GLG Corp Ltd

ACN 116 632 958

Financial report for the half-year ended 31 December 2019

Financial report for the half-year ended 31 December 2019

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 2019. 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 (resigned on 1 October 2019)
Peter Tan	Lead Independent Director (appointed on 15 October 2019)
Grant Hummel	Independent Director
Felicia Gan Peiling	Director

Review of operations

Review of operations

GLG's revenue decreased by 16% from US$89.5m to US$75.2m this financial period ended 31 December 2019 ("1HFY2020"). This decrease in revenue was mainly due to the fire outbreak in Cambodia factory resulting in disruption of operation.

Gross profit margin has dipped from 16.1% to 15.2% for 1HFY2020 mainly attributed to rising labour costs in South East Asia.

Selling and distribution costs decreased by 22% to US$3.2m compared to US$4.1m in the previous financial period ended 31 December 2018 ("1HFY2019"). This was mainly due to reduction of air freight costs arising from the better control of the production in meeting customers' delivery schedule.

Administration expenses decreased by 11% to US$6.2m compared to US$7m in the previous period 2019. This decrease in costs was achieved through cost reduction strategies and streamlining of manpower after offsetting with the increase in depreciation expenses amounted to US$0.5m from the adoption of AASB 16 Leases (with effect from 1 July 2019), which resulted in the recognition of all leases as non-current assets in the Group's statement of financial position as at 31 December 2019.

Finance costs increased by 17% from US$1.6m to US$1.9m in 1HFY2020 compared with the previous corresponding financial period. The increase was mainly attributed to the recognition of 6 months' interest of US$0.4m computed on the recognition of lease liabilities resulted from the adoption of AASB 16 Lease.

Other expenses increased from US$0.3m to US$0.7m in the 1HFY2020 compared with the previous corresponding financial period, due to the realised foreign exchange loss from the weakening of USD.

Net profit after tax for GLG for the half year ended 31 December 2019 was US$0.4m, which represents decrease of US$1m or 73% compared to the corresponding period last year of US$1.4m. Overall, the reduction in the net profit was mainly due to fire outbreak in Cambodia factory and lower revenue generated.

Directors' report (cont'd)

Balance Sheet position

Trade and other receivables decreased by 8.4% from US$86.9m as at 30 June 2019 to US$79.6m as at 31 December 2019 mainly attributed to the prompt settlement of payment from customers and lower sales.

Inventory increased by about 2.6% to US$21.3m as at 31 December 2019 compared to US$20.8m as at 30 June 2019, due to an increase in the inventory of raw materials and work-in-process in the Cambodia factory to support the upcoming orders from customers.

The sale of its Vietnam subsidiary, G&G Fashion (Vietnam) Co. Ltd to Dragon Crowd Garment Inc. has reduced the assets held for sales.

The right-of-use assets of US$15.7m arose from the adoption of AASB 16 Leases (with effect from 1 July 2019), which resulted in the recognition of all leases as non-current assets in the Group's statement of financial position as at 31 December 2019.

Trade and Others Payable decreased by 20% from US$49.3m as at 30 June 2019 to US$39.6m as at 31 December 2019, as a result of complete debts settlement by Vietnam subsidiary upon the completion of its sales.

Current and non-current borrowings increased by 10% from US$70.5m as at 30 June 2019 to US$77.7m as at 31 December 2019, as a result of recognition of lease liabilities following the adoption of AASB 16 Lease and increase the borrowing from financial institutions.

Cash Flow

Overall, the net cash flow used in operating activities of US$3.2m was mainly due to lower sales generated in first half of FY2020.

In 1HFY2020, net cash flows from investing activities amounted to US$10.3m mainly attributed to the disposal of Vietnam subsidiary after offsetting the purchase of ERP system.

Net cash used in financial activities in 1HFY2020 amounted to US$6.9m, was mainly attributed to the repayments to borrowings after offsetting the proceeds from outsourced manufacturing suppliers.

As a result of the above, there was a net increase of US$0.3m in cash and cash equivalents for 1HFY2020, from a net cash surplus of US$5.3m as at 30 June 2019 to a net cash surplus of US$5.6m as at 31 December 2019.

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, unless otherwise indicated. 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
27th February 2020

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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 2019, 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

Ryan Pollett
Partner

BDO East Coast Partnership

Sydney, 27 February 2020

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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 2019, 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 2019 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 2019 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 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, 27 February 2020

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 2019 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
27th February 2020

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended 31 Dec 2019 US$'000	31 Dec 2018 US$'000
Continuing Operations			
Revenue	2	75,159	89,499
Cost of sales		(63,722)	(75,124)
Gross profit		**11,437**	**14,375**
Other income		900	374
Selling and distribution expenses		(3,183)	(4,077)
Administration expenses		(6,211)	(6,984)
Finance costs		(1,903)	(1,624)
Other expenses		(679)	(320)
Profit before income tax expense		**361**	**1,744**
Income tax benefit/ (expense)		13	(335)
Profit for the period		**374**	**1,409**
Other comprehensive income:		-	-
Total comprehensive income for the period		**374**	**1,409**
Earnings per share:			
From continuing operations:			
Basic (cents per share)		0.50	1.90
Diluted (cents per share)		0.50	1.90

Notes to the financial statements are included on pages 14 to 26

Consolidated statement of financial position as at 31 December 2019

	Note	Consolidated 31 Dec 2019 US$'000	Consolidated 30 Jun 2019 US$'000
Current assets			
Cash and cash equivalents		5,559	5,304
Trade and other receivables	3	79,590	86,917
Inventory		21,292	20,755
Other assets		1,196	843
Other financial assets		344	344
Assets held for sale		-	10,704
Total current assets		**107,981**	**124,867**
Non-current assets			
Other financial assets		6,871	6,871
Property, plant and equipment	8	33,519	34,764
Right-of-use assets	12	15,702	-
Intangible assets	9	6,713	6,908
Total non-current assets		**62,805**	**48,543**
Total assets		**170,786**	**173,410**
Current liabilities			
Trade and other payables	10	39,623	49,335
Borrowings	4	58,653	63,972
Lease liabilities	12	1,602	-
Current tax liabilities		273	427
Total current liabilities		**100,151**	**113,734**
Non-current liabilities			
Borrowings	4	2,698	6,608
Deferred tax liabilities		1,587	1,807
Lease liabilities	12	14,715	-
Total non-current liabilities		**19,000**	**8,415**
Total liabilities		**119,151**	**122,149**
Net assets		**51,635**	**51,261**
Equity			
Issued capital		10,322	10,322
Retained earnings		51,209	50,835
Merger reserve		(14,812)	(14,812)
Revaluation reserve		4,916	4,916
Total equity		**51,635**	**51,261**

Notes to the financial statements are included on pages 14 to 26

Consolidated statement of changes in equity for the half-year ended 31 December 2019

	Issued Capital US$'000	Asset Revaluation Reserve US$'000	Merger Reserve US$'000	Retained Profits US$'000	Total US$'000
Consolidated					
Balance at 1 July 2018	10,322	4,485	(14,812)	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**	**4,485**	**(14,812)**	**51,789**	**51,784**
Balance at 1 July 2019	10,322	4,916	(14,812)	50,835	51,261
Profit after income tax expense	-	-	-	374	374
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half- year	-	-	-	374	374
Balance at 31 December 2019	**10,322**	**4,916**	**(14,812)**	**51,209**	**51,635**

Notes to the financial statements are included on pages 14 to 26

Consolidated statement of cash flows for the half-year ended 31 December 2019

	Consolidated Half-year ended 31 Dec 2019 US$'000	31 Dec 2018 US$'000
Cash flows from operating activities		
Receipts from customers	79,863	95,663
Payments to suppliers and employees	(81,028)	(85,514)
Interest and other costs of finance paid	(1,318)	(1,421)
Interest paid to lease liabilities	(357)	-
Interest received	1	5
Income tax paid	(360)	(490)
Net cash (used in)/ provided by operating activities	**(3,199)**	**8,243**
Cash flows from investing activities		
Purchase of property, plant and equipment	(357)	(2,432)
Disposal of property, plant and equipment	10,682	-
Disposal of software	21	-
Purchase of software	(3)	(2)
Net cash from/ (used in) investing activities	**10,343**	**(2,434)**
Cash flows from financing activities		
Repayments to borrowings	(9,228)	(8,369)
Repayments of lease liability	(776)	-
Proceeds from/(Payments to) outsourced manufacturing suppliers	3,523	(5,149)
(Repayments to)/Loan from key management personnel	(312)	2,923
(Repayments to)/Proceeds from Ghim Li Group	(96)	287
Net cash used in financing activities	**(6,889)**	**(10,308)**
Net increase/ (decrease) in cash and cash equivalents	**255**	**(4,499)**
Cash and cash equivalents at the beginning of the financial period	5,304	8,183
Cash and cash equivalents at the end of the financial period	**5,559**	**3,684**

Notes to the financial statements are included on pages 14 to 26

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, unless otherwise indicated. 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 2019 annual financial report for the financial year ended 30 June 2019, 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. Software of $2.1M has been reclassified from property, plant and equipment to intangible assets as this was deemed to be more presentable.

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.

1. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

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
- 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.

AASB16 – Leases
The group adopted AASB 16 leases as of 1 July 2019.
The adoption of this new Standard has resulted in the Group recognising a right-of-use assets and related lease liability in connection with all non-cancellable operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The new Standard has been applied using the modified retrospective approach. Therefore, no restatement has been recognised.

The Group leases business premises with typically for a fixed period of 5 years to 10 years and may include extension options. From 1 July 2019 leases are recognised as a right of use asset and a corresponding liability at the date at which the lease is available for use by the Group. Assets and liabilities are measured on a present value basis.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease. Where a rate cannot be readily determined from the lease (generally the case) then the lessee's incremental borrowing rate will be used, being the rate the lessee would have to pay to borrow the funds to obtain the equivalent asset.

Right of use assets are depreciated on a straight-line basis over the term of the lease.

Payment associated with short term leases (with a term less than 12 months), and leases of low value (less than US$5,000) are recognised on a straight-line basis as an expense in the profit & loss.

The impact of AASB 16 has been detailed within Note 12.
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

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 2019	Fabric manufacturing US$'000	Garment US$'000	Intersegment eliminations US$'000	Total US$'000
Revenue				
Sales to external customers	626	74,533	-	75,159
Intersegment sales	23,432	-	(23,432)	-
Total revenue	24,058	74,533	(23,432)	75,159
Interest received	1	-	-	1
Depreciation and amortisation	1,028	1,744	-	2,772
EBIT	1,673	591	-	2,264
Finance costs				(1,903)
Profit before income tax expense				361
Income tax expense				13
Profit after income tax expense				374

2. Segment information (cont'd)

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	30,440	89,134	(30,075)	89,499
Interest received	5	151	(151)	5
Depreciation	950	608	-	1,558
EBIT	2,260	1,108	-	3,368
Finance costs				(1,624)
Profit before income tax expense				1,744
Income tax benefit				(335)
Profit after income tax expense				1,409

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

	Fabric	
	31 December 2019 US$'000	**31 December 2018 US$'000**
Cambodia	96	236
India	106	56
Malaysia	74	73
Myanmar	350	-
	626	**365**

	Garments	
	31 December 2019 US$'000	**31 December 2018 US$'000**
Cambodia	387	55
Canada	6,982	21,215
China	-	77
Europe	8	216
Hong Kong	711	-
Indonesia	5	-
Japan	26	134
Malaysia	12	46
Philippines	3	-
Singapore	153	197
Thailand	2	-
USA	66,106	67,161
Vietnam	138	33
	74,533	**89,134**

2. Segment information (cont'd)

Disaggregation of revenue

Revenue is disaggregated by the country in which the customer is located as this depicts how the nature, amount, and timing and uncertainty of our revenue and cash flows ae affected by economic factors.

3. Trade and other receivables

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

As at	31 December 2019	30 June 2019
	US$'000	US$'000
Trade receivables		
Trade customers	15,760	19,457
GLIT Holdings	25,793	25,949
Outsourced manufacturing suppliers	33,548	36,926
Joint-venture entity	1,325	1,325
Trade receivables	**76,426**	**83,657**
Other receivables		
Other receivables	1,766	1,941
Other receivables	**1,766**	**1,941**
Less:		
Payable to outsourced manufacturing supplies	(110)	(121)
	78,082	**85,477**
Goods and services tax recoverable	1,508	1,440
Total Trade and other receivables	**79,590**	**86,917**

4. Borrowings

As at	31 December 2019	30 June 2019
	US$'000	US$'000
Current		
Trust receipts (Gross) (i)	41,050	49,652
Bills payable (Gross)	8,407	6,575
Finance lease liabilities	43	38
Bank Loan	600	4,100
Term Loan	8,553	3,607
Total current borrowings	**58,653**	**63,972**
Non-current		
Finance lease liabilities	115	117
Term Loan	2,583	6,491
Total non-current borrowings	**2,698**	**6,608**
Disclosed in the financial statements as:		
Current borrowings	58,653	63,972
Non-current borrowings	2,698	6,608
Total borrowings	**61,351**	**70,580**

(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 2019, GLG Corp Ltd had short term financing facilities available of US$131.8m, long-term financing facilities available of US$13.3m and foreign exchange available of US$12.7m. (Short term: US$61m was used and US$70.8m was unused. Long-term: US$4.4m was used and US$8.9m was unused. Foreign exchange of US$12.7m was unused). Compared with US$133.3m of short term financing facilities, long-term financing facilities of US$19m and forward contract available of US$12.6m at 30 June 2019 (Short term: US$59m was used and US$74.3m was unused. Long-term: US$10.1m was used and US$8.9m was unused. Foreign exchange of US$12.6m was unused). GLG believe that it will continue to have the strong support from main bankers for its working capital and capital expenditure requirements.

5. Contingent Liabilities

	31 December 2019	30 June 2019
	US$'000	US$'000
Guarantees arising from letters of credit in force (i)	3,279	4,313
Total	3,279	4,313

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

6. Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of the consolidated entity in future financial year.

7. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			2019 %	2018 %
Jointly controlled entities **JES Apparel LLC**	USA	Importer of knitwear products	51%	51%

8. 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 2019 by One Asia Property Consultants (KL) Sdn. Bhd, an external, independent and registered valuer. The comparison method was adopted in arriving at the market value of the freehold and leasehold land and buildings. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique as compared with previous financial year and revaluations are done on an annual basis.

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

Description	**Valuation Approach**	**Unobservable inputs**	**Range of inputs**	**Weighted average**	**Relationship of unobservable inputs to fair value**
Leasehold Property	Sales comparison	Price per square foot	RM27-56 per square foot for land RM30-100 per square foot for building RM = Malaysian Ringgit currency	RM28 per square foot for land RM75 per square foot for building	The higher the price per square foot the higher the fair value
Freehold property	Sales comparison	Price per square foot	RM37 to 51 per square foot for land RM40 to 100 per square foot for building RM = Malaysian Ringgit currency	RM50 per square foot for land RM73 per square foot for building	The higher the price per square foot, the higher the fair value

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

	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 2019	5,326	9,684	15,010	-	25,224	4,075	3,607	672	48,588
Additions	-	-	-	-	176	116	36	29	357
Cost as at 31 December 2019	**5,326**	**9,684**	**15,010**	**-**	**25,400**	**4,191**	**3,643**	**701**	**48,945**

Accumulated depreciation									
Balance as at 1 July 2019	-	-	-	-	7,758	2,910	2,716	440	13,824
Depreciation expenses	-	-	-	-	1,227	206	132	37	1,602
Accumulated depreciation as at 31 December 2019	**-**	**-**	**-**	**-**	**8,985**	**3,116**	**2,848**	**477**	**15,426**
<u>Net book value</u>									
As at 30 June 2019	**5,326**	**9,684**	**15,010**	**-**	**17,466**	**1,165**	**891**	**232**	**34,764**
As at 31 December 2019	**5,326**	**9,684**	**15,010**	**-**	**16,415**	**1,075**	**795**	**224**	**33,519**

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

9. Intangible Assets

Consolidated					
Cost	**Software**	**Goodwill**	**Trademark & customers network**	**Others**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 July 2019	**2,150**	**1,841**	**2,518**	**407**	**6,916**
Additions	3	-	-	-	3
Balance as at 31 December 2019	**2,153**	**1,841**	**2,518**	**407**	**6,919**
Accumulated Amortisation					
Balance as at 1 July 2019	**8**	**-**	**-**	**-**	**8**
Amortisation	4	-	126	68	198
Balance as at 31 December 2019	**12**	**-**	**126**	**68**	**206**
Net book value					
As at 30 June 2019	**2,142**	**1,841**	**2,518**	**407**	**6,908**
As at 31 December 2019	**2,141**	**1,841**	**2,392**	**339**	**6,713**

Software
Computer software is stated as intangible assets in the statement of financial position and amortised on the straight-line method over 3 -10 years.

Goodwill – recognition and measurement

All business combinations are accounted for by applying the acquisition method. Goodwill 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. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Trademark and customers network
Trademark and customers network are stated as intangible assets in the statement of financial position and amortised on the straight-line method over 10 years.

10. Trade and other payable

As at	31 December 2019	30 June 2019
	US$'000	US$'000
Trade payables (i)	9,271	15,570
Other payables	3,031	5,494
Ghim Li Group (ii)	20,747	20,843
Due to director (iii)	3,346	3,658
Accruals	3,228	3,770
Total Trade and other payables	**39,623**	**49,335**

(i) The average credit period on purchases of certain goods is 4 months. No interest is charged on the outstanding balance of trade payables. GLG has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

(ii) This payable due to Ghim Li Group (majority shareholder of GLG) is the outstanding amount of US$13.7m owed by GLG for the purchase consideration payable for the acquisition of Maxim entities in December 2016 and additional loan from Ghim Li Group to GLG of US$7m as at 30 June 2019.

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

11. 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 2019 US$'000	**31 Dec 2018 US$'000**
Rental	728	728
Utilities	25	29
	753	**757**

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(iii)).

12. Adoption of AASB 16 - Leases

Transition approach
The Group has adopted AASB 16 using the simplified transition approach and has not restated comparative amounts. The Group has measured its lease liabilities at the present value of the remaining lease payments, discounted using the appropriate incremental borrowing rate as of 1 July 2019. The associated right-of-use-assets were recognised as of 1 July 2019 as an amount equal to the lease liability, using the prevailing incremental borrowing rate at 1 July 2019, adjusted for any prepaid or accrued lease payments relating to that lease which were recognised in the statement of financial position immediately before 1 July 2019.

Adjustments recognised on adoption of AASB 16
Adjustments to the Statement of Financial Position at 1 July 2019

	30 June 2019	Adjustments	1 July 2019
	US$'000	US$'000	US$'000
Right-of-use-assets	-	16,674	16,674
Accrued lease payments (AASB 117)	419	(419)	-
Lease liabilities	-	17,093	17,093

	Consolidated
	31 December 2019
	US$'000
Assets	
Right of use assets (AASB 16)	15,702
Liabilities	
Lease Liabilities - current (AASB 16)	1,602
Lease Liabilities – non-current (AASB 16)	14,715
	16,317
Interest expense charged for the period	357
Reconciliation of right-of-use-assets	US$'000
Right-of-use-assets recognised upon transition	
Balance at 1 July 2019	16,674
Right-of-use-assets through business combination	-
Lease arrangements entered into during the period	-
Amortisation expense	(972)
Balance at 31 December 2019	15,702
Reconciliation of Lease Liability	US$'000
Lease liability recognised upon transition	
Balance at 1 July 2019	17,093
Lease liability recognised through business combination	-
Lease arrangements entered into during the period	-
Interest expense	357
Cash payments	(1,133)
Balance at 31 December 2019	**16,317**

Lease	Location	Term	Interest rate
Head office	Singapore	10years + 5years option (01 Jan 2013 to 31 Dec 2027)	4.26%
Factory	Cambodia	5years + 5years option (01 Mar 2018 to 28 Feb 2028)	4.26%
Factory	Cambodia	5years + 5years option (01 Apr 2018 to 31 Mar 2028)	4.26%

Accounting policies in relation to AASB 16

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.