

Giordano Announces 2008 Final Results

Highlights

- Mainland China turnover rose by 25.2% and comparable store sales increased by 6.1% year-on-year. Gross margin widened by 180 basis points. Eighty-nine outlets were added to bring our store network in Mainland China to 909 at the end of 2008.
- The Group's turnover from continuing operations increased by 6.3% to HK\$4,710 million and gross margin held more or less steady at 50.1% (2007: 50.6%).
- The Group disposed of virtually all its holdings in two manufacturing businesses, Placita Holdings and Speedy Garment, and recorded total gain on disposal of HK\$41 million.
- Profit attributable to shareholders increased by 5.4% to HK\$311 million. Excluding Placita, profit attributable to shareholders from continuing operations decreased slightly by 1.4% to HK\$290 million.
- The Group's financial position remains healthy with net cash and bank balances of about HK\$454 million and inventory turnover on sales of 23 days as at December 31, 2008.
- The Board of Directors recommended a final dividend of 3.0 HK cents per share.

March 26th, 2009, Hong Kong

Giordano International Limited ("Giordano" or the "Group") announced its 2008 final results today. The year got off to a good start, with the Group achieving turnover increase of 34.1% in Mainland China and 11.6% overall in the first half. Although second half performance was affected by the global financial tsunami, the Group still achieved full year turnover growth of 25.2% in Mainland China and 6.3% overall. The Group's turnover from continuing operations was HK\$4,710 million in 2008 (2007: HK\$ 4,429 million) and, on the back of a 180 basis point expansion in its gross margin in Mainland China, the Group kept its full year gross margin more or less intact at 50.1% (2007: 50.6%).

Due in part to the one-off HK\$41 million gain on disposal of the Group's shareholdings in Placita and Speedy Garment, total profit attributable to shareholders of the Company from continuing and discontinued operations increased by 5.4% to HK\$311 million (2007: HK\$295 million) and earnings per share was 20.8 HK cents (2007: 19.8 HK cents). Excluding Placita, profit attributable to shareholders from continuing operations was more or less even with the year before at HK\$290 million (2007: HK\$294 million).

The Group's financial position remained healthy, with net cash and bank balances of about HK\$454 million (2007: HK\$474 million) and inventory turnover on sales of 23 days (2007: 33 days for the Group as a whole or 26 days for continuing operations only) as at December 31, 2008.

In view of the uncertain economic outlook and the Group's continued push into Mainland China, the Board has proposed a final dividend of HK3.0 cents per share. Taking into account the interim dividend of 4.5 HK cents per share and the special interim dividend of 2.0 HK cents per share, total 2008 dividend amounted to 9.5 HK cents (2007: 21.5 HK cents) per share, representing a payout of 45.7% of 2008 per share earnings.

"The global financial tsunami has caused unprecedented havoc and uncertainty in all sectors of the economy. Even by the most optimistic estimates, a turnaround in the global economy is not likely to happen until late 2009 at the earliest. All our markets have been affected, including Mainland China which was previously expected to remain unscathed. As a result, the first two months of 2009 have seen the Group's turnover declining by 12.9%. Despite the challenges ahead, we remain confident of Giordano's long term prospects," remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

"Giordano has over the years built an enviable reputation among customers for quality, value and service. We have positioned our marketing and merchandising programs to emphasize 'basics', 'essentials' and 'value' to capitalize on the realignment in consumer priorities now underway. We are also driving better bargains with our suppliers so as to deliver better value to our customers," continued Dr. Lau.

"We are also known for our operational efficiency, effective cost controls and rigorous cash and inventory management. When market conditions began to weaken last year, we quickly implemented moves to conserve cash, including slashing our inventory levels measured in turnover on sales from 26 days at the end of 2007 to 23 days at the end of 2008. Other measures included a review of all expenditures for cost-effectiveness and a retrenchment of outlets not contributing positive cash flow. These moves resulted in our net cash position of HK\$454 million at the end of 2008," said Dr. Lau.

Dr. Lau continued, "Although its economy has slowed in the last few months, China's long term growth story remains intact. As such, our China focus remains unchanged and we will continue to concentrate our attention and resources there, especially on growing our business in second tier and smaller cities where Giordano is relatively under-represented at the moment. Meanwhile competition for prime retail space in key metropolitan centres throughout the region has begun to ease and rentals are beginning to revert to more reasonable levels. Even as we are rationalizing our network in Hong Kong, Taiwan and Singapore, we are also carefully evaluating opportunities to upgrade our store portfolio by trading up into better locations as they become increasingly available and affordable."

“Based on our brand equity, focus on innovation, prudent cash and inventory management and disciplined execution, we are confident that Giordano will weather the challenges ahead to emerge stronger and better positioned for long term growth and prosperity,” Dr. Lau concluded.

(Attachment: Audited consolidated results for the year ended 31 December 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 2,000 stores and counters in Greater China, Japan, Korea, Southeast Asia, Australia, India and the Middle East. Giordano is listed on the Hong Kong Stock Exchange under the code 709.

For further information, please contact:

William Yue

Telephone: +852.2746.4727

E-mail: williamyue@giordanogroup.com

Rosa Li

Telephone: +852.2746.3774

E-mail: rosali@giordanogroup.com

Attachment

Audited consolidated results for the year ended 31 December 2008, together with comparative figures for the previous year, as follows:

Profit and Loss Account

<i>(In HK\$ millions except earnings per share)</i>	2008	2007
Continuing operations		
Turnover	4,710	4,429
Cost of sales	(2,348)	(2,190)
Gross profit	2,362	2,239
Other income	141	106
Distribution expense	(1,680)	(1,538)
Administrative expense	(168)	(152)
Other operating expense	(325)	(274)
Operating profit	330	381
Gain on disposal of a jointly controlled company	17	–
Finance expense	(2)	(1)
Share of profit of jointly controlled companies	25	23
Share of profit of an associate	11	12
Profit before taxation	381	415
Taxation	(82)	(112)
Profit for the year from continuing operations	299	303
Discontinued operations		
(Loss)/Profit for the year from discontinued operations	(6)	1
Gain on disposal of a subsidiary	24	–
	18	1
Profit for the year	317	304

Profit and Loss Account (continued)

<i>(In HK\$ millions except earnings per share)</i>	2008	2007
Profit attributable to:		
Shareholders of the Company		
Continuing operations	290	294
Discontinued operations	21	1
	<u>311</u>	<u>295</u>
Minority interests		
Continuing operations	9	9
Discontinued operations	(3)	–
	<u>6</u>	<u>9</u>
	<u>317</u>	<u>304</u>
Dividends	<u>142</u>	<u>321</u>
Earnings per share for profit attributable to shareholders of the Company		
From continuing and discontinued operations		
Basic (<i>HK cents</i>)	<u>20.8</u>	<u>19.8</u>
Diluted (<i>HK cents</i>)	<u>20.8</u>	<u>19.8</u>
From continuing operations		
Basic (<i>HK cents</i>)	<u>19.4</u>	<u>19.7</u>
Diluted (<i>HK cents</i>)	<u>19.4</u>	<u>19.7</u>
From discontinued operations		
Basic (<i>HK cents</i>)	<u>1.4</u>	<u>0.1</u>
Diluted (<i>HK cents</i>)	<u>1.4</u>	<u>0.1</u>