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

FY2018 財政年度

GBG

INTERIM REPORT
中期業績報告

GLOBAL BRANDS GROUP

THE FOREFRONT OF

FASHION CREATIVITY & INNOVATION

CONTENTS

CORPORATE INFORMATION

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

Executive Director
Bruce Philip ROCKOWITZ
Chief Executive Officer & Vice Chairman

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

Chief Financial Officer
Ronald VENTRICELLI

Group Chief Compliance & Risk Management Officer
Jason YEUNG Chi Wai

Company Secretary
Richard LAW Cho Wa

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central
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Principal Bankers
Bank of America, N.A.
Citibank, N.A.
HSBC Bank USA, National Association
Standard Chartered Bank

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HIGHLIGHTS

- Total margin continued its upward trajectory, increasing from 28.3% to 30.5%, as a percentage of revenue
- Revenue decreased by 3.2% driven largely by the shift of retail buying to later in the year, as well as the anticipated cessation of the Quiksilver license due to the company's bankruptcy, and the expiration of Coach footwear license
- Operating profit increased by 94.1% to US$80 million, while net profit attributable to shareholders increased by US$25 million to US$26 million, reflecting gains primarily related to the sale of intellectual property of Frye in the amount of US$67 million
- Maintained position as licensing partner of choice, attracting more iconic brands, such as BCBG and Bebe

(US$ million)	**Six months ended 30 September** **2017**	2016	Change
Revenue	**1,785**	1,844	–3.2%
Total margin	**544**	522	+4.2%
As % of revenue	***30.5%***	*28.3%*	
Operating costs*	**464**	481	–3.5%
Operating profit	**80**	41	+94.1%
Net profit for the period	**29**	7	+335.2%
Net profit attributable to shareholders	**26**	1	
Earnings per Share – Basic	**2.43 HK cents**	0.07 HK cents	
(equivalent to)	**0.31 US cents**	0.01 US cents	

* Represented operating costs net of other gains and gain on disposal of interest in an associate

A MODERN

LIFESTYLE COMPANY

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

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

BEBE

SPYDER

KATY PERRY

SEAN JOHN

UNDER ARMOUR

BUFFALO

JOE'S

FRYE

KENNETH COLE

THE GBG

PERSPECTIVE

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

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

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

JUICY COUTURE

TOMMY HILFIGER SCHOOL UNIFORMS

AQUATALIA

WE BELIEVE THAT

World-class brands come from world-class design. What sets us apart is our commitment to creativity and collaboration across all categories. An asset light portfolio and unparalleled category expertise give us ultimate freedom and flexibility to grow our brands. Our deep insight into all channels position our brands for the future.

GLOBAL BRANDS GROUP

A LIFESTYLE COMPANY

AT THE FOREFRONT

JONES NEW YORK

TARYN ROSE

BCBG

CHAIRMAN'S STATEMENT

We are six months through the first year of our second Three-Year Plan, covering the financial years 2018 to 2020. During the Reporting Period, the Group has continued to strengthen its position as a preferred licensing partner for the leading affordable luxury brands and sharpened our focus as a brand operating company – steps we believe will deliver long-term benefits to both the Group and our brand partners. We are proactively making new strategic investments now to capitalize on the growth opportunities we anticipate during this Three-Year Plan to achieve our goals for top line growth and margin improvement. The Group is well placed for continued growth in a macro climate that presents both challenges and opportunities.

The major economies in the world appear to remain strong and stable. However, the unsettled political landscape in the U.S. and in Europe, in addition to geopolitical tensions in the Middle East and Asia, are creating economic uncertainty and affecting consumer sentiment. Concerns about increased protectionism are also casting a shadow over global trade.

In our industry, traditional retailers continue to restructure their businesses as a result of soft foot traffic and the disruptive impact of online shopping and changing consumer preferences. Retailers are re-configuring the footprint of their physical stores, making e-commerce investments, expanding their product ranges, and improving operational efficiency. They also recognize the need to introduce new collections on a more frequent basis to spur traffic and counter increasingly aggressive promotional cycles.

This new retail environment presents strategic growth opportunities for us as we help our brand partners and retail customers navigate the changes facing the industry.

On one hand, our strengths in multiple product categories and the breadth and depth of our global distribution network place us in a competitive position to remain a partner of choice for brand licensors, as they respond to the profound shift in consumer behaviour towards omni-channel both in terms of product access and engagement. Our channel-agnostic approach makes Global Brands an important partner to translate brands into multiple products and price points for various distribution channels.

CHAIRMAN'S STATEMENT (CONTINUED)

At the same time, we are well placed to work with our retail customers in every tier of distribution and across every major product category as they move to differentiate and diversify their brand and product offerings in response to these external challenges.

Another major trend in recent years has been the growing separation of brand intellectual property ("IP") ownership from operations. As a growing number of specialized brand investors continue to acquire brands, they look to the Group as their operating partner of choice, given our track record in developing licensed brands. We are forging an increasing number of long-term licensing agreements with these brand IP owners, including, in recent months, the BCBG Brands and Bebe. These kinds of arrangements provide the Group with more control over the brands, from brand positioning and development to category and geographic extensions, as well as channel optimization and strategic investment in direct reach to consumers. This is enabling the Group to fully capitalize on the many growth opportunities such partnerships present.

With speed to market an increasingly important differentiator for brands and retailers alike, we are also continuing to improve the processes crucial to remaining a leading brand operating company. This includes speeding up our design-to-delivery timelines by investing in new technologies and systems to transform our product creation cycle, such as 3D design and sampling, which is currently in pilot testing.

To enhance our operational effectiveness, we will remain disciplined about streamlining our cost structure. Moreover, at the same time, we will continue to make strategic investments in order to drive long-term growth of the Group, including extending our direct reach to customers through investments in channels such as e-commerce.

Global Brands' scale, product range and global footprint, plus our channel-agnostic approach, lies at the heart of our operations and is the key advantage. By attracting new brands to our portfolio, expanding our relationships with brand partners, and strengthening our positions across different distribution channels, we see tremendous growth opportunities ahead.

We believe our diverse workforce, with its creative talent, passion for fashion and entrepreneurial spirit, will enable us to adapt to the fast-evolving consumer environment. I would like to thank all of my colleagues at Global Brands for the hard work and the dedication. I would also like to express my gratitude to all of our stakeholders for their support. The management team and I look forward to enhancing shareholder value as we continue to execute our Three-Year Plan.

William Fung Kwok Lun
Chairman

Hong Kong, 15 November 2017

CEO'S STATEMENT

This interim report marks the beginning of our new Three-Year Plan (fiscal years 2018 to 2020). The Group is maintaining its focus on growth and profitability, with the goal of reaching US$5 billion in revenues, improving its total margin percentage by 150 basis points, and increasing EBITDA[1] by 50% by the end of the fiscal year 2020. To do so, we are concentrating on our core businesses and upholding our position as a licensing partner of choice. We also continue to invest and build for the long-term strength of Global Brands.

The global retail industry has been experiencing a structural transformation in which consumers are gaining more and more power when it comes to defining their shopping experience. The expectation now appears to be permanent discounting as well as an elevated, seamless, online-offline retail experience. This has resulted in major moves by leading traditional and e-commerce players into each other's territories. In addition, it has generated greater margin pressure on most traditional retailers as they consolidate and upgrade their physical retail networks, while investing in e-commerce capabilities. One consequence of this ongoing disruption on our business has been a substantial shift in buying patterns skewed even further towards the latter half of the year.

However, amidst the uncertainty caused by this transformation, brands are increasingly looking to licensing partners like Global Brands to take advantage of our product expertise, global platform and multi-channel distribution network. A prime example is our partnership with Under Armour ("UA"). We were able to expand our existing UA kids apparel business into other adjacent product categories (e.g. boys and girls swimwear, outerwear, and underwear), alongside an expanded distribution network.

The Group also benefited from the industry trend which has seen IP ownership separated from brand operation. Given the scale of our business and the breath of our expertise and capabilities, Global Brands remains the operating partner of choice for these IP owners.

[1] EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortization. This also excludes share of results of associate and 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

CEO'S STATEMENT (CONTINUED)

In July 2017, we closed the transaction to acquire the operating assets of the BCBG brands. As part of the agreement, Marquee Brands became the new IP owner, with Global Brands operating the wholesale operations, select retail stores, and e-commerce platform for the BCBG brands. While this delivered a relatively small contribution for the first half of the fiscal year, we expect its topline contribution will substantially increase in the second half. In addition, as we ramp up the BCBG business, we anticipate it will have a positive impact on the margin as well.

In addition, we entered into a long-term license agreement with Bluestar Alliance for the Bebe brand. As part of the brand's new strategic direction, Bebe, in its new partnership with us, will now focus on developing its e-commerce platform and international wholesale distribution capabilities.

In September 2017, we made the strategic decision to sell our remaining 49% stake in the IP ownership of Frye to Authentic Brands Group ("ABG"). Through the transactions, we are able to fully monetize the increase in brand value, while continuing to act as the operating partner through a long-term licensing agreement with ABG. The transaction will also allow us to accelerate category extensions within the Frye brand, maximizing the brand's potential across multiple distribution channels and new geographical markets.

The first half of the fiscal year also saw a decrease in sales volume due to the cessation of the Quiksilver kids fashion license as a result of the company's bankruptcy, as well as Coach taking their footwear business in-house upon the expiration of the license in June 2017, which was a development we had anticipated. This, combined with the shift of retail buying later in the year, resulted in a negative impact on our topline results.

As a Group, however, we expect to see much stronger sales in the second half. There are two main reasons for this: activities with major new brands like BCBG will significantly increase, and the delayed buying by key retailers will have a positive impact on sales. Hence, for the full fiscal 2018, we expect to deliver topline growth consistent with our Three-Year Plan targets.

In order to bring our cost structure reporting closer in line with our major peers in the licensing world, starting from this fiscal year, royalty payment to brand owners under our license agreements are now reported under Cost of Sales rather than Operating Costs. Going forward, we will also focus our margin discussion on operating profit, rather than core operating profit, which was a terminology we inherited from Li & Fung.

In the area of mergers and acquisitions, having made several acquisitions and disposals in recent years, these are anticipated to diminish in both size and number for the remainder of our Three-Year Plan whilst we concentrate on making Global Brands strongly cash generative business.

The first year of our second Three-Year Plan is an investment year. This includes putting resources into areas such as e-commerce, where we can add significant value, both to our own direct-to-consumer offering and to our relationships with leading platforms such as Amazon. In addition, we have begun to transform our product design and production process, and will continue to invest in our operations to drive efficiencies and fully leverage the scale of our businesses. Examples of this would include the pilot testing of 3D design and sampling, and leveraging technologies that allow us to digitally track our inventory in real-time.

I would like to take this opportunity to once again thank all of our stakeholders for their continued support. We have begun strategic initiatives under our second Three-Year Plan and progress is well underway.

Bruce Rockowitz
Chief Executive Officer & Vice Chairman

Hong Kong, 15 November 2017

MANAGEMENT DISCUSSION & ANALYSIS

Results Overview

The six-month period from 1 April 2017 to 30 September 2017 (the "Reporting Period") marked the beginning of the Group's new Three-Year Plan (Fiscal years 2018 to 2020). The Group continues to focus on developing its core business and maintaining its position as a licensing partner of choice.

During the Reporting Period, the retail industry has been going through a structural transformation. Amidst all this uncertainty, Global Brands continues to develop and strengthen its competitive position based on our flexible licensing business model, product expertise, global platform, and multi-channel distribution approach.

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

During the Reporting Period, the Group's revenue decreased by 3.2% compared to the same period last year. This was mainly attributable to the cessation of the Quiksilver kids fashion license as a result of the company's bankruptcy and Coach taking their footwear business in-house upon the expiration of the license in June 2017, which was a development we had anticipated. This, combined with the shift of retail buying later in the year, resulted in a negative impact on revenue.

The Group's total margin continued its upward trajectory, increasing from 28.3% to 30.5% as a percentage of revenue, primarily due to sourcing optimization. Operating costs, which is net of other gains and gain on disposal of interest in an associate, reflected a net decrease of 3.5%. The decrease was driven by the gains primarily related to the sale of the Frye's intellectual property in the amount of US$67 million, partially offset by higher operating costs due to new licenses and higher direct-to-consumer distribution. The increased total margin and lower operating costs resulted in an increase in operating profit by 94.1% and net profit attributable to shareholders by US$25 million. The table below summarizes the Group's financial results for the six months ended 30 September 2017 and 2016.

	Six months ended 30 September		Change	
	2017	2016		
	US$mm	US$mm	US$mm	%
Revenue	**1,785**	1,844	(59)	–3.2%
Total Margin	**544**	522	22	+4.2%
% of Revenue	***30.5%***	*28.3%*		
Operating Costs*	**464**	481	(17)	–3.5%
Operating Profit	**80**	41	39	+94.1%
% of Revenue	***4.5%***	*2.2%*		
EBITDA	**170**	179	(9)	–5.3%
% of Revenue	***9.5%***	*9.7%*		
Net Profit for the Period	**29**	7	22	+335.2%
% of Revenue	***1.6%***	*0.4%*		
Net Profit Attributable to Shareholders	**26**	1	25	–
% of Revenue	***1.4%***	–		

* Operating Costs: Net of other gains and gain on disposal of interest in an associate

Four Business Verticals

Global Brands discloses its segmental information based on its four business verticals: Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management.

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

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

At the same time, we recognize the critical importance as a product and brand company to stay ahead of the curve in terms of design quality and innovation in production process. Global Brands has continuously invested in elevating the experience and profile of the design teams for our brands, as well as digitizing our production process to improve speed and precision. For example, some of our businesses are piloting 3D design sampling, leveraging technologies that allow us to digitally track our inventory in real-time.

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

KIDS

Kids comprises two areas, characters and kids fashion. It remains a scalable business and the Group's most established business vertical. In our characters business, we are one of the largest licensees of Disney and other major character franchises. In this space, we see consumer interest diversifying from traditional movie franchises to more interactive content formats such as gaming properties. Despite a lack of major blockbuster movies, the Reporting Period saw increasing contributions from other popular TV and gaming franchises, such as Paw Patrol and Minecraft, which offset the negative impact. Within Kids fashion, our long and well-established relationships with well-known brands continue to deliver results. Our business with Under Armour has expanded into other adjacent product categories (e.g. boys and girls swimwear, outerwear, and underwear), alongside an expanded distribution network.

During the Reporting Period, revenue of Kids decreased by 6.3% to US$762 million. The decline was due to the anticipated cessation of Quiksilver license as a result of the company's bankruptcy and the shift of retail buy later into the year. Total margin increased from 26.7% to 27.2% as a percentage of revenue mainly attributable to sourcing optimization. Operating costs* decreased by 0.9% to US$192 million, which was driven lower by a US$5 million gain on remeasurement of contingent consideration payable. Operating profit decreased from 2.9% to 2.0% as a percentage of revenue, primarily due to lower revenue that resulted in less total margin.

	Six months ended 30 September		**Change**	
	2017	2016		
	US$mm	US$mm	US$mm	%
Revenue	**762**	813	(51)	–6.3%
Total Margin	**207**	217	(10)	–4.6%
% of Revenue	***27.2%***	*26.7%*		
Operating Costs*	**192**	194	(2)	–0.9%
Operating Profit	**15**	24	(8)	–34.6%
% of Revenue	***2.0%***	*2.9%*		

* Operating Costs: Net of other gains and gain on disposal of interest in an associate

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

MEN'S AND WOMEN'S FASHION

As the operating partner of choice for a number of leading U.S. brand groups focused on owning IP rather than operating brands, the Group has continued to build scale and gain access to new opportunities in this high growth business vertical. The business includes a number of iconic brands such as Spyder, Juicy Couture, Jones New York, Joe's Jeans, Buffalo Jeans, Kenneth Cole, and David Beckham.

We continue to be selective in the types of licenses we pursue, focusing primarily on brands with large pre-existing scale and resonation with a core customer base, with long-term licenses that afford us significant control over the development and marketing associated with the brands. Further, we continue to reconfigure and expand the brands' distribution channels and make select strategic investment in direct-to-consumer reach, including limited physical retail and e-commerce where appropriate.

In July 2017, we closed the transaction of acquiring the operating assets of the BCBG brands. As part of the agreement, Marquee Brands became the new IP owner, with Global Brands managing the wholesale operations, as well as a much reduced, targeted network of retail stores and e-commerce platform for the BCBG brands.

During the Reporting Period, the Group also entered into a long-term license agreement with Bluestar Alliance for the Bebe brand. With a new strategic direction under Global Brands, Bebe will focus on developing its e-commerce platform and international wholesale distribution capabilities.

During the Reporting Period, revenue of Men's and Women's Fashion increased by 25.1% to US$464 million partly as a result of the addition of new licenses such as the BCBG Brands and Bebe. Total margin increased from 36.6% to 41.9% as percentage of revenue, partly reflecting the higher margins of our new licenses. Operating costs* increased by 59.7% to US$175 million as a result of the addition of new licenses and related investment in direct-to-consumer distribution. Compared to the same period of last year, operating profit decreased from 7.0% to 4.1% as a percentage of revenue.

	Six months ended 30 September		**Change**	
	2017	2016		
	US$mm	US$mm	US$mm	%
Revenue	**464**	371	93	+25.1%
Total Margin	**194**	136	59	+43.3%
% of Revenue	***41.9%***	*36.6%*		
Operating Costs*	**175**	110	66	+59.7%
Operating Profit	**19**	26	(7)	–26.4%
% of Revenue	***4.1%***	*7.0%*		

* Operating Costs: Net of other gains and gain on disposal of interest in an associate

FOOTWEAR AND ACCESSORIES

Footwear and Accessories is another well-established part of the Group's business.

During the Reporting Period, we made the decision to sell our remaining 49% stake in the intellectual property ownership of Frye to ABG. This allows the Group to fully monetize the increase in brand value, while continuing to act as the operating partner through a long-term licensing agreement with ABG. The transaction will also allow us to accelerate category extensions, maximizing the brand's potential across multiple distribution channels and new geographical markets.

Driven by our contemporary designs and fashion-oriented approach, our footwear products continue to have a strong appeal to consumers. Revenue from the vertical for the Reporting Period was negatively impacted by the cessation of the Coach footwear license as the brand took all footwear businesses in-house, a development that we had anticipated.

In addition, we continued to leverage the Group's brand portfolio and expertise in multiple categories and our global platform to expand our businesses. For example, we began launching Fiorelli handbags, previously only distributed in Europe, in the U.S.

Revenue for Footwear and Accessories decreased by 22.9% during the Reporting Period, to US$458 million primarily due to the ending of the Coach footwear license which we had anticipated, and the shift of retail buying later into the year. Total margin increased slightly from 25.7% to 25.8% as a percentage of revenue. Operating costs* decreased by 53.1% to US$76 million. The decline was mainly attributable to the US$67 million gain on the sale of the Frye intellectual property. Compared to the same period last year, this vertical recorded an operating profit of US$42 million, while percentage of revenue increased from –1.5% to 9.2%, primarily due to the gain on sale of Frye's intellectual property.

	Six months ended 30 September		**Change**	
	2017	2016		
	US$mm	US$mm	US$mm	%
Revenue	**458**	595	(136)	–22.9%
Total Margin	**118**	153	(35)	–22.9%
% of Revenue	***25.8%***	*25.7%*		
Operating Costs*	**76**	162	(86)	–53.1%
Operating Profit	**42**	(9)	51	–
% of Revenue	***9.2%***	*–1.5%*		

* Operating Costs: Net of other gains and gain on disposal of interest in an associate

BRAND MANAGEMENT

In our Brand Management business, we offer our clients decades of experience and expertise across all aspects of the brand extension process – expanding brands into new product categories and/or across geographies, developing retail collaborations, and assisting in the distribution of licensed products on a global basis. 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 exchange for our ongoing brand management services.

We have made significant progress in integrating the GBG and CAA brand management businesses under CAA-GBG Brand Management Group, the world's largest brand management company. We also further enhanced our platform with the acquisition of UK-based Romelle Swire in September 2017, which brings a wealth of experience in the experiential, restaurant, and residential areas, and also strengthened our lifestyle portfolio with brands such as Gordon Ramsay, Gareth Bale, and Formula 1. In addition, we continue to expand our portfolio with a number of new business partners, and are creating valuable synergies with our other business verticals.

Under the Brand Management vertical, revenue increased by 53.9% to US$101 million, as a result of continuous expansion of the business and the addition of new clients. For the Reporting Period, total margin increased by 48.6%, while as percentage of revenue decreased from 25.1% to 24.2% mainly attributable to the change in the mix of businesses. Operating costs* increased by 32.1% due to the addition of new businesses. Compared to the same period last year, operating profit increased from 1.1% to 3.7% as a percentage of revenue.

	Six months ended 30 September		**Change**	
	2017	2016		
	US$mm	US$mm	US$mm	%
Revenue	**101**	66	35	+53.9%
Total Margin	**24**	16	8	+48.6%
% of Revenue	***24.2%***	*25.1%*		
Operating Costs*	**21**	16	5	+32.1%
Operating Profit	**4**	1	3	+393.5%
% of Revenue	***3.7%***	*1.1%*		

* Operating Costs: Net of other gains and gain on disposal of interest in an associate

Geographical Segmentation

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

Significant Acquisitions and Licenses

In the first half of FY2018, the Group made the following deals in order to expand and develop our business globally.

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

Financial Position

CASH POSITION AND CASH FLOW

The Group operates a cash accretive business, and has a proven track record utilizing its positive operating cash flow to fund working capital, interest expenses, capital expenditures and selected small-scale acquisitions.

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September		
	2017	2016	**Change**
	US$mm	US$mm	US$mm
Cash and cash equivalents at 1 April	**171**	99	72
Net cash flow from operating activities	**29**	258	(229)
Net cash flow from investing activities	**44**	(114)	158
Net cash flow from financing activities	**(167)**	(34)	(133)
Effect of foreign exchange rate changes	**1**	(1)	1
Cash and cash equivalents at 30 September	**78**	208	(131)

Cash flow from operating activities

During the Reporting Period, operating activities generated cash inflow of US$29 million, which was lower than the same period of FY2017. Operating cash flow was negatively impacted by the increase in inventory due to the timing of sales in the Reporting Period. In addition, operating cash flow was positively impacted by the increase in trade payables.

Cash flow from investing activities
Cash inflow from investing activities totaled US$44 million in the first half of FY2018 as compared to an outflow of US$114 million in the same period in FY2017. The inflow is mainly a result of the consideration received for the sale of the Frye intellectual property partially offset by the settlement of consideration payable for prior years' acquisitions of businesses, as well as the acquisitions of businesses. The Group received US$170 million for the sale of the Frye intellectual property and paid US$50 million of consideration payments for prior years' acquisitions in the first half of FY2018 and US$67 million during the same period in FY2017. In addition, acquisitions of businesses amounted to US$14 million in the first half of FY2018 compared to US$3 million in the same period of the prior year.

Cash flow from financing activities
During the Reporting Period, the Group repaid a net US$122 million in bank borrowings compared to a draw down of US$0.3 million in the same period in FY2017. The Group also paid US$36 million in interest payments compared to US$31 million in the same period in FY2017. The Group did not pay a dividend and did not have any other significant financing activities.

As at 30 September 2017, the Group's cash position was US$78 million, compared to US$208 million as at 31 March 2017. Given our positive cash flow-generating capabilities, the Group's intention is to maintain only a reasonable cash balance to fund our short-term working capital needs.

Banking Facilities

TRADE FINANCE

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

BANK LOANS 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 2017, US$996 million of the Group's bank loans were drawn down and US$164 million were utilized to collateralize letters of credits and foreign currency hedges. The unused limits on bank loans and other facilities amounted to US$316 million.

BANK LOANS AND OTHER FACILITIES AS AT 30 SEPTEMBER 2017

	Limit US$mm	Outstanding Bank Loan US$mm	Other Facilities Utilized US$mm	Unused Limit US$mm
Committed	**1,200**	**996**	**–**	**204**
Uncommitted	**276**	**–**	**164**	**112**
Total	**1,476**	**996**	**164**	**316**

Current Ratio

As of 30 September 2017, the Group's current ratio was 1.04, based on current assets of US$1,450 million and current liabilities of US$1,395 million, which decreased from a current ratio of 1.18 as of 31 March 2017.

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$2,549 million as at 30 September 2017, compared to US$2,456 million as at 31 March 2017.

The Group's gross debt was US$996 million as at 30 September 2017, which was primarily due from the Group repaying outstanding debt to Li & Fung Limited in conjunction with the spin-off in 2014, as well as payments made in the Reporting Period for new and existing acquisitions. As at 30 September 2017, the Group's gross debt was at floating rates based on LIBOR. Taking into account cash on hand, total net debt amounted to US$915 million as at 30 September 2017, resulting in a gearing ratio of 26.4%. The gearing ratio is defined as total borrowings, net of cash and bank balances, 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 and reputable global financial institutions. The Group has stringent policies in place to manage its credit risk with trade and other receivables, which include but are not limited to the measures set out below:

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

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

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

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

Foreign Exchange Risk Management

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

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

Contingent Consideration

As at 30 September 2017, the Group had outstanding contingent consideration payable of US$174 million, of which US$7 million was initial consideration payable, US$82 million was primarily earn-out and US$84 million was earn-up. Both earn-out and earn-up are performance-based payments subject to certain pre-determined performance targets mutually agreed with the sellers in accordance with the specific sale and purchase agreement. Earn-out payments are generally payable within three to four years whereas earn-up payment with higher performance target threshold would be payable in a period of up to five to ten years upon completion of a transaction. The Group follows a stringent internal financial and accounting policy in evaluating the estimated fair value of these contingent considerations, in accordance with HKFRS 3 (Revised) Business Combination. For the Reporting Period, there was approximately US$5 million of remeasurement gain on the outstanding contingent consideration payable.

People

As at 30 September 2017, the Group had a total workforce of 6,390, out of which 1,025 were based in Asia, 646 based in Europe/Middle East and 4,719 based in the Americas. Total manpower costs for the Reporting Period were US$245 million.

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

	Six months ended 30 September	
	2017	2016
	US$'mm	US$'mm
Operating profit	**80**	41
Add:		
Amortization of brand licenses	**104**	82
Amortization of computer software and system development costs	**6**	5
Depreciation of property, plant and equipment	**18**	15
Amortization of other intangibles assets	**35**	35
Other non-core operating expenses	**9**	6
Less:		
Other gains	**(16)**	(5)
Gain on disposal of interest in an associate	**(67)**	–
EBITDA	**170**	179

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 FY2017 Annual Report and on our corporate website (*www.globalbrandsgroup.com*).

The Board

The Board is currently composed of two Non-executive Directors, one Executive Director, and five Independent Non-executive Directors. Details of the composition of the Board are set out in the "Corporate Information" section on page 2.

Since 1 April 2017, the following changes to the Board and Board Committees have occurred:

- Prof Hau Leung Lee re-designated from Independent Non-executive Director to Non-executive Director and ceased to be the Chairman of Remuneration Committee with effect from 14 June 2017

- Mr Paul Edward Selway-Swift has been appointed as member of Remuneration Committee with effect from 14 June 2017

- Mrs Audrey Wang Lo has been appointed as the Chairman of Remuneration Committee with effect from 14 June 2017

- Mr Dow Famulak resigned as Executive Director of the Company with effect from 14 June 2017

Further details of changes in the information of our Directors are set out in the "Other Information" section on page 38.

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

Review of Interim Financial Information

The Audit Committee has reviewed the interim financial information for the six months ended 30 September 2017 for the Board's approval.

Risk Management and Internal Control

Our risk management and internal control processes remain in line with the practices set out in the "Governance, Environment and Social" section on page 45 to 49 of our FY2017 Annual Report, which is available on our corporate website (*www.globalbrandsgroup.com*).

Based on the respective assessments made by management and the Group's Corporate Governance Division, the Audit Committee considered that for the six months ended 30 September 2017:

- The risk management and internal controls and accounting systems of the Group remain in place and functioning effectively and were designed to provide reasonable but not absolute assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the interim financial information was reliable for publication.

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

Code of Conduct and Business Ethics

The Group's reputation 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 for the six months ended 30 September 2017 and is satisfied that it 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.

Directors' and Relevant Employees' Securities Transactions

The Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. We have extended such procedures to cover relevant employees who are likely to be in possession of unpublished, price-sensitive information ("Inside Information") of the Group. Relevant employees are also subject to compliance with written guidelines in line with the Model Code. Specific confirmation of compliance has been obtained from each Director and no incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 September 2017.

We continue to comply with our policy on Inside Information in compliance with our obligations under the SFO and Listing Rules.

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 financial year 2017, the Group's segmental information is disclosed around its four business verticals: Kids, Men's and Women's Fashion, Footwear and Accessories, and Brand Management. This move enables the investment community to better understand, track and evaluate the Group's performance.

OTHER INFORMATION

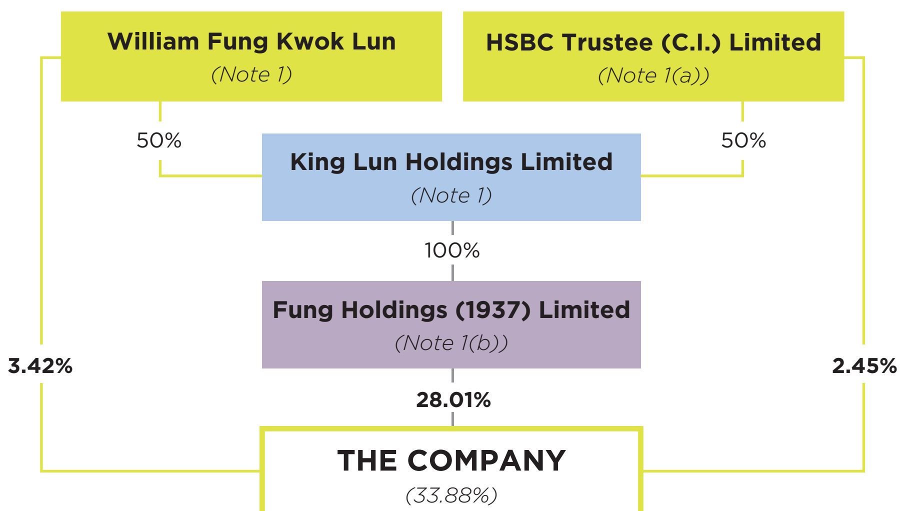
Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2017, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

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

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



NOTES:
As at 30 September 2017,

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

Further details on 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 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.

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

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

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 2017, other than the interests of the Directors and chief executives of the Company as disclosed above, the following entities had interests in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital[1]
HSBC Trustee (C.I.) Limited	Trustee[2]	2,605,653,198	30.47%
King Lun Holdings Limited	Interest of controlled entity[3]	2,395,727,908	28.01%
The Capital Group Companies, Inc.	Interest of controlled corporation	765,644,100	8.95%

NOTES:

(1) Percentage of shareholding is re-calculated by using the Company's issued share capital as at 30 September 2017 as the denominator.

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

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

Save as disclosed above, the Company had not been notified of any other interests or short positions being held by any substantial shareholder in the Shares or underlying shares of the Company as at 30 September 2017.

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.

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.

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.

OTHER INFORMATION (CONTINUED)

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

Grantees	Grant Date (Per award letters)	Number of Shares: As at 1/4/2017	Granted	Unvested/ Forfeited[1]	Reclassification	As at 30/9/2017	Vesting Period/Date
Bruce Philip Rockowitz	11/5/2015	60,184,447	-	-	-	60,184,447	31/12/2016-31/12/2020
Dow Famulak[2]	11/5/2015	4,989,964	-	-	-	4,989,964	31/12/2016-31/12/2020
	18/11/2016	22,547,044	-	-	-	22,547,044	31/12/2016-31/12/2018
Continuous contract employees	25/2/2016	15,891,762	-	(1,853,446)	-	14,038,316	31/12/2017
	5/10/2016	19,892,119	-	(830,357)	(1,107,144)	17,954,618	31/12/2016-31/12/2018
	26/7/2017	-	2,915,509	-	-	2,915,509	31/3/2019
Other selected participants[3]	25/2/2016	205,147	-	-	-	205,147	31/12/2017
	5/10/2016	-	-	-	1,107,144	1,107,144	31/12/2016-31/12/2018
Total		123,710,483	2,915,509	(2,683,803)	-	123,942,189	

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, 2,915,509 share awards had been applied from the share awards which were unvested and/or forfeited and available for re-grant.

(2) Mr Dow Famulak resigned as an Executive Director of the Company on 14 June 2017.

(3) 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, their entitlement was reclassified from "Continuous contract employees" to "Other selected participants".

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

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

Grantees	Grant Date (Per award letters)	Number of Shares As at 1/4/2017	Granted	Vested	Unvested/ Forfeited[1]	As at 30/9/2017	Vesting Period/Date
Bruce Philip Rockowitz	18/11/2016	45,094,090	-	-	-	45,094,090	31/12/2016–31/12/2018
Dow Famulak[2]	26/7/2017	-	7,693,346	-	-	7,693,346	31/3/2019
Continuous contract employees	5/10/2016	89,583,726	-	-	(13,783,928)	75,799,798	31/12/2016–31/12/2018
	5/10/2016	20,931,146	-	-	(1,383,927)	19,547,219	31/12/2018
	18/11/2016	5,258,928	-	-	(553,571)	4,705,357	31/12/2016–31/12/2018
	26/7/2017	-	2,266,631	(2,266,631)	-	-	26/7/2017
	26/7/2017	-	276,786	-	-	276,786	31/3/2018
	26/7/2017	-	81,138,664	-	(2,682,176)	78,456,488	31/3/2019
Total		160,867,890	91,375,427	(2,266,631)	(18,403,602)	231,573,084	

NOTES:

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

(2) Mr Dow Famulak resigned as an Executive Director of the Company on 14 June 2017.

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

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

Share Option Scheme

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

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

The principal terms of the Option Scheme are as follows:

(1) PURPOSE

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

(2) ELIGIBLE PERSONS

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

(3) MAXIMUM NUMBER OF SHARES

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

(4) MAXIMUM ENTITLEMENT OF A GRANTEE

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

(5) OPTION PERIOD

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

(6) AMOUNT PAYABLE ON ACCEPTANCE OF THE OPTION

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

(7) SUBSCRIPTION PRICE

Subscription price shall be not less than the greater of:

(a) the closing price of 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 2017, there were options relating to 108,701,163 Shares granted by the Company representing approximately 1.27% of the issued Shares of the Company as at the date of this Report which were valid and outstanding.

OTHER INFORMATION (CONTINUED)

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

	Number of Options						
Grantees	**As at 1/4/2017**	**In exchange for share awards on 26/7/2017**	**Forfeited/ Lapsed**	**As at 30/9/2017**	**Exercise Price** HK$	**Date of Grant**	**Exercise Period**
Dow Famulak[2]	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	4,105,263	-	-	4,105,263	1.70	4/11/2014	1/1/2016 - 31/12/2018
	4,105,263	-	-	4,105,263	1.70	4/11/2014	1/1/2017 - 31/12/2019
	4,105,263	-	(4,105,263)	-	1.70	4/11/2014	1/1/2018 - 31/12/2020
	17,736,842	-	-	17,736,842	1.70	4/11/2014	1/1/2019 - 31/12/2021
	17,736,842	-	-	17,736,842	1.70	4/11/2014	1/1/2020 - 31/12/2022
	15,684,211	-	-	15,684,211	1.70	4/11/2014	1/1/2021 - 31/12/2023
	2,736,842	-	-	2,736,842	1.70	4/11/2014	1/1/2022 - 3/11/2024
	7,311,321	(7,311,321)	-	-	1.78	28/5/2015	1/1/2018 - 31/12/2020
	7,311,321	-	-	7,311,321	1.78	28/5/2015	1/1/2019 - 31/12/2021
	7,311,321	-	-	7,311,321	1.78	28/5/2015	1/1/2020 - 31/12/2022
Other eligible participant[3]	2,052,632	-	-	2,052,632	1.70	4/11/2014	1/1/2016 - 31/12/2018
	2,052,632	-	-	2,052,632	1.70	4/11/2014	1/1/2017 - 31/12/2019
Total	134,051,744	(21,245,318)	(4,105,263)	108,701,163			

NOTES:

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

(2) Mr Dow Famulak resigned as an Executive Director of the Company on 14 June 2017.

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

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

As at 30 September 2017, out of a total of 500,868,226 share options granted under the Option Scheme, 12,315,790 share options remain exercisable and 96,385,373 share options are still unvested (after taking into account share options that have forfeited/lapsed or exchanged for share awards).

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 FY2017 Annual Report is set out below:

Name of Directors	Changes
William Fung Kwok Lun	Retired as Independent Non-executive Director of Singapore Airlines Limited on 28 July 2017
Hau Leung Lee	Re-designated from Independent Non-executive Director to Non-executive Director and ceased to be the Chairman of Remuneration Committee with effect from 14 June 2017
Paul Edward Selway-Swift	Appointed as member of Remuneration Committee with effect from 14 June 2017
Andrey Wang Lo	Appointed as Chairman of Remuneration Committee with effect from 14 June 2017
Dow Famulak	Resigned as Executive Director of the Company with effect from 14 June 2017

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 2017 (2016: 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 42 to 72, which comprises the consolidated balance sheet of Global Brands Group Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2017 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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Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 November 2017

CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**Unaudited Six months ended 30 September 2017 US$'000**	2016 US$'000 (Restated)
Revenue	*3*	**1,785,411**	1,844,475
Cost of sales		**(1,241,961)**	(1,323,010)
Gross profit		**543,450**	521,465
Other income		**713**	833
Total margin		**544,163**	522,298
Selling and distribution expenses		**(176,777)**	(154,428)
Merchandising and administrative expenses		**(369,630)**	(331,361)
Other gains	*4*	**16,000**	4,852
Gain on disposal of interest in an associate	*4 & 18*	**66,509**	–
Operating profit	*3 & 4*	**80,265**	41,361
Interest income		**1,317**	688
Interest expenses			
Non-cash interest expenses		**(11,421)**	(6,726)
Cash interest expenses		**(36,229)**	(31,279)
		33,932	4,044
Share of profits of associate and joint ventures		**6,200**	2,567
Profit before taxation		**40,132**	6,611
Taxation	*5*	**(11,237)**	29
Net profit for the period		**28,895**	6,640
Attributable to:			
Shareholders of the Company		**25,748**	777
Non-controlling interests		**3,147**	5,863
		28,895	6,640
Earnings per share for profit attributable to the shareholders of the Company during the period	*6*		
– basic		**2.43 HK cents**	0.07 HK cents
(equivalent to)		**0.31 US cents**	0.01 US cents
– diluted		**2.39 HK cents**	0.07 HK cents
(equivalent to)		**0.31 US cents**	0.01 US cents

The notes on pages 49 to 72 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September **2017** **US$'000**	 2016 US$'000
Net profit for the period	**28,895**	6,640
Other comprehensive income/(expense):		
Item that may be reclassified to profit or loss		
Currency translation differences	**64,114**	(45,550)
Other comprehensive income/(expense) for the period, net of tax	**64,114**	(45,550)
Total comprehensive income/(expense) for the period	**93,009**	(38,910)
Attributable to:		
Shareholders of the Company	**89,862**	(44,773)
Non-controlling interests	**3,147**	5,863
	93,009	(38,910)

The notes on pages 49 to 72 form an integral part of this interim financial information.

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Non-current assets			
Intangible assets	*8*	**4,022,684**	3,713,745
Property, plant and equipment	*8*	**215,212**	190,149
Associate		**–**	3,791
Joint ventures		**62,827**	60,838
Available-for-sale financial asset		**1,000**	1,000
Other receivables and deposits		**48,408**	47,700
Deferred tax assets		**6,147**	2,956
		4,356,278	4,020,179
Current assets			
Inventories		**719,241**	501,402
Due from related companies		**10,443**	8,453
Trade receivables	*9*	**408,669**	368,361
Other receivables, prepayments and deposits		**229,868**	245,109
Derivative financial instruments		**400**	1,448
Cash and bank balances	*10*	**81,106**	173,738
		1,449,727	1,298,511
Current liabilities			
Due to related companies	*11*	**769,357**	565,722
Trade payables	*12*	**222,766**	133,920
Accrued charges and sundry payables		**313,263**	312,753
Purchase consideration payable for acquisitions	*13(a)*	**81,863**	80,427
Derivative financial instruments		**5,231**	–
Tax payable		**2,663**	11,804
Short-term bank loans	*14*	**305**	–
		1,395,448	1,104,626
Net current assets		**54,279**	193,885
Total assets less current liabilities		**4,410,557**	4,214,064

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited 30 September 2017 US$'000**	Audited 31 March 2017 US$'000
Financed by:			
Share capital	*15*	**13,707**	13,647
Reserves		**2,584,371**	2,489,165
Shareholders' funds attributable to the Company's shareholders		**2,598,078**	2,502,812
Put option written on non-controlling interests	*13(b)*	**(98,281)**	(98,281)
Non-controlling interests		**49,557**	51,134
Total equity		**2,549,354**	2,455,665
Non-current liabilities			
Long-term bank loans	*14*	**996,000**	1,118,000
Purchase consideration payable for acquisitions	*13(a)*	**91,984**	115,101
Other long-term liabilities	*13*	**744,774**	506,776
Deferred tax liabilities		**28,445**	18,522
		1,861,203	1,758,399
		4,410,557	4,214,064

The notes on pages 49 to 72 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$'000 *(Note 15(a))*	Capital reserves US$'000 *(Note 15(b))*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *(Note 16(b))*	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Put option written on non-controlling interests US$'000 *(Note 13(b))*	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 2017	**13,647**	**2,022,674**	**31,774**	**(27,425)**	**(143,322)**	**605,464**	**2,489,165**	**(98,281)**	**51,134**	**2,455,665**
Comprehensive income										
Net profit	-	-	-	-	-	25,748	25,748	-	3,147	28,895
Other comprehensive expense										
Currency translation differences	-	-	-	-	64,114	-	64,114	-	-	64,114
Total comprehensive income	-	-	-	-	64,114	25,748	89,862	-	3,147	93,009
Transactions with owners										
Issue of shares for share award schemes	60	-	-	(60)	-	-	(60)	-	-	-
Shares purchase for share award schemes	-	-	-	(4,416)	-	-	(4,416)	-	-	(4,416)
Employee Share Option and Share Award Schemes										
– Value of employee services	-	-	9,820	-	-	-	9,820	-	-	9,820
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	(4,724)	(4,724)
Total transactions with owners	60	-	9,820	(4,476)	-	-	5,344	-	(4,724)	680
Balance at 30 September 2017	**13,707**	**2,022,674**	**41,594**	**(31,901)**	**(79,208)**	**631,212**	**2,584,371**	**(98,281)**	**49,557**	**2,549,354**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Unaudited									
	Attributable to shareholders of the Company									
		Reserves								
	Share capital US$'000 *(Note 15(a))*	Capital reserves US$'000 *(Note 15(b))*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *(Note 16(b))*	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Put option written on non-controlling interests US$'000 *(Note 13(b))*	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 Option and Share Award Schemes										
– Value of employee services	-	-	8,956	-	-	-	8,956	-	-	8,956
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	(3,107)	(3,107)
Transfer of interests in a subsidiary *(Note 13(b))*	-	-	-	-	-	17,907	17,907	-	18,582	36,489
Put option written on non-controlling interests *(Note 13(b))*	-	-	-	-	-	-	-	(117,246)	-	(117,246)
Total transactions with owners	-	-	8,956	-	-	17,907	26,863	(117,246)	15,475	(74,908)
Balance at 30 September 2016	13,431	2,022,674	33,942	(21,903)	(121,372)	509,968	2,423,309	(117,246)	42,278	2,361,772

The notes on pages 49 to 72 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited Six months ended 30 September	
		2017	2016
	Note	**US$'000**	US$'000
Operating activities			
Operating profit before working capital changes		**176,675**	181,703
Changes in working capital		**(132,440)**	86,774
Net cash inflow generated from operations		**44,235**	268,477
Profits tax paid		**(14,752)**	(10,052)
Net cash inflow from operating activities		**29,483**	258,425
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(50,473)**	(67,415)
Acquisitions of businesses	*17*	**(14,159)**	(2,543)
Proceeds from disposal of interest in a subsidiary	*18*	**100,000**	–
Proceeds from disposal of interest in an associate	*18*	**70,300**	–
Other investing activities		**(61,760)**	(44,407)
Net cash inflow/(outflow) from investing activities		**43,908**	(114,365)
Net cash inflow before financing activities		**73,391**	144,060
Financing activities			
Distribution to non-controlling interest		**(4,724)**	(3,107)
Drawdown of bank borrowings		**147,305**	123,349
Repayment of bank borrowings		**(269,000)**	(123,047)
Shares purchased for share award schemes		**(4,416)**	–
Interest paid		**(36,229)**	(31,279)
Net cash outflow from financing activities		**(167,064)**	(34,084)
(Decrease)/increase in cash and cash equivalents		**(93,673)**	109,976
Cash and cash equivalents at 1 April		**170,517**	98,550
Effect of foreign exchange rate changes		**720**	(337)
Cash and cash equivalents at 30 September	*10*	**77,564**	208,189

The notes on pages 49 to 72 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 Americas, Europe, Middle East and Asia. The Group is also engaged in the brand management business offering expertise in expanding its clients' brand assets in to new product categories, new geographies and retail collaborations, as well as assisting in distribution of licensed products on a global basis.

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

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

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 15 November 2017.

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 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

2 Basis of Preparation (Continued)

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

2.1 ACCOUNTING POLICIES

Except as described in (a) below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 March 2017, 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) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2017:

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

The application of the above amendments to existing standards in the current 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, new interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group

HKAS 40 Amendment	Transfers of Investment Property[1]
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 Amendment	Clarifications to HKFRS 15[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvement Project	Annual Improvements 2014-2016 cycle[1]

Notes:

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

3 Segment Information

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

The Group sells branded products under three product verticals: kids, men's and women's fashion, and footwear and accessories. The Group is also engaged in brand management on a global basis, in which the Group acts as a brand manager and agent for brand owners and celebrities alike. The Group's management (Chief Operating Decision-Maker), who are responsible for allocating resources and assessing performance of the operating segments, have been identified 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.

Considering the changes in presentation of the consolidated profit and loss accounts (Note 2), instead of assessing the performance of the operating segments based on COP, the Group's management assesses the performance of the operating segments based on operating profit. Accordingly, the segment reporting presentation has been changed with comparative figures reclassified in accordance with the current period's presentation to enable comparisons to be made. Information provided to the Group's management is measured in a manner consistent with that in the financial statements.

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 2017 (Unaudited)					
Revenue	**762,100**	**463,967**	**458,406**	**100,938**	**1,785,411**
Total margin	**207,209**	**194,489**	**118,042**	**24,423**	**544,163**
Operating costs*	**(191,746)**	**(175,490)**	**(75,940)**	**(20,722)**	**(463,898)**
Operating profit	**15,463**	**18,999**	**42,102**	**3,701**	**80,265**
Interest income					**1,317**
Interest expenses					
Non-cash interest expenses					**(11,421)**
Cash interest expenses					**(36,229)**
					33,932
Share of profits of associate and joint ventures					**6,200**
Profit before taxation					**40,132**
Taxation					**(11,237)**
Net profit for the period					**28,895**
Depreciation and amortization	**60,394**	**54,125**	**43,034**	**5,210**	**162,763**

* Represented operating costs net of other gains and gain on disposal of interest in an associate

	Kids US$'000	Men's and Women's Fashion US$'000	Footwear and Accessories US$'000	Brand Management US$'000	Total US$'000
30 September 2017 (Unaudited)					
Non-current assets (other than available-for-sale financial asset and deferred tax assets)	**1,491,229**	**1,278,193**	**1,265,778**	**313,931**	**4,349,131**

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 2016 (Restated) (Unaudited)					
Revenue	813,007	370,976	594,898	65,594	1,844,475
Total margin	217,143	135,691	153,030	16,434	522,298
Operating costs*	(193,505)	(109,880)	(161,868)	(15,684)	(480,937)
Operating profit/(loss)	23,638	25,811	(8,838)	750	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

* Represented operating costs net of other gains

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

3 Segment Information (Continued)

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

	Revenue		Non-current assets (other than available-for-sale financial asset and deferred tax assets)	
	Unaudited		Unaudited	Audited
	Six months ended 30 September		30 September	31 March
	2017	2016	**2017**	2017
	US$'000	US$'000	**US$'000**	US$'000
Americas	**1,391,907**	1,489,125	**3,721,287**	3,468,821
Europe and Middle East	**302,854**	292,099	**433,732**	351,555
Asia	**90,650**	63,251	**194,112**	195,847
	1,785,411	1,844,475	**4,349,131**	4,016,223

For the six months ended 30 September 2017, approximately 12.2% (2016: 11.4%) of the Group's revenue is derived from a single external customer, of which 10.6% (2016: 10.2%), 0.1% (2016: 0.2%) and 1.5% (2016: 1.0%) are attributable to the Kids Segment, Men's and Women's Fashion Segment and Footwear and Accessories Segment respectively.

4 Operating Profit

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2017	2016
	US$'000	US$'000
Crediting		
Gain on disposal of interest in an associate *(Note 18)*	**66,509**	–
Gain on disposal of trademarks	**11,000**	–
Gain on remeasurement of contingent consideration payable	**5,000**	4,852
Charging		
Amortization of computer software and system development costs	**5,907**	4,504
Amortization of brand licenses	**103,833**	82,256
Amortization of other intangible assets	**35,016**	35,345
Depreciation of property, plant and equipment	**18,007**	14,636
Loss on disposal of property, plant and equipment	**57**	2,540
Staff costs including directors' emoluments	**244,824**	205,061

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

5 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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 charged/(credited) to the consolidated profit and loss account represents:

	Unaudited Six months ended 30 September	
	2017 **US$'000**	2016 US$'000
Current taxation		
– Hong Kong profits tax	**231**	769
– Overseas taxation	**5,968**	2,202
Deferred taxation	**5,038**	(3,000)
	11,237	(29)

6 Earnings Per Share

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders of US$25,748,000 (2016: US$777,000) and on the weighted average number of ordinary shares in issue during the period of 8,220,197,258 (2016: 8,265,259,774).

The diluted earnings per share was calculated by adjusting the weighted average number of 8,220,197,258 (2016: 8,265,259,774) ordinary shares in issue by 132,716,994 (2016: 40,981,825) to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Options and Share Award Schemes. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Share Options and vesting of Award Shares.

7 Interim Dividend

No interim dividend to the shareholders has been declared by the Company for the six months ended 30 September 2017 (2016: Nil).

8 Capital Expenditure

	Intangible assets US$'000 *(Note (c))*	Property, plant and equipment US$'000
Six months ended 30 September 2017		
Net book amount as at 1 April 2017 (audited)	**3,713,745**	**190,149**
Acquisitions of businesses	**38,044**	**587**
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	**4,684**	**–**
Additions	**387,846**	**47,847**
Disposals	**(2,935)**	**(5,356)**
Amortization/depreciation charge *(Note (b))*	**(144,756)**	**(18,007)**
Exchange differences	**26,056**	**(8)**
Net book amount as at 30 September 2017 (unaudited)	**4,022,684**	**215,212**
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:

(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. Adjustments to intangible assets stated above, resulted in corresponding net adjustments to purchase consideration payable for acquisitions of US$647,000 (2016: US$18,461,000) and other assets/liabilities of approximately US$5,331,000 (2016: US$3,494,000).

(b) Amortization of intangible assets included amortization of computer software and system development costs of US$5,907,000 (2016: US$4,504,000), amortization of brand licenses of US$103,833,000 (2016: US$82,256,000) and amortization of other intangible assets arising from business combination of US$35,016,000 (2016: US$35,345,000).

(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 2017 (unaudited)	**340,693**	**27,776**	**25,248**	**14,952**	**408,669**
Balance at 31 March 2017 (audited)	333,373	7,458	12,307	15,223	368,361

The fair values of the Group's trade receivables were approximately the same as their carrying values as at 30 September 2017.

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 Cash and Bank Balances

	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Cash and cash equivalents	**77,564**	170,517
Restricted cash *(Note)*	**3,542**	3,221
Total cash and bank balances	**81,106**	173,738

Note: As at 30 September 2017, US$3,542,000 are restricted cash held at bank as reserve for business operation in Italy.

11 Due to Related Companies

	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Due to related companies	**769,357**	565,722

As of 30 September 2017, majority of the ageing of amounts due to related companies based on invoice date were less than 180 days. The fair values of these amounts were approximately the same as the carrying values.

12 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 2017 (unaudited)	**188,432**	**9,576**	**7,506**	**17,252**	**222,766**
Balance at 31 March 2017 (audited)	104,537	12,170	7,755	9,458	133,920

The fair values of the Group's trade payables were approximately the same as their carrying values as at 30 September 2017.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

13 Long-Term Liabilities

	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Purchase consideration payable for acquisitions		
Purchase consideration payable for acquisitions *(Note (a))*	**173,847**	195,528
Less:		
Current portion of purchase consideration payable for acquisitions	**(81,863)**	(80,427)
	91,984	115,101
Other long-term liabilities		
Brand license payable	**653,315**	400,567
Written put option liabilities *(Note (b))*	**98,281**	98,281
Other payables	**–**	4,135
Other non-current liability (non-financial liability)	**65,811**	66,793
	817,407	569,776
Less:		
Current portion of brand license payable	**(72,633)**	(59,021)
Current portion of other payables	**–**	(3,979)
	744,774	506,776

Notes:

(a) Purchase consideration payable for acquisitions as at 30 September 2017 amounted to US$173,847,000 (31 March 2017: US$195,528,000), of which US$7,395,000 (31 March 2017: US$3,069,000) was initial consideration payable, US$82,048,000 (31 March 2017: US$114,246,000) was primarily earn-out and US$84,404,000 (31 March 2017: US$78,213,000) was earn-up. Earn-out is contingent consideration that would be payable if the acquired businesses achieve their respective base year profit target, calculated on a predetermined basis, during the designated periods of time. Earn-up is contingent consideration that would be payable if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

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 2017 would be US$16,645,000.

13 Long-Term Liabilities (Continued)

Notes: (Continued)

(b) A wholly-owned subsidiary of the Company and, among others, Creative Artists Agency, LLC ("CAA Parent"), entered into a partnership agreement, effective on 1 July 2016, to establish a limited liability partnership ("CAA-GBG").

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

CAA 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 or higher than its expected performances, the written put option liabilities would have been decreased or increased by approximately US$9,828,000 with the corresponding gain or loss recognized in consolidated profit and loss account.

14 Bank Borrowings

	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Long-term bank loans – unsecured	**996,000**	1,118,000
Short-term bank loans – unsecured	**305**	–
Total bank borrowings	**996,305**	1,118,000

As at 30 September 2017 and 31 March 2017, 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.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 Share Capital and Reserves

(a) SHARE CAPITAL

	No. of ordinary shares	Equivalent to HK$	Equivalent to US$
Authorized share capital			
As at 1 April 2017, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
As at 30 September 2017, 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 2017, ordinary shares of HK$0.0125 each	8,515,827,657	106,447,845	13,647,159
Issue of new shares of HK$0.0125 each on 22 August 2017 pursuant to 2016 Award Scheme adopted on 15 September 2016	37,095,072	463,689	59,447
As at 30 September 2017, ordinary shares of HK$0.0125 each	**8,552,922,729**	**106,911,534**	**13,706,606**

(b) CAPITAL RESERVES

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

The capital reserve of the Group represents the difference between the total capital contribution over the nominal value of the Company's shares issued in exchange therefore, pursuant to the Group's reorganization.

16 Share Options and Share Award Schemes

(a) SHARE OPTIONS

Details of Options granted by the Company pursuant to the Option Scheme and outstanding at 30 September 2017 are as follows:

			Number of Options			
Date of Grant	Exercise Price HK$	Exercise Period	As at 1/4/2017	In exchanges for share awards on 26/7/2017	Lapsed	As at 30/9/2017
4/11/2014	1.70	1/1/2016-31/12/2018	6,157,895	-	-	6,157,895
4/11/2014	1.70	1/1/2017-31/12/2019	6,157,895	-	-	6,157,895
4/11/2014	1.70	1/1/2018-31/12/2020	4,105,263	-	(4,105,263)	-
4/11/2014	1.70	1/1/2019-31/12/2021	31,670,839	(13,933,997)	-	17,736,842
4/11/2014	1.70	1/1/2020-31/12/2022	31,670,839	-	-	31,670,839
4/11/2014	1.70	1/1/2021-31/12/2023	29,618,208	-	-	29,618,208
4/11/2014	1.70	1/1/2022-3/11/2024	2,736,842	-	-	2,736,842
28/5/2015	1.78	1/1/2018-31/12/2020	7,311,321	(7,311,321)	-	-
28/5/2015	1.78	1/1/2019-31/12/2021	7,311,321	-	-	7,311,321
28/5/2015	1.78	1/1/2020-31/12/2022	7,311,321	-	-	7,311,321
Total			134,051,744	(21,245,318)	(4,105,263)	108,701,163

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.

No shares had been allotted and issued under the Option Scheme during the period. However, two grantees under the Option Scheme had forgone their rights under a total of 21,245,318 options previously granted to them under the Option Scheme in exchange for share awards granted under the Company's Award Schemes on 26 July 2017, being part of the Company's long term incentive plan. As at 30 September 2017, 12,315,790 options remain exercisable and 96,385,373 options are still unvested (after taking into account options that have forfeited/lapsed or exchanged for share awards).

16 Share Options and Share Award Schemes (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. Two trustees, independent third parties, are appointed by the Company for the purpose of administering the 2014 Award Scheme and the 2016 Award Scheme.

Details of share awards granted by the Company pursuant to the share award schemes and outstanding at 30 September 2017 are as follows:

(i) 2014 Award Scheme

		Number of Shares			
Date of Grant	**Vesting Period/Date**	**As at 1/4/2017**	**Granted**	**Unvested/ Forfeited**	**As at 30/9/2017**
11/5/2015	31/12/2016-31/12/2020	65,174,411	-	-	65,174,411
25/2/2016	31/12/2017	16,096,909	-	(1,853,446)	14,243,463
5/10/2016	31/12/2016-31/12/2018	19,892,119	-	(830,357)	19,061,762
18/11/2016	31/12/2016-31/12/2018	22,547,044	-	-	22,547,044
26/7/2017	31/3/2019	-	2,915,509	-	2,915,509
Total		123,710,483	2,915,509	(2,683,803)	123,942,189

(ii) 2016 Award Scheme

		Number of Shares				
Date of Grant	**Vesting Period/Date**	**As at 1/4/2017**	**Granted**	**Vested**	**Unvested/ Forfeited**	**As at 30/9/2017**
5/10/2016	31/12/2016-31/12/2018	89,583,726	-	-	(13,783,928)	75,799,798
5/10/2016	31/12/2018	20,931,146	-	-	(1,383,927)	19,547,219
18/11/2016	31/12/2016-31/12/2018	50,353,018	-	-	(553,571)	49,799,447
26/7/2017	26/7/2017	-	2,266,631	(2,266,631)	-	-
26/7/2017	31/3/2018	-	276,786	-	-	276,786
26/7/2017	31/3/2019	-	88,832,010	-	(2,682,176)	86,149,834
Total		160,867,890	91,375,427	(2,266,631)	(18,403,602)	231,573,084

16 Share Options and Share Award Schemes (Continued)

(b) SHARE AWARD SCHEMES (CONTINUED)

The fair value of the share awards was calculated based on the market price of the Company's shares at the respective grant date. During the period ended 30 September 2017, share awards were granted to eligible persons of the Group with a fair value of HK$0.79 per share (equivalent to approximately US$0.10 per share).

On 26 July 2017, 2,915,509 and 91,375,427 share awards were granted to certain eligible participants under the 2014 Award Scheme and the 2016 Award Scheme respectively, totaling 94,290,936 share awards. Out of which, 11,471,064 share awards were granted to two grantees who have forgone part of their rights under the options previously granted to them under the Option Scheme. The incremental fair values were HK$0.79 per share (equivalent to US$0.10 per share) in respect of the share awards granted on 26 July 2017.

Of the total 94,290,936 share awards granted on 26 July 2017, 37,095,072 new shares were issued and allotted to a trustee of the 2016 Award Scheme on 22 August 2017 and the balance has been satisfied by the company transferring funds to the trustees to purchase Shares in the open market and applying from share awards which were unvested and/or forfeited and available for re-grant.

As at 30 September 2017, 355,515,273 ordinary shares of the Company (31 March 2017: 287,328,623 ordinary shares) held by the trustees had not been vested.

17 Business Combinations

In May and July 2017, the Group acquired businesses which engaged in women's apparel.

In September 2017, the Group acquired a business engaged in brand management.

The acquired businesses contributed revenue of US$67,028,000, operating profit of US$16,786,000 and net profit of US$16,785,000 to the Group for the period ended 30 September 2017. If the acquisitions had occurred on 1 April 2017, the Group's revenue, operating profit and net profit for the period ended 30 September 2017 would have been US$1,911,209,000, US$61,384,000 and US$4,717,000 respectively.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration	43,453
Less: Aggregate fair value of net assets acquired [i]	(13,815)
Goodwill	29,638

i As at 30 September 2017, verification of individual assets/liabilities of some of the acquired businesses is in progress and the Group has not finalized the fair value assessments. The relevant fair value of individual assets/liabilities stated above are provisional.

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

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 Business Combinations (Continued)

The initial carrying amounts of the assets and liabilities, other than intangible assets arising from business combinations, of the acquired businesses approximate their fair values at respective acquisition dates and are as follows:

	US$'000
Net assets acquired:	
Property, plant and equipment	587
Intangible assets*	8,406
Trade receivables	8,961
Other receivables	155
Inventories	38,214
Cash and bank balances	166
Tax payable	(705)
Trade payables	(577)
Accrued charges and sundry payables	(39,912)
Deferred tax liabilities	(1,480)
Fair value of net assets acquired	13,815

* Intangible assets arising from business combinations represent customer relationships and licensor relationships. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 (Revised) "Business Combinations". As at the date of the 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	43,453
Purchase consideration payable	(29,128)
Cash and cash equivalents acquired	(166)
Net outflow of cash and cash equivalents in respect of the acquisitions	14,159

18 Disposal of an Associate

In March 2017, the Group (the seller) entered into a purchase agreement with an independent third party of the Company (the buyer), pursuant to which the Group agreed to sell 51% of the equity interest in a subsidiary at a consideration of US$100 million and the consideration was subsequently received during the period.

In September 2017, the Group entered into a purchase agreement with the buyer, pursuant to which the Group agreed to sell remaining 49% of the equity interest in the associate to the buyer at a consideration of US$73 million (the "Disposal").

Details of net assets of disposed at date of Disposal are set out below:

	US$'000
Book value of net assets disposed – interest in an associate	3,791

Analysis of gain on Disposal is as follows:

	US$'000
Consideration received net of cost incurred	70,300
Less: Net assets disposed – interest in an associate	(3,791)
Gain on disposal of interest in an associate	66,509

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

	US$'000
Consideration received	73,000
Cost incurred in respect of the disposal	(2,700)
Net inflow of cash and cash equivalents in respect of the Disposal	70,300

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

19 Commitments

(a) OPERATING LEASE COMMITMENTS

As at 30 September 2017, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Within one year	**82,258**	73,769
In the second to fifth year inclusive	**270,870**	254,352
After the fifth year	**243,952**	240,086
	597,080	568,207

(b) CAPITAL COMMITMENTS

	Unaudited 30 September 2017 US$'000	Audited 31 March 2017 US$'000
Contracted but not provided for:		
Property, plant and equipment	**22,738**	22,226
Computer software and system development costs	**5,602**	7,336
	28,340	29,562

20 Charges on Assets

As at 30 September 2017, there were no charges on the assets and undertakings of the Group (31 March 2017: Nil).

21 Related Party Transactions

The Group had the following material transactions with its related parties during the period ended 30 September 2017:

	Note	Unaudited Six months ended 30 September 2017 US$'000	 2016 US$'000
Purchases and service fees	*(i)*	**763,234**	800,346
Logistics services fee	*(ii)*	**2,069**	2,015
Operating leases rental income	*(iii)*	**184**	336
Operating leases rental paid	*(iii)*	**1,144**	1,484
Distribution and sales of goods	*(iv)*	**109**	868
Royalty income	*(v)*	**2,729**	2,857

Notes:

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

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

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

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

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

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

22 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 2017 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.

(iii) Cash flow and fair value interest rate risk

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

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

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

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

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

22 Financial Risk Management (Continued)

(c) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

23 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 2017.

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Available-for-sale financial asset	**-**	**-**	**1,000**	**1,000**
Derivative financial instruments	**-**	**-**	**400**	**400**
Liabilities				
Purchase consideration payable for acquisitions *(Note 13(a))*	**-**	**-**	**173,847**	**173,847**
Written put option liabilities *(Note 13(b))*	**-**	**-**	**98,281**	**98,281**
Derivative financial instruments	**-**	**5,231**	**-**	**5,231**

23 Fair Value Estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2017.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial asset	–	–	1,000	1,000
Derivative financial instruments	–	1,048	400	1,448
Liabilities				
Purchase consideration payable for acquisitions *(Note 13(a))*	–	–	195,528	195,528
Written put option liabilities *(Note 13(b))*	–	–	98,281	98,281

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.

23 Fair Value Estimation (Continued)

The following table presents the changes in level 3 instruments for the period ended 30 September 2017.

	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**	**195,528**	**98,281**
Additions	**-**	**-**	**29,128**	**-**
Settlements	**-**	**-**	**(50,473)**	**-**
Remeasurement of purchase consideration payable for acquisitions	**-**	**-**	**(5,000)**	**-**
Others	**-**	**-**	**4,664**	**-**
Closing balance	**1,000**	**400**	**173,847**	**98,281**

The discount rate used to compute the fair value is based on the then prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no other changes in valuation techniques during the period.

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

24 Approval of Interim Financial Information

The interim financial information was approved by the Board of Directors on 15 November 2017.

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

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Key Date

15 November 2017
Announcement of FY2018 Interim Results

Share Information

Board lot size: 2,000 shares

Shares outstanding as at 30 September 2017
8,552,922,729 shares

Market Capitalization as at 30 September 2017
HK$6,414,692,047

Basic earnings per share
For the six months ended 30 September 2017
Interim 0.31 US cents

Corporate Communications and Investor Relations

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Websites

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

This FY2018 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2018財政年度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

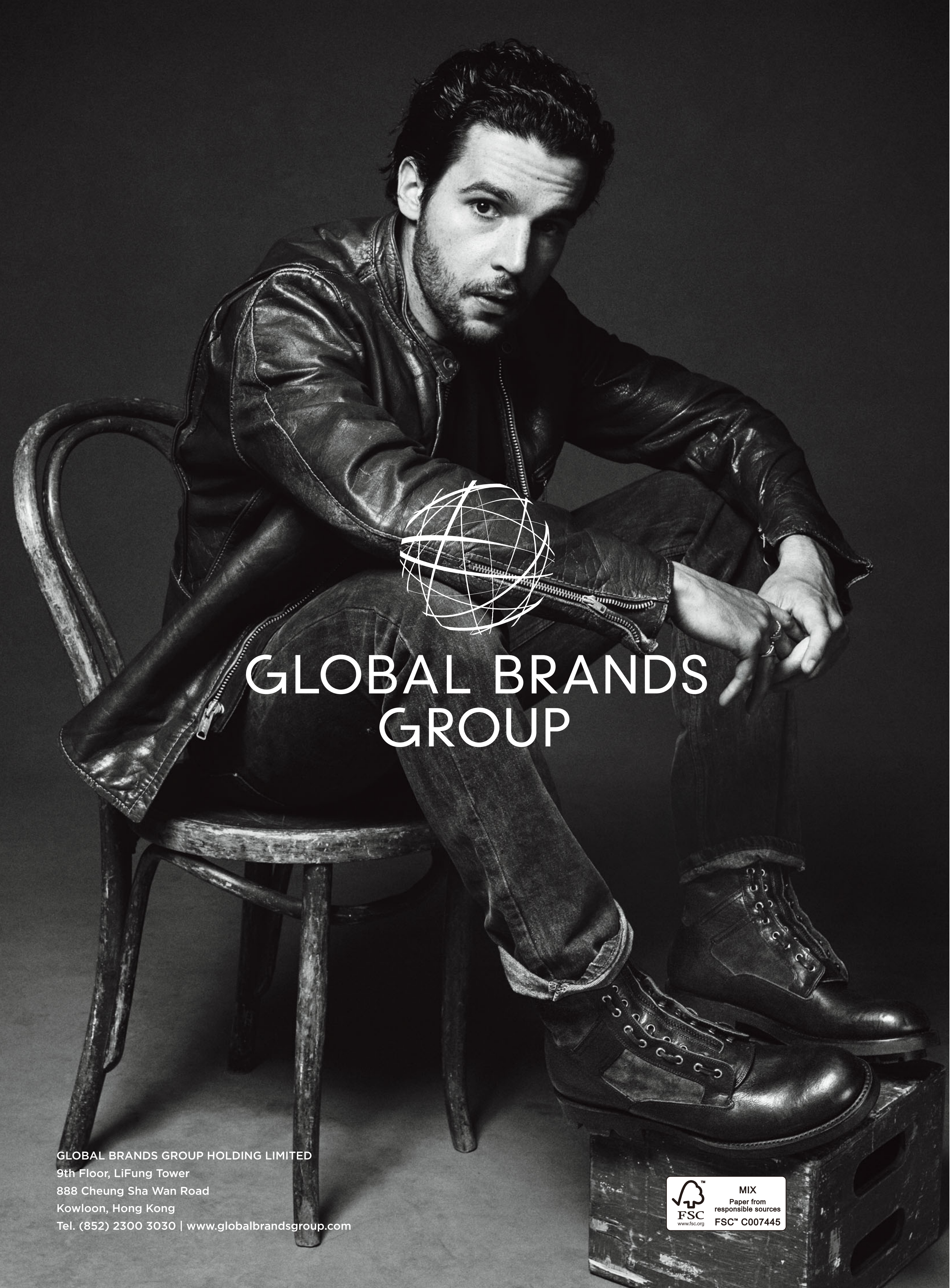
In this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

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
Associate(s), chief executive(s), controlling shareholder(s), substantial shareholder(s)	each has the meaning ascribed to it in the Listing Rules
Award Schemes	the 2014 Award Scheme and the 2016 Award Scheme
Board	the board of Directors of the Company
Company	Global Brands Group Holding Limited

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 associate and joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain on remeasurement of contingent consideration payable
FH (1937)	Fung Holdings (1937) Limited, a company incorporated in Hong Kong, which is a substantial shareholder of the Company
FY2018	fiscal year ending 31 March 2018
Fung Group	a Hong Kong based multinational which comprises major operating groups engaging in trading, logistics, distribution and retailing, with FH (1937) as a major shareholder. They include publicly-listed Li & Fung Limited, Convenience Retail Asia Limited, Trinity Limited and the Company
Group or Global Brands	the Company and its subsidiaries
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
HKFRS(s)	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
HSBC Trustee	HSBC Trustee (C.I.) Limited, acting in its capacity of the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King, brother of William Fung Kwok Lun
King Lun	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee and 50% by William Fung Kwok Lun
Li & Fung Group	Li & Fung Limited (a company incorporated in Bermuda with limited liability, the shares of which are listed on the Hong Kong Stock Exchange) and its subsidiaries

LIBOR	London interbank offered rate
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules
Option Scheme	the share option scheme of the Company adopted by the Shareholders at the special general meeting of the Company held on 16 September 2014
Reporting Period	Six-month period from 1 April 2017 to 30 September 2017
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
Share(s)	ordinary share(s) of HK$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
US$	United States dollar(s), the lawful currency of the United States of America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