Seng | 150,000 | 0.20% |
| 16 | Eu Mun Leong | 116,000 | 0.16% |
| 17 | Mr Christopher Chong & Mrs Heather Chong | 110,001 | 0.15% |
| 18 | Lim Chai Har | 100,000 | 0.13% |
| 19 | Seow Teng Peng | 100,000 | 0.13% |
| 20 | Paromay Ltd | 99,999 | 0.13% |
| | | | |
| | | | |
| | **Top 20** | **72,107,910** | **97.33%** |
| | | | |
| | **Total** | **74,100,000** | **100.00%** |

### Company secretary
Ms Joanne Bourke

### Registered office
L40 100 Miller St
North Sydney NSW 2060
Australia

### Principal administration office
21 Jalan Mesin
Singapore 368819

### Share registry
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