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# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 709)**

### **CONTINUING CONNECTED TRANSACTIONS RENEWAL OF MASTER LEASING AGREEMENT**

Reference is made to the 2017 Announcement in relation to, among other matters, the 2017 Master Leasing Agreement and the Qianhai Transaction, together with the relevant annual caps for each of the three years ended December 31, 2019.

#### **RENEWAL OF MASTER LEASING AGREEMENT**

The Board is pleased to announce that, on December 31, 2019, the Company and NWDS have entered into the Renewed Master Leasing Agreement for a term of three years commencing from January 1, 2020 to December 31, 2022 (both days inclusive), pursuant to which the parties (i) recorded their mutual understanding to enter into future leases with respect to the lease of premises and concessionaire counters in the PRC from members of the NWDS Group; and (ii) set out the underlying principles for such future leases.

#### **LISTING RULES IMPLICATIONS**

As (i) Sino Wealth is a substantial shareholder of the Company, holding approximately 24.37% interest in the Company as at the date of this announcement, and Sino Wealth is wholly-owned by Chow Tai Fook Nominee Limited, which is in turn controlled by CTF; and (ii) NWDS is a subsidiary of NWD, and Chow Tai Fook Enterprises Limited is a controlling shareholder of NWD as well as a wholly-owned subsidiary of CTF; accordingly, members of the NWDS Group are connected persons of the Company and the transactions contemplated under the Renewed Master Leasing Agreement would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has also set annual caps for the Continuing Connected Transactions for the three years ending December 31, 2022. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the annual caps for each of the three years ending December 31, 2022 are more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to reporting and announcement requirements, but will be exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the 2017 Announcement in relation to, among other matters, the 2017 Master Leasing Agreement and the Qianhai Transaction, together with the relevant annual caps in respect of each of the three years ended December 31, 2019. The 2017 Master Leasing Agreement is due to expire on December 31, 2019.

## **RENEWAL OF MASTER LEASING AGREEMENT**

On December 31, 2019, the Company entered the Renewed Master Leasing Agreement with NWDS pursuant to which the parties (i) recorded their mutual understanding to enter into future leases with respect to the lease of premises and concessionaire counters in the PRC from members of the NWDS Group; and (ii) set out the underlying principles for such future leases.

The principal terms of the Renewed Master Leasing Agreement are summarised below:

Date	:	December 31, 2019
Parties	:	(1) the Company; and (2) NWDS
Term	:	Three years commencing from January 1, 2020 up to December 31, 2022 (both days inclusive).

### *General terms of the Renewed Master Leasing Agreement*

The Renewed Master Leasing Agreement further stipulates that all New Leasing Agreements between members of the Group and the NWDS Group must be:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms; and
- (c) in compliance with all applicable provisions of the Listing Rules (including the annual caps), applicable laws, the Renewed Master Leasing Agreement and the relevant New Leasing Agreements.

The Renewed Master Leasing Agreement will expire on December 31, 2022 and will be automatically renewed for successive periods of three years thereafter, subject to, among others, the Listing Rules, unless terminated earlier in accordance with the Renewed Master Leasing Agreement.

### *Pricing basis*

The consideration of each of the New Leasing Agreements will be determined under the internal leasing evaluation policy. Under such policy, prior to entering into the respective New Leasing Agreements, the responsible departments of the Group will be required to conduct an internal evaluation by comparing at least one to two comparative quote(s) in the market or existing tenancy or concessionaire counter agreements from independent third parties for leasing similar premise(s) (with comparable conditions including, but not limited to the location, traffic, usable space, available facilities, quality and term of the tenancy) with the offer given by the NWDS Group, to ensure the terms offered by the NWDS Group are on normal commercial terms to the Group, and the final consideration to be agreed will be determined based on arm's length negotiations between the parties.

*Historical transaction amounts and annual caps*

The following sets out the historical amounts for the 2017 Master Leasing Agreement, for each of the two years ended December 31, 2018, and the 11 months ended November 30, 2019, respectively:

	<b>For the year ended December 31, 2017</b> <i>(HK\$ million)</i>	<b>For the year ended December 31, 2018</b> <i>(HK\$ million)</i>	<b>11 months ended November 30, 2019</b> <i>(HK\$ million)</i>
Historical amounts for the 2017 Master Leasing Agreement	Approximately 3.8	Approximately 3.7	Approximately 2.0

The annual caps under the Renewed Master Leasing Agreement are as follows:

	<b>Year ending December 31,</b>		
	<b>2020</b> <i>(HK\$ million)</i>	<b>2021</b> <i>(HK\$ million)</i>	<b>2022</b> <i>(HK\$ million)</i>
Annual caps for the Renewed Master Leasing Agreement	5	7	9

The above annual caps in respect of the Renewed Master Leasing Agreement were determined based on the following:

- (i) the historical transaction amounts of the Pre-Existing and Existing Leasing Agreements;
- (ii) the estimated market trend, which is based on the prevailing market rentals of similar properties, sizes, terms and locations;
- (iii) the expected renewals of Existing Leasing Agreements with NWDS Group; and
- (iv) the estimated New Leasing Agreements that the Group may enter into with the NWDS Group to meet the Group's future expansion plan.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED MASTER LEASING AGREEMENT**

The Board considers that the entering into of the Renewed Master Leasing Agreement is in the interest of the Group and the Shareholders as a whole as the geographical advantage of the premises would facilitate the continued promotion, development and future expansion of the Group's business in the PRC. The Renewed Master Leasing Agreement can ensure the continuous availability of the physical stores to the Group and maintain our ordinary business in retails. Furthermore, the consideration for each of the New Leasing Agreements will be determined under the internal leasing evaluation policy. The New Leasing Agreements to be entered into with NWDS Group will be at competitive prices and not less favourable than those that the Group can obtain from independent third parties.

The Directors (including all the independent non-executive Directors but excluding Dr. Cheng Chi Kong and Mr. Chan Sai Cheong, two non-executive Directors who have abstained from voting) are of the opinion that the terms of the Renewed Master Leasing Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis, are fair and reasonable, on normal commercial terms, and entered into in the ordinary and usual course of business of the Group, including the annual caps, are in the interests of the Group and the Shareholders as a whole.

None of the Directors has any material interest in the Renewed Master Leasing Agreement, save and except the two non-executive Directors, being Dr. Cheng Chi Kong, who is a director of CTF and an executive director of each of NWD, NWDS and CTF Jewellery, and Mr. Chan Sai Cheong who is also an executive director of CTF Jewellery, a subsidiary of CTF. Accordingly, they have abstained from voting on the Board resolutions approving the entering into of the Renewed Master Leasing Agreement and the annual caps. Save for the two non-executive Directors, all other Directors (including the independent non-executive Directors) have reviewed and approved the Renewed Master Leasing Agreement and the annual caps of the Continuing Connected Transactions.

## **LISTING RULES IMPLICATIONS**

As (i) Sino Wealth is a substantial shareholder of the Company, holding approximately 24.37% interest in the Company as at the date of this announcement, and Sino Wealth is wholly-owned by Chow Tai Fook Nominee Limited, which is in turn controlled by CTF; and (ii) NWDS is a subsidiary of NWD, and Chow Tai Fook Enterprises Limited is a controlling shareholder of NWD as well as a wholly-owned subsidiary of CTF; accordingly, members of the NWDS Group are connected persons of the Company and the transactions contemplated under the Renewed Master Leasing Agreement would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has also set annual caps for the Continuing Connected Transactions for the three years ending December 31, 2022. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the annual caps for each of the three years ending December 31, 2020, 2021 and 2022 are more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to reporting and announcement requirements, but will be exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION OF THE GROUP AND THE NWDS GROUP**

The Group is an international apparel retailer operating *Giordano and Giordano Junior, Giordano Ladies, BSX* and other owned and licensed brands.

To the best knowledge, information and belief of the Board, the principal businesses of the NWDS Group include operating department stores and other related business and property investment operations in the PRC.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2017 Announcement”	the announcement dated December 29, 2017 of the Company relating to, among other matters, the 2017 Master Leasing Agreement and the Qianhai Transaction, together with the relevant annual caps for each of the three years ended December 31, 2019;
“Board”	the board of Directors;
“Company”	Giordano International Limited (stock code: 709), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	all transactions regarding the leasing of premises and/or concessionaire counters contemplated under the Leasing Agreements and the Renewed Master Leasing Agreement;

“CTF”	Chow Tai Fook (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability;
“CTF Jewellery”	Chow Tai Fook Jewellery Group Limited (stock code: 1929), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange; and a subsidiary of CTF;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Leasing Agreements”	the Pre-Existing and Existing Leasing Agreements and all New Leasing Agreements;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“2017 Master Leasing Agreement”	the written framework agreement entered into between the Company and NWDS on December 29, 2017, details of which have been set out in the 2017 Announcement;
“New Leasing Agreements”	all future transactions and all renewals of existing transactions between members of the Group and members of the NWDS Group regarding the leasing of premises and/or concessionaire counters by members of the Group from members of the NWDS Group as contemplated under the Renewed Master Leasing Agreement;
“NWD”	New World Development Company Limited (stock code: 17), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;

“NWDS”	New World Department Store China Limited (stock code: 825), a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“NWDS Group”	NWDS and its subsidiaries;
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan area;
“Pre-Existing and Existing Leasing Agreements”	all transactions between members of the Group and members of the NWDS Group which include those that completed during the period from January 1, 2017 to December 31, 2019 and those that remain in force as immediately prior to the execution of the Renewed Master Leasing Agreement regarding the leasing of premises and/or concessionaire counters by members of the Group from members of the NWDS Group;
“Qianhai CTF”	Shenzhen Qianhai Chow Tai Fook Hong Kong Goods Centre Co., Ltd, a company incorporated in the PRC; was, on the date of 2017 Announcement, owned as to approximately 50%, 30% and 20% by Chow Tai Fook Enterprises Limited, CTF Jewellery and NWD, respectively, and CTF Jewellery is a subsidiary of CTF; accordingly, Qianhai CTF is a connected person of the Company;
“Qianhai Transaction”	a transaction between a member of the Group and Qianhai CTF arising from the written leasing agreement for leasing of premises in the PRC, which was terminated on August 31, 2019;
“RMB”	Renminbi, the lawful currency of the PRC;
“Renewed Master Leasing Agreement”	the written framework agreement, in relation to the New Leasing Agreements, entered into between the Company and NWDS on December 31, 2019;



“Shareholder(s)”	the shareholder(s) of the Company;
“Sino Wealth”	Sino Wealth International Limited, a company incorporated in the British Virgin Islands with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong);
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By Order of the Board  
**Giordano International Limited**  
**LAU Kwok Kuen, Peter**  
*Chairman and Chief Executive*

Hong Kong, December 31, 2019

*As 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.*