

Giordano Announces 2008 Interim Results

Highlights

- Mainland China turnover rose by 34.1% and comparable store sales increased by 11.8% year-on-year. Retail gross margin widened by 270 basis points. Thirty-nine outlets added to bring store network in Mainland China to 859 at the end of June 2008.
- Reduced the Group's investment in manufacturing joint venture Speedy Garment from 49.0% to 9.9% to record HK\$17 million in gain on the reduction. Entered sale and purchase agreement to effectively divest 51.0% interest in Placita, the Group's principal manufacturing subsidiary.
- Group turnover from continuing operations increased by 11.6% to HK\$2,342 million and gross margin widened by 160 basis points to 51.7%.
- Profit attributable to shareholders increased by 45.5% to HK\$208 million due to the strong profit growth in Mainland China. Excluding Placita, profit attributable to shareholders from continuing operations increased by 58.5% to HK\$214 million.
- The Board of Directors declared an interim dividend of 4.5 HK cents per share and a special interim dividend of 2.0 HK cents per share.

September 1, 2008, Hong Kong

Giordano International Limited ("Giordano" or the "Group") announced its 2008 interim results today. Turnover increased by 11.6% to HK\$2,342 million from the robust growth in the Group's retail and distribution business in Mainland China. As a result, the Group's gross margin widened by 160 basis points to 51.7% and operating profit grew by 39.4% to HK\$244 million. Profit attributable to shareholders rose by 45.5% to HK\$208 million or 13.9 HK cents per share. The Board of Directors declared an interim dividend of 4.5 HK cents and a special interim dividend of 2.0 HK cents per share.

The Group's focus on Mainland China produced good results. After an especially strong first quarter when sales surged by 40.8%, growth slowed in May from weaker consumer sentiment due to the Sichuan earthquake but rebounded strongly in June. Overall, turnover increased by 34.1% and comparable store sales by 11.8% year-on-year as we added 39 stores in Mainland China to expand our distribution network to 859 outlets in the first half of 2008. Mainland Chinese consumers reacted positively to our new and more upmarket collections, enabling us to increase our RMB

average selling price by 23.1% and retail gross margin by 270 basis points compared to the same period last year.

The Group achieved its strategic objective of divesting from manufacturing by way of two transactions. On June 2, 2008 we reduced our interest in the Group's manufacturing joint venture Speedy Garment from 49.0% to 9.9%, booking a HK\$17 million gain on the disposal. On June 27, 2008 we entered into a sale and purchase agreement to effectively divest our 51.0% interest in Placita, the Group's main manufacturing subsidiary. This transaction was completed on August 25, 2008 and the Group expects to record a gain of HK\$31 million from the transaction in the second half of 2008.

Due to Mainland China's strong performance, the Group achieved an 11.6% increase in turnover from continuing operations to HK\$2,342 million in the first half of 2008. The Group's gross profit increased by 15.0% to HK\$1,210 million and its gross margin widened by 160 basis points to 51.7%. Operating profit grew by 39.4% to HK\$244 million. The gain on the Speedy Garment disposal provided an extra lift to profit attributable to shareholders which increased by 45.5% to HK\$208 million or 13.9 HK cents per share. Excluding Placita, profit attributable to shareholders from continuing operations increased by 58.5% to HK\$214 million or 14.3 HK cents per share.

"With the completion of the Speedy Garment and Placita disposals, we have effectively exited from the garment manufacturing business, thus freeing us to focus on growing our retailing business. Our efforts to expand distribution and upgrade our brands in Mainland China have been well received, which is reflected in the solid growth that Giordano achieved in the first half. We're progressing right on track," remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

"Mainland China now accounts for over one-third of the Group's turnover and is our main engine for growth. We will continue to execute our expansion plan. In fact we just opened new flagship stores in Hangzhou and Wuhan in August, with additional flagship stores to be opened in Beijing, Guangzhou and Chengdu. Growth in Mainland China remained strong going into the second half of 2008, with turnover growing by double digits in July and August despite consumers directing their attention to the Beijing Olympics," continued Dr. Lau.

Dr. Lau added, "Our brand building efforts also met with success elsewhere, most notably in Hong Kong where we were able to achieve a 23.8% increase in ASP and a 340 basis point expansion in our retail gross margin. As such the other focus for Giordano in the second half is to intensify our branding efforts in order to build on the progress we made in Mainland China and Hong Kong and push other markets to achieve similar ASP and gross margin improvements. For instance, South Korea has made good progress in the last nine months and additional effort in the areas of branding and merchandising will help to reinforce its gains."

“Management remains optimistic about the full year’s prospects. However, in light of the uncertain regional economic outlook, we feel the need for prudence and will closely monitor each market’s performance and adjust its operations as circumstances require,” said Dr. Lau.

(Attachment: Unaudited consolidated results for the six months ended June 30, 2008)

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About Giordano:

Giordano is a leading international retailer of men’s, women’s and children’s apparel under the brand names *Giordano*, *Giordano Concepts*, *Giordano Ladies*, *Giordano Junior* and *BSX*. Established in 1981, Giordano now operates over 1,900 stores and counters in Greater China, Japan, Korea, Southeast Asia, Australia, India and the Middle East.

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Attachment:
Condensed Consolidated Profit and Loss Account

<i>(In HK\$ millions except earnings per share)</i>	Six months ended June 30	
	2008	2007
	(Unaudited)	(Unaudited)
Continuing operations		
Turnover	2,342	2,098
Cost of sales	<u>(1,132)</u>	<u>(1,046)</u>
Gross profit	1,210	1,052
Other income	103	56
Distribution, administrative and other operating expenses	<u>(1,069)</u>	<u>(933)</u>
Operating profit	244	175
Gain on disposal of a jointly controlled company	17	-
Finance expense	(1)	(1)
Share of profit of jointly controlled companies	7	7
Share of profit of an associate	<u>6</u>	<u>5</u>
Profit before taxation	273	186
Taxation	<u>(56)</u>	<u>(46)</u>
Profit for the period from continuing operations	217	140
Discontinuing operations		
(Loss) / Profit for the period from discontinuing operations	<u>(11)</u>	<u>15</u>
Profit for the period	<u>206</u>	<u>155</u>

Condensed Consolidated Profit and Loss Account (continued)

<i>(In HK\$ millions except earnings per share)</i>	Six months ended June 30	
	2008	2007
	(Unaudited)	(Unaudited)
Profit/ (Loss) attributable to:		
Shareholders of the Company		
Continuing operations	214	135
Discontinuing operations	(6)	8
	208	143
Minority interests		
Continuing operations	3	5
Discontinuing operations	(5)	7
	(2)	12
	206	155
Dividends	97	97
Earnings / (Loss) per share for profit / (loss) attributable to shareholders of the Company		
From continuing and discontinuing operations		
Basic (HK cents)	13.9	9.6
Diluted (HK cents)	13.9	9.6
From continuing operations		
Basic (HK cents)	14.3	9.1
Diluted (HK cents)	14.3	9.1
From discontinuing operations		
Basic (HK cents)	(0.4)	0.5
Diluted (HK cents)	(0.4)	0.5