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**Global Brands Group Holding Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 787)

**INSIDE INFORMATION**

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This announcement is made by Global Brands Group Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Since the announcement by the Company dated 17 June 2021 in relation to the disposal of its Spyder Korea business (the “**Spyder Korea Disposal**”) and the announcement by the Company dated 19 July 2021 (the “**19 July Announcement**”) in relation to various financial, operational and restructuring updates of the Group, the Company’s Board reports that the independent board of GBG USA, an indirect wholly owned subsidiary of the Company in the United States, based on professional financial and legal advice, and following a thorough review of all strategic alternatives, has independently concluded that more decisive action will be required to preserve the value of GBG USA and its subsidiaries.

As disclosed in the 19 July Announcement, GBG USA accounted for 91.9% of the Group’s operating loss of US\$222 million (unaudited) for the financial year ended 31 March 2021.

## **VOLUNTARY PETITIONS FOR RELIEF UNDER CHAPTER 11 BY NORTH AMERICA SUBSIDIARIES**

On 29 July 2021 (New York time), GBG USA, its direct parent namely, GBG North America Holdings Co. Inc. and certain of their subsidiaries incorporated in North America (together, the “**US Debtors**”), filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “**Chapter 11 Proceeding**”) in the Bankruptcy Court for the Southern District of New York (the “**Court**”). The Chapter 11 Proceeding will invoke a statutory automatic stay on the commencement or continuation of any claims or proceedings by any creditors or third parties (including the Lenders under the Group’s Secured Bank Facilities (as such terms are defined below)) against the US Debtors unless leave of the Court is granted.

The Chapter 11 Proceeding will allow the US Debtors to conduct a court-sanctioned competitive marketing and auction process for a sale of substantially all of the US Debtors’ assets, businesses and/or inventory (the “**Sale(s)**”) to third parties. The Sale(s) will support the Group’s efforts to maximise the value of the US Debtors’ assets for their stakeholders, including their creditors, and conclude with the winding down of the remainder of the wholesale business in the United States.

The Chapter 11 Proceeding is expected to include an asset sale or a series of asset sales pursuant to section 363 of the United States Bankruptcy Code (each, a “**Section 363 Sale**”). Each Section 363 Sale will involve the approval of the Court, and the Court will require, among others, the following as protective pre-conditions to granting its approval:

- (a) a robust, public and transparent marketing and auction process to show that a proposed sale will maximise value for the estate of the relevant US Debtor;
- (b) the filing of a motion by the relevant US Debtor and a hearing with the Court seeking the Court’s approval of the proposed bidding and auction procedures, as well as to address any objections to such procedures; and
- (c) the filing of a motion by the relevant US Debtor and a hearing with the Court seeking the Court’s approval of a Section 363 Sale, as well as to address any objections to a Section 363 Sale.

The Company is consulting with the Stock Exchange as to the applicability of the circular and shareholder requirements under Chapter 14 of the Listing Rules in the context of a Section 363 Sale under the Chapter 11 Proceeding.

## **SALE OF FRYE INVENTORY**

As disclosed in the 19 July Announcement, due to GBG USA’s liquidity position, it was unable to meet certain payment obligations under the Master License Agreement and on 30 June 2021, ABG terminated the Master License Agreement with immediate effect. As a result of such termination, GBG USA was not permitted to sell off any of the remaining inventory or assets under the “Frye” brand.

As part of GBG USA’s continuing effort to increase liquidity, on 20 July 2021 (New York time), GBG USA and Jimlar Corporation, a wholly-owned subsidiary of GBG USA (together, the “**Frye Sellers**”) entered into an agreement (the “**Frye Agreement**”) with ABG Frye LLC (the “**Frye Purchaser**”), a wholly-owned subsidiary of ABG for the sale, and simultaneously completed the sale (the “**Frye Sale**”) of assets, properties and rights under the “Frye” brand on a global basis, substantially all of which is inventory (the “**Frye Inventory**”), for a consideration of US\$6.75 million (approximately HK\$52.7 million) (the “**Frye Consideration**”), in order to realise the maximum value of the Frye Inventory before substantial further depreciation took place.

Based on the unaudited management accounts of the Group as at 30 June 2021, the book value attributable to the Frye Inventory was approximately US\$11.1 million while the book value attributable to the remaining materials being sold under the Frye Sale was approximately US\$0.3 million.

In accordance with the Frye Agreement, US\$6 million (approximately HK\$46.8 million) of the Frye Consideration was received at closing of the Frye Sale on 20 July 2021 (New York time) (“**Frye Closing**”) and the remaining US\$0.75 million (approximately HK\$5.85 million) of the Frye Consideration, less (i) the amount of certain assumed liabilities, and (ii) a proportion of the amount by which the value of the inventory at completion of the Frye Sale was less than an agreed targeted value (the “**Holdback Amount**”), was deposited into a segregated account maintained by the Frye Purchaser. The Frye Purchaser shall release the Holdback Amount (as adjusted) to the Frye Sellers on the later of (i) 10 days after the Frye Closing, and (ii) one business day after the Frye Purchaser’s receipt of, among other things, materially all of the remaining assets under the Frye Sale.

## **PROPOSED SALE OF AQUATALIA AND RELATED ASSETS THROUGH A STALKING HORSE BID SUBJECT TO HIGHER OFFERS**

In conjunction with the Chapter 11 Proceeding, GBG USA and certain other US Debtors have entered into an asset purchase agreement (the “**Stalking Horse Agreement**”) with WH AQ Holdings LLC (as purchaser) and Hilco Brands LLC (as guarantor) (together, the “**Stalking Horse Bidder**”, and its bid, the “**Stalking Horse Bid**”), pursuant to which the Stalking Horse Bidder will serve as the stalking-horse bidder in the Section 363 Sale for the “Aquatalia” brand and related working capital assets (the “**Aquatalia Assets**”).

The Stalking Horse Bidder, independent third parties, have committed to a purchase price of US\$17.3 million (approximately HK\$134.9 million) for the Aquatalia Assets, but such bid is subject to higher or otherwise better offers, and therefore only establishes a floor for the Aquatalia Assets. Any offer that tops the Stalking Horse Bid will inure to the stakeholders of GBG USA. Any final sale of the Aquatalia Assets, whether to the Stalking Horse Bidder or to any other third party, will be subject to an extensive public marketing process and the approval by the Court.

In addition to the Aquatalia Assets, the US Debtors are also seeking to maximise recoveries for their creditors by marketing their other fashion brands and assets, including Ely & Walker, AIRBAND, MagnaReady, Yarrow, b New York and JUNIPERunltd. Any such sale will be carried out pursuant to a Section 363 Sale and the Court-approved bidding and auction procedures.

Based on the timetable presented to the Court, the completion of the Section 363 Sale for the Aquatalia Assets is expected to take place by around mid-September 2021. In any event, the US Debtors aim to complete these processes as soon as possible and will provide to the Company’s Board ongoing progress updates on plans for the above Section 363 Sales.

## **IMPACT OF THE CHAPTER 11 PROCEEDING**

As at 29 July 2021, the Group, through the US Debtors, had approximately US\$238.4 million in outstanding secured funded indebtedness, including:

- approximately US\$126.5 million in aggregate principal amount outstanding under the syndicated loan facility taken out by GBG USA, of which the Company and certain of the US Debtors are pledgors and guarantors, and certain other non-US Debtor affiliates are pledgors and guarantors (the guarantees from the Company and each relevant subsidiary being the “**Guarantee**”), pursuant to an amended and restated credit agreement dated 23 October 2020 (as amended, supplemented or otherwise modified from time to time) (the “**First Lien RCF**”); and

- approximately US\$106.2 million in aggregate principal amount outstanding under various bilateral bank facilities (the “**Second Lien Bilateral Facilities**”, and together with the First Lien RCF, the “**Secured Bank Facilities**”, the finance documents of both of which are collectively referred to as the “**Secured Loan Documents**”).

As disclosed in the circular of the Company dated 6 May 2021, the Group was unable to make a lump-sum repayment of US\$50 million (the “**Fixed Amortisation Payment**”) upon its 31 January 2021 due date, and the lenders under the Secured Bank Facilities (the “**Lenders**”) had good faith negotiations with the Group and reached agreement on 12 February 2021 by signing a forbearance agreement, pursuant to which the Lenders agreed to forbear from exercising their rights and remedies under the Secured Loan Documents, which was subsequently extended to 28 May 2021 by a further agreement (the “**Second Forbearance**”) dated 28 April 2021. Under the Second Forbearance, the Group was required to pay the Fixed Amortisation Payment by 28 May 2021.

Although the Group did not make the Fixed Amortisation Payment on 28 May 2021 due to the delay in the closing of the Spyder Korea Disposal, and the applicable forbearance period had expired, as disclosed in the 17 June Announcement and the 19 July Announcement, the Group had continued its discussions with the Lenders to amend its repayment obligations under the Secured Bank Facilities. As at the date of this announcement, these discussions are ongoing and the Lenders have not exercised their rights under the Secured Loan Documents to demand immediate repayment.

In accordance with the terms of the Secured Loan Documents, a Chapter 11 Proceeding constitutes an event of default which automatically triggers an acceleration of all outstanding amounts under the Secured Bank Facilities and the Lenders’ right to enforce the Guarantee. As the Chapter 11 Proceeding invokes a statutory automatic stay on any claims or proceedings brought by any creditors or third parties against all US Debtors unless leave of the Court is granted, the Lenders will be stayed from enforcing their right to demand immediate repayment against all US Debtors. However, the automatic stay does not apply to any entity that is within the Group that is not a US Debtor. The Lenders will be able to enforce any rights under the Guarantee against the Company and other non-US Debtors as guarantors, as well as any rights under the security documents for the Secured Bank Facilities granted to them by pledgors that are not US Debtors.

As at the date of this announcement, the Company is in active and ongoing dialogue with the Lenders and their professional advisers in relation to the restructuring of the Secured Bank Facilities.

Notwithstanding the potential exposure under the Guarantee to the Company as described above, the Company’s Board would like to emphasise that the Group’s other two business segments, namely the Europe wholesale business and the brand management business, are not included in the Chapter 11 Proceeding and continue to maintain ongoing operations.

As disclosed in the 19 July Announcement, restructuring measures have been taken by the Group to help improve performance and reduce the cost base of its Europe wholesale business and active measures are being undertaken to improve working capital. The Group’s brand management business remains robust and profitable.

Further announcements will be made as soon as practicable to update the shareholders of the Company and the market on the development of the Chapter 11 Proceeding.

Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the 19 July Announcement.

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

Hong Kong, 29 July 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 four Independent Non-executive Directors, namely Paul Edward Selway-Swift, Stephen Harry Long, Audrey Wang Lo and Ann Marie Scichili.*