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, 2016

UNAUDITED INTERIM RESULTS

Highlights

- *Consolidated group sales in the first half of 2016 were HK$2,532 million (2015: HK$2,736 million), a decrease of 7%, mainly due to closure of non-performing stores, and weakened currencies in South East Asian markets reduced the sales growth there.*

- *Consolidated gross profit decreased by a smaller 4% due to an improved gross profit margin of 2.4 percentage points to 59.6%. This was attributable to lower material costs, a strategic supplier network, change in product mix and better sales mix with higher margin region. Weakened exchange rates offset the benefits of lower production costs or by increased landed costs in certain markets. Renminbi-based supply contracts had caused higher landed product costs in markets where local currencies had depreciated against Renminbi.*

- *Comparable store gross profit was up by 1% against a 1% decrease in comparable store sales. Mainland China's gross profit from e-business registered a growth of 22%.*

- *Profit attributable to shareholders decreased by 2% year-on-year to HK$204 million (2015: HK$208 million), but net profit margin climbed to 8.1% (2015: 7.6%).*

- *A strong Hong Kong dollar against the local currencies of some of the Group's markets negatively affected the Group's reported profit attributable to shareholders by HK$6 million when translating local results of operations to Hong Kong dollars. Had these currency exchange rates remained constant, profit attributable to shareholders would have improved by 1% to HK$210 million.*

- *Net cash and bank balances at June 30, 2016 were HK$1,084 million (December 31, 2015: HK$1,076 million).*

- *The board of directors has declared an interim dividend of 12.5 HK cents per share (2015: 12.5 HK cents).*

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The board of directors (the "Board") of Giordano International Limited (the "Company") wishes to present the following unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2016 along with comparative figures and explanatory notes.

Condensed Consolidated Income Statement

(In HK$ million, except earnings per share)	**(Unaudited) Six months ended June 30 2016**	2015
Sales (Note 2)	**2,532**	2,736
Cost of sales	**(1,024)**	(1,170)
Gross profit	**1,508**	1,566
Other income and other gains, net	**43**	48
Operating expenses	**(1,284)**	(1,339)
Operating profit (Notes 2, 3)	**267**	275
Share of profit of joint ventures	**18**	19
Profit before taxation	**285**	294
Taxation (Note 4)	**(57)**	(60)
Profit for the period	**228**	234
Attributable to:		
Shareholders of the Company	**204**	208
Non-controlling interests	**24**	26
	228	234
Earnings per share attributable to shareholders of the Company (Note 5)		
Basic and Diluted (HK cents)	**13.0**	13.2

Consolidated Statement of Comprehensive Income

(In HK$ million)	**(Unaudited) Six months ended June 30 2016**	2015
Profit for the period	**228**	234
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Fair value change on available-for-sale financial asset	**10**	7
Exchange differences on translation of overseas subsidiaries, associates, joint ventures and branches	**10**	(34)
Total comprehensive income for the period	**248**	207
Attributable to:		
Shareholders of the Company	**219**	190
Non-controlling interests	**29**	17
	248	207

Consolidated Balance Sheet *(In HK$ million)*	**(Unaudited)** **June 30** **2016**	(Audited) December 31 2015
Assets		
Non-current assets		
Property, plant and equipment	**228**	239
Goodwill	**546**	546
Interest in joint ventures	**482**	503
Available-for-sale financial asset	**23**	13
Financial asset at fair value through profit or loss	**28**	28
Leasehold land and rental prepayments	**198**	205
Rental deposits	**93**	109
Deferred tax assets	**47**	48
	1,645	1,691
Current assets		
Inventories	**392**	491
Leasehold land and rental prepayments	**52**	47
Trade and other receivables (Note 7)	**542**	542
Cash and bank balances	**1,084**	1,076
	2,070	2,156
Total assets	**3,715**	3,847
Equity and liabilities		
Capital and reserves		
Share capital	**79**	79
Reserves	**2,504**	2,483
Proposed dividends (Note 6)	**196**	228
Equity attributable to shareholders of the Company	**2,779**	2,790
Non-controlling interests	**178**	176
Total equity	**2,957**	2,966
Non-current liabilities		
Put option liability	**19**	19
Deferred taxation	**113**	111
	132	130
Current liabilities		
Trade and other payable (Note 8)	**429**	559
Put option liability	**102**	102
Taxation	**95**	90
	626	751
Total liabilities	**758**	881
Total equity and liabilities	**3,715**	3,847
Net current assets	**1,444**	1,405
Total assets less current liabilities	**3,089**	3,096

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, 2016 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, 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The unaudited interim results are in millions of Hong Kong dollars, 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 annual financial statements for the year ended December 31, 2015.

Amendments to HKFRS effective for the financial year ending December 31, 2016 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 taxation 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 11, 2016.

2. Operating segments

The Group determines its operating segments based on its development strategies and operational control. There are two major operating segments; namely, Retail and Distribution and Wholesale sales to overseas franchisees. Management manages the Retail and Distribution operating segment by both geography and brand.

Geographically, the Retail and Distribution operating segment in mainland China and the Middle East comprise retail and franchise sales. Hong Kong, Taiwan and the rest of Asia Pacific do not have material local franchise sales. Group stores span most of Asia Pacific and the Middle East. There are also presently insignificant sales from franchised stores in south Asia, North America, and Central Europe.

As for brands, the Group presently manages *Giordano & Giordano Junior, Giordano Ladies, BSX* and other less material brands or third party licensed brands.

Segment operating profit in each segment is before share of profit of joint ventures and taxation. This is the measurement basis reported to management and the chief operating decision-makers for the purpose of resource allocation and assessment of segment performance.

2. Operating segments (continued)

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

	Six Months ended June 30			
	2016		2015	
(In HK$ million)	**Sales**	**Operating profit**	Sales	Operating profit
Retail and Distribution				
Mainland China	**637**	**47**	762	41
Hong Kong and Macau	**457**	**38**	479	32
Taiwan	**323**	**22**	340	31
The rest of Asia Pacific	**658**	**66**	638	68
The Middle East	**315**	**60**	320	60
	2,390	**233**	2,539	232
Wholesale sales to overseas franchisees	**142**	**24**	197	25
Segment results	**2,532**	**257**	2,736	257
Corporate functions		**10**		18
Share of profit of joint ventures		**18**		19
Profit before taxation		**285**		294

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

	Six Months ended June 30			
	2016		2015	
(In HK$ million)	**Sales**	**Operating profit**	Sales	Operating profit
Retail and Distribution				
Giordano & Giordano Junior	**2,047**	**201**	2,187	203
Giordano Ladies	**191**	**26**	196	23
BSX	**74**	**3**	85	(1)
Others	**78**	**3**	71	7
	2,390	**233**	2,539	232

The entity has its domicile in Hong Kong. Sales to external customers from Hong Kong is HK$599 million (2015: HK$676 million), mainland China HK$637 million (2015: HK$762 million) and external customers from other markets HK$1,296 million (2015: HK$1,298 million).

Inter-segment sales of HK$490 million (2015: HK$539 million) has been eliminated upon consolidation.

3. Operating profit

Operating profit is after charging/ (crediting) the following:

(In HK$ million)	**Six months ended June 30** **2016**	2015
Amortization of leasehold land prepayments	**3**	4
Depreciation of property, plant and equipment	**60**	67
Gain on re-measurement of previously held interest upon step acquisition of subsidiaries	**–**	(2)
Net gain on disposal of property, plant and equipment	**(1)**	(6)
Net exchange gain	**(1)**	–

4. Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong is calculated at the rates applicable in the respective jurisdictions.

(In HK$ million)	**Six months ended June 30** **2016**	2015
Current income tax		
Hong Kong	**9**	10
Outside Hong Kong	**31**	36
Withholding tax on profit distribution from subsidiaries and joint venture	**17**	17
	57	63
Deferred tax		
Origination and reversal of temporary differences	**–**	(3)
	57	60

This charge excludes the share of joint ventures' taxation for the period of HK$5 million (2015: HK$5 million). The share of profit of joint ventures in the condensed consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

5. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders of the Company for the period of HK$204 million (2015: HK$208 million).

The basic earnings per share is based on the weighted average of 1,570,394,518 shares (2015: 1,570,167,591 shares) in issue during the six months ended June 30, 2016.

The diluted earnings per share is based on 1,570,460,049 shares (2015: 1,570,928,623 shares) which is the total of the weighted average of 1,570,394,518 shares (2015: 1,570,167,591 shares) in issue during the period and the weighted average of 65,531 shares (2015: 761,032 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

6. Dividends

	Six months ended June 30	
(In HK$ million)	**2016**	2015
Interim dividend declared of 12.5 HK cents (2015: 12.5 HK cents) per share	**196**	196
2015 final dividend paid of 14.5 HK cents (2014: 14.5 HK cents) per share	**228**	228

At the Board meeting on August 11, 2016, the directors declared an interim dividend of 12.5 HK cents per share. The interim dividend has not been recognized as a liability at the balance sheet date.

7. Trade and other receivables

(In HK$ million)	**June 30 2016**	December 31 2015
Trade receivables	**236**	275
Less provision for impairment	**(11)**	(11)
Trade receivables, net	**225**	264
Aging analysis from the invoice date net of provision for impairment is as follows:		
0 – 30 days	**143**	187
31 – 60 days	**39**	42
61 – 90 days	**19**	13
Over 90 days	**24**	22
	225	264
Other receivables, including deposits and prepayments	**317**	278
	542	542

Trade receivables comprise mainly amounts due from wholesale customers and retail proceeds due from department stores. The Group normally allows a credit period of 30-60 days.

8. Trade and other payable

(In HK$ million)	**June 30 2016**	December 31 2015
Trade payable	**100**	232
Aging analysis is as follows:		
0 – 30 days	**78**	186
31 – 60 days	**15**	32
61 – 90 days	**2**	8
Over 90 days	**5**	6
	100	232
Other payable and accrued expense	**329**	327
	429	559

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, 2016 and 2015 unless otherwise stated.

OVERVIEW

- The Group is an international apparel retailer with a family of brands, including Giordano & Giordano Junior, Giordano Ladies, BSX and other less material brands or third party licensed brands.
- We operated 2,387 stores (equivalent to 2,292,000 sq ft of retail floor space) in over 30 countries worldwide at June 30, 2016, including 1,170 standalone stores. The majority of stores were in Greater China, South Korea, South East Asia, and the Middle East. We manage our store portfolio by geographic region and by brand.
- Group sales[1] for the six months ended June 30, 2016 were HK$2,532 million. Gross profit margin was 59.6%. Comparable store gross profit[2] ("CSGP") was up by 1% although comparable store sales[2] ("CSS") were down by 1%.
- Profit attributable to shareholders ("PATS") was HK$204 million.
- Free cash flow from operations[3] was HK$259 million, a 107% "profit to cash" conversion rate.

Table 1: Store portfolio

	Store numbers at		Retail floor space (sq ft in thousands) at	
By region	**June 30 2016**	June 30 2015	**June 30 2016**	June 30 2015
Retail and Distribution				
Mainland China				
Direct-operated stores	**360**	435	**302**	391
Franchised stores	**536**	493	**436**	408
Hong Kong and Macau	**70**	74	**84**	90
Taiwan	**211**	201	**208**	203
The rest of Asia Pacific	**582**	559	**568**	517
The Middle East	**196**	202	**227**	241
Overseas franchisees	**432**	414	**467**	434
Total store numbers/retail floor space	**2,387**	2,378	**2,292**	2,284

Our geographic expansion focus was in third- and fourth-tier cities in mainland China and South East Asia, in which we expanded our retail floor space by 9% in the past 12 months.

RESULTS OF OPERATIONS

Table 2: Overview of Group results of operations

(In HK$ million)	**Six months ended June 30** **2016**	2015	Change
Group sales	**2,532**	2,736	(7%)
Gross profit	**1,508**	1,566	(4%)
Gross profit margin	**59.6%**	57.2%	2.4pp
Operating expenses	**(1,284)**	(1,339)	(4%)
Operating profit	**267**	275	(3%)
Operating margin	**10.5%**	10.1%	0.4pp
EBITDA	**353**	370	(5%)
PATS	**204**	208	(2%)
Net profit margin	**8.1%**	7.6%	0.5pp
Global brand sales[4]	**3,301**	3,373	(2%)
CSS	**(1%)**	6%	
Global brand gross profit[4]	**1,997**	2,000	Flat
CSGP	**1%**	4%	
Free cash flow from operations	**259**	357	(27%)
Cash and bank balances at period end	**1,084**	1,029	5%
Inventories at period end	**392**	453	(13%)
Inventory turnover on cost ("ITOC") (days)[5]	**70**	70	Flat
Number of stores at period end	**2,387**	2,378	9

Table 3: Group sales by region

(In HK$ million)	**Six months ended June 30** **2016**	2015	Change	Change (at constant exchange rates)
Mainland China	**637**	762	(16%)	(12%)
Hong Kong & Macau	**457**	479	(5%)	(5%)
Taiwan	**323**	340	(5%)	Flat
The rest of Asia Pacific	**658**	638	3%	8%
The Middle East	**315**	320	(2%)	(1%)
Retail and Distribution	**2,390**	2,539	(6%)	(3%)
Wholesale sales to overseas franchisees	**142**	197	(28%)	(28%)
Total	**2,532**	2,736	(7%)	(5%)

Sales

Group sales dropped by 7% but would have been down by only 5% if translated at constant exchange rates. Group CSGP was up by 1% despite a 1% decrease in Group CSS.

Slower economic growth, an unreasonably cool spring, and closure of non-performing stores contributed to the reduction of reported sales by 10% in Greater China. Management believes that proactive supply chain management, heightened marketing efforts, and simpler product designs will help improve sales going forward. In particular, sales growth in e-business has continued to out-perform physical stores.

Translated at constant exchange rates, the rest of Asia Pacific recorded an increase in sales of 8%, attributable to regional CSS growth of 5% and net store gains. Reported sales were only up by 3% due to weakened currencies against HK dollars. Management expects sustained sales growth in this region.

A strong second quarter followed a disappointing first quarter in the Middle East where YOY regional CSS were up by 7% in the second quarter and down by 15% in the first quarter. An early Ramadan and merchandise adjustments boosted second quarter sales. Management is of the view that revamped merchandise will support continuation of sales improvement in this region.

Under the core Giordano brand, 76% of sales came from menswear and 24% from womenswear. Menswear brand's CSS was flat, but CSGP improved by 2%. Womenswear CSS and CSGP were both up by 1%. In addition to selling through multi-brand stores, there were 46 womenswear counters in mainland China and Thailand at June 30, 2016. These counters were profitable overall.

For our premium womenswear brand, Giordano Ladies, CSS increased by 1% and CSGP was flat. In particular, CSS and CSGP in the South East Asian market surged by 23% and 24%, respectively. Management will expand its global footprint outside of Greater China.

Chart 1: Quarterly global brand sales and YOY change

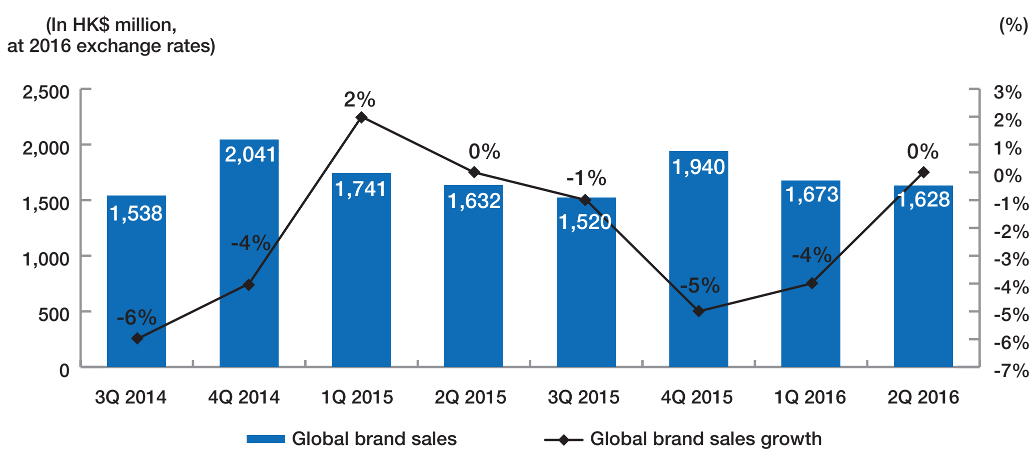
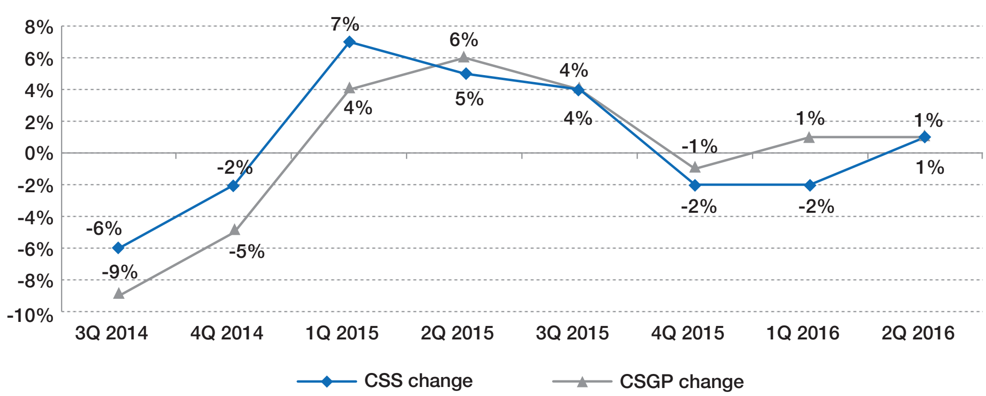


Chart 2: Quarterly CSS and CSGP change



Gross profit

The Group's emphasis on defending gross profit margin in all regions resulted in a 1% increase in CSGP despite of a CSS decrease of 1%. Due to lower Group sales volume, Group gross profit shrunk by 4% to HK$1,508 million (2015: HK$1,566 million). Group gross profit margin was up by 2.4 percentage points to 59.6% (2015: 57.2%). This was the result of the Group's renewed emphasis on simpler product designs with differentiated features, which enabled the Group to hold the price and offer fewer markdowns.

Group average selling price rose by 3%, primarily contributed by adjusting selling prices in the rest of Asia Pacific region to counter the unfavorable currency impact to its purchase costs in RMB. The increased sales contribution of this region to the Group further contributed to the rise of Group average selling price.

The Group reduced underlying average product costs by 5%, having taken advantage of lower fabric costs, restructured strategic supplier network, and change in product mix. Increased cost of higher quality fabric and weakened South East Asian currencies partly offset these savings, resulting in overall decrease of 2% only. Gross profit margin would also have been higher against comparable period last year by 3.1 percentage points if not for the impact of YOY weakened currencies in certain markets.

Sales volume was down by 7% mainly due to closure of non-performing stores, particularly in China, and lower wholesale sales to overseas franchisees.

Chart 3: Quarterly Group gross profit margin and YOY change

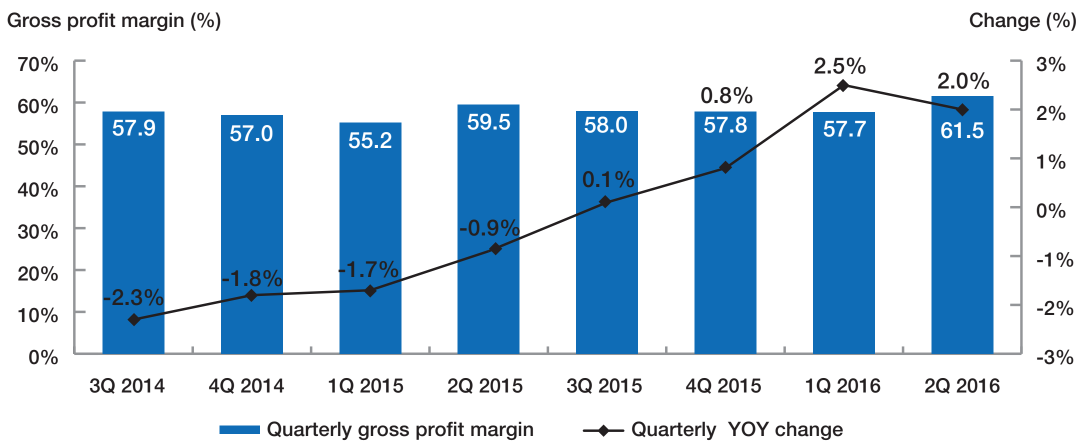


Table 4: Gross profit variance analysis by region

(In HK$ million)	1H 2015 gross profit	Average product costs	Average selling price	Volume	Exchange impact	Miscellaneous	1H 2016 gross profit
Mainland China	401	8	7	(52)	(18)	2	**348**
Hong Kong & Macau	321	15	(30)	5	–	2	**313**
Taiwan	199	10	(14)	8	(17)	–	**186**
The rest of Asia Pacific	382	(13)	55	(4)	(29)	(3)	**388**
The Middle East	205	13	(4)	–	–	(1)	**213**
Wholesales & Intercompany	58	18	(8)	(14)	–	6	**60**
Market mix	–	(7)	60	(53)	–	–	**–**
Group	**1,566**	**44**	**66**	**(110)**	**(64)**	**6**	**1,508**

Remark: The above variances have embedded product and channel mixes.

While the Group generally makes its purchases from RMB-based supply chain, its markets receive retail proceeds in local currencies. The relative strengthening or weakening of local currencies of each market against RMB will improve or reduce the gross profit and the gross profit margin in each market.

As the Group reports its results in HK dollars, the relative strengthening or weakening of local currencies against HK dollars will increase or decrease the Group's reported income statements when translating the results of operations of each market into HK dollars.

Table 5: Major foreign currencies table for past six quarters against RMB

Rate against 1 RMB	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
HKD	1.25	1.25	1.23	1.21	1.19	1.18
NTD	5.05	4.96	5.14	5.11	5.05	4.93
SGD	0.219	0.216	0.222	0.220	0.214	0.206
MYR	0.585	0.591	0.656	0.669	0.626	0.611
IDR	2,071	2,122	2,232	2,152	2,064	2,032
THB	5.23	5.41	5.66	5.59	5.44	5.37
AUD	0.207	0.209	0.222	0.216	0.210	0.205
AED	0.590	0.592	0.582	0.574	0.563	0.559
SAR	0.603	0.605	0.594	0.586	0.575	0.571

Source: Bloomberg

Table 6: Major non-USD pegged foreign currencies table for past six quarters against HKD

Rate against 1 HKD	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
RMB	0.803	0.800	0.815	0.826	0.839	0.846
NTD	4.05	3.97	4.19	4.22	4.24	4.17
SGD	0.176	0.173	0.181	0.182	0.179	0.175
MYR	0.469	0.473	0.534	0.553	0.525	0.517
IDR	1,663	1,698	1,818	1,777	1,733	1,720
THB	4.20	4.33	4.61	4.62	4.56	4.54
AUD	0.166	0.167	0.181	0.179	0.177	0.173

Source: Bloomberg

Other income and other gains, net

Other income and other gains mainly comprised of royalty income, rental income, gain from disposal of property, plant and equipment and interest income. The other income and other gains dropped by 10% or HK$5 million primarily due to less units of staff quarters sold in this period.

Operating expenses

Savings in operating expenses (decreased by 4%) virtually offset the decrease in gross profit. Operating expense ratio, due to lower Group sales, increased by 1.8 percentage points from 48.9% to 50.7%.

Rental expense was lower by 7% due to the closure of non-performing DOS and opening of stores in more reasonably priced locations in Greater China, partly offset by expansion of retail space in South East Asia, in which we added net 23 stores in the past 12 months. Rental expense to sales was 21.8% (2015: 21.7%).

Staff expense was flat, but its percentage to sales rose from 16.6% to 17.9% due to a 7% decrease in Group sales. Average headcount decreased by 3%, which was in line with 1% decrease in retail space. Average staff salary has increased by 5% due to salary increment and increase in statutory staff benefits in certain markets.

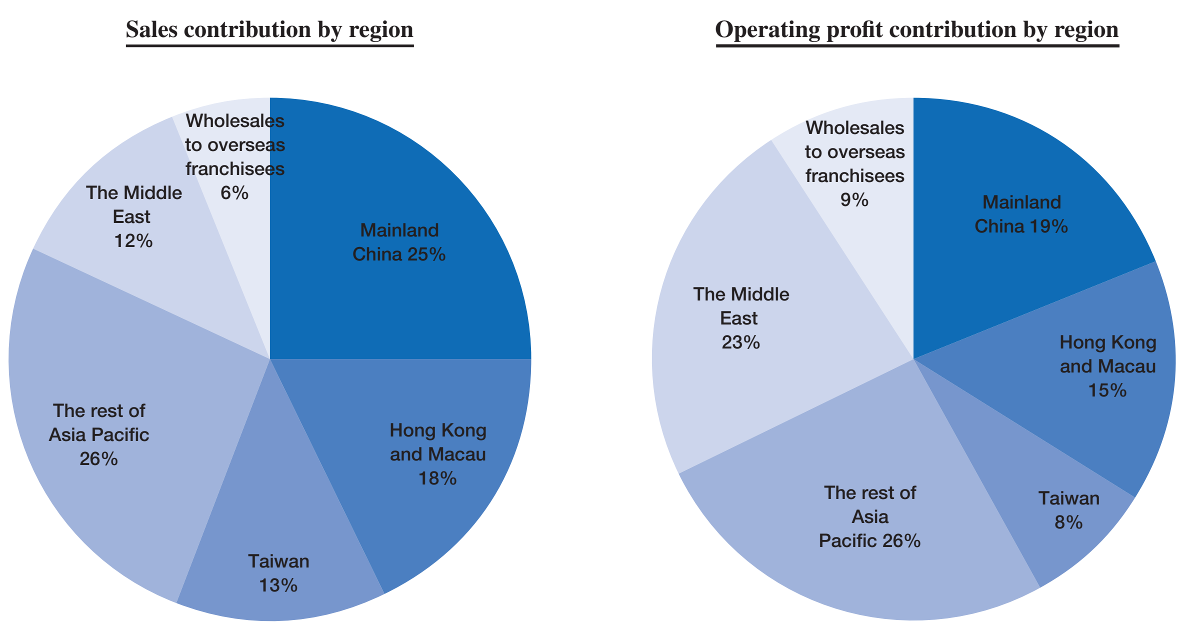
Advertising and marketing expenses declined by 7% with fewer global advertising campaigns launched this year. The Group will continue to execute impactful marketing programs where appropriate.

Shop overhead expenses, comprising shop depreciation, utilities, credit card charges, and other miscellaneous expenses, reduced by 5%, primarily due to cost control across the Group.

Operating profit

Mainland China contributed 25% of Group sales, while it contributed only 19% of Group operating profit, attributable to lower operating margin than the other regions. Compared to other regions such as the Middle East which achieved a high-teen operating margin due to strong brand equity, mainland China had a high single-digit operating margin. In this period, mainland China operating margin increased by two percentage points to 7.4%, attributable to improved gross profit margin and expense control executed by strengthened management team. Management expects the operating margin in mainland China will continue to improve in the second half of the year.

Chart 4: Sales and operating profit contribution by region



Taxation

Taxation amounted to HK$57 million (2015: HK$60 million), representing an effective tax rate of 20.0% (2015: 20.4%). There are no known circumstances to cause material distortion of anticipated effective tax rate of the Group by year end.

Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company declined by 2% to HK$204 million (2015: HK$208 million). Net profit margin increased by 0.5 percentage points from 7.6% to 8.1% attributable to improved gross profit margin, partly offset by the increased operating expense ratio. Adverse changes in foreign currency exchange rates against HK dollars negatively affected reported PATS by HK$6 million in this period.

Table 7: Analysis of change in PATS

(In HK$ million)	**Six months ended June 30**
Reported 1H 2015 PATS	**208**
Increase in profit from mainland China	**9**
Increase in profit from Hong Kong and Macau	**6**
Decrease in profit from Taiwan	**(8)**
Increase in profit from the rest of Asia Pacific	**1**
Increase in profit from the Middle East	**–**
Increase in share of profit of South Korea	**1**
Decrease in profit from wholesales	**(1)**
Change in taxation, non-controlling interests and corporate functions	**(6)**
1H 2016 PATS without currency translation difference	**210**
Currency translation difference	**(6)**
Reported 1H 2016 PATS	**204**

The following market-specific comments by management are in local currencies or, if in HK dollars, are at constant exchange rates to remove distortions only from the translation of results of operations and financial condition from local currencies to HK dollars. The figures have not removed the impact on imported product costs contracted at non-local currencies.

Mainland China

Table 8: Overview of mainland China

	Six months ended June 30		
(In RMB million)	**2016**	2015	Change
Total sales	**539**	612	(12%)
DOS	**389**	452	(14%)
Wholesale to franchisees	**150**	160	(6%)
Total brand sales	**667**	748	(11%)
DOS	**389**	453	(14%)
Franchised stores	**278**	295	(6%)
CSS	**(3%)**	12%	
Gross profit	**294**	322	(9%)
Gross profit margin	**54.5%**	52.6%	1.9pp
CSGP	**(1%)**	10%	
Operating expenses	**(264)**	(303)	(13%)
Operating profit	**40**	33	21%
Operating margin	**7.4%**	5.4%	2.0pp
Number of stores at period end	**896**	928	(32)
DOS	**360**	435	(75)
Franchised stores	**536**	493	43

The region's sales were down primarily due to net closure of stores and a 3% decrease in CSS. The region's CSGP registered a smaller decrease of 1%. Gross profit declined by 9% while gross profit margin improved by 1.9 percentage points. Average product costs contracted by 3% while average selling price was up by 1%. Higher quality products with simpler designs yielded higher selling prices, less markdowns and better margins.

In the past 12 months, we had a net closure of 32 stores, affecting total sales comparison. The number of directly operated stores ("DOS") decreased by 75, mainly street stores, whereas franchised stores increased by 43. This was in line with an ongoing initiative to exit non-performing high rent stores, DOS expansion in department store channels and strategic focus to expand our franchise network to third- and fourth-tier cities. Franchised stores' gross profit margins improved by 1.6 percentage points due to better product mix and lower underlying average product costs.

Sales contribution from e-business surged to account for 16% (2015: 12%) of mainland China sales. Pricing discipline, merchandise selection and the application of "big data" technique helped surge gross profit by 22%. Management will continue to provide resources to support e-business sales globally.

Operating profit rose by 21%, primarily due to improved profits from e-business and closure of non-performing stores. Operating margin rose by two percentage points from 5.4% to 7.4%, primarily driven by improvement of gross profit margins by the same extent and expense control.

The budget brand, Beau Monde, had 16 stores at period end and was overall profitable. Leveraging Group sourcing infrastructure, Beau Monde will launch more price competitive products in the coming seasons.

Chart 5: Mainland China quarterly brand sales and YOY change

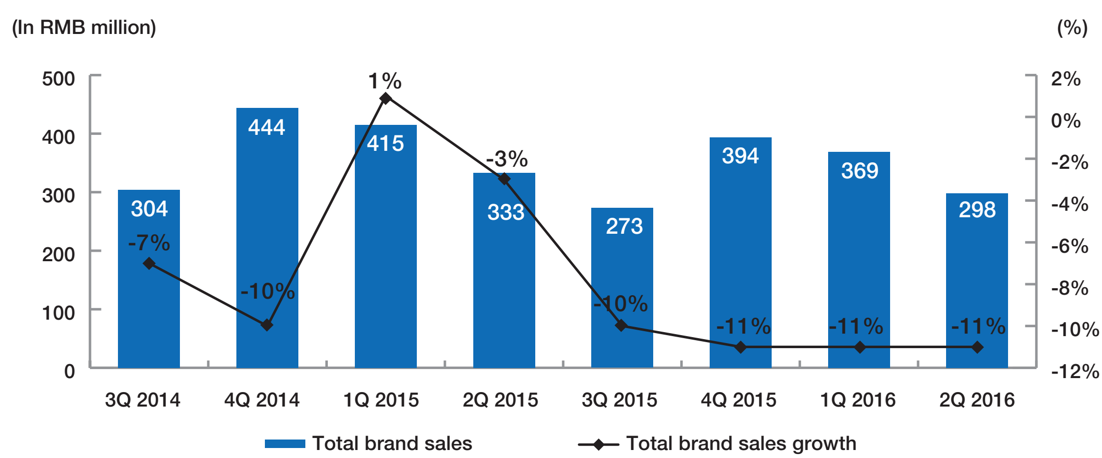
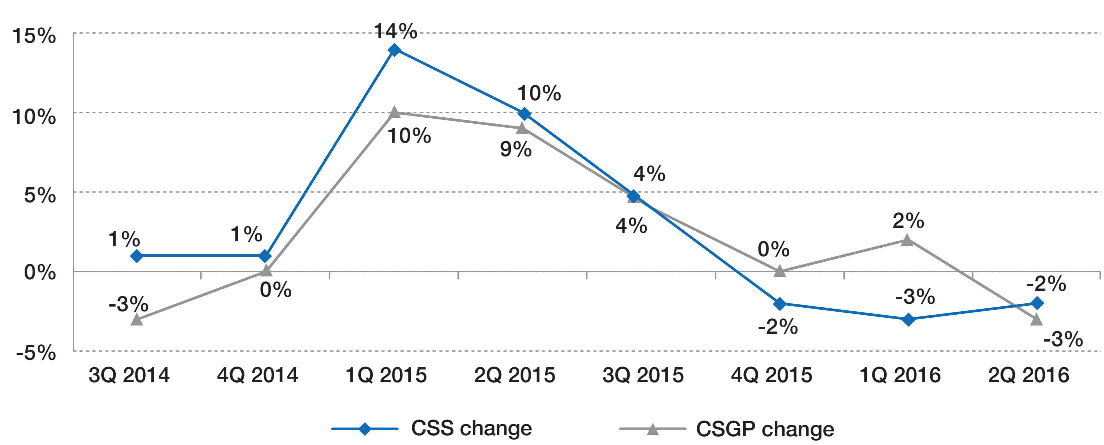


Chart 6: Mainland China quarterly CSS and CSGP change



Hong Kong and Macau

Table 9: Overview of Hong Kong and Macau

(In HK$ million)	Six months ended June 30 **2016**	2015	Change
Total sales	**457**	479	(5%)
CSS	**1%**	8%	
Gross profit Gross profit margin	**313** **68.5%**	321 67.0%	(3%) 1.5pp
CSGP	**2%**	8%	
Operating expenses	**(277)**	(291)	(5%)
Operating profit Operating margin	**38** **8.3%**	32 6.7%	19% 1.6pp
Number of stores at period end	**70**	74	(4)

Sales recorded a decrease of 5%, mainly due to closure of high rent stores during 2015. Hong Kong CSS increased by 1% despite government statistics reporting an 8% decrease in wearing apparel sales value in Hong Kong in the first half of 2016. Regional CSGP grew by 2% and gross profit margin was up by 1.5 percentage points from 67.0% to 68.5%. This was attributable to a decrease of average product costs of 10%, partly offset by a 6% decrease in average selling price.

Rental expense to sales ratio receded by two percentage points in this period, mainly due to the exit from high rent locations and successful rental reductions. Management is evaluating the economics of prime locations and planning to open new stores when their occupancy costs return to reasonable level. Staff costs to sales ratio escalated by 1.6 percentage points due to salary adjustments.

Operating profit rose by 19%. Operating margin increased by 1.6 percentage points from 6.7% to 8.3%, primarily attributable to increase in gross profit margin of 1.5 percentage points.

Chart 7: Hong Kong and Macau quarterly brand sales and YOY change

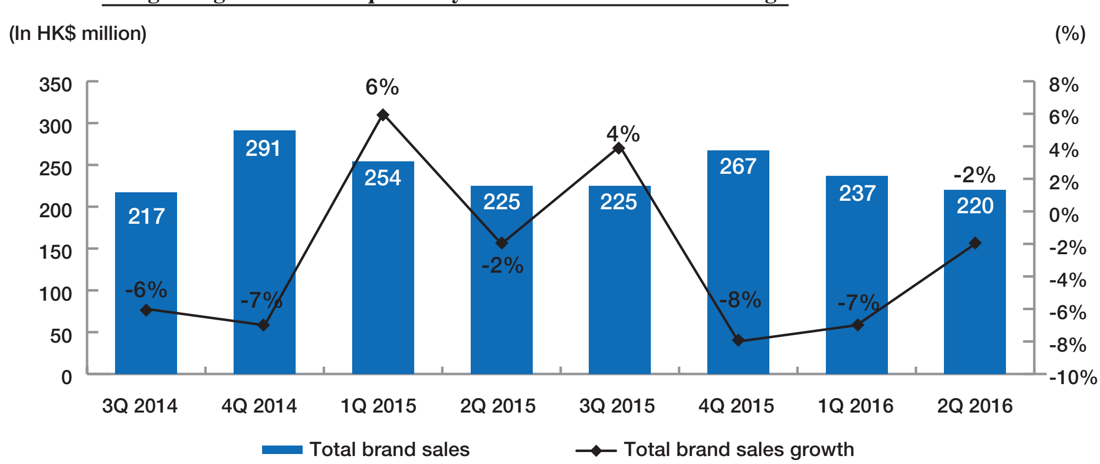
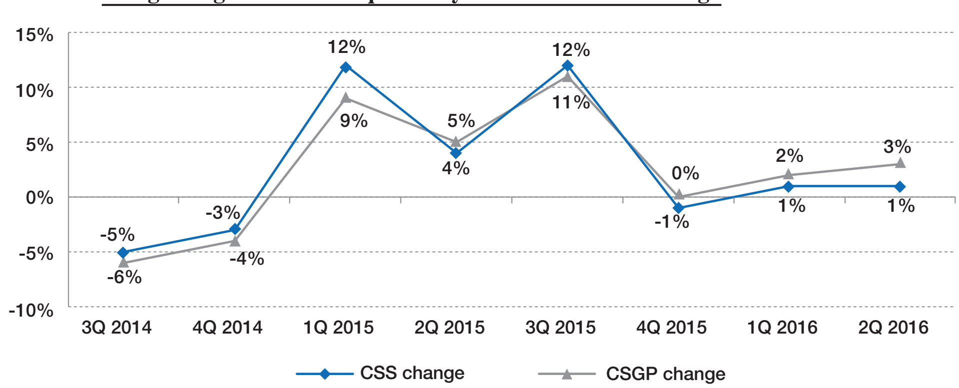


Chart 8: Hong Kong and Macau quarterly CSS and CSGP change



Taiwan

Table 10: Overview of Taiwan

(In NTD million)	Six months ended June 30 **2016**	2015	Change
Total sales	**1,371**	1,370	Flat
CSS	**(4%)**	12%	
Gross profit Gross profit margin	**786** **57.3%**	801 58.5%	(2%) (1.2pp)
CSGP	**(5%)**	11%	
Operating expenses	**(696)**	(682)	2%
Operating profit Operating margin	**95** **6.9%**	125 9.1%	(24%) (2.2pp)
Number of stores at period end	**211**	201	10

Against a higher CSS growth of 12% in the first half of 2015, CSS decreased by 4%. The government announced that the preliminary estimation of first quarter YOY real GDP declined by 0.68%. The subdued economy growth weakened consumer sentiment. In the past 12 months, we added net ten stores, but sales were flat. Newly opened stores failed to deliver expected sales.

Gross profit margin decreased slightly by 1.2 percentage point. Although the average underlying product costs were down by 2%, the weakened NTD unfavorably affected landed product costs, which are primarily denominated in RMB. Average selling price decreased by 4%. Management is reviewing its price and product mix in the second half of the year.

Taiwan operating profit fell by 24%. Operating margin went down from 9.1% to 6.9%. Gross profit margin decreased by 1.2 percentage point.

Along with a price and product mix review, management will also carefully evaluate Taiwan's non-performing stores and its expansion plans, as the local economy is not showing signs of any reasonable growth.

Chart 9: Taiwan quarterly brand sales and YOY change

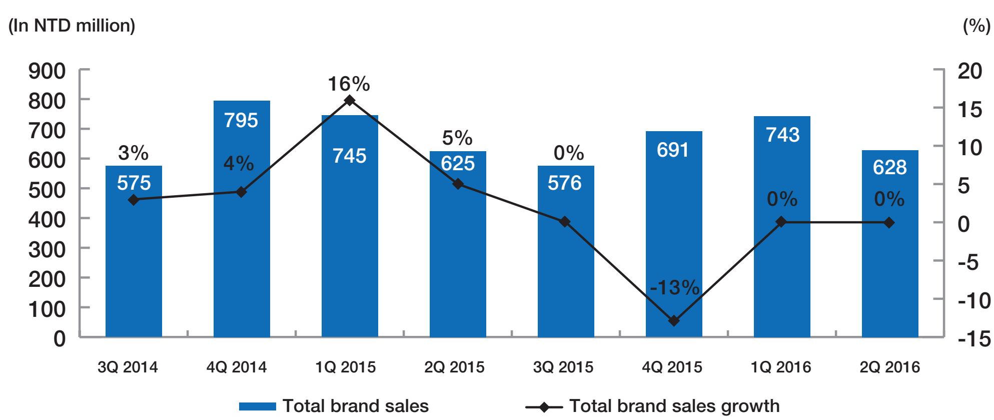
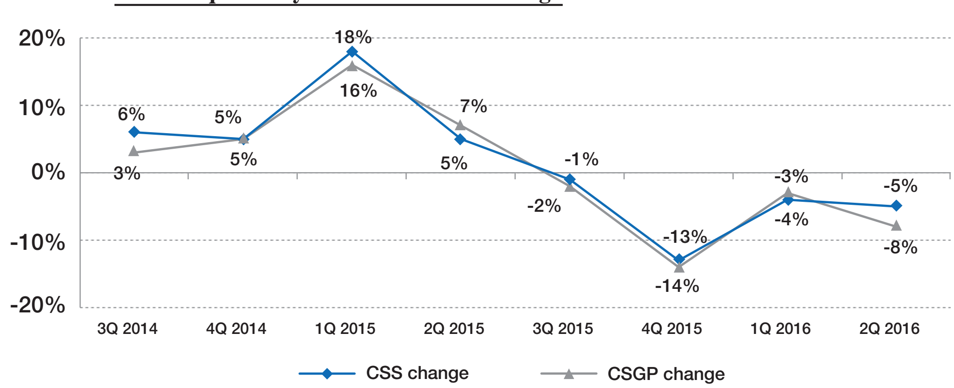


Chart 10: Taiwan quarterly CSS and CSGP change



The rest of Asia Pacific

Table 11: Overview of the rest of Asia Pacific region

(In HK$ million, translated at constant exchange rates)	Six months ended June 30 **2016**	2015	Change
Total sales	**687**	638	8%
CSS	**5%**	9%	
Gross profit Gross profit margin	**405** **59.0%**	382 59.9%	6% (0.9pp)
CSGP	**4%**	7%	
Operating expenses	**(342)**	(313)	9%
Operating profit Operating margin	**69** **10.1%**	68 10.7%	2% (0.6pp)
Number of stores at period end	**582**	559	23

Weakened local currencies against RMB have affected the results from this region as most production orders are in RMB. For example, the Malaysian Ringgit depreciated against RMB by 5%, and the Thai Baht 2%. This resulted in higher product costs, and a decrease in gross profit margin by 0.9 percentage point, in aggregate.

Translation of the results of operations from these markets to the Group reporting currency, HK dollars, further negatively affected their reported results. When translated at current exchange rates, regional sales were up by 3%, while regional operating profit was down by 3%. If translated at constant exchange rates, the region would have reported an 8% regional sales increase and a 2% regional operating profit increase. Currency movements in this region are still unpredictable due to many global factors. Regional management teams will persevere to protect our brand equities there with strategic marketing campaigns to boost selling prices and not resort to discounting.

Table 12: Store number of markets in the rest of Asia Pacific region

	At **June 30 2016**	At June 30 2015
Indonesia	**231**	208
Thailand	**151**	143
Malaysia	**91**	88
Singapore	**48**	48
India	**38**	49
Australia	**22**	22
Cambodia	**1**	1
Total number of stores	**582**	559
Total retail floor space (sq ft)	**568,000**	517,300

Commentaries on key markets in this region are as follows:

In Singapore, second quarter CSS improved by 4% YOY against a first quarter increase of 1%. Although the Singaporean dollar had not suffered depreciation as other currencies in the region, weakened economy and low tourist traffic dampened overall retail sales. In 2015, the Singapore Golden Jubilee celebration also contributed to unusually high store footfalls in the comparable period.

The Malaysian government introduced Goods and Services Tax in April 2015. This encouraged unusually high consumption prior to the implementation and had created a rather high 2015 comparable base. Owing to more favorable merchandise mix and inventory discipline, management succeeded in improving gross profit margin by one percentage point although the Malaysian Ringgit had depreciated against RMB by 5%. The management team has succeeded in bringing down stock levels to poise at high margin marketing initiatives in the second half of the year.

In Indonesia, Giordano brand CSS was up by 8% attributable to improved merchandise assortment, but licensed brands recorded a double-digit decline due to upward adjustments of licensor-directed retail prices and delayed shipments of merchandise. The licensor has since revised its pricing guideline. The depreciation of Indonesian Rupiah had also severely increased product costs sourced primarily from China.

Translated at constant exchange rate, sales of Indonesia were up by 14%, primarily driven by net addition of 23 stores in the past 12 months. However, rapidly rising operating expenses, particularly rental expenses and statutory staff benefits, brought down operating margin by 3.2 percentage points, resulting in a 6% decline in operating profit even translated at constant exchange rate. The local management team has built the strongest Giordano brand image among all markets. We believe that this position will help us sustain high operating margins despite the unstable local currency.

Thailand reported growth of 15% in both CSS and CSGP. Operating profit translated at constant exchange rate also surged by 26%. These results were attributable to increases in sales and gross profit and well controlled operating expenses. This market tends to be resilient and our team there manages its merchandising very well. The Group anticipates sustainable profit growth despite depreciation of the Thai Baht.

Suffering from double-digit decline in CSS against an unstable economy and a depreciated Australian dollar, sales in Australia have been disappointing. Operating loss had further deteriorated from the same period last year. Management continues to assess if this market fits in the Group's geographic strategy.

Table 13: Sales, CSS and CSGP by markets in rest of Asia Pacific region

	Sales at constant exchange rate			**CSS**		**CSGP**	
	Six months ended June 30			**Six months ended June 30**			
(In HK$ million)	**2016**	2015	Change	**2016**	2015	**2016**	2015
Singapore	**155**	155	Flat	**2%**	8%	**Flat**	10%
Indonesia	**239**	209	14%	**8%**	9%	**6%**	Flat
Malaysia	**96**	92	4%	**Flat**	(5%)	**2%**	(7%)
Thailand	**152**	130	17%	**15%**	23%	**15%**	22%
Australia	**35**	40	(13%)	**(13%)**	15%	**(17%)**	15%
India	**7**	9	(22%)	**(38%)**	(2%)	**(36%)**	(10%)
Cambodia	**3**	3	Flat	**32%**	N/A	**27%**	N/A
Total	**687**	638	8%	**5%**	9%	**4%**	7%

Chart 11: The rest of Asia Pacific quarterly brand sales and YOY change

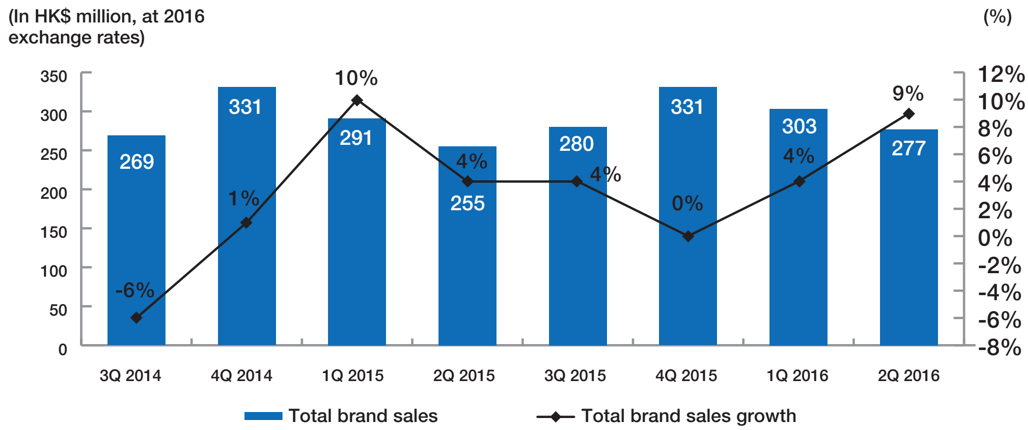
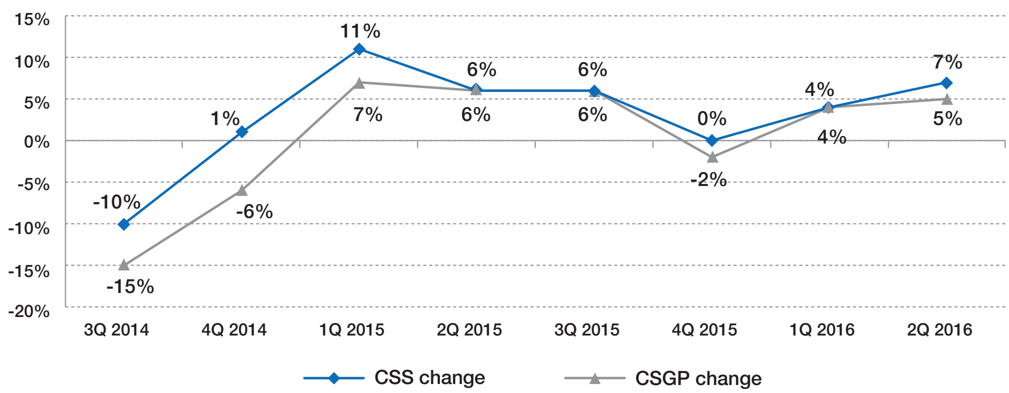


Chart 12: The rest of Asia Pacific quarterly CSS and CSGP change



The Middle East

Table 14: Overview of the Middle East

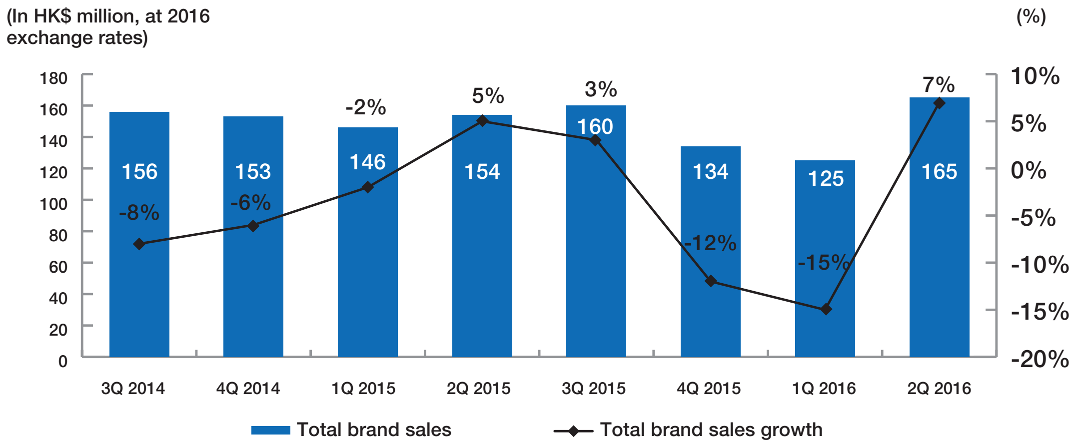
	Six months ended June 30		
(In HK$ million, translated at constant exchange rates)	**2016**	2015	Change
Total sales	**315**	320	(2%)
CSS	**(4%)**	1%	
Gross profit Gross profit margin	**213** **67.6%**	205 64.1%	4% 3.5pp
CSGP	**(1%)**	2%	
Operating expenses	**(154)**	(145)	6%
Operating profit Operating margin	**60** **19.1%**	60 18.8%	Flat 0.3pp
Number of stores at period end	**196**	202	(6)

Regional sales translated at constant exchange rate decreased by 2%. Regional CSS and CSGP decreased by 4% and 1%, respectively. In April last year, the Group completed the acquisition of Kuwait and Qatar operations. The Group has consolidated sales from these operations since the completion date. Excluding the acquisitions of Kuwait and Qatar, sales would have decreased by 7%.

Falling oil prices has adversely affected our CSS which declined by 15% in the first quarter. It has gradually recovered to rise by 7% in the second quarter. An early Ramadan, improved merchandise, and better marketing programs have all contributed to the strong second quarter sales. Sales in our wholesale markets through franchisees decreased by 22%, due to net closure of stores and negative CSS growth. The results were attributable to weakened consumer demand from depreciated local currencies against a strong USD.

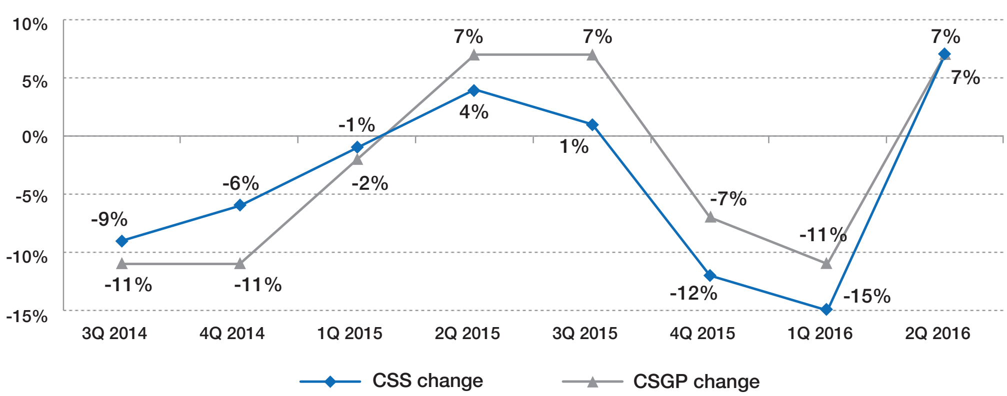
Although gross profit margin improved by 3.5 percentage points, operating profit was flat. Excluding the acquisitions of Kuwait and Qatar, operating profit would have decreased by 3%.

Chart 13: The Middle East quarterly brand sales and YOY change



Note: *Brand sales in the Middle East comprise retail sales at our DOS, but exclude retail sales in our franchised markets.*

Chart 14: The Middle East quarterly CSS and CSGP change



South Korea (a joint venture)

Table 15: Overview of South Korea

(In KRW million)	**Six months ended June 30** **2016**	2015	Change
Total sales	**101,519**	102,464	(1%)
CSS	**(2%)**	(6%)	
Gross profit	**56,370**	56,490	Flat
Gross profit margin	**55.5%**	55.1%	0.4pp
CSGP	**Flat**	(9%)	
Net Profit	**5,444**	5,044	8%
Share of profit (% of equity holding: 48.5%)	**2,640**	2,446	8%
Number of stores at period end	**195**	200	(5)

South Korea, a 48.5% joint venture under an independent management team, reported a minus 2% CSS and flat CSGP. Gross profit margin was up by 0.4 percentage point, attributable to less inventory clearances. The outbreak in 2015 of the Middle East Respiratory Syndrome ("MERS") necessitated frequent markdowns last year. Going forward management expects that South Korea will gradually recover product margins, partly due to the leveraging of the Group's sourcing power. Increase in net profit primarily resulted from prudent control of discretionary expenses.

Chart 15: South Korea quarterly brand sales and YOY change

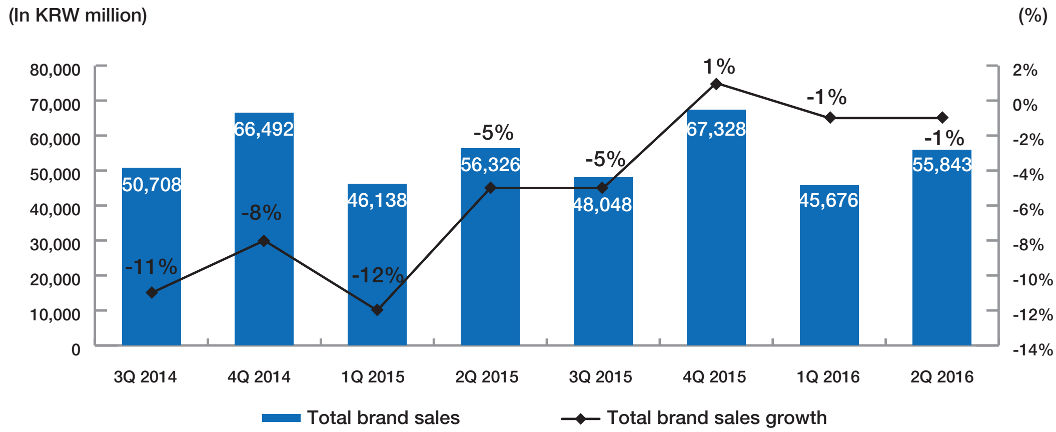
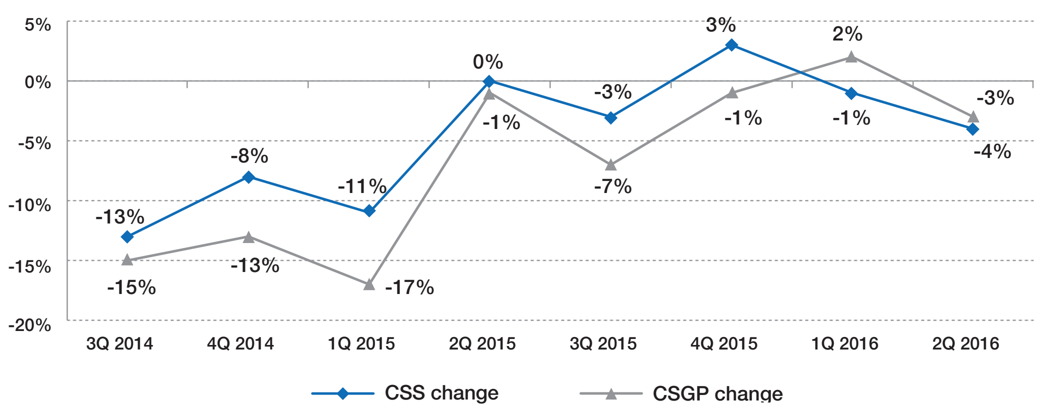


Chart 16: South Korea quarterly CSS and CSGP change



Group wholesales to overseas franchisees and non-consolidated entities

Table 16: Store number of overseas franchisees and non-consolidated subsidiaries

	At	
By market	**June 30 2016**	June 30 2015
Korea	**195**	200
Myanmar	**114**	104
Philippines	**81**	72
Vietnam	**26**	22
Japan	**11**	9
Other markets	**5**	7
Total number of stores	**432**	414
Total retail floor space (sq ft)	**467,000**	434,000

Wholesale sales fell sharply by 28% to HK$142 million (2015: HK$197 million). Management believes that, the Group's wholesale markets, in particular the South Korean joint venture, will begin to replenish their inventory levels upon completing their inventory rationalization. South Korea will soon deplete its overstock from the 2015 MERS referred to above. Its inventory turnover days on costs were 107 in this period (for the period ended June 30, 2015: 121 days).

Elsewhere, the Philippines, Myanmar, Vietnam, and Japan have registered sustainable growth in brand sales and the Group's wholesale sales to these markets increased by 9%. These markets reported double-digit expansion of retail space in the past 12 months and CSGP growth of 19% during the reporting period.

FINANCIAL CONDITION

Free cash flow from operations

Free cash flow from operations is essential to create shareholder value and this has been a key performance indicator internally. During the period, free cash flow decreased by HK$98 million or 27% to HK$259 million (2015: HK$357 million). Cash conversion rate measures our ability to convert profit into cash, calculated by dividing free cash flow before taxes paid of HK$310 million to EBIT, was 107% (2015: 139%). This is mainly due to net increase in working capital resulted from timing difference in settling trade payable.

During the period, we distributed HK$228 million of 2015 final dividends and HK$27 million dividends to non-controlling interests. Cash and bank balances increased by HK$8 million to HK$1,084 million. The change in cash and bank balances were primarily due to free cash flow from operations and the payout of dividends above.

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

Table 17: Free cash flow from operations

	Six months ended June 30	
(In HK$ million)	**2016**	2015
EBIT	**290**	299
Depreciation and amortization	**63**	71
Capital expenditure less disposals	**(44)**	(32)
Share of pre-tax profit of joint ventures/associates (net of dividends)	**10**	13
Changes in working capital	**(19)**	78
Decrease in rental deposits and rental prepayments less amortization	**7**	7
Others	**3**	(21)
Tax paid	**(51)**	(58)
Free cash flow from operations	**259**	357

Table 18: Analysis of change in cash and bank balances

	Six months ended June 30	
(In HK$ million)	**2016**	2015
Cash and bank balances at beginning of the period	**1,076**	915
Free cash flow from operations	**259**	357
Dividends paid to shareholders and non-controlling interests	**(255)**	(257)
Acquisition of Kuwait and Qatar operations	**–**	16
Proceeds from issuance of new shares	**–**	3
Exchange difference	**4**	(5)
Cash and bank balances at end of the period	**1,084**	1,029

Financial position

Property, plant, and equipment

During the first half of 2016, we increased capital expenditure by HK$6 million from HK$40 million the same period last year, on the addition of 145 DOS (2015: 105 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 liability

The goodwill and put option liability arose from the acquisition of the Middle East operations in year 2012. There were no change to the balances at June 30, 2016.

Interests in joint ventures

The balance mainly represents our interests to the 48.5% joint venture in South Korea. The decrease in balance by HK$21 million during the period was due to share of profit for the period of HK$18 million, offset by dividends received of HK$34 million and currency translation difference of HK$5 million.

Leasehold land and rental prepayments

At June 30, 2016, leasehold land and rental prepayments decreased by HK$2 million from HK$252 million at December 31, 2015, attributable to additional rental prepayment of HK$26 million, translation difference of HK$2 million, offset by amortization of HK$30 million.

Inventory

Inventory control is a key indicator of merchandising efficiency and remains a core competence of the Group. Group inventories at June 30, 2016 dropped by HK$99 million or 20% to HK$392 million (December 31, 2015: HK$491 million). In this period, ITOC days closing at 70 were flat to the same period last year. In the first quarter, ITOC days were 9 days more than that of last year. We reacted quickly in the second quarter and were able to bring back the ITOC days to be in line with first half last year.

The Group responsibly monitors inventories at our suppliers and mainland China franchisees as well as our own consolidated inventories (collectively, the "system inventory"). Although inventories at suppliers and mainland China franchisees are not our legal liabilities, this discipline ensures that we do not build up off-balance sheet inventories, which would jeopardize the Group's merchandising flexibility and wholesale business in the future months. The system inventory was down by 19% compared to December 31, 2015, in spite of bulk production and stockholding by suppliers of core items.

Table 19: **System inventory**

	At		
(In HK$ million)	**June 30 2016**	Dec 31 2015	June 30 2015
Inventories held by the Group	**392**	491	453
Inventories held by franchisees in mainland China	**66**	75	70
Finished goods at suppliers (not yet shipped)	**52**	67	51
Total system inventory	**510**	633	574

Trade receivables

The Group monitors the recoverability of trade receivables to mitigate bad debt risk. Value of trade receivables was equivalent to 44 days of credit sales, decreased by 6 days compared to the same period last year (prior years' days sales outstanding restated to reflect credit sales net of concessionary rent in department stores). Trade receivable past due more than 90 days represents 6% of trade receivables, same as 2015 year-end.

Trade payable

Days payable outstanding increased slightly by 1 day to 26 days during the period. This is a deliberate policy of faster payments to strategic suppliers. The Group benefits from lower product costs as our strategic suppliers incur lower financing expense.

Interim dividend

The Board declared an interim dividend of 12.5 HK cents per share (2015: 12.5 HK cents per share) on August 11, 2016. This totals HK$196 million and reflects strong free cash flow, working capital management, and net cash position. Group policy is to return surplus cash to shareholders. Management is confident that there are sufficient funds in the business for medium term investments.

OUTLOOK

Global currencies continue to experience great uncertainties. The Group suffered from the depreciation of local currencies in its markets during the reporting period. Notwithstanding an apparent stabilization of these currencies, management cannot predict the direction of the relevant exchange rates in the near future. The Group has reduced the lead-time of settlement for purchase costs to mitigate short-term exchange rate risk arising from other currencies against RMB. The Group has formulated a hedging policy to hedge a portion of its material foreign exchange exposures, with tenor up to 12 months. However, the Group may choose not to hedge certain foreign exchange exposures for a variety of reasons, including, but not limited to, accounting considerations and the prohibitive cost of hedging particular exposures.

The recent decision of the United Kingdom to leave the European Union, as we observed, had limited immediate or short term effect on the majority of the markets we operate in. Nonetheless, we are fully aware that global geopolitical events can lead to volatility in an unpredictable manner. Management will continue to monitor currencies and risk profiles, and take necessary steps when we anticipate threats or opportunities.

Management's outlook on mainland China is cautiously optimistic, as consumers there seem to have adapted to a slower yet sizable economic growth. Coupled with the improvements achieved by our mainland China management team towards franchise expansion and healthier margins, management expects that CSS and CSGP, in particular those relating to the e-business, will be better than the Group's average. Management will allocate more resources to the e-business by leveraging transacted data from its e-commerce platforms to expand its mobile apps user community.

Despite headwinds in the retail industry, Hong Kong market operating profit recorded improvement because of rental savings and efficient operation. We will continue to cautiously adjust our store portfolio and review our rent level. We expect to realize more savings from this area in near future.

Lower oil price and governments' austerity measures have created an uncertain economic outlook for the Middle East. However, our sales from the region showed signs of recovery in recent weeks due to an early Ramadan and improved merchandising mix. Management continues to sharpen the region's merchandising skills and shall embark on faster franchise expansion.

South Korea joint venture showed improvement from last year when MERS broke out. When the resultant overstock depletes, we believe that its margins and profitability further recover.

Management holds the view that regional economic environments are not conducive to profitable large-scale expansion in the medium term. We will focus on efficiencies by operational improvements and prudent investments. Management is also looking for new markets where the Group brands do not yet have a presence.

Finally, management is confident to deliver continuously healthy working capital. Management will strengthen the operating systems aiming at sustainable profitability. We have already restructured our management teams by core competencies.

There is no large capital expenditure contemplated in the near term.

OTHER INFORMATION

HUMAN RESOURCES

On June 30, 2016, the Group had approximately 8,100 employees (December 31, 2015: 8,100). 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.

DIVIDENDS

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 condition, its future expansion plans and other factors, the Board of the Company declared an interim dividend of 12.5 HK cents (2015: 12.5 HK cents) per share for the year ending December 31, 2016. The dividend is payable on or about Friday, September 23, 2016 to shareholders whose names appear on the Company's Register of Members ("the Register") on Wednesday, September 14, 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register will close from Monday, September 12, 2016 to Wednesday, September 14, 2016, both days inclusive. The Register will not register transfers of shares during this period. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must lodge with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, September 9, 2016.

CORPORATE GOVERNANCE

Directors of the Company are unaware of information that would reasonably indicate that the Company is not, or was not during the six months ended June 30, 2016, in compliance with the Code Provisions in the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited except Code Provision A.2.1 – roles of the Chairman and Chief Executive are vested in the same person; and Code Provision A.4.2 – the Chairman and the Chief Executive are not subject to retirement by rotation. Currently Dr. LAU Kwok Kuen, Peter ("Dr. Lau") 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 consistent leadership. This also allows 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.

REVIEW OF ACCOUNTS

The Audit Committee has discussed with the management the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial information for the six months ended June 30, 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the period.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, August 11, 2016

At the date of this announcement, the directors of the Company are:

Executive Directors: Dr. LAU Kwok Kuen, Peter, Mr. Ishwar Bhagwandas CHUGANI, and Dr. CHAN Ka Wai;

Non-executive Directors: Dr. CHENG Chi Kong, Adrian and Mr. CHAN Sai Cheong; and

Independent Non-executive Directors: 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 wholesale sales to all franchisees.*

[2] *CSS/CSGP are total Giordano brand sales/gross profit, at constant currency rates, from existing directly-operated stores, franchised stores and joint ventures' stores that have been fully operating in the same prior period.*

[3] *Free cash flow from operations is cash flow from operations less capital expenditure.*

[4] *Global brand sales/gross profit are at 2016 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 joint ventures.*

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