

Giordano Announces 2018 Unaudited Interim Results

August 9, 2018, 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, 2018:

- Group sales for the first half of 2018 were HK\$2,860 million (2017: HK\$2,618 million), an increase of 9.2%. Group comparable store sales and comparable store gross profit were up by 5.1% and 3.1%, respectively.
- Group gross profit grew by 8.2% to HK\$1,694 million (2017: HK\$1,566 million) on improved sales, partially offset by a 0.6 percentage point decline in gross margin due in part to changes in channel mix and longer promotion periods during the late Chinese New Year and other festivals.
- Profit after income taxes attributable to shareholders of the Company was HK\$254 million, an increase of 3.7%, while net profit margin was 8.9%.
- At June 30, 2018, the cash and bank balances recorded, net of bank loans, was HK\$1,224 million (June 30, 2017: HK\$1,233 million).
- Inventory turnover on costs decreased by 2 days to 77 days year-on-year.
- The board of directors of the Company has declared an interim dividend of 17.0 HK cents per share (2017: 15.0 HK cents per share) for the six months ended June 30, 2018.

Dr. Peter Lau, Chairman and Chief Executive of Giordano, said “In the first half of 2018, Group gross profit grew by 8.2% to HK\$1,694 million, driven mainly by an increase in average selling price of 9.5%. Sales from physical stores recorded stable growth of 8.8% and wholesale sales to franchisees grew by 6.9%, primarily from Mainland China where the wholesale sales increased by 19.6%.”

Dr. Lau added “Our Asia-Pacific markets recorded strong double-digit growth, with Indonesia and Thailand performing particularly well. Outlook on these markets remains optimistic. Thailand showed a marked increase in both consumer spending and tourism figures. ”

“We remain cautiously optimistic of our business in Mainland China. Our franchise network continues to expand and our franchisees are improving their net margins. We will continue to work closely with them to ensure their success. E-commerce recorded a 10.2% increase in sales. We have also revamped our e-commerce in markets outside of Mainland China and are seeing satisfactory results.”

Dr. Lau went on, “Hong Kong and Macau delivered a marginal 4.4% growth in operating profit during the period in the face of fierce competition and inclement weather. Taiwan has achieved substantial improvement, recording a 34.9% increase in operating profit on the back of improved sales and reduced operating expenses.”

“The Middle East has underperformed with a largely poor first half due largely to external factors. The local management team is weathering the difficulties by reducing expenses and targeted promotional activities.”

“Management is unable to predict how the Sino-US trade dispute will affect the markets although the depreciation of RMB should benefit our Mainland China-sourced products. Staying vigilant, we will also focus on achieving operational excellence, taking a disciplined and prudent approach towards costs, maintaining lean operations while continuing to improve our product development, both in terms of efficiency and quality.”

“Management is also allocating resources to strengthen markets where we currently have only a small or no presence. We expect to increase the number of stores in some of our smaller markets as well as to open stores in several new markets in the next six months, which will benefit the Group in the medium to long-term.” Dr. Lau commented.

“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 which began since 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.

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About Giordano:

Giordano is an international apparel retailer with a portfolio of brands, including *Giordano* and *Giordano Junior*, *Giordano Ladies*, *BSX* as well as other owned and licensed brands. Established in 1981, Giordano now operates over 2,400 stores with the majority of stores in Greater China, South Korea, Southeast Asia and the Middle East. Giordano is listed on the main board of Hong Kong Stock Exchange under the code 709.

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Attachment:

Unaudited Consolidated Income Statement for the six months ended June 30, 2018

Unaudited Consolidated Income Statement

**Unaudited
Six months ended
June 30**

(In HK\$ million, except earnings per share)

	2018	2017
Sales	2,860	2,618
Cost of sales	(1,166)	(1,052)
Gross profit	1,694	1,566
Other income and other gains, net	36	60
Distribution expense	(1,242)	(1,146)
Administrative expense	(140)	(149)
Operating profit	348	331
Finance expense	(2)	(2)
Share of profit of joint ventures	29	23
Profit before income taxes	375	352
Income taxes	(84)	(74)
Profit after income taxes for the period	291	278
Attributable to:		
Shareholders of the Company	254	245
Non-controlling interests	37	33
	291	278
Earnings per share for profit attributable to shareholders of the Company		
Basic (HK cents)	16.2	15.6
Diluted (HK cents)	16.1	15.6