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, 2017

UNAUDITED INTERIM RESULTS

Highlights

- Group sales and gross profit for the first half of 2017 rose by 3.4% and 3.8%, respectively. Gross margin improved by 0.2 percentage points to 59.8% (2016: 59.6%), attributable mainly to the depreciation of Renminbi.

- Comparable store gross profit was up by 6.6% whilst comparable store sales rose by 4.6% year-on-year. Improved merchandise mix, early Ramadan and the increase in e-commerce sales in Mainland China contributed to the growth.

- Profit after income taxes attributable to shareholders of the Company increased over last year by 20.1% to HK$245 million with this margin increasing from 8.1% to 9.4%.

- Net cash and bank balances at HK$1,233 million at June 30, 2017, were HK$149 million higher than the same period last year. Cash conversion rate reached 116.9% (2016: 106.9%).

- Inventory turnover days on cost of sales increased by 9 days to 79 days year-on-year. The increase was partly due to anticipated customs slowdown during the Ramadan holiday, and intended earlier receipt of winter apparel to better support business in distant markets.

- The board of directors of the Company has declared an interim dividend of 15.0 HK cents per share (2016: 12.5 HK cents per share) for the six months ended June 30, 2017.

- The board of directors of the Company believes in returning surplus cash to its shareholders. In addition to dividend distribution, the Company commenced a share repurchase initiative on June 20, 2017. From June 20, 2017 to the date of this announcement, the Company repurchased and cancelled 5,412,000 shares. The Company will continue to repurchase shares in accordance with the Company's announcement dated June 20, 2017, and will cancel the repurchased shares subsequently pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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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, 2017 together with comparative figures and explanatory notes.

Consolidated Income Statement

(In HK$ million, except earnings per share)	**Unaudited Six months ended June 30 2017**	2016
Sales (Note 2)	**2,618**	2,532
Cost of sales (Note 4)	**(1,052)**	(1,024)
Gross profit	**1,566**	1,508
Other income and other gains, net (Note 3)	**60**	43
Distribution expense (Note 4)	**(1,146)**	(1,139)
Administrative expense (Note 4)	**(149)**	(145)
Operating profit	**331**	267
Finance expense	**(2)**	–
Share of profit of joint ventures	**23**	18
Profit before income taxes	**352**	285
Income taxes (Note 5)	**(74)**	(57)
Profit after income taxes for the period	**278**	228
Attributable to:		
Shareholders of the Company	**245**	204
Non-controlling interests	**33**	24
	278	228
Earnings per share attributable to shareholders of the Company (Note 6)		
Basic and Diluted (HK cents)	**15.6**	13.0

Consolidated Statement of Comprehensive Income

(In HK$ million)	**Unaudited Six months ended June 30 2017**	2016
Profit after income taxes for the period	**278**	228
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Fair value change on available-for-sale financial asset	**–**	10
Disposal of available-for-sale financial asset	**(6)**	–
Exchange adjustments on translation of overseas subsidiaries, joint ventures and branches	**63**	10
Total comprehensive income for the period	**335**	248
Attributable to:		
Shareholders of the Company	**301**	219
Non-controlling interests	**34**	29
	335	248

Consolidated Balance Sheet

(In HK$ million)	**(Unaudited) June 30 2017**	(Audited) December 31 2016
Assets		
Non-current assets		
Property, plant and equipment	**222**	221
Goodwill	**546**	546
Interest in joint ventures	**491**	480
Available-for-sale financial asset	**27**	35
Financial asset at fair value through profit or loss	**28**	28
Leasehold land and rental prepayments	**185**	192
Rental deposits	**138**	127
Deferred tax assets	**51**	50
	1,688	1,679
Current assets		
Inventories	**461**	447
Leasehold land and rental prepayments	**52**	51
Trade and other receivables (Note 8)	**527**	544
Cash and bank balances	**1,531**	1,393
	2,571	2,435
Total assets	**4,259**	4,114
Equity and liabilities		
Capital and reserves		
Share capital	**79**	79
Reserves	**2,540**	2,470
Proposed dividends (Note 7)	**235**	236
Equity attributable to shareholders of the Company	**2,854**	2,785
Non-controlling interests	**203**	182
Total equity	**3,057**	2,967
Non-current liabilities		
Put option liabilities	**–**	19
Deferred tax liabilities	**105**	103
	105	122
Current liabilities		
Trade and other payables (Note 9)	**563**	538
Put option liabilities	**121**	102
Bank loans	**298**	298
Income taxes	**115**	87
	1,097	1,025
Total liabilities	**1,202**	1,147
Total equity and liabilities	**4,259**	4,114
Net current assets	**1,474**	1,410
Total assets less current liabilities	**3,162**	3,089

Notes to the unaudited condensed consolidated interim financial information

1. Basis of preparation

The unaudited condensed consolidated interim financial information (the "unaudited interim results") for the six months ended June 30, 2017 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants. Readers should read the unaudited interim results in conjunction with the audited annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The unaudited interim results are stated in million 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, 2016.

Amendments to HKFRS effective for the financial year ending December 31, 2017 do not have a material financial impact on the Group. There are no other amended standards or interpretations effective for the first time for this interim period that would have a material impact on these unaudited interim results.

These unaudited interim results accrue income taxes on taxable income using tax rates that would be applicable to expected total annual taxable income.

The Board approved the unaudited interim results for issue on August 10, 2017.

2. Operating segments

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

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

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

Segment operating profit is before finance expense, share of profit of joint ventures and income taxes. This is the measurement basis reported to management and the senior decision-makers for the purpose of resources allocation and assessment of segment performance.

2. Operating segments (continued)

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

	Six months ended June 30			
	2017		2016	
(In HK$ million)	**Sales**	**Operating profit**	Sales	Operating profit
Retail and Distribution				
Mainland China	**605**	**48**	637	47
Hong Kong and Macau	**473**	**45**	457	38
Taiwan	**304**	**27**	323	22
The rest of Asia Pacific	**705**	**89**	658	66
The Middle East	**352**	**71**	315	60
	2,439	**280**	2,390	233
Wholesales to Overseas Franchisees	**179**	**29**	142	24
Segment results	**2,618**	**309**	2,532	257
Corporate functions		**22**		10
Finance expense		**(2)**		–
Share of profit of joint ventures		**23**		18
Profit before income taxes		**352**		285

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

	Six months ended June 30			
	2017		2016	
(In HK$ million)	**Sales**	**Operating profit**	Sales	Operating profit
Retail and Distribution				
Giordano and *Giordano Junior*	**2,080**	**247**	2,047	201
Giordano Ladies	**203**	**28**	191	26
BSX	**67**	**3**	74	3
Others	**89**	**2**	78	3
	2,439	**280**	2,390	233

The Company has its domicile in Hong Kong. Sales to external customers recorded in Hong Kong and Macau are HK$652 million (2016: HK$599 million), Mainland China HK$605 million (2016: HK$637 million) and external customers from other markets HK$1,361 million (2016: HK$1,296 million).

Inter-segment sales of HK$556 million (2016: HK$490 million) has been eliminated upon consolidation.

3. Other income and other gains, net

(In HK$ million)	Six months ended June 30 **2017**	 2016
Royalty income	**19**	18
Net exchange gains	**9**	1
Interest income	**8**	5
Rental income	**7**	6
Gain on disposal of available-for-sale financial asset	**6**	–
Net (loss)/gain on disposal of property, plant and equipment	**(1)**	1
Others	**12**	12
	60	43

4. Operating profit

(In HK$ million)	Six months ended June 30 **2017**	 2016
Cost of sales		
Cost of inventories sold	**1,047**	1,019
Provision for obsolete stock and stock written off	**5**	5
	1,052	1,024
Distribution expense		
Operating lease rentals in respect of land and building		
– Minimum lease payments	**415**	412
– Contingent rent	**108**	115
Staff cost	**368**	364
Building management fee, government rates and utilities	**60**	57
Advertising, promotion and incentives	**56**	49
Depreciation of property, plant and equipment	**47**	54
Packaging and deliveries	**24**	23
Bank and credit card charges	**16**	14
Amortization of leasehold land prepayments	**3**	3
Others	**49**	48
	1,146	1,139
Administrative expense		
Staff cost	**93**	88
Legal and professional fee	**11**	10
Operating lease rentals in respect of land and building		
– Minimum lease payments	**8**	9
Computer and telecommunication	**5**	4
Depreciation of property, plant and equipment	**3**	6
Travelling	**3**	4
Auditor's remuneration	**3**	3
Business and other taxes	**2**	3
Amortization of leasehold land prepayments	**1**	–
Others	**20**	18
	149	145

5. Income taxes

Hong Kong profits tax is calculated at the rate of 16.5% (2016: 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.

	Six months ended June 30	
(In HK$ million)	**2017**	2016
Current income taxes		
Hong Kong	**11**	9
Outside Hong Kong	**49**	31
Withholding taxes	**19**	17
	79	57
Deferred income taxes		
Origination and reversal of temporary differences	**(5)**	–
	74	57

This charge excludes the share of joint ventures' income taxes for the period of HK$7 million (2016: HK$5 million). The share of profit of joint ventures in the consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

6. 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$245 million (2016: HK$204 million).

The basic earnings per share is based on the weighted average of 1,571,522,993 shares (2016: 1,570,394,518 shares) in issue during the six months ended June 30, 2017.

The diluted earnings per share is calculated by adjusting the weighted average of 1,571,522,993 shares (2016: 1,570,394,518 shares) in issue during the period by the weighted average of 2,402,199 shares (2016: 65,531 shares) deemed to be issued if all outstanding share options granted under the share option schemes of the Company had been exercised.

7. Dividends

	Six months ended June 30	
(In HK$ million)	**2017**	2016
Interim dividend declared of 15.0 HK cents (2016: 12.5 HK cents per share) per share	**235**	196
2016 final dividend paid of 15.0 HK cents (2015: 14.5 HK cents per share) per share	**236**	228

On August 10, 2017, the Board declared an interim dividend of 15.0 HK cents (2016: 12.5 HK cents per share) per share. The interim dividend has not been recognized as a liability at the balance sheet date.

8. Trade and other receivables

(In HK$ million)	**June 30 2017**	December 31 2016
Trade receivables	**240**	274
Less: Provision for impairment	**(8)**	(8)
Trade receivables, net	**232**	266
Aging analysis from the invoice date net of provision for impairment is as follows:		
0–30 days	**175**	180
31–60 days	**32**	50
61–90 days	**17**	17
Over 90 days	**8**	19
	232	266
Other receivables, including deposits and prepayments	**295**	278
	527	544

Trade receivables comprise mainly amounts due from franchisees, licensees and retail proceeds due from department stores. The Group normally allows a credit period of 30-60 days. The carrying amounts of trade receivables approximate their fair values.

9. Trade and other payables

(In HK$ million)	**June 30 2017**	December 31 2016
Trade payables	**217**	205
Aging analysis is as follows:		
0–30 days	**174**	185
31–60 days	**18**	9
61–90 days	**15**	4
Over 90 days	**10**	7
	217	205
Other payables and accrued expense	**346**	333
	563	538

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

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

The following commentaries refer to year-on-year ("YOY") comparison of the six months ended June 30, 2017 and 2016 unless otherwise stated.

OVERVIEW

- The Group is an international apparel retailer operating *Giordano* and *Giordano Junior, Giordano Ladies, BSX* and other owned and licensed brands.
- We offer high-quality, easy-to-wear apparel at reasonable prices through a network of 2,371 stores (equivalent to 2,292,000 sq. ft. of retail floor space) in over 30 countries worldwide at June 30, 2017, with 1,243 being standalone stores. The majority of stores were in Greater China, South Korea, South East Asia and the Middle East.
- Group sales[1] for the six months ended June 30, 2017 rose by 3.4% to HK$2,618 million, a HK$86 million increase. Group gross profit increased by 3.8% on improved Group sales coupled with a 0.2 percentage points improvement in gross margin. Comparable store gross profit ("CSGP")[2] was up by 6.6% while comparable store sales ("CSS")[2] were up by 4.6%.
- Early Ramadan helped certain markets report higher operating profit for the first half of 2017 over the previous year. Mainland China's e-commerce also surged due to improved merchandise mix and logistics. Markets benefited from early Ramadan and Mainland China e-commerce contributed HK$34 million to the increase in Group operating profit during the reporting period. More importantly, they accounted for HK$18 million to the increase of Group operating profit for the month of June alone. Having said that, when comparing same Ramadan sales between 2017 and 2016, relevant countries' CSS and CSGP were also up by 6.0% and 5.7%, respectively.
- Profit after income taxes attributable to shareholders of the Company ("PATS") increased by 20.1% to HK$245 million with this margin improved from 8.1% to 9.4%.
- Net cash and bank balances were HK$1,233 million at June 30, 2017.

Table 1: Store portfolio

	Store number at June 30		Retail floor space (sq. ft. in thousand) at June 30	
	2017	2016	**2017**	2016
Retail and Distribution				
Mainland China				
Franchised stores	**567**	536	**446**	436
Directly operated stores ("DOS")	**346**	360	**283**	302
The rest of Asia Pacific	**555**	582	**570**	568
Taiwan	**197**	211	**192**	208
The Middle East	**193**	196	**230**	227
Hong Kong and Macau	**78**	70	**88**	84
Overseas franchisees	**435**	432	**483**	467
Total	**2,371**	2,387	**2,292**	2,292

Worldwide stores shrunk by 16, largely due to the closure of 33 non-performing stores in India, where the Group is restructuring the business.

RESULTS OF OPERATIONS

Table 2: Group results of operations

(In HK$ million)	Six months ended Jun 30 **2017**	**% to sales**	2016	% to sales	Change
The rest of Asia Pacific	**705**	**26.9%**	658	26.0%	7.1%
Mainland China	**605**	**23.1%**	637	25.2%	(5.0%)
Hong Kong and Macau	**473**	**18.1%**	457	18.0%	3.5%
The Middle East	**352**	**13.5%**	315	12.4%	11.7%
Taiwan	**304**	**11.6%**	323	12.8%	(5.9%)
Wholesales to overseas franchisees	**179**	**6.8%**	142	5.6%	26.1%
Group sales	**2,618**	**100.0%**	2,532	100.0%	3.4%
Gross profit	**1,566**	**59.8%**	1,508	59.6%	3.8%
Operating expense	**(1,295)**	**(49.5%)**	(1,284)	(50.7%)	0.9%
Operating profit	**331**	**12.6%**	267	10.5%	24.0%
EBITDA	**415**	**15.9%**	353	13.9%	17.6%
PATS	**245**	**9.4%**	204	8.1%	20.1%
Global brand sales[3]	**3,367**		3,291		2.3%
Global brand gross profit[3]	**2,086**		1,991		4.8%
Group CSS growth	**4.6%**		(0.5%)		
Group CSGP growth	**6.6%**		0.4%		
Free cash flow from operations	**369**		259		42.5%
Net cash and bank balances at period end	**1,233**		1,084		13.7%
Inventories at period end	**461**		392		17.6%
Inventory turnover on cost ("ITOC") (days)[4]	**79**		70		9

Sales

Group sales increased by 3.4%, or by 3.7% if translated at constant exchange rates. Group CSS were up by 4.6% and CSGP improved by 6.6%. The increase was primarily due to a better pricing/merchandising mix. Our Spring/Summer collection launched in March was also met with enthusiastic customer response globally. Not neglecting the "athleisure" lifestyle, the Group introduced "G-Motion" to supplement the Group's core casualwear line.

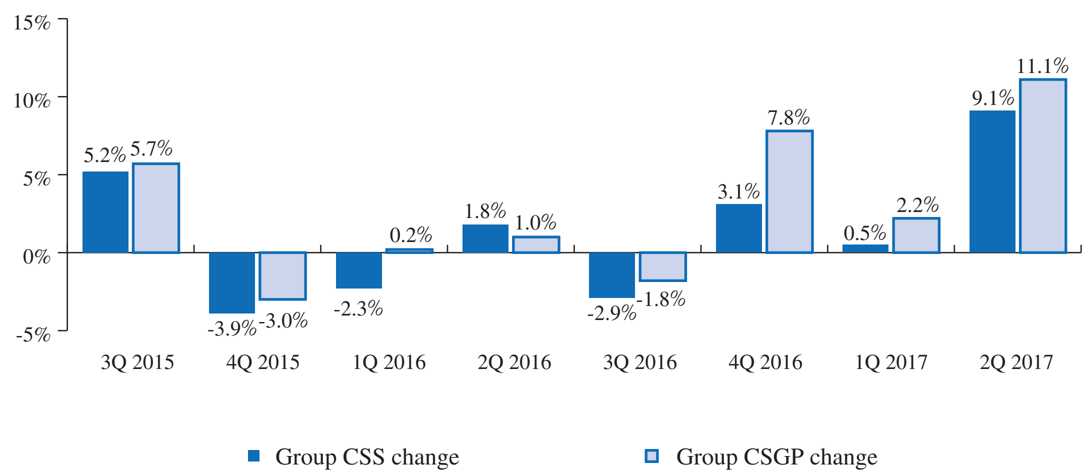
Group sales were resilient and turned from a negative 1.6% in the first quarter to a positive 3.4% for the first half of 2017. Early Ramadan also boosted the sales in June. However, when comparing same Ramadan sales between 2017 and 2016, relevant countries' CSS and CSGP were also up by 6.0% and 5.7%, respectively.

Sales would have achieved even stronger growth, but an early Chinese New Year shifted sales to Mainland China franchisees from early 2017 to late 2016 and shortened the sales of winter merchandise in the first quarter of 2017.

E-commerce in Mainland China continued its momentum and recorded a 26.6% increase in sales on various platforms combined.

Core Giordano lines constituted 88.4% of global brand sales. Menswear's CSS was up by 7.6% while CSGP increased by 8.4%. Womenswear's CSS was down by 0.7%, but CSGP increased by 1.5%. Under an integrated marketing approach, CSS of childrenswear rose by 12.0% while CSGP elevated by 18.3%. Our premium womenswear brand, *Giordano Ladies*, recorded an improved CSGP of 2.9%.

Chart 1: Quarterly Group CSS and CSGP change



Gross profit

The Group's continued emphasis on improving gross margin and productivity in all regions resulted in a 6.6% increase in CSGP, although CSS only increased by 4.6%. Group gross profit only grew by 3.8% to HK$1,566 million (2016: HK$1,508 million), primarily due to the closure of non-performing stores in recent years. Group gross margin was up by 0.2 percentage points to 59.8% (2016: 59.6%). The increase in wholesales to overseas franchisees during the second quarter has slightly impeded the Group gross margin advancement in the first half. The enhancement in gross margin was mainly due to depreciation of Renminbi as majority of products were sourced from Mainland China. Overseas sourcing from Vietnam and Bangladesh will help maintain or improve future gross margin.

Table 3: Gross profit variance analysis by region

(In HK$ million)	Six months ended June 30, 2016 gross profit	Product costs	Selling prices	Volume	Translational exchange impact	Miscellaneous	Six months ended June 30, 2017 gross profit
The rest of Asia Pacific	388	2	15	20	(1)	1	**425**
Mainland China	348	13	(7)	–	(14)	(4)	**336**
Hong Kong and Macau	313	11	(19)	23	–	2	**330**
The Middle East	213	13	(39)	41	–	1	**229**
Taiwan	185	8	7	(26)	12	–	**186**
Market mix	–	(4)	22	(18)	–	–	**–**
Retail and distribution	**1,447**	**43**	**(21)**	**40**	**(3)**	**–**	**1,506**
Wholesales to overseas franchisees/subsidiaries	61						**60**
Group	**1,508**						**1,566**

Other income and other gains, net

Other income and other gains comprised royalty income, rental income, exchange difference, gain from disposal of assets and interest income. It increased by HK$17 million to HK$60 million. The upsurge was mainly due to exchange gains, interest income and the disposal gain of available-for-sale financial asset.

Operating expense

While operating expense continued to be stable, higher CSS improved operating expense leverage by 1.2 percentage points to 49.5% (2016: 50.7%).

Shop occupancy charges to sales was lowered due to the closure of non-performing DOS and the opening of stores in more reasonably priced locations, particularly in Greater China. Shop occupancy charges to sales was 21.8% (2016: 22.8%).

Although staff cost increased due to manpower shortage in the industry, total staff cost to sales dropped from 17.9% to 17.6% due to a 3.4% increase in Group sales and a better human resources management process.

Operating profit

Operating profit rose by 24.0%. Most regions recorded double-digit growth, particularly the Middle East and South East Asia regions, attributable to early Ramadan and improved merchandising mix. Management expects operating margin in most regions will be maintained in the second half of 2017.

Table 4: **Sales and operating profit contribution by region**

Six months ended June 30, 2017	Contribution by region Sales	 Operating profit
The rest of Asia Pacific	26.9%	26.9%
Mainland China	23.1%	14.4%
Hong Kong and Macau	18.1%	13.5%
The Middle East	13.5%	21.3%
Taiwan	11.6%	8.3%
Wholesales to overseas franchisees	6.8%	8.8%
Wholesales to overseas subsidiaries	–	11.4%
Headquarter expenses, net of other income and gains	–	(4.6%)
	100.0%	100.0%

Income taxes

Income taxes amounted to HK$74 million (2016: HK$57 million), representing an effective tax rate of 21.0% (2016: 20.0%).

Profit after income taxes attributable to shareholders of the Company

Profit after income taxes attributable to shareholders of the Company increased by 20.1% to HK$245 million (2016: HK$204 million) with this margin advancing by 1.3 percentage points from 8.1% to 9.4%, attributable to improved gross margin and operating expense leveraging.

Table 5: **Analysis of change in PATS**

(In HK$ million)

Reported PATS for six months ended June 30, 2016	**204**
The rest of Asia Pacific	**23**
The Middle East	**12**
Hong Kong and Macau	**7**
South Korea	**5**
Wholesales to overseas franchisees	**5**
Taiwan	**3**
Mainland China	**2**
Wholesales to overseas subsidiaries	**(2)**
Income taxes, non-controlling interests and net headquarter expense	**(14)**
PATS for six months ended June 30, 2017 without currency translation difference	**245**
Currency translation difference	**–**
Reported PATS for six months ended June 30, 2017	**245**

ANALYSIS BY MARKET

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

Mainland China

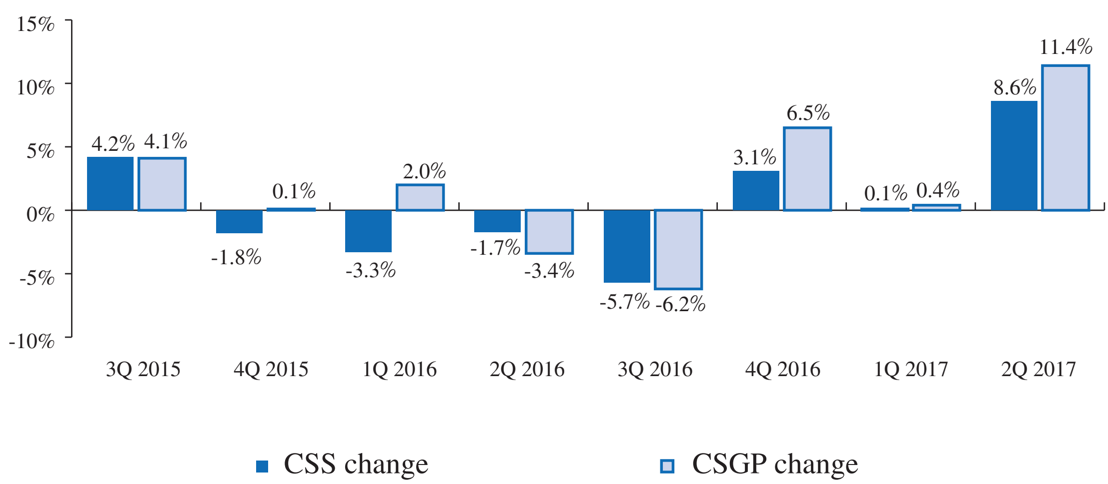
Table 6: Mainland China

	Six months ended Jun 30				
(In RMB million)	**2017**	**% to sales**	2016	% to sales	Change
DOS	**389**	**73.0%**	389	72.2%	Flat
Wholesales to franchisees	**144**	**27.0%**	150	27.8%	(4.0%)
Total sales	**533**	**100.0%**	539	100.0%	(1.1%)
Gross profit	**296**	**55.5%**	294	54.5%	0.7%
Operating expense	**(260)**	**(48.8%)**	(264)	(49.0%)	(1.5%)
Operating profit	**42**	**7.9%**	40	7.4%	5.0%
DOS	**389**		389		Flat
Franchised stores	**274**		278		(1.4%)
Total brand sales	**663**		667		(0.6%)
CSS growth	**4.2%**		(2.7%)		
CSGP growth	**5.9%**		(0.7%)		
DOS	**346**		360		(14)
Franchised stores	**567**		536		31
Number of stores at period end	**913**		896		17

Sales would have achieved a stronger growth, but an early Chinese New Year shifted wholesales to franchisees from early 2017 to late 2016 and shortened the sales of winter merchandise in the first quarter of 2017. Total sales registered a decrease but operating profit increased by 5.0%. This was primarily due to improved profit from e-commerce, gross margin improvement and operating expense control. E-commerce sales surged 26.6%, contributing to 16.2% of Mainland China brand sales (2016: 12.7%).

Since June 30, 2016, stores in Mainland China net expanded from 896 to 913, all in the franchise network. Our franchising expansion remains on track, now rendering the need to reorganize our franchising offices to support franchisees' CSS growth and profitability. There are plans to expand new DOS for *Giordano Ladies* in the first-tier cities, such as Shanghai.

Chart 2: Mainland China quarterly CSS and CSGP change



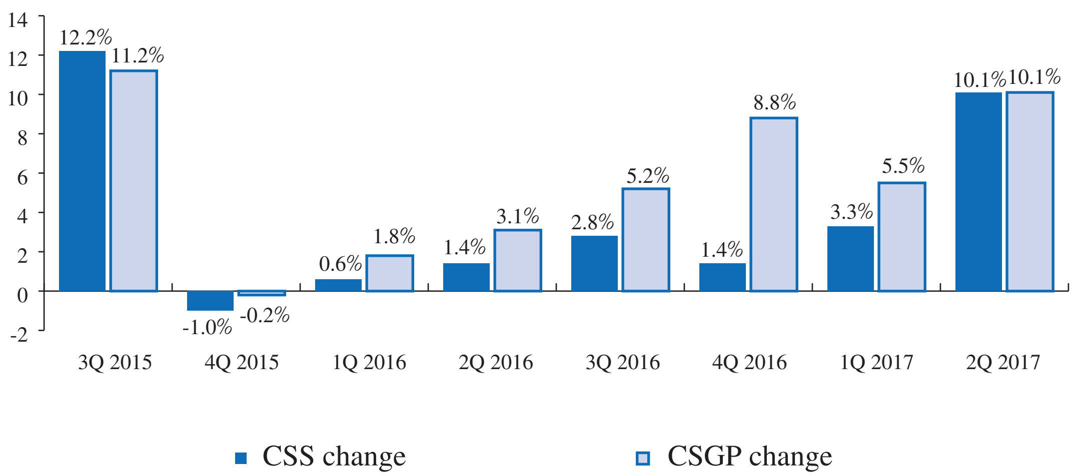
Hong Kong and Macau

Table 7: Hong Kong and Macau

	Six months ended Jun 30				
(In HK$ million)	**2017**	**% to sales**	2016	% to sales	Change
Total sales	**473**	**100.0%**	457	100.0%	3.5%
Gross profit	**330**	**69.8%**	313	68.5%	5.4%
Operating expense	**(285)**	**(60.3%)**	(277)	(60.6%)	2.9%
Operating profit	**45**	**9.5%**	38	8.3%	18.4%
CSS growth	**6.8%**		0.6%		
CSGP growth	**7.9%**		2.1%		
Number of stores at period end	**78**		70		8

CSS increase was achieved by well executed marketing programs and enhanced brand image. CSGP growth was due to 7.5% volume increase and a 6.9% decrease in product costs.

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



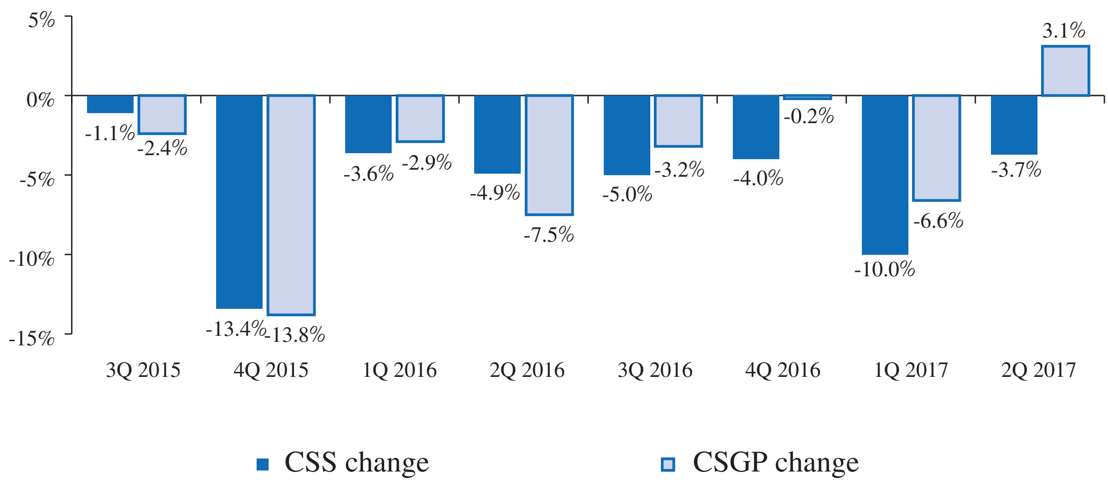
Taiwan

Table 8: Taiwan

	Six months ended Jun 30				
(In NTD million)	**2017**	**% to sales**	2016	% to sales	Change
Total sales	**1,201**	**100.0%**	1,367	100.0%	(12.1%)
Gross profit	**736**	**61.3%**	786	57.5%	(6.4%)
Operating expense	**(640)**	**(53.3%)**	(696)	(50.9%)	(8.0%)
Operating profit	**109**	**9.1%**	95	6.9%	14.7%
CSS growth	**(7.4%)**		(4.1%)		
CSGP growth	**(2.1%)**		(5.1%)		
Number of stores at period end	**197**		211		(14)

The rebound in operating profit was due to closure of non-performing stores, cost control and a 6.7% lower product costs from New Taiwanese Dollar ("NTD") appreciation against Renminbi.

Chart 4: Taiwan quarterly CSS and CSGP change



The rest of Asia Pacific

Table 9: The rest of Asia Pacific region

	Six months ended Jun 30				
(In HK$ million, translated at constant exchange rates)	**2017**	**% to sales**	2016	% to sales	Change
Total sales	**707**	**100.0%**	658	100.0%	7.4%
Gross profit	**427**	**60.4%**	388	59.0%	10.1%
Operating expense	**(344)**	**(48.7%)**	(328)	(49.8%)	4.9%
Operating profit	**89**	**12.6%**	66	10.0%	34.8%
CSS growth	**7.0%**		5.2%		
CSGP growth	**8.7%**		4.0%		
Number of stores at period end	**555**		582		(27)

Operating profit from the region recorded strong double-digit growth, particularly Malaysia, Indonesia and Singapore. This was generally attributable to improved gross margin and expense control.

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

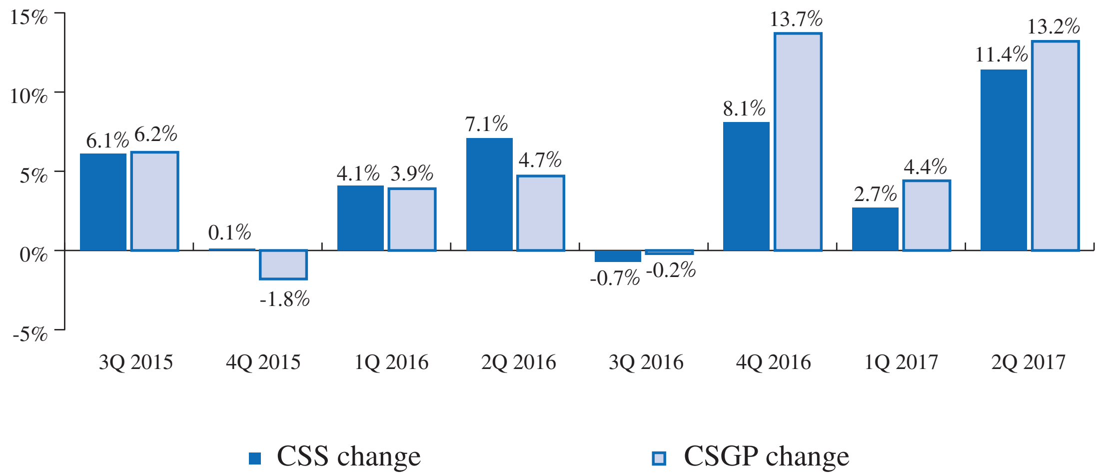


Table 10: The rest of Asia Pacific region (by market)

	Six months ended June 30							Store number at June 30	
	Sales			CSS growth		CSGP growth			
(In HK$ million, translated at constant exchange rates)	**2017**	2016	Change	**2017**	2016	**2017**	2016	**2017**	2016
Indonesia	**268**	232	15.5%	**15.3%**	8.3%	**17.5%**	6.2%	**246**	231
Singapore	**152**	155	(1.9%)	**(0.6%)**	1.9%	**3.2%**	(0.3%)	**43**	48
Thailand	**151**	142	6.3%	**1.3%**	15.3%	**(0.4%)**	14.9%	**156**	151
Malaysia	**100**	87	14.9%	**14.6%**	0.2%	**15.6%**	2.3%	**88**	91
Australia	**32**	33	(3.0%)	**7.5%**	(13.0%)	**14.3%**	(16.5%)	**16**	22
Cambodia	**4**	3	33.3%	**33.6%**	32.1%	**40.2%**	26.6%	**1**	1
India	**–**	6	(100.0%)	**N/A**	(38.1%)	**N/A**	(35.8%)	**5**	38
Total	**707**	658	7.4%	**7.0%**	5.2%	**8.7%**	4.0%	**555**	582

Early Ramadan and improved merchandise assortment benefited both Indonesia and Malaysia. Operating profit of Indonesia and Malaysia elevated by 37.1% and 47.2%, respectively.

In Singapore, operating profit increased by 35.1%, attributable mainly to the improvement of gross margin by 2.1 percentage points from 60.5% to 62.6% even though the market still suffered from a stagnant economy and low tourist traffic.

In Thailand, operating profit was virtually the same YOY.

In Australia, closure of non-performing stores helped decrease operating loss by 75.5%. Management expects to record a small profit for the full year 2017.

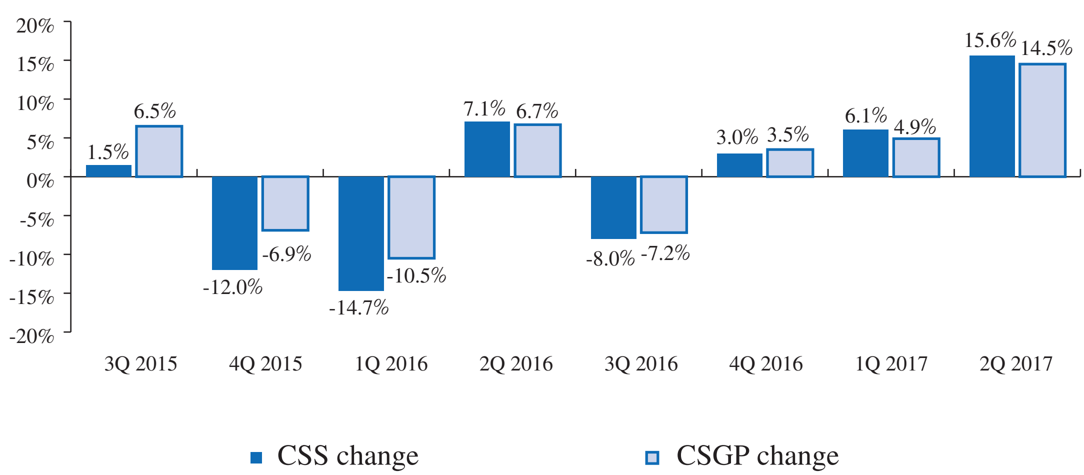
The Middle East

Table 11: The Middle East

(In HK$ million, translated at constant exchange rates)	**Six months ended Jun 30** **2017**	**% to sales**	2016	% to sales	Change
Total sales	**352**	**100.0%**	315	100.0%	11.7%
Gross profit	**229**	**65.1%**	213	67.6%	7.5%
Operating expense	**(160)**	**(45.5%)**	(154)	(48.9%)	3.9%
Operating profit	**71**	**20.2%**	59	18.7%	20.3%
CSS growth	**11.0%**		(3.6%)		
CSGP growth	**9.9%**		(1.4%)		
Number of stores at period end	**193**		196		(3)

Successful merchandise, strong marketing programs, cost control and early Ramadan contributed to the positive first half results. The decrease in gross margin reflected industry-wide sales promotions during Ramadan.

Chart 6: The Middle East quarterly CSS and CSGP change



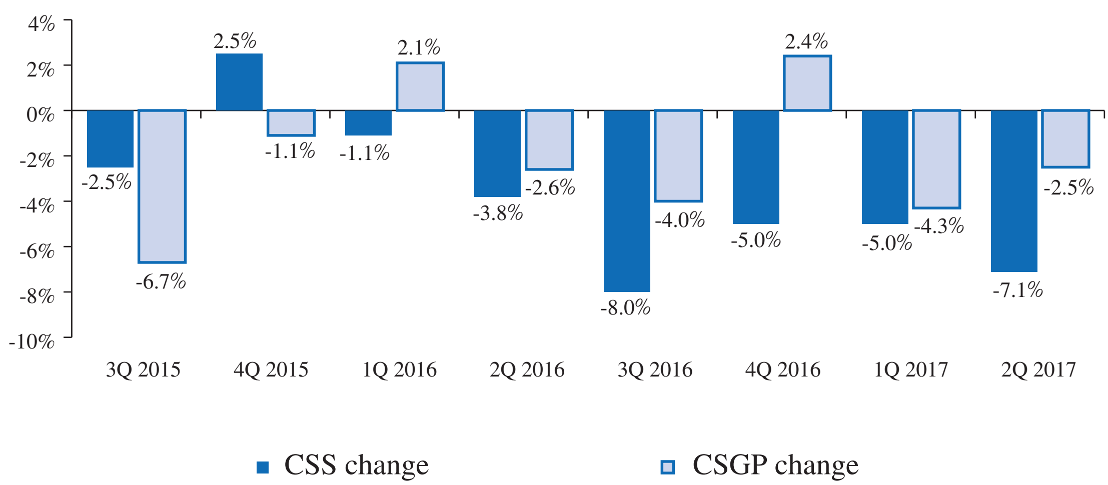
South Korea (a 48.5% joint venture under an independent management team)

Table 12: South Korea

(In Korean Won million)	Six months ended Jun 30 **2017**	**% to sales**	2016	% to sales	Change
Total sales	**102,345**	**100.0%**	101,519	100.0%	0.8%
Gross profit	**59,150**	**57.8%**	56,370	55.5%	4.9%
Net profit	**7,006**	**6.8%**	5,444	5.4%	28.8%
Share of profit	**3,401**		2,640		28.8%
CSS growth	**(6.2%)**		(2.2%)		
CSGP growth	**(3.3%)**		(0.1%)		
Number of stores at period end	**196**		195		1

South Korea reported a net profit increase of 28.8%, attributable to better cost control, closure of non-performing stores and enhancement in gross margin. Going forward, management expects that South Korea will show CSS growth when inventory rationalization is completed.

Chart 7: South Korea quarterly CSS and CSGP change



Wholesales to overseas franchisees

Table 13: Store number of overseas franchisees

By market	At June 30 **2017**	2016
South Korea	**196**	195
Myanmar	**121**	114
The Philippines	**77**	81
Vietnam	**27**	26
Japan	**9**	11
Other markets	**5**	5
Total number of stores	**435**	432

Wholesales to overseas franchisees rose sharply by 26.1% to HK$179 million (2016: HK$142 million). The South Korea joint venture has begun to replenish inventories normally along with gradual clearance of slow moving items.

The Philippines and Vietnam have registered sustainable growth in brand sales, while other overseas franchisees' brand sales remain stable. Management is aggressively expanding franchise/wholesale footprints outside of the Asia Pacific. Though initially small, these newly developed markets will pay off in the medium and long run.

FINANCIAL CONDITION

Free cash flow from operations

During the period under review, free cash flow from operations increased by 42.5% to HK$369 million (2016: HK$259 million). Cash conversion rate measures our ability to convert profit into cash, calculated by dividing free cash flow before taxes paid of HK$422 million (2016: HK$310 million) to profit before income taxes and finance expense, was 116.9% (2016: 106.9%). This is mainly due to net decrease in working capital. Net cash and bank balances increased by HK$149 million from the same period end in 2016 to HK$1,233 million.

Management considers the current cash and bank balances and free cash flow from operations sufficient to support our business operations and fund our growth and plans.

Table 14: **Free cash flow from operations and change in net cash and bank balances**

	Six months ended June 30	
(In HK$ million)	**2017**	2016
Net cash and bank balances at January 1	**1,095**	1,076
Profit before income taxes and finance expense	**361**	290
Depreciation and amortization	**54**	63
Changes in working capital	**14**	(19)
Decrease in rental deposits and prepayments less amortization	**13**	7
Share of pre-tax profit of joint ventures (net of dividends)	**11**	10
Proceeds from disposal of available-for-sale financial asset	**8**	–
Others	**6**	3
Disposals of property, plant and equipment	**–**	2
Capital expenditure	**(45)**	(46)
Income taxes paid	**(53)**	(51)
Free cash flow from operations	**369**	259
Dividends paid to shareholders of the Company	**(236)**	(228)
Dividends paid to non-controlling interests	**(13)**	(27)
Share repurchase	**(6)**	–
Proceeds from issuance of new shares	**6**	–
Exchange difference on cash and cash equivalents	**18**	4
Others	**(231)**	(251)
Net cash and bank balances at June 30	**1,233**	1,084

Financial position

Property, plant and equipment

During the first half of 2017, capital expenditure was HK$45 million (2016: HK$46 million) on the addition of 63 DOS and store upgrade. Management expects to speed up the upgrade of our existing shop ambiance as we strengthen our brand image.

Goodwill and put option liabilities

The goodwill and put option liabilities arose from the acquisition of the Middle East operations in year 2012 and 2015. Management considers there was no indication of impairment to the balances.

Interests in joint ventures

The balance mainly represents our 48.5% interest in the South Korea joint venture. The increase in balance by HK$11 million during the period was due to share of profit of HK$23 million and currency translation difference, offset by dividends received.

Inventories

Group inventories at June 30, 2017 increased by HK$69 million or 17.6% to HK$461 million (June 30, 2016: HK$392 million) partly due to anticipated customs slowdown during the Ramadan holiday. In addition, we intended to receive winter apparels earlier so that we would better support our business in distant markets. We expect that the ITOC will normalize in the second half.

Inventories held by South Korea decreased by 11.0% to HK$161 million (June 30, 2016: HK$181 million) due to gradual clearance of slow moving items.

Inventories at suppliers and franchisees are not our legal liabilities. The Group tracks this information to ensure that we do not build up excessive off-balance sheet inventories. Inventories held by franchisees in Mainland China increased due to net growth of franchised stores. Our system inventories remained healthy and our finished goods at suppliers were 17.3% lower than that of the same period last year.

Table 15: System inventories

	At		
(In HK$ million)	**Jun 30 2017**	Dec 31 2016	Jun 30 2016
Inventories held by the Group	**461**	447	392
Inventories held by 48.5% South Korea joint venture	**161**	141	181
Inventories held by franchisees in Mainland China	**81**	88	66
Finished goods at suppliers (not yet shipped)	**43**	20	52
Total system inventories	**746**	696	691

Trade receivables

The Group monitors the recoverability of trade receivables to mitigate bad debt risk. Trade receivable turnover days decreased by 2 days compared to the same period last year.

Trade payables

Trade payable turnover days increased by 4 days to 36 days during the period. This is in line with the credit period granted by our suppliers.

OUTLOOK

Although the overall operating environment remains challenging in some markets, we believe the condition has improved and stabilized, including milder global currency fluctuations.

We will continue to focus on operational improvement and product development, in order to develop ourselves to be a leading easy-to-wear fashion provider of high quality apparel at reasonable prices. The "athleisure" G-motion will supplement our core casualwear.

With the current satisfactory inventory level leading to healthy gross margin, the Group will direct more effort to increase marketing investment to strengthen the brand image. We will also speed up the refurbishment plan for our existing stores in order to support our margin strategy and improve our selling prices by providing better shopping ambience to our customers.

The childrenswear line shall be one of our key development programs from 2017 onwards, under an integrated marketing approach. We will allocate additional resources for expansion and execution.

Outlook on Mainland China is cautiously optimistic. We have been improving our franchisees' net margin, which creates a foundation for their future expansion. E-commerce continues to be an integral part for our business expansion in Mainland China and other regions. After the merging of our online and offline distribution centers for higher stock efficiency, the management will continue to invest in e-commerce and expect that the segment will perform better than the Group's average.

Hong Kong and Macau is the Group's key market. Despite the gloomy retail environment widely reported, management is still optimistic that this market will continue to contribute considerable profit to the Group. In addition, this market also serves as a new idea incubator and talent development center.

In the Middle East, we expect to sustain our growth in the second half of 2017. The South Korea joint venture shows signs of recovery after the closure of non-performing stores, inventory rationalization and tightened cost control. We believe that its gross margin and profitability will improve further.

Sales in Vietnam and Cambodia have continued to grow and this market will eventually contribute meaningful sales and net profit to the Group's consolidated financial statements. On July 1, 2017, the Group acquired 60% interest of the Vietnam operations and its results and financial position will be consolidated to the Group from the acquisition date.

Management is allocating resources to expand into markets where the Group brands do not have a presence yet, from which the Group will benefit in the medium to long term. We expect to open stores in one to two new markets in the next six months.

The Board believes in returning surplus cash to its shareholders. In addition to dividend distribution, the Company commenced a share repurchase initiative on June 20, 2017, and will continue to repurchase shares in accordance with the Company's announcement dated June 20, 2017, and will cancel the repurchased shares subsequently pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Under the general mandate granted by the shareholders of the Company to the Board, the Company may repurchase up to 157,239,251 shares of the Company, being 10% of the total number of issued shares as at the date of the Company's 2017 annual general meeting held on May 26, 2017. For details of share repurchase, please refer to the Company's announcement dated June 20, 2017.

HUMAN RESOURCES

As at June 30, 2017, the Group had approximately 8,000 employees (December 31, 2016: 8,000). The Group offers competitive remuneration packages and generous, goal-oriented bonuses targeted to different levels of staff. We offer senior managers performance-based bonus schemes and share options to reward and retain a high caliber leadership team. We also invest heavily in training in sales and customer service, management, planning and leadership development to retain a skilled and motivated workforce.

OTHER INFORMATION

Interim Dividend

It is the Company's intention to return surplus cash to its shareholders through the payment of dividends. 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 15.0 HK cents (2016: 12.5 HK cents per share) per share for the six months ended June 30, 2017. The dividend is payable on Friday, September 22, 2017 to shareholders whose names appear on the register of members of the Company on Thursday, September 14, 2017.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, September 12, 2017 to Thursday, September 14, 2017 (both days inclusive), during which period 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, September 11, 2017.

Corporate Governance

A corporate governance report has been published and included in the Company's 2016 annual report, in which the Company reported the adoption of the code provisions ("Code Provisions") as stated in the Corporate Governance Code ("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 A.2.1

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

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

Code provision A.4.2

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

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

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 2016 annual report.

Model Code for Securities Transactions

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, 2017.

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

During the six months ended June 30, 2017, a total of 1,318,000 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:

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate purchase price (before expenses)
		HK$	*HK$*	*HK$*
June 2017	1,318,000	4.46	4.20	5,698,360

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the six months ended June 30, 2017.

Review of Interim Results

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, 2017 with the management.

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

Hong Kong, August 10, 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.

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

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

[3] *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 directly operated stores, franchised stores and stores operated by a joint venture.*

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