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GLG Corp Ltd

ACN 116 632 958

PRELIMINARY FINAL REPORT

YEAR ENDED 30 June 2018

1. Highlight of Results

2. Appendix 4E Financial Statements for the Year ended 30 June 2018

1. Results for announcement to market

Summary financial information for the consolidated entity for the 2017/18 financial year is set out below. Full financial details are attached to this announcement.

		Consolidated		
Summary Information	**30 –JUN-18 USD$'000**	**30 –JUN-17 USD$'000**	**Inc/(Dec) USD$'000**	**Inc/(Dec) %**
Revenue from Ordinary Activities	180,606	156,041	24,565	15.74
Profit/(Loss) after Tax from Ordinary Activities	2,395	4,193	(1,798)	(42.89)
Net Profit/(Loss) after Tax Attributable to Members	2,395	4,193	(1,798)	(42,89)
Basic Earnings – US Cents Per Share	3.23	5.66	(2.43)	(42.93)
Diluted Earnings – US Cents Per Share	3.23	5.66	(2.43)	(42.93)
Net Tangible Assets – US Cents Per Share	65.42	61.05	4.37	7.16

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

Control gained

In August 2017, Ghim Li International (S) Pte Ltd (GLIS), with the assistance of Ghim Li Group Pte Ltd, set up a legal entity in Cambodia, called GG Fashion Cambodia Co. Ltd (GGFC), which was incorporated under the laws of Cambodia. The rationale of establishing GGFC is part of the Group's strategy of vertical-integration and expansion of supply chain garment manufacturing, by expanding its presence in Cambodia to offer higher value-add services and advantage to its customers. GGFC also serves as the legal vehicle, in future, to own the specific assets to be acquired from by the Group to enhance its manufacturing capacity. The financial performance and assets/liabilities of GGFC, since incorporation, are accounted for as part of the Group's results for FY2018, in accordance with the requirements of AASB 10 – Consolidated Financial Statements.

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Summary commentary on results

Directors Comments:

GLG Corp Ltd ("GLG" or the "Company") accounts are in the process of being audited by BDO East Coast Partnership.

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

In the current fiscal year ending June 2018, the Company has enhanced its manufacturing capacity in its fabric mill in Malaysia, with an all-time record of revenue of US$52,267 thousand to support the increased demand of knitted fabric from its customers. This is a new milestone for the fabric mill which was acquired by the Company in late 2016, as part of its vertical-integration and textile manufacturing strategic roadmap. FY2018 also witnessed the Company's decision to invest in garment manufacturing capacity, for the first time, in Cambodia to supplement its current production in Vietnam and Malaysia. Although the garment factory in Cambodia is still in its infancy stage, this is another step forward to enhance its manufacturing and supply chain business from its original state of being just a trading agent. Finally, the Company was successful to expand its innovative offering of Landed Duty Paid (LDP) services to its customers, with its incremental revenue in FY2018 by shipping the final products from door-to-door to its LDP customers.

Comparison of Consolidated Statement of Profit or Loss and Comprehensive Income for the financial year ended 30 June 2018 with that of 30 June 2017.

GLG's sales increased by US$24,565 thousand, or 16% to US$180,606 thousand compared to sales of US$156,041 thousand in the previous year. This is due to business wins achieved in new programs with existing customers, in addition to increase in business volume for repeat orders. LDP (Landed Duty Paid) business which represents direct outbound shipments delivered to customers door-to-door, also contributed to revenue increment from US$10,115 thousand to US$16,299 thousand in this financial year with the higher gross profit margin.

Gross margin slightly improved to 14% compared to 13.76% in the previous year due to increased fabric margin and garment product mix (where the freight costs and customs duty costs of LDP business are categorised under Selling & Distribution costs, as opposed to Cost of Sales).

Other income increased by 225% to US$1,118 thousand compared to US$344 thousand in the previous year mainly attributed to the following

1) fair value gain in investment property of US$378 thousand from Malaysia
2) payable written back of US$289 thousand

Selling and distribution costs increased by 83.3% to US$6,252 thousand compared to US$3,410 thousand in the previous year, mainly due to (a) increase of US$1,049 thousand in LDP shipments which resulted in higher customs duties payable to U.S. Customs, for door-to-door outbound shipments, and (b) increase of US$1,801 thousand in freight costs incurred on FOB outbound shipments resulting from increased sales.

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Summary commentary on results (cont'd)

Administrative expenses increased by 13.4% to US$11,614 thousand compared to US$10,244 thousand in the previous year, mainly attributable to such costs from the acquired garment manufacturing operations in Malaysia and newly-formed subsidiary in Cambodia.

Finance costs increased by 71% from US$1,215 thousand to US$2,077 thousand in the current year compared to previous year, due to the increase in purchase of raw materials to support higher sales and new machineries investment.

Other expenses increased by 7.3% from US$2,469 thousand to US$2,649 thousand due to legal fees incurred during the year in relation to action taken to recover past due receivables.

Net profit after tax for GLG was US$2,395 thousand, which represents a decrease of US$1,798 thousand or 42.9% compared to the financial year ended 30 June 2017 of US$4,193 thousand. Overall, the reduction in net profit after tax was mainly due to pre-production costs incurred by newly-formed Cambodia garment factory.

Comparison of the Consolidated Statement of Financial Position as at 30 June 2018 with that of 30 June 2017.

Trade and other receivables increased by 30.5% to US$89,455 thousand as at 30 June 2018 compared to US$68,534 thousand as at 30 June 2017. The increase was primarily due to extended credit given to core customers in the current period and raw material purchase on behalf of outsourced manufacturing suppliers for early production.

Inventory increased by 56% to US$19,480 thousand as at 30 June 2018 compared to US$12,515 thousand as at 30 June 2017, due to increase in the inventory of raw materials and work-in-process within the fabric mill to support customer orders and early production to meet the short-lead time in customer order placement.

Investment property increased in value from US$3,762 thousand as of 30 June 2017to US$5,323 thousand as a result of two reasons: (a) increase in value driven by appreciation of the Malaysia Ringgit over US dollar as the asset is originally denominated in the Malaysia Ringgit, and (b) the reclassification from freehold land and building to Investment Property as the premises was fully rented out in entire FY2018 compared to previous year, FY2017 when a portion was still utilised internally i.e. not rented out.

Trade and other payables increased by 46% to US$37,249 thousand as at 30 June 2018 compared to US$25,580 thousand as at 30 June 2017, resulting from increase in purchases of raw materials in advance for future production.

Current and non-current borrowings increased by 24% to US$80,276 thousand as at 30 June 2018 compared to US$64,702 thousand as at 30 June 2017, as a result of increase in trade financing from financial institutions to support the business growth.

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Summary commentary on results (cont'd)

Comparison of the Consolidated Statement of Cash Flows for the financial year ended 30 June 2018 with that of 30 June 2017.

GLG's cash from operating activities increased by 394% to US$6,809 thousand as at 30 June 2018 compared to US$1,378 thousand as at 30 June 2017. This increase resulted from increase in sales for the financial year.

Net cash used in investing was decreased by US$4,664 thousand or 51% to US$4,570 thousand as at 30 June 2018 compared to US$9,234 thousand as at 30 June 2017. This was mainly attributable to additions of new plant & machinery and renovation in Vietnam factory to meet the needs of higher production levels in the previous financial year, FY2017.

Net cash used in financing was increased to US$937 thousand as at 30 June 2018 compared to cash provided of US$6,829 thousand as at 30 June 2018. The increase stemmed from financing the working capital incurred in the factories for fabric and garment production and the long extended payment terms accorded to GLG's customers which increases the level of cash utilised in trade financing.

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.

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Consolidated Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2018

	Note	Consolidated 2018 US$'000	2017 US$'000
Revenue	4	180,606	156,041
Cost of sales		(155,326)	(134,570)
Gross profit		**25,280**	**21,471**
Other income	4	1,118	344
Distribution expenses		(6,252)	(3,410)
Administration expenses		(11,614)	(10,244)
Finance costs		(2,077)	(1,215)
Other expenses		(2,649)	(2,469)
Profit before income tax expense		**3,806**	**4,477**
Income tax expense		(1,411)	(284)
Profit for the year		**2,395**	**4,193**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus/ (deficit), on land and building, net of tax		834	(381)
Fair value adjustment of reclass PPE to investment property		52	-
Other comprehensive income, net of tax		**886**	**(381)**
Total comprehensive income for the year		**3,281**	**3,812**
Earnings per share:			
Basic (cents per share)	11	3.23	5.66
Diluted (cents per share)	11	3.23	5.66

Notes to the financial statements are included on pages 10 to 28

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Consolidated Statement of financial position as at 30 June 2018

	Note	Consolidated 2018 US$'000	2017 US$'000
Current assets			
Cash and cash equivalents		8,183	6,881
Trade and other receivables	5	89,455	68,534
Inventory	19	19,480	12,515
Other assets	6	1,330	1,725
Other financial assets	7	344	344
Total current assets		**118,792**	**89,999**
Non-current assets			
Other assets	6	2,555	2,615
Other financial assets	7	6,871	6,871
Investment property	17	5,323	3,762
Investments accounted for using the equity method	15	-	-
Intangible assets	18	1,897	1,853
Property, plant and equipment	13	34,815	34,047
Total non-current assets		**51,461**	**49,148**
Total assets		**170,253**	**139,147**
Current liabilities			
Trade and other payables	8	37,249	25,580
Borrowings	9	71,722	53,824
Current tax liabilities		791	694
Total current liabilities		**109,762**	**80,098**
Non-current liabilities			
Borrowings	9	8,554	10,878
Deferred tax liabilities		1,562	1,077
Total non-current liabilities		**10,116**	**11,955**
Total liabilities		**119,878**	**92,053**
Net assets		**50,375**	**47,094**
Equity			
Issued capital	10	10,322	10,322
Revaluation reserves		4,485	3,599
Merger reserves		(14,812)	(14,812)
Retained earnings		50,380	47,985
Total equity		**50,375**	**47,094**

Notes to the financial statements are included on pages 10 to 28

Consolidated Statement of changes in equity for the financial year ended 30 June 2018

	Issued Capital	Asset Revaluation Reserve	Merger Reserve	Retained Earnings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated					
Balance at 1 July 2016	10,322	3,980	(14,812)	43,792	43,282
Profit after income tax expense	-	-	-	4,193	4,193
Other comprehensive income for the year, net of tax	-	(381)	-	-	(381)
Total comprehensive income	**-**	**(381)**	**-**	**4,193**	**3,812**
Balance at 30 June 2017	**10,322**	**3,599**	**(14,812)**	**47,985**	**47,094**
Balance at 1 July 2017	10,322	3,599	(14,812)	47,985	47,094
Profit after income tax expense	-	-	-	2,395	2,395
Other comprehensive income for the year, net of tax	-	886	-	-	886
Total comprehensive income	**-**	**886**	**-**	**2,395**	**3,281**
Balance at 30 June 2018	**10,322**	**4,485**	**(14,812)**	**50,380**	**50,375**

Notes to the financial statements are included on pages 10 to 28

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Consolidated Statement of cash flows for the financial year ended 30 June 2018

	Note	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Cash flows from operating activities			
Receipts from customers		175,001	151,676
Payments to suppliers and employees		(165,662)	(148,457)
Interest income		10	15
Interest and other costs of finance paid		(1,711)	(911)
Income tax paid		(829)	(945)
Net cash provided by operating activities	16	**6,809**	**1,378**
Cash flows from investing activities			
Proceeds from sales of property, plant and equipment		29	2
Payment for property, plant and equipment		(4,535)	(9,223)
Payment for software		(64)	(13)
Net cash used in investing activities		**(4,570)**	**(9,234)**
Cash flows from financing activities			
Net proceeds from borrowings		15,574	13,734
Payment to Ghim Li Group		(2,296)	(488)
Payment to outsourced manufacturing suppliers		(14,215)	(6,417)
Net cash (used in) / provided by financing activities		**(937)**	**6,829**
Net increase/ (decrease) in cash and cash equivalents		**1,302**	**(1,027)**
Cash and cash equivalents at the beginning of the financial year		6,881	7,908
Cash and cash equivalents at the end of the financial year		**8,183**	**6,881**

Notes to the financial statements are included on pages 10 to 28

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Notes to the Appendix 4E

1. General information

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

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

Registered office
Level 40 North Point
100 Miller St
North Sydney NSW 2060
Australia

Principal place of business
21 Jalan Mesin,
Singapore 368819

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

2. Significant accounting policies

Statement of compliance

The preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Standards Board for the measurement and recognition criteria. The preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public pronouncements made by the consolidated entity during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001. Unless otherwise detailed in this note, accounting policies have been consistency applied by the entities in the group, and are consistent with those applied in the 30 June 2017 annual report.

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the preliminary financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the new and revised Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Comparative figures

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

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2. Significant accounting policies (cont'd)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market

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

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

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

Fair value hierarchy
The following details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Assets and liabilities measured at fair value include:

- Freehold and leasehold land and buildings - Level 3 – refer to Note 13 for further details
- Investment properties - Level 3 – refer to Note 17 for further details

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2. Significant accounting policies (cont'd)

Common Control Business Combination

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

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

Business Combinations

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

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

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

Goodwill

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

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

Investment properties

Investment properties include those portions of factory and office buildings that are held for long-term rental yields and/or for capital appreciation which are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

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2. Significant accounting policies (cont'd)

New accounting standards and interpretations

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

Any new, revised, or amending accounting standards or interpretations that are not yet mandatory have not been early adopted.

3. Segment information

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

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

The information reported to the directors is on at least a monthly basis.

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

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

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

Consolidated – 30 June 2018	Fabric Manufacturing US$'000	Garment US$'000	Intersegment eliminations	Total US$'000
Revenue				
Sales to external customers	867	179,739	-	180,606
Intersegment sales	51,400	-	(51,400)	-
Total revenue	52,267	179,739	(51,400)	180,606
Interest revenue	9	299	(298)	10
Depreciation	2,148	850	-	2,998
EBIT	**4,526**	**1,357**	-	**5,883**
Finance costs				(2,077)
Profit before income tax expense				3,806
Income tax expense				(1,411)
Profit after income tax expenses				**2,395**

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3. Segment information (cont'd)

Consolidated – 30 June 2017	Fabric Manufacturing US$'000	Garment US$'000	Intersegment eliminations	Total US$'000
Revenue				
Sales to external customers	420	155,621	-	156,041
Intersegment sales	36,768	-	(36,768)	-
Total revenue	37,188	155,621	(36,768)	156,041
Interest revenue	9	6	-	15
Depreciation	1,929	304	-	2,233
EBIT	**3,008**	**2,684**	-	**5,692**
Finance costs				(1,215)
Profit before income tax expense				4,477
Income tax expense				(284)
Profit after income tax expenses				**4,193**

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

	Fabric	
	2018 US$'000	**2017 US$'000**
Cambodia	447	-
India	89	-
Madagascar	25	-
Malaysia	241	137
Myanmar	65	-
Singapore	-	252
Sri Lanka	-	31
	867	**420**

	Garments	
	2018 US$'000	**2017 US$'000**
Canada	34,151	31,171
China	179	-
Europe	11,837	10,161
Japan	134	98
Singapore	1	196
USA	133,395	113,995
Vietnam	42	-
	179,739	**155,621**

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4. Revenue

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Revenue from the sale of goods	180,606	156,041
Other income		
Rental income	-	232
Sample income	46	28
Profit on sale of assets	32	-
Interest income	10	15
Grant	-	14
Payable written back	289	-
Fair value adjustment on investment property	378	-
Other	363	55
Total other income	**1,118**	**344**
	181,724	**156,385**

5. Trade and other receivables

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Trade receivables		
Trade customers	29,059	24,610
GLIT Holdings	25,858	33,395
Outsourced manufacturing suppliers	30,102	7,914
Joint-venture entity	1,325	1,325
Provision for Doubtful Debts	-	(613)
Trade receivables	**86,344**	**66,631**
Other receivables		
Other receivables	2,081	1,714
Provision for Doubtful Debts	(480)	(480)
Other receivables	**1,601**	**1,234**
Less:		
Payable to outsourced manufacturing suppliers	(39)	-
Payable to GLIT Holdings	-	(7)
	87,906	**67,858**
Goods and services tax recoverable	1,549	676
	89,455	**68,534**

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

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5. Trade and other receivables(cont'd)

Before accepting any new customers, the Group uses an external scoring system to assess the potential customer's credit quality and defines credit limits by customers. Limits and scoring attributed to customers are reviewed twice a year. 96% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of US$1,235 thousand (2017: $325 thousand) which are past due at the reporting date. There has been no significant change in credit quality and all amounts are considered recoverable. The Group does not hold any collateral over these balances.

	Consolidated	
	2018 US$'000	2017 US$'000
Ageing of Trade Receivables (trade customers) - past due but not impaired		
30 – 60days	515	-
60 – 90 days	552	88
90 – 120 days	1	237
More than 120 days	167	-
Total	1,235	325
Movement in the allowance for trade doubtful debts		
Balance at the beginning of the year	613	2,610
Charge / (credit) to profit or loss	-	277
Allowance written off during the year	(613)	(2,274)
Balance at the end of the year*	-	613
Movement in the allowance for non-trade doubtful debts		
Balance at the beginning of the year	480	480
Charge / (credit) to profit or loss	-	-
Allowance written off during the year	-	-
Balance at the end of the year	480	480

*Includes the provision for doubtful debts for current Trade Receivables.
The provision made for one of the customer which filed for Chapter 11 bankruptcy in the United States has been written off in this financial year.

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

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6. Other assets

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Current		
Prepayments	1,330	1,725
Non-current		
Prepayment	2,555	2,615

7. Other financial assets

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Current		
Trade receivables – External party (i)	368	368
Provision for Bad Debts	(24)	(24)
Total Current other financial assets	**344**	**344**
Non-current		
Security deposit	5,000	5,000
Office rental deposit	1,871	1,871
	6,871	**6,871**
Disclosed in the financial statements as :		
Total Non-current other financial assets	**6,871**	**6,871**

(i) The current trade receivable owed by third party has a provision for non-recovery in FY2018 of US$24 thousand (FY2017: US$24 thousand).

8. Trade and other payables

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
Trade payables (i)	16,028	3,236
Other payables	4,215	4,238
Ghim Li Group	13,462	15,757
Accruals – employee compensation	1,649	867
Accruals – construction fees	-	-
Accruals – deferred rent	536	536
Accruals – audit fee	105	84
Accruals – TR interest	216	130
Accruals – others	1,038	732
	37,249	**25,580**

(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.

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9. Borrowings

	Consolidated 2018 US$'000	2017 US$'000
Secured – at amortised cost		
Current		
Trust receipts (Gross) (i)	50,802	46,768
Bills payable (Gross)	15,369	2,768
Finance lease liabilities	39	136
Bank loan	1,100	500
Term loan	4,412	3,652
Total	**71,722**	**53,824**
Non-current		
Finance lease liabilities	151	38
Term loan	8,403	10,840
	8,554	**10,878**
Disclosed in the financial statements as:		
Current borrowings	71,722	53,824
Non-current borrowings	8,554	10,878
	80,276	**64,702**

Summary of borrowing arrangements:

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

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

At 30 June 2018 GLG Corp Ltd had short term financing facilities available of US$127,652 thousand, long-term financing facilities available of US$23,538 thousand and foreign exchange available of US$17,855 thousand. (Short term: US$81,068 thousand was used and US$46,584 thousand was unused. Long-term: US$12,815 thousand was used and US$10,723 thousand was unused. Foreign exchange of US$17,855 thousand was unused). Compared with US$133,603 thousand of short term financing facilities, long-term financing facilities of US$23,252 thousand and forward contract available of US$19,102 thousand at 30 June 2017 (Short term: US$58,166 thousand was used and US$75,437 thousand was unused. Long-term: US$14,492 thousand was used and US$8,760 thousand was unused. Foreign exchange of US$19,102 thousand was unused). GLG believe that it will continue to have the strong support from main bankers for its working capital and capital expenditure requirements.

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

	2018	**2017**
Bank loans	3.94% p.a.	2.68% p.a.
Term loan	4.02%	3.58%
Trust receipts / Bill payable	2.66%	2.37%
Finance lease liabilities	5.31% p.a.	4.70% p.a.

10. Issued capital

	Consolidated 2018 US$'000	Consolidated 2017 US$'000
74,100,000 (2017: 74,100,000) fully paid ordinary shares	**10,322**	**10,322**

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

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

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

	Consolidated		Consolidated	
	No. '000	2018 US$'000	No. '000	2017 US$'000
Fully paid ordinary shares				
Balance at beginning of financial year	74,100	10,322	74,100	10,322
Balance at end of financial year	**74,100**	**10,322**	**74,100**	**10,322**

11. Earnings per share

	Consolidated 2018 Cents per share	Consolidated 2017 Cents per share
Basic earnings per share:		
Total basic earnings per share	3.23	5.66
Diluted earnings per share:		
Total diluted earnings per share	3.23	5.66

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:

	2018 US$'000	2017 US$'000
Net profit	2,395	4,193
Earnings used in the calculation of basic EPS	2,395	4,193

	2018 No.'000	2017 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	74,100	74,100

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11. Earnings per share (con't)

Diluted earnings per share

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

	Consolidated	
	2018 US$'000	2017 US$'000
Net profit	2,395	4,193
Earnings used in the calculation of diluted EPS	2,395	4,193

	Consolidated	
	2018 No.'000	2017 No.'000
Weighted average number of ordinary shares used in the calculation of diluted EPS	74,100	74,100

12. Contingent liabilities

	Consolidated	
	2018 US$'000	2017 US$'000
Contingent liabilities		
Guarantees arising from Letters of credit in force (i)	9,382	8,130
Total	**9,382**	**8,130**

(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.

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13. Property, plant and equipment

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

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

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

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

Assets measured at fair value include:

- Freehold and leasehold land and buildings - Level 3

Freehold and leasehold land and buildings of the Company were revalued on 30 June 2018 by One Asia Property Consultants (KL) Sdn. Bhd, an external, independent and registered valuer. The comparison method was adopted in arriving at the market value of the freehold and leasehold land and buildings. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique as compared with previous financial year and revaluations are done on an annual basis.

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

Description	**Valuation Approach**	**Unobservable inputs**	**Range of inputs**	**Weighted average**	**Relationship of unobservable inputs to fair value**
Property	Sales comparison	Price per square foot	RM30-44 per square foot for land RM30-100 per square foot for building RM = Malaysian Ringgit currency	RM24 per square foot for land RM75 per square foot for building	The higher the price per square foot the higher the fair value

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

Consolidated									
	At Valuation			At Cost					
Cost	**Freehold land and buildings**	**Leasehold land and buildings**	**Sub-total**	**Construction in Progress**	**Plant and machinery**	**Renovation**	**Other assets**	**Motor vehicles**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 July 2016	**1,207**	**9,610**	**10,817**	**2,960**	**12,027**	**2,955**	**4,357**	**390**	**33,506**
Additions	-	24	24	1,626	3,534	3,593	446	-	9,223
Additions through acquisition	-	-	-	-	1,017	11	50	25	1,103
Reclassification	-	-	-	(2,960)	-	2,960	-	-	-
Disposals	-	-	-	-	-	(1)	(13)	-	(14)
Revaluation deficit	(76)	(591)	(667)	-	-	-	-	-	(667)
Balance as at 30 June 2017	**1,131**	**9,043**	**10,174**	**1,626**	**16,578**	**9,518**	**4,840**	**415**	**43,151**
Additions	-	44	44	41	3,680	417	745	243	5,170
Reclassification	(1,131)	-	(1,131)	-	-	-	-	-	(1,131)
Disposals	-	-	-	(635)	(672)	-	(22)	-	(1,329)
Transfer	-	-	-	(836)	795	41	-	-	-
Revaluation surplus	-	700	700	-	-	-	-	-	700
Balance as at 30 June 2018	**-**	**9,787**	**9,787**	**196**	**20,381**	**9,976**	**5,563**	**658**	**46,561**

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

	Consolidated								
	At Valuation			At Cost					
	Freehold land and buildings	**Leasehold land and buildings**	**Sub-total**	**Construction in Progress**	**Plant and machinery**	**Renovation**	**Other assets**	**Motor vehicles**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation									
Balance as at 1 July 2016	**-**	**31**	**31**	**-**	**2,963**	**1,829**	**2,047**	**299**	**7,169**
Depreciation expense	8	295	303	-	1,304	418	182	25	2,232
Depreciation on disposals	-	-	-	-	-	-	(11)	-	(11)
Revaluation deficit	(8)	(278)	(286)	-	-	-	-	-	(286)
Balance as at 30 June 2017	**-**	**48**	**48**	**-**	**4,267**	**2,247**	**2,218**	**324**	**9,104**
Depreciation expense	-	302	302	-	1,857	500	297	42	2,998
Depreciation on disposals	-	-	-	-	(208)	-	(14)	-	(222)
Revaluation deficit	-	(134)	(134)	-	-	-	-	-	(134)
Balance as at 30 June 2018	**-**	**216**	**216**	**-**	**5,916**	**2,747**	**2,501**	**366**	**11,746**
Net book value									
As at 30 June 2017	**1,131**	**8,995**	**10,126**	**1,626**	**12,311**	**7,271**	**2,622**	**91**	**34,047**
As at 30 June 2018	**-**	**9,571**	**9,571**	**196**	**14,465**	**7,229**	**3,062**	**292**	**34,815**

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

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14. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Ghim Li Global Pte Ltd	Singapore	100	100
Ghim Li Global International Ltd	Hong Kong	100	100
Escala Fashion Pte. Ltd.	Singapore	100	100
Ghim Li International (S) Pte Ltd	Singapore	100	100
G&G International Pte Ltd (ii)	Singapore	100	100
AES (USA) Inc	USA	100	100
G&G Fashion (Vietnam) Co., Ltd.	Vietnam	100	100
Maxim Textile Technology Sdn Bhd	Malaysia	100	100
Maxim Textile Technology Pte Ltd	Singapore	100	100
Ghim Li Global International (GuangZhou) Ltd (i)	China	-	100
Ghim Li Fashion (M) Sdn Bhd	Malaysia	100	100
GG Fashion (Cambodia) Co., Ltd (ii)	Cambodia	100	-

i) This company was inactive and liquidated on 10 August 2017.
ii) This company was newly set up on 9 Aug 2017.

15. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest 2018 %	Ownership interest 2017 %
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 2018 US$'000	Consolidated 2017 US$'000
Financial position:		
Current assets	393	393
Current liabilities	(1,879)	(1,879)
Net assets	(1,486)	(1,486)
Group's share of jointly controlled entity's net assets	(757)	(757)
Financial performance:		
Income	-	-
Expenses	-	-
Total loss for investment in joint venture	-	-
Group's share of jointly controlled entity's losses	-	-

The entity ceased business in 2012 and the consolidated entity's share of losses for 2018 and 2017 was nil. The entity's cumulative unrecognised share of retained losses is US$757 thousand (2017: US$757 thousand).

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16. Notes to the cash flow statement

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

	Consolidated	
	2018 US$'000	2017 US$'000
Profit for the year	2,395	4,193
Depreciation and amortisation of non-current assets	2,998	2,232
Amortisation of intangible assets	20	1
Bad debts write-off	-	296
Fair value adjustment on investment property (Note 17)	(378)	252
Gain on sales of non-current assets	(33)	-
Loss on written off non-current assets	73	4
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Inventories	(6,965)	(539)
Trade and other receivables	(6,302)	(4,695)
Other assets	455	(2,071)
Increase/(decrease) in liabilities:		
Trade and other payables	13,964	2,366
Current tax	97	(460)
Deferred tax	485	(201)
Net cash provided by operating activities	**6,809**	**1,378**

17. Investment property

The investment property is located at Lot 7962, Batu 22, Jalan Air Hitam, 81000 Kulai, Johor in Malaysia. It was revalued by One Asia Property Consultants (KL) Sdn. Bhd, an external, independent and registered valuer using the sales comparison method on 30 June 2018, and has been categorised as Level 3 fair value. Revaluations are done on an annual basis. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input to this valuation approach is price per square foot of comparable properties.

The investment property has include those portions of factory and office buildings that are held for long-term rental yields and/or for capital appreciation which are initially recognised at cost and subsequently carried at fair value.

The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value. Changes in fair values are recognised in profit or loss.

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17. Investment property (cont'd)

Description	Valuation Approach	Unobservable inputs	Range of inputs	Weighted average	Relationship of unobservable inputs to fair value
Investment property	Sales comparison	Price per square foot	RM40 to 63 per square foot for land RM40 to 100 per square foot for building RM = Malaysian Ringgit currency	RM47 per square foot for land RM73 per square foot for building	The higher the price per square foot, the higher the fair value

	Consolidated	
	2018 US$'000	2017 US$'000
Beginning of financial year	3,762	4,014
Fair value gain/ (loss) recognised in profit or loss	378	(252)
Fair value gain recognised in revaluation reserve	52	-
Reclassification from freehold land and building	1,131	-
End of financial year	**5,323**	**3,762**

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18. Intangible Assets

	Consolidated 2018 US$'000	2017 US$'000
Cost		
As at 1 July 2017	13	-
Additions	64	13
As at 30 June 2018	77	13
Accumulated Depreciation		
As at 1 July 2017	1	-
Additions	20	1
As at 30 June 2018	21	1
Net book Value		
As at 1 July	**12**	**-**
As at 30 June	**56**	**12**
Goodwill	1,841	1,841
Total intangible assets		
As at 1 July	**1,853**	**-**
As at 30 June	**1,897**	**1,853**

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

Goodwill – recognition and measurement

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

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19. Inventory

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

	Consolidated	
	2018 US$'000	**2017 US$'000**
Raw materials	5,801	3,393
Work in progress	7,743	2,987
Goods in transit	1,743	2,769
Consumables	5	7
Stock lot	667	189
Finished goods	3,521	3,170
Total	**19,480**	**12,515**

20. Subsequent event

On 28 June 2018, Ghim Li International (S) Pte Ltd, a fully-owned subsidiary of GLG Corp Ltd, has entered into an agreement with Ghim Li (Cambodia) Pte Ltd and its parent company, GLIT Holdings Pte Ltd to acquire some specific assets in the latter's garment manufacturing factory in Cambodia. The assets to be acquired consist of machinery and equipment, some other fixed assets and intangible assets such as trade name and customer network, employee database and records.

Ghim Li International (S) Pte Ltd plans to establish a garment manufacturing factory in Cambodia with a new legal entity in Cambodia, which will then be assigned to own and manage these assets acquired from the sellers. The rationale of this acquisition is to allow Ghim Li International (S) Pte Ltd to set up its own garment manufacturing factory in Cambodia to supplement its current garment manufacturing investment in Vietnam and Malaysia.

The completion of this acquisition is subject to the fulfilment of certain conditions, namely (a) the securing of Board approvals for GLIS, GLIT Holdings and Ghim Li Cambodia respectively, (b) obtaining regulatory and statutory approvals in Singapore and Cambodia and (c) the establishment of the legal entity by GLIS in Cambodia. Management expects all of these conditions to be met after 30 June 2018, hence this acquisition transaction is mentioned here as a subsequent balance sheet event. The receivables owed by GLIT to GLG Corp will be reduced by the same amount of the purchase consideration for the specific assets upon completion of this transaction, by way of set-off.