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## Global Brands Group Holding Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 787)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

<b>HIGHLIGHTS – SECOND HALF YEAR RESULTS</b>			
(US\$ million)	<b>2014</b>	2013	Change
	<b>Second half</b>	Second half	
Turnover	<b>2,105</b>	1,958	+7.5%
Total margin	<b>716</b>	620	+15.5%
<i>As % of turnover</i>	<b>34.0%</b>	31.7%	
<b>Core Operating Profit</b>	<b>217</b>	159	+36.6%
Net profit attributable to shareholders	<b>202</b>	162	+24.9%
<b>Adjusted Net Profit *</b>	<b>161</b>	118	+36.6%

\* Excluding merger and acquisition costs, non-cash items and non-operational expenses, including write back of contingent consideration payable, amortization of intangible assets, non-cash interest expenses and non-operational expenses.

- Strong growth of Profit Attributable to Shareholders of 24.9% for the six months ended 31 December 2014
- Strong increase in total margin and Core Operating Profit of 15.5% and 36.6% respectively, with momentum going into 2015
- Solid turnover growth of 7.5% to US\$2,105 million
- Both Licensed and Controlled Brands segments showed growth momentum
- Strong improvement in operating cash flow
- On track for our current Three-Year Plan (2014-2016) targets

**HIGHLIGHTS – FULL YEAR RESULTS**

(US\$ million)	<b>2014</b>	2013	Change
Turnover	<b>3,454</b>	3,288	+5.0%
Total margin	<b>1,117</b>	1,010	+10.6%
<i>As % of turnover</i>	<b>32.3%</b>	30.7%	
<b>Core Operating Profit</b>	<b>154</b>	134	+15.2%
Net profit attributable to shareholders	<b>104</b>	114	-8.2%
Earnings per Share – Basic	<b>9.72 HK cents</b>	10.59 HK cents	-8.2%
(equivalent to)	<b>1.25 US cents</b>	1.36 US cents	
<b>Adjusted Net Profit *</b>	<b>108</b>	99	+9.3%
Earnings per Share – Basic	<b>10.09 HK cents</b>	9.23 HK cents	
(equivalent to)	<b>1.29 US cents</b>	1.18 US cents	

\* Excluding merger and acquisition costs, non-cash items and non-operational expenses, including write back of contingent consideration payable, amortization of intangible assets, non-cash interest expenses and non-operational expenses.

## CEO STATEMENT

The year 2014 marked the beginning of an exciting new chapter in the history of Global Brands Group. On 9 July, we became listed as an independent company on the Hong Kong Stock Exchange.

The listing followed a successful spin-off from Li & Fung Limited, which has afforded us the freedom to fully build our brands business and pursue our own distinct and focused strategy, including direct to consumers, which would otherwise not have been possible. At the same time, we continue to enjoy the benefit of being a member of the Fung Group.

We believe we are now well-positioned to take full advantage of our business model and a growth strategy that will be borne out by the future success of the Group.

### **Performance & Business**

The second half of our fiscal year 2014 represented the first six months of our performance track record as an independent company, during which time we achieved a strong set of results: the Group's turnover and core operating profit for the second half of 2014 were US\$2,105 million and US\$217 million, representing an increase of 7.5% and 36.6% as compared to the same period last year, respectively. This comprised a turnover and core operating profit of US\$1,594 million and US\$146 million, respectively, for our Licensed Brands business, and US\$511 million and US\$72 million, respectively, for our Controlled Brands business. Profit attributable to shareholders reached US\$202 million for the second half of 2014, representing an increase of 24.9%.

Taking into consideration the first half of 2014 when we were a part of Li & Fung Limited, the Group's turnover and core operating profit for the full year ended 31 December, 2014 were US\$3,454 million and US\$154 million, representing an increase of 5.0% and 15.2% over the previous year, respectively. This comprised a turnover and core operating profit of US\$2,746 million and US\$113 million, respectively, for the Licensed Brands business, and US\$707 million and US\$41 million, respectively, for the Controlled Brands business. The Group's total margin has increased from 30.7% in 2013 to 32.3% in 2014.

Overall, we have established a solid foundation from which to achieve the targets set out in our Three-Year Plan (2014-2016): doubling core operating profit and restoring our margin to 2011 level by the end of 2016. Our Three-Year Plan targets are based on furthering a business strategy that generates long term value for all of our stakeholders. Moreover, while growing our business, we have also been focused on streamlining our operations and cost structure.

In terms of our businesses, we primarily concentrate on American power brands in the affordable luxury sector and operate through two segments: Licensed Brands and Controlled Brands.

On the Licensed Brands side, we continue to sharpen the focus of our platform in terms of both the product categories that we offer and the brands that we work with, while expanding the platform globally.

One notable achievement of our efforts is that today we are among the largest licensed brand companies within the kids sector, a success that is based upon our leadership position in characters as well as in kids fashion. We have a truly global platform in the kids area, and we are

working hard to further strengthen our prominent position in key categories and geographies worldwide. In the US, notable achievements include the master licensing agreement that we signed with Disney in the sleepwear category in August. In Europe, our focus has been to integrate our businesses across major markets to strengthen our leadership across the region. In China, we have successfully established a strong platform for the kids fashion and character businesses.

Another achievement worth highlighting is the high-profile licensing agreements we continue to win with major American power brands in footwear and accessories. For example, in 2014 we formed a new global accessory licensing relationship with Cole Haan, and in January 2015, with Kate Spade. In addition, we renewed our global footwear license agreement with Coach. These are all highly successful affordable luxury brands with strong growth momentum.

While we capitalize on opportunities to grow our licensing business, we continued to improve or otherwise exit subscale businesses within the Group. In late 2014, we exited our private label jewelry business, and consolidated the operations of our home and women's apparel platforms to ensure that each is run more efficiently.

Our Controlled Brands, meanwhile, continued to perform well and increasingly represent a larger part of the overall contribution.

Frye, an American brand with a strong heritage, continued on its positive growth trajectory. Our Frye retail stores delivered strong results, while sales through our e-commerce portal Frye.com also recorded significant growth. Looking ahead, we see the further expansion of our retail footprint, growing online sales and extending our product offering as being the key drivers to building Frye into a global lifestyle brand. We have also made a number of key hires to accelerate growth.

Spyder has firmly established itself as a high end, high performance skiwear brand in the US and Europe. Spyder has been the designated skiwear for the US and Canadian ski teams. We are working to expand its presence in other geographies as well as in other product categories. In particular, we believe this is an opportune time to make a big push for Korea (the host country for the winter Olympics in 2018) and China. We believe the brand's edgy aesthetics and high performance will resonate well in these key Asian markets.

Juicy Couture has started with very strong sales momentum and our retail partners are actively working on a plan for new store openings globally. Meanwhile, Aquatalia, though still much smaller in scale than Frye, has proven its brand appeal, and the brand has also debuted a men's collection ready for the Fall 2015 season.

In early December 2014, we announced a joint venture with David Beckham and his business partner Simon Fuller. The joint venture, Seven Global, focuses on the continued development of the brand around David Beckham as well as on creating large scale brands in partnership with a select number of high-profile sports and entertainment icons. The venture will cover all major consumer product categories.

We are extremely excited about the prospects that lie ahead for Seven Global. With our strong global platform of TLC, one of the world's leading brand management companies that we acquired in January 2014, we are confident that we can establish Seven Global as a trend-setting enterprise in the sports and entertainment space.

## **Prospects**

2014 was a transitional year for the Group. In addition to our spin-off and listing, we also consolidated our business and sharpened our focus on our competitive strengths. Looking ahead, we will continue to bolster our leadership position in terms of taking leading American power brands in the affordable luxury category global, whether we work with the brand owners or own the brands outright.

Although the overall macroeconomic environment remains complex, we expect that our margins will continue to trend upwards for a number of reasons, including 1) the growth in our business scale; 2) improvement in our gross margin in our existing business and an improving business mix in favor of higher-margin businesses, both in terms of increasing revenue and profit contributions from our Controlled Brands as well as our higher-margin Licensing businesses, for example characters and accessories; and, 3) our continued focus on integrating our businesses and rationalizing the cost structure, while exiting unprofitable and non-core businesses as necessary.

As we continue to grow and strengthen our business, one strategic priority is to extend our global reach. We have established a leading platform in our space in the US, which will remain our largest geography for the foreseeable future, and we believe we can successfully replicate this in Europe and Asia.

One common theme that cuts across our markets is the shifting consumer behavior and market dynamics as a result of rapid adoption of the internet and mobile-commerce. In today's world, physical and online/mobile shopping experiences continue to blend while cross-border transactions are increasingly common. As a partner to and owner of American power brands, we believe this offers a huge opportunity for us to create the best consumer experiences and to accelerate our growth and the expansion of our global platform.

Lastly, I would like to thank all of our stakeholders for their continuous support throughout the last year, and look forward to working closely together with all our colleagues around the world as the Group embarks on a new era of growth and prosperity.

**Bruce Rockowitz**

*Chief Executive Officer & Vice Chairman*

Hong Kong, 26 March 2015

### RESULTS OVERVIEW

Following the successful spin-off from Li & Fung Limited and listing on the Hong Kong Stock Exchange on 9 July, 2014, Global Brands embarked on a new chapter in its history. Becoming an independent business has allowed Global Brands to fully leverage its scale and extensive global network, and to focus on its core competencies: the design, development, marketing and sales of branded fashion accessories, footwear and apparel on a global basis. While Global Brands remains a member of the Fung Group, the spin-off from Li & Fung has afforded us the freedom to pursue our own distinct and focused strategy, including direct to consumers, which would otherwise not have been possible.

Global Brands' first annual results as an independent company are very positive and are indicative of the tremendous growth potential that the Group has been able to unlock over the short six months after listing and as a direct result of the spin-off. The success that the Group has recorded, particularly in the second half of 2014, has proven that the separate listing was the right move strategically. The Group continued to leverage its unique global platform, further growing its business across both the Licensed and Controlled Brands segments, setting in motion considerable growth momentum for 2015 and beyond.

For the second half of year ended 31 December 2014, the Group's turnover increased by 7.5% to US\$2,105 million compared to the same period last year. Total margin increased by 15.5% to US\$716 million, growing as a percentage of turnover from 31.7% to 34.0%. This strong set of results was mainly attributable to an increase in turnover achieved despite a challenging market environment, an improving business mix in favor of higher-margin businesses, and the Group's exit from underperforming businesses. Due to the full year impact of new brands and businesses, operating costs increased by 8.2% to US\$499 million. Core operating profit also posted a strong increase of 36.6% to US\$217 million for the second half. Adjusted net profit<sup>(2)</sup> increased by 36.6%, which was in line with the core operating profit gain. EBITDA<sup>(1)</sup> increased by 21.5% to US\$306 million as compared to US\$252 million in second half of the previous year. Profit attributable to shareholders reached US\$202 million for the second half of 2014, representing an increase of 24.9%.

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<sup>(1)</sup> EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortization. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable

<sup>(2)</sup> Adjusted Net Profit: Excluding merger & acquisition costs, non-cash items and non-operational expenses, including write back of consideration payable, amortization of intangible assets, non-cash interest expenses and non-operational expenses

The table below summarizes the Group's financial results for the six months ended 31 December 2014.

	2 <sup>nd</sup> Half 2014 US\$mm	2 <sup>nd</sup> Half 2013 US\$mm	Change	
			US\$mm	%
<b>Turnover</b>	<b>2,105</b>	<b>1,958</b>	<b>147</b>	<b>7.5%</b>
<b>Total Margin</b>	<b>716</b>	<b>620</b>	<b>96</b>	<b>15.5%</b>
<i>% of Turnover</i>	<b>34.0%</b>	<b>31.7%</b>		
<b>Operating Costs</b>	<b>499</b>	<b>461</b>	<b>38</b>	<b>8.2%</b>
<b>Core Operating Profit</b>	<b>217</b>	<b>159</b>	<b>58</b>	<b>36.6%</b>
<i>% of Turnover</i>	<b>10.3%</b>	<b>8.1%</b>		
<b>EBITDA<sup>(1)</sup></b>	<b>306</b>	<b>252</b>	<b>54</b>	<b>21.5%</b>
<b>Profit attributable to shareholders</b>	<b>202</b>	<b>162</b>	<b>40</b>	<b>24.9%</b>
<i>% of Turnover</i>	<b>9.6%</b>	<b>8.3%</b>		
<b>Adjusted Net Profit<sup>(2)</sup></b>	<b>161</b>	<b>118</b>	<b>43</b>	<b>36.6%</b>

<sup>(1)</sup> EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortization. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable

<sup>(2)</sup> Adjusted Net Profit: Excluding merger & acquisition costs, non-cash items and non-operational expenses, including write back of consideration payable, amortization of intangible assets, non-cash interest expenses and non-operational expenses

Over the past year, the Group established a solid foundation, across a platform of Licensed Brands and Controlled Brands, from which to achieve the targets set out in our Three-Year Plan (2014-2016): doubling core operating profit and restoring our margin to the 2011 level by the end of 2016, while continuing to streamline our cost structure and enhance overall operational efficiencies. We have worked to sharpen the focus of our strategy, continually evaluating and assessing our product categories and the brands which we work with, to expand our businesses globally. Throughout 2014 we added several power brands to our Licensed Brand portfolio, such as Cole Haan and Quiksilver. In addition, we signed a number of licensing agreements for our key product categories, such as the master licensing agreement with Disney for sleepwear, and the renewal of global footwear license with Coach. On the Controlled Brands side, we added Juicy Couture and Aquatalia. In early December 2014 we entered into an agreement to establish a joint venture with David Beckham and his business partner Simon Fuller, called Seven Global. As well as focusing on developing the brand around David Beckham, Seven Global will create new large scale brands in partnership with a select number of high-profile sports and entertainment icons. These brands will focus on the global consumer space and will develop products across all major consumer categories.

The table below summarizes the Group's financial results for the 12 months ended 31 December 2014.

	FY 2014 US\$mm	FY 2013 US\$mm	Change	
			US\$mm	%
<b>Turnover</b>	<b>3,454</b>	<b>3,288</b>	<b>166</b>	<b>5.0%</b>
<b>Total Margin</b>	<b>1,117</b>	<b>1,010</b>	<b>107</b>	<b>10.6%</b>
<i>% of Turnover</i>	<b>32.3%</b>	<b>30.7%</b>		
<b>Operating Costs</b>	<b>963</b>	<b>876</b>	<b>87</b>	<b>9.9%</b>
<b>Core Operating Profit</b>	<b>154</b>	<b>134</b>	<b>20</b>	<b>15.2%</b>
<i>% of Turnover</i>	<b>4.5%</b>	<b>4.1%</b>		
<b>EBITDA<sup>(1)</sup></b>	<b>339</b>	<b>296</b>	<b>43</b>	<b>14.7%</b>
<i>% of Turnover</i>	<b>9.8%</b>	<b>9.0%</b>		
<b>Profit attributable to shareholders</b>	<b>104</b>	<b>114</b>	<b>(9)</b>	<b>-8.2%</b>
<i>% of Turnover</i>	<b>3.0%</b>	<b>3.5%</b>		
<b>Adjusted Net Profit<sup>(2)</sup></b>	<b>108</b>	<b>99</b>	<b>9</b>	<b>9.3%</b>
<i>% of Turnover</i>	<b>3.1%</b>	<b>3.0%</b>		

<sup>(1)</sup> EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortization. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable

<sup>(2)</sup> Adjusted Net Profit: Excluding merger & acquisition costs, non-cash items and non-operational expenses, including write back of consideration payable, amortization of intangible assets, non-cash interest expenses and non-operational expenses

## OPERATING SEGMENTS

The Group designs, develops, markets and sells branded fashion accessories, footwear and apparel products globally, with a primary concentration on American power brands in the affordable luxury sector, and operates through two segments, Licensed Brands and Controlled Brands.

### Licensed Brands

The Group focuses on branded products under the primary categories of footwear and accessories, kids fashion, characters, and home, across a number of distribution channels. We sell our products under our portfolio of licensed brands, such as Calvin Klein, Coach, Disney, Nautica, Tommy Hilfiger, Michael Kors, Under Armour and Izod, and multiple characters under Disney, Lucas Film, Pixar, Marvel and Nickelodeon etc.



Given our strong relationships with numerous licensors globally across all categories that we specialize in, we are a licensee of choice for well-known brands that have built a loyal following of both fashion-conscious consumers and retailers who desire high quality, well-designed products. In an environment of rapidly changing consumer fashion trends, the Group also benefits from a balanced mix of well-established and newer brands that enable us to drive fashion trends, capture value at every stage of the brand lifecycle of these American power brands and broaden our appeal among different groups of customers. This strategy allows Global Brands to maintain a steady generation of cash and offers a solid foundation for the Group.

Since our listing in 2014, we have concentrated on leveraging our knowledge to further strengthen the Licensed Brands platform, sharpening our focus in terms of the brands we work with and the product categories that we offer. In addition, we are working to extend our reach to more geographies globally.

Today, Global Brands is one of the largest licensed brand companies operating in the kids sector due to our strength and leading position in the character business and in kids fashion. The Group also continued to win key licensing agreements with major American power brands in our key product categories, such as footwear and accessories. In late 2014, we exited our private label jewelry business, and consolidated the operations of our home and women's apparel platforms to ensure that each is run efficiently.

Total turnover for Licensed Brands in the second half of the year ended 31 December 2014 increased by 2.8% to US\$1,594 million compared to the second half of 2013, which was achieved mainly through an increase in turnover despite challenging economy and exiting underperforming businesses. Total margin increased from 31.9% to 33.4%, as a result of efforts made by the Group to improve existing margins as well as the business mix in favor of higher-margin businesses, and exiting underperforming businesses. Due to the full year impact of new businesses, operating costs increased by 3.5% from US\$374 million to US\$387 million. For the second half of 2014, Licensed Brands recorded a core operating profit of US\$146 million, representing an increase of 20.4% compared to the second half of the previous year.

The table below summarizes the Group's segment highlights for Licensed Brands for the six months ended 31 December 2014.

	2 <sup>nd</sup> Half 2014 US\$mm	2 <sup>nd</sup> Half 2013 US\$mm	Change	
			US\$mm	%
<b>Turnover</b>	<b>1,594</b>	<b>1,550</b>	<b>43</b>	<b>2.8%</b>
<b>Total Margin</b>	<b>533</b>	<b>495</b>	<b>38</b>	<b>7.6%</b>
<i>% of Turnover</i>	<b>33.4%</b>	<b>31.9%</b>		
<b>Operating Costs</b>	<b>387</b>	<b>374</b>	<b>13</b>	<b>3.5%</b>
<b>Core Operating Profit</b>	<b>146</b>	<b>121</b>	<b>25</b>	<b>20.4%</b>
<i>% of Turnover</i>	<b>9.1%</b>	<b>7.8%</b>		

The table below summarizes the Group's segment highlights for Licensed Brands for the 12 months ended 31 December 2014.

	FY 2014 US\$mm	FY 2013 US\$mm	Change	
			US\$mm	%
<b>Turnover</b>	<b>2,746</b>	<b>2,680</b>	<b>66</b>	<b>2.5%</b>
<b>Total Margin</b>	<b>880</b>	<b>823</b>	<b>57</b>	<b>6.9%</b>
<i>% of Turnover</i>	<b>32.0%</b>	<b>30.7%</b>		
<b>Operating Costs</b>	<b>767</b>	<b>726</b>	<b>41</b>	<b>5.7%</b>
<b>Core Operating Profit</b>	<b>113</b>	<b>98</b>	<b>16</b>	<b>15.9%</b>
<i>% of Turnover</i>	<b>4.1%</b>	<b>3.6%</b>		

### Controlled Brands

We either own the intellectual property of the brands, or have a long-term license of the brands under the Controlled Brands segment, which gives us significant control. Our major licenses for Controlled Brands run for a period of ten years or longer and have multiple renewal options.

Our Controlled Brands continued to perform well over the past year and increasingly represent a larger contribution. Our key controlled brand, Frye, an American brand with a strong heritage that we own outright, maintained its positive track record from recent years. As at 31 December 2014, we operated four retail stores under Frye, in New York, Boston, Washington D.C., and Chicago. Sales both in store and through its e-commerce channel continued to be strong. Juicy Couture started with strong sales growth momentum. By working with our retail partners, as at 31 December 2014, Juicy Couture had approximately 200 stores globally. Spyder has firmly established itself as a high end, high performance skiwear brand in North America and Europe, while Aquatalia, though still much smaller in scale than Frye, saw positive momentum, proving its brand appeal.

For the second half of 2014, total turnover for Controlled Brands increased by 25.3% to US\$511 million compared to the same period of last year. Frye continued on its trajectory of growth, along with Spyder and Juicy Couture which also produced growth momentum and contribution.

Total margin for Controlled Brands increased from 30.7% to 35.8% during the second half of 2014, due to contribution from higher-margin businesses and improvement on existing margins. Operating costs increased by 28.3%, from US\$87 million for the second half of 2013, to US\$111 million in the second half of 2014, due to the full year impact of new brands. For the second half of the year ended 31 December 2014, Controlled Brands recorded a core operating profit of US\$72 million, representing an increase of 88.1% comparing to the same period of last year.

The table below summarizes the Group's segment highlights for Controlled Brands for the six months ended 31 December 2014.

	2 <sup>nd</sup> Half 2014 US\$mm	2 <sup>nd</sup> Half 2013 US\$mm	Change	
			US\$mm	%
<b>Turnover</b>	<b>511</b>	<b>408</b>	<b>103</b>	<b>25.3%</b>
<b>Total Margin</b>	<b>183</b>	<b>125</b>	<b>58</b>	<b>46.5%</b>
<i>% of Turnover</i>	<b>35.8%</b>	<b>30.7%</b>		
<b>Operating Costs</b>	<b>111</b>	<b>87</b>	<b>24</b>	<b>28.3%</b>
<b>Core Operating Profit</b>	<b>72</b>	<b>38</b>	<b>34</b>	<b>88.1%</b>
<i>% of Turnover</i>	<b>14.0%</b>	<b>9.3%</b>		

The table below summarizes the Group's segment highlights for Controlled Brands for the 12 months ended 31 December 2014.

	FY 2014 US\$mm	FY 2013 US\$mm	Change	
			US\$mm	%
<b>Turnover</b>	<b>707</b>	<b>608</b>	<b>99</b>	<b>16.3%</b>
<b>Total Margin</b>	<b>237</b>	<b>187</b>	<b>50</b>	<b>26.8%</b>
<i>% of Turnover</i>	<b>33.5%</b>	<b>30.7%</b>		
<b>Operating Costs</b>	<b>196</b>	<b>151</b>	<b>45</b>	<b>30.1%</b>
<b>Core Operating Profit</b>	<b>41</b>	<b>36</b>	<b>5</b>	<b>13.3%</b>
<i>% of Turnover</i>	<b>5.8%</b>	<b>5.9%</b>		

## GEOGRAPHICAL SEGMENTATION

For the 12 months ended 31 December 2014, the geographic split of Group turnover was 80% North America, 16% Europe/Middle East and 4% Asia, as compared to 85% North America, 11% Europe/Middle East and 4% Asia for the 12 months ended 31 December 2013.

The increase in percentage of turnover from Europe/Middle East and Asia reflected the Group's continuous focus on globalizing and diversifying its businesses geographically. While North America remained the largest market, the Group will continue to focus on increasing the geographic footprint of its American power brands and further strengthening its platforms in Europe/Middle East and Asia.

## ACQUISITIONS AND JOINT VENTURES

In 2014, the Group made two non-material acquisitions of businesses and two interests in joint venture in order to continue to develop and expand our brand management business globally.

Name	Business	Strategic Rationale
The Licensing Company <i>(January 2014)</i>	<ul style="list-style-type: none"> <li>A licensing agent and brand management consultant for brands including Coca-Cola, Jeep, Mercedes Benz, Hershey's and Peanuts, with headquarters in the United Kingdom and offices in Europe, North America and Asia</li> </ul>	<ul style="list-style-type: none"> <li>To continue expansion of our brand management business</li> </ul>
Iconix Europe <i>(January 2014)</i>	<ul style="list-style-type: none"> <li>A joint venture with Iconix Brand Group, Inc. Iconix Europe is a master licensee for brands including Candie's, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Fieldcrest, Charisma, Start and Waverly</li> </ul>	<ul style="list-style-type: none"> <li>To continue expansion of our brand management business in Europe</li> </ul>
Cocaban <i>(June 2014)</i>	<ul style="list-style-type: none"> <li>A licensing and brand management specialist in Korea for brands including Discovery Channel, Thomas &amp; Friends and Bob the Builder</li> </ul>	<ul style="list-style-type: none"> <li>To continue expansion of our brand management business in Asia</li> </ul>
Seven Global <i>(December 2014)</i>	<ul style="list-style-type: none"> <li>A joint venture with David Beckham and his business partner Simon Fuller for managing the brand around David Beckham globally as well as creating large scale brands in partnership with a few other high-profile sports and entertainment icons</li> </ul>	<ul style="list-style-type: none"> <li>To continue expansion of our brand management business globally, particularly in the sports and entertainment arena</li> </ul>

## FINANCIAL POSITION

### CASH POSITION AND CASH FLOW

The Group operates a cash accretive business, and has a proven track record utilizing its positive operating cash flow to fund working capital, interest expenses, capital expenditures and selected small-scale acquisitions. Normally when we have opportunities for large acquisitions we seek external funding sources to meet payment obligations. Cash flow was slightly higher than last year even though we paid over US\$54 million related to one-time costs related to the spin-off.

## SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

	<b>2014</b> <b>US\$mm</b>	2013 US\$mm	Change US\$mm
Cash and cash equivalents at 1 January	<b>115</b>	67	48
Net cash flow from operating activities	<b>178</b>	90	88
Net cash flow from investing activities	<b>(224)</b>	(416)	192
Net cash flow from financing activities	<b>59</b>	374	(315)
Effect on foreign exchange rate change	<b>(2)</b>	-	(2)
Cash and cash equivalents at 31 December	<b>126</b>	115	11

### **Cash flow from operating activities**

In 2014, operating activities generated cash inflow of US\$178 million, which was a significant improvement compared to an inflow of US\$90 million in the same period of 2013. The improved positive operating cash flow was mainly the result of better management of working capital specifically lower inventory levels and extending payables.

### **Cash flow from investing activities**

Cash outflow from investing activities totalled US\$224 million in 2014 compared to US\$416 million in 2013. The outflow was mainly due to US\$147 million of consideration payments for prior years' acquisitions in 2014 and US\$259 million in 2013. The improvement in 2014 compared to 2013 was primarily due to a reduction in settlement of consideration payable for prior years acquisitions of businesses of US\$112 million and the reduction in capital expenditure of US\$39 million and reductions in cash outflow of new acquisitions and intangibles of US\$37 million.

### **Cash flow from financing activities**

During 2014, the Group drew down US\$727 million in bank borrowings mainly to repay shareholder's loan to Li & Fung Limited. The Company repaid US\$60 million in 2014 reducing the bank borrowings to US\$667 million.

As at 31 December, 2014, the Group's cash position was US\$126 million, compared to US\$115 million at the beginning of the year. Given our positive cash flow-generating capabilities, the Group's intention is to maintain only a reasonable cash balance to fund our seasonal working capital needs on an on-going basis.

## BANKING FACILITIES

### TRADE FINANCE

A significant portion of the Group's trade purchases are made through a Buying Agency Agreement with the Li & Fung Group. These purchases are conducted on open account and payment is due within 60 days of shipment. The remaining trade purchases are internally sourced and may require letters of credit issued to suppliers that will be crystallized when our suppliers have shipped the merchandise to our customers or to the Group in accordance with all the terms and conditions in the related contractual documents.

### BANK LOANS AND OTHER FACILITIES

The Group had available bank loans and other facilities of US\$956 million, out of which US\$600 million were committed facilities. As at 31 December 2014, US\$667 million of the Group's bank loans were drawn down, with US\$600 million being committed facilities. The unused limits on bank loans and other facilities amounted to US\$227 million, with that entire amount being uncommitted facilities.

#### Bank Loans and other Facilities as at 31 December 2014

	Limit US\$mm	Outstanding Bank Loan US\$mm	Other Facilities Utilized US\$mm	Unused Limit US\$mm
Committed	600	600	-	-
Uncommitted	356	67	62	227
Total	956	667	62	227

Other facilities primarily were used to collateralize standby letters of credit for real estate leases.

### NET CURRENT ASSETS

As of 31 December 2014, the Group's current ratio was 1.0, based on current assets of US\$1,226 million and the current liabilities of US\$1,210 million, which decreased from a current ratio of 1.4 as of 31 December 2013.

### CAPITAL STRUCTURE

The Group continues to manage its balance sheet and capital structure with a solid equity base, low gearing ratio, and adequate credit facilities.

The Group's total equity remained in a solid position at US\$2,475 million as at 31 December 2014, compared to US\$2,392 million as at 31 December 2013.

The Group's gross debt was US\$667 million as at 31 December 2014, which was a significant increase from the 2013 year-end balance as the Group repaid outstanding debt to Li & Fung Limited in conjunction with the spin-off. As at 31 December 2014, the Group's gross debt was at floating rates based on LIBOR. Taking into account cash on hand, total net debt amounted to US\$541 million as at 31 December 2014, resulting in a gearing ratio of 17.9%. The gearing ratio is defined as total borrowings, net of cash, divided by total net debt plus total equity.

## **RISK MANAGEMENT**

The Group has strict policies governing accounting control, as well as credit and foreign exchange risk and treasury management.

### **CREDIT RISK MANAGEMENT**

Credit risk mainly arises from trade and other receivables as well as cash and bank balances of the Group. Most of the Group's cash and bank balances are held in major global financial institutions. The Group has stringent policies in place to manage its credit risk with such receivables, which include but are not limited to the measures set out below:

- (i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing on the trade terms with individual customers. It is not uncommon for the Group to require securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers who fall short of the required minimum score under its Risk Assessment System;
- (ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;
- (iii) It has in place a new system with a dedicated team and tighten policies to ensure on-time recoveries from its trade debtors; and
- (iv) It has set up rigid policies internally on provisions made for both inventories and receivables to motivate its business managers to step up their efforts in these two areas and to avoid any significant impact on their financial performance.

### **FOREIGN EXCHANGE RISK MANAGEMENT**

Most of the Group's cash balances were deposits in US dollars, Hong Kong dollars and Euros with major global financial institutions, and most of the Group's borrowings were denominated in US dollars.

The Group's revenues and payments were transacted mainly in the same currency, predominantly in US dollars. The Company minimizes foreign exchange rate fluctuations through short-term foreign currency hedges with terms less than six months.

### **CONTINGENT CONSIDERATION**

As at 31 December 2014, the Group had outstanding contingent consideration payable of US\$374 million, of which US\$103 million was primarily earn-out and US\$271 million was earn-up. Both earn-out and earn-up are performance-based payments subject to certain pre-determined performance targets mutually agreed with the sellers in accordance with the specific sale and purchase agreement. Earn-out payments are generally payable within three to four

years whereas earn-up payment with higher performance target threshold would be payable in a period of up to five to six years upon completion of a transaction. The Group follows a stringent internal financial and accounting policy in evaluating the estimated fair value of these contingent considerations, in accordance with HKFRS 3 (Revised) "Business Combination". In 2014, there was approximately US\$172 million of remeasurement gain on the outstanding contingent consideration payable.

## **GOODWILL IMPAIRMENT TEST**

The Group also performs regular assessments of the acquired businesses to determine any potential permanent impairment for both goodwill and intangible assets according to HKAS 36 "Impairment of Assets". Unlike the assessment of the potential adjustment of consideration payables, which is formula-driven and passed on predetermined thresholds during a specific timeframe, the goodwill impairment test is conducted based on an assessment of the long-term prospects of the acquired businesses. As such, any goodwill impairment would need to be permanent in nature, when the long-term performance prospects of the acquired businesses no longer generate adequate present value cash flow to support the carrying value of the goodwill and intangibles.

The Group performed goodwill impairment tests based on the cash generating units ("CGU") which manage the acquired businesses in accordance with HKAS 36. Based on the Group's assessment of all of the CGUs under the current operating structure, the Group has determined that there is no goodwill impairment as of 31 December 2014, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. The Group will continue to perform goodwill impairment tests on an on-going basis.

## **PEOPLE**

As at 31 December 2014, Global Brands had a total workforce of 2,944, out of which 482 were based in Asia, 431 based in Europe and 2,031 based in North America. Total manpower costs for 2014 were US\$349 million compared with US\$369 million for 2013.



**Remark:**

(1) EBITDA

The following table reconciles the core operating profit to EBITDA for the period indicated.

For the second half of year ended 31 December 2014:

	<b>2<sup>nd</sup> Half 2014 US\$mm</b>	<b>2<sup>nd</sup> Half 2013 US\$mm</b>
Core operating profit	<b>217</b>	159
Add:		
Amortization of brand licenses	<b>75</b>	75
Amortization of computer software and system development costs	<b>4</b>	3
Depreciation of property, plant and equipment	<b>10</b>	15
EBITDA	<b>306</b>	252

For the full year ended 31 December 2014:

	<b>2014 US\$mm</b>	<b>2013 US\$mm</b>
Core operating profit	<b>154</b>	134
Add:		
Amortization of brand licenses	<b>148</b>	127
Amortization of computer software and system development costs	<b>7</b>	5
Depreciation of property, plant and equipment	<b>30</b>	30
EBITDA	<b>339</b>	296

(2) Adjusted Net Profit

The following table reconciles profit attributable to shareholders to adjusted net profit for the period indicated.

For the second half of year ended 31 December 2014:

	<b>2<sup>nd</sup> Half 2014</b> <b>US\$mm</b>	<b>2<sup>nd</sup> Half 2013</b> <b>US\$mm</b>
Profit attributable to shareholders	<b>202</b>	162
Add/(Less):		
Gain on remeasurement of contingent consideration payable	<b>(152)</b>	(75)
Amortization of other intangible assets	<b>25</b>	25
One-off reorganization and listing costs related to spin-off	<b>26</b>	-
Gain on disposal of licensing rights	-	(5)
Write-down of disposal group held-for-sale	<b>50</b>	-
Other non-core operating expenses	<b>1</b>	3
Non-cash interest expenses	<b>9</b>	8
Adjusted Net Profit	<b>161</b>	118

For the full year ended 31 December 2014:

	<b>2014</b> <b>US\$mm</b>	<b>2013</b> <b>US\$mm</b>
Profit attributable to shareholders	<b>104</b>	114
Add/(Less):		
Gain on remeasurement of contingent consideration payable	<b>(172)</b>	(75)
Amortization of other intangible assets	<b>50</b>	46
One-off reorganization and listing costs related to spin-off	<b>54</b>	-
Gain on disposal of licensing rights	-	(5)
Write-down of disposal group held-for-sale	<b>50</b>	-
Other non-core operating expenses	<b>3</b>	3
Non-cash interest expenses	<b>19</b>	16
Adjusted Net Profit	<b>108</b>	99

We are pleased to announce the audited consolidated profit and loss account, audited consolidated statement of comprehensive income, audited consolidated cash flow statement and audited consolidated statement of changes in equity of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 and the audited consolidated balance sheet of the Group as at 31 December 2014 with the comparative figures for 2013. The annual results have been reviewed by the Company’s audit committee and the Company’s auditor.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2014 US\$'000	2013 US\$'000
Turnover	4	3,453,525	3,288,132
Cost of sales		(2,338,312)	(2,292,597)
Gross profit		1,115,213	995,535
Other income		1,385	14,263
Total margin		1,116,598	1,009,798
Selling and distribution expenses		(451,925)	(400,448)
Merchandising and administrative expenses		(510,676)	(475,653)
Core operating profit	4	153,997	133,697
Gain on remeasurement of contingent consideration payable	5	171,641	74,752
Amortization of other intangible assets		(49,800)	(46,254)
One-off reorganization and listing costs related to spin-off		(54,413)	-
Gain on disposal of licensing rights		-	5,317
Write-down of disposal group held-for-sale		(49,955)	-
Other non-core operating expenses		(2,976)	(3,414)
Operating profit	4&5	168,494	164,098
Interest income		1,350	334
Interest expenses			
Non-cash interest expenses		(18,432)	(15,844)
Cash interest expenses		(27,152)	(9,118)
Share of profits of joint ventures		124,260	139,470
		1,481	409
Profit before taxation		125,741	139,879
Taxation	6	(21,526)	(26,351)
Net profit for the year attributable to shareholders of the Company		104,215	113,528
Earnings per share			
- Basic and diluted (equivalent to)	7	9.72 HK cents 1.25 US cents	10.59 HK cents 1.36 US cents
Dividends	8	-	-

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014 US\$'000	2013 US\$'000
<b>Net profit for the year</b>	<b>104,215</b>	113,528
<b>Other comprehensive expense:</b>		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences*	<b>(37,638)</b>	(3,266)
<b>Other comprehensive expense for the year, net of tax</b>	<b>(37,638)</b>	(3,266)
<b>Total comprehensive income for the year attributable to shareholders of the Company</b>	<b>66,577</b>	110,262

\* Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.

## CONSOLIDATED BALANCE SHEET

	Note	2014 US\$'000	2013 US\$'000
<b>Non-current assets</b>			
Intangible assets		3,287,184	3,276,000
Property, plant and equipment		175,181	193,171
Joint ventures		65,018	14,515
Other receivables and deposits		20,557	9,510
Deferred tax assets		9,098	2,272
		<b>3,557,038</b>	<b>3,495,468</b>
<b>Current assets</b>			
Inventories		497,903	522,103
Due from related companies		5,810	19,196
Trade receivables	9	414,485	300,844
Other receivables, prepayments and deposits		169,981	118,048
Derivative financial instruments		4,016	2,664
Cash and bank balances		126,022	142,869
		<b>1,218,217</b>	<b>1,105,724</b>
<b>Assets of disposal group classified as held-for-sale</b>	<b>10</b>	<b>7,702</b>	<b>-</b>
		<b>1,225,919</b>	<b>1,105,724</b>
<b>Current liabilities</b>			
Due to related companies		484,053	270,886
Trade payables	11	107,356	91,069
Accrued charges and sundry payables		268,652	224,122
Purchase consideration payable for acquisitions	13	160,501	187,210
Tax payable		21,309	8,731
Short-term bank loans		167,203	2,341
Bank overdrafts		-	27,781
		<b>1,209,074</b>	<b>812,140</b>
<b>Liabilities of disposal group classified as held-for-sale</b>	<b>10</b>	<b>1,046</b>	<b>-</b>
		<b>1,210,120</b>	<b>812,140</b>
<b>Net current assets</b>		<b>15,799</b>	<b>293,584</b>
<b>Total assets less current liabilities</b>		<b>3,572,837</b>	<b>3,789,052</b>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2014 US\$'000	2013 US\$'000
<b>Financed by:</b>			
Share capital		13,398	-
Reserves		2,461,185	2,392,426
<b>Total equity</b>		<b>2,474,583</b>	2,392,426
<b>Non-current liabilities</b>			
Long-term bank loans		500,000	-
Purchase consideration payable for acquisitions	13	213,470	451,917
Other long-term liabilities	13	353,838	328,645
Due to related companies		-	593,821
Deferred tax liabilities		30,946	22,243
		<b>1,098,254</b>	1,396,626
		<b>3,572,837</b>	3,789,052

## CONSOLIDATED CASH FLOW STATEMENT

	Note	2014 US\$'000	2013 US\$'000
<b>Operating activities</b>			
Net cash inflow generated from operations	14	187,012	95,440
Profits tax paid		(9,379)	(5,836)
<b>Net cash inflow from operating activities</b>		<b>177,633</b>	<b>89,604</b>
<b>Investing activities</b>			
Settlement of consideration payable for prior years acquisitions of businesses		(146,685)	(258,739)
Acquisitions of businesses and joint ventures		(35,662)	(57,818)
Proceeds from disposal of licensing rights, net		-	9,589
Proceeds from disposals of property, plant and equipment		5,075	-
Purchases of property, plant and equipment		(26,482)	(65,430)
Payments for computer software and system development costs		(6,700)	(14,382)
Purchases of intangible assets		(15,000)	(30,000)
Interest income		1,350	334
<b>Net cash outflow from investing activities</b>		<b>(224,104)</b>	<b>(416,446)</b>
<b>Net cash outflow before financing activities</b>		<b>(46,471)</b>	<b>(326,842)</b>
<b>Financing activities</b>			
(Decrease)/increase in amounts due to related companies		(593,821)	225,529
Capital injection		15,000	155,180
Net drawdown of bank loans		664,862	2,341
Interest paid		(27,152)	(9,118)
<b>Net cash inflow from financing activities</b>		<b>58,889</b>	<b>373,932</b>
Increase in cash and cash equivalents		12,418	47,090
Cash and cash equivalents at 1 January		115,088	67,342
Effect of foreign exchange rate changes		(1,484)	656
<b>Cash and cash equivalents at 31 December</b>		<b>126,022</b>	<b>115,088</b>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		126,022	142,869
Bank overdrafts		-	(27,781)
		<b>126,022</b>	<b>115,088</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						Total equity US\$'000
	Reserves						
	Share capital US\$'000	Capital reserves US\$'000	Employee share-based compensation reserve US\$'000	Exchange reserves US\$'000	Retained earnings US\$'000	Total reserves US\$'000	
Balance at 1 January 2014	-	2,021,072	-	1,496	369,858	2,392,426	2,392,426
<b>Comprehensive income</b>							
Net profit	-	-	-	-	104,215	104,215	104,215
<b>Other comprehensive income</b>							
Currency translation differences	-	-	-	(37,638)	-	(37,638)	(37,638)
<b>Total comprehensive income</b>	-	-	-	(37,638)	104,215	66,577	66,577
<b>Transactions with owners</b>							
Share issued pursuant to							
Reorganization	13,398	(13,398)	-	-	-	(13,398)	-
Capital injection	-	15,000	-	-	-	15,000	15,000
Employee share option scheme:							
- value of employee services	-	-	580	-	-	580	580
<b>Total transactions with owners</b>	13,398	1,602	580	-	-	2,182	15,580
<b>Balance at 31 December 2014</b>	13,398	2,022,674	580	(36,142)	474,073	2,461,185	2,474,583

	Attributable to shareholders of the Company						Total equity US\$'000
	Reserves						
	Share capital US\$'000	Capital reserves US\$'000	Exchange reserves US\$'000	Retained earnings US\$'000	Total reserves US\$'000	Total equity US\$'000	
Balance at 1 January 2013	-	1,853,241	4,762	271,274	2,129,277	2,129,277	
<b>Comprehensive income</b>							
Net profit	-	-	-	113,528	113,528	113,528	
<b>Other comprehensive income</b>							
Currency translation differences	-	-	(3,266)	-	(3,266)	(3,266)	
<b>Total comprehensive income</b>	-	-	(3,266)	113,528	110,262	110,262	
<b>Transactions with owners</b>							
Capital injection	-	155,180	-	-	155,180	155,180	
Acquisition of new business	-	12,651	-	-	12,651	12,651	
Dividend paid	-	-	-	(14,944)	(14,944)	(14,944)	
<b>Total transactions with owners</b>	-	167,831	-	(14,944)	152,887	152,887	
<b>Balance at 31 December 2013</b>	-	2,021,072	1,496	369,858	2,392,426	2,392,426	



## ***Selected Notes to the Consolidated Financial Statements***

### **1 Reorganization**

In preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company and other companies now comprising the Group underwent a reorganization (the “Reorganization”) pursuant to which companies engaged in the businesses comprising of a portfolio of licensed brands in which the Group licenses the intellectual property from the brand owners or the licensors for use in selected product categories and geographies (the “Licensed Brands”) and controlled brands in which the Group either own, or control the intellectual property under a long-term license which gives it significant control over the development and marketing associated with the relevant brands (the “Controlled Brands”) to design and develop branded apparel and related product’s primarily for sales to retailers in the United States of America, Europe and Asia (“Listing Business”) were transferred to the Company. The Reorganization was completed on 23 June 2014. Details of the Reorganization are set out under the section headed “History and Reorganization” in the prospectus (“the Prospectus”) of the Company dated 26 June 2014.

### **2 Basis of presentation**

Pursuant to the Reorganization in preparation for the Listing, the Company became the holding company of the entities now comprising the Group. The consolidated financial statements of the Group have been prepared using the financial information of the businesses engaged in the Listing Business and comprising the Group, as if the current group structure had been in existence throughout both periods presented, or since the respective dates of incorporation/establishment of the group companies, or since the date when the group companies first came under the control of Li & Fung Limited, whichever is a shorter period.

### **3 Basis of preparation and accounting policies**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). They have been prepared under the historical cost convention, as modified by the inclusion of financial assets and financial liabilities at fair value through profit or loss.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

## ***Selected Notes to the Consolidated Financial Statements (Continued)***

### **3 Basis of preparation and accounting policies (Continued)**

#### **Changes in accounting policies and disclosures**

- (a) New standards, new interpretation and amendments to existing standards adopted by the Group

The following new standards, new interpretation and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) - Int 21	Levies

The application of the above new or revised HKFRSs in the current year has had no material effect on the Group's reported financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

- (b) New standards, new interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group

HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization <sup>2</sup>
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants <sup>2</sup>
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions <sup>1</sup>
HKAS 27 Amendment	Equity Method in Separate Financial Statements <sup>2</sup>
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Annual Improvements Project	Annual Improvements 2010-2012 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2011-2013 Cycle <sup>1</sup>
Annual Improvements Project	Annual Improvements 2012-2014 Cycle <sup>2</sup>

## ***Selected Notes to the Consolidated Financial Statements (Continued)***

### **3 Basis of preparation and accounting policies (Continued)**

#### **Changes in accounting policies and disclosures (Continued)**

- (b) New standards, new interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group (Continued)

Notes:

- (1) Effective for annual periods beginning on or after 1 January 2015
- (2) Effective for annual periods beginning on or after 1 January 2016
- (3) Effective for annual periods beginning on or after 1 January 2017
- (4) Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new standards, new interpretations and amendments to existing standards upon initial application.

### **4 Segment information**

The Company is domiciled in Bermuda. The Group is principally engaged in businesses comprising of a portfolio of licensed and controlled brands to design and develop branded apparel and related products primarily for sales to retailers, mainly in the US and also in Europe and Middle East and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

The Group's management (Chief Operating Decision-Maker), who is responsible for allocating resources and assessing performance of the operating segments has been identified collaboratively as the executive directors, who make strategic decision and consider the business principally from the perspective of two operating segments, namely the Licensed Brands Segment and the Controlled Brands Segment. Licensed Brands Segment principally sells products under fashion, consumer and entertainment brands which it licenses for use in selected product categories and geographies. Controlled Brands Segment sells a variety of products under brands in which the Group either owns the intellectual property or controls the intellectual property under long-term licenses which gives the Group control over the development and marketing associated with the relevant brands.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit. This measurement basis includes the profit before taxation generated from the Group's licensed brands and controlled brands businesses excluding share of results of joint ventures, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, and acquisition related costs. This also excludes gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items. Information provided to the Group's management is measured in a manner consistent with that in the financial statements.

**Selected Notes to the Consolidated Financial Statements (Continued)**

**4 Segment information (Continued)**

	Licensed Brands US\$'000	Controlled Brands US\$'000	Total US\$'000
<b><u>Year ended 31 December 2014</u></b>			
Turnover	<b>2,746,363</b>	<b>707,162</b>	<b>3,453,525</b>
Total margin	<b>879,960</b>	<b>236,638</b>	<b>1,116,598</b>
Operating costs	<b>(766,783)</b>	<b>(195,818)</b>	<b>(962,601)</b>
Core operating profit	<b>113,177</b>	<b>40,820</b>	<b>153,997</b>
Gain on remeasurement of contingent consideration payable			<b>171,641</b>
Amortization of other intangible assets			<b>(49,800)</b>
One-off reorganization and listing costs related to spin-off			<b>(54,413)</b>
Write-down of disposal group held-for-sale			<b>(49,955)</b>
Other non-core operating expenses			<b>(2,976)</b>
Operating profit			<b>168,494</b>
Interest income			<b>1,350</b>
Interest expenses			<b>(18,432)</b>
Non-cash interest expenses			<b>(27,152)</b>
Cash interest expenses			<b>(27,152)</b>
			<b>124,260</b>
Share of profits of joint ventures			<b>1,481</b>
Profit before taxation			<b>125,741</b>
Taxation			<b>(21,526)</b>
Net profit for the year			<b>104,215</b>
Depreciation and amortization	<b>180,043</b>	<b>55,035</b>	<b>235,078</b>
<b><u>31 December 2014</u></b>			
Non-current assets (other than deferred tax assets)	<b>2,666,688</b>	<b>881,252</b>	<b>3,547,940</b>

**Selected Notes to the Consolidated Financial Statements (Continued)**

**4 Segment information (Continued)**

	Licensed Brands US\$'000	Controlled Brands US\$'000	Total US\$'000
<b><u>Year ended 31 December 2013</u></b>			
Turnover	2,680,173	607,959	3,288,132
Total margin	823,207	186,591	1,009,798
Operating costs	(725,549)	(150,552)	(876,101)
Core operating profit	<u>97,658</u>	<u>36,039</u>	133,697
Gain on remeasurement of contingent consideration payable			74,752
Amortization of other intangible assets			(46,254)
Gain on disposal of licensing rights			5,317
Other non-core operating expenses			(3,414)
Operating profit			164,098
Interest income			334
Interest expenses			
Non-cash interest expenses			(15,844)
Cash interest expenses			(9,118)
			139,470
Share of profits of joint ventures			409
Profit before taxation			139,879
Taxation			(26,351)
Net profit for the year			<u>113,528</u>
Depreciation and amortization	<u>129,967</u>	<u>78,396</u>	208,363
<b><u>31 December 2013</u></b>			
Non-current assets (other than deferred tax assets)	<u>2,403,637</u>	<u>1,089,559</u>	<u>3,493,196</u>

## Selected Notes to the Consolidated Financial Statements (Continued)

### 4 Segment information (Continued)

The geographical analysis of turnover and non-current assets (other than deferred tax assets) is as follows:

	Turnover		Non-current assets (other than deferred tax assets)	
	Year ended 31 December		As at 31 December	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
United States of America	2,746,159	2,808,141	2,979,900	3,027,948
Europe and Middle East	565,572	350,905	373,254	332,876
Asia	141,794	129,086	194,786	132,372
	<b>3,453,525</b>	<b>3,288,132</b>	<b>3,547,940</b>	<b>3,493,196</b>

For the year ended 31 December 2014, approximately 11.3% (2013: 13.6%) of the Group's turnover is derived from a single external customer, of which 11.2% (2013: 12.8%) and 0.1% (2013: 0.8%) are attributable to the Licensed Brands Segment and Controlled Brands Segment respectively.

### 5 Operating profit

Operating profit is stated after crediting and charging the following:

	2014 US\$'000	2013 US\$'000
<u>Crediting</u>		
Gain on remeasurement of contingent consideration payable*	171,641	74,752
Gain on disposal of licensing rights*	-	5,317
Gains on forward foreign exchange contracts	1,352	-
	<b>173,043</b>	<b>80,069</b>

## Selected Notes to the Consolidated Financial Statements (Continued)

### 5 Operating profit (Continued)

Operating profit is stated after crediting and charging the following (Continued):

	2014 US\$'000	2013 US\$'000
<u>Charging</u>		
Cost of inventories sold	2,338,312	2,292,597
Amortization of computer software and system development costs	6,643	5,108
Amortization of brand licenses	148,091	127,004
Amortization of other intangible assets *	49,800	46,254
Depreciation of property, plant and equipment	30,544	29,997
Loss on disposal of property, plant and equipment	2,306	-
Write-off of intangible assets	1,060	-
Write-down of disposal group held-for-sale *	49,955	-
Operating leases rental in respect of land and building	53,878	73,529
Provision for impaired receivables, net	8,206	1,409
Staff costs including directors' emoluments	348,929	369,066
Business acquisition-related costs *	2,976	3,414
Net exchange losses	7,720	579

\* Included below the core operating profit

### 6 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) for the year ended 31 December 2014 on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2014 US\$'000	2013 US\$'000
Current taxation		
- Hong Kong profits tax	487	728
- Overseas taxation	24,039	(11,132)
(Over)/underprovision in prior years	(2,520)	23
Deferred taxation	(480)	36,732
	<b>21,526</b>	<b>26,351</b>

## ***Selected Notes to the Consolidated Financial Statements (Continued)***

### **7 Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US\$104,215,000 (2013: US\$113,528,000) and on the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue during the year ended 31 December 2014 used in the basic earnings per share calculation is determined on the assumption that an aggregate 8,360,398,306 shares with par value of HK\$0.0125 each issued upon the Reorganization had been in issue prior to the incorporation of the Company. The same assumption has been used for the basic earnings per share calculation for the year ended 31 December 2013.

As there were no potential dilutive ordinary shares during the years ended 31 December 2014 and 2013, diluted earnings per share was equal to basic earnings per share.

### **8 Dividends**

No final dividend to the shareholders has been declared by the Company for the year ended 31 December 2014.

### **9 Trade receivables**

The ageing of trade receivables based on invoice date is as follows:

	<b>Current to 90 days US\$'000</b>	<b>91 to 180 days US\$'000</b>	<b>181 to 360 days US\$'000</b>	<b>Over 360 days US\$'000</b>	<b>Total US\$'000</b>
<b>Balance at 31 December 2014</b>	<b>338,494</b>	<b>41,183</b>	<b>30,642</b>	<b>4,166</b>	<b>414,485</b>
Balance at 31 December 2013	286,865	10,699	3,179	101	300,844

The fair values of the Group's trade receivables were approximately the same as their carrying values as at 31 December 2014.

A significant portion of the Group's business is conducted on open accounts which are often covered by credit insurance. The remaining accounts are mostly covered by customers' standby letters of credit, bank guarantees and prepayments.

There is no material concentration of credit risk with respect to trade receivables, as the majority of the balance are covered by credit insurance.



## ***Selected Notes to the Consolidated Financial Statements (Continued)***

### **10 Disposal group held-for-sale**

The assets and liabilities related to the sale of the accessories business in Licensed Brands engaged by Crimzon Rose Inc, a wholly owned subsidiary of the Company, have been presented as held-for-sale at 31 December 2014 following the approval of the Group's management. The transaction was completed in February 2015.

### **11 Trade payables**

The ageing of trade payables based on invoice date is as follows:

	<b>Current to 90 days US\$'000</b>	<b>91 to 180 days US\$'000</b>	<b>181 to 360 days US\$'000</b>	<b>Over 360 days US\$'000</b>	<b>Total US\$'000</b>
<b>Balance at 31 December 2014</b>	<b>103,629</b>	<b>1,766</b>	<b>1,476</b>	<b>485</b>	<b>107,356</b>
Balance at 31 December 2013	90,222	549	180	118	91,069

The fair values of the Group's trade payables were approximately the same as their carrying values as at 31 December 2014.

## ***Selected Notes to the Consolidated Financial Statements (Continued)***

### **12 Business combinations**

In January 2014, the Group acquired The Licensing Company Limited (“TLC”), a global licensing agent based in UK.

In June 2014, the Group acquired the business and assets of Cocaban Co. Ltd., a licensing brand management specialist in Korea.

The contributions of these acquisitions to the Group for the year, and the contributions and the results to the Group as if these acquisitions had occurred on 1 January 2014 are as follows:

	Contribution of the acquired businesses for the year ended 31 December 2014 US\$'000	Contribution of the acquired businesses as if the acquisitions had occurred on 1 January 2014 US\$'000	Group results as if the acquisitions had occurred on 1 January 2014 US\$'000
Turnover	85,954	86,690	3,454,261
Core operating profit	12,551	12,742	154,188
Profit after tax	7,265	7,356	104,306

## ***Selected Notes to the Consolidated Financial Statements (Continued)***

### **12 Business combinations (Continued)**

Details of net assets acquired, goodwill and acquisition-related costs are as follows:

	US\$'000
Purchase consideration	75,500
Less: Aggregate fair value of net assets acquired (Note)	<u>(10,027)</u>
Goodwill	<u><u>65,473</u></u>
Acquisition-related costs (included in other non-core operating expenses in the consolidated profit and loss account)	<u><u>2,976</u></u>

Note: As at 31 December 2014, verification of individual assets/liabilities of the acquired businesses is in progress and the Group has not finalized the fair value assessments. The relevant fair value of individual assets/liabilities stated above are provisional.

The goodwill is attributable to the acquired workforces, the profitability and the synergies expected to arise from the acquired businesses.

### **13 Long-term liabilities**

	2014 US\$'000	2013 US\$'000
Purchase consideration payable for acquisitions (Note)	<b>373,971</b>	639,127
Brand license payable	<b>304,925</b>	290,219
Other payables	<b>27,838</b>	-
Other non-current liability (non-financial liability)	<b>75,686</b>	80,215
	<u><b>782,420</b></u>	<u>1,009,561</u>
Less:		
Current portion of purchase consideration payable for acquisitions	<b>(160,501)</b>	(187,210)
Current portion of brand license payable	<b>(44,131)</b>	(41,789)
Current portion of other payables	<b>(10,480)</b>	-
	<u><b>567,308</b></u>	<u>780,562</u>

## ***Selected Notes to the Consolidated Financial Statements (Continued)***

### **13 Long-term liabilities (Continued)**

Note: Purchase consideration payable for acquisitions as at 31 December 2014 amounted to US\$373,971,000 (2013: US\$639,127,000), of which US\$103,308,000 (2013: US\$191,307,000) was primarily earn-out and US\$270,663,000 (2013: US\$447,820,000) was earn-up. Earn-out is contingent consideration that would be payable if the acquired businesses achieve their respective base year profit target, calculated on a predetermined basis, during the designated periods of time. Earn-up is contingent consideration that would be payable if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

**Selected Notes to the Consolidated Financial Statements (Continued)**

**14 Notes to the consolidated cash flow statement**

Reconciliation of profit before taxation to net cash inflow generated from operations

	<b>2014</b>	2013
	<b>US\$'000</b>	US\$'000
Profit before taxation	<b>125,741</b>	139,879
Interest income	<b>(1,350)</b>	(334)
Interest expenses	<b>45,584</b>	24,962
Depreciation	<b>30,544</b>	29,997
Amortization of computer software and system development costs	<b>6,643</b>	5,108
Amortization of brand licenses	<b>148,091</b>	127,004
Amortization of other intangible assets	<b>49,800</b>	46,254
Loss on disposal of property, plant and equipment	<b>2,306</b>	-
Write-off of intangible assets	<b>1,060</b>	-
Share of profits of joint ventures	<b>(1,481)</b>	(409)
Employee share option expenses	<b>580</b>	-
Gains on foreign exchange forward contracts	<b>(1,352)</b>	-
Gain on disposal of licensing rights	-	(5,317)
Write-down of disposal group held-for-sale	<b>49,955</b>	-
Gain on remeasurement of contingent consideration payable	<b>(171,641)</b>	(74,752)
Operating profit before working capital changes	<b>284,480</b>	292,392
Decrease/(increase) in inventories	<b>20,449</b>	(69,223)
Increase in trade receivables, other receivables, prepayments and deposits and amounts due from related companies	<b>(162,870)</b>	(60,026)
Increase/(decrease) in trade payables, accrued charges and sundry payables, brand license payables and amounts due to related companies	<b>44,953</b>	(67,703)
Net cash inflow generated from operations	<b>187,012</b>	95,440

## CORPORATE GOVERNANCE

The Board of Directors and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability and independence.

The role of the Group Chairman is separated from that of the Chief Executive Officer to enhance their respective independence, accountability and responsibility. Their respective responsibilities are clearly established and defined in writing by the Board.

The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on the Company's corporate website: [www.globalbrandsgroup.com](http://www.globalbrandsgroup.com)), which are on no less exacting terms than those set out in the Corporate Governance Code of the Listing Rules:

- Nomination Committee
- Audit Committee
- Remuneration Committee

Full details on the Company's corporate governance practices are set out in the Company's 2014 Annual Report.

## AUDIT COMMITTEE

The Audit Committee met twice during the period from the listing date to 31 December 2014 ("Relevant Period") (with a 100% attendance rate) to review with management and the Company's internal and external auditors, the Group's significant internal controls and financial matters as set out in the Committee's written terms of reference and make relevant recommendations to the Board.

During the Relevant Period, the Committee's review covered the audit plans and findings of internal and external auditors, the external auditor's independence and performance, provision of non-audit services by our external auditor, the Group's accounting principles and practices, goodwill assessment, Listing Rules and statutory compliance, connected transactions, internal controls, risk management, treasury, financial reporting matters (including the interim financial report for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed the annual results for the year ended 31 December 2014.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of risk management and internal controls in the Company and for reviewing its effectiveness.

Based on the respective assessments made by management and the Group's Corporate Governance Division (Internal Audit) and also taking into account the results of the work conducted by the external auditor for the purpose of their audit, the Audit Committee

considered that for the Relevant Period:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the accounts were reliable for publication.
- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.
- the resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and reporting function were adequate.
- the internal control and risk management code provisions have been complied.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the Relevant Period.

## **DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS**

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code. For the Relevant Period, specific confirmation of compliance has been obtained from each Director. No incident of non-compliance by Directors was noted by the Company during the Relevant Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information ("Inside Information") of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

The Company has also established a Policy on Inside Information to comply with its obligations under the Securities and Futures Ordinance and the Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the listing date on 9 July 2014 to 31 December 2014.

## **FINAL DIVIDEND**

The Board of Directors did not recommend to pay a final dividend for the year ended 31 December 2014.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Auditorium, Ground Floor, Hong Kong Spinners Industrial Building, Phase 1 & 2, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 25 June 2015 at 2:30pm. The Notice of Annual General Meeting will be published on the Company's website at [www.globalbrandsgroup.com](http://www.globalbrandsgroup.com) and HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and dispatched to the shareholders on or about 28 April 2015.

## RECORD DATE

Hong Kong Time  
2015

*For determining shareholder's rights to attend and vote at the Annual General Meeting*

Record Date: 24 June  
Latest time to lodge transfer documents with Branch Share Registrar <sup>(Note)</sup>: 4:30 p.m., 24 June

*Note: The Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, is currently situated at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.*

## PUBLICATION OF ANNUAL REPORT

The 2014 annual report will be dispatched to the shareholders and available on the Company's website at [www.globalbrandsgroup.com](http://www.globalbrandsgroup.com) and HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) on or about 28 April 2015.

By Order of the Board  
**Global Brands Group Holding Limited**  
**William FUNG Kwok Lun**  
*Chairman*

Hong Kong, 26 March 2015

Websites: [www.globalbrandsgroup.com](http://www.globalbrandsgroup.com)  
[www.irasia.com/listco/hk/gbg](http://www.irasia.com/listco/hk/gbg)

*As of the date of this announcement, the Board comprises one Non-executive Director, namely William Fung Kwok Lun (Chairman), two Executive Directors, namely Bruce Philip Rockowitz (Chief Executive Officer & Vice Chairman) and Dow Famulak (President) and five Independent Non-executive Directors, namely Paul Edward Selway-Swift, Stephen Harry Long, Hau Leung Lee, Allan Zeman and Audrey Wang Lo.*