

Giordano Announces 2010 Interim Results

August 25, 2010, Hong Kong

Giordano International Limited (“Giordano” or the “Group”) announced its 2010 interim results today. First half turnover increased by 6.7% year-on-year to HK\$2,137 million in the six months ended June 30, 2010. The Group lifted its gross margin by 9.7 percentage points to 57.9% (1H09: 48.2 %) and its operating margin by 9.4 percentage points to 12.7% (1H09: 3.3%). As a result, the Group’s first half operating profit increased by HK\$205 million to HK\$271 million, more than four times the HK\$66 million recorded in the first half of 2009.

In line with the increase in operating profit discussed above, the Group’s first half 2010 profit attributable to shareholders increased by HK\$154 million to HK\$202 million or over four times that of the same period last year (1H09: HK\$48 million). First half basic and fully diluted earnings per share increased to 13.5 HK cents (1H09: 3.2 HK cents). The Board of Directors declared an interim dividend of 4.5 HK cents (2009: 2.0 HK cents) per share and a special interim dividend of 4.0 HK cents (2009: Nil) per share.

Net cash inflow from operating activities increased by 51.2% or HK\$88 million to HK\$260 million (1H09: HK\$172 million) reflecting the improvement in the Group’s operational performance. As a result, the Group’s net cash and bank balances increased by HK\$42 million to HK\$792 million as at June 30, 2010 (December 31, 2009: HK\$750 million). The Group’s inventory level remains healthy, with inventory turnover on sales for the first half of 2010 coming in at 25 days (1H09: 25 days).

The Group’s focus on managing inventory, limiting markdowns and controlling product costs enabled all its key markets to post double digit year-on-year gross profit growth in the first half of 2010. Along with restrained operating expense growth, our key markets all achieved strong operating profit gains:

(in HK\$’M)	1H10 Turnover	1H09 Turnover	1H10 Operating Profit	1H09 Operating Profit (Loss)
Mainland China	790	776	124	33
Hong Kong and Macau	392	366	54	10
Taiwan	279	269	31	(4)
Singapore	172	147	23	(3)

“As we noted in our 2009 final results announcement, Management’s first objective for 2010 is to rebuild Giordano’s margins. I am pleased to note that our major markets all achieved strong year-on-year gross and operating profit gains in the first half of 2010. Overall, Giordano successfully increased its gross margin by 9.7 percentage points to 57.9% and its operating margin by 9.4 percentage points to 12.7%, the highest in the last ten years. We will continue to strive in the second half to expand these gains,” remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

“Our second objective is to enhance the value of the Group’s brands. In this regard, we increased advertising and promotion spending by 37.2% year-on-year during the first half and the remainder of the year will see us continue investing heavily in A&P to promote our brands and support our growth plans in Mainland China,” continued Dr. Lau.

“Management’s third objective is to drive faster growth in Mainland China. In the first half, we added 84 outlets to bring our network in Mainland China to 1,101 at the end of June 2010. We will further increase A&P spending in the second half to support our expansion program, with a view to achieving if not exceeding the target to add at least 150 outlets in Mainland China in 2010,” added Dr. Lau.

“In summary, we have made steady progress in the first half of 2010. With the Group’s strong cash flow and solid balance sheet, Giordano is well positioned to achieve its three objectives. Early signs are encouraging, with July witnessing double digit sales and gross profit growth in Giordano’s key markets of Mainland China, Hong Kong, Taiwan and Singapore as well as the Group as a whole,” concluded Dr. Lau.

(Attachment: Unaudited consolidated results for the six months ended June 30, 2010)

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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 Ladies*, *Giordano Junior*, *Concepts One* and *BSX*. Established in 1981, Giordano now operates over 2,000 stores and counters in Greater China, South Korea, Southeast Asia, Australia, India and the Middle East. Giordano is listed on the main board of Hong Kong Stock Exchange under the code 709.

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Attachment:
Condensed Consolidated Income Statement

<i>(In HK\$ millions except earnings per share)</i>	Six months ended June 30	
	2010	2009
	(Unaudited)	(Unaudited)
Turnover	2,137	2,003
Cost of sales	(900)	(1,038)
Gross profit	1,237	965
Other income	41	57
Distribution, administrative and other operating expenses	(1,007)	(956)
Operating profit	271	66
Loss on disposal of a subsidiary	(10)	-
Finance expense	(1)	(1)
Share of profit of jointly controlled companies	22	9
Share of profit of an associate	2	1
Profit before taxation	284	75
Taxation	(70)	(25)
Profit for the period	214	50

Condensed Consolidated Income Statement (continued)**Six months ended June 30**

	2010	2009
<i>(In HK\$ millions except earnings per share)</i>	(Unaudited)	(Unaudited)
Profit attributable to:		
Shareholders of the Company	202	48
<u>Non-controlling interests</u>	12	2
	214	50
Earnings per share for profit		
attributable to shareholders of the Company		
Basic (HK cents)	13.5	3.2
Diluted (HK cents)	13.5	3.2
Dividends	127	30