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GLG Corp Ltd

ACN 116 632 958

Financial report for the half-year ended 31 December 2018

Financial report for the half-year ended 31 December 2018

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Directors' report

The Directors of GLG Corp Ltd ("GLG") submit herewith the financial report of GLG Corp Ltd and its subsidiaries for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Estina Ang Suan Hong	Executive Chairman and Chief Executive Officer
Christopher Chong Meng Tak	Lead Independent Director
Shane Hartwig	Independent Director (resigned on 12 November 2018)
Grant Hummel	Independent Director (appointed on 1 December 2018)
Felicia Gan Peiling	Director

Review of operations

Review of operations

GLG's top-line revenue increased by 0.9% from US\$88,679 thousand to US\$89,499 thousand for the first half of this financial period ended 31 December 2018. This is due to increase in business with existing customer (from good execution) and business volume ramp from new customer recently won in the previous financial year.

Gross margin improved by 9% from US\$13,069 thousand to US\$14,375 thousand for the first half of FY2018 compared with a year ago, due to increased fabric margin and better garment product mix despite yarn price increase. The garment product mix margin is supported by the Landed Duty Paid business where the freight and customs duty costs are categorised under Selling and Distribution costs, as opposed to Cost of Sales.

Selling and distribution costs increased by 31% to US\$4,077 thousand compared to US\$3,113 thousand in the previous period 2017, mainly due to the incurrence of airfreight cost by garment factory in Cambodia and Maxim fabric mill to meet the tight delivery dates required from customers.

Administration expense increased by 26% to US\$6,984 thousand compared to US\$5,537 thousand in the previous period 2017. This is attributable to an increase in admin headcount in HQ coupled with an increase in costs from consolidation of garment factory in Cambodia.

Finance costs increased by 82% from US\$892 thousand to US\$1,624 thousand in the first half of 2019 compared with the corresponding period in the previous year, due to the increase in purchase of raw materials to support higher sales and new machineries investment in the factories.

Other expenses decreased by 79% from US\$1,514 thousand to US\$320 thousand due to cost savings in avoiding commitment fees payable to outsourced manufacturers in first half of FY2019.

Net profit after tax for GLG for the half year ended 31 December 2018 was US\$1,409 thousand, which represents decrease of US\$445 thousand or 24% compared to the corresponding period last year of US\$1,854 thousand. Overall, the decrease in profitability is due to production losses incurred in Vietnam and Cambodia garment factories.

Directors' report (cont'd)

Balance Sheet position

Inventory increased by about 20% to US\$23,455 thousand as at 31 December 2018 compared to US\$19,480 thousand as at 30 June 2018, due to an increase in the inventory of raw materials and work-in-process in the Maxim fabric mill to support the upcoming orders from customers and increase in yarn price. Correspondingly, this has also resulted in the increase in Trade and Others Payable increase by 18% to US\$43,881 thousand as at 31 December 2018 compared to US\$37,249 thousand as at 30 June 2018.

Property, plant and equipment increased marginally by 2% to US\$41,026 thousand as at 31 December 2018 compared to US\$40,138 thousand as at 30 June 2018, due to cost of investment in new machinery for the Cambodia garment factory and Maxim fabric mill.

Current and non-current borrowings decreased by 10% from US\$80,276 thousand as at 30 June 2018 to US\$71,907 thousand as at 31 December 2018, as a result of decrease in export invoice factoring from financial institutions and repayment of bank loans which correspondingly reduced the cash balance of 55% from US\$8,183 thousand as at 30 June 2018 to US\$3,684 thousand as at 31 December 2018.

Cash Flow

Overall, GLG's cash from operating activities increased to US\$8,243 thousand for the half year ended 31 December 2018 compared to US\$3,260 thousand for the corresponding period ended 31 December 2017. This increase occurred due to increase in sales and the prompt settlement from customers, supported by close monitoring of trade receivables.

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

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half year.

Rounding off of amounts

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 directors' report and financial statements in accordance with that Legislative Instrument.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the *Companies Act 2001*.

On behalf of the Directors



Estina Ang Suan Hong
Executive Chairman and CEO
Singapore

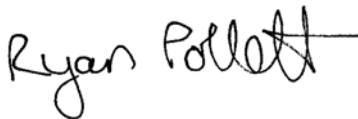
22nd February 2019

DECLARATION OF INDEPENDENCE BY RYAN POLLETT TO THE DIRECTORS OF GLG CORP LTD

As lead auditor for the review of GLG Corp Ltd for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of GLG Corp Ltd and the entities it controlled during the period.



Ryan Pollett
Partner

BDO East Coast Partnership

Sydney, 22 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of GLG Corp Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of GLG Corp Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

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and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO
Ryan Pollett

Ryan Pollett
Partner

Sydney, 22 February 2019

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Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Estina Ang Suan Hong
Executive Chairman and CEO
Singapore
22nd February 2019

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Consolidated	
	Half-year ended	
	31 Dec 2018 US\$'000	31 Dec 2017 US\$'000
Continuing Operations		
Revenue	89,499	88,679
Cost of sales	(75,124)	(75,610)
Gross profit	14,375	13,069
Other income	374	170
Selling and distribution expenses	(4,077)	(3,113)
Administration expenses	(6,984)	(5,537)
Finance costs	(1,624)	(892)
Other expenses	(320)	(1,514)
Profit before income tax expense	1,744	2,183
Income tax expense	(335)	(329)
Profit for the period	1,409	1,854
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value adjustment of reclass PPE to investment property	-	53
Foreign exchange translation difference for foreign operations	-	633
Total comprehensive income for the period	1,409	2,540
Earnings per share:		
From continuing operations:		
Basic (cents per share)	1.90	2.50
Diluted (cents per share)	1.90	2.50

Notes to the financial statements are included on pages 14 to 24

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Consolidated statement of financial position as at 31 December 2018

	Note	Consolidated	
		31 Dec 2018 US\$'000	30 Jun 2018 US\$'000
Current assets			
Cash and cash equivalents		3,684	8,183
Trade and other receivables	3(a)	88,806	89,455
Inventory		23,455	19,480
Other assets		1,188	1,330
Other financial assets		344	344
Total current assets		117,477	118,792
Non-current assets			
Other assets		2,510	2,555
Other financial assets		6,871	6,871
Property, plant and equipment	7	41,026	40,138
Intangible assets	8	1,886	1,897
Total non-current assets		52,293	51,461
Total assets		169,770	170,253
Current liabilities			
Trade and other payables	9	43,881	37,249
Borrowings	3(b)	63,623	71,722
Current tax liabilities		640	791
Total current liabilities		108,144	109,762
Non-current liabilities			
Borrowings	3(b)	8,284	8,554
Deferred tax liabilities		1,558	1,562
Total non-current liabilities		9,842	10,116
Total liabilities		117,986	119,878
Net assets		51,784	50,375
Equity			
Issued capital		10,322	10,322
Retained earnings		51,789	50,380
Merger reserve		(14,812)	(14,812)
Revaluation reserve		4,485	4,485
Total equity		51,784	50,375

Notes to the financial statements are included on pages 14 to 24

Consolidated statement of changes in equity for the half-year ended 31 December 2018

	Issued Capital US\$'000	Merger Reserve US\$'000	Foreign Currency Translatio n Reserve US\$'000	Revaluation Reserve US\$'000	Retained Profits US\$'000	Total US\$'000
Consolidated						
Balance at 1 July 2016	10,322	(14,812)	-	3,599	47,985	47,094
Profit after income tax expense	-	-	-	-	1,854	1,854
Other comprehensive income for the half-year, net of tax	-	-	633	53	-	686
Total comprehensive income for the half- year	-	-	633	53	1,854	2,540
Balance at 31 December 2017	10,322	(14,812)	633	3,652	49,839	49,634
Balance at 1 July 2017	10,322	(14,812)	-	4,485	50,380	50,375
Profit after income tax expense	-	-	-	-	1,409	1,409
Other comprehensive income for the half-year, net of tax	-	-	-	-	-	-
Total comprehensive income for the half- year	-	-	-	-	1,409	1,409
Balance at 31 December 2018	10,322	(14,812)	-	4,485	51,789	51,784

Notes to the financial statements are included on pages 14 to 24

Consolidated statement of cash flows for the half-year ended 31 December 2018

	Consolidated	
	Half-year ended	
	31 Dec 2018 US\$'000	31 Dec 2017 US\$'000
Cash flows from operating activities		
Receipts from customers	95,663	82,445
Payments to suppliers and employees	(85,514)	(78,085)
Interest and other costs of finance paid	(1,421)	(738)
Interest received	5	6
Income tax paid	(490)	(368)
Net cash provided by operating activities	8,243	3,260
Cash flows from investing activities		
Payment for property, plant and equipment	(2,432)	(1,454)
Payment for software	(2)	(46)
Proceeds from disposal of property, plant and equipment	-	28
Net cash used in investing activities	(2,434)	(1,472)
Cash flows from financing activities		
(Proceeds from)/ repayment to borrowings	(8,369)	4,706
Payments to outsourced manufacturing suppliers	(5,149)	(8,630)
Loan from key management personnel	2,923	-
Proceed from Ghim Li Group	287	196
Net cash used in financing activities	(10,308)	(3,728)
Net decrease in cash and cash equivalents	(4,499)	(1,940)
Cash and cash equivalents at the beginning of the financial period	8,183	6,881
Cash and cash equivalents at the end of the financial period	3,684	4,941

Notes to the financial statements are included on pages 14 to 24

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Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial 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 directors' report and financial statements in accordance with that Legislative Instrument.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2018 annual financial report for the financial year ended 30 June 2018, 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.

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.

1. Significant accounting policies (cont'd)

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
- Contingent consideration - Level 3

There were no transfers between levels during the period.

Valuations of land and buildings and investment properties

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

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 half-year.

The adoption of these Accounting Standards and Interpretations did not have any impact on the date of transition.

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

2. 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

2. Segment information (cont'd)

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.

Operating segment information

Consolidated – 31 December 2018	Fabric manufacturing US\$'000	Garment US\$'000	Intersegment eliminations US\$'000	Total US\$'000
Revenue				
Sales to external customers	365	89,134	-	89,499
Intersegment sales	30,075	-	(30,075)	-
Total revenue	<u>30,440</u>	<u>89,134</u>	<u>(30,075)</u>	<u>89,499</u>
Interest received	5	151	(151)	5
Depreciation	950	608	-	1,558
EBIT	<u>2,260</u>	<u>1,108</u>	<u>-</u>	<u>3,368</u>
Finance costs				(1,624)
Profit before income tax expense				1,744
Income tax expense				(335)
Profit after income tax expense				<u>1,409</u>
Consolidated – 31 December 2017	Fabric manufacturing US\$'000	Garment US\$'000	Intersegment eliminations US\$'000	Total US\$'000
Revenue				
Sales to external customers	169	88,510	-	88,679
Intersegment sales	23,623	12,518	(36,141)	-
Total revenue	<u>23,792</u>	<u>101,028</u>	<u>(36,141)</u>	<u>88,679</u>
Interest received	6	148	(148)	6
Depreciation	1,064	334	-	1,398
EBIT	<u>2,150</u>	<u>925</u>	<u>-</u>	<u>3,075</u>
Finance costs				(892)
Profit before income tax expense				2,183
Income tax benefit				(329)
Profit after income tax expense				<u>1,854</u>

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2. Segment information (cont'd)

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

	Fabric	
	31 December 2018 US\$'000	31 December 2017 US\$'000
	Malaysia	73
Singapore	-	104
Cambodia	236	-
India	56	-
Myanmar	-	65
	365	169

	Garments	
	31 December 2018 US\$'000	31 December 2017 US\$'000
	Cambodia	55
Canada	21,215	17,013
China	77	37
Europe	216	4,309
Indonesia	-	2
Japan	134	94
Malaysia	46	11
Singapore	197	32
Vietnam	33	-
USA	67,161	67,012
	89,134	88,510

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3(a) Trade receivables

Trade receivables are net trade receivables. The reconciliation between gross and net receivables is set out below:

As at	31 December 2018	30 June 2018
	US\$'000	US\$'000
Trade receivables		
Trade customers	21,921	29,059
GLIT Holdings	26,735	25,858
Outsourced manufacturing suppliers	34,368	30,102
Joint-venture entity	1,325	1,325
Trade receivables	84,349	86,344
Other receivables		
Other receivables	3,088	2,081
Provision for doubtful debts	(146)	(480)
Other receivables	2,942	1,601
Less:		
Payable to outsourced manufacturing supplies	(36)	(39)
	87,255	87,906
Goods and services tax recoverable	1,551	1,549
Total Trade and other receivables	88,806	89,455

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3(b) Borrowings

As at	31 December 2018	30 June 2018
	US\$'000	US\$'000
Current		
Trust receipts (Gross) (i)	50,891	50,802
Bills payable (Gross)	7,510	15,369
Finance lease liabilities	37	39
Bank Loan	600	1,100
Term Loan	4,585	4,412
Total current borrowings	63,623	71,722
Non-current		
Finance lease liabilities	134	151
Term Loan	8,150	8,403
Total non-current borrowings	8,284	8,554
Disclosed in the financial statements as:		
Current borrowings	63,623	71,722
Non-current borrowings	8,284	8,554
Total borrowings	71,907	80,276

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

At 31 December 2018, GLG Corp Ltd had short term financing facilities available of US\$134,290 thousand, long-term financing facilities available of US\$23,832 thousand and foreign exchange available of US\$12,546 thousand. (Short term: US\$70,228 thousand was used and US\$64,062 thousand was unused. Long-term: US\$12,234 thousand was used and US\$11,598 thousand was unused. Foreign exchange of US\$12,546 thousand was unused). Compared with US\$127,652 thousand of short term financing facilities, long-term financing facilities of US\$23,538 thousand and forward contract available of US\$17,855 thousand at 30 June 2018 (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). GLG believe that it will continue to have the strong support from main bankers for its working capital and capital expenditure requirements.

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4. Contingent Liabilities

	31 December 2018	30 June 2018
	US\$'000	US\$'000
Guarantees arising from letters of credit in force (i)	9,814	8,596
Total	9,814	8,596

(i) As a result of the Group's letter of credit issued by banks for purchase of goods has arisen the contingent liabilities.

5. Subsequent Events

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 31 December 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.

6. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			2018 %	2017 %
Jointly controlled entities JES Apparel LLC	USA	Importer of knitwear products	51%	51%

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7. Non-current assets – property, plant and machinery

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

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7. Non-current assets – property, plant and machinery (cont'd)

Cost	At Valuation			At Cost					Total
	Freehold land and buildings	Leasehold land and buildings	Sub-total	Construction in Progress	Plant and machinery	Renovation	Other assets	Motor vehicles	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Balance as at 1 July 2018	1,131	13,979	15,110	196	20,381	9,976	5,563	658	51,884
Additions	-	-	-	-	1,868	394	184	5	2,451
Reclassification	-	-	-	(38)	38	-	-	-	-
Disposals	-	-	-	-	(34)	-	(2)	-	(36)
Cost as at 31 December 2018	1,131	13,979	15,110	158	22,253	10,370	5,745	663	54,299

Accumulated depreciation									
Balance as at 1 July 2018	-	216	216	-	5,916	2,747	2,501	366	11,746
Depreciation expenses	-	3	3	-	1,073	271	147	51	1,545
Depreciation on disposals	-	-	-	-	(17)	-	(1)	-	(18)
Accumulated depreciation as at 31 December 2018	-	219	219	-	6,972	3,018	2,647	417	13,273
Net book value									
As at 30 June 2018	1,131	13,763	14,894	196	14,465	7,229	3,062	292	40,138
As at 31 December 2018	1,131	13,760	14,891	158	15,281	7,352	3,098	246	41,026

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

8. Intangible Assets

Software Cost	US\$'000
At July 1, 2018	77
Additions	2
At December 31, 2018	79
Accumulated Depreciation	
At July 1, 2018	21
Additions	13
At December 31, 2018	34
Net book value	
At July 1, 2018	56
At December 31, 2018	45
Goodwill	1,841
Total Intangible assets	
As at 30 June 2018	1,897
As at 31 December 2018	1,886

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.

9. Trade and other payable

As at	31 December 2018	30 June 2018
	US\$'000	US\$'000
Trade payables	18,848	16,028
Other payables	3,592	4,215
Ghim Li Group (i)	13,747	13,462
Loan from director (ii)	2,923	-
Accruals	4,771	3,544
Total Trade and other receivables	43,881	37,249

(i) This payable due to Ghim Li Group (majority shareholder of GLG) is the outstanding amount owed by GLG for the purchase consideration payable for the acquisition of Maxim entities in December 2016.

(ii) This payable due to director is an unsecured loan extended to GLG and repayable upon demand. Whereby the interest is payable based on the market rates incurred.

10. Related party transactions

(a) **Transactions with other related parties**

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

	Transaction with Ghim Li Group Pte Ltd (majority shareholder)	
	31 Dec 2018 US\$'000	31 Dec 2017 US\$'000
Rental	728	601
Utilities	29	27
	757	628

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

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

(b) **Transactions with key management personnel**

Loan from director which is unsecured and repayable at call, with interest payable based on market rates incurred (refer to note 9(ii)).