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GIORDANO  
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# GIORDANO

2018 First Quarter Operations Update | 17 May 2018

# Highlights

- Group sales +13.4% in Q1, or +7.9% at constant exchange rates.
- Group CSS and CSGP +9.5% and 8.7%, respectively.
- Gross margin -0.5pp due in part to the change in channel mix and a late Chinese New Year leading to longer promotion period.
- ITOC was 75 days, +3 days from last year or +1 day if excluding the impact from Vietnam acquisition.
- Net cash & bank balances were HK\$1,374m, +HK\$156m or +12.8% YOY, mainly from the improved cash inflows from operations.
- Approximately HK\$314m has been earmarked for paying out the proposed final dividend for fiscal year 2017.

## Group Sales by Region

(In HK\$ million)	1Q18	1Q17	% change at	
			current exchange rates	constant exchange rates
<b>Rest of Asia Pacific</b>	<b>422</b>	347	21.6%	15.0%
<b>Mainland China</b>	<b>378</b>	315	20.0%	9.0%
DOS	200	175	14.3%	3.9%
Wholesale sales to franchisees	106	89	19.1%	7.6%
E-business	72	51	41.2%	28.9%
<b>Hong Kong &amp; Macau</b>	<b>248</b>	239	3.8%	3.8%
<b>Taiwan</b>	<b>201</b>	158	27.2%	19.5%
<b>Middle East</b>	<b>134</b>	147	(8.8%)	(8.8%)
DOS	122	136	(10.3%)	(10.3%)
Wholesale sales to franchisees	12	11	9.1%	9.1%
<b>Other wholesale sales to overseas franchisees</b>	<b>74</b>	79	(6.3%)	(6.3%)
<b>Total</b>	<b>1,457</b>	<b>1,285</b>	<b>13.4%</b>	<b>7.9%</b>

## Group Sales by Channel

*Sales from e- business +44.6%.*

(In HK\$ million)	1Q18	Contribution	1Q17	Contribution	% change
Physical stores	1,184	81.3%	1,050	81.7%	12.8%
E-business	81	5.5%	56	4.4%	44.6%
Wholesale sales to franchisees	192	13.2%	179	13.9%	7.3%
<b>Group sales</b>	<b>1,457</b>	<b>100.0%</b>	<b>1,285</b>	<b>100.0%</b>	<b>13.4%</b>

## Gross Profit Variance Analysis by Region

*Average product costs +11.6% and average selling price +10.4% due to change in product mix; volume -3.2%.*

(In HK\$ million)	1Q17 gross profit	Product costs	Selling prices	Volume	Vietnam acquisition	Translational exchange impact	Misc.	1Q18 gross profit
Rest of Asia Pacific	210	(9)	17	7	15	14	(2)	252
Mainland China	162	(23)	40	(6)	–	17	(1)	189
HK & Macau	162	(10)	30	(14)	–	–	(2)	166
Taiwan	94	(6)	29	1	–	8	(1)	125
Middle East	94	(6)	7	(13)	–	–	–	82
Market mix	–	(1)	–	1	–	–	–	–
<b>Retail &amp; distribution</b>	<b>722</b>	<b>(55)</b>	<b>123</b>	<b>(24)</b>	<b>15</b>	<b>39</b>	<b>(6)</b>	<b>814</b>
Wholesales to overseas franchisees/subsidiaries	31							33
<b>Group</b>	<b>753</b>							<b>847</b>

## System Inventory

*ITOC was 75 days, +3 days YOY (ex-Vietnam +1 day). Inventory level is healthy and adequate in view of recent sales.*

	As at			YOY % change
	Mar 31 2018	Dec 31 2017	Mar 31 2017	
(In HK\$ million)				
Inventories held by the Group	507	524	428	18.5%
Inventories held by 48.5% South Korea JV	169	175	148	14.2%
Inventories held by China franchisees	81	91	79	2.5%
Finished goods at suppliers (not yet shipped)	50	54	22	127.3%
<b>Total system inventories</b>	<b>807</b>	<b>844</b>	<b>677</b>	<b>19.2%</b>

## Summary of Group Sales, CSS and CSGP Growth

(HK\$ million)	Total Sales			CSS Growth		CSGP Growth	
	1Q18	1Q17	% change	1Q18	1Q17	1Q18	1Q17
<b>Rest of Asia Pacific</b>	<b>399</b>	347	<b>15.0%</b>	<b>3.6%</b>	2.7%	<b>4.1%</b>	4.4%
Indonesia	140	121	<b>15.9%</b>	3.4%	7.0%	0.7%	9.7%
Singapore	85	81	<b>4.1%</b>	6.0%	(4.6%)	5.9%	(1.0%)
Thailand	82	80	<b>2.0%</b>	(2.4%)	5.4%	1.7%	4.3%
Malaysia	49	46	<b>8.3%</b>	7.7%	1.3%	8.2%	1.8%
Vietnam*	23	–	<b>N/A</b>	N/A	N/A	N/A	N/A
Australia	17	17	<b>(1.7%)</b>	8.5%	8.0%	7.3%	12.6%
Cambodia	3	2	<b>25.0%</b>	24.1%	25.6%	22.7%	32.1%
India (will franchise out)	–	–	<b>N/A</b>	N/A	(19.5%)	N/A	(18.9%)
<b>Mainland China</b>	<b>343</b>	315	<b>9.0%</b>	<b>16.2%</b>	0.1%	<b>15.1%</b>	0.4%
<b>Hong Kong &amp; Macau</b>	<b>248</b>	239	<b>3.8%</b>	<b>9.0%</b>	3.3%	<b>8.3%</b>	5.5%
<b>Taiwan</b>	<b>189</b>	158	<b>19.5%</b>	<b>19.6%</b>	(10.0%)	<b>25.1%</b>	(6.6%)
<b>Middle East</b>	<b>134</b>	147	<b>(8.8%)</b>	<b>(7.3%)</b>	6.1%	<b>(12.2%)</b>	4.9%
<b>Retail &amp; Distribution</b>	<b>1,313</b>	1,206	<b>8.9%</b>	<b>9.5%</b>	0.5%	<b>8.7%</b>	2.2%
Wholesale sales to overseas franchisees	<b>74</b>	79	<b>(6.3%)</b>				
<b>Total at constant exchange rates</b>	<b>1,387</b>	1,285	<b>7.9%</b>				
Currency translation difference	<b>70</b>	–					
<b>Total at current exchange rates</b>	<b>1,457</b>	1,285	<b>13.4%</b>				

\* Vietnam operations were acquired on Jul 1, 2017 and its results have been consolidated since the acquisition date.

## Store Portfolio at March 31

	Store numbers		Retail floor space (sq. ft. in thousand)	
	2018	2017	2018	2017
<b>Retail &amp; Distribution</b>				
Mainland China				
Directly operated stores	<b>321</b>	351	<b>266</b>	293
Franchised stores	<b>604</b>	566	<b>471</b>	452
Rest of Asia Pacific				
Indonesia	<b>248</b>	239	<b>305</b>	304
Thailand	<b>162</b>	158	<b>114</b>	107
Malaysia	<b>92</b>	90	<b>82</b>	75
Singapore	<b>43</b>	45	<b>47</b>	56
Vietnam	<b>30</b>	–	<b>42</b>	–
Australia	<b>16</b>	17	<b>25</b>	26
Cambodia	<b>1</b>	1	<b>3</b>	3
India (will franchise out)	<b>6</b>	16	<b>3</b>	6
Taiwan	<b>199</b>	199	<b>193</b>	193
Middle East				
Directly operated stores	<b>146</b>	148	<b>180</b>	180
Franchised stores	<b>40</b>	40	<b>43</b>	42
Hong Kong & Macau	<b>77</b>	75	<b>88</b>	86
<b>Other overseas franchisees</b>	<b>429</b>	429	<b>445</b>	484
<b>Total</b>	<b>2,414</b>	2,374	<b>2,307</b>	2,307