GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

Highlights

- *Group sales in 2019 were HK$4,852 million (2018: HK$5,509 million), a decrease of 11.9%. Group comparable store sales and comparable store gross profit were down by 10.1% and 11.1%, respectively. The Sino-US trade dispute, the unseasonably warm winter and the social events in Hong Kong have adversely affected Group sales throughout the reporting period.*

- *Group gross margin was slightly down by 0.3 percentage points to 58.7%.*

- *If applying the previous accounting standard for direct comparison, the Company would have reported 2019 profit after income taxes attributable to shareholders of the Company ("PATS") of HK$289 million, which would have been 39.8% lower than in 2018. After the adoption of Hong Kong Financial Reporting Standard ("HKFRS") 16 applicable to the treatment of leases, the reported PATS was HK$230 million, a decrease of 52.1% from 2018, and due primarily to the decline in Group sales and an additional charge of HK$59 million on leases and non-cash accounting expenses of impairment of right-of-use assets. The Group has adopted HKFRS 16 for fiscal year 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 year-end, the cash and bank balances, net of bank loans, was HK$994 million (2018: HK$1,017 million), a slight decrease of 2.3%.*

- *Inventory turnover on costs increased by 11 days to 100 days due to the decline in sales. System inventory remains healthy, having reduced the finished goods held by our vendors and China franchisees.*

- *Basic and diluted earnings per share were 14.6 HK cents (2018: 30.5 HK cents) and 14.6 HK cents (2018: 30.4 HK cents), respectively.*

- *The board of directors of the Company has recommended a final dividend of 4.4 HK cents per share (2018: 16.5 HK cents per share), making 14.6 HK cents per share for the year (2018: 33.5 HK cents per share).*

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The board of directors (the "Board") of Giordano International Limited (the "Company") presents the following audited annual results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2019 along with comparative figures and explanatory notes.

Consolidated Income Statement

(In HK$ million, except earnings per share)	*Note*	**2019**	2018
Sales	*2*	**4,852**	5,509
Cost of sales	*4*	**(2,006)**	(2,259)
Gross profit		**2,846**	3,250
Other income and other gains, net	*3*	**83**	86
Distribution expense	*4*	**(2,300)**	(2,440)
Administrative expense	*4*	**(232)**	(271)
Operating profit	*4*	**397**	625
Finance expense	*5*	**(55)**	(5)
Share of profit of joint ventures		**63**	64
Profit before income taxes		**405**	684
Income taxes	*6*	**(116)**	(142)
Profit after income taxes for the year		**289**	542
Attributable to:			
Shareholders of the Company		**230**	480
Non-controlling interests		**59**	62
		289	542
Earnings per share attributable to shareholders of the Company	*7*		
Basic *(HK cents)*		**14.6**	30.5
Diluted *(HK cents)*		**14.6**	30.4

Consolidated Statement of Comprehensive Income

(In HK$ million)	**2019**	2018
Profit after income taxes for the year	**289**	542
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value change on financial asset at fair value through other comprehensive income	**(1)**	(10)
Exchange adjustments on translation of overseas subsidiaries, joint ventures and branches	**(6)**	(65)
Total comprehensive income for the year	**282**	467
Attributable to:		
Shareholders of the Company	**217**	414
Non-controlling interests	**65**	53
	282	467

Consolidated Balance Sheet

(In HK$ million)	*Note*	As at 31 December **2019**	2018
ASSETS			
Non-current assets			
Property, plant and equipment		**171**	207
Right-of-use assets		**1,279**	–
Investment properties		**23**	25
Goodwill		**546**	546
Interest in joint ventures		**538**	552
Financial asset at fair value through other comprehensive income		**5**	6
Financial asset at fair value through profit or loss		**28**	28
Leasehold land and rental prepayments		**5**	134
Rental deposits		**181**	122
Deferred tax assets		**54**	47
		2,830	1,667
Current assets			
Inventories		**548**	552
Leasehold land and rental prepayments		**6**	62
Financial asset at fair value through profit or loss		**200**	–
Trade and other receivables	*9*	**353**	528
Cash and bank balances		**1,259**	1,315
		2,366	2,457
Total assets		**5,196**	4,124
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**79**	79
Reserves		**2,492**	2,450
Proposed dividends	*8*	**69**	260
Equity attributable to shareholders of the Company		**2,640**	2,789
Non-controlling interests		**207**	220
Total equity		**2,847**	3,009
Non-current liabilities			
Lease liabilities		**572**	–
Deferred tax liabilities		**125**	123
		697	123
Current liabilities			
Trade and other payables	*10*	**692**	476
Lease liabilities		**536**	–
Put option liabilities		**59**	121
Bank loans		**265**	298
Income tax payables		**100**	97
		1,652	992
Total liabilities		**2,349**	1,115
Total equity and liabilities		**5,196**	4,124
Net current assets		**714**	1,465
Total assets less current liabilities		**3,544**	3,132

Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

(a) Impact of new and amended standards

The Group has applied the following new and amendments to HKFRS issued by the HKICPA which were effective for the Group's financial year beginning on or after January 1, 2019:

— HKFRS 16 Leases;

— Amendments to HKFRS 9 Prepayment Features with Negative Compensation;

— Amendments to Hong Kong Accounting Standards ("HKAS") 28 Long-term Interests in Associates and Joint Ventures;

— Amendments to Annual Improvements to HKFRS Standards 2015-2017 Cycle;

— Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement; and

— Hong Kong (IFRIC)-Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adoption HKFRS 16. Changes in principal accounting policies are set out in Note 1(c) below. The adoption of other above new effective interpretation and the amendments to existing standards did not result in substantial changes to the Group's accounting policies or financial results.

(b) New and amended HKFRSs issued but not yet effective

The Group has not early applied the new and amended standards and interpretations that have been issued but not yet effective. The adoption of these are not expected to have a material impact on the financial results of the Group.

(c) Change in principal accounting policies

This Note explains the impact of the adoption of HKFRS 16 *Leases* on the Group's financial statements.

1. Basis of preparation (continued)

(c) Change in principal accounting policy (continued)

As indicated in Note 1(a) above, the Group has adopted HKFRS 16 *Leases* retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of January 1, 2019. The Group's incremental borrowing rates applied to the lease liabilities on January 1, 2019 ranged from 1.3% to 10.0%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019;

- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

1. Basis of preparation (continued)

(c) Change in principal accounting policy (continued)

(ii) Measurement of lease liabilities

(In HK$ million)	
Operating lease commitments disclosed as at December 31, 2018	1,247
Discounted using the Group's incremental borrowing rate of 1.3 - 10.0%	(104)
Less: Short-term leases recognized on a straight-line basis as expenses	(180)
Add: Adjustments relating to changes in the lease payments	147
Lease liabilities recognized as at January 1, 2019	1,110
Of which are:	
Current lease liabilities	391
Non-current lease liabilities	719
	1,110

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

1. Basis of preparation (continued)

(c) Change in principal accounting policy (continued)

(iv) Adjustments recognized in the balance sheet on January 1, 2019

(In HK$ million)	**As at December 31, 2018 As originally presented**	**Impact on initial adoption of HKFRS 16**	**As at January 1, 2019 Restated**
Consolidated Balance Sheet (extract)			
Non-current assets			
Property, plant and equipment	207	(7)	200
Right-of-use assets	–	1,374	1,374
Leasehold land and rental prepayments	134	(128)	6
Current assets			
Leasehold land and rental prepayments	62	(53)	9
Trade and other receivables	528	(59)	469
Total assets*	4,124	1,127	5,251
Capital and reserves			
Reserves	2,450	7	2,457
Total equity*	3,009	7	3,016
Non-current liabilities			
Lease liabilities	–	719	719
Current liabilities			
Trade and other payables	476	10	486
Lease liabilities	–	391	391
Total liabilities*	1,115	1,120	2,235
Total equity and liabilities*	4,124	1,127	5,251
Net current assets*	1,465	(513)	952
Total assets less current liabilities*	3,132	726	3,858

* The above table shows the impact on each individual line item. Line items were not affected by the changes that have not been included.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2. Operating segments

The Group determines its operating segments based on its development strategies and operational control. There are two major operating segments: Retail and Distribution and Wholesales to Overseas Franchisees. Management manages the Retail and Distribution operating segment geographically and by brand.

Geographically, the Retail and Distribution operating segment in Mainland China and the Middle East comprise directly operated stores ("DOS") and franchised stores. Hong Kong and Macau, Taiwan and the rest of Asia Pacific do not have material local franchised stores. Group stores span most of Asia Pacific and the Middle East.

As for brands, the Group presently operates *Giordano* and *Giordano Junior*, *Giordano Ladies, BSX* as well as other owned and licensed brands.

Adjusted EBITDA is profit before finance expense, income taxes, impairment of right-of-use assets and property, plant and equipment, depreciation and amortization, share of profit of joint ventures and unallocated corporate items. Segment results are before finance expense, share of profit of joint ventures, income taxes and unallocated corporate items. This is the measurement basis reported to management and the senior decision-makers for the purpose of resources allocation and assessment of segment performance.

Analysis of sales and operating profit of the Group's operating segment by geographic regions is as follows.

	2019						
(In HK$ million)	**Mainland China**	**Hong Kong and Macau**	**Taiwan**	**The rest of Asia Pacific**	**The Middle East**	**Wholesales to Overseas Franchisees**	**Total**
Sales	**995**	**772**	**587**	**1,584**	**662**	**252**	**4,852**
Adjusted EBITDA	**72**	**201**	**119**	**465**	**231**	**35**	**1,123**
Depreciation and amortization							
— Right-of-use assets	**(71)**	**(173)**	**(59)**	**(208)**	**(94)**	**-**	**(605)**
— Property, plant and equipment and investment properties	**(18)**	**(12)**	**(15)**	**(38)**	**(14)**	**-**	**(97)**
— Leasehold land prepayments	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Impairment							
— Right-of-use assets	**(11)**	**(9)**	**-**	**(6)**	**-**	**-**	**(26)**
— Property, plant and equipment	**(4)**	**(2)**	**(1)**	**(4)**	**-**	**-**	**(11)**
Segment results	**(33)**	**5**	**44**	**209**	**123**	**35**	**383**
Corporate functions							**14**
Finance expense							**(55)**
Share of profit of joint ventures							**63**
Profit before income taxes							**405**

2. **Operating segments (continued)**

(In HK$ million)	Mainland China	Hong Kong and Macau	Taiwan	The rest of Asia Pacific	The Middle East	Wholesales to Overseas Franchisees	Total
	2018						
Sales	1,293	959	671	1,623	636	327	5,509
Adjusted EBITDA	111	126	83	273	102	49	744
Depreciation and amortization							
— Property, plant and equipment and investment properties	(21)	(13)	(17)	(40)	(16)	–	(107)
— Leasehold land prepayments	(1)	(5)	–	–	–	–	(6)
Segment results	89	108	66	233	86	49	631
Corporate functions							(6)
Finance expense							(5)
Share of profit of joint ventures							64
Profit before income taxes							684

Further analysis of the Retail and Distribution operating segment by brand is as follows.

(In HK$ million)	**2019 Sales**	**2019 Operating profit**	2018 Sales	2018 Operating profit
Retail and Distribution				
Giordano and *Giordano Junior*	**3,831**	**307**	4,362	483
Giordano Ladies	**395**	**34**	452	72
BSX	**101**	**(3)**	137	6
Others	**273**	**10**	231	21
	4,600	**348**	5,182	582

The Company has its domicile in Hong Kong. Sales to external customers recorded in Hong Kong and Macau (including retail and wholesale sales) are HK$1,024 million (2018: HK$1,286 million), Mainland China HK$995 million (2018: HK$1,293 million) and external customers from other markets HK$2,833 million (2018: HK$2,930 million).

Inter-segment sales of HK$1,160 million (2018: HK$1,208 million) have been eliminated upon consolidation.

Income taxes charged relating to Mainland China was HK$5 million (2018: HK$18 million), Hong Kong and Macau HK$3 million (2018: HK$11 million), Taiwan HK$10 million (2018: HK$12 million), the rest of Asia Pacific HK$60 million (2018: HK$67 million) and the Middle East HK$9 million (2018: HK$6 million).

2. Operating segments (continued)

Analysis of the Group's assets by geographic regions is as follows.

	Segment assets	
(In HK$ million)	**2019**	2018
Segment assets		
Hong Kong and Macau	**1,174**	973
The Middle East	**1,044**	832
The rest of Asia Pacific	**1,159**	750
Mainland China	**704**	740
Taiwan	**290**	196
	4,371	3,491
Interest in joint ventures	**538**	552
Financial asset at fair value through other comprehensive income	**5**	6
Financial asset at fair value through profit or loss	**228**	28
Deferred tax assets	**54**	47
Total assets	**5,196**	4,124

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong and Macau was HK$477 million (2018: HK$167 million); Mainland China, HK$176 million (2018: HK$66 million); and other markets, HK$2,090 million (2018: HK$1,353 million).

3. Other income and other gains, net

(In HK$ million)	**2019**	2018
Royalty income	**31**	31
Interest income	**21**	20
Rental and sub-lease rental income	**12**	13
Net exchange gain	**5**	1
Dividend income	**3**	3
Net loss on disposal of property, plant and equipment	**(1)**	(2)
Fair value loss on financial asset at fair value through profit or loss	**(1)**	–
Others	**13**	20
	83	86

4. Operating profit

Operating profit is after charging:

(In HK$ million)	**2019**	2018
Cost of sales		
Cost of inventories sold	**2,000**	2,250
Provision for obsolete stock and stock written off	**6**	9
	2,006	2,259
Distribution expense		
Staff cost	**763**	811
Depreciation expenses		
— Right-of-use assets	**589**	–
— Property, plant and equipment	**90**	100
Operating lease rentals in respect of land and building		
— Minimum lease payments	**183**	808
— Contingent rent	**189**	237
Building management fee, government rent and rates and utilities	**122**	132
Advertising, promotion and incentives	**107**	129
Packaging and deliveries	**58**	56
Bank and credit card charges	**33**	35
Impairment		
— Right-of-use assets	**26**	–
— Property, plant and equipment	**11**	–
Amortization of leasehold land prepayments	**1**	6
Others	**128**	126
	2,300	2,440
Administrative expense		
Staff cost	**145**	157
Depreciation expenses		
— Right-of-use assets	**16**	–
— Property, plant and equipment and investment properties	**7**	7
Legal and professional fee	**15**	40
Auditor's remuneration	**6**	7
Computer and telecommunication	**6**	7
Travelling	**4**	5
Operating lease rentals in respect of land and building		
— Minimum lease payments	**3**	17
Business and other taxes	**1**	1
Others	**29**	30
	232	271

5. Finance expense

(In HK$ million)	**2019**	2018
Interest on lease liabilities	**49**	–
Interest on bank loans	**6**	5
	55	5

6. Income taxes

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Income taxes on profits assessable outside Hong Kong are calculated at the rates applicable in the respective jurisdictions.

(In HK$ million)	**2019**	2018
Current income taxes		
Hong Kong	**15**	20
Outside Hong Kong	**70**	87
Over provision in prior years	**(1)**	(3)
Withholding taxes	**34**	33
	118	137
Deferred income taxes		
Origination and reversal of temporary differences	**(2)**	5
	116	142

This charge excludes the share of joint ventures' income taxes of HK$20 million (2018: HK$19 million) for the year. The share of profit of joint ventures in the consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

7. Earnings per share

The calculations of basic and diluted earnings per share are based on the profit after income taxes attributable to shareholders of the Company for the year of HK$230 million (2018: HK$480 million).

The basic earnings per share is based on the weighted average of 1,578,500,518 shares (2018: 1,575,281,071 shares) in issue during the year.

Diluted earnings per share for the year ended December 31, 2019 was the same as the basic earnings per share since the share options had anti-dilutive effect.

The diluted earnings per share is calculated by adjusting the weighted average of 1,575,281,071 shares in issue during the year ended December 31, 2018 by the weighted average of 2,922,810 shares deemed to be issued if all outstanding share options granted under the share option schemes of the Company had been exercised.

8. Dividends

(In HK$ million)	**2019**	2018
Interim dividend declared and paid of 10.2 HK cents per share (2018: 17.0 HK cents per share)	**161**	268
Final dividend proposed after the balance sheet date of 4.4 HK cents per share (2018: 16.5 HK cents per share)	**69**	260
	230	528

On March 10, 2020, the Board has recommended a final dividend of 4.4 HK cents per share and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed dividend has not been recognized as a liability at the balance sheet date. The amount of proposed dividend was based on the shares of the Company in issue as at the reporting date.

9. Trade and other receivables

(In HK$ million)	**2019**	2018
Trade receivables	**239**	330
Less: Loss allowance	**(27)**	(14)
Trade receivables, net	**212**	316
Ageing analysis from the invoice date net of loss allowance is as follows:		
0 - 30 days	**165**	203
31 - 60 days	**31**	66
61 - 90 days	**13**	28
Over 90 days	**3**	19
	212	316
Other receivables, including deposits and prepayments	**141**	212
	353	528

Trade receivables mainly comprise amounts due from franchisees, licensees and retail proceeds due from department stores. The Group normally allows a credit period of 30 - 90 days. The carrying amounts of trade and other receivables are stated approximately at their fair values.

10. Trade and other payables

(In HK$ million)	**2019**	2018
Trade payables	**139**	124
The ageing analysis of trade payables is as follows:		
0 - 30 days	**111**	93
31 - 60 days	**15**	17
61 - 90 days	**1**	4
Over 90 days	**12**	10
	139	124
Other payables and accrued expense	**553**	352
	692	476

The carrying amounts of trade payables and other payables are stated approximately at their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS OF GROUP RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following commentaries refer to the year-on-year ("YOY") comparison of the Group for the years ended December 31, 2019, and 2018 unless otherwise indicated.

OVERVIEW

- The Group 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.

- We offer high-quality, value-for-money and easy-to-wear apparel through a network of 2,375 stores (or 2,280,000 sq. ft. of retail floor space) as of December 31, 2019, of which 1,274 were standalone stores. The majority of the stores were in Greater China, South Korea, Southeast Asia and the Middle East. We manage our stores by geographic regions and by distribution channels, as shown in Table 1.

- Group sales[1] for the year were HK$4,852 million at a gross margin of 58.7%. The Group's comparable store sales ("Group CSS")[2] and comparable store gross profit ("Group CSGP")[2] were down by 10.1% and 11.1%, respectively. Table 2 provides details of significant markets.

- PATS was HK$230 million, a decrease of 52.1% from 2018. If applying the previous accounting standard for leases, the Group would have reported 2019 PATS of HK$289 million, or 39.8% lower than 2018. Table 3 below shows the impact of adoption of HKFRS 16 for the year ended December 31, 2019, as compared to HKAS 17.

- Cash and bank balances, net of bank loan, were HK$994 million on December 31, 2019.

Table 1: Store portfolio

	Store numbers at December 31		**Retail floor space (sq. ft. in thousands) at December 31**	
	2019	2018	**2019**	2018
Retail and Distribution				
Mainland China				
Franchised stores	**641**	639	**475**	493
DOS	**261**	298	**218**	250
The rest of Asia Pacific	**597**	606	**633**	634
Taiwan	**197**	200	**195**	198
The Middle East				
Franchised stores	**35**	39	**33**	38
DOS	**146**	143	**179**	176
Hong Kong and Macau	**73**	76	**88**	87
Overseas franchisees	**425**	425	**459**	454
Total	**2,375**	2,426	**2,280**	2,330

RESULTS OF OPERATIONS

Table 2: Group results of operations

	As published					For reference only	
	2019		2018			2019	
(In HK$ million)	**Reported under HKFRS 16***	**% to sales**	Reported under HKAS 17*	% to sales	**Change**	Reported under HKAS 17*	**Change**
The rest of Asia Pacific	**1,584**	**32.7%**	1,623	29.5%	**(2.4%)**	1,584	**(2.4%)**
Mainland China	**995**	**20.5%**	1,293	23.5%	**(23.0%)**	995	**(23.0%)**
Hong Kong and Macau	**772**	**15.9%**	959	17.4%	**(19.5%)**	772	**(19.5%)**
The Middle East	**662**	**13.6%**	636	11.5%	**4.1%**	662	**4.1%**
Taiwan	**587**	**12.1%**	671	12.2%	**(12.5%)**	587	**(12.5%)**
Wholesale sales to overseas franchisees	**252**	**5.2%**	327	5.9%	**(22.9%)**	252	**(22.9%)**
Group sales	**4,852**	**100.0%**	5,509	100.0%	**(11.9%)**	4,852	**(11.9%)**
Gross profit	**2,846**	**58.7%**	3,250	59.0%	**(12.4%)**	2,846	**(12.4%)**
Operating expense	**(2,532)**	**(52.2%)**	(2,711)	(49.2%)	**(6.6%)**	(2,521)	**(7.0%)**
Operating profit	**397**	**8.2%**	625	11.3%	**(36.5%)**	408	**(34.7%)**
Finance expense	**(55)**	**(1.1%)**	(5)	(0.1%)	**1,000.0%**	(6)	**20.0%**
EBITDA	**1,183**	**24.4%**	821	14.9%	**44.1%**	594	**(27.6%)**
PATS	**230**	**4.7%**	480	8.7%	**(52.1%)**	289	**(39.8%)**
Global brand sales[3]	**6,166**		6,778		**(9.0%)**		
Global brand gross profit[3]	**3,745**		4,168		**(10.1%)**		
Group CSS growth	**(10.1%)**		(0.1%)				
Group CSGP growth	**(11.1%)**		(1.4%)				
Net cash and bank balances at year end	**994**		1,017		**(2.3%)**		
Inventories at year end	**548**		552		**(0.7%)**		
Inventory turnover on costs ("ITOC") (days)[4]	**100**		89		**11**		

* Following the adoption of HKFRS 16 on January 1, 2019, the Group's statutory results for the year ended December 31, 2019 are on a HKFRS 16 basis ("Reported under HKFRS 16"), whereas the statutory results for the corresponding year ended December 31, 2018 are on a HKAS 17 basis ("Reported under HKAS 17") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the HKAS 17 based report, which is not intended to be a substitute for, or superior to, Reported under HKFRS 16, allows a like-with-like comparison with the prior year results. As a result, the Group has provided, for reference only, an alternative presentation of the Group's financial performance prepared as if Reported under HKAS 17 relating to the accounting for leases for the year 2019.

Table 3: Impact of the adoption of HKFRS 16

(In HK$ million)	
Operating lease rentals in respect of land and building	598
Depreciation expenses – right-of-use assets	(589)
Impairment of right-of-use assets	(26)
Amortization of leasehold land prepayments	5
Others	3
IMPACT ON DISTRIBUTION EXPENSE	**(9)**
Operating lease rentals in respect of land and building	14
Depreciation expenses – right-of-use assets	(16)
IMPACT ON ADMINISTRATIVE EXPENSE	**(2)**
FINANCE EXPENSE	(49)
INCOME TAXES	(6)
NON-CONTROLLING INTERESTS	7
PATS	**(59)**

Sales and gross profit

Group sales decreased by 11.9%, or by 11.1% if translated at constant exchange rates. Multiple macro factors, such as the Sino-US trade dispute, regional social events, and unseasonably warm winter, affected the retail environment and consumer sentiment. The impact was particularly significant to our sales in Mainland China and Hong Kong.

The Group's e-commerce generated HK$267 million in sales revenue, representing a decrease of 15.0%. The decline was primarily due to the unsatisfactory performance of our Mainland China e-business, which endured ferocious competition on established third-party platforms in China. E-commerce in other regions recorded strong growth. For instance, Hong Kong enjoyed substantial growth as we kick-started our cooperation with some local third-party platforms such as HKTV Mall. Management is determined to further develop our e-commerce business in all regions by improving the product mix and collaboration with emerging online platforms.

Sales from physical stores fell by 9.6%. Wholesales to franchisees declined by 24.2%, partly due to the tightening of our credit policy in light of weakening economic conditions. That said, the Group will continue to deploy more resources to expand our wholesale businesses in developing markets. In the second half of the year, we opened four stores in Mauritius on a franchise basis. Management expects store openings in India and Kenya in 2020.

Core Giordano lines contributed to 87.3% of global brand sales. All lines experienced different levels of sales decrease amidst turbulent macroeconomic conditions, although our Middle East and Indonesia businesses recorded YOY sales growth, making them our critical markets for business expansion in the immediate future.

Table 4: Sales by channels

(In HK$ million)	**2019**	**Contribution**	2018	Contribution	Change
Physical stores	**4,013**	**82.7%**	4,440	80.6%	(9.6%)
E-business	**267**	**5.5%**	314	5.7%	(15.0%)
Retail sales	**4,280**	**88.2%**	4,754	86.3%	(10.0%)
Wholesale sales to franchisees	**572**	**11.8%**	755	13.7%	(24.2%)
Group sales	**4,852**	**100.0%**	5,509	100.0%	(11.9%)

With carefully calibrated pricing tactics and disciplined merchandising, the Group managed to defend the adverse effect on profit margin, suffering only a marginal drop YOY in the face of intense price competition and discounting in various markets. On the back of healthy inventory levels, the Group was able to minimize the number of promotional offers, resulting in a minor decrease in gross margin. Group gross profit slid by 12.4%, driven mainly by a decline in volume and a small reduction in the average selling price. The average product cost increased because of the change in product mix.

Other income and other gains, net

Other income and other gains, which comprise royalty income, licensing revenue, interest income, rental and sub-lease rental income, and exchange difference, decreased by HK$3 million to HK$83 million in 2019. Our licensing business in the timepiece and eyewear categories recorded a small YOY growth. Management continues expanding our licensing business, both in terms of product categories, geographical reach and overall performance.

Operating expense and operating profit

The operating expense to sales ratio was up to 52.2% (2018: 49.2%), primarily due to a decrease in sales and despite a significant reduction of operating expenses. Before the adoption of HKFRS 16, both shop occupancy charges and staff cost decreased by 6.5% and 6.1% YOY, respectively, attributable to our stringent cost control measures.

The Group also recognized the non-cash operating expense of impairment of right-of-use assets and property, plant and equipment of HK$37 million. Although operating expenses shrunk by HK$179 million, or 6.6%, it was not enough to maintain the same operating expense ratio as last year. The reduction was also insufficient to outweigh the negative impact of the decline in gross profit, resulting in a decrease in operating profit of 36.5% to HK$397 million.

Table 5: Sales and operating profit contribution by region

	Contribution by region	
For the year ended December 31, 2019	**Sales**	**Operating profit**
The rest of Asia Pacific	**32.7%**	**52.6%**
Mainland China	**20.5%**	**(8.2%)**
Hong Kong and Macau	**15.9%**	**1.2%**
The Middle East	**13.6%**	**31.0%**
Taiwan	**12.1%**	**11.1%**
Wholesale sales to overseas franchisees	**5.2%**	**8.8%**
Wholesale sales to overseas subsidiaries	**–**	**13.5%**
Headquarter expense, net of other income and gains	**–**	**(10.0%)**
	100.0%	**100.0%**

Finance expense

Finance expense was HK$55 million (2018: HK$5 million), which comprised of bank interest expense and interest on lease liabilities. Please note that the interest on lease liabilities of HK$49 million was due to the adoption of HKFRS 16, under which the Group (as lessee in numerous tenancy agreements) recognizes the imputed interest expense accrued on the outstanding balance of the lease liabilities. If excluding the impact of HKFRS 16, the expense would have been HK$6 million.

EBITDA

EBITDA was HK$1,183 million (2018: HK$821 million), an improvement of 44.1%, due to the adoption of HKFRS 16. Under HKFRS 16, depreciation on the right-of-use assets and imputed interest expense on lease liabilities replace the operating lease expense previously recorded in the consolidated income statement. If not for the impact of HKFRS 16, the EBITDA would have decreased by 27.6 %.

Income taxes

Income taxes amounted to HK$116 million (2018: HK$142 million), representing an effective tax rate of 28.6% (2018: 20.8%). If excluding the impact on the adoption of HKFRS 16, the effective tax rate would be 23.7%. The increase is mainly due to a change in the distribution of profits and losses suffered by the Group’s entities operating in various locations.

Profit after income taxes attributable to shareholders of the Company

PATS decreased by 52.1%, as shown in Table 6. Net margin was 4.7%, a decrease of 4.0 percentage points, but would have been down by 2.7 percentage points if excluding the impact of HKFRS 16. The preceding commentaries cite the reasons.

Table 6: Analysis of change in PATS

(In HK$ million)	
Reported 2018 PATS	**480**
The Middle East	**37**
South Korea	**3**
The rest of Asia Pacific	**(27)**
Wholesale sales to overseas franchisees/subsidiaries	**(30)**
Greater China	**(247)**
Income taxes, non-controlling interests, finance expense and headquarter expense	**15**
2019 PATS without currency translation difference	**231**
Currency translation difference	**(1)**
Reported 2019 PATS	**230**

ANALYSIS BY MARKET

The following comments are in local currencies or if in HK$, are at constant exchange rates to remove distortions from the translation of financial statements. These figures have not removed the impact on imported product costs contracted at non-local currencies.

Greater China

Table 7: Greater China region

	As published					For reference only	
	2019		2018			2019	
(In HK$ million, translated at constant exchange rates)	**Reported under HKFRS 16**	**% to sales**	Reported under HKAS 17	% to sales	**Change**	Reported under HKAS 17	**Change**
Total sales	**2,410**	**100.0%**	2,923	100.0%	**(17.6%)**	2,410	**(17.6%)**
Gross profit	**1,403**	**58.2%**	1,753	60.0%	**(20.0%)**	1,403	**(20.0%)**
Operating expense	**(1,406)**	**(58.3%)**	(1,514)	(51.8%)	**(7.1%)**	(1,381)	**(8.8%)**
Operating profit	**16**	**0.7%**	263	9.0%	**(93.9%)**	40	**(84.8%)**
Finance expense	**(17)**	**(0.7%)**	–	–	**N/A**	–	**N/A**
Profit before income tax	**–**	**0.0%**	263	9.0%	**(100.0%)**	40	**(84.8%)**
CSS growth	**(14.6%)**		0.8%				
CSGP growth	**(16.4%)**		0.1%				
Stores at year end	**1,172**		1,213		**(41)**		

A combination of factors has significantly affected our Greater China business, especially in Mainland China and Hong Kong. While the Sino-US trade dispute curtailed economic growth, unseasonably warm weather also drastically hampered the sales of our heavy jackets. Retail sales in Hong Kong plummeted due to protracted social events in the second half of 2019. China's ban on solo travel to Taiwan negatively affected the local tourism business. In the long term, however, e-commerce and franchising will continue to be our two main business drivers for Greater China. The Group will continue to allocate more resources towards our online channels, which have partially cushioned the negative impact on physical stores due to the macro-environment.

Table 8: Greater China region – by market

(In HK$ million, translated at constant exchange rates)	**Sales**			**CSS growth**		**CSGP growth**		**Stores at year end**	
	2019	2018	**Change**	**2019**	2018	**2019**	2018	**2019**	2018
Mainland China	**1,038**	1,293	**(19.7%)**	**(15.1%)**	(0.9%)	**(19.5%)**	(2.5%)	**902**	937
Hong Kong and Macau	**772**	959	**(19.5%)**	**(16.1%)**	3.1%	**(16.5%)**	1.9%	**73**	76
Taiwan	**600**	671	**(10.6%)**	**(11.3%)**	1.2%	**(11.1%)**	1.7%	**197**	200
Total	**2,410**	2,923	**(17.6%)**	**(14.6%)**	0.8%	**(16.4%)**	0.1%	**1,172**	1,213

The rest of Asia Pacific

Table 9: The rest of Asia Pacific region

	As published					For reference only	
	2019		2018			2019	
(In HK$ million, translated at constant exchange rates)	**Reported under HKFRS 16**	**% to sales**	Reported under HKAS 17	% to sales	**Change**	Reported under HKAS 17	**Change**
Total sales	**1,575**	**100.0%**	1,623	100.0%	**(3.0%)**	1,575	**(3.0%)**
Gross profit	**932**	**59.2%**	968	59.6%	**(3.7%)**	932	**(3.7%)**
Operating expense	**(737)**	**(46.8%)**	(744)	(45.8%)	**(0.9%)**	(744)	**Flat**
Operating profit	**206**	**13.1%**	233	14.4%	**(11.6%)**	199	**(14.6%)**
Finance expense	**(23)**	**(1.5%)**	–	–	**N/A**	–	**N/A**
Profit before income tax	**184**	**11.7%**	233	14.4%	**(21.0%)**	199	**(14.6%)**
CSS growth	**(7.2%)**		0.3%				
CSGP growth	**(6.9%)**		(0.2%)				
Stores at year end	**597**		606		**(9)**		

The repercussion of the Sino-US trade dispute also affected our businesses in the Southeast Asia region, especially in Singapore and Malaysia. Indonesia continued to record a growth in overall CSS and CSGP, mainly attributable to the satisfactory performance of our non-Giordano brands.

Table 10: The rest of Asia Pacific region – by market

	Sales			CSS growth		CSGP growth		Stores at year end	
(In HK$ million, translated at constant exchange rates)	**2019**	2018	**Change**	**2019**	2018	**2019**	2018	**2019**	2018
Indonesia	**625**	585	**6.8%**	**(3.0%)**	3.6%	**(1.9%)**	0.8%	**238**	249
Thailand	**345**	360	**(4.2%)**	**(6.9%)**	1.1%	**(5.4%)**	2.7%	**172**	169
Singapore	**274**	312	**(12.2%)**	**(10.2%)**	(2.2%)	**(10.9%)**	(4.3%)	**42**	43
Malaysia	**182**	201	**(9.5%)**	**(13.7%)**	(5.2%)	**(14.3%)**	(1.7%)	**95**	93
Vietnam	**90**	89	**1.1%**	**(3.7%)**	N/A	**(3.5%)**	N/A	**41**	39
Australia	**48**	65	**(26.2%)**	**3.3%**	11.4%	**(1.0%)**	9.4%	**7**	11
Cambodia	**11**	11	**Flat**	**N/A**	(8.2%)	**N/A**	(8.4%)	**2**	2
Total	**1,575**	1,623	**(3.0%)**	**(7.2%)**	0.3%	**(6.9%)**	(0.2%)	**597**	606

The Middle East

Table 11: The Middle East

	As published					For reference only	
	2019		2018			2019	
(In HK$ million, translated at constant exchange rates)	**Reported under HKFRS 16**	**% to sales**	Reported under HKAS 17	% to sales	**Change**	Reported under HKAS 17	**Change**
Total sales	**662**	**100.0%**	636	100.0%	**4.1%**	662	**4.1%**
Gross profit	**428**	**64.7%**	393	61.8%	**8.9%**	428	**8.9%**
Operating expense	**(307)**	**(46.4%)**	(307)	(48.3%)	**Flat**	(313)	**2.0%**
Operating profit	**123**	**18.6%**	86	13.5%	**43.0%**	118	**37.2%**
Finance expense	**(10)**	**(1.5%)**	–	–	**N/A**	–	**N/A**
Profit before income tax	**114**	**17.2%**	86	13.5%	**32.6%**	118	**37.2%**
CSS growth	**4.5%**		(5.0%)				
CSGP growth	**3.6%**		(11.0%)				
Stores at year end	**181**		182		**(1)**		

The Group successfully turned around the Middle East business, with operating profit up by 43%. The turnaround was due to the improved merchandising mix and disciplined inventory management, leading to fewer promotional activities. Alternative supply sources also helped reduce the average product cost. The positive momentum in the Middle East will continue by further strengthening through heightened marketing efforts.

South Korea (a 48.5% joint venture under an independent management team)

Table 12: South Korea

(In Korean Won million)	**2019**	**% to sales**	2018	% to sales	**Change**
Total sales	**205,138**	**100.0%**	205,582	100.0%	**(0.2%)**
Gross profit	**118,482**	**57.8%**	122,073	59.4%	**(2.9%)**
Net profit	**19,394**	**9.5%**	18,532	9.0%	**4.7%**
Share of profit	**9,406**		8,988		**4.7%**
CSS growth	**2.3%**		(1.6%)		
CSGP growth	**0.9%**		0.5%		
Stores at year end	**175**		186		**(11)**

South Korea reported a small growth in CSS and CSGP, with net profit increase due to improved cost control and closure of non-performing stores.

Wholesale sales to overseas franchisees

Table 13: Store numbers of overseas franchisees

	At December 31	
By market	**2019**	2018
South Korea	**175**	186
Southeast Asia	**229**	224
Other markets	**21**	15
Total stores	**425**	425

Wholesales to overseas franchisees decreased by 22.9% to HK$252 million (2018: HK$327 million). Uncertainties in the global economy have affected the sales of our franchisees in various regions, which in turn have affected our wholesales performance. The tightening of our credit policy towards franchisees has also led to lower wholesale sales for the sake of our long term financial position. Management continued persevered in expanding the franchise and wholesale footprint outside of our core markets. For instance, our franchise in Mauritius opened four stores in the second half of the year. Though initially small, these newly developed markets will pay off in the medium to long run.

FINANCIAL POSITION

Liquidity and financial resources

Despite the sales decline during the year, the Group's financial position remains strong. On December 31, 2019, the cash and bank balance net of bank loans was HK$994 million (2018: HK$1,017 million), representing a slight decrease of 2.3%. The four primary sources and uses of the cash and bank balances, net of bank loans, are (i) HK$1,068 million cash inflow from operating activities; (ii) HK$76 million investment in capital expenditure; (iii) HK$473 million dividend payment to shareholders and non-controlling interests; and (iv) HK$507 million payment for principal elements of lease payments.

The short-term bank borrowings amounted to HK$265 million (2018: HK$298 million) and was a financial instrument designed to leverage interest rate differentials among banks in the region for yield enhancement. The Group's gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was -0.4 (2018: -0.4). As of December 31, 2019, the Group's current ratio was 1.4 (2018: 2.5).

Property, plant and equipment

During the year, our capital expenditure was HK$76 million (2018: HK$84 million), mainly incurred to upgrade our stores. Management will continue to invest in our shop ambience to strengthen our brand image, especially in Hong Kong and Macau.

Goodwill and put option liability

The goodwill and put option liability stems from the acquisition of the Middle East operations in the years of 2012 and 2015. We have carried out annual impairment tests and concluded that there was no impairment to goodwill in the 2019 financial year.

During the year, the Group has entered into agreements with the non-controlling shareholders of Giordano Fashions L.L.C. ("Giordano UAE"), Giordano Fashions Co. W.L.L ("Giordano KW") and GIO Fashions W.L.L. ("Giordano QA") to acquire the remaining interests in these companies. The associated put option liabilities of HK$62 million recognized previously lapsed accordingly.

Interests in joint ventures

Interest in joint ventures comprises a 48.5% interest in the South Korea joint venture. The change in HK$14 million during the year derives from our share of profit in the sum of HK$63 million, offset by dividends received and currency translation difference.

Inventories

Group inventories on December 31, 2019, were HK$548 million (2018: HK$552 million). ITOC increased by 11 days to 100 days. The increase in ITOC is primarily due to a decline in sales and the early receipt of Chinese New Year orders.

Inventories at suppliers and franchisees are not our legal liabilities. Despite this, the Group responsibly tracks their levels to ensure that we do not build up excessive "off-balance sheet" inventories. An increase in inventories in South Korea was to meet the recent sales. Stocks held by franchisees in Mainland China decreased significantly due to effective inventory management. Finished goods at suppliers significantly dropped by 55.6%. Our system inventories had reduced by 5.0% YOY.

Table 14: System inventories

	At December 31	
(In HK$ million)	**2019**	2018
Inventories held by the Group	**548**	552
Inventories held by 48.5% South Korea joint venture	**196**	200
Inventories held by franchisees in Mainland China	**73**	94
Finished goods at suppliers (not yet shipped)	**12**	27
Total system inventories	**829**	873

Trade receivables and payables

The Group monitors the recoverability of trade receivables to mitigate bad debt risks. Trade receivable turnover days for the year ended December 31, 2019, were 45 days, a decrease of 14 days as compared to last year. The reduction stems from the tightening of our credit policy to third parties. Trade payable turnover days increased by 5 days to 25 days during the year. The result is in line with the credit period granted by our suppliers, but also demonstrates the Group's good faith in assisting our suppliers' cash flow situation.

Pledge of assets

The Group didn't pledge any assets as of December 31, 2019, and 2018.

Contingent liabilities

There were no contingent liabilities as of December 31, 2019, and 2018.

Foreign exchange risk

The Group faces foreign exchange risk mainly arising from purchases from a Renminbi-based supply chain and sales proceeds in local currencies of the relevant Group entities. Foreign exchange risk arising from recognized assets and liabilities is insignificant. The Group promptly settles balances denominated in currencies other than the functional currency of the relevant Group entity, leaving minimal outstanding foreign currency position at the balance sheet date. Management monitors foreign exchange risks of the Group regularly. The Group does not employ financial instruments for hedging purposes. The Group may use forward foreign exchange contracts if it anticipates fluctuations in the relevant foreign currencies.

Dividends

The Company has adopted a dividend policy on November 8, 2018 (the "Dividend Policy"). The Dividend Policy aims to return surplus cash to its shareholders through the payment of dividends and share repurchase. In line with the Dividend Policy, the Company has been paying a substantial portion of its earnings as an ordinary dividend, the amount of which may vary depending on cash on hand, future investment requirements and working capital considerations.

Having considered the economic outlook, the Group's financial position, its future expansion plans and other factors, the Board has thus recommended a final dividend of 4.4 HK cents per share (2018: 16.5 HK cents per share) for the year ended December 31, 2019. Together with the interim dividend of 10.2 HK cents per share (2018: 17.0 HK cents per share) paid on September 20, 2019, total 2019 dividend would amount to 14.6 HK cents per share (2018: 33.5 HK cents per share), representing a payout of 100% of 2019 earnings per share (2018: 110%). Subject to the approval of our shareholders at the forthcoming annual general meeting of the Company, the final dividend will be payable on Friday, June 19, 2020, to shareholders whose names appear on the register of members of the Company on Thursday, June 4, 2020.

OUTLOOK

The spreading of the COVID-19 epidemic at the beginning of the year will undermine regional retail businesses in the first half, especially in China and Hong Kong. The outbreak's proximity to the traditional Lunar New Year buying spree exacerbated its negative impact on the Group's annual performance. We expect the new coronavirus infection to continue to affect our business significantly in the first quarter of the year. The remnant issues of 2019, such as Sino-US trade disputes and regional social events, are still material in affecting the outlook for 2020.

Nevertheless, with a secure brand positioning and quality merchandise, Management is confident of overcoming the challenges ahead. Management will further strengthen the Group's financial position through a combination of strategies and actions. In terms of cash flow management, Management targets to reduce accounts receivable by retrieving overdue debts and tightening our credit policy. On inventory management, the Group has been diverting ready garments between regions, while Management has either cut or postponed purchases to avoid inventory glut. Stringent cost control is also critical for long term sustainability. Thus Management and regional heads will aggressively hunt for rental reductions and concessions as well as reduce other overhead costs.

The Group will take a more cautious approach in Mainland China and Hong Kong. In contrast, Management is prepared to adopt a more aggressive approach towards overseas markets, especially in the Middle East and the developing regions in the Southeast Asia regions, such as Indonesia and Vietnam.

Geographically, the Group will seize opportunities for store expansion in developing countries. The Group made significant progress in search of compatible franchise partners in recent years. On top of Mongolia, South Africa and France, we have now secured new franchises in Mauritius and in Continental Africa and India.

On e-commerce, Management will expedite the development in our existing markets by partnering with established online channels. The cooperation with local third party e-platforms has proven to be a success in the past.

Talent management will remain an essential aspect of our business strategy. The restructured Fast-Track Management Scheme paid off as graduates now shine in respective executive positions. Management will devise various job rotations to expose graduates to all disciplines of business operations, paving the way for their promotion to management roles with greater exposure and responsibility.

Crisis creates opportunities. In the face of numerous obstacles in 2020, Management will take a decisive and positive approach to rejuvenate our operations to create more value for our shareholders. With a robust financial position and cost control measures in place, Management believes that the Group will persevere and weather the storm.

OTHER INFORMATION

Human Resources

At December 31, 2019, the Group had approximately 7,900 employees (December 31, 2018: 8,200). The Group offers competitive remuneration packages and generous, goal-oriented bonuses targeted to different levels of staff. We offer senior managers performance-based bonus schemes and share options to reward and retain a high calibre leadership team. We also invest heavily in training in sales and customer service, management, planning and leadership development to retain a skilled and motivated workforce.

Annual General Meeting

The annual general meeting of the Company is scheduled to be held on Friday, May 22, 2020 (the "2020 AGM"). A notice convening the 2020 AGM, which constitutes part of the circular to shareholders, will be sent to the shareholders together with the 2019 annual report of the Company. The notice of the 2020 AGM and the proxy form will also be available on the websites of the Company and Hong Kong Exchange and Clearing Limited.

Closure of Register of Members

Annual General Meeting

For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, May 18, 2020 to Friday, May 22, 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2020 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, May 15, 2020.

Final Dividend

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, June 2, 2020 to Thursday, June 4, 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, June 1, 2020.

Corporate Governance Code

During the year ended December 31, 2019, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Code provision A.2.1

Code provision A.2.1 provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

Currently, Dr. LAU Kwok Kuen, Peter holds the positions of Chairman and Chief Executive. In view of Dr. LAU's extensive experience in the industry and deep understanding of the Group's businesses, the Board believes that vesting the roles of both Chairman and Chief Executive in Dr. LAU provides the Group with strong leadership, allowing for more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of Management.

Code provision A.4.2

Code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the bye-laws of the Company, one-third of the Directors, with the exception of Chairman or Managing Director, shall retire from office by rotation at each annual general meeting. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the Chairman and, therefore, the Board is of the view that the Chairman should be exempt from this arrangement at the present time.

Securities Transactions by Directors

The Company has adopted its own Code of Conduct for Securities Transactions by Directors (the "Code of Conduct for Securities Transactions"). This is on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, and has been updated from time-to-time. Having made specific enquiries to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Code of Conduct for Securities Transactions throughout the year ended December 31, 2019.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2019.

Review of Financial Information

The Group's audited consolidated financial statements for the year ended December 31, 2019 including the accounting principles and practices adopted have been reviewed by the Audit Committee in conjunction with the Company's external auditor.

The figures in respect of the Group's consolidated statement of comprehensive income, the consolidated balance sheet and the related notes thereto for the year ended December 31, 2019 as set out in the preliminary announcement have been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

Hong Kong, March 10, 2020

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.

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[1] *Group sales refer to consolidated sales and include retail sales from DOS and wholesale sales to all overseas/non-consolidated franchisees.*

[2] *Group CSS/CSGP are total Giordano brand sales/gross profit of consolidated subsidiaries, at constant exchange rates, from existing DOS and franchised stores that have been fully operating in the same prior period.*

[3] *Global brand sales/gross profit are at 2019 exchange rates, and are greater than Group sales/gross profit to include the total of Giordano retail sales/gross profit, in DOS, franchised stores and stores operated by a joint venture.*

[4] *ITOC refers to inventories held at year end divided by cost of sales and multiplied by number of days in the year.*