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GIORDANO
GIORDANO INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 709)

**UNAUDITED FIRST QUARTER OPERATIONS UPDATE FOR THE
THREE MONTHS ENDED MARCH 31, 2017**

The board of directors (the “Board”) of Giordano International Limited (the “Company”) presents the unaudited first quarter operations update of the Company and its subsidiaries (the “Group”) for the three months ended March 31, 2017. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Shareholders and potential shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

Table 1: Overview of Group operations

<i>(In HK\$ million)</i>	Three months ended Mar 31		
	2017	2016	Change
Group sales ¹	1,285	1,306	(1.6%)
Gross profit	753	754	(0.1%)
Gross margin	58.6%	57.7%	0.9pp
Global brand sales ²	1,648	1,658	(0.6%)
Global brand gross profit ²	984	976	0.8%
Group comparable store sales (“Group CSS”) ³	0.5%	(2.3%)	
Group comparable store gross profit (“Group CSGP”) ³	2.2%	0.2%	
Net cash and bank balances at quarter end	1,218	1,192	2.2%
Inventories at quarter end	428	442	(3.2%)
Inventory turnover on cost (“ITOC”) (days) ⁴	72	72	Flat

¹ *Group sales refer to consolidated sales and include retail sales from directly operated stores (“DOS”) and wholesale sales to all franchisees.*

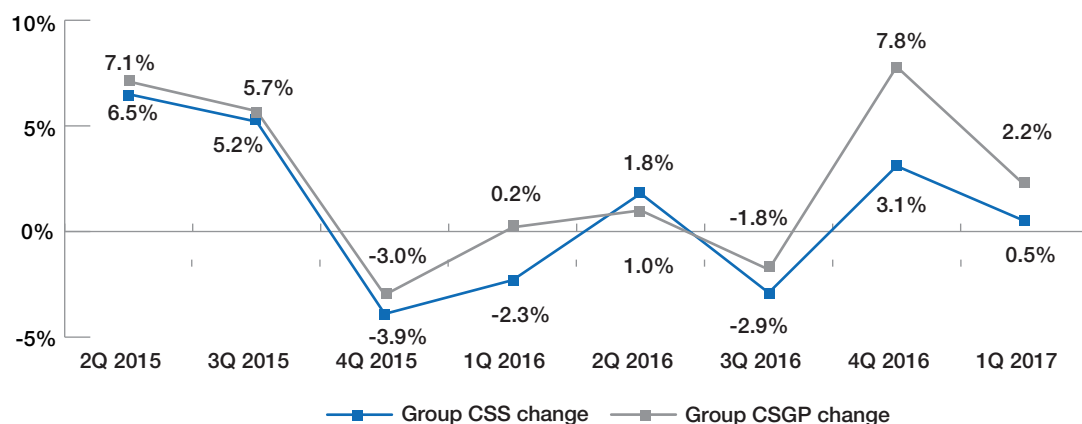
² *Global brand sales/gross profit are at 2017 exchange rates, and are greater than Group sales/gross profit to include the total of Giordano retail sales/gross profit, in DOS, franchised stores and stores operated by joint ventures.*

³ *Group CSS/CSGP are total Giordano brand sales/gross profit of consolidated subsidiaries, at constant currency rates, from existing DOS and franchised stores that have been fully operating in the same prior period.*

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

Table 2: Group sales by market

<i>(In HK\$ million)</i>	Three months ended Mar 31			Change (at constant exchange rates)
	2017	2016	Change	
Mainland China	315	353	(10.8%)	(6.1%)
Hong Kong & Macau	239	237	0.8%	0.8%
Taiwan	158	174	(9.2%)	(15.1%)
The rest of Asia Pacific	347	341	1.8%	2.1%
The Middle East	147	137	7.3%	7.3%
Retail and Distribution	1,206	1,242	(2.9%)	(2.3%)
Wholesale sales to overseas franchisees	79	64	23.4%	23.4%
Total	1,285	1,306	(1.6%)	(1.0%)

Chart 1: Quarterly Group CSS and CSGP change**Table 3: Gross profit variance analysis by market**

<i>(In HK\$ million)</i>	1Q 2016 gross profit	Average product costs	Average selling price	Volume	Exchange impact	Miscellaneous	1Q 2017 gross profit
Mainland China	183	4	(6)	(8)	(8)	(3)	162
Hong Kong & Macau	156	1	(3)	3	4	1	162
Taiwan	98	(1)	4	(17)	9	1	94
The rest of Asia Pacific	200	4	4	1	-	1	210
The Middle East	91	4	(16)	17	-	(2)	94
Wholesales & Intercompany	26	8	(14)	(4)	13	2	31
Market mix	-	2	(32)	30	-	-	-
Group	754	22	(63)	22	18	-	753

The following commentaries refer to year-on-year (“YOY”) comparison of operations for the three months ended March 31, 2017 and 2016 unless otherwise stated.

OVERVIEW

At March 31, 2017, we operated 2,374 stores (2016: 2,372 stores), or 2,307,400 sq. ft. (2016: 2,298,700 sq. ft.) of retail floor space in over 30 countries, approximately half of which were standalone stores. In the past twelve months, franchised stores in mainland China registered a net gain of 39 stores, representing a 5.6% increase in retail floor space.

Group sales for the quarter were HK\$1,285 million (2016: HK\$1,306 million), a decrease of 1.6%, or a smaller decline of 1.0% if non-Hong Kong Dollar (“HKD”) markets’ sales were converted at constant exchange rates.

Group CSS and CSGP increased by 0.5% and 2.2%, respectively. In the quarter, gross margin rose from 57.7% to 58.6%, attributable to the depreciation of Renminbi (“RMB”) between the two quarters being compared. Although Group sales decreased by HK\$21 million, Group gross profit only decreased by HK\$1 million due to higher gross margin. Management believes that gross margin improvement can be maintained for the rest of the year.

ANALYSIS BY MARKET

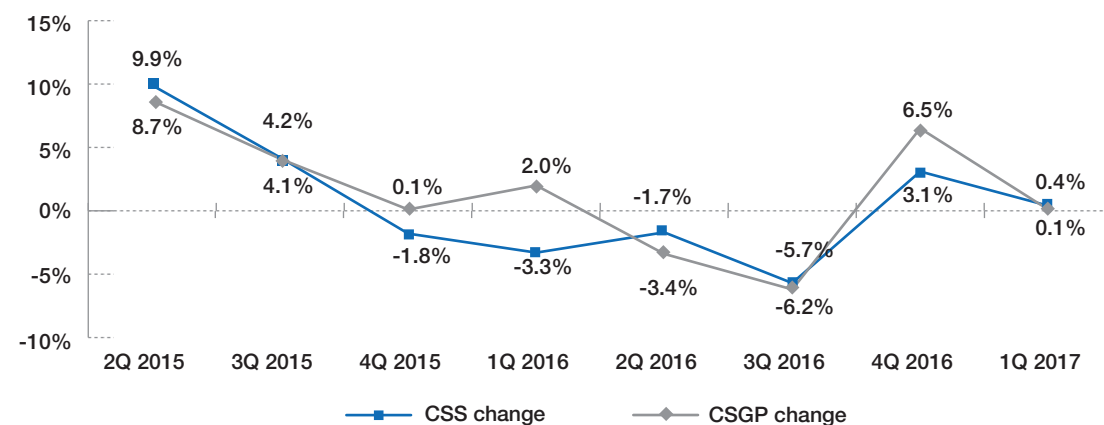
The following market-specific comments by management are in local currencies or, if in HKD, are at constant exchange rates to remove distortions from the translation of financial statements. These figures have not removed the impact on imported product costs contracted at non-local currencies.

Mainland China

Table 4: Overview of Mainland China

<i>(In RMB million)</i>	Three months ended Mar 31		
	2017	2016	Change
Total sales	279	297	(6.1%)
DOS (include e-business)	200	212	(5.7%)
Wholesale to franchisees	79	85	(7.1%)
Total brand sales	351	369	(4.9%)
DOS (include e-business)	200	212	(5.7%)
Franchised stores	151	157	(3.8%)
Gross profit	143	154	(7.1%)
Gross margin	51.3%	51.9%	(0.6pp)
Number of stores at quarter end	917	894	23
DOS	351	367	(16)
Franchised stores	566	527	39

Chart 2: Mainland China quarterly CSS and CSGP change



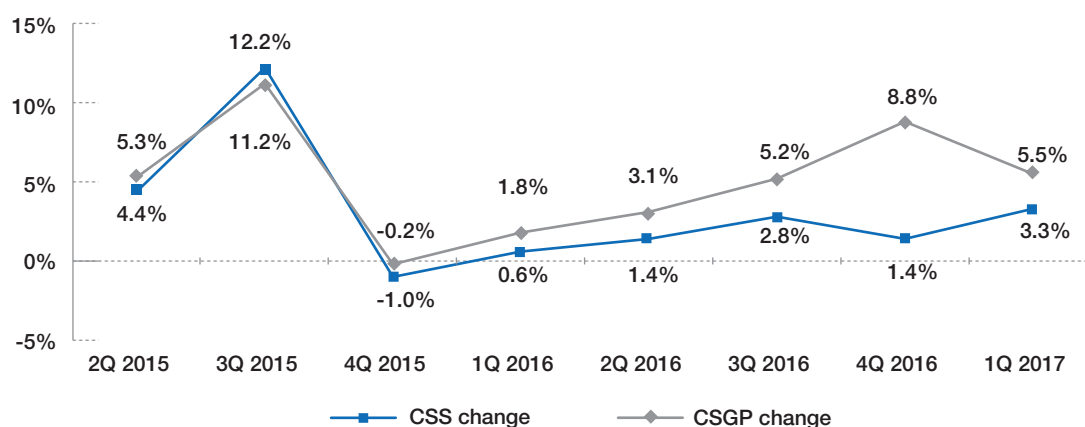
Riding on the trend, mainland China's e-business sales improved by 22.1% with successful promotion campaigns. An early Chinese New Year shifted sales to franchisees from early 2017 to late 2016, and an unseasonably warm Chinese New Year was unfavorable to the apparel retail industry. Physical store CSS declined by 4.9% during Chinese New Year but improved by 2.2% in March upon the arrival of spring/summer collection.

Hong Kong and Macau

Table 5: Overview of Hong Kong and Macau

<i>(In HK\$ million)</i>	Three months ended Mar 31		
	2017	2016	Change
Total sales	239	237	0.8%
Gross profit	162	156	3.8%
Gross margin	67.8%	65.8%	2.0pp
Number of stores at quarter end	75	71	4

Chart 3: Hong Kong and Macau quarterly CSS and CSGP change



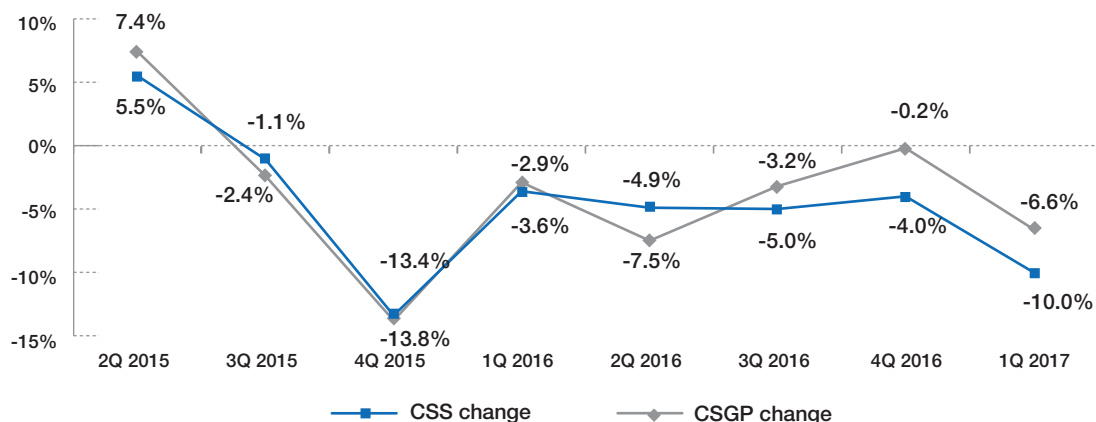
Hong Kong and Macau continued to deliver sales and gross margin growth with a notable double-digit growth registered for March. Improvement in gross margin by 2.0pp can be attributed to product mix change and lower average product costs.

Taiwan

Table 6: Overview of Taiwan

<i>(In NTD million)</i>	Three months ended Mar 31		
	2017	2016	Change
Total sales	631	743	(15.1%)
Gross profit	377	420	(10.2%)
Gross margin	59.7%	56.5%	3.2pp
Number of stores at quarter end	199	211	(12)

Chart 4: Taiwan quarterly CSS and CS GP change



The double-digit sales decrease resulted from a minus 10.0% CSS triggered by a 32% decrease in mainland Chinese tourist arrivals, and closure of non-performing stores. Appreciation of the New Taiwanese Dollar (“NTD”) against RMB reduced the imported product costs. Gross margin was up by 3.2pp to 59.7%, attributable to a 3.3% decrease in imported product costs and a 2.8% increase in average selling price.

The rest of Asia Pacific

Table 7: Overview of the rest of Asia Pacific region

<i>(In HK\$ million, translated at constant exchange rates)</i>	Three months ended Mar 31		
	2017	2016	Change
Total sales	348	341	2.1%
Gross profit	210	200	5.0%
Gross margin	60.3%	58.7%	1.6pp

Table 8: Sales by market in the rest of Asia Pacific region

<i>(In HK\$ million)</i>	Sales at constant exchange rates			CSS		CSGP	
	2017	2016	Change*	2017	2016	2017	2016
Singapore	82	85	(3.8%)	(4.6%)	1.4%	(1.0%)	0.2%
Indonesia	119	113	5.6%	7.0%	9.6%	9.7%	7.9%
Malaysia	50	49	0.8%	1.3%	(4.9%)	1.8%	(2.6%)
Thailand	78	71	9.7%	5.4%	15.5%	4.3%	16.0%
Australia	17	17	(0.2%)	8.0%	(14.3%)	12.6%	(15.5%)
India	–	4	(104.4%)	(19.5%)	(38.0%)	(18.9%)	(21.4%)
Cambodia	2	2	25.6%	25.6%	39.8%	32.1%	36.0%
Total	348	341	2.1%	2.7%	4.1%	4.4%	3.9%

* The percentage change is calculated using the nearest whole number.

Chart 5: The rest of Asia Pacific quarterly CSS and CSGP change

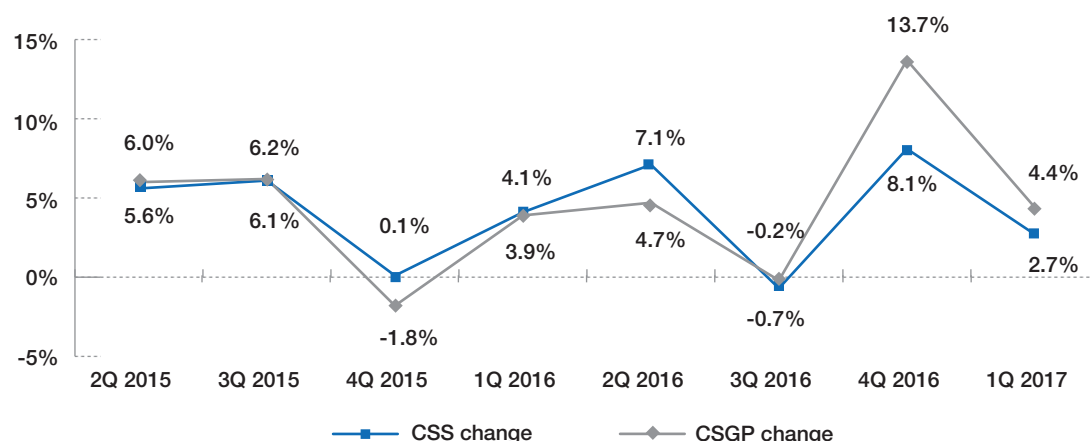


Table 9: Store number by market in the rest of Asia Pacific region

	At Mar 31		
	2017	2016	Change
Indonesia	239	229	10
Thailand	158	153	5
Malaysia	90	90	Flat
Singapore	45	48	(3)
Australia	17	22	(5)
India	16	42	(26)
Cambodia	1	1	Flat
Total number of stores	566	585	(19)

For the quarter, regional sales at local currencies increased by 2.1% with gross margin up by 1.6pp. Average selling price moved up 1.2% while average product costs decreased by 3.1%.

Indonesia gained a net of ten stores in the past twelve months. Giordano brand CSS improved by 7.0% and was attributed to improved merchandise mix. Licensed brands had yet to show a noticeable recovery although the licensor-directed retail prices have been adjusted from the middle of last year. Management believes that Indonesia's overall performance will be satisfactory.

After more than a year of double-digit CSS growth, Thailand's CSS and CSGP growth returned to a mid-single digit level for the quarter. Management expects a sustainable healthy growth rate in the market.

In Malaysia, sales increased by 0.8% at constant exchange rate, but declined by 7.3% at current exchange rates due to a severe Malaysian Ringgit depreciation against HKD between the two quarters under comparison. Management believes that operational improvements will continue.

Singapore's CSS dropped by 4.6% but her CSGP only declined by 1.0% with a 2.4pp higher gross margin, which was achieved by an increment of 2.5% in average selling price, coupled with a 4.7% decrease in average product costs.

Australia reported an 8.0% CSS growth and a 12.6% CSGP growth under strict pricing discipline and better product mix.

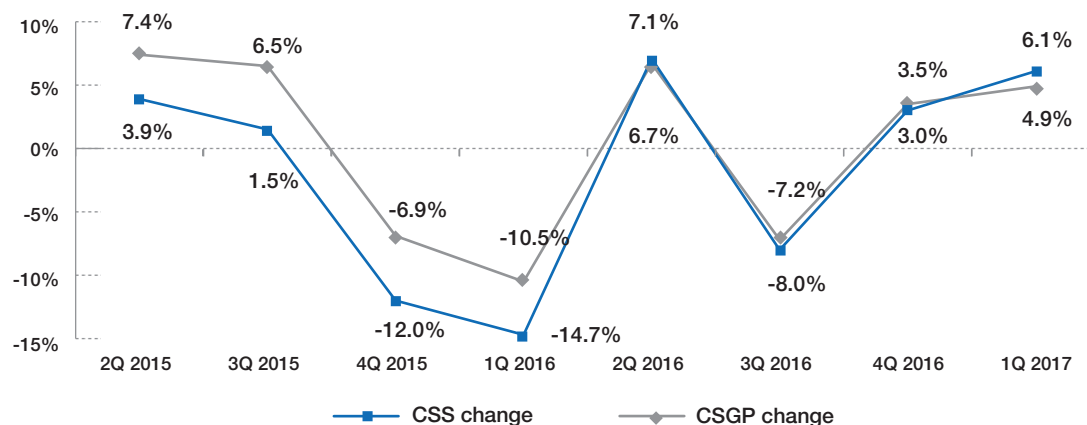
We expect India will continue to shrink until the operations are restructured.

The Middle East

Table 10: Overview of the Middle East

<i>(In HK\$ million, translated at constant exchange rates)</i>	Three months ended Mar 31		
	2017	2016	Change
Total sales	147	137	7.3%
Gross profit	94	91	3.3%
Gross margin	63.9%	66.4%	(2.5pp)
Number of stores at quarter end	188	196	(8)

Chart 6: The Middle East quarterly CSS and CSGP change



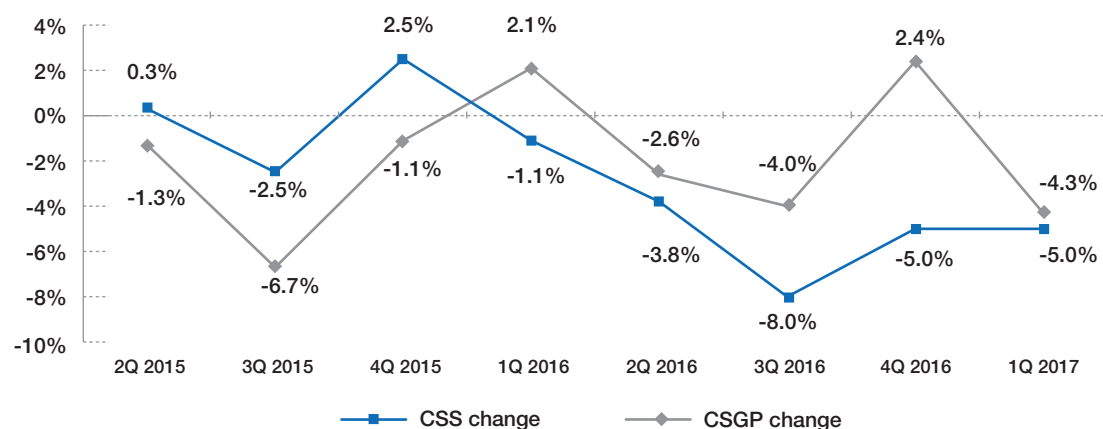
The Middle East business has drastically rebounded partly due to improved merchandise mix and promotion activities which have begun since the third quarter of 2016. Gross margin was down by 2.5pp due to change in product mix. The gross margin is expected to maintain or improve in the future as the target merchandise mix has now been attained.

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

Table 11: Overview of South Korea

<i>(In KRW million)</i>	Three months ended Mar 31		
	2017	2016	Change
Total sales	46,687	45,676	2.2%
Gross profit	25,110	24,356	3.1%
Gross margin	53.8%	53.3%	0.5pp
Number of stores at quarter end	199	197	2

Chart 7: South Korea quarterly CSS and CSGP change



South Korea's gross margin went up by 0.5pp as her stock level continued to be lean, and slow-moving merchandise were replaced by fresh merchandise. In line with market statistics, our online business in South Korea grew by 25% for the quarter. Management anticipates a reasonable level of overall sales in this market for the full year.

Group wholesales to overseas franchisees and non-consolidated entities

Table 12: Store number of overseas franchisees and non-consolidated entities

By market	At Mar 31		
	2017	2016	Change
South Korea	199	197	2
Myanmar	110	112	(2)
The Philippines	77	68	9
Vietnam	28	25	3
Japan	10	9	1
Other markets	5	4	1
Total number of stores	429	415	14

Wholesale sales were HK\$79 million (2016: HK\$64 million), rising by 23.4%. Following her inventory rationalization, South Korea increased its purchase of global products and sourced more from the Group's integrated supply chain. The Group also significantly increased merchandise supply to support expansion and strong sales growth in developing markets such as the Philippines and Vietnam.

FINANCIAL CONDITION

Inventory

Group inventories at quarter-end were down by 3.2% to HK\$428 million (March 31, 2016: HK\$442 million). ITOC was unchanged from that of last year, at 72 days. System inventory further decreased by 11.2% YOY, with a notable reduction in finished goods held at suppliers. A flexible supply chain allows more fast orders with the suppliers and at the same time reduces the build-up of off-balance sheet inventories.

Table 13: System inventory

	At		
	Mar 31 2017	Dec 31 2016	Mar 31 2016
<i>(In HK\$ million)</i>			
Inventories held by the Group	428	447	442
Inventories held by franchisees in Mainland China	79	88	75
Finished goods at suppliers (not yet shipped)	22	20	79
Total system inventory	529	555	596

Net cash and bank balances

Net cash and bank balances at quarter-end (net after short-term bank borrowing of HK\$298 million) were HK\$1,218 million, increasing by HK\$26 million compared to the same quarter-end last year. Management considers that the current cash and bank balances are sufficient to support our business operations and fund our immediate term growth and initiatives.

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

Hong Kong, May 11, 2017

As at the date of this announcement, the Board comprises three executive directors; namely, Dr. LAU Kwok Kuen, Peter (Chairman and Chief Executive), Dr. CHAN Ka Wai and Mr. Mark Alan LOYND; two non-executive directors; namely, Dr. CHENG Chi Kong, Adrian and Mr. CHAN Sai Cheong; and four independent non-executive directors; namely, Dr. Barry John BUTTIFANT, Mr. KWONG Ki Chi, Professor WONG Yuk (alias, Huang Xu) and Mr. Simon Devilliers RUDOLPH.