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GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE 100% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

On 23 June 2023 (after the trading hours of the Stock Exchange), the Purchasers entered into the Acquisition Agreement with the Vendors, pursuant to which the Purchasers have agreed to acquire, and the Vendors have agreed to sell the Sale Shares at a total consideration of SG\$1 million (equivalent to approximately HK\$5.9 million). The Sale Shares represent the entire issued share capital of the Target Company, whose sole material asset is its ownership of 14.80% shareholding in Giordano Indonesia (a 65.08% subsidiary of Purchaser 1, which is in turn a 80% subsidiary of the Company).

Following the Acquisition, the results of Giordano Indonesia will continue to be consolidated in the Group's financial statements as an indirect non wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is a substantial shareholder of Giordano Indonesia and therefore a connected person of the Company. Vendor 1 is, by virtue of his 98% shareholding in the Target Company, an associate of the Target Company and therefore a connected person of the Company at subsidiary level. Hence, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Acquisition is subject to reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

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The principal terms of the Acquisition Agreement are set out below.

Parties

- (i) GI.PT Singapore Pte. Limited, as Purchaser 1
- (ii) Giordano Cambodia Limited, as Purchaser 2
- (iii) Mr. Kristie Besthopen Mahendra, as Vendor 1
- (iv) Ms. Ekawati Wongso, as Vendor 2

Purchaser 1 is a 80% indirectly-owned subsidiary of the Company and holds 65.08% of the shares in issue of Giordano Indonesia. Purchaser 2 is a 80% indirectly-owned subsidiary of the Company. Both are investment holding companies.

Both Vendor 1 and Vendor 2 are merchants with Indonesian citizenship who own 98% and 2%, respectively, of the total issued share capital of the Target Company. The Target Company is a substantial shareholder of Giordano Indonesia and therefore a connected person of the Company. Vendor 1 is, by virtue of his 98% shareholding in the Target Company, an associate of the Target Company and therefore a connected person of the Company at subsidiary level. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Vendor 2 is a third party independent of the Company and connected persons of the Company.

Asset to be acquired

Purchaser 1 and Purchaser 2 agree to purchase, and Vendor 1 and Vendor 2 agree to sell, 98% and 2%, respectively, of the total issued share capital of the Target Company. The sole material asset of the Target Company is 14.80% of the total issued share capital of Giordano Indonesia. The Vendors (through the Target Company) acquired the 14.80% shareholding in Giordano Indonesia in June 2021 for a consideration of SG\$7.5 million (equivalent to approximately HK\$43.3 million as at closing of that acquisition). The Sale Shares are being sold with all rights (including voting rights) attaching to them on or after the date of the Acquisition Agreement, including all rights to any dividend or other distribution declared, made or paid after the date of the Acquisition Agreement.

Consideration

The Purchasers are to pay a total of SG\$1 million (equivalent to approximately HK\$5.9 million) in cash for the Acquisition. The Consideration is payable as follows:

- (i) as to 50%, following the change of directors and commissioners and hand over of all books and records of the Target Company that are to take place within two business days following the signing of the Acquisition Agreement;
- (ii) as to the remaining 50%, following the execution of the formal transfer of the Sale Shares to the Purchasers and registration of the Purchasers as owners of the Sale Shares with Indonesia Investment Coordinating Board (BKPM) (which is expected to take place within three business days following the expiry of the 30 days or other newspaper announcement period required under Indonesia law) (“**Formal Completion**”).

The Consideration was arrived at after arm’s length negotiations between the Parties with reference to the net asset value of the Target Company as at 30 April 2023, the net asset value attributable to the shareholding of Giordano Indonesia held by the Target Company and an appropriate discount for the illiquidity of shareholdings in a private company. The Consideration will be paid from the Group’s internal resources.

Completion

Pursuant to the Acquisition Agreement the Vendors have effectively “assigned” all their rights in the Sale Shares (including voting rights) to the Purchasers by granting irrevocable powers of attorneys in favour of the Purchasers in respect of those Sale Shares and releasing their rights to all profits and results, including any future dividends distribution and any dividends that have not been distributed over the Sale Shares (if any). Accordingly, the Target Company is expected to be consolidated as a subsidiary of the Company following the change of directors and commissioners as described above.

Formal Completion is expected to take place shortly after the expiry of the newspaper announcement period, as described in the section titled “Consideration” above.

Given that Purchaser 1 already owns 65.08% of the total issued share capital of Giordano Indonesia as at the date of this announcement, following the Acquisition, the results of Giordano Indonesia will continue to be consolidated in the Group’s financial statements as an indirect non wholly-owned subsidiary of the Company.

Termination rights

The Acquisition Agreement may be terminated by (i) the Parties based on mutual written agreement, (ii) by any of the Purchasers in the event that at or before Formal Completion, the Target Company is declared bankrupt or insolvent based on a court decision which has permanent legal effect, or that the Vendors do not fulfill the aforesaid legal requirement to publish the newspaper announcement or adverse claims having been raised in respect of the Acquisition that cannot be resolved to the satisfaction of the Purchasers by the Long Stop Date, or (iii) by either Party if any of the warranties given by the Vendors (if any of the Purchasers is seeking to terminate the Acquisition Agreement) or by the Purchasers (if any of the Vendors is seeking to terminate the Acquisition Agreement) become materially false, misleading or inaccurate at or before Formal Completion.

Upon termination of the Acquisition Agreement, the Parties shall have no further rights and obligations against each other, except for (i) claim(s) that have arisen prior to the termination of the Acquisition Agreement and (ii) the Vendors’ obligation to refund all Consideration they will then have received before which the “assignment” of rights by the Vendors will continue to be in full effect.

INFORMATION OF THE TARGET COMPANY AND GIORDANO INDONESIA

The Target Company is an investment holding company, the sole material asset of which is 14.80% shareholding in share capital of Giordano Indonesia. Giordano Indonesia operates the Giordano business in Indonesia and operates as the franchisee and licensee of a number of international brands and is owned as to 65.08% by Purchaser 1.

The tables below set out certain financial information of the Target Company and Giordano Indonesia prepared in accordance with HKFRS.

Target Company

<i>(In HK\$ million)</i>	For the year ended	
	December 31	
	2021	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit (net loss) before tax	(2.2)	3.2
Net profit (net loss) after tax	(2.2)	3.2

Giordano Indonesia

<i>(In HK\$ million)</i>	For the year ended	
	December 31	
	2021	2022
	<i>(audited)</i>	<i>(audited)</i>
Net profit before tax	85	136
Net profit after tax	68	106

As at 30 April 2023, the unaudited net assets of the Target Company and Giordano Indonesia were approximately HK\$2.3 million and HK\$452 million, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Acquisition will allow the Group to further consolidate its interest in Giordano Indonesia and increase the Group's effective share of results from Giordano Indonesia, a major subsidiary of the Company, from 52.06% to 63.90%.

Taking the above into account, the net asset value, the financial performance and prospects of Giordano Indonesia, the Directors (including the independent non-executive Directors) consider that, whilst the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole. As none of the Directors has any material interest in the Acquisition, none of them were required to abstain from voting on the Board resolutions in relation to the Acquisition.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is a substantial shareholder of Giordano Indonesia and therefore a connected person of the Company. Vendor 1 is, by virtue of his 98% shareholding in the Target Company, an associate of the Target Company and therefore a connected person of the Company at subsidiary level. Hence, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Acquisition is subject to reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the purchase of the Sale Shares by the Purchasers from the Vendors pursuant to the Acquisition Agreement;
“Acquisition Agreement”	The conditional sale and purchase agreement dated 23 June 2023 entered into between the Purchasers and the Vendors in relation to the Acquisition;
“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(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	consideration for the sale and purchase of the Sale Shares, SG\$1 million (equivalent to approximately HK\$5.9 million);
“Director(s)”	the director(s) of the Company;
“Formal Completion”	the formal transfer and registration of the Sale Shares as described in the section titled “Consideration” above;

“Giordano Indonesia”	PT Giordano Indonesia, a company incorporated in Indonesia with limited liability which is an indirect subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Indonesia”	the Republic of Indonesia;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	22 August 2023 or such other date as may be agreed by the Parties in writing;
“Parties”	the Purchasers and the Vendors;
“Purchaser 1”	GI.PT Singapore Pte. Limited, a company incorporated in Singapore with limited liability and a 80% indirectly-owned subsidiary of the Company;
“Purchaser 2”	Giordano Cambodia Limited, a company incorporated in Hong Kong with limited liability and a 80% indirectly-owned subsidiary of the Company;
“Purchasers”	Purchaser 1 and Purchaser 2;
“Rp”	Rupiah, the lawful currency of Indonesia;
“Sale Shares”	50 shares in the Target Company with nominal value of Rp50,000,000 (fifty million), 49 of which is owned by Vendor 1 and 1 of which is owned by Vendor 2, representing 100% of the total issued share capital of the Target Company as at the date of this announcement;

“SG\$”	Singapore dollars, the lawful currency of Singapore;
“Shareholder(s)”	shareholder(s) of the Company;
“Singapore”	the Republic of Singapore;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	PT Retail Kreatif Amerta Internasional, a company incorporated in Indonesia with limited liability;
“Vendor 1”	Mr. Kristie Besthopen Mahendra;
“Vendor 2”	Ms. Ekawati Wongso;
“Vendors”	Vendor 1 and Vendor 2; and
“%”	per cent.

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

Hong Kong, 23 June 2023

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, Mr TSANG On Yip, Patrick and Mr LEE Chi Hin, Jacob; and three independent non-executive Directors; namely, Dr Barry John BUTTIFANT, Professor WONG Yuk (alias, HUANG Xu) and Dr Alison Elizabeth LLOYD.

For the purpose of this announcement, unless otherwise stated, the translation of SG\$ to HK\$ is based on the exchange rate of SG\$1 = HK\$5.8845 and is provided for illustration purpose only.