

Giordano Announces 2019 Unaudited Interim Results

August 8, 2019, 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, 2019:

- Group sales for the first half of 2019 were HK\$2,542 million (2018: HK\$2,860 million), a decrease of 11.1%. Group comparable store sales and Group comparable store gross profit were down by 8.6% and 8.9%, respectively. The Sino-US trade dispute and unseasonably warm winter have adversely affected Group sales throughout the reporting period.
- Gross margin remained virtually unchanged at 59.3%.
- Profit after income taxes attributable to shareholders of the Company (“PATS”) was HK\$161 million, a decrease of 36.6% and attributable primarily to the decline in Group sales and an additional accounting charge of HK\$22 million on the adoption of Hong Kong Financial Reporting Standard (“HKFRS”) 16 Leases. If applying the previous accounting standard, the Company would have reported 2019 PATS of HK\$183 million, or 28.0% lower than the comparative period in 2018. The Group has adopted HKFRS 16 for financial periods only commencing on January 1, 2019. As permitted under the transitional provisions in the standard, the Company has not restated PATS for the 2018 corresponding period using HKFRS 16.
- At June 30, 2019, the cash and bank balances, net of bank loans, were HK\$1,026 million (June 30, 2018: HK\$1,224 million).
- Inventory turnover on costs increased by 15 days to 92 days year-on-year due to the decline in sales and higher winter stock carried forward. These are basic styles which will be relaunched in the coming winter season.
- Basic and diluted earnings per share were 10.2 HK cents (2018: 16.2 HK cents) and 10.2 HK cents (2018: 16.1 HK cents), respectively.
- The board of directors of the Company has declared an interim dividend of 10.2 HK cents per share (2018: 17.0 HK cents per share) for the six months ended June 30, 2019.

Dr. Peter Lau, Chairman and Chief Executive of Giordano, said “In the first half of 2019, Group sales and gross profit both declined by 11%, despite our operating expenses shrinking by HK\$95 million, or 6.9%. Although we were vigilant in controlling operating expenses in view of the global economic slowdown, the reduction had not been immediately sufficient in countering the negative impact from the decline in gross profit, resulting in a decrease in operating profit of 25.6% to HK\$259 million”.

“It should also be noted that upon the adoption of the new HKFRS 16 accounting standard, the operating lease expenses previously recorded in the consolidated income statement are now replaced by depreciation on the right-of-use assets and interest expenses on lease liabilities. Adoption of this mandatory accounting standard has created an additional charge of HK\$22 million. This additional charge is non-cash in nature and had no tax implication.”

Dr. Lau added, “The escalation of the Sino-US trade dispute has negatively affected consumer sentiment globally. Our markets suffered by different degrees. Hong Kong has been experiencing a severe sales decrease due both to the said trade dispute and the recent social unrest. I believe that once these adverse factors wear out, our global sales will rebound on the back of our strong merchandise and stringent expense control.”

“Business invariably experiences ups and downs, often due to factors uncontrollable. We continue to strengthen our core competencies and to rationalize product costs and operating expenses. We take an optimistic view that there are still opportunities amidst crises”, Dr. Lau concluded.

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GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

5th Floor, Tin On Industrial Building,
777-779 Cheung Sha Wan Road,
Kowloon, Hong Kong
Tel: (852) 2746 4668
Fax: (852) 2370 8864
<http://corp.giordano.com.hk>

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).

For further information, please contact:

Loratta Lau

Telephone: +852 2746 4668

E-mail: investorrelations@giordano.com

Attachment:

Unaudited Consolidated Income Statement for the six months ended June 30, 2019

Unaudited Consolidated Income Statement**Unaudited
Six months ended
June 30**

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

	2019	2018
Sales	2,542	2,860
Cost of sales	(1,034)	(1,166)
Gross profit	1,508	1,694
Other income and other gains, net	38	36
Distribution expense	(1,164)	(1,242)
Administrative expense	(123)	(140)
Operating profit	259	348
Finance expense	(29)	(2)
Share of profit of joint ventures	24	29
Profit before income taxes	254	375
Income taxes	(58)	(84)
Profit after income taxes for the period	196	291
Attributable to:		
Shareholders of the Company	161	254
Non-controlling interests	35	37
	196	291
Earnings per share attributable to shareholders of the Company		
Basic (HK cents)	10.2	16.2
Diluted (HK cents)	10.2	16.1