

Giordano Releases Third Quarter 2008 Operations Update

Highlights

- The Group's Mainland China business followed up on its strong first half performance with a 25.3% increase in turnover and a 100 basis point increase in gross margin in the third quarter. As a result, the Group's turnover in Mainland China grew by 31.2% in the nine months ended September 2008 while gross margin widened by 410 basis points. We added 22 stores, including new flagship stores in Guangzhou, Hangzhou, Wuhan and Chengdu, in the third quarter to bring our network in Mainland China to 881 outlets at the end of September 2008.
- Markets outside Mainland China began to feel the effects of the global financial tsunami, with Hong Kong, Taiwan and Singapore all reporting sales decreases. Overall, the Group posted year-on-year turnover increases of 3.6% and 9.0% for the three months and nine months ended September 30, 2008 respectively.
- The Group's gross margin for the nine months ended September 30, 2008, was 51.3%, an increase of 120 basis points over the same period last year.
- Inventory turnover on sales for the nine months ended September 2008 improved to 30 days from the 31 days in 2007.
- On September 30, 2008, the Group had approximately HK\$425 million in net cash and bank balances, all placed with commercial banks.
- We added a net total 15 outlets during the third quarter, bringing our global network to 1,949 outlets at the end of September 2008.

November 13, 2008, Hong Kong

Giordano International Limited ("Giordano" or the "Group") released its 2008 third quarter operations update today. The Group's retail and distribution business in Mainland China continued to deliver robust growth, with turnover rising by 25.3% and gross margin widened by 100 basis points year-on-year in the quarter ended September 30, 2008. Twenty-two stores, including new flagship stores in Guangzhou, Hangzhou, Wuhan and Chengdu, were added in the third quarter to bring our network in Mainland China to 881 outlets at the end of September 2008. Overall, Mainland China turnover increased by 31.2% and gross margin widened by 410 basis points year-on-year in the nine months ended September 30, 2008.

However, with the global financial tsunami finally reaching Asian shores our markets outside Mainland China were all affected, with Hong Kong, Taiwan and Singapore recording third quarter sales decreases of 9.9%, 11.0% and 3.7% year-on-year respectively. As a result, the Group's turnover increased by 3.6% year-on-year during the third quarter. Overall, the nine months ended September 30, 2008 saw the Group's turnover increasing by 9.0% while gross margin came in at 51.3%, an increase of 120 basis points over the same period last year.

“We are taking the prospect of an acute and protracted economic downturn extremely seriously. Actions to help us to weather the coming challenges, including the suspension of all new store projects and hiring outside Mainland China, have already been taken. We have also exited from six under-performing locations in Hong Kong and eleven in Taiwan in the first nine months of 2008, and we will continue to closely monitor each market's performance and make any necessary adjustments as circumstances require,” remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

Dr Lau added, “Management remains cautiously optimistic about Giordano's long term prospects since the Chinese economy is expected to continue to achieve solid, albeit slower, growth. In particular, the second and third tier cities are expected to benefit from the stimulus package recently announced by the government. As such, we will continue to invest in our operations in Mainland China, focusing especially on expanding our distribution network outside the first tier cities along the coast.”

“Although our results outside Mainland China will almost certainly suffer in the short term, we believe we are better positioned from a branding standpoint than most of our competition. Once the initial shock of the global financial tsunami fades and consumers regain their footing, we expect to be able to capitalize on Giordano's reputation for attentive customer service, excellent quality and superior value to grow our business since all customers, no matter which segment they belong to, appreciate value for their fashion dollar,” continued Dr. Lau.

“Last but not least, the Group's prudence in managing its finances and operations as well as its rigorous cost and inventory controls continue to serve us well. We did not succumb to temptations to leverage our balance sheet or take risky bets with our cash. Indeed, as at September 30, 2008 we had approximately HK\$425 million in net cash and bank balances, all placed with commercial banks. Our inventory position has also remained healthy, with inventory turnover on sales for the nine months ended September 2008 at 30 days compared to the 31 days recorded for the same period in 2007,” concluded Dr. Lau.

In spite of record warm temperatures and an increasingly cloudy economic outlook, the Group still achieved a high single digit year-on-year turnover increase in Mainland China in October. Meanwhile, Hong Kong and Taiwan both experienced double digit

year-on-year sales declines in October as consumer confidence rapidly waned in the face of the intensifying global financial crisis. Overall the Group saw a high single digit year-on-year decline in turnover in October 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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