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# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 709)**

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

#### Overview

- *The Group is an international apparel retailer with owned, franchised, and licensed brands offering high-quality, value-for-money, and easy-to-wear apparel and accessories through a network of approximately 1,874 points of sales, or 1,844,000 sq. ft. of retail floor space.*
- *For the year, Group sales increased by 12.4% to HK\$3,799 million (2021: HK\$3,380 million). The second-half outperformed the first-half and grew by 13.1% (first-half:11.7%).*
- *While Group gross margin was virtually unchanged at 56.5%, the retail gross margin increased slightly to 59.5% (2021: 58.9%).*
- *Operating expenses were flat and constituted 47.2% of total sales (2021: 52.7%), reflecting improved cost leverage.*
- *Net profit attributable to the Company's shareholders surged to HK\$268 million (2021:HK\$190 million), an increase of 41.1%. The Gulf Cooperation Council and Southeast Asia markets were the main contributors to the net profit.*
- *As a result of the sales recovery, inventory turnover on cost declined by 18 days to 135 days. Inventories at year-end were HK\$612 million (2021: HK\$606 million).*
- *The cash and bank balances, net of bank loans, rose to HK\$948 million on December 31, 2022 (2021: HK\$875 million).*
- *The Company's Board of Directors recommended a final dividend of 15.0 HK cents per share (2021: 10.0 HK cents per share) to reach a total dividend of 23.5 HK cents per share for the year (2021: 16.5 HK cents per share). The final dividend payable, if approved, will amount to approximately HK\$237 million.*

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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, 2022, along with comparative figures and explanatory notes.

### **Consolidated Income Statement**

<i>(In HK\$ million, except earnings per share)</i>	<i>Note</i>	<b>2022</b>	2021
Sales	2	<b>3,799</b>	3,380
Cost of sales	4	<b>(1,653)</b>	(1,450)
Gross profit		<b>2,146</b>	1,930
Other income and other gains, net	3	<b>72</b>	118
Distribution expense	4	<b>(1,594)</b>	(1,604)
Administrative expense	4	<b>(199)</b>	(181)
Operating profit	4	<b>425</b>	263
Finance expense	5	<b>(25)</b>	(29)
Share of profit of a joint venture		<b>36</b>	41
Profit before income taxes		<b>436</b>	275
Income taxes	6	<b>(107)</b>	(52)
<b>Profit after income taxes for the year</b>		<b>329</b>	223
<b>Attributable to:</b>			
Shareholders of the Company		<b>268</b>	190
Non-controlling interests		<b>61</b>	33
		<b>329</b>	223
Earnings per share attributable to shareholders of the Company	7		
Basic ( <i>HK cents</i> )		<b>17.0</b>	12.0
Diluted ( <i>HK cents</i> )		<b>16.9</b>	12.0

### **Consolidated Statement of Comprehensive Income**

<i>(In HK\$ million)</i>	<b>2022</b>	2021
<b>Profit after income taxes for the year</b>	<b>329</b>	223
<b>Other comprehensive income:</b>		
<u>Items that will not be reclassified to profit or loss:</u>		
Fair value change on financial asset at fair value through other comprehensive income	<b>(1)</b>	1
Exchange adjustments on translation of overseas subsidiaries which are attributed to the non-controlling interests	<b>(15)</b>	–
<u>Items that may be reclassified to profit or loss:</u>		
Exchange adjustments on translation of overseas subsidiaries, a joint venture and branches	<b>(63)</b>	(31)
<b>Total comprehensive income for the year</b>	<b>250</b>	193
<b>Attributable to:</b>		
Shareholders of the Company	<b>204</b>	161
Non-controlling interests	<b>46</b>	32
	<b>250</b>	193

## Consolidated Balance Sheet

<i>(In HK\$ million)</i>	<i>Note</i>	<b>As at December 31</b>	
		<b>2022</b>	<b>2021</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		<b>960</b>	1,043
Trade and other receivables	9	<b>390</b>	411
Inventories		<b>612</b>	606
Rental prepayments		<b>4</b>	3
Financial asset at fair value through profit or loss		<b>6</b>	–
Income tax recoverable		<b>5</b>	19
<b>Total current assets</b>		<b>1,977</b>	2,082
<b>Non-current assets</b>			
Financial asset at fair value through other comprehensive income		<b>3</b>	4
Financial asset at fair value through profit or loss		<b>28</b>	28
Deposits and other receivable		<b>73</b>	117
Interest in a joint venture		<b>490</b>	513
Investment properties		<b>18</b>	22
Property, plant and equipment		<b>133</b>	119
Right-of-use assets		<b>690</b>	686
Goodwill		<b>541</b>	541
Deferred tax assets		<b>55</b>	96
<b>Total non-current assets</b>		<b>2,031</b>	2,126
<b>Total assets</b>		<b>4,008</b>	4,208
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank loans		<b>12</b>	68
Trade and other payables	10	<b>555</b>	510
Lease liabilities		<b>326</b>	337
Put option liabilities		<b>81</b>	81
Income tax payables		<b>113</b>	126
<b>Total current liabilities</b>		<b>1,087</b>	1,122
<b>Non-current liabilities</b>			
Bank loans		–	100
Lease liabilities		<b>287</b>	300
Deferred tax liabilities		<b>112</b>	123
<b>Total non-current liabilities</b>		<b>399</b>	523
<b>Total liabilities</b>		<b>1,486</b>	1,645
<b>Capital and reserves</b>			
Share capital		<b>79</b>	79
Reserves		<b>2,001</b>	2,165
Proposed dividends	8	<b>237</b>	158
Equity attributable to shareholders of the Company		<b>2,317</b>	2,402
Non-controlling interests		<b>205</b>	161
<b>Total equity</b>		<b>2,522</b>	2,563
<b>Total equity and liabilities</b>		<b>4,008</b>	4,208
<b>Net current assets</b>		<b>890</b>	960
<b>Total assets less current liabilities</b>		<b>2,921</b>	3,086

## 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 of the Stock Exchange (the “Listing Rules”) 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 standard

The Group has applied the following amended standards issued by HKICPA which were effective for the Group's financial year beginning on or after January 1, 2022:

- |   |   |
|---|---|
| – Amendments to Annual Improvements Project                                     | Annual Improvements to HKFRSs 2018-2020 |
| – Amendments to Hong Kong Accounting Standards (“HKAS”) 16, HKAS 37 and HKFRS 3 | Narrow-scope amendments                 |

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 both direct-operated stores 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.

## 2. Sales and operating segments (continued)

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 purposes 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:

<i>(In HK\$ million)</i>	2022						Total
	Mainland China	HK and Macau	Taiwan	Southeast Asia and Australia	Gulf Cooperation Council	Wholesale to Overseas Franchisees	
Sales	668	286	466	1,444	635	300	3,799
Adjusted EBITDA	(16)	94	89	460	217	45	889
Depreciation and amortization							
— Right-of-use assets	(34)	(74)	(47)	(144)	(94)	-	(393)
— Property, plant and equipment and investment properties	(8)	(2)	(5)	(21)	(11)	-	(47)
Impairment							
— Right-of-use assets	(2)	-	-	(1)	-	-	(3)
Reversal of impairment							
— Right-of-use assets	-	-	-	2	-	-	2
Segment results	(60)	18	37	296	112	45	448
Corporate functions							(23)
Finance expense							(25)
Share of profit of a joint venture							36
<b>Profit before income taxes</b>							<b>436</b>

## 2. Sales and operating segments (continued)

(In HK\$ million)	2021						Total
	Mainland China	HK and Macau	Taiwan	Southeast Asia and Australia	Gulf Cooperation Council	Wholesale to Overseas Franchisees	
Sales	766	355	496	1,044	525	194	3,380
Adjusted EBITDA	32	88	106	320	174	38	758
Depreciation and amortization							
— Right-of-use assets	(42)	(102)	(54)	(158)	(86)	—	(442)
— Property, plant and equipment and investment properties	(10)	(3)	(5)	(23)	(11)	—	(52)
Impairment							
— Right-of-use assets	(4)	(1)	—	(8)	—	—	(13)
— Property, plant and equipment	—	—	—	(1)	—	—	(1)
Reversal of impairment							
— Right-of-use assets	3	4	—	3	1	—	11
Segment results	(21)	(14)	47	133	78	38	261
Corporate functions							2
Finance expense							(29)
Share of profit of a joint venture							41
Profit before income taxes							275

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

(In HK\$ million)	2022		2021	
	Sales	Operating profit	Sales	Operating profit
Retail and Distribution				
<i>Giordano and Giordano Junior</i>	<b>2,926</b>	<b>306</b>	2,681	166
<i>Giordano Ladies</i>	<b>246</b>	<b>34</b>	251	30
<i>BSX</i>	<b>8</b>	<b>—</b>	24	—
Others	<b>319</b>	<b>63</b>	230	27
	<b>3,499</b>	<b>403</b>	3,186	223

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\$586 million (2021: HK\$549 million), Mainland China HK\$668 million (2021: HK\$766 million) and external customers from other markets HK\$2,545 million (2021: HK\$2,065 million).

Inter-segment sales of HK\$939 million (2021: HK\$911 million) have been eliminated upon consolidation.

## 2. Sales and operating segments (continued)

Income taxes charged related to Mainland China was HK\$3 million (2021: HK\$4 million), Hong Kong and Macau HK\$5 million (2021: HK\$8 million), Taiwan was HK\$7 million (2021: HK\$5 million), Southeast Asia and Australia HK\$72 million (2021: HK\$22 million) and the GCC HK\$7 million (2021: HK\$3 million).

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

<i>(In HK\$ million)</i>	Segment assets	
	2022	2021
Segment assets		
Southeast Asia and Australia	1,216	1,041
Gulf Cooperation Council	1,019	923
Hong Kong and Macau	559	739
Mainland China	399	573
Taiwan	233	291
	<b>3,426</b>	3,567
Interest in a joint venture	490	513
Financial asset at fair value through other comprehensive income	3	4
Financial asset at fair value through profit or loss	34	28
Deferred tax assets	55	96
<b>Total assets</b>	<b>4,008</b>	4,208

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong and Macau was HK\$194 million (2021: HK\$209 million); Mainland China, HK\$61 million (2021: HK\$101 million); and other markets, HK\$1,690 million (2021: HK\$1,688 million).

## 3. Other income and other gains, net

<i>(In HK\$ million)</i>	2022	2021
Royalty income	30	29
Government grants	12	38
Interest income	12	12
Rental and sub-lease rental income	7	7
Fair value gain on financial asset at fair value through profit or loss	6	–
Dividend income	3	3
Net loss on disposal of property, plant and equipment	–	(1)
Claims and compensation	(2)	16
Net exchange loss	(8)	(6)
Others	12	20
	<b>72</b>	118

#### 4. Operating profit

Operating profit is after charging (crediting):

<i>(In HK\$ million)</i>	2022	2021
<b>Cost of sales</b>		
Cost of inventories sold	1,657	1,451
Net reversal of provision for obsolete stock and stock written off	(4)	(1)
	<b>1,653</b>	<b>1,450</b>
<b>Distribution expense</b>		
Staff cost	580	579
Depreciation expenses		
— Right-of-use assets	377	426
— Property, plant and equipment	42	47
Rentals in respect of land and building		
— Minimum lease payments	62	63
— Contingent rent	172	147
Building management fee, government rent and rates and utilities	100	103
Advertising, promotion and incentives	91	93
Packaging and deliveries	53	50
Bank and credit card charges	26	23
Impairment		
— Right-of-use assets	3	13
— Property, plant and equipment	–	1
Reversal of impairment		
— Right-of-use assets	(2)	(11)
Change in loss allowance for trade receivables	(2)	(9)
Others	92	79
	<b>1,594</b>	<b>1,604</b>
<b>Administrative expense</b>		
Staff cost	132	128
Depreciation expenses		
— Right-of-use assets	16	16
— Property, plant and equipment and investment properties	5	5
Legal and professional fee	14	9
Auditor's remuneration	6	6
Computer and telecommunication	5	6
Travelling	2	2
Business and other taxes	1	1
Rentals in respect of land and building		
— Minimum lease payments	1	–
Change in loss allowance for trade receivables	–	(6)
Others	17	14
	<b>199</b>	<b>181</b>

## 5. Finance expense

<i>(In HK\$ million)</i>	2022	2021
Interest on lease liabilities	25	27
Interest on bank loans	–	2
	<b>25</b>	<b>29</b>

## 6. Income taxes

Hong Kong profits tax is calculated at the rate of 16.5% (2021: 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.

<i>(In HK\$ million)</i>	2022	2021
<b>Current income taxes</b>		
Hong Kong	2	5
Outside Hong Kong	62	32
Over provision in prior years	(5)	(3)
Withholding taxes	12	20
	<b>71</b>	<b>54</b>
<b>Deferred income taxes</b>		
Origination and reversal of temporary differences	36	(2)
	<b>107</b>	<b>52</b>

This charge excludes the share of the joint venture's income taxes of HK\$12 million (2021: HK\$13 million) for the year. 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 year of HK\$268 million (2021: HK\$190 million).

The basic earnings per share is based on the weighted average of 1,579,840,419 shares (2021: 1,578,188,266 shares) in issue during the year.

The diluted earnings per share is calculated by adjusting the weighted average of 1,579,840,419 shares (2021: 1,578,188,266 shares) in issue during the year by the weighted average of 9,526,750 shares (2021: 6,738,446 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 year:

<i>(In HK\$ million)</i>	2022	2021
Interim dividend declared and paid of 8.5 HK cents per share (2021: 6.5 HK cents per share)	134	103
Final dividend proposed after the balance sheet date of 15.0 HK cents per share (2021: 10.0 HK cents per share)	237	158
	<b>371</b>	261

On March 9, 2023, the Board has recommended a final dividend of 15.0 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 the proposed dividend was based on the shares of the Company in issue as at the reporting date.

## 9. Trade and other receivables

<i>(In HK\$ million)</i>	2022	2021
Trade receivables	229	242
Less: Loss allowance	(42)	(45)
Trade receivables, net	187	197
Ageing analysis from the invoice date net of loss allowance is as follows:		
0 – 30 days	145	144
31 – 60 days	26	33
61 – 90 days	6	13
Over 90 days	10	7
	187	197
Other receivables, including deposits and prepayments	203	214
	<b>390</b>	411

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.

## 10. Trade and other payables

<i>(In HK\$ million)</i>	<b>2022</b>	2021
Trade payables	<b>193</b>	165
The ageing analysis of trade payables from the invoice date is as follows:		
0 – 30 days	<b>161</b>	139
31 – 60 days	<b>12</b>	10
61 – 90 days	<b>8</b>	5
Over 90 days	<b>12</b>	11
	<b>193</b>	165
Other payables and accrued expense	<b>362</b>	345
	<b>555</b>	510

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 years ended December 31, 2022, and 2021.

### **OVERVIEW**

- The Group is an international apparel retailer with owned, franchised, and licensed brands offering high-quality, value-for-money, and easy-to-wear apparel and accessories through a network of approximately 1,874 points of sales, or 1,844,000 sq. ft. of retail floor space.
- For the year, Group sales increased by 12.4% to HK\$3,799 million (2021: HK\$3,380 million). The second-half outperformed the first-half and grew by 13.1% (first-half:11.7%).
- While Group gross margin was virtually unchanged at 56.5%, the retail gross margin increased slightly to 59.5% (2021: 58.9%).
- Operating expenses were flat and constituted 47.2% of total sales (2021: 52.7%), reflecting improved cost leverage.
- Net profit attributable to the Company’s shareholders surged to HK\$268 million (2021:HK\$190 million), an increase of 41.1%. The Gulf Cooperation Council and Southeast Asia markets were the main contributors to the net profit.
- As a result of the sales recovery, inventory turnover on cost declined by 18 days to 135 days. Inventories at year-end were HK\$612 million (2021: HK\$606 million).
- The cash and bank balances, net of bank loans, rose to HK\$948 million on December 31, 2022 (2021: HK\$875 million).
- The Company’s Board of Directors recommended a final dividend of 15.0 HK cents per share (2021: 10.0 HK cents per share) to reach a total dividend of 23.5 HK cents per share for the year (2021: 16.5 HK cents per share). The final dividend payable, if approved, will amount to approximately HK\$237 million.

## RESULTS OF OPERATIONS

**Table 1: Group results of operations**

<i>(In HK\$ million)</i>	<b>2022</b>	<b>% to sales</b>	2021	% to sales	<b>Change</b>
Southeast Asia and Australia	<b>1,444</b>	<b>38.0%</b>	1,044	30.9%	<b>38.3%</b>
Mainland China	<b>668</b>	<b>17.6%</b>	766	22.7%	<b>(12.8%)</b>
Gulf Cooperation Council	<b>635</b>	<b>16.7%</b>	525	15.5%	<b>21.0%</b>
Taiwan	<b>466</b>	<b>12.3%</b>	496	14.7%	<b>(6.0%)</b>
Hong Kong and Macau	<b>286</b>	<b>7.5%</b>	355	10.5%	<b>(19.4%)</b>
Wholesale to overseas franchisees	<b>300</b>	<b>7.9%</b>	194	5.7%	<b>54.6%</b>
Group sales <sup>1</sup>	<b>3,799</b>	<b>100.0%</b>	3,380	100.0%	<b>12.4%</b>
Gross profit	<b>2,146</b>	<b>56.5%</b>	1,930	57.1%	<b>11.2%</b>
Other income and gains, net	<b>72</b>	<b>1.9%</b>	118	3.5%	<b>(39.0%)</b>
Operating expense	<b>(1,792)</b>	<b>(47.2%)</b>	(1,782)	(52.7%)	<b>0.6%</b>
Impairment loss on right-of-use assets and property, plant and equipment	<b>(3)</b>	<b>(0.1%)</b>	(14)	(0.4%)	<b>(78.6%)</b>
Reversal of impairment loss on right-of use assets and property, plant and equipment	<b>2</b>	<b>0.1%</b>	11	0.3%	<b>(81.8%)</b>
Operating profit	<b>425</b>	<b>11.2%</b>	263	7.8%	<b>61.6%</b>
Share of profit of a joint venture	<b>36</b>	<b>0.9%</b>	41	1.2%	<b>(12.2%)</b>
Finance expense	<b>(25)</b>	<b>(0.6%)</b>	(29)	(0.9%)	<b>(13.8%)</b>
Income taxes	<b>(107)</b>	<b>(2.8%)</b>	(52)	(1.5%)	<b>105.8%</b>
Profit after income tax attributable to non-controlling interests	<b>(61)</b>	<b>(1.6%)</b>	(33)	(1.0%)	<b>84.8%</b>
Profit after income tax attributable to shareholders	<b>268</b>	<b>7.1%</b>	190	5.6%	<b>41.1%</b>
Global brand sales <sup>2</sup>	<b>4,697</b>		4,250		<b>10.5%</b>
Global brand gross profit <sup>2</sup>	<b>2,924</b>		2,639		<b>10.8%</b>
Net cash and bank balances at year-end	<b>948</b>		875		<b>8.3%</b>
Inventories at year-end	<b>612</b>		606		<b>1.0%</b>
Inventory turnover on cost, days <sup>3</sup>	<b>135</b>		153		<b>(18)</b>
Stores at year-end	<b>1,874</b>		2,056		<b>(182)</b>

Group revenue grew by 12.4% to HK\$3,799 million (2021: HK\$3,380 million), or 15.7% on a constant dollar basis. The sales rebound in the Southeast Asia (“SEA”) and the Gulf Cooperation Council (“GCC”) markets was substantial owing to innovative marketing supported by adequate inventories, riding on the reopening of the markets to visitors.

All business channels reported positive sales growth. Offline sales increased by 12.7% despite a 4.5% reduction in stores. After the closure of non-performing store, sales per square foot surged by 16.9%.

Online sales in Mainland China continued to grow. Although the ex-Mainland China online sales growth has slowed down after the easing of social distancing measures, the gross margins were improving.

Wholesales rebounded by 15.5%, primarily due to the sales recovery of our franchised markets. The expansion of the new franchised markets was encouraging.

**Table 2: Sales by channel**

<i>(In HK\$ million)</i>	2022	Contribution	2021	Contribution	Change
Offline sales	2,846	74.9%	2,526	74.7%	12.7%
Mainland China online sales	333	8.8%	303	9.0%	9.9%
Ex-Mainland China online sales	106	2.8%	106	3.1%	Flat
Online sales	439	11.6%	409	12.1%	7.3%
Retail sales	3,285	86.5%	2,935	86.8%	11.9%
Wholesale to franchisees	514	13.5%	445	13.2%	15.5%
<b>Group sales</b>	<b>3,799</b>	<b>100.0%</b>	<b>3,380</b>	<b>100.0%</b>	<b>12.4%</b>

The Group’s gross margin was virtually unchanged, but the retail gross margin increased slightly to 59.5% (2021: 58.9%). The 11.2% increase in gross profit was driven by sales improvement.

**Table 3: Gross profit variance analysis**

<i>(In HK\$ million)</i>	2021 gross profit	Product costs	Selling prices	Volume	Translational exchange impact	Miscellaneous	2022 gross profit
Southeast Asia and Australia	599	(89)	280	103	(36)	6	863
Gulf Cooperation Council	329	(10)	22	53	3	1	398
Mainland China	378	(52)	72	(71)	(12)	(1)	314
Taiwan	306	(15)	16	(10)	(18)	5	284
Hong Kong and Macau	240	(7)	49	(80)	–	2	204
Market mix	–	(29)	78	(49)	–	–	–
<b>Retail and distribution</b>	<b>1,852</b>	<b>(202)</b>	<b>517</b>	<b>(54)</b>	<b>(63)</b>	<b>13</b>	<b>2,063</b>
Wholesale to overseas franchisees/subsidiaries	78						83
<b>Group</b>	<b>1,930</b>						<b>2,146</b>

## Other income and gains, net

Other income and gains, which include government assistance, royalties, licensing fees, interest income, and rental income, declined by HK\$46 million to HK\$72 million due primarily to the reduction in Covid-related government financial relief, which was HK\$26 million less than that of 2021.

## Operating expense and operating profit

Operating expense to sales ratio was 47.2% (2021: 52.7%) due to improved cost leveraging. The Group recorded an operating profit of HK\$425 million (2021: HK\$263 million), a surge of 61.6% YOY.

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

The Group made a small net impairment provision of HK\$1 million (2021: HK\$3 million) for the right-of-use assets, and property, plant and equipment based on Hong Kong Accounting Standard 36.

## Finance expense

The finance expense of HK\$25 million (2021: HK\$29 million) comprised almost entirely of imputed interest on lease liabilities (2021: HK\$27 million) and insignificant bank interest expense.

## Profit after income taxes attributable to shareholders of the Company

Profit after income taxes attributable to shareholders of the Company (“PATS”) was HK\$268 million (2021: HK\$190 million), at a net margin of 7.1% (2021: 5.6%). Table 4 below analyses the changes in PATS, by region.

**Table 4: Changes in PATS**

*(In HK\$ million)*

<b>Reported 2021 PATS</b>	<b>190</b>
Southeast Asia and Australia	175
Gulf Cooperation Council	34
Hong Kong and Macau	32
Wholesale to overseas franchisees/subsidiaries	(1)
South Korea	(1)
Taiwan	(8)
Mainland China	(41)
Income taxes, non-controlling interests, finance expense and headquarter expenses	(103)
<b>2022 PATS, at constant exchange rates</b>	<b>277</b>
Currency translation difference	(9)
<b>Reported 2022 PATS</b>	<b>268</b>

## 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**

<i>(In HK\$ million, translated at constant exchange rates)</i>	<b>2022</b>	<b>% to sales</b>	2021	% to sales	<b>Change</b>
Total sales	<b>1,475</b>	<b>100.0%</b>	1,616	100.0%	<b>(8.7%)</b>
Gross profit	<b>832</b>	<b>56.4%</b>	924	57.2%	<b>(10.0%)</b>
Other income and gains, net	<b>16</b>	<b>1.1%</b>	22	1.4%	<b>(27.3%)</b>
Operating expense	<b>(852)</b>	<b>(57.8%)</b>	(937)	(58.0%)	<b>9.1%</b>
Impairment loss on right-of-use assets and property, plant and equipment	<b>(2)</b>	<b>(0.1%)</b>	(5)	(0.3%)	<b>60.0%</b>
Reversal of impairment loss on right-of-use assets and property, plant and equipment	<b>–</b>	<b>–</b>	7	0.4%	<b>(100.0%)</b>
Operating profit (loss)	<b>(6)</b>	<b>(0.4%)</b>	11	0.7%	<b>(154.5%)</b>
Finance expense	<b>(4)</b>	<b>(0.3%)</b>	(6)	(0.4%)	<b>33.3%</b>
Profit (loss) before income taxes	<b>(10)</b>	<b>(0.7%)</b>	5	0.3%	<b>(300.0%)</b>
Stores at year-end	<b>776</b>		975		<b>(199)</b>

### Hong Kong and Macau

Hong Kong and Macau turned from loss to profit for the whole year. The turnaround was a result of the closure of the loss-making stores, rental reductions, increased selling prices and successful marketing.

### Mainland China

The severe movement control measures in Mainland China continued to weigh on our offline and wholesale businesses. Although online sales grew by 9.9%, or 14.2% at a constant exchange rate, it was insufficient to counter the decline in overall sales.

### Taiwan

Taiwan's performance improved in 2H, with comparable-store sales increasing by 6.7%. The profit decline was due to the substantial reduction in Covid-related government relief in the sum of HK\$8 million.

**Table 6: Greater China sales and store count**

<i>(In HK\$ million, translated at constant exchange rates)</i>	Sales			Franchised stores at year-end		Direct-operated stores at year-end		Stores at year-end	
	2022	2021	Change	2022	2021	2022	2021	2022	2021
Mainland China	694	766	(9.4%)	394	550	158	189	552	739
Taiwan	495	495	Flat	–	–	182	185	182	185
Hong Kong and Macau	286	355	(19.4%)	–	–	42	51	42	51
<b>Total</b>	<b>1,475</b>	1,616	<b>(8.7%)</b>	<b>394</b>	550	<b>382</b>	425	<b>776</b>	975

**Southeast Asia and Australia****Table 7: Southeast Asia and Australia profit before income taxes**

<i>(In HK\$ million, translated at constant exchange rates)</i>	2022	% to sales	2021	% to sales	Change
Total sales	1,504	100.0%	1,044	100.0%	44.1%
Gross profit	899	59.8%	599	57.4%	50.1%
Other income and gains, net	11	0.7%	38	3.6%	(71.1%)
Operating expense	(603)	(40.1%)	(498)	(47.7%)	(21.1%)
Impairment loss on right-of-use assets and property, plant and equipment	–	–	(9)	(0.9%)	100.0%
Reversal of impairment loss on right-of-use assets and property, plant and equipment	1	0.1%	3	0.3%	(66.7%)
Operating profit	308	20.5%	133	12.7%	131.6%
Finance expense	(17)	(1.1%)	(17)	(1.6%)	Flat
Profit before income tax	291	19.3%	116	11.1%	150.9%
Stores at year-end	567		570		(3)

Southeast Asia markets experienced a rapid recovery. Their aggregate profits exceeded pre-Covid levels, boosted by successful marketing campaigns and adequate inventory support.

**Table 8: Southeast Asia and Australia sales and store count**

<i>(In HK\$ million, translated at constant exchange rates)</i>	Sales			Stores at year-end	
	2022	2021	Change	2022	2021
Indonesia	719	516	39.3%	233	231
Thailand	254	181	40.3%	156	156
Singapore	211	175	20.6%	29	36
Malaysia	200	101	98.0%	86	87
Vietnam	91	48	89.6%	54	51
Australia	21	15	40.0%	6	7
Cambodia	8	8	Flat	3	2
<b>Total</b>	<b>1,504</b>	1,044	<b>44.1%</b>	<b>567</b>	570

## The Gulf Cooperation Council

**Table 9: The Gulf Cooperation Council profit before income taxes**

<i>(In HK\$ million, translated at constant exchange rates)</i>	<b>2022</b>	<b>% to sales</b>	2021	% to sales	<b>Change</b>
Total sales	<b>631</b>	<b>100.0%</b>	525	100.0%	<b>20.2%</b>
Gross profit	<b>395</b>	<b>62.6%</b>	329	62.7%	<b>20.1%</b>
Other income and gains, net	–	–	7	1.3%	<b>(100.0%)</b>
Operating expense	<b>(284)</b>	<b>(45.0%)</b>	(260)	(49.5%)	<b>(9.2%)</b>
Reversal of impairment loss on right-of-use assets and property, plant and equipment	–	–	1	0.2%	<b>(100.0%)</b>
Operating profit	<b>111</b>	<b>17.6%</b>	77	14.7%	<b>44.2%</b>
Finance expense	<b>(4)</b>	<b>(0.6%)</b>	(4)	(0.8%)	<b>Flat</b>
Profit before income tax	<b>107</b>	<b>17.0%</b>	73	13.9%	<b>46.6%</b>
Franchised stores	<b>38</b>		35		
Direct-operated stores	<b>134</b>		139		
Stores at year-end	<b>172</b>		174		<b>(2)</b>

The sales rebound in the GCC continued in 2022 with significant operating profit improvements. The enhancement of brand image drove the growth.

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

**Table 10: South Korea's share of net profit**

<i>(In Korean Won million)</i>	<b>2022</b>	<b>% to sales</b>	2021	% to sales	<b>Change</b>
Total sales	<b>190,438</b>	<b>100.0%</b>	182,040	100.0%	<b>4.6%</b>
Gross profit	<b>102,039</b>	<b>53.6%</b>	98,839	54.3%	<b>3.2%</b>
Net profit	<b>12,292</b>	<b>6.5%</b>	12,534	6.9%	<b>(1.9%)</b>
Share of net profit	<b>5,962</b>		6,079		<b>(1.9%)</b>
Stores at year-end	<b>143</b>		150		<b>(7)</b>

South Korea's performance was robust even under the severe Covid-related social distancing. Offline and online channels reported mild sales growth, of which the online portion constituted 34% of total sales.

## Wholesale to overseas franchisees

**Table 11: Overseas franchised stores**

	2022	2021
Southeast Asia	175	167
South Korea	143	150
Other markets	41	20
<b>Total stores</b>	<b>359</b>	<b>337</b>

Wholesale to overseas franchisees soared by 54.6% to HK\$300 million (2021: HK\$194 million). The well-developed franchised markets became the main drivers for the growth, aided by the business expansion in the newly-developed markets, mainly in the African continent.

## FINANCIAL POSITION

### Liquidity and financial resources

On December 31, 2022, the cash and bank balance, net of bank loans, was HK\$948 million (2021: HK\$875 million).

The bank borrowings amounted to HK\$12 million (2021: HK\$168 million). The Group's gearing ratio, defined as the total bank borrowings over total equity, was 0.5% (2021: 6.6%). On December 31, 2022, the Group's current ratio was 1.8 (2021: 1.9) based on current assets of HK\$1,977 million (2021: HK\$2,082 million) and current liabilities of HK\$1,087 million (2021: HK\$1,122 million).

### Property, plant, and equipment

Capital expenditure was HK\$66 million (2021: HK\$42 million), mainly for store upgrades. Management will continue to devote resources to our shop ambience to strengthen our brand image.

### Goodwill and put option liabilities

The goodwill and put option liability arose from the acquisition of our GCC operations in 2012 and 2015. We have conducted annual impairment tests and concluded that no impairment on goodwill was necessary for the 2022 financial year.

### 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, decreased by 4.5% to HK\$490 million to reflect our share of the net profit, dividend received, and translation from Korean Won to Hong Kong dollar. The decrease was mainly due to the depreciation of the Korean Won.

## Inventories

Group inventories were HK\$612 million (2021: HK\$606 million). Inventory turnover on cost decreased by 18 days to 135 days (2021:153 days), attributable to an increase in sales turnover.

The global supply chain disruption is easing, and the need for buffer stock is decreasing. Management expects the inventory balance to further decline.

To ensure there is no excessive “off-balance sheet” inventory that could pose a problem in the future, the Group tracks the inventories at suppliers and franchisees. Our system inventories remained healthy, as shown in Table 12.

**Table 12: System inventories**

<i>(In HK\$ million)</i>	<b>At December 31</b>	
	<b>2022</b>	2021
Inventories owned by the Group	<b>612</b>	606
Inventories held by 48.5% South Korea joint venture	<b>202</b>	214
Inventories held by franchisees in Mainland China	<b>53</b>	53
Finished goods at suppliers	<b>26</b>	11
Inventories not owned by the Group	<b>281</b>	278
<b>Total system inventories</b>	<b>893</b>	884

## Trade receivables and payables

The turnover days for trade receivables were 47 days (2021: 58 days), resulting from the tightening of our credit policy to third parties. The turnover days for trade payables were steady at 43 days (2021: 41 days).

## **Dividends**

The Company 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 repurchases. 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 15.0 HK cents per share (2021: 10.0 HK cents per share) for the year ended December 31, 2022. Together with the interim dividend of HK8.5 cents per share (2021: 6.5 HK cents per share) paid on September 30, 2022, the total 2022 dividend would amount to 23.5 HK cents per share (2021: 16.5 HK cents per share). 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 16, 2023, to shareholders whose names appear on the register of members of the Company on Thursday, June 1, 2023.

## **OUTLOOK**

In 2022, the ongoing COVID-19 pandemic wreaked havoc on Greater China’s economy. Restrictive movement control measures in Mainland China and Hong Kong substantially affected their economic activities. The Group decisively diverted resources to our SEA and GCC markets, which helped lift the Group’s net profit to HK\$268 million for the year (2021: HK\$190 million).

The business environment in 2023 will be less volatile as most regions have ceased social distancing measures. Cross-border travels are gradually resuming. However, various geopolitical tensions are worrying to global economic recovery. The Group’s successful geographical diversification is helpful to mitigate the potential resultant business risks.

In 2022, the Group was able to increase the average selling prices of all brands. The trend will continue in 2023. To support it, Management will increase investments in product development and marketing.

Management will be cautious in expansion through direct-operated stores, especially in markets with high operating costs, such as Hong Kong. Alternatively, the Group will further build its footprint in developing economies through franchising and licensing. We have made encouraging progress in India, Mauritius, Kenya, Ghana and Egypt.

On e-commerce, the Group will strengthen its proprietary channels and will also partner with well-established third-party platforms to expedite our online business. For Mainland China and South Korea, the online sales contribution has reached nearly 40% of total sales and will now focus on margin improvement.

## **OTHER INFORMATION**

### **Human Resources**

As of December 31, 2022, the Group had approximately 6,200 employees (December 31, 2021: 5,900). 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 a high-calibre leadership team. We also invest heavily in training in sales and customer service, management, planning, and leadership development to maintain a skilled and motivated workforce. The Group facilitates the younger executives to take up management roles. On December 31, 2022, the average age of the Group's management team was 48 (2021: 47).

### **Annual General Meeting**

The annual general meeting of the Company is scheduled to be held on Friday, May 19, 2023 (the "2023 AGM"). A notice convening the 2023 AGM, which constitutes part of the circular to shareholders, will be sent to the shareholders together with the 2022 annual report of the Company. The notice of the 2023 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 2023 AGM, the register of members of the Company will be closed from Monday, May 15, 2023, to Friday, May 19, 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, May 12, 2023.

#### ***Final Dividend***

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, May 30, 2023, to Thursday, June 1, 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, May 29, 2023.

## **Corporate Governance Code**

During the year ended December 31, 2022, 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 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 by-laws of the Company, one-third of the Directors, with the exception of the 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.

## 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 of the Company, all directors of the Company 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, 2022.

## Purchase, Sale or Redemption of the Company’s Listed Securities

During the year ended December 31, 2022, a total of 2,000,000 ordinary shares were repurchased by the Company on the Stock Exchange. As at the date of this announcement, all the repurchased shares were cancelled by the Company. The Directors believe that the repurchases were made to reflect the Company’s confidence in its long-term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company were as follows:

<b>Month of repurchase</b>	<b>Number of Shares repurchased</b>	<b>Highest price paid per Share (HK\$)</b>	<b>Lowest price paid per Share (HK\$)</b>	<b>Aggregate purchase price (HK\$) (before expenses)</b>
October 2022	300,000	1.33	1.30	393,500
November 2022	904,000	1.43	1.31	1,257,420
December 2022	796,000	1.75	1.56	1,346,240

## Review of Financial Information

The Group's audited consolidated financial statements for the year ended December 31, 2022, 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 balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2022, as set out in the preliminary announcement have been agreed upon by the Group's 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 and consequently, no opinion or assurance conclusion 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 9, 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.*

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<sup>1</sup> "Group sales" refer to consolidated sales and include retail sales from direct-operated stores and wholesale to overseas/non-consolidated franchisees.

<sup>2</sup> "Global brand sales/gross profit" comprising all Giordano retail sales/gross profit from direct-operated stores, franchised stores, and stores operated by a joint venture, are at constant exchange rates.

<sup>3</sup> "Inventory turnover on cost" is by dividing inventories held at year-end by the cost of sales and multiplied by the number of days in the year.