GIORDANO

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Giordano Announces 2018 Final Results

March 7, 2019, Hong Kong

Giordano International Limited (the "Company") and its subsidiaries (collectively, "Giordano" or the "Group") today announced its 2018 final results:

- Group sales were HK$5,509 million (2017: HK$5,412 million), an increase of 1.8%. Group comparable store sales ("Group CSS") and Group comparable store gross profit ("Group CSGP") were down by 0.1% and 1.4%, respectively.
- Group gross profit grew by 0.9% to HK$3,250 million (2017: HK$3,221 million), driven mainly by increase in average selling price of 7.6%, offset by the increase in costs and decrease in volume. Group gross margin was slightly down by 0.5 percentage point to 59.0%.
- Profit after income taxes attributable to shareholders of the Company ("PATS") was HK$480 million, a decrease of 4.0% from 2017.
- Inventory turnover on costs increased by 2 days to 89 days, in anticipation of an early Chinese New Year.
- At year-end, the cash and bank balances, net of bank loans, was HK$1,017 million (2017: HK$1,167 million) representing a decrease of 12.9%, mainly due to larger payment of dividends to the Company's shareholders during 2018.
- Basic and diluted earnings per share were 30.5 HK cents (2017: 31.8 HK cents) and 30.4 HK cents (2017: 31.7 HK cents), respectively.
- The board of directors of the Company has recommended a final dividend of 16.5 HK cents per share (2017: 20.0 HK cents per share), making 33.5 HK cents per share for the year (2017: 35.0 HK cents per share).

"The first half registered a stronger sales growth of 9.2%, while the second half recorded a decline of 5.2%, resulting in a slight increase in sales of 1.8% for the whole of 2018. The Sino-US trade dispute has created greater uncertainty, overshadowing global economic prospects and gradually affecting the retail environment and consumer sentiment", said Dr. Peter Lau, Chairman and Chief Executive of Giordano.

"Gross profit grew by 0.9% to HK$3,250 million, driven mainly by an increase in average selling price of 7.6%. Sales from physical stores recorded a stable growth of 1.7% and wholesale sales to franchisees grew by 2.6%, primarily from Mainland China where wholesale sales increased by 3.1%".

Dr. Lau added, "Our Asia-Pacific markets recorded strong double-digit growth, with Indonesia and Thailand performing particularly well. Outlooks on these markets remain optimistic. While we do not see any imminent threats in the rest of Asia Pacific region, we will continue to improve its merchandising, inventory and cost control as well as marketing."

"Mainland China business was affected by the Sino-US trade dispute and volatility in the stock market, which increased uncertainties on China's economic growth and negatively impacted the domestic retail performance. In this connection, the Group recorded CSS decrease of 0.9%. That said, the two strategic channels of e-business and franchising will continue to be our key drivers in the medium term."

Dr. Lau continued, "Hong Kong and Macau recorded a double-digit growth of 13.7% in operating profit during the year in the face of fierce competition and an abnormally warm winter. Taiwan rebounded and recorded an operating profit increase of 34.9% in the first half of 2018, although its operating profit only increased by 2.0% for the full year, similarly due to the uncertainty created by the Sino-US trade dispute.

"In the Middle East, consumers appear to have adapted to the newly introduced Value-Added Tax and changes in economic policies in 2018. We saw growth in the early weeks of 2019 where CSS increased by 4.0%. Management believes that the retail industry there has stabilized."

Dr. Lau added, "The global retail industry will remain problematic in 2019. The lack of clarity stemming from the ongoing Sino-US trade dispute and rising interest rates will likely cast a shadow on consumer spending, while extreme weather patterns and constantly evolving consumer behavior will all pose challenges to our business in the long term. Staying vigilant, we will 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 2019, which will benefit the Group in the medium to long-term" Dr. Lau concluded.

(Attachment: Consolidated income statement for the year ended December 31, 2018)

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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:

Audited Consolidated Income Statement for the year ended December 31, 2018

Consolidated Income Statement

(In HK$ million, except earnings per share)	**2018**	2017
Sales	**5,509**	5,412
Cost of sales	**(2,259)**	(2,191)
Gross profit	**3,250**	3,221
Other income and other gains, net	**86**	112
Distribution expense	**(2,440)**	(2,390)
Administrative expense	**(271)**	(254)
Operating profit	**625**	689
Finance expense	**(5)**	(4)
Share of profit of joint ventures	**64**	59
Profit before income taxes	**684**	744
Income taxes	**(142)**	(175)
Profit after income taxes for the year	**542**	569
Attributable to:		
Shareholders of the Company	**480**	500
Non-controlling interests	**62**	69
	542	569
Earnings per share attributable to shareholders of the Company		
Basic (HK cents)	**30.5**	31.8
Diluted (HK cents)	**30.4**	31.7