

Giordano Announces 2020 Unaudited Interim Results

August 11, 2020, Hong Kong

Giordano International Limited and its subsidiaries (the “Group”) today announced its unaudited interim results for the six months ended June 30, 2020:

- The Group is an international apparel retailer with a portfolio of owned and licensed brands. We offer high-quality, value-for-money and easy-to-wear apparel through a network of 2,187 stores (or 2,114,000 sq. ft. of retail floor space) as of June 30, 2020.
- Due to the COVID-19 pandemic, Group sales declined by 44.4% to HK\$1,413 million (2019: HK\$2,542 million) at a gross margin of 54.6% (2019: 59.3 %). The Group’s online sales have grown to HK\$139 million, or 9.8% (2019: 5.2%) of Group sales.
- As a result of the drastic drop in Group sales and provision for asset impairment, the Group recorded a net loss of HK\$175 million (2019: HK\$161 million net profit), of which HK\$102 million was attributable to the Hong Kong Special Administrative Region alone. Excluding the non-cash provision for impairment of HK\$71 million under the Hong Kong Accounting Standard 36 that applied to retail store assets, the Group’s net loss was HK\$104 million for the six months ended June 30, 2020.
- Movement controls imposed abruptly in certain markets created a backlog of merchandise originally prepared for festive sales. The Group’s inventory turnover on cost was substantially higher at 138 days (June 30, 2019: 92 days). The merchandise levels will gradually reduce without the need for drastic clearance discounts, as the majority of the merchandise comprises basic and essential items.
- Cash and bank balances, net of bank loans, were HK\$989 million on June 30, 2020 (December 31, 2019: HK\$994 million). The Group’s overall financial situation and working capital are robust, even with an uncertain medium-term outlook. The Board has declared an interim dividend of 3.1 HK cents per share (2019: 10.2 HK cents per share).

Dr. Peter Lau, Chairman and Chief Executive of Giordano, said “In the first half of 2020, Group sales and gross profit declined by 44.4% and 48.8%, respectively, despite our operating expenses shrinking by HK\$350 million, or 27.2%. This excludes the impairment loss on right-of-use asset and property, plant and equipment of HK\$71 million. Although we were vigilant in controlling operating expenses, the reduction has not been sufficient to counteract the negative impact from the decline in gross profit, resulting in an operating loss of HK\$182 million, or, if excluding the impairment loss, an operating loss of HK\$111 million”.

Dr. Lau continued, “We anticipate a challenging operating environment in the second half of the year due to the COVID-19 pandemic and the uncertainty arising from the Sino-US relationship. Cash management is essential for long-term sustainability, which we will achieve through stringent cost control and sound working capital discipline. Recognizing the continued challenges, the Group will boldly close under-performing stores while deploying more resources to our online and franchise businesses”.

On the Group’s strategy moving forward, Dr. Lau commented, “Our initiative to develop local online businesses within our existing markets has so far proven to be successful. This strategy will continue. Furthermore, management has also expedited digitization of the Company’s way of doing business, both externally and internally. This will also facilitate the Group’s efforts to further localize supply chains, especially in anticipation of logistics disruptions caused by a protracted COVID-19 pandemic”.

“Business invariably experiences ups and downs, often due to factors beyond our control. That being said, we will confidently respond to the challenges that lie ahead, optimizing our strengths while acting nimbly to tackle obstacles. We remain steadfast in pursuing operational excellence through a combination of cost control and innovation. At the same time, we will continue to develop new franchise markets, invest in our online business, and the digitization of our operations, as well as consolidating and upgrading our stores.” Dr. Lau concluded.

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GIORDANO

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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 2,200 stores, the 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:

Unaudited Consolidated Income Statement for the six months ended June 30, 2020

<u>Unaudited Consolidated Income Statement</u>	Unaudited	
<i>(In HK\$ million, except (loss)/earnings per share)</i>	Six months ended June 30	
	2020	2019
Sales	1,413	2,542
Cost of sales	(641)	(1,034)
Gross profit	772	1,508
Other income and other gains, net	54	38
Distribution expense	(916)	(1,164)
Administrative expense	(92)	(123)
Operating (loss)/profit	(182)	259
Finance expense	(22)	(29)
Share of profit of joint ventures	20	24
(Loss)/profit before income taxes	(184)	254
Income taxes	2	(58)
(Loss)/profit after income taxes for the period	(182)	196
Attributable to:		
Shareholders of the Company	(175)	161
Non-controlling interests	(7)	35
	(182)	196
(Loss)/earnings per share attributable to shareholders of the Company		
Basic (HK cents)	(11.1)	10.2
Diluted (HK cents)	(11.1)	10.2