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GIORDANO
GIORDANO INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 709)

**UNAUDITED OPERATIONS UPDATE FOR
THE QUARTER ENDED SEPTEMBER 30, 2020**

The Board of directors (the “Board”) of Giordano International Limited (the “Company”) presents the unaudited operations update of the Company and its subsidiaries (the “Group”) for the quarter ended September 30, 2020. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company advises its shareholders and potential shareholders to exercise caution when dealing in the shares of the Company.

SUMMARY OF OPERATIONS UPDATE

Table 1: Overview of Group sales

<i>(In HK\$ million)</i>	July		August		September	
	2020	2019	2020	2019	2020	2019
The rest of Asia Pacific	82	121	88	124	75	104
Mainland China	44	67	48	72	66	69
Taiwan	51	51	45	43	33	35
The Middle East	38	54	32	60	34	39
HKSAR and Macau	22	66	19	53	20	50
Wholesales to overseas franchisees	21	21	11	21	11	25
Group sales¹	258	380	243	373	239	322
Global brand sales ²	321	471	287	429	290	406
Group comparable store sales (“CSS”) growth ³	(28.0%)	(11.6%)	(27.2%)	(11.6%)	(20.2%)	(8.3%)

<i>(In HK\$ million)</i>	Quarter ended September 30		Year-to-date September 30	
	2020	2019	2020	2019
The rest of Asia Pacific	245	349	649	1,156
Mainland China	158	208	457	737
Taiwan	129	129	372	430
The Middle East	104	153	262	497
HKSAR and Macau	61	169	262	590
Wholesales to overseas franchisees	43	67	151	207
Group sales	740	1,075	2,153	3,617
Global brand sales	898	1,306	2,821	4,420
Group CSS growth	(25.1%)	(10.3%)	(31.9%)	(9.1%)
Inventories at period end			470	492
Net cash and bank balances at period end			971	902

Table 2: Group sales by channel

<i>(In HK\$ million)</i>	July		August		September	
	2020	2019	2020	2019	2020	2019
Physical stores	204	326	200	305	170	250
Online business	20	13	14	15	30	16
Retail sales	224	339	214	320	200	266
Wholesales to franchisees	34	41	29	53	39	56
Group sales	258	380	243	373	239	322

<i>(In HK\$ million)</i>	Quarter ended September 30		Year-to-date September 30	
	2020	2019	2020	2019
Physical stores	574	881	1,649	2,983
Online business	64	44	203	176
Retail sales	638	925	1,852	3,159
Wholesales to franchisees	102	150	301	458
Group sales	740	1,075	2,153	3,617

The decline in Group sales visibly narrowed from -54.6% in the second quarter to -31.2% in the third quarter. The lockdown measures imposed in various markets during the first half significantly affected the number of stores included in the computation of the Group's year-to-date CSS and, as such, may distort the picture as to the performance of all the existing stores in our portfolio.

During the quarter, the drop in Mainland China sales narrowed to -24.0%, with online business recording positive growth. Our Taiwan business sustained its sales momentum and caught up to the 2019 third-quarter level. The fourth quarter Group sales performance will, therefore, largely depend on the sustained recovery of sales in Taiwan and Mainland China, which are showing promising signs thus far. HKSAR and Macau sales remained weak in light of ongoing travel restrictions resulting in the absence of incoming tourists, coupled with the effects of restrictive social distancing measures.

Like HKSAR and Macau, sales in Indonesia continued to suffer badly due to the COVID-19 pandemic. That said, online business in all markets, including HKSAR and Macau as well as Indonesia, has surged. Thailand and Singapore have gradually reduced their sales decline while business in the Middle East started to recover after lockdown relaxation. The Middle East sales decline was -32.0% this quarter, against a -54.1% decrease in the first half of the year.

As of September 30, 2020, the Group had approximately HK\$971 million in cash and bank balances, net of bank loans, representing an increase of 7.6% YOY (2019: HK\$902 million). The Group's overall financial situation is solid. The inventories held by franchisees in Mainland China and the finished goods at suppliers decreased by 38.5% and 51.6%, respectively, compared with September 30, 2019.

Table 3: Store portfolio

	Store numbers at September 30	
	2020	2019
Retail and Distribution		
Mainland China		
Franchised stores	536	631
Direct-operated stores	234	276
HKSAR and Macau	65	75
Taiwan	183	197
The rest of Asia Pacific	591	602
The Middle East		
Franchised stores	35	31
Direct-operated stores	141	145
Overseas franchisees	382	423
Total	2,167	2,380

Table 4: System inventories

(In HK\$ million)	At		
	September 30 2020	December 31 2019	September 30 2019
Inventories held by the Group	470	548	492
Inventories held by 48.5% South Korea joint venture	229	196	217
Inventories held by franchisees in Mainland China	56	73	91
Finished goods at suppliers (not yet shipped)	15	12	31
Total system inventories	770	829	831

By Order of the Board
LAU Kwok Kuen, Peter
Chairman and Chief Executive

Hong Kong, October 16, 2020

At the date of this announcement, the Board comprises three executive Directors; namely, Dr LAU Kwok Kuen, Peter (Chairman and Chief Executive), Dr CHAN Ka Wai and Mr Mark Alan LOYND; two non-executive Directors; namely, Dr CHENG Chi Kong and Mr CHAN Sai Cheong; and four independent non-executive Directors; namely, Dr Barry John BUTTIFANT, Mr KWONG Ki Chi, Professor WONG Yuk (alias, HUANG Xu) and Dr Alison Elizabeth LLOYD.

¹ *Group sales refer to consolidated sales and include retail sales from direct-operated stores and wholesale to all overseas/non-consolidated franchisees.*

² *Global brand sales are at 2020 exchange rates. They are greater than Group sales as global brand sales also include the total of Giordano retail sales from direct-operated stores, franchised stores and stores operated by a joint venture.*

³ *Group CSS includes total Giordano brand sales of consolidated subsidiaries, at constant exchange rates, of direct-operated and franchised stores, but does not include such sales of any stores that were newly-opened or, alternatively, closed or omitted in accordance with the Group's prescribed conditions, during the respective covering periods.*