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Global Brands Group Holding Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 787)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

References are made to the announcements of Global Brands Group Holding Limited (the “**Company**”, and its subsidiaries, the “**Group**”) (i) on 30 June 2020 relating to the unaudited annual results of the Group for the year ended 31 March 2020 (the “**Unaudited Results Announcement**”) and (ii) on 18 August 2020 relating to the delay in publication of audited annual results and despatch of annual report (the “**Annual Report**”) for the year ended 31 March 2020.

AUDITED ANNUAL RESULTS

The board of directors (the “**Board**”) of the Company announces that PricewaterhouseCoopers, the auditor of the Company, has completed its audit of the consolidated financial statements of the Group for the year ended 31 March 2020 and issued a disclaimer of opinion in which the extract of independent auditor’s report is set out on pages 31 and 32. The audited annual results of the Group for the year ended 31 March 2020 (the “**Audited Annual Results**”) were reviewed by the Audit Committee of the Company and approved by the Board on 28 August 2020, details of which are set out below.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
<u>Continuing operations</u>			
Revenue	3	1,082,073	1,236,356
Cost of sales		(688,504)	(826,247)
Gross profit		393,569	410,109
Other income		2,513	1,075
Total margin		396,082	411,184
Selling and distribution expenses		(195,592)	(225,520)
Merchandising and administrative expenses		(296,098)	(353,215)
Other (losses)/gains, net	4	(5,770)	31,803
Impairment of goodwill	3	(285,890)	-
Operating loss	3 & 4	(387,268)	(135,748)
Interest income		331	752
Interest expenses			
Non-cash interest expenses		(28,075)	(7,188)
Cash interest expenses		(50,622)	(57,520)
Change in redemption value on put option written on non-controlling interests		22,167	4,000
Share of losses of joint ventures		(443,467)	(195,704)
		(6,136)	(1,051)
Loss before taxation		(449,603)	(196,755)
Taxation	5	(12,016)	23,087
Net loss for the year from continuing operations		(461,619)	(173,668)
<u>Discontinued operations</u>			
Net loss for the year from discontinued operations	12(a)	(124,971)	(214,515)
Net loss for the year		(586,590)	(388,183)
Attributable to:			
Shareholders of the Company		(597,968)	(399,752)
Non-controlling interests		11,378	11,569
		(586,590)	(388,183)

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)

	<i>Note</i>	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
Attributable to shareholders of the Company arising from:			
Continuing operations		(472,997)	(185,237)
Discontinued operations	<i>12(a)</i>	(124,971)	(214,515)
		(597,968)	(399,752)
Losses per share for loss attributable to the shareholders of the Company during the year	<i>6</i>		
- basic from continuing operations (equivalent to)		(359.00) HK cents (46.30) US cents	(173.19) HK cents (22.35) US cents
- basic from discontinued operations (equivalent to)		(94.85) HK cents (12.23) US cents	(200.56) HK cents (25.88) US cents
- diluted from continuing operations (equivalent to)		(359.00) HK cents (46.30) US cents	(173.19) HK cents (22.35) US cents
- diluted from discontinued operations (equivalent to)		(94.85) HK cents (12.23) US cents	(200.56) HK cents (25.88) US cents

CONSOLIDATED BALANCE SHEET

		31 March 2020 US\$'000	31 March 2019 US\$'000
	<i>Note</i>		
Non-current assets			
Intangible assets		1,207,162	1,695,051
Property, plant and equipment		75,277	112,917
Right-of-use assets		240,051	-
Joint ventures		55,857	62,777
Financial assets at fair value through other comprehensive income		-	1,000
Other receivables and deposits		4,366	5,044
Deferred tax assets		228,131	216,819
		1,810,844	2,093,608
Current assets			
Inventories		194,912	231,513
Due from related companies		52	10,398
Trade receivables	8	231,609	233,027
Other receivables, prepayments and deposits		73,049	318,120
Derivative financial instruments		1,371	2,087
Cash and bank balances	9	97,604	381,943
Tax recoverable		7,194	6,536
		605,791	1,183,624
Current liabilities			
Due to related companies		566,648	706,937
Trade payables	10	378,995	183,763
Accrued charges and sundry payables		110,668	258,834
Lease liabilities	11	59,945	-
Purchase consideration payable for acquisitions	11(a)	6,323	30,355
Tax payable		6,282	4,103
Bank loans*		249,055	470,000
Bank overdrafts	9	-	2,930
Dividend payable	7	-	280,526
		1,377,916	1,937,448
Net current liabilities		(772,125)	(753,824)
Total assets less current liabilities		1,038,719	1,339,784

* Bank loans of US\$174,055,000 are classified as current liabilities due to non-compliance with one bank loan covenant as at 31 March 2020.

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	31 March 2020 US\$'000	31 March 2019 US\$'000
Financed by:			
Share capital		16,471	13,707
Reserves		255,307	911,428
Shareholders' funds attributable to the Company's shareholders		271,778	925,135
Put option written on non-controlling interests		(98,281)	(98,281)
Non-controlling interests		48,479	45,758
Total equity		221,976	872,612
Non-current liabilities			
Purchase consideration payable for acquisitions	11(a)	1,138	21,101
Shareholder's loans payable		270,904	-
Lease liabilities	11	244,304	-
Other long-term liabilities	11	293,878	437,478
Deferred tax liabilities		6,519	8,593
		816,743	467,172
		1,038,719	1,339,784

CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000
Operating activities			
Net cash inflow generated from operations	13(a)	107,022	56,511
Profits tax (paid)/refund		(2,855)	6,237
Net cash inflow from operating activities		104,167	62,748
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		(31,867)	(40,924)
Acquisitions of businesses		(38)	(11,527)
Dividends received from joint ventures		784	-
Proceeds from disposal of businesses	12(d)	-	1,226,650
Transaction costs and other closing adjustments for disposal of businesses		-	(63,792)
Proceeds from disposals of property, plant and equipment		2,671	5,077
Purchases of property, plant and equipment		(8,979)	(71,281)
Payments for computer software and system development costs		(7,700)	(1,032)
(Increase)/decrease in restricted cash		(13,724)	3,696
Interest income		331	1,571
Net cash (outflow)/inflow from investing activities		(58,522)	1,048,438
Net cash inflow before financing activities		45,645	1,111,186
Financing activities			
Proceeds from shareholder's loans		292,169	-
Distribution to non-controlling interest		(8,657)	(20,344)
Dividend paid	7	(280,526)	-
Drawdown of bank borrowings	13(b)	-	635,000
Repayment of bank borrowings	13(b)	(220,945)	(1,365,000)
Principal elements of lease payments		(71,888)	-
Interest paid		(50,625)	(74,363)
Net cash outflow from financing activities		(340,472)	(824,707)
(Decrease)/increase in cash and cash equivalents		(294,827)	286,479
Cash and cash equivalent at 1 April		379,013	93,282
Effect of foreign exchange rate changes		(306)	(748)
Cash and cash equivalents at 31 March		83,880	379,013
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	9	83,880	381,943
Bank overdrafts	9	-	(2,930)
		83,880	379,013

Selected 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 North America and Europe. The Group is also engaged in the brand management business offering expertise in expanding its clients’ brand assets 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.

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 28 August 2020.

During the year ended 31 March 2020, the Company made the decision to discontinue certain brands in the US including Men’s Fashion, Women’s Collection and Footwear Specialty, those are classified as discontinued operations. Their result for the year and the comparatives figures are presented separately as one-line item below net loss of the continuing operations. In addition, during the year ended 31 March 2019, the select North American businesses under the strategic divestment completed in October 2018 and the China Kids business disposed in November 2018 are also classified as discontinued operations. Further details of financial information of the discontinued operations are set out in Note 12 to the consolidated financial statements.

2. 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.

Selected Notes to the Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

Going concern basis

The Group reported a net loss after tax of US\$586,590,000 for the year ended 31 March 2020. As at 31 March 2020, the Group's current liabilities exceeded its current assets by US\$772,125,000. Included in current liabilities were bank loans totaling US\$249,055,000, trade payables to external parties of US\$378,995,000 and trade related payables to related companies of US\$566,648,000. Cash and cash equivalents amounted to US\$83,880,000 as at 31 March 2020.

Following the sale of the North America operations in 2019, the Group embarked on a restructuring program with various strategic areas to improve net margins, improve EBITDA and reduce operating costs. However, the outbreak of the COVID-19 pandemic has severely impacted the Group, starting with initial temporary disruptions to the Group's supply chain sourced from Mainland China in January 2020, but further escalating to the shutdown of our customers' stores across Europe and the U.S. from March onwards. While there has been some signs of recovery from the reopening of our customers' stores in recent months, the recovery could be impacted should there be further restrictions and lockdown measures, which would adversely impact to the Group's operating performance and cashflows.

Included in bank loans as at 31 March 2020 was a principal amount of US\$174,055,000 from a syndicated loan facility (the "Syndicated Loan") which had a contractual repayment date beyond 31 March 2021. The Company as a guarantor, had failed to comply with one financial covenant in respect of the Group's consolidated financial net worth as stipulated in the loan agreement ("Loan Agreement"). This non-compliance constituted an event of default ("event of default") under the Loan Agreement, such that the lenders of the Syndicated Loan (the "Lenders") may exercise their rights to serve notice to terminate and forthwith demand all amounts including interest immediately due and payable. Accordingly, the Syndicated Loan of US\$174,055,000 has been reclassified as a current liability in the Group's consolidated balance sheet. In addition, the Group had other short-term bank loans ("Short-Term Bank Loans") which are uncommitted facilities and rolled forward on a monthly basis, with a principal outstanding amount of US\$75,000,000. The aggregate outstanding principal amounts and accrued interest payable on the Syndicated Loan and Short-Term Bank Loans amounted to US\$249,178,000 as at 31 March 2020.

Also included in non-current liabilities as at 31 March 2020 were shareholder's loans of US\$270,904,000 which are subordinated to the above bank loans. In addition, the confirmation of intention from a substantial shareholder to provide further financial support to the Group had ended on 31 March 2020.

As at 31 March 2020, the trade payables to external creditors and related companies which have become past due, together with accrued unpaid interest, amounted to US\$675,800,000.

The above conditions indicate the existence of material uncertainties, which may cast significant doubt upon the Group's ability to continue as a going concern.

Selected Notes to the Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

Going concern basis (Continued)

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. The directors of the Company have reviewed the cash flow projection of the Group which covers the next twelve months from 31 March 2020 and which have taken into consideration of the Group's plans and measures in assessing the sufficiency of the Group's working capital requirements. The directors of the Company believe that the Group is able to generate sufficient cash flows from its operating activities and other measures, as described below, to enable the Group to repay its financial obligations as and when they fall due within the next twelve months:

- Since the event of default on the Syndicated Loan, there has been ongoing communications with the Lenders, who have agreed to provide three separate agreements to forbear from exercising their rights and remedies under the Loan agreement to declare and demand for immediate repayment for the forbearance periods from 4 May 2020 to 15 June 2020, 19 June 2020 to 31 July 2020 and 31 July 2020 to 31 August 2020 respectively, subject to certain conditions, including requiring the Group to maintain certain levels of payables to related companies during the respective forbearance periods. However, the latest temporary forbearance agreement will expire on 31 August 2020. Management has submitted a proposal to the Lenders to revise the existing financial covenant terms of the Syndicated Loan and to repay the Syndicated Loan and the Short-Term Bank Loans with a series of monthly repayments from September 2020 to January 2023 and a lump-sum payment in December 2020 (the "proposed Repayment Proposal"). The banks have not yet agreed nor disagreed to this revised Repayment Proposal to date.
- The Group is contemplating plans for potential disposal of certain businesses and/or assets of the Group with potential investors in order to raise additional cash to reduce its borrowings.
- The Group depends on managing its working capital to continuously run its operations which heavily relies on the good relationships with its trade creditors, which include external creditors and related companies who have been supportive in extending the payment terms on overdue balances so far. The Group is in continuous discussions with its trade creditors to extend payment terms for its trade payables.
- In order to further preserve cash levels, the Group has initiated a series of cash preservation and cost reduction measures to remediate the impacts from COVID-19 and escalating global trade tensions impacting the Group's revenues and costs, which include (1) furlough, terminations and payroll cuts for the Group's employees; and (2) cost reductions in relation to professional fees, travel and entertainment and other overhead costs.
- The Group will continue with its strategic restructuring plan to reposition its brand portfolio and seek new business opportunities.

The directors of the Company are satisfied, after due consideration of the basis of the plans and measures as described above as well as the reasonable possible downside changes to the cash flow assumptions, that the Group will have sufficient working capital to meet its financial obligations as and when they fall due at least in the next twelve months from 31 March 2020. Accordingly, the directors of the Company considered it appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

Selected Notes to the Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

Going concern basis (Continued)

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

- Successfully obtaining agreement with the Lenders not to declare and demand immediate repayment and to extend repayment terms under the proposed Repayment Proposal in respect of the Syndicated Loan and Short-Term Bank Loans; or any proposal that would be acceptable to the Group to allow the Group to repay its liabilities with its available resources;
- Successfully raising additional cash through potential disposal of certain businesses and/or assets of the Group;
- Successfully managing its working capital and obtaining agreement with trade creditors comprising external and related companies to extend payment terms for trade payables;
- Successfully implementing cash preservation measures and cost reduction measures as mentioned above to manage the impact from the COVID-19 outbreak and escalating global trade tension on the Group's operations and results;
- Successfully repositioning the Group's brand portfolio, and seeking new business opportunities.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1 Accounting policies

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

The following new standard, new interpretation and amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2019:

HKAS 19 Amendment	Plan amendment, Curtailment or Settlement
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvement Project	Annual Improvements 2015-2017 Cycle

The application of the above new standard, new interpretation and amendments to existing standards effective in the current year has had no material effect on the amounts reported in the financial statements and/or disclosures set out in the consolidated financial statements, except for HKFRS 16 "Leases" which the Group had to change its accounting policy as set out below.

Selected Notes to the Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

2.1 Accounting policies (Continued)

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

HKFRS 16 Leases

HKFRS 16 Leases addresses the classification, measurement and derecognition of right-of-use assets and lease liabilities related to leases which had previously been classified as “operating leases” under the principle of HKAS 17 Leases.

The Group elected to adopt HKFRS 16 without restating comparatives as permitted under specific transitional provisions in the standard. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2019, but are recognized in the opening balance sheet on 1 April 2019.

- (i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following recognition exemptions and practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases;
- exempting operating leases for which the underlying assets are of low value;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Selected Notes to the Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

2.1 Accounting policies (Continued)

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

HKFRS 16 Leases (Continued)

- (ii) Measurement of lease liabilities as at 1 April 2019

On the adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating lease' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.0%.

	US\$'000
Operating lease commitments disclosed as at 31 March 2019	397,146
Discounted using the lessee's incremental borrowing rate at the date of initial application	(58,149)
Less: short-term leases recognized on a straight-line basis as expense	(4,673)
Less: contracts reassessed as service agreements	(42)
	<hr/>
Lease liability recognized as at 1 April 2019	<u>334,282</u>
Of which are:	
- Current lease liabilities	58,966
- Non-current lease liabilities	275,316
	<hr/>
	<u>334,282</u>

- (iii) Measurement of right-of-use assets

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at 31 March 2019.

Selected Notes to the Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

2.1 Accounting policies (Continued)

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

HKFRS 16 Leases (Continued)

- (iii) Measurement of right-of-use assets (Continued)

The recognized right-of-use assets relate to the following types of assets:

	As at 31 March 2020 US\$'000	As at 1 April 2019 US\$'000
Buildings	227,464	268,510
Machinery and equipment	12,587	24,257
	240,051	292,767

- (iv) Adjustments recognized on the adoption of HKFRS 16

Changes in accounting policies affected the following items in the consolidated balance sheet on 1 April 2019:

Consolidated balance sheet (extract)	31 March 2019 as originally presented US\$'000	Effects of the adoption of HKFRS 16 US\$'000	1 April 2019 Restated US\$'000
Non-current assets			
Right-of-use assets	-	292,767	292,767
Deferred tax assets	216,819	1,273	218,092
Current assets			
Other receivables, prepayments and deposits	318,120	(269)	317,851
Current liabilities			
Accrued charges and sundry payables	258,834	(914)	257,920
Lease liabilities	-	58,966	58,966
Equity			
Accumulated losses	(667,877)	(4,501)	(672,378)
Non-current liabilities			
Other long-term liabilities	437,478	(35,096)	402,382
Lease liabilities	-	275,316	275,316

Selected Notes to the Consolidated Financial Statements (Continued)

2. Basis of preparation (Continued)

2.1 Accounting policies (Continued)

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

The following new standard, new interpretation and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 April 2020 or later periods, but the Group has not early adopted them:

HKAS 1 and HKAS 8 Amendment	Definition of Material ¹
HKFRS 3 Amendment	Definition of Business ¹
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 17	Insurance Contracts ²
HKAS 39, HKFRS 7 and HKFRS 9 Amendment	Hedge Accounting ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

Notes:

- 1 Effective for annual periods beginning on or after 1 April 2020
- 2 Effective for annual periods beginning on or after 1 April 2023
- 3 Effective date to be determined

3. 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 North America and Europe. 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 mainly in North America and Europe. 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 three operating segments namely North America, Europe and Brand Management, which are consistent with the Group's latest operations, management organization and reporting structures. Certain comparative segment information have been reclassified in accordance with the current period's presentation to enable comparisons to be made. 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.

The Group's management assesses the performance of the operating segments based on operating profit. Information provided to the Group's management is measured in a manner consistent with that in the financial statements.

Selected Notes to the Consolidated Financial Statements (Continued)

3. Segment information (Continued)

	North America US\$'000	Europe US\$'000	Brand Management US\$'000	Total US\$'000
<u>Year ended 31 March 2020</u>				
<u>Continuing operations</u>				
Revenue	643,733	354,235	84,105	1,082,073
Total margin	226,277	93,899	75,906	396,082
Operating costs*	(290,808)	(137,463)	(54,692)	(482,963)
Write-off of intangible assets	(5,115)	(3,730)	(5,652)	(14,497)
Impairment of goodwill	(103,241)	(182,649)	-	(285,890)
Operating (loss)/profit	<u>(172,887)</u>	<u>(229,943)</u>	<u>15,562</u>	<u>(387,268)</u>
Interest income				331
Interest expenses				(28,075)
Non-cash interest expenses				(50,622)
Cash interest expenses				(22,167)
Change in redemption value on put option written on non-controlling interests				<u>22,167</u>
Share of losses of joint ventures				<u>(443,467)</u> <u>(6,136)</u>
Loss before taxation				(449,603)
Taxation				<u>(12,016)</u>
Net loss for the year from continuing operations				<u>(461,619)</u>
<u>Discontinued operations</u>				
Net loss for the year from discontinued operations				<u>(124,971)</u>
Net loss for the year				<u>(586,590)</u>
Depreciation and amortization (continuing operations)	<u>100,442</u>	<u>56,499</u>	<u>6,271</u>	<u>163,212</u>

* Represented operating costs net of other gains/(losses) (excluding write-off of intangible assets)

31 March 2020

Non-current assets (other than financial assets at fair value through other comprehensive income and deferred tax assets)	<u>1,129,819</u>	<u>204,573</u>	<u>248,321</u>	<u>1,582,713</u>
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Selected Notes to the Consolidated Financial Statements (Continued)

3. Segment information (Continued)

	North America US\$'000	Europe US\$'000	Brand Management US\$'000	Total US\$'000
<u>Year ended 31 March 2019</u>				
<u>(Restated)</u>				
<u>Continuing operations</u>				
Revenue	766,706	377,291	92,359	1,236,356
Total margin	230,061	105,046	76,077	411,184
Operating costs*	(308,103)	(194,595)	(44,234)	(546,932)
Operating (loss)/profit	(78,042)	(89,549)	31,843	(135,748)
Interest income				752
Interest expenses				(7,188)
Non-cash interest expenses				(57,520)
Cash interest expenses				4,000
Change in redemption value on put option written on non-controlling interests				(195,704)
Share of losses of joint ventures				(1,051)
Loss before taxation				(196,755)
Taxation				23,087
Net loss for the year from continuing operations				(173,668)
<u>Discontinued operations</u>				
Net loss for the year from discontinued operations				(214,515)
Net loss for the year				(388,183)
Depreciation and amortization (continuing operations)	79,224	36,338	12,799	128,361

* Represented operating costs net of other gains/(losses) (excluding write-off of intangible assets)

31 March 2019

Non-current assets (other than financial assets at fair value through other comprehensive income and deferred tax assets)	1,150,071	456,404	269,314	1,875,789
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Selected Notes to the Consolidated Financial Statements (Continued)

3. Segment information (Continued)

The geographical analysis of revenue and non-current assets of continuing operations (other than financial assets at fair value through other comprehensive income and deferred tax assets) is as follows:

	Revenue		Non-current assets (other than financial assets at fair value through other comprehensive income and deferred tax assets)	
	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)	31 March 2020 US\$'000	31 March 2019 US\$'000
Americas	533,356	650,480	1,260,952	1,330,257
Europe	419,449	450,746	187,810	400,640
Asia	129,268	135,130	133,951	144,892
	1,082,073	1,236,356	1,582,713	1,875,789

Selected Notes to the Consolidated Financial Statements (Continued)

4. Operating loss from continuing operations

Operating loss from continuing operations is stated after crediting and charging the following:

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
Crediting		
Gain on remeasurement of contingent consideration payable, net (Note (a))*	13,205	36,303
Gains on forward foreign exchange contracts	-	4,903
Net exchange gains	8,252	1,755
Sub-lease income [^]	25,888	16,725
	<hr/> <hr/>	<hr/> <hr/>
Charging		
Cost of sales	688,504	826,247
Amortization of computer software and system development costs	10,086	13,371
Amortization of brand licenses	59,396	69,539
Amortization of other intangible assets	17,302	22,202
Depreciation of property, plant and equipment	22,669	23,249
Depreciation of right-of-use assets	53,759	-
Losses on forward foreign exchange contracts	716	-
Loss on disposal of property, plant and equipment	343	1,138
Write-off of intangible assets*	14,497	-
Write-off of property, plant and equipment*	11	27,148
Impairment of goodwill	285,890	-
Impairment of right-of-use assets	20,000	-
Provision for impairment of amounts due from related companies	10,958	-
Provision for impairment of other receivables [#]	15,446	4,500
Operating leases rental in respect of land and building	-	42,013
Expenses relating to short-term leases	3,723	-
Provision for impairment of trade receivables, net	7,748	9,639
Staff costs including directors' emoluments	134,990	198,011
Business acquisition-related costs	-	3,225
	<hr/> <hr/>	<hr/> <hr/>

* Included in other (losses)/gains, net

[^] Included in merchandising and administrative expenses

[#] US\$10,806,000 (2019: nil) included in merchandising and administrative expenses, and US\$4,640,000 (2019: US\$4,500,000) included in other (losses)/gains, net

Notes:

(a) As at 31 March 2020 and 31 March 2019, 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\$13 million (2019: US\$36 million) was recognized for the year ended 31 March 2020 and the net remeasurement gain represented upward and downward adjustments to earn-out and earn-up consideration for the year ended 31 March 2020. 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.

Selected Notes to the Consolidated Financial Statements (Continued)

5. Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) for the year ended 31 March 2020 on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
Current taxation		
- Hong Kong profits tax	94	438
- Overseas taxation	465	3,067
- Under/(over) provision in prior years	2,872	(3,728)
Deferred taxation	(12,928)	13,234
	(9,497)	13,011
Income tax (credit)/expense is attributed to:		
Loss from continuing operations	12,016	(23,087)
Loss from discontinued operations	(21,513)	36,098
	(9,497)	13,011

6. Losses per share

The calculation of basic losses per share is based on the Group's net loss attributable to shareholders arising from the continuing operations of US\$472,997,000 (2019 (restated): US\$185,237,000) and the Group's net loss attributable to shareholders arising from the discontinued operations of US\$124,971,000 (2019 (restated): US\$214,515,000) and on the weighted average number of 1,021,662,545 (2019 (restated): 828,925,562) ordinary shares in issue during the year.

The weighted average number of shares and the basic and diluted earnings per share for the year ended 31 March 2019 are adjusted retrospectively to take into account the effect of the share consolidation during the year as if it had taken place before the beginning of the comparative year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company has share options to employees for years ended 31 March 2020 and 31 March 2019. As the Group incurred losses for the years ended 31 March 2020 and 31 March 2019, the potential dilutive ordinary shares were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended 31 March 2020 and 31 March 2019 are the same as basic losses per share of the respective year.

Selected Notes to the Consolidated Financial Statements (Continued)

7. Dividend

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000
Special, declared, of HK\$nil (equivalent to US\$nil) (2019: HK\$0.28 (equivalent to US\$0.036)) per ordinary share (Note)	-	305,072

Note:

On 31 January 2019, the Board of Directors declared a special dividend of HK\$0.28 per ordinary share in cash form, with an option to receive new and fully paid shares of the Company ("Scrip Shares") in lieu of cash, payable out of part of the proceeds from the strategic divestment of North American business.

On 28 March 2019, the shareholders of the Company made their election to receive the special dividend in cash form or in Scrip Shares:

	US\$'000
Special dividend paid in cash form, accounted for as dividend payable on the consolidated balance sheet at 31 March 2019	280,526
Special dividend paid in Scrip Shares, accounted for in equity of the Company at 31 March 2019	24,546
Total	305,072

The special dividend in cash form and in Scrip Shares was paid on 4 April 2019.

8. Trade receivables

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

	Current to 90 days US\$'000	91 to 180 days US\$'000	181 to 360 days US\$'000	Over 360 days US\$'000	Total US\$'000
Balance at 31 March 2020	181,180	20,827	22,362	7,240	231,609
Balance at 31 March 2019	183,285	24,925	17,084	7,733	233,027

The fair values of the Group's trade receivables were approximately the same as their carrying values as at 31 March 2020.

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

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

Selected Notes to the Consolidated Financial Statements (Continued)

9. Cash and bank balances

	31 March 2020 US\$'000	31 March 2019 US\$'000
Cash and cash equivalents	83,880	381,943
Restricted cash (Note)	13,724	-
	<u>97,604</u>	<u>381,943</u>
Bank overdrafts – Unsecured	<u>-</u>	<u>(2,930)</u>

The effective interest rate at the balance sheet date on bank balances was 0.04% (31 March 2019: 0.1%) per annum.

Note: As at 31 March 2020, US\$13,724,000 are restricted cash held at bank as reserve for business operation in North America.

10. Trade payables

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

	Current to 90 days US\$'000	91 to 180 Days US\$'000	181 to 360 days US\$'000	Over 360 days US\$'000	Total US\$'000
Balance at 31 March 2020	<u>107,038</u>	<u>74,962</u>	<u>53,388</u>	<u>143,607</u>	<u>378,995</u>
Balance at 31 March 2019	<u>126,700</u>	<u>26,727</u>	<u>21,133</u>	<u>9,203</u>	<u>183,763</u>

The fair values of the Group's trade payables were approximately the same as their carrying values as at 31 March 2020.

Selected Notes to the Consolidated Financial Statements (Continued)

11. Long-term liabilities

	31 March 2020 US\$'000	31 March 2019 US\$'000
Purchase consideration payable for acquisitions		
Purchase consideration payable for acquisitions (<i>Note (a)</i>)	7,461	51,456
Less:		
Current portion of purchase consideration payable for acquisitions	<u>(6,323)</u>	<u>(30,355)</u>
	<u>1,138</u>	<u>21,101</u>
Lease liabilities		
Lease liabilities	304,249	-
Less:		
Current portion of lease liabilities	<u>(59,945)</u>	<u>-</u>
	<u>244,304</u>	<u>-</u>
Other long-term liabilities		
Brand license and other payables	286,427	345,051
Written put option liabilities (<i>Note (b)</i>)	48,458	70,625
Other non-current liability (non-financial liability)	-	31,830
	<u>334,885</u>	<u>447,506</u>
Less:		
Current portion of brand license payable	<u>(41,007)</u>	<u>(10,028)</u>
	<u>293,878</u>	<u>437,478</u>

Selected Notes to the Consolidated Financial Statements (Continued)

11. Long-term liabilities (Continued)

Notes:

- (a) Purchase consideration payable for acquisitions as at 31 March 2020 amounted to US\$7,461,000 (31 March 2019: US\$51,456,000), of which US\$nil (31 March 2019: US\$394,000) was initial consideration payable, US\$5,843,000 (31 March 2019: US\$34,002,000) was primarily earn-out and US\$1,618,000 (31 March 2019: US\$17,060,000) 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.
- (b) A wholly-owned subsidiary of the Group, CAA LLC and Project 33, LLC (“Project 33”), entered into a partnership agreement, effective on 1 July 2016, to establish a limited liability partnership (“CAA-GBG”).

The Group, holding 72.7% effective interest in CAA-GBG, and Project 33, holding 7.2% effective interest in CAA-GBG, entered into a put/call option agreement (the “Project 33 Put/Call Option”) after the partnership agreement is effective, 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 2020 and resulting a gain of US\$22,167,000 (2019: US\$4,000,000) recognized in the consolidated profit and loss accounts during the year ended 31 March 2020.

Selected Notes to the Consolidated Financial Statements (Continued)

12. Discontinued operations

The results of the discontinued operations (Note 1) for the year ended 31 March 2020 and 31 March 2019 are presented in the consolidated profit and loss account in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The consolidated statement of comprehensive income distinguish the discontinued operations from the continuing operations.

- (a) Results of the discontinued operations have been included in the consolidated profit and loss accounts as follows:

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
Revenue	165,583	1,478,108
Cost of sales	(141,258)	(1,094,022)
Gross profit	24,325	384,086
Other income	-	2
Total margin	24,325	384,088
Selling and distribution expenses	(18,795)	(184,373)
Merchandising and administrative expenses	(88,870)	(396,862)
Other losses, net	(59,575)	(17,628)
Impairment of goodwill	-	(25,250)
Operating loss	(142,915)	(240,025)
Interest income	-	819
Interest expenses		
Non-cash interest expenses	(3,566)	(7,930)
Cash interest expenses	(3)	(16,843)
Loss before taxation	(146,484)	(263,979)
Taxation	21,513	12,523
Loss after taxation	(124,971)	(251,456)
Gain on disposal of businesses (Note (d))	-	36,941
Net loss for the year from discontinued operations	(124,971)	(214,515)
Attributable to:		
Shareholders of the Company	(124,971)	(214,515)

Selected Notes to the Consolidated Financial Statements (Continued)

12. Discontinued operations (Continued)

- (a) Results of the discontinued operations have been included in the consolidated profit and loss accounts as follows: (Continued)

Statement of comprehensive income of the discontinued operations

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
Net loss for the year	(124,971)	(214,515)
Other comprehensive expense:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(35)	(349)
Other comprehensive expense for the year, net of tax	(35)	(349)
Total comprehensive expense for the year	(125,006)	(214,864)
Attributable to:		
Shareholders of the Company	(125,006)	(214,864)

Selected Notes to the Consolidated Financial Statements (Continued)

12. Discontinued operations (Continued)

(b) Operating loss of the discontinued operations

Operating loss of the discontinued operations is stated after crediting and charging the following:

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
<u>Crediting</u>		
Gain on remeasurement of contingent consideration payable, net*	-	1,342
Gain on extinguishment of brand license payable*	21,631	-
Net exchange gains	49	-
<u>Charging</u>		
Cost of sales	141,258	1,094,021
Amortization of computer software and system development costs	-	5,462
Amortization of brand licenses	18,105	94,355
Amortization of other intangible assets	9,909	21,370
Depreciation of property, plant and equipment	2,181	8,428
Depreciation of right-of-use assets	5,854	-
Loss on disposal of property, plant and equipment	52	6,634
Write-off of intangible assets*	71,617	18,969
Write-off of property, plant and equipment*	9,409	-
Impairment of goodwill	-	25,250
Provision for impairment of other receivables*	180	-
Operating leases rental in respect of land and building	-	23,870
Staff costs including directors' emoluments	17,366	218,659
Business acquisition-related costs	-	413
Net exchange losses	-	398
* Included in other losses, net		

(c) Disposed net assets of the discontinued operations at the date of disposal during the year ended 31 March 2019 are as follows:

	Year ended 31 March 2019 US\$'000
Intangible assets	1,095,775
Property, plant and equipment	89,918
Deferred tax assets	650
Other non-current assets	40
Trade and other receivables	260,726
Inventories	420,193
Other current assets	3,429
Trade and other payables	(408,964)
Due to related companies	(202,983)
Other non-current liabilities	(255,939)
Net assets disposed	1,002,845

Selected Notes to the Consolidated Financial Statements (Continued)

12. Discontinued operations (Continued)

(d) Analysis of net gain on disposal of businesses of the discontinued operations is as follows:

	Year ended 31 March 2019 US\$'000
Cash considerations on disposal of businesses	1,226,650
Transaction costs and other closing adjustments for disposal of businesses	(138,243)
Less: net assets disposed	<u>(1,002,845)</u>
Gain on disposal of businesses before taxation	85,562
Taxation	<u>(48,621)</u>
Gain on disposal of businesses	<u><u>36,941</u></u>

(e) An analysis of the cash flows of the discontinued operations is as follows:

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
Net cash inflow/(outflow) from operating activities	160,155	(89,564)
Net cash outflow from investing activities	(448)	(7,041)
Net cash (outflow)/inflow from financing activities ⁽ⁱ⁾	<u>(159,707)</u>	<u>96,605</u>
Total cash flows ⁽ⁱⁱ⁾	<u><u>-</u></u>	<u><u>-</u></u>

Notes:

- (i) Amounts adjusted to eliminate cash flows from financing activities between the discontinued operations and the continuing operations.
- (ii) Cash is managed centrally by an entity in the continuing operations. Thus, there is no cash balance in the discontinued operations.

Selected Notes to the Consolidated Financial Statements (Continued)

13. Notes to the consolidated cash flow statement

(a) Reconciliation of loss before taxation to net cash inflow generated from operations

	Year ended 31 March 2020 US\$'000	Year ended 31 March 2019 US\$'000 (Restated)
Loss before taxation from		
Continuing operations	(449,603)	(196,755)
Discontinued operations	(146,484)	(263,979)
Gain on disposal of businesses under discontinued operations	-	85,562
Loss before taxation including discontinued operations	(596,087)	(375,172)
Interest income	(331)	(1,571)
Interest expenses	82,266	89,481
Depreciation of property, plant and equipment	24,850	31,677
Depreciation of right-of-use assets	59,613	-
Amortization of computer software and system development costs	10,086	18,833
Amortization of brand licenses	77,501	163,894
Amortization of other intangible assets	27,211	43,572
Loss on disposal of property, plant and equipment	395	7,772
Write-off of intangible assets	86,114	18,969
Write-off of property, plant and equipment	9,420	27,148
Impairment of goodwill	285,890	25,250
Impairment of right-of-use assets	20,000	-
Provision for impairment of amounts due from related companies	10,958	-
Provision for impairment of other receivables	15,626	4,500
Share of losses of an associate and joint ventures	6,136	1,051
Employee share option and share award expenses	(1,922)	11,589
Losses/(gains) on forward foreign exchange contracts	716	(4,903)
Change in redemption value on put option written on non-controlling interests	(22,167)	(4,000)
Gain on disposal of businesses before taxation	-	(85,562)
Gain on extinguishment of brand license payable	(21,805)	-
Gain on remeasurement of contingent consideration payable	(13,205)	(37,645)
Operating profit/(loss) before working capital changes	61,265	(65,117)
Decrease/(increase) in inventories	36,601	(118,392)
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits and amounts due from related companies	141,247	(136,764)
(Decrease)/increase in trade payables, accrued charges and sundry payables, brand license payable and amounts due to related companies	(132,091)	376,784
Net cash inflow generated from operations	<u>107,022</u>	<u>56,511</u>

Selected Notes to the Consolidated Financial Statements (Continued)

13. Notes to the consolidated cash flow statement (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Year ended 31 March 2020			Year ended 31 March 2019
	Bank borrowings US\$'000	Shareholder's loans US\$'000	Lease liabilities US\$'000	Bank borrowings US\$'000
At 31 March	470,000	-	-	1,200,000
Changes in accounting policies (<i>Note</i> <i>2.1(a)(iv)</i>)	-	-	334,282	-
At 1 April	470,000	-	334,282	1,200,000
Drawdown of bank borrowings/ shareholder's loans	-	292,169	-	635,000
Repayment of bank borrowings	(220,945)	-	-	(1,365,000)
Capital contribution	-	(27,478)	-	-
Additions of lease liabilities	-	-	55,433	-
Disposals of lease liabilities	-	-	(27,772)	-
Cash settlement of lease liabilities	-	-	(71,888)	-
Non-cash interest expenses	-	6,213	14,165	-
Exchange difference	-	-	29	-
At 31 March	249,055	270,904	304,249	470,000

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Results Announcement was neither audited nor agreed by PricewaterhouseCoopers as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the following key differences between the financial information of the unaudited and audited annual results of the Group.

	Balances per Audited Annual Results	Balance per Unaudited Annual Results	Difference	Notes
Consolidated balance sheet (US\$ million)				
Right-of-use assets	240	260	(20)	(a)
Due from related companies	-	11	(11)	(b)
Accrued charges and sundry payables	111	142	(31)	(a), (b)
Consolidated profit and loss account				
Basic and diluted loss per share from continuing operations (HK cents)	359.00	302.98	56.02	(c)
Basic and diluted loss per share from continuing operations (US cents)	46.30	39.07	7.23	(c)
Basic and diluted loss per share from discontinued operations (HK cents)	94.85	80.05	14.80	(c)
Basic and diluted loss per share from discontinued operations (US cents)	12.23	10.32	1.91	(c)

Notes:

- (a) To properly reclassify the impairment loss of right-of-use assets of US\$20 million against "Right-of-use assets" instead of "Accrued charges and sundry payables".
- (b) To properly reclassify the impairment loss of amount due from a related company of US\$11 million against "Due from related companies" instead of "Accrued charges and sundry payables".
- (c) To adjust for loss per share based on the proper calculation of weighted average number of ordinary shares in issue during the year.

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above key differences, all other information contained in the Unaudited Results Announcement remain unchanged.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the auditor of the Company to the amounts set out in the Group's consolidated financial statement for the year. The work performed by the auditor of the Company in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor of the Company on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 March 2020:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in Note 2.1 (a) to the consolidated financial statements, the Group reported a net loss after tax of US\$586,590,000 for the year ended 31 March 2020. As at the same date, the Group's current liabilities exceeded its current assets by US\$772,125,000. Included in current liabilities were bank loans totaling US\$249,055,000, trade payables to external parties of US\$378,995,000 and trade related payables to related companies of US\$566,648,000. Cash and cash equivalents were US\$83,880,000 as at 31 March 2020.

Included in bank loans as at 31 March 2020 was a principal amount of US\$174,055,000 from a syndicated loan facility (the “Syndicated Loan”). The Company as a guarantor, had failed to comply with one financial covenant in respect of the Group’s consolidated financial net worth as stipulated in the loan agreement (“Loan Agreement”). This non-compliance constituted an event of default (“event of default”) under the Loan Agreement, such that the lenders of the Syndicated Loan (the “Lenders”) may exercise their rights to serve notice to terminate and forthwith demand all amounts including interest immediately due and payable. These conditions, together with other matters as further described in Note 2.1 (a) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

The Company has been pursuing a number of measures to improve the Group’s liquidity and financial position, to finance its operations and to restructure its borrowings, which are set out in Note 2.1 (a) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including whether the Group is successful in (i) obtaining agreement with the Lenders not to declare and demand immediate repayment of the Syndicated Loan, further revising the terms of the Loan Agreement to extend the repayment terms of the Syndicated Loan and short-term bank loans and revise the financial covenants under a proposed repayment proposal, or any proposal that would be acceptable to the Lenders and the Group; (ii) raising additional cash through potential disposal of certain businesses and/or assets of the Group; (iii) managing its working capital and obtaining agreement with trade creditors comprising external and related companies to extend payment terms for trade payables; (iv) implementing cash preservation and cost reduction measures as remediation measures in managing the impact of the COVID-19 outbreak and escalating global trade tension impacting the Group’s operations and results; and (v) continuing efforts on its restructuring plans to reposition the Group’s brand positioning and seeking new business opportunities.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting (“**AGM**”) of the Company will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 30 September 2020 at 11:30 a.m.

The record date for determining shareholders’ right to attend and vote at the AGM is 24 September 2020. Shareholders who are entitled to attend and vote at the AGM are those whose names appear on the Register of Members of the Company as at the close of business on 24 September 2020. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 pm on 24 September 2020.

The Notice of AGM will be published on the Company’s website at www.globalbrandsgroup.com and HKExnews website at www.hkexnews.hk on 31 August 2020 and despatched to the shareholders on 1 September 2020.

DESPATCH OF ANNUAL REPORT

The Company will despatch the Annual Report on 1 September 2020.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises two Non-executive Directors, namely William Fung Kwok Lun (Chairman) and Hau Leung Lee, one Executive Director, namely Richard Nixon Darling (Chief Executive Officer) and five Independent Non-executive Directors, namely Paul Edward Selway-Swift, Stephen Harry Long, Allan Zeman, Audrey Wang Lo and Ann Marie Scichili.