GLOBAL BRANDS GROUP HOLDING LIMITED

利標品牌有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 787

GBG
GLOBAL BRANDS GROUP

INTERIM REPORT FY2021 | 財政年度中期業績報告

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CORPORATE INFORMATION

NON-EXECUTIVE DIRECTOR
William FUNG Kwok Lun
Chairman

EXECUTIVE DIRECTOR
Richard Nixon DARLING
Chief Executive Officer

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Stephen Harry LONG
Allan ZEMAN
Audrey WANG LO
Ann Marie SCICHILI

CHIEF FINANCIAL OFFICER
Mark Joseph CALDWELL

GROUP CHIEF COMPLIANCE & RISK MANAGEMENT OFFICER
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HSBC Bank USA, National Association
Mizuho Bank, Ltd.
Standard Chartered Bank

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HIGHLIGHTS

- Focused strategy on cash preservation with EBITDA remaining positive at US$15 million
- Total margin rate remained stable at 35%, despite the challenging environment and impact of COVID-19
- Revenue and total margin significantly impacted by COVID-19 pandemic, partially offset by a reduction in operating costs
- Pivot towards stronger direct-to-consumer business, which showed significant growth as a percentage of revenue during the period
- While new brand opportunities emerge, we continue to selectively add new licenses, expecting these to have a positive impact on our FY2022 results

	Six months ended 30 September		
(US$ million)	**2020**	2019 (Restated)[1]	**Change**
Revenue	**290**	537	–46.1%
Total margin	**102**	195	–47.4%
As % of revenue	***35.4%***	*36.3%*	
Operating costs	**171**	222	–22.8%
Operating loss	**(69)**	(29)	–138.0%
Net loss attributable to shareholders	**(122)**	(90)	
EBITDA[2]	**15**	46	–66.4%

(1) Restated comparative financials to reflect certain discontinued brands in the U.S. including Men's Fashion, Women's Collection and Footwear Specialty, which are classified as discontinued operations

(2) EBITDA: Net (loss)/profit before net interest expenses, tax, depreciation and amortization (excluding amortization of brand licenses), also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related costs, discontinued operations and non-cash (loss)/gain on remeasurement of contingent consideration payable

CHAIRMAN'S STATEMENT

2020 is entering its final stretch amidst the most extraordinary circumstances of our recent history. During the first six months of the fiscal year 2021, the world was still experiencing a period of unprecedented turmoil. The COVID-19 pandemic is far from disappearing, with the incidence of new cases accelerating in the U.S. and Europe and new lockdowns being recently imposed in many countries. The coronavirus crisis is testing our resilience as individuals, as professionals and as a global society.

The fast spread of COVID-19 and the necessary measures implemented to minimise the risks, have impacted global economies negatively, and while the swift recovery in China has surprised on the upside, the global economy's long ascent back to pre-pandemic activity levels remains vulnerable to setbacks. The fragility of the current environment has consequently led to a high level of volatility in global markets, along with a deterioration in consumer spending and a decline in business investment. The pandemic is evolving rapidly, and few can accurately predict the duration and extent of it until an effective vaccine became widely available. The global downturn has significantly impacted markets around the world and inevitably affected the businesses of Global Brands and its customers. However, we have also seen resilience and adaptability in the Group's businesses, and we remained committed to overcoming this unparalleled global environment and to emerging stronger.

The COVID-19 pandemic has accelerated the technological transformation of our industry that had already started over a decade ago, turning traditional brick-and-mortar stores into immersive, entertaining spaces, driving the surge of digital e-platforms, and accelerating the building of omni-channel retailing models by retailers. Consumers have become more sophisticated; demanding fast and personalised responses; and expecting brands to be inclusive, sustainable and responsible. To cater to these demands, the global supply chain has continued to evolve, becoming increasingly innovative, more flexible and, above all, faster. The move from traditional supply chain ("supply chain 1.0") to what I would call a "supply chain 2.0", involving the digitalisation of the whole supply process, will be the culmination of the technology transformation in this space.

Not only does our industry have to respond to the challenges that advancing technology brings, but also to changes in the political landscape that are shaping the world. The US-China trade dispute has imposed tariffs on goods which are worth billions of dollars, severely disrupting many businesses. Despite the American Presidential election being called for President-elect Joe Biden, uncertainty in the U.S. is set to continue for some time until the direction of the next administration become clearer. However, it is widely anticipated that the new occupants of the White House will choose to reduce tensions between the United States and-China and adopt a less volatile approach to their communications, as well as favour a return to a multilateral approach in terms of international trade.

In Europe, we have been watching the outcome of the negotiations between the U.K. and the European Union. On 31st December, the U.K. will exit the EU and the terms are not yet clear. A no-deal Brexit may cost the British economy dearly and would add more instability to the industry.

I believe risks also offer new opportunities. Our industry and our company have been continuously disrupted throughout the decades, and have demonstrated they can adapt and thrive during shifts in technology, in politics, and now in the face of the COVID-19 pandemic. In times of uncertainty, retailers need to adjust their business models in an evolving market environment and adopt flexible strategies in order to succeed. The Group has continued to respond to opportunities arising in the new retail landscape, as it is critical now more than ever that retailers seek to work with partners like Global Brands, to help them in navigating the changes that the industry is dealing with.

The world appears to have polarised, and we are already seeing that in the current climate, only businesses that can deftly adjust their structures and embrace change will survive and continue to grow. I am proud of how Global Brands has responded to the difficult times we have all faced during 2020. The Group has acted decisively to protect our staff, and to support our customers and stakeholders, while strengthening our efficiency and risk tolerance. At the same time, the Group has deepened its commitment to society, operating ethically and responsibly.

There is no doubt this year was a particularly challenging year in the Group's history, but I am nevertheless encouraged by the organizational progress we have made to address the challenges in the short-term, and prepare ourselves to prevail over the longer term. I would also like to express my profound gratitude to our colleagues for their dedication under these extraordinary circumstances, and to our customers, shareholders, suppliers, and partners for their loyalty, support, and commitment to us.

William FUNG Kwok Lun
Chairman

Hong Kong, 25 November 2020

CEO'S STATEMENT

Global Brands has faced challenges during the first six months of fiscal year 2021 that were unimaginable. The COVID-19 pandemic has transformed our lives and forced businesses to adapt quickly and become more agile and flexible. Global Brands has not been immune to this. We have experienced unprecedented circumstances, from retail closures to remote working and social upheaval. Yet despite these challenges, the Group has embraced the opportunity to transform the business, and by further restructuring and growth in new areas, we are emerging as a more nimble, stable and purpose-driven organization.

We began fiscal year 2021 with most of our retail customers closing stores in the U.S. and Europe as social distancing restrictions were implemented around the world. These measures caused the cancellation of most of our Spring orders. While the closures were initially expected to last just one month, they ultimately continued through the end of June, significantly impacting our first quarter and interim results.

In addition, two other events have affected the business. First, as we announced our final full year results for FY2020 in August, the Group had a technical breach of our net worth covenant, resulting in forbearance of our banking facilities and prolonged negotiation with our bank partners to restructure our outstanding loans. Second, Centric Brands declared chapter 11 bankruptcy in May, leading to the rejection of some substantial leases for which the Group remained responsible due to the sale of businesses to Centric in FY2019.

In order to navigate the challenges above, we adopted a cautious strategy and focused on preserving the Group's cash position. To do this, we implemented furlough programs in the U.S. and Europe, reduced salaries for our management team and employees, introduced a ban on all travel, and temporarily closed offices. As the world shifted to remote working, the health and safety of our employees and partners was top of mind. Facilitated by the use of virtual showrooms and remote customer presentations, we were able to conduct business and maintain our relationships while ensuring social distancing. The environment we have created using these tools, has been a great success with our customers and with our people. Remote working remains in place to this day and will be integral to our future strategy.

During the first half of FY2021, revenue declined by 46% to US$290 million, while the net loss attributable to shareholders grew by 37% to US$122 million. Total margin declined by US$92 million while the margin rate remained stable at 35%. As we focused on cash preservation and cash generation, the reduction in revenue and total margin were partially offset by a reduction in operating costs, which resulted in our positive cash position and a positive US$15 million of EBITDA for the period.

At this time, I am pleased to announce we have reached the following agreements which further strengthening the Group's ability to weather this storm and prepare Global Brands for the future. We have reached agreement with our bank partners to restructure our outstanding loans with a repayment schedule which extends through April 2022. We have also reached an agreement that terminates a significant portion of our lease in the Empire State Building in New York related to the Centric space, which will relieve the Group of over US$100 million of future lease obligations. And finally, we have worked with our supplier partners on a payment schedule that addresses past due payments resulting from the cancellation of our customer orders.

While we have focused on maintaining our cash position during this challenging time, we have continued reorganizing our business in the U.S. and Europe, with the aim of building a more agile and stronger company. We have reduced operating divisions from five to two in the U.S. and from three to one in Europe. The Group has also eliminated brands that were underperforming prior to the pandemic and which had continued to deteriorate as result of its impact. At the same time, we have refocused our portfolio on those that are truly consumer connected brands. In the U.S., the Group has signed new licensing agreements with Le Tigre for apparel &

footwear and with Capezio for activewear, footwear and accessories, while in Europe, the Group is close to signing new license agreements with two well-known brands. All the brands signed or in discussion have the same characteristic: a strong heritage and a loyal consumer base, and they represent the direction of Global Brands moving forward. We expect these brands to positively impact our FY2022 results.

Pivoting the Company toward a stronger direct-to-consumer ("DTC") model is a major initiative that began last year, and has played an important role in the first six months of FY2021. Our DTC business has grown to 22% of revenue compared to 12% in the first half of FY2020. Total margin on the DTC business was 66%, a 600bps improvement over same period last year and compares to 35% on our wholesale business. The margin improvement was the result of launching several new brands built and owned by the Group. Fiorelli, b new york, AIRBAND, Ely & Walker and Aquatalia all showed significant increases and are well on their way to establishing strong direct relationships with their relevant consumer markets. In the summer, we launched JUNIPERunltd, the Group's first marketplace for adaptive products, serving people with disabilities and their caregivers. JUNIPERunltd will generate gross margin from its own brands and revenue from third-party brands on a revenue sharing model. Our DTC model will continue to develop and will impact positively the future profit generation for the Group.

Our third segment, Brand Management, which remains a key part of the Group, has been minimally impacted by the pandemic. Comprised of CAA-GBG (our joint venture with Creative Arts Agency) and Seven Global (our joint venture with DBVL representing David Beckham), Brand Management has signed over 200 new licenses and renewal agreements since April. New agreements have been executed across the U.S., Europe and China, including deals with Playboy, Netflix, Formula One, gaming brands League of Legends and Minecraft, and celebrities Rita Ora, Brett Favre and Dr. Oz. These deals generate short term licensing commissions and provide longer term revenue guarantee as the deals mature. In addition, there are over 100 new opportunities in the pipeline to be concluded in the second half of the fiscal year.

Global Brand has faced and continues to address the challenges presented as a result of the pandemic. Nevertheless, we have taken the opportunity to transform our business amidst these extremely difficult and demanding circumstances. The COVID-19 pandemic has forced us to look at every aspect of how we operate and the impact it has had on all our stakeholders – from our shareholders to our suppliers, and from our teams to the many others who we engage with every day. Above all, our employees have had to face the greatest difficulties – furloughs, salary reductions, benefit reductions, and an inability to meet colleagues in person. Despite the challenges they face with their family and personal lives being turned upside down, they continued to work diligently and to ensure that our company continues to move forward. They have also learned to communicate virtually, creating great products and generating innovative ideas that are building an essential foundation for the company to succeed going forward. I could not be more grateful for their dedication and commitment during this time. Although we do not know how much longer the world's battle against COVID-19 will last, I do know that the strength, talent and dedication of our team will carry us into brighter days ahead.

Rick DARLING
Chief Executive Officer

Hong Kong, 25 November 2020

MANAGEMENT DISCUSSION & ANALYSIS

RESULTS OVERVIEW

During the Reporting Period, the world has experienced one of the most difficult times of our recent history. The COVID-19 pandemic has severely impacted the global economy, posing unprecedented challenges to the way we live and work. All businesses, including those in our industry, were forced to adapt quickly to the new circumstances. The tough regulations, social distancing and travel restrictions implemented worldwide have led to a significant slowdown of the economy. In such a challenging environment, Global Brands has reacted swiftly to the changes and continued to embrace the new normal to seize opportunities.

During the Reporting Period, the Group has seen the closure of retail stores in global markets, which affected our customers, retailers, and brand owners. The industry's recovery will be a long process, and Global Brands remains committed to managing our business operations and our cashflow. The Group continued to adopt a disciplined approach to cost management across the Company, as well as implementing a disciplined inventory purchasing system to match purchases from suppliers to customers, and to eliminate speculative inventory buys. In Europe, the Group has made further advancements in its restructuring efforts and has integrated its businesses to strengthen efficiencies. In addition, our Brand Management business has gradually returned to pre-pandemic levels.

Despite the challenges, opportunities have also risen from the "new normal" environment. During the Reporting Period, the Group has focused on growing its DTC business, while proactively exploring new licensing opportunities in the marketplace. At the same time, we are constantly reviewing our portfolio and evaluating the performance of all our brands such that we can set specific strategies to grow, expand or exit the brand. We are starting to see the results of these efforts in the last two months of the Reporting Period, where our revenue showed signs of renewed growth.

During the Reporting Period, the Group's revenue decreased by 46.1%, compared to the same period last year, reflecting our rationalizing of unprofitable brands, reducing low margin sales, as well as the negative impact of the COVID-19 pandemic. Total margin decreased to US$102 million mainly due to the drop in revenue; while total margin rate remained stable at 35.4% for the Reporting Period. Operating costs decreased by US$51 million compared to the same period last year, to US$171 million, which was driven by the Group's efforts in restructuring and cost reduction initiatives during the period. EBITDA decreased by US$31 million, due to the decrease in revenue partially offset by lower operating expenses.

The table below summarizes the Group's financial results for the six months ended 30 September 2020 and 2019.

	Six months ended 30 September			
	2020	2019 (Restated)[1]	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**290**	537	(248)	–46.1%
Total Margin	**102**	195	(92)	–47.4%
% of Revenue	***35.4%***	*36.3%*		
Operating Costs, excluding Other Losses	**171**	222	(51)	–22.8%
Other Loss	**–**	2	(2)	–100.0%
Operating Loss	**(69)**	(29)	(40)	–138.0%
% of Revenue	***–23.8%***	*–5.4%*		
EBITDA[2]	**15**	46	(31)	–66.4%
% of Revenue	***5.3%***	*8.6%*		
Net Loss Attributable to Shareholders	**(122)**	(90)	(33)	–36.5%
% of Revenue	***–42.3%***	*–16.7%*		

(1) Restated comparative financials to reflect certain discontinued brands in the U.S. including Men's Fashion, Women's Collection and Footwear Specialty, which are classified as discontinued operations

(2) EBITDA: Net (loss)/profit before net interest expenses, tax, depreciation and amortization (excluding amortization of brand licenses), also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related costs, discontinued operations and non-cash (loss)/gain on remeasurement of contingent consideration payable

THREE BUSINESS SEGMENTS

Our segmental disclosure consists of three business segments, namely the wholesale and DTC businesses under the North America and Europe segments, and our Brand Management business as our third segment.

The Group continues to sell branded and private label products under its North America and Europe segments, and to sell its products through multiple 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 shifting buying patterns, the Group benefits from its diversified licensed brand portfolio, without reliance on any one brand, product, or demographic, or on any one distribution channel. The Group adheres to a channel-agnostic approach to distribution, allowing flexibility and choice in terms of mapping the most appropriate products, pricing, and distribution channels for each brand, to maximize the value of these brands in their respective life cycles.

In addition to operating product licensing businesses within our North America and Europe segments, the Group continues to develop its third segment, our Brand Management business. Acting as a brand manager and agent for brand owners and celebrities, the Group offers clients the expertise to expand their brand assets into new product categories, geographies and retail, and e-commerce collaborations, generating revenue by taking a percentage of the license fee or royalty paid by the licensees to the brand owner.

NORTH AMERICA

Comprising Men's and Women's Fashion Footwear, Women's Fashion Apparel and Sports and Lifestyle, it is the largest segment of the Group, accounting for approximately 56% of Global Brands' total revenue for the Reporting Period.

We have continued to grow our portfolio of brands including Spyder, Aquatalia, Frye, Elie Tahari, Ellen Tracy, Ely & Walker, Katy Perry and b new york. The Group is the operating partner of choice for several leading US brand groups whose primary focus is brand ownership rather than the operational aspects of their brands.

During the Reporting Period, the Group has signed new licensing agreements with brands including Le Tigre for apparel & footwear and Capezio for activewear, footwear and accessories, helping the brands to further expand into new categories. In addition, we launched JUNIPERunltd (Juniper), an inclusive and accessible content hub, style destination and e-commerce marketplace, inspired by MagnaReady, a fashion apparel line catering to people with disabilities. Global Brands has also partnered with Nick Graham on a joint venture to manufacture, distribute and market AIRBAND, a new collection of health and wellness products including face coverings and masks made of microbiotic protective material.

The Group's products continued to appeal to consumers who desire well-known brands and demand well-designed, high-quality products. This includes our own footwear brand Aquatalia, which performed well during the Reporting Period, benefiting from loyalty of its customer base. At the same time, the Group continued to transform Aquatalia into a lifestyle brand and to explore new product categories.

As for Spyder, the brand has expanded its product categories to include functional wear and footwear for other sports, in addition to its already popular ski apparel. In response to the changing environment and consumers' shopping behavior, Frye has exited all retail locations and moved to a solely digital business. The brand has also hosted its first-ever warehouse sale online, which was well received by customers.

During the Reporting Period, revenue from North America decreased by 50.7% to US$162 million as compared with the same period of the prior year, primarily due to rationalizing unprofitable brands, reducing low margin sales, as well as the negative impact of the COVID-19 pandemic. Total margin rate was comparable to the same period of last year. Operating costs remained unchanged as compared with the same period last year, at US$124 million. During the Reporting Period, North America recorded an operating loss of US$70 million, primarily due to the negative impact of COVID-19 pandemic.

	Six months ended 30 September			
	2020	2019 (Restated)[1]	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**162**	329	(167)	–50.7%
Total Margin	**54**	112	(58)	–51.9%
% of Revenue	***33.2%***	*34.0%*		
Operating Costs[2]	**124**	124	–	–
Operating Loss	**(70)**	(12)	(58)	–488.1%
% of Revenue	***–43.3%***	*–3.6%*		

(1) Restated comparative financials to reflect certain discontinued brands in the U.S. including Men's Fashion, Women's Collection and Footwear Specialty, which are classified as discontinued operations

(2) Operating Costs: Net of other gains/losses

EUROPE

The Group's European business primarily supplies Apparel, Footwear and Accessory products, for both kids and adults, to retailers and consumers in the U.K., Germany, and Italy. Examples of brands we operate in Europe include Spyder, All Saints and Bikkembergs, and examples of brands we own include Aquatalia and Fiorelli.

During this Reporting Period, we continued our restructuring program to simplify our business. By integrating into one company across Europe, we have created a central European hub leveraging our economies of scale. With many companies in Europe struggling under the current environment, the business has seen new licensing opportunities arising.

While the Group works to capture the new opportunities, we are also integrating our teams to drive further efficiencies. In addition, we have been taking steps to review all DTC opportunities for our existing brands as well as new brands in the market. Our strategy to develop DTC business has resulted in revenue growth in DTC for our European businesses, as compared with the same period last year.

Fiorelli, the brand owned and managed by the Group, has launched two new collections. The first is a collection developed alongside the British Beekeepers Association, which promotes the importance of bees for the environment. Another collection launched, Recover, is a collection of versatile pieces made from recycled materials and ethically sourced fabrics. Additionally, Fiorelli has become one of the first brands in the world to use recycled materials in all hardware employed in product manufacturing.

In the footwear business, Bikkembergs has teamed up with Italian musician Fedez to launch a unisex footwear capsule. The collection reflects the creative spirit of both the brand and the artist, combining urban style with the sporty feel of the brand.

During the Reporting Period, revenue from Europe decreased by 42.5% to US$98 million as compared with the same period last year, primarily due to rationalizing unprofitable brands, reducing low margin sales, as well as the negative impact of COVID-19 pandemic. Total margin decreased from 30.2% in the same period of last year to 20.5% as a percentage of revenue, mainly as a result of decrease in revenue. Operating costs decreased by 70.5% to US$23 million primarily driven by restructuring and cost savings initiatives, and foreign exchange rates appreciation. The Europe business recorded an operating loss of US$3 million during the Reporting Period, an improvement of 89.6% compared with the same period last year, mainly attributed to restructuring and cost savings initiatives as mentioned above.

	Six months ended 30 September			
	2020	2019 (Restated)[1]	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**98**	171	(73)	–42.5%
Total Margin	**20**	52	(32)	–61.1%
% of Revenue	***20.5%***	*30.2%*		
Operating Costs[2]	**23**	77	(54)	–70.5%
Operating Loss	**(3)**	(25)	23	89.6%
% of Revenue	***–2.7%***	*–14.8%*		

(1) Restated comparative financials to reflect certain discontinued brands in the U.S. including Men's Fashion, Women's Collection and Footwear Specialty, which are classified as discontinued operations

(2) Operating Costs: Net of other gains/losses

BRAND MANAGEMENT

Our Brands Management business continues to operate on a global basis and remains a market leader. The business comprises our long-term joint venture with Creative Artists Agency (CAA), CAA-GBG Brand Management Group (CAA-GBG), the world's largest brand management company, and our established joint venture with David Beckham, known as Seven Global.

CAA-GBG offers clients access to the Group's industry-leading expertise across all facets of the brand extension process. These include expanding brands into new product categories and/or across geographies, developing retail and online collaborations, and assisting in the distribution of licensed products. Our clients comprise a diverse range of global corporate, entertainment, celebrity, and lifestyle brands, including Netflix, Coca-Cola, Playboy, David Beckham, Drew Barrymore, Formula 1, Riot's Game League of Legends, and Minecraft.

During the Reporting Period, CAA-GBG entered into three new partnerships. First, CAA-GBG signed an agreement with Jaguar Land Rover, the U.K.'s largest automotive manufacturer, under which we will be responsible for lifestyle and consumer product development worldwide for both Jaguar and Land Rover.

CAA-GBG was also appointed to represent Sesame Street in the South East Asia Region, to support and evolve Sesame Street's existing business, along with building further brand extension opportunities with strategic partners across the region.

Lastly, CAA-GBG has signed an agreement to represent globally Red Bull Racing (Formula One Team), deepening our connections within the world of Formula 1. CAA-GBG will be responsible for developing CPG strategies for Red Bull Racing and Red Bull Advanced Technologies across key international markets.

Under the Brand Management segment, revenue decreased by 22.4% to US$29 million, compared to the same period last year. Total margin rate increased to 97.1 % from 83.0% in the same period last year, mainly due to discontinuing a low margin business. Operating costs increased slightly from US$23 million in the same period last year, to US$25 million. Compared to the same period last year, operating profit decreased by US$4 million, mostly as a result of the decrease in revenue.

	Six months ended 30 September			
	2020	2019 (Restated)[1]	**Change**	
	US$mm	US$mm	US$mm	%
Revenue	**29**	38	(8)	–22.4%
Total Margin	**29**	31	(3)	–9.1%
% of Revenue	***97.1%***	*83.0%*		
Operating Costs[2]	**25**	23	2	6.9%
Operating Profit	**4**	8	(4)	–53.5%
% of Revenue	***13.2%***	*22.0%*		

(1) Restated comparative financials to reflect certain discontinued brands in the U.S. including Men's Fashion, Women's Collection and Footwear Specialty, which are classified as discontinued operations

(2) Operating Costs: Net of other gains/losses

GEOGRAPHICAL SEGMENTATION

For the Reporting Period, the geographical split of the Groups revenue was 43% Americas, 42% Europe and 15% Asia.

LICENSE AND BUSINESS

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

Name	Business	Strategic Rationale
Le Tigre	• License of Men's & Women's Apparel and Footwear	• Expands the Group's apparel and footwear categories across multiple seasons, consumer groups and global territories
Capezio	• Licensed products for Men's, Women's and kid's sportswear and accessories	• Expands the Group's categories to produce accessories and give an opportunity to enter the kid's markets
Jaguar Land Rover	• Brand Management and exclusive agent representative for the brand	• Opportunity to build significant licensing program with global rights (apart from Hong Kong) in various categories including apparel, accessories, home and lifestyle.

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		
	2020	2019	**Change**
	US$mm	US$mm	US$mm
Cash and cash equivalents at 1 April	**84**	379	(295)
Net cash flow from operating activities	**4**	(34)	38
Net cash flow from investing activities	**9**	(39)	48
Net cash flow from financing activities	**(42)**	(270)	228
Effect of foreign exchange rate changes	**1**	(1)	2
Cash and cash equivalents at 30 September	**56**	35	21

CASH FLOW FROM OPERATING ACTIVITIES

During the Reporting Period, cash inflow from operating activities was US$4 million as compared to an outflow of US$34 million in the same period in FY2020. Operating cash flow was positively impacted by the decrease in settlement of licenses payables in the Reporting Period.

CASH FLOW FROM INVESTING ACTIVITIES

Cash inflow from investing activities totaled US$9 million during the Reporting Period as compared to a cash outflow of US$39 million in the same period in FY2020. The Group paid US$6 million of consideration payments for prior years' acquisitions and US$4 million for the purchase of capital expenditures during the Reporting Period compared to US$32 million and US$9 million, respectively in the same period of prior year.

CASH FLOW FROM FINANCING ACTIVITIES

During the Reporting Period, the Group had a net draw down US$32 million in bank loans compared to a net repayment of US$211 million in the same period in FY2020. The Group paid US$281 million special dividend in cash which was mostly offset with proceeds from shareholder loans of US$292 million in the same period of prior year.

As at 30 September 2020, the Group's cash and cash equivalents position was US$56 million, compared to US$84 million as at 31 March 2020.

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 credit agreement with the committed syndicated credit facility of US$175 million as at 30 September 2020 and maturing in April 2022. In addition, the Group also has US$137 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 2020, US$281 million of the Group's bank loans were drawn down.

BANK LOANS, BANK OVERDRAFTS AND OTHER FACILITIES AS AT 30 SEPTEMBER 2020

	Limit US$mm	Outstanding Bank Loans and Bank Overdrafts US$mm	Other Facilities Utilized US$mm	Unused Limit US$mm
Committed	**175**	**174**	**–**	**1**
Uncommitted	**137**	**107**	**30**	**–**
Total	**312**	**281**	**30**	**1**

CURRENT RATIO

As of 30 September 2020, the Group's current ratio was 0.41, based on current assets of US$613 million and the current liabilities of US$1,513 million, which is decreased from a current ratio of 0.44 as of 31 March 2020.

As a result of a write down caused by (a) the impact from COVID-19 (b) one-time expenses primarily due to waiver and lien expenses associated with the Group's bank facilities and (c) expenses related to brand rationalization, restructuring and other non-recurring one-time costs, the Group was in technical breach of two financial covenants related to the Old Loan Agreement amounting to US$174 million as at 30 September 2020. Subsequent to the reporting period in October 2020, the Company has entered into a New Loan Agreement with same lenders which replaced the Old Loan Agreement and waived the non-compliance of the financial covenants as stipulated in the Old Loan Agreement. The New Loan Agreement set out the new financial covenant terms and with a repayment schedule of the loan which extends through April 2022.

CAPITAL STRUCTURE

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

The Group's total equity reduced to US$149 million as at 30 September 2020 compared to US$222 million as at 31 March 2020 due to the operating loss during the Reporting Period.

The Group's gross debt was US$281 million as at 30 September 2020, which was for general working capital purpose. As at 30 September 2020, the Group's gross debt was at floating rates based on LIBOR. Taking into account cash on hand, total net debt amounted to US$218 million as at 30 September 2020, resulting in a gearing ratio of 59.4%. The gearing ratio is defined as total bank borrowings, net of cash and bank balances, divided by total net bank 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 2020, the Group had outstanding contingent consideration payable of US$2 million, of which was primarily 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 two to three years whereas earn-up payment with higher performance target threshold would be payable in a period of up to four to six years upon completion of a transaction. The Group follows a stringent internal financial and accounting policy in evaluating the estimated fair value of these contingent considerations, in accordance with HKFRS 3 (Revised) Business Combination.

PEOPLE

As at 30 September 2020, the Group had a total workforce of 1,415, out of which 442 were based in Americas, 521 based in Europe and 452 based in Asia. Total manpower costs for the Reporting Period in continuing operations were US$52 million.

GOING CONCERN AND MITIGATION MEASURES

The Group reported a net loss after tax of US$119,838,000 for the six-month period ended 30 September 2020. As at 30 September 2020, the Group's current liabilities exceeded its current assets by US$899,391,000. Included in current liabilities were syndicated loan and other short-term bank loans totaling US$281,338,000, trade payables to external parties of US$373,544,000 and trade related payables to related companies of US$627,204,000. Cash and cash equivalents were US$55,805,000 as at 30 September 2020.

The Group's performance has been impacted by COVID-19 pandemic since the beginning of 2020. The emergence of further waves of the pandemic since November has increased the uncertainty of the Group's forecast of recovery from the restrictions and lockdown measures in the U.S. and Europe. As at 30 September 2020, the Company had failed to comply with two financial covenants in respect of a syndicated loan of US$174,055,000, and trade payables to external creditors and related companies which have become past due, together with accrued unpaid interest, amounted to approximately US$851,000,000. These conditions, together with other matters described in Note 2 to the interim financial information, indicate the existence of material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern. However, the Company has been pursuing a number of measures to improve the Group's liquidity and financial position, to finance its operations and to restructure its borrowings as detailed in Note 2 to the interim financial information. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the interim financial information on a going concern basis. There is however no assurance that all or any of the above measures will be achieved to the extent and within the timeline expected. The Directors will closely monitor progress and take appropriate measures to address any setback with a view to continuing to run the businesses as a going concern. During its review of the interim financial information for the six months ended 30 September 2020, the Audit Committee concurred with the going concern basis adopted by the Company.

Remark:

EBITDA

The following table reconciles the operating loss to EBITDA of the Group's continuing operations for the periods indicated.

	Six months ended 30 September	
	2020	2019 (Restated)[1]
	US$mm	US$mm
Operating loss	**(69)**	(29)
Add:		
Amortization of computer software and system development costs	**5**	5
Depreciation of property, plant and equipment and right-of-use assets	**39**	39
Amortization of other intangible assets	**8**	9
Other non-core operating expenses	**32**	20
Less:		
Other losses, net	**–**	2
EBITDA	**15**	46

[1] Restated comparative financials to reflect certain discontinued brands in the U.S. including Men's Fashion, Women's Collection and Footwear Specialty, which are classified as discontinued operations

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, accountability and independence.

Our corporate governance practices during the Reporting Period are in line with the practices set out in our FY2020 Annual Report and on our corporate website.

THE BOARD

The Board is currently composed of one Executive Director, one Non-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.

Professor Hau Leung LEE retired as Non-executive Director of the Company and accordingly, ceased to be a member of the Audit Committee with effect from the conclusion of the annual general meeting of the Company held on 30 September 2020.

Save as disclosed above, there had been no other changes in the Board and Board Committees since 1 April 2020 to the date of this Report.

Further details of changes in the information of our Directors are set out in the "Other Information" section on page 26.

BOARD AND COMMITTEE MEETINGS DURING THE REPORTING PERIOD

	Number of Meetings	Average Attendance Rate
Board	9	100%
Nomination Committee	1	100%
Audit Committee	3	100%

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the interim financial information for the six months ended 30 September 2020 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 "Corporate Governance Report" section on pages 21 to 40 of our FY2020 Annual Report, which is available on our corporate website.

Based on the respective assessments made by management and the Corporate Governance team responsible for internal audit, the Audit Committee considered that during the Reporting Period:

- The risk management and internal controls and accounting systems of the Group were 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 the Group's policies and procedures under management's authorization and the financial information was reliable for publication.

- There was an ongoing process 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 during the Reporting Period and is satisfied that it has been in full compliance with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report 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. We appreciate that some of our employees may have access to unpublished, price-sensitive information ("Inside Information") in their daily work; as such we have extended such procedures to cover relevant employees who are likely to be in possession of 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 for the Reporting Period. No incident of non-compliance by Directors and relevant employees was noted.

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

OTHER INFORMATION

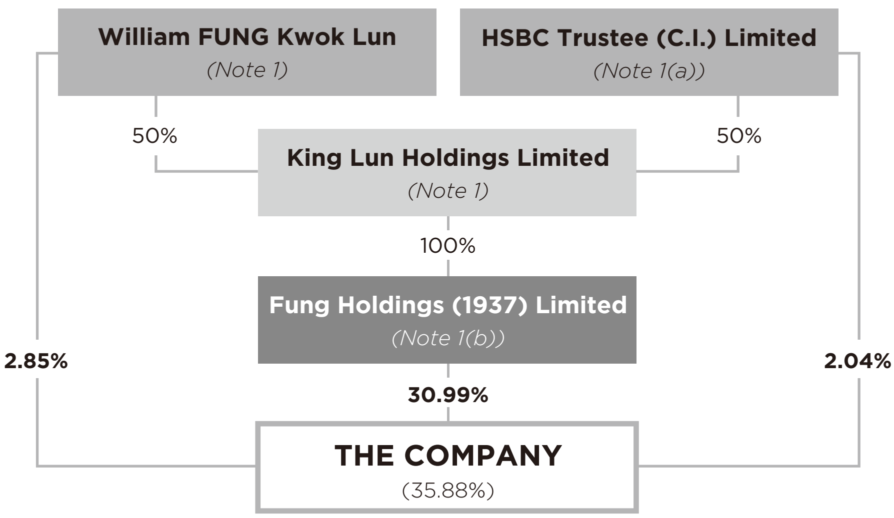
DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2020, 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 POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

	Number of Shares						
Name of Directors	Personal Interest	Family Interest	Trust/ Corporate Interest	Equity Derivative (Share Options)	Beneficiary of a Trust (Share Awards)	Total	Approximate Percentage of Issued Share Capital
William FUNG Kwok Lun	21,625,564	10,880	326,431,617[1]	-	-	348,068,061	33.83%
Paul Edward SELWAY-SWIFT	12,668	-	5,630[2]	-	-	18,298	0.00%

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



NOTES:

As at 30 September 2020,

(1) Out of 326,431,617 Shares, 2,611,440 Shares and 5,029,420 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 318,790,757 Shares 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 HSBC Trustee and King Lun 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. First Island Developments Limited, a wholly-owned subsidiary of HSBC Trustee, held 20,992,528 Shares.

(b) Fung Holdings (1937) Limited ("FH (1937)"), a wholly-owned subsidiary of King Lun, directly held 298,790,757 Shares and through its wholly-owned subsidiary, Fung Distribution International Limited, indirectly held 20,000,000 Shares.

(2) 5,630 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

As at 30 September 2020, 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 2020, other than the interests of the Directors and chief executives of the Company as disclosed above, the following entities had interests in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital
HSBC Trustee (C.I.) Limited	Trustee[1]	339,783,285	33.03%
King Lun Holdings Limited	Interest of controlled entity[2]	318,790,757	30.99%

NOTES:

(1) King Lun's interest in 318,790,757 Shares is duplicated in the interest of HSBC Trustee. Please refer to Note (1(a)) under the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

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

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 2020.

SHARE AWARD SCHEMES

2014 AWARD SCHEME

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 1/4/2020**	**Forfeited**	**As at 30/9/2020**	**Vesting Date**
Continuous contract employees and ex-employees	11/5/2015	793,320	(124,749)[1]	668,571	31/12/2020

NOTES:

(1) 124,749 share awards were forfeited on 1 April 2020.

(2) The 2014 Award Scheme expired on 15 September 2020. Accordingly, no further awards could thereafter be granted pursuant to the 2014 Award Scheme.

2016 AWARD SCHEME

During the Reporting Period, no share awards were granted, vested, forfeited and outstanding as at 30 September 2020 under the 2016 Award Scheme.

As at 30 September 2020, the trustees of the 2016 Award Scheme held 3,012,520 Shares which can be applied to satisfy share awards to be granted under the 2016 Award Scheme, representing 0.29% of the Shares in issue as at 30 September 2020.

SHARE OPTION SCHEMES

2014 OPTION SCHEME

On 16 September 2014, the Company adopted the 2014 Option Scheme which is valid and effective for a period of 10 years commencing on the adoption date on 16 September 2014 and expiring on the tenth anniversary of the adoption date on 15 September 2024.

On 11 August 2016, the Board resolved to terminate the operation of the 2014 Option Scheme. Accordingly, no further options could thereafter be offered or granted pursuant to the 2014 Option Scheme, but the provisions of the 2014 Option scheme remain in full force and effect to govern the exercise of all the options granted prior to 11 August 2016.

Movements of the options granted under the 2014 Option Scheme during the Reporting Period are as follows:

Grantees	As at 1/4/2020	Forfeited/ Lapsed	As at 30/9/2020	Exercise Price HK$	Date of Grant	Exercise Period
Continuous contract employees and ex-employees	2,013,803	(1,392,333)[(2)]	621,470	14.97	4/11/2014	1/1/2019 – 31/12/2021
	3,285,106	(1,392,333)[(2)]	1,892,773	14.97	4/11/2014	1/1/2020 – 31/12/2022
	3,207,422	(3,129,738)[(2)]	77,684	14.97	4/11/2014	1/1/2021 – 31/12/2023
	155,368	(155,368)	–	14.97	4/11/2014	1/1/2022 – 3/11/2024
	830,112	–	830,112	15.68	28/5/2015	1/1/2019 – 31/12/2021
	830,112	–	830,112	15.68	28/5/2015	1/1/2020 – 31/12/2022
Total	10,321,923	(6,069,772)	4,252,151			

NOTES:

(1) No options under the 2014 Option Scheme were granted or exercised during the Reporting Period.

(2) 1,392,333 options with exercisable period from 1 January 2019 to 31 December 2021, 1,392,333 options with exercisable period from 1 January 2020 to 31 December 2022 and 2,974,371 options with exercisable period from 1 January 2021 to 31 December 2023 were lapsed on 1 April 2020.

As at 30 September 2020, out of the outstanding 4,252,151 options granted under the 2014 Option Scheme, 4,174,467 options remain exercisable and 77,684 options are still unvested (after taking into account the options that have been forfeited/lapsed).

2019 OPTION SCHEME

On 12 September 2019, the Company adopted the 2019 Option Scheme which is valid and effective for a period of 10 years commencing on the adoption date on 12 September 2019 and expiring on the tenth anniversary of the adoption date on 11 September 2029.

During the Reporting Period, no options were granted, exercised or cancelled under the 2019 Option Scheme.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of Directors' information since the publication of the Company's FY2020 Annual Report are set out below:

Name of Directors	Changes
Hau Leung LEE	Retired as Non-executive Director of the Company at the annual general meeting of the Company on 30 September 2020 and accordingly, ceased to be a member of the Audit Committee
William FUNG Kwok Lun	Resigned as Non-executive Chairman and director of Li & Fung Limited (privatised in May 2020) with effect from 8 October 2020

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 has resolved not to declare an interim dividend for the six months ended 30 September 2020 (2019: Nil).

INDEPENDENT REVIEW REPORT

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 were engaged to review the interim financial information set out on pages 30 to 63, which comprises the consolidated balance sheet of Global Brands Group Holding Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2020 and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 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. We report 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. However, because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim financial information as described in the Basis for Disclaimer of Conclusion section of our report, it is not possible for us to form a conclusion on the interim financial information.

BASIS FOR DISCLAIMER OF CONCLUSION

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As set out in Note 2 to the interim financial information, the Group reported a net loss after tax of US$119,838,000 for the six-month period ended 30 September 2020. The Group's performance has been impacted by COVID-19 pandemic since the beginning of 2020. The emergence of further waves of the pandemic since November has increased the uncertainty of the Group's forecast of recovery from the restrictions and lockdown measures in the U.S. and Europe. As at the same date, the Group's current liabilities exceeded its current assets by US$899,391,000. Included in current liabilities were a syndicated loan and other short term bank loans totaling US$281,338,000, trade payables to external parties of US$373,544,000 and trade related payables to related companies of US$627,204,000. Cash and cash equivalents held by the Group were US$55,805,000 as at 30 September 2020. Included in short term bank loans as at 30 September 2020 was a principal amount of US$174,055,000 from a syndicated loan facility (the "Syndicated Loan"). As at 30 September 2020, the Company as a guarantor, had failed to comply with two financial covenants in respect of (i) the Group's consolidated financial net worth; and (ii) the Group's consolidated net debt to consolidated financial net worth ratio, as stipulated in the Syndicated Loan agreement (the "Old Syndicated Loan Agreement"). In addition, the Group had other short-term bank loans (the "Short-term Bank Loans") which are uncommitted facilities and rolled forward on a monthly basis, with a principal outstanding amount of US$107,283,000 as at 30 September 2020. These conditions, together with other matters as further described in Note 2 to the interim financial information, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Subsequent to the period end, the Group has restructured its bank borrowings by entering into a new one-and-half-year loan agreement with the same lenders of the Syndicated Loan and the Short-term Bank Loans. This new loan agreement combined the Syndicated Loan and Short-term Bank Loans, and included revised financial covenants and scheduled monthly repayment terms. In addition, the Group has been pursuing a number of other measures to improve the Group's liquidity and financial position, as further set out in Note 2 to the interim financial information.

The interim financial information has been prepared on a going concern basis, the validity of which depends on the outcome of the measures as set out in Note 2 to the interim financial information, which are subject to multiple uncertainties, including whether the Group is successful in (a) ensuring ongoing compliance with its loan covenants; (b) managing the adverse impact of COVID-19 and implementing cost reduction measures; (c) raising additional cash through potential disposal of one of its businesses over the next twelve months (d) managing its working capital and obtaining agreement with trade creditors comprising external and related companies to extend payment terms for trade payables; and (e) continuing efforts to reposition the Group's brand positioning and seeking new business opportunities to improve the Group's financial performance. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effect thereof, we were unable to form a conclusion as to whether the going concern basis of preparation is appropriate.

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

DISCLAIMER OF CONCLUSION

We do not express a conclusion on the interim financial information of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim financial information as described in the Basis for Disclaimer of Conclusion section of our report, it is not possible for us to form a conclusion on the interim financial information.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 November 2020

CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30 September	
		2020	2019
		US$'000	US$'000
	Note		(Restated)
Continuing operations			
Revenue	*3*	**289,606**	537,238
Cost of sales		**(187,307)**	(342,831)
Gross profit		**102,299**	194,407
Other income		**119**	458
Total margin		**102,418**	194,865
Selling and distribution expenses		**(56,174)**	(83,404)
Merchandising and administrative expenses		**(115,064)**	(138,532)
Other losses, net	*4*	**–**	(1,848)
Operating loss	*3 & 4*	**(68,820)**	(28,919)
Interest income		**269**	493
Interest expenses			
Non-cash interest expenses		**(12,426)**	(14,362)
Cash interest expenses		**(25,652)**	(24,838)
		(106,629)	(67,626)
Share of profits of joint ventures		**110**	1,679
Loss before taxation		**(106,519)**	(65,947)
Taxation	*5*	**(805)**	2,963
Net loss for the period from continuing operations		**(107,324)**	(62,984)
Discontinued operations			
Net loss for the period from discontinued operations	*17*	**(12,514)**	(21,178)
Net loss for the period		**(119,838)**	(84,162)
Attributable to:			
Shareholders of the Company		**(122,394)**	(89,688)
Non-controlling interests		**2,556**	5,526
		(119,838)	(84,162)

		Unaudited	
		Six months ended 30 September	
		2020	2019
		US$'000	US$'000
	Note		(Restated)
Attributable to shareholders of the Company arising from:			
Continuing operations		**(109,880)**	(68,510)
Discontinued operations	*17*	**(12,514)**	(21,178)
		(122,394)	(89,688)
Losses per share for loss attributable to the shareholders of the Company during the period	*6*		
– basic from continuing operations		**(83.10) HK cents**	(52.67) HK cents
(equivalent to)		**(10.72) US cents**	(6.72) US cents
– basic from discontinued operations		**(9.46) HK cents**	(16.28) HK cents
(equivalent to)		**(1.22) US cents**	(2.08) US cents
– diluted from continuing operations		**(83.10) HK cents**	(52.67) HK cents
(equivalent to)		**(10.72) US cents**	(6.72) US cents
– diluted from discontinued operations		**(9.46) HK cents**	(16.28) HK cents
(equivalent to)		**(1.22) US cents**	(2.08) US cents

The notes on pages 38 to 63 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September	
	2020	2019
	US$'000	US$'000 (Restated)
Net loss for the period	**(119,838)**	(84,162)
Other comprehensive income/(expense):		
Item that may be reclassified to profit or loss		
Currency translation differences	**54,478**	(80,708)
Other comprehensive income/(expense) for the period, net of tax	**54,478**	(80,708)
Total comprehensive expense for the period	**(65,360)**	(164,870)
Attributable to:		
Shareholders of the Company	**(67,916)**	(170,396)
Non-controlling interests	**2,556**	5,526
	(65,360)	(164,870)
Attributable to the shareholders of the Company arising from:		
Continuing operations	**(55,408)**	(149,185)
Discontinued operations	**(12,508)**	(21,211)
	(67,916)	(170,396)

The notes on pages 38 to 63 form an integral part of this interim financial information.

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Non-current assets			
Intangible assets	*7*	**1,185,904**	1,207,162
Property, plant and equipment	*7*	**65,097**	75,277
Right-of-use assets		**216,702**	240,051
Joint ventures		**45,493**	55,857
Other receivables and deposits		**13,894**	4,366
Deferred tax assets		**226,436**	228,131
		1,753,526	1,810,844
Current assets			
Inventories		**191,191**	194,912
Due from related companies		**-**	52
Trade receivables	*8*	**205,381**	231,609
Other receivables, prepayments and deposits		**144,337**	73,049
Derivative financial instruments		**400**	1,371
Cash and bank balances	*9*	**63,205**	97,604
Tax recoverable		**8,646**	7,194
		613,160	605,791
Current liabilities			
Due to related companies	*10*	**627,204**	566,648
Trade payables	*11*	**373,544**	378,995
Accrued charges and sundry payables		**156,023**	110,668
Lease liabilities	*12*	**62,904**	59,945
Purchase consideration payable for acquisitions	*12(a)*	**1,713**	6,323
Derivative financial instruments		**642**	–
Tax payable		**9,183**	6,282
Bank loans*	*14*	**281,338**	249,055
		1,512,551	1,377,916
Net current liabilities		**(899,391)**	(772,125)
Total assets less current liabilities		**854,135**	1,038,719

* Bank loans of US$174,055,000 (31 March 2020: US$174,055,000) are classified as current liabilities due to non-compliance with two (31 March 2020: one) bank loan covenants as at 30 September 2020.

	Note	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Financed by:			
Share capital	*15*	**16,471**	16,471
Reserves		**187,116**	255,307
Shareholders' funds attributable to the Company's shareholders		**203,587**	271,778
Put option written on non-controlling interests		**(98,281)**	(98,281)
Non-controlling interests		**44,012**	48,479
Total equity		**149,318**	221,976
Non-current liabilities			
Purchase consideration payable for acquisitions	*12(a)*	**236**	1,138
Shareholder's loans payable	*13*	**274,270**	270,904
Lease liabilities	*12*	**210,542**	244,304
Other long-term liabilities	*12*	**213,421**	293,878
Deferred tax liabilities		**6,348**	6,519
		704,817	816,743
		854,135	1,038,719

The notes on pages 38 to 63 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited										
	Attributable to shareholders of the Company										
		Reserves									
	Share capital US$'000 *Note 15(a)*	Share premium US$'000	Capital reserves US$'000 *Note 15(b)*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *Note 16(b)*	Exchange reserves US$'000	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 2020	16,471	21,782	1,745,080	4,246	(769)	(240,495)	(1,274,537)	255,307	(98,281)	48,479	221,976
Comprehensive (expense)/income											
Net (loss)/profit	-	-	-	-	-	-	(122,394)	(122,394)	-	2,556	(119,838)
Other comprehensive income											
Currency translation differences	-	-	-	-	-	54,478	-	54,478	-	-	54,478
Total comprehensive income/ (expense)	-	-	-	-	-	54,478	(122,394)	(67,916)	-	2,556	(65,360)
Transactions with owners											
Employee share option and share award schemes											
– Value of employee services	-	-	-	(275)	-	-	-	(275)	-	-	(275)
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	(7,023)	(7,023)
Total transactions with owners	-	-	-	(275)	-	-	-	(275)	-	(7,023)	(7,298)
Balance at 30 September 2020	16,471	21,782	1,745,080	3,971	(769)	(186,017)	(1,396,931)	187,116	(98,281)	44,012	149,318

	Unaudited										
	Attributable to shareholders of the Company										
		Reserves									
	Share capital US$'000 *Note 15(a)*	Share premium US$'000	Capital reserves US$'000 *Note 15(b)*	Employee share-based compensation reserve US$'000	Shares held for share award schemes US$'000 *Note 16(b)*	Exchange reserves US$'000	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 2019	13,707	-	1,742,148	5,090	(3,882)	(164,051)	(672,378)	906,927	(98,281)	45,758	868,111
Comprehensive (expense)/income											
Net (loss)/profit	-	-	-	-	-	-	(89,688)	(89,688)	-	5,526	(84,162)
Other comprehensive expense											
Currency translation differences	-	-	-	-	-	(80,708)	-	(80,708)	-	-	(80,708)
Total comprehensive (expense)/ income	-	-	-	-	-	(80,708)	(89,688)	(170,396)	-	5,526	(164,870)
Transactions with owners											
Employee share option and share award schemes											
– Value of employee services	-	-	-	(874)	-	-	-	(874)	-	-	(874)
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	(5,680)	(5,680)
Capital contribution from a shareholder *(Note 13)*	-	-	27,478	-	-	-	-	27,478	-	-	27,478
Shares issued for scrip dividends	2,764	21,782	(24,546)	-	-	-	-	(2,764)	-	-	-
Total transactions with owners	2,764	21,782	2,932	(874)	-	-	-	23,840	-	(5,680)	20,924
Balance at 30 September 2019	16,471	21,782	1,745,080	4,216	(3,882)	(244,759)	(762,066)	760,371	(98,281)	45,604	724,165

The notes on pages 38 to 63 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited	
		Six months ended 30 September	
		2020	2019
	Note	**US$'000**	US$'000
Operating activities			
Operating profit adjusted for non-cash items before working capital changes		**2,693**	55,634
Changes in working capital		**93**	(87,982)
Net cash inflow/(outflow) generated from operations		**2,786**	(32,348)
Profits tax refunded/(paid)		**1,313**	(1,256)
Net cash inflow/(outflow) from operating activities		**4,099**	(33,604)
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(5,745)**	(31,667)
Dividends received from joint ventures		**10,474**	–
Other investing activities		**3,844**	(7,542)
Net cash inflow/(outflow) from investing activities		**8,573**	(39,209)
Net cash inflow/(outflow) before financing activities		**12,672**	(72,813)
Financing activities			
Proceeds from shareholder's loans		**–**	292,169
Distribution to non-controlling interest		**(7,023)**	(5,680)
Dividend paid		**–**	(280,526)
Drawdown of bank borrowings		**32,283**	–
Repayment of bank borrowings		**–**	(210,945)
Principal elements of lease payments		**(41,850)**	(40,565)
Interest paid		**(25,652)**	(24,838)
Net cash outflow from financing activities		**(42,242)**	(270,385)
Decrease in cash and cash equivalents		**(29,570)**	(343,198)
Cash and cash equivalents at 1 April		**83,880**	379,013
Effect of foreign exchange rate changes		**1,495**	(546)
Cash and cash equivalents of continuing operations at 30 September		**55,805**	35,269
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	*9*	**55,805**	36,906
Bank overdrafts		**–**	(1,637)
		55,805	35,269

The notes on pages 38 to 63 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 North America and Europe. The Group is also engaged in the brand management business offering expertise in expanding its clients' brand assets to new product categories, new geographies and retail collaborations, as well as assisting in distribution of licensed products on a global basis.

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

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

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 25 November 2020.

During the year ended 31 March 2020, the Company made the decision to discontinue certain brands in the U.S. including Men's Fashion, Women's Collection and Footwear Specialty, those are classified as discontinued operations. Their result for the period and the comparatives figures are presented separately as one-line item below net loss of the continuing operations. Further details of financial information of the discontinued operations are set out in Note 17 to the condensed interim 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 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 BASIS OF PREPARATION (CONTINUED)

GOING CONCERN BASIS

The Group reported a net loss after tax of US$119,838,000 for the six-month period ended 30 September 2020. As at the same date, the Group's current liabilities exceeded its current assets by US$899,391,000. Included in current liabilities were syndicated loan and other short-term bank loans totaling US$281,338,000, trade payables to external parties of US$373,544,000 and trade related payables to related companies of US$627,204,000. Cash and cash equivalents were US$55,805,000 as at 30 September 2020.

Included in bank loans as at 30 September 2020 was a principal amount of US$174,055,000 from a syndicated loan facility (the "Syndicated Loan") which had a contractual repayment date beyond 30 September 2021. As at 30 September 2020, the Company as a guarantor, had failed to comply with two financial covenants in respect of (i) the Group's consolidated financial net worth; and (ii) the Group's consolidated net debt to consolidated financial net worth ratio, as stipulated in the loan agreement (the "Old Syndicated Loan Agreement"). These non-compliance constituted events of default ("events of default") under the Old Syndicated Loan Agreement, such that the lenders of the Syndicated Loan (the "Lenders") may exercise their rights to serve notice to terminate and demand all amounts including interest immediately due and payable. Accordingly, the Syndicated Loan of US$174,055,000 has been classified as a current liability in the Group's consolidated balance sheet as at 30 September 2020. In addition, the Group had other short-term bank loans (the "Short-term bank loans") which are uncommitted facilities and rolled forward on a monthly basis, with a principal outstanding amount of US$107,283,000. The aggregate outstanding principal amounts and accrued interest payable on the Syndicated Loan and Short-Term Bank Loans amounted to US$281,366,000 as at 30 September 2020.

Also included in non-current liabilities as at 30 September 2020 were shareholder's loans of US$274,270,000 which are subordinated to the above bank loans as explained in Note 13. As at 30 September 2020, the trade payables to external creditors and related companies which have become past due, together with accrued unpaid interest, amounted to approximately US$851,000,000.

Following the sale of the North America operations in 2019, the Group embarked on a restructuring program with various strategic areas to improve net margins, improve EBITDA and reduce operating costs. However, the outbreak of the COVID-19 pandemic has severely impacted the Group, starting with initial temporary disruptions to the Group's supply chain sourced from Mainland China in January 2020, but further escalating to the shutdown of our customers' stores across Europe and the United States from March 2020 onwards. There have been some signs of recovery from the reopening of our customers' stores in recent months, but the possible emergence of further waves of the pandemic since November 2020 has increased the level of uncertainty in the Group's forecast of recovery.

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

2 BASIS OF PREPARATION (CONTINUED)

GOING CONCERN BASIS (CONTINUED)

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Directors of the Company have reviewed the cash flow projection of the Group which covers the next twelve months from 30 September 2020 and which have taken into consideration of the following plans and measures in assessing the sufficiency of the Group's working capital requirements:

i. Since the events of default on the Syndicated Loan, there has been ongoing communications with the Lenders, who have agreed to provide six separate agreements to forbear from exercising their rights and remedies under the Old Loan Agreement to declare and demand for immediate repayment for the forbearance periods from 4 May 2020 to 15 June 2020, 19 June 2020 to 31 July 2020, 31 July 2020 to 31 August 2020, 1 September 2020 to 15 September 2020, 15 September 2020 to 30 September 2020, and 11 October 2020 to 16 October 2020 respectively, subject to certain conditions, including requiring the Group to maintain certain levels of payables to related companies during the respective forbearance periods.

   On 23 October 2020, the Group entered into a new loan agreement with the same lenders of the Old Syndicated Loan Agreement and the Short-term Bank Loans (the "New Loan Agreement") which replaced the Old Syndicated Loan Agreement and waived the non-compliance of the financial covenants as stipulated in the Old Syndicated Loan Agreement. The New Loan Agreement, which combined the Syndicated Loan and other Short term bank loans, set out certain revised financial covenant terms, including (i) the Group's consolidated EBITDA to consolidated cash interest expenses ratio on a rolling 12 months basis and measured quarterly from 31 December 2020 with increasing thresholds for each of the subsequent quarters; (ii) the Group's consolidated net debt to consolidated EBITDA on a rolling 12 months basis and measured quarterly from 31 December 2020 with increasing thresholds for each of the subsequent quarters; and (iii) maintaining a certain level of cash and cash equivalents at all times, and (iv) a scheduled repayment of the Syndicated Loan and the Short-term Bank Loans with a series of monthly repayments starting from October 2020 to April 2022 and two lump-sum repayments in January 2021 and September 2021 (the "New Loan Covenants"). The Group is closely monitoring its on-going compliance with the New Loan Covenants since any non-compliance will constitute events of default. The Group will manage its relationship with its existing lenders and endeavor to take remedial actions to avoid the relevant lenders demanding immediate repayment in the event of such a default.

ii. The Group is managing the impact of COVID-19 whereby further restrictions and lockdown may adversely impact the Group's forecast recovery of revenues and margins. In order to further preserve cash levels and manage the uncertainty of further restrictions caused by COVID-19, the Group will continue the series of cash preservation and cost reduction measures.

iii. The Group is contemplating plans for potential disposal of one of its businesses with potential investors during the next twelve months in order to raise additional cash to reduce its borrowings.

2 BASIS OF PREPARATION (CONTINUED)

GOING CONCERN BASIS (CONTINUED)

iv. The Group depends on managing its working capital to continuously run its operations which heavily relies on the good relationships with its trade creditors, which include external creditors and related companies who have been supportive so far in extending the payment terms on overdue balances (refer to Note 11). The Group is in continuous discussions with its trade creditors to extend payment terms for its trade payables since under the New Loan Agreement, the Group shall not make any repayment of related companies and certain third parties trade payables, except for certain property, corporate or freight services, that would cause the outstanding amounts to fall below US$831,419,000, until the above bank borrowings have been repaid in full.

v. The Group will continue with its strategic restructuring plan to reposition its brand portfolio by rationalizing unprofitable brands, reducing low margin sales, and seek new business opportunities to improve the Group's financial performance.

The Directors of the Company are satisfied, after due consideration of the basis of the plans and measures as described above, that the Group will have sufficient working capital to meet its financial obligations as and when they fall due at least in the next twelve months from 30 September 2020. Accordingly, the Directors of the Company considered it is appropriate to prepare the interim financial information of the Group on a going concern basis.

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

1. Ongoing compliance with the New Loan Covenants and successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in the event of a default;

2. Successfully managing the uncertain impact of COVID-19 on the Group's operations and implementing cash preservation measures as mentioned on the Group's operations and results;

3. Successfully raising additional cash through potential disposal of one of its businesses during the next twelve months;

4. Successfully managing its working capital and obtaining agreement with trade creditors comprising external and related companies to extend payment terms for trade payables;

5. Successfully repositioning the Group's brand portfolio and seeking new business opportunities to improve the Group's financial performance

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

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 2020, as described in those consolidated financial statements.

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

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 April 2020:

HKAS 1 and HKAS 8 Amendments	Definition of Material
HKFRS 3 Amendments	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 Amendments	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

The application of the above 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.

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

The following new standard and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 April 2021 or later periods, but the Group has not early adopted them:

HKAS 1 Amendments	Classification of Liabilities as Current or Non-current[1]
HKFRS 3 Amendments	Reference to the Conceptual Framework[1]
HKAS 16 Amendments	Property, Plant and Equipment: Proceeds before intended use[1]
HKFRS 37 Amendments	Onerous Contracts – Cost of Fulfilling a Contract[1]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendments to Annual Improvements Project	Annual Improvements 2018–2020 Cycle[1]

Notes:

1 Effective for annual periods beginning on or after 1 April 2021

2 Effective for annual periods beginning on or after 1 April 2023

3 Effective date to be determined

2 BASIS OF PREPARATION (CONTINUED)

2.1 ACCOUNTING POLICIES (CONTINUED)

(c) Early adoption of HKFRS 16

The Group has early adopted Amendment to HKFRS 16 - Covid-19-Related Rent Concessions retrospectively from 1 April 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. The amount is immaterial. There is no impact on the opening balance of equity at 1 April 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 SEGMENT INFORMATION

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

The Group sells branded products mainly in North America and Europe. The Group is also engaged in brand management on a global basis, in which the Group acts as a brand manager and agent for brand owners and celebrities alike. The Group's management (Chief Operating Decision-Maker), who are responsible for allocating resources and assessing performance of the operating segments, have been identified collaboratively as the executive directors, who make strategic decision and consider the business principally from the perspective of three operating segments namely North America, Europe and Brand Management, which are consistent with the Group's latest operations, management organization and reporting structures. Certain comparative segment information have been reclassified in accordance with the current period's presentation to enable comparisons to be made.

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)

	North America US$'000	Europe US$'000	Brand Management US$'000	Total US$'000
Six months ended 30 September 2020 (Unaudited)				
Continuing operations				
Revenue	**161,999**	**98,192**	**29,415**	**289,606**
Total margin	**53,762**	**20,081**	**28,575**	**102,418**
Operating costs	**(123,829)**	**(22,715)**	**(24,694)**	**(171,238)**
Operating (loss)/profit	**(70,067)**	**(2,634)**	**3,881**	**(68,820)**
Interest income				**269**
Interest expenses				
Non-cash interest expenses				**(12,426)**
Cash interest expenses				**(25,652)**
				(106,629)
Share of profits of joint ventures				**110**
Loss before taxation				**(106,519)**
Taxation				**(805)**
Net loss for the period from continuing operations				**(107,324)**
Discontinued operations				
Net loss for the period from discontinued operations				**(12,514)**
Net loss for the period				**(119,838)**
Depreciation and amortization (continuing operations)	**56,687**	**22,393**	**2,634**	**81,714**
30 September 2020 (Unaudited)				
Non-current assets (other than deferred tax assets)	**1,079,244**	**159,273**	**288,573**	**1,527,090**

3 SEGMENT INFORMATION (CONTINUED)

	North America US$'000	Europe US$'000	Brand Management US$'000	Total US$'000
Six months ended 30 September 2019 (Restated) (Unaudited)				
Continuing operations				
Revenue	328,526	170,825	37,887	537,238
Total margin	111,798	51,622	31,445	194,865
Operating costs	(123,712)	(76,967)	(23,105)	(223,784)
Operating (loss)/profit	(11,914)	(25,345)	8,340	(28,919)
Interest income				493
Interest expenses				
Non-cash interest expenses				(14,362)
Cash interest expenses				(24,838)
				(67,626)
Share of profits of joint ventures				1,679
Loss before taxation				(65,947)
Taxation				2,963
Net loss for the period from continuing operations				(62,984)
Discontinued operations				
Net loss for the period from discontinued operations				(21,178)
Net loss for the period				(84,162)
Depreciation and amortization (continuing operations)	45,222	34,811	3,927	83,960
31 March 2020 (Audited)				
Non-current assets (other than deferred tax assets)	1,129,819	204,573	248,321	1,582,713

3 SEGMENT INFORMATION (CONTINUED)

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

	Revenue		Non-current assets (other than deferred tax assets)	
	Unaudited		Unaudited	Audited
	Six months ended 30 September		30 September	31 March
	2020	2019	**2020**	2020
	US$'000	US$'000	**US$'000**	US$'000
		(Restated)		
Americas	**123,566**	277,831	**1,205,063**	1,260,952
Europe	**122,536**	200,802	**193,351**	187,810
Asia	**43,504**	58,605	**128,676**	133,951
	289,606	537,238	**1,527,090**	1,582,713

4 OPERATING LOSS FROM CONTINUING OPERATIONS

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

	Unaudited	
	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
		(Restated)
Charging		
Amortization of computer software and system development costs	**5,110**	4,643
Amortization of brand licenses	**29,651**	30,679
Amortization of other intangible assets	**7,801**	9,505
Depreciation of property, plant and equipment	**10,490**	12,177
Depreciation of right-of-use assets	**28,662**	26,956
Loss on disposal of property, plant and equipment	**101**	409
Staff costs including directors' emoluments	**51,670**	68,097
Loss on remeasurement of contingent consideration payable*	**–**	1,848

* Included in other losses, net

5 TAXATION

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

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

	Unaudited Six months ended 30 September	
	2020	2019
	US$'000	US$'000 (Restated)
Current taxation		
– Hong Kong profits tax	**–**	(1)
– Overseas taxation	**(1,254)**	(816)
Deferred taxation	**1,534**	(3,943)
	280	(4,760)
Income tax expense/(credit) is attributed to:		
Loss from continuing operations	**805**	(2,963)
Loss from discontinued operations	**(525)**	(1,797)
	280	(4,760)

6 LOSSES PER SHARE

The calculation of basic losses per share is based on the Group's net loss attributable to shareholders arising from the continuing operations of US$109,880,000 (2019 (restated): US$68,510,000) and the Group's net loss attributable to shareholders arising from the discontinued operations of US$12,514,000 (2019 (restated): US$21,178,000) and on the weighted average number of 1,024,806,908 (2019 (restated): 1,019,754,120) ordinary shares in issue during the period.

The weighted average number of shares and the basic and diluted losses per share for the period ended 30 September 2019 are adjusted retrospectively to take into account the effect of the share consolidation during the period as if it had taken place before the beginning of the comparative period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company has share options to employees for periods ended 30 September 2020 and 30 September 2019. As the Group incurred losses for the periods ended 30 September 2020 and 30 September 2019, the potential dilutive ordinary shares were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the periods ended 30 September 2020 and 30 September 2019 are the same as basic losses per share of the respective period.

7 CAPITAL EXPENDITURE

	Intangible assets US$'000 ***(Note (c))***	**Property, plant and equipment US$'000**
Six months ended 30 September 2020		
Net book amount as at 1 April 2020 (audited)	**1,207,162**	**75,277**
Additions	**2,898**	**1,766**
Disposals	**–**	**(1,016)**
Amortization/depreciation charge *(Note (a))*	**(42,565)**	**(10,531)**
Exchange differences	**18,409**	**(399)**
Net book amount as at 30 September 2020 (unaudited)	**1,185,904**	**65,097**
Six months ended 30 September 2019		
Net book amount as at 1 April 2019 (audited)	1,695,051	112,917
Additions	11,521	6,567
Disposals	(741)	(10,254)
Amortization/depreciation charge *(Note (a))*	(60,963)	(13,267)
Exchange differences	(21,063)	(509)
Net book amount as at 30 September 2019 (unaudited)	1,623,805	95,454

Notes:

(a) Amortization of intangible assets included amortization of computer software and system development costs of US$5,110,000 (2019: US$4,643,000), amortization of brand licenses of US$29,654,000 (2019: US$39,945,000) and amortization of other intangible assets arising from business combination of US$7,801,000 (2019: US$16,375,000).

(b) 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 2020 (unaudited)	**134,698**	**21,501**	**37,974**	**11,208**	**205,381**
Balance at 31 March 2020 (audited)	181,180	20,827	22,362	7,240	231,609

The fair values of the Group's trade receivables were approximately the same as their carrying values as at 30 September 2020.

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

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

9 CASH AND BANK BALANCES

	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Cash and cash equivalents	**55,805**	83,880
Restricted cash *(Note)*	**7,400**	13,724
	63,205	97,604

Note: As at 30 September 2020, US$7,400,000 (31 March 2020: US$13,724,000) are restricted cash held at bank as reserve for business operation in North America.

10 DUE TO RELATED COMPANIES

	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Due to related companies	**627,204**	566,648

As of 30 September 2020 and 31 March 2020, majority of the ageing of amounts due to related companies based on invoice date were between 181 to 360 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 2020 (unaudited)	**67,086**	**25,312**	**88,528**	**192,618**	**373,544**
Balance at 31 March 2020 (audited)	107,038	74,962	53,388	143,607	378,995

Included in trade payables were certain payables arisen from the Buying Agency Agreement between the Group and a related company which were transferred to independent third parties under the related company's factoring without recourse arrangement amounting to US$125,057,000 (31 March 2020: US$127,062,000), and trade advance arrangements amounting to US$120,999,000 (31 March 2020: US$121,413,000) as at 30 September 2020.

The fair values of the Group's trade payables were approximately the same as their carrying values as at 30 September 2020.

12 LONG-TERM LIABILITIES

	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Purchase consideration payable for acquisitions		
Purchase consideration payable for acquisitions *(Note (a))*	**1,949**	7,461
Less: Current portion of purchase consideration payable for acquisitions	**(1,713)**	(6,323)
	236	1,138
Lease liabilities		
Lease liabilities	**273,446**	304,249
Less: Current portion of lease liabilities	**(62,904)**	(59,945)
	210,542	244,304
Other long-term liabilities		
Brand license and other payables	**202,354**	286,427
Written put option liabilities *(Note (b))*	**48,458**	48,458
	250,812	334,885
Less: Current portion of brand license payable	**(21,728)**	(41,007)
Current portion of written put option liabilities *(Note (b))*	**(15,663)**	–
	213,421	293,878

Notes:

(a) Purchase consideration payable for acquisitions as at 30 September 2020 amounted to US$1,949,000 (31 March 2020: US$7,461,000), of which US$263,000 (31 March 2020: US$5,843,000) was primarily earn-out and US$1,686,000 (31 March 2020: US$1,618,000) 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 2020 would be US$195,000.

12 LONG-TERM LIABILITIES (CONTINUED)

Notes: (Continued)

(b) A wholly-owned subsidiary of the Group, Creative Artists Agency, LLC ("CAA LLC") and Project 33, LLC ("Project 33"), entered into a partnership agreement, effective on 1 July 2016, to establish a limited liability partnership ("CAA-GBG").

The Group, holding 72.7% effective interest in CAA-GBG, and Project 33, holding 7.2% effective interest in CAA-GBG, entered into a put/call option agreement (the "Project 33 Put/Call Option") after the partnership agreement is effective pursuant to which, at any time after 1 July 2021, Project 33 will have the right to require the Group to purchase 7.2% interest in CAA-GBG, and the Group will have the right to acquire from Project 33 7.2% interest in CAA-GBG. The exercise price for the option will be based on the fair market value of Project 33's underlying interest in CAA-GBG, and up to a maximum of US$35,000,000.

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

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

The put option liabilities were re-measured at their fair values from the changes in the expected performance of CAA-GBG 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$4,629,000 with the corresponding gain or loss recognized in consolidated profit and loss account.

13 SHAREHOLDER'S LOANS PAYABLE

In April and May 2019, the Group entered into loan agreements with shareholder, namely Dr. William Fung Kwok Lun and a trust established for the benefit of the family members of Dr. Victor Fung Kwok King through Fung Holdings (1937) Limited, with total loan principal amounting to US$292,169,000. The loans are denominated in US dollars, unsecured, interest-free and repayable within four years from the advance date. The difference between the fair value of the loans and the proceeds received at initial recognition, amounting US$27,478,000, was recognized a capital contribution from a shareholder in equity.

The notional interest expenses of shareholder's loans recognized in the consolidated profit and loss account for the six months ended 30 September 2020 is US$3,366,000 (2019: US$2,890,000).

14 BANK BORROWINGS

	Unaudited 30 September 2020 US$'000	Audited 31 March 2020 US$'000
Current		
Bank loans – unsecured	**281,338**	249,055
Total bank borrowings	**281,338**	249,055

As stated in Note 2, on 23 October 2020, the Group entered into a new loan agreement with the same lenders of the Old Syndicated Loan Agreement and the Short-term Bank Loans (the "New Loan Agreement") which replaced the Old Syndicated Loan Agreement and waived the non-compliance of the financial covenants as stipulated in the Old Syndicated Loan Agreement. The New Loan Agreement, which combined the Syndicated Loan and other Short term bank loans, set out revised financial covenant terms.

As at 30 September 2020 and 31 March 2020, 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.

15 SHARE CAPITAL AND RESERVES

(A) SHARE CAPITAL

	Number of ordinary shares	**Equivalent to HK$**	**Equivalent to US$**
Authorized share capital			
As at 1 April 2020, ordinary shares of HK$0.125 each	4,000,000,000	500,000,000	64,102,563
As at 30 September 2020, ordinary shares of HK$0.125 each	**4,000,000,000**	**500,000,000**	**64,102,563**
Issued and fully paid share capital			
As at 1 April 2020, ordinary shares of HK$0.125 each	1,028,654,302	128,581,788	16,470,643
As at 30 September 2020, ordinary shares of HK$0.125 each	**1,028,654,302**	**128,581,788**	**16,470,643**

15 SHARE CAPITAL AND RESERVES (CONTINUED)

(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.

16 SHARE OPTIONS AND SHARE AWARD SCHEMES

(A) SHARE OPTIONS

Details of options granted by the Company pursuant to the 2014 Option Scheme and outstanding as at 30 September 2020 are as follows:

			Number of Options		
Date of Grant	Exercise Price HK$	Exercise Period	As at 1/4/2020	Forfeited/ Lapsed	As at 30/9/2020
4/11/2014	14.97	1/1/2019 – 31/12/2021	2,013,803	(1,392,333)[(1)]	621,470
4/11/2014	14.97	1/1/2020 – 31/12/2022	3,285,106	(1,392,333)[(1)]	1,892,773
4/11/2014	14.97	1/1/2021 – 31/12/2023	3,207,422	(3,129,738)[(1)]	77,684
4/11/2014	14.97	1/1/2022 – 3/11/2024	155,368	(155,368)	–
28/5/2015	15.68	1/1/2019 – 31/12/2021	830,112	–	830,112
28/5/2015	15.68	1/1/2020 – 31/12/2022	830,112	–	830,112
Total			10,321,923	(6,069,772)	4,252,151

Note:

(1) 1,392,333 options with exercisable period from 1 January 2019 to 31 December 2021, 1,392,333 options with exercisable period from 1 January 2020 to 31 December 2022 and 2,974,371 options with exercisable period from 1 January 2021 to 31 December 2023 were lapsed on 1 April 2020.

No options under the 2014 Option Scheme were granted or exercised during the Reporting Period.

On 11 August 2016, the Board resolved to terminate the operation of the 2014 Option Scheme. Accordingly, no further options could thereafter be offered or granted pursuant to the 2014 Option Scheme, but the provisions of the 2014 Option Scheme remain in full force and effect to govern the exercise of all the options granted prior to 11 August 2016.

16 SHARE OPTIONS AND SHARE AWARD SCHEMES (CONTINUED)

(A) SHARE OPTIONS (CONTINUED)

No shares had been allotted and issued under the 2014 Option Scheme during the Reporting Period. As at 30 September 2020, 4,174,467 options remain exercisable and 77,684 options are still unvested (after taking into account options that have forfeited/lapsed).

During the Reporting Period, no options were granted, exercised or cancelled under the 2019 Option Scheme.

(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.

The 2014 Award Scheme expired on 15 September 2020. Accordingly, no further awards could thereafter be granted pursuant to the 2014 Award Scheme.

Details of share awards granted by the Company pursuant to the 2014 Award Scheme and outstanding as at 30 September 2020 are as follows:

		Number of Shares		
Date of Grant	**Vesting date**	**As at 1/4/2020**	**Forfeited**	**As at 30/9/2020**
11/5/2015	31/12/2020	793,320	(124,749)[1]	668,571

Note:

(1) 124,749 share awards were forfeited on 1 April 2020.

During the Reporting Period, no share awards were granted, vested, forfeited and outstanding as at 30 September 2020 under the 2016 Award Scheme.

As at 30 September 2020, 3,847,394 shares awards of the Company (31 March 2020: 3,847,394 share awards) were held by the trustees and had not been vested to the grantees. Out of 3,847,394 share awards, 3,012,520 Shares can be applied to satisfy share awards to be granted under the 2016 Award Scheme.

17 DISCONTINUED OPERATIONS

The results of the discontinued operations (Note 1) for the six months ended 30 September 2020 and 30 September 2019 are presented in the consolidated profit and loss account in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income 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	
	2020 US$'000	2019 US$'000 (Restated)
Revenue	**16,709**	103,602
Cost of sales	**(18,636)**	(84,226)
Gross (loss)/profit	**(1,927)**	19,376
Selling and distribution expenses	**(4,062)**	(10,219)
Merchandising and administrative expenses	**(5,884)**	(30,242)
Operating loss	**(11,873)**	(21,805)
Interest expenses		
Non-cash interest expenses	**(1,166)**	(1,890)
Loss before taxation	**(13,039)**	(22,975)
Taxation	**525**	1,797
Net loss for the period from discontinued operations	**(12,514)**	(21,178)
Attributable to:		
Shareholders of the Company	**(12,514)**	(21,178)

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	
	2020	2019
	US$'000	US$'000 (Restated)
Net loss for the period	**(12,514)**	(21,178)
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss		
Currency translation differences	**6**	(33)
Other comprehensive income/(expense) for the period, net of tax	**6**	(33)
Total comprehensive expense for the period	**(12,508)**	(21,211)
Attributable to:		
Shareholders of the Company	**(12,508)**	(21,211)

(B) OPERATING LOSS OF THE DISCONTINUED OPERATIONS

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

	Unaudited Six months ended 30 September	
	2020	2019
	US$'000	US$'000 (Restated)
Crediting		
Gain on disposal of property, plant and equipment	**–**	31
Charging		
Amortization of brand licenses	**3**	9,266
Amortization of other intangible assets	**–**	6,870
Depreciation of property, plant and equipment	**41**	1,090
Depreciation of right-of-use assets	**189**	2,897
Staff costs including directors' emoluments	**1,197**	9,226

17 DISCONTINUED OPERATIONS (CONTINUED)

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

	Unaudited	
	Six months ended 30 September	
	2020	2019
	US$'000	US$'000
		(Restated)
Net cash inflow/(outflow) from operating activities	**6,525**	(99,857)
Net cash outflow from investing activities	**–**	(49)
Net cash (outflow)/inflow from financing activities[i]	**(6,525)**	99,906
Total cash flows[ii]	**–**	–

(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.

18 CAPITAL COMMITMENTS

There is no capital commitment contracted but not provided for as at 30 September 2020 (31 March 2020: Nil).

19 CHARGES ON ASSETS FROM CONTINUING OPERATIONS

As at 30 September 2020, there were no charges on the assets and undertakings of the Group (31 March 2020: Nil).

20 RELATED PARTY TRANSACTIONS FROM CONTINUING OPERATIONS

In addition to the transactions and balances disclosed elsewhere in the interim financial information, the continuing operations of the Group had the following material transactions with its related parties during the period ended 30 September 2020:

		Unaudited	
		Six months ended 30 September	
		2020	2019
		US$'000	US$'000
	Note		(Restated)
Purchases and service fees	*(i)*	**136,752**	355,200
Logistics services fee	*(ii)*	**334**	765
Operating leases rental income	*(iii)*	**261**	58
Operating leases rental paid	*(iii)*	**3,264**	1,180
Distribution and sales of goods	*(iv)*	**–**	2,215
Royalty income	*(v)*	**–**	2,857

Notes:

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

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

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

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

(v) On 15 September 2015, the Group entered into a license agreement with Trinity International Brands Limited ("Trinity"), an associate of Fung Holdings (1937) Limited, pursuant to which the Group agreed to grant Trinity or its affiliates the right to use the trademarks "BECKHAM" and "DAVID BECKHAM" and David Beckham's image, name, voice and likeness in the promotion, design, manufacture and distribution of certain products under Kent & Curwen brand. The royalty was charged based on mutually agreed terms. The arrangement has terminated in December 2019.

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 2020 and up to the report date of the financial statements, the Group held no material financial instruments which are subject to price risk.

(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. Shareholder's loans at fixed rate expose the Group to fair value 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.

The Group's performance has been impacted by COVID-19 pandemic since the beginning of 2020. The emergence of further waves of the pandemic since November has increased the uncertainty of the Group's forecast of recovery from the restrictions and lockdown measures in the U.S. and Europe. As at 30 September 2020, the Company had failed to comply with two financial covenants in respect of a syndicated loan of US$174,055,000, and trade payables to external creditors and related companies which have become past due, together with accrued unpaid interest, amounted to approximately US$851,000,000.

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow, after considering a number of measures pursued by management to improve the Group's liquidity and financial position, to finance its operations and to restructure its borrowings, as detailed in Note 2. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the interim financial information on a going concern basis.

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).

22 FAIR VALUE ESTIMATION (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 September 2020.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Derivative financial instruments	**–**	**–**	**400**	**400**
Liabilities				
Derivative financial instruments	**–**	**642**	**–**	**642**
Purchase consideration payable for acquisitions *(Note 12(a))*	**–**	**–**	**1,949**	**1,949**
Written put option liabilities *(Note 12(b))*	**–**	**–**	**48,458**	**48,458**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 March 2020.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Derivative financial instruments	–	971	400	1,371
Liabilities				
Purchase consideration payable for acquisitions *(Note 12(a))*	–	–	7,461	7,461
Written put option liabilities *(Note 12(b))*	–	–	48,458	48,458

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.

22 FAIR VALUE ESTIMATION (CONTINUED)

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the period ended 30 September 2020.

	Derivative financial instruments – assets US$'000	Purchase consideration payable for acquisitions US$'000	Written put option liabilities US$'000
Opening balance	400	7,461	48,458
Settlements	–	(5,745)	–
Others	–	233	–
Closing balance	400	1,949	48,458

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% for purchase consideration payable for acquisitions. The discount rate used to compute the fair value of written put option liabilities is 13% and reflects market assessments of the time value of money and the specific risks relating to the operation.

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 APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 25 November 2020.

INFORMATION FOR INVESTORS

LISTING INFORMATION

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

INDEX CONSTITUENT

MSCI Index Series
FTSE Index Series

REGISTRAR & TRANSFER OFFICES

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e-mail: *globalbrands-ecom@hk.tricorglobal.com*

KEY DATE

25 November 2020
Announcement of FY2021 Interim Results

SHARE INFORMATION

Board lot size: 2,000 shares

Shares outstanding as at 30 September 2020
1,028,654,302 shares

Market Capitalization as at 30 September 2020
HK$201,616,243

Basic losses per share from Continuing Operations
For the six months ended 30 September 2020
Interim 10.72 US cents

ENQUIRIES

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This FY2021 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.

二零二一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 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
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
2019 Option Scheme	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 12 September 2019
Associate(s), chief executive(s), controlling shareholder(s), substantial shareholder(s)	each has the meaning ascribed to it in the Listing Rules
Board	the board of Directors of the Company
Company	Global Brands Group Holding Limited
Director(s)	the director(s) of the Company
EBITDA	net (loss)/profit before net interest expenses, tax, depreciation and amortization (excluding amortization of brand licenses), also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related costs, discontinued operations and non-cash (loss)/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
FY2021	fiscal year ending 31 March 2021
Fung Group	a Hong Kong based multinational whose diverse businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retailing, with FH (1937) as a major shareholder. They include Li & Fung Limited (privatised in May 2020), Convenience Retail Asia Limited and the Company

Group or Global Brands	the Company and its subsidiaries
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
HKFRS(s)	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
HSBC Trustee	HSBC Trustee (C.I.) Limited, acting in its capacity of the trustee of a trust established for the benefit of the family members of Victor FUNG Kwok King, brother of William FUNG Kwok Lun
King Lun	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee and 50% by William FUNG Kwok Lun
Li & Fung Group	Li & Fung Limited (a company incorporated in Bermuda with limited liability, which was privatised in May 2020) 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
Reporting Period	6-month period from 1 April 2020 to 30 September 2020
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) with a nominal value of HK$0.125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Shares
US$	United States dollar(s), the lawful currency of the United States of America

GLOBAL BRANDS GROUP

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