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GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF 15% ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE GRANT OF THE BUY-BACK OPTION

THE ACQUISITION

The Board is pleased to announce that on July 17, 2020 (after the trading hours of the Stock Exchange), the Purchaser entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 15% of the total issued share capital of the Target Company, at a total consideration of SG\$4 million (equivalent to approximately HK\$22.3 million*).

Pursuant to the Acquisition Agreement, the Purchaser also granted the Vendor a one-time exercisable buy-back option to repurchase all (but not part) of the Sale Shares from the Purchaser for an agreed repurchase price of SG\$4.6 million (equivalent to approximately HK\$25.6 million*), representing a 15% buy-back premium, and such option will only be exercisable until June 14, 2021 or such other date as the Vendor and the Purchaser may agree in writing.

As at the date of this announcement and immediately prior to Completion, the Target Company is owned as to 50.08% by the Purchaser. As such, the Target Company is an indirect non wholly-owned subsidiary of the Company.

Upon Completion, the Purchaser will be interested in 65.08% of the issued share capital of the Target Company and the Target Company will remain as an indirect non wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor owns 29.92% of the Target Company and is a substantial shareholder of the Target Company, and thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Hence, the transactions contemplated under the Acquisition Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) the Vendor is a connected person of the Company at the subsidiary level only; (ii) the Board has approved the Acquisition Agreement and the transactions contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition Agreement and the transactions contemplated thereunder will constitute connected transactions which are subject to reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Acquisition Agreement (which include the Acquisition and the Buy-back Option) (on an aggregated basis pursuant to Rule 14.22 of the Listing Rules) exceed 5%, but is less than 25%, the transactions contemplated under the Acquisition Agreement constitute a discloseable transaction on the part of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment (or, as the case may be, waiver) of the conditions precedent under the Acquisition Agreement. The Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the shares of the Company.

BACKGROUND

On July 17, 2020 (after the trading hours of the Stock Exchange), the Purchaser entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing 15% of the total issued share capital of the Target Company, at a total consideration of SG\$4 million (equivalent to approximately HK\$22.3 million*).

The principal terms of the Acquisition Agreement are summarized as follows:

Date

July 17, 2020

Parties

- (i) GI.PT Singapore Pte. Limited, as the Purchaser
- (ii) P.T. Eses Entrindo, as the Vendor

As at the date of this announcement, the Target Company is owned as to (i) 50.08% by the Purchaser, (ii) 29.92% by the Vendor and (iii) 20.00% by Compac, and each of the shareholders of the Target Company is a substantial shareholder of the Target Company. Hence, each of the Purchaser, the Vendor and Compac is a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules.

Asset to be acquired

The asset to be acquired is the Sale Shares, which represent 15% of the total issued share capital of the Target Company.

Consideration

The consideration payable by the Purchaser for the Acquisition under the Acquisition Agreement is SG\$4 million (equivalent to approximately HK\$22.3 million*), which will be satisfied by the Group's internal resources. The Purchaser shall pay the consideration to the Vendor in cash within three (3) business days upon satisfaction by the parties of the post-completion obligations and conditions set out in the Acquisition Agreement.

The consideration payable by the Purchaser for the Acquisition under the Acquisition Agreement, was arrived at after arm's length negotiation between the parties and with reference to, *inter alia*, the historical performance of the Target Company, as well as the net asset value and financial condition of the Target Company as at May 31, 2020.

Buy-back Option

Pursuant to the Acquisition Agreement, the Purchaser also granted the Vendor a one-time exercisable buy-back option to repurchase all (but not part) of the Sale Shares from the Purchaser for an agreed repurchase price of SG\$4.6 million (equivalent to approximately HK\$25.6 million*), representing a 15% buy-back premium, and such option will only be exercisable until June 14, 2021 or such other date as the Vendor and the Purchaser may agree in writing.

Conditions Precedent

Completion is conditional upon the fulfillment (or waiver, if applicable) of conditions on or before the Long Stop Date, the principal conditions being:

1. the obtaining of corporate approvals from the Purchaser approving the transactions contemplated under the Acquisition Agreement as required under the Purchaser's constitutional documents;
2. the obtaining of corporate approvals from the Vendor approving the transactions contemplated under the Acquisition Agreement as required under the Vendor's articles of association;
3. the obtaining of the approval of the general meeting of shareholders of the Target Company approving the transactions contemplated under the Acquisition Agreement;
4. the obtaining of all necessary governmental and regulatory approvals which must be obtained by the respective parties and related regulatory requirements; and
5. the obtaining of approval from any third party which must be obtained by the respective parties to the Acquisition Agreement pursuant to their respective contractual obligations.

If any of the conditions precedent are not fulfilled or waived, either wholly or partially (to the extent it is permitted by law and where it can be waived), at any time by the Purchaser or the Vendor (as the case may be) by written notice to the other party on or before the Long Stop Date, the party who is able to satisfy its obligation under the conditions precedent may, at its sole discretion, terminate the Acquisition Agreement, unless the Vendor and the Purchaser both agree to extend the Long Stop Date in writing. Upon the termination of the Acquisition Agreement, the Vendor and the Purchaser shall have no further rights and obligations against each other, except

for any claim which may have arose prior to the termination of the Acquisition Agreement and/or any claims or provisions which has been specifically drafted to survive termination of the Acquisition Agreement.

Completion

Completion shall take place within three (3) business days from the date on which the last conditions precedent of the Acquisition Agreement having been fulfilled (or waived, if applicable), or on such other date as the Purchaser and the Vendor may mutually agree in writing. On the date of Completion, the Sales Shares will be transferred from the Vendor to the Purchaser or the Purchaser's designated party at the direction of the Purchaser.

As at the date of this announcement and immediately prior to Completion, the Target Company is owned as to 50.08% and 29.92% by the Purchaser and the Vendor, respectively. As such, the Target Company is an indirect non wholly-owned subsidiary of the Company.

Upon Completion, the Purchaser will be interested in 65.08% of the issued share capital of the Target Company and the Vendor's shareholding in the Target Company will reduce to 14.92%. The Target Company will remain as an indirect non wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group.

INFORMATION OF THE PURCHASER AND THE GROUP

The Group is an international apparel retailer operating *Giordano* and *Giordano Junior*, *Giordano Ladies*, *BSX* and other owned and licensed brands.

The Purchaser is a company incorporated in Singapore with limited liability and is an indirect non wholly-owned subsidiary of the Company. The Purchaser is principally engaged in investment holding.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company established under the laws of Indonesia with limited liability and is owned by Mr. Suryo Bambang Sulisto, Mr. Adisatrya Suryo Sulisto, Ms. Syarika Bralini Suryo Sulisto and Mr. Naraya Suryo Sulisto as to 60%, 15%, 12.5% and 12.5%, respectively.

INFORMATION OF THE TARGET COMPANY

The Target Company is an indirect non wholly-owned subsidiary of the Company which operates the *Giordano* business in Indonesia. Aside from operating the *Giordano* business locally, the Target Company also operates as the franchisee and licensee of a number of international brands.

FINANCIAL INFORMATION OF THE TARGET COMPANY

As at December 31, 2019, the audited net assets of the Target Company was approximately HK\$315.1 million based on the audited financial statements of the Target Company prepared in accordance with Indonesian Financial Accounting Standards. Set out below is the summary of the audited financial information of the Target Company prepared in accordance with Indonesian Financial Accounting Standards for the year ended December 31, 2018 and 2019 and the unaudited financial information of the Target Company for the five months ended May 31, 2020:

<i>(In HK\$ million)</i>	For the year ended December 31,		For the five months ended May 31,
	2018 <i>(audited)</i>	2019 <i>(audited)</i>	2020 <i>(unaudited)</i>
Turnover	585.1	629.9	139.9
Net profit (net loss) before tax	102.8	108.6	(3.1)
Net profit (net loss) after tax	77.2	81.6	(2.4)

As at May 31, 2020, the unaudited net asset value of the Target Company was approximately HK\$293.0 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is an indirect non wholly-owned subsidiary of the Company based in Indonesia and is focused on the operation of the Giordano business locally, as well as franchised/licensed brands.

The Group's business in Indonesia has been promising. The Acquisition will further solidify and consolidate the Group's market positioning within the fashion apparel sector in Indonesia and enable the Group to benefit from the potential of this sector in the future.

Taking into account the above, the net asset value and financial performance of the Target Company, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor owns 29.92% of the Target Company and is a substantial shareholder of the Target Company, and thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Hence, the transactions contemplated under the Acquisition Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As (a) the Vendor is a connected person of the Company at the subsidiary level only; (b) the Board has approved the Acquisition Agreement and the transactions contemplated thereunder; and (c) the independent non-executive Directors have confirmed that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition Agreement and the transactions contemplated thereunder will constitute connected transactions which are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Acquisition Agreement (which include the Acquisition and the Buy-back Option) (on an aggregated basis pursuant to Rule 14.22 of the Listing Rules) exceed 5% but is less than 25%, the transactions contemplated under the Acquisition Agreement constitute a discloseable transaction on the part of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Acquisition Agreement and the transactions contemplated thereunder, and none of the Directors was required to abstain from voting on the resolutions in relation to the Acquisition Agreement and the transactions contemplated thereunder proposed to the Board.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment (or, as the case may be, waiver) of the conditions precedent under the Acquisition Agreement. The Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the shares of the Company.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the purchase of the Sale Shares by the Purchaser from the Vendor pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the sale and purchase agreement dated July 17, 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition;
“Board”	the board of Directors;
“Buy-back Option”	a one-time exercisable buy-back option granted by the Purchaser to the Vendor to repurchase all (but not part) of the Sale Shares from the Purchaser for an agreed repurchase price of SG\$4.6 million (equivalent to approximately HK\$25.6 million*), pursuant to the Acquisition Agreement;
“Compac”	Compac International Pte., Ltd., a company incorporated in Singapore with limited liability;
“Company”	Giordano International Limited (stock code: 709), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Completion”	completion of the Acquisition pursuant to the Acquisition Agreement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Indonesia”	the Republic of Indonesia;
“Long Stop Date”	August 14, 2020 or such other date as may be agreed by the Vendor and the Purchaser in writing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	GI.PT Singapore Pte. Limited, a company incorporated in Singapore with limited liability and a 80% indirectly owned subsidiary of the Company;
“Rp”	Rupiah, the lawful currency of Indonesia;
“Sale Shares”	375 shares in the Target Company with nominal value of Rp1,000,000 each and owned by the Vendor, representing 15% of the total issued share capital of the Target Company as at the date of this announcement;
“SG\$”	Singapore dollars, the lawful currency of Singapore;
“Shareholder(s)”	shareholder(s) of the Company;
“Singapore”	the Republic of Singapore;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	PT Giordano Indonesia, a company incorporated in Indonesia with limited liability which is owned as to 50.08% by the Purchaser, 29.92% by the Vendor and 20.00% by Compac as at the date of this announcement;
“Vendor”	P.T. Eses Entrindo, a company incorporated in Indonesia with limited liability, which is owned by Mr. Suryo Bambang Sulisto, Mr. Adisatrya Suryo Sulisto, Ms. Syarika Bralini Suryo Sulisto and Mr. Naraya Suryo Sulisto as to 60%, 15%, 12.5% and 12.5% respectively; and
“%”	per cent.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman and Chief Executive

Hong Kong, July 17, 2020

At the date of this announcement, the Board comprises three executive Directors; namely, Dr LAU Kwok Kuen, Peter (Chairman and Chief Executive), Dr CHAN Ka Wai and Mr Mark Alan LOYND; two non-executive Directors; namely, Dr CHENG Chi Kong and Mr CHAN Sai Cheong; and four independent non-executive Directors; namely, Dr Barry John BUTTIFANT, Mr KWONG Ki Chi, Professor WONG Yuk (alias, HUANG Xu) and Dr Alison Elizabeth LLOYD.

* *For the purpose of this announcement, the translation of SG\$ to HK\$ is based on the exchange rate of SG\$1 = HK\$5.5686 and is provided for illustration purpose only.*