GIORDANO

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Giordano Announces 2017 Final Results

March 8, 2018, Hong Kong

Giordano International Limited (the "Company") and its subsidiaries ("Giordano" or the "Group") today announced its 2017 final results:

- Consolidated sales were HK$5,412 million (2016: HK$5,145 million), an increase of 5.2%. Group comparable store sales ("Group CSS") and comparable store gross profit ("Group CSGP") were up by 5.2% and 5.0%, respectively.
- Consolidated gross profit grew by 5.4% to HK$3,221 million (2016: HK$3,055 million), driven by volume increase of 7.9%. Consolidated gross margin was slightly up by 0.1 percentage point to 59.5%.
- Profit after income taxes attributable to shareholders of the Company ("PATS") was HK$500 million, an increase of 15.2% over 2016.
- Inventory turnover on costs increased by 9 days to 87 days.
- At year-end, the cash and bank balances, net of bank loans, reached HK$1,167 million (2016: HK$1,095 million) representing an increase of 6.6% year-on-year.
- Basic and diluted earnings per share increased to 31.8 HK cents (2016: 27.7 HK cents) and 31.7 HK cents (2016: 27.7 HK cents), respectively.
- The board of directors of the Company has recommended a final dividend of 20.0 HK cents per share (2016: 15.0 HK cents per share), making 35.0 HK cents per share for the year (2016: 27.5 HK cents per share).
- The Company commenced a share repurchase initiative on June 20, 2017. During the year, the Company repurchased a total of 7,442,000 ordinary shares on The Stock Exchange of Hong Kong Limited. All the repurchased shares were subsequently cancelled by the Company.

"Key areas of strategic investment for 2017 were shop renovations, enhanced advertising and promotion and talent retention and development. This, coupled with pursuance of operational excellence resulted in both sales growth and improved profitability in 2017," remarked Dr. Peter Lau, Chairman and Chief Executive of Giordano. "The gross profit uplift was the result of increased sales, our efforts to minimize discounting and lower production costs from the depreciation of the Renminbi."

Dr. Lau continued, "Inventory increase as reported was not structural in nature and is stemming from non-operational factors including foreign exchange translational differences and the acquisition of our Vietnam operations in July 2017."

Dr. Lau added, "Supported by rising household incomes and improving external demand, Mainland China again saw economic growth. Coupled with the closure of non-performing stores and the exceptional performance of our e-business, the Group's Mainland China business achieved a modest increase in reported sales by 2.4%, while CSS and CSGP both increased by 8.9%. Performance drivers from this region include the expansion of our franchise network and our e-business, the latter of which rose by 28.2%. On the back of our successful franchise store network expansion in 2016, we net increased a further 43 franchised stores in Mainland China during the year. This expansion will continue into 2018."

"In Hong Kong, the team will strive to maintain the momentum in rental savings and carefully expand its retail network. In Taiwan, the closure of non-performing stores, cost control, lower product costs from New Taiwanese Dollar appreciation against Renminbi, and most importantly, relentless branding efforts to increase average selling price resulted in full-year CSGP increasing by 5.2% and operating profit increasing by 53.7%."

"In the rest of Asia Pacific region, CSS and CSGP in this region were as up by 2.2% and 3.1%, respectively. 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."

Dr. Lau added, "In the Middle East, CSS increased by 6.2% and operating profit increased by 11.1%, due mainly to successful merchandising, strong marketing programs during the key Muslim festival and cost control. That said, we expect some challenges in the region as VAT introduction and new economic policies in UAE and Saudi Arabia."

"While we foresee uncertainty in the global economy, we will embrace and counter the challenges that lie ahead through reinforcing our inventory management, maintaining the high-quality standards of our merchandise while keeping prices competitive, rolling-out innovative marketing campaigns to enhance our global brand position and through the improvement of the shopping experience we offer our customers. Suffice to say, we will continue generating healthy cash flow and creating value for our shareholders", Dr. Lau concluded.

(Attachment: Consolidated income statement for the year ended December 31, 2017)

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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, 2017

Consolidated Income Statement

(In HK$ million, except earnings per share)	**2017**	2016
Sales	**5,412**	5,145
Cost of sales	**(2,191)**	(2,090)
Gross profit	**3,221**	3,055
Other income and other gains, net	**112**	85
Distribution expense	**(2,390)**	(2,299)
Administrative expense	**(254)**	(273)
Operating profit	**689**	568
Finance expense	**(4)**	(1)
Share of profit of joint ventures	**59**	43
Profit before income taxes	**744**	610
Income taxes	**(175)**	(122)
Profit after income taxes for the year	**569**	488
Attributable to:		
Shareholders of the Company	**500**	434
Non-controlling interests	**69**	54
	569	488
Earnings per share attributable to shareholders of the Company		
Basic (HK cents)	**31.8**	27.7
Diluted (HK cents)	**31.7**	27.7