GLOBAL BRANDS GROUP HOLDING LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 787

FY2018

GBG

ANNUAL REPORT

GLOBAL BRANDS GROUP

THE FOREFRONT OF

FASHION CREATIVITY & INNOVATION

CONTENTS

CORPORATE INFORMATION

Non-Executive Directors
William FUNG Kwok Lun
Chairman
Hau Leung LEE

Executive Director
Bruce Philip ROCKOWITZ
Chief Executive Officer & Vice Chairman

Independent Non-Executive Directors
Paul Edward SELWAY-SWIFT
Stephen Harry LONG
Allan ZEMAN
Audrey WANG LO
Ann Marie SCICHILI

Chief Financial Officer
Ronald VENTRICELLI

Group Chief Compliance & Risk Management Officer
Jason YEUNG Chi Wai

Company Secretary
Joyce NG Sau Kuen

Auditor
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Certified Public Accountants
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Citibank, N.A.
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Standard Chartered Bank

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HIGHLIGHTS

- Disposal of a significant part of licensing business in North America
- Cash consideration is US$1.38 billion
- Proceeds will be used to improve the balance sheet and to fund a special cash dividend of up to HK$0.325 per share
- Subject to shareholders' approval of the transaction, the Group will take on a more focused operation
- Going forward, focus efforts on growing the remaining businesses, which are less established and have strong growth potential
- Total margin continued to grow, increasing from 28.5% to 31.2%, as a percentage of revenue, while revenue increased by 3.4%, despite challenging environment

	Year ended 31 March		
(US$ million)	**2018**	2017	Change
Revenue	**4,023**	3,891	+3.4%
Total margin	**1,254**	1,111	+12.8%
As % of revenue	***31.2%***	*28.5%*	
Operating costs*	**1,254**	914	+37.3%
Impairment of goodwill**	**1,050**	–	+100.0%
Operating (loss)/profit	**(1,050)**	197	–633.1%
Net (loss)/profit for the year	**(887)**	95	
Net (loss)/profit attributable to shareholders	**(903)**	90	
(Losses)/earnings per Share – Basic	**(85.23) HK cents**	8.38 HK cents	
(equivalent to)	**(11.00) US cents**	1.08 US cents	

* Operating Costs: Net of other losses/gains, gain on disposal of interest in an associate and gain on disposal of interest in a subsidiary

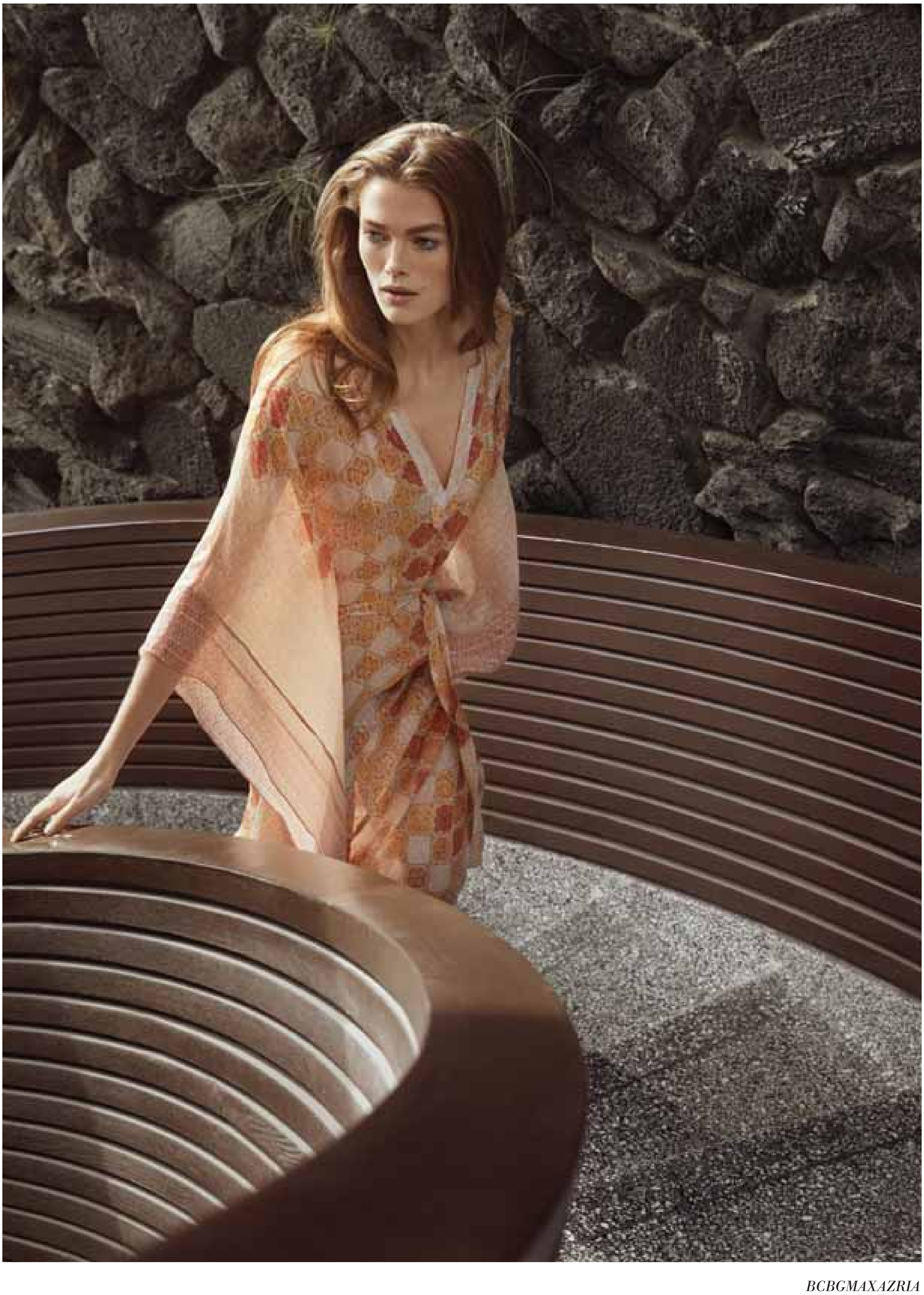
** Impairment of Goodwill: a non-cash impairment of goodwill taking into account the strategic divestment, the external market condition and business performance

A MODERN

LIFESTYLE COMPANY

GLOBAL BRANDS GROUP
is a modern lifestyle company perfectly in sync with the needs of today's consumer and retail landscape.

With a powerful portfolio of brands, unparalleled category expertise, and retail experience across all channels, Global Brands Group is positioned at the forefront of fashion, creativity and the future.



BCBGMAXAZRIA

SEAN JOHN

BUFFALO

SPYDER

UNDER ARMOUR

KATY PERRY

JOE'S

FRYE

KENNETH COLE

THE GBG

PERSPECTIVE

POWERED BY OUR CATEGORY EXPERTISE AND RETAIL INSIGHT, WE GIVE TODAY'S CONSUMERS WHAT THEY WANT, HOW THEY WANT IT

The perfect fusion of global presence and entrepreneurial spirit, GBG brings together the resources of a multi-billion dollar company with the innovative, hands-on approach of its entrepreneurial leaders.

A potent combination that allows us to bring a unique and dynamic perspective to our portfolio of world-class brands.

JUICY COUTURE

KATE SPADE

AQUATALIA

WE BELIEVE

that world-class brands come from world-class design.
That what sets us apart is our commitment to creativity and collaboration across all categories. That an asset light portfolio and unparalleled category expertise we can leverage, give us ultimate freedom and flexibility to grow our brands. That our deep insight into all channels position our brands for the future.

GLOBAL BRANDS GROUP
A LIFESTYLE COMPANY
AT THE FOREFRONT

JONES NEW YORK

CALVIN KLEIN

BEBE

CHAIRMAN'S STATEMENT

2018 marks somewhat of a crossroads for Global Brands Group. While as a Group, we have expanded our portfolio and built out our business platforms over the past few years, by leveraging our position as a licensing partner of choice, our strong global distribution network, and product design and development capabilities, we have also faced significant challenges.

Like others in our industry and beyond, one of the biggest has been a tough operating environment. While the momentum of global growth continues, 2018 to date has seen a high level of geopolitical volatility and economic uncertainty, together with the continuing impact of technology and e-commerce, there was significant disruption on the U.S. consumer industry and elsewhere.

From an industry perspective, we continue to see significant transformation. We have witnessed the brand and retail industry landscape undergo major changes in response to evolving consumer expectations and behavior. These changes have affected the entire ecosystem and all value chain participants, from product conception to sale. Consumers today are savvy, fully digital, and recognize the power they have to control how they shop, looking for an 'always-on' experience that is both seamless and accessible from anywhere and by any means.

Consumer behavior has become much harder to predict, and in order to stay competitive, being able to deliver a highly integrated omni-channel approach that transcends any one medium, in addition to having authenticity to the brand and differentiated products, is now more important than ever. Consumers are not only looking to connect with brands through a wider range of channels, but to engage with products that are customized and adapted to preferences in the markets in which they are being sold.

CHAIRMAN'S STATEMENT (CONTINUED)

Amidst these challenges, we recognized the need to make changes to our strategy that would allow us to fully embrace the challenges we face. As such, we embarked on a strategic review of our business in order to determine the appropriate direction for the Group moving forward. We established that streamlining our operations in certain areas of our business that will allow us to deliver stronger balance sheet and business performance, and at the same time improve shareholder value.

On 27 June 2018, we signed an agreement to dispose a significant portion of Global Brands' licensing businesses in North America for a consideration of US$1.38 billion. Subject to shareholder approval, this transaction will enable us to realize value for businesses that we have grown to more mature levels over the past several years, whilst at the same time focusing on areas of our business that have significant growth potential. In addition, the transaction gives us the ability to strengthen our balance sheet and credit profile, and to improve value to our shareholders through the payment of a large special cash dividend. It will also ensure that moving forward, the Group will have a more focused operation to improve operational efficiency and to reduce working capital needs. This strategic disposal will also reduce our dependence on the North American market and allows us to focus more management resources in Asia, Europe and on our global brand management businesses.

The transaction will see a new profile of Global Brands, the structure of which will become a leaner and more agile operation. However, the core fundamental strengths of our business will remain in place. The Group operates a unique global, primarily wholesale, channel-agnostic platform, with a flexible licensing model and diversified brand portfolio. This allows us to determine the most appropriate product, pricing and distribution channel for each brand, thereby maximizing the value of the brand in its respective life cycle and markets. This remains integral to the success of the Group.

I would like to take this opportunity to thank all of my colleagues at Global Brands for their ongoing commitment to the Group and the dedication they show through their hard work. I would also like to thank our all of our stakeholders for their continuous support.

Global Brands remains an industry leader and licensing partner of choice for well-known brands. We believe that the changes that we have made and are in the process of making, will deliver long term benefits to the Group and its shareholders as we move forward.

William Fung Kwok Lun
Chairman

Hong Kong, 27 June 2018

CEO'S STATEMENT

Through the 12 months ended 31 March 2018 (the "Reporting Period"), the Group continued to grow our topline while total margin progressed on a positive trajectory, in line with our expectations. However, the Reporting Period has also been one of significant challenge amidst an evolving industry landscape. Our sales volume was also affected, as anticipated, and as discussed in our interim results announcement.

Over the past few years, the Group has established significant levels of debt due to carryover from our spinoff from Li & Fung in 2014, and from our expansion and growth as a Group subsequently. We are committed to improving our balance sheet, and as stated in our profit warning issued in May, we have been conducting a strategic review on the Group to determine how best to move forward in order to improve shareholder value. We concluded that there is an opportunity for us to renew the focus of our business, and to concentrate on where we not only have competitive advantage, but where we see the strongest growth potential.

To this end, we made the decision to sell a portion of our business that have a high present-day value, in order to focus our efforts on the less established lines of business that have strong growth potential. This allows us to reduce the amount of debt and interest payments, and puts us in a strong position, enabling us to concentrate with greater precision on our model of focused growth going forward. We intend to pay out a special cash dividend in an amount of up to HK$0.325 per share to our shareholders as soon as practicable after closing of the sale, and will continue to take steps to improve shareholder value.

On 27 June 2018, we have agreed to sell a significant part of our North American licensing business to Differential Brands Group Inc. for a purchase price of US$1.38 billion. Under the terms of this agreement we will be divesting a significant part of our businesses in North America, including all of our North American Kids and Accessories, as well as a majority of our fashion businesses. Taking into account this strategic divestment, the external market condition and business performance, the Group performed the impairment test and recognized a non-cash goodwill impairment of US$1,050 million during the financial year. Based upon this impairment the Company does not anticipate any material gain or loss on the close of the transaction. In line with the sale, all employees connected to these North American businesses will move across to Differential Brands Group Inc..

CEO'S STATEMENT (CONTINUED)

Subject to shareholders' approval of the transaction, the Group will take on a substantially new profile. We will have a simpler, flatter and more nimble organizational structure. Under the product licensing side of the business, it will continue to be managed geographically. Our European and Asian businesses will remain the same as before and our U.S. business will now focus on our remaining portfolio in Men's and Women's Fashion and on Footwear. Our Brand Management business, meanwhile, will continue to be managed on a global basis.

Looking ahead, we will continue to invest in our brands as an operator and partner to brand owners, especially our long-term licensed brands, to sustain their competitiveness in the constantly changing marketplace. While the strategic divestment discussed above will substantially reduce our brick and mortar locations, our highly selective investments in direct-to-consumer channels will inevitably attribute to higher operating costs in the short term. We believe Men's and Women's Fashion will continue to be a fast-growth business for the Group and deliver attractive margin profiles in the long run.

In order to further concentrate our businesses, in March 2018, we divested our U.S. home licensing business, which focused on soft home products and was a non-core product category for Global Brands.

Aside from our product licensing businesses, we will continue to drive the expansion of our client portfolio in our global brand management business, which saw another strong year. The positive results achieved to date, have demonstrated the tremendous value derived from our strategic decision to form CAA-GBG Global Brand Management Group, our joint venture with the U.S. leading entertainment and sports agency, Creative Artists Agency ("CAA"), which is now an undisputed leader in brand management around the world. This business will continue to be a key area of focus for the Group.

Moving forward, with a tighter and deeper focus on key growth drivers of the businesses, we will continue to attract new licenses to our portfolio. In addition, we will be able to further improve the efficiency of all of our verticals and deliver enhanced synergies across our platforms. We have simplified and restructured our management team to ensure clear accountability and embarked on a significant cost reduction program throughout the company. At the same time, we will continue to improve our cash flow via a combination of tighter working capital management, and even stronger cost discipline.

Once again, I would like to thank our colleagues for their dedication and effort to ensure that Global Brands strengthens its position as a licensing partner of choice in the industry. I believe our ongoing efforts will improve shareholder value and deliver stronger performance, and I would like to take this opportunity to thank all of our stakeholders for their continued support.

Bruce Rockowitz
Chief Executive Officer & Vice Chairman

Hong Kong, 27 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The retail industry has been going through a structural transformation. Amidst all this uncertainty, Global Brands continues to leverage its competitive position based on its flexible licensing business model, product expertise, global platform, and multi-channel distribution approach. At the same time, we have been conducting a strategic review on the Group and concluded that there is an opportunity to renew the focus of our business, and to improve shareholder value. On 27 June 2018, the Group has agreed to sell a significant part of its North American licensing business to Differential Brands Group Inc. for a purchase price of US$1.38 billion. Under the terms of this agreement the Group will be divesting a significant part of our North American licensing business, including all of our North American Kids and Accessories, as well as a majority of our fashion businesses. The disposal includes a portion of the Group's business that have a high present-day value, which allows Global Brands to reduce the amount of financial debt, while resulting in a more focused operation to improve operational efficiency and to reduce working capital needs. In addition, the transaction will lead to a stronger balance sheet and credit profile for the Group. By way of the proposed special cash dividend paid out of the proceeds from the transaction, shareholders will realize substantial value while continuing to be invested in the Group's remaining businesses. Closing of the transaction is subject to the fulfilment or waiver of certain customary conditions, including in particular the approval of the shareholders of the Group which will be sought at a Special General Meeting. The target date for closing is 31 August 2018.

Results Overview

For the financial year ending 31 March 2018, the Group's revenue increased by 3.4% compared to last year; however it was affected, as anticipated and discussed in our interim results announcement, by Coach taking its footwear business in-house upon the expiration of its license in June 2017. To a lesser extent, sales volume was also negatively impacted by the discontinuation of the Quiksilver kids fashion license due to the company's bankruptcy.

In line with the Group's expectations, total margin continued to increase from 28.5% to 31.2% as a percentage of revenue. Compared to last year, the Group's operating costs, which are net of other losses/gains, gain on disposal of interest in an associate and gain on disposal of interest in a subsidiary, increased by 37.3% to US$1,254 million. The increase was primarily due to transition costs for significant new licenses in the Men's and Women's Fashion vertical as it required significant investment in retail locations, e-commerce and back office infrastructure. In addition, the Group made one-off non-cash adjustments in relation to impairment charges from the write-off of a receivable arising from a loan made by the Company, and various intangible assets in the amount of US$94 million. In FY2018, operating costs were offset by US$67 million due to gain on disposal of interest in an associate and US$15 million due to the reduction of contingent consideration payables compared to the gain on disposal of interest in a subsidiary of US$96 million and reduction of contingent consideration payables of US$20 million in FY2017. In addition, taking into account the strategic divestment, the external market condition and business performance, the Group performed the impairment test and recognized a non-cash goodwill impairment of US$1,050 million during the financial year.

Because of these reasons, the Group recorded an operating loss of US$1,050 million, while EBITDA remained relatively flat at US$379 million for the Reporting Period. Net loss was further reduced by net interest expense partially offset by income related to the change in redemption value on put option written on non-controlling interests and tax income to US$887 million. The non-controlling interests increased the net loss attributable to shareholders by US$16 million for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The table below summarizes the Group's financial results for the year ended 31 March 2018 and 2017.

	12 months ended 31 March 2018 US$mm	12 months ended 31 March 2017 US$mm	**Change** US$mm	%
Revenue	**4,023**	3,891	132	3.4%
Total Margin	**1,254**	1,111	143	12.8%
% of Revenue	***31.2%***	*28.5%*		
Operating Costs*	**1,254**	914	340	37.3%
Impairment of Goodwill**	**1,050**	–	1,050	100.0%
Operating (Loss)/Profit	**(1,050)**	197	(1,247)	–633.1%
% of Revenue	***-26.1%***	*5.1%*		
EBITDA	**379**	380	(1)	–0.3%
% of Revenue	***9.4%***	*9.8%*		
Net (Loss)/Profit for the year	**(887)**	95	(982)	–1,032.8%
% of Revenue	***-22.0%***	*2.4%*		
Net (Loss)/Profit Attributable to Shareholders	**(903)**	90	(993)	–1,106.2%
% of Revenue	***-22.4%***	*2.3%*		

* Operating Costs: Net of other losses/gains, gain on disposal of interest in an associate and gain on disposal of interest in a subsidiary

** Impairment of Goodwill: a non-cash impairment of goodwill taking into account the strategic divestment, the external market condition and business performance

Four Business Verticals

Global Brands discloses its results in accordance with the Group's four business verticals: Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management.

The Group sells branded products under its Kids, Men's and Women's Fashion, and Footwear and Accessories verticals. Operating primarily as a wholesale business, the products are sold across multiple geographies and through various distribution channels, including department stores, hypermarkets/clubs, off-price retailers, independent chains, specialty retailers and e-commerce.

In an environment characterized by rapidly changing consumer preferences and buying patterns, the Group benefits from a diversified licensed brand portfolio, without reliance on any one brand, product or demographic, or on a particular channel of distribution. Instead, Global Brands' channel agnostic approach to distribution offers the Group flexibility and choice in terms of mapping the most appropriate product, pricing and distribution channel for each brand, to maximize the value of a brand in its respective life cycle. While Global Brands' business is primarily wholesale, the Group also makes strategic investments in direct reach to consumers, such as a selective physical retail footprint for some of our key brands and e-commerce, where appropriate.

In addition to operating these three verticals for our product categories, Global Brands is also engaged in Brand Management. Acting as a brand manager and agent for brand owners and celebrities, the Group offers decades of expertise in expanding its clients' brand assets into new product categories, new geographies and retail collaborations, generating revenue by taking a percentage of the license fee or royalty paid by the licensees to the brand owner.

KIDS

Our Kids vertical comprises characters and kids fashion. Our characters business positions the Group as one of the major licensees of Disney and other major character franchises, as well as other popular TV and gaming properties. During the Reporting Period, the business was affected by the lack of blockbuster movies from the major studios. This also resulted in a negative impact on our European business, which is primarily kids characters, a market that was highly competitive during the Reporting Period. Currently, the Group is working to restructure its European business and lower its operating expenses. In Kids fashion, despite the anticipated discontinuation of the Quiksilver kids fashion license due to the company's bankruptcy, we continued to deliver solid results, due to our well-established relationships with popular brands.

In Asia, we focused on rolling out direct physical retail locations and expanding our online retail footprint through e-commerce initiatives.

Revenue for the Kids vertical decreased by 5.5% to US$1,514 million year-on-year, while total margin decreased by 4.3% to US$396 million. With further impact of one-time losses/gains and impairment of goodwill, during the Reporting Period, Kids vertical recorded an operating loss of US$524 million.

	12 months ended 31 March 2018	12 months ended 31 March 2017	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**1,514**	1,603	(88)	–5.5%
Total Margin	**396**	413	(18)	–4.3%
% of Revenue	***26.1%***	*25.8%*		
Operating Costs*	**449**	379	70	18.4%
Impairment of Goodwill**	**471**	–	471	100.0%
Operating (Loss)/Profit	**(524)**	34	(559)	–1,623.8%
% of Revenue	***–34.6%***	*2.1%*		

* Operating Costs: Net of other losses/gains, gain on disposal of interest in an associate and gain on disposal of interest in a subsidiary

** Impairment of Goodwill: a non-cash impairment of goodwill taking into account the strategic divestment, the external market condition and business performance

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MEN'S AND WOMEN'S FASHION

Global Brands is known as the operating partner of choice for a number of leading U.S. brand groups and their iconic world-renowned brands such as Juicy Couture, Spyder, Jones New York, and David Beckham.

During the Reporting Period, we made significant investments into the future development of this high growth channel. As an operator for our long-term licensed brands and partner to brand owners. These included brand-building, physical retail locations and e-commerce for our long-term licensed brands to enhance their competitiveness in the ever-changing industry. During the Reporting Period, we also focused on integrating the new brands into our portfolio. While these strategic investments were also an attribute to higher operating costs for the year, we believe Men's and Women's Fashion will continue to be a fast-growth business for the Group and deliver more attractive margin profiles.

During the Reporting Period, revenue from Men's and Women's Fashion increased by 39.4% to US$1,143 million as compared to last year, while total margin increased by 56.9% to US$484 million. The increase was primarily attributable to the addition of new licenses. Operating costs increased by 84.0% to US$464 million as a result of the addition of new licenses and significant strategic investments in direct-to-consumer channels for key brands. As affected by one-time losses/gains and impairment of goodwill, for the Reporting Period, Men's and Women's Fashion recorded an operating loss of US$241 million.

	12 months ended 31 March 2018	12 months ended 31 March 2017	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**1,143**	820	323	39.4%
Total Margin	**484**	309	176	56.9%
% of Revenue	***42.4%***	*37.7%*		
Operating Costs*	**464**	252	212	84.0%
Impairment of Goodwill**	**262**	–	262	100.0%
Operating (Loss)/Profit	**(241)**	57	(298)	–524.6%
% of Revenue	***–21.1%***	*6.9%*		

* Operating Costs: Net of other losses/gains, gain on disposal of interest in an associate and gain on disposal of interest in a subsidiary

** Impairment of Goodwill: a non-cash impairment of goodwill taking into account the strategic divestment, the external market condition and business performance

FOOTWEAR AND ACCESSORIES

During the Reporting Period, well-known brands such as Calvin Klein and Katy Perry continued to have a strong appeal to consumers, driven by our contemporary designs and fashion-oriented approach, which sustained their performance. In addition, we continued to leverage the Group's brand portfolio and expertise across multiple categories and our global platform to expand our businesses. For example, we expanded our business with Juicy Couture into the footwear category.

However, revenue from the vertical for the Reporting Period was negatively impacted by the cessation of the Coach footwear license as the brand took all of its footwear businesses in-house, a development that we had anticipated. We are working to secure business that will replace the business volume, however it is highly unusual to see such a large single license in the footwear sector.

During the Reporting Period, we also made the strategic decision to sell our remaining 49% stake in the intellectual property ownership of Frye to Authentic Brands Group ("ABG"). This allows the Group to fully monetize the increase in brand value, while continuing to act as the operating partner through a long-term licensing agreement with ABG. In addition, we made the decision to divest our U.S. home product licensing businesses, which enables us to further sharpen our focus on our core categories and improve on profitability.

Revenue from Footwear and Accessories decreased by 14.5% to US$1,096 million, while total margin decreased by 9.7% to US$306 million. Operating costs increased by 18.5% to US$294 million, largely due to the new acquisitions of Haskell and full year impact of prior years' acquisitions and new licenses of Accessories Exchange and BCBG. For the Reporting Period, Footwear and Accessories recorded an operating loss of US$305 million due to further impact of one-time losses/gains and impairment of goodwill.

	12 months ended 31 March 2018	12 months ended 31 March 2017	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**1,096**	1,281	(185)	–14.5%
Total Margin	**306**	339	(33)	–9.7%
% of Revenue	***27.9%***	*26.5%*		
Operating Costs*	**294**	248	46	18.5%
Impairment of Goodwill**	**316**	–	316	100.0%
Operating (Loss)/Profit	**(305)**	91	(395)	–435.9%
% of Revenue	***–27.8%***	*7.1%*		

* Operating Costs: Net of other losses/gains, gain on disposal of interest in an associate and gain on disposal of interest in a subsidiary

** Impairment of Goodwill: a non-cash impairment of goodwill taking into account the strategic divestment, the external market condition and business performance

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BRAND MANAGEMENT

Our brand management business, CAA-GBG Global Brand Management Group, is the world's largest brand management company, offering clients decades of experience and expertise across all aspects of the brand extension process. This includes expanding brands into new product categories and/or across geographies, developing retail collaborations, and assisting in the distribution of licensed products on a global basis. Unlike the Group's other verticals, revenue is generated as a percentage of the licensing fee paid by licensees to the brand owners in exchange for our ongoing brand management services.

During the Reporting Period, we continued to integrate the GBG and CAA brand management businesses, under the partnership we formed with CAA (Creative Artists Agency). This vertical saw strong organic growth as well as additional incremental growth through the acquisition of UK-based Romelle Swire we made in September 2017, which further enhanced our platform in the experiential, restaurant, and residential areas, and also strengthened our lifestyle brands portfolio. As the biggest brand management agency in the world, we are able to leverage our scale to drive significant growth in our operating margins.

During the Reporting Period, our Brand Management business saw considerable growth, largely driven by the strong organic growth and the addition of UK-based Romelle Swire, with revenue increased by 43.9% to US$270 million, while total margin increased 35.7% to US$67 million. Operating profit for the Reporting Period was US$20 million.

	12 months ended 31 March 2018	12 months ended 31 March 2017	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**270**	188	82	43.9%
Total Margin	**67**	50	18	35.7%
% of Revenue	***24.9%***	*26.4%*		
Operating Costs*	**48**	34	13	38.1%
Operating Profit	**20**	15	5	30.4%
% of Revenue	***7.3%***	*8.1%*		

* Operating Costs: Net of other losses/gains, gain on disposal of interest in an associate and gain on disposal of interest in a subsidiary

Geographical Segmentation

For the Reporting Period, the geographic split of the Group's revenue was 78% Americas, 17% Europe/Middle East and 5% Asia.

Significant Acquisitions and Licenses

During the Reporting Period, the Group made the following deals in order to expand and develop our business globally.

Name	Business	Strategic Rationale
Bebe	• Acquired inventory, the branded website and rights to sell the international distributors for women's apparel	• To control and expand the distribution of the brand
BCBG Brands	• Market, promote, sell and distribute as well as operate the wholesale operations, select retail stores and e-commerce platform of the BCBG Brands	• To continue to build our portfolio of licensed brands and categories to achieve continued growth
Romelle Swire Group	• Brand management agency headquartered in London that works with high profile figures to develop ancillary revenues and augment core activities	• To enhance our client offerings and expand our Europe & Middle East operations
Haskell Jewels, LLC	• Acquired assets to design, source and wholesale of branded costume jewelry and watches	• To further strengthen the Group's jewelry platform and add watches to our offerings

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.

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

	12 months ended 31 March 2018 US$mm	12 months ended 31 March 2017 US$mm	**Change** US$mm
Cash and cash equivalents at 1 April	**171**	99	72
Net cash flow from operating activities	**(54)**	275	(329)
Net cash flow from investing activities	**(18)**	(233)	215
Net cash flow from financing activities	**(9)**	31	(40)
Effect of foreign exchange rate changes	**3**	(1)	4
Cash and cash equivalents at 31 March	**93**	171	(78)

Cash flow from operating activities
In the Reporting Period, cash outflow from operating activities was US$54 million compared to a cash inflow of US$275 million in the 12-month period ended 31 March 2017. Operating cash flow was negatively impacted in the Reporting Period by higher trade receivable balances due to higher revenue. In addition, operating cash flow was positively impacted by the increase in trade payables.

Cash flow from investing activities
Cash outflow from investing activities totaled US$18 million in the Reporting Period as compared to US$233 million in the 12-month period ended 31 March 2017. The outflow is mainly result of the settlement of consideration payable for prior years' acquisitions of businesses, payment for acquisitions of businesses, purchase of fixed assets and computer systems, mostly offset by the proceeds from disposals of interest in an associate and a subsidiary. The Group paid US$86 million of consideration payments for prior years' acquisitions in the Reporting Period and US$30 million for acquisitions of businesses during the Reporting Period compared to US$110 million and US$33 million in the 12-month period ended 31 March 2017. The Group also paid US$62 million and US$28 million for the purchase of property, plant and equipment and computer software and system development costs in the Reporting Period compared to US$76 million and US$14 million in the 12-month period ended 31 March 2017. In the Reporting Period, these costs were mostly offset by proceeds of US$170 million related to the sale of the Frye Intellectual Property.

Cash flow from financing activities
During the Reporting Period, the Group had a net draw down of US$82 million in bank loans to finance investing activities compared to US$122 million in the 12-month period ended 31 March 2017 that was mainly used for the settlement of consideration payable for prior years' acquisitions as well as to acquire new businesses and licenses. The Group paid US$75 million in cash interest and did not pay any dividend.

As at 31 March 2018, the Group's cash position was US$93 million, compared to US$171 million as at 31 March 2017. Given our positive cash flow-generating capabilities, the Group's intention is to maintain only a reasonable cash balance to fund our short-term working capital needs.

Banking Facilities

TRADE FINANCE
The 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. The remaining trade purchases are internally sourced and may require deposits or 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, BANK OVERDRAFTS AND OTHER FACILITIES
The Group entered into a US$1,200 million committed syndicated credit facility in December 2015 with US$500 million maturing in 3.5 years and US$700 million maturing in 5.5 years. In addition, the Group also has US$276 million of uncommitted revolving credit facilities that is utilized for bank overdrafts, working capital, foreign currency hedging and letter of credit needs for certain real estate leases. As at 31 March 2018, US$1,200 million of the Group's bank loans were drawn down. The unused limits on bank loans, bank overdrafts and other facilities amounted to US$106 million.

BANK LOANS, BANK OVERDRAFTS AND OTHER FACILITIES AS AT 31 MARCH 2018

	Limit US$mm	Outstanding Bank Loans and Bank Overdrafts US$mm	Other Facilities Utilized US$mm	Unused Limit US$mm
Committed	**1,200**	**1,200**	**–**	**–**
Uncommitted	**276**	**1**	**169**	**106**
Total	**1,476**	**1,201**	**169**	**106**

Current Ratio

As of 31 March 2018, the Group's current ratio was 0.56, based on current assets of US$1,355 million and the current liabilities of US$2,401 million, which decreased from a current ratio of 1.18 as of 31 March 2017. The decrease is due to the Group failed to comply with the covenant requirements related to the Group's banking facilities amounting to US$1,200 million. In June 2018, the bank granted a one-off waiver from compliance with the relevant breached covenant requirement for the year ended 31 March 2018.

Capital Structure

The Group continues to manage its balance sheet and capital structure with adequate working capital and credit facilities.

The Group's total equity reduced to US$1,615 million as at 31 March 2018 due to the operating loss during the year and mainly attributable to the recognition of a non-cash impairment of goodwill, compared to US$2,456 million as at 31 March 2017.

The Group's gross debt was US$1,201 million as at 31 March 2018, which was primarily due from the Group repaying outstanding debt to Li & Fung Limited in conjunction with the spin-off in 2014, as well as payments made in the Reporting Period for new and existing acquisitions. As at 31 March 2018, the Group's gross debt was at floating rates based on LIBOR. Taking into account cash on hand, total net debt amounted to US$1,103 million as at 31 March 2018, resulting in a gearing ratio of 40.6%. The gearing ratio is defined as total borrowings, net of cash and bank balances, divided by total net bank 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 and reputable global financial institutions. The Group has stringent policies in place to manage its credit risk with trade and other 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 that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that 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 system with a dedicated team 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 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 mainly in US dollars 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 12 months.

Contingent Consideration

As at 31 March 2018, the Group had outstanding contingent consideration payable of US$130 million, of which US$5 million was initial consideration payable, US$73 million was primarily earn-out and US$52 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 ten 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. For the Reporting Period, there was approximately US$15 million of net remeasurement gain on the outstanding contingent consideration payable.

People

As at 31 March 2018, the Group had a total workforce of 6,997, out of which 5,216 were based in Americas, 751 based in Europe/Middle East and 1,030 based in Asia. Total manpower costs for the Reporting Period were US$521 million.

Remark:

EBITDA

The following table reconciles the operating (loss)/profit to EBITDA for the period indicated.

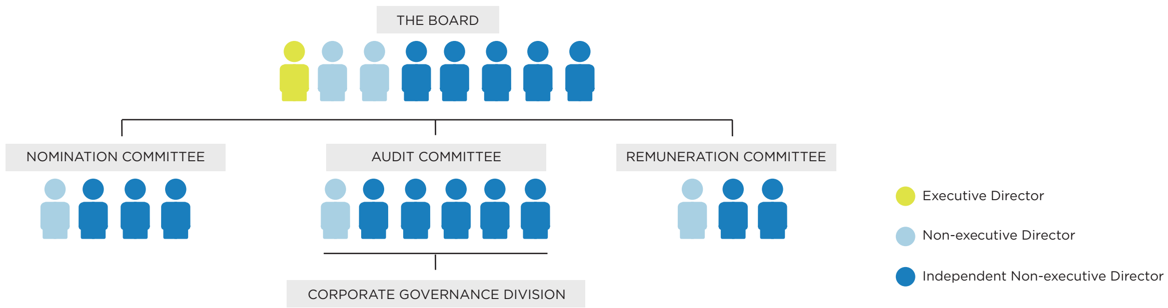
	12 months ended 31 March 2018 US$'mm	12 months ended 31 March 2017 US$'mm
Operating (loss)/profit	**(1,050)**	197
Add:		
Amortization of brand licenses	**217**	165
Amortization of computer software and system development costs	**13**	10
Depreciation of property, plant and equipment	**37**	32
Amortization of other intangible assets	**70**	81
Other non-core operating expenses	**53**	11
Less:		
Other losses/(gains), net	**56**	(20)
Gain on disposal of interest in an associate	**(67)**	–
Gain on disposal of interest in a subsidiary	**–**	(96)
Impairment of goodwill	**1,050**	–
EBITDA	**379**	380

GOVERNANCE, ENVIRONMENT AND SOCIAL

CORPORATE GOVERNANCE

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

THE BOARD



BOARD COMPOSITION

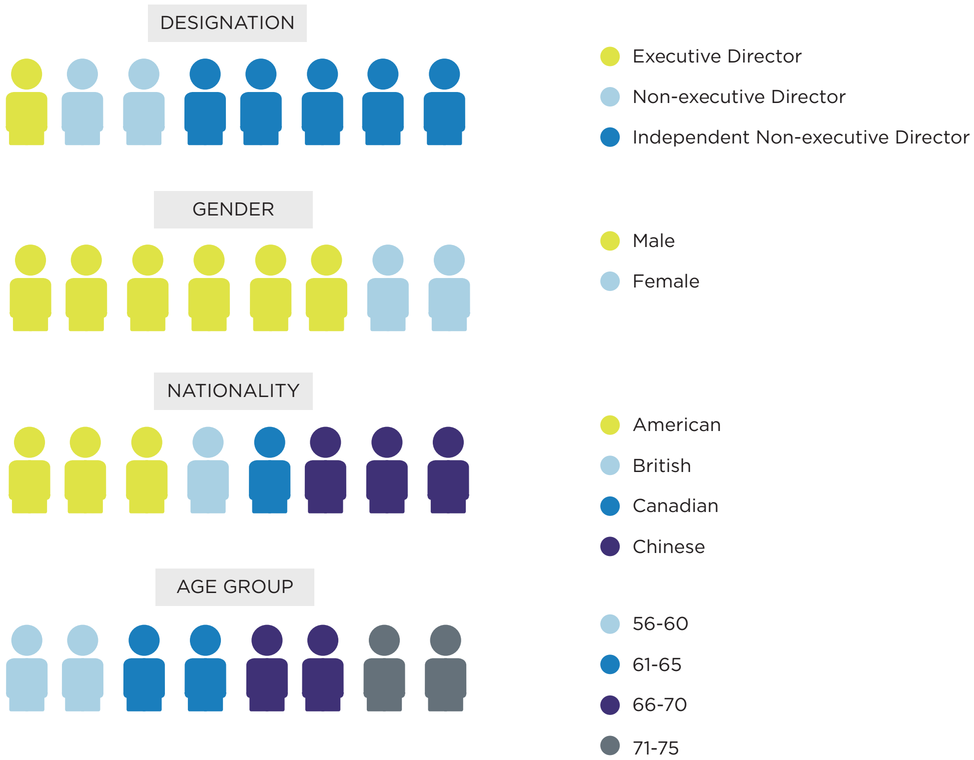
The Board is currently composed of two Non-executive Directors, one Executive Director, and five Independent Non-executive Directors. The Board considers this composition remains balanced and could reinforce a strong independent review and monitoring function on overall management practices. Biographical details and relevant relationships of the Board members are set out in “Directors and Senior Management” on pages 59 to 62.

BOARD DIVERSITY

We believe board diversity allows balanced and diversified perspectives within the Board and is an essential element in attaining the Group’s strategic objectives and sustainable development. As such, the Board adopted a Board Diversity Policy in 2014, under which the Nomination Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Director(s) when necessary.

In reviewing and assessing the Board’s composition, the Nomination Committee considers the benefits of all aspects of diversity including, but not limited to, gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and length of service so as to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates, the Nomination Committee considers candidates on merits against objective criteria and with due regard for the benefits of diversity on the Board.

An analysis of the Board's current composition is set out below.



GROUP CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

GROUP CHAIRMAN – DR WILLIAM FUNG KWOK LUN

- Responsible for ensuring that the Board is functioning properly, with sound corporate governance practices and procedures.

CHIEF EXECUTIVE OFFICER – MR BRUCE PHILIP ROCKOWITZ

- Responsible for managing the Group's business, including the implementation of strategies and initiatives adopted by the Board with the support from the senior management, and within those authorities delegated by the Board.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for setting corporate strategies, reviewing the operational and financial performance of the Group, as well as making major operational, financial and investment related decisions. Matters reserved for decision or consideration by the Board include, but are not limited to, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or reappointment, approval of major capital transactions and other significant operational and financial matters.

The Board is also responsible for the systems of risk management and internal control and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Non-executive Directors (majority of whom are independent) are not involved in the day-to-day management of the Group but altogether offer diverse industry expertise and serve the important function of advising the management on strategies and ensuring that the Board maintains high standards of compliance to financial and other reporting requirements as well as providing adequate checks and balances for safeguarding the interests of Shareholders and the Company as a whole.

All Directors commit to devote sufficient time and attention to the Group's affairs. Each have disclosed to the Company the number and nature of offices held in public companies or organizations and other significant commitments, with the identity of such public companies or organizations.

DELEGATION TO MANAGEMENT

Day-to-day operational responsibilities delegated by the Board to management include:

- preparation of annual and interim financial statements for Board approval before public reporting;
- execution of business strategies and initiatives adopted by the Board;
- monitoring of operating budgets adopted by the Board;
- implementation of sound and effective systems of risk management and internal control; and
- compliance with relevant statutory requirements, rules and regulations.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

The appointment of a new Director must be approved by the Board or by the Shareholders. The Board has delegated to the Nomination Committee to select and recommend candidate(s) for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The Nomination Committee has established certain guidelines for assessing candidates, which are in line with the Board Diversity Policy. These guidelines emphasize appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, possible time commitments to the Board and the Company, and other forms of diversity such as gender, ethnicity and age.

The Company may in general meeting by ordinary resolution of the Shareholders of the Company elect any person to be a Director, either to fill a vacancy or to act as an additional Director, up to the maximum number of Directors determined by the Shareholders in general meeting. If a Shareholder of the Company wishes to propose a person for election as a Director at the general meeting convened to deal with appointment/election of Director(s), he/she shall serve the Company a written notice and follow the designated procedures which are subject to the Bye-laws of the Company, the relevant laws and the Listing Rules. Details of the procedures for nomination of Directors are available on the Company's website (www.globalbrandsgroup.com).

All Non-executive Directors were appointed for a term of approximately three years. Under the Company's Bye-laws, one-third of the Directors, who have served longest on the Board, must retire and shall be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition to the retirement by rotation, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting after his appointment and be subject to re-election. Any Director appointed as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

To further reinforce accountability, any further reappointment of an Independent Non-executive Director who has served the Board for more than nine years will be subject to separate resolution to be approved by Shareholders.

INDUCTION, INFORMATION AND ONGOING DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities. In addition, the Company provides a tailored induction programme to all newly-appointed Directors to ensure they are made aware of their legal roles, functions and duties.

All Directors are kept informed on a timely basis of major changes that may have affected the Group's businesses, including relevant rules and regulations.

All Directors are required to provide the Company with their training records on an annual basis. During the year, all Directors have attended and/or given speech(es) at external seminars/training sessions.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each Independent Non-executive Director a written annual confirmation of their independence and is satisfied with their independence up to the approval date of this report. The assessment of the independence of Independent Non-executive Directors, which is on no less exacting terms than those set out in Chapter 3 of the Listing Rules, is delegated by the Board to the Nomination Committee.

Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence.

SAFEGUARDING THE INTERESTS OF INDEPENDENT SHAREHOLDERS

Directors are required to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings. They will not vote on any resolution nor be counted in the quorum at any Board meeting for approving any transaction in which they have material interests.

The Independent Non-executive Directors may in their absolute discretion determine whether a Director (together with any of his associates) has material interest in a business that is in material competition with or is potentially in material competition with the businesses of the Group. Any of the Independent Non-executive Directors may request such Director not to attend, or if already present, to absent himself/herself from the meeting where such matters are the subjects of discussion.

The Board will ensure that any material conflict or material potential conflict of interests will be reported to the Independent Non-executive Directors as soon as practicable when such conflict or potential conflict is discovered.

The Board will also ensure that there are a sufficient number of Independent Non-executive Directors who have extensive experience and knowledge in corporate management and governance on the Board.

CORPORATE GOVERNANCE MEASURES TO COMPLY WITH THE TERMS OF THE NON-COMPETITION AGREEMENT

On 24 June 2014, the Company entered into a Non-Competition Agreement with Li & Fung Limited ("Li & Fung") to maintain a clear delineation of the respective businesses of the two listed companies. The two companies have different business models and are pursuing different business strategies which do not compete in any material respect with each other. The following corporate governance measures stated in the Company's Listing Document have been adopted to ensure compliance with the terms of the Non-Competition Agreement:

- In the event that Li & Fung Exempt Activities or a Brands Business Opportunity (Please see definitions on page 76 of Report of the Directors) is offered to the Company, the decision on whether to accept or decline the opportunity and whether to consent to Li & Fung pursuing a declined Brands Business Opportunity must be made by a majority of the Independent Non-executive Directors.

- No less than half of the Directors will be Independent Non-executive Directors upon Listing.

- At least one of the Independent Non-executive Directors will have relevant sourcing and apparel industry experience to assist the other Independent Non-executive Directors in making decisions in relation to the Non-Competition Agreement.

- The Independent Non-executive Directors have reviewed and confirmed that the Company has complied with the terms of the Non-Competition Agreement during the year ended 31 March 2018.

OTHER MATTERS CONCERNING DIRECTORS

To further maximize the contribution from the Non-executive Directors, separate meetings between the Group Chairman and the Independent Non-executive Directors were held to address business and related issues. Written procedures are also in place for Directors to seek independent professional advice in performing their Directors' duties at the Company's expense. No request was made by any Director for such independent professional advice during the year.

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate management activities. The insurance coverage is reviewed with advice from external consultant on an annual basis.

INDEPENDENT REPORTING OF CORPORATE GOVERNANCE FUNCTION

The Board recognizes the importance of independent reporting of the corporate governance function. The Group Chief Compliance and Risk Management Officer, as appointed by the Board, is invited to attend all Board and Board Committee meetings to advise on corporate governance matters covering risk management, internal controls and compliance issues.

BOARD AND BOARD COMMITTEE MEETINGS

Regular Board and Board Committee meetings are scheduled in advance to facilitate maximum attendance. The meeting agendas of Board meetings are set by the Group Chairman in consultation with members of the Board and the meeting agendas of the Board Committee meetings are set by the respective Board Committee chairman. Senior management is usually invited to join Board meetings to enhance communication between the Board and management. The external auditor attended the Company's 2017 annual general meeting and will also be invited to attend the forthcoming annual general meeting which will be held on 27 September 2018 to answer any questions from the Shareholders on the audit of the Company.

During the year, the Board held nine meetings (with an average attendance rate of 90%). A summary of the Board and Board Committee meetings held during the year is set out below.

	Board	Nomination Committee	Audit Committee	Remuneration Committee	Annual General Meeting
Non-executive Directors					
Dr William FUNG Kwok Lun[1]	9/9	1/1	3/4[8]	4/4	1/1
Professor Hau Leung LEE[2]	7/9	N/A	4/4	1/1	1/1
Independent Non-executive Directors					
Mr Paul Edward SELWAY-SWIFT[3]	9/9	N/A	4/4	3/3	1/1
Mr Stephen Harry LONG[4]	7/9	1/1	3/4	N/A	0/1
Dr Allan ZEMAN	9/9	1/1	4/4	N/A	1/1
Mrs Audrey WANG LO[5]	8/9	N/A	4/4	4/4	1/1
Ms Ann Marie SCICHILI	7/9	1/1	4/4	N/A	1/1
Executive Director					
Mr Bruce Philip ROCKOWITZ[6]	9/9	N/A	4/4[8]	3/4[8]	1/1
Executive Director (until 14 June 2017)					
Mr Dow FAMULAK[7]	6/9[8]	N/A	4/4[8]	N/A	N/A

	Board	Nomination Committee	Audit Committee	Remuneration Committee	Annual General Meeting
Group Chief Compliance and Risk Management Officer					
Mr Jason YEUNG Chi Wai	8/9[8]	1/1[8]	4/4[8]	4/4[8]	1/1[8]
Dates of Meetings	14-Jun-2017 27-Jul-2017[9] 12-Sep-2017 28-Sep-2017[9] 14-Nov-2017 15-Nov-2017 5-Dec-2017[9] 7-Feb-2018[9] 9-Mar-2018	13-Jun-2017	13-Jun-2017 11-Sep-2017 14-Nov-2017 8-Mar-2018	13-Jun-2017 11-Sep-2017 14-Nov-2017 8-Mar-2018	12-Sep-2017

1: Chairman of the Board and Chairman of Nomination Committee
2: Re-designated from Independent Non-executive Director to Non-executive Director and ceased to be the Chairman of Remuneration Committee with effect from 14 June 2017
3: Appointed as member of Remuneration Committee with effect from 14 June 2017
4: Chairman of Audit Committee
5: Appointed as Chairman of Remuneration Committee with effect from 14 June 2017
6: Chief Executive Officer and Vice Chairman of the Board
7: Resigned as Executive Director of the Company with effect from 14 June 2017
8: Attended Board or Committee meetings as a non-member
9: Held by telephone conference

BOARD COMMITTEES

The Board has established the following Board 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), 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

Each of the Board Committees has authority to engage outside consultants or experts as it considers necessary to discharge its responsibilities. Minutes of all Board Committee meetings are circulated to the respective Board Committee members. To further reinforce independence and effectiveness, the Audit Committee, Nomination Committee and Remuneration Committee have been structured with a majority of Independent Non-executive Directors as members. Details of the Board Committees are set out below.

NOMINATION COMMITTEE

The Nomination Committee was established in 2014 and is chaired by a Non-executive Director. Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of Board composition, assessment of the independence of Independent Non-executive Directors, the management of Board succession and monitoring the training and continuous professional development of Directors and senior management.

The current members of the Nomination Committee are:

Dr William FUNG Kwok Lun – *Committee Chairman*
Dr Allan ZEMAN*
Mr Stephen Harry LONG*
Ms Ann Marie SCICHILI*

* *Independent Non-executive Director*

The Nomination Committee met once during the year (with a 100% attendance rate) to:

- review the results of Board evaluation;
- review the structure, size, composition and balance of the Board;
- assess the independence of Independent Non-executive Directors; and
- monitor the training and continuous professional development of Directors and senior management.

AUDIT COMMITTEE

The Audit Committee was established in 2014 and is chaired by an Independent Non-executive Director. Its responsibilities are set out in its written terms of reference which include reviewing the Group's financial reporting, internal controls and corporate governance issues and making relevant recommendations to the Board. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The current members of the Audit Committee are:

Mr Stephen Harry LONG* – *Committee Chairman*
Mr Paul Edward SELWAY-SWIFT*
Prof Hau Leung LEE
Dr Allan ZEMAN*
Mrs Audrey WANG LO*
Ms Ann Marie SCICHILI*

* *Independent Non-executive Director*

The Audit Committee met four times during the year (with an average attendance rate of 96%) to review:

- with management and the Company's internal and external auditors, the Group's internal controls and financial matters as set out in the Committee's written terms of reference and make relevant recommendations to the Board;
- 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, risk management and internal controls, treasury, financial reporting matters (including the interim and annual financial statements for the Board's approval);
- the emerging risks facing the Group; and
- the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed the final results for FY2018.

WHISTLEBLOWING ARRANGEMENTS

The Audit Committee also ensures that proper whistleblowing arrangements are in place by which employees can report any concerns, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, in confidence and without fear of recrimination for fair and independent investigation of such matters and for appropriate follow-up action. Under the Group's Guidelines on Whistleblowing/Reporting of Concerns, employees can report these concerns to either senior management or the Group Chief Compliance and Risk Management Officer. Any Shareholders or stakeholders can also report similar concerns by writing in confidence to our Group Chief Compliance and Risk Management Officer at the Company's business address in Hong Kong.

During the FY2018, no incident of fraud or misconduct that has a material effect on the Group's financial statements and overall operations was reported from employees, Shareholders or stakeholders.

EXTERNAL AUDITOR'S INDEPENDENCE

In order to further enhance independent reporting by the external auditor, part of our Audit Committee meetings were attended only by the members of the Audit Committee and the external auditor. The Audit Committee also has unrestricted access to external auditor as necessary.

A policy on the provision of non-audit services by the external auditor has been established in March 2015. Under the policy, certain specified non-audit services are prohibited. Other permitted non-audit services require prior approval of the Audit Committee if the fee exceeds certain pre-set thresholds. These permitted non-audit services may be engaged only if they are more effective or economical than those available from other service providers and will not cause any adverse impact on the independence of the external auditor. During the year, the external auditor provided certain permitted non-audit services mainly in tax compliance services. The nature and ratio of annual fees to external auditor for non-audit services and for audit services have been scrutinized by the Audit Committee (refer to details of fees to auditor in Note 5 to the financial statements on page 122).

The external audit engagement partner is subject to periodical rotation of not more than 7 years. Also, the Company has adopted a policy that subject to prior approval by Audit Committee, no employees or former employees of external auditor can be appointed as Director or senior executive of internal audit or finance function of the Group, within 12 months of their employment by the external auditor.

Prior to the commencement of the audit of FY2018 financial statements, the Audit Committee received written confirmation from the external auditor on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

Members of the Audit Committee have been satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of PricewaterhouseCoopers ("PwC") as the Company's external auditor and the Audit Committee has recommended to the Board the reappointment of PwC in FY2019 as the Company's external auditor at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2014 and is chaired by an Independent Non-executive Director. The Remuneration Committee's responsibilities as set out in its written terms of reference include making recommendation to the Board on the remuneration policy for all Directors and senior management, including the grant of shares and share options to directors and/or employees under the Company's Share Award Scheme and Share Option Scheme, and determining the remuneration packages of individual Executive Directors and senior management, as well as reviewing the Group's remuneration policy annually.

The current members of the Remuneration Committee are:

Mrs Audrey WANG LO*– *Committee Chairman*
Mr Paul Edward SELWAY-SWIFT*
Dr William FUNG Kwok Lun

* *Independent Non-executive Director*

The Remuneration Committee held four meetings during the year (with a 100% attendance rate) to consider and recommend the conversion of share options to share awards and grant of share awards under the respective Share Option Scheme and the two Share Award Schemes for the Board's approval.

Details of Directors' and senior management's emoluments of the Company are set out in Note 11 to the financial statements on pages 125 to 128.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The primary goal of the remuneration policy on executive remuneration packages is to motivate Executive Directors and senior management by linking their compensation to performance with reference to corporate objectives. Under the policy, a Director or a member of senior management is not allowed to approve his/her own remuneration.

The principal elements of the Group's executive remuneration packages include:

- basic salary;
- discretionary bonus; and
- share options granted under the Share Option Scheme, or shares granted under the Share Award Scheme, if any.

In determining guidelines for each compensation element, the Company refers to market surveys conducted by independent external consultants on companies operating in similar industry and scale.

BASIC SALARY

Basic salary of all employees (including Executive Directors and senior management) are reviewed periodically with reference to various factors such as market trends, performance of the Group and performance of the individual employees. The remuneration packages (including basic salary) of all Executive Directors and senior management were approved by the Remuneration Committee.

DISCRETIONARY BONUS

The Company implements a performance-based discretionary bonus scheme for each Executive Director and senior management. Under this scheme, the computation of discretionary bonus is based on measurable performance contributions and/or performance standards of operating groups headed by the respective Executive Directors and senior management.

SHARE AWARDS AND SHARE OPTIONS

The Remuneration Committee recommends to the Board for approval all awards of shares and grants of share options under the Shareholders' approved Share Award Scheme and Share Option Scheme to Executive Directors, senior management or other participants, based on the Group's performances and achievement of business targets in accordance with the corporate objective of maximizing long-term shareholder value.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The remuneration of Non-executive Directors, in the form of Directors' fees, is subject to regular assessment with reference to prevalent market conditions and is recommended by the Remuneration Committee for Shareholders' approval at the annual general meeting.

Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties, including attendance at Company meetings.

COMPANY SECRETARY

Ms Ng Sau Kuen, Joyce has been the Company Secretary of the Company since 1 February 2018. She supports the Group Chairman, the Board and the Board Committees by ensuring that Board policies and procedures are followed and providing advice on governance matters. All Board members have access to her advice and services. The Company Secretary arranges comprehensive and tailored induction programmes for newly-appointed Directors and provides updates to the Directors on relevant new legislation or regulatory requirements from time to time. Directors' trainings are organised on a regular basis by the Company Secretary to assist Directors' continuous professional development. During the year, the Company Secretary has satisfactorily fulfilled the professional training requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's sound and effective systems of risk management and internal control and reviewing their effectiveness through the Audit Committee to ensure that adequate policies and control procedures are in place for the identification and management of risks. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and aims to provide reasonable, but not absolute, assurance against material misstatements, loss or fraud.

The Board has delegated to management the design, implementation and ongoing assessment of our systems of risk management and internal control, while the Board through the Audit Committee oversees and reviews the adequacy and effectiveness of those financial, operational and compliance controls and risk management procedures that have been put in place.

The Audit Committee also reviews the emerging risks facing the Group annually and the systems of risk management and internal control put in place to address those risks. Qualified personnel within the Group maintain and monitor the systems of risk management and internal control on an ongoing basis.

Set out below are the main characteristics of our risk management and internal control framework.

CONTROL ENVIRONMENT

The Group operates within an established control environment, which is consistent with the principles outlined in "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants. The scope of the Group's risk management and internal controls mainly relates to the following three areas:

- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations.

GOVERNANCE STRUCTURE

The Group's governance structure demonstrates the "three lines of defence" model. This structure enables risk identification and escalation whilst providing assurance to the Board. Clear roles and responsibilities are assigned for managing risk and maintaining systems to facilitate the implementation of policies and guidelines. As the first line of defence, operational managers of business unit own and manage risks, responsible for identifying risks, maintaining effective internal controls and for executing risk mitigation and control procedures on a day-to-day basis. As the second line of defence, various internal control and compliance specialized divisions provide oversight of the risk management activities under the first line of defence. Corporate Governance Division (CGD), as the third line of defence, provides independent and objective assurance on the overall effectiveness of the risk management framework.

MANAGEMENT OF KEY RISKS

The Group's risk management process is embedded in our strategy formulation, business planning, capital allocation, investment decisions, internal controls and day-to-day operations. This includes risk identification and assessment, design and implementation of systems of risk management and internal controls. There is also a continual process with periodic monitoring, review and reporting to the Audit Committee.

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

Key risks faced by the Group and the corresponding measures put in place to manage those risks are as follows:

1. *OPERATIONS RISK MANAGEMENT*

   We have adopted a tailored governance structure with defined lines of responsibility and appropriate delegation of authority. This is characterized by the centralization of core business functions and exercise of control over global treasury activities, financial and management reporting, human resources, legal and information technology systems. This aims to ensure adequate segregation of duties.

   All risk management and internal control systems are supplemented with written policies. These policies cover major areas of our global operations, including but not limited to commitment, capital expenditure, procurement, credit control and bank payment. They also cover administrative activities such as use of information technology, recruitment, payroll and handling grievances.

   Contingency and business continuity plans such as preparedness for pandemics and natural disasters and failover tests of key operating systems are also examined periodically to evaluate effectiveness.

2. *FINANCIAL AND CAPITAL RISK MANAGEMENT*

   The Board approves the Group's financial budget as part of the Three-Year Plan for FY2018-FY2020 and reviews the Group's operating and financial performance and key performance indicators against the budget on a semi-annual basis. Executive management closely monitors actual financial performance at both consolidated and individual business group levels on a quarterly and monthly basis.

   The Group adopts a principle of minimizing financial and capital risks. Details of the Group's financial and capital risk management covering market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk are set out in Notes 34 and 35 to the financial statements on pages 155 to 158.

3. *INVESTMENT RISK MANAGEMENT*

   An Investment Committee (comprising Executive Director and senior management) was established to review strategic investments and acquisitions under a rigorous investment process. Significant investments and acquisitions also require Board approval. Procedures are in place to monitor the post-acquisition performance of the investments.

   Management also monitors the integration process of newly-acquired businesses through a structured post-acquisition integration programme focusing on the alignment of operational and financial controls with the Group's standards and practices. Any significant integration issues are reported to the Audit Committee.

4. *REPUTATION RISK MANAGEMENT*

The Group's reputation capital is built on its long-established culture of corporate ethics in conducting business and places great emphasis on employees' ethical standards and integrity in all aspects of its operations. Guidelines of the Group's core business ethical practices as endorsed by the Board are set out in the Company's Code of Conduct and Business Ethics (available at the Company's corporate website) for all Directors and staff. A number of accompanying policies and guidelines covering anti-bribery, gifts, entertainment and hospitality, and whistleblowing were created to set a framework to help our staff make decisions and comply with both the ethical and behavioral standards of the Company. All the staff are requested to abide by the Code which aims to give guidance in dealing with ethical issues, provides mechanisms to report unethical behaviour and helps to foster a culture of honesty and accountability. For ease of reference and as a constant reminder, the Code is posted in the Company's internal electronic portal for reference by all staff.

We are committed not to offer nor accept bribe in any form, or use other routes or methods to provide improper benefits. Also, we are forbidden to make facilitation payments to any government or public official. We ensure all charitable contribution or sponsorship (in any forms) is free from any potential perception of being a bribe. We require our suppliers to comply fully with all applicable national and local laws, legal requirements, and applicable treaties in the country or countries in which they operate that relate to anti-corruption and ethical conduct. We are committed to comply with all applicable anti-bribery laws and regulations that have a significant impact on us. We require our staff to abide fully by relevant local anti-corruption laws and regulations such as the Prevention of Bribery Ordinance under laws of Hong Kong, Foreign Corrupt Practices Act 1977 under laws of the United States, UK Bribery Act 2010 under the laws of the United Kingdom, and other similar local laws and regulations. These expectations apply to all our staff around the world. We were not during FY2018, are not currently, and have never been involved in any legal cases regarding bribery allegations and corrupt practices.

5. *REGULATORY COMPLIANCE RISK MANAGEMENT*

The Corporate Compliance Group (comprising CGD and Corporate Secretarial Division), under the supervision of the Group Chief Compliance and Risk Management Officer, in conjunction with our designated internal and external legal advisors regularly reviews our compliance to relevant laws and regulations, Listing Rules, public disclosure requirements and our standards of compliance practices.

6. *SUPPLY CHAIN RISK MANAGEMENT*

Our operations partially rely on the performance of our supply chain partners. As such, the Group has put in place a supply chain management system to monitor and review the supply chain process, such as factory compliance audit and quality inspection. Management work collaboratively with our supply chain partners to deal with risks and uncertainties caused by logistics related activities or within the supply chain process with the objective of reducing vulnerability and ensuring continuity and compliance of the Group's operations.

RISK MANAGEMENT MONITORING

The Audit Committee monitors and updates the Group's risk profile and exposure on a regular basis and reviews the effectiveness of the Group's systems of risk management and internal control in mitigating risks. Key risk areas covered by the Audit Committees include reputation, business credit, financial and operational risks of our licensing and brand management operations, investment and acquisitions, taxation, inventory and receivable management, Group-wide insurance, human resources, contingency and disaster recovery, IT governance structure, corporate responsibility and sustainability.

INTERNAL AND EXTERNAL AUDIT

INTERNAL AUDIT

CGD, under the supervision of the Group Chief Compliance and Risk Management Officer, carries out the internal audit function. It independently reviews the Group's compliance to internal policies and guidelines as well as external legal and regulatory requirements. Also, it assesses the Group's systems of risk management and internal control and evaluates their adequacy and effectiveness. The Group Chief Compliance and Risk Management Officer reports all major findings and recommendations to the Audit Committee on a regular basis.

The internal audit plan of CGD, which is strategically linked to the Group's Three-Year Plan for FY2018-FY2020, was reviewed and endorsed by the Audit Committee. The principal features of CGD include:

- preparation of an internal audit plan using a risk-based methodology covering the Group's major operations;
- internal review of operations with emphasis on risk management and internal control mechanisms and procedures (including financial, operational and compliance controls);
- unrestricted access to all information needed for the purpose of internal review;
- independent whistleblowing investigation; and
- review of special areas of concerns or risks as raised by the Audit Committee or senior management.

Major findings and recommendations from the CGD, and management responses to those findings and recommendations, are presented at the Audit Committee meetings. The implementation of all recommendations is being followed up on a quarterly basis.

As part of the annual review of the effectiveness of the Group's systems of risk management and internal control, management had conducted an Internal Control Self-Assessment for the business operations and relevant accounting functions. The Group's CGD has independently performed post-assessment review on the findings noted in the self-assessment programs and considered that sound risk management and internal control practices were in place during the year.

EXTERNAL AUDIT

Our external auditor, PwC, performs independent statutory audits of the Group's financial statements. To facilitate the audit, PwC attended all Audit Committee meetings. PwC also reports to the Audit Committee any significant weaknesses in the Group's system of risk management and internal control which might come to its attention during the course of the audit. No such significant weakness was noted and reported by PwC in its audit for the FY2018.

OVERALL ASSESSMENT

Based on the respective assessments made by management and the Group's CGD and also taking into account the results of the work conducted by the external auditor for the purpose of statutory audit, the Audit Committee considered that for the FY2018:

- the risk management and internal controls and accounting systems of the Group remain in place and functioning effectively and were designed to provide reasonable, but not absolute, 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 financial statements were reliable for publication;

- an ongoing process is in place for identifying, evaluating and managing the significant risks faced by the Group; and

- the resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and reporting function were adequate.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code. For the FY2018, specific confirmation of compliance has been obtained from each Director. No incident of non-compliance by Directors was noted during such 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. No incident of non-compliance by relevant employees was noted for FY2018.

The Group has also established a Policy on Inside Information to comply with its obligations under the SFO and the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT INTERESTS AND FINANCIAL RELATIONSHIP BETWEEN DIRECTORS

Details of Directors' interests in the Shares of the Company are set out in the "Report of the Directors" section on pages 71 to 73. The Shares held by each member of senior management are less than 2% of the issued share capital of the Company for the FY2018.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS AND AUDITOR'S RESPONSIBILITY

The Directors' responsibility for preparing the financial statements is set out on page 77, and the auditor's reporting responsibility is set out on page 82 to 84.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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 FY2018.

SHAREHOLDERS' RIGHTS

Under the Company's Bye-laws, in addition to regular Board meetings, the Board, at the request of Shareholders of the Company holding not less than 10% of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the registered office of the Company.

The same procedure also applies to any proposal to be tabled at Shareholders' meetings for adoption. To further enhance minority Shareholders' rights, the Company adopts the policy of voting by poll for all resolutions put forward at the annual general meeting and special general meeting.

Specific enquiries by Shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's business address in Hong Kong. Other general enquiries can be directed to the Company through our Group's Investor Relations, whose contact information is detailed on page 63.

CHANGES IN CONSTITUTIONAL DOCUMENTS

There have been no changes to the Company's constitutional documents during the FY2018 and the constitutional documents are available for viewing on the Company's corporate website and the Hong Kong Stock Exchange's website.

INVESTOR RELATIONS AND COMMUNICATIONS

Global Brands has a proactive policy for promoting investor relations and communications by maintaining regular dialogue and fair disclosure with Shareholders, fund managers, analysts, and the media. The management continues to communicate the Group's strategy and development at major investor conferences, as well as attending investor and analyst meetings on a regular basis.

The corporate website (www.globalbrandsgroup.com) of Global Brands, which features a dedicated Investor Relations section, facilitates effective communication with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the Annual Report, Interim Report, press releases and announcements. Webcasts of presentations for interim and annual results briefings as well as presentations given by senior management at investor conferences have also been made available.

To facilitate better understanding of Global Brands' fundamental drivers of its major business areas, starting from the FY2017, the Group discloses segmental information around its four business verticals: Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management. This move enables the investment community to better understand, track and evaluate the Group's performance.

The Group's annual general meeting provides another principal channel for Directors to meet and communicate with Shareholders, who are likewise encouraged to participate. All Shareholders are provided at least 20 clear business days' notice to attend the annual general meeting, during which Directors and Committee Chairmen or members are available to answer questions. The results of the voting by poll are published on the Group's website together with details of the meeting, including the date, venue and resolutions.

The Group is aware of its obligations under the SFO and the Listing Rules, including the overriding principle that information which is expected to be Inside Information should be announced promptly and to prevent selective or inadvertent disclosure of Inside Information. Therefore, the Group conducts the handling and dissemination of such Inside Information in accordance with the "Guidelines on Disclosure of Inside Information" issued by Securities and Futures Commission in June 2012 and the Policy on Inside Information was adopted accordingly. Members of senior management are identified and authorized to act as spokespersons and respond to related external enquiries. A Shareholders' Communication Policy has been reviewed by the Board regularly to ensure its effectiveness.

Global Brands' position in the Hong Kong market is affirmed through the inclusion of our stock in some of the most important benchmark indices. The stock is a constituent member of the Hang Seng Composite SmallCap Index, FTSE4Good Index Series, MSCI Index Series, Hang Seng Corporate Sustainability Benchmark Index, Hang Seng Stock Connect Hong Kong Index and Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index. Further, *Corporate Governance Asia*, a leading authority on corporate governance in Asia, recognized the Group for its high standard of investor relations. Our CEO was named "Asia's Best CEO (Investor Relations)", and for the fourth consecutive year, the Group was named "Best Investor Relations Company – Hong Kong". Global Brands was also named "Best Initiatives in Social Responsibility" and received the "Gold Award" at The Asset Corporate Awards 2017, organised by the renowned Asian financial magazine *The Asset*.

During the year, the Board confirmed that there was no change to the Company's Bye-laws affecting its operations and reporting practices. Details of the next shareholders' meeting, key calendar events for shareholders' attention as well as share information, including market capitalization as of 31 March 2018, are set out in the "Information for Investors" section on page 63.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome, and they can be addressed to the Group's Corporate Communications and Investor Relations Department by mail or by email at ir@globalbrandsgroup.com.

ENVIRONMENT AND SOCIAL

CORPORATE SOCIAL RESPONSIBILITY

At Global Brands, corporate social responsibility (CSR) means operating ethically and responsibly to deliver economic, social and environmental benefits to our stakeholders. Our CSR strategy is, "Global Brands for Global Good", which we aspire to in all parts of our business. Through proactive initiatives and good corporate governance, we strive for positive impact on our people, our supply chain, our communities and the environment. We are committed to comply with the laws and regulations of the jurisdictions in which we operate.

STAKEHOLDER ENGAGEMENT

Our business relies on people and organizations around the world who help us take top brands into new markets, categories and geographies. We value these stakeholders' insights and opinions, and we engage them to help improve our CSR approach and prioritize our CSR activities to help ensure we deliver business value.

HOW WE ENGAGE STAKEHOLDERS

We engage clients, suppliers, employees, shareholders, consumers and communities throughout the year in a variety of ways. Given our geographic breadth and diverse product portfolio, we take a decentralized approach suited to our business segment and functional needs. We use direct channels such as surveys, meetings and reports, and indirect channels such as websites and social media to communicate our activities and gather stakeholder feedback.

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

OUR CSR PRIORITIES

A crucial step in formulating our CSR strategy is to prioritize the issues most material to our business and important to stakeholders. In early 2017, we conducted a formal materiality assessment led by a third-party agency. First, internal and external stakeholders identified significant environmental and social issues and ranked them in importance through an online survey. We then did one-on-one interviews with key stakeholders to better understand their perceptions of business performance on CSR, emerging risks and opportunities and insights for developing our strategy.

The material issues we identified helped to develop our Global Brands for Global Good strategy, which provides the framework for this report and the information highlighted. Issues related to employees included career development and engagement; health, safety and wellbeing; and diversity and inclusion. In our supply chain, safe and fair working conditions, human rights and supplier management were key industry concerns. Environmental priorities included chemicals management, sustainable materials, water and waste management and greenhouse gas (GHG) emissions. Community engagement also ranked high in importance. These issues help shape and inform our CSR strategy and our journey to continually improve in areas vital to our business, stakeholders and the world.

OUR CSR STRATEGY

The world faces significant challenges including demographic and attitudinal shifts in the global workforce, persistent gaps in equality and the costly effects of climate change. Global Brands considers these trends and how they impact our stakeholders as we develop our CSR strategy. We have just begun the journey in earnest, but we know even small steps can contribute value to the planet and society.

We also consider a much larger, collective journey to better the world. Along with our parent company, FH (1937), we work to contribute to select United Nations (UN) Sustainable Development Goals (SDGs). The SDGs aim to end poverty, protect the planet and ensure prosperity for all.

OUR CSR STRATEGY FRAMEWORK

We see opportunities to help address global trends and contribute to the SDGs in four areas: Our People, Our Supply Chain, Our Communities and Our Environment.

- SDG 1 to end poverty in all its forms everywhere
- SDG 3 to ensure healthy lives and promote wellbeing for all at all ages
- SDG 5 to achieve gender equality and empower all women and girls
- SDG 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 13 to take urgent action to combat climate change and its impacts

These and other issues relevant to our business and stakeholders shaped our CSR strategy and activities in FY2018 and will influence us as we continue our journey to be responsible global citizens.

OUR PEOPLE

As demographics shift, work and the workplace are evolving to address Global Brands employees' need for more flexibility, learning, collaboration and opportunities to work on meaningful projects. To attract and retain top talent, we continually refine our employee programs to meet people's needs while achieving business objectives.

OUR PEOPLE APPROACH

Global Brands is committed to creating a rewarding employee experience and helping people be their best. Inherent in our DNA is an open forum for sharing knowledge and ideas and giving employees a voice. Our initiatives engage people to help them feel fulfilled, gain skills needed in the technology-driven workplace, work on causes they care about and be motivated to achieve their full potential.

We seek to hire exceptional people who inspire us to greatness. We encourage employees to excel and expand their professional and personal horizons through creativity, innovation and collaboration. We offer career development opportunities, wellbeing programs, competitive wages/salaries, comprehensive benefits and other initiatives to help enrich employees' lives and boost happiness. We have comprehensive policies, including employee handbooks by region, addressing compensation and dismissal, working hours, equal opportunity, anti-discrimination and other benefits and welfare.

OUR PEOPLE FOCUS

We support employees in every aspect of their Global Brands career journeys. In FY2018, we emphasized:

- Career development
- Diversity and inclusion
- Employee wellbeing

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

CAREER DEVELOPMENT

Career advancement opportunities are among the top reasons employees join and stay with companies. People appreciate learning new skills to stay relevant in a changing market and many see lateral moves and special assignments as valuable to their professional growth.

Global Brands invests in our employees' development to stay competitive and give our people positive career experiences that benefit them as well as our business. In 2017, we conducted an employee engagement survey in North America. Results showed that employees wanted more emphasis on learning and development and more opportunities to advance in the Company. This feedback led us to enhance and/or add career development initiatives in FY2018:

- **Networking events** where employees meet colleagues who work in similar functions in other brands to share ideas, make connections and learn about potential job opportunities

- **Mentoring program** to pair high-potential employees from around the world with business experts to develop leadership and other business skills

- **Summer internship** for approximately 40 U.S. students working primarily in design, sales, product development and marketing and ending with presentations to an executive management panel

- **Professional Development seminars** to teach employees how to use their profiles to market themselves to internal managers

- **Online learning** for all employees through company-sponsored memberships to Harvard ManageMentor and Lynda.com

- **Classroom training and coaching** on topics including leadership, communication, presentation and creative problem solving

In FY2018, Company employees participated in more than 11,300 hours of company sponsored or delivered training.

DIVERSITY AND INCLUSION

At Global Brands, we celebrate our employees' individuality and respect people of every race, religion, gender and sexual orientation. We hire local talent to fill local positions and give preference to current employees for advancement opportunities. Being a global company makes us inherently diverse. As of March 31, 2018, Global Brands employed 6,997 people in 21 countries. We have 5,216 employees based in North and South America, 1,030 in Asia and 751 in Europe, the Middle East and Africa. Women represented 78% of our employees and 51% of our management team.

Global Brands offers equal employment opportunities to all employees and applicants for employment, based on qualifications for the position. We investigate allegations of discrimination where permitted by law and, when necessary, take action to prevent any form of prohibited conduct.

SUPPORTING WOMEN INNOVATORS IN RETAIL

In 2014, Springboard 200 Enterprises, a non profit organization teamed up with the Partnership for New York City to create the New York Fashion Tech Lab, a 12-week mentorship for six to 10 women-led companies developing innovations that bring together fashion, retail and technology. Global Brands joins other fashion retailers, venture capitalists and industry advisors to offer the entrepreneurs guidance, perspective, feedback and connections.

EMPLOYEE WELLBEING

Global Brands invests in employee wellbeing programs as we support our employee's experience at the Company. While these programs are important, we want employees to be happy, and have good physical, mental, emotional and financial health.

Because cultural norms and health regulations vary by region, we allow regional offices to adapt or adopt programs appropriate for them. We do, however, promote a culture of wellness in all our global locations. We have workplace health and safety policies for both retail and operational work environments. We routinely conduct assessments of compliance with these policies and procedures and develop action plans to address any gaps. We monitor workplace incidents to identify and systematically address root causes and related hazards. During the Reporting Period there were no fatalities in our workplaces globally.

GBG Lives Well is the umbrella for our wellbeing initiatives. We focus on general health awareness, improving overall health and wellbeing and maintaining a healthy lifestyle. We offer a wide range of programs, including:

- Annual health and wellness fairs where health screenings and flu shots are provided free of charge
- Smoking cessation program
- Yoga, meditation and nutrition classes
- Running and walking clubs, exercise boot camps and organized sports teams
- Financial wellness seminars

In FY2018, more than 2,500 employees participated in GBG Lives Well.

OUR SUPPLY CHAIN

Supply chain management is a critical factor in the apparel industry. Global Brands depends on factory suppliers in countries with varying levels of social and environmental standards, which can create risk. For us, this includes an extensive network of factories, agents, vendors and component parts suppliers ("suppliers") crucial to meeting our customers' and licensors' expectations.

OUR SUPPLY CHAIN APPROACH

Global Brands and our stakeholders identified supplier management and supply chain transparency as priorities in our 2017 materiality assessment. We accept our role to help our partners comply with regulations, operate responsibly and positively impact their employees and communities.

We do this by striving to 1) increase our Tier 1 supplier visibility, 2) increase Tier 1 supplier assessments or equivalence through existing industry audit reports and 3) heighten suppliers' awareness and acknowledgement of our policies and procedures through training and communication. We will integrate new businesses into this process so all brands are aligned with our strategy going forward.

Our growth in recent years has dramatically increased our supply chain's size and complexity. As a result, we saw the need for centralized supply chain management; more consistent, formalized policies and procedures; and more data and metrics monitoring.

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

In FY2018, we began building a corporate team to establish new technology systems, stricter processes and clearer standards, and to communicate these to our more than 1,700 supply chain partners in approximately 38 countries. Our Global Supplier Principles, which align with the UN's International Labour Organization (ILO) core conventions and local and international laws and norms, outline our expectations for suppliers' social, environmental and ethical practices.

OUR SUPPLY CHAIN FOCUS

We look for supply chain partners who strive for efficiency, compliance and high standards in line with our own. In conjunction with our sourcing partner, Li & Fung Group, and our internal business units, we aim to monitor our suppliers' operations, provide tools and programs to help them meet our high standards and work with them to correct issues and concerns. In FY2018, we focused these efforts on:

- Safe and fair working conditions
- Human rights
- Supplier management

SAFE AND FAIR WORKING CONDITIONS

Poor working conditions such as low wages, long hours and inadequate safety and health standards are, unfortunately, common in the global garment industry. While many of these challenges are universal and beyond any one company's capacity to solve, we communicate our expectations to suppliers and strive to help them improve.

As outlined in our Global Supplier Principles, we expect our suppliers to uphold high standards for employee safety and wellbeing to prevent accidents, injuries and illnesses resulting from work. Their facilities and, when provided, housing, should be clean, safe and have adequate accommodations for all employees. We expect our suppliers to pay their employees the minimum wage required by law, or more. They must follow applicable laws and regulations for working hours and all overtime must be voluntary.

We monitor our suppliers' business practices through third-party representatives. We work to ensure our internal business units understand our Global Supplier Principles so they can communicate them to our key factory partners, monitor compliance and influence them to improve.

BETTER CARE IN HAITI

Labor laws in Haiti require factories to employ one nurse per 200 workers. Many factories either struggle to reach that number or employ nurses with inadequate knowledge, leading to them to be underutilized. To address the issue, Share Hope, a local Haitian non-profit organization working with Haitian garment factories to encourage ethical business practices and compliance with CSR standards, started the Factory Clinic Improvement Program. Working with Share Hope, one of our factory partners built a new clinic in 2017, and in 2018, improved the physical space and added two qualified nurses and a part-time doctor to their staff.

HUMAN RIGHTS

Human rights abuses and forced labor have been associated with materials found in everyday products, including apparel and footwear. Global Brands does not tolerate suppliers' use of any form of forced, bonded, trafficked, indentured or prison labor, or subjecting workers to discrimination, corporal punishment or other abuses. We carefully vet suppliers based on the expectations outlined in our Global Supplier Principles and we avoid those who violate human rights. We work with third-party providers to monitor existing suppliers' practices and help them manage their social performance.

Where we can join with other industry organizations to effect change, we will do so. In Uzbekistan, for example, the government shuts down schools and public offices for months at a time and uses local law enforcement to mobilize workers to harvest cotton. They buy farmers' crops for a fraction of the market price, earning the government several millions of dollars annually. Joining with other apparel brands and retailers, we are a signatory to the Responsible Sourcing Network Uzbek Cotton Pledge, a commitment to not knowingly source Uzbek cotton.

In FY2018, we used e-learning to train our internal teams on human trafficking and forced labor regulations governing our supply chain, including the United Kingdom (UK) Modern Slavery Act and the California Transparency in Supply Chains Act.

IMPROVING WOMEN'S LIVES IN HAITI

The global apparel sector faces workforce challenges including low pay, health and safety concerns, stressful and repetitive work, lack of access to benefits like health insurance, and workplace harassment and discrimination. While all workers can be affected, women – who represent an average of 68% of the garment industry workforce and 45% of the textile sector workforce – can be especially vulnerable to these risks.

Global Brands and Fung Group partner with organizations to help improve the lives of women who work in our suppliers' factories in Haiti. In FY2018, we supported several initiatives, including:

HERHEALTH™ HEALTH TRAINING

HERhealth is part of Business for Social Responsibility's ("BSR") HERproject™ to improve women workers' wellbeing, confidence and economic potential. More than 2,000 women participated in HERhealth training to increase their knowledge of health, nutrition, family planning, sexually transmitted diseases and available health services. One of our factories offered coed training, which inspired fathers and husbands to be more active partners in their homes.

BREAST AND CERVICAL CANCER EDUCATION AND SCREENINGS THROUGH SHARE HOPE

Almost 1,500 female factory workers participated in training, received breast palpation exams and/or were tested for human papillomavirus (HPV), a common sexually transmitted disease.

SUPPLIER MANAGEMENT

Increasingly, consumers, investors, licensors and other stakeholders want companies to monitor and report on their supply chains' social and environmental performance. A 2016 study by BSR showed transparency and traceability were among the most important sustainability issues in the supply chain.

Global Brands works with more than 1,700 suppliers in approximately 38 countries. Some suppliers have never been exposed to our level of scrutiny, so we try to assess where they are and their understanding of their impact on people and communities. We communicate our expectations and work with them to adopt reasonable sustainability measures and make their data available to us.

Our Global Supplier Principles call for suppliers to be transparent with their operational policies, processes and standards and educate employees and managers on their rights and responsibilities. At the end of 2016, we launched a supply chain management system to monitor and review their activities through visits by recognized, unaffiliated third-party audit firms, internal staff of our licensors or retail customers. While we are still transitioning to more accurate data, we have progressed toward our goal to gain visibility into most of our factories' and suppliers' sustainability activities.

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

As a member of the Sustainable Apparel Coalition (SAC), we use the Higg Index tool to connect with our suppliers and enable them to share environmental performance data. We connected through the tool with a small group of suppliers in FY2018 and are expanding it to others in our supply chain in FY2019.

We continue to train our suppliers on various topics addressing supply chain issues. In FY2018, representatives from approximately 370 suppliers participated in trainings.

Because a large part of our sourcing is through our trading partner, Li & Fung Group, we align our program with their approach. In addition to third-party assessments, we allow factories to submit audits against global auditing standards or schemes such as Better Work, Worldwide Responsible Accredited Production (WRAP) or Sedex. By accepting current, unexpired audits, we translate results to comparable Global Brands terms through an equivalence process to ensure we review all audits against the same standards. This reduces the resources factories must put toward multiple audits and allows them to correct issues based on one widely-accepted audit protocol.

All audits are rated against our internal rating system. We approve factories that achieve an “A” or “B” rating for 24 months, approve “C” rated factories for 12 months and “D” rated factories for six months. Factories receiving “F” ratings are not approved for use. Throughout FY 2019, we are strengthening our team to guide remediation of non-compliance findings and ensure risks are mitigated through stronger compliance management systems. Because an audit is a snapshot in time, we work with a third-party provider to create online capacity-building courses, which we will begin to roll out in FY2019.

Factories sourced through Li & Fung Group have access to the Li & Fung Sustainability Resource Center, an online platform providing access to an extensive library of compliance improvement programs, toolkits and sustainability training and resources.

LICENSOR INFLUENCE

As a licensee, we are guided by our licensors’ requirements, which often determine the third-party monitors we use for audits, what standards we accept or audit against and what initiatives we participate in. Because of this business model, we support many different initiatives, such as the Higg Index, incorporate organic or other sustainable attributes into some garments, adhere to restricted substance requirements and undergo multiple types of audits based on customer requirements.

INDUSTRY PARTICIPATION

Since there are very few factories where we control 100% of capacity, we collaborate with industry peers to increase our influence. Global Brands is a Buyer Partner of the Better Work Program, a partnership between the ILO and the World Bank Group’s International Finance Corporation (IFC). Better Work brings governments, global brands, factory owners, unions and workers together to improve working conditions in the garment industry and make the sector more competitive.

We are also a member of Sedex, one of the world’s largest collaborative platforms sharing responsible sourcing data on supply chains to manage performance on labor rights, health and safety, the environment and ethics.

OUR COMMUNITIES

We invest in our communities not only because it is the right thing to do, but also because having a purpose makes good business sense. The spirit of giving back helps to develop a work culture that enhances employee satisfaction and drives business value across all stakeholders.

OUR COMMUNITY APPROACH

Global Brands believes our success depends in part on sharing our fortune and partnering with the communities where we live and work. Community engagement was identified as a key priority in our materiality assessment. To realize this endeavor, we formalized and launched the Global Brands Group (GBG) Gives Back initiative, with the aim to encourage active charitable participation from leadership, employees, brands and partners.

GBG Gives Back aims to improve and advance the lives of children, women and families around the world impacted throughout our value chain, from field to factory to fashion. Through volunteerism, philanthropy and other giving initiatives, we are committed to supporting those in need.

- **Volunteerism:** We encourage our associates, brands, consumers and stakeholders to get involved through days of service, fundraisers, drives and other social impact initiatives.

- **Philanthropy:** We leverage our financial and in-kind resources, brands and community partners to make an impact in our community.

EMPLOYEE VOLUNTEERING

Employees get involved in our communities by volunteering, fundraising and participating in blood drives and food and clothing collections. Each year, we provide hundreds of volunteer opportunities to our employees to participate in. Through the GBG Gives Back program, employees help transform communities by donating their time and money to causes they care most about. In FY2018, employees volunteered approximately 1,800 hours, raising more than US$500,000.

EMPLOYEES STEP UP FOR CHILDREN

As a leading global fashion and apparel company in children's wear, we are committed to working with charitable organizations supporting kids' causes. In FY2018, our employees raised nearly US$12,000 for Operation Backpack, which provides backpacks and school supplies for homeless children, and donated time to support children with disabilities at the annual New Alternatives for Children (NAC) Kids Olympics. Our CAA-GBG Global Brand Management Group raised more than US$52,000 for Railway Children through bike rides, movie screenings, and trivia nights which helped protect 2,400 children from life on the streets.

IMPROVING WOMEN'S LIVES

We celebrate and advocate for women and girls in our company and around the world. In FY2018:

- On International Women's Day, we hosted our first Girl Scouts Earn Your Badge workshop, employee volunteers sorted donations at a women's shelter and we helped disadvantaged women secure jobs at Bottomless Closet in the U.S. and at Smart Works in the UK.

- During our Breast Cancer Awareness Campaign, hundreds of Global Brand employees participated in walks and organized bake sales, sample sales and dress-in pink events, raising more than US$128,000 to donate to a range of breast cancer non-profit organizations.

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

OTHER WAYS OUR EMPLOYEES GIVE BACK

Hope for the Holidays is a Global Brands signature social impact campaign. During the 2018 holiday season, employees around the world prepared and served meals, organized coat drives, spearheaded food deliveries and fulfilled holiday wish lists for more than 25 non-profit organizations serving thousands of people in need.

Throughout every year, our employees and their friends and families participate in charity walks, runs and other a-thons to raise funds and awareness for causes they believe in, such as Bike to Work Day in the U.S. which raised awareness about reducing carbon footprint and leading healthy lifestyles. These are a few of the organizations and events we supported in FY2018:

- CURE National Denim Day (Canada), Making Strides Against Breast Cancer (U.S.) and Susan G. Komen Race for the Cure (U.S.) raised funds in support of breast cancer awareness and research.

- God's Love We Deliver's Race To Deliver (U.S.) annual fundraisier provided meals to New York City residents who are too ill to shop or cook for themselves.

- Standard Chartered Hong Kong Marathon (Hong Kong) to raise awareness for health and fitness.

- Tough Mudder Help for Heroes (U.K.) to support those with injuries and illnesses sustained while serving in the British Armed forces.

- Walk for Millions (China) to raise funds for family and children welfare services agency to support long-distance teaching programs in remote areas in the southwest region of Guizhou province.

PHILANTHROPY

As we continue to grow, we are expanding our philanthropic footprint from our global offices to the factories manufacturing our products. In FY2018, we delivered more than US$1.2million in cash and US$1.7 million in in-kind donations to charitable causes.

WHEN DISASTER STRIKES

The world experienced unprecedented natural disasters in FY2018. From August to November 2017, Global Brands and our employees contributed or fundraised almost US$1.9 million in cash and in-kind donations to disaster relief efforts around the globe.

SUPPORTING FAMILIES IN NEED

To support families and children, we contribute to many worthwhile organizations. Here are a few examples of our FY2018 philanthropic activities, which are included in our total Company giving and fundraising:

- Ronald McDonald House Charities provides families a home away from home while loved ones receive cancer treatment. In May 2017, Jason Rabin, president of Global Brands North America, with generous support from our partners, led a companywide effort to raise US$2.15 million for Ronald McDonald House New York through their 25th Annual Gala.

- Delivering Good accepts new product donations from companies in the fashion, home and children's industries and distributes them to children, adults and families facing poverty and disaster. This year, Global Brands contributed more than US$1.5 million in product donations to support the organization.

- UK for UNICEF's work championing children's rights is further supported by Global Brands pledge of US$1 million over five years to 7: David Beckham Unicef Fund. The commitment benefits children in seven regions across seven areas of focus, including health, physical safety and primary education.

- Shooting Star Chase is a children's hospice charity in the UK. We donated more than US$13,000 in products for children receiving hospice care. Other organizations benefitting from our donated merchandise include Bottomless Closet, which serves economically disadvantaged women looking for employment; The Floating Hospital, which provides healthcare services to homeless families; and New Alternatives for Children (NAC), which provides services to birth, foster and adoptive families caring for children with medically complex needs.

- Feeding America is the largest domestic hunger relief organization in the U.S. Our Frye team, who has partnered with the organization since 2016, has raised more than US$454,000 providing 4.5 million meals to those in need through in-store campaigns, cause-related marketing and social media activations.

OUR ENVIRONMENT

The world faces significant, interconnected environmental challenges brought on by climate change, pollution and resource constraints due to overpopulation. These threats strain natural resources such as water, energy and food, endanger biodiversity and may have implications on the production and delivery of our goods. Several environmental issues related to our operational footprint and supply chain impacts, including greenhouse gas (GHG) emissions, water consumption, waste and responsible products emerged as stakeholder priorities in our 2017 materiality assessment.

OUR ENVIRONMENT APPROACH

Environmental responsibility is an important part of Global Brands' commitment to add value to our communities and society. This commitment applies to our corporate facilities, our operating units and our hundreds of suppliers around the world. We are working to raise environmental awareness and establish uniform standards throughout our organization and supply chain.

While we are unable to control our entire environmental impact because of requirements to follow licensor protocols in areas such as packaging and supplier monitoring, we strive to improve wherever we can and engage our partners to help advance their standards. We work to reduce and track our environmental footprint in our owned and operated facilities. In 2017, FH (1937) introduced a new tool to better capture this data, which we report for all locations with access to the information. For those locations with access, our total energy consumption for 2018 from gas and utilities was 15,010,521 kWh and total liquid fuel consumption of 755 liters.

OUR ENVIRONMENT FOCUS

We strive to increase efficiency and environmental responsibility in our operations, product materials, equipment and building materials and services. In FY2018, we focused on these areas:

- GHG emissions

- Waste

- Water

- Responsible products

GHG EMISSIONS

GHG emissions are at their highest levels in history. The resulting climate change impacts such as changing weather patterns, rising sea level and more extreme weather events can disrupt national economies, threaten livelihoods and lead to conflict.

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

For carbon footprint reporting, we use Greenhouse Gas Protocol standards that categorize a company's emissions into direct and indirect emissions. Direct emissions come from sources we directly operate or control, such as our company offices. Indirect emissions result from supply chain activities such as product manufacturing and transportation.

We further categorize direct and indirect emissions into scopes 1, 2 and 3. Scope 1 is comprised of direct GHG emissions, such as those from fuel purchases and use. Scope 2 emissions come from producing energy and heat we purchase for our facilities. Scope 3 emissions are indirect, including those generated by business air travel and product shipment. To calculate relevant emissions from our energy consumption data, we follow internationally accepted reporting principles and the UK's Department for Environment Food & Rural Affairs (DEFRA) methods.

We focus our carbon footprint reporting on scope 1 and 2 tons of carbon dioxide equivalent (tCO2e2) emissions so we can collect, calculate and monitor our environmental data and progress.

	FY2018	FY2017
Total scope 1 and 2 tCO_2e^2	**5,436**	6,537
Scope 1 tCO_2e^2	**350**	591
Scope 2 tCO_2e^2	**5,086**	5,946

The decrease in scope 1 and 2 GHG is due primarily to reorganization of multiple utilized spaces in the Americas. Our unique business model presents a challenge in fully capturing GHG attributable to our retail spaces. It is our intent to to better estimate our carbon footprint while developing best practices for all Global Brands owned and operated facilities in FY2019.

HELPING EMPLOYEES DO THEIR PART

To help reduce GHG emissions and air pollution in our communities, some Global Brands offices offer employees incentives to use public transportation. In New York, about 740 employees bought public transit tickets with pre-tax dollars in FY2018, and in France, we reimburse employees 50% of the cost of public transportation tickets, also tax-free. Our New York, London and a few European offices provide secure bike storage for employees who bike to work.

SUSTAINABLE SPACES

LEED (Leadership in Energy and Environmental Design)-certified buildings and spaces can positively impact the environment and wellbeing in many ways. They help divert waste from landfill, generate lower GHG emissions, save energy and create healthier workspaces.

We incorporate sustainability LEED best practices in our offices and facilities around the world wherever feasible.

- In our headquarters in the Empire State Building in New York City, three floors achieved Gold LEED (Leadership in Energy and Environmental Design) certification and two were certified Platinum in 2017. This brings our total of LEED-certified spaces in this building to 2 Platinum and 5 Gold.

- Our New York and Plymouth Meeting, Pennsylvania, offices use 100% renewable energy.

- The building we lease in Los Angeles, California, is LEED Gold certified.

WASTE

The amount of solid waste the world generates is on a dangerous trajectory. Besides potentially contaminating natural resources and affecting human health, the cost of managing waste can impact economies.

For many years, Global Brands has sought to minimize waste generation, reuse materials and recycle paper, packaging, printer/copier toners, cans, plastic bottles, pallets and cardboard. In our facilities, we dispose of both non-hazardous waste (trash) and hazardous waste (lightbulbs, computer equipment, batteries, etc.) in accordance with local regulations. Because many of our offices are located in multi-tenant buildings with waste commingled, we are unable to track the amount of hazardous and non-hazardous waste we generate.

- Our New York and Pennsylvania locations, which are multi-tenant, participate in single-stream recycling, where waste streams are commingled and materials are separated for reuse at a materials recovery facility.

- In our California location, we place waste in trash, recycle and organics bins, which are picked up by separate trucks for appropriate disposal.

- Our distribution centers work through multiple third-party logistics providers to recycle cardboard.

In FY2018, we recycled:

- 862 tons of cardboard

- 74 tons of office paper

- 7 tons of electronics

In some cases, our licensors or customers dictate our packaging and require us to use their designated providers. In late FY2018, Global Brands signed a contract that will enable us in the future to report finished product packaging by weight for a large portion of product bound for the U.S. market.

INNOVATIONS TO REDUCE FABRIC WASTE

The apparel industry generates substantial amounts of fabric waste in swatches, scraps, samples and damages during production. From publicly available industry information, each pound of fabric is associated with 2.06 pounds of GHG emissions, specifically, methane, which has 72 times the global warming potential of carbon dioxide. Global Brands is conscious of our impact and innovates ways to reduce fabric waste. For example:

- In Kenneth Cole womenswear, we follow a scrap-free pattern-making process in which all fabric yardage is used.

- Our Entertainment Licensing Division is working with Browzwear 3D fashion design software to pilot 3D rendering for Walmart products launching in spring 2019. Our goal is to reduce sampling by at least 50%. Once we prove the process is effective, we will roll it out to other divisions.

- In 2018, we began working with FABSCRAP, a non-profit organization in New York City that picks up and recycles or reuses fabric scraps, samples, swatches and rolls. This fee-based service will enable us to track by weight how much waste we divert from landfill.

GOVERNANCE, ENVIRONMENT AND SOCIAL (CONTINUED)

WATER

We adopt best practices to enhance the sustainability of our workplaces and encourage employees to reduce their water consumption. We implement water efficiency upgrades and retrofits including faucets, fixtures and fill devices in our facilities. Where information is available, we monitor water usage in our owned and operated facilities. In FY2018, our water consumption was 5,378 cubic meters. We have not identified any issue in sourcing water that is fit for purpose.

RESPONSIBLE PRODUCTS

The projected growth of the middle class in the next 20 years will increase demand for natural resources, which are already under strain. UN SDG 12 calls for sustainable consumption and production, defined as "doing more and better with less."

At Global Brands, we use innovative design and careful supplier management to create sustainable fashion and be more environmentally responsible. Our corporate design department employs sustainable processes such as fabric scrap recycling and 3D rendering to reduce the need for physical samples. We work with all our brands to foster creative use of materials.

We are also committed to product quality, compliance and safety, which begin with sourcing and design and continue throughout the manufacturing process. Our efforts are supported by robust policies and procedures regarding product health and safety and labelling. Because so many of our products are for children, we enforce strict quality assurance processes early in the product lifecycle.

We continually strive to produce affordable products that not only meet customer and consumer demands, but also comply with federal, state and local regulations. This is especially complex when selling the same products in multiple geographic locations with differing regulations. Currently, we focus on adhering to applicable laws and regulations that affect our business as a whole. This includes, but is not limited to:

- U.S. Consumer Product Safety Commission
- Consumer Product Safety Improvement Act
- California Proposition 65, which protects the state's drinking water sources from contamination
- Canada Consumer Product Safety Act
- GB 18401 to control hazardous substances in textiles in China
- GB 31701 to enforce safety requirements for infant and children's textiles in China
- Saudi Standards, Metrology and Quality Organization (SASO) regulations in the Middle East
- REACH, which governs registration, evaluation, authorization and restriction of chemicals in the European Union

We test all of our products to meet applicable global compliance standards.

Going beyond regulatory compliance, a significant portion of products we produce for the European market meet Oeko-Tex certification. Oeko-Tex testing covers legally banned and controlled substances, chemicals that are known to be harmful to health but not legally controlled, and parameters for health protection.

BRAND HIGHLIGHTS

Here are a few examples that demonstrate our commitment to continually work toward offering consumers more sustainable options.

- We developed men's and women's Timberland socks, hats and scarves knit with yarn made of 80% post-consumer and 20% pre-consumer recycled PET (polyethylene terephthalate) plastic content. The products will be shipped for fall 2018.

- We make our Lily Bloom handbags with an RPET (recycled polyethylene terephthalate) fabric called Repreve, whose yarns are made of recycled plastic bottles. We have sold more than six million Lily Bloom handbags in 4,000+ retail stores in the U.S. since the brand's inception in 2009, including 500,000 units in FY2018. This initiative saved more than 850,000 plastic bottles from landfill and 35,700 equivalent tons of carbon dioxide in 2018.

- In fall 2018, Spyder performance outerwear will feature GORE-TEX fabric in all men's and women's styles and in limited kids' styles. All two-layer products will be free of PFCs (perfluorocarbons, a type of GHG) of environmental concern. All GORE-TEX fabrics are Oeko-Tex certified for product safety and all GORE-TEX materials that Spyder uses or will use in 2018 are bluesign system approved, meaning they adhere to sustainable production methods. Spyder uses only Responsible Down Standard down to ensure it does not come from animals subjected to unnecessary harm, and PrimaLoft synthetic insulation made from 100% recycled goods. On the community front, Spyder supports Protect Our Winters, which mobilizes the outdoors sports community against climate change; and SOS Outreach, in which people mentor underserved youth and engage them in outdoor sports to help empower them to shape positive futures.

DIRECTORS AND SENIOR MANAGEMENT

Directors

WILLIAM FUNG KWOK LUN

Chairman and Non-executive Director
Chairman of Nomination Committee

Aged 69. Chairman and a Non-executive Director of the Company from listing in July 2014, responsible for giving strategic advice and guidance on the business and operations of the Group. Group Chairman of Li & Fung Limited and a non-executive director of Convenience Retail Asia Limited, both companies within the Fung Group. A director of King Lun Holdings Limited and its wholly-owned subsidiary, Fung Holdings (1937) Limited, substantial shareholders of the Company. An independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited, The Hongkong and Shanghai Hotels, Limited. Formerly, a non-executive director of Trinity Limited (2006 – April 2018) and an independent non-executive director of Singapore Airlines Limited (2009 – July 2017). Graduated from Princeton University with a Bachelor of Science degree in Engineering and from the Harvard Graduate School of Business with an MBA degree. Degrees of Doctor of Business Administration, *honoris causa*, were conferred by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University. Past Chairman of the Hong Kong General Chamber of Commerce (1994-1996), The Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). Awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008.

BRUCE PHILIP ROCKOWITZ

Chief Executive Officer, Vice Chairman and Executive Director

Aged 59. Chief Executive Officer, Vice Chairman and an Executive Director of the Company from listing in July 2014, responsible for the overall strategic direction and business operations of the Group. In 2001, joined Li & Fung Limited as Executive Director until June 2014, and was the President of the Li & Fung Group from 2004 to 2011, and Group President and Chief Executive Officer of the Li & Fung Group from 2011 to June 2014. In 1981, joined Colby International Limited, and was the Chief Executive Officer until 2000, when Colby was acquired by the Li & Fung Group. Co-founder of the Pure Group, a lifestyle, fitness and yoga group operating in Hong Kong, Singapore, Taiwan and mainland China. An independent non-executive director of Wynn Macau, Limited. A member of the Advisory Board for the Wharton School's Jay H Baker Retailing Center, an industry research centre for retail at the University of Pennsylvania. A board member of the Educational Foundation for the Fashion Industries, the private fund-raising arm of the Fashion Institute of Technology. A member of the Global Advisory Council of the Women's Tennis Association (WTA). In 2008, ranked first by Institutional Investor for the Asia's Best CEOs in the consumer category. In the years 2010 and 2011, ranked as one of the world's 30 best CEOs by Barron's. In 2011, received the Alumni Association Achievement Award from the University of Vermont. In 2012, 2017 and 2018, named Asia's Best CEO at Corporate Governance Asia's Asian Excellence Recognition Awards, and was also presented with an Asian Corporate Director Recognition Award by the same organization in 2012 and 2013.

PAUL EDWARD SELWAY-SWIFT

Independent Non-executive Director

Aged 74. An Independent Non-executive Director of the Company from listing in July 2014, responsible for giving strategic advice and guidance on the business and operations of the Group. Chairman of PureCircle Ltd, a producer of natural food ingredients, which is quoted on the London Stock Exchange. Previously served as the Deputy Chairman of HSBC Investment Bank PLC and a director of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong. Retired as an independent non-executive director of Li & Fung Limited since 1 June 2017.

STEPHEN HARRY LONG

Independent Non-executive Director
Chairman of Audit Committee

Aged 75. An Independent Non-executive Director of the Company from listing in July 2014, responsible for giving independent strategic advice and guidance to the Group. President and Chief Executive Officer of SHL Global Advisors LLC, an investment and advisory firm which Mr Long founded in 2007 and a founding partner of Ansera Capital Partners, a private investment firm. An independent director of Citibank (China) Co., Ltd. in China, a director of Gold Group Enterprises, Inc. in the United States and Moving Media Group, Inc. in Canada. Formerly, a Trustee Emeritus of the Asia Society (New York) and a trustee of the Japan Society (New York). Previously worked for Citigroup for more than 35 years, including President and the Chief Operating Officer of Citigroup International, and Chief Executive Officer of Corporate and Investment Banking of Citigroup in Asia. Previously served on numerous boards including Citibank N.A., Nikko Cordial Corporation in Japan and Shanghai Pudong Development Bank in China.

HAU LEUNG LEE

Non-executive Director

Aged 65. A Non-executive Director of the Company, responsible for giving strategic advice and guidance to the Group. Formerly, an Independent Non-executive Director of the Company from listing in July 2014 until his re-designation to Non-executive Director in June 2017. The Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University and the Chairman of the Board of the Fung Academy. An independent non-executive director of each of Synnex Corporation, which is listed on the New York Stock Exchange; Lion Rock Group Limited (formerly known as “1010 Printing Group Limited”) and Frontier Services Group Limited, which are both listed on the Hong Kong Stock Exchange. An independent non-executive director of Esquel Enterprises Limited, a private company based in Hong Kong. Previously, an independent non-executive director of Pericom Semiconductor Corporation, a company that was listed on the NASDAQ until December 2015. Has published widely and has served on the editorial boards of many international journals. Formerly, Editor-in-Chief of Management Science. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree in Economics and Statistics in 1974, from the London School of Economics with a Master of Science degree in Operational Research in 1975 and from the Wharton School of the University of Pennsylvania with a Doctor of Philosophy degree in Operations Research in 1983. Awarded an Honorary Doctor of Engineering degree by the Hong Kong University of Science and Technology in 2006 and an Honorary Doctorate from the Erasmus University of Rotterdam in 2008. Elected to the US National Academy of Engineering in 2010.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

ALLAN ZEMAN

Independent Non-executive Director

Aged 69. An Independent Non-executive Director of the Company from listing in July 2014, responsible for giving independent strategic advice and guidance to the Group. Chairman of Lan Kwai Fong Group, a major property owner and developer in Lan Kwai Fong, one of Hong Kong's popular tourist attractions and entertainment districts. Non-executive Chairman and an independent non-executive director of Wynn Macau, Limited, which is listed on the Hong Kong Stock Exchange. A non-executive director of Pacific Century Premium Developments Limited, and an independent non-executive director of each of Sino Land Company Limited, Television Broadcasts Limited and Tsim Sha Tsui Properties Limited, which are all listed on the Hong Kong Stock Exchange. Board member of the Airport Authority Hong Kong, the Hong Kong Entrepreneurs Fund Limited of Alibaba Group Holding Limited and the "Star" Ferry Company, Limited. A member of the General Committee of the Hong Kong General Chamber of Commerce, the Council of Governors of the Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario. Formerly, Chairman of Colby International Limited until 2000 when Colby was acquired by Li & Fung Limited, Chairman of Hong Kong Ocean Park until June 2014 and a Member of the Board of West Kowloon Cultural District Authority until 2016. Currently, the Chairman of the Commercial Letting Panel of West Kowloon Cultural District Authority and an appointed member of the Economic Development Commission of Hong Kong. Awarded an Honorary Doctorate of Laws degree from the University of Western Ontario, Canada in 2004. Degrees of Doctor of Business Administration, *honoris causa*, were conferred by City University of Hong Kong and the Hong Kong University of Science and Technology in 2012.

AUDREY WANG LO

Independent Non-executive Director
Chairman of Remuneration Committee

Aged 64. An Independent Non-executive Director of the Company from listing in July 2014, responsible for giving independent strategic advice and guidance to the Group. The founder and a director of ALPS Advisory (HK) Limited since 2003. Formerly, the Managing Director and then Chairman of Julius Baer Investment Advisory (Asia) Limited until 2003. Previously held various senior positions with Citibank NA Hong Kong and Bank of America. Graduated from the University of Alberta with a Bachelor of Commerce degree with Distinction in 1976. Received Chartered Accountant qualification in Canada in 1979 and qualification with the Hong Kong Society of Accountants in 1980.

ANN MARIE SCICHILI

Independent Non-executive Director

Aged 59. An Independent Non-executive Director of the Company since January 2016, responsible for giving independent strategic advice and guidance to the Group. The founder of AMS Design Inc., an international fashion consultancy, since 1992. Currently holds a number of consulting positions, including Value Retail, Plc.. Formerly developed and managed some of the most influential global brands today, including Banana Republic, Donna Karan and Lucky Brand Jeans. Also a founding member of the Elton John AIDS Foundation and a member of The Circle, a charitable organization set up by Annie Lennox and Oxfam. Formerly lectured at St. Martins College and developed courses for Polimoda International Institute of Fashion Design and Marketing in Italy. Graduated from the University of Texas with a Bachelor of Science and Arts degree.

Senior Management

DOW FAMULAK

President, Europe, Asia and Brand Management

Aged 57. President, Europe, Asia and Brand Management of the Group. Formerly, Executive Director and Chief Operating Officer of the Group from July 2014 to June 2017 and from July 2015 to December 2016 respectively. In 2000, joined Li & Fung Group and assumed various senior management roles at the operating groups at Li & Fung Limited until April 2014. Previously served as Chief Operating Officer of Colby International Limited and was a former partner in the law firm of Baker & McKenzie, Hong Kong office. Graduated from the University of British Columbia with a BA (Honours) in 1983 and from the University of Saskatchewan with a bachelor of laws degree in 1988. Formerly a member of The Law Society of Hong Kong until 2002. Became a member of The Law Society of England and Wales in 1993 and The Law Society of British Columbia (Canada) in 1989.

JASON ANDREW RABIN

President, North America

Aged 48. President, North America of the Group since November 2015. Chief Merchandising Officer of the Group from 2014 to 2017 overseeing the Group's merchandising strategy and global brand portfolio. Formerly, President of LF Asia Limited managing its fashion and home distribution business in Asia, and President of Kids Headquarters, a children's and young men's apparel manufacturer. Joined the Li & Fung Group in 2009 when Kids Headquarters was acquired by the Li & Fung Group. Graduated from the University of Miami with a Bachelor of Business Administration Degree in 1992. Received awards on behalf of Kids Headquarters from the children's clothing industry, including the Supplier Performance Award by Retail Category, the Ernie Awards and the International Licensing Industry Merchandisers' Association (LIMA) Licensing Excellence Award. In 2017, received the Business Visionary Award at the 21st Annual Accessories Council Excellence Awards ceremony.

RONALD VENTRICELLI

Chief Financial Officer

Aged 58. Chief Financial Officer of the Group since July 2015, responsible for the Group's finance and treasury matters, including financial reporting, accounting, mergers and acquisitions, legal and information technology. Previously served as Chief Operating Officer of the Group. Joined GBG USA Inc. in 2004 and was the Chief Operating Officer of GBG USA in 2006, responsible for the operating platform and business support of GBG USA, and leading various corporate acquisition transactions for GBG USA. Formerly, Chief Financial Officer at each of Frederick Atkins, Inc. and Adrienne Vittadini, Inc.. Previously worked in public accounting with KPMG on the audit side of the business. Graduated from St. John's University, New York with a Bachelor of Science degree in 1981. A member of the Board of Governors at the Young Men's Association Fashion Scholarship Fund.

Group Chief Compliance and Risk Management Officer

JASON YEUNG CHI WAI

Aged 63. Group Chief Compliance and Risk Management Officer of the Company since July 2015. Also, the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company, and its publicly listed companies in Hong Kong. Previously worked in both public and private sectors practising corporate, commercial and securities law and has extensive experience in handling legal, compliance and regulatory matters. Prior to joining the Fung Group, was Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited (BOCHK) with responsibility for the overall performance of the personal banking businesses of BOCHK. Graduated from The University of Hong Kong with a Bachelor degree in Social Sciences, from The College of Law, United Kingdom and from The University of Western Ontario, Canada with a Bachelor degree in Law and a Master degree in Business Administration.

INFORMATION FOR INVESTORS

Listing Information

Listing:	Hong Kong Stock Exchange
Stock code:	787
Ticker Symbol	
Reuters:	0787.HK
Bloomberg:	787 HK Equity

Index Constituent

Hang Seng Composite SmallCap Index
MSCI Index Series
Hang Seng Stock Connect Hong Kong Index
Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index
FTSE4Good Index Series
Hang Seng Corporate Sustainability Index Series

Registrar & Transfer Offices

PRINCIPAL

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HONG KONG BRANCH

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: (852) 2980 1333
e-mail: *globalbrands-ecom@hk.tricorglobal.com*

Key Dates

27 June 2018
Announcement of FY2018 Final Results

20 September 2018
Record Date for 2018 Annual General Meeting

27 September 2018
Annual General Meeting

Share Information

Board lot size: 2,000 shares

Shares outstanding as at 31 March 2018
8,552,922,729 shares

Market Capitalization as at 31 March 2018
HK$3,763,286,000

Basic (losses)/earnings per share
For the six months ended 30 September 2017
Interim 0.31 US cents
For the year ended 31 March 2018
Final (11.00) US cents

Corporate Communications and Investor Relations

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Hong Kong

Websites

www.globalbrandsgroup.com
www.irasia.com/listco/hk/gbg

This FY2018 Annual Report can be downloaded from the Company's website and can be obtained from the Company's Hong Kong branch share registrar, Tricor Investor Services Limited. In the event of any difference, the English version prevails.
2018 財政年度年報可從本公司網址下載，及向本公司於香港之股份過戶登記分處卓佳證券登記有限公司索取。如中、英文版本有任何差異，均以英文版為準。

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 40 to the consolidated financial statements.

Details of the continuing operations' revenue and contribution of the Company and its subsidiaries to operating profit for the year by segment are set out in Note 4 to the financial statements.

A fair review of the Group's business, including the principal risk and uncertainties facing the Group, the important events affecting the Group that have occurred since the end of the Reporting Period, and the likely future development in the Group's business can be found in the preceding sections of this Annual Report set out on pages 12 to 58. Details about the Group's financial risk management are set out in Note 34 to the consolidated financial statements. Those sections and note form part of this Report.

SHARE CAPITAL AND SHARES ISSUED

Details of the movements in share capital of the Company together with the Shares issued during the Reporting Period are set out in Note 24 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated profit and loss account on page 87. The Directors do not recommend the payment of a final dividend.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the reserves of the Company available for distribution as dividends amounted to US$2,255,419,000, comprising retained earnings of US$19,793,000 and the contributed surplus arising from the Group's reorganization, as set out in Note 37(b) to the consolidated financial statements, amounting to US$2,235,626,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realizable value of the Company's assets would thereby be less than its liabilities.

DONATIONS

Charitable and other donations made by the Group during the Reporting Period amounted to US$1,595,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

FINANCIAL SUMMARY

A summary of the results for the Reporting Period and of the assets and liabilities of the Group as at 31 March 2018 and for the last five financial years/periods is set out on page 174.

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

Save for the purchase on the Hong Kong Stock Exchange a total of 45,700,000 Shares of the Company pursuant to the terms of the rules and trust deeds of the Award Schemes by the trustees of the Award Schemes, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

SHARE AWARD SCHEMES

The Company adopted the 2014 Award Scheme and 2016 Award Scheme with principal terms set out below:

(1) PURPOSE

The purpose of the Award Schemes is to align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

(2) ELIGIBLE PERSONS

Any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is eligible to receive an award of Shares.

(3) MAXIMUM NUMBER OF SHARES

The aggregate number of Shares underlying all grants made pursuant to the 2014 Award Scheme will not exceed 2.5% of the aggregate nominal amount of the issued capital of the Company on the 2014 Award Scheme Adoption Date, approximately 209,009,957 Shares.

Pursuant to the 2016 Award Scheme, the aggregate number of Shares underlying all grants will not exceed 7.5% of the aggregate nominal amount of the issued capital of the Company on the 2016 Award Scheme Adoption Date, approximately 628,566,715 Shares, subject to an annual limit of 3% of the issued share capital of the Company at the relevant time.

(4) MAXIMUM ENTITLEMENT

The total number of Shares granted to an eligible person but unvested under the 2014 Award Scheme shall not exceed 1% of the total number of issued Shares from time to time.

There shall be no limit on the total number of non-vested share awards that may be granted to an eligible person under the 2016 Award Scheme.

(5) DURATION

The Board or its delegate(s) during the period commencing on the 2014 Award Scheme Adoption Date and ending on the business day immediately prior to the sixth anniversary of the 2014 Award Scheme Adoption Date may grant an award of the Shares.

Under the 2016 Award Scheme, the Board or its delegate(s) during the period commencing on the 2016 Award Scheme Adoption Date and ending on the business day immediately prior to the tenth anniversary of the 2016 Award Scheme Adoption Date may grant an award of the Shares.

Movements of share awards under the 2014 Award Scheme during the Reporting Period are as follows:–

		Number of Shares						
Grantees	Grant Date (Per award letters)	As at 1/4/2017	Reclassification	Granted	Vested & Released	Unvested/ Forfeited[2]	As at 31/3/2018	Vesting Period/Date
Bruce Philip ROCKOWITZ	11/5/2015	60,184,447	-	-	-	-	60,184,447[1]	31/12/2017 - 31/12/2020
Continuous contract employees	11/5/2015	4,989,964	-	-	-	-	4,989,964[1]	31/12/2017 - 31/12/2020
	25/2/2016	15,891,762	(341,912)	-	(12,082,296)	(2,173,987)	1,293,567[1]	31/12/2017
	5/10/2016	19,892,119	(1,660,715)	-	(1,347,476)	(830,357)	16,053,571[1]	31/12/2017 - 31/12/2018
	18/11/2016	22,547,044	-	-	-	-	22,547,044[1]	31/12/2017 - 31/12/2018
	26/7/2017	-	-	2,915,509	-	(151,108)	2,764,401	31/3/2019
Other selected participants[3]	25/2/2016	205,147	341,912	-	(547,059)	-	-	31/12/2017
	5/10/2016	-	1,660,715	-	(1,107,143)	-	553,572	31/12/2018
Total		123,710,483	-	2,915,509	(15,083,974)	(3,155,452)	108,386,566[1]	

NOTES:

(1) Share awards with the scheduled vesting date of 31 December 2017 (Sunday) were vested on 2 January 2018, i.e. the business day immediately after the holiday. Some of such share awards had not been released and was withheld by the trustees of the Award Schemes as at 31 March 2018.

(2) Share awards that are not vested and/or are forfeited in accordance with the terms of the 2014 Award Scheme are held by the trustee to be applied towards future awards in accordance with the provisions of the 2014 Award Scheme.

(3) During the Reporting Period, the share awards granted to several employees who left or retired from the Group were re-classified from “Continuous contract employees” to “Other selected participants”.

During the Reporting Period, 2,915,509 share awards granted on 26 July 2017 were satisfied by applying from the shares awards which were unvested and/or forfeited and available for re-grant.

REPORT OF THE DIRECTORS (CONTINUED)

Movements of share awards under the 2016 Award Scheme during the Reporting Period are as follows:–

Grantees	Grant Date (Per award letters)	Number of Shares						Vesting Period/Date
		As at 1/4/2017	Reclassification	Granted	Vested & Released	Unvested/ Forfeited[3]	As at 31/3/2018	
Bruce Philip ROCKOWITZ	18/11/2016	45,094,090	-	-	-	-	45,094,090[1]	31/12/2017 - 31/12/2018
Continuous contract employees	5/10/2016	89,583,726	-	-	(19,918,890)	(15,666,070)	53,998,766[1]	31/12/2017 - 31/12/2018
	5/10/2016	20,931,146	(553,571)	-	-	(1,383,927)	18,993,648	31/12/2018
	18/11/2016	5,258,928	-	-	(3,598,214)	(553,571)	1,107,143[1]	31/12/2017 - 31/12/2018
	26/7/2017	-	-	2,266,631	(2,266,631)	-	-	26/7/2017
	26/7/2017	-	-	276,786	-	-	276,786[2]	31/3/2018
	26/7/2017	-	(453,326)	88,832,010	-	(5,288,799)	83,089,885	31/3/2019
Other selected participants[4]	5/10/2016	-	553,571	-	-	-	553,571	31/12/2018
	26/7/2017	-	453,326	-	-	-	453,326	31/3/2019
Total		160,867,890	-	91,375,427	(25,783,735)	(22,892,367)	203,567,215[1]	

NOTES:

(1) Share awards with the scheduled vesting date of 31 December 2017 (Sunday) were vested on 2 January 2018, i.e. the business day immediately after the holiday. Some of such share awards had not been released and was withheld by the trustees of the Award Schemes as at 31 March 2018.

(2) 276,786 share awards were vested on 3 April 2018, i.e. the business day immediately after the scheduled vesting date of 31 March 2018 (Sunday) and were released to the relevant grantee.

(3) Share awards that are not vested and/or are forfeited in accordance with the terms of the 2016 Award Scheme are held by the trustee to be applied towards future awards in accordance with the provisions of the 2016 Award Scheme. During the Reporting Period, 8,580,355 share awards had been applied from the share awards which were unvested and/or forfeited and available for re-grant.

(4) During the Reporting Period, the share awards granted to several employees who left or retired from the Group were re-classified from "Continuous contract employees" to "Other selected participants".

On 26 July 2017, two grantees under the Option Scheme had forgone their rights under a total of 21,245,318 share options previously granted under the Option Scheme in exchange for share awards granted under the Company's Award Schemes. In this regard, 11,471,064 share awards were granted to certain eligible participants under the 2016 Award Scheme. In addition, on 26 July 2017, award letters were issued to continuous contract employees in respect of 79,904,363 shares granted.

Of the total 91,375,427 share awards granted on 26 July 2017, 37,095,072 new Shares were issued and allotted to a trustee of the 2016 Award Schemes on 22 August 2017 and the balance has been satisfied by the Company transferring funds to the trustees to purchase Shares in the open market and applying from the share awards which were unvested and/or forfeited and available for re-grant.

SHARE OPTION SCHEME

The Company adopted the Option Scheme on 16 September 2014. Pursuant to the terms of the Option Scheme, the Option Scheme is valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the Board or its delegate(s) may grant options to the eligible persons to subscribe for ordinary shares in the Company between 16 September 2014 and 15 September 2024.

On 11 August 2016, the Board resolved to terminate the operation of the Option Scheme. Accordingly, no further options could thereafter be offered or granted pursuant to the Option Scheme, but the provisions of the Option scheme remain in full force and effect to govern the exercise of all the options granted prior to 11 August 2016.

The principal terms of the Option Scheme are as follows:

(1) PURPOSE

The purpose of the Option Scheme is to provide eligible persons with the opportunity to acquire proprietary interests in the Company and to encourage eligible persons to work towards enhancing the value of the Company for the benefit of the Company and Shareholders as a whole. The Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to eligible persons of the Option Scheme.

(2) ELIGIBLE PERSONS

Any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

(3) MAXIMUM NUMBER OF SHARES

The total number of Shares which may be issued upon exercise of all options to be granted under the Option Scheme must not in aggregate exceed 10% of the Shares in issue at the date of approval of the Option Scheme, being 836,039,830 Shares, or 30% of the Shares in issue from time to time. Following the termination of the operation of the Option Scheme, no further options can be granted under the Option Scheme.

(4) MAXIMUM ENTITLEMENT OF A GRANTEE

The total number of Shares issued and to be issued upon exercise of the options granted under the Option Scheme to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(5) OPTION PERIOD

An option may, subject to the terms and conditions upon which such option is granted (including any minimum holding period(s)), be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board or its delegate(s) may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised, but such period must not exceed 10 years from the date of grant of the relevant option. The minimum period in which a share option must be held before it can be exercised is determined by the Board to each grantee.

(6) AMOUNT PAYABLE ON ACCEPTANCE OF THE OPTION

HK$1.00 is payable by the grantee to the Company on acceptance of the offer and such payment must be made within 20 business days from the date the option grant offer is made by the Company.

(7) SUBSCRIPTION PRICE

Subscription price shall be not less than the greater of:

(a) the closing price of the Share as stated in the daily quotations sheet issued by the Stock Exchange on the grant date;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date; and

(c) the nominal value of the Share on the grant date.

(8) REMAINING LIFE OF THE OPTION SCHEME

The operation of the Option Scheme was terminated on 11 August 2016 and all outstanding options granted under the Option Scheme and yet to be exercised will remain valid.

As at 31 March 2018, there were options relating to 100,490,637 Shares granted by the Company representing approximately 1.17% of the issued Shares of the Company as at the date of this report which were valid and outstanding.

Details of the options granted under the Option Scheme that remain outstanding as at 31 March 2018 are as follows:–

	Number of Options						
Grantees	**As at 1/4/2017**	**In exchange for share awards on 26/7/2017**	**Forfeited/ Lapsed**	**As at 31/3/2018**	**Exercise Price (HK$)**	**Date of Grant**	**Exercise Period**
Continuous contract employees	4,105,263	–	(4,105,263)	–	1.70	4/11/2014	1/1/2016 - 31/12/2018
	4,105,263	–	(4,105,263)	–	1.70	4/11/2014	1/1/2017 - 31/12/2019
	4,105,263	–	(4,105,263)	–	1.70	4/11/2014	1/1/2018 - 31/12/2020
	31,670,839	(13,933,997)	–	17,736,842	1.70	4/11/2014	1/1/2019 - 31/12/2021
	31,670,839	–	–	31,670,839	1.70	4/11/2014	1/1/2020 - 31/12/2022
	29,618,208	–	–	29,618,208	1.70	4/11/2014	1/1/2021 - 31/12/2023
	2,736,842	–	–	2,736,842	1.70	4/11/2014	1/1/2022 - 3/11/2024
	7,311,321	(7,311,321)	–	–	1.78	28/5/2015	1/1/2018 - 31/12/2020
	7,311,321	–	–	7,311,321	1.78	28/5/2015	1/1/2019 - 31/12/2021
	7,311,321	–	–	7,311,321	1.78	28/5/2015	1/1/2020 - 31/12/2022
Other eligible participant[2]	2,052,632	–	–	2,052,632	1.70	4/11/2014	1/1/2016 - 31/12/2018
	2,052,632	–	–	2,052,632	1.70	4/11/2014	1/1/2017 - 31/12/2019
Total	134,051,744	(21,245,318)	(12,315,789)	100,490,637			

NOTES:

(1) No options under the Option Scheme were granted or exercised during the Reporting Period.

(2) Pursuant to the severance agreement made between the Company and a former employee, he was entitled to exercise the first and the second tranches of the options pursuant to the terms and conditions of the Option Scheme; while the third tranche of the options granted to him was forfeited/lapsed.

As disclosed in the Share Award Schemes section, two grantees under the Option Scheme had forgone their rights under a total of 21,245,318 share options previously granted to them under the Option Scheme in exchange for share awards granted under the Company's 2016 Award Scheme on 26 July 2017. All those 21,245,318 share options were unvested at the time of conversion into share awards.

As at 31 March 2018, out of a total of 500,868,226 share options granted under the Option Scheme, 4,105,264 share options remain exercisable and 96,385,373 share options are still unvested (after taking into account share options that have forfeited/lapsed or exchanged for share awards).

DIRECTORS

The Directors during the Reporting Period and up to the date of this Report were:

NON-EXECUTIVE DIRECTORS:

William FUNG Kwok Lun *(Chairman)*
Hau Leung LEE *(re-designated on 14 June 2017)*

EXECUTIVE DIRECTORS:

Bruce Philip ROCKOWITZ *(Chief Executive Officer and Vice Chairman)*
Dow Peter FAMULAK *(President, Europe, Asia and Brand Management) (resigned as Executive Director on 14 June 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Paul Edward SELWAY-SWIFT
Stephen Harry LONG
Allan ZEMAN
Audrey WANG LO
Ann Marie SCICHILI

With effect from 14 June 2017, Professor Hau Leung Lee has been re-designated from Independent Non-executive Director to Non-executive Director and Mr Dow Peter Famulak has resigned as Executive Director of the Company for devoting more time to his other roles and responsibilities within the Group.

All Directors of the Company, including Independent Non-executive Directors, are subject to retirement by rotation at annual general meetings in accordance with Bye-law 84 of the Company's Bye-laws.

Dr William Fung Kwok Lun, Mr Paul Edward Selway-Swift and Mrs Audrey Wang Lo will retire by rotation at the forthcoming annual general meeting ("AGM"), and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with Bye-law 84 of the Company's Bye-laws.

The Board has received from each Independent Non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee, therefore, considers that each Independent Non-executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent to the Company.

The biographical details of the Directors as at the date of this Report are set out in the Directors and Senior Management section on pages 59 to 62.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has maintained liability insurance to provide appropriate cover for the Directors of the Company and its subsidiaries.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed under the "Connected Transactions and Continuing Connected Transactions" section of this Report and Note 33 "Related Party Transactions" to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

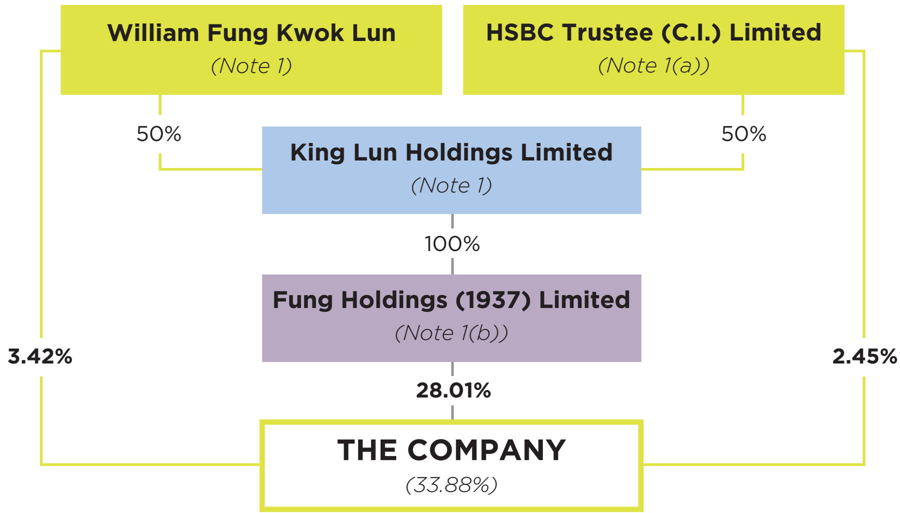
DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

	Number of Shares						
Name of Directors	Personal Interest	Family Interest	Trust/ Corporate Interest	Equity Derivative (Share Options)	Beneficiary of a Trust (Share Awards)	Total	Approximate Percentage of Issued Share Capital
William FUNG Kwok Lun	216,255,642	108,800	2,472,136,508[1]	-	-	2,688,500,950	31.43%
Bruce Philip ROCKOWITZ	48,005,556	-	253,340,780[2]	-	105,278,537[3]	406,624,873	4.75%
Paul Edward SELWAY-SWIFT	36,000	-	16,000[4]	-	-	52,000	0.00%

The following simplified chart illustrates the interest of Dr William Fung Kwok Lun under Note (1) below:



NOTES:

As at 31 March 2018,

(1) Out of 2,472,136,508 Shares, 26,114,400 Shares and 50,294,200 Shares were held by Golden Step Limited and Step Dragon Enterprise Limited respectively, which are both companies beneficially owned by Dr William Fung Kwok Lun. The balance of 2,395,727,908 Shares (representing 28.01% of the issued shares of the Company) were indirectly held by King Lun Holdings Limited ("King Lun"), a private company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee (C.I.) Limited ("HSBC Trustee") and 50% by Dr William Fung Kwok Lun as illustrated in the chart above.

Further details on HSBC Trustee and King Lun were as follows:

(a) HSBC Trustee is the trustee of a trust established for the benefit of family members of Dr Victor Fung Kwok King, brother of Dr William Fung Kwok Lun.

(b) 2,195,727,908 Shares were directly held by Fung Holdings (1937) Limited ("FH (1937)") which also through its wholly-owned subsidiary, Fung Distribution International Limited, indirectly held 200,000,000 Shares. FH (1937) is a wholly-owned subsidiary of King Lun.

(2) 253,340,780 Shares were held by Hurricane Millennium Holdings Limited, a company beneficially owned by a trust established for the benefit of family members of Mr Bruce Philip Rockowitz.

(3) These interests represented the interests in shares in respect of share awards granted by the Company to Mr Bruce Philip Rockowitz as beneficial owner, the details of which are set out in the Share Award Schemes section.

(4) 16,000 Shares were held by a trust of which Mr Paul Edward Selway-Swift is a beneficiary.

SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2018, none of the Directors and chief executives of the Company or their associates had any short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, other than the interests of the Directors and chief executives of the Company as disclosed above, the following entities had interests in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital[1]
HSBC Trustee (C.I.) Limited	Trustee[2]	2,605,653,198	30.46%
King Lun Holdings Limited	Interest of controlled entity[3]	2,395,727,908	28.01%
The Capital Group Companies, Inc.	Interest of controlled corporation	595,575,358	6.96%
Wellington Management Group LLP	Interest of controlled corporation	495,391,773	5.79%

NOTES:

(1) Percentage is re-calculated by using the issued share capital as at 31 March 2018 as the denominator.

(2) King Lun's interest in 2,395,727,908 Shares is duplicated in the interest of HSBC Trustee. Please refer to Note (1(a)) under the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

(3) Please refer to Note (1(b)) under the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

Save as disclosed above, the Company had not been notified of any other interests or short positions being held by any substantial shareholder in the Shares or underlying shares of the Company as at 31 March 2018.

SENIOR MANAGEMENT

The biographical details of the senior management as at the date of this Report are set out in the Directors and Senior Management section on page 62.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of purchases attributable to the five largest suppliers of the Group was less than 30%. The percentage of sales attributable to the largest customer and the five largest customers of the Group were 11% and 33%, respectively.

During the Reporting Period, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had a material interest in the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group undertook the following non-exempted continuing connected transactions which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement:–

1. BUYING AGENCY AGREEMENTS

On 14 November 2016, the Group entered into an Amended and Restated Buying Agency Agreement with the Li & Fung Group, an associate of FH (1937), in respect of provision of sourcing and supply chain management services by Li & Fung Group to members of the Group for a term from 9 July 2017 to 31 March 2020. For the year ended 31 March 2018, the Group recorded purchases of US$1,347 million and the total commission paid to the Li & Fung Group did not exceed 7% of the FOB price on all products and components sourced through the Li & Fung Group which did not exceed the annual cap of US$160 million for FY2018.

2. MASTER PROPERTY AGREEMENT

On 23 December 2016, the Company entered into a Master Property Agreement with FH (1937) in respect of lease, sub-lease and license of office, showroom and warehouse premises to and from one another for a term from 1 January 2017 to 31 March 2019. The aggregate rental and license fee paid to and from between the Group and FH (1937) and its associates for the year ended 31 March 2018 was US$2.9 million which did not exceed the annual cap of US$6 million for FY2018.

3. MASTER DISTRIBUTION AGREEMENT

On 23 December 2016, the Company entered into a Master Distribution Agreement with FH (1937) in respect of distribution and sales of apparel, footwear, fashion accessory and related lifestyle products by the Group to FH (1937) and its associates for a term from 1 January 2017 to 31 March 2019. The sales recorded for the year ended 31 March 2018 were US$1.9 million which did not exceed the annual cap of US$6 million for FY2018.

4. MASTER LOGISTICS AGREEMENT

On 24 August 2015, the Group entered into a master logistics agreement (the "Existing Master Logistics Agreement") with FH (1937) in respect of provision of logistics related services which include warehousing, transportation, freight forwarding/shipping and other value-added services by members of FH (1937) to members of the Group for a term of three years from 1 January 2015 to 31 December 2017. In view of the expiry of the Existing Master Logistics Agreement, the Company entered into a new master logistics agreement (the "Renewed Master Logistics Agreement") with FH (1937) for a term from 1 January 2018 to 31 March 2020. The amounts of logistics costs incurred for the 12-month period ended 31 December 2017 under the Existing Master Logistics Agreement and the 3-month period ended 31 March 2018 under the Renewed Master Logistics Agreement were US$4 million and US$1.3 million, respectively, both of which did not exceed the caps of US$10 million and US$2.5 million for the respective 12-month period and 3-month period.

5. ROYALTY INCOME FROM TRINITY INTERNATIONAL BRANDS LIMITED ("TRINITY INTERNATIONAL")

On 15 September 2015, the Group entered into a License Agreement (the "License Agreement") with Trinity International, as an associate of FH (1937), for an initial term from 15 September 2015 to 31 December 2020 in respect of the grant to Trinity International certain rights and licenses and Trinity International shall pay the Group royalties based on the net sales achieved. The royalty income of US$5.5 million and US$1.4 million was recorded for the 12-month period ended 31 December 2017 and the 3-month period ended 31 March 2018, respectively, both of which did not exceed the annual caps of US$7.7 million. Trinity International has ceased to be an associate of FH (1937) and accordingly, connected person of the Company since 18 April 2018.

Dr William Fung Kwok Lun, the Chairman and Non-executive Director of the Company, is considered to have material interest in the above non-exempt continuing connected transactions by virtue of his deemed interests in FH (1937), Li & Fung and Trinity International.

The pricing and the terms of the above non-exempt continuing connected transactions have been determined in accordance with pricing policies and guidelines as set out in the respective announcements. Proper internal control procedures are in place to identify, approve and record all these transactions.

All the above non-exempt continuing connected transactions of the Company have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the aforesaid non-exempt continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with the Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. In addition, all of the non-exempt continuing connected transactions of the Company disclosed herein constitute related party transactions set out in Note 33 to the financial statements. The disclosure requirements under Chapter 14A of the Listing Rules for such transactions have been duly complied with by the Company.

NON-COMPETITION AGREEMENT

On 24 June 2014, the Company entered into a non-competition agreement (the "Non-Competition Agreement") with Li & Fung where the Li &Fung Group will not be engaged or involved in (i) the wholesale or selling as principal of products under licensed or owned brands; or (ii) the business of brand management for third party brand owners, in each case in the apparel, footwear and fashion accessory segment anywhere in the world, except that the Li & Fung Group will be permitted to:

(i) continue to use the licensed brands such as Ben Sherman and US Polo it currently uses for men's dress shirts (the "Excluded Business"); and

(ii) acquire a Brands Business Opportunity (as defined below) if the opportunity to do so is first referred to the Company in accordance with the terms of the Non-Competition Agreement, and a majority of the Independent Non-executive Directors of the Company choose to decline the opportunity and consent to the Li & Fung Group acquiring it (such consent not to be unreasonably withheld, delayed or refused) (the "Li & Fung Exempt Activities").

If Li & Fung decides to dispose of the Excluded Business or any other business carrying out the Li & Fung Exempt Activities, Li & Fung will offer such business to the Company first and provide us with 20 business days in order to evaluate and choose whether or not to accept the offer to acquire the business.

If a majority of the Independent Non-executive Directors of the Company decide not to acquire the business carrying out the Li & Fung Exempt Activities, the Li & Fung Group shall be free to dispose of such business to a third party.

If an opportunity arises for the Li & Fung Group to acquire: (i) ownership of a brand; (ii) a brand licence; or (iii) a brand management business, in each case in the apparel, footwear or fashion accessory segment anywhere in the world (each a "Brands Business Opportunity"), Li & Fung will offer such Brands Business Opportunity to the Company first and provide us with 30 business days in order to evaluate and choose whether or not to pursue the Brands Business Opportunity.

If a majority of the Independent Non-executive Directors of the Company decide not to pursue the Brands Business Opportunity and consent to the Li & Fung Group pursuing the Brands Business Opportunity (such consent not to be unreasonably withheld, delayed or refused), the Li & Fung Group shall have the right to do so and to own and manage such brand or business going forward.

If any person approaches the Group to provide sourcing or supply chain management services on an agency basis anywhere in the world (a "Sourcing Opportunity"), the Company shall offer such Sourcing Opportunity to Li & Fung first and provide it with 30 business days in order to evaluate and choose whether or not to pursue the Sourcing Opportunity.

If a majority of the Independent Non-executive Directors of Li & Fung decide not to pursue the Sourcing Opportunity and consent to the Group pursuing the Sourcing Opportunity (such consent not to be unreasonably withheld, delayed or refused), we shall have the right to do so and to manage such Sourcing Opportunity going forward, if a majority of the Independent Non-executive Directors decide that it is in our interest to do so.

The Non-Competition Agreement commenced on the date of 9 July 2014 and will continue in force until the earlier of:

(a) the date on which the controlling shareholders cease to be interested, directly or indirectly, in aggregate, in at least 30% of the Shares in issue;

(b) the date on which the controlling shareholders cease to be interested, directly or indirectly, in at least 30% of the Li & Fung Shares in issue; and

(c) the date on which the Shares cease to be listed and traded on the Main Board of the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these consolidated financial statements for the year ended 31 March 2018, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
William Fung Kwok Lun
Chairman

Hong Kong, 27 June 2018

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Global Brands Group Holding Limited
(incorporated in Bermuda with limited liability)

Opinion

WHAT WE HAVE AUDITED

The consolidated financial statements of Global Brands Group Holding Limited (the "Company") and its subsidiaries (the "Group") are set out on pages 87 to 173, which comprise:

- the consolidated balance sheet as at 31 March 2018;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of intangible assets including goodwill
- Valuation of contingent consideration payable for business acquisitions

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets including goodwill *Refer to notes 2.6, 3(a) and 12 to the consolidated financial statements* Included on balance sheet is an intangible assets balance of US$2,922 million as of 31 March 2018, which relates to goodwill of US$1,897 million, and brand licences, computer software and system development costs and other intangible assets of US$1,025 million which arose mainly from past acquisitions. The Group is required to, at least annually, perform impairment assessments of goodwill and intangible assets that have an indefinite useful life. For intangible assets with useful lives, the Group is required to review these for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives.	We understood, evaluated and tested management's key controls over the impairment assessment process. We compared the methodology used (value-in-use calculations based on future discounted cash flows) by the Group to market practice. We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying value-in-use calculations and agreed them to the approved one year financial budget and future forecasts. We also compared historical actual results to those budgeted to assess the quality of management's forecasts. We also assessed the reasonableness of key assumptions used in the calculations, comprising cumulative annual sales growth rate, perpetual growth rate and discount rates. When assessing these key assumptions, we discussed them with management to understand and evaluate management's basis for determining the assumptions, and compared them to external industry outlook reports and economic growth forecasts from a number of sources. We also engaged our valuation experts to assist us in assessing the reasonableness of the discount rates used by management by comparing the discount rates used to entities with similar risk profiles and market profile and characteristics.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets including goodwill (Continued)	
For the purpose of performing impairment assessments, goodwill and other intangible assets have been allocated to groups of cash generating units ("CGUs"). The recoverable amount of the underlying CGUs is supported by value-in-use calculations which are based on future discounted cash flows. Management concluded that the impairment of goodwill and intangible assets for the year ended 31 March 2018 are US$1,050 million and US$59 million respectively. The significant assumptions are disclosed in notes 3(a) and 12 to the consolidated financial statements. We focused on this area as the assessments made by management involved significant estimates and judgments, including cumulative annual sales growth rate and perpetual growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs. These estimates and judgments may be affected by unexpected changes in future market or economic conditions or discount rates applied.	We obtained and tested management's sensitivity analysis around the key assumptions which are most sensitive to the valuation model. We evaluated management's assessment on whether any events or change in circumstances indicate there may be a change in the expected useful lives of intangible assets. We found the Group's estimates and judgments used in the impairment assessment and review of useful lives of intangible assets to be supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of contingent consideration payable for business acquisitions *Refer to notes 3(c), 5(c), 26(a) and 30 to the consolidated financial statements* As at 31 March 2018, the Group had contingent consideration payables of US$130 million, which are due to be payable from 2018 to 2027. The Group recognized consideration for acquisition at fair value (estimated at the date of acquisition) for each contingent consideration arrangement. These fair value measurements require management's estimation and significant judgment on post-acquisition performance of the acquired businesses and discount rates used. Contingent consideration payables are remeasured at fair value at each reporting date, and may be affected by changes in the estimation of post-acquisition performance of the acquired businesses. Any resulting gain or loss is recognized in the consolidated profit and loss account. For the year ended 31 March 2018, management identified certain businesses that were considered unlikely to achieve the previously expected levels of profits required in the relevant specific financial period stipulated by the sales and purchase agreements to trigger the estimated contingent consideration payments in full. Accordingly, a net gain of US$15 million was recognized in the consolidated profit and loss account with a corresponding decrease in contingent consideration payable in the consolidated balance sheet. We focused on this area as the assessment made by management involved significant estimates and judgments in relation to the post-acquisition performance of individual businesses and discount rates applied, which may be affected by unexpected changes in future market or economic conditions or significant events or circumstances related to the acquired businesses.	We understood, evaluated and tested management's key controls over the contingent consideration payable assessment process. We checked the contingent consideration payable calculation prepared by management against the formula stated in the sales and purchase agreement for each of the acquired businesses. We evaluated performance forecasts used in the contingent consideration payable calculation and tested the mathematical accuracy of the underlying calculation of consideration payable and agreed them to the financial projection prepared by management for the specific financial period stipulated by the sales and purchase agreement. We also analyzed the key assumptions adopted by management with reference to their business plan, and historical actual results to assess the quality of management's financial projection. We compared the discount rates used by management against market information and internal data. For contingent consideration payables with fair value changes in the current year, we have assessed the significant events or circumstances emerging since the last assessment which triggered the changes. We held discussions with management, compared the performance forecast to the revised future business plans and obtained evidence of those significant events or circumstances to support the changes. We found the Group's estimates and judgments used in the valuation of contingent consideration payables as at 31 March 2018 to be supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee, Shia Yuen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2018

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**Year ended 31 March 2018 US$'000**	Year ended 31 March 2017 US$'000 (Restated)
Revenue	*4*	**4,023,191**	3,891,153
Cost of sales	*5*	**(2,770,030)**	(2,780,832)
Gross profit		**1,253,161**	1,110,321
Other income		**386**	506
Total margin		**1,253,547**	1,110,827
Selling and distribution expenses		**(440,468)**	(325,794)
Merchandising and administrative expenses		**(824,406)**	(704,311)
Other (losses)/gains, net	*5*	**(55,873)**	20,269
Gain on disposal of interest in an associate	*5 & 28*	**66,509**	–
Gain on disposal of interest in a subsidiary	*5*	**–**	96,055
Impairment of goodwill	*4*	**(1,049,744)**	–
Operating (loss)/profit	*4 & 5*	**(1,050,435)**	197,046
Interest income		**2,650**	1,964
Interest expenses	*6*		
Non-cash interest expenses		**(25,651)**	(13,957)
Cash interest expenses		**(74,762)**	(65,595)
Change in redemption value on put option written on non-controlling interests	*26(b)*	**23,656**	–
		(1,124,542)	119,458
Share of profits of an associate and joint ventures	*14 & 15*	**8,123**	4,233
(Loss)/profit before taxation		**(1,116,419)**	123,691
Taxation	*7*	**229,551**	(28,618)
Net (loss)/profit for the year		**(886,868)**	95,073
Attributable to:			
Shareholders of the Company		**(902,991)**	89,742
Non-controlling interests		**16,123**	5,331
		(886,868)	95,073
(Losses)/earnings per share for (loss)/profit attributable to the shareholders of the Company during the year			
– basic	*8*	**(85.23) HK cents**	8.38 HK cents
(equivalent to)		**(11.00) US cents**	1.08 US cents
– diluted	*8*	**(85.23) HK cents**	8.32 HK cents
(equivalent to)		**(11.00) US cents**	1.07 US cents

The notes on pages 95 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Net (loss)/profit for the year	**(886,868)**	95,073
Other comprehensive income/(expense):		
Item that may be reclassified to profit or loss		
Currency translation differences	**44,436**	(67,500)
Other comprehensive income/(expense) for the year, net of tax	**44,436**	(67,500)
Total comprehensive (expense)/income for the year	**(842,432)**	27,573
Attributable to:		
Shareholders of the Company	**(858,555)**	22,242
Non-controlling interests	**16,123**	5,331
	(842,432)	27,573

The notes on pages 95 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	31 March 2018 US$'000	31 March 2017 US$'000
Non-current assets			
Intangible assets	12	**2,922,117**	3,713,745
Property, plant and equipment	13	**204,110**	190,149
Associate	14	**–**	3,791
Joint ventures	15	**63,828**	60,838
Available-for-sale financial asset	16	**1,000**	1,000
Other receivables and deposits	20	**18,183**	47,700
Deferred tax assets	27	**233,585**	2,956
		3,442,823	4,020,179
Current assets			
Inventories	17	**531,947**	501,402
Due from related companies	18	**9,499**	8,453
Trade receivables	20	**471,914**	368,361
Other receivables, prepayments and deposits	20	**231,653**	245,109
Derivative financial instruments	19	**400**	1,448
Cash and bank balances	21	**98,276**	173,738
Tax recoverable		**11,559**	–
		1,355,248	1,298,511
Current liabilities			
Due to related companies	18	**516,217**	565,722
Trade payables	22	**239,902**	133,920
Accrued charges and sundry payables	22	**373,333**	312,753
Purchase consideration payable for acquisitions	26(a)	**56,916**	80,427
Derivative financial instruments	19	**3,216**	–
Tax payable		**9,764**	11,804
Bank loans*	23	**1,200,000**	–
Bank overdrafts	21 & 23	**1,298**	–
		2,400,646	1,104,626
Net current (liabilities)/assets		**(1,045,398)**	193,885
Total assets less current liabilities		**2,397,425**	4,214,064

* Bank loans of US$1,200,000,000 are classified as current liabilities due to non-compliance with certain bank loan covenants as at 31 March 2018. As described in Note 2.1(a) to the consolidated financial statements, the Group obtained a waiver from its banks subsequent to the financial year in respect of this. Should the waiver have been obtained on or before 31 March 2018, the bank loans would have been classified as non-current liabilities and the Group's net current assets would have been US$154,602,000.

	Note	**31 March 2018 US$'000**	31 March 2017 US$'000
Financed by:			
Share capital	*24(a)*	**13,707**	13,647
Reserves		**1,645,282**	2,489,165
Shareholders' funds attributable to the Company's shareholders		**1,658,989**	2,502,812
Put option written on non-controlling interests		**(98,281)**	(98,281)
Non-controlling interests		**54,533**	51,134
Total equity		**1,615,241**	2,455,665
Non-current liabilities			
Long-term bank loans*	*23*	**-**	1,118,000
Purchase consideration payable for acquisitions	*26(a)*	**72,873**	115,101
Other long-term liabilities	*26*	**698,483**	506,776
Deferred tax liabilities	*27*	**10,828**	18,522
		782,184	1,758,399
		2,397,425	4,214,064

On behalf of the Board

William Fung Kwok Lun
Director

Bruce Philip Rockowitz
Director

The notes on pages 95 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company									
		Reserves								
	Share capital US$'000 *Note 24(a)*	Capital reserves US$'000 *Note 24(b)*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *Note 25(b)*	Exchange reserves US$'000	Retained earnings/ (accumulated losses) US$'000	Total reserves US$'000	Put option written on non-controlling interests US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 2017	13,647	2,022,674	31,774	(27,425)	(143,322)	605,464	2,489,165	(98,281)	51,134	2,455,665
Comprehensive income										
Net (loss)/profit	-	-	-	-	-	(902,991)	(902,991)	-	16,123	(886,868)
Other comprehensive income										
Currency translation differences	-	-	-	-	44,436	-	44,436	-	-	44,436
Total comprehensive income/ (expense)	-	-	-	-	44,436	(902,991)	(858,555)	-	16,123	(842,432)
Transactions with owners										
Issue of shares for share award schemes	60	-	-	(60)	-	-	(60)	-	-	-
Shares purchased for share award schemes	-	-	-	(3,337)	-	-	(3,337)	-	-	(3,337)
Employee share option and share award schemes:										
– value of employee services	-	-	18,069	-	-	-	18,069	-	-	18,069
– vesting of share award schemes	-	-	(20,739)	5,014	-	15,725	-	-	-	-
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	(12,724)	(12,724)
Total transactions with owners	60	-	(2,670)	1,617	-	15,725	14,672	-	(12,724)	2,008
Balance at 31 March 2018	13,707	2,022,674	29,104	(25,808)	(98,886)	(281,802)	1,645,282	(98,281)	54,533	1,615,241

	Attributable to shareholders of the Company									
		Reserves								
	Share capital US$'000 *Note 24(a)*	Capital reserves US$'000 *Note 24(b)*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *Note 25(b)*	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Put option written on non-controlling interests US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 2016	13,431	2,022,674	24,986	(21,903)	(75,822)	491,284	2,441,219	-	20,940	2,475,590
Comprehensive income										
Net profit	-	-	-	-	-	89,742	89,742	-	5,331	95,073
Other comprehensive expense										
Currency translation differences	-	-	-	-	(67,500)	-	(67,500)	-	-	(67,500)
Total comprehensive (expense)/income	-	-	-	-	(67,500)	89,742	22,242	-	5,331	27,573
Transactions with owners										
Issue of shares for share award schemes	216	-	-	(216)	-	-	(216)	-	-	-
Shares purchased for share award schemes	-	-	-	(18,659)	-	-	(18,659)	-	-	(18,659)
Employee share option and share award schemes:										
– value of employee services	-	-	26,715	-	-	-	26,715	-	-	26,715
– vesting of share award schemes	-	-	(19,927)	13,353	-	6,574	-	-	-	-
Adjustments to net asset value	-	-	-	-	-	-	-	-	2,003	2,003
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	(6,191)	(6,191)
Contribution from a non-controlling interest	-	-	-	-	-	-	-	-	5,400	5,400
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	-	2,667	2,667
Transfer of interests in a subsidiary *(Note 26(b))*	-	-	-	-	-	17,864	17,864	-	20,984	38,848
Put option written on non-controlling interests *(Note 26(b))*	-	-	-	-	-	-	-	(98,281)	-	(98,281)
Total transactions with owners	216	-	6,788	(5,522)	-	24,438	25,704	(98,281)	24,863	(47,498)
Balance at 31 March 2017	13,647	2,022,674	31,774	(27,425)	(143,322)	605,464	2,489,165	(98,281)	51,134	2,455,665

The notes on pages 95 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	**Year ended 31 March 2018 US$'000**	Year ended 31 March 2017 US$'000
Operating activities			
Net cash (outflow used in)/inflow generated from operations	*29*	**(30,916)**	285,525
Profits tax paid		**(22,611)**	(10,432)
Net cash (outflow)/inflow from operating activities		**(53,527)**	275,093
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(85,507)**	(110,037)
Acquisitions of businesses	*30*	**(29,826)**	(32,582)
Dividends received from joint ventures	*15*	**1,102**	–
Dividends received from an associate		**2,037**	–
Proceeds from disposal of interest in a subsidiary	*28*	**100,000**	–
Proceeds from disposal of interest in an associate	*28*	**70,300**	–
Proceeds from disposal of interest in a joint venture		**–**	1,800
Proceeds from disposals of property, plant and equipment		**9,903**	7,990
Proceeds from disposals of trademarks	*5(b)*	**5,000**	–
Purchases of property, plant and equipment		**(62,471)**	(76,286)
Payments for computer software and system development costs		**(28,421)**	(13,896)
Purchases of other intangible assets		**(3,000)**	(9,100)
Restricted cash		**–**	(3,221)
Interest income		**2,650**	1,964
Net cash outflow from investing activities		**(18,233)**	(233,368)

	Note	**Year ended 31 March 2018 US$'000**	Year ended 31 March 2017 US$'000
Net cash (outflow)/inflow before financing activities		**(71,760)**	41,725
Financing activities			
Distribution to non-controlling interest		**(12,724)**	(6,191)
Drawdown of bank borrowings	*29(b)*	**307,000**	243,000
Repayment of bank borrowings	*29(b)*	**(225,000)**	(121,047)
Shares purchased for share award schemes		**(3,337)**	(18,659)
Interest paid	*6*	**(74,762)**	(65,595)
Net cash (outflow)/inflow from financing activities		**(8,823)**	31,508
(Decrease)/increase in cash and cash equivalents		**(80,583)**	73,233
Cash and cash equivalents at 1 April		**170,517**	98,550
Effect of foreign exchange rate changes		**3,348**	(1,266)
Cash and cash equivalents at 31 March		**93,282**	170,517
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	*21*	**94,580**	170,517
Bank overdrafts	*21*	**(1,298)**	–
		93,282	170,517

The notes on pages 95 to 173 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

Global Brands Group Holding Limited ("the Company") and its subsidiaries (together, "the Group") are principally engaged in the design, development, marketing and sale of branded kids, men's and women's apparel, footwear, fashion accessories and related lifestyle products, primarily for sales to retailers in the Americas, Europe, Middle East and Asia. The Group is also engaged in the brand management business offering expertise in expanding its clients' brand assets in to new product categories, new geographies and retail collaborations, as well as assisting in distribution of licensed products on a global basis.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in US dollars, unless otherwise stated. These consolidated financial statements were approved for issue by the Board of Directors on 27 June 2018.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Core operating profit ("COP") is the profit before taxation excluding share of results of an associate and joint ventures, interest income, interest expenses, material gains or losses which are of capital nature or non-operational related and acquisition related costs. This also excludes any gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items.

In previous years, the Group (i) presented royalty payments under selling and distribution expenses and (ii) disclosed COP in the consolidated profit and loss account. During the year, the management performed a review of the presentation of the consolidated profit and loss account to ensure comparability to its competitors thereby providing information that is more relevant to the users of the financial statements. In addition, the management believes it is more appropriate to eliminate COP to focus on operating profit, which is consistent with our industry. Accordingly, royalty payments were reclassified to cost of sales from selling and distribution expenses and COP is no longer presented. Consequential to the removal of COP, amortization of other intangible assets and other non-core operating expenses which were presented below COP are presented in selling and distribution expenses or merchandising and administrative expenses.

2 Summary of Significant Accounting Policies (Continued)

2.1 BASIS OF PREPARATION (CONTINUED)

(a) Going concern basis

During the year ended 31 March 2018, the Group reported a net loss attributable to shareholders of the Company of approximately US$902,991,000 and net cash outflow from operating activities of approximately US$53,527,000. As at the same time, the Group's current liabilities exceeded its current assets by approximately US$1,045,398,000 as of 31 March 2018. As at 31 March 2018, the Company as a guarantor, had not complied with certain financial covenants stipulated in a loan agreement in respect of an unsecured syndicated loan facility (the "Bank Loan") granted to a subsidiary of the Group ("Breaches of Covenants"). Such Breaches of Covenants constituted an event of default under the loan agreement ("Loan Agreement"), such that the Bank Loan might become immediately due and payable as at and after 31 March 2018 should the lenders exercise their right to serve such demand notice to the Group. Accordingly, the relevant Bank Loan of US$1,200,000,000 has been reclassified as a current liability in the consolidated balance sheet.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Management believes that the Group is able to generate sufficient cash flows from its operating activities and asset divestment plans and other measures, as described below, to enable the Group to repay its financial obligations as and when they fall within the next twelve months:

- Subsequent to 31 March 2018, management has obtained the required consents from its lenders not take action under the Loan Agreement in relation to certain of the Company's obligations to comply with the relevant financial covenants for a 12-month period between 31 March 2018 and 31 March 2019 ("waiver").
- As further described in note 39 to the consolidated financial statements, the Group has subsequent to 31 March 2018 agreed to sell a significant part of its North American licensing business for a cash consideration of US$1.38 billion. Completion of the transaction is subject to the fulfilment or waiver of certain customary conditions.
- The Group is implementing measures to generate cash from additional sales to new and existing markets and customers, and control operating costs with the objective of streamlining the administrative and daily operational expenditures.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 March 2018. In the opinion of the directors, in light of the above, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 March 2018. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 Summary of Significant Accounting Policies (Continued)

2.1 BASIS OF PREPARATION (CONTINUED)

(b) Amendments to existing standards adopted by the Group

The following amendments to existing standards are relevant to the Group have been adopted by the Group for the accounting periods beginning on or after 1 April 2017:

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealized Losses
HKFRS 12 Amendment	Disclosure of Interest in Other Entities

The application of the above amendments to existing standards 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.

(c) 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 19	Employee Benefits[2]
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 Amendment	Transfer of Investment Property[1]
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 Amendment	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 Amendment	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements Project	Annual Improvements 2014-2016 Cycle[1]
Annual Improvements Project	Annual Improvements 2015-2017Cycle[2]

NOTES:

(1) Effective for annual periods beginning on or after 1 April 2018
(2) Effective for annual periods beginning on or after 1 April 2019
(3) Effective for annual periods beginning on or after 1 April 2021
(4) Effective date to be determined

2 Summary of Significant Accounting Policies (Continued)

2.1 BASIS OF PREPARATION (CONTINUED)

(c) 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)

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, "Financial Instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

There is no significant impact on the Group's accounting for financial liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. There will be no impact to the Group as the Group does not have hedging instruments for hedge accounting as at current year end.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, there will be an earlier recognition of credit losses for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 April 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

2 Summary of Significant Accounting Policies (Continued)

2.1 BASIS OF PREPARATION (CONTINUED)

(c) 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)

HKFRS 15, "Revenue from Contracts with Customers"

The Hong Kong Institute of Certified Public Accountants has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

The standard is not expected to have any material impact to the revenue recognition of the Group.

HKFRS 15 is mandatory for financial years commencing on or after 1 April 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$568,879,000, see note 31. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group is evaluating to adopt the standard before its effective date.

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.

2 Summary of Significant Accounting Policies (Continued)

2.2 BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of Significant Accounting Policies (Continued)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (Continued)

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The potential cash payments related to put options issued by the Group over the equity of subsidiaries are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiaries. The amount that may become payable under the option on exercise is initially recognized at fair value as a written put option liability with a corresponding charge directly to equity.

Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. The Group will recalculate the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and the adjustments will be recognized as income or expenses in the consolidated profit and loss account. If the put option expires without delivery, the carrying amount of the liability is reclassified as equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified by applicable HKFRSs.

2 Summary of Significant Accounting Policies (Continued)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

(d) Joint ventures

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

For subsequent changes in the contingent consideration which included as part of the acquisition cost, the change in the liability would be adjusted to the investment cost and recognized as part of the carrying amount of joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 Summary of Significant Accounting Policies (Continued)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

(e) Associates (Continued)

The Group's share of post-acquisition profit or loss is recognized in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of an associate' in the consolidated profit and loss account.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated profit and loss account.

(f) Disposal of associates

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated profit and loss account. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized as other comprehensive income/expense in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized as other comprehensive income/expense are reclassified to the consolidated profit and loss account.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The 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 for making strategic decisions.

2 Summary of Significant Accounting Policies (Continued)

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollar (USD), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated profit and loss account.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the available-for-sale reserve in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(c) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, comprising leasehold improvements, furniture, fixtures and equipment, plant and machinery and motor vehicles, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

Depreciation and impairment

Property, plant and equipment are depreciated at rates sufficient to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	5% – 20%
Furniture, fixtures and equipment	$6^2/_3$% – $33^1/_3$%
Plant and machinery	5% – 20%
Motor vehicles	15% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Summary of Significant Accounting Policies (Continued)

2.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation and impairment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated profit and loss account.

2.6 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Computer software and system development costs

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

System development costs recognized as assets are amortized over their estimated useful lives of 3 to 10 years.

(c) Other intangible assets arising from business combinations

Intangible assets, other than goodwill, identified on business combinations are capitalized at their fair values. They represent mainly trademarks, license agreements, relationships with customers and licensors. Intangible assets arising from business combinations with definite useful lives are amortized on a straight-line basis from the date of acquisition over their estimated useful lives ranging from 1 to 20 years.

2 Summary of Significant Accounting Policies (Continued)

2.6 INTANGIBLE ASSETS (CONTINUED)

(d) Brand licenses and distribution rights

Brand licenses and distribution rights are license contracts entered into with the brand-holders by the Group in the capacity as licensee. Brand licenses are capitalized based on the upfront costs incurred and the present value of guaranteed royalty payments to be made subsequent to the inception of the license contracts. Brand licenses are amortized based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 11 years.

Distribution rights are capitalized based on the costs incurred and are amortized based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 2 to 11 years.

2.7 IMPAIRMENT

Impairment of non-financial assets other than investments in subsidiaries, an associate and joint ventures

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment of investments in subsidiaries, an associate and joint ventures

Impairment testing of the investments in subsidiaries, an associate and joint ventures is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, an associate and joint ventures in the period the dividend is declared or if the carrying amount of the investment in the Company's financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 FINANCIAL ASSETS

2.8.1 Classification

The Group classifies its financial assets as at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 Summary of Significant Accounting Policies (Continued)

2.8 FINANCIAL ASSETS (CONTINUED)

2.8.1 Classification (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables and deposits', 'cash and cash equivalents' and 'amounts due from related companies' in the consolidated balance sheet (Notes 2.12 and 2.13).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated profit and loss account. Loans and receivables are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated profit and loss account within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated profit and loss account as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives financial instruments recognized at fair value through profit or loss include derivative instruments and put option (Note 19). Both are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognized immediately in the consolidated profit and loss account.

2 Summary of Significant Accounting Policies (Continued)

2.10 IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated profit and loss account.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated profit and loss account.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

2 Summary of Significant Accounting Policies (Continued)

2.11 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises purchase prices of inventories and direct costs (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for the sale of goods or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of Significant Accounting Policies (Continued)

2.17 CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of Significant Accounting Policies (Continued)

2.18 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave entitlements as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Discretionary bonus

The expected costs of discretionary bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) Post employment benefit obligations

The Group participates in a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee – administrated funds.

The Group's contributions to the defined contribution plans are charged to the consolidated profit and loss account in the year to which the contributions relate.

(d) Share-based compensation

The Group operates equity-settled, share-based compensation plans, namely the share option scheme and the share award schemes. The fair value of the employee services received in exchange for the grant of the options and share awards is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options and share awards granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options and share awards that are expected to vest based on the service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated profit and loss account, with a corresponding adjustment to equity.

2 Summary of Significant Accounting Policies (Continued)

2.18 EMPLOYEE BENEFITS (CONTINUED)

(d) Share-based compensation (Continued)

When the share awards are vested, the related costs of the vested share awards purchased from the market (measured using weighted average cost method) are credited to shares held for share award scheme, with a corresponding decrease in employee share-based compensation reserve. Any difference between the related costs of the vested share awards and share-based compensation expense previously recognized will be reclassified to retained earnings.

When the share options are exercised, the employee share-based compensation reserve is transferred to new capital and share premium when new shares are issued. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognized for that award, as at the date of forfeiture, is treated as if it had never been recognized. At the same time, any expense previously recognized on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

2.19 PROVISIONS

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

2 Summary of Significant Accounting Policies (Continued)

2.19 PROVISIONS (CONTINUED)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

2.21 TOTAL MARGIN

Total margin includes gross profit and other income relating to Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management businesses.

2.22 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 Summary of Significant Accounting Policies (Continued)

2.22 REVENUE RECOGNITION (CONTINUED)

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

Service income is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Operating lease rental income is recognized on a straight-line basis over the term of the lease.

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

Other income incidental to normal operating activities is recognized when the services are rendered or the right to receive payment is established.

2.23 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to the consolidated profit and loss account in the period in which they are incurred.

2.24 OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease. The upfront prepayments made for leasehold land and land use rights are amortized on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

2.25 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ESTIMATED IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require considerable judgment on the use of estimates (Note 12).

(b) USEFUL LIVES OF INTANGIBLE ASSETS

The Group amortizes its intangible assets with finite useful lives on a straight-line basis over their estimated useful lives. The estimated useful lives reflect the management's estimates of the periods that the Group intends to derive future economic benefits from the use of these intangible assets.

(c) CONTINGENT CONSIDERATIONS OF ACQUISITIONS

Certain of the Group's business acquisitions have involved post-acquisition performance-based contingent considerations. The Group follows the requirement of HKFRS 3 (Revised) to recognize the fair value of those contingent considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgment on time value of money. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognized in the consolidated profit and loss account in accordance with HKFRS 3 (Revised).

The basis of the contingent consideration differs for each acquisition; generally, however the contingent consideration reflects a specified multiple of the post-acquisition profitability of the acquired business. Consequently, the actual additional consideration payable will vary according to the future performance of each individual acquired business, and the liabilities provided reflect estimates of such future performances.

Due to the number of acquisitions for which additional consideration remains outstanding and the variety of bases of determination, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of each acquired business and the potential impact on the gain or loss on remeasurement of contingent consideration payables and goodwill for each acquired businesses.

However, if the total actual contingent consideration payables are 10% lower or higher than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables for acquisitions as at 31 March 2018 would be US$12,499,000.

(d) INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3 Critical Accounting Estimates and Judgments (Continued)

(e) WRITTEN PUT OPTION LIABILITIES

The Group recognizes the written put option liabilities initially at their fair values which are determined in accordance with the terms under those relevant agreements and with reference to the estimated post-acquisition performance of the acquired subsidiaries/businesses. Judgment is required to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimation of post-acquisition performance of the acquired subsidiaries/businesses. Changes to key assumptions can significantly affect the amounts of future liabilities.

At each balance sheet date, the Group revises its estimates of payments, arising from the changes in the expected performance of a limited liability partnership ("CAA-GBG") established by a wholly-owned subsidiary of the Company and, among others, Creative Artists Agency, LLC ("CAA LLC") and adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. The Group will recalculate the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and the adjustments will be recognized as income or expenses in the consolidated profit and loss account. If the actual performance of CAA-GBG had been 10% lower or higher than its expected performances, the written put option liabilities would have been decreased or increased by approximately US$7,246,000 with the corresponding gain or loss recognized in consolidated profit and loss account.

A written put option liability is subsequently re-measured at fair value as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated profit and loss account. In the event that the option expires unexercised, the written put option liability is derecognized with a corresponding adjustment to equity.

4 Segment Information

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

The Group sells branded products under three product verticals: kids, men's and women's fashion, and footwear and accessories. The Group is also engaged in brand management on a global basis, in which the Group acts as a brand manager and agent for brand owners and celebrities alike. The Group's management (Chief Operating Decision-Maker), who are responsible for allocating resources and assessing performance of the operating segments, have been identified collaboratively as the executive directors, who make strategic decision and consider the business principally from the perspective of four operating segments namely Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management, which are consistent with the Group's latest operations, management organization and reporting structures.

Considering the changes in presentation of the consolidated profit and loss account (Note 2.1), instead of assessing the performance of the operating segments based on COP, the Group's management assesses the performance of the operating segments based on operating profit. Accordingly, the segment reporting presentation has been changed with comparative figures reclassified in accordance with the current year's presentation to enable comparisons to be made. Information provided to the Group's management is measured in a manner consistent with that in the financial statements.

4 Segment Information (Continued)

	Kids US$'000	Men's and Women's Fashion US$'000	Footwear and Accessories US$'000	Brand Management US$'000	Total US$'000
Year ended 31 March 2018					
Revenue	**1,514,267**	**1,142,740**	**1,096,088**	**270,096**	**4,023,191**
Total margin	**395,608**	**484,483**	**306,085**	**67,371**	**1,253,547**
Operating costs*	**(434,787)**	**(460,028)**	**(252,424)**	**(47,628)**	**(1,194,867)**
Write-off of intangible assets	**(13,731)**	**(3,764)**	**(41,876)**	**–**	**(59,371)**
Impairment of goodwill	**(471,459)**	**(261,929)**	**(316,356)**	**–**	**(1,049,744)**
Operating (loss)/profit	**(524,369)**	**(241,238)**	**(304,571)**	**19,743**	**(1,050,435)**
Interest income					**2,650**
Interest expenses					
Non-cash interest expenses					**(25,651)**
Cash interest expenses					**(74,762)**
Change in redemption value on put option written on non-controlling interests					**23,656**
					(1,124,542)
Share of profits of an associate and joint ventures					**8,123**
Loss before taxation					**(1,116,419)**
Taxation					**229,551**
Net loss for the year					**(886,868)**
Depreciation and amortization	**126,184**	**111,894**	**90,339**	**8,703**	**337,120**

* Represented operating costs, other losses/gains, net (excluding write-off of intangible assets) and gain on disposal of interest in an associate.

	Kids	Men's and Women's Fashion	Footwear and Accessories	Brand Management	Total
31 March 2018					
Non-current assets (other than available-for-sale financial asset and deferred tax assets)	**946,883**	**1,012,425**	**925,756**	**323,174**	**3,208,238**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Segment Information (Continued)

	Kids US$'000	Men's and Women's Fashion US$'000	Footwear and Accessories US$'000	Brand Management US$'000	Total US$'000
Year ended 31 March 2017 (Restated)					
Revenue	1,602,575	819,517	1,281,354	187,707	3,891,153
Total margin	413,269	308,843	339,085	49,630	1,110,827
Operating costs*	(378,856)	(252,034)	(248,404)	(34,487)	(913,781)
Operating profit	34,413	56,809	90,681	15,143	197,046
Interest income					1,964
Interest expenses					
Non-cash interest expenses					(13,957)
Cash interest expenses					(65,595)
					119,458
Share of profits of joint ventures					4,233
Profit before taxation					123,691
Taxation					(28,618)
Net profit for the year					95,073
Depreciation and amortization	130,482	89,498	58,400	9,307	287,687

* Represented operating costs net of other gains and gain on disposal of interest in a subsidiary.

	Kids US$'000	Men's and Women's Fashion US$'000	Footwear and Accessories US$'000	Brand Management US$'000	Total US$'000
31 March 2017					
Non-current assets (other than available-for-sale financial asset and deferred tax assets)	1,314,022	1,209,545	1,142,279	350,377	4,016,223

4 Segment Information (Continued)

The geographical analysis of revenue and non-current assets (other than available-for-sale financial asset and deferred tax assets) is as follows:

	Revenue		**Non-current assets (other than available-for-sale financial asset and deferred tax assets)**	
	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000	**31 March 2018 US$'000**	31 March 2017 US$'000
Americas	**3,123,582**	3,121,739	**2,613,724**	3,468,821
Europe and Middle East	**680,367**	595,764	**396,888**	351,555
Asia	**219,242**	173,650	**197,626**	195,847
	4,023,191	3,891,153	**3,208,238**	4,016,223

For the year ended 31 March 2018, approximately 11.1% (2017: 11.0%) of the Group's revenue is derived from a single external customer, of which 9.3% (2017: 9.7%), 0.1% (2017: 0.2%) and 1.7% (2017: 1.1%) are attributable to the Kids Segment, Men's and Women's Fashion Segment and Footwear and Accessories Segment respectively.

5 Operating (Loss)/Profit

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

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000 (Restated)
Crediting		
Gain on disposal of interest in a subsidiary	**–**	96,055
Gain on disposal of interest in an associate *(Note 28)*	**66,509**	–
Gain on disposal of business *(Note (a))**	**11,673**	–
Gain on disposal of trademarks *(Note (b))**	**11,000**	–
Gain on remeasurement of contingent consideration payable, net *(Note (c))**	**15,000**	20,269
Gains on forward foreign exchange contracts	**–**	4,547
Net exchange gains	**–**	6,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Operating (Loss)/Profit (Continued)

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

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000 (Restated)
Charging		
Cost of sales	**2,770,030**	2,780,832
Amortization of computer software and system development costs *(Note 12)*	**13,115**	9,779
Amortization of brand licenses *(Note 12)*	**217,079**	165,431
Amortization of other intangible assets *(Note 12)*	**69,573**	80,957
Depreciation of property, plant and equipment *(Note 13)*	**37,353**	31,520
Losses on forward foreign exchange contracts	**4,264**	–
Loss on disposal of property, plant and equipment	**1,154**	3,245
Write-off of intangible assets *(Note 12)**	**59,371**	–
Impairment of goodwill *(Note 12)*	**1,049,744**	–
Provision for impairment of other receivables *(Note 20)**	**34,175**	–
Operating leases rental in respect of land and building	**69,011**	59,594
Provision for impairment of trade receivables, net *(Note 20)*	**4,346**	2,911
Staff costs including directors' emoluments *(Note 10)*	**521,282**	432,021
Business acquisition-related costs *(Note 30)*	**3,867**	5,288
Net exchange losses	**266**	–

* Included in other (losses)/gains, net

NOTES:

(a) Details of net assets of disposed business at date of disposal are set out below:

	US$'000
Net assets disposed:	
Goodwill *(Note 12)*	937
Inventories	3,574
Trade receivables	1,317
Other receivables	2,499
Book value of net assets disposed	8,327

Analysis of gain on disposal of business is as follows:

	US$'000
Consideration receivables	20,000
Less: Net assets disposed	(8,327)
Gain on disposal of business	11,673

5 Operating (Loss)/Profit (Continued)

NOTES: (Continued)

(b) In September 2017, the Group (the seller) entered into an asset purchase agreement with an independent third party of the Company (the buyer), pursuant to which the Group agreed to sell the trademarks to the buyer (the "Disposal").

Analysis of net inflow of cash and cash equivalents in respect of the Disposal:

	US$'000
Consideration received	5,000
Consideration receivables	6,000
Less: Net book value of trademarks	–
Gain on disposal of trademarks	11,000

(c) As at 31 March 2018 and 31 March 2017, the Group remeasured contingent consideration payable for all acquisitions with outstanding contingent consideration arrangements based on the market outlook and their prevailing business plans and projections. Accordingly, a net gain of approximately US$15 million (2017: US$20 million) was recognized for the year ended 31 March 2018 and the net remeasurement gain represented upward and downward adjustments to earn-out and earn-up consideration for the year ended 31 March 2018. The revised provisions for performance-based contingent considerations are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses.

The remuneration to the auditors for audit and non-audit services is as follows:

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Audit services	**2,155**	1,992
Non-audit services		
– taxation services	**1,388**	1,126
– others	**586**	280
Total remuneration to auditors charged to consolidated profit and loss account	**4,129**	3,398

6 Interest Expenses

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Non-cash interest expenses on purchase consideration payable for acquisitions and brand license payable	**25,651**	13,957
Cash interest on bank loans, overdrafts, factoring arrangements and payables	**74,762**	65,595
	100,413	79,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) for the year ended 31 March 2018 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.

Pursuant to the Tax Cuts and Jobs Act enacted by the government of the United States on 22 December 2017, the US corporate tax rate is reduced for tax years beginning after 31 December 2017. The rate change leads to a write-off of US deferred income tax assets/liabilities of approximately US$3,843,000 for the year.

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

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Current taxation		
– Hong Kong profits tax	**2**	1,039
– Overseas taxation	**10,731**	12,163
– Underprovision in prior years	**173**	1,279
Deferred taxation *(Note 27)*		
– (Credited)/charged for the year	**(236,614)**	14,137
– Effect of change in tax rate	**(3,843)**	–
	(229,551)	28,618

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
(Loss)/profit before taxation	**(1,116,419)**	123,691
Calculated at a taxation rate of 16.5% (2017: 16.5%)	**(184,209)**	20,409
Effect of different taxation rates in other countries	**(105,532)**	(2,915)
Underprovision in prior years	**173**	1,279
Expenses net of income not subject to taxation	**51,674**	6,716
Utilization of previously unrecognized tax losses	**(6,510)**	(1,033)
Unrecognized tax losses	**18,696**	4,162
Effect on deferred taxation due to change in tax rate	**(3,843)**	–
	(229,551)	28,618

8 Losses Per Share

The calculation of basic losses per share is based on the Group's net loss attributable to shareholders of US$902,991,000 (2017: net profit attributable to shareholders US$89,742,000) and on the weighted average number of 8,210,790,607 (2017: 8,298,137,780) ordinary shares in issue during the year.

As there were no potential dilutive ordinary shares during the year ended 31 March 2018, diluted losses per share was equal to basic losses per share.

During the year ended 31 March 2017, the diluted earnings per share was calculated by adjusting the weighted average number of 8,298,137,780 ordinary shares in issue by 58,279,118 to assume conversion of all dilutive potential ordinary shares granted under the Company's share options and share award schemes. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and vesting of award shares.

9 Dividends

No final dividend to the shareholders has been declared by the Company for the year ended 31 March 2018 (2017: Nil).

10 Staff Costs Including Directors' Emoluments

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Salaries and bonuses	**414,878**	334,249
Staff benefits	**77,679**	61,309
Pension costs of defined contribution plans *(Note)*	**10,656**	9,748
Employee share option and share award expenses	**18,069**	26,715
	521,282	432,021

NOTE: There are no forfeited contributions available to reduce future contributions as at 31 March 2018 and 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Directors' and Senior Management's Emoluments

(a) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration of every Director for the year ended 31 March 2018 is set out below:

Name of Director	Fees US$'000	Salary and allowance US$'000	Discretionary bonuses US$'000	Other benefits US$'000 *(Note ii)*	Award shares gain US$'000 *(Note iii)*	Employer's contribution to pension scheme US$'000	Total US$'000
Year ended 31 March 2018							
Executive Directors							
Bruce Philip ROCKOWITZ	38	1,491	4,132	7	-	2	5,670
Dow FAMULAK *(Note iv)*	8	200	375	5	-	-	588
Non-executive Directors							
William FUNG Kwok Lun	57	-	-	-	-	-	57
Hau Leung LEE *(Note v)*	54	-	-	-	-	-	54
Independent Non-executive Directors							
Paul Edward SELWAY-SWIFT	56	-	-	-	-	-	56
Stephen Harry LONG	70	-	-	-	-	-	70
Allan ZEMAN	57	-	-	-	-	-	57
Audrey WANG LO	63	-	-	-	-	-	63
Ann Marie SCICHILI	57	-	-	-	-	-	57
	460	1,691	4,507	12	-	2	6,672

11 Directors' and Senior Management's Emoluments (Continued)

(a) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Name of Director	Fees US$'000	Salary and allowance US$'000	Discretionary bonuses US$'000	Other benefits US$'000 *(Note ii)*	Award shares gain US$'000 *(Note iii)*	Employer's contribution to pension scheme US$'000	Total US$'000
Year ended 31 March 2017							
Executive Directors							
Bruce Philip ROCKOWITZ	39	1,503	1,700	19	5,604	2	8,867
Dow FAMULAK *(Note iv)*	39	1,200	2,800	18	1,911	13	5,981
Non-executive Directors							
William FUNG Kwok Lun	59	-	-	-	-	-	59
Hau Leung LEE *(Note v)*	65	-	-	-	-	-	65
Independent Non-executive Directors							
Paul Edward SELWAY-SWIFT	52	-	-	-	-	-	52
Stephen Harry LONG	72	-	-	-	-	-	72
Allan ZEMAN	59	-	-	-	-	-	59
Audrey WANG LO	59	-	-	-	-	-	59
Ann Marie SCICHILI	59	-	-	-	-	-	59
	503	2,703	4,500	37	7,515	15	15,273

NOTES:

(i) Emoluments paid or receivable were in relation to performance and services as a director whether of the Company or its subsidiary undertaking. There were nil (2017: Nil) emoluments paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(ii) Other benefits include insurance premium and housing allowance.

(iii) Award shares gain is determined based on the market price at the vesting date.

(iv) Resigned as an Executive Director of the Company on 14 June 2017.

(v) Re-designated from Independent Non-executive Director to Non-executive Director effective from 14 June 2017.

(vi) No Director waived or agreed to waive any of their emoluments in respect of the year ended 31 March 2018 and 31 March 2017.

(vii) During the year ended 31 March 2018 and 31 March 2017, no emoluments have been paid by the Group to the Directors as remuneration to accept office as director, or as remuneration in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Directors' and Senior Management's Emoluments (Continued)

(b) DIRECTORS' RETIREMENT BENEFITS

None of the directors received or will receive any retirement benefits during the year ended 31 March 2018 (2017: Nil).

(c) DIRECTORS' TERMINATION BENEFITS

None of the directors received or will receive any termination benefits during the year ended 31 March 2018 (2017: Nil).

(d) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 March 2018, no consideration was paid by the Company to third parties for making available directors' services (2017: Nil).

(e) INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

During the year ended 31 March 2018, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2017: Nil).

(f) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 March 2018 or at any time during the year ended 31 March 2018 (2017: Nil).

(g) FIVE HIGHEST PAID INDIVIDUALS

The five individuals, whose emoluments were the highest in the Group for the year include one (2017: two) directors whose emoluments are reflected in the analysis presented above. Emoluments were in relation to performance and services for that year. The emoluments payable to the remaining four individuals (2017: three) during the year are as follows:

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Basic salaries, housing allowances, share awards, other allowances and benefits-in-kind	**5,280**	5,761
Discretionary bonuses	**10,750**	7,963
Contributions to pension scheme	**62**	40
	16,092	13,764

11 Directors' and Senior Management's Emoluments (Continued)

(g) FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

	Number of individuals	
	Year ended	Year ended
	31 March	31 March
Emolument bands	**2018**	2017
HK$24,500,001 – HK$25,000,000 (approximately US$3,141,001 – US$3,205,000)	**-**	1
HK$26,500,001 – HK$27,000,000 (approximately US$3,397,001 – US$3,462,000)	**1**	–
HK$27,500,001 – HK$28,000,000 (approximately US$3,526,001 – US$3,590,000)	**1**	–
HK$30,000,001 – HK$30,500,000 (approximately US$3,846,001 – US$3,910,000)	**1**	–
HK$40,000,001 – HK$40,500,000 (approximately US$5,128,001 – US$5,192,000)	**-**	1
HK$40,500,001 – HK$41,000,000 (approximately US$5,192,001 – US$5,256,000)	**1**	–
HK$42,000,001 – HK$42,500,000 (approximately US$5,385,001 – US$5,449,000)	**-**	1

There is no amount paid or payable to the directors or any of the five highest paid individuals as inducement to join the Group and compensation for loss of office as directors.

(h) SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of the senior management included one (2017: one) senior executive whose emoluments are included within the band between HK$40,500,001 and HK$41,000,000 (approximately US$5,192,001 to US$5,256,000) (2017: HK$42,000,001 and HK$42,500,000 (approximately US$5,385,001 to US$5,449,000)) in the analysis presented above. The emoluments payable to the remaining two (2017: one) senior executives fell within the band between HK$19,000,001 and HK$19,500,000 (approximately US$2,436,001 to US$2,500,000) during the year ended 31 March 2018 (2017: between HK$22,500,001 and HK$23,000,000 (approximately US$2,885,001 to US$2,949,000)).

12 Intangible Assets

				Other intangible assets					
	Goodwill US$'000	Brand licenses US$'000	Computer software and system development costs US$'000	License agreements US$'000	Customer relationships US$'000	Distribution rights US$'000	Licensor relationships US$'000	Patents, trademarks and brand names US$'000	Total US$'000
At 1 April 2017									
Cost	2,860,460	1,400,744	75,809	83,063	183,231	88,645	144,759	180,484	5,017,195
Accumulated amortization	-	(934,273)	(30,363)	(29,241)	(124,059)	(34,083)	(79,056)	(72,375)	(1,303,450)
Net book amount	2,860,460	466,471	45,446	53,822	59,172	54,562	65,703	108,109	3,713,745
Year ended 31 March 2018									
Opening net book amount	2,860,460	466,471	45,446	53,822	59,172	54,562	65,703	108,109	3,713,745
Exchange differences	41,565	1,726	(30)	6	(441)	592	4,441	568	48,427
Acquisition of businesses *(Note 30)*	42,958	-	-	1,500	1,500	-	7,206	800	53,964
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note i)*	3,150	-	-	4,225	(2,050)	-	(129)	(1,200)	3,996
Additions	-	480,383	28,421	-	-	3,000	-	-	511,804
Disposal of business *(Note 5(a))*	(937)	-	-	-	-	-	-	-	(937)
Write-off of intangible assets *(Note ii)*	-	-	-	(8,236)	(2,833)	-	(17)	(48,285)	(59,371)
Impairment of goodwill *(Note iii)*	(1,049,744)	-	-	-	-	-	-	-	(1,049,744)
Amortization	-	(217,079)	(13,115)	(11,554)	(15,126)	(14,261)	(13,121)	(15,511)	(299,767)
Closing net book amount	1,897,452	731,501	60,722	39,763	40,222	43,893	64,083	44,481	2,922,117
At 31 March 2018									
Cost	2,947,196	1,888,082	105,659	80,557	179,445	92,409	158,721	127,725	5,579,794
Accumulated amortization and impairment	(1,049,744)	(1,156,581)	(44,937)	(40,794)	(139,223)	(48,516)	(94,638)	(83,244)	(2,657,677)
Net book amount	1,897,452	731,501	60,722	39,763	40,222	43,893	64,083	44,481	2,922,117

12 Intangible Assets (Continued)

				Other intangible assets					
	Goodwill US$'000	Brand licenses US$'000	Computer software and system development costs US$'000	License agreements US$'000	Customer relationships US$'000	Distribution rights US$'000	Licensor relationships US$'000	Patents, trademarks and brand names US$'000	Total US$'000
At 1 April 2016									
Cost	2,797,166	1,233,716	76,599	85,077	178,562	79,544	141,480	171,640	4,763,784
Accumulated amortization	-	(771,502)	(35,302)	(21,245)	(108,796)	(17,462)	(68,255)	(59,430)	(1,081,992)
Net book amount	2,797,166	462,214	41,297	63,832	69,766	62,082	73,225	112,210	3,681,792
Year ended 31 March 2017									
Opening net book amount	2,797,166	462,214	41,297	63,832	69,766	62,082	73,225	112,210	3,681,792
Exchange differences	(41,431)	123	32	-	85	(6)	(4,751)	(1,038)	(46,986)
Acquisition of businesses	113,696	-	-	6,500	3,250	-	10,176	13,201	146,823
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note i)*	(8,971)	-	-	4,087	2,942	-	-	-	(1,942)
Additions	-	169,565	13,896	-	-	9,100	-	-	192,561
Contribution from a non-controlling interest	-	-	-	-	-	-	-	5,400	5,400
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	(7,736)	(7,736)
Amortization	-	(165,431)	(9,779)	(20,597)	(16,871)	(16,614)	(12,947)	(13,928)	(256,167)
Closing net book amount	2,860,460	466,471	45,446	53,822	59,172	54,562	65,703	108,109	3,713,745
At 31 March 2017									
Cost	2,860,460	1,400,744	75,809	83,063	183,231	88,645	144,759	180,484	5,017,195
Accumulated amortization	-	(934,273)	(30,363)	(29,241)	(124,059)	(34,083)	(79,056)	(72,375)	(1,303,450)
Net book amount	2,860,460	466,471	45,446	53,822	59,172	54,562	65,703	108,109	3,713,745

NOTES:

(i) These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of 12 months following a transaction, the Group recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed on the acquisition date. Save as adjustments to goodwill and other intangible assets arising from business combination stated above, there were corresponding net adjustments to purchase consideration payable for acquisitions of US$648,000 (2017: US$18,461,000) and other assets/liabilities of approximately US$4,644,000 (2017: US$16,519,000).

(ii) Write-off of intangible assets
The Group wrote off intangible assets in relation to certain underperforming businesses, in which the Group decided to terminate their operations during the year.

12 Intangible Assets (Continued)

NOTES: (Continued)

(iii) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented below.

	31 March 2018 US$'000	31 March 2017 US$'000
Kids	**452,287**	910,361
Men's and Women's Fashion	**668,843**	908,597
Footwear and Accessories	**487,472**	780,874
Brand Management	**288,850**	260,628
	1,897,452	2,860,460

In accordance with HKAS 36 "Impairment of Assets", the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the end of the reporting period. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a one-year financial budget and future forecasts covering a five year period approved by management. Cash flows beyond the five year period are extrapolated in perpetuity using a stable growth rate of 2% (2017: 3%).

The estimated compound revenue annual growth rates ("Revenue CAGRs") covering the five year period for Kids, Men's and Women's Fashion, Footwear and Accessories and Brand Management are 4%, 10%, 6% and 7% respectively (2017: 3%, 13%, 3% and 16%).

The discount rate used is approximately 13%-14% (2017: 11%) and reflects market assessments of the time value of money and the specific risks relating to the CGU.

The retail environment has been going through a structural transformation and the current year's business performance of the Group has been significantly affected by challenges and intense competition in the industry. Taking into account the external market conditions and the current year's business performance, management has revised their long term revenue growth rates and discount rates used in their cash flow projections and recognized an impairment charge of US$1,050 million for goodwill relating to Kids, Men's and Women's Fashion and Footwear and Accessories for the financial year ended 31 March 2018.

Judgment is required to determine these key assumptions and a downward deviation of these assumptions will affect the cash flow projections negatively and may result in a further impairment to goodwill.

If the forecast revenue CAGRs covering the five-year period used in the calculation had been lower by 1% points, the Group would have recognized a further impairment charge of US$104 million for Kids, US$190 million for Men's and Women's Fashion, US$108 million for Footwear and Accessories and US$14 million for Brand Management.

If the discount rate used in the calculation had been higher by 0.5% point, the Group would have recognized a further impairment charge of US$22 million for Kids, US$37 million for Men's and Women's Fashion, US$29 million for Footwear and Accessories and US$8 million for Brand Management.

Amortization of computer software and system development cost and other intangible assets have been expensed in merchandising and administrative expenses.

Amortization of brand licenses has been expensed in cost of sales.

13 Property, Plant and Equipment

	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Total US$'000
At 1 April 2016					
Cost	150,261	114,999	27,616	4,099	296,975
Accumulated depreciation	(43,472)	(81,487)	(14,406)	(843)	(140,208)
Net book amount	106,789	33,512	13,210	3,256	156,767
Year ended 31 March 2017					
Opening net book amount	106,789	33,512	13,210	3,256	156,767
Exchange differences	(65)	(193)	24	26	(208)
Acquisition of businesses	–	59	–	–	59
Additions	54,440	21,545	175	126	76,286
Disposals	(6,505)	(4,576)	(55)	(99)	(11,235)
Depreciation	(14,116)	(15,732)	(1,577)	(95)	(31,520)
Closing net book amount	140,543	34,615	11,777	3,214	190,149
At 31 March 2017					
Cost	195,098	126,385	27,716	4,044	353,243
Accumulated depreciation	(54,555)	(91,770)	(15,939)	(830)	(163,094)
Net book amount	140,543	34,615	11,777	3,214	190,149
Year ended 31 March 2018					
Opening net book amount	**140,543**	**34,615**	**11,777**	**3,214**	**190,149**
Exchange differences	**350**	**(974)**	**(96)**	**33**	**(687)**
Acquisition of businesses *(Note 30)*	**388**	**194**	**5**	**-**	**587**
Additions	**28,868**	**33,034**	**543**	**26**	**62,471**
Disposals	**(1,509)**	**(9,000)**	**(548)**	**-**	**(11,057)**
Depreciation	**(18,137)**	**(17,277)**	**(1,863)**	**(76)**	**(37,353)**
Closing net book amount	**150,503**	**40,592**	**9,818**	**3,197**	**204,110**
At 31 March 2018					
Cost	**221,834**	**142,867**	**23,532**	**4,103**	**392,336**
Accumulated depreciation	**(71,331)**	**(102,275)**	**(13,714)**	**(906)**	**(188,226)**
Net book amount	**150,503**	**40,592**	**9,818**	**3,197**	**204,110**

Depreciation has been expensed in merchandising and administrative expenses.

14 Associate

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Beginning of the year	**3,791**	–
Addition	**–**	3,791
Dividends	**(4,031)**	–
Disposal of interest in an associate *(Note 28)*	**(3,791)**	–
Share of profit of an associate	**4,031**	–
Total interest in an associate	**–**	3,791

There are no contingent liabilities relating to the Group's interests in associate.

Details of the associate are set out in Note 40.

15 Joint Ventures

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
Beginning of the year	**60,838**	60,483
Dividends	**(1,102)**	–
Disposal of interest in a joint venture	**–**	(1,878)
Remeasurement of contingent consideration payable of a joint venture	**–**	(2,000)
Share of profits of joint ventures	**4,092**	4,233
Total interest in joint ventures	**63,828**	60,838

There are no contingent liabilities relating to the Group's interests in joint ventures.

Details of the joint ventures are set out in Note 40.

15 Joint Ventures (Continued)

SUMMARIZED FINANCIAL INFORMATION FOR INDIVIDUALLY IMMATERIAL JOINT VENTURES

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
The Group's share of profits after taxation and total comprehensive income	**4,092**	4,233

	31 March 2018 US$'000	31 March 2017 US$'000
Carrying amount of interests in joint ventures	**63,828**	60,838

Joint ventures are individually immaterial to the Group.

16 Available-For-Sale Financial Asset

	31 March 2018 US$'000	31 March 2017 US$'000
Unlisted investment *(Note 36)*	**1,000**	1,000

The investment represents 7.5% (31 March 2017: 7.5%) equity interest in a company incorporated and operated in the United States, which engaged in women's apparel, accessories, footwear and jewelry businesses.

The available-for-sale financial asset was denominated in US dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Inventories

	31 March 2018 US$'000	31 March 2017 US$'000
Raw materials	**15,186**	3,298
Finished goods	**516,761**	498,104
	531,947	501,402

The cost of inventories recognized as expense and included in cost of sales for the year ended 31 March 2018 amounted to US$2,483,031,000 (2017: US$2,476,105,000), which included inventory provision of US$149,000 (2017: reversal of inventory provision of US$243,000).

The total provision for inventory as at 31 March 2018 amounted to US$20,207,000 (31 March 2017: US$20,058,000).

18 Due From/(To) Related Companies

	31 March 2018 US$'000	31 March 2017 US$'000
Due from:		
Related companies	**9,499**	8,453
Due to:		
Related companies	**(516,217)**	(565,722)

NOTE: The amounts due from related companies are unsecured, interest free and repayable on demand or repayable within 12 months. The fair values of these amounts were approximately the same as the carrying values.

As of 31 March 2018, majority of the ageing of amounts due to related companies based on invoice date were less than 180 days. The fair values of these amounts were approximately the same as the carrying values.

19 Derivative Financial Instruments

	31 March 2018		31 March 2017
	Assets US$'000	**Liabilities US$'000**	Assets US$'000
Forward foreign exchange contracts *(Note 36)*	**–**	**(3,216)**	1,048
Put option *(Note 36)*	**400**	**–**	400
	400	**(3,216)**	1,448

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 March 2018 amounted to US$111,441,000 (31 March 2017: US$108,988,000).

The put option represents the Group's option to sell the equity interest in a subsidiary to the non-controlling interest.

20 Trade and Other Receivables

	31 March 2018 US$'000	31 March 2017 US$'000
Non-current assets		
Other receivables *(Note)*	**46,222**	45,311
Deposits	**2,256**	2,389
	48,478	47,700
Less: provision for impairment of other receivables	**(30,295)**	–
Other receivables and deposits – net	**18,183**	47,700
Current assets		
Trade receivables	**483,513**	377,614
Less: provision for impairment of trade receivables	**(11,599)**	(9,253)
Trade receivables – net	**471,914**	368,361
Other receivables, prepayments and deposits *(Note)*	**235,533**	245,109
Less: provision for impairment of other receivables	**(3,880)**	–
Other receivables, prepayments and deposits – net	**231,653**	245,109
	703,567	613,470

NOTE: As at 31 March 2018, included in the other receivables is US$34,175,000 which represents the convertible promissory note receivables from British Heritage Brands, Inc. ("BHB") (31 March 2017: US$30,295,000).

The non-current other receivables which are denominated in US dollars have an effective interest rate of 2.5% (31 March 2017: 4.1%) per annum at the balance sheet date.

The investment was intended to leverage on the strength of the support from BHB to develop the US market. However, the development in US was not up to the Group's expectations and the Management considered the recoverability risk to be high. Consequently, full provision of impairment was recognized for the outstanding note.

The fair values of the Group's trade and other receivables was approximately the same as their carrying values.

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

	31 March 2018 US$'000	31 March 2017 US$'000
Current to 90 days	**407,929**	333,373
91 to 180 days	**28,202**	7,458
181 to 360 days	**20,325**	12,307
Over 360 days	**15,458**	15,223
	471,914	368,361

20 Trade and Other Receivables (Continued)

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

As of 31 March 2018, trade receivables of US$430,124,000 (31 March 2017: US$337,149,000), that are current or less than 90 days past due are not considered impaired. Trade receivables of US$41,790,000 (31 March 2017: US$31,212,000) were past due over 90 days but not considered to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
91 to 180 days	**13,404**	5,359
Over 180 days	**28,386**	25,853
	41,790	31,212

As of 31 March 2018, outstanding trade receivables of US$11,599,000 (31 March 2017: US$9,253,000) were considered impaired and were fully provided. The individually impaired receivables mainly relate to transactions in disputes.

Movements in the Group's provision for impairment of trade receivables are as follows:

	US$'000	US$'000
At 1 April 2017/2016	**9,253**	7,604
Provision for receivable impairment *(Note 5)*	**4,758**	3,577
Receivables written off during the year as uncollectible	**(2,531)**	(1,045)
Unused amounts reversed *(Note 5)*	**(412)**	(666)
Exchange difference	**531**	(217)
At 31 March 2018/2017	**11,599**	9,253

The creation and release of provision for impaired receivables have been included in "Selling and distribution expenses" in the consolidated profit and loss account (Note 5). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Save as disclosed as above, the other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

20 Trade and Other Receivables (Continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 March 2018 US$'000	31 March 2017 US$'000
US dollar	**445,125**	425,811
Euro	**136,291**	101,064
Pound sterling	**35,924**	10,968
Renminbi	**42,087**	21,474
Canadian dollar	**16,367**	34,281
HK dollar	**19,497**	5,245
Others	**8,276**	14,627
	703,567	613,470

21 Cash and Bank Balances

	31 March 2018 US$'000	31 March 2017 US$'000
Cash and cash equivalents	**94,580**	170,517
Restricted cash *(Note)*	**3,696**	3,221
	98,276	173,738
Bank overdrafts – Unsecured *(Note 23)*	**(1,298)**	–

The effective interest rate at the balance sheet date on bank balances was 0.1% (31 March 2017: 0.3%) per annum.

NOTE: As at 31 March 2018, US$3,696,000 (31 March 2017: US$3,221,000) are restricted cash held at bank as reserve for business operation in Italy.

22 Trade and Other Payables

	31 March 2018 US$'000	31 March 2017 US$'000
Trade payables	**239,902**	133,920
Brand license payable *(Note 26)*	**49,824**	59,021
Accrued charges and sundry payables	**323,509**	253,732
	373,333	312,753
	613,235	446,673

The fair values of the Group's trade and other payables were approximately the same as their carrying values.

At 31 March 2018, the ageing of trade payables based on invoice date is as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
Current to 90 days	**218,814**	104,537
91 to 180 days	**6,802**	12,170
181 to 360 days	**4,221**	7,755
Over 360 days	**10,065**	9,458
	239,902	133,920

23 Bank Borrowings

	31 March 2018 US$'000	31 March 2017 US$'000
Non-current		
Long-term bank loans – Unsecured	**–**	1,118,000
Current		
Bank loans – Unsecured *(Note)*	**1,200,000**	–
Bank overdrafts – Unsecured *(Note 21)*	**1,298**	–
Total bank borrowings	**1,201,298**	1,118,000

NOTE: As stated in Note 2.1(a), subsequent to 31 March 2018, management has obtained the required consents from its lenders not take action under the Loan Agreement in relation to certain of the Company's obligations to comply with the relevant financial covenants for a 12-month period between 31 March 2018 and 31 March 2019.

The maturity of the bank loans is as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
Less than 1 year	**1,200,000**	–
Between 2–5 years	**–**	1,118,000
	1,200,000	1,118,000

The carrying amounts of the Group's borrowings approximated their fair values and the bank borrowings were at floating rate.

The effective interest rates at the balance sheet date were as follows:

	31 March 2018		31 March 2017
	USD	**EUR**	USD
Bank loans	**3.4%**	**–**	2.6%
Bank overdrafts	**–**	**1.5%**	–

23 Bank Borrowings (Continued)

The Group's contractual repricing dates for borrowings are all three months or less.

The carrying amounts of the borrowings are denominated in the following currencies:

	31 March 2018 US$'000	31 March 2017 US$'000
US dollar	**1,200,000**	1,118,000
Euro	**1,298**	–
	1,201,298	1,118,000

24 Share Capital and Reserves

(a) SHARE CAPITAL

	No. of ordinary shares	**Equivalent to HK$**	**Equivalent to US$**
Authorized share capital			
As at 1 April 2016, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
As at 31 March 2017, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
As at 1 April 2017, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
As at 31 March 2018, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
Issued and fully paid share capital			
As at 1 April 2016, ordinary shares of HK$0.0125 each	8,380,889,538	104,761,119	13,430,912
Issue of new shares of HK$0.0125 each on 12 October 2016 pursuant to 2014 Award Scheme and 2016 Award Scheme *(Note i)*	134,938,119	1,686,726	216,247
As at 31 March 2017, ordinary shares of HK$0.0125 each *(Note 37(a))*	8,515,827,657	106,447,845	13,647,159
As at 1 April 2017, ordinary shares of HK$0.0125 each	8,515,827,657	106,447,845	13,647,159
Issue of new shares of HK$0.0125 each on 22 August 2017 pursuant to 2016 Award Scheme *(Note ii)*	37,095,072	463,689	59,447
As at 31 March 2018, ordinary shares of HK$0.0125 each *(Note 37(a))*	8,552,922,729	106,911,534	13,706,606

NOTES:

(i) The closing market price per Share on the date of issue of new shares on 12 October 2016 was HK$0.92 per Share.

(ii) The closing market price per Share on the date of issue of new shares on 22 August 2017 was HK$0.70 per Share.

24 Share Capital and Reserves (Continued)

(b) CAPITAL RESERVES

On 23 June 2014, the Group completed a reorganization under which the Company and other companies now comprising the Group, which engaged in the business of designing and developing branded apparel and related products primarily for sales to retailers in the Americas, Europe, Middle East and Asia, were spun off from Li & Fung Limited and its subsidiaries.

The capital reserve of the Group represents the difference between the total capital contribution over the nominal value of the Company's shares issued in exchange therefore, pursuant to the Group's reorganization.

25 Share Options and Share Award Schemes

(a) SHARE OPTIONS

Details of Options granted by the Company pursuant to the Option Scheme and outstanding at 31 March 2018 are as follows:

			Number of Options			
Date of Grant	Exercise Price HK$	Exercise Period	As at 1/4/2017	In exchanges for share awards on 26/7/2017	Forfeited/ Lapsed	As at 31/3/2018
4/11/2014	1.70	1/1/2016-31/12/2018	6,157,895	-	(4,105,263)	2,052,632
4/11/2014	1.70	1/1/2017-31/12/2019	6,157,895	-	(4,105,263)	2,052,632
4/11/2014	1.70	1/1/2018-31/12/2020	4,105,263	-	(4,105,263)	-
4/11/2014	1.70	1/1/2019-31/12/2021	31,670,839	(13,933,997)	-	17,736,842
4/11/2014	1.70	1/1/2020-31/12/2022	31,670,839	-	-	31,670,839
4/11/2014	1.70	1/1/2021-31/12/2023	29,618,208	-	-	29,618,208
4/11/2014	1.70	1/1/2022-3/11/2024	2,736,842	-	-	2,736,842
28/5/2015	1.78	1/1/2018-31/12/2020	7,311,321	(7,311,321)	-	-
28/5/2015	1.78	1/1/2019-31/12/2021	7,311,321	-	-	7,311,321
28/5/2015	1.78	1/1/2020-31/12/2022	7,311,321	-	-	7,311,321
Total			134,051,744	(21,245,318)	(12,315,789)	100,490,637

No Options under the Option Scheme were granted or exercised during the year.

25 Share Options and Share Award Schemes (Continued)

(a) SHARE OPTIONS (CONTINUED)

On 11 August 2016, the Board resolved to terminate the operation of the Option Scheme. Accordingly, no further options could thereafter be offered or granted pursuant to the Option Scheme, but the provisions of the Option Scheme remain in full force and effect to govern the exercise of all the Options granted prior to 11 August 2016.

No shares had been allotted and issued under the Option Scheme during the year. However, two grantees under the Option Scheme had forgone their rights under a total of 21,245,318 options previously granted to them under the Option Scheme in exchange for share awards granted under the Company's Award Schemes on 26 July 2017, being part of the Company's long term incentive plan. As at 31 March 2018, 4,105,264 options remain exercisable and 96,385,373 options are still unvested (after taking into account options that have forfeited/lapsed or exchanged for share awards).

(b) SHARE AWARD SCHEMES

The Company adopted two share award schemes on 16 September 2014 and 15 September 2016 respectively to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. Two trustees, independent third parties, are appointed by the Company for the purpose of administering the 2014 Award Scheme and the 2016 Award Scheme.

Details of share awards granted by the Company pursuant to the share award schemes and outstanding as at 31 March 2018 are as follows:

(i) 2014 Award Scheme

		Number of Shares				
Date of Grant	**Vesting Period/ Date**	**As at 1/4/2017**	**Granted**	**Vested & Released**	**Unvested/ Forfeited**	**As at 31/3/2018**
11/5/2015	31/12/2017–31/12/2020	65,174,411	–	–	–	65,174,411[1]
25/2/2016	31/12/2017	16,096,909	–	(12,629,355)	(2,173,987)	1,293,567[1]
5/10/2016	31/12/2017–31/12/2018	19,892,119	–	(2,454,619)	(830,357)	16,607,143[1]
18/11/2016	31/12/2017–31/12/2018	22,547,044	–	–	–	22,547,044[1]
26/7/2017	31/3/2019	–	2,915,509	–	(151,108)	2,764,401
Total		123,710,483	2,915,509	(15,083,974)	(3,155,452)	108,386,566

25 Share Options and Share Award Schemes (Continued)

(b) SHARE AWARD SCHEMES (CONTINUED)

(ii) 2016 Award Scheme

		Number of Shares				
Date of Grant	**Vesting Period/ Date**	**As at 1/4/2017**	**Granted**	**Vested & Released**	**Unvested/ Forfeited**	**As at 31/3/2018**
5/10/2016	31/12/2017-31/12/2018	89,583,726	-	(19,918,890)	(15,666,070)	53,998,766[1]
5/10/2016	31/12/2018	20,931,146	-	-	(1,383,927)	19,547,219
18/11/2016	31/12/2017-31/12/2018	50,353,018	-	(3,598,214)	(553,571)	46,201,233[1]
26/7/2017	26/7/2017	-	2,266,631	(2,266,631)	-	-
26/7/2017	31/3/2018	-	276,786	-	-	276,786[2]
26/7/2017	31/3/2019	-	88,832,010	-	(5,288,799)	83,543,211
Total		160,867,890	91,375,427	(25,783,735)	(22,892,367)	203,567,215

NOTES:

(1) Share awards with the scheduled vesting date of 31 December 2017 (Sunday) were vested on 2 January 2018, i.e. the business day immediately after the holiday. Some of such share awards had not been released and were withheld by the trustees of the Award Schemes as at 31 March 2018.

(2) 276,786 share awards were vested on 3 April 2018, i.e. the business day immediately after the scheduled vesting date of 31 March 2018 (Sunday) and were released to the relevant grantee.

The fair value of the share awards was calculated based on the market price of the Company's shares at the respective grant date. During the year ended 31 March 2018, share awards were granted to eligible persons of the Group with a fair value of HK$0.79 per share (equivalent to approximately US$0.10 per share).

On 26 July 2017, 2,915,509 and 91,375,427 share awards were granted to certain eligible participants under the 2014 Award Scheme and the 2016 Award Scheme respectively, totaling 94,290,936 share awards. Out of which, 11,471,064 share awards were granted to two grantees who have forgone part of their rights under the options previously granted to them under the Option Scheme. The incremental fair values were HK$0.79 per share (equivalent to US$0.10 per share) in respect of the share awards granted on 26 July 2017.

Of the total 94,290,936 share awards granted on 26 July 2017, 37,095,072 new shares were issued and allotted to a trustee of the 2016 Award Scheme on 22 August 2017 and the balance has been satisfied by the Company transferring funds to the trustees to purchase Shares in the open market and applying from share awards which were unvested and/or forfeited and available for re-grant.

As at 31 March 2018, 329,255,986 share awards of the Company (31 March 2017: 287,328,623 share awards) were held by the trustees and had not been vested and/or released to the grantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 Long-Term Liabilities

	31 March 2018 US$'000	31 March 2017 US$'000
Purchase consideration payable for acquisitions		
Purchase consideration payable for acquisitions *(Note (a))*	**129,789**	195,528
Less:		
Current portion of purchase consideration payable for acquisitions	**(56,916)**	(80,427)
	72,873	115,101
Other long-term liabilities		
Brand license payable	**609,936**	400,567
Written put option liabilities *(Note (b))*	**74,625**	98,281
Other payables	**691**	4,135
Other non-current liability (non-financial liability)	**63,055**	66,793
	748,307	569,776
Less:		
Current portion of brand license payable *(Note 22)*	**(49,824)**	(59,021)
Current portion of other payables	**–**	(3,979)
	698,483	506,776

NOTES:

(a) Purchase consideration payable for acquisitions are unsecured and interest-free.

Purchase consideration payable for acquisitions as at 31 March 2018 amounted to US$129,789,000 (31 March 2017: US$195,528,000), of which US$4,803,000 (31 March 2017: US$3,069,000) was initial consideration payable, US$72,642,000 (31 March 2017: US$114,246,000) was primarily earn-out and US$52,344,000 (31 March 2017: US$78,213,000) 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.

Earn-out and earn-up of certain acquisitions were remeasured during the year, details are set out in Note 5.

(b) A wholly-owned subsidiary of the Company and, among others, CAA LLC, entered into a partnership agreement, effective on 1 July 2016, to establish CAA-GBG.

The Group and Project 33, LLC ("Project 33"), holding 7.2% effective interest in CAA-GBG after the partnership agreement is effective, entered into a put/call option agreement (the "Project 33 Put/Call Option") pursuant to which, at any time after 1 July 2021, Project 33 will have the right to require the Group to purchase 7.2% interest in CAA-GBG, and the Group will have the right to acquire from Project 33 7.2% interest in CAA-GBG. The exercise price for the option will be based on the fair market value of Project 33's underlying interest in CAA-GBG, and up to a maximum of US$35,000,000.

CAA LLC, holding 20% effective interest in CAA-GBG, was granted a put option (the "CAA LLC Put Option") which entitles CAA LLC, to require the Group to purchase up to effectively 15% equity interest in CAA-GBG. The put option will be exercisable at any time after 1 July 2023. The exercise price for the put option will be based on the fair market value of the CAA-GBG interest to be transferred, and up to a maximum of US$90,000,000.

The financial liabilities that may become payable under the Project 33 Put/Call Option and the CAA LLC Put Option were initially recognized at fair value within other long-term liabilities with a corresponding charge directly to equity, as put options written on non-controlling interests.

The put option liabilities were re-measured at their fair values from the changes in the expected performance of CAA-GBG as at 31 March 2018 and resulting a gain of US$23,656,000 recognized in the consolidated profit and loss account during the year ended 31 March 2018.

26 Long-Term Liabilities (Continued)

The maturities of the financial liabilities are as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
Within 1 year	**106,740**	143,427
Between 1 and 2 years	**276,424**	149,888
Between 2 and 5 years	**274,534**	252,627
Over 5 years	**157,343**	152,569
	815,041	698,511

The fair values of the financial liabilities (non-current portion) are as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
Purchase consideration payable for acquisitions	**72,873**	115,101
Brand license payable	**560,112**	341,546
Written put option liabilities	**74,625**	98,281
Other payables	**691**	156
	708,301	555,084

The carrying amounts of financial liabilities are denominated in the following currencies:

	31 March 2018 US$'000	31 March 2017 US$'000
US dollar	**787,528**	666,132
Pound sterling	**21,372**	26,705
Euro	**4,513**	4,221
Others	**1,628**	1,453
	815,041	698,511

27 Deferred Taxation

The movement on the net deferred tax (assets)/liabilities is as follows:

	US$'000	US$'000
At 1 April 2017/2016	**15,566**	(1,942)
(Credited)/charged to consolidated profit and loss account *(Note 7)*	**(236,614)**	14,137
Acquisition of businesses *(Note 30)*	**1,480**	2,035
Adjustments to purchase consideration payable for acquisitions and net asset value	**(26)**	1,609
Effect of change in tax rate	**(3,843)**	–
Exchange differences	**680**	(273)
At 31 March 2018/2017	**(222,757)**	15,566

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group has unrecognized tax losses of US$177,183,000 (31 March 2017: US$146,622,000) to carry forward against future taxable income, out of which US$112,520,000 will expire during 2018-2037 (31 March 2017: US$131,230,000 will expire during 2017-2036) and other unrecognized tax losses have no expiry date. Deferred tax assets for these tax losses are not recognized as it is not probable that the losses will be utilized in the foreseeable future.

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Provisions		**Decelerated tax depreciation allowances**		**Tax losses**		**Intangible assets arising from business combinations**		**Others**		**Total**	
Deferred tax assets	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 April 2017/2016	**78,147**	70,838	**127**	126	**150,693**	162,605	**-**	-	**-**	63	**228,967**	233,632
Credited/(charged) to consolidated profit and loss account	**37,701**	7,437	**1,758**	8	**(11,199)**	(11,910)	**-**	-	**2,625**	(63)	**30,885**	(4,528)
Effect of change in tax rate	**(46,052)**	-	**-**	-	**(41,594)**	-	**-**	-	**-**	-	**(87,646)**	-
Reclassification from deferred tax liabilities	**-**	-	**2,779**	-	**-**	-	**48,039**	-	**-**	-	**50,818**	-
Exchange differences	**227**	(128)	**(494)**	(7)	**-**	(2)	**-**	-	**-**	-	**(267)**	(137)
At 31 March 2018/2017	**70,023**	78,147	**4,170**	127	**97,900**	150,693	**48,039**	-	**2,625**	-	**222,757**	228,967

27 Deferred Taxation (Continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows: (Continued)

Deferred tax liabilities	Accelerated tax depreciation allowances US$'000	US$'000	Intangible assets arising from business combinations US$'000	US$'000	Total US$'000	US$'000
At 1 April 2017/2016	**(7,256)**	1,698	**251,789**	229,992	**244,533**	231,690
Charged/(credited) to consolidated profit and loss account	**884**	(8,953)	**(206,613)**	18,562	**(205,729)**	9,609
Acquisition of businesses/subsidiaries *(Note 30)*	**-**	-	**1,480**	2,035	**1,480**	2,035
Adjustments to purchase consideration payable for acquisitions and net asset value [i]	**-**	-	**(26)**	1,609	**(26)**	1,609
Effect of change in tax rate	**3,592**	-	**(95,081)**	-	**(91,489)**	-
Reclassification to deferred tax assets	**2,779**	-	**48,039**	-	**50,818**	-
Exchange differences	**1**	(1)	**412**	(409)	**413**	(410)
At 31 March 2018/2017	**-**	(7,256)	**-**	251,789	**-**	244,533

i These are adjustments to purchase consideration payable for acquisitions and net assets value related to acquisition of business in the prior year, which were previously determined on a provisional basis. During the measurement period of 12 months following a transaction, the Group recognized an adjustment to the provisional amounts as if the accounting for the business combination had been competed on the acquisition date.

After offsetting balances within the same tax jurisdiction, the balances as disclosed in the consolidated balance sheet are as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
Deferred tax assets	**233,585**	2,956
Deferred tax liabilities	**(10,828)**	(18,522)
	222,757	(15,566)

	31 March 2018 US$'000	31 March 2017 US$'000
The amounts shown in the consolidated balance sheets include the following:		
Deferred tax assets to be recovered after more than 12 months	**233,585**	2,956
Deferred tax liabilities to be settled after more than 12 months	**10,828**	18,522

28 Disposal of Interest in an Associate

In March 2017, the Group (the seller) entered into a purchase agreement with an independent third party (the buyer), pursuant to which the Group agreed to sell 51% of the equity interest in a subsidiary at a consideration of US$100 million and a gain on disposal of interest in a subsidiary of US$96,055,000 was recognized. The consideration was subsequently received during the year ended 31 March 2018.

In September 2017, the Group entered into a purchase agreement with the buyer, pursuant to which the Group agreed to sell remaining 49% of the equity interest in the associate to the buyer at a consideration of US$73 million (the "Disposal").

Details of net assets disposed at date of Disposal are set out below:

	US$'000
Book value of net assets disposed – interest in an associate *(Note 14)*	3,791

Analysis of gain on Disposal is as follows:

	US$'000
Consideration received net of cost incurred	70,300
Less: Net assets disposed – interest in an associate	(3,791)
Gain on disposal of interest in an associate	66,509

Analysis of net inflow of cash and cash equivalents in respect of the Disposal:

	US$'000
Consideration received	73,000
Cost incurred in respect of the disposal	(2,700)
Net inflow of cash and cash equivalents in respect of the Disposal	70,300

29 Notes to the Consolidated Cash Flow Statement

(a) RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW USED IN)/INFLOW GENERATED FROM OPERATIONS

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000
(Loss)/profit before taxation	**(1,116,419)**	123,691
Interest income	**(2,650)**	(1,964)
Interest expenses	**100,413**	79,552
Depreciation	**37,353**	31,520
Amortization of computer software and system development costs	**13,115**	9,779
Amortization of brand licenses	**217,079**	165,431
Amortization of other intangible assets	**69,573**	80,957
Loss on disposal of property, plant and equipment	**1,154**	3,245
Write-off of intangible assets	**59,371**	–
Impairment of goodwill	**1,049,744**	–
Provision for impairment of other receivables	**34,175**	–
Share of profits of an associate and joint ventures	**(8,123)**	(4,233)
Employee share option and share award expenses	**18,069**	26,715
Losses/(gains) on forward foreign exchange contracts	**4,264**	(4,547)
Change in redemption value on put option written on non-controlling interests	**(23,656)**	–
Gain on disposal of business	**(11,673)**	–
Gain on disposal of trademarks	**(11,000)**	–
Gain on disposal of interest in a subsidiary	**–**	(96,055)
Gain on disposal of interest in an associate	**(66,509)**	–
Loss from disposal of interest in a joint venture	**–**	78
Gain on remeasurement of contingent consideration payable	**(15,000)**	(20,269)
Operating profit before working capital changes	**349,280**	393,900
Decrease in inventories	**1,382**	94,059
Increase in trade receivables, other receivables, prepayments and deposits and amounts due from related companies	**(166,841)**	(80,000)
Decrease in trade payables, accrued charges and sundry payables, brand license payable and amounts due to related companies	**(214,737)**	(122,434)
Net cash (outflow used in)/inflow generated from operations	**(30,916)**	285,525

29 Notes to the Consolidated Cash Flow Statement (Continued)

(b) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	US$'000	US$'000
Bank borrowings		
At 1 April 2017/2016	**1,118,000**	996,047
Drawdown of bank borrowings	**307,000**	243,000
Repayment of bank borrowings	**(225,000)**	(121,047)
At 31 March 2018/2017	**1,200,000**	1,118,000

30 Business Combinations

In May and July 2017, the Group acquired businesses which engaged in women's apparel.

In September 2017, the Group acquired a business engaged in brand management.

In October 2017, the Group acquired a business engaged in accessories.

The acquired businesses contributed revenue of US$288,554,000, operating profit of US$15,765,000 and net profit of US$14,689,000 to the Group for the year ended 31 March 2018. If the acquisitions had occurred on 1 April 2017, the Group's revenue, operating loss and net loss for the year ended 31 March 2018 would have been US$4,167,757,000, US$1,071,727,000 and US$914,797,000 respectively.

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

	US$'000
Purchase consideration	57,203
Less: Aggregate fair value of net assets acquired [i]	(14,245)
Goodwill	42,958
Acquisition-related costs	3,867

i As at 31 March 2018, verification of individual assets/liabilities of some 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 profitability and the synergies expected to arise from the acquired businesses.

30 Business Combinations (Continued)

The initial carrying amounts of the assets and liabilities, other than intangible assets arising from business combinations, of the acquired businesses approximate their fair values at respective acquisition dates and are as follows:

	US$'000
Net assets acquired:	
Intangible assets *(Note 12)**	11,006
Property, plant and equipment *(Note 13)*	587
Inventories	39,001
Trade receivables	8,961
Other receivables, prepayments and deposits	749
Cash and bank balances	166
Tax payable	(705)
Trade payables	(577)
Accrued charges and sundry payables	(43,463)
Deferred tax liabilities *(Note 27)*	(1,480)
Fair value of net assets acquired	14,245

* Intangible assets arising from business combinations represent customer relationships, trade names, license agreements and licensor relationships. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 (Revised) "Business Combinations". As at the date of the financial statements, the Group has not finalized the fair value assessments for some of the intangible assets. The relevant fair values of intangible assets stated above are stated on a provisional basis.

Analysis of the net outflow of cash and cash equivalents in respect of the acquisitions:

	US$'000
Purchase consideration	57,203
Purchase consideration payable**	(27,211)
Cash and cash equivalents acquired	(166)
Net outflow of cash and cash equivalents in respect of the acquisitions	29,826

** Balances are the discounted aggregate estimated fair value of contingent consideration payable for the acquired businesses as at respective acquisition dates. As at 31 March 2018, the balances included initial consideration payable of US$3 million, performance-based earn-out of US$13 million and earn-up contingent considerations of US$11 million. Final amounts of consideration settlements will be determined based on future performance of the acquired businesses.

31 Commitments

(a) OPERATING LEASE COMMITMENTS

The Group leases various offices, retail stores and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 13 years. As at 31 March 2018, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
Within one year	**88,863**	73,769
In the second to fifth year inclusive	**260,883**	254,352
After the fifth year	**219,133**	240,086
	568,879	568,207

(b) CAPITAL COMMITMENTS

	31 March 2018 US$'000	31 March 2017 US$'000
Contracted but not provided for:		
Property, plant and equipment	**3,546**	22,226
Computer software and system development costs	**10,676**	7,336
	14,222	29,562

32 Charges on Assets

As at 31 March 2018, there were no charges on the assets and undertakings of the Group (31 March 2017: Nil).

33 Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with its related parties during the year ended 31 March 2018:

	Note	**Year ended 31 March 2018 US$'000**	Year ended 31 March 2017 US$'000
Purchases and service fees	*(i)*	**1,347,371**	1,424,262
Logistic service fee	*(ii)*	**4,290**	4,026
Operating leases rental income	*(iii)*	**368**	546
Operating leases rental paid	*(iii)*	**2,450**	3,036
Distribution and sales of goods	*(iv)*	**1,908**	1,113
Royalty income	*(v)*	**5,500**	5,714

NOTES:

(i) The amounts stated which are made on normal commercial terms and conditions mutually agreed between the Group and the related companies as buying agent, includes inventory costs and service related fees.

(ii) The logistics services fee charged by related companies was made on normal commercial terms and conditions mutually agreed between the Group and the related companies.

(iii) The operating leases rental was paid/charged by related companies of the Group based on mutually agreed terms.

(iv) The distribution and sales of goods was made on normal commercial terms and conditions mutually agreed between the Group and the related companies.

(v) On 15 September 2015, the Group entered into a license agreement with Trinity International Brands Limited ("Trinity"), an associate of Fung Holdings (1937) Limited, pursuant to which the Group agreed to grant Trinity or its affiliates the right to use the trademarks "BECKHAM" and "DAVID BECKHAM" and David Beckham's image, name, voice and likeness in the promotion, design, manufacture and distribution of certain products under Kent & Curwen brand. The royalty was charged based on mutually agreed terms.

The foregoing related party transactions also fall under the definition of continuing connected transactions of the Company as stipulated in the Listing Rules on the Stock Exchange.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in Note 11.

Save as above, the Group had no material related party transactions during the year.

34 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a)MARKET RISK

(i) Foreign exchange risk

Most of the Group's cash balances represented deposits mainly in US dollars 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 contracts with terms less than 12 months.

At 31 March 2018, if the major foreign currencies, such as Euro, Pound Sterling and Renminbi, to which the Group had exposure had strengthened/weakened by 10% (31 March 2017: 10%) against US and HK dollars with all other variables held constant, loss/profit for the year and equity would have been approximately 1.0% higher/lower (31 March 2017: 1.9% lower/higher) and 1.6% (31 March 2017: 1.1%) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables.

(ii) Price risk

At 31 March 2018 and up to the report date of the financial statements, the Group held no material financial instruments which are subject to price risk, except for the available-for-sale financial asset (Note 16).

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to consider a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

At 31 March 2018, if the variable interest rates on the bank borrowings had been 0.1% (31 March 2017: 0.1%) higher/lower with all other variables held constant, profit for the year and equity would have been approximately US$1,068,000 (31 March 2017: US$1,040,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

34 Financial Risk Management (Continued)

(b) CREDIT RISK

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 and reputable global financial institutions. The Group has stringent policies in place to manage its credit risk with trade and other 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 that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that 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 system with a dedicated team to ensure on-time recoveries from its trade debtors; and

(iv) It has set up rigid policies internally on provision 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.

The Group's five largest customers, in aggregate, account for less than 40% of the Group's business. Transactions with these customers are entered into within the credit limits designated by the Group.

Except for trade receivables of US$11,599,000 (31 March 2017: US$9,253,000) which were considered impaired and were fully provided, none of the other financial assets including due from related companies (Note 18) and other receivables and deposits (Note 20) are considered impaired as there is no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

(c) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents (Note 21)) on the basis of expected cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Financial Risk Management (Continued)

(c) LIQUIDITY RISK (CONTINUED)

The table below analyzes the liquidity impact of the Group's long-term liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Accordingly, these amounts will not reconcile to the amounts disclosed on the consolidated balance sheet and in Note 26 for long-term liabilities.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 March 2018				
Bank loans	**1,200,000**	**–**	**–**	**–**
Purchase consideration payable for acquisitions	**57,475**	**32,702**	**38,915**	**3,917**
Brand license payable	**65,603**	**153,271**	**285,308**	**160,860**
Trade payables	**239,902**	**–**	**–**	**–**
Accrued charges and sundry payables	**323,509**	**–**	**–**	**–**
Due to related companies (trade)	**516,217**	**–**	**–**	**–**
Written put option liabilities	**–**	**–**	**27,519**	**55,224**
At 31 March 2017				
Bank loans	28,556	28,556	1,158,429	–
Purchase consideration payable for acquisitions	81,714	42,296	64,124	8,534
Brand license payable	65,807	113,732	166,969	82,204
Trade payables	133,920	–	–	–
Accrued charges and sundry payables	253,732	–	–	–
Due to related companies (trade)	565,722	–	–	–
Written put option liabilities	–	–	36,468	74,719

The table below summarizes the maturity analysis of bank borrowings with a repayment on demand clause based on original agreed scheduled repayments set out in the loan agreements. As described in Note 2.1(a) subsequent to 31 March 2018, management has obtained the required consents from its lenders not take action under the Loan Agreements in relation to certain of the Company's obligations to comply with relevant financial covenants for a 12 month period between 31 March 2018 and 31 March 2019 ("waiver"). Notwithstanding these consents, taking into account the Group's good track records and relationships with the banks, the directors believe that it will reach agreement with its banks such that bank borrowings will be repaid in accordance with their original scheduled repayment dates set out in the loan agreements.

	Maturity analysis – bank loans subject to a repayment on demand clause based on scheduled repayments			
	Less than 1 year US$'000	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**	**Over 5 years US$'000**
At 31 March 2018	**40,541**	**528,645**	**730,849**	**–**

35 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net bank debt divided by total capital. Net bank debt is calculated as total borrowings (including bank loans and bank overdrafts (Note 23), less cash and bank balances (Note 21)). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net bank debt.

The gearing ratios at 31 March 2018 and 31 March 2017 were as follows:

	31 March 2018 US$'000	31 March 2017 US$'000
Bank loans *(Note 23)*	**1,200,000**	1,118,000
Bank overdrafts *(Note 23)*	**1,298**	–
	1,201,298	1,118,000
Less: Cash and bank balances *(Note 21)*	**(98,276)**	(173,738)
Net bank debt	**1,103,022**	944,262
Total equity	**1,615,241**	2,455,665
Total capital	**2,718,263**	3,399,927
Gearing ratio	**40.6%**	27.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Fair Value Estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels of values have been defined as follow:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2018.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial asset *(Note 16)*	**–**	**–**	**1,000**	**1,000**
Derivative financial instruments *(Note 19)*	**–**	**–**	**400**	**400**
Liabilities				
Derivative financial instruments *(Note 19)*	**–**	**3,216**	**–**	**3,216**
Purchase consideration payable for acquisitions *(Note 26(a))*	**–**	**–**	**129,789**	**129,789**
Written put option liabilities *(Note 26(b))*	**–**	**–**	**74,625**	**74,625**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2017.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial asset *(Note 16)*	–	–	1,000	1,000
Derivative financial instruments *(Note 19)*	–	1,048	400	1,448
Liabilities				
Purchase consideration payable for acquisitions *(Note 26(a))*	–	–	195,528	195,528
Written put option liabilities *(Note 26(b))*	–	–	98,281	98,281

36 Fair Value Estimation (Continued)

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 March 2018.

	Available-for-sale financial asset US$'000	Derivative financial instruments – assets US$'000	Purchase consideration payable for acquisitions US$'000	Written put option liabilities US$'000
Opening balance	**1,000**	**400**	**195,528**	**98,281**
Additions	**–**	**–**	**27,211**	**–**
Change in redemption value	**–**	**–**	**–**	**(23,656)**
Settlements	**–**	**–**	**(85,507)**	**–**
Remeasurement of purchase consideration payable for acquisitions	**–**	**–**	**(15,000)**	**–**
Remeasurement period adjustment	**–**	**–**	**(648)**	**–**
Others	**–**	**–**	**8,205**	**–**
Closing balance	**1,000**	**400**	**129,789**	**74,625**

36 Fair Value Estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 March 2017.

	Available-for-sale financial asset US$'000	Derivative financial instruments – assets US$'000	Purchase consideration payable for acquisitions US$'000	Written put option liabilities US$'000
Opening balance	1,000	400	293,152	–
Additions	–	–	51,107	98,281
Settlements	–	–	(110,037)	–
Remeasurement of purchase consideration payable for acquisitions	–	–	(20,269)	–
Remeasurement period adjustment	–	–	(18,461)	–
Others	–	–	36	–
Closing balance	1,000	400	195,528	98,281

The discount rate used to compute the fair value is based on the then prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no other changes in valuation techniques during the year.

There were no transfers between levels 1, 2 and 3 during the year.

37 Balance Sheet and Reserve Movement of the Company

(a) BALANCE SHEET – THE COMPANY

	Note	**31 March 2018 US$'000**	31 March 2017 US$'000
Non-current assets			
Interests in subsidiaries		**1,265,381**	2,315,125
Current assets			
Cash and bank balances		**1**	1
Current liabilities			
Accrued charges and sundry payables		**1,091**	494
Due to subsidiaries		**41,613**	56,252
		42,704	56,746
Net current liabilities		**(42,703)**	(56,745)
Total assets less current liabilities		**1,222,678**	2,258,380
Financed by:			
Share capital	*24(a)*	**13,707**	13,647
Reserves	*37(b)*	**1,208,971**	2,244,733
Total equity		**1,222,678**	2,258,380

On behalf of the Board

William Fung Kwok Lun
Director

Bruce Philip Rockowitz
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Balance Sheet and Reserve Movement of the Company (Continued)

(b) RESERVE MOVEMENT – THE COMPANY

	Capital reserves US$'000	Employee share-based compensation reserve US$'000	Shares held for share award scheme US$'000 *Note 25(b)*	Retained earnings/ (accumulated losses) US$'000	Total US$'000
Balance at 1 April 2016	2,235,626	24,986	(21,903)	(791)	2,237,918
Net loss	–	–	–	(1,025)	(1,025)
Issue of shares for share award schemes	–	–	(216)	–	(216)
Shares purchased for share award schemes	–	–	(18,659)	–	(18,659)
Employee Share Option and Share Award Schemes:					
– value of employee services	–	26,715	–	–	26,715
– vesting of share award schemes	–	(19,927)	13,353	6,574	–
Balance at 31 March 2017	2,235,626	31,774	(27,425)	4,758	2,244,733
Balance at 1 April 2017	**2,235,626**	**31,774**	**(27,425)**	**4,758**	**2,244,733**
Net loss	**–**	**–**	**–**	**(1,050,434)**	**(1,050,434)**
Issue of shares for share award schemes	**–**	**–**	**(60)**	**–**	**(60)**
Shares purchased for share award schemes	**–**	**–**	**(3,337)**	**–**	**(3,337)**
Employee Share Option and Share Award Schemes:					
– value of employee services	**–**	**18,069**	**–**	**–**	**18,069**
– vesting of share award schemes	**–**	**(20,739)**	**5,014**	**15,725**	**–**
Balance at 31 March 2018	**2,235,626**	**29,104**	**(25,808)**	**(1,029,951)**	**1,208,971**

38 Material Non-Controlling Interest

SUMMARIZED FINANCIAL INFORMATION ON SUBSIDIARIES WITH NON-CONTROLLING INTEREST THAT ARE MATERIAL TO THE GROUP

Set out below is the summarized financial information for CAA-GBG LLP and Seven Global LLP which are subsidiaries that have non-controlling interest that are material to the Group.

Summarized balance sheet

	CAA-GBG LLP		Seven Global LLP	
	31 March 2018 US$'000	31 March 2017 US$'000	**31 March 2018 US$'000**	31 March 2017 US$'000
Current				
Assets	**141,113**	105,056	**38,024**	18,994
Liabilities	**(203,101)**	(174,764)	**(484)**	(16)
	(61,988)	(69,708)	**37,540**	18,978
Non-current				
Assets	**127,442**	99,105	**1**	1
Liabilities	**(31,512)**	(5,917)	**–**	–
	95,930	93,188	**1**	1
Net assets	**33,942**	23,480	**37,541**	18,979

Summarized statement of comprehensive income

	CAA-GBG LLP		Seven Global LLP	
	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000	**Year ended 31 March 2018 US$'000**	Year ended 31 March 2017 US$'000
Revenue	**268,742**	187,927	**31,662**	19,199
Profit after taxation and total comprehensive income	**15,716**	15,509	**27,448**	16,658
Total comprehensive income allocated to non-controlling interest	**3,907**	5,020	**10,125**	2,148
Distribution to non-controlling interest	**(3,492)**	–	**(8,747)**	(6,191)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Material Non-Controlling Interest (Continued)

SUMMARIZED FINANCIAL INFORMATION ON SUBSIDIARIES WITH NON-CONTROLLING INTEREST THAT ARE MATERIAL TO THE GROUP (CONTINUED)

Summarized cash flows

	CAA-GBG LLP		**Seven Global LLP**	
	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000	**Year ended 31 March 2018 US$'000**	Year ended 31 March 2017 US$'000
Net cash (outflow)/inflow from operating activities	**(1,908)**	87,235	**6,295**	8,857
Net cash outflow from investing activities	**(3,692)**	(63,316)	**–**	–
Net cash (outflow)/inflow from financing activities	**–**	1,730	**(8,746)**	(6,190)
(Decrease)/increase in cash and cash equivalents	**(5,600)**	25,649	**(2,451)**	2,667
Cash and cash equivalents at 1 April 2017	**25,649**	–	**2,667**	–
Cash and cash equivalents at 31 March 2018	**20,049**	25,649	**216**	2,667

The information above is the amount before inter-company eliminations.

39 Event After Balance Sheet Date

On 27 June 2018, the Company agreed to sell a significant part of its North American licensing business, comprising all of its North American kids business, all of its North American accessories business, and a majority of its West Coast and Canadian fashion businesses to a third party group for a purchase price payable in cash of US$1.38 billion.

Completion of the transaction ("Closing") is subject to the fulfilment or waiver of certain customary conditions, including in particular the approval of the shareholders of the Company which will be sought at a Special General Meeting to be convened in due course. The current target date for Closing is 31 August 2018.

40 Principal Subsidiaries, Associate and Joint Ventures

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
	Held directly				
(1)	GBG Asia Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
(1)	GBG International Holding Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	Held indirectly				
	Added Extras LLC	United States	Capital contribution US$1	100	Wholesaling
	Agencia de Licencias Globales S.A. DE C.V.	Mexico	Ordinary Pesos 5,036,304	72.7	Brand management
	American Marketing Enterprises Inc.	United States	Common stock US$1,000	100	Wholesaling
	Avanguardia S.r.l.	Italy	Registered capital EUR26,000	100	Research, design and logistical advice
	Briefly Stated Holdings, Inc.	United States	Common stock US$1,000	100	Investment holding
	Briefly Stated, Inc.	United States	Common stock US$3,000	100	Wholesaling
(1)	CAA-GBG France SAS (Formerly: The Licensing Company France SAS)	France	Ordinary EUR40,500	72.7	Marketing and exploitation of intellectual properties
(1)	CAA-GBG Germany GmbH (Formerly: The Licensing Company Germany GmbH)	Germany	EUR25,564.59	72.7	Marketing and exploitation of intellectual properties
	CAA-GBG Holding Company Limited	England and Wales	Ordinary GBP1	72.7	Brand management
	CAA-GBG International Limited (Formerly: The Licensing Company International Limited)	England and Wales	A Ordinary GBP90 B Ordinary GBP10	72.7	Marketing of intellectual properties and related consultancy services
	CAA-GBG LLP	England and Wales	Capital contribution GBP1	72.7	Brand management

40 Principal Subsidiaries, Associate and Joint Ventures (Continued)

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
(1)	CAA-GBG North America Inc. (Formerly: The Licensing Company North America Inc.)	United States	Common stock US$0.1	72.7	Marketing of intellectual properties
	CAA-GBG UK Limited (Formerly: The Licensing Company Limited)	England and Wales	A Ordinary GBP13.05 B Ordinary GBP1.28	72.7	Marketing of intellectual properties and related consultancy services
	CAA-GBG USA, LLC	United States	Capital contribution US$1	72.7	Brand management
	Ediciones P&L S.A.C.	Peru	Ordinary S/5,000	72.7	Brand management
	F&T Apparel LLC	United States	Capital contribution US$1	100	Wholesaling
	Frye Retail, LLC	United States	Capital contribution US$1	100	Real estate holding and retailing
	GBG-BCBG Canada Holdings ULC	British Columbia, Canada	Common shares CAD100	100	Brand management
	GBG-BCBG LLC	United States	Capital contribution US$1	100	Brand management
	GBG-BCBG Retail LLC	United States	Capital contribution US$1	100	Retail
(1)	GBG (Philippines), Inc.	Philippines	Common share Pesos 8,711,600	100	Brand management and licensing support
	GBG Accessories Group LLC	United States	Capital contribution US$1	100	Wholesale accessories
	GBG Beauty LLC	United States	Capital contribution US$1	100	Investment holding
	GBG Canada Apparel & Accessories ULC	British Columbia, Canada	Common shares CAD10	100	Wholesaling
	GBG Denim Retail LLC	United States	Capital contribution US$1	100	Retail operations
	GBG Denim USA, LLC	United States	Capital contribution US$10	100	Wholesaling
	GBG Europe Footwear & Accessories Limited (Formerly: TLG Brands Limited)	England and Wales	Ordinary GBP8,736,348	100	Trading company

40 Principal Subsidiaries, Associate and Joint Ventures (Continued)

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
	GBG Germany Holding GmbH	Germany	EUR25,000	100	Investment holding
	GBG Gestão de Marcus Ltda. (GBG Brand Management Ltda.)	Brazil	Quotas R$1,000	72.7	Consultancy and brand management services
	GBG International Holding Company Limited	England and Wales	Ordinary US$1	100	Investment holding
	GBG Jewelry Inc.	United States	Common stock US$1	100	Wholesaling
	GBG National Brands Group LLC	United States	Capital contribution US$1	100	Wholesaling
	GBG North America Holdings Co., Inc.	United States	Common stock US$1	100	Investment holding
	GBG Sean John LLC	United States	Capital contribution US$1	90	Brand management
	GBG Socks LLC	United States	Capital contribution US$10	100	Wholesaling
	GBG Spyder Canada Holdings ULC	British Columbia, Canada	Common shares CAD100	100	Investment holding
	GBG Spyder Europe AG	Switzerland	Ordinary 100,000 Swiss Francs	100	Wholesaling
	GBG Spyder USA LLC	United States	Capital contribution US$1	100	Wholesaling
	GBG Stallion (Shanghai) Retailing Co., Ltd.	The People's Republic of China	US$2,500,000	100 foreign-owned enterprise	Retailing and wholesaling, import/export, marketing, consultancy, commission agent, exhibition
	GBG Stallion Holdings Limited	Hong Kong	Ordinary HK$1	100	Investment holding
	GBG USA Inc.	United States	Common stock US$751,767,801	100	Distribution and wholesaling
	GBG West LLC	United States	Capital contribution US$10	100	Wholesaling

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Principal Subsidiaries, Associate and Joint Ventures (Continued)

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
	Global Brands (Hong Kong) Limited	Hong Kong	Ordinary US$468,545,127.62	100	Investment holding
	Global Brands Group (Shanghai) Co., Ltd	The People's Republic of China	US$15,000,000	100 foreign-owned enterprise	Retailing and wholesaling, import/export, marketing, consult, commission agent, exhibition
(1)	Global Brands Group (Shanghai) Commercial Co., Ltd	The People's Republic of China	RMB50,000	100 foreign-owned enterprise	Retailing and wholesaling of apparel/accessories, import/export, commission agent
(1)	Global Brands Group (Thailand) Limited	Thailand	Ordinary Baht 750,000	100	Brand management and licensing support
	Global Brands Group Asia Limited	Hong Kong	Ordinary HK$2	100	Provision of management services
	Global Brands Group Korea Limited	Korea	Common stock KRW3,277,460,000	100	Retail and brand management
(1)	Global Brands Group Management (Guangzhou) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	Business process management services
	Handbag Acquisitions Limited	England and Wales	Ordinary GBP2	100	Holding company
	Handbag Holdings Limited	England and Wales	A Ordinary GBP3,320 B Ordinary GBP5,680 C Ordinary GBP1,000	100	Holding company
	Handbag Operations Limited	England and Wales	Ordinary GBP2	100	Provision of payroll services
	Homestead International Group Ltd.	United States	Voting common stock US$901 Non-voting common stock US$99	100 voting	Importer
	IDS USA Inc.	United States	Common stock US$1	100	Provision of logistics services

40 Principal Subsidiaries, Associate and Joint Ventures (Continued)

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
	IDS USA West Inc.	United States	Common stock US$144,000	100	Provision of logistics services
	Jimlar Corporation	United States	Common stock US$974.26	100	Wholesaling
	Jimlar Europe AG	Switzerland	Registered capital CHF335,000	100	Wholesaling
	Jimlar Mexico S.A. DE C.V.	Mexico	Common stock Pesos 50,000	100	Wholesaling
	KHQ Athletics LLC	United States	Capital contribution US$10	100	Wholesaling
	KHQ Investment LLC	United States	Capital contribution US$100	100	Wholesaling
	Krasnow Enterprises Ltd.	Canada	Class "B" voting shares 100,000 Class "D" non-voting shares 25	100	Wholesaling
	Krasnow Enterprises, Inc.	United States	Common stock US$1,000	100	Wholesaling
(1)	KVZ International Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
	LamaLoli GmbH	Germany	EUR25,000	100	Wholesaling
	LF Europe (Germany) GmbH	Germany	EUR25,000	100	Investment holding
	Lotta Luv Beauty LLC	United States	Capital contribution US$1	100	Wholesaling
	MESH LLC	United States	Capital contribution US$1	100	Wholesaling
	Metro Seven LLC	United States	Capital contribution US$1	100	Wholesaling
	Millwork (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	Provision of design, concept development services and back office administration services
	Millwork Pte. Ltd.	Singapore	Ordinary S$10,000	100	Export trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Principal Subsidiaries, Associate and Joint Ventures (Continued)

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
	New Concept International Enterprise Limited	Hong Kong	Ordinary HK$6,870,465	100	Investment holding
	P&L Global Network Chile S.A.	Chile	Ordinary Chilean Pesos $7,330,706	72.7	Brand management
	P&L Global Networks S.A.C.	Peru	Ordinary S/2,903,114	72.7	Brand management
	Pacific Alliance USA, Inc.	United States	Common stock US$1	100	Wholesaling
	Purrfect Ventures LLC	United States	Capital contribution US$1	50	Brand Management
	Rhodes Limited	Hong Kong	Ordinary US$1,000	100	Trading of footwear products and the provision of sourcing services to footwear manufacturers outside Hong Kong
	Romelle Swire Limited	England and Wales	Ordinary GBP100,000	72.7	Brand management
	Romelle Swire Middle East FZ-LLC	United Arab Emirates	Capital contribution AED50,000	72.7	Brand management
	Rosetti Handbags and Accessories, Ltd.	United States	Common stock US$1	100	Wholesaling
	Rtsion Limited	England and Wales	Ordinary GBP1	100	Investment holding
	Runway Accessories Limited	England and Wales	Ordinary GBP88,300	100	Trading company
	RVVW Apparel LLC	United States	Capital contribution US$1	100	Wholesaling
(1)	Scemama International SAS	France	Ordinary EUR8,000	100	Investment holding
	Seven Global Holding Company Limited	England and Wales	Ordinary GBP1	100	Investment holding
	Seven Global LLP	England and Wales	Capital contribution GBP1,000	51	Marketing and exploitation of intellectual properties

40 Principal Subsidiaries, Associate and Joint Ventures (Continued)

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
	Shanghai New Concept Trading Co., Ltd.	The People's Republic of China	Registered capital US$200,000	100 foreign-owned enterprise	Retailing and wholesaling, import/export, commission agent
	Sicem International S.r.l.	Italy	Equity shares EUR300,000	100	Licensed apparel
(1)	SNC Scemama	France	Ordinary EUR3,048.98	100	Sales agent
	T.V.M. Design Services Ltd	Israel	Ordinary NIS100	100	International design services
(1)	The Licensing Company (Shanghai) Limited	The People's Republic of China	US$100,000	72.7 foreign-owned enterprise	Consultation of culture communication, investment, enterprise management, enterprise branding
	The Mint Group Pte. Ltd.	Singapore	Ordinary S$100	100	Brand management and licensing support
	The Original Duvet Clothing Company Limited (Formerly: Puffa Brands Limited)	England and Wales	Ordinary GBP10	100	Marketing intellectual properties
(1)	TLC (HK) Limited	Hong Kong	Ordinary HK$200	72.7	Marketing of intellectual properties
	TLC Brands Limited	England and Wales	Ordinary GBP2	100	Holding company and brand management
	TLC Brands Holding Company Limited	England and Wales	Ordinary GBP1	100	Holding company
(1)	TLCBI Headworx Limited	England and Wales	Ordinary GBP1	100	Marketing and exploitation of intellectual properties
	TLG Brands (Asia) Limited	Hong Kong	Ordinary HK$1	100	Sourcing and production management services
	TVM Europe GmbH	Germany	EUR25,000	100	Wholesaling
	TVM Fashion Lab Ltd	England and Wales	Ordinary GBP300	100	Design, sourcing and wholesaling

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Principal Subsidiaries, Associate and Joint Ventures (Continued)

Notes	Principal subsidiaries	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
	TVMania UK Limited	England and Wales	Ordinary GBP2	100	Wholesaling
	VZI Investment Corp.	United States	Common stock US$1	100	Wholesaling

Notes	Principal associate	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
(2)	ABG–Frye LLC	United States	Capital contribution US$1	49	Brand management

Notes	Principal joint ventures	Place of incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company	Principal activities
(3)	Iconix Europe LLC	United States	Capital contribution US$8,000,000	49	Marketing and exploitation of intellectual properties
(3)	Iconix MENA Limited	England and Wales	Ordinary GBP3.2	45	Marketing and exploitation of intellectual property
(3)	Iconix SE Asia Limited	Hong Kong	Ordinary HK$100	50	Marketing and exploitation of intellectual properties

NOTES:

(1) Subsidiaries are not audited by PricewaterhouseCoopers.

(2) Associate is disposed during the year ended 31 March 2018.

(3) Joint ventures are not audited by PricewaterhouseCoopers.

FIVE-YEAR/PERIOD FINANCIAL SUMMARY

Consolidated Profit & Loss Account

	Year ended 31 March 2018 US$'000	Year ended 31 March 2017 US$'000	15 Months ended 31 March 2016 US$'000	Year ended 31 December 2014 US$'000	Year ended 31 December 2013 US$'000
Revenue	**4,023,191**	3,891,153	4,118,231	3,453,525	3,288,132
Operating (loss)/profit	**(1,050,435)**	197,046	74,220	168,494	164,098
Interest income	**2,650**	1,964	1,458	1,350	334
Interest expenses	**(100,413)**	(79,552)	(77,935)	(45,584)	(24,962)
Change in redemption value on put option written on non-controlling interests	**23,656**	–	–	–	–
Share of profits of an associate and joint ventures	**8,123**	4,233	6,292	1,481	409
(Loss)/profit before taxation	**(1,116,419)**	123,691	4,035	125,741	139,879
Taxation	**229,551**	(28,618)	21,187	(21,526)	(26,351)
Net (loss)/profit for the year/period attributable to:					
Shareholders of the Company	**(902,991)**	89,742	17,211	104,215	113,528
Non-controlling interests	**16,123**	5,331	8,011	–	–
Net (loss)/profit	**(886,868)**	95,073	25,222	104,215	113,528
(Losses)/earnings per share *(Note)*					
Basic	**(85.23) HK Cents**	8.38 HK Cents	1.61 HK Cents	9.72 HK Cents	10.59 HK Cents
– equivalent to	**(11.00) US Cents**	1.08 US Cents	0.21 US Cents	1.25 US Cents	1.36 US Cents

Consolidated Balance Sheet

	31 March 2018 US$'000	31 March 2017 US$'000	31 March 2016 US$'000	31 December 2014 US$'000	31 December 2013 US$'000
Intangible assets	**2,922,117**	3,713,745	3,681,792	3,287,184	3,276,000
Property, plant and equipment	**204,110**	190,149	156,767	175,181	193,171
Other non-current assets	**316,596**	116,285	106,093	94,673	26,297
Current assets	**1,355,248**	1,298,511	1,173,866	1,225,919	1,105,724
Current liabilities	**(2,400,646)**	(1,104,626)	(1,054,225)	(1,210,120)	(812,140)
Net current (liabilities)/assets	**(1,045,398)**	193,885	119,641	15,799	293,584
Total assets less current liabilities	**2,397,425**	4,214,064	4,064,293	3,572,837	3,789,052
Shareholders' fund attributable to the Company's shareholders	**1,658,989**	2,502,812	2,454,650	2,474,583	2,392,426
Put option written on non-controlling interests	**(98,281)**	(98,281)	–	–	–
Non-controlling interests	**54,533**	51,134	20,940	–	–
Non-current liabilities	**782,184**	1,758,399	1,588,703	1,098,254	1,396,626
Total equity and non-current liabilities	**2,397,425**	4,214,064	4,064,293	3,572,837	3,789,052

NOTE: The calculation of basic (losses)/earnings per share is based on the Group's net (loss)/profit attributable to shareholders and on the weighted average number of ordinary shares in issue during the year/period.

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.

GLOSSARY

In this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

2014 Award Scheme	the share award scheme of the Company adopted by the Shareholders at the special general meeting of the Company held on 16 September 2014
2014 Award Scheme Adoption Date	16 September 2014, i.e. the date when the Company adopted the 2014 Award Scheme
2016 Award Scheme	the share award scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 15 September 2016
2016 Award Scheme Adoption Date	15 September 2016, i.e. the date when the Company adopted the 2016 Award Scheme
Associate(s), chief executive(s), controlling shareholder(s), substantial shareholder(s)	each has the meaning ascribed to it in the Listing Rules
Award Schemes	the 2014 Award Scheme and the 2016 Award Scheme
Board	the board of Directors of the Company
Company	Global Brands Group Holding Limited
Director(s)	the director(s) of the Company
EBITDA	net profit before net interest expenses, tax, depreciation and amortization, 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 on remeasurement of contingent consideration payable
FH (1937)	Fung Holdings (1937) Limited, a company incorporated in Hong Kong, which is a substantial shareholder of the Company
FY2018	fiscal year ending 31 March 2018
Fung Group	a Hong Kong based multinational which comprises major operating groups engaging in trading, logistics, distribution and retailing, with FH (1937) as a major shareholder. They include publicly-listed Li & Fung Limited, Convenience Retail Asia Limited, Trinity Limited and the Company

Group or Global Brands	the Company and its subsidiaries
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
HKFRS(s)	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
HSBC Trustee	HSBC Trustee (C.I.) Limited, acting in its capacity of the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King, brother of William Fung Kwok Lun
King Lun	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee and 50% by William Fung Kwok Lun
Li & Fung Group	Li & Fung Limited (a company incorporated in Bermuda with limited liability, the shares of which are listed on the Hong Kong Stock Exchange) and its subsidiaries
LIBOR	London interbank offered rate
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules
Option Scheme	the share option scheme of the Company adopted by the Shareholders at the special general meeting of the Company held on 16 September 2014
Reporting Period	12-month period from 1 April 2017 to 31 March 2018
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
Share(s)	ordinary share(s) of HK$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
US$	United States dollar(s), the lawful currency of the United States of America

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