
Chief Executive's Statement

I am pleased to report that Giordano Holdings Limited's after tax profit on a combined basis in 1991 increased by 87% to HK\$85.1 million, compared with HK\$45.5 million in the previous year. This profit exceeded the forecast of HK\$78 million, as provided in the prospectus at the time of the Group's flotation in May 1991, by 9%. The Group's turnover also grew significantly to HK\$1,169.6 million, a 31% increase over that of the previous year. Combined earnings per share increased by 56% to 15.8 cents.

The Group's remarkable achievement was largely due to substantial growth in retail sales in all the Group's markets, particularly Hong Kong and Taiwan. The operations were supported by a high quality and efficient manufacturing base; and the Group has derived further benefits from economies of scale. In 1991, the number of retail outlets increased by 88, to a total of 236. These comprised 70 stores, 143 department store counters and 23 franchised shops.

In the coming year, the Group will focus on Japan and Taiwan. More outlets will be opened in Taiwan, with particular emphasis on the southern part of the island, where demand for GIORDANO products exists but which is currently thinly covered. The Directors consider that the GIORDANO name has begun to establish itself in the Japanese market. In order to further promote the GIORDANO image and penetrate this market, plans are being made to establish the Group's own shops in major cities in Japan.

The Group is also looking for opportunities in other Asian markets and has planned to open up to 5 outlets in Kuala Lumpur, Malaysia in the first half of 1992. Studies are being conducted in countries such as the People's Republic of China, South Korea and Indonesia, where there are large populations and dynamic economic growth.

To cope with the growth in retail sales, the Group will expand its manufacturing capacity in the People's Republic of China and, where necessary, in other countries. Earlier this year, the Group acquired Gloss Mind Limited, which operates a woven apparel factory at Yan Tian, the People's Republic of China.

The economic outlook in the Asia Pacific region remains bright. The directors believe that this provides the Group with an enormous opportunity for expansion and growth in both sales and profitability.

The management continues to focus on a specific range of products exclusively marketed under the GIORDANO brand and to offer its customers "value for money" products. The management is also committed to a continued improvement in customer services, quality of products and efficiency in stock replenishment, which will further strengthen the Group's competitiveness.

On behalf of the directors, I would like to thank the staff members for their dedication and exceptional performance during the past year.

LEE KWOK CHEUNG, BRIAN

9th April 1992