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2017 Third Quarter Operations Update | 9 Nov 2017

Overview

- Group sales +3.6% in Q3 (+6.4% in Jun-Sep, neutralized early Ramadan impact).
- Stable CSS growth YOY, Jan-May +2.7%; Jun-Sep +5.4%.
- GP% -0.3pp due to change in channel mix and selective sales promotions.
- ITOC was 92 days, +16 days from last year due to contingent plan for Golden Week and early preparation for Singles' Day events for e-business.
- Net cash & bank balances -HK\$40m YOY mainly due to increase in interim dividend payment and ongoing share repurchase arrangement.

Group Sales by Region

(In HK\$ million)	3Q17	3Q16	% change translated at		YTD Sep-17	YTD Sep-16	% change translated at	
			current exchange rates	constant exchange rates			current exchange rates	constant exchange rates
Rest of Asia Pacific	355	334	6.3%	5.4%	1,060	992	6.9%	6.8%
Mainland China	281	270	4.1%	2.6%	886	907	(2.3%)	Flat
Hong Kong & Macau	224	217	3.2%	3.2%	697	674	3.4%	3.4%
Middle East	153	159	(3.8%)	(3.8%)	505	474	6.5%	6.5%
Taiwan	146	135	8.1%	2.9%	450	458	(1.7%)	(7.8%)
Wholesales to overseas franchisees	81	82	(1.2%)	(1.2%)	260	224	16.1%	16.1%
Total	1,240	1,197	3.6%	2.5%	3,858	3,729	3.5%	3.3%

Gross Profit Variance Analysis by Region

(In HK\$ million)	3Q16 gross profit	Product costs	Selling prices	Volume	Vietnam acquisition	Translational exchange impact	Misc.	3Q17 gross profit
Rest of Asia Pacific	203	(1)	(5)	3	12	2	(3)	211
HK & Macau	147	4	(23)	21	–	–	(1)	148
Mainland China	140	2	(11)	9	–	2	2	144
Middle East	103	3	(18)	14	–	–	(5)	97
Taiwan	81	3	(5)	6	–	4	–	89
Market mix	–	4	(5)	1	–	–	–	–
Retail & distribution	674	15	(67)	54	12	8	(7)	689
Wholesales to overseas franchisees/subsidiaries	24							30
Group	698							719

- Gross profit increase mainly from Vietnam acquisition.
- ASP -5.6% and Volume +7.2% due to change in channel mix in China and selective sales promotions mainly in HK and ME.
- Average product costs -3.1% (-2.6% excluding transactional exchange impact).

System inventory

ITOC at 92 days, +16 days YOY due to contingent plan for Golden Week and early preparation for Singles' Day events for e-business.

(In HK\$ million)	As at			YOY % change
	Sep 30 2017	Dec 31 2016	Sep 30 2016	
Inventories held by the Group	527	447	424	24.3%
Inventories held by 48.5% South Korea JV	200	141	203	(1.5%)
Inventories held by China franchisees	103	88	79	30.4%
Finished goods at suppliers (not yet shipped)	89	20	22	304.5%
Total system inventories	919	696	728	26.2%

Summary of Total Sales

(HK\$ millions)	3Q17	3Q16	Change translated at		YTD Sep-17	YTD Sep-16	Change translated at	
			current exchange rates	constant exchange rates			current exchange rates	constant exchange rates
Mainland China	281	270	+4%	+3%	886	907	-2%	Flat
Hong Kong & Macau	224	217	+3%	+3%	697	674	+3%	+3%
Taiwan	146	135	+8%	+3%	450	458	-2%	-8%
Rest of Asia Pacific	355	334	+6%	+5%	1,060	992	+7%	+7%
Singapore	74	74	Flat	-1%	224	229	-2%	-2%
Indonesia	131	128	+2%	+4%	401	360	+12%	+11%
Malaysia	38	37	+2%	+4%	131	124	+5%	+12%
Thailand	74	71	+4%	-2%	229	213	+7%	+3%
Australia	19	19	-2%	-7%	52	52	-1%	-4%
India (will franchise out)	–	3	-100%	-100%	–	9	-100%	-100%
Cambodia	2	2	+35%	+31%	6	5	+34%	+33%
Vietnam	17	–	N/A	N/A	17	–	N/A	N/A
Middle East	153	159	-4%	-4%	505	474	+7%	+7%
Retail & Distribution	1,159	1,115	+4%	+3%	3,598	3,505	+3%	+2%
Wholesales to overseas franchisees	81	82	-1%	-1%	260	224	+16%	+16%
Group total	1,240	1,197	+4%	+3%	3,858	3,729	+4%	+3%

Summary of CSS and CSGP Changes

	CSS				CSGP			
	3Q17	3Q16	YTD Sep-17	YTD Sep-16	3Q17	3Q16	YTD Sep-17	YTD Sep-16
Mainland China	8%	(6%)	6%	(3%)	9%	(6%)	7%	(2%)
Hong Kong & Macau	5%	3%	5%	1%	3%	5%	5%	2%
Taiwan	6%	(5%)	(4%)	(4%)	9%	(3%)	1%	(4%)
Rest of Asia Pacific	(1%)	(1%)	4%	3%	(2%)	Flat	5%	3%
Singapore	Flat	(3%)	Flat	1%	(1%)	(1%)	2%	Flat
Indonesia	(4%)	(5%)	9%	3%	(2%)	(6%)	11%	2%
Malaysia	3%	(8%)	11%	(3%)	(1%)	(5%)	10%	Flat
Thailand	(5%)	16%	(1%)	15%	(6%)	17%	(2%)	15%
Australia	13%	(8%)	9%	(11%)	15%	(14%)	14%	(16%)
India (will franchise out)	N/A	(29%)	N/A	(41%)	N/A	(35%)	N/A	(41%)
Cambodia	34%	46%	34%	36%	40%	45%	40%	32%
Middle East	(7%)	(8%)	5%	(5%)	(9%)	(7%)	4%	(3%)
Group total	2%	(3%)	4%	(1%)	2%	(2%)	5%	Flat

Store Portfolio at September 30

	Store numbers		Retail floor space (sq. ft. in thousand)	
	2017	2016	2017	2016
Retail & Distribution				
Mainland China				
Franchised stores	576	546	450	441
Directly operated stores	326	358	265	301
Rest of Asia Pacific				
Indonesia	248	235	308	294
Thailand	155	154	107	102
Malaysia	90	88	76	71
Singapore	43	48	47	56
Vietnam	28	–	41	–
Australia	16	22	25	34
India (will franchise out)	6	35	3	11
Cambodia	1	1	3	3
Taiwan	196	206	192	202
Middle East	192	195	230	227
Hong Kong & Macau	76	68	85	79
Overseas franchisees	417	432	447	472
Total	2,370	2,388	2,279	2,293