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## **Global Brands Group Holding Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 787)

### **VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE SALE OF CERTAIN KOREAN BUSINESS**

#### **THE TRANSACTION**

The Board is pleased to announce that, on 29 April 2021, Global Brands (Hong Kong) Limited (a wholly owned subsidiary of the Company) (the “**Seller**”), entered into a unit purchase agreement (the “**Unit Purchase Agreement**”) with Alpha Vista Investment Co., Ltd. (“**Alpha Vista**”), pursuant to which the Seller has agreed to sell, and Alpha Vista has agreed to purchase, certain of the Group’s businesses in Korea, comprising the design, development, marketing and sale of kids, men’s and women’s apparel, footwear, fashion accessories and related lifestyle products under the “Spyder” brand, primarily for sales to retailers and end consumers and via stores and e-commerce channels in Korea (the “**Target Business**”) for a consideration payable in cash of US\$40,000,000 (approximately HK\$312,000,000), subject to adjustments (the “**Transaction**”). The Transaction will be effected by a sale of all of the units (the “**Sale Units**”) of Global Brands Group Korea Ltd. (a wholly owned subsidiary of the Seller) (the “**Target Company**”) on the terms of the Unit Purchase Agreement and subject to the Completion Conditions.

Based on unaudited consolidated financial statements of the Group for the nine months ended 31 December 2020, sales from the Target Business comprised approximately US\$70,508,000 of the Company’s total revenue and sales from the Company’s other businesses comprised approximately US\$472,910,000 of the Company’s total revenue.

Following completion of the Transaction (“**Completion**”), the Company’s remaining businesses will comprise all of its North American and European businesses and all of its Brand Management business.

Alpha Vista is a registered private equity investment firm in Korea and is primarily engaged in managing private equity funds. It is directly held as to, (i) 50% by Mr. Songpil Hur (being its ultimate beneficial owner), and (ii) 50% in aggregate by three other individual professional investors. Mr. Songpil Hur is currently the sole representative director of Alpha Vista, and he is a professional investor with more than 17 years of experience in private equity fund investment, including buyout and growth capital investment worth KRW480 billion.

Alpha Vista shall, prior to Completion, transfer all of its rights, benefits and interests in, and past, present and future obligations, liabilities and duties pursuant to, the Unit Purchase Agreement to a special purpose entity that shall be controlled directly by a limited partnership of which Alpha Vista shall be the general partner (the “**Designated Purchaser**”) (such transfer being, the “**Substitution**”).

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the Designated Purchaser will be a special purpose company (tentatively, to be named Snow Vista Co., Ltd.) (the “**Special Purpose Company**”) intended to be established in Korea by a transaction-specific private equity fund (tentatively, to be named Snow Vista Private Equity Fund) (the “**PE Fund**”) intended to be formed in Korea and managed by Alpha Vista as its general partner. The proposed limited partners of the PE Fund are three high net-worth individual and institutional investors who are independent from each other, the Company, Alpha Vista and Mr. Songpil Hur.

Alpha Vista has received, (i) a binding debt commitment letter from a financial institution for procuring, or arranging the procurement of, debt acquisition financing, (ii) a binding equity commitment letter from a Korean investment company, and (iii) a binding equity commitment letter from one of the proposed limited partners of the PE Fund, in each case to support the Designated Purchaser’s payment obligations, following its formation and the Substitution, under the Unit Purchase Agreement. The financing contemplated by the equity commitment letter referred to in (ii) above is subject to the condition that the parties to the Completion fulfil their material obligations at Completion under the Unit Purchase Agreement.

Completion is subject to the fulfilment or waiver of certain customary conditions, including in particular the approval of the shareholders of the Company (the “**Shareholders**”) which will be sought at a Special General Meeting to be convened in due course. The current target date for Completion is 27 May 2021.

## **REASONS FOR, AND BENEFITS OF, THE TRANSACTION**

The Board is of the view that the Transaction is in the interests of the Company and the Shareholders as a whole.

The reasons for, and benefits of, the disposal of the Target Business are:

- (i) to right size the Company’s widespread product and brand portfolio as the Target Business is retail-oriented while the Company’s overall business is wholesale-oriented, resulting in a more focused operation;
- (ii) to allow the Company to focus its resources on the wholesale business and improve operational efficiency as a result of paragraph (i) and to reduce the Company’s working capital needs; and
- (iii) to allow the Company to repay part of its existing bank debt from Transaction proceeds, leading to a stronger balance sheet and credit profile for the Company.

## **USE OF PROCEEDS FROM THE TRANSACTION**

The Company intends to use the proceeds from the Transaction to repay part of its existing bank debt.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the Transaction is more than 75%, the Transaction constitutes a very substantial disposal for the Company and is subject to reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

## **SPECIAL GENERAL MEETING**

A Special General Meeting will be convened for the Shareholders to consider and, if thought fit, approve the Transaction.

A circular containing, among other things, the information required under the Listing Rules in relation to the Transaction and a notice of Special General Meeting is expected to be despatched to the Shareholders on or around 7 May 2021.

## **FINANCIAL ADVISER**

Goldman Sachs (Asia) L.L.C. has been appointed as the financial adviser to advise the Seller on the Transaction.

## **WARNING**

**Shareholders and potential investors in the Company should note that the Transaction may or may not proceed as: (i) it is subject to the Completion Conditions which may or may not be fulfilled (or waived); and (ii) the Unit Purchase Agreement may be terminated in certain circumstances, including if, (A) there is a material breach of a warranty given by the Seller or Alpha Vista or a material failure by either of them to perform a covenant under the Unit Purchase Agreement which would give rise to a failure of any of the Completion Conditions; or (B) the Seller does not procure the delivery at Completion of the New Trademark License Agreement. There is also a risk that the Transaction may not proceed if the Substitution, which is a common approach in Korean transactions involving Korean private equity investment firm acquirors, does not take place, as required under the Unit Purchase Agreement. Accordingly, there is no assurance that the Transaction will be completed.**

**Shareholders and potential investors in the Company should exercise caution when dealing in the shares of the Company.**

## **1. INTRODUCTION**

The Board is pleased to announce that, on 29 April 2021, the Seller has entered into the Unit Purchase Agreement with Alpha Vista, pursuant to which the Seller has agreed to sell, and Alpha Vista has agreed to purchase, the Target Business, for a consideration payable in cash of US\$40,000,000 (approximately HK\$312,000,000), subject to adjustments. The Transaction will be effected by a sale of the Sale Units on the terms of the Unit Purchase Agreement and subject to the Completion Conditions.

## **2. UNIT PURCHASE AGREEMENT**

The principal terms of the Unit Purchase Agreement are set out below.

### **(a) Date**

29 April 2021

**(b) Parties**

- (i) Global Brands (Hong Kong) Limited (as the seller)
- (ii) Alpha Vista Investment Co., Ltd. (as the purchaser and the guarantor (once the Substitution occurs))

**(c) Subject Matter**

Subject to the terms of the Unit Purchase Agreement, the Seller has agreed to sell and Alpha Vista has agreed to purchase the Sale Units, representing the entire equity interests of the Target Company.

**(d) Consideration**

The consideration will be an amount equal to US\$40,000,000 (approximately HK\$312,000,000), subject to the adjustments detailed below.

*Payment of the Consideration*

*(i) Completion Calculations*

On Completion, an estimate of the final consideration for the Transaction (the “**Estimated Purchase Price**”) will be paid to the Seller in cash. The Estimated Purchase Price will be calculated by adjusting US\$40,000,000 for the estimated amounts of certain items as at the Completion Date, which will involve:

- (A) adding the Seller’s good faith estimate of the Completion Date Cash and the Completion Date Intercompany Receivables;
- (B) subtracting the Seller’s good faith estimate of the Completion Date Intercompany Payables and the Completion Date Tax Payables; and
- (C) adding or subtracting, as applicable, the Seller’s good faith estimate of the Completion Date Working Capital Adjustment.

The Seller estimates that the consideration payable on Completion will be between US\$17,000,000 (approximately HK\$132,600,000) and US\$22,000,000 (approximately HK\$171,600,000), based on, (i) US\$40,000,000, and (ii) the Seller’s estimates, as at the date of this announcement, of the adjustment items as at the Completion Date.

*(ii) Post-Completion Calculations*

Following Completion, the final consideration for the Transaction (the “**Final Purchase Price**”) will be calculated as set out in paragraph (i) above, but on the basis of the actual amounts of the adjustment items as at the Completion Date (rather than estimated amounts) – that is, on the basis of the Completion Date Cash, the Completion Date Intercompany Receivables, the Completion Date Intercompany Payables, the Completion Date Tax Payables and the Completion Date Working Capital Adjustment, in each case as agreed between the parties.

If the Final Purchase Price, once it has been determined after Completion, is less than the Estimated Purchase Price, then the Seller shall pay back to Alpha Vista the amount of the excess (without interest). Alternatively, if the Final Purchase Price, once it has been determined after Completion, is greater than the Estimated Purchase Price, then Alpha Vista shall pay to the Seller the amount of the shortfall (without interest). The resulting payment in either case is referred to as the “**Post-Completion Adjustment**”. If the Final Purchase Price is equal to the Estimated Purchase Price, then there will be no Post-Completion Adjustment.

Neither the Post-Completion Adjustment nor the Final Purchase Price is subject to any upper or lower limit.

After the Final Purchase Price has been determined, the Company will make an announcement confirming the Final Purchase Price and the amount of the Post-Completion Adjustment (if any).

#### *Determination of the Consideration*

The consideration of US\$40,000,000 was determined following arm’s length negotiations between the Seller and Alpha Vista, having regard to, among other factors:

- (i) the net asset value of the Target Business (excluding (i) the goodwill attributable by the Group to the Target Business of approximately US\$34,030,000 (approximately HK\$265,434,000) and (ii) the cash, Intercompany Debt and tax payable balances of the Target Business, being items which would otherwise be taken into account in calculating the net asset value of the Target Business for the purposes of assessing its financial position, such items having been disregarded in determining the consideration of US\$40,000,000 but will be included in determining the Estimated Purchase Price and the Final Purchase Price) as at 31 December 2020, being approximately US\$41,633,000 (approximately HK\$324,737,400), as derived from the unaudited management accounts of the Group (the “**Reference NAV**”);
- (ii) the business prospects and financial performance of the Target Business;
- (iii) Alpha Vista’s obligation to procure that the Target Company settles all Completion Date Intercompany Debt, which will be separately funded by Alpha Vista; and
- (iv) the factors as stated under the section below headed “Reasons for, and Benefits of, the Transaction”, in particular the fact that the Company will be able to repay part of its existing bank debt from Transaction proceeds, leading to a stronger balance sheet and credit profile for the Company.

The consideration of US\$40,000,000 represents a slight discount to the Reference NAV.

The goodwill attributable by the Group to the Target Business was excluded from the calculation of the net asset value of the Target Business, because it represents part of the goodwill recognised by the Group on a consolidated basis, which will only be allocated to the Target Business and removed from the goodwill of the Group upon disposal of the Target Business.

In view of the factors considered in arriving at the consideration of US\$40,000,000 as described above, the Board considers that the consideration of US\$40,000,000 is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

*Reasons for the Estimated Purchase Price, the Final Purchase Price and the Post-Completion Adjustment*

The Transaction involves a “completion accounts” pricing mechanism which requires the Estimated Purchase Price paid to the Seller on Completion to be reviewed, and potentially adjusted, after the Completion Date based on the accounts of the Target Company as at the Completion Date (i.e. this process may result in a Post-Completion Adjustment).

The reason for the process described above is that the actual/final amounts (i.e. the amounts as at the Completion Date) of the adjustment components referred to in paragraphs 2(d)(i)(A), 2(d)(i)(B) and 2(d)(i)(C) which “adjust” the consideration of US\$40,000,000 to be paid to the Seller, will not be able to be determined on or before the Completion Date and will only be able to be determined after, (i) the accounts of the Target Business as at the Completion Date have been finalised (which, in accordance with usual accounting practices and procedures, will take a period of time to prepare), and (ii) the amounts of the adjustment components have been calculated, reviewed and agreed by the parties. The effect of this is that, as at the Completion Date, it will only be possible to estimate the Final Purchase Price (such estimate being the Estimated Purchase Price).

*Repayment of the Completion Date Intercompany Debt*

As at 31 March 2021, the total amount of the Intercompany Debt was a net payable of US\$19.8 million (approximately HK\$154.7 million).

In relation to the repayment of the Completion Date Intercompany Debt:

- (i) Alpha Vista shall procure that, at Completion, the Target Company repays the relevant member of the Seller Group an amount equal to the Seller’s good faith estimate of the Completion Date Intercompany Payables (if any) which are estimated to be owed by the Target Company to any member of the Seller Group (the “**Estimated Completion Date Intercompany Payables**”); and
- (ii) the Seller shall procure that, at Completion, each relevant member for the Seller Group repays to the Target Company the amount equal to the Seller’s good faith estimate of the Completion Date Intercompany Receivables (if any) which are estimated to be owed by any member of the Seller Group to the Target Company (the “**Estimated Completion Date Intercompany Receivables**”).

Following Completion, the Estimated Completion Date Intercompany Debt will be adjusted, based on the actual Completion Date Intercompany Debt, and, if applicable, an adjusting payment will be made by the relevant party.

The Estimated Completion Date Intercompany Debt will be repaid by the Target Company on Completion, the amount of which is expected to be funded by Alpha Vista by way of a shareholder’s loan.

(e) **Conditions to Completion**

The obligations of the Seller and Alpha Vista to proceed to Completion of the Transaction are subject to the fulfilment or waiver of the following conditions (the “**Completion Conditions**”):

- (i) Shareholders’ approval for the Transaction having been obtained (“**Shareholder Approval Condition**”);
- (ii) certain representations and warranties made by the Seller being true and correct in all material respects as of the Completion Date (except that any such warranties that are made as of a specific date need only to be true and correct as of such specific date), other than:
  - (A) where the failure of any such warranty to be true and correct has not, whether individually or in aggregate, resulted in, and would not, whether individually or in aggregate, reasonably be expected to result in, a Material Adverse Effect; or
  - (B) where the fact, matter, event or circumstance giving rise to, or resulting in, the failure of any such warranty to be true and correct is fairly disclosed by the Seller(the “**Seller Warranties Condition**”);
- (iii) certain representations and warranties made by Alpha Vista being true and correct in all material respects as of the Completion Date (except that any such warranties that are made as of a specific date need only to be true and correct as of such specific date) (the “**Purchaser Warranties Condition**”);
- (iv) no government authority having enacted, issued, promulgated, enforced or entered any law, order, stay, decree, judgment or injunction, which takes effect prior to Completion, which has the effect of making the consummation of the material transactions proposed under the Transaction Documents illegal, and no proceedings shall have been initiated which prohibits or prevents the consummation of the material transactions proposed under the Transaction Documents (the “**Regulatory Condition**”); and
- (v) no Material Adverse Effect having occurred, after the date of the Unit Purchase Agreement, in relation to the Target Business (the “**No Material Adverse Effect Condition**”).

The Shareholder Approval Condition may only be waived by the Seller, provided that the Shareholder Approval Condition is no longer required under the Listing Rules.

The Seller Warranties Condition and the No Material Adverse Effect Condition may only be waived by Alpha Vista.

The Purchaser Warranties Condition may only be waived by the Seller.

The Regulatory Condition may only be waived jointly by the Seller and Alpha Vista.

As at the date of this announcement, none of the Completion Conditions has been fulfilled or waived.

**(f) Completion**

Completion of the Transaction will take place on the second business day after the last of the Completion Conditions is either satisfied or waived, or at any other date as the Seller and Alpha Vista may mutually agree in writing. The current target date for Completion is 27 May 2021.

**(g) Termination**

The Unit Purchase Agreement may be terminated prior to Completion as follows:

- (i) by the mutual written consent of the Seller and Alpha Vista;
- (ii) by either the Seller or Alpha Vista, by written notice to the other party:
  - (a) if Completion has not occurred by 11 June 2021 (the “**Long Stop Date**”) (provided that such right to termination shall not be available to a party if the failure of Completion has been caused by or resulted from the failure by such party to perform any of its material covenants or obligations under the Unit Purchase Agreement);
  - (b) if there is any law issued by any governmental authority that makes the consummation of the transactions contemplated by the Unit Purchase Agreement illegal or otherwise prohibited;
  - (c) if any governmental authority has issued a governmental order, which has become final and non-appealable, restraining or enjoining the transactions contemplated by the Unit Purchase Agreement (provided that such right to termination shall not be available to a party if the governmental order has been caused by the failure by such party or its affiliates to perform any of its material covenants or obligations under the Unit Purchase Agreement);
- (iii) by Alpha Vista by written notice to the Seller if, (i) Alpha Vista is not then in material breach of any provision of the Unit Purchase Agreement, and (ii) (A) there has been a material breach, inaccuracy in or failure to perform any warranty, covenant or agreement made by the Seller pursuant to the Unit Purchase Agreement that would give rise to failure of the Completion Conditions and (B) such breach, inaccuracy or failure cannot be cured by the Seller by the Long Stop Date; or
- (iv) by the Seller by written notice to Alpha Vista if, (i) the Seller is not then in material breach of any provision of the Unit Purchase Agreement, and (ii) (A) there has been a material breach, inaccuracy in or failure to perform any warranty, covenant or agreement made by Alpha Vista pursuant to the Unit Purchase Agreement that would give rise to failure of the Completion Conditions and (B) such breach, inaccuracy or failure cannot be cured by Alpha Vista by the Long Stop Date.

The Seller and Alpha Vista may extend the Long Stop Date by mutual agreement.



### 3. CERTAIN OTHER TERMS

In connection with the Transaction, the Seller and Alpha Vista have agreed to the following arrangements:

(a) **Employees and replacement of resigning director**

Mr. Robert Lloyd Sinclair, the registered director of the Target Company, will resign from his position with effect from the date on which another individual (or individuals), nominated by Alpha Vista, is (or are) appointed as registered director(s) of the Target Company, which is expected to be promptly after Completion.

All existing employees of the Target Company will be entitled to continue their employment with the Target Company after Completion.

(b) **Intercompany arrangements**

Save for the Completion Date Intercompany Debt, effective at Completion, all arrangements, understandings or contracts, including all obligations to provide goods, services or other benefits and any accounts payable or accounts receivable and any other indebtedness owed, by the Seller or any of its affiliates (other than the Target Company), on one hand, and by any of the Target Company and the Target Business on the other hand, shall be terminated without any party having any continuing obligations to the other.

(c) **Purchaser substitution**

Alpha Vista shall, prior to Completion, effect a Substitution to transfer all of its rights, benefits and interests in, and past, present and future obligations, liabilities and duties pursuant to, the Unit Purchase Agreement to a Designated Purchaser, which will take effect immediately upon the Designated Purchaser executing a deed of adherence under which the Designated Purchaser agrees to, (i) the Substitution, (ii) be bound by the Unit Purchase Agreement as if it were a party to the Unit Purchase Agreement (in place of Alpha Vista), and (iii) perform or comply with any and all of the obligations, liabilities and duties imposed on Alpha Vista under the Unit Purchase Agreement (the “**Deed of Adherence**”), provided that Alpha Vista has duly executed and delivered to the Seller the Guarantee Deed (as defined below).

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, the Designated Purchaser will be the Special Purpose Company.

(d) **Guarantee of payment obligations**

Alpha Vista will, at the time of the Substitution, enter into a guarantee deed (the “**Guarantee Deed**”) in favour of the Seller (as the beneficiary of the guarantee), under which Alpha Vista (as guarantor) will:

- (i) agree to cause the Designated Purchaser to perform all of Alpha Vista’s payment obligations under the Unit Purchase Agreement;
- (ii) irrevocably and unconditionally guarantee to the Seller the due and punctual performance and observance by the Designated Purchaser of all of its payment obligations under the Unit Purchase Agreement; and

- (iii) undertake to indemnify the Seller (and each member of the Seller Group) against any losses suffered or incurred by any of them as a result of the Designated Purchaser's failure to comply properly and punctually with any of its payment obligations under the Unit Purchase Agreement.

**(e) New Trademark License Agreement**

The Seller must procure that, on or before Completion, the Target Company enters into a new trademark license agreement (“**New Trademark License Agreement**”) in relation to the Target Business with ABG, to be effective upon Completion. The Company will not provide any guarantee in relation to the obligation of the Target Company under the New Trademark License Agreement.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, ABG is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

**(f) Transitional services**

The Seller and Alpha Vista have agreed to use their respective reasonable endeavours to enter into, or procure that their relevant affiliates enter into, a transitional services agreement (the “**Transitional Services Agreement**”) on or before the Completion Date for the provision by the Seller Group to the Target Company of certain services for a transitional period, including IT support, software systems and sharing of office premises.

#### **4. REASONS FOR, AND BENEFITS OF, THE TRANSACTION**

The Board is of the view that the Transaction is in the interests of the Company and the Shareholders as a whole. The reasons for, and benefits of, the disposal of the Target Business are:

- (i) to right size the Company's widespread product and brand portfolio as the Target Business is retail-oriented while the Company's overall business is wholesale-oriented, resulting in a more focused operation;
- (ii) to allow the Company to focus its resources on the wholesale business and improve its operational efficiency as a result of paragraph (i) and to reduce the Company's working capital needs; and
- (iii) to allow the Company to repay part of its existing bank debt from Transaction proceeds, leading to a stronger balance sheet and credit profile for the Company.

The Directors believe that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As previously reported in the Company's financial statements, the Company has been gravely affected by the combined and unprecedented impacts of technological disruptions, geopolitical shifts, escalating trade tensions, and the COVID-19 pandemic. To deal with these issues, the Group is continuing with aggressive restructuring and divestment programmes to streamline and consolidate operations in order to strengthen its balance sheet. The Company believes the disposal of the Target Business is amongst essential actions that are needed to be taken as part of this ongoing process.

## 5. RECOMMENDATION OF THE BOARD

Having taken into account the reasons for, and benefits of, the Transaction as set out above, the Directors have unanimously approved the Transaction and recommend the Shareholders to vote in favour of the resolution to be proposed at the Special General Meeting to approve the Transaction and the transactions contemplated under the Transaction Documents.

## 6. FINANCIAL EFFECTS OF THE TRANSACTION

As a result of the Transaction, the Company expects to recognise a loss between US\$45 million (approximately HK\$351 million) and US\$50 million (approximately HK\$390 million), because the disposal of the Target Business will lead to a derecognition of the Group's goodwill attributable to the Target Business as at the Completion Date.

### **Basis for Calculating the Expected Loss from the Transaction**

The basis for calculating the expected loss from the Transaction is the consideration of US\$40,000,000, subject to adjustments, less, (i) the carrying value for the Target Business, representing the expected net asset value of the Target Business (including the Group's goodwill attributable to the Target Business) as at the Completion Date, and (ii) the estimated costs and expenses (including taxation) arising from the Transaction.

### **Derecognition of Goodwill Attributable to the Target Business on its Disposal**

The expected loss from the Transaction primarily represents the expected carrying value of the Group's goodwill attributable to the Target Business as at the Completion Date, which will be derecognised on the disposal of the Target Business.

The goodwill attributable by the Group to the Target Business as at 31 December 2020, as derived from the unaudited management accounts of the Group, was approximately US\$34,030,000 (approximately HK\$265,434,000). The Board does not expect any changes to the goodwill attributable by the Group to the Target Business as at the Completion Date (if any) to be material.

### *Nature of the goodwill attributable by the Group to the Target Business*

The Group has acquired various businesses over the years and the goodwill arising from those acquisitions were assigned to the relevant cash generating units of the Group which are expected to benefit from the synergies of such acquisitions in accordance with the applicable accounting standards, regardless of whether the businesses in the cash generating units are acquired or established by the Group. The Company's management monitors and assesses the recoverability of goodwill in each group of cash generating units. Upon the disposal of the Target Business, the Company's management will calculate the gain or loss arising from such disposal based on the carrying value of the Target Business from the Group's perspective on a consolidated level, which includes the goodwill attributable to the Target Business. The goodwill attributable to the Target Business will be derecognised upon completion of such disposal.

**Shareholders should note that the above paragraphs are for illustrative purposes only. The actual gain or loss from the Transaction may be different and will be determined based on, (i) the financial position of the Company on the Completion Date, (ii) the review of the Company's auditors upon finalisation of the consolidated financial statements of the Company, and (iii) the costs and expenses (including taxation) arising from the Transaction.**

On Completion, the Target Company will cease to be a subsidiary of the Company and the profit and loss and the assets and liabilities of the Target Business will no longer be consolidated into the Company's consolidated financial statements.

### **Businesses of the Remaining Group**

Upon Completion, the Company will be able to maintain sufficient operations under Rule 13.24 of the Listing Rules based on its remaining business, as demonstrated by various factors including those set out below:

- (i) the businesses of the Remaining Group will comprise all of the following businesses of the Group:
  - (A) North American and European businesses: the wholesale and direct to consumer businesses of the Group, where the Group sells branded and private label products and its products through multiple distribution channels, including department stores, hypermarkets/clubs, off-price retailers, independent chains, specialty retailers and ecommerce; and
  - (B) Brand Management business: the brand management business of the Group, where the Group acts as a brand manager and agent for brand owners and celebrities and offers expertise in expanding their brand assets to new product categories, geographies and retail collaborations, and e-commerce collaborations;
- (ii) based on the unaudited pro forma financial information of the Group, the businesses of the Remaining Group account for approximately 93%, 91%, 91% and 87% of the Group's total revenue for the each of the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020 and the nine months ended 31 December 2020; and
- (iii) the office of the Target Business is currently located in Korea with a total of approximately 260 employees, and the offices of the Remaining Group will be located across the US (New York, North Carolina and Colorado), Europe (the UK, Italy, France, Germany and Switzerland) and Asia (Hong Kong and Shanghai) with a total of approximately 993 employees (representing approximately 79% of the Group's employees).

### *Business prospects of the Remaining Group*

Following Completion, the Remaining Group intends to continue to simplify its business. The Remaining Group plans to cease selling products in Korea to reduce its sales channels and minimise working capital. The North America and European businesses will remain unchanged and will focus on footwear, apparel, accessories and sports and lifestyle. Meanwhile, the Brand Management business will continue to be managed on a global basis.

Following Completion, the Remaining Group will continue to invest in its brands as an operator and partner to brand owners, especially its long-term licensed brands, to sustain their competitiveness in the constantly changing marketplace. The transaction will continue to reduce the Remaining Group's presence in brick and mortar locations and further enable it to continue to invest in e-commerce.

The Remaining Group intends to continue to drive expansion of its client portfolio in the Brand Management business, which continues to deliver strong results. The strong results achieved to date have demonstrated the tremendous value derived from the Group's strategic decision to form a long term joint venture with Creative Artists Agency (CAA), CAA-GBG Brand Management

Group (CAA-GBG), the world's largest brand management company, and the Group's established joint venture with David Beckham, known as Seven Global. This business will continue to be a key area of focus for the Remaining Group.

Following Completion, with a tighter and deeper focus on key growth drivers of the business, the Remaining Group intends to continue to develop new brands and attract new licenses to its portfolio. The Remaining Group plans to continue to simplify the business to ensure clear accountability and drive down costs throughout the Remaining Group. At the same time, the Remaining Group intends to improve its cash flow via a combination of tighter working capital management and cost discipline.

## **7. USE OF PROCEEDS FROM THE TRANSACTION**

The Company intends to use the net proceeds from the Transaction to repay part of its existing bank debt.

As disclosed in the Interim Report, the Group entered into the New Loan Agreement with the Lenders in relation to the Syndicated Loan and the Short-term Bank Loans on 23 October 2020. In accordance with the repayment schedule under the New Loan Agreement, the Group was required to make a lump-sum payment (the "**Amortisation Payment**") of US\$50 million to the Lenders on 31 January 2021 in respect of the Syndicated Loan.

The net proceeds from the Transaction will be applied towards the Amortisation Payment.

As further disclosed in the section headed "Going Concern and Mitigation Measures" and Note 2 to the section headed "Notes to the Condensed Interim Financial Information" in the Interim Report, there were indications of material uncertainties which were assessed as possibly casting significant doubt on the Group's ability to continue as a going concern, and the Company disclosed that it had been pursuing a number of mitigation measures, including plans for the potential disposal of one of its businesses with potential investors during the 12 months from 30 September 2020 in order to raise additional cash to reduce its borrowings. The potential disposal described in the Interim Report was the potential disposal of the Target Business, which has resulted in the Transaction.

Accordingly, the Transaction is one of the measures being adopted by the Group with the aim of ensuring that the Group continues as a going concern.

The Group will continue to seek appropriate financing and/or divestment opportunities for certain of its remaining assets and/or businesses that fit the objectives and capital needs of the Group, so as to generate sufficient funds to help the Group satisfy the mandatory repayment obligations under the New Loan Agreement.

## **8. INFORMATION ABOUT THE TARGET COMPANY AND THE TARGET BUSINESS**

The Target Company is a private limited company incorporated in Korea and a wholly owned subsidiary of the Seller. It has been operating the Target Business in Korea since 2016.

The Target Business, which was self-developed by the Target Company, comprises the Group's design, development, marketing and sale business of kids, men's and women's apparel, footwear, fashion accessories and related lifestyle products under the "Spyder" brand, primarily for sales to retailers and end consumers and via the Target Company's stores and e-commerce channels in Korea.

The “Spyder” brand is licensed by ABG to the Target Business.

The net asset value of the Target Business (including the goodwill attributable by the Group to the Target Business) as at 31 December 2020, as derived from the unaudited management accounts of the Group, was approximately US\$63,255,000 (approximately HK\$493,389,000), among which the goodwill attributable by the Group to the Target Business was approximately US\$34,030,000 (approximately HK\$265,434,000).

The consolidated profit before tax and after tax of the Target Business, as derived from the unaudited management accounts of the Group, is as follows:

<i>HK\$ millions</i>	<b>Year ended 31 March 2019</b>	<b>2020</b>	<b>Nine months ended 31 December 2020</b>
Profit before tax	58.6	7.6	36.1
Profit after tax	48.1	6.0	28.9

The Target Business recorded a decrease of consolidated profit after tax from HK\$48.1 million for the financial year ended 31 March 2019 to HK\$6.0 million for the financial year ended 31 March 2020, primarily due to, (i) a substantial decrease in revenue during the fourth quarter as a result of the impact of the COVID-19 pandemic on its operations, and (ii) a higher royalty rate being applied at the commencement of the financial year in accordance with the existing trademark license agreement with ABG. The Target Business recorded a consolidated profit after tax of HK\$28.9 million for the nine months ended 31 December 2020 as, (i) the Target Business was beginning to adjust to the effects of the COVID-19 pandemic, and (ii) the Target Business has recognised a one-off gain from foreign currency exchange during the period.

The Company anticipates that the COVID-19 pandemic will continue to impact on the Target Business through the first quarter of the financial year ended 31 March 2022. Once the COVID-19 pandemic subsides and barring unforeseen circumstances, the Group expects that the profitability of the Target Business will return to its pre-pandemic level.

The Directors confirm that there is no material change in the financial information of the Target Business after 31 December 2020 up to the date of this announcement.

## **9. INFORMATION ABOUT THE COMPANY AND THE SELLER**

### **The Company**

The Company and its subsidiaries 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 Company and its subsidiaries are 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 Seller**

The Seller is a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company. It is primarily engaged in investment holding and holds all of the equity interests in the Target Company.

## **10. INFORMATION ABOUT ALPHA VISTA AND SUBSTITUTION OF THE SPECIAL PURPOSE COMPANY**

Alpha Vista is a registered private equity investment firm in Korea and is primarily engaged in managing private equity funds. It is directly held as to, (i) 50% by Mr. Songpil Hur (being its ultimate beneficial owner), and (ii) 50% in aggregate by three other individual professional investors (one of which is a major shareholder of a large healthcare company in Korea and the other two of which are major shareholders of a large consumer goods company in Korea). Mr. Songpil Hur is currently the sole representative director of Alpha Vista, and he is a professional investor with more than 17 years of experience in private equity fund investment, including buyout and growth capital investment worth KRW480 billion.

The Special Purpose Company (tentatively, to be named Snow Vista Co., Ltd.) is intended to be established in Korea by the PE Fund, a transaction-specific private equity fund (tentatively, to be named Snow Vista Private Equity Fund) intended to be formed in Korea and managed by Alpha Vista as its general partner. The proposed limited partners of the PE Fund are three high net-worth individual and institutional investors (one of which is a major shareholder in a large distribution company in Korea and the other two of which are family offices that invest and manage funds of high net-worth individuals) who are independent from each other, the Company, Alpha Vista and Mr. Songpil Hur.

As advised by the Seller's legal advisers as to Korean law, it is common practice in Korean transactions involving a Korean private equity investment firm acquiror for such firm to, (i) enter into the sale and purchase agreement as the initial purchaser, and (ii) finalise, after entering into the sale and purchase agreement but prior to completion of the relevant transaction, the formation of the acquisition vehicle which will ultimately complete the acquisition. Alpha Vista has required this approach to be adopted in respect of the Transaction. Accordingly, Alpha Vista has entered into the Unit Purchase Agreement, after which, but prior to Completion, it will, (i) establish the PE Fund and the Special Purpose Company, and (ii) effect the Substitution so that the Special Purpose Company will become a party to the Completion as the Designated Purchaser.

Alpha Vista has received, (i) a binding debt commitment letter from a financial institution for procuring, or arranging the procurement of, debt acquisition financing, (ii) a binding equity commitment letter from a Korean investment company, and (iii) a binding equity commitment letter from one of the proposed limited partners of the PE Fund, in each case to support the Designated Purchaser's payment obligations, following its formation and the Substitution, under the Unit Purchase Agreement. The financing contemplated by the equity commitment letter referred to in (ii) above is subject to the condition that the parties to the Completion fulfil their material obligations at Completion under the Unit Purchase Agreement.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, (i) Alpha Vista, Mr. Songpil Hur (being its ultimate beneficial owner) and the proposed limited partners of the PE Fund are third parties independent of the Company and its connected persons (as defined in the Listing Rules), and (ii) the Special Purpose Company and the PE Fund, upon formation, will be third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## **11. LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the Transaction is more than 75%, the Transaction constitutes a very substantial disposal for the Company and is subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## 12. GENERAL INFORMATION

### (a) Special General Meeting

A Special General Meeting will be convened for the Shareholders to consider and, if thought fit, approve the Transaction and the transactions contemplated under the Transaction Documents.

### (b) Circular

A circular containing, among other things, the information required under the Listing Rules in relation to the Transaction and a notice of Special General Meeting is expected to be despatched to the Shareholders on or around 7 May 2021.

### (c) Financial Adviser

Goldman Sachs (Asia) L.L.C. has been appointed as the financial adviser to advise the Seller on the Transaction.

### (d) Warning

**Shareholders and potential investors in the Company should note that the Transaction may or may not proceed as: (i) it is subject to the Completion Conditions which may or may not be fulfilled (or waived); and (ii) the Unit Purchase Agreement may be terminated in certain circumstances, including if, (A) there is a material breach of a warranty given by the Seller or Alpha Vista or a material failure by either of them to perform a covenant under the Unit Purchase Agreement which would give rise to a failure of any of the Completion Conditions; or (B) the Seller does not procure the delivery at Completion of the New Trademark License Agreement. There is also a risk that the Transaction may not proceed if the Substitution, which is a common approach in Korean transactions involving Korean private equity investment firm acquirors, does not take place, as required under the Unit Purchase Agreement. Accordingly, there is no assurance that the Transaction will be completed.**

**Shareholders and potential investors in the Company should exercise caution when dealing in the shares of the Company.**

## 13. DEFINITIONS

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

“ABG”	ABG Intermediary Holdings 2, LLC, the owner of the “Spyder” brand in Korea
“affiliate”	with respect to any person, any other person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such person
“Alpha Vista”	Alpha Vista Investment Co., Ltd., a registered private equity investment firm incorporated in Korea



“Amortisation Payment”	the amortisation payment the Group is required to make to the Lenders in respect of the Syndicated Loan in accordance with the repayment schedule under the New Loan Agreement
“Board”	the board of directors of the Company
“Brand Management”	the Group’s global brand management business, in which the Group acts as a brand manager and agent for brand owners and celebrities and offers expertise in expanding their brand assets to new product categories, geographies and retail collaborations, and e-commerce collaborations
“business day”	a day other than, (i) a Saturday, a Sunday, or (ii) any other day on which, (a) commercial banks located in Seoul or Hong Kong are, or (b) the Stock Exchange is, authorised or required by law to remain closed for business
“Company”	Global Brands Group Holding Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 787)
“Completion”	completion of the Transaction in accordance with the provisions of the Unit Purchase Agreement
“Completion Conditions”	has the meaning given in section 2(e) of this announcement
“Completion Date”	the date on which Completion occurs
“Completion Date Cash”	in relation to the Target Company, the aggregate of its cash (whether in hand or credited to any account with any banking, financial, acceptance credit, lending or other similar institution or organisation) and its cash equivalent, including all accrued interest, as at Completion (but, excluding any Intercompany Receivables and its net working capital)
“Completion Date Intercompany Debt”	the Intercompany Debt as at the Completion Date
“Completion Date Intercompany Payable(s)”	the Intercompany Payable(s) as at the Completion Date
“Completion Date Intercompany Receivable(s)”	the Intercompany Receivable(s) as at the Completion Date
“Completion Date Tax Payables”	in relation to the Target Company, the aggregate of tax payable (but not paid) by the Target Company as at the Completion Date (excluding in all cases any tax payables that have been considered and taken into account in the calculation of the Net Working Capital)

“Completion Date Working Capital Adjustment”	as applicable, (a) the amount by which the amount of the Net Working Capital on the Completion Date exceeds the Target Working Capital, or (b) the amount by which the amount of the Net Working Capital on the Completion Date is less than the Target Working Capital (provided that any amount under paragraph (b) shall be deemed to be a negative number), which is not subject to any upper limit
“Deed of Adherence”	has the meaning given in section 3(c) of this announcement
“Designated Purchaser”	a special purpose entity that shall be controlled directly by a limited partnership of which Alpha Vista shall be the general partner, and references to a Designated Purchaser in this announcement refer to a Designated Purchaser which has executed a Deed of Adherence
“Directors”	the directors of the Company
“Effect”	any event, effect, occurrence, change or development
“Estimated Completion Date Intercompany Debt”	the net aggregate of the Estimated Completion Date Intercompany Payables and the Estimated Completion Date Intercompany Receivables
“Estimated Completion Date Intercompany Payables”	has the meaning given in section 2(d) of this announcement
“Estimated Completion Date Intercompany Receivables”	has the meaning given in section 2(d) of this announcement
“Estimated Purchase Price”	has the meaning given in section 2(d) of this announcement
“Final Purchase Price”	has the meaning given in section 2(d) of this announcement
“Group”	the Company and its subsidiaries
“Guarantee Deed”	has the meaning given in section 3(d) of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Intercompany Debt”	the net aggregate of the Intercompany Payables and the Intercompany Receivables as at a specified date
“Intercompany Payable(s)”	in relation to the Target Company, any amounts owed as at a specified date by the Target Company to any member of the Seller Group together with accrued interest, if any, up to the specified date on the terms of the applicable debt
“Intercompany Receivable(s)”	in relation to the Target Company, any amounts owed as at a specified date to the Target Company by any member of the Seller Group together with accrued interest, if any, up to the specified date on the terms of the applicable debt
“Interim Report”	the interim report of the Company dated 25 November 2020 in relation to the financial results of the Group for the six months ended 30 September 2020

“Korea”	the Republic of Korea
“Korean IFRS”	the International Financial Reporting Standards as issued by the International Accounting Standards Board, as adopted in Korea
“KRW”	Korean Won, the lawful currency of Korea
“Lenders”	lenders of the Syndicated Loan
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Long Stop Date”	11 June 2021
“Material Adverse Effect”	<p>any Effect that is, or would reasonably be expected to be, materially adverse to the Target Business, results of operations or financial condition of the Target Business, provided that no Effect resulting from any of the following shall be deemed to constitute or shall be taken into account in determining whether a Material Adverse Effect has occurred or been deemed to have occurred:</p> <ul style="list-style-type: none"> <li>(i) general global or national economic or political conditions;</li> <li>(ii) conditions generally affecting the industries in which the Target Business operates;</li> <li>(iii) any changes in financial, banking or securities markets in general, including any disruption in such markets and any decline in the price of any security or any market index or any change in prevailing interest rates;</li> <li>(iv) terrorism, armed hostilities, sabotage, war (whether or not declared), curfews, riots, demonstrations or public disorders or any escalation or worsening of acts of terrorism, armed hostilities, war, riots, demonstrations or public disorders;</li> <li>(v) any action required or permitted by the Unit Purchase Agreement or any action taken (or omitted to be taken) with the written consent of, or at the written request of, Alpha Vista;</li> <li>(vi) any action taken after the date of the Unit Purchase Agreement by Alpha Vista or any of its affiliates;</li> <li>(vii) any matter of which Alpha Vista is aware, or which is reasonably foreseeable, on the date of the Unit Purchase Agreement, including any matter disclosed by the Seller;</li> </ul>

- (viii) any changes or proposed changes in applicable laws or accounting rules (including the Korean IFRS and the Hong Kong Financial Reporting Standards (in effect from time to time)) or the enforcement, implementation or interpretation of the above;
- (ix) the announcement, pendency or completion of the transactions contemplated by the Unit Purchase Agreement or other Transaction Documents, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the seller, the Target Company or the Target Business;
- (x) any natural or man-made disasters, weather events or acts of God;
- (xi) any epidemic, pandemic or disease outbreak (including COVID-19), or any COVID-19 measures or any change in such COVID-19 measures or interpretations of the same following the date of the Unit Purchase Agreement;
- (xii) any failure by the Target Business to meet any internal or published projections, forecasts or revenue or earnings predictions (subject to certain provisos),

except, in the case of certain of the above items, to the extent that any such Effect affects the Target Business in a materially disproportionate manner as compared to other businesses that participate in the business that the Target Business operates, but, in such event, only the incremental disproportionate impact shall be taken into account in determining whether a “Material Adverse Effect” has occurred

“Net Working Capital”	in relation to the Target Company, the net aggregate amount of certain working capital items specified in the Unit Purchase Agreement
“New Trademark License Agreement”	has the meaning given in section 3(e) of this announcement
“New Loan Agreement”	the loan agreement dated 23 October 2020 entered into between, among others, the Group and the Lenders in relation to the Syndicated Loan and the Short-term Bank Loans
“PE Fund”	a transaction-specific private equity fund (tentatively, to be named Snow Vista Private Equity Fund) intended to be formed in Korea and managed by Alpha Vista as its general partner
“Post-Completion Adjustment”	has the meaning given in section 2(d) of this announcement
“Remaining Group”	the Group (excluding the Target Company)

“Reference NAV”	has the meaning given in section 2(d) of this announcement
“Sale Units”	all of the units of the Target Company
“Seller”	Global Brands (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Seller Group”	the Seller and its affiliates from time to time but excluding the Target Company
“Shareholders”	the holders of Shares
“Shares”	ordinary share(s) of HK\$0.125 each in the share capital of the Company
“Short-term Bank Loans”	short-term bank loans provided to the Group in the outstanding principal amount of US\$107,283,000 as at 30 September 2020
“Special General Meeting”	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Transaction and the Transaction Documents
“Special Purpose Company”	a special purpose company (tentatively, to be named Snow Vista Co., Ltd.) intended to be established in Korea by the PE Fund
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substitution”	the transfer by Alpha Vista of all of its rights, benefits and interests in, and past, present and future obligations, liabilities and duties pursuant to, the Unit Purchase Agreement to a Designated Purchaser
“Syndicated Loan”	a syndicated loan facility provided to the Group in the outstanding principal amount of US\$174,055,000 as at 30 September 2020
“Target Business”	the design, development, marketing and sale business of kids, men’s and women’s apparel, footwear, fashion accessories and related lifestyle products under the “Spyder” brand, primarily for sales to retailers and end consumers and via the Target Company’s stores and e-commerce channels in Korea
“Target Company”	Global Brands Group Korea Ltd., a private limited company incorporated in Korea and a wholly owned subsidiary of the Seller
“Target Working Capital”	KRW30,490,138,299 (approximately US\$28,024,024), which represents the average working capital of the Target Business for the calendar year ended 31 December 2020
“Transaction”	the proposed disposal by the Seller of the Target Business in accordance with the provisions of the Unit Purchase Agreement, as further described in this announcement

“Transaction Documents”	the Unit Purchase Agreement, the Deed of Adherence, the Guarantee Deed, the Unit Transfer and Payment Confirmation, the Transitional Services Agreement (if entered into) and any other agreements, instruments and documents to be delivered pursuant to the Transaction
"Transitional Services Agreement”	has the meaning given in section 3(f) of this announcement
“Unit Purchase Agreement”	the agreement dated 29 April 2021 entered into between the Seller and Alpha Vista relating to the sale and purchase of the Target Business (to be effected by a sale of all of the Sale Units), the principal terms of which are set out in section 2 of this announcement
“Unit Transfer and Payment Confirmation”	a confirmation to be delivered by the Seller confirming the sale and purchase of the Sale Units and the Seller’s receipt of the Estimated Purchase Price
“US\$”	United States dollar(s), the lawful currency of the United States of America

By Order of the Board  
**Global Brands Group Holding Limited**  
**William FUNG Kwok Lun**  
*Chairman*

Hong Kong, 29 April 2021

*As at the date of the announcement, the Board comprises one Non-executive Director, namely William Fung Kwok Lun (Chairman); one Executive Director, namely Richard Nixon Darling (Chief Executive Officer) and five Independent Non-executive Directors, namely Paul Edward Selway-Swift, Stephen Harry Long, Allan Zeman, Audrey Wang Lo and Ann Marie Scichili.*