GLOBAL BRANDS GROUP HOLDING LIMITED
利標品牌有限公司
(Incorporated in Bermuda with limited liability)
Stock Code: 787

GLOBAL BRANDS GROUP

2015
Interim Report
中期業績報告

BRANDS WITHOUT LIMITS

HONG KONG
NEW YORK
LONDON
SHANGHAI
LOS ANGELES
FLORENCE MILAN
PARIS SEOUL TOKYO

CONTENTS

CORPORATE INFORMATION

NON-EXECUTIVE DIRECTOR
William FUNG Kwok Lun
Chairman

EXECUTIVE DIRECTORS
Bruce Philip ROCKOWITZ
Chief Executive Officer & Vice Chairman
Dow FAMULAK
President & Chief Operating Officer (appointed as Chief Operating Officer on 1 July 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Paul Edward SELWAY-SWIFT
Stephen Harry LONG
Hau Leung LEE
Allan ZEMAN
Audrey WANG LO

CHIEF FINANCIAL OFFICER
LEONG Kwok Yee *(retired on 1 July 2015)*
Ronald VENTRICELLI *(appointed on 1 July 2015 and served as Chief Operating Officer until 30 June 2015)*

GROUP CHIEF COMPLIANCE OFFICER
Srinivasan PARTHASARATHY *(served until 30 June 2015)*

GROUP CHIEF COMPLIANCE & RISK MANAGEMENT OFFICER
Jason Chi Wai YEUNG *(appointed on 1 July 2015)*

COMPANY SECRETARY
TO Hon Fai

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central
Hong Kong

PRINCIPAL BANKERS
Citibank, N.A.
HSBC Bank USA, National Association
Standard Chartered Bank

LEGAL ADVISER
Skadden, Arps, Slate, Meagher & Flom
42th Floor, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

COMPLIANCE ADVISER
Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central, Hong Kong

REGISTERED OFFICE
Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
9th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

HIGHLIGHTS

(US$ million)	**2015**	2014	Change
Turnover	**1,282**	1,349	-5.0%
Total margin	**406**	400	+1.4%
As % of turnover	***31.7%***	*29.7%*	
Operating costs	**449**	463	-3.2%
Core Operating Profit/(Loss)	**(43)**	(63)	
Net profit/(loss) attributable to shareholders	**(35)**	(98)	
Losses per Share – Basic	**(3.27) HK cents**	(9.2) HK cents	
(equivalent to)	**(0.42) US cents**	(1.17) US cents	
Adjusted Net Profit/(Loss)* Attributable to Shareholders	**(40)**	(53)	

* Excluding merger and acquisition costs, non-cash items and non-operational expenses, such as gain on remeasurement of contingent consideration payable, amortization of other intangible assets, non-cash interest expenses and non-operational expenses.

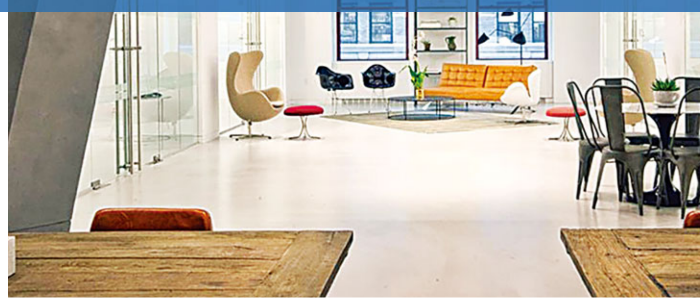
- All profit lines recorded significant improvement in the first half of 2015 as compared to the same period last year
- Total margin continued to trend up, growing as a percentage to turnover to 31.7%
- Operating costs decreased by 3.2% as a result of on-going focus on maximizing operational synergies
- Turnover of US$1,282 million, a decrease of 5.0% due to the tail end of the discontinuation of underperforming businesses as well as weakness in the European markets which was largely driven by a decrease in the Euro exchange rate. Excluding the impact of these factors, turnover grew by approximately 6%
- A stronger mix of brands in the portfolio in favour of higher margin businesses
- In line with previous years, performance continues to skew significantly towards the second half of the year

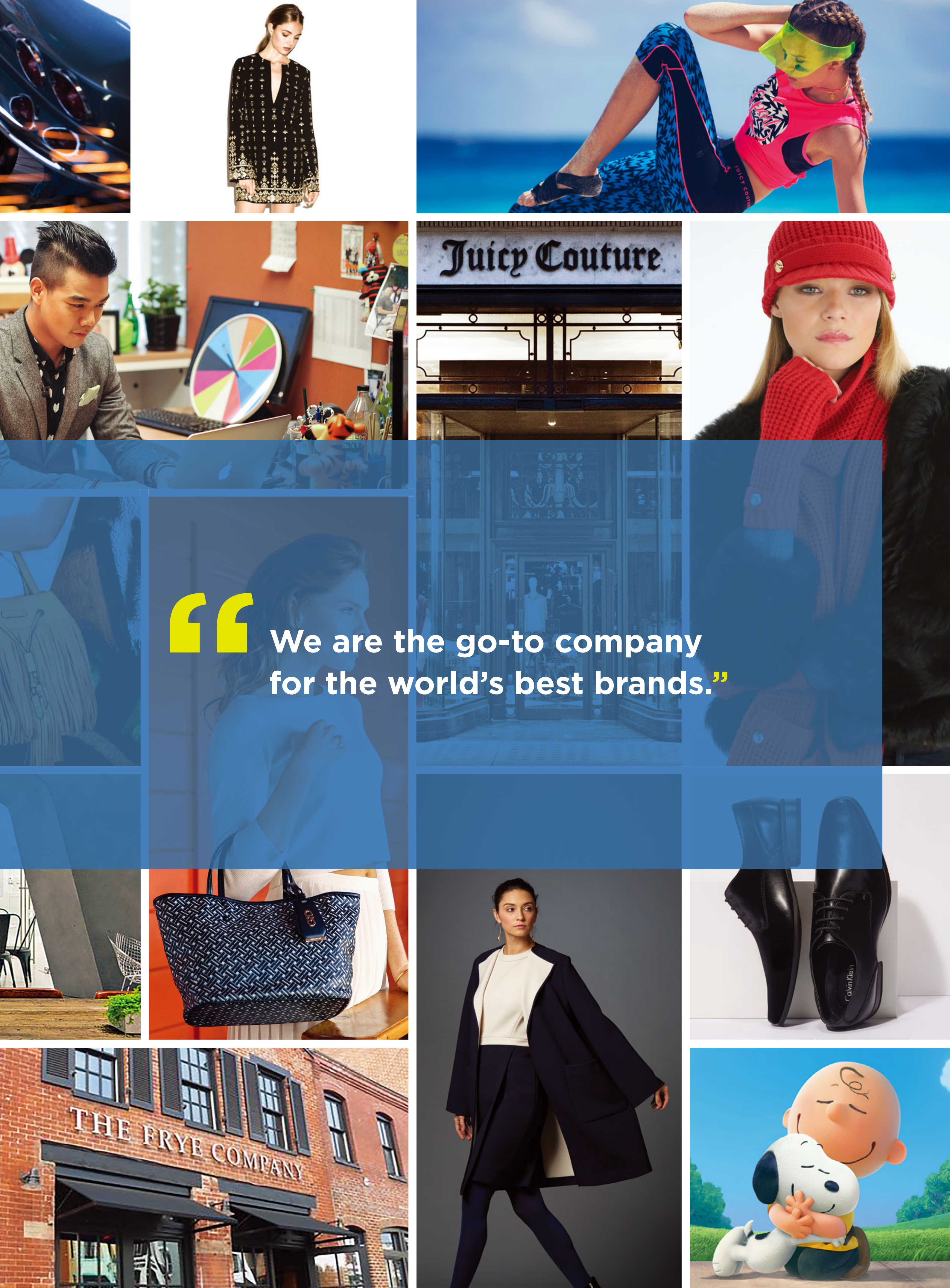




OUR VISION

We will be a leader in globalizing the brands we own, license and manage. With a spirit of innovation and a drive for excellence, we seek new markets, new categories and new geographies. This is the place world-class talent calls home.

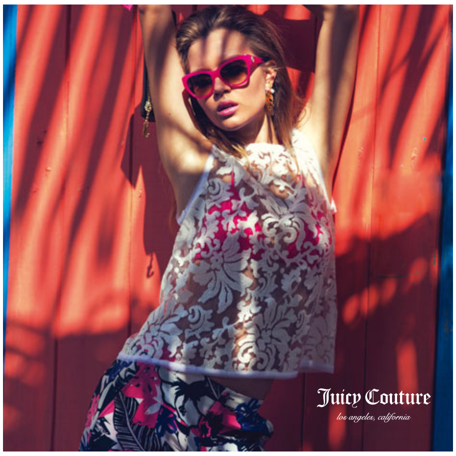



"We are the go-to company for the world's best brands."

OUR BRANDS

"Brands Without Limits" defines everything we do. Call us forecasters, call us tastemakers, call us lifestyle curators. Our mixed portfolio of powerful brands drives trends across categories and appeals to a broad customer segment. With our extensive distribution channel reach, we're not only building brands, we're shaping a global industry. That's what makes us different.

“We look at brands through a global lens. We see the magic in a brand and imagine where it can go.”



OUR PRODUCT

This is a business where staying at the forefront is the key to success. Ideas need to be inspiring. Designs must be compelling. It all starts and stops with incredible product – we live and breathe it every day. There is nothing more rewarding than creating product that everyone loves.

Driven by design, **we bring out the beauty in brands and create product that resonates.**








CHAIRMAN'S STATEMENT

With the first half of 2015 now behind us, and as we marked the one-year anniversary last month of our independent listing on the Hong Kong Stock Exchange, I look back on the past six months with a sense of accomplishment for all that we have achieved at Global Brands. We maintained our position as the partner of choice for American power brands in the affordable luxury space as we continued to strengthen our brands portfolio. Moreover, we grew our businesses and increased margins by focusing on the product categories that have been the mainstays of our business and by leveraging our product design expertise as well as our strong retail and distribution partnerships which are the pillars of our unique global platform.

The considerable progress made by the Group in the first half of the year was achieved against the backdrop of substantial fluctuations in the foreign exchange, energy and stock markets around the world. China and Europe continued to contend with significant economic pressures. The US, however, demonstrated a relatively stable landscape, and key indicators point towards a slow but consistent recovery. Though this delivered a mixed bag in terms of worldwide consumer confidence levels, our brands continued to perform well and garnered strong consumer loyalty as we stayed on course with our strategy, enabling the Group to counter the prevailing macro headwinds.

Going forward, we will continue to expand and attract well-respected power brands to our portfolio, and then take them global. In line with our strategy, we will focus on our key categories, pursuing compelling product and category extensions where relevant, and increase our geographic footprint across all of our markets. Our vision to take leading American affordable luxury brands global will continue to benefit from the growing consumer appetite we are seeing in this space, which is especially evident in emerging markets as disposable incomes increase with the growth in middle class consumers. This robust demand for well-known brands has been further fueled by the popularity of mobile devices and the ubiquitous access to the internet that makes these brands more accessible to consumers across the world. All of these favorable trends bode well for our business to expand globally. Another focus for the Group will be e-commerce, as we look to further invest in this area to capture digital opportunities.

Corporate governance remains a top priority for Global Brands, and we will continue to uphold the values of transparency and accountability. Our Board of Directors ensure that the management of Global Brands receives in depth and necessary strategic guidance to steer the Group through the next stage of development. Equally important to us is enhancing the sustainability of our operations, and deepening our partnerships with licensors, customers, suppliers and sourcing partners. In this regard, our emphasis is on fostering the well-being and development of our employees, supporting the communities where we operate, measuring our environmental impact and enhancing the performance of our supply chain. Both corporate governance and sustainability play a fundamental and important role in helping us deliver shareholder value.

I would like to offer my sincere gratitude to Leong Kwok Yee, who retired from the position of Chief Financial Officer, for his service to the Group. Ronald Ventricelli, our former Chief Operating Officer has now taken on the role of Chief Financial Officer, while Dow Famulak, our President, assumes the additional role and responsibility as Chief Operating Officer.

Finally, I must thank my colleagues around the world for the dedication, tenacity and hard work that they have contributed to building the sound reputation and position that the Group enjoys today. Thank you also to all of our stakeholders for your continued loyalty and support. We are confident in our ability to generate value in the medium term as we capitalize on the many opportunities that exist for our business today. Global Brands has a bright, dynamic future ahead, and I look forward to sharing our further achievements with you in the coming months.

William Fung Kwok Lun
Chairman

Hong Kong, 11 August 2015

CEO'S STATEMENT

I am pleased to share with you Global Brands' interim report for 2015 and the positive progress we have made on a number of key fronts in the overall business development of the Group.

During the first six months of 2015, we continued to build on the solid foundation established to date to implement our clear vision and drive growth. A cornerstone of this strategy remains our focus on partnering with American power brands in the affordable luxury space and taking them global. We are doing that by leveraging our innovative product design and development expertise, as well as our strong retail relationships and distribution capabilities. We have further sharpened our organizational focus around our product categories and key competencies, while exiting underperforming businesses, such that today, we have an even stronger mix of brands in our portfolio. We have continued to invest in and strengthen our Licensed and Controlled Brands platforms, as well as our brand management business, as the pillars to grow our business globally. In addition, in order to capture the digital opportunities, we are also investing in e-commerce and omni-channel initiatives around the world.

During the period, our financial performance was impacted by a number of factors. They include the tail end of discontinuation of certain underperforming brands during the course of 2014 which are no longer reflected in our financials in 2015, as well as weakness in the European markets which was largely driven by a decrease in the Euro exchange rate. Consequently, for the first half of 2015, Group turnover declined by 5.0% to US$1,282 million, compared to US$1,349 million for the same period in 2014. Excluding the impact of the aforementioned factors, turnover grew by approximately 6% during the same period.

Our business continues to be skewed towards the second half of the year. This results from a combination of several factors; 1) US retail sales are generally skewed towards the second half of the year, due to back-to-school sales and a higher concentration of holidays in that period, and; 2) some of our largest categories, brands and licenses are naturally more skewed towards the fall and winter seasons. For example, the products of Frye, Aquatalia and Spyder are more fall/winter oriented, character product sales are also more heavily concentrated in the holiday season, and we produce winter accessories for brands such as Michael Kors and Kate Spade. In line with previous years, we expect this year's revenue split between the first and second halves to skew towards the second half.

Our total margin continued to trend up to US$406 million, growing as a percentage of turnover from 29.7% in the first half of 2014 to 31.7% in the first half of 2015. This was mainly attributable to our continuous efforts in improving the business mix towards intrinsically higher margin areas such as characters on the Licensed Brands side and our key Controlled Brands. As the Group continued to focus on progressing integration across our businesses, as well as driving synergies in operational and infrastructure support, our operating costs reduced by 3.2% to US$449 million.

As such, all profit lines recorded significant improvement as compared to the same period last year. Core operating loss improved by 32.5% from US$63 million in the first half of 2014 to US$43 million in the first half of 2015, while the net loss attributable to shareholders improved by 64.5% from US$98 million to US$35 million. The Group's adjusted net loss[(1)] attributable to shareholders also improved by 24.3% from US$53 million to US$40 million. Continuing on this positive note, our EBITDA[(2)] increased by 39.6% from US$34 million in the first half of 2014 to US$47 million in the first half of 2015.

Looking to the Licensed Brands side of our business, we continue to strengthen our global leadership in the characters and kids fashion area. We are amongst the largest licensees of Disney and other major character franchises globally and as such, we essentially operate as the product arm of these entertainment companies, which allows us to continue to see strong momentum as a result of their success. For example, in the first half of the year, Frozen and Ninja Turtles performed very well. In the second half, we expect Star Wars, Minions and Paw Patrol to outshine.

Moving to the Controlled Brands side of our business, we continue to invest in the establishment of world class management teams to take our key Controlled Brands to the next level. For example, at Frye, we have appointed a new CEO. We also appointed the President of Seven Global, our partnership with David Beckham and Simon Fuller, and a President for Spyder. They are all seasoned professionals that have demonstrated significant success in their previous roles as leading executives at some of the world's leading lifestyle and fashion brands and retailers.

In addition to rounding out our management teams, we have also continued to grow our key Controlled Brands through retail and online sales. In August, we opened our fifth company-owned Frye store in Atlanta, Georgia, while retail expansion for Spyder in South Korea has also been rolled out with a dedicated and more fashion oriented line of products. During the first half, Frye upgraded its e-commerce site to further strengthen brand storytelling and customer engagement. Spyder will also re-launch its e-commerce platform and social media presence in the second half of this year.

(1) Adjusted Net Profit/(Loss): Excluding merger & acquisition costs, non-cash items and non-operational expenses, such as gain on remeasurement of contingent consideration payable, amortization of other intangible assets, non-cash interest expenses and non-operational expenses

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

We have also been working hard to build up a women's fashion and apparel platform on the Controlled Brands side. We initially did this with Juicy Couture, and have recently begun to do the same with the addition of the classic Jones New York brand into our portfolio of Controlled Brands. The landscape of brand ownership is shifting to the point where an increasing number of significant brands are in the hands of financial investors and holding companies. At Global Brands, we see a strategic opportunity for us to be the operating partner of choice for these brand owners in repositioning and/or extending these brands. This is also in line with our strategic focus on taking leading American affordable luxury brands global by leveraging our expertise in apparel and accessories as well as the breadth and depth of our relationships with retailers.

Looking ahead, we expect our leading businesses to continue to perform well and maintain the course of their growth trajectory. Due to the skewing effect I discussed, in line with previous years, we expect both turnover and profits to accelerate significantly in the second half of the year. We also expect further improvement in margins as we continue to improve our business mix towards higher margin areas while further rationalizing our cost structure and optimizing our sourcing.

We will continue to globalize and diversify our business geographically as we replicate the success we have achieved in North America across Europe and Asia, despite volatility of the markets that is expected to continue through the remainder of the year especially in Europe and Asia. At the same time, we will continue to evaluate strategic opportunities to add to our existing platforms both from a licensing and an acquisition point of view.

I would like to thank all of our stakeholders for their continued support and our people across the world for their dedication and hard work. We have started the year with positive momentum and can look to the future with confidence.

Bruce Rockowitz
Chief Executive Officer & Vice Chairman

Hong Kong, 11 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

During the first half of 2015, the Group continued to strengthen our Licensed and Controlled Brands platforms as well as expand our brand management business. By focusing on our core competencies in design, development, marketing and distribution, we continue to achieve success in expanding our geographic footprint and driving the growth of our business.

For the six months ended 30 June 2015, the Group's turnover declined by 5.0% as compared to same period last year to US$1,282 million. This was primarily due to the impact from our discontinuation of underperforming brands during the course of 2014 as well as weakness in the European markets which was largely driven by a decrease in the Euro exchange rate. Excluding the impact from these two factors, the Group's turnover grew by approximately 6%.

The Group's business has historically been impacted in the first half due to the seasonality of the industry in which we operate, where sales volumes are typically skewed towards the second half of the year due to back-to-school sales and a higher concentration of holidays in that period. In addition, some of our largest categories and brands, such as Frye, Aquatalia and Spyder on the Controlled Brands side and Michael Kors and Kate Spade on the Licensed Brands side, comprise products which are more geared towards the fall and winter seasons. The Group's revenue split for the 2015 financial year is once again expected to be skewed towards the second half for these reasons.

Total margin continued to trend up to US$406 million in the first six months of 2015, growing as a percentage of turnover from 29.7% to 31.7% compared to the same period in 2014. This was mainly attributable to the Group's continuous efforts in improving the business mix towards higher margin areas such as characters on the Licensed Brands side and our key Controlled Brands. As we further integrated our businesses to maximize operational synergies, the Group's operating costs decreased by 3.2% to US$449 million in the first half of 2015.

As such, all profit lines in the first half of 2015 posted significant improvement as compared to the same period last year. Core operating loss improved by 32.5% from US$63 million to US$43 million, while the net loss attributable to shareholders improved by 64.5% from US$98 million to US$35 million. The Group's adjusted net loss[1] attributable to shareholders also improved by 24.3% from US$53 million in the first half of 2014 to US$40 million in the first half of 2015. Our EBITDA[2] grew from US$34 million in the first half of 2014 to US$47 million in the first half of 2015.

[1] Adjusted Net Profit/(Loss): Excluding merger & acquisition costs, non-cash items and non-operational expenses, such as gain on remeasurement of contingent consideration payable, amortization of other intangible assets, non-cash interest expenses and non-operational expenses

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

The table below summarizes the Group's financial results for the six months ended 30 June 2015.

	1st Half 2015 US$mm	1st Half 2014 US$mm	**Change** US$mm	%
Turnover	**1,282**	1,349	(67)	-5.0%
Total Margin	**406**	400	6	1.4%
% of Turnover	***31.7%***	*29.7%*		
Operating Costs	**449**	463	(15)	-3.2%
Core Operating Profit/(Loss)	**(43)**	(63)	21	32.5%
% of Turnover	***-3.3%***	*-4.7%*		
EBITDA[1]	**47**	34	13	39.6%
Net Profit/(Loss) Attributable to Shareholders	**(35)**	(98)	63	64.5%
% of Turnover	***-2.7%***	*-7.3%*		
Adjusted Net Profit/(Loss)[2] Attributable to Shareholders	**(40)**	(53)	13	24.3%

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

[2] Adjusted Net Profit/(Loss): Excluding merger & acquisition costs, non-cash items and non-operational expenses, such as gain on remeasurement of contingent consideration payable, amortization of other intangible assets, non-cash interest expenses and non-operational expenses

OPERATING SEGMENTS

The Group designs, develops, markets and sells fashion and fashion accessories products globally across a diverse portfolio of brands. We operate two core segments, Licensed Brands and Controlled Brands.

LICENSED BRANDS

The Group sells branded products under the primary categories of fashion apparel, entertainment characters, accessories, home and footwear, across a number of geographies and distribution channels. We are a market leader in the licensed brands business and a licensee of choice for an array of well-known brands that command a loyal following. In an environment of rapidly changing consumer preferences, we benefit from a balanced mix of well-established and newer brands that enable us to drive fashion trends and broaden our appeal among different groups of customers. Our broad portfolio of licenses across multiple product categories allows us to market our products across multiple channels of distribution that target a wide range of retailers, while reducing our reliance on any one demographic, product or distribution channel.

During the period, we further sharpened our organizational focus around our key competencies and our primary product categories of footwear and accessories, kids fashion, characters and home, while exiting certain underperforming brands, such that we now have an even stronger mix of brands in our portfolio. The Group's global leadership in the character business and in kids fashion and apparel continues to gain strength and growth momentum building on the success of the major kids entertainment franchises, including Disney, Lucas Film, Pixar, Marvel, Nickelodeon, from which we license the brands. Today, Global Brands is one of the biggest licensees of these major kids entertainment franchises due to our unmatched global platform in this space.

	1st Half 2015 US$mm	1st Half 2014 US$mm	**Change**	
			US$mm	%
Turnover	**1,062**	1,152	(91)	–7.9%
Total Margin	**329**	347	(18)	–5.1%
% of Turnover	***31.0%***	*30.1%*		
Operating Costs	**358**	379	(21)	–5.6%
Core Operating Profit/(Loss)	**(29)**	(32)	4	11.0%
% of Turnover	***–2.7%***	*–2.8%*		

Total turnover for Licensed Brands decreased by 7.9% compared to the same period last year. This was a result of the tail end of discontinuation of underperforming brands during the course of 2014 which are no longer reflected in our financials in 2015, as well as weakness in the European markets which was largely driven by a decrease in the Euro exchange rate. Total margin percentage increased from 30.1% in the first six months of 2014 to 31.0% in the first six months of 2015, as a result of a better mix of businesses. Operating costs decreased by 5.6%, from US$379 million in the first six months of 2014 to US$358 million in the first six months of 2015, as a result of rationalization of our businesses. Core operating loss of Licensed Brands improved by 11.0% to US$29 million in the first half of 2015 from US$32 million in the first half of 2014.

CONTROLLED BRANDS

In the Controlled Brands segment, we either own the intellectual property of the brands, or have a long-term license, which gives us significant control. Our major licenses for Controlled Brands run for a period of ten years or longer and have multiple renewal options. Our Controlled Brands portfolio presently comprises approximately a dozen brands, and we continue to invest in growing our key Controlled Brands.

During the first six months of 2015, the Group made significant progress in several notable areas within this segment. We appointed a number of key new hires across Frye, Spyder and Seven Global who we believe have the right experience to drive further growth. We also added Jones New York to our collection of women's fashion and apparel brands and intend to leverage Global Brands' strong retail relationships, innovative design skills, and distribution across all of our diverse product categories to take the brand global.

	1st Half 2015 US$mm	1st Half 2014 US$mm	**Change** US$mm	%
Turnover	**220**	196	24	12.0%
Total Margin	**77**	53	24	44.0%
% of Turnover	***35.1%***	*27.3%*		
Operating Costs	**91**	84	7	7.8%
Core Operating Profit/(Loss)	**(14)**	(31)	17	55.2%
% of Turnover	***-6.3%***	*-15.7%*		

Total turnover for Controlled Brands increased by 12.0% compared to the same period last year, while total margin percentage for the segment increased from 27.3% in the first six months of 2014 to 35.1% in the first six months of 2015, due to larger contribution from higher-margin businesses and improvement on existing margins. Operating costs increased by 7.8%, from US$84 million for the first half of 2014 to US$91 million in the first half of 2015, largely due to investment in some of our key brands, Frye, Juicy Couture and Spyder. Core operating loss of Controlled Brands improved by 55.2% to US$14 million in the first half of 2015 from US$31 million in the first half of 2014.

GEOGRAPHICAL SEGMENTATION

For the first six months of 2015, the geographic split of Group turnover was 80% North America, 15% Europe/Middle East and 5% Asia, as compared to 81% North America, 14% Europe/Middle East and 5% Asia in the first six months of 2014. This shift reflects the increasing globalization and geographic diversification of our business and is expected to continue.

ACQUISITIONS

During the period, the Group made an acquisition for its business.

Name	**Business**	**Strategic Rationale**
Spyder Retail *(March 2015)*	• The retail stores and internet website businesses of Spyder Active Sports, Inc., which is a leading specialty brand for high-end skiing apparel	• To continue expansion of the direct to consumer business in the United States

FINANCIAL POSITION

CASH POSITION AND CASH FLOW

The Group operates a cash accretive business, and has a proven track record utilizing its positive operating cash flow to fund working capital, interest expenses, capital expenditures and selected small-scale acquisitions. Normally when we have opportunities for large acquisitions we seek external funding sources to meet payment obligations.

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

	1st Half 2015 US$mm	1st Half 2014 US$mm	**Change** US$mm
Cash and cash equivalents at 1 January	**126**	115	11
Net cash flow from operating activities	**16**	23	(7)
Net cash flow from investing activities	**(169)**	(114)	(54)
Net cash flow from financing activities	**129**	139	(10)
Cash and cash equivalents at 30 June	**102**	163	(61)

Cash flow from operating activities

In the first half of 2015, operating activities generated cash inflow of US$16 million, which was slightly lower than the same period of 2014. The positive operating cash flow was mainly the result of effective working capital management, in particular quicker collection of trade receivables and the continued favourable build of trade payables in 2015 as compared to the six-month period in 2014.

Cash flow from investing activities

Cash outflow from investing activities totalled US$169 million in the six months ended 30 June 2015 as compared to US$114 million in the 2014 six-month period, mainly including US$95 million consideration payments for prior years' acquisitions in 2015 and US$69 million in 2014. In addition, acquisitions of businesses and investment in intangible assets amounted to US$41 million in 2015 compared to US$20 million in 2014.

Cash flow from financing activities

During the first six months of 2015, the Group drew down US$170 million in bank borrowings to finance investing activities compared to US$725 million in the prior year that was mainly used to repay shareholder's loan to Li & Fung Limited of US$594 million. The Group did not pay any dividend and had no other significant financing activities.

As at 30 June 2015, the Group's cash position was US$102 million, compared to US$163 million at 30 June 2014. Given our positive cash flow-generating capabilities, the Group's intention is to maintain only a reasonable cash balance to fund our seasonal working capital needs on an on-going basis.

BANKING FACILITIES

TRADE FINANCE

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 and payment is due within 60 days of shipment. The remaining trade purchases are internally sourced and may require letters of credit issued to suppliers that will be crystallized when our suppliers have shipped the merchandise to our customers or to the Group in accordance with all the terms and conditions in the related contractual documents.

BANK LOANS AND OTHER FACILITIES

The Group had available bank loans and other facilities of US$1,120 million, out of which US$600 million were committed facilities. As at 30 June 2015, US$837 million of the Group's bank loans were drawn down, with US$600 million being committed facilities. The unused limits on bank loans and other facilities amounted to US$153 million, with that entire amount being uncommitted facilities.

BANK LOANS AND OTHER FACILITIES AS AT 30 JUNE 2015

	Limit US$mm	Outstanding Bank Loan US$mm	Other Facilities Utilized US$mm	Unused Limit US$mm
Committed	**600**	**600**	**–**	**–**
Uncommitted	**520**	**237**	**130**	**153**
Total	**1,120**	**837**	**130**	**153**

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

Out of unused facilities limit of US$153 million as at 30 June 2015, US$100 million was subsequently converted as part of the US$300 million long-term banking facilities obtained in August 2015.

CURRENT RATIO

As of 30 June 2015, the Group's current ratio was 0.9, based on current assets of US$1,211 million and the current liabilities of US$1,397 million, which decreased from a current ratio of 1.0 as of 31 December 2014.

CAPITAL STRUCTURE

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

The Group's total equity remained at a solid position at US$2,443 million as at 30 June 2015, compared to US$2,475 million as at 31 December 2014.

The Group's gross debt was US$837 million as at 30 June 2015, which was primarily due from the Group repaying outstanding debt to Li & Fung Limited in conjunction with the spin-off in 2014. As at 30 June 2015, the Group's gross debt was at floating rates based on LIBOR. Taking into account cash on hand, total net debt amounted to US$735 million as at 30 June 2015, resulting in a gearing ratio of 23.1%. The gearing ratio is defined as total borrowings, net of cash, divided by total net debt plus total equity.

RISK MANAGEMENT

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

CREDIT RISK MANAGEMENT

Credit risk mainly arises from trade and other receivables as well as cash and bank balances of the Group. Most of the Group's cash and bank balances are held in major global financial institutions. The Group has stringent policies in place to manage its credit risk with 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's cash balances were deposits in Hong Kong dollars and 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 six months.

CONTINGENT CONSIDERATION

As at 30 June 2015, the Group had outstanding contingent consideration payable of US$316 million, of which US$17 million was initial consideration payable, US$124 million was primarily earn-out and US$175 million was earn-up. Both earn-out and earn-up are performance-based payments subject to certain pre-determined performance targets mutually agreed with the sellers in accordance with the specific sale and purchase agreement. Earn-out payments are generally payable within three to four years whereas earn-up payment with higher performance target threshold would be payable in a period of up to five to six years upon completion of a transaction. The Group follows a stringent internal financial and accounting policy in evaluating the estimated fair value of these contingent considerations, in accordance with HKFRS 3 (Revised) "Business Combination". For the six months ended 30 June 2015, there was approximately US$44 million of remeasurement gain on the outstanding contingent consideration payable.

PEOPLE

As at 30 June 2015, the Group had a total workforce of 2,959, out of which 502 were based in Asia, 450 based in Europe and 2,007 based in the United States. Total manpower costs for the first half of 2015 were US$169 million.

Remark:

(1) EBITDA

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

	1st Half 2015 US$'mm	1st Half 2014 US$'mm
Core operating profit/(loss)	**(43)**	(63)
Add:		
Amortization of brand licenses	**72**	73
Amortization of computer software and system development costs	**7**	2
Depreciation of property, plant and equipment	**11**	21
EBITDA	**47**	34

(2) Adjusted Net Profit/(Loss) Attributable to Shareholders

The following table reconciles profit/(loss) attributable to shareholders to adjusted net profit/(loss) attributable to shareholders.

	1st Half 2015 US$'mm	1st Half 2014 US$'mm
Profit/(Loss) attributable to shareholders	**(35)**	(98)
Add/(Less):		
Gain on remeasurement of contingent consideration payable	**(44)**	(20)
Amortization of other intangible assets	**29**	25
One-off reorganization costs and listing costs related to spin-off	**–**	29
Other non-core operating expenses	**3**	2
Non-cash interest expenses	**7**	9
Adjusted Net Profit/(Loss) Attributable to Shareholders	**(40)**	(53)

Bruce Rockowitz

CHIEF EXECUTIVE OFFICER + VICE CHAIRMAN

OUR PEOPLE

A company doesn’t create product or bring brands to life. People do. We’re made up of some of the most energetic entrepreneurs and seasoned corporate executives in the industry. By combining this leadership with our world-class talent and international relationships, our potential is unstoppable.

"Made up of world-class talent, we put our passion and expertise into everything we do."

Jason Rabin
CHIEF MERCHANDISING OFFICER + PRESIDENT, LICENSED BRANDS

Dow Famulak
PRESIDENT + CHIEF OPERATING OFFICER

Ronald Ventricelli
CHIEF FINANCIAL OFFICER

DESIGN GURUS
CREATIVE THINKERS
MASTER MERCHANTS SALES MAVERICKS
TREND FORECASTERS PEOPLE CONNECTORS
BRAND STRATEGISTS
CATEGORY SPECIALISTS PROJECT LEADERS
FINANCIAL WIZARDS FUTURE PLANNERS
BRILLIANT NEGOTIATORS
TECH EXPERTS PRODUCT MASTERMINDS
IDEA INNOVATORS

Taylor Holzer

ASSOCIATE ACCOUNT EXECUTIVE, HANDBAGS | NEW YORK

Maggie Gallagher

SALES ASSISTANT, HANDBAGS | NEW YORK

Carol O'Hara

VP OF SALES, HANDBAGS | NEW YORK

Jonathan Light
VP OF DESIGN | NEW YORK

Ben Chmura
DESIGN DIRECTOR | NEW YORK

Willie Armstrong
DIRECTOR OF GRAPHIC DESIGN | LOS ANGELES

David Hawker
VP CREATIVE DIRECTOR | LOS ANGELES

Brittney Martin
DESIGN DIRECTOR | LOS ANGELES

Cat Forsyth
DESIGN DIRECTOR , HANDBAGS | LOS ANGELES

Byron Edwards
PRODUCT DEVELOPMENT MANAGER | BOULDER

Jamie Evavold
DESIGNER | BOULDER

Matt Strackbein
PRODUCTION ART MANAGER | BOULDER

Monica Klein
PRODUCT DEVELOPER | BOULDER

Patti Reiman
PRODUCT DEVELOPER | BOULDER

Tobin Spann
DESIGNER | NEW YORK

Jared Udell
DESIGNER | NEW YORK

Angela Woo
DESIGN DIRECTOR | NEW YORK

Meghan Drake
DESIGNER | NEW YORK

Cesare Zoppello
DESIGNER | FLORENCE

Simone Orsucci
DESIGNER | FLORENCE

Giorgio Cora
DESIGNER | FLORENCE

Fabiana Rigamonti
DESIGN DIRECTOR | NEW YORK

Kenny Lee
DESIGNER | NEW YORK

Arthur Klinkon
DESIGNER | NEW YORK

Mayce El Kharouf
DESIGNER | LONDON

Richard Loveless
SENIOR DESIGNER | LONDON

Sophie Gatliff
DESIGNER | LONDON

Elliot Hartwell
HEAD OF CREATIVE STRATEGY + DESIGN | LONDON

Meret Probst
DESIGNER | LONDON

Daniel Holliday
DESIGNER | LONDON

Andrea Lin
MANAGER, LICENSING + MARKETING | SINGAPORE

Lynn Chin
DIVISIONAL MANAGER, CREATIVE + PRODUCT DEVELOPMENT | SINGAPORE

Cindy Goh
REGIONAL BRAND MANAGER | SINGAPORE

Edmund Low
SENIOR MANAGER, BUSINESS DEVELOPMENT | SINGAPORE

Tao Hong
SENIOR MANAGER, DESIGN | SHANGHAI

Inbal Mordechai
DIVISIONAL MANAGER, DESIGN | SHANGHAI

Lisa Xu
DIVISIONAL MANAGER, BUSINESS PLANNING + DEVELOPMENT | SHANGHAI

Lauren Xu
SENIOR BRAND MANAGER | SHANGHAI

Sarah Levy
ACCOUNT EXECUTIVE | NEW YORK

Steve Pinkow
EVP SALES | NEW YORK

Rebecca Cone
VP SALES | NEW YORK

Moran Libovitch
DESIGNER | TEL AVIV

Orna Tsarfaty
HEAD OF DESIGN | TEL AVIV

Yulia Gernun
SENIOR DESIGNER | TEL AVIV

Lital Driman
PRODUCT COORDINATOR + DEVELOPMENT | TEL AVIV

Anna Poulter
DESIGNER | LONDON

Kate Williams
SENIOR DESIGNER | LONDON

Jam Mustafa
SENIOR DESIGNER | LONDON

Nil Molloy
PRODUCTION MANAGER | LONDON

Kaylian Laaziz
HEAD OF SALES | LONDON

Elizabeth Donovan
VP DESIGN + MERCHANDISING | NEW YORK

Ann Theile
DIRECTOR OF DESIGN + MERCHANDISING | NEW YORK

Jennifer Glassen
DESIGNER | NEW YORK

Marianne Macri
VP MERCHANDISING + DESIGN | NEW YORK

CORPORATE GOVERNANCE

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

THE BOARD

The Board is currently composed of the Non-executive Director (Group Chairman), two Executive Directors and five Independent Non-executive Directors.

The role of the Group Chairman is separated from that of the Chief Executive Officer. This is to enhance their respective independence, accountability and responsibility.

BOARD COMMITTEES

The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on the Company's corporate website and the Hong Kong Stock Exchange's 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

NOMINATION COMMITTEE

The primary duties of the nomination committee are to recommend to the Board on the appointment of Directors, evaluation of the 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*

* *Independent Non-executive Director*

AUDIT COMMITTEE

The primary duties of the audit committee are to oversee the financial reporting system and internal control procedures of the Group, review the financial information of the Company and the Group and consider issues relating to the external auditors and their appointment. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the six months ended 30 June 2015. 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*

* *Independent Non-executive Director*

REMUNERATION COMMITTEE

The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The current members of the remuneration committee are:

Prof Hau Leung LEE* – *Committee Chairman*
Dr William FUNG Kwok Lun
Mrs Audrey WANG LO*

* *Independent Non-executive Director*

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of risk management and internal controls in the Group and for reviewing its effectiveness. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud. Details of the Group's risk management and internal control processes are set out in the Corporate Governance Report on pages 44 to 47 of the Company's 2014 annual report.

The Group's Internal Audit team within the Corporate Governance Division (CGD), under the supervision of the Group Chief Compliance & Risk Management Officer, independently reviews the compliance with the Group's policies and guidelines as well as legal and regulatory requirements, the internal controls and evaluates their adequacy and effectiveness. The Group Chief Compliance & Risk Management Officer reports all major findings and recommendations to the Audit Committee on a regular basis.

Based on the respective assessments made by management and the Group's CGD, the Audit Committee considered that for the six months ended 30 June 2015:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the interim financial information were reliable for publication.

- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

CODE OF CONDUCT AND BUSINESS ETHICS

The Group's reputation capital is built on its high standards of ethics in conducting business. 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 on 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 whistle-blowing are in place 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. 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. Specific confirmation of compliance has been obtained from each Director and no incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2015.

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 Group is followed by a number of analysts with some of them publishing reports. The management attends major investor conferences, as well as 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 Annual Reports, Interim Reports, 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.

SUSTAINABILITY

In the first half of 2015, we continued to concentrate our efforts on improving the sustainability of our own operations, and building our partnerships with licensors, customers, suppliers and our buying agent, Li & Fung Group. We focus on fostering the well-being and development of our employees, supporting the communities where we operate, measuring our environmental impact and enhancing the performance of our supply chain.

We invest in our employees by providing them with support and tools to be successful at work and in their personal lives. We continue to encourage healthy lifestyles through our global wellness initiative, which is tailored to individual locations, and continuously enhanced. Our community investments leverage our success to help individuals and their communities grow and thrive, such as employee donations for disaster relief matched at 100% with corporate donations.

We continue to encourage awareness and reductions in paper, water and electricity usage, and provide green guidelines for employees on our internal website.

We engage with suppliers throughout the production process to drive social compliance, and place business with suppliers who demonstrate their social compliance performance. All factories must be pre-approved through our approval process and adhere to our Supplier Code of Conduct. We work with our Suppliers to improve facility conditions through monitoring and actively address social compliance issues when they arise.

We will continue to partner with our colleagues, supply chain partners, and other stakeholders to build an efficient and effective business which positively impacts the environments and communities in which we operate.

OTHER INFORMATION

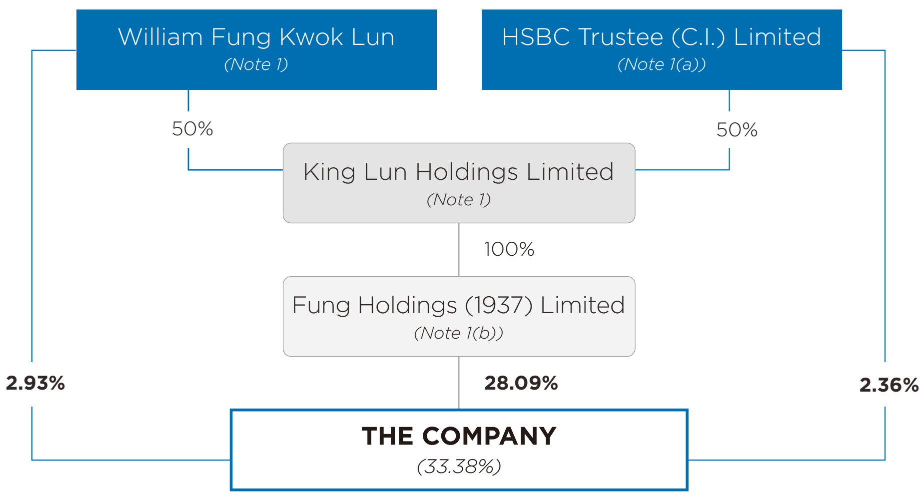
DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the Directors and chief executives of the Company and their associates had the following interests in the Shares and underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Issuers (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	168,342,660	108,800	2,425,362,472[1]	-	-	2,593,813,932	31.02%
Bruce Philip Rockowitz	7,625,600	-	244,172,780[2]	83,603,983[3]	78,017,358[4]	413,419,721	4.94%
Dow Famulak	3,400,000	-	-	83,603,982[3]	7,484,946[4]	94,488,928	1.13%
Paul Edward Selway-Swift	36,000	-	16,000[5]	-	-	52,000	0.00%

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



NOTES:

As at 30 June 2015,

(1) Out of 2,425,362,472 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 2,348,953,872 Shares (representing 28.09% 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") as illustrated in the chart above.

Further details on the above-mentioned shareholders 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 153,225,964 Shares. FH (1937) is a wholly-owned subsidiary of King Lun.

(2) 244,172,780 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 underlying shares in respect of share options granted by the Company to these Directors as beneficial owners, the details of which are set out in the Share Option Scheme section.

(4) These interests represented the interests in shares in respect of share awards granted by the Company to these Directors as beneficial owners, the details of which are set out in the Share Award Scheme section.

(5) 16,000 Shares were held by a trust of which Mr. Paul Edward Selway-Swift is a beneficiary.

SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed above, 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 30 June 2015, other than the interests of the Directors and chief executives of the Company as disclosed above, the following persons 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
HSBC Trustee (C.I.) Limited	Trustee[1]	2,545,966,180	30.45%
King Lun Holdings Limited	Interest of controlled entity[2]	2,348,953,872	28.09%
The Capital Group Companies, Inc.	Interest of controlled corporation	773,007,000	9.25%
Sun Life Financial, Inc.	Investment manager[3]	1,104,395,121	13.21%
Massachusetts Financial Services Company	Investment manager[3]	1,104,395,121	13.21%
Deutsche Bank Aktiengesellschaft	Beneficial owner/	518,827,362	6.21%
	Person having a security interest in shares/	83,608,500 (Short position)	1.00%
	Interest of controlled corporation/ Custodian corporation/Approved lending agent	458,429,102 (Lending pool)	5.48%

NOTES:

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

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

(3) Massachusetts Financial Services Company ("MFS") is a subsidiary of Sun Life Financial, Inc. ("SLF") and accordingly, MFS's interest in 1,104,395,121 Shares are duplicated in the interest of SLF.

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 30 June 2015.

SHARE AWARD SCHEME

On 16 September 2014 (the "Adoption Date"), the Company adopted a share award scheme (the "Scheme"). Pursuant to the Scheme, the Board or its delegate(s) may award Shares to an eligible person of the Scheme.

The principal terms of the Scheme are as follows:

(1) Purpose

The purpose of the Scheme 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 its 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 Scheme will not exceed 2.5% of the aggregate nominal amount of the issued capital of the Company on the Adoption Date.

(4) Maximum entitlement

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

(5) Duration

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

As at 30 June 2015, details of the award shares granted pursuant to the Scheme are as follows:

		Number of Shares				
Grantees	**Grant Date (Per award letters)**	**Granted during the period**	**Vested during the period**	**Lapsed during the period**	**As at 30/6/2015**	**Vesting Period**
Bruce Philip Rockowitz	11/5/2015	78,017,358	-	-	78,017,358	31/12/2016 -31/12/2020
Dow Famulak	11/5/2015	7,484,946	-	-	7,484,946	31/12/2016 -31/12/2020
Continuous contract employees	8/6/2015	34,464,663	-	-	34,464,663	31/12/2016
		119,966,967	-	-	119,966,967	

Award letters were issued to the grantees in respect of 119,966,967 shares granted. Another award letter is expected to be issued to a continuous contract employee in September 2015 in respect of 524,265 shares to be vested immediately upon the grant.

Of the total 120,491,232 award shares, 20,491,232 new Shares were issued and allotted to the trustee of the Scheme on 16 July 2015 and the balance was satisfied by the Company transferring funds to the trustee to purchase Shares in the open market.

SHARE OPTION SCHEME

On 16 September 2014, the Company adopted a share option scheme (the "Option Scheme"). Pursuant to the Option Scheme, the Board or its delegate(s) may grant options to the eligible persons to subscribe for ordinary shares in the Company.

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.

(4) Maximum Entitlement of a Grantee

The total number of Shares issued and to be issued upon exercise of the options granted and to be 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 a 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 a Share on the grant date.

(8) Remaining Life of the Option Scheme

The Board is entitled at any time within 10 years between 16 September 2014 and 15 September 2024 to offer the grant of an option to eligible persons.

As at 30 June 2015, there were options relating to 485,834,163 Shares granted by the Company representing 5.8% of the issued Shares of the Company as at the date of this report which were valid and outstanding.

Movement of the options granted under the Option Scheme during the period are as follows:

	Number of Options						
Grantees	**As at 1/1/2015**	**Granted**	**Cancelled**	**As at 30/6/2015**	**Exercise Price** HK$	**Date of Grant**	**Exercise Period**
Bruce Philip Rockowitz	83,603,983	-	-	83,603,983	1.70	4/11/2014	1/1/2016-31/12/2018
Dow Famulak	13,933,997	-	-	13,933,997	1.70	4/11/2014	1/1/2016-31/12/2018
	13,933,997	-	-	13,933,997	1.70	4/11/2014	1/1/2017-31/12/2019
	13,933,997	-	-	13,933,997	1.70	4/11/2014	1/1/2018-31/12/2020
	13,933,997	-	-	13,933,997	1.70	4/11/2014	1/1/2019-31/12/2021
	13,933,997	-	-	13,933,997	1.70	4/11/2014	1/1/2020-31/12/2022
	13,933,997	-	-	13,933,997	1.70	4/11/2014	1/1/2021-31/12/2023
Continuous contract employees	12,263,158	-	-	12,263,158	1.70	4/11/2014	1/1/2016-31/12/2018
	12,263,158	-	-	12,263,158	1.70	4/11/2014	1/1/2017-31/12/2019
	12,263,158	-	-	12,263,158	1.70	4/11/2014	1/1/2018-31/12/2020
	12,263,158	-	-	12,263,158	1.70	4/11/2014	1/1/2019-31/12/2021
	12,263,158	-	-	12,263,158	1.70	4/11/2014	1/1/2020-31/12/2022
	12,263,158	-	-	12,263,158	1.70	4/11/2014	1/1/2021-31/12/2023
	58,157,896	-	(2,052,632)	56,105,264	1.70	4/11/2014	1/1/2016-31/12/2018
	58,157,896	-	(2,052,632)	56,105,264	1.70	4/11/2014	1/1/2017-31/12/2019
	58,157,896	-	(2,052,632)	56,105,264	1.70	4/11/2014	1/1/2018-31/12/2020
	1,026,315	-	-	1,026,315	1.70	4/11/2014	1/1/2017-31/12/2019
	1,026,315	-	-	1,026,315	1.70	4/11/2014	1/1/2018-31/12/2020

OTHER INFORMATION (CONTINUED)

	Number of Options						
Grantees	As at 1/1/2015	Granted	Cancelled	As at 30/6/2015	Exercise Price HK$	Date of Grant	Exercise Period
Continuous contract employees	684,211	–	–	684,211	1.70	4/11/2014	1/1/2017-31/12/2019
(continued)	684,211	–	–	684,211	1.70	4/11/2014	1/1/2018-31/12/2020
	684,211	–	–	684,211	1.70	4/11/2014	1/1/2019-31/12/2021
	6,568,421	–	–	6,568,421	1.70	4/11/2014	1/1/2018-31/12/2020
	6,568,421	–	–	6,568,421	1.70	4/11/2014	1/1/2019-31/12/2021
	6,568,421	–	–	6,568,421	1.70	4/11/2014	1/1/2020-31/12/2022
	2,052,632	–	–	2,052,632	1.70	4/11/2014	1/1/2019-31/12/2021
	2,052,632	–	–	2,052,632	1.70	4/11/2014	1/1/2020-31/12/2022
	2,052,632	–	–	2,052,632	1.70	4/11/2014	1/1/2021-31/12/2023
	5,473,685	–	–	5,473,685	1.70	4/11/2014	1/1/2020-31/12/2022
	5,473,685	–	–	5,473,685	1.70	4/11/2014	1/1/2021-31/12/2023
	5,473,685	–	–	5,473,685	1.70	4/11/2014	1/1/2022-3/11/2024
	–	2,924,528 [1]	–	2,924,528	1.78	28/5/2015	1/1/2017-31/12/2019
	–	2,924,528 [1]	–	2,924,528	1.78	28/5/2015	1/1/2018-31/12/2020
	–	1,096,698 [1]	–	1,096,698	1.78	28/5/2015	1/1/2017-31/12/2019
	–	1,462,264 [1]	–	1,462,264	1.78	28/5/2015	1/1/2018-31/12/2020
	–	7,311,321 [1]	–	7,311,321	1.78	28/5/2015	1/1/2018-31/12/2020
	–	7,311,321 [1]	–	7,311,321	1.78	28/5/2015	1/1/2019-31/12/2021
	–	7,311,321 [1]	–	7,311,321	1.78	28/5/2015	1/1/2020-31/12/2022
Total	461,650,078	30,341,981	(6,157,896)	485,834,163			

NOTES:

(1) On 28 May 2015, 30,341,981 options were granted to employees of the Company. The options were estimated using the Black-Scholes valuation model based on the following assumptions:

Date of grant	28 May 2015
Option value	HK$0.36–HK$0.59
Share price at date of grant	HK$1.71
Exercise price	HK$1.78
Standard deviation	33.9%
Annual risk-free interest rate	0.99%–1.34%
Life of options	4–7 years
Dividend yield	1.25%

The closing market price per Share as at the date preceding the date on which the options were granted during the period on 28 May 2015 was HK$1.73.

(2) The options granted are recognized as expenses in the financial statements in accordance with the Company's accounting policy as set out in the annual financial statements for the year ended 31 December 2014. Other details of options granted by the Company are set out in Note 13(a) to the interim financial information.

(3) No options under the Option Scheme were exercised or lapsed during the period.

OTHER INFORMATION (CONTINUED)

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of Directors' information since the publication of the Company's 2014 Annual Report are set out below:

Name of Directors	Changes
William Fung Kwok Lun	Resigned as director of Fung Global Institute Limited, an independent non-profit think tank based in Hong Kong, in July 2015
Dow Famulak	Appointed as Chief Operating Officer of the Group in July 2015
Allan Zeman	Appointed as independent non-executive director of Television Broadcasts Limited, a company whose shares are listed on the Hong Kong Stock Exchange, in April 2015

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

INDEPENDENT REVIEW REPORT

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF GLOBAL BRANDS GROUP HOLDING LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 52 to 73, which comprises the consolidated balance sheet of Global Brands Group Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 August 2015

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CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30 June **2015** **US$'000**	 2014 US$'000
Turnover	*3*	**1,281,531**	1,348,883
Cost of sales		**(875,961)**	(948,548)
Gross profit		**405,570**	400,335
Other income		**593**	32
Total margin		**406,163**	400,367
Selling and distribution expenses		**(208,904)**	(228,254)
Merchandising and administrative expenses		**(239,971)**	(235,391)
Core operating loss		**(42,712)**	(63,278)
Gain on remeasurement of contingent consideration payable	*4*	**44,416**	19,667
Amortization of other intangible assets		**(29,252)**	(24,650)
One-off reorganization and listing costs related to spin-off		**-**	(28,740)
Other non-core operating expenses		**(2,682)**	(2,001)
Operating loss	*3 & 4*	**(30,230)**	(99,002)
Interest income		**109**	29
Interest expenses			
Non-cash interest expenses		**(7,218)**	(9,465)
Cash interest expenses		**(20,947)**	(7,007)
		(58,286)	(115,445)
Share of profits of joint ventures		**2,137**	324
Loss before taxation		**(56,149)**	(115,121)
Taxation	*5*	**23,548**	16,983
Net loss for the period		**(32,601)**	(98,138)
Attributable to:			
Shareholders of the Company		**(34,831)**	(98,138)
Non-controlling interest		**2,230**	–
		(32,601)	(98,138)
Losses per share for loss attributable to			
the shareholders of the Company during the period	*6*		
– basic		**(3.27) HK cents**	(9.2) HK cents
(equivalent to)		**(0.42) US cents**	(1.17) US cents
– diluted		**(3.27) HK cents**	(9.2) HK cents
(equivalent to)		**(0.42) US cents**	(1.17) US cents
Dividends		**-**	–

The notes on pages 58 to 73 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2015 US$'000	2014 US$'000
Net loss for the period	**(32,601)**	(98,138)
Other comprehensive expense:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(12,760)**	(1,100)
Other comprehensive expense for the period, net of tax	**(12,760)**	(1,100)
Total comprehensive expense for the period	**(45,361)**	(99,238)
Attributable to:		
Shareholders of the Company	**(47,591)**	(99,238)
Non-controlling interest	**2,230**	–
	(45,361)	(99,238)

The notes on pages 58 to 73 form an integral part of this interim financial information.

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Non-current assets			
Intangible assets	*7*	**3,428,788**	3,287,184
Property, plant and equipment	*7*	**173,431**	175,181
Joint ventures		**79,635**	65,018
Other receivables and deposits		**20,504**	20,557
Deferred tax assets		**18,942**	9,098
		3,721,300	3,557,038
Current assets			
Inventories		**582,408**	497,903
Due from related companies		**6,428**	5,810
Trade receivables	*8*	**302,473**	414,485
Other receivables, prepayments and deposits		**214,679**	169,981
Derivative financial instrument		**2,664**	4,016
Cash and bank balances		**102,368**	126,022
		1,211,020	1,218,217
Assets of disposal group classified as held-for-sale		**–**	7,702
		1,211,020	1,225,919
Current liabilities			
Due to related companies		**614,002**	484,053
Trade payables	*9*	**110,632**	107,356
Accrued charges and sundry payables		**204,969**	268,652
Purchase consideration payable for acquisitions	*10*	**118,149**	160,501
Derivative financial instruments		**1,013**	–
Tax payable		**11,220**	21,309
Short-term bank loans	*11*	**337,361**	167,203
		1,397,346	1,209,074
Liabilities of disposal group classified as held-for-sale		**–**	1,046
		1,397,346	1,210,120
Net current (liabilities)/assets		**(186,326)**	15,799
Total assets less current liabilities		**3,534,974**	3,572,837
Financed by:			
Share capital	*12*	**13,398**	13,398
Reserves		**2,400,718**	2,461,185
Shareholders' funds attributable to the Company's shareholders		**2,414,116**	2,474,583
Non-controlling interest		**29,033**	–
Total equity		**2,443,149**	2,474,583
Non-current liabilities			
Long-term bank loans	*11*	**500,000**	500,000
Purchase consideration payable for acquisitions	*10*	**198,229**	213,470
Other long-term liabilities	*10*	**373,429**	353,838
Deferred tax liabilities		**20,167**	30,946
		1,091,825	1,098,254
		3,534,974	3,572,837

The notes on pages 58 to 73 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Attributable to shareholders of the Company								
		Reserves							
	Share capital US$'000 *(Note 12(a))*	Capital reserves US$'000 *(Note 12(b))*	Employee share-based compensation reserve US$'000	Shares held for share award scheme US$'000 *(Note 13(b))*	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 January 2015	**13,398**	**2,022,674**	**580**	**-**	**(36,142)**	**474,073**	**2,461,185**	**-**	**2,474,583**
Comprehensive expense									
Net (loss)/profit	**-**	**-**	**-**	**-**	**-**	**(34,831)**	**(34,831)**	**2,230**	**(32,601)**
Other comprehensive expense									
Currency translation differences	**-**	**-**	**-**	**-**	**(12,760)**	**-**	**(12,760)**	**-**	**(12,760)**
Total comprehensive (expense)/income	**-**	**-**	**-**	**-**	**(12,760)**	**(34,831)**	**(47,591)**	**2,230**	**(45,361)**
Transactions with owners									
Non-controlling interest arising on business combination	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26,803**	**26,803**
Shares purchased for share award scheme	**-**	**-**	**-**	**(19,987)**	**-**	**-**	**(19,987)**	**-**	**(19,987)**
Employee share-based compensation	**-**	**-**	**7,111**	**-**	**-**	**-**	**7,111**	**-**	**7,111**
Total transactions with owners	**-**	**-**	**7,111**	**(19,987)**	**-**	**-**	**(12,876)**	**26,803**	**13,927**
Balance at 30 June 2015	**13,398**	**2,022,674**	**7,691**	**(19,987)**	**(48,902)**	**439,242**	**2,400,718**	**29,033**	**2,443,149**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Unaudited					
	Attributable to shareholders of the Company					
		Reserves				
	Share capital US$'000	Capital reserves US$'000	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Total equity US$'000
Balance at 1 January 2014	–	2,021,072	1,496	369,858	2,392,426	2,392,426
Comprehensive expense						
Net loss	–	–	–	(98,138)	(98,138)	(98,138)
Other comprehensive expense						
Currency translation differences	–	–	(1,100)	–	(1,100)	(1,100)
Total comprehensive expense	–	–	(1,100)	(98,138)	(99,238)	(99,238)
Transactions with owners						
Share issued pursuant to Reorganization	13,398	(13,398)	–	–	(13,398)	–
Capital injection	–	15,000	–	–	15,000	15,000
Total transactions with owners	13,398	1,602	–	–	1,602	15,000
Balance at 30 June 2014	13,398	2,022,674	396	271,720	2,294,790	2,308,188

The notes on pages 58 to 73 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Six months ended 30 June 2015 US$'000	2014 US$'000
Operating activities			
Operating profit before working capital changes		**54,194**	4,686
Changes in working capital		**(32,704)**	21,145
Net cash inflow generated from operations		**21,490**	25,831
Profits tax paid		**(5,000)**	(2,436)
Net cash inflow from operating activities		**16,490**	23,395
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(95,024)**	(69,306)
Acquisitions of businesses		**(20,934)**	433
Other investing activities		**(52,996)**	(45,703)
Net cash outflow from investing activities		**(168,954)**	(114,576)
Net cash outflow before financing activities		**(152,464)**	(91,181)
Financing activities			
Decrease in amounts due to related companies		**-**	(593,821)
Capital injection		**-**	15,000
Net drawdown of bank borrowing		**170,158**	725,113
Shares purchased for share award scheme	*13(b)*	**(19,987)**	–
Interest paid		**(20,947)**	(7,007)
Net cash inflow from financing activities		**129,224**	139,285
(Decrease)/increase in cash and cash equivalents		**(23,240)**	48,104
Cash and cash equivalents at 1 January		**126,022**	115,088
Effect of foreign exchange rate changes		**(414)**	(40)
Cash and cash equivalents at 30 June		**102,368**	163,152
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**102,368**	163,158
Bank overdrafts		**-**	(6)
		102,368	163,152

The notes on pages 58 to 73 form an integral part of this interim financial information.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Global Brands Group Holding Limited ("the Company") and its subsidiaries (together, "the Group") are principally engaged in businesses comprising of a portfolio of licensed brands in which the Group licenses the intellectual property from the brand owners or the licensors for use in selected product categories and geographies (the "Licensed Brands") and controlled brands in which the Group either own, or control the intellectual property under a long-term license which gives it significant control over the development and marketing associated with the relevant brands (the "Controlled Brands") to design and develop branded apparel and related products primarily for sales to retailers in the North America, Europe and Middle East and Asia.

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.

This condensed interim financial information is presented in US dollars, unless otherwise stated. This condensed interim financial information was approved for issue by the Board of Directors on 11 August 2015.

2 BASIS OF PREPARATION

The unaudited condensed interim financial information (the "interim financial information") has been reviewed by the Company's audit committee and, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, PricewaterhouseCoopers.

This interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the HKICPA and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.1 GOING-CONCERN BASIS

As at 30 June 2015, the Group recorded net current liabilities of US$186,326,000 (31 December 2014: net current assets of US$15,799,000).

Management has prepared cash flow forecasts for the next twelve months and based on these projections, the Group is expected to generate net cash inflow from operations in the coming twelve months. In addition, the Group obtained long-term banking facilities amounting to US$300 million. Taking into consideration the operating cash inflows and availability of long-term banking facilities, management is confident that the Group has adequate resources to continue its operations, settle the outstanding purchase considerations when due and fund any new acquisitions in the next twelve months. Accordingly, management is of the view that the going concern assumption used in preparing the interim financial information for the six-month period ended 30 June 2015 is appropriate.

2.2 ACCOUNTING POLICIES

Except as described in (a) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

2.2 ACCOUNTING POLICIES (CONTINUED)

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

The following new standards, new interpretations and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2015:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the interim financial information and/or disclosures set out in the interim financial information.

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

The following new standards, new interpretations and amendments to existing standards relevant to the Group have been issued but are not effective for the accounting periods beginning 1 January 2015 and have not been early adopted:

HKAS 1 Amendment	Presentation of Financial Statements' Disclosure Initiative[1]
HKAS 28, HKFRS 10 and HKFRS 12 Amendment	Investment Entities: Applying the Consolidation Exception[1]
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization[1]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[1]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 9	Financial Instruments[3]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]

NOTES:

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

3 SEGMENT INFORMATION

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

3 SEGMENT INFORMATION (CONTINUED)

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

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

	Licensed Brands US$'000	Controlled Brands US$'000	Total US$'000
Six months ended 30 June 2015 (Unaudited)			
Turnover	**1,061,589**	**219,942**	**1,281,531**
Total margin	**329,019**	**77,144**	**406,163**
Operating costs	**(357,938)**	**(90,937)**	**(448,875)**
Core operating loss	**(28,919)**	**(13,793)**	**(42,712)**
Gain on remeasurement of contingent consideration payable			**44,416**
Amortization of other intangible assets			**(29,252)**
Other non-core operating expenses			**(2,682)**
Operating loss			**(30,230)**
Interest income			**109**
Interest expenses			
Non-cash interest expenses			**(7,218)**
Cash interest expenses			**(20,947)**
			(58,286)
Share of profits of joint ventures			**2,137**
Loss before taxation			**(56,149)**
Taxation			**23,548**
Net loss for the period			**(32,601)**
Depreciation and amortization	**81,787**	**37,222**	**119,009**
30 June 2015 (Unaudited)			
Non-current assets (other than deferred tax assets)	**2,857,188**	**845,170**	**3,702,358**

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 SEGMENT INFORMATION (CONTINUED)

	Licensed Brands US$'000	Controlled Brands US$'000	Total US$'000
Six months ended 30 June 2014 (Unaudited)			
Turnover	1,152,483	196,400	1,348,883
Total margin	346,812	53,555	400,367
Operating costs	(379,314)	(84,331)	(463,645)
Core operating loss	(32,502)	(30,776)	(63,278)
Gain on remeasurement of contingent consideration payable			19,667
Amortization of other intangible assets			(24,650)
One-off reorganization and listing costs related to spin-off			(28,740)
Other non-core operating expenses			(2,001)
Operating loss			(99,002)
Interest income			29
Interest expenses			
Non-cash interest expenses			(9,465)
Cash interest expenses			(7,007)
			(115,445)
Share of profits of joint ventures			324
Loss before taxation			(115,121)
Taxation			16,983
Net loss for the period			(98,138)
Depreciation and amortization	103,982	17,639	121,621
31 December 2014 (Audited)			
Non-current assets (other than deferred tax assets)	2,666,688	881,252	3,547,940

3 SEGMENT INFORMATION (CONTINUED)

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

	Turnover		Non-current assets (other than deferred tax assets)	
	Unaudited		Unaudited	Audited
	Six months ended 30 June		30 June	31 December
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
North America	**1,022,102**	1,089,313	**3,251,172**	2,979,900
Europe and Middle East	**190,039**	190,327	**238,043**	373,254
Asia	**69,390**	69,243	**213,143**	194,786
	1,281,531	1,348,883	**3,702,358**	3,547,940

For the six months ended 30 June 2015, approximately 11.0% (2014: 11.5%) of the Group's turnover is derived from a single external customer, of which 9.6% (2014: 10.7%) and 1.4% (2014: 0.8%) are attributable to the Licensed Brands Segment and Controlled Brands Segment respectively.

4 OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Crediting		
Gain on remeasurement of contingent consideration payable*	**44,416**	19,667
Charging		
Amortization of computer software and system development costs	**6,839**	2,358
Amortization of brand licenses	**71,898**	73,252
Amortization of other intangible assets*	**29,252**	24,650
Depreciation of property, plant and equipment	**11,020**	21,361
Loss on disposal of property, plant and equipment	**354**	1,734
Staff costs including directors' emoluments	**169,202**	178,904

* *Included below the core operating loss*

5 TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable loss for the period. Taxation on overseas profits has been calculated on the estimated assessable loss for the period 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:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Current taxation		
– Overseas taxation	**(6,447)**	909
Deferred taxation	**(17,101)**	(17,892)
	(23,548)	(16,983)

6 LOSSES PER SHARE

The calculation of basic losses per share is based on the Group's net loss attributable to shareholders of US$34,831,000 (2014: US$98,138,000) and on the weighted average number of ordinary shares in issue during the period of 8,310,953,862 shares (2014: 8,360,398,306 shares), after adjusting the shares held by the trustee of the Company's share award scheme (Note 13(b)).

The diluted losses per share is the same as the basic losses per share for the six months ended 30 June 2015 as the potential ordinary shares in respect of outstanding share options are anti-dilutive. As there were no potential dilutive ordinary shares during the period ended 30 June 2014, diluted losses per share was equal to basic losses per share.

7 CAPITAL EXPENDITURE

	Intangible assets US$'000	**Property, plant and equipment US$'000**
Six months ended 30 June 2015		
Net book amount as at 1 January 2015 (audited)	**3,287,184**	**175,181**
Acquisitions of businesses	**126,007**	**–**
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	**2,242**	**–**
Additions	**123,774**	**9,736**
Disposals	**–**	**(354)**
Amortization/depreciation charge *(Note (b))*	**(107,989)**	**(11,020)**
Exchange differences	**(2,430)**	**(112)**
Net book amount as at 30 June 2015 (unaudited)	**3,428,788**	**173,431**

7 CAPITAL EXPENDITURE (CONTINUED)

	Intangible assets US$'000	Property, plant and equipment US$'000
Six months ended 30 June 2014		
Net book amount as at 1 January 2014 (audited)	3,276,000	193,171
Acquisitions of businesses	75,235	454
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	14,581	–
Additions	142,210	24,085
Disposals	–	(1,734)
Amortization/depreciation charge *(Note (b))*	(100,260)	(21,361)
Exchange differences	9,710	335
Net book amount as at 30 June 2014 (unaudited)	3,417,476	194,950

NOTES:

(a) 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 twelve 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 intangible assets stated above, there were corresponding net adjustments to purchase consideration payable for acquisitions of US$1,500,000 (2014: US$9,503,000) and other assets/liabilities of approximately US$742,000 (2014: US$5,078,000).

(b) Amortization of intangible assets included amortization of computer software and system development costs of US$6,839,000 (2014: US$2,358,000), amortization of brand licenses of US$71,898,000 (2014: US$73,252,000) and amortization of other intangible assets arising from business combination of US$29,252,000 (2014: US$24,650,000).

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 30 June 2015 (unaudited)	**251,997**	**31,971**	**14,565**	**3,940**	**302,473**
Balance at 31 December 2014 (audited)	338,494	41,183	30,642	4,166	414,485

The fair values of the Group's trade receivables were approximately the same as their carrying values as at 30 June 2015.

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.

9 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 30 June 2015 (unaudited)	**94,147**	**13,847**	**1,154**	**1,484**	**110,632**
Balance at 31 December 2014 (audited)	103,629	1,766	1,476	485	107,356

The fair values of the Group's trade payables were approximately the same as their carrying values as at 30 June 2015.

10 LONG-TERM LIABILITIES

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Purchase consideration payable for acquisitions	**316,378**	373,971
Brand license payable	**322,015**	304,925
Other payables	**34,167**	27,838
Other non-current liability (non-financial liability)	**76,408**	75,686
	748,968	782,420
Less:		
Current portion of purchase consideration payable for acquisitions	**(118,149)**	(160,501)
Current portion of brand license payable	**(48,927)**	(44,131)
Current portion of other payables	**(10,234)**	(10,480)
	571,658	567,308

Purchase consideration payable for acquisitions as at 30 June 2015 amounted to US$316,378,000 (31 December 2014: US$373,971,000), of which US$17,215,000 (31 December 2014: Nil) was initial consideration payable, US$124,193,000 (31 December 2014: US$103,308,000) was primarily earn-out and US$174,970,000 (31 December 2014: US$270,663,000) 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.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial 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.

10 LONG-TERM LIABILITIES (CONTINUED)

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% higher or lower than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables made after 2010 as at 30 June 2015 would be US$26,538,000, and the resulting aggregate impact to the goodwill on remeasurement of contingent consideration payable for acquisitions made prior to 1 January 2010 would be US$3,378,000.

11 BANK BORROWINGS

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Long-term bank loans – unsecured	**500,000**	500,000
Short-term bank loans – unsecured	**337,361**	167,203
Total bank borrowings	**837,361**	667,203

As at 30 June 2015 and 31 December 2014, the carrying amounts of the Group's borrowings approximated their fair values.

The Group's contractual repricing dates for borrowings are all three months or less.

12 SHARE CAPITAL AND RESERVES

(a) SHARE CAPITAL

	No. of ordinary shares	**Equivalent to HK$**	**Equivalent to US$**
Authorized share capital			
As at 1 January 2015, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
As at 30 June 2015, 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 January 2015, ordinary shares of HK$0.0125 each	8,360,398,306	104,504,979	13,398,074
As at 30 June 2015, ordinary shares of HK$0.0125 each	**8,360,398,306**	**104,504,979**	**13,398,074**

(b) CAPITAL RESERVES

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.

13 SHARE OPTIONS AND SHARE AWARD SCHEME

(a) SHARE OPTIONS

Details of Share Options granted by the Company pursuant to the Option Scheme and outstanding at 30 June 2015 are as follows:

			Number of Share Options Outstanding			
Date of Grant	Exercise Price HK$	Exercise Period	As at 1/1/2015	Granted	Cancelled	As at 30/6/2015
4/11/2014	1.70	1/1/2016 – 31/12/2018	167,959,034	–	(2,052,632)	165,906,402
4/11/2014	1.70	1/1/2017 – 31/12/2019	86,065,577	–	(2,052,632)	84,012,945
4/11/2014	1.70	1/1/2018 – 31/12/2020	92,633,998	–	(2,052,632)	90,581,366
4/11/2014	1.70	1/1/2019 – 31/12/2021	35,502,419	–	–	35,502,419
4/11/2014	1.70	1/1/2020 – 31/12/2022	40,291,893	–	–	40,291,893
4/11/2014	1.70	1/1/2021 – 31/12/2023	33,723,472	–	–	33,723,472
4/11/2014	1.70	1/1/2022 – 3/11/2024	5,473,685	–	–	5,473,685
28/5/2015	1.78	1/1/2017 – 31/12/2019	–	4,021,226	–	4,021,226
28/5/2015	1.78	1/1/2018 – 31/12/2020	–	11,698,113	–	11,698,113
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			461,650,078	30,341,981	(6,157,896)	485,834,163

No Options under the Option Scheme were exercised or lapsed during the period.

Subsequent to 30 June 2015, no shares has been allotted and issued under the Option Scheme.

(b) SHARE AWARD SCHEME

On 16 September 2014, the Company adopted a share award scheme (the "Scheme") to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The trustee, an independent third party, is appointed by the Company for the purpose of administering the Scheme.

During the period ended 30 June 2015, 119,966,967 ordinary shares held under the Scheme were awarded to eligible persons of the Group with a fair value of HK$1.67–HK$1.69 per share (equivalent to approximately US$0.22 per share). The fair value of the awarded shares is determined by reference to the closing price of the Company's ordinary shares on the grant dates. These awarded shares were vested from 31 December 2016 to 31 December 2020.

During the period, the trustee acquired under the Scheme 100,000,000 ordinary shares of the Company through purchases on the open market at a total cost of US$19,987,000 which was transferred to the shares held for share award scheme account of the Company as an equity component of the Company.

14 BUSINESS COMBINATIONS

In January 2015 and March 2015, the Group acquired a 51% interest in a business managing the brands associated with high-profile sports and entertainment icons globally, and the entire interest in a business running sportswear stores based in United States.

The acquired businesses contributed turnover of US$9,346,000, core operating profit of US$7,947,000 and net profit of US$4,217,000 to the Group for the period ended 30 June 2015. If the acquisitions had occurred on 1 January 2015, the Group's turnover, core operating loss and net loss for the period ended 30 June 2015 would have been US$1,282,391,000, US$43,016,000 and US$32,905,000 respectively.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration (including earn-out and earn-up)[i]	97,287
Less: Aggregate fair value of net assets acquired[ii]	(52,783)
	44,504
Non-controlling interest[iii]	26,803
Goodwill	71,307

i Purchase consideration (including earn-out and earn-up) will be payable over five years.

ii As at 30 June 2015, verification of individual assets/liabilities of the acquired businesses is in progress and the Group has not finalized the fair value assessments. The relevant fair value of individual assets/liabilities stated above are provisional.

iii Non-controlling interest is measured at its proportionate share in the recognized amounts of the acquiree's identifiable net assets.

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

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*	54,700
Other receivables, prepayments and deposits	313
Accrued charges and sundry payables	(2,230)
Fair value of net assets acquired	52,783

** Intangible assets arising from business combinations represent trade name and licensing agreements. 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 "Business Combination".*

14 BUSINESS COMBINATIONS (CONTINUED)

Analysis of the net outflow of cash and cash equivalents in respect of the acquisitions:

	US$'000
Purchase consideration	97,287
Purchase consideration payable	(76,353)
Net outflow of cash and cash equivalents in respect of the acquisitions	20,934

15 COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

As at 30 June 2015, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Within one year	**54,693**	58,427
In the second to fifth year inclusive	**189,345**	196,961
After the fifth year	**242,726**	266,905
	486,764	522,293

(b) CAPITAL COMMITMENTS

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Contracted but not provided for:		
Computer software and system development costs	**1,603**	1,381
Authorized but not contracted for:		
Property, plant and equipment	**29,359**	10,477
Computer software and system development costs	**8,620**	11,927
	39,582	23,785

16 CHARGES ON ASSETS

As at 30 June 2015, there were no charges on the assets and undertakings of the Group (31 December 2014: Nil).

17 RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its related parties during the period ended 30 June 2015 and 2014:

	Notes	**Unaudited 2015 US$'000**	Unaudited 2014 US$'000
Purchase	*(i)*	**698,277**	729,543
Direct freight forwarding costs passed through and service fee charged	*(ii)*	**12,520**	10,301
Operating leases rental income	*(iii)*	**1,117**	3,235
Operating leases rental paid	*(iii)*	**1,801**	1,703
Distribution and sales of goods	*(iv)*	**2,864**	12,480
Convertible promissory notes	*(v)*	**21,000**	14,000

NOTES:

(i) The gross purchase amount stated, which was made on normal commercial terms and conditions mutually agreed between the Group and the related companies as buying agent, includes inventory costs and service fee up to 7% thereon varied according to categories of products.

(ii) The invoiced value represents direct freight forwarding costs passed through and service fee charged by related companies. The service fee charged to the Group for the period ended 30 June 2015 amounted to US$864,000 (2014: US$882,000).

(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 21 August 2013, the Group formed a business co-operation arrangement based on mutually agreed terms with Heritage Global Partners, LLC ("Heritage") and Trinity International Brands Limited, an associate of Fung Holdings (1937) Limited, for launching Kent & Curwen brand in the United States, conducted under British Heritage Brands, Inc. ("BHB"), a wholly-owned subsidiary of Heritage. Pursuant to the arrangement, the Group entered into a convertible promissory note purchase agreement (the "Note Purchase Agreement") with BHB to contribute a maximum aggregate amount of US$32,000,000 in six tranches over three years with four tranches amounting to US$21,000,000 already paid as at 30 June 2015. For the remaining US$11,000,000, the Group is required to pay BHB, subject to satisfaction of the relevant benchmarks as prescribed under the Note Purchase Agreement. The convertible promissory note (the "Note") carries interest at 5% per annum maturing on 31 December 2027 with a right of conversion up to 51.06% equity interest of BHB during the period commencing on the earlier of either (i) the date on which sum of all payments made by the Group equals the maximum aggregate amount of the Note; or (ii) 1 January 2016, and ending on the date occurring 90 days following the date of delivery to the Group of the annual audited financial statements of BHB for the fiscal year 2018.

18 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 in HK dollars and 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 six months.

(ii) Price risk

At 30 June 2015 and up to the report date of the financial statements, the Group held no material financial derivative instruments except for the conversion right embedded in convertible promissory note.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for the convertible promissory note with BHB, 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 maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

(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 global financial institution. 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.

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

As at 30 June 2015, the Group recorded net current liabilities of US$186,326,000 (31 December 2014: net current assets of US$15,799,000). Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow.

19 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 follows:

- 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 30 June 2015.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Derivative financial instrument	**–**	**–**	**2,664**	**2,664**
Liabilities				
Derivative financial instruments	**–**	**1,013**	**–**	**1,013**
Purchase consideration payable for acquisitions	**–**	**–**	**316,378**	**316,378**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Derivative financial instruments	–	1,352	2,664	4,016
Liabilities				
Purchase consideration payable for acquisitions	–	–	373,971	373,971

19 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 six months ended 30 June 2015.

	Purchase consideration payable for acquisitions US$'000	**Derivative financial instrument US$'000**	**Total US$'000**
Opening balance	**373,971**	**2,664**	**376,635**
Additions	**76,353**	**–**	**76,353**
Settlements	**(95,024)**	**–**	**(95,024)**
Remeasurement of purchase consideration payable for acquisitions	**(44,416)**	**–**	**(44,416)**
Others	**5,494**	**–**	**5,494**
Closing balance	**316,378**	**2,664**	**319,042**

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 period.

There were no transfers between levels 1, 2 and 3 during the period.

20 APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 11 August 2015.

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 MidCap Index
FTSE4Good Index Series

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KEY DATE

11 August 2015
Announcement of 2015 Interim Results

SHARE INFORMATION

Board lot size: 2,000 shares

Shares outstanding as at 30 June 2015
8,360,398,306 shares

Market Capitalization as at 30 June 2015
HK$13,627,449,239

INVESTOR RELATIONS

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This Interim 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.

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