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

2016 / 17

GBG

INTERIM REPORT
中期業績報告

GLOBAL BRANDS GROUP

RIGHT

BRAND

RIGHT

PLACE

RIGHT

CHANNEL

RIGHT

TIME

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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

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

Chief Financial Officer
Ronald VENTRICELLI

Group Chief Compliance & Risk Management Officer
Jason YEUNG Chi Wai

Company Secretary
Richard LAW Cho Wa

Auditor
PricewaterhouseCoopers
Certified Public Accountants
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Principal Bankers
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Citibank, N.A.
HSBC Bank USA, National Association
Standard Chartered Bank

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Kowloon, Hong Kong

HIGHLIGHTS

	Six months ended 30 September		
(US$ million)	**2016**	2015	Change
Revenue	**1,844**	1,604	+15.0%
Total margin	**655**	547	+19.9%
As % of revenue	***35.5%***	*34.1%*	
Operating costs	**578**	513	+12.6%
Core Operating Profit	**78**	34	+129.9%
Net profit for the period	**7**	21	
Net profit attributable to shareholders	**1**	15	
Earnings per Share – Basic	**0.07 HK cents**	1.43 HK cents	
(equivalent to)	**0.01 US cents**	0.18 US cents	
Adjusted Net Profit* Attributable to Shareholders	**44**	10	+344.2%

* 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

- Strong growth in revenue by 15.0%, driven primarily by growth from existing and new licenses
- Total margin continued to trend up strongly, growing as a percentage of revenue to 35.5%
- Core operating profit posted a significant increase of 129.9%
- EBITDA increased by 44.0% to US$179 million
- Adjusted net profit attributable to shareholders rose by more than 300% to US$44 million

AT THE FORFRONT

WITH THE RETAIL WORLD CONSTANTLY EVOLVING, GLOBAL BRANDS GROUP IS FASHIONING THE FUTURE.

At the forefront, GBG is uniquely positioned to capitalize on the life stages of brands globally. We are asset light, and our portfolio is broad. This gives us unique control and flexibility to harness the retail market as it shifts and evolves.

THIS SETS US APART.


부동산 / 개인회생 파산
채권채무 / 특허, 상표 / 이민비자
SPYDER
631
LIMITLESS

AQUATALIA

FRYE

SPYDER

JOE'S

JUICY COUTURE

BUFFALO

JONES NEW YORK


THE FRYE COMPANY

We are able to leverage the power of our brands all around the world, bringing them to the right market, the right channel, at the right time.

We have an insider's view of the retail market. We know what brands resonate with audiences in each market and each channel, at any given time. Beyond that, we have the design, sales and merchandising expertise to deliver exactly the right product to make an impact at the retail level.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT (CONTINUED)

Despite strong macro headwinds and a challenging retail landscape, I am very pleased to report that Global Brands has delivered a strong set of results over the first six months of this financial year, confirming the resilience of our business model and the strength of our brand portfolio.

Since Global Brands embarked on a new journey as an independently listed company, the Group has focused on expanding our portfolio of power affordable luxury brands and increasing their geographical reach. We have also made strategic investments to build out platforms around our core competencies and bolster our long-term competitive position. This has resulted in a further strengthening of our position as an industry leader in branded apparel, footwear and fashion accessories. In addition, we are now the world's largest brand management business. I am very positive about the Group's current and future prospects.

Despite the conclusion of the American presidential election, uncertainty in the U.S. is set to continue for some time until the economic policies of the new administration become clearer. Nonetheless, after a soft start to the year, U.S. consumer sentiment is showing signs of improvement. Elsewhere, heightened currency volatility and issues arising from Brexit continue to cast a shadow. Closer to home, however, Asia is still promising, and we remain positive about China as its middle class continues to grow.

It is against this backdrop that unprecedented changes continue to reshape the retail landscape. The rise of e-commerce and the growth of mobile technology have led to the disruption of traditional retail models and a fundamental shift towards omni-channel. Consumers now have access to the same brands wherever they are. Brands and retailers are facing a world where they must build strategies to respond to this phenomenon across multiple distribution channels.

This is an environment where the businesses that thrive will be those best able to embrace change. Our flexible model and diversified brand policy give us the ability to take advantage of this ongoing transformation in the industry and maintain our momentum and growth.

The core of our licensing model is the flexibility to leverage different stages of a brand life cycle. Our diversified portfolio also enables us to capitalize on the opportunities offered by any power brand. In addition, our business is mostly wholesale and channel-agnostic and has little legacy physical retail infrastructure.

Another crucial advantage is our global platform. With local knowledge and expertise and extensive partner relationships, we are able to offer worldwide distribution based on deep insights into consumer behavior and trends. This has helped make us the partner of choice for brands with global ambitions.

Going forward, we intend to continue to increase our market share, building on the success we have already achieved across multiple platforms, including e-commerce.

By leveraging our position as the preferred partner for leading brand owners, we will continue to expand and attract well-respected power brands to our portfolio, increasing our geographic footprint in Europe and Asia, while strengthening our presence in the US. I believe that the willingness to embrace change and the entrepreneurial spirit that characterizes the culture of Global Brands will allow the Group to continue to capitalize on the opportunities presented by an industry in transformation.

"I believe that the willingness to embrace change and the entrepreneurial spirit that characterizes the culture of Global Brands will allow the Group to continue to capitalize on the opportunities presented by an industry in transformation."

CHAIRMAN'S STATEMENT (CONTINUED)

At Global Brands, corporate governance, transparency, and accountability remain a top priority and play an important role in helping us deliver shareholder value. Starting from this financial year, Global Brands is disclosing segmental information around our four business verticals. This will facilitate greater understanding of the fundamental drivers of our business and will allow the investment community to better track and evaluate the Group's performance.

I would like to take this opportunity to extend my gratitude to my colleagues around the world for their dedication and hard work in building the leadership position the Group enjoys today. In addition to this, I would also like to thank all of our stakeholders for your continued loyalty and support. Global Brands is uniquely placed for the future and we are excited for sharing our achievements with you in the coming months.

William Fung Kwok Lun
Chairman

Hong Kong, 17 November 2016

CEO'S STATEMENT

CEO'S STATEMENT (CONTINUED)

In Global Brands' first set of half year results since we changed our financial year end to 31 March, I am pleased to report a strong performance for the six-month period ended 30 September 2016. Despite a challenging business environment, an ongoing fundamental shift in consumer behavior and a rapid change in the dynamics of the retail industry, we have continued to strengthen our leadership position across all of our business verticals. We are delighted with the Group's achievements during the period, which validates the resilience and flexibility of Global Brands' business model.

Performance and Business Highlights

During the six-month period from 1 April 2016 to 30 September 2016 (the "Reporting Period"), the Group's revenue increased by 15.0% to US$1,844 million compared to the same period last year, driven primarily by growth from existing and new licenses. Total margin continued to trend up strongly to US$655 million, growing as a percentage of revenue to 35.5% which was mainly due to an improving business mix in favor of higher-margin businesses and sourcing optimization. As a result of our investment in key brands and the addition of new licenses, operating costs increased by 12.6% to US$578 million. As compared to the same period last year, core operating profit posted a significant increase of 129.9% to US$78 million, while EBITDA(1) also increased by 44.0% to US$179 million. Adjusted net profit(2) attributable to shareholders increased by 344.2% to US$44 million. Net profit attributable to shareholders was US$1 million, as compared to US$15 million for the same period last year which reflected the difference in non-cash gain on remeasurement of contingent consideration payable (which was US$5 million for the Reporting Period versus US$44 million for the same period last year).

(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: 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

Since Global Brands' independent listing in July 2014, we have focused on growing our four business verticals: Kids, Footwear and Accessories, Men's and Women's Fashion, and Brand Management. This Reporting Period has seen continued positive growth across all four. Kids, comprised of characters and kids fashion, remains the largest vertical, accounting for approximately 44% of the Group's total revenue. Global Brands is an undisputed leader internationally in this area in terms of scale. We partner with some of the biggest and most venerated names in the U.S. entertainment and fashion industries, including Disney, Calvin Klein and Under Armour. While the U.S. market for our Kids business is relatively mature, there are exciting growth opportunities ahead in Europe and Asia. It is our intention to see both regions on a par with the success we have achieved in the U.S.

Footwear and Accessories, our second largest operating vertical, is another well-established part of the business. The continued growth of this area is anchored by a combination of licenses from power brands, such as Calvin Klein in footwear and Michael Kors and Kate Spade in accessories, and the successful development of our own brands such as Frye and Aquatalia. The scale of Men's and Women's Fashion vertical has grown quickly, with brand owning companies continuing to buy brands while looking to us as their operating partner of choice to reposition and/or grow the brands across consumer and lifestyle product categories and take them global.

As for our Brand Management vertical, in July 2016, we formed a joint venture CAA-GBG Global Brand Management Group with the U.S. leading entertainment and sports agency Creative Artists Agency ("CAA"). The joint venture is now the world's largest company in this space with a truly global platform. This partnership will propel our business through CAA's exceptional stable of entertainment and sports celebrity clients. It also has broader positive implications for our strategy, given that consumers and trends are increasingly led by celebrities and the influence of social media.

As a natural result of a technology-led revolution, we have seen a continuous and perhaps irreversible shift in consumer retail habits from traditional brick and mortar to e-commerce and m-commerce. Brands have had to evolve and adapt to these changes, from store presence and formats to products and sales channels, as well as the consumer experience. We believe these changes offer compelling opportunities for Global Brands, underpinned by the flexibility and distinctiveness of our business model.

Unlike a typical brand owner who 'owns' the brand throughout its entire life cycle, our diversified brand portfolio through licensing provides flexibility as well as the choice to capitalize on different brands as they go through various stages of their life cycle. We can do this by mapping the most appropriate product, pricing and distribution channel strategies. This process also showcases our expertise with regard to prevailing market trends and consumer tastes.

CEO'S STATEMENT (CONTINUED)

In addition, our business and strategy is primarily wholesale. We are, by and large, distribution channel agnostic and have the capacity to work with the best and largest in all channels. While we strategically and selectively invest in retail to engage with consumers directly, we do not face the risks associated with heavy physical infrastructure. At the same time, our diversified sales channels mean that the Group is well-placed to take full advantage of the ongoing shift of consumer traffic towards e-commerce and off-price channels. Finally, our brand management expertise sets us apart from our competitors by allowing us to have a deeper consumer perspective on the global stage. This also gives us strategic advantages when operating our three product verticals.

During the Reporting Period, we have also made considerable progress in globalizing our brands across all sales channels, and the potential for future growth is remarkable. Spyder, for example, is an established performance skiwear brand in the U.S. and Europe. We have now taken it to South Korea, the host country for the 2018 Winter Olympics. Moreover, we have diversified its product offering into spring/summer and non-ski winter apparel, with designs specifically tailored for the fashion-oriented Korean market, while having the potential to reach consumers across the rest of Asia. In addition, we have expanded the presence of Spyder through e-commerce and retail point-of-sales.

As e-commerce is developing into an increasingly important channel, we have also continued to invest and grow our business in this area. This includes working with leading platforms in our key markets like Amazon and Alibaba, and developing our own e-commerce platforms for select brands. We expect continued strong growth in this area.

Of course underpinning this growth strategy is a strong discipline to maintaining a robust financial structure. Global Brands operates a cash accretive business, and we are very focused on reducing leverage and strengthening our capital structure.

Looking ahead, we anticipate continued challenges with the macro and industry environment. However, we are full of confidence about our prospects and expect that our growth momentum will continue. We will focus on increasing market share across all distribution channels, and continue to expand our business across Europe and Asia. All the necessary elements are in place to accelerate growth. We have the right people, a uniquely differentiated offering, a flexible business model, and we are well positioned for the future and the changes in the industry.

I would like to take this opportunity to once again thank all of our stakeholders for their continued support. We have begun the planning and preparation work for our next Three-year Plan for fiscal year 2017/18 to 2019/20, and will share the details when we announce our full year results in June next year.

Bruce Rockowitz
Chief Executive Officer & Vice Chairman

Hong Kong, 17 November 2016

MANAGEMENT DISCUSSION & ANALYSIS

Results Overview

This is the first set of half year results for Global Brands since we changed our financial year end to 31 March. This means that, going forward, our performance will be better aligned with the natural retail cycle in the industry. During the six-month period from 1 April 2016 to 30 September 2016 (the "Reporting Period"), the Group achieved a strong performance despite a challenging macro environment and many changes faced by the retail and consumer industry. This demonstrates the resilience and flexibility of the Group's business model, as well as our focused effort to consolidate and extend our market leading position in our product categories and brand management around the world.

For the Reporting Period, the Group's revenue increased by 15.0% to US$1,844 million, as compared to the same period last year, driven primarily by growth from existing and new licenses. Total margin continued to trend up strongly and increased by 19.9% to US$655 million, growing as a percentage of revenue from 34.1% to 35.5% mainly due to an improving business mix in favor of higher-margin businesses and sourcing optimization. As a result of investment in key brands and the addition of new licenses, operating costs increased by 12.6% to US$578 million.

As compared to the same period last year, core operating profit posted a significant increase of 129.9% to US$78 million, while EBITDA increased by 44.0% to US$179 million. Adjusted net profit attributable to shareholders also increased by 344.2% to US$44 million. For the Reporting Period, net profit attributable to shareholders was US$1 million, as compared to US$15 million for the same period last year which reflected the difference in non-cash gain on remeasurement of contingent consideration payable (which was US$5 million for the Reporting Period versus US$44 million for the same period last year).

The table below summarizes the Group's financial results for the six months ended 30 September 2016 and 2015.

	Six months ended 30 September 2016	Six months ended 30 September 2015	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**1,844**	1,604	240	15.0%
Total Margin	**655**	547	109	19.9%
% of Revenue	***35.5%***	*34.1%*		
Operating Costs	**578**	513	65	12.6%
Core Operating Profit	**78**	34	44	129.9%
% of Revenue	***4.2%***	*2.1%*		
EBITDA	**179**	124	55	44.0%
Net Profit for the period	**7**	21	(15)	–
% of Revenue	***0.4%***	*1.3%*		
Net Profit Attributable to Shareholders	**1**	15	(15)	–
% of Revenue	**-**	*1.0%*		
Adjusted Net Profit Attributable to Shareholders	**44**	10	34	344.2%

Four Business Verticals

Global Brands is disclosing information around the Group's four business verticals. This is done to further enhance the transparency and accountability of our reporting, and enable the investment community to better understand our corporate narrative, and to keep track of our progress and performance.

Global Brands sells branded products under three product categories: Kids, Men's and Women's Fashion, and Footwear and Accessories. The products are sold across a number of geographies and via multiple distribution channels, including department stores, hypermarkets/clubs, off-price retailers, independent chains, specialty retailers and e-commerce. In an environment of rapidly changing consumer preferences and buying patterns, the Group benefits from a diversified licensed brand portfolio, without reliance on any one brand, product or demographic, or on a particular channel of distribution. Instead, Global Brands has the flexibility and choice in terms of mapping the most appropriate product, pricing and distribution channel for each brand, to reflect where it is in its life cycle. At the same time, the Group has minimal physical infrastructure in place, due to a primarily wholesale strategy with strategic investment in retail and e-commerce where appropriate.

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

KIDS

Global Brands has maintained its leadership position as one of the largest companies in this space globally. A business of scale, this Kids vertical is comprised of two areas, namely characters and kids fashion. It is also the Group's largest and most established business, accounting for approximately 44% of the Group's total revenue, and has been delivering strong results on a consistent basis. In our characters business, we are one of the largest licensees of Disney and other major character franchises. As such, we operate as the product arm of these entertainment companies. Kids fashion is another pillar for this vertical, with long and well-established relationships with the well-known brands such as Tommy Hilfiger, Calvin Klein, Under Armour and Nautica. Given our dominant position in our product categories (e.g. character sleepwear), the U.S. market for this business is relatively mature, yet there is tremendous room for growth in Europe and Asia to extend our leading position in those regions and to replicate the success we have achieved in the U.S. market.

Overall for the Reporting Period, our Kids business has performed strongly because our characters business continued to deliver consistently, while kids fashion business also performed well on the back of strong growth of brands such as Under Armour. As compared to the same period last year, revenue grew by 10.3% to US$813 million, while total margin increased by 14.8% to US$295 million due to an improving business mix in favor of higher-margin businesses. For the Reporting Period, core operating profit increased by 147.4% to US$49 million.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

	Six months ended 30 September 2016 US$mm	Six months ended 30 September 2015 US$mm	**Change** US$mm	%
Revenue	**813**	737	76	10.3%
Total Margin	**295**	257	38	14.8%
% of Revenue	***36.3%***	*34.8%*		
Operating Costs	**245**	237	9	3.6%
Core Operating Profit	**49**	20	29	147.4%
% of Revenue	***6.1%***	*2.7%*		

MEN'S AND WOMEN'S FASHION

As a result of the Group's position as the operating partner of choice for leading U.S. brand groups whose primary focus is to own brands instead of operating them, we have continued to scale quickly in our Men's and Women's Fashion area. This vertical includes a number of iconic brands such as Spyder, Juicy Couture, Jones New York, Joe's Jeans, Buffalo Jeans, and David Beckham.

Global Brands will continue to be selective in the types of licenses we pursue, choosing only those which can benefit from, as well as contribute to, the strengths in our key product categories, and those that can complement the breadth and depth of our distribution channels.

For each of our key brands that we hold under a long-term license, we continued to invest in the brand and strengthen its direct engagement with consumers around the world. For example, Spyder, an established performance skiwear brand, has seen strong growth in South Korea, the host country for the 2018 Winter Olympics. As of the end of September 2016, there are over 70 point-of-sales with locally designed and more fashion oriented products, as well as a local language e-commerce site for the market. As for Juicy Couture, we have launched dedicated stores for Juicy Girls in China by working with our retail partners. In addition, the brand's premium black label made a comeback to the U.S. market at Bloomingdale's, which has received very positive response from our channel partners and consumers alike.

During the Reporting Period, revenue of Men's and Women's Fashion grew by 48.9% to US$371 million as compared to the same period last year, while total margin increased by 55.4% to US$155 million. The increase was mainly attributable to growth of businesses as well as the addition of new licenses. Operating costs increased by 48.6% to US$123 million as a result of new licenses and select strategic investment in key brands. For the Reporting Period, core operating profit increased by 88.5% to US$32 million.

	Six months ended 30 September 2016 US$mm	Six months ended 30 September 2015 US$mm	Change US$mm	%
Revenue	**371**	249	122	48.9%
Total Margin	**155**	100	55	55.4%
% of Revenue	***41.7%***	*39.9%*		
Operating Costs	**123**	83	40	48.6%
Core Operating Profit	**32**	17	15	88.5%
% of Revenue	***8.6%***	*6.8%*		

FOOTWEAR AND ACCESSORIES

Footwear and Accessories is Global Brands' second largest vertical after Kids. This vertical is another part of the business of scale, with a combination of licenses from power brands such as Calvin Klein, Cole Haan, Kate Spade, Michael Kors, and our own brands such as Frye, Aquatalia and Fiorelli. The Footwear and Accessories business has continued to perform, driven by our fashion-driven products, which continue to have wide appeal with consumers in the affordable luxury space. In August 2016, Global Brands entered into an exclusive partnership with Katy Perry to launch a footwear collection which will be available in the U.S. and internationally for spring 2017.

As for Frye, the American Heritage brand that we own outright, we continue to invest in strengthening its brand equity and growing its direct reach to consumers both in physical retail as well as via e-commerce. As of the end of September 2016, Frye was operating 10 stores in the U.S. as compared to only four stores at the end of 2014, while e-commerce continued to show strong growth during the Reporting Period.

During the Reporting Period, revenue of Footwear and Accessories increased by 3.4% to US$595 million, while total margin increased by 6.0% to US$190 million due to new businesses and improved business mix in favor of higher-margin businesses. Operating costs increased by 8.5% to US$196 million, as result of the addition of new businesses and investment in Frye and Aquatalia. For the Reporting Period, Footwear and Accessories recorded a core operating loss of US$7 million.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

	Six months ended 30 September 2016 US$mm	Six months ended 30 September 2015 US$mm	Change US$mm	Change %
Revenue	**595**	575	20	3.4%
Total Margin	**190**	179	11	6.0%
% of Revenue	***31.9%***	*31.1%*		
Operating Costs	**196**	181	15	8.5%
Core Operating Profit/(loss)	**(7)**	(2)	(5)	–
% of Revenue	**–**	–		

BRAND MANAGEMENT

Under the Brand Management vertical, we advise on and manage all aspects of the brand extension process – both in new product categories and across geographies globally. This includes developing creative inspiration, market targeting, licensee acquisition, product development, marketing, and product launches for clients across a wide range of consumer products. Unlike the other verticals of the Group, revenue here is generated as a percentage of the licensing fee paid by licensees to the brand owners. In return, they receive and benefit from our ongoing brand management services.

In July 2016, we formed CAA-GBG Global Brand Management Group, a joint venture with the U.S. leading entertainment and sports agency Creative Artists Agency ("CAA"). The partnership created the world's largest company in this space with a truly global platform. Through CAA's renowned stable of entertainment and sports celebrity clients, the joint venture offers great potential to the Group's Brand Management business.

During the Reporting Period, we have seen strong growth for the Brand Management vertical, largely driven by the formation of joint venture CAA-GBG described above. Revenue was US$66 million, while total margin was US$16 million. For the Reporting Period, this vertical recorded a core operating profit of US$3 million.

	Six months ended 30 September 2016 US$mm	Six months ended 30 September 2015 US$mm	**Change** US$mm	%
Revenue	**66**	43	23	52.8%
Total Margin	**16**	12	5	41.3%
% of Revenue	***25.1%***	*27.1%*		
Operating Costs	**13**	13	1	5.9%
Core Operating Profit/(loss)	**3**	(1)	4	–
% of Revenue	***4.6%***	–		

Supplemental Information

In addition to the reporting of four business verticals, the Group continues to provide supplemental information under Licensed Brands and Controlled Brands.

LICENSED BRANDS

Global Brands benefits from a strong and diverse portfolio of well-known power brands that allow us to influence fashion trends, consumer choice and optimize value at every stage of a brand life cycle. The Group sells branded products across a broad range of geographies and distribution channels. We remain a market leader in the licensed brands business, and have maintained and developed strong relationships with a number of licensors all over the world.

During the Reporting Period, revenue for Licensed Brands increased by 7.1% to US$1,360 million, as compared to the same period last year.

CONTROLLED BRANDS

In our Controlled Brands business, 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.

During the Reporting Period, revenue for Controlled Brands increased by 44.7% to US$484 million, as compared to the same period last year.

Geographical Segmentation

For the Reporting Period, the geographic split of the Group's revenue was 81% North America, 16% Europe/Middle East and 3% Asia.

Joint Ventures, Acquisitions and Significant Licenses

In the first half of 2016/17, the Group made the following deals in order to expand and develop our business globally.

Name	Business	Strategic Rationale
Katy Perry	• A Joint venture with Katy Perry, with the aim of growing the Katy Perry brand into new consumer product categories including footwear	• To further enlarge the Group's brand portfolio with an iconic global pop star, as consumers and trends are increasingly led by celebrities
Kenneth Cole	• U.S. license for men's, women's and children's apparel as well as handbags under the labels Kenneth Cole New York, Kenneth Cole Reaction, and Unlisted, A Kenneth Cole Production	• To strengthen the Group's offering of well-regarded American brands to our customers
CAA-GBG Global Brand Management Group	• A joint venture with Creative Artists Agency ("CAA"), which instantly became the world's largest brand management company to advise clients on and manage all aspects of brand extension programs	• To expand our global brand management business
Shanghai Longtrust Trade Co. Ltd.	• Design, source, retail and wholesale of apparel and accessories for infants and children in China under brand names such as Jeep and New Balance	• To increase our points of distribution in China

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

	Six months ended 30 September 2016 US$mm	Six months ended 30 September 2015 US$mm	**Change** US$mm
Cash and cash equivalents at 1 April	**99**	173	(74)
Net cash flow from operating activities	**258**	112	146
Net cash flow from investing activities	**(114)**	(138)	24
Net cash flow from financing activities	**(34)**	19	(53)
Effect of foreign exchange rate changes	**(1)**	1	(2)
Cash and cash equivalents at 30 September	**208**	167	41

Cash flow from operating activities

During the Reporting Period, operating activities generated cash inflow of US$258 million, which was higher than the same period of 2015. Operating cash flow was positively impacted by the tighter inventory management during the Reporting Period.

Cash flow from investing activities

Cash outflow from investing activities totaled US$114 million in the first half of financial year 2016/17 as compared to US$138 million in the same period in 2015. The outflow is mainly result of the settlement of consideration payable for prior years' acquisitions of businesses, as well as the acquisitions of businesses. The Group paid US$67 million of consideration payments for prior years' acquisitions in the first half of financial year 2016/17 and US$57 million during the same period in 2015. In addition, acquisitions of businesses amounted to US$3 million in the first half of financial year 2016/17 compared to US$48 million in the same period of the prior year.

Cash flow from financing activities

During the Reporting Period, the Group drew down net US$0.3 million in bank borrowings to finance investing activities compared to US$67 million in the same period in 2015. The Group did not pay any dividend and had no other significant financing activities.

As at 30 September 2016, the Group's cash position was US$208 million, compared to US$167 million as at 30 September 2015. Given our positive cash flow-generating capabilities, the Group's intention is to maintain only a reasonable cash balance to fund our short-term working capital needs.

Banking Facilities

TRADE FINANCE

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

BANK LOANS AND OTHER FACILITIES

The Group entered into a US$1,200 million committed syndicated credit facility in December 2015 with US$500 million maturing in 3.5 years and US$700 million maturing in 5.5 years. In addition, the Group also has US$276 million of uncommitted revolving credit facilities that is utilized for working capital, foreign currency hedging and letter of credit needs for certain real estate leases. As at 30 September 2016, US$996 million of the Group's bank loans were drawn down. The unused limits on bank loans and other facilities amounted to US$335 million.

BANK LOANS AND OTHER FACILITIES AS AT 30 SEPTEMBER 2016

	Limit US$mm	Outstanding Bank Loan US$mm	Other Facilities Utilized US$mm	Unused Limit US$mm
Committed	**1,200**	**996**	**–**	**204**
Uncommitted	**276**	**–**	**145**	**131**
Total	**1,476**	**996**	**145**	**335**

Current Ratio

As of 30 September 2016, the Group's current ratio was 1.05, based on current assets of US$1,463 million and current liabilities of US$1,391 million, which decreased from a current ratio of 1.11 as of 31 March 2016.

Capital Structure

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

The Group's total equity remained at a solid position of US$2,362 million as at 30 September 2016, compared to US$2,476 million as at 31 March 2016.

The Group's gross debt was US$996 million as at 30 September 2016, which was primarily due from the Group repaying outstanding debt to Li & Fung Limited in conjunction with the spin-off in 2014, as well as payments made in 2016 for new and existing acquisitions. As at 30 September 2016, the Group's gross debt was at floating rates based on LIBOR. Taking into account cash on hand, total net debt amounted to US$788 million as at 30 September 2016, resulting in a gearing ratio of 25.0%. 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.

Foreign Exchange Risk Management

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

The Group's revenues and payments were transacted mainly in the same currency, predominantly in US dollars. The Company minimizes foreign exchange rate fluctuations through short-term foreign currency hedges with terms less than 12 months.

Contingent Consideration

As at 30 September 2016, the Group had outstanding contingent consideration payable of US$203 million, of which US$2 million was initial consideration payable, US$101 million was primarily earn-out and US$100 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 Reporting Period, there was approximately US$5 million of remeasurement gain on the outstanding contingent consideration payable.

People

As at 30 September 2016, the Group had a total workforce of 4,243, out of which 962 were based in Asia, 593 based in Europe/Middle East and 2,688 based in the North America. Total manpower costs for the Reporting Period were US$205 million.

Remark:

(1) EBITDA

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

	Six months ended 30 September 2016 US$'mm	Six months ended 30 September 2015 US$'mm
Core operating profit	**78**	34
Add:		
Amortization of brand licenses	**82**	73
Amortization of computer software and system development costs	**4**	4
Depreciation of property, plant and equipment	**15**	13
EBITDA	**179**	124

(2) Adjusted Net Profit Attributable to Shareholders

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

	Six months ended 30 September 2016 US$'mm	Six months ended 30 September 2015 US$'mm
Net Profit attributable to shareholders	**1**	15
Add/(Less):		
Gain on remeasurement of contingent consideration payable	**(5)**	(44)
Amortization of other intangible assets	**35**	30
Other non-core operating expenses	**6**	4
Non-cash interest expenses	**7**	5
Adjusted Net Profit Attributable to Shareholders	**44**	10

CORPORATE GOVERNANCE

The Board and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, sustainability, accountability and independence. Our corporate governance practices followed during the Reporting Period are in line with the practices set out in our 2015/16 Annual Report and on our corporate website.

The Board

The Board is currently composed of one Non-executive Director, two Executive Directors, and six 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), 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*
Ms Ann Marie SCICHILI*

* *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 Reporting Period. All committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The current members of the Audit Committee are:

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

* *Independent Non-executive Director*

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 Governance, Environment and Social Report on pages 28 to 51 of the Company's 2015/16 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 Reporting Period:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the 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 (the "Code") (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 whistleblowing 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 Reporting Period.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code. Relevant employees who are likely to be in possession of unpublished price-sensitive 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 Reporting Period.

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 continues to communicate the Group's strategy and development at major investor conferences internationally, as well as attending investor and analyst meetings on a regular basis.

The corporate website (*www.globalbrandsgroup.com*) of Global Brands, which features a dedicated Investor Relations section, facilitates effective communication with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via 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.

To facilitate better understanding of Global Brands' fundamental drivers of its major business areas, starting from this financial year 2016/17, the Group is disclosing segmental information around its four business verticals: Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management. This move will enable the investment community to better understand, track and evaluate the Group's performance.

OTHER INFORMATION

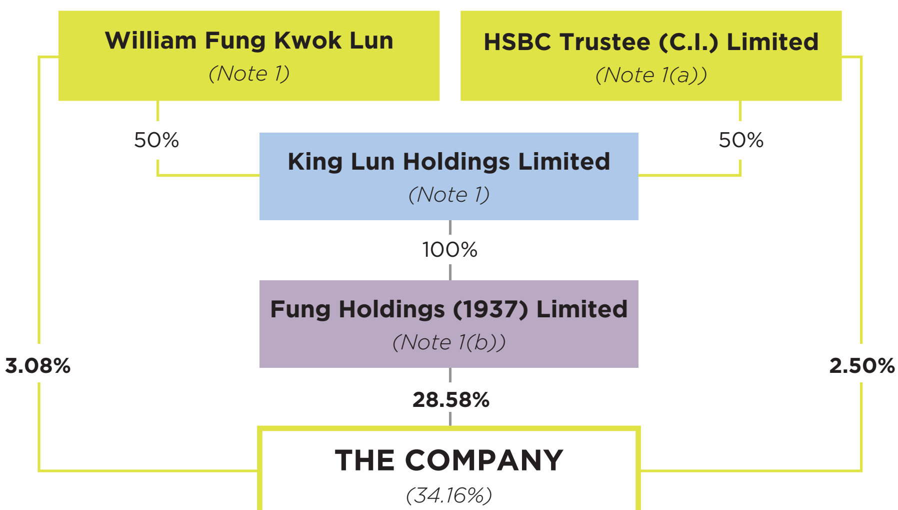
Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2016, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

	Number of Shares						
Name of Directors	Personal Interest	Family Interest	Trust/ Corporate Interest	Equity Derivative (Share Options)	Beneficiary of a Trust (Share Awards)	Total	Approximate Percentage of Issued Share Capital
William Fung Kwok Lun	181,255,642	108,800	2,472,136,508[1]	-	-	2,653,500,950	31.66%
Bruce Philip Rockowitz	7,625,600	-	253,340,780[2]	83,603,983[3]	78,017,358[4]	422,587,721	5.04%
Dow Famulak	3,400,000	-	-	83,603,982[3]	7,484,946[4]	94,488,928	1.12%
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 September 2016,

(1) Out of 2,472,136,508 Shares, 26,114,400 Shares and 50,294,200 Shares were held by Golden Step Limited and Step Dragon Enterprise Limited respectively, which are both companies beneficially owned by Dr William Fung Kwok Lun. The balance of 2,395,727,908 Shares (representing 28.58% of the issued shares of the Company) were indirectly held by King Lun Holdings Limited ("King Lun"), a private company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee (C.I.) Limited ("HSBC Trustee") and 50% by Dr William Fung Kwok Lun as illustrated in the chart above.

Further details on 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 200,000,000 Shares. FH (1937) is a wholly-owned subsidiary of King Lun.

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

(3) These interests represented the interests in 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 Schemes section.

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

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

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 September 2016, other than the interests of the Directors and chief executives of the Company as disclosed above, the following entities had interests in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital
HSBC Trustee (C.I.) Limited	Trustee[1]	2,605,653,198	31.09%
King Lun Holdings Limited	Interest of controlled entity[2]	2,395,727,908	28.58%
The Capital Group Companies, Inc.	Interest of controlled corporation	773,007,000	9.25%
Sun Life Financial, Inc.	Investment manager[3]	1,083,953,201	12.93%
Massachusetts Financial Services Company	Investment manager[3]	1,083,953,201	12.93%
Deutsche Bank Aktiengesellschaft	Beneficial owner/	416,705,729	4.97%
	Person having a security interest in shares/	135,666,000 (Short position)	1.62%
	Interest of controlled corporation/ Custodian corporation/ Approved lending agent	279,704,483 (Lending pool)	3.34%
Wellington Management Group LLP	Interest of controlled corporation	495,391,773	5.91%

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 1,083,953,201 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 September 2016.

Share Award Schemes

The Company adopted the 2014 Award Scheme on 16 September 2014. In view of the potential utilization of 2014 Award Scheme mandate limit in full, the Company adopted the 2016 Award Scheme on 15 September 2016. Pursuant to the terms of the 2014 Award Scheme and the 2016 Award Scheme (collectively, the “Award Schemes”), the Board or its delegate(s) may award Shares to an eligible person pursuant to the terms of the Award Schemes. No share award has been granted by the Company pursuant to the 2016 Award Scheme during the Reporting Period.

The principal terms of the Award Schemes are as follows:

(1) PURPOSE

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

(2) ELIGIBLE PERSONS

Any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in 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 2014 Award Scheme will not exceed 2.5% of the aggregate nominal amount of the issued capital of the Company on the 2014 Award Scheme Adoption Date, approximately 209,009,957 Shares.

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

(4) MAXIMUM ENTITLEMENT

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

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

(5) DURATION

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

OTHER INFORMATION (CONTINUED)

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

There is no movement of share awards under the 2016 Award Scheme during the Reporting Period.

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

		Number of Shares			
Grantees	**Grant Date (Per award letters)**	**As at 1/4/2016**	**Unvested/ Forfeited[1]**	**As at 30/9/2016**	**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	30,016,016	(1,905,205)	28,110,811	31/12/2016
	30/11/2015	1,390,574	(211,914)	1,178,660	31/12/2016
	25/2/2016	17,356,282	(549,907)	16,806,375	31/12/2017
Other selected participants[2]	8/6/2015	638,236	-	638,236	31/12/2016
	25/2/2016	159,559	-	159,559	31/12/2017
Total		135,062,971	(2,667,026)	132,395,945	

NOTES:

(1) Share awards that are not vested and/or are forfeited in accordance with the terms of the 2014 Award Scheme are held by the trustee to be applied towards future awards in accordance with the provisions of the 2014 Award Scheme. During the Reporting Period, no share award had been applied from the 2,667,026 share awards which were unvested and/or forfeited.

(2) Pursuant to the 2014 Award Scheme, the share awards granted to several employees who left the Group and joined affiliates were not forfeited at the discretion of the Board. For such reason, his/her entitlement was reclassified from "Continuous contract employees" to "Other selected participants".

On 5 October 2016, certain grantees under the Option Scheme had forgone their rights under a total of 189,950,063 share options previously granted to them under the Option Scheme in exchange for share awards granted under the Company's Award Schemes. In this regard, 62,816,501 and 89,518,547 share awards were granted to certain eligible participants under the 2014 Award Scheme and the 2016 Award Scheme respectively, totaling 152,335,048 share awards.

Of the total 152,335,048 share awards granted on 5 October 2016, 134,938,119 new Shares were issued and allotted to the trustee of the Award Schemes on 12 October 2016 and the balance has been satisfied by the Company transferring funds to the trustee to purchase Shares in the open market.

Share Option Scheme

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

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

The principal terms of the Option Scheme are as follows:

(1) PURPOSE

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

(2) ELIGIBLE PERSONS

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

OTHER INFORMATION (CONTINUED)

(3) MAXIMUM NUMBER OF SHARES

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

(4) MAXIMUM ENTITLEMENT OF A GRANTEE

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

(5) OPTION PERIOD

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

(6) AMOUNT PAYABLE ON ACCEPTANCE OF THE OPTION

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

(7) SUBSCRIPTION PRICE

Subscription price shall be not less than the greater of:

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

As at 30 September 2016, there were options relating to 465,144,623 Shares granted by the Company representing approximately 5.46% of the issued Shares of the Company as at the date of this report which were valid and outstanding.

Movements of the options granted under the Option Scheme during the Reporting Period are as follows:

Grantees	Number of Options As at 1/4/2016	Lapsed	As at 30/9/2016	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	59,131,580	-	59,131,580	1.70	4/11/2014	1/1/2016 - 31/12/2018
	60,842,106	(684,211)	60,157,895	1.70	4/11/2014	1/1/2017 - 31/12/2019
	67,410,527	(1,778,948)	65,631,579	1.70	4/11/2014	1/1/2018 - 31/12/2020
	21,568,422	(1,094,737)	20,473,685	1.70	4/11/2014	1/1/2019 - 31/12/2021
	26,357,896	(1,094,737)	25,263,159	1.70	4/11/2014	1/1/2020 - 31/12/2022
	19,789,475	-	19,789,475	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
	4,021,226	-	4,021,226	1.78	28/5/2015	1/1/2017 - 31/12/2019
	11,698,113	-	11,698,113	1.78	28/5/2015	1/1/2018 - 31/12/2020
	7,311,321	-	7,311,321	1.78	28/5/2015	1/1/2019 - 31/12/2021
	7,311,321	-	7,311,321	1.78	28/5/2015	1/1/2020 - 31/12/2022
	1,683,198	(653,906)	1,029,292	1.57	30/11/2015	1/1/2017 - 31/12/2019
	7,192,969	(653,906)	6,539,063	1.57	30/11/2015	1/1/2018 - 31/12/2020
Other eligible participant[2]	2,052,632	-	2,052,632	1.70	4/11/2014	1/1/2016 - 31/12/2018
	2,052,632	-	2,052,632	1.70	4/11/2014	1/1/2017 - 31/12/2019
Total	471,105,068	(5,960,445)	465,144,623			

NOTES:

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

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

As disclosed in the Share Award Schemes section, certain grantees under the Option Scheme had forgone their rights under a total of 189,950,063 share options previously granted to them under the Option Scheme in exchange for share awards granted under the Company's Award Schemes on 5 October 2016. Out of the 189,950,063 share options, 54,342,106 share options were exercisable and 135,607,957 share options remained unvested.

Hence, out of a total of 500,868,226 share options granted under the Option Scheme, 103,695,875 share options remain exercisable and 166,709,211 share options are still unvested as at the date of this report (after taking into account share options that have lapsed).

Change in Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, change of Director's information since the publication of the Company's 2015/16 Annual Report is set out below:

Name of Director	Change
Hau Leung Lee	Resigned as Chairman of the Board of SCM World, a leading global community of senior supply chain professionals, in June 2016

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 Reporting Period.

Interim Dividend

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 September 2016 (2015: Nil).

INDEPENDENT REVIEW REPORT

pwc

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 47 to 78, which comprises the consolidated balance sheet of Global Brands Group Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2016 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.

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INDEPENDENT REVIEW REPORT (CONTINUED)

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".

Other Matter

The interim financial information includes comparative information as required by Hong Kong Accounting Standard 34 "Interim financial reporting". The comparative information for the consolidated balance sheet is based on the audited financial statements as at 31 March 2016. The comparative information for the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement, and related explanatory notes, for the six-month period ended 30 September 2015 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 November 2016

CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30 September 2016 US$'000	2015 US$'000
Revenue	3	**1,844,475**	1,604,428
Cost of sales		**(1,189,823)**	(1,057,680)
Gross profit		**654,652**	546,748
Other income		**833**	30
Total margin		**655,485**	546,778
Selling and distribution expenses		**(287,615)**	(247,953)
Merchandising and administrative expenses		**(290,255)**	(265,072)
Core operating profit	3	**77,615**	33,753
Gain on remeasurement of contingent consideration payable	4	**4,852**	44,416
Amortization of other intangible assets	4	**(35,345)**	(30,034)
Other non-core operating expenses		**(5,761)**	(3,930)
Operating profit	3 & 4	**41,361**	44,205
Interest income		**688**	909
Interest expenses			
Non-cash interest expenses		**(6,726)**	(5,025)
Cash interest expenses		**(31,279)**	(26,209)
		4,044	13,880
Share of profits of joint ventures		**2,567**	1,900
Profit before taxation		**6,611**	15,780
Taxation	5	**29**	5,629
Net profit for the period		**6,640**	21,409
Attributable to:			
Shareholders of the Company		**777**	15,278
Non-controlling interests		**5,863**	6,131
		6,640	21,409
Earnings per share for profit attributable to the shareholders of the Company during the period	6		
– basic		**0.07 HK cents**	1.43 HK cents
(equivalent to)		**0.01 US cents**	0.18 US cents
– diluted		**0.07 HK cents**	1.43 HK cents
(equivalent to)		**0.01 US cents**	0.18 US cents

The notes on pages 54 to 78 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 September	
	2016	2015
	US$'000	US$'000
Net profit for the period	**6,640**	21,409
Other comprehensive (expense)/income:		
Item that may be reclassified to profit or loss		
Currency translation differences	**(45,550)**	24,528
Other comprehensive (expense)/income for the period, net of tax	**(45,550)**	24,528
Total comprehensive (expense)/income for the period	**(38,910)**	45,937
Attributable to:		
Shareholders of the Company	**(44,773)**	39,806
Non-controlling interests	**5,863**	6,131
	(38,910)	45,937

The notes on pages 54 to 78 form an integral part of this interim financial information.

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 September 2016 US$'000	Audited 31 March 2016 US$'000
Non-current assets			
Intangible assets	8	**3,649,630**	3,681,792
Property, plant and equipment	8	**174,713**	156,767
Joint ventures		**63,050**	60,483
Available-for-sale financial asset		**1,000**	1,000
Other receivables and deposits		**37,209**	37,107
Deferred tax assets		**10,166**	7,503
		3,935,768	3,944,652
Current assets			
Inventories		**684,754**	586,479
Due from related companies		**4,783**	3,550
Trade receivables	9	**408,217**	316,190
Other receivables, prepayments and deposits		**156,197**	168,523
Derivative financial instruments		**400**	574
Cash and bank balances		**208,189**	98,550
		1,462,540	1,173,866
Current liabilities			
Due to related companies		**825,482**	546,448
Trade payables	10	**193,128**	85,790
Accrued charges and sundry payables		**287,212**	296,074
Purchase consideration payable for acquisitions	11(a)	**83,399**	114,369
Derivative financial instruments		**456**	3,673
Tax payable		**766**	7,824
Short-term bank loans	12	**349**	47
		1,390,792	1,054,225
Net current assets		**71,748**	119,641
Total assets less current liabilities		**4,007,516**	4,064,293

	Note	**Unaudited 30 September 2016 US$'000**	Audited 31 March 2016 US$'000
Financed by:			
Share capital	*13*	**13,431**	13,431
Reserves		**2,423,309**	2,441,219
Shareholders' funds attributable to the Company's shareholders		**2,436,740**	2,454,650
Non-controlling interests		**42,278**	20,940
Put option written on non-controlling interests	*11(b)*	**(117,246)**	–
Total equity		**2,361,772**	2,475,590
Non-current liabilities			
Long-term bank loans	*12*	**996,000**	996,000
Purchase consideration payable for acquisitions	*11(a)*	**119,909**	178,783
Other long-term liabilities	*11*	**522,042**	408,359
Deferred tax liabilities		**7,793**	5,561
		1,645,744	1,588,703
		4,007,516	4,064,293

The notes on pages 54 to 78 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$'000 *(Note 13(a))*	Capital reserves US$'000 *(Note 13(b))*	Employee share-based compensation reserve US$'000	Shares held for share award scheme US$'000 *(Note 14(b))*	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 2016	**13,431**	**2,022,674**	**24,986**	**(21,903)**	**(75,822)**	**491,284**	**2,441,219**	**20,940**	**-**	**2,475,590**
Comprehensive income										
Net profit	-	-	-	-	-	777	777	5,863	-	6,640
Other comprehensive expense										
Currency translation differences	-	-	-	-	(45,550)	-	(45,550)	-	-	(45,550)
Total comprehensive (expense)/income	-	-	-	-	(45,550)	777	(44,773)	5,863	-	(38,910)
Transactions with owners										
Employee share-based compensation	-	-	8,956	-	-	-	8,956	-	-	8,956
Distribution to non-controlling interest	-	-	-	-	-	-	-	(3,107)	-	(3,107)
Transfer of interests in a subsidiary *(Note 11(b))*	-	-	-	-	-	17,907	17,907	18,582	-	36,489
Put option written on non-controlling interests *(Note 11(b))*	-	-	-	-	-	-	-	-	(117,246)	(117,246)
Total transactions with owners	-	-	8,956	-	-	17,907	26,863	15,475	(117,246)	(74,908)
Balance at 30 September 2016	13,431	2,022,674	33,942	(21,903)	(121,372)	509,968	2,423,309	42,278	(117,246)	2,361,772

	Unaudited								
	Attributable to shareholders of the Company								
		Reserves							
	Share capital US$'000	Capital reserves US$'000	Employee share-based compensation reserve US$'000	Shares held for share award scheme US$'000	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 2015	13,398	2,022,674	4,680	-	(70,596)	443,903	2,400,661	26,803	2,440,862
Comprehensive income									
Net profit	-	-	-	-	-	15,278	15,278	6,131	21,409
Other comprehensive income									
Currency translation differences	-	-	-	-	24,528	-	24,528	-	24,528
Total comprehensive income	-	-	-	-	24,528	15,278	39,806	6,131	45,937
Transactions with owners									
Issue of shares for share award scheme	33	-	-	(33)	-	-	(33)	-	-
Shares purchased for share award scheme	-	-	-	(19,987)	-	-	(19,987)	-	(19,987)
Employee share-based compensation	-	-	9,265	-	-	-	9,265	-	9,265
Distribution to non-controlling interest	-	-	-	-	-	-	-	(1,598)	(1,598)
Total transactions with owners	33	-	9,265	(20,020)	-	-	(10,755)	(1,598)	(12,320)
Balance at 30 September 2015	13,431	2,022,674	13,945	(20,020)	(46,068)	459,181	2,429,712	31,336	2,474,479

The notes on pages 54 to 78 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited Six months ended 30 September	
		2016	2015
	Note	**US$'000**	US$'000
Operating activities			
Operating profit before working capital changes		**181,703**	133,690
Changes in working capital		**86,774**	(18,251)
Net cash inflow generated from operations		**268,477**	115,439
Profits tax paid		**(10,052)**	(3,513)
Net cash inflow from operating activities		**258,425**	111,926
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(67,415)**	(57,403)
Acquisitions of businesses		**(2,543)**	(47,655)
Other investing activities		**(44,407)**	(32,720)
Net cash outflow from investing activities		**(114,365)**	(137,778)
Net cash inflow/(outflow) before financing activities		**144,060**	(25,852)
Financing activities			
Distribution to non-controlling interest		**(3,107)**	(1,598)
Net drawdown of bank borrowings	*12*	**302**	66,914
Shares purchased for share award scheme		**-**	(19,987)
Interest paid		**(31,279)**	(26,209)
Net cash (outflow)/inflow from financing activities		**(34,084)**	19,120
Increase/(decrease) in cash and cash equivalents		**109,976**	(6,732)
Cash and cash equivalents at 1 April		**98,550**	173,251
Effect of foreign exchange rate changes		**(337)**	395
Cash and cash equivalents at 30 September		**208,189**	166,914
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**208,189**	166,914

The notes on pages 54 to 78 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 the design, development, marketing and sale of branded kids, men's and women's apparel, footwear, fashion accessories and related lifestyle products, primarily for sales to retailers in the North American, Europe, Middle East and Asia. The Group is also engaged in the brand management business offering expertise in expanding its clients' brand assets in to new product categories, new geographies and retail collaborations, as well as assisting in distribution of licensed products on a global basis.

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

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

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 17 November 2016.

2 Basis of Preparation

This 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 September 2016 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 15-month period ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

2 Basis of Preparation (Continued)

2.1 ACCOUNTING POLICIES

Except as described in (a) below, the accounting policies applied are consistent with those of the consolidated financial statements for the 15-month period ended 31 March 2016, as described in those consolidated financial statements.

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

(a) Standards and amendments to existing standards adopted by the Group

The following standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2016:

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKAS 28, HKFRS 10 and HKFRS 12 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The application of the above standards and amendments to existing standards 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.

2 Basis of Preparation (Continued)

2.1 ACCOUNTING POLICIES (CONTINUED)

(b) New standards 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 and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 April 2017 or later periods, but the Group has not early adopted them:

HKAS 7 Amendment	Statement of Cash Flows[1]
HKAS 12 Amendment	Income Taxes[1]
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

NOTES:

1 Effective for financial periods beginning on or after 1 April 2017
2 Effective for financial periods beginning on or after 1 April 2018
3 Effective for financial periods beginning on or after 1 April 2019
4 Effective date to be determined

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 Segment Information

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

During the period, the Group has undergone transformation of its operations, management organization and reporting structures. After the transformation, the Group sells branded products under three product categories: kids, men's and women's fashion, and footwear and accessories. The Group is also engaged in brand management on a global basis, in which the Group acts as a brand manager and agent for brand owners and celebrities alike. The Group's management (Chief Operating Decision-Maker), who are responsible for allocating resources and assessing performance of the operating segments, have been identified collaborately as the executive directors, who make strategic decision and consider the business principally from the perspective of four operating segments namely Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management, which are consistent with the Group's latest operations, management organization and reporting structures. Accordingly, the segment reporting presentation has been changed with comparative figures reclassified in accordance with the current period's presentation to enable comparisons to be made.

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 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.

3 Segment Information (Continued)

	Kids US$'000	Men's and Women's Fashion US$'000	Footwear and Accessories US$'000	Brand Management US$'000	Total US$'000
Six months ended 30 September 2016 (Unaudited)					
Revenue	**813,007**	**370,976**	**594,898**	**65,594**	**1,844,475**
Total margin	**294,763**	**154,603**	**189,686**	**16,433**	**655,485**
Operating costs	**(245,290)**	**(122,752)**	**(196,440)**	**(13,388)**	**(577,870)**
Core operating profit	**49,473**	**31,851**	**(6,754)**	**3,045**	**77,615**
Gain on remeasurement of contingent consideration payable					**4,852**
Amortization of other intangible assets					**(35,345)**
Other non-core operating expenses					**(5,761)**
Operating profit					**41,361**
Interest income					**688**
Interest expenses					
Non-cash interest expenses					**(6,726)**
Cash interest expenses					**(31,279)**
					4,044
Share of profits of joint ventures					**2,567**
Profit before taxation					**6,611**
Taxation					**29**
Net profit for the period					**6,640**
Depreciation and amortization	**65,210**	**39,645**	**30,859**	**1,027**	**136,741**
30 September 2016 (Unaudited)					
Non-current assets (other than deferred tax assets)	**1,321,944**	**1,095,008**	**1,174,914**	**333,736**	**3,925,602**

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

3 Segment Information (Continued)

	Kids US$'000	Men's and Women's Fashion US$'000	Footwear and Accessories US$'000	Brand Management US$'000	Total US$'000
Six months ended 30 September 2015 (Unaudited)					
Revenue	737,199	249,147	575,160	42,922	1,604,428
Total margin	256,702	99,516	178,933	11,627	546,778
Operating costs	(236,701)	(82,620)	(181,060)	(12,644)	(513,025)
Core operating profit	20,001	16,896	(2,127)	(1,017)	33,753
Gain on remeasurement of contingent consideration payable					44,416
Amortization of other intangible assets					(30,034)
Other non-core operating expenses					(3,930)
Operating profit					44,205
Interest income					909
Interest expenses					
Non-cash interest expenses					(5,025)
Cash interest expenses					(26,209)
					13,880
Share of profits of joint ventures					1,900
Profit before taxation					15,780
Taxation					5,629
Net profit for the period					21,409
Depreciation and amortization	60,495	30,647	28,949	485	120,576
31 March 2016					
Non-current assets (other than deferred tax assets)	1,328,164	1,089,311	1,185,414	334,260	3,937,149

3 Segment Information (Continued)

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

	Revenue		Non-current assets (other than deferred tax assets)	
	Unaudited		Unaudited	Audited
	Six months ended 30 September		30 September	31 March
	2016	2015	**2016**	2016
	US$'000	US$'000	**US$'000**	US$'000
North America	**1,489,125**	1,296,007	**3,321,657**	3,345,067
Europe and Middle East	**292,099**	254,281	**406,753**	404,290
Asia	**63,251**	54,140	**197,192**	187,792
	1,844,475	1,604,428	**3,925,602**	3,937,149

For the six months ended 30 September 2016, approximately 11.4% (2015: 12.3%) of the Group's revenue is derived from a single external customer, of which 10.2% (2015: 10.5%), 0.2% (2015: 0.7%) and 1.0% (2015: 1.1%) are attributable to the Kids Segment, Men's and Women's Fashion Segment and Footwear and Accessories Segment respectively.

Revenue consists of sales of goods under licensed brands and controlled brands, which is analyzed as follows:

	Revenue	
	Unaudited	
	Six months ended 30 September	
	2016	2015
	US$'000	US$'000
Licensed Brands	**1,360,033**	1,269,738
Controlled Brands	**484,442**	334,690
	1,844,475	1,604,428

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

4 Operating Profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 September	
	2016	2015
	US$'000	US$'000
Crediting		
Gain on remeasurement of contingent consideration payable*	**4,852**	44,416
Charging		
Amortization of computer software and system development costs	**4,504**	4,222
Amortization of brand licenses	**82,256**	72,832
Amortization of other intangible assets*	**35,345**	30,034
Depreciation of property, plant and equipment	**14,636**	13,488
Loss on disposal of property, plant and equipment	**2,540**	173
Staff costs including directors' emoluments	**205,061**	174,045

* *Included below the core operating profit*

5 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation credited to the consolidated profit and loss account represents:

	Unaudited Six months ended 30 September	
	2016	2015
	US$'000	US$'000
Current taxation		
– Hong Kong profits tax	**769**	–
– Overseas taxation	**2,202**	5,890
Deferred taxation	**(3,000)**	(11,519)
	(29)	(5,629)

6 Earnings Per Share

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders of US$777,000 (2015: US$15,278,000) and on the weighted average number of ordinary shares in issue during the period of 8,265,259,774 shares (2015: 8,269,504,535 shares), after adjusting the shares held by the trustee of the Company's share award scheme (Note 14(b)).

As there were no significant potential dilutive ordinary shares during the six-month period ended 30 September 2016 and 30 September 2015, diluted earnings per share was equal to basic earnings per share.

7 Interim Dividend

No interim dividend to the Shareholders has been declared by the Company for the six months ended 30 September 2016 (2015: Nil).

8 Capital Expenditure

	Intangible assets US$'000 *(Note (c))*	Property, plant and equipment US$'000
Six months ended 30 September 2016		
Net book amount as at 1 April 2016 (audited)	**3,681,792**	**156,767**
Acquisitions of businesses	**59,383**	**–**
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	**(14,967)**	**–**
Additions	**76,841**	**47,191**
Disposals	**–**	**(14,593)**
Amortization/depreciation charge *(Note (b))*	**(122,105)**	**(14,636)**
Exchange differences	**(31,314)**	**(16)**
Net book amount as at 30 September 2016 (unaudited)	**3,649,630**	**174,713**

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

8 Capital Expenditure (Continued)

	Intangible assets US$'000 *(Note (c))*	Property, plant and equipment US$'000
Six months ended 30 September 2015		
Net book amount as at 1 April 2015 (unaudited)	3,409,927	172,779
Acquisitions of businesses	58,566	–
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	1,315	–
Additions	121,175	12,815
Disposals	(8)	(397)
Amortization/depreciation charge *(Note (b))*	(107,088)	(13,488)
Exchange differences	5,714	(265)
Net book amount as at 30 September 2015 (unaudited)	3,489,601	171,444

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 12 months following a transaction, the Group recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed on the acquisition date. Save as adjustments to intangible assets stated above, there were corresponding net adjustments to purchase consideration payable for acquisitions of US$18,461,000 (2015: US$650,000) and other assets/liabilities of approximately US$3,494,000 (2015: US$665,000).

(b) Amortization of intangible assets included amortization of computer software and system development costs of US$4,504,000 (2015: US$4,222,000), amortization of brand licenses of US$82,256,000 (2015: US$72,832,000) and amortization of other intangible assets arising from business combination of US$35,345,000 (2015: US$30,034,000).

(c) Intangible assets comprise goodwill, computer software and system development costs, brand licenses and other intangible assets arising from business combination.

9 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 September 2016 (unaudited)	**364,512**	**16,618**	**15,540**	**11,547**	**408,217**
Balance at 31 March 2016 (audited)	262,748	21,322	18,318	13,802	316,190

The fair values of the Group's trade receivables were approximately the same as their carrying values as at 30 September 2016.

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.

10 Trade Payables

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 September 2016 (unaudited)	**150,137**	**16,508**	**13,162**	**13,321**	**193,128**
Balance at 31 March 2016 (audited)	58,354	11,102	9,308	7,026	85,790

The fair values of the Group's trade payables were approximately the same as their carrying values as at 30 September 2016.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

11 Long-Term Liabilities

	Unaudited 30 September 2016 US$'000	Audited 31 March 2016 US$'000
Purchase consideration payable for acquisitions *(Note (a))*	**203,308**	293,152
Brand license payable	**394,329**	396,912
Written put option liabilities *(Note (b))*	**117,538**	–
Other payables	**12,233**	16,213
Other non-current liability (non-financial liability)	**66,768**	70,919
	794,176	777,196
Less:		
Current portion of purchase consideration payable for acquisitions *(Note (a))*	**(83,399)**	(114,369)
Current portion of brand license payable	**(56,593)**	(63,452)
Current portion of other payables	**(12,233)**	(12,233)
	641,951	587,142

NOTES:

(a) Purchase consideration payable for acquisitions as at 30 September 2016 amounted to US$203,308,000 (31 March 2016: US$293,152,000), of which US$1,539,000 (31 March 2016: US$13,326,000) was initial consideration payable, US$101,685,000 (31 March 2016: US$146,182,000) was primarily earn-out and US$100,084,000 (31 March 2016: US$133,644,000) 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.

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

However, if the total actual contingent consideration payables are 10% lower or higher than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payable for acquisitions made after 2010 as at 30 September 2016 would be US$20,177,000.

11 Long-Term Liabilities (Continued)

NOTES: (Continued)

(b) A wholly-owned subsidiary of the Company and, among others, Creative Artists Agency, LLC ("CAA Parent"), a company incorporated in Delaware, entered into a partnership agreement, effective on 1 July 2016, to establish a limited liability partnership ("CAA-GBG") to bring together and conduct the brand management businesses of the Group and CAA Parent.

In connection with the formation of CAA-GBG, the Group agreed to inject the Group's brand management business into CAA-GBG, in exchange for a 72.7% membership interest in CAA-GBG, and CAA Brand Management, LLC ("CAA"), with 73.63% membership interest being held by CAA Parent, agreed to inject CAA's licensing business in exchange for a 27.3% membership interest in CAA-GBG.

The partnership agreement constitutes a disposal of a 27.3% interest in the Group's brand management business, and an acquisition of 72.7% interest in CAA's licensing business.

The Group and Project 33, LLC ("Project 33"), holding 26.37% membership interest in CAA (7.2% effective interest in CAA-GBG after the partnership agreement is effective), entered into a put/call option agreement (the "Project 33 Put/Call Option") pursuant to which, at any time after 1 July 2021, Project 33 will have the right to require the Group to purchase all of its interest in CAA, and the Group will have the right to acquire from Project 33 all of its interest in CAA, in each case subject to CAA Parent's right to participate on a pro-rata basis (in accordance with its underlying percentage interest in CAA-GBG) in purchase of the interest. The exercise price for the option will be based on the fair market value of Project 33's underlying interest in CAA-GBG, and up to a maximum of US$35,000,000.

CAA Parent was granted a put option (the "CAA Parent Put Option") which entitles CAA Parent to require the Group to purchase up to 75% of its entire interest in CAA-GBG. The put option will be exercisable at any time after 1 July 2023. The exercise price for the put option will be based on the fair market value of the CAA-GBG interest to be transferred, and up to a maximum of US$90,000,000.

The financial liabilities that may become payable under the Project 33 Put/Call Option and the CAA Parent Put Option were initially recognized at fair value within other long-term liabilities with a corresponding charge directly to equity, as put options written on non-controlling interests.

The put option liabilities shall be re-measured at their fair values resulting from the changes in the expected performance of CAA-GBG at each balance sheet date, with any resulting gain or loss recognized in the consolidated profit and loss account. If the actual performance of CAA-GBG had been 10% lower than its expected performances, the written put option liabilities would have been decreased by approximately US$11,754,000 with the corresponding gain recognized in consolidated profit and loss account.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

12 Bank Borrowings

	Unaudited 30 September 2016 US$'000	Audited 31 March 2016 US$'000
Long-term bank loans – unsecured	**996,000**	996,000
Short-term bank loans – unsecured	**349**	47
Total bank borrowings	**996,349**	996,047

As at 30 September 2016 and 31 March 2016, the carrying amounts of the Group's borrowings approximated their fair values and the bank borrowings were at floating rate.

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

ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD

	Unaudited Six months ended 30 September	
	2016 US$'000	2015 US$'000
Drawdown of bank borrowings	**123,349**	66,914
Repayment of bank borrowings	**(123,047)**	–
Net drawdown of bank borrowings	**302**	66,914

13 Share Capital and Reserves

(a) SHARE CAPITAL

	No. of ordinary shares	Equivalent to HK$	Equivalent to US$
Authorized share capital			
As at 1 April 2016, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
As at 30 September 2016, ordinary shares of HK$0.0125 each	**12,000,000,000**	**150,000,000**	**19,230,769**
Issued and fully paid share capital			
As at 1 April 2016, ordinary shares of HK$0.0125 each	8,380,889,538	104,761,119	13,430,912
As at 30 September 2016, ordinary shares of HK$0.0125 each	**8,380,889,538**	**104,761,119**	**13,430,912**

(b) CAPITAL RESERVES

On 23 June 2014, the Group completed a reorganization under which the Company and other companies now comprising the Group, which engaged in the business of designing and developing branded apparel and related products primarily for sales to retailers in the North America, Europe, Middle East and Asia, were spun off from Li & Fung Group.

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.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

14 Share Options and Share Award Scheme

(a) SHARE OPTIONS

Details of options granted by the Company pursuant to the Option Scheme and outstanding at 30 September 2016 are as follows:

			Number of Share Options Outstanding		
Date of Grant	**Exercise Price** HK$	**Exercise Period**	**As at 1/4/2016**	**Lapsed**	**As at 30/9/2016**
4/11/2014	1.70	1/1/2016-31/12/2018	158,722,192	–	158,722,192
4/11/2014	1.70	1/1/2017-31/12/2019	76,828,735	(684,211)	76,144,524
4/11/2014	1.70	1/1/2018-31/12/2020	81,344,524	(1,778,948)	79,565,576
4/11/2014	1.70	1/1/2019-31/12/2021	35,502,419	(1,094,737)	34,407,682
4/11/2014	1.70	1/1/2020-31/12/2022	40,291,893	(1,094,737)	39,197,156
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
30/11/2015	1.57	1/1/2017-31/12/2019	1,683,198	(653,906)	1,029,292
30/11/2015	1.57	1/1/2018-31/12/2020	7,192,969	(653,906)	6,539,063
Total			471,105,068	(5,960,445)	465,144,623

No options under the Option Scheme were granted, exercised or cancelled during the period.

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

Subsequent to 30 September 2016, no shares has been allotted and issued under the Option Scheme. However, certain grantees under the Option Scheme had forgone their rights under a total of 189,950,063 options previously granted to them under the Option Scheme in exchange for share awards granted under the Company's Award Schemes on 5 October 2016. As at the date of this report, 103,695,875 options remain exercisable and 166,709,211 options are still unvested (after taking into account options that have lapsed).

14 Share Options and Share Award Scheme (Continued)

(b) SHARE AWARD SCHEMES

The Company adopted two share award schemes on 16 September 2014 and 15 September 2016 respectively to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. The trustee, an independent third party, is appointed by the Company for the purpose of administering the 2014 Award Scheme and the 2016 Award Scheme.

During the period ended 30 September 2016, no share awards were granted under the 2014 Award Scheme and the 2016 Award Scheme.

On 5 October 2016, 62,816,501 and 111,224,691 share awards were granted to certain eligible participants under the 2014 Award Scheme and the 2016 Award Scheme respectively, totaling 174,041,192 share awards. Out of which, 152,335,048 share awards were granted to certain grantees under the Option Scheme who have forgone their rights under the options previously granted to them under the Option Scheme.

15 Business Combinations

In July 2016, the Group acquired a 72.7% interest in a business which engaged in brand management (Note 11(b)).

In August 2016, the Group acquired a business engaged in retail and wholesale of infants and children's apparel and accessories.

The acquired businesses contributed revenue of US$12,073,000, core operating loss of US$117,000 and net loss of US$117,000 to the Group for the period ended 30 September 2016. If the acquisitions had occurred on 1 April 2016, the Group's revenue, core operating profit and net profit for the period ended 30 September 2016 would have been US$1,859,579,000, US$77,796,000 and US$6,671,000 respectively.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration	55,721
Less: Aggregate fair value of net assets acquired[i]	(10,296)
Goodwill	45,425

i As at 30 September 2016, verification of individual assets/liabilities of some of the acquired businesses is in progress and the Group has not finalized the fair value assessments. The relevant fair value of individual assets/liabilities stated above are provisional.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 Business Combinations (Continued)

The goodwill is attributable to 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*	13,958
Inventories	3,735
Accrued charges and sundry payables	(4,605)
Deferred tax liabilities	(2,792)
Fair value of net assets acquired	10,296

* *Intangible assets arising from business combinations represent licensor relationships. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 "Business Combination". As at the date of the interim financial information, the Group has not finalized the fair value assessments for some of the intangible assets. The relevant fair values of intangible assets stated above are stated on a provisional basis.*

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

	US$'000
Purchase consideration	55,721
Purchase consideration payable	(1,539)
Transfer of interests in a subsidiary *(Note 11(b))*	(36,489)
Consideration by way of settlement of trade receivables from vendor of the business	(15,150)
Net outflow of cash and cash equivalents in respect of the acquisitions	2,543

16 Commitments

(a) OPERATING LEASE COMMITMENTS

As at 30 September 2016, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2016 US$'000	Audited 31 March 2016 US$'000
Within one year	**69,874**	64,533
In the second to fifth year inclusive	**253,870**	207,975
After the fifth year	**250,397**	247,057
	574,141	519,565

(b) CAPITAL COMMITMENTS

	Unaudited 30 September 2016 US$'000	Audited 31 March 2016 US$'000
Contracted but not provided for:		
Property, plant and equipment	**25,165**	8,063
Computer software and system development costs	**618**	–
	25,783	8,063

17 Charges on assets

As at 30 September 2016, there were no charges on the assets and undertakings of the Group (31 March 2016: Nil).

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

18 Related Party Transactions

The Group had the following material transactions with its related parties during the six months ended 30 September 2016 and 2015:

		Unaudited Six months ended 30 September	
		2016	2015
	Note	**US$'000**	US$'000
Purchases and service fees	*(i)*	**800,346**	974,277
Logistics services fee	*(ii)*	**2,015**	2,246
Operating leases rental income	*(iii)*	**336**	1,129
Operating leases rental paid	*(iii)*	**1,484**	1,760
Distribution and sales of goods	*(iv)*	**868**	137
Royalty income	*(v)*	**2,857**	1,750

NOTES:

(i) The amounts stated which were made on normal commercial terms and conditions mutually agreed between the Group and the related companies as buying agent, includes inventory costs and service related fees.

(ii) The logistics services fee charged by related companies was made on normal commercial terms and conditions mutually agreed between the Group and the related companies.

(iii) The operating leases rental was paid/charged by related companies of the Group based on mutually agreed terms.

(iv) The distribution and sales of goods was made on normal commercial terms and conditions mutually agreed between the Group and the related companies.

(v) On 15 September 2015, the Group entered into a license agreement with Trinity International Brands Limited ("Trinity"), an associate of Fung Holdings (1937) Limited, pursuant to which the Group agreed to grant Trinity or its affiliates the right to use the trademarks "BECKHAM" and "DAVID BECKHAM" and David Beckham's image, name, voice and likeness in the promotion, design, manufacture and distribution of certain products under Kent & Curwen brand. The royalty was charged based on mutually agreed terms.

18 Related Party Transactions (Continued)

NOTES: (Continued)

(vi) 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, 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. The convertible promissory note (the "Original 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.

As at 30 September 2015 and prior to 21 March 2016, the Group has subscribed US$21,000,000 of the Original Note. On 21 March 2016, the Group, Trinity, BHB and Heritage entered into the Amended and Restated Note Purchase Agreement (the "Amended and Restated Note Purchase Agreement"), pursuant to which the Original Note was replaced by the Restated Note issued by BHB to the Group.

As at 30 September 2016, BHB is no longer a related party to the Group.

Save as above, the Group had no material related party transactions during the period.

19 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) MARKET RISK

(i) Foreign exchange risk

Most of the Group's cash balances represented deposits mainly in US dollars with major global financial institutions, and most of the Group's borrowings were denominated in US dollars. The Group's revenues and payments were transacted mainly in the same currency, predominantly in US dollars. The Company minimizes foreign exchange rate fluctuations through short-term foreign currency contracts with terms less than 12 months.

(ii) Price risk

At 30 September 2016 and up to the report date of the financial statements, the Group held no material financial instruments which are subject to price risk, except for the available-for-sale financial asset and the forward foreign exchange contracts.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 Financial Risk Management (Continued)

(a) MARKET RISK (CONTINUED)

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for note receivables 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 consider 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 institutions. The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing on the trade terms with individual customers. It is not uncommon that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that fall short of the required minimum score under its risk assessment system;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;

(iii) It has in place a system with a dedicated team to ensure on-time recoveries from its trade debtors; and

(iv) It has set up rigid policies internally on provision made for both inventories and receivables to motivate its business managers to step up their efforts in these two areas and to avoid any significant impact on their financial performance.

(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.

20 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 September 2016.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial asset	-	-	**1,000**	**1,000**
Derivative financial instruments	-	-	**400**	**400**
Liabilities				
Purchase consideration payable for acquisitions *(Note 11(a))*	-	-	**203,308**	**203,308**
Written put option liabilities *(Note 11(b))*	-	-	**117,538**	**117,538**
Derivative financial instruments	-	**456**	-	**456**

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

20 Fair Value Estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2016.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial asset	–	–	1,000	1,000
Derivative financial instruments	–	174	400	574
Liabilities				
Purchase consideration payable for acquisitions *(Note 11(a))*	–	–	293,152	293,152
Derivative financial instruments	–	3,673	–	3,673

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.

20 Fair Value Estimation (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 September 2016.

	Available-for-sale financial assets US$'000	Derivative financial instruments – assets US$'000	Purchase consideration payable for acquisitions US$'000	Written put option liabilities US$'000
Opening balance	1,000	400	293,152	-
Additions	-	-	1,539	117,246
Settlements	-	-	(67,415)	-
Remeasurement of purchase consideration payable for acquisitions	-	-	(4,852)	-
Others	-	-	(19,116)	292
Closing balance	1,000	400	203,308	117,538

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.

21 Approval of Interim Financial Information

The interim financial information was approved by the Board of Directors on 17 November 2016.

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
Hang Seng Corporate Sustainability Index Series
FTSE4Good Index Series
MSCI Index Series

Registrar & Transfer Offices

PRINCIPAL
Codan Services Limited
Clarendon House, 2 Church Street
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HONG KONG BRANCH
Tricor Investor Services Limited
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e-mail: *globalbrands-ecom@hk.tricorglobal.com*

Key Date

17 November 2016
Announcement of 2016/17 Interim Results

Share Information

Board lot size: 2,000 shares

Shares outstanding as at 30 September 2016
8,380,889,538 shares

Market Capitalization as at 30 September 2016
HK$6,620,902,735

Earnings per share
For the six months ended 30 September 2016
Interim 0.01 US cents

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This 2016/17 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.
本2016/17中期業績報告可從本公司網址下載，及向本公司於香港之股份過戶登記分處卓佳證券登記有限公司索取。如中、英文版本有任何差異，均以英文版為準。

GLOSSARY

In this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

2014 Award Scheme	the share award scheme of the Company adopted by the Shareholders at the special general meeting of the Company held on 16 September 2014
2014 Award Scheme Adoption Date	16 September 2014, i.e. the date when the Company adopted the 2014 Award Scheme
2016 Award Scheme	the share award scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 15 September 2016
2016 Award Scheme Adoption Date	15 September 2016, i.e. the date when the Company adopted the 2016 Award Scheme
Adjusted Net Profit	net profit adjusted by 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
Associate(s), chief executive(s), controlling shareholder(s), substantial shareholder(s)	each has the meaning ascribed to it in the Listing Rules
Board	the board of Directors of the Company
Company	Global Brands Group Holding Limited
Controlled Brand(s)	brand(s) in which the Group either owns the intellectual property or controls the intellectual property under a long-term licence which gives us significant control over the development and marketing associated with the relevant brand

GLOSSARY (CONTINUED)

Director(s)	the director(s) of the Company
EBITDA	net profit before net interest expenses, tax, depreciation and amortization, also excludes share of results of joint ventures, material gains or losses which are of capital nature or non–operational related, acquisition related costs and non-cash gain on remeasurement of contingent consideration payable
FH (1937)	Fung Holdings (1937) Limited, a company incorporated in Hong Kong, which is a substantial shareholder of the Company
Fung Group	a Hong Kong based multinational which comprises major operating groups engaging in trading, logistics, distribution and retailing, with FH (1937) as a major shareholder. They include publicly-listed Li & Fung Limited, Convenience Retail Asia Limited, Trinity Limited and the Company
Group or Global Brands	the Company and its subsidiaries
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
HKFRS(s)	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
HSBC Trustee	HSBC Trustee (C.I.) Limited, acting in its capacity of the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King, brother of William Fung Kwok Lun
King Lun	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee and 50% by William Fung Kwok Lun
Li & Fung Group	Li & Fung Limited (a company incorporated in Bermuda with limited liability, the shares of which are listed on the Hong Kong Stock Exchange) and its subsidiaries

LIBOR	London interbank offered rate
Licensed Brand(s)	brand(s) in which the Group licenses the intellectual property from the brand owners or the licensors for use in selected categories and geographies
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules
Option Scheme	the share option scheme of the Company adopted by the Shareholders at the special general meeting of the Company held on 16 September 2014
Reporting Period	Six-month period from 1 April 2016 to 30 September 2016
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
Share(s)	ordinary share(s) of HK$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
US$	United States dollar(s), the lawful currency of the United States of America

RIGHT

BRAND

RIGHT

PLACE

RIGHT

CHANNEL

RIGHT

TIME

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