

Giordano Releases Third Quarter 2016 Operations Update

November 10, 2016, Hong Kong

Giordano International Limited (“Giordano” or the “Group”) releases its 2016 third quarter operations update today.

- Consolidated group sales for the third quarter of 2016 were HK\$1,197 million (2015: HK\$1,240 million), a decrease of 3%. Group comparable store sales decreased by 3%. Early religious holidays in some markets shifted peak sales month from July to June in 2016.
- Consolidated gross profit also decreased by 3% and gross profit margin improved by 0.3 percentage points to 58.3%. This was attributable to lower material costs of supplies based in Renminbi and changes in product mix.
- Group comparable store gross profit for the third quarter only decreased by 2% despite a drop of 3% in group comparable store sales.
- Inventory turnover days on cost were 76 days at quarter-end (September 30, 2015: 76 days; December 31, 2015: 78 days).
- At quarter-end, net cash and bank balances were HK\$1,026 million (September 30, 2015: HK\$950 million; December 31, 2015: HK\$1,076 million).

“Persistent global growth concerns and uncertainty in economic development has continued to stymie the consumer retail sector and consumer appetite generally, but management has and will continue to counteract the effects through our unrelenting pursuance of operational excellence and discipline.” remarked Dr. Peter Lau, Chairman and Chief Executive of Giordano.

“Group sales for the third quarter decreased by 3%, an improvement from the first half when it decreased by 7%. Comparable stores sales registered 3% decline, but we only saw a smaller 2% drop in comparable store gross profit, which was attributable to the execution of margin strategy to protect margin by striving for lower material costs and effective product marketing campaigns to boost selling prices. The Group benefited from the depreciation of the Renminbi during the quarter as average product costs decreased. This, however, adversely impacted translated sales from mainland China and frustrated the increased reported sales attributable to the resurgent local currencies in Southeast Asia. Management cannot predict the dynamics between the relevant exchange rates, but will continue to monitor ongoing changes and take necessary steps when we anticipate threats or opportunities.”

Dr. Lau added, “We began to see the fruits of our franchise expansion strategy in mainland China, where the number of franchised stores increased by 31 in the past twelve months. We will provide further professional and operational assistance, as well as marketing and promotional resources to our franchisees. We will continue to work closely with the third party platforms in mainland China and invest resources to our mobile apps to expand the user base.” Dr. Lau continued, “Despite headwinds in the retail industry in Hong Kong, our operations team there are resilient and managed to grow comparable store sales from last year. We will carry on rental saving initiatives, revitalize shop ambience and re-invigorate marketing campaigns.”

“The Middle East continued to show signs of a recovery. That said, the Middle East economies have slowed sharply this year and growth is likely to remain sluggish in the imminent future as the adjustment to low oil prices continues. The completion of various infrastructures may attract more tourists, but this remains to be seen. We will consider expanding our footprint there when the economy and tourism industry turns the corner.”

“Regional economic environments are not conducive to overall sales increases in the medium term and we will, therefore, focus on improving CSS and CSGP growth. We will invest resources to develop of our people and infrastructure, as well as enhance operational efficiency to combat the tough retail environment.” Dr. Lau concluded.

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About Giordano:

Giordano is a leading international retailer of men’s, women’s and children’s apparel under the brand names *Giordano & Giordano Junior, Giordano Ladies and BSX*. Established in 1981, Giordano now operates over 2,300 stores in Greater China, South Korea, Southeast Asia, Australia, India and the Middle East. Giordano is listed on the main board of Hong Kong Stock Exchange under the code 709.

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