

Giordano Announces 2019 Final Results

March 10, 2020, Hong Kong

Giordano International Limited (the “Company”) and its subsidiaries (“Giordano” or the “Group”) today announced its 2019 final results:

- Group sales in 2019 were HK\$4,852 million (2018: HK\$5,509 million), a decrease of 11.9%. Group comparable store sales and comparable store gross profit were down by 10.1% and 11.1%, respectively. The Sino-US trade dispute, the unseasonably warm winter and the social events in Hong Kong have adversely affected Group sales throughout the reporting period.
- Group gross margin was slightly down by 0.3 percentage points to 58.7%.
- If applying the previous accounting standard for direct comparison, the Company would have reported 2019 profit after income taxes attributable to shareholders of the Company (“PATS”) of HK\$289 million, which would have been 39.8% lower than in 2018. After the adoption of Hong Kong Financial Reporting Standard (“HKFRS”) 16 applicable to the treatment of leases, the reported PATS was HK\$230 million, a decrease of 52.1% from 2018, and due primarily to the decline in Group sales and an additional charge of HK\$59 million on leases and non-cash accounting expenses of impairment of right-of-use assets. The Group has adopted HKFRS 16 for fiscal year commencing on January 1, 2019. As permitted under the transitional provisions in the standard, the Company has not restated PATS for the corresponding period in 2018 using HKFRS 16.
- At year-end, the cash and bank balances, net of bank loans, was HK\$994 million (2018: HK\$1,017 million), a slight decrease of 2.3%.
- Inventory turnover on costs increased by 11 days to 100 days due to the decline in sales. System inventory remains healthy, having reduced finished goods held by our vendors and China franchisees.
- Basic and diluted earnings per share were 14.6 HK cents (2018: 30.5 HK cents) and 14.6 HK cents (2018: 30.4 HK cents), respectively.
- The board of directors of the Company has recommended a final dividend of 4.4 HK cents per share (2018: 16.5 HK cents per share), making 14.6 HK cents per share for the year (2018: 33.5 HK cents per share).

Dr. Peter Lau, Chairman and Chief Executive of Giordano, said, "The slowdown in global economic growth commenced in 2018 and deteriorated in 2019. The Sino-US trade dispute, the unseasonably warm winter, and the social events in Hong Kong have all adversely affected Group sales, resulting in a decline of 11.9%. The Group managed to defend the adverse effect on profit margin, suffering only a marginal drop of 0.3 percentage points to 58.7% in the face of intense price competition and discounting in various markets. Although we were vigilant in controlling operating expenses, the reduction was insufficient to counter the immediate, negative impact from the decline in gross profit, resulting in a decrease in operating profit of 36.5% to HK\$397 million".

"It is noteworthy that upon the adoption of the new HKFRS 16 Leases, the operating lease expenses previously recorded in the consolidated income statement are now replaced by depreciation on the right-of-use assets and imputed interest expenses on lease liabilities. The result of adopting this mandatory accounting standard and the impairment loss on right-of-use assets is the creation of an additional charge of HK\$59 million".

Dr. Lau added, "In the face of global uncertainty and the COVID-19 epidemic, we will further tighten controls on inventory, accounts receivable, and cash outflow. Geographically, the Group will seize opportunities for store expansion in developing countries and allocate resources to strengthen prospective markets where we currently only have 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 2020, which will benefit the Group in the medium to long-term", Dr. Lau concluded.

(Attachment: Audited Consolidated Income Statement for the year ended December 31, 2019)

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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 through a network of around 2,400 stores, majority of which are in Greater China, South Korea, Southeast Asia and the Middle East. Giordano is listed on the Main board of The Stock Exchange of Hong Kong Limited (stock code: 709).

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Attachment:

Audited Consolidated Income Statement for the year ended December 31, 2019

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

	2019	2018
Sales	4,852	5,509
Cost of sales	(2,006)	(2,259)
Gross profit	2,846	3,250
Other income and other gains, net	83	86
Distribution expense	(2,300)	(2,440)
Administrative expense	(232)	(271)
Operating profit	397	625
Finance expense	(55)	(5)
Share of profit of joint ventures	63	64
Profit before income taxes	405	684
Income taxes	(116)	(142)
Profit after income taxes for the year	289	542
Attributable to:		
Shareholders of the Company	230	480
Non-controlling interests	59	62
	289	542
Earnings per share attributable to shareholders of the Company		
Basic (HK cents)	14.6	30.5
Diluted (HK cents)	14.6	30.4