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GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2008

RESULTS

The board of directors (the “Board”) of Giordano International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2008, together with comparative figures for the previous year, as follows:

Consolidated Profit and Loss Account

<i>(In HK\$ millions except earnings per share)</i>	<i>Note</i>	2008	2007
Continuing operations			
Turnover	2	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	2,3	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	4	(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

<i>(In HK\$ millions except earnings per share)</i>	<i>Note</i>	2008	2007
Profit attributable to:			
Shareholders of the Company			
Continuing operations		290	294
Discontinued operations		21	1
		311	295
Minority interests			
Continuing operations		9	9
Discontinued operations		(3)	–
		6	9
		317	304
Dividends	<i>5</i>	142	321
Earnings per share for profit attributable to shareholders of the Company			
	<i>6</i>		
From continuing and discontinued operations			
Basic (<i>HK cents</i>)		20.8	19.8
Diluted (<i>HK cents</i>)		20.8	19.8
From continuing operations			
Basic (<i>HK cents</i>)		19.4	19.7
Diluted (<i>HK cents</i>)		19.4	19.7
From discontinued operations			
Basic (<i>HK cents</i>)		1.4	0.1
Diluted (<i>HK cents</i>)		1.4	0.1

Consolidated Balance Sheet

<i>(In HK\$ millions)</i>	<i>Note</i>	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment		227	287
Investment property		81	84
Interest in jointly controlled companies		262	375
Interest in an associate		43	43
Available-for-sale financial asset		9	–
Financial asset at fair value through profit or loss		25	–
Leasehold land and rental prepayments		326	311
Rental deposits		264	262
Deferred tax assets		26	37
		1,263	1,399
Current assets			
Inventories		297	441
Leasehold land and rental prepayments		42	21
Trade and other receivables	7	423	504
Cash and bank balances		532	570
		1,294	1,536
Total assets		2,557	2,935
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		75	75
Reserves		1,735	1,628
Proposed dividends		45	224
Equity attributable to shareholders of the Company		1,855	1,927
Minority interests		51	99
Total equity		1,906	2,026
Non-current liabilities			
Deferred tax liabilities		77	109
Other payables	8	22	–
		99	109
Current liabilities			
Trade and other payables	8	451	646
Bank loans		78	96
Taxation		23	58
		552	800
Total liabilities		651	909
Total equity and liabilities		2,557	2,935

Notes:

1. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset and financial asset at fair value through profit or loss.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in 2007 except for the adoption of the following amendments and interpretations to published standards which are effective for accounting periods beginning on or after January 1, 2008.

HKAS 39 (Amendments)	Financial instruments: Recognition and measurement
HKFRS 7 (Amendments)	Financial instruments: Disclosures
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The above adoption of the amendments and interpretations to published standards are not relevant or have no material effect to the Group’s operations.

The Group has not early adopted the following new standards, amendments and interpretations to existing standards that have been issued but not yet effective.

HKAS 1 (Revised)	Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009)
HKFRS 8	Operating segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC) – INT 13	Customer loyalty programmes (effective for annual periods beginning on or after 1 July 2008)

Apart from certain presentational changes and additional disclosures, the adoption of the above new standards, amendments and interpretations will have no significant impact on the Group’s financial statements. The Group will adopt these new and revised HKFRSs when they become effective.

2. Turnover and segment information

An analysis of the Group's turnover and operating profit by business segments is as follows:

<i>(In HK\$ millions)</i>	Continuing operations		Discontinued operations		Eliminations	Total
	Retail and distribution	Garment trading and manufacturing	Garment trading and manufacturing			
	2008	2008	2008	2008		
Turnover	4,709	1	338		–	
Inter-segment sales	–	118	147		(265)	
	4,709	119	485		(265)	5,048
Operating profit/(loss)	324	6	(5)		–	325

<i>(In HK\$ millions)</i>	Continuing operations		Discontinued operations		Eliminations	Total
	Retail and distribution	Garment trading and manufacturing	Garment trading and manufacturing			
	2007	2007	2007	2007		
Turnover	4,420	9	521		–	
Inter-segment sales	–	100	306		(406)	
	4,420	109	827		(406)	4,950
Operating profit/(loss)	384	(3)	3		–	384

The geographical segments of the Group's turnover are as follows:

<i>(In HK\$ millions)</i>	Continuing operations		Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007
Mainland China	1,690	1,358	86	107	1,776	1,465
Hong Kong	802	860	51	103	853	963
Taiwan	634	649	22	28	656	677
Singapore	368	390	8	19	376	409
Middle East	249	203	–	–	249	203
Australia	218	235	5	12	223	247
Malaysia	168	151	19	13	187	164
Korea	117	145	42	38	159	183
Japan	27	39	11	54	38	93
Others	437	399	94	147	531	546
	4,710	4,429	338	521	5,048	4,950

3. Operating profit

The operating profit is stated after charging:

<i>(In HK\$ millions)</i>	Continuing operations		Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007
Amortization of leasehold land prepayments	9	9	–	–	9	9
Depreciation of property, plant and equipment	117	105	10	11	127	116
Depreciation of investment property	3	2	–	–	3	2
Impairment of property, plant and equipment	8	3	–	–	8	3
Net loss on disposal of property, plant and equipment	2	3	–	–	2	3
(Written back)/ provision for obsolete stock and stock written off	(3)	12	10	11	7	23

4. Taxation

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 16.5 percent (2007: 17.5 percent) to the estimated assessable profits earned in or derived from Hong Kong during the year.

Taxation on the profits of other subsidiaries operating overseas is calculated at the rates applicable in the respective jurisdictions.

The charge for taxation in the consolidated profit and loss account represents:

<i>(In HK\$ millions)</i>	Continuing operations		Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007
Income tax						
Current income tax						
– Hong Kong profits tax	15	22	–	1	15	23
– Outside Hong Kong	61	82	–	–	61	82
– Withholding tax on distribution from subsidiaries and a jointly controlled company	7	6	–	–	7	6
Deferred tax						
Relating to the origination and reversal of temporary differences	4	1	–	–	4	1
Effect of changes in tax rate	–	1	–	–	–	1
Over provision in previous year						
– Hong Kong profits tax	(1)	–	–	–	(1)	–
– Outside Hong Kong	(4)	–	–	–	(4)	–
Taxation charge	82	112	–	1	82	113

5. Dividends

(a) Dividends attributable to the year:

<i>(In HK\$ millions)</i>	2008	2007
Interim dividend declared and paid of 4.5 HK cents (2007: 4.5 HK cents) per share	67	67
Special interim dividend declared and paid of 2.0 HK cents (2007: 2.0 HK cents) per share	30	30
	97	97
Final dividend proposed after the balance sheet date of 3.0 HK cents (2007: 5.0 HK cents) per share	45	75
Special final dividend proposed after the balance sheet date of 0.0 HK cent (2007: 10.0 HK cents) per share	–	149
	45	224
	142	321

At the board meeting held on March 26, 2009, the directors proposed a final dividend of 3.0 HK cents per share. The proposed dividend has not been recognized as a liability at the balance sheet date.

(b) Dividends attributable to the previous year, approved and paid during the year:

<i>(In HK\$ millions)</i>	2008	2007
2007 final dividend approved and paid of 5.0 HK cents (2006: 5.0 HK cents) per share	75	75
2007 special final dividend approved and paid of 10.0 HK cents (2006: 15.0 HK cents) per share	149	223
	224	298

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders for the year as set out below.

<i>(In HK\$ millions)</i>	2008	2007
Continuing operations	290	294
Discontinued operations	21	1
	311	295

The basic earnings per share is based on the weighted average of 1,491,608,376 shares (2007: 1,491,322,447 shares) in issue during the year.

The diluted earnings per share is based on 1,491,608,376 shares (2007: 1,491,322,447 shares) which is the weighted average number of shares in issue during the year plus the weighted average of 91,144 shares (2007: 787,037 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. Trade and other receivables

<i>(In HK\$ millions)</i>	2008	2007
Trade receivables	253	343
Less: Provision for impairment	(5)	(10)
Trade receivables – net	248	333
Other receivables, including deposits and prepayments	175	171
	423	504

Other than cash and credit card sales, the Group normally allows an average credit period of 60 days to its trade customers.

As at the balance sheet date, the ageing analysis from the invoice date of trade receivables (net of allowance for doubtful debts) was as follows:

<i>(In HK\$ millions)</i>	2008	2007
0 – 30 days	196	227
31 – 60 days	37	70
61 – 90 days	10	21
Over 90 days	5	15
	248	333

The carrying amount of trade receivables are stated approximately at fair value. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally dispersed customers.

8. Trade and other payables

<i>(In HK\$ millions)</i>	2008	2007
Trade payables	231	300
Other payables and accrued expenses	242	346
	473	646
Long-term portion	(22)	–
Current portion	451	646

The ageing analysis of trade payables is as follows:

<i>(In HK\$ millions)</i>	2008	2007
0 – 30 days	184	251
31 – 60 days	35	36
61 – 90 days	11	7
Over 90 days	1	6
	231	300

The carrying amount of trade payables are stated approximately at fair value.

9. Net current assets

The Group's net current assets, defined as current assets less current liabilities, amounted to HK\$742 million and HK\$736 million in 2008 and 2007 respectively.

10. Total assets less current liabilities

The Group's total assets less current liabilities amounted to HK\$2,005 million and HK\$2,135 million in 2008 and 2007 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

Back in 2007, the Group made a strategic decision to disengage from manufacturing to focus on retailing, and in 2008 the Company substantially disposed of its holdings in two manufacturing businesses, including that in Placita Holdings Limited (“Placita”), a subsidiary and the principal business unit of the Group’s Garment Trading & Manufacturing Division (the “Manufacturing Division”). As a result, the Group substantially exited from the garment manufacturing line of business. Under Hong Kong Financial Reporting Standards, the Company is required to present Placita’s results separately under the heading “Discontinued Operations” so the discussion below pertains to the Group’s continuing operations and excludes Placita’s results unless otherwise stated.

Turnover and Gross Profit

The year got off to a good start, with the Group achieving turnover increase of 34.1 percent in Mainland China and 11.6 percent overall in the first half. Although growth slowed with the arrival of the financial tsunami at Asian shores, the Group still managed to increase its Mainland China turnover by 25.2 percent for the full year, which helped the Group to achieve a 6.3 percent increase in its turnover from continuing operations to HK\$4,710 million in 2008.

Despite our aggressive clearance of fall/winter stock during the fourth quarter, the Group’s gross margin remained at about 50 percent and gross profit increased by 5.5 percent in 2008.

Continuing Operations (<i>in HK\$ millions</i>)	2008	2007	YOY Change
Retail & Distribution turnover	4,709	4,420	+6.5%
Garment Trading & Manufacturing turnover	119	109	+9.2%
Intra-group elimination	118	100	+18.0%
Group turnover	4,710	4,429	+6.3%
Group gross profit	2,362	2,239	+5.5%
Group gross margin	50.1%	50.6%	-50 bps
Retail & Distribution comparable store sales	-1.5%	+2.4%	N/A

Operating Expenses, Operating Profit and Earnings before Interest, Taxation, Depreciation and Amortisation Expense (EBITDA)

Management quickly implemented a comprehensive program of cost discipline when market conditions began to weaken last year. In addition to a wage and hiring freeze outside Mainland China, high rental and shop overhead were also contained by a reduction of 30 stores in Hong Kong, Taiwan and Singapore. As a result, we managed to limit the increase in operating expense to 7.1 percent in the second half and 10.6 percent for the full year. Other income rose by 33.0 percent to HK\$141 million (2007: HK\$106 million) due to the HK\$33 million PRC reinvestment tax refund we received in the first half.

The Group's operating profit from continuing operations decreased by 13.4 percent and operating margin decreased by 160 basis points to 7.0 percent. The Group's EBITDA from continuing operations decreased by 2.6 percent to HK\$528 million (2007: HK\$542 million) and its EBITDA margin fell by 100 basis points to 11.2 percent (2007: 12.2 percent).

Continuing operations (in HK\$ millions)	2008	2007	YOY Change
Retail & Distribution			
Operating profit	324	384	-15.6%
Operating margin	6.9%	8.7%	-180 bps
Garment Trading & Manufacturing			
Operating profit	6	(3)	+300.0%
Operating margin	5.0%	N/A	N/A
Group			
Operating profit	330	381	-13.4%
Operating margin	7.0%	8.6%	-160 bps

Profit Attributable to Shareholders

Profit contribution from the Group's manufacturing joint venture Speedy Garment Manufacturing (Hong Kong) Company Limited ("Speedy Garment") was lower due to its divestment in 2008. Profit contribution from our Middle East associate also declined slightly. However, this was more than made up by increased profit contribution from our South Korean joint venture. Accordingly, total after-tax profit contribution from the Group's jointly controlled and associated companies increased to HK\$36 million (2007: HK\$35 million).

Taxation expense decreased to HK\$82 million (2007: HK\$112 million) due mainly to the reduction in the PRC's corporate income tax rate from 33.0 percent to 25.0 percent under the new Enterprise Income Tax Law which took effect on January 1, 2008. The Group's effective tax rate was 24.8 percent (2007: 29.4 percent) or 27.6 percent if we exclude the non-taxable PRC reinvestment tax refund from the Group's income.

The Company recorded a gain of HK\$17 million from the Speedy Garment disposal. This, together with the reduction in income taxation expense, largely overcame the reduction in operating profit so that profit attributable to shareholders from continuing operations decreased by only 1.4 percent to HK\$290 million (2007: HK\$294 million). Excluding the PRC reinvestment tax refund and the gain on the Speedy Garment disposal, profit attributable to shareholders from continuing operations would have seen an 18.4 percent year-on-year decline.

On August 25, 2008, the Group substantially divested its 51.0 percent interest in Placita, the Group's principal garment manufacturing subsidiary. The Company recorded a gain of HK\$24 million from the Placita disposal but this gain was partially offset by the HK\$5 million in operating loss incurred by Placita during the year (2007: operating profit of HK\$3 million). Overall, the Group's total profit attributable to shareholders from continuing and discontinued operations was HK\$311 million (2007: HK\$295 million), an increase of 5.4 percent.

Cash Flow from Continuing and Discontinued Operations

Cash generated from operations (which included the HK\$33 million PRC reinvestment tax refund) decreased by HK\$77 million to HK\$458 million. This, however, was more than offset by a HK\$84 million reduction in overseas tax paid, attributable largely to the absence of non-recurrent charges recorded in 2007. Therefore, net cash inflow from operating activities increased by HK\$4 million to HK\$347 million (2007: HK\$343 million).

Net cash outflow from investing activities decreased by HK\$49 million to HK\$104 million (2007: HK\$153 million) due mainly to the HK\$42 million in proceeds received from the Speedy Garment disposal plus a HK\$33 million decrease in capital expenditure to HK\$109 million (2007: HK\$142 million) which was partially offset by a HK\$39 million increase in rental prepayments.

Finally, net cash outflow for financing activities decreased by HK\$86 million to HK\$281 million (2007: HK\$367 million) due mainly to a HK\$74 million decrease in dividends paid and additional bank loans of HK\$29 million.

GROUP FINANCIAL POSITION

The Group's prudent financial management and rigorous cost and inventory controls enabled it to maintain a healthy net cash and bank balance of HK\$454 million as at December 31, 2008 (2007: HK\$474 million), all of which is deposited with commercial banks.

Inventory position has also remained strong. At the end of the year, the Group's inventories decreased to HK\$297 million (December 31, 2007: HK\$441 million), with the reduction attributable to the Placita disposal (Placita's inventories were HK\$127 million as at December 31, 2007) and Management's swift and decisive action to control and clear inventories. Inventory turnover on sales improved to 23 days (2007: 33 days for the Group as a whole or 26 days if we excluded Placita).

On December 31, 2008, the Group had total liabilities of HK\$651 million (2007: HK\$909 million), with the decrease attributable to the deconsolidation of Placita. Placita's total liabilities as at December 31, 2007 were HK\$196 million. Shareholders' equity was HK\$1,855 million (2007: HK\$1,927 million). The Group's current ratio improved to 2.3 times (2007: 1.9 times) and its gearing improved to 4.2 percent (2007: 5.0 percent).

Capital expenditure during the year was HK\$109 million (2007: HK\$142 million), representing 31.4 percent (2007: 41.4 percent) of net cash inflow from operating activities.

The Group had financing facilities totaling HK\$347 million at the end of the year (2007: HK\$368 million), of which only HK\$78 million in revolving loan facilities had been drawn and were outstanding.

OPERATIONS HIGHLIGHTS

Garment Trading & Manufacturing Division

Following the Placita disposal, only two small manufacturing subsidiaries engaged in just-in-time stock replenishment remain in the Group's Manufacturing Division. Together they generated full year turnover of HK\$119 million (2007: HK\$109 million), practically all of which consisted of sales to Giordano Group companies, and an operating profit of HK\$6 million (2007: operating loss of HK\$3 million). The Group is in the process of consolidating these two subsidiaries to improve efficiency and profitability.

On June 2, 2008 the Company reduced its interest in Speedy Garment, the Company's garment manufacturing joint venture, from 49.0 percent to 9.9 percent for a consideration of HK\$42 million and recorded a one-time gain on disposal of HK\$17 million. As a result of the disposal, Speedy Garment's after-tax profit contribution to the Group decreased to HK\$3 million (2007: HK\$10 million). The Group held a 9.9 percent shareholding in Speedy Garment as at December 31, 2008.

Retail & Distribution Division

Buoyed by our results in Mainland China, turnover at the Group's Retail Division grew by 6.5 percent to HK\$4,709 million (2007: HK\$4,420 million) on slightly lowered gross margin of 49.9 percent (2007: 50.6 percent). The Retail Division's operating profit decreased by 15.6 percent to HK\$324 million (2007: HK\$384 million) and its operating margin was 6.9 percent (2007: 8.7 percent).

Retail & Distribution Division – Review by Market

Mainland China

Mainland China	2008	2007	2006	2005	2004
Sales (HK\$ millions) ¹	1,689	1,349	1,090	987	952
Sales per sq. ft. (HK\$) ²	3,400	2,900	2,400	2,400	2,400
Comparable store sales increase ³	6.1%	15.2%	8.5%	5.5%	6.9%
Retail floor area (sq. ft.) ⁴	816,800	690,700	605,100	585,600	557,800
Number of outlets ⁴	909	820	729	706	671

¹ Including net sales to authorized dealers

² On a weighted-average basis for directly managed outlets

³ For directly managed outlets which were open for the full 12 months in each of the two fiscal years under comparison

⁴ Total directly managed and authorized dealer outlets as at December 31

Despite softening consumer confidence, the Group maintained its growth momentum in Mainland China, with turnover increasing by 25.2 percent in 2008 to HK\$1,689 million. Comparable store sales were up by 6.1 percent and full year gross margin expanded by 180 basis points. We added 89 stores in Mainland China to expand our distribution network to 909 outlets at the end of 2008.

Hong Kong and Singapore

Hong Kong (include Macau)	2008	2007	2006	2005	2004
Sales (<i>HK\$ millions</i>)	850	892	873	867	810
Sales per sq. ft. (<i>HK\$</i>) ¹	9,000	7,800	7,600	7,400	7,100
Comparable store sales increase/(decrease) ²	(1.7%)	8.1%	5.4%	4.4%	11.0%
Retail floor area (sq. ft.) ³	98,700	110,900	117,300	119,500	113,700
Number of outlets ³	82	92	98	101	92

Singapore	2008	2007	2006	2005	2004
Sales (<i>HK\$ millions</i>)	368	390	403	403	391
Sales per sq. ft. (<i>HK\$</i>) ¹	6,900	6,900	7,700	8,300	8,700
Comparable store sales increase/(decrease) ²	(7.7%)	(10.9%)	(11.9%)	(1.2%)	12.6%
Retail floor area (sq. ft.) ³	54,300	57,300	55,100	50,500	48,600
Number of outlets ³	51	53	53	48	47

¹ On a weighted-average basis

² For outlets which were open for the full 12 months in each of the two fiscal years under comparison

³ As at December 31

As markets that are highly reliant on tourist traffic, both Hong Kong and Singapore's performance were heavily affected by the global financial tsunami. For the year as a whole, Hong Kong's turnover decreased by 4.7 percent to HK\$850 million and Singapore's declined by 5.6 percent to HK\$368 million. We reduced our network by ten stores and two stores respectively in Hong Kong and Singapore in 2008.

Taiwan

Taiwan	2008	2007	2006	2005	2004
Sales (HK\$ millions)	634	649	658	732	707
Sales per sq. ft. (HK\$) ¹	3,300	2,800	2,800	3,000	2,900
Comparable store sales increase/(decrease) ²	(3.2%)	(4.2%)	(9.1%)	(5.8%)	0.8%
Retail floor area (sq. ft.) ³	204,900	218,700	235,800	243,900	245,800
Number of outlets ³	192	210	239	237	236

¹ On a weighted-average basis

² For outlets which were open for the full 12 months in each of the two fiscal years under comparison

³ As at December 31

The restructuring of our Taiwanese operations started to show results, with turnover growing by 4.7 percent and comparable store sales increasing by 2.2 percent in the first half of 2008. For 2008 as a whole Taiwan recorded a 2.3 percent decrease in its turnover to HK\$634 million and achieved a 36.9 percent reduction in its year-end inventory compared to the previous year. We reduced our network by 18 locations in 2008 to 192 and will further consolidate our network in 2009 to rightsize the operations.

Malaysia, Indonesia, Thailand, Australia, and Other Markets

Sales (HK\$ millions)	Australia	Malaysia	Indonesia	Thailand	Others
2008	218	168	175	126	481
2007	235	151	169	121	464
Year-on-year increase/(decrease)	(7.2%)	11.3%	3.6%	4.1%	3.7%

The economies of Malaysia, Indonesia and Thailand were all impacted to varying degrees by the financial tsunami. Our operations in Indonesia and Thailand were especially affected, the former from the decline in commodity prices plus the depreciation of the Indonesian Rupiah and the latter from a protracted political crisis which hurt tourism, a vital part of the Thai economy. Nevertheless, for 2008, the Group's sales in Malaysia, Indonesia and Thailand together increased by 6.3 percent to HK\$469 million.

The decline in commodity prices and the devaluation of the Australian Dollar hurt consumer confidence and spending. We reduced our network by five locations in 2008 to 56 outlets at the end of the year. As a result, our sales in Australia decreased by 7.2 percent to HK\$218 million in 2008.

South Korea

South Korea	2008	2007	2006	2005	2004
Sales (HK\$ millions)	835	982	1,014	995	895
Sales per sq. ft. (HK\$) ¹	6,200	6,700	7,500	6,300	5,900
Comparable store sales Increase/(decrease) ²	(4.1%)	(8.6%)	(6.5%)	(4.0%)	(13.4%)
Retail floor area (sq. ft.) ³	133,700	145,600	135,600	157,000	150,600
Number of outlets ³	167	173	148	168	172

¹ On a weighted-average basis

² For outlets which were open for the full 12 months in each of the two fiscal years under comparison

³ As at December 31

Sales and margins at our South Korean joint venture continued to improve in the first half but the gains were overcome in the second half as consumer confidence waned due to the declining Korean Won. For the year as a whole, turnover in South Korea decreased by 15.0 percent to HK\$835 million but improved merchandising and cost controls plus a well-timed property disposal boosted its bottom line. As a result, after-tax profit contribution from our South Korean jointly controlled company increased by HK\$9 million to HK\$22 million (HK\$12 million excluding the gain on the property disposal). South Korea reduced its network by six locations to 167 outlets at the end of the year. On December 31, 2008, the Group held 48.7 percent in its South Korean jointly controlled company.

Middle East

Middle East	2008	2007	2006	2005	2004
Sales (HK\$ millions)	539	465	359	332	288
Sales per sq. ft. (HK\$) ¹	3,100	3,100	2,700	3,100	3,200
Comparable store sales increase/(decrease) ²	10.1%	10.9%	1.6%	2.4%	6.1%
Retail floor area (sq. ft.) ³	176,600	149,900	132,600	107,500	90,800
Number of outlets ³	157	142	129	107	89

¹ On a weighted-average basis

² For outlets which were open for the full 12 months in each of the two fiscal years under comparison

³ As at December 31

Our business in the Middle East saw growth slowing in tandem with declining oil prices. Full year turnover nonetheless increased by 15.9 percent to HK\$539 million but after-tax profit contribution from our Middle East associated company decreased slightly to HK\$11 million (2007: HK\$12 million) due to higher operating costs. The Group held a 20.0 percent shareholding in its Middle East associate at December 31, 2008.

We continued to build our operations in India, adding seven stores to expand our network to 12 stores at the end of 2008.

Retail & Distribution Division – Review by Brand

Turnover of the core *Giordano* brand grew by 8.1 percent to HK\$4,006 million. We added a total of 102 *Giordano* and *Giordano Junior* outlets, bringing our global network to 1,825 by the end of 2008.

Turnover of *Giordano Ladies* grew by 8.2 percent to HK\$265 million while comparable store sales held steady against the year before. During the period we added seven outlets to bring the brand's network to 46 by the end of 2008.

In 2008 the Group expanded the *Giordano Concepts* network by 19 stores to bring the total number to 33 at the end of the year. Turnover grew by 11.9 percent from network expansion but with existing stores impacted by the slump in consumer confidence comparable store sales declined by 11.4 percent in 2008.

As part of the Group's ongoing program of re-branding *Bluestar Exchange* to *BSX*, we further reduced the network by 21 stores to 96 at the end of 2008. As a result, turnover came in at HK\$206 million, 24.8 percent lower than 2007.

Retail & Distribution Division	Turnover (in HK\$ millions)			Comparable store sales increase/(decrease) ¹	
	2008	2007	Change	2008	2007
<i>Giordano & Giordano Junior</i>	4,006	3,707	+8.1%	(0.9%)	2.0%
<i>Giordano Ladies</i>	265	245	+8.2%	(0.1%)	9.1%
<i>Giordano Concepts</i>	217	194	+11.9%	(11.4%)	N/A
<i>BSX/Bluestar Exchange</i>	206	274	-24.8%	(1.2%)	(2.3%)
Others	15	-	N/A	N/A	N/A
Division Total	4,709	4,420	+6.5%	(1.5%)	2.4%

¹ For directly managed outlets which were open for the full 12 months in each of the two fiscal years under comparison

OUTLOOK

The global financial tsunami has caused unprecedented havoc and uncertainty in all sectors of the economy, and its impact has already surpassed that of the 1997/98 Asian financial crisis. All our markets have been affected, including Mainland China which was previously expected to remain unscathed. With bad economic news still emerging from the US and Europe, even by the most optimistic estimates a turnaround in the global economy is not likely to happen at the earliest until late in 2009, if not the middle of 2010. The Group has not been immune and the first two months of 2009 have seen its turnover declining by 12.9 percent compared to the same period last year. Notwithstanding the challenges ahead, Management believes the present crisis also presents many opportunities and is confident of the Group's long term prospects.

Over the years, Giordano has built an enviable reputation among customers for unwavering quality, value and service – no matter in good times or bad. But the new circumstances require swift action. Therefore, we have positioned our marketing and merchandising programs to emphasize “basics”, “essentials” and “value” to capitalize on a re-alignment in consumer priorities. We will continue to invest in our design and product development capabilities, and to this end we will open a new design center in Southern China during the first half of 2009. Located in close proximity to many of our key vendors, the center will eventually house about 200 design and product development staff and allow for greater and closer collaboration with our key suppliers.

Giordano has also built an organization centered on operational efficiency, effective cost controls and rigorous cash and inventory management. When market conditions began to weaken last year, we quickly tightened our cost, inventory and cash controls by implementing a wage and hiring freeze outside Mainland China, reducing our store network by a total of 30 in Hong Kong, Taiwan and Singapore and aggressively clearing fall/winter stocks in the fourth quarter to keep cash and inventory levels healthy. As a result the Group entered 2009 with approximately HK\$454 million (December 31, 2007: HK\$474 million) in net cash and bank balances, while inventory turnover on sales for 2008 was 23 days, a notable improvement. The coming months will continue to see tightened expense budgets and other spending controls to protect the bottom line and maintain a strong balance sheet.

With export markets in the doldrums, we expect to be able to drive better bargains with our suppliers and have targeted to achieve significant FOB cost savings in 2009. We are also pushing for substantial reduction in freight and other operating costs.

Although its economy has slowed in the last few months, China’s long term growth story remains intact. As such, the Group will continue to focus its 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 centers throughout the region has begun to ease and rentals are beginning to revert to more reasonable levels. Even as we are rationalizing our store 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.

The current crisis truly is a time which tests an organization’s financial and operational mettle. 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.

HUMAN RESOURCES

The recruitment, retention, development and motivation of quality employees have always been the foundation of our success. The Company offers competitive remuneration packages and generous, goal-oriented bonuses to different levels of staff. Senior managers are also offered generous incentive bonus schemes and share options as a means to reward and retain a high caliber management team.

Although a competitive remuneration package is important, numerous studies and experience have shown that it is not sufficient in attracting and retaining staff. Values, fairness and opportunities for further professional and personal development are also important considerations for people. As such, the Group invests heavily not only in a comprehensive staff training and development programs in basic sales and service, but also other topics such as management training, leadership seminars and other programs designed to address our people's personal and professional development needs. The Company has also instituted an Employee Self Learning Program to foster individual initiative and responsibility for development. Performance in the program is an important consideration in evaluating an employee's total performance for compensation and career advancement.

On December 31, 2008, the Group had 8,300 employees (2007: 12,100 employees, of which 3,900 were employed by Placita). Total staff cost (excluding directors' emoluments but including employees' share option charges) amounted to HK\$768 million (2007: HK\$733 million). During the year, 41 million share options (2007: 8 million share options) were granted to employees of the Group.

DIVIDENDS

It is the Company's intention to return surplus cash to its shareholders through the regular payment of dividends and, in line with its dividend philosophy, the Company has been paying an ordinary dividend amounting to about one-third of its earnings plus a special dividend the amount of which may vary depending on cash on hand, future investment requirements and other considerations.

After due consideration of the uncertain economic outlook and the Group's continued investment to expand in Mainland China, the Board has resolved to recommend to shareholders the payment of a final dividend of 3.0 HK cents for the year ended December 31, 2008 (2007: final dividend of 5.0 HK cents and special final dividend of 10.0 HK cents) per share. Taking into account the interim dividend of 4.5 HK cents (2007: 4.5 HK cents) per share and the special interim dividend of 2.0 HK cents (2007: 2.0 HK cents) per share paid on September 23, 2008, total 2008 dividend amounted to 9.5 HK cents (2007: 21.5 HK cents) per share, representing a payout of 45.7 percent of 2008 per share earnings. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on or about Friday, June 12, 2009 to shareholders whose names appear on the register of members of the Company on Wednesday, June 3, 2009.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Wednesday, June 3, 2009. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which is expected to be published on or about Wednesday, April 22, 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, June 1, 2009 to Wednesday, June 3, 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 29, 2009.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended December 31, 2008, except that (i) the roles of the Chairman and Chief Executive are vested in the same person (Code Provision A.2.1); and (ii) the Chairman and the Managing Director are not subject to retirement by rotation (Code Provision A.4.2). Currently, Dr. LAU Kwok Kuen, Peter, 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 business, the Board believes that vesting the roles of both Chairman and Chief Executive in Dr. Lau provides the Group with strong and consistent leadership, allows for more effective planning and execution of long term business strategies and enhances efficiency in decision-making. Further information will be provided in the "Corporate Governance Report" of the 2008 Annual Report.

REVIEW OF ACCOUNTS

The Group's audited consolidated financial statements for the year ended December 31, 2008 including the accounting principles and practices adopted have been reviewed by the Audit Committee in conjunction with the Company's external auditor. Also, this preliminary results announcement has been agreed with the Company's external auditor.

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 year.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, March 26, 2009

As at the date of this announcement, the Board of the Company comprises three independent non-executive directors, namely, Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi and Dr. LEE Peng Fei, Allen; one non-executive director, Professor LEUNG Kwok and two executive directors, namely, Dr. LAU Kwok Kuen, Peter and Mr. MAH Chuck On, Bernard.