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

FY2019 財政年度

GBG

INTERIM REPORT
中期業績報告

GLOBAL BRANDS GROUP

A MODERN

POINT OF VIEW

CONTENTS

CORPORATE INFORMATION

Non-Executive Directors
William FUNG Kwok Lun
Chairman
Bruce Philip ROCKOWITZ
Vice Chairman
(re-designated on 30 October 2018)
Hau Leung LEE

Executive Director
Richard Nixon DARLING
Chief Executive Officer
(appointed on 30 October 2018)

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

Chief Financial Officer
Ronald VENTRICELLI

Group Chief Compliance & Risk Management Officer
Jason YEUNG Chi Wai

Company Secretary
Joyce NG Sau Kuen

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

Principal Bankers
Bank of America, N.A.
Citibank, N.A.
HSBC Bank USA, National Association
Standard Chartered Bank

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

Registered Office
Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

Hong Kong Office and Principal Place of Business in Hong Kong
9th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

HIGHLIGHTS

- Completed sale of select North American businesses
- Moving forward with strong balance sheet and significantly reduced working capital needs
- A leaner organizational structure focusing on core competencies
- Revenue for the first half of FY2019 down by 4.1%
- Announces divestment of Kids business in China

	Six months ended 30 September		
(US$ million)	**2018**	2017 Restated[1]	Change
Revenue	**699**	729	–4.1%
Total margin	**187**	229	–18.1%
As % of revenue	***26.8%***	*31.4%*	
Operating costs[2]	**321**	215	+48.9%
Impairment of Goodwill[3]	**25**	–	
Operating (loss)/profit	**(159)**	14	
Net (loss)/profit for the period			
– Continuing Operations	**(184)**	(7)	
– Discontinued Operations	**(94)**	36	
– Total	**(279)**	29	
Net (loss)/profit attributable to shareholders			
– Continuing Operations	**(190)**	(10)	
– Discontinued Operations	**(94)**	36	
– Total	**(284)**	26	
Losses per Share – Basic from Continuing Operations	**17.87 HK cents**	0.98 HK cents	
(equivalent to)	**2.31 US cents**	0.13 US cents	

(1) Restated historical financials to reflect the divestment of select North American businesses presented as Discontinued Operations

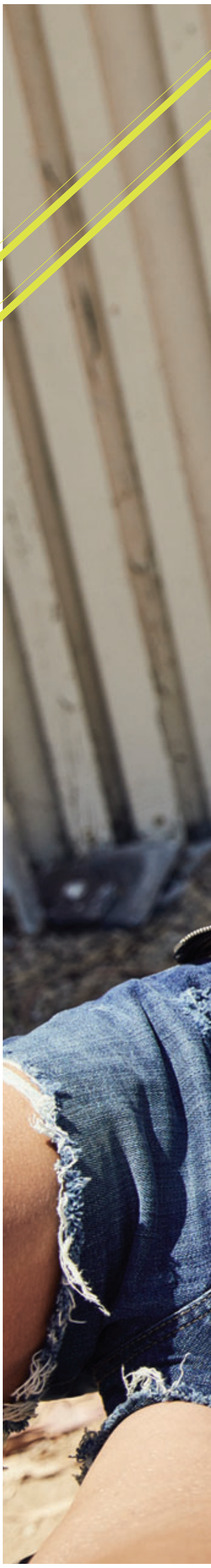
(2) Represented operating costs net of other gains and gain on disposal of interest in an associate

(3) Impairment of Goodwill: a non-cash impairment of goodwill taking into account the external market condition and business performance

FUTURE FORWARD

With offices all around the world in every time zone, Global Brands Group is a global lifestyle company for the future.

With a powerful portfolio of iconic brands, best-in-class category expertise, and retail experience across all channels, Global Brands Group is perfectly positioned to meet the needs of today's consumers around the world.



JOE'S

AQUATALIA

FRYE

JOE'S

SEAN JOHN

KATY PERRY

JUICY

BEBE

COPPER FIT

KENNETH COLE

A GLOBAL LIFESTYLE COMPANY

As a truly global company, Global Brands Group makes an impact all around the world. Our brands are not confined to borders. From London to Hong Kong, Los Angeles to Milan, our global network allows us to tap into a wealth of innovation and connectivity to explore extraordinary possibilities on a daily basis.

As a result, there is no limit to what we can offer our brands and customers.

CHAIRMAN'S STATEMENT

2018 has been characterized by increasing macroeconomic and geopolitical volatility around the world. One of the biggest concerns is the impact of a possible U.S.-China trade war and the recent increase in tariffs on both sides.

We have been vigilant about the situation, and have prepared risk mitigation measures. We have proactively reduced our reliance on China as a manufacturing base, and have developed a stable portfolio of production countries with the help of our sourcing agent Li & Fung.

On an industry level, technological change has especially influenced the way consumers buy. The entrenchment of e-commerce has impacted our traditional customers. However, all our strong customers in the brick and mortar space have responded aggressively in participating in the e-commerce space. It is clear that omni-channel will be the dominant channel model of the future with the proportion between e-commerce and brick & mortar still to be settled. So challenges for us as a supplier to this new retail world remain.

To better navigate these challenges, companies need to be more focused and agile. In this respect, we have made perhaps the most important strategic decision since our listing in 2014. As I indicated in our last report, we have signed an agreement to divest a portion of Global Brands' licensing business in North America. I am pleased to say that virtually all of our independent shareholders voted in favor of the transaction. Upon closing in October, 2018, the Group received a cash amount of US$1.2 billion. This gives us the ability to strengthen our balance sheet, and, through the distribution of a special dividend, give value to our shareholders.

Moving forward, we now have a business with three main pillars: a global Brand Management business which is dominant worldwide in the licensing of well-known brands and celebrities for consumer merchandise; a global Footwear vertical that is one of the largest licensees and distributors as well as private label suppliers of footwear in the United States; a more focused licensed Men's and Women's fashion apparel business in the United States with a strong licensed children's wear business in Europe. Altogether our operations are now more focused with a tighter and deeper concentration on the areas of our brand business where we see high potential, improved operational efficiency, and reduced working capital needs. In addition, the Group's businesses are now less geographically skewed towards the North American market, allowing us to focus more resources in Europe, Asia, and on our Brand Management business.

CHAIRMAN'S STATEMENT (CONTINUED)

Following the closing of the transaction, we announced that Rick Darling would succeed Bruce Rockowitz in the position of Chief Executive Officer. I would like to thank Bruce for his service to the Group. After the successful spin-off of Global Brands Group from Li & Fung Limited, he has provided strategic leadership for the past four years, and will continue to serve on the Group's Board of Directors as non-executive Vice Chairman.

I am delighted to welcome Rick Darling as our new Chief Executive Officer and Executive Director. Most recently Executive Director of LF Americas, Li & Fung Limited's wholesale and distribution business in the U.S., and previously president of LF USA, which was the predecessor of Global Brands Group, Rick has a deep understanding and familiarity with the Group and is well placed to lead it forward in this transition.

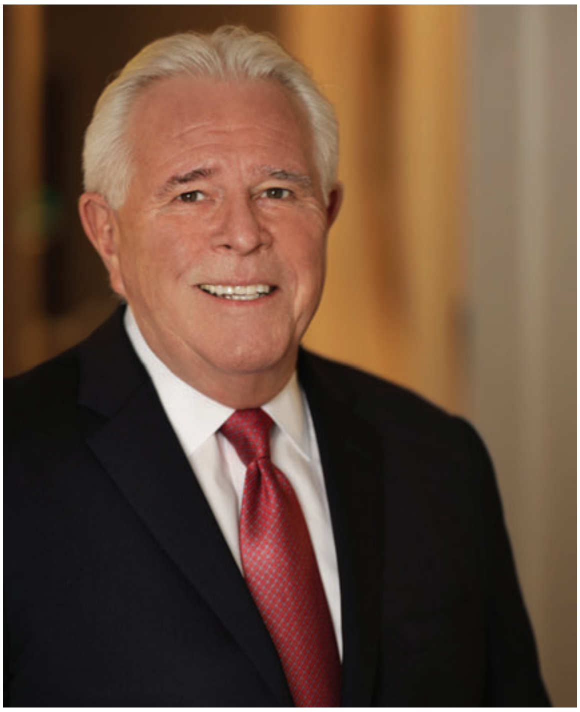
Global Brands is entering a new chapter as a more nimble organization with a flatter management structure and a deeper focus on Fashion and Footwear licensing, as well as our Brand Management business, the largest of its kind in the world. The new leadership team has already embarked on a restructuring program that will consolidate our operations to further enhance efficiency and ensure that the Group will continue to thrive in a rapidly changing environment. Our global, wholesale, channel-agnostic platform, with a flexible licensing model and diversified brand portfolio will continue to make us a uniquely competitive player in the industry, and I remain confident about the prospects of Global Brands.

I would like to take the opportunity to thank all my colleagues around the world for their commitment to the Group, and for their patience and perseverance as we continue to work through this period of change. I would also like to thank all our stakeholders for your continued support.

William Fung Kwok Lun
Chairman

Hong Kong, 28 November, 2018

CEO'S STATEMENT



This has been a significant year for Global Brands Group. We have a new business profile, and I am excited to assume the role as Chief Executive Officer, leading the Group through what I am confident will be a new phase of development.

We enter this new phase following a transaction that saw us divest select licensing businesses in North America, including all of our North American Kids, Accessories, and the portion of our Fashion businesses that were located on the West Coast. As a result of the deal, Global Brands Group has established a very strong financial position; our balance sheet is improved and our working capital needs have been substantially reduced.

Today, we are a leaner, more agile organization, with a focus on our portfolio of U.S. brands, our business in Europe and our global Brand Management business. We will leverage the fundamental strengths of our business: Men's and Women's Apparel and Footwear, along with expanding our Brand Management portfolio.

We believe that to innovate and move quickly is even more critical in today's market. We also recognize that the broader environment is likely to remain challenging for some time. Trade tensions between the U.S. and China continue to affect our industry in the U.S. Brexit uncertainty has emerged as a growing concern in the U.K. and Europe. Raw material prices are rising globally. The U.S. retail scene, while strong, is shifting with new winners and losers. The direct-to-consumer segment continues to grow both online and physically and has created many new brands that are emerging to grab market share.

CEO'S STATEMENT (CONTINUED)

Since assuming the role as CEO, I have been working with our management team to review all aspects of our operations and identify strategic initiatives that will allow us to enhance the performance of the Group and make money going forward.

We are now implementing a substantial restructuring program in order to reduce operating expenses and drive efficiencies throughout the Company. This will involve simplifying our processes, from design to product development and sourcing, while crafting plans to move these functions closer to the needlepoint. We will also use new technologies such as 3-D design and virtual sampling, to accelerate the product design and development process.

As we embark on our new journey, I believe that our unique competitive strengths, our global platform and the scale of our distribution capabilities, will enable us to take advantage of the opportunities ahead. We will continue to grow our portfolio organically, further build on the strengths of our brands, and expand our CAA-GBG Brand management business, particularly in Asia, while ensuring the strength of our balance sheet.

The structure of our management and organization has become flatter and more efficient, and I am confident that we are well positioned to effectively manage the changes underway.

I would like to take this opportunity to thank all our dedicated colleagues for their commitment to the company, particularly during this period of change, and for the warm welcome they have shown me taking on this new role. I very much look forward to working together as a team as we move the Group forward.

Rick Darling
Chief Executive Officer

Hong Kong, 28 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Divestment

In June 2018, the Group announced the strategic divestment of select assets in its North American licensing businesses, including all of its North American Kids and Accessories, and the portion of its Fashion businesses that were located on the West Coast. The divestment of these businesses, which represented a portion of the Group's businesses with a high present-day value, allows the Group to have more focused operations for growth going forward, to improve its operational efficiency and reduce working capital needs. Proceeds from the transaction will be used to fund a Special Dividend, to reduce the Group's financial debt and for general working capital purposes.

On 2 August 2018, the divestment received approval from our shareholders, with 99.99% of independent shareholder votes in favor of the transaction. It subsequently closed on 29 October 2018 and brought in US$1.2 billion in cash.

Following Closing, the Purchaser has up to 90 days to deliver to the Group its Proposed Closing Date Calculations and agree the final purchase price with the Group, the process of which is disclosed in the Circular. The Group currently does not expect material adjustments to be made to the Estimated Purchase Price to arrive at the final purchase price, but will make a further announcement when the final purchase price has been determined.

Given the Purchaser has up to 90 days to prepare and deliver to the Group the Proposed Closing Date Calculations, the Group will not be in a position to announce the final amount of the Special Dividend until early February 2019. However, barring unforeseen circumstances the Group estimates the final amount of the Special Dividend to be about HK$2.4 billion representing about 28 HK cents per share, being an amount which has been calculated proportionately taking account of the adjustment made to the original purchase price for the Transaction.

Our financial results and management discussion and analysis for the six-month period from 1 April 2018 to 30 September 2018 (the "Reporting Period") will mainly focus on our Continuing Operations. The divested businesses are classified as Discontinued Operations and presented separately in the consolidated profit and loss account as a single line item.

Results Overview

The following financial results summary for the Reporting Period mainly focuses on our Continuing Operations, which comprise of our licensing businesses in Men's and Women's Fashion and Footwear, and our global CAA-GBG Brand Management business. In addition, the Group operates Kids and Accessories licensing business in Europe as well as Kids licensing business in Asia.

	Six months ended 30 September[1]		
	2018	2017 (Restated)[2]	**Change**
	US$mm	US$mm	US$mm
Revenue	**699**	729	(30)
Total Margin	**187**	229	(41)
% of Revenue	***26.8%***	*31.4%*	
Operating Costs[3]	**321**	215	105
Impairment of Goodwill[4]	**25**	–	25
Operating (Loss)/Profit	**(159)**	14	(172)
% of Revenue	***-22.7%***	*1.9%*	
EBITDA[5]	**(54)**	32	(86)
% of Revenue	***-7.7%***	*4.4%*	
Net Loss for the Period from Continuing Operations	**(184)**	(7)	(177)
% of Revenue	***-26.3%***	*-1.0%*	
Net (Loss)/Profit for the Period	**(279)**	29	(307)
% of Revenue	***-39.8%***	*4.0%*	
Net (Loss)/Profit Attributable to Shareholders	**(284)**	26	(310)
% of Revenue	***-40.6%***	*3.5%*	

(1) Group results with Discontinued Operations separately presented given the strategic divestment of select North American businesses

(2) Restated historical financials to reflect the divestment of select North American businesses presented as Discontinued Operations

(3) Operating Costs: Net of other gains and gain on disposal of interest in an associate

(4) Impairment of Goodwill: a non-cash impairment of goodwill due to the external market condition and business performance

(5) EBITDA: Net (loss)/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, discontinued operations and non-cash gain on remeasurement of contingent consideration payable

For the six months ended 30 September 2018, the Group's revenue on a like-for-like basis, excluding the impact of the divestment of select North American businesses, decreased by 4.1% to US$699 million, compared to the same period last year. This was mainly due to a decrease in China Kids and Home business.

Total margin decreased by 18.1% to US$187 million, representing 26.8% of revenue compared to 31.4% in the same period of the previous year, mainly as a result of higher royalty and heavier discounting. Compared to the same period last year, operating costs, which are net of other gains and gain on disposal of interest in an associate, increased by 48.9% to US$321 million mainly due to gains related to the sales of Frye's intellectual property, and Sean John Asia, and the U.S. Home business that did not recur in the Reporting Period. In addition, operating costs increased due to new licenses and/or investments, including Tahari ASL, Frye's apparel, and the growing Spyder Korea business.

Due to the reasons described above, the Group recorded an operating loss from our Continuing Operations of US$159 million for the Reporting Period.

Four Business Verticals

Our segmental disclosure consists of four business verticals, namely our product licensing businesses under Men's and Women's Fashion, Footwear and Accessories, and Kids respectively, plus our Brand Management business vertical. Following the closing of the strategic divestment, the related assets, which were originally part of our three product licensing verticals, exited the Group.

Going forward, the Group will focus on its remaining businesses and continue to sell branded products across all three licensing verticals (Men's and Women's Fashion, Footwear and Accessories, and Kids). Operating primarily as a wholesale business, the products are sold across multiple geographies and through various distribution channels, including department stores, hypermarkets/clubs, off-price retailers, independent chains, specialty retailers and e-commerce.

In an environment characterized by rapidly changing consumer preferences and buying patterns, the Group continues to benefit from a diversified licensed brand portfolio, without reliance on any one brand, product or demographic, or on a particular channel of distribution. 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MEN'S AND WOMEN'S FASHION

The Men's and Women's Fashion business includes a number of iconic brands such as Spyder, Juicy Couture, Jones New York, Kenneth Cole, Tahari ASL, Sean John, and Frye. Despite the strategic divestment of a portion of the Fashion business, we remain an operating partner of choice for a number of leading U.S. brand groups whose primary focus is to own brands rather than operating them.

The Group continues to develop this high-growth business, selectively pursuing long-term licenses, where we have significant control over the development and marketing associated with the brands. We will continue to make investments to strengthen the equity of the brands we partner with, in developing product extensions, and expanding geographical footprints, where appropriate. Further to this, we continue to expand the brands' distribution channels and strategically invest in developing direct-to-consumer reach, including e-commerce, which has become an increasingly important and high growth channel.

During the Reporting Period, revenue from Men's and Women's Fashion increased by 1.8% to US$265 million as compared to the same period last year, total margin decreased by 22.2% to US$81 million. The decrease in margin was primarily driven by certain women's brands businesses as a result of higher royalties paid, as well as higher discounting in some of the brands. The decrease was partially offset by Spyder with its total margin increased by 37% primarily driven by sales in Korea. Operating costs increased by 12.3% to US$114 million, as a result of new Spyder retail locations in Korea and the addition of the new Tahari ASL license. During the Reporting Period, Men's and Women's Fashion recorded an operating loss of US$33 million.

	Six months ended 30 September[1]		
	2018	2017	
		(Restated)[2]	**Change**
	US$mm	US$mm	US$mm
Revenue	**265**	260	5
Total Margin	**81**	105	(23)
% of Revenue	***30.7%***	*40.2%*	
Operating Costs[3]	**114**	102	13
Operating (Loss)/Profit	**(33)**	3	(36)
% of Revenue	***-12.3%***	*1.2%*	

(1) Group results with Discontinued Operations separately presented given the strategic divestment of select North American businesses

(2) Restated historical financials to reflect the divestment of select North American businesses presented as Discontinued Operations

(3) Operating Costs: Net of other gains and gain on disposal of interest in an associate

FOOTWEAR AND ACCESSORIES

During the Reporting Period, we recognized the divestment of our North American Accessories business. As a result, we now focus more heavily on our global Footwear business, and continue to operate a relatively smaller Accessories business in Europe.

Driven by our contemporary designs and fashion-oriented approach, our footwear products continue to have a strong appeal to consumers. Our portfolio includes a number of popular brands, such as Frye, Aquatalia, Calvin Klein, Taryn Rose, and Katy Perry.

During the Reporting Period, revenue from Footwear and Accessories decreased by 4.5% to US$270 million as compared to the same period last year. The reduction is primarily due to the sale of the Home business during last financial year, partially offset by higher revenue in the European Footwear and Accessories businesses. Total margin decreased by 17.3% to US$57 million, which was primarily due to the sale of the Home business and higher discounting in some of the footwear licensing business. Operating costs increased by US$70 million to US$101 million, as a result of the one-time gain related to the sale of Frye's intellectual property recorded in same period last year. During the Reporting Period, Footwear and Accessories recorded an operating loss of US$44 million.

	Six months ended 30 September[1]		
	2018	2017 (Restated)[2]	**Change**
	US$mm	US$mm	US$mm
Revenue	**270**	283	(13)
Total Margin	**57**	69	(12)
% of Revenue	***21.1%***	*24.4%*	
Operating Costs[3]	**101**	32	70
Operating (Loss)/Profit	**(44)**	37	(82)
% of Revenue	***–16.4%***	*13.1%*	

(1) Group results with Discontinued Operations separately presented given the strategic divestment of select North American businesses

(2) Restated historical financials to reflect the divestment of select North American businesses presented as Discontinued Operations

(3) Operating Costs: Net of other gains and gain on disposal of interest in an associate

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

KIDS

Kids historically comprised of two areas: characters and kids fashion. As a result of the strategic divestment, which saw the sale of all of our North American Kids business, Kids vertical now represents a relatively smaller portion of the overall Group's businesses, and comprises of licensing businesses in Europe and Asia.

By leveraging our well-established relationships with the well-known brands as well as all major character licensors, the Group operates a strong brand portfolio, such as Disney, Nickelodeon, Lego, and Minecraft.

During the Reporting Period, revenue from Kids decreased by 11.9% to US$142 million as compared to the same period last year, while total margin decreased by 12.5% to US$27 million. The decrease was primarily attributable to lower sales in China and Europe due to challenges in retail environment. Operating costs increased by 61.7% to US$99 million, primarily due to non-recurring one-time charges and increase in selling and advertising costs. During the Reporting Period, Kids recorded an operating loss of US$97 million.

	Six months ended 30 September[1]		
	2018	2017 (Restated)[2]	**Change**
	US$mm	US$mm	US$mm
Revenue	**142**	161	(19)
Total Margin	**27**	31	(4)
% of Revenue	***19.0%***	*19.1%*	
Operating Costs[3]	**99**	61	38
Impairment of Goodwill[4]	**25**	–	25
Operating Loss	**(97)**	(30)	(67)
% of Revenue	***–68.7%***	*–18.9%*	

(1) Group results with Discontinued Operations separately presented given the strategic divestment of select North American businesses

(2) Restated historical financials to reflect the divestment of select North American businesses presented as Discontinued Operations

(3) Operating Costs: Net of other gains and gain on disposal of interest in an associate

(4) Impairment of Goodwill: a non-cash impairment of goodwill due to the external market condition and business performance

BRAND MANAGEMENT

Our brand management business, CAA-GBG Global Brand Management Group, was not affected by the strategic divestment. It remains the world's largest brand management company, offering clients decades of experience and expertise across all aspects of the brand extension process. Unlike other verticals in the Group, revenue here is generated as a percentage of the licensing fee paid by licensees to the brand owners. In return, they receive and benefit from our ongoing brand management services.

CAA-GBG Global Brand Management Group has delivered a strong performance since its establishment. We continue to expand our portfolio with a number of new business partners, and are creating valuable synergies with our other business verticals. As the biggest brand management agency in the world, we are able to leverage our scale to drive significant growth in both our revenue and margins.

During the Reporting Period, revenue from Brand Management, decreased by 9.7% to US$22 million as compared to the same period last year, total margin decreased by 9.9% to US$22 million. Operating costs decreased by 69.1% to US$6 million, mainly as a result of gain on remeasurement of contingent consideration payable during the Reporting Period. During the Reporting Period, Brand Management recorded an operating profit of US$16 million, compared to US$4 million in the same period last year.

	Six months ended 30 September[1]		
	2018	2017	
		(Restated)[2]	**Change**
	US$mm	US$mm	US$mm
Revenue	**22**	25	(2)
Total Margin	**22**	25	(2)
Operating Costs[3]	**6**	21	(14)
Operating Profit	**16**	4	12
% of Revenue	***70.0%***	*14.7%*	

(1) Group results with Discontinued Operations separately presented given the strategic divestment of select North American businesses

(2) Restated historical financials to reflect the divestment of select North American businesses presented as Discontinued Operations

(3) 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 56% Americas, 34% Europe and 10% Asia.

Significant Acquisitions

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

Name	Business	Strategic Rationale
Tahari ASL	• Manufactures and distributes women's suits, dresses and other ancillary products to department and specialty stores across the U.S. and internationally	• Broaden the offering in Men's and Women's Fashion

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 2018 US$mm	Six months ended 30 September 2017 US$mm	**Change** US$mm
Cash and cash equivalents at 1 April	**93**	171	(77)
Net cash flow from operating activities	**10**	(34)	43
Net cash flow from investing activities	**(62)**	95	(157)
Net cash flow from financing activities	**23**	(155)	179
Effect of foreign exchange rate changes	**–**	1	(1)
Cash and cash equivalents at 30 September	**64**	78	(13)

Cash flow from operating activities

During the Reporting Period, operating activities generated cash inflow of US$10 million, despite the loss before taxation. Operating cash flow was positively impacted by the increase in trade payables and the reduction of trade receivables. The reduction in trade receivables were partially due to the timing of sales in the Reporting Period.

Cash flow from investing activities

Cash outflow from investing activities totalled US$62 million in the first half of FY2019 as compared to an inflow of US$95 million in the same period in FY2018.

The outflow in the first half of FY2019 is primarily due to US$36 million for the consideration payments for prior acquisitions, US$12 million for the acquisitions including Tahari ASL and US$23 million for the purchase of capital expenditures. This is compared to the same period in the prior year where 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$48 million of consideration payments for prior years' acquisitions in the first half of FY2018.

Cash flow from financing activities

During the Reporting Period, the Group had a net drawdown US$75 million of bank loans compared to a net repayment of US$122 million in bank borrowings in the same period in FY2018. The Group paid US$32 million in interest payments compared to US$24 million in the same period in FY2018. The Group did not pay a dividend and did not have any other significant financing activities.

As at 30 September 2018, the Group's cash position was US$64 million, compared to US$93 million as at 31 March 2018. Given our positive cash flow-generating capabilities, the Group's intention is to maintain only a reasonable cash balance to fund our short-term working capital needs.

Banking Facilities

TRADE FINANCE

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

BANK LOANS, BANK OVERDRAFTS AND OTHER FACILITIES

The Group entered into a US$1,200 million committed syndicated credit facility in December 2015 with US$500 million maturing in 3.5 years and US$700 million maturing in 5.5 years. In addition, the Group also has US$341 million of uncommitted revolving credit facilities that is utilized for bank overdrafts, working capital, foreign currency hedging and letter of credit needs for certain real estate leases. As at 30 September 2018, US$1,276 million of the Group's bank loans and bank overdrafts were drawn down and US$265 million were utilized to collateralize letters of credits and foreign currency hedges.

BANK LOANS, BANK OVERDRAFTS AND OTHER FACILITIES AS AT 30 SEPTEMBER 2018

	Limit US$mm	Outstanding Bank Loans and Bank Overdrafts US$mm	Other Facilities Utilized US$mm	Unused Limit US$mm
Committed	**1,200**	**1,200**	**-**	**-**
Uncommitted	**341**	**76**	**265**	**-**
Total	**1,541**	**1,276**	**265**	**-**

Current Ratio

As of 30 September 2018, the Group's current ratio was 0.83, based on current assets of US$2,633 million and the current liabilities of US$3,170 million, which increased from a current ratio of 0.56 as of 31 March 2018.

Capital Structure

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

The Group's total equity reduced to US$1,262 million as at 30 September 2018 due to the operating loss during the period, compared to US$1,615 million as at 31 March 2018.

The Group's gross debt was US$1,276 million as at 30 September 2018, which was primarily due from the Group repaying outstanding debt to Li & Fung Limited in conjunction with the spin-off in 2014, as well as payments made in the Reporting Period for new and existing acquisitions. As at 30 September 2018, the Group's gross debt was at floating rates based on LIBOR. Taking into account cash on hand, total net debt amounted to US$1,211 million as at 30 September 2018, resulting in a gearing ratio of 49.0%. 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 2018, the Group had outstanding contingent consideration payable of US$52 million, of which US$3 million was initial consideration payable, US$35 million was primarily earn-out and US$14 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$42 million of remeasurement gain on the outstanding contingent consideration payable.

People

As at 30 September 2018, the Group had a total workforce of 2,832, out of which 909 were based in Asia, 730 based in Europe and 1,193 based in the Americas. Total manpower costs for the Reporting Period were US$119 million.

Remark:

EBITDA

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

	Six months ended 30 September	
	2018	2017
		(Restated)
	US$mm	US$mm
Operating (loss)/profit	**(159)**	14
Add:		
Amortization of brand licenses	**51**	53
Amortization of computer software and system development costs	**4**	2
Depreciation of property, plant and equipment	**17**	15
Amortization of other intangible assets	**16**	19
Other non-core operating expenses	**25**	7
Impairment of goodwill	**25**	–
Less:		
Other gains, net	**(33)**	(11)
Gain on disposal of interest in an associate	**–**	(67)
EBITDA	**(54)**	32

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 FY2018 Annual Report and on our corporate website (*www.globalbrandsgroup.com*).

The Board

The Board is currently composed of three 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 2018, the following changes to the Board and Board Committees have occurred:

- Mr Bruce Philip Rockowitz has stepped down as Chief Executive Officer and re-designated as Non-executive Director of the Company with effect from 30 October 2018

- Mr Richard Nixon Darling has been appointed as Chief Executive Officer and Executive Director of the Company with effect from 30 October 2018

Further details of changes in the information of our Directors are set out in the "Other Information" section on page 36.

BOARD AND COMMITTEE MEETINGS TO DATE IN FY2019

	Number of Meetings	Average Attendance Rate
Board	8	95%
Nomination Committee	2	100%
Audit Committee	3	94%
Remuneration Committee	4	92%

Review of Interim Financial Information

The Audit Committee has reviewed the interim financial information for the six months ended 30 September 2018 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 37 to 42 of our FY2018 Annual Report, which is available on our corporate website (*www.globalbrandsgroup.com*).

Based on the respective assessments made by management and the Corporate Governance team responsible for internal audit of the Group, the Audit Committee considered that for the six months ended 30 September 2018:

- 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.

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices for the six months ended 30 September 2018 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 2018.

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

OTHER INFORMATION

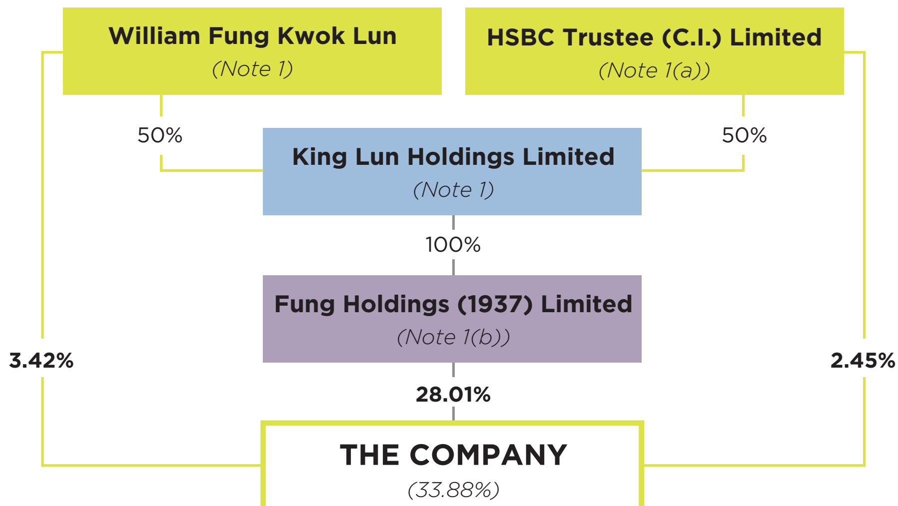
Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2018, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

	Number of Shares					
Name of Directors	**Personal Interest**	**Family Interest**	**Trust/ Corporate Interest**	**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	88,385,512	-	253,340,780 [2]	64,898,581 [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 2018,

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

Further details on 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 Director as beneficial owner, the details of which are set out in the Share Award Schemes section.

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

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

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

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

NOTES:

(1) Percentage of shareholding is re-calculated by using the Company's issued share capital as at 30 September 2018 as the denominator.

(2) King Lun's interest in 2,395,727,908 Shares is duplicated in the interest of HSBC Trustee. Please refer to Note (1) 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 2018.

Share Award Schemes

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

(1) PURPOSE

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

(2) ELIGIBLE PERSONS

Any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in 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:–

		Number of Shares					
Grantees	**Grant Date (Per award letters)**	**As at 1/4/2018**	**Granted**	**Vested & Released**	**Unvested/ Forfeited[2]**	**As at 30/9/2018**	**Vesting Period/Date**
Bruce Philip Rockowitz	11/5/2015	60,184,447	-	(17,832,911)	-	42,351,536	31/12/2017-31/12/2020[1]
Continuous contract employees	11/5/2015	4,989,964	-	(1,247,491)	-	3,742,473	31/12/2017-31/12/2020[1]
	25/2/2016	1,293,567	-	(1,293,567)	-	-	31/12/2017[1]
	5/10/2016	16,053,571	-	(7,473,214)	-	8,580,357	31/12/2017-31/12/2018[1]
	18/11/2016	22,547,044	-	(11,273,522)	-	11,273,522	31/12/2017-31/12/2018[1]
	26/7/2017	2,764,401	-	-	(717,766)	2,046,635	31/3/2019
	29/8/2018	-	2,781,853	(2,781,853)	-	-	29/8/2018
Other selected participants	5/10/2016	553,572	-	-	-	553,572	31/12/2017-31/12/2018[1]
Total		108,386,566	2,781,853	(41,902,558)	(717,766)	68,548,095	

NOTES:

(1) Some of share awards with the scheduled vesting date of 31 December 2017 (Sunday) were vested on 2 January 2018, i.e. the business day immediately after the holiday, and were released by the trustees of the Awards Schemes on 29 August 2018.

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

During the Reporting Period, 2,781,853 share awards granted on 29 August 2018 were satisfied by applying from the share awards which were unvested and/or forfeited and available for re-grant. No new shares were issued and allotted.

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

		Number of Shares						
Grantees	Grant Date (Per award letters)	As at 1/4/2018	Reclassification	Granted	Vested & Released	Unvested/ Forfeited[3]	As at 30/9/2018	Vesting Period/Date
Bruce Philip Rockowitz	18/11/2016	45,094,090	-	-	(22,547,045)	-	22,547,045	31/12/2017-31/12/2018[1]
Continuous contract employees	5/10/2016	53,998,766	-	-	-	(1,383,929)	52,614,837	31/12/2017-31/12/2018[1]
	5/10/2016	18,993,648	-	-	(11,859,203)	(1,937,499)	5,196,946	31/12/2018
	18/11/2016	1,107,143	-	-	-	-	1,107,143	31/12/2017-31/12/2018[1]
	26/7/2017	276,786	-	-	(276,786)	-	-	31/3/2018[2]
	26/7/2017	83,089,885	(566,658)	-	-	(5,248,407)	77,274,820	31/3/2019
	29/8/2018	-	-	2,960,784	(2,960,784)	-	-	29/8/2018
	29/8/2018	-	-	5,215,596	-	-	5,215,596	31/3/2019
	29/8/2018	-	-	8,613,955	-	-	8,613,955	31/3/2020
Other selected participants[4]	5/10/2016	553,571	-	-	-	-	553,571	31/12/2018
	26/7/2017	453,326	566,658	-	-	-	1,019,984	31/3/2019
Total		203,567,215	-	16,790,335	(37,643,818)	(8,569,835)	174,143,897	

NOTES:

(1) Some of share awards with the scheduled vesting date of 31 December 2017 (Sunday) were vested on 2 January 2018, i.e. the business day immediately after the holiday, and were released by the trustees of the Awards Schemes on 29 August 2018.

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

(3) Share awards that are not vested and/or are forfeited in accordance with the terms of the 2016 Award Scheme are held by the trustee to be applied towards future awards in accordance with the provisions of the 2016 Award Scheme.

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

During the Reporting Period, 16,790,335 share awards granted on 29 August 2018 were satisfied by applying from the share awards which were unvested and/or forfeited and available for re-grant. No new shares were issued and allotted.

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

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 1/4/2018**	**As at 30/09/2018**	**Exercise Price** HK$	**Date of Grant**	**Exercise Period**
Continuous contract employees	17,736,842	17,736,842	1.70	4/11/2014	1/1/2019-31/12/2021
	31,670,839	31,670,839	1.70	4/11/2014	1/1/2020-31/12/2022
	29,618,208	29,618,208	1.70	4/11/2014	1/1/2021-31/12/2023
	2,736,842	2,736,842	1.70	4/11/2014	1/1/2022-3/11/2024
	7,311,321	7,311,321	1.78	28/5/2015	1/1/2019-31/12/2021
	7,311,321	7,311,321	1.78	28/5/2015	1/1/2020-31/12/2022
Other eligible participant[2]	2,052,632	2,052,632	1.70	4/11/2014	1/1/2016-31/12/2018
	2,052,632	2,052,632	1.70	4/11/2014	1/1/2017-31/12/2019
Total	100,490,637	100,490,637			

NOTES:

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

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

As at 30 September 2018, out of a total of 500,868,226 share options granted under the Option Scheme, 4,105,264 share options remain exercisable and 96,385,373 share options are still unvested (after taking into account share options that have forfeited/lapsed or exchanged for share awards).

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 FY2018 Annual Report is set out below:

Name of Director	Change
William Fung Kwok Lun	Resigned as non-executive director of Trinity Limited with effect from 18 April 2018
Stephen Harry Long	Resigned as independent director of Citibank (China) Co., Ltd. with effect from 1 May 2018
Ann Marie Scichili	Appointed as independent non-executive director of PureCircle Limited with effect 19 September 2018
Bruce Philip Rockowitz	Stepped down as Chief Executive Officer and re-designated as Non-executive Director of the Company with effect from 30 October 2018
Richard Nixon Darling	Appointed as Chief Executive Officer and Executive Director of the Company with effect from 30 October 2018
Paul Edward Selway-Swift	To retire as chairman of PureCircle Limited on 30 November 2018

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.

Dividend

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 September 2018 (2017: Nil).

INDEPENDENT REVIEW REPORT

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 40 to 77, which comprises the consolidated balance sheet of Global Brands Group Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2018 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, 28 November 2018

CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30 September **2018** **US$'000**	 2017 US$'000 (Restated)
Continuing operations			
Revenue	*3*	**699,221**	728,912
Cost of sales		**(512,536)**	(500,671)
Gross profit		**186,685**	228,241
Other income		**813**	713
Total margin		**187,498**	228,954
Selling and distribution expenses		**(130,038)**	(101,151)
Merchandising and administrative expenses		**(223,651)**	(191,773)
Other gains, net	*4*	**32,909**	11,000
Impairment of goodwill		**(25,250)**	–
Gain on disposal of interest in an associate	*4*	**–**	66,509
Operating (loss)/profit	*3 & 4*	**(158,532)**	13,539
Interest income		**385**	1,317
Interest expenses			
Non-cash interest expenses		**(6,075)**	(7,756)
Cash interest expenses		**(32,173)**	(23,732)
		(196,395)	(16,632)
Share of profits of associate and joint ventures		**1,966**	6,200
Loss before taxation		**(194,429)**	(10,432)
Taxation	*5*	**10,217**	3,201
Net loss for the period from continuing operations		**(184,212)**	(7,231)
Discontinued operations			
Net (loss)/profit for the period from discontinued operations	*17*	**(94,319)**	36,126
Net (loss)/profit for the period		**(278,531)**	28,895
Attributable to:			
Shareholders of the Company		**(284,119)**	25,748
Non-controlling interests		**5,588**	3,147
		(278,531)	28,895

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)

		Unaudited	
		Six months ended 30 September	
		2018	2017
		US$'000	US$'000
	Note		(Restated)
Attributable to shareholders of the Company arising from:			
Continuing operations		**(189,800)**	(10,378)
Discontinued operations	*17*	**(94,319)**	36,126
		(284,119)	25,748
(Losses)/earnings per share for (loss)/profit attributable to the shareholders of the Company during the period	*6*		
– basic from continuing operations		**(17.87) HK cents**	(0.98) HK cents
(equivalent to)		**(2.31) US cents**	(0.13) US cents
– basic from discontinued operations		**(8.88) HK cents**	3.41 HK cents
(equivalent to)		**(1.15) US cents**	0.44 US cents
– diluted from continuing operations		**(17.87) HK cents**	(0.98) HK cents
(equivalent to)		**(2.31) US cents**	(0.13) US cents
– diluted from discontinued operations		**(8.88) HK cents**	3.35 HK cents
(equivalent to)		**(1.15) US cents**	0.43 US cents

The notes on pages 49 to 77 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
		(Restated)
Net (loss)/profit for the period	**(278,531)**	28,895
Other comprehensive (expense)/income:		
Item that may be reclassified to profit or loss		
Currency translation differences	**(61,958)**	64,114
Other comprehensive (expense)/income for the period, net of tax	**(61,958)**	64,114
Total comprehensive (expense)/income for the period	**(340,489)**	93,009
Attributable to:		
Shareholders of the Company	**(346,077)**	89,862
Non-controlling interests	**5,588**	3,147
	(340,489)	93,009
Attributable to the Shareholders of the Company arising from:		
Continuing operations	**(251,422)**	53,463
Discontinued operations	**(94,655)**	36,399
	(346,077)	89,862

The notes on pages 49 to 77 form an integral part of this interim financial information.

CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 September 2018 US$'000**	Audited 31 March 2018 US$'000
Non-current assets			
Intangible assets	*7*	**1,726,244**	2,922,117
Property, plant and equipment	*7*	**125,264**	204,110
Joint ventures		**65,794**	63,828
Available-for-sale financial asset		**-**	1,000
Financial assets at fair value through other comprehensive income		**1,000**	–
Other receivables and deposits		**16,799**	18,183
Deferred tax assets		**260,329**	233,585
		2,195,430	3,442,823
Current assets			
Inventories		**328,507**	531,947
Due from related companies		**6,719**	9,499
Trade receivables	*8*	**265,816**	471,914
Other receivables, prepayments and deposits		**62,741**	231,653
Derivative financial instruments		**2,687**	400
Cash and bank balances	*9*	**65,844**	98,276
Tax recoverable		**4,380**	11,559
		736,694	1,355,248
Assets classified as held for sale	*17*	**1,896,437**	–
		2,633,131	1,355,248
Current liabilities			
Due to related companies	*10*	**690,249**	516,217
Trade payables	*11*	**130,670**	239,902
Accrued charges and sundry payables		**263,465**	373,333
Purchase consideration payable for acquisitions	*12(a)*	**31,994**	56,916
Derivative financial instruments		**-**	3,216
Tax payable		**7,798**	9,764
Bank loans	*13*	**1,275,000**	1,200,000
Bank overdrafts	*9 & 13*	**1,439**	1,298
		2,400,615	2,400,646
Liabilities associated with assets classified as held for sale	*17*	**769,881**	–
		3,170,496	2,400,646
Net current liabilities		**(537,365)**	(1,045,398)
Total assets less current liabilities		**1,658,065**	2,397,425

	Note	**Unaudited 30 September 2018 US$'000**	Audited 31 March 2018 US$'000
Financed by:			
Share capital	*14*	**13,707**	13,707
Reserves		**1,305,240**	1,645,282
Shareholders' funds attributable to the Company's shareholders		**1,318,947**	1,658,989
Put option written on non-controlling interests		**(98,281)**	(98,281)
Non-controlling interests		**41,095**	54,533
Total equity		**1,261,761**	1,615,241
Non-current liabilities			
Purchase consideration payable for acquisitions	*12(a)*	**19,732**	72,873
Other long-term liabilities	*12*	**366,780**	698,483
Deferred tax liabilities		**9,792**	10,828
		396,304	782,184
		1,658,065	2,397,425

The notes on pages 49 to 77 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$'000 *(Note 14(a))*	Capital reserves US$'000 *(Note 14(b))*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *(Note 15(b))*	Exchange reserves US$'000	Accumulated losses US$'000	Total reserves US$'000	Put option written on non-controlling interests US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 2018	13,707	2,022,674	29,104	(25,808)	(98,886)	(281,802)	1,645,282	(98,281)	54,533	1,615,241
Comprehensive (expense)/income										
Net (loss)/profit	-	-	-	-	-	(284,119)	(284,119)	-	5,588	(278,531)
Other comprehensive expense										
Currency translation differences	-	-	-	-	(61,958)	-	(61,958)	-	-	(61,958)
Total comprehensive (expense)/income	-	-	-	-	(61,958)	(284,119)	(346,077)	-	5,588	(340,489)
Transactions with owners										
Employee share option and share award schemes										
– Value of employee services	-	-	6,035	-	-	-	6,035	-	-	6,035
– Vesting of share award schemes	-	-	(12,449)	10,454	-	1,995	-	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	(19,026)	(19,026)
Total transactions with owners	-	-	(6,414)	10,454	-	1,995	6,035	-	(19,026)	(12,991)
Balance at 30 September 2018	13,707	2,022,674	22,690	(15,354)	(160,844)	(563,926)	1,305,240	(98,281)	41,095	1,261,761

	Unaudited									
	Attributable to shareholders of the Company									
		Reserves								
	Share capital US$'000 *(Note 14(a))*	Capital reserves US$'000 *(Note 14(b))*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *(Note 15(b))*	Exchange reserves US$'000	Retained earnings US$'000	Total reserves US$'000	Put option written on non-controlling interests US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 April 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 income										
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

The notes on pages 49 to 77 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Six months ended 30 September 2018 US$'000	2017 US$'000 (Restated)
Continuing operations			
Operating activities			
Operating (loss)/profit before working capital changes		**(72,810)**	44,051
Changes in working capital		**79,795**	(63,216)
Net cash inflow/(outflow) generated from operations		**6,985**	(19,165)
Profits tax refund/(paid)		**2,874**	(14,752)
Net cash inflow/(outflow) from operating activities		**9,859**	(33,917)
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(35,804)**	(47,973)
Acquisitions of businesses	*16*	**(11,527)**	(253)
Proceeds from disposal of interest in a subsidiary		**-**	100,000
Proceeds from disposal of interest in an associate		**-**	70,300
Other investing activities		**(14,785)**	(27,263)
Net cash (outflow)/inflow from investing activities		**(62,116)**	94,811
Net cash (outflow)/inflow before financing activities		**(52,257)**	60,894
Financing activities			
Distribution to non-controlling interests		**(19,026)**	(4,724)
Drawdown of bank borrowings		**75,000**	147,305
Repayment of bank borrowings		**-**	(269,000)
Shares purchased for share award schemes		**-**	(4,416)
Interest paid		**(32,425)**	(23,732)
Net cash inflow/(outflow) from financing activities		**23,549**	(154,567)
Decrease in cash and cash equivalents from continuing operations		**(28,708)**	(93,673)

	Note	Unaudited Six months ended 30 September **2018** **US$'000**	 2017 US$'000 (Restated)
Discontinued operations			
Change in cash and cash equivalents from discontinued operations		**–**	–
Decrease in cash and cash equivalents		**(28,708)**	(93,673)
Cash and cash equivalents at 1 April			
Continuing operations		**93,282**	170,517
Discontinued operations		**–**	–
		93,282	170,517
Effect of foreign exchange rate changes		**(169)**	720
Cash and cash equivalents classified as assets held for sales	*17*	**–**	–
Cash and cash equivalents of continuing operations at 30 September		**64,405**	77,564
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	*9*	**65,844**	77,564
Bank overdrafts	*9*	**(1,439)**	–
		64,405	77,564

The notes on pages 49 to 77 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 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 28 November 2018.

STRATEGIC DIVESTMENT OF SELECT NORTH AMERICAN BUSINESSES

On 27 June 2018, the Company agreed to sell select North American licensing businesses, comprising all of its North American kids business, all of its North American accessories business, and a majority of its U.S. West Coast and Canadian fashion businesses to a buyer. On 29 October 2018, New York time, the Group has completed the strategic divestment of select North American businesses, having obtained necessary shareholders and regulatory approvals. The cash amount of US$1.2 billion had been received, being the estimated purchase price of the transaction. The select North American businesses are classified as discontinued operations and their results for the period and the comparatives are presented separately as one-line item below net profit of the continuing operations. Further details of financial information of the discontinued operations are set out in Note 17 to the financial information.

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 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 Basis of Preparation (Continued)

GOING CONCERN BASIS

During the six-month period ended 30 September 2018, the Group reported a net loss attributable to shareholders of the Company of approximately US$284,119,000. As at the same time, the Group's current liabilities exceeded its current assets by approximately US$537,365,000 as of 30 September 2018.

As at 31 March 2018 and 30 September 2018, the Company as a guarantor, had not complied with certain financial covenants stipulated in a loan agreement (the "Loan Agreement") in respect of an unsecured syndicated loan facility (the "Bank Loan") granted to a subsidiary of the Group. In June 2018, management has obtained the required consents from its lenders not to take action under the Loan Agreement in relation to certain of the Company's obligations to comply with the relevant financial covenants for a twelve month-period between 31 March 2018 and 31 March 2019. The relevant Bank Loan of US$1,200,000,000 has been included as a current liability in the consolidated balance sheets as at 31 March 2018 and 30 September 2018.

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

- In October 2018, upon the completion of the disposal of the select North American licensing businesses and the receipt of the disposal proceed of US$1.2 billion in cash (Note 1), the Group has repaid the Bank Loan of US$1,200,000,000 (Note 13).

- In October 2018, the Group entered into a credit agreement with a consortium of banks for a revolving credit facility amounting US$375 million.

- Subsequent to the completion of the disposal of the select North American licensing businesses, the Group is implementing measures for its continuing operations to generate cash from additional sales to new and existing markets and customers, and control operating costs with the objective of streamlining the administrative and daily operational expenditures.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 30 September 2018. In the opinion of the directors, in light of the above, taking into account the proceeds from the disposal of the select North American licensing businesses and the repayment of the Bank Loan, available banking facilities, anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 September 2018. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

2 Basis of Preparation (Continued)

2.1 ACCOUNTING POLICIES

Except as described in (a) below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 March 2018, 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) New standards, new interpretation and amendments to existing standards adopted by the Group

The following new standards, new interpretation and amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2018:

HKAS 40 Amendment	Transfer of Investment Property
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendment	Clarifications to HKFRS 15
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvement Project	Annual Improvements 2014–2016 Cycle

The application of the above new standards, new interpretation and amendments effective 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, except for the following set out below.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact of adoption

In accordance with the transitional provision in HKFRS 9 paragraph 7.2.15 and 7.2.26, comparative figures have not been restated, where the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will be recognized as an adjustment to the opening balance of equity at the date of adoption, i.e. as at 1 April 2018.

2 Basis of Preparation (Continued)

2.1 ACCOUNTING POLICIES (CONTINUED)

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

HKFRS 9 Financial Instruments (Continued)

Impact of adoption (Continued)

Classification of available-for-sale financial assets

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets as they are long-term strategic investments that are not expected to be sold in the short to medium term. Available-for-sale financial assets as at 31 March 2018 will continue to be measured at fair value through other comprehensive income after adoption of HKFRS 9.

Classification of loans and receivables

The Group's existing loans and receivables are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and therefore will continue to be measured at amortized cost.

Impairment of financial assets

For trade receivables and other debt instruments, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which required the use of the lifetime expected losses for all trade receivables. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material impact to the carrying value of trade receivables as at 1 April 2018.

Hedge accounting

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

HKFRS 15 Revenue from Contracts with Customers

The HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

Impact of adoption

The Group has adopted HKFRS 15 using the full retrospective method, and recognized the cumulative effect of applying the standard at the start of the earliest comparative period. Accordingly, the information presented for 2017 has been restated.

HKFRS 15 provides guidance on determining whether the nature of the promise in the contract is a performance obligation to provide the specified goods or services itself or to arrange for those goods or services to be provided by the other party. This change has resulted in decrease in revenue and cost of sales for the period ended 30 September 2018 and 30 September 2017 by US$57,760,000 and US$62,828,000 respectively. There is no impact to the net loss/profit for the period ended 30 September 2018 and 30 September 2017 nor the total equity of the Group as at 30 September 2018 and 31 March 2018.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

2 Basis of Preparation (Continued)

2.1 ACCOUNTING POLICIES (CONTINUED)

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

The following new standards, new interpretation and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later periods, but the Group has not early adopted them:

HKAS 19 Amendment	Plan amendment, curtailment or settlements[1]
HKAS 28 Amendment	Long-term Interests in Associates and Joint Venture[1]
HKFRS 9 Amendment	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvement Project	Annual Improvements 2015–2017 Cycle[1]

Notes:

(1) Effective for annual periods beginning on or after 1 April 2019
(2) Effective for annual periods beginning on or after 1 April 2021
(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 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.

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

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 2018 (Unaudited)					
Continuing operations					
Revenue	**141,669**	**264,788**	**270,402**	**22,362**	**699,221**
Total margin	**26,874**	**81,421**	**57,098**	**22,105**	**187,498**
Operating costs*	**(90,004)**	**(114,020)**	**(101,420)**	**(6,453)**	**(311,897)**
Write-off of intangible assets	**(8,883)**	**-**	**-**	**-**	**(8,883)**
Impairment of goodwill	**(25,250)**	**-**	**-**	**-**	**(25,250)**
Operating (loss)/profit	**(97,263)**	**(32,599)**	**(44,322)**	**15,652**	**(158,532)**
Interest income					**385**
Interest expenses					
Non-cash interest expenses					**(6,075)**
Cash interest expenses					**(32,173)**
					(196,395)
Share of profits of joint ventures					**1,966**
Profit before taxation					**(194,429)**
Taxation					**10,217**
Net loss for the period from continuing operations					**(184,212)**
Discontinued operations					
Net loss for the period from discontinued operations					**(94,319)**
Net loss for the period					**(278,531)**
Depreciation and amortization (continuing operations)	**10,262**	**44,867**	**30,517**	**1,778**	**87,424**

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

	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 2018 (Unaudited)					
Non-current assets (other than financial assets at fair value through other comprehensive income, available-for-sale financial asset and deferred tax assets)	**288,974**	**763,770**	**571,139**	**310,218**	**1,934,101**

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 2017 (Restated) (Unaudited)					
Continuing operations					
Revenue	160,775	260,138	283,239	24,760	728,912
Total margin	30,704	104,655	69,061	24,534	228,954
Operating costs*	(61,157)	(101,504)	(31,852)	(20,902)	(215,415)
Operating (loss)/profit	(30,453)	3,151	37,209	3,632	13,539
Interest income					1,317
Interest expenses					
Non-cash interest expenses					(7,756)
Cash interest expenses					(23,732)
					(16,632)
Share of profits of associate and joint ventures					6,200
Loss before taxation					(10,432)
Taxation					3,201
Net loss for the period from continuing operations					(7,231)
Discontinued operations					
Net profit for the period from discontinued operations					36,126
Net profit for the period					28,895
Depreciation and amortization (continuing operations)	10,700	41,930	31,258	5,343	89,231

* 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
31 March 2018 (Audited)					
Non-current assets (other than financial assets at fair value through other comprehensive income, available-for-sale financial asset and deferred tax assets)	946,883	1,012,425	925,756	323,174	3,208,238

3 Segment Information (Continued)

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

	Revenue Unaudited Six months ended 30 September		Non-current assets (other than financial assets at fair value through other comprehensive income, available-for-sale financial asset and deferred tax assets)	
			Unaudited	Audited
			30 September	31 March
	2018	2017	**2018**	2018
	US$'000	US$'000 (Restated)	**US$'000**	US$'000
Americas	**389,895**	402,907	**1,360,171**	2,613,724
Europe	**237,259**	261,545	**418,715**	396,888
Asia	**72,067**	64,460	**155,215**	197,626
	699,221	728,912	**1,934,101**	3,208,238

4 Operating (Loss)/Profit from Continuing Operations

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

	Unaudited Six months ended 30 September	
	2018	2017
	US$'000	US$'000 (Restated)
Crediting		
Gain on disposal of interest in an associate	**–**	66,509
Gain on disposal of trademarks*	**–**	11,000
Gain on remeasurement of contingent consideration payable*	**41,792**	–
Charging		
Amortization of computer software and system development costs	**4,071**	2,254
Amortization of brand licenses	**50,930**	53,232
Amortization of other intangible assets	**15,989**	19,183
Depreciation of property, plant and equipment	**16,434**	14,562
Loss on disposal of property, plant and equipment	**692**	57
Staff costs including directors' emoluments	**118,871**	115,780
Write-off of intangible assets*	**8,883**	–

* Included in other gains, net

5 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited	
	Six months ended 30 September	
	2018	2017
	US$'000	US$'000
		(Restated)
Current taxation		
– Hong Kong profits tax	**(2)**	231
– Overseas taxation	**3,041**	4,154
Deferred taxation	**(13,256)**	(7,586)
	(10,217)	(3,201)

6 (Losses)/Earnings Per Share

The calculation of basic (losses)/earnings per share is based on the Group's net loss attributable to Shareholders arising from the continuing operations of US$189,800,000 (2017 (restated): US$10,378,000) and the Group's net loss attributable to Shareholders arising from the discontinued operations of US$94,319,000 (2017 (restated): net profit of US$36,126,000) and on the weighted average number of 8,229,237,914 (2017: 8,220,197,258) ordinary shares in issue during the period.

The diluted (losses)/earnings per share for the six months ended 30 September 2018 was calculated by adjusting the weighted average number of 8,229,237,914 (2017: 8,220,197,258) ordinary shares in issue by 354,399,345 (2017: 132,716,994) to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Awards Scheme. 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 Award Shares.

7 Capital Expenditure

	Intangible assets US$'000 *(Note (c))*	Property, plant and equipment US$'000
Six months ended 30 September 2018		
Net book amount as at 1 April 2018 (audited)	**2,922,117**	**204,110**
Continuing operations		
Acquisitions of businesses	**10,350**	**151**
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	**(201)**	**–**
Additions	**38,522**	**19,977**
Disposals	**(13)**	**(5,170)**
Amortization/depreciation charge *(Note (b))*	**(70,990)**	**(16,434)**
Exchange differences	**(30,570)**	**(759)**
Impairment	**(25,250)**	**–**
Write-off	**(8,883)**	**(4,481)**
Discontinued operations		
Adjustments to purchase consideration payable for acquisitions and net asset value	**3,900**	**–**
Additions	**83,241**	**15,425**
Disposals	**(522)**	**(332)**
Amortization/depreciation charge	**(71,172)**	**(3,673)**
Classified as assets held for sale	**(1,124,285)**	**(83,550)**
Net book amount as at 30 September 2018 (unaudited)	**1,726,244**	**125,264**
Six months ended 30 September 2017		
Net book amount as at 1 April 2017 (audited)	3,713,745	190,149
Continuing operations		
Acquisitions of businesses	32,057	587
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	4,560	–
Additions	253,012	35,519
Disposals	(2,383)	(5,332)
Amortization/depreciation charge *(Note (b))*	(74,669)	(14,562)
Exchange differences	26,056	(8)
Discontinued operations		
Acquisitions of businesses	5,987	–
Adjustments to purchase consideration payable for acquisitions and net asset value	124	–
Additions	134,834	12,328
Disposals	(552)	(24)
Amortization/depreciation charge	(70,087)	(3,445)
Net book amount as at 30 September 2017 (unaudited)	4,022,684	215,212

7 Capital Expenditure (Continued)

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 nil (2017 (restated): US$647,000) and other assets/liabilities of approximately US$201,000 (2017 (restated): US$5,207,000).

(b) Amortization of intangible assets included amortization of computer software and system development costs of US$4,071,000 (2017 (restated): US$2,254,000), amortization of brand licenses of US$50,930,000 (2017 (restated): US$53,232,000) and amortization of other intangible assets arising from business combination of US$15,989,000 (2017 (restated): US$19,183,000).

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

8 Trade Receivables

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 September 2018 (unaudited)	**201,341**	**26,378**	**21,290**	**16,807**	**265,816**
Balance at 31 March 2018 (audited)	407,929	28,202	20,325	15,458	471,914

The fair values of the Group's trade receivables were approximately the same as their carrying values as at 30 September 2018.

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

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

9 Cash and Bank Balances

	Unaudited 30 September 2018 US$'000	Audited 31 March 2018 US$'000
Cash and cash equivalents	**65,844**	94,580
Restricted cash *(Note)*	**–**	3,696
	65,844	98,276
Bank overdrafts – unsecured	**(1,439)**	(1,298)

Note: As at 30 September 2018, nil restricted cash held at bank as reserve for business operation in Italy (31 March 2018: US$3,696,000).

10 Due to Related Companies

	Unaudited 30 September 2018 US$'000	Audited 31 March 2018 US$'000
Due to related companies	**690,249**	516,217

As of 30 September 2018, majority of the ageing of amounts due to related companies based on invoice date were less than 180 days. The fair values of these amounts were approximately the same as the carrying values.

11 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 2018 (unaudited)	**110,138**	**5,726**	**9,417**	**5,389**	**130,670**
Balance at 31 March 2018 (audited)	218,814	6,802	4,221	10,065	239,902

The fair values of the Group's trade payables were approximately the same as their carrying values as at 30 September 2018.

12 Long-Term Liabilities

	Unaudited 30 September 2018 US$'000	Audited 31 March 2018 US$'000
Purchase consideration payable for acquisitions		
Purchase consideration payable for acquisitions *(Note (a))*	**51,726**	129,789
Less:		
Current portion of purchase consideration payable for acquisitions	**(31,994)**	(56,916)
	19,732	72,873
Other long-term liabilities		
Brand license payable	**331,637**	609,936
Written put option liabilities *(Note (b))*	**74,625**	74,625
Other payables	**–**	691
Other non-current liability (non-financial liability)	**36,748**	63,055
	443,010	748,307
Less:		
Current portion of brand license payable	**(76,230)**	(49,824)
	366,780	698,483

Notes:

(a) Purchase consideration payable for acquisitions as at 30 September 2018 amounted to US$51,726,000 (31 March 2018: US$129,789,000), of which US$3,005,000 (31 March 2018: US$4,803,000) was initial consideration payable, US$34,474,000 (31 March 2018: US$72,642,000) was primarily earn-out and US$14,247,000 (31 March 2018: US$52,344,000) 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 as at 30 September 2018 would be US$4,872,000.

12 Long-Term Liabilities (Continued)

Notes: (Continued)

(b) A wholly-owned subsidiary of the Company and, among others, Creative Artists Agency, LLC ("CAA LLC"), 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 LLC, holding 20% effective interest in CAA-GBG, was granted a put option (the "CAA LLC Put Option") which entitles CAA LLC to require the Group to purchase up to effectively 15% equity interest in CAA-GBG. The put option will be exercisable at any time after 1 July 2023. The exercise price for the put option will be based on the fair market value of the CAA-GBG interest to be transferred, and up to a maximum of US$90,000,000.

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

The put option liabilities were re-measured at their fair values from the changes in the expected performance of CAA-GBG 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$7,463,000 with the corresponding gain or loss recognized in consolidated profit and loss account.

13 Bank Borrowings

	Unaudited 30 September 2018 US$'000	Audited 31 March 2018 US$'000
Current		
Bank loans – unsecured *(Note)*	**1,275,000**	1,200,000
Bank overdrafts – unsecured	**1,439**	1,298
Total bank borrowings	**1,276,439**	1,201,298

Note: The Group has repaid the bank loan of US$1,200,000,000 in October 2018.

As at 30 September 2018 and 31 March 2018, 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.

14 Share Capital and Reserves

(a) SHARE CAPITAL

	No. of ordinary shares	Equivalent to HK$	Equivalent to US$
Authorized share capital			
As at 1 April 2018, ordinary shares of HK$0.0125 each	12,000,000,000	150,000,000	19,230,769
As at 30 September 2018, ordinary shares of HK$0.0125 each	**12,000,000,000**	**150,000,000**	**19,230,769**
Issued and fully paid share capital			
As at 1 April 2018, ordinary shares of HK$0.0125 each	8,552,922,729	106,911,534	13,706,606
As at 30 September 2018, 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 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.

15 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 2018 are as follows:

Date of Grant	Exercise Price HK$	Exercise Period	Number of Options As at 1/4/2018	Number of Options As at 30/9/2018
4/11/2014	1.70	1/1/2016–31/12/2018	2,052,632	2,052,632
4/11/2014	1.70	1/1/2017–31/12/2019	2,052,632	2,052,632
4/11/2014	1.70	1/1/2019–31/12/2021	17,736,842	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	1/1/2019–31/12/2021	7,311,321	7,311,321
28/5/2015	1.78	1/1/2020–31/12/2022	7,311,321	7,311,321
Total			100,490,637	100,490,637

No options under the Option Scheme were granted, exercised, lapsed or cancelled during the Reporting 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. As at 30 September 2018, 4,105,264 options remain exercisable and 96,385,373 options are still unvested (after taking into account options that have forfeited/lapsed), if any.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

15 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 2018 are as follows:

(i) 2014 Award Scheme

		Number of Shares				
Date of Grant	**Vesting period/date**	**As at 1/4/2018**	**Granted**	**Vested & released**	**Unvested/ forfeited**	**As at 30/9/2018**
11/5/2015	31/12/2017-31/12/2020 [1]	65,174,411	-	(19,080,402)	-	46,094,009
25/2/2016	31/12/2017 [1]	1,293,567	-	(1,293,567)	-	-
5/10/2016	31/12/2017-31/12/2018 [1]	16,607,143	-	(7,473,214)	-	9,133,929
18/11/2016	31/12/2017-31/12/2018 [1]	22,547,044	-	(11,273,522)	-	11,273,522
26/7/2017	31/3/2019	2,764,401	-	-	(717,766)	2,046,635
29/8/2018	29/8/2018	-	2,781,853	(2,781,853)	-	-
Total		108,386,566	2,781,853	(41,902,558)	(717,766)	68,548,095

(ii) 2016 Award Scheme

		Number of Shares				
Date of Grant	**Vesting period/date**	**As at 1/4/2018**	**Granted**	**Vested & released**	**Unvested/ forfeited**	**As at 30/9/2018**
5/10/2016	31/12/2017-31/12/2018 [1]	53,998,766	-	-	(1,383,929)	52,614,837
5/10/2016	31/12/2018	19,547,219	-	(11,859,203)	(1,937,499)	5,750,517
18/11/2016	31/12/2017-31/12/2018 [1]	46,201,233	-	(22,547,045)	-	23,654,188
26/7/2017	31/3/2018 [2]	276,786	-	(276,786)	-	-
26/7/2017	31/3/2019	83,543,211	-	-	(5,248,407)	78,294,804
29/8/2018	29/8/2018	-	2,960,784	(2,960,784)	-	-
29/8/2018	31/3/2019	-	5,215,596	-	-	5,215,596
29/8/2018	31/3/2019	-	8,613,955	-	-	8,613,955
Total		203,567,215	16,790,335	(37,643,818)	(8,569,835)	174,143,897

15 Share Options and Share Award Schemes (Continued)

(b) SHARE AWARD SCHEMES (CONTINUED)

Notes:

(1) Share awards with the scheduled vesting date of 31 December 2017 (Sunday) were vested on 2 January 2018, i.e. the business day immediately after the holiday. Some of such share awards had been released by the trustees of the Awards Schemes on 29 August 2018.

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

The fair value of the share awards was calculated based on the market price of the Company's shares at the respective grant date. During the period ended 30 September 2018, share awards were granted to eligible persons of the Group with a fair value of HK$0.39 per share (equivalent to approximately US$0.05per share).

On 29 August 2018, 2,781,853 and 16,790,335 share awards were granted to certain eligible participants under the 2014 Award Scheme and the 2016 Award Scheme respectively, totalling 19,572,188 share awards. Out of 19,572,188 share awards, 5,742,637 share awards granted to a grantee were immediately vested on 29 August 2018.

All of the total 19,572,188 share awards granted on 29 August 2018 were satisfied by applying from share awards which were unvested and/or forfeited and available for re-grant. No new shares were issued and allotted.

As at 30 September 2018, 249,709,610 shares awards of the Company (31 March 2018: 329,255,986 share awards) held by the trustee had not been vested and/or released to the grantees.

16 Business Combinations

In April and May 2018, the Group acquired businesses which engaged in kids and women's apparel respectively.

The acquired businesses contributed revenue of US$44,054,000, operating profit of US$1,250,000 and net profit of US$1,113,000 to the Group for the period ended 30 September 2018. If the acquisitions had occurred on 1 April 2018, the Group's revenue, operating loss and net loss from continuing operations for the period ended 30 September 2018 would have been US$706,307,000, US$158,455,000 and US$184,135,000 respectively.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration	11,527
Less: Aggregate fair value of net assets acquired [i]	(2,077)
Goodwill	9,450

i As at 30 September 2018, verification of individual assets/liabilities of some of the acquired businesses is in progress and the Group has not finalized the fair value assessments. The relevant fair value of individual assets/liabilities stated above are provisional.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

16 Business Combinations (Continued)

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

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

	US$'000
Net assets acquired:	
Property, plant and equipment	151
Intangible assets*	900
Other receivables	217
Inventories	5,253
Accrued charges and sundry payables	(4,444)
Fair value of net assets acquired	2,077

* Intangible assets arising from business combinations represent customer relationships and license agreements. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 (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	11,527
Net outflow of cash and cash equivalents in respect of the acquisitions	11,527

17 Discontinued Operations

The results of the discontinued operations are presented in the consolidated profit and loss account in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and consolidated cash flow statement distinguish the discontinued operations from the continuing operations.

(a) RESULTS OF THE DISCONTINUED OPERATIONS HAVE BEEN INCLUDED IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNTS AS FOLLOWS:

	Unaudited Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Revenue	**938,765**	993,671
Cost of sales	**(665,162)**	(678,462)
Gross profit	**273,603**	315,209
Selling and distribution expenses	**(117,161)**	(75,626)
Merchandising and administrative expenses	**(251,321)**	(177,857)
Other gains	**1,342**	5,000
Operating (loss)/profit	**(93,537)**	66,726
Interest expenses		
Non-cash interest expenses	**(4,255)**	(3,665)
Cash interest expenses	**(13,359)**	(12,497)
(Loss)/profit before taxation	**(111,151)**	50,564
Taxation	**16,832**	(14,438)
(Loss)/profit after taxation	**(94,319)**	36,126
Net (loss)/profit for the period from discontinued operations	**(94,319)**	36,126
Attributable to:		
Shareholders of the Company	**(94,319)**	36,126

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 Discontinued Operations (Continued)

(a) RESULTS OF THE DISCONTINUED OPERATIONS HAVE BEEN INCLUDED IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNTS AS FOLLOWS: (CONTINUED)

Statement of comprehensive income of the discontinued operations:

	Unaudited Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Net (loss)/profit for the period	**(94,319)**	36,126
Other comprehensive (expense)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(336)**	273
Other comprehensive (expense)/income for the period, net of tax	**(336)**	273
Total comprehensive (expense)/income for the period	**(94,655)**	36,399
Attributable to:		
Shareholders of the Company	**(94,655)**	36,399

(b) OPERATING (LOSS)/PROFIT OF THE DISCONTINUED OPERATIONS

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

	Unaudited Six months ended 30 September	
	2018	2017
	US$'000	US$'000
Crediting		
Gain on remeasurement of contingent consideration payable	**1,342**	5,000
Charging		
Amortization of computer software and system development costs	**4,813**	3,563
Amortization of brand licenses	**55,186**	50,601
Amortization of other intangible assets	**11,173**	15,833
Depreciation of property, plant and equipment	**3,673**	3,445
Loss on disposal of property, plant and equipment	**116**	–
Staff costs including directors' emoluments	**152,912**	102,744

17 Discontinued Operations (Continued)

(c) ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATIONS

The assets and liabilities related to the discontinued operations have been presented as assets classified as held for sale and liabilities associated with assets classified as held for sale. The discontinued operations' assets and liabilities were measured at the lower of carrying amount and fair value less costs to sell at the date of held for sale classification. The major classes of assets and liabilities of the discontinued operations are as follows:

(i) Assets classified as held for sale

	30 September 2018 US$'000
Intangible assets	**1,124,285**
Property, plant and equipment	**83,550**
Other non-current assets	**2,380**
Inventories	**453,693**
Trade and other receivables	**232,529**
	1,896,437

(ii) Liabilities associated with assets classified as held for sale

	30 September 2018 US$'000
Trade and other payables	**335,302**
Other current liabilities	**173,820**
Other non-current liabilities	**260,759**
	769,881

(d) AN ANALYSIS OF THE CASH FLOWS OF THE DISCONTINUED OPERATIONS IS AS FOLLOWS:

	Unaudited Six months ended 30 September	
	2018 US$'000	2017 US$'000
Net cash inflow from operating activities	**30,047**	63,400
Net cash outflow from investing activities	**(16,688)**	(50,903)
Net cash outflow from financing activities[i]	**(13,359)**	(12,497)
Total cash flows[ii]	**-**	-

Notes:

(i) Amounts adjusted to eliminate cash flows from financing activities between the discontinued operations and the continuing operations.

(ii) Cash is managed centrally by an entity in the continuing operations. Thus there is no cash balance in the discontinued operations.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

17 Discontinued Operations (Continued)

(e) COMMITMENTS

(i) Operating lease commitments

The discontinued operations has total future aggregated minimum lease payments under non-cancellable operating leases as follows:

	Unaudited **30 September 2018 US$'000**	31 March 2018 US$'000
Within one year	**39,791**	46,239
In the second to fifth year inclusive	**112,818**	124,247
After the fifth year	**110,309**	116,338
	262,918	286,824

(ii) Capital commitments

	Unaudited **30 September 2018 US$'000**	31 March 2018 US$'000
Contracted but not provided for:		
Property, plant and equipment	**373**	3,358
Computer software and system development cost	**2,989**	5,872
	3,362	9,230

(f) RELATED PARTY TRANSACTIONS

The discontinued operations had the following material transactions with its related parties during the period ended 30 September 2018:

	Unaudited Six months ended 30 September	
	2018 US$'000	2017 US$'000
Purchases and service fees *(Note)*	**434,969**	469,879

Note: 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.

18 Commitments from Continuing Operations

(a) OPERATING LEASE COMMITMENTS FROM CONTINUING OPERATIONS

As at 30 September 2018, the continuing operations of the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited	
	30 September 2018 US$'000	31 March 2018 US$'000 (Restated)
Within one year	**45,132**	42,624
In the second to fifth year inclusive	**128,445**	136,636
After the fifth year	**83,949**	102,795
	257,526	282,055

(b) CAPITAL COMMITMENTS FROM CONTINUING OPERATIONS

	Unaudited	
	30 September 2018 US$'000	31 March 2018 US$'000 (Restated)
Contracted but not provided for:		
Property, plant and equipment	**776**	188
Computer software and system development costs	**4,759**	4,804
	5,535	4,992

19 Charges on Assets from Continuing Operations

As at 30 September 2018, there were no charges on the assets and undertakings of the Group (31 March 2018: Nil).

20 Related Party Transactions from Continuing Operations

The continuing operations of the Group had the following material transactions with its related parties during the period ended 30 September 2018:

	Note	Unaudited Six months ended 30 September **2018** **US$'000**	2017 US$'000 (Restated)
Purchases and service fees	*(i)*	**316,169**	293,355
Logistics services fee	*(ii)*	**1,300**	1,376
Operating leases rental income	*(iii)*	**152**	152
Operating leases rental paid	*(iii)*	**1,214**	1,144
Distribution and sales of goods	*(iv)*	**179**	109
Royalty income	*(v)*	**2,771**	2,729

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 continuing operations of the Group had no material related party transactions during the period.

21 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 2018 and up to the report date of the financial statements, the Group held no material financial instruments which are subject to price risk, except for the available-for-sale financial asset.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to consider a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

(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.

21 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.

22 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 2018.

	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	-	2,287	400	2,687
Liabilities				
Purchase consideration payable for acquisitions *(Note 12(a))*	-	-	51,726	51,726
Written put option liabilities *(Note 12(b))*	-	-	74,625	74,625

22 Fair Value Estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2018.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial asset	–	–	1,000	1,000
Derivative financial instruments	–	–	400	400
Liabilities				
Derivative financial instruments	–	3,216	–	3,216
Purchase consideration payable for acquisitions *(Note 12(a))*	–	–	129,789	129,789
Written put option liabilities *(Note 12(b))*	–	–	74,625	74,625

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.

22 Fair Value Estimation (Continued)

The following table presents the changes in level 3 instruments for the period ended 30 September 2018.

	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**	**129,789**	**74,625**
Settlements	**-**	**-**	**(35,804)**	**-**
Remeasurement of purchase consideration payable for acquisitions	**-**	**-**	**(41,792)**	**-**
Others	**-**	**-**	**(467)**	**-**
Closing balance	**1,000**	**400**	**51,726**	**74,625**

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.

23 Event after Balance Sheet Date

On 28 November 2018, a wholly-owned subsidiary of the Company has entered into the Sale and Purchase Agreement with a related company for the sale of the entire issued share capital of a subsidiary which is a distributor of kids' clothing lines in the PRC and the right to the economics of the kids' manufacturing, wholesale and retail businesses undertaken by another subsidiary in the PRC for a purchase price of US$20 million.

24 Approval of Interim Financial Information

The interim financial information was approved by the Board of Directors on 28 November 2018.

INFORMATION FOR INVESTORS

Listing Information

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

Index Constituent

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

Registrar & Transfer Offices

PRINCIPAL

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

HONG KONG BRANCH

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

Key Dates

28 November 2018
Announcement of FY2019 Interim Results

Share Information

Board lot size: 2,000 shares

Shares outstanding as at 30 September 2018
8,552,922,729 shares

Market Capitalization as at 30 September 2018
HK$3,506,698,319

Basic losses per share from Continuing Operations
For the six months ended 30 September 2018
Interim 2.31 US cents

Corporate Communications and Investor Relations

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Websites

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www.irasia.com/listco/hk/gbg

This FY2019 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2019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
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, discontinued operations 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
FY2019	fiscal year ending 31 March 2019
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 2018 to 30 September 2018
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
Share(s)	ordinary share(s) of HK$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
US$	United States dollar(s), the lawful currency of the United States of America

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