

Giordano Announces 2017 Unaudited Interim Results

August 10, 2017, Hong Kong

Giordano International Limited (the “Company”) and its subsidiaries (“Giordano” or the “Group”), today announced its unaudited interim results for the six months ended June 30, 2017:

- Group sales and gross profit for the first half of 2017 rose by 3.4% and 3.8%, respectively. Gross margin improved by 0.2 percentage points to 59.8% (2016: 59.6%), attributable mainly to the depreciation of Renminbi.
- Comparable store gross profit was up by 6.6% whilst comparable store sales rose by 4.6% year-on-year. Improved merchandise mix, early Ramadan and the increase in e-commerce sales in Mainland China contributed to the growth.
- Profit after income taxes attributable to shareholders of the Company increased over last year by 20.1% to HK\$245 million with this margin increasing from 8.1% to 9.4%.
- Net cash and bank balances at HK\$1,233 million at June 30, 2017, were HK\$149 million higher than the same period last year. Cash conversion rate reached 116.9% (2016: 106.9%).
- Inventory turnover days on cost of sales increased by 9 days to 79 days year-on-year. The increase was partly due to anticipated customs slowdown during the Ramadan holiday, and intended earlier receipt of winter apparel to better support business in distant markets.
- The board of directors of the Company has declared an interim dividend of 15.0 HK cents per share (2016: 12.5 HK cents per share) for the six months ended June 30, 2017.
- The board of directors of the Company believes in returning surplus cash to its shareholders. In addition to dividend distribution, the Company commenced a share repurchase initiative on June 20, 2017. From June 20, 2017 to the date of this announcement, the Company repurchased and cancelled 5,412,000 shares. The Company will continue to repurchase shares in accordance with the Company’s announcement dated June 20, 2017, and will cancel the repurchased shares subsequently pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Dr. Peter Lau, Chairman and Chief Executive of Giordano, said “In the first half of 2017, Group operating profit improved by HK\$64 million to HK\$331 million. Early Ramadan helped certain markets report higher operating profit for the first half of 2017 than previous year. Mainland China’s e-commerce also surged due to improved merchandise mix and logistics. Markets benefited from early Ramadan and Mainland China e-commerce contributed HK\$34 million to the increase in Group operating profit during the reporting period. More importantly, they accounted for HK\$18 million to the increase of Group operating profit for the month of June alone. Having said that, when comparing same Ramadan sales between 2017 and 2016, relevant countries’ comparable store sales and comparable store gross profit were also up by 6.0% and 5.7%, respectively.”

Dr. Lau added, “Outlook on Mainland China is optimistic. We have been improving our franchisees’ net margin, which creates a foundation for their future expansion. E-commerce continues to be an integral part for our business expansion in Mainland China. After the merging of our online and offline distribution centers for higher stock efficiency, the management will continue to invest in e-commerce. Despite the retail market gloom reported in Hong Kong and Macau, this market delivered 18.4% operating profit growth during the period. ”

“We will continue to focus on operational improvement and product development, in order to develop ourselves to be a leading easy-to-wear fashion provider of high quality apparel at reasonable prices. The Group will direct more effort to increase marketing investment to strengthen the brand image. We will also speed up the refurbishment plan for our existing stores in order to support our margin strategy and improve our selling prices by providing better shopping ambience to our customers. Management is allocating resources to expand into markets where the Group brands do not have a presence yet, from which the Group will benefit in the medium to long term. We expect to open stores in one to two new markets in the next six months.” Dr. Lau continued.

“We will continue generating healthy cash flow and creating value for our shareholders. The Board believes in returning surplus cash to its shareholders and, in addition to its dividend distribution, the Company also commenced a share repurchase initiative in June 2017. We will continue to repurchase shares in accordance with the Company’s announcement dated June 20, 2017, and will cancel the repurchased shares subsequently pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.” Dr. Lau concluded.

- END -

About Giordano:

Giordano is an international apparel retailer of men's, women's and children's apparel, operating *Giordano* and *Giordano Junior*, *Giordano Ladies*, *BSX* and other owned and licensed brands. Established in 1981, Giordano now operates over 2,300 stores in over 30 countries worldwide. The majority of stores were in Greater China, South Korea, South East Asia and the Middle East. Giordano is listed on the main board of Hong Kong Stock Exchange under the code 709.

For further information, please contact:

Agnes Chan

E-mail: agneschan@giordano.com

Telephone: +852 2746 4771

Attachment:

Unaudited Consolidated Income Statement for the six months ended June 30, 2017

Unaudited Consolidated Income Statement

	(Unaudited)	
	Six months ended	
	June 30	
<i>(In HK\$ million, except earnings per share)</i>	2017	2016
Sales	2,618	2,532
Cost of sales	(1,052)	(1,024)
Gross profit	1,566	1,508
Other income and other gains, net	60	43
Distribution expense	(1,146)	(1,139)
Administrative expense	(149)	(145)
Operating profit	331	267
Finance expense	(2)	–
Share of profit of joint ventures	23	18
Profit before income taxes	352	285
Income taxes	(74)	(57)
Profit after income taxes for the period	278	228
Attributable to:		
Shareholders of the Company	245	204
Non-controlling interests	33	24
	278	228
Earnings per share attributable to shareholders of the Company		
Basic and Diluted (HK cents)	15.6	13.0