GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

OVERVIEW

- Group sales were up 5.0% to HK$1,970 million (2022: HK$1,877 million). All three major markets, Greater China, Southeast Asia, and the Gulf Cooperation Council, reported growth.
- Gross margin increased by 3.6 percentage points to 58.7% (2022: 55.1%), attributable to higher selling prices and fewer discounts, resulting in an 11.7% increase in gross profit.
- Operating expenses rose marginally due to variable costs from higher sales. The expense-to-sales ratio declined by 0.9 percentage points to 46.6% on efficiency gains.
- Net profit attributable to the shareholders of the Company soared to HK$190 million (2022: HK$97 million) at a net margin of 9.6% (2022: 5.2%).
- Group inventories closed lower to HK$501 million (2022: HK$541 million), attributable to prudent procurement management. Inventory turnover on cost shrunk by five days to 111 days.
- The cash and bank balances, net of bank loans, increased to HK$1,014 million as of June 30, 2023 (2022: HK$910 million).
- Basic earnings per share were 12.0 HK cents (2022: 6.1 HK cents).
- The Board of Directors has declared an interim dividend of 17.0 HK cents per share (2022: 8.5 HK cents per share).

The board of directors (the "Board") of Giordano International Limited (the "Company") presents the following unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2023, along with comparative figures and explanatory notes.

Consolidated Income Statement

(In HK$ million, except earnings per share)	Note	**(Unaudited) Six months ended June 30 2023**	2022
Sales	2	**1,970**	1,877
Cost of sales	4	**(814)**	(842)
Gross profit		**1,156**	1,035
Other income and other gains, net	3	**36**	23
Distribution expense	4	**(815)**	(786)
Administrative expense	4	**(103)**	(106)
Operating profit	4	**274**	166
Finance expense	5	**(17)**	(12)
Share of profit of a joint venture		**30**	25
Profit before income taxes		**287**	179
Income taxes	6	**(68)**	(51)
Profit after income taxes for the period		**219**	128
Attributable to:			
Shareholders of the Company		**190**	97
Non-controlling interests		**29**	31
		219	128
Earnings per share attributable to shareholders of the Company	7		
Basic *(HK cents)*		**12.0**	6.1
Diluted *(HK cents)*		**11.8**	6.1

Consolidated Statement of Comprehensive Income

(In HK$ million)	**(Unaudited) Six months ended June 30 2023**	2022
Profit after income taxes for the period	**219**	128
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on financial asset at fair value through other comprehensive income	**1**	(1)
Exchange adjustments on translation of overseas subsidiaries which are attributed to the non-controlling interests	**7**	–
Items that may be reclassified to profit or loss:		
Exchange adjustments on translation of overseas subsidiaries, a joint venture and branches	**(20)**	(60)
Total comprehensive income for the period	**207**	67
Attributable to:		
Shareholders of the Company	**171**	42
Non-controlling interests	**36**	25
	207	67

Consolidated Balance Sheet

(In HK$ million)	Note	**(Unaudited) June 30 2023**	(Audited) December 31 2022
ASSETS			
Current assets			
Cash and bank balances		**1,019**	960
Trade and other receivables	9	**310**	390
Inventories		**501**	612
Rental prepayments		**2**	4
Financial asset at fair value through profit or loss		**–**	6
Income tax recoverable		**4**	5
Total current assets		**1,836**	1,977
Non-current assets			
Financial asset at fair value through other comprehensive income		**4**	3
Financial asset at fair value through profit or loss		**28**	28
Deposits and other receivable	9	**68**	73
Interest in a joint venture		**471**	490
Investment properties		**17**	18
Property, plant and equipment		**141**	133
Right-of-use assets		**702**	690
Goodwill		**541**	541
Deferred tax assets		**46**	55
Total non-current assets		**2,018**	2,031
Total assets		**3,854**	4,008
LIABILITIES AND EQUITY			
Current liabilities			
Bank loans		**5**	12
Trade and other payables	10	**470**	555
Lease liabilities		**328**	326
Put option liabilities		**81**	81
Income tax payables		**111**	113
Total current liabilities		**995**	1,087
Non-current liabilities			
Lease liabilities		**281**	287
Deferred tax liabilities		**118**	112
Total non-current liabilities		**399**	399
Total liabilities		**1,394**	1,486
Capital and reserves			
Share capital		**80**	79
Reserves		**1,929**	2,001
Proposed dividends	8	**272**	237
Equity attributable to shareholders of the Company		**2,281**	2,317
Non-controlling interests		**179**	205
Total equity		**2,460**	2,522
Total equity and liabilities		**3,854**	4,008
Net current assets		**841**	890
Total assets less current liabilities		**2,859**	2,921

Notes to the unaudited condensed consolidated interim financial statements

1. Basis of preparation

The unaudited condensed consolidated interim financial statements (the "unaudited interim results") for the six months ended June 30, 2023, have been prepared in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Readers should read the unaudited interim results in conjunction with the audited annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The unaudited interim results have been presented in millions of units of Hong Kong dollars ("HK$ million") unless otherwise stated. The accounting policies and methods of computation used in the preparation of the unaudited interim results are consistent with those used in the audited annual financial statements for the year ended December 31, 2022, except for the adoption of amended standards during the period, as disclosed in Note 1(a).

These unaudited interim results accrue income taxes on taxable income using tax rates applicable in the respective jurisdictions.

The unaudited interim results have been approved for issue by the Board on August 10, 2023.

(a) Impact of new and amended standards

The Group has applied the following amended standards issued by HKICPA, which were effective for the Group's financial year beginning on January 1, 2023:

–	Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
–	Amendments to HKAS 8	Definition of Accounting Estimates
–	Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
–	Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the above amendments to standards did not result in substantial changes to the Group's accounting policies or financial results or position.

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

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

2. Sales and 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 segments geographically and by brand.

Geographically, the Retail and Distribution operating segment in Mainland China and the Gulf Cooperation Council (the "GCC") comprise direct-operated and franchised stores. Hong Kong and Macau, Taiwan, Southeast Asia and Australia do not have material local franchised stores. Group stores span most of Southeast Asia and the GCC.

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 a joint venture and unallocated corporate items. Segment results are before finance expense, share of profit of a joint venture, income taxes and unallocated corporate items. This is the measurement basis reported to management and the senior decision-makers for the purpose of resource allocation and assessment of segment performance.

Analysis of sales and operating profit (loss) of the Group's operating segment by geographic region is as follows:

	(Unaudited) Six months ended June 30, 2023						
(In HK$ million)	**Mainland China**	**Hong Kong and Macau**	**Taiwan**	**Southeast Asia and Australia**	**Gulf Cooperation Council**	**Wholesale to Overseas Franchisees**	**Total**
Sales	**333**	**188**	**226**	**734**	**361**	**128**	**1,970**
Adjusted EBITDA	**17**	**73**	**51**	**240**	**129**	**9**	**519**
Depreciation and amortization							
– Right-of-use assets	**(13)**	**(37)**	**(22)**	**(81)**	**(48)**	**–**	**(201)**
– Property, plant and equipment and investment properties	**(3)**	**(1)**	**(3)**	**(12)**	**(6)**	**–**	**(25)**
Segment results	**1**	**35**	**26**	**147**	**75**	**9**	**293**
Corporate functions							**(19)**
Finance expense							**(17)**
Share of profit of a joint venture							**30**
Profit before income taxes							**287**

2. Sales and operating segments (continued)

	(Unaudited) Six months ended June 30, 2022						
(In HK$ million)	Mainland China	Hong Kong and Macau	Taiwan	Southeast Asia and Australia	Gulf Cooperation Council	Wholesale to Overseas Franchisees	Total
Sales	333	132	218	696	327	171	1,877
Adjusted EBITDA	(14)	38	35	218	112	20	409
Depreciation and amortization							
– Right-of-use assets	(19)	(38)	(25)	(71)	(45)	–	(198)
– Property, plant and equipment and investment properties	(4)	(1)	(3)	(10)	(5)	–	(23)
Reversal of impairment							
– Right-of-use assets	–	–	–	1	–	–	1
Segment results	(37)	(1)	7	138	62	20	189
Corporate functions							(23)
Finance expense							(12)
Share of profit of a joint venture							25
Profit before income taxes							179

Further analysis of the Retail and Distribution operating segments by brand is as follows:

	(Unaudited) Six months ended June 30			
	2023		2022	
(In HK$ million)	**Sales**	**Operating profit (loss)**	Sales	Operating profit (loss)
Retail and Distribution				
Giordano and Giordano Junior	**1,548**	**237**	1,457	137
Giordano Ladies	**135**	**25**	113	10
BSX	**4**	**(1)**	4	(1)
Others	**155**	**23**	132	23
	1,842	**284**	1,706	169

2. Sales and operating segments (continued)

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$316 million (2022: HK$303 million), Mainland China HK$333 million (2022: HK$333 million) and external customers from other markets HK$1,321 million (2022: HK$1,241 million).

Inter-segment sales of HK$375 million (2022: HK$462 million) have been eliminated upon consolidation.

3. Other income and other gains, net

	(Unaudited) Six months ended June 30	
(In HK$ million)	**2023**	2022
Royalty and licensing income	**14**	14
Government grants	**1**	8
Interest income	**11**	4
Rental and sub-lease rental income	**4**	4
Fair value loss on financial asset at fair value through profit or loss	**(6)**	–
Net gain on disposal of property, plant and equipment	**–**	1
Claims and compensation	**–**	(3)
Net exchange loss	**(2)**	(9)
Others	**14**	4
	36	23

4. Operating profit

Operating profit is after charging (crediting):

(In HK$ million)	**(Unaudited) Six months ended June 30 2023**	2022
Cost of sales		
Cost of inventories sold	**813**	828
Provision for obsolete stock and stock written off	**1**	14
	814	842
Distribution expense		
Staff cost	**304**	289
Depreciation expense		
– Right-of-use assets	**194**	190
– Property, plant and equipment	**22**	21
Rentals in respect of land and buildings		
– Minimum lease payments	**20**	35
– Contingent rent	**100**	78
Building management fee, government rent and rates and utilities	**48**	50
Advertising, promotion and incentives	**42**	44
Packaging and deliveries	**26**	26
Bank and credit card charges	**14**	13
Change in loss allowance for trade receivables	**–**	(2)
Reversal of impairment		
– Right-of-use assets	**–**	(1)
Others	**45**	43
	815	786
Administrative expense		
Staff cost	**73**	72
Depreciation expense		
– Right-of-use assets	**7**	8
– Property, plant and equipment and investment properties	**3**	2
Legal and professional fee	**3**	8
Auditor's remuneration	**3**	3
Computer and telecommunication	**3**	3
Travelling	**1**	1
Others	**10**	9
	103	106

5. Finance expense

(In HK$ million)	(Unaudited) Six months ended June 30 2023	2022
Interest on lease liabilities	**17**	12
Interest on bank loans	**–**	–
	17	12

6. Income taxes

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period. Income taxes on profits assessable outside Hong Kong are calculated at the rates applicable in the respective jurisdictions.

(In HK$ million)	(Unaudited) Six months ended June 30 2023	2022
Current income taxes		
Hong Kong	**1**	1
Outside Hong Kong	**38**	24
Under provision in prior periods	**–**	3
Withholding taxes	**11**	12
	50	40
Deferred income taxes		
Origination and reversal of temporary differences	**18**	11
	68	51

This charge excludes the share of the joint venture's income taxes of HK$9 million (2022: HK$7 million) for the period. The share of profit of a joint venture 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 period of HK$190 million (2022: HK$97 million).

The basic earnings per share is based on the weighted average of 1,587,483,303 shares (2022: 1,579,151,159 shares) in issue during the six months ended June 30, 2023.

The diluted earnings per share is calculated by adjusting the weighted average of 1,587,483,303 shares (2022: 1,579,151,159 shares) in issue during the period by the weighted average of 17,195,576 shares (2022: 9,312,540 shares) deemed to be issued if all outstanding share options granted under the share option schemes of the Company had been exercised.

8. Dividends

Dividends attributable to the period:

(In HK$ million)	**(Unaudited) Six months ended June 30 2023**	2022
Interim dividend declared of 17.0 HK cents per share (2022: 8.5 HK cents per share)	**272**	134
2022 final dividend paid of 15.0 HK cents per share (2021: 10.0 HK cents per share)	**237**	158

The distribution for the 2022 final dividend was based on the total number of issued shares of the Company on June 1, 2023.

At the Board meeting on August 10, 2023, the Board declared an interim dividend of 17.0 HK cents per share (2022: 8.5 HK cents per share). The interim dividend has not been recognized as a liability at the balance sheet date.

9. Trade and other receivables

(In HK$ million)	**(Unaudited) June 30 2023**	(Audited) December 31 2022
Trade receivables	**190**	229
Less: Loss allowance	**(41)**	(42)
Trade receivables, net	**149**	187
Other receivables, including deposits and prepayments	**161**	203
Trade and other receivables	**310**	390
Deposits and other receivables	**68**	73

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 approximate to their fair values.

The ageing analysis from the invoice date net of loss allowance is as follows:

(In HK$ million)	**(Unaudited) June 30 2023**	(Audited) December 31 2022
0 – 30 days	**124**	145
31 – 60 days	**15**	26
61 – 90 days	**3**	6
Over 90 days	**7**	10
	149	187

10. Trade and other payables

(In HK$ million)	**(Unaudited) June 30 2023**	(Audited) December 31 2022
Trade payables	**121**	193
Other payables and accrued expense	**349**	362
	470	555

The ageing analysis of trade payables from the invoice date is as follows:

(In HK$ million)	**(Unaudited) June 30 2023**	(Audited) December 31 2022
0 – 30 days	**108**	161
31 – 60 days	**6**	12
61 – 90 days	**1**	8
Over 90 days	**6**	12
	121	193

The carrying amounts of trade and other payables approximate to their fair values.

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

Unless otherwise stated, the following commentaries refer to the year-on-year ("YOY") comparison for the six months ended June 30, 2023, and 2022.

OVERVIEW

- Group sales were up 5.0% to HK$1,970 million (2022: HK$1,877 million). All three major markets, Greater China, Southeast Asia, and the Gulf Cooperation Council, reported growth.

- Gross margin increased by 3.6 percentage points to 58.7% (2022: 55.1%), attributable to higher selling prices and fewer discounts, resulting in an 11.7% increase in gross profit.

- Operating expenses rose marginally due to variable costs from higher sales. The expense-to-sales ratio declined by 0.9 percentage points to 46.6% on efficiency gains.

- Net profit attributable to the shareholders of the Company soared to HK$190 million (2022: HK$97 million) at a net margin of 9.6% (2022: 5.2%).

- Group inventories closed lower to HK$501 million (2022: HK$541 million), attributable to prudent procurement management. Inventory turnover on cost shrunk by five days to 111 days.

- The cash and bank balances, net of bank loans, increased to HK$1,014 million as of June 30, 2023 (2022: HK$910 million).

- Basic earnings per share were 12.0 HK cents (2022: 6.1 HK cents).

- The Board of Directors has declared an interim dividend of 17.0 HK cents per share (2022: 8.5 HK cents per share).

RESULTS OF OPERATIONS

Table 1: Group results of operations

(In HK$ million)	Six months ended June 30 **2023**	**% to sales**	2022	% to sales	**Change**
Group sales[1]	**1,970**	**100.0%**	1,877	100.0%	**5.0%**
Gross profit	**1,156**	**58.7%**	1,035	55.1%	**11.7%**
Other income and gains, net	**36**	**1.8%**	23	1.2%	**56.5%**
Operating expense	**(918)**	**(46.6%)**	(892)	(47.5%)	**2.9%**
Operating profit	**274**	**13.9%**	166	8.8%	**65.1%**
Share of profit of a joint venture	**30**	**1.5%**	25	1.3%	**20.0%**
Finance expense	**(17)**	**(0.9%)**	(12)	(0.6%)	**41.7%**
Income taxes	**(68)**	**(3.4%)**	(51)	(2.7%)	**33.3%**
Profit after income tax attributable to non-controlling interests	**(29)**	**(1.5%)**	(31)	(1.6%)	**(6.5%)**
Profit after income tax attributable to shareholders	**190**	**9.6%**	97	5.2%	**95.9%**
Group same-store sales[2]	**1,493**		1,329		**12.3%**
Global brand sales[3]	**2,410**		2,253		**7.0%**
Global brand gross profit[3]	**1,509**		1,414		**6.7%**
Cash and bank balances, net of bank loans at period-end	**1,014**		910		**11.4%**
Inventories at period-end	**501**		541		**(7.4%)**
Inventory turnover on cost, days[4]	**111**		116		**(5)**
Stores at period-end	**1,798**		1,940		**(142)**

Sales and gross profit

Group revenue grew by 5.0% to HK$1,970 million (2022: HK$1,877 million), or 7.9% on a constant dollar basis. Comparable retail store sales registered a 12.3% growth. Greater China, Southeast Asia ("SEA"), and the Gulf Cooperation Council ("GCC") reported growth driven by strategic price adjustments, the right merchandise, and effective local marketing. Sales per square foot soared by 12.8%. Online sales continued to grow at 8.2%, notably in Greater China.

Wholesale to franchisees recorded a YOY decrease. In the case of overseas franchisees, this was primarily due to the large shipments in late 2022 to support their post-Covid-19 sales recoveries. In the case of Mainland China, this was mainly due to the closure of non-performing franchisee stores during the Covid-19 period. We expect the number of franchised stores in Mainland China to increase in the 2H.

Table 2: Sales analysis

(In HK$ million)	Six months ended June 30				
	2023	**Contribution**	2022	Contribution	**Change**
Greater China	**875**	**44.4%**	854	45.5%	**2.5%**
Southeast Asia and Australia	**734**	**37.3%**	696	37.1%	**5.5%**
Gulf Cooperation Council	**361**	**18.3%**	327	17.4%	**10.4%**
Group sales	**1,970**	**100.0%**	1,877	100.0%	**5.0%**
Offline	**1,527**	**77.5%**	1,385	73.8%	**10.3%**
Online	**224**	**11.4%**	207	11.0%	**8.2%**
Retail	**1,751**	**88.9%**	1,592	84.8%	**10.0%**
Wholesale to overseas franchisees	**150**	**7.6%**	192	10.2%	**(21.9%)**
Wholesale to franchisees in Mainland China	**69**	**3.5%**	93	5.0%	**(25.8%)**
Group sales	**1,970**	**100.0%**	1,877	100.0%	**5.0%**

The Group's gross margin was up 3.6 percentage points to 58.7% (2022: 55.1%). The margin improvement was mainly due to the higher selling prices and fewer discounts.

Table 3: Gross profit variance analysis

(In HK$ million)	**Six months ended June 30, 2022 gross profit**	**Product costs**	**Selling prices**	**Volume**	**Translational exchange impact**	**Miscellaneous**	**Six months ended June 30, 2023 gross profit**
Southeast Asia and Australia	416	(9)	36	11	(10)	2	**446**
Gulf Cooperation Council	201	10	(13)	29	–	–	**227**
Mainland China	154	(35)	77	(26)	(12)	6	**164**
Taiwan	131	(5)	29	(4)	(9)	2	**144**
Hong Kong and Macau	93	(3)	42	11	–	–	**143**
Market mix	–	(2)	26	(24)	–	–	**–**
Retail and distribution	**995**	**(44)**	**197**	**(3)**	**(31)**	**10**	**1,124**
Wholesale to overseas franchisees/subsidiaries	40						**32**
Group	1,035						**1,156**

Other income and gains, net

Other income and gains included royalties, licensing fees, interest income, rental income, government assistance, and exchange difference. The Group's net cash position benefited from the rising interest rate environment.

Operating expense and operating profit

The operating expense-to-sales ratio was 46.6% (2022: 47.5%). The Group's operating profit was HK$274 million (2022: HK$166 million), up 65.1% YOY, with an operating profit margin of 13.9% (2022: 8.8%).

Net impairment of right-of-use assets and property, plant and equipment

There was no significant impairment provision or reversal (2022: HK$1 million reversal) for the right-of-use assets and property, plant and equipment, based on Hong Kong Accounting Standard 36.

Finance expense

The finance expense was HK$17 million (2022: HK$12 million), virtually all due to higher imputed interest on lease liabilities.

Profit after income taxes attributable to shareholders of the Company

Profit after income taxes attributable to shareholders of the Company ("PATS") was HK$190 million (2022: HK$97 million) to reach a net margin of 9.6% (2022: 5.2%). The swing in Greater China reflects the devastation of the Covid-19 pandemic in 2022.

Table 4: Changes in PATS

(In HK$ million)	
Reported PATS for the six months ended June 30, 2022	**97**
Mainland China	**38**
Hong Kong and Macau	**36**
Taiwan	**21**
Gulf Cooperation Council	**13**
Southeast Asia and Australia	**12**
South Korea	**4**
Wholesale to overseas franchisees/subsidiaries	**(20)**
Income taxes, non-controlling interests, finance expense and headquarter expenses	**(6)**
PATS for the six months ended June 30, 2023, at constant exchange rates	**195**
Currency translation difference	**(5)**
Reported PATS for the six months ended June 30, 2023	**190**

ANALYSIS BY MARKET

The following comments are in local currencies, or if in Hong Kong dollars, are at constant exchange rates to remove distortions from the translation of financial statements.

Greater China

Table 5: Greater China profit (loss) before income taxes

	Six months ended June 30				
(In HK$ million, translated at constant exchange rates)	**2023**	**% to sales**	2022	% to sales	**Change**
Sales	**786**	**100.0%**	683	100.0%	**15.1%**
Gross profit	**472**	**60.1%**	378	55.3%	**24.9%**
Other income and gains, net	**10**	**1.3%**	9	1.3%	**11.1%**
Operating expense	**(418)**	**(53.2%)**	(418)	(61.2%)	**Flat**
Operating profit (loss)	**64**	**8.2%**	(31)	(4.6%)	**N/A**
Finance expense	**(2)**	**(0.3%)**	(2)	(0.3%)	**Flat**
Profit (loss) before income taxes	**62**	**7.9%**	(33)	(4.9%)	**N/A**

Hong Kong and Macau

Despite a significant reduction in government subsidies and rental concessions, successful marketing campaigns and an effective incentive scheme for our frontline staff drove our business from loss to profit with strong sales recovery and gross margin.

Mainland China

Our business swung from a significant loss to a modest profit, driven by online sales growth and offline operating cost savings through closing loss-making direct-operated stores. The number of franchised stores shrunk during the lingering Covid-19 pandemic but should grow again in the second half.

Taiwan

Taiwan's performance started to improve at the end of the first quarter, driven by the increase in average selling prices. We expect the growth momentum to continue into the year's second half.

Table 6: Greater China sales and store count

After the Covid-19 pandemic, the Group strategically managed its selling prices and innovated its merchandise to improve sales per store, a strategy it intends to sustain.

	Six months ended June 30								
				Stores at period-end					
(In HK$ million, translated at constant exchange rates)	Sales			Franchised		Direct operated		Total	
	2023	2022	**Change**	**2023**	2022	**2023**	2022	**2023**	2022
Mainland China	**357**	333	**7.2%**	**335**	477	**145**	165	**480**	642
Taiwan	**241**	218	**10.6%**	**–**	–	**171**	183	**171**	183
Hong Kong and Macau	**188**	132	**42.4%**	**–**	–	**39**	44	**39**	44
Total	**786**	683	**15.1%**	**335**	477	**355**	392	**690**	869

Southeast Asia and Australia

Table 7: Southeast Asia and Australia profit before income taxes

(In HK$ million, translated at constant exchange rates)	Six months ended June 30 **2023**	**% to sales**	2022	% to sales	**Change**
Sales	**751**	**100.0%**	696	100.0%	**7.9%**
Gross profit	**456**	**60.7%**	416	59.8%	**9.6%**
Other income and gains, net	**14**	**1.9%**	4	0.6%	**250.0%**
Operating expense	**(320)**	**(42.6%)**	(282)	(40.6%)	**13.5%**
Operating profit	**150**	**20.0%**	138	19.8%	**8.7%**
Finance expense	**(9)**	**(1.2%)**	(7)	(1.0%)	**28.6%**
Profit before income taxes	**141**	**18.8%**	131	18.8%	**7.6%**

The performance remained strong in SEA, with Indonesia and Thailand being the main profit drivers, buoyed by heightened tourist arrivals. We have initiated redeployment in Singapore, Malaysia, Vietnam and Cambodia to rejuvenate the management teams and expect positive consumer sentiment to return after the initial inflation shock.

Table 8: Southeast Asia and Australia sales and store count

(In HK$ million, translated at constant exchange rates)	Six months ended June 30				
	Sales			Stores at period end	
	2023	2022	**Change**	**2023**	2022
Indonesia	**371**	327	**13.5%**	**241**	232
Thailand	**142**	108	**31.5%**	**154**	153
Malaysia	**98**	102	**(3.9%)**	**86**	87
Singapore	**89**	103	**(13.6%)**	**28**	32
Vietnam	**38**	44	**(13.6%)**	**46**	49
Australia	**10**	7	**42.9%**	**6**	6
Cambodia	**3**	5	**(40.0%)**	**3**	2
Total	**751**	696	**7.9%**	**564**	561

The Gulf Cooperation Council

Table 9: The Gulf Cooperation Council profit before income taxes and store count

(In HK$ million, translated at constant exchange rates)	Six months ended June 30				
	2023	**% to sales**	2022	% to sales	**Change**
Sales	**361**	**100.0%**	327	100.0%	**10.4%**
Gross profit	**226**	**62.6%**	201	61.5%	**12.4%**
Operating expense	**(151)**	**(41.8%)**	(139)	(42.5%)	**8.6%**
Operating profit	**75**	**20.8%**	62	19.0%	**21.0%**
Finance expense	**(6)**	**(1.7%)**	(2)	(0.6%)	**200.0%**
Profit before income taxes	**69**	**19.1%**	60	18.4%	**15.0%**
Franchised stores	**38**		36		**2**
Direct-operated stores	**134**		137		**(3)**
Stores at period-end	**172**		173		**(1)**

Sales and profit growth were substantial even with a relatively high comparable base period. The main factors were brand image enhancement, well-executed local marketing campaigns, an early Haji, and the continued development boom in the region.

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

Table 10: South Korea's share of net profit and store count

(In Korean Won million)	Six months ended June 30				
	2023	**% to sales**	2022	% to sales	**Change**
Sales	**87,676**	**100.0%**	94,438	100.0%	**(7.2%)**
Gross profit	**47,704**	**54.4%**	52,229	55.3%	**(8.7%)**
Net profit	**10,186**	**11.6%**	8,134	8.6%	**25.2%**
Share of net profit	**4,945**		3,948		**25.3%**
Stores at period-end	**138**		144		**(6)**

South Korea reported a sales decline due to dampened consumer spending brought about by inflation and export contraction. However, reduced expenses helped push up their net profit.

Overseas (outside Greater China) franchisees

Table 11: Overseas franchised store count

	Stores at June 30	
	2023	2022
Southeast Asia	**175**	171
South Korea*	**138**	144
South Asia	**56**	21
Africa	**22**	17
Other markets	**19**	20
Total	**410**	373

* The Group owns a 48.5% equity interest in the South Korea joint venture, also the Group's franchisee.

As part of the Group's crucial expansion strategy, it added 37 overseas franchised stores in the period, mainly in emerging markets.

FINANCIAL POSITION

Liquidity and financial resources

On June 30, 2023, the cash and bank balances, net of bank loans, were HK1,014 million (2022: HK$910 million), which also represents an improvement compared with HK$948 million on December 31, 2022.

Bank borrowings were HK$5 million (2022: HK$45 million). The Group's gearing ratio, defined as the total bank borrowings over total equity, was 0.2% (2022: 1.8%). The Group's current ratio was 1.8 (2022: 1.8) based on current assets of HK$1,836 million (2022: HK$1,875 million) and current liabilities of HK$995 million (2022: HK$1,046 million).

The Group's financial management is prudent and, sometimes, directs subsidiaries to use temporary borrowings to support their lean months responsibly.

Property, plant, and equipment

Capital expenditure was HK$32 million (2022: HK$30 million), primarily for store upgrades and relocation.

Goodwill and put option liabilities

The goodwill and put option liabilities arise from the acquisition of the GCC operations in 2012 and 2015. The Group conducted the required tests and confirmed no impairment of goodwill.

Interest in the South Korea joint venture

The carrying value of the 48.5% interest in the South Korea joint venture, accounted for by the equity method, mildly decreased by 3.9% YOY to HK$471 million, mainly due to the depreciation of the Korean Won and dividend receipts.

Inventories

The Group inventories balance were HK$501 million (2022: HK$541 million). The reduction reflected sales recoveries and cautious procurement. The inventory turnover on cost declined by five days to 111 days (2022: 116 days). Inventory balance and turnover days significantly decreased from December 31, 2022 (HK$612 million and 135 days).

The Group also tracks the unconsolidated inventories at suppliers and franchisees, as shown in Table 12. Our system inventories not owned by the Group increased modestly but remained healthy. The finished goods at suppliers are evergreen, reserve, or planned merchandise which we will take delivery in the second half.

Table 12: System inventories

	At		
(In HK$ million)	**June 30 2023**	December 31 2022	June 30 2022
Inventories owned by the Group	**501**	612	541
Inventories held by 48.5% South Korea joint venture	**205**	202	222
Inventories held by franchisees in Mainland China	**35**	53	51
Finished goods at suppliers	**53**	26	21
Inventories not owned by the Group	**293**	281	294
Total system inventories	**794**	893	835

Trade receivables and payables

The turnover days for trade receivables and payables were steady at 38 days (2022: 33 days) and 27 days (2022: 25 days), respectively.

OUTLOOK

During the Covid-19 pandemic, the Group's operations were nimble and adapted to the transformed business environment. As a result, the Group's net profit in this first half surged by 96% to HK$190 million. Looking forward to the remainder of 2023, the Group expects sustainable pricing power and an overall increase in store count.

The Group will continue to upgrade its brand image by deploying more resources on marketing and defend its selling prices in the inflationary environment. The Group is also carrying out extensive in-house training in generative artificial intelligence. We aim to equip our staff with the requisite skills ahead of the competition.

While the Group remains cautious in direct-operated store openings, we aggressively expand by franchising and licensing. The Group has already made substantial progress in the emerging markets in recent years and expects to make significant strides in the coming months.

The Group's online business is a key focus area. We will strengthen our proprietary online channels while partnering with well-established third-party platforms. The Group had already built material online businesses in Mainland China and South Korea. Other markets, such as Hong Kong and Taiwan, are quickly advancing.

Economic impact caused by geopolitical uncertainties may spill over to some of the Group's markets. However, the Group's geographical diversification of markets and sourcing would help insulate these risks to some extent.

The Group's outlook remains cautiously optimistic, focusing on maintaining profitability, enhancing brand image, and pursuing footprint expansion in developing countries. The Group will continue to engage more younger organizational executives to ensure there will be proper rejuvenation and suitable successions.

OTHER INFORMATION

Human Resources

As of June 30, 2023, the Group had approximately 6,300 employees (2022: 6,100). The Group offers competitive remuneration packages and generous, goal-oriented incentives targeted to different levels of staff. We provide senior managers with performance-based/discretionary bonus schemes and share options to reward and retain high-calibre leadership teams. We also invest heavily in sales and customer service training, management, planning, and leadership development to maintain a skilled and motivated workforce. The Group facilitates the younger executives to take up management roles. On June 30, 2023, the average age of the Group's management team remained unchanged at 48.

Interim Dividend

It is the Company's intention to return surplus cash to its shareholders through the payment of dividends and share repurchase. In line with its 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.

After due consideration of the economic outlook, the Group's financial position, its future expansion plans and other factors, the Board has declared an interim dividend of 17.0 HK cents per share (2022: 8.5 HK cents per share) for the six months ended June 30, 2023. The dividend is payable on Friday, September 15, 2023 to shareholders whose names appear on the register of members of the Company on Friday, September 8, 2023.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed on Thursday, September 7, 2023 to Friday, September 8, 2023, no transfer of shares will be registered. In order to qualify for the interim 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, September 6, 2023.

Corporate Governance Code

A corporate governance report has been published and included in the Company's 2022 annual report, in which the Company reported the adoption of the code provisions as stated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as the corporate governance code of the Company.

During the period under review, the Company has complied with all applicable code provisions under the CG Code, except for the following deviations:

Code provision B.2.2

Code provision B.2.2 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.

Code provision C.2.1

Code provision C.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.

Save as disclosed above, the corporate governance practices adopted by the Company during the period under review are in line with those practices set out in the Company's 2022 annual report.

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 six months ended June 30, 2023.

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 six months ended June 30, 2023.

Acquisition of 100% issued share capital of an Indonesian Company

On June 23, 2023, GI.PT Singapore Pte. Ltd and Giordano Cambodia Limited (both are subsidiaries of the Company) entered into an acquisition agreement pursuant to which they agreed to acquire the entired issued shares of PT Retail Kreatif Amerta Internasional ("RKAI") at a total consideration of SG$1 million (equivalent to approximately HK$5.9 million). RKAI's sole material asset is its ownership of 14.80% shareholding in PT Giordano Indonesia.

At the date of this announcement, the acquisition has been completed. For details of the acquisition, please refer to the announcement of the Company dated June 23, 2023.

Review of Interim Results

The unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2023, have been reviewed by PricewaterhouseCoopers, the external auditor of the Group, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has fully discussed auditing, risk management and internal control systems and financial reporting matters. The Audit Committee has also reviewed the unaudited interim results of the Group for the six months ended June 30, 2023, with Management.

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

Hong Kong, August 10, 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.

---

[1] "Group sales" means consolidated sales comprising direct-operated stores' retail sales and wholesale to franchisees.

[2] "Group same-store sales" means "Group sales" having deducted sales from newly-opened stores, and stores temporarily closed for an extended period or terminated during the comparable periods.

[3] "Global brand sales/gross profit" comprises all Giordano retail sales/gross profit from direct-operated stores, franchised stores, and stores operated by a joint venture. These are at constant exchange rates.

[4] "Inventory turnover on cost" is calculated by dividing inventories held at the period-end by the cost of sales multiplied by the number of days in the period.