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GIORDANO
GIORDANO INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 709)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of Giordano International Limited (the “Company”) is pleased to announce that the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”), for the six months ended June 30, 2010 along with comparative figures for the corresponding period and selected explanatory notes are as follows:

Condensed Consolidated Income Statement

<i>(In HK\$ millions except earnings per share)</i>	<i>Note</i>	Six months ended June 30	
		2010	2009
		(Unaudited)	(Unaudited)
Turnover	2	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	2, 3	271	66
Loss on disposal of a subsidiary		(10)	–
Finance expense	4	(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	5	(70)	(25)
Profit for the period		214	50

<i>(In HK\$ millions except earnings per share)</i>	<i>Note</i>	Six months ended June 30	
		2010 (Unaudited)	2009 (Unaudited)
Profit attributable to:			
Shareholders of the Company		202	48
Non-controlling interests		12	2
		214	50
Earnings per share for profit attributable to shareholders of the Company	<i>6</i>		
Basic (<i>HK cents</i>)		13.5	3.2
Diluted (<i>HK cents</i>)		13.5	3.2
Dividends	<i>7(a)</i>	127	30

Condensed Consolidated Statement of Comprehensive Income

<i>(In HK\$ millions)</i>	Six months ended June 30	
	2010 (Unaudited)	2009 (Unaudited)
Profit for the period	214	50
Other comprehensive income:		
Exchange adjustment on translation of overseas subsidiaries and branches	7	22
Realization of exchange reserve upon disposal of a subsidiary	10	–
Movement in net deferred tax assets/(liabilities)	1	(3)
Total comprehensive income for the period	232	69
Total comprehensive income attributable to :		
Shareholders of the Company	216	64
Non-controlling interests	16	5
	232	69

Condensed Consolidated Balance Sheet

<i>(In HK\$ millions)</i>	<i>Note</i>	June 30 2010 (Unaudited)	December 31 2009 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		171	188
Investment property		78	79
Interest in jointly controlled companies		313	317
Interest in an associate		44	41
Available-for-sale financial assets	8	11	11
Financial assets at fair value through profit or loss	9	28	28
Leasehold land and rental prepayments		290	300
Rental deposits		254	250
Deferred tax assets		25	22
		1,214	1,236
Current assets			
Inventories		296	294
Leasehold land and rental prepayments		42	45
Trade and other receivables	10	391	411
Cash and bank balances		984	824
		1,713	1,574
Total assets		2,927	2,810
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		75	75
Reserves		1,924	1,833
Proposed dividends	7	127	210
Equity attributable to shareholders of the Company		2,126	2,118
Non-controlling interests		84	68
Total equity		2,210	2,186
Non-current liabilities			
Deferred tax liabilities		79	82
Other payables	11	13	15
		92	97
Current liabilities			
Trade and other payables	11	385	419
Bank loans		192	74
Taxation		48	34
		625	527
Total liabilities		717	624
Total equity and liabilities		2,927	2,810

Notes:

1. Principal Accounting Policies

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed interim financial statements should be read in conjunction with the 2009 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2009 except for the following new standards, amendments and interpretations that are relevant to the Group’s business and are effective on or after January 1, 2010:

HKFRS 3 (Revised)	Business combinations (effective for annual periods beginning on or after July 1, 2009)
HKAS 27 (Revised)	Consolidated and separate financial statements (effective for annual periods beginning on or after July 1, 2009)
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners (effective for annual periods beginning on or after July 1, 2009)
Annual Improvements 2009	(effective for annual periods beginning on or after January 1, 2010)

2. Operating segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers who make strategic decisions.

The chief operating decision-makers assess the business of the Retail and Distribution segment from both a geographic and a brand perspective. From a geographic perspective, the Retail and Distribution segment is further divided into six reportable operating sub-segments, namely Mainland China, Hong Kong and Macau, Taiwan, Singapore, Australia and Other Markets. From a brand perspective, the Retail and Distribution segment is sub-divided into *Giordano & Giordano Junior*, *Giordano Ladies*, *Concepts One* (renamed from *Giordano Concepts*), *BSX* and Others. Wholesale sales to overseas customers and the Group’s licensing activities are grouped under the Export and Licensing business segment.

Following the disposal of the Group's principal garment manufacturing subsidiary in 2008, the Group's remaining garment manufacturing operations are small and engaged more or less exclusively in supplying products to other Group companies. In view of the cessation of the Group's manufacturing operations as a material net contributor to its results, it is no longer considered necessary nor appropriate to define a Manufacturing and Other segment as a reportable segment.

Segment profit represents the profit earned by each segment before finance cost, tax and share of profit of jointly controlled companies and associate. This is the measurement basis reported to the chief operating decision-makers for the purpose of resource allocation and assessment of segment performance.

An analysis of the Group's reportable segment turnover and operating profit/(loss) by geographical location is as follows:

<i>(In HK\$ millions)</i>	Six months ended June 30			
	2010		2009	
	Turnover	Operating profit/(loss)	Turnover	Operating profit/(loss)
By principal markets:				
Mainland China	790	124	776	33
Hong Kong and Macau	392	54	366	10
Taiwan	279	31	269	(4)
Singapore	172	23	147	(3)
Australia	73	(14)	77	(16)
Other Markets	254	52	198	6
Total Retail and Distribution	1,960	270	1,833	26
Export and Licensing business	195	27	184	33
Inter-segment sales on export and licensing business	(18)	–	(14)	–
Total	2,137	297	2,003	59

Further analysis of Retail and Distribution by brand is as follows:

<i>(In HK\$ millions)</i>	Six months ended June 30			
	2010		2009	
	Turnover	Operating profit/(loss)	Turnover	Operating profit/(loss)
By brand:				
<i>Giordano & Giordano Junior</i>	1,702	242	1,569	49
<i>Giordano Ladies</i>	129	21	114	1
<i>Concepts One</i> (renamed from <i>Giordano Concepts</i>)	36	(6)	64	(19)
<i>BSX</i>	81	11	76	(6)
Others	12	2	10	1
Total Retail and Distribution	1,960	270	1,833	26

A reconciliation of operating profit for reportable segments to profit before income tax is provided as follows:

<i>(In HK\$ millions)</i>	Six months ended June 30	
	2010	2009
Operating profit for reportable segments	297	59
Manufacturing business	5	12
Other operating expenses	(31)	(5)
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

3. Operating profit

The operating profit is stated after charging:

<i>(In HK\$ millions)</i>	Six months ended June 30	
	2010	2009
Amortization of leasehold land prepayments	5	5
Depreciation of property, plant and equipment	44	52
Depreciation of investment property	1	1
Net loss on disposal of property, plant and equipment	1	2
Provision for obsolete inventory and inventory write-off	7	–

4. Finance expense

<i>(In HK\$ millions)</i>	Six months ended June 30	
	2010	2009
Interest on bank loans	1	1

5. Taxation

Hong Kong profits tax is calculated at the rate of 16.5 percent (2009: 16.5 percent) on the estimated assessable profits for the six months ended June 30, 2010. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

<i>(In HK\$ millions)</i>	Six months ended June 30	
	2010	2009
Income tax		
Current income tax		
– Hong Kong profits tax	11	4
– Outside Hong Kong	50	12
– Withholding tax on distribution from subsidiaries and a jointly controlled company	8	6
Under/(Over) provision in previous period		
– Hong Kong profits tax	2	–
– Outside Hong Kong	1	(1)
	72	21
Deferred tax		
Relating to the origination and reversal of temporary differences	(2)	4
Taxation charge	70	25

This charge excludes the share of associate and jointly controlled companies' taxation for the six months ended June 30, 2010 of HK\$6 million (2009: HK\$3 million). The share of the income tax expenses of associate and jointly controlled companies is netted off with the share of profits of associate and jointly controlled companies in the condensed consolidated income statement.

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders of the Company for the period of HK\$202 million (2009: HK\$48 million).

The basic earnings per share is based on the weighted average of 1,491,667,104 shares (2009: 1,491,646,518 shares) in issue during the six months ended June 30, 2010.

The diluted earnings per share is based on 1,491,667,104 shares (2009: 1,491,646,518 shares) which is the weighted average number of shares in issue during the six months ended June 30, 2010 plus the weighted average of 93,466 shares (2009: nil share) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. Dividends

- (a) Interim dividends attributable to the period:

<i>(In HK\$ millions)</i>	Six months ended June 30	
	2010	2009
Interim dividend declared after balance sheet date of 4.5 HK cents (2009: 2.0 HK cents) per share	67	30
Special interim dividend declared after balance sheet date of 4.0 HK cents (2009: 0.0 HK cent) per share	60	–
	127	30

At the board meeting held on August 25, 2010, the directors declared interim and special interim dividends of 4.5 HK cents and 4.0 HK cents per share respectively. These proposed dividends have not been recognized as a liability at the balance sheet date.

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

<i>(In HK\$ millions)</i>	Six months ended June 30	
	2010	2009
2009 final dividend approved and paid of 7.0 HK cents (2008: 3.0 HK cents) per share	105	45
2009 special final dividend approved and paid of 7.0 HK cents (2008: 0.0 HK cent) per share	105	–
	210	45

8. Available-for-sale financial assets

Available-for-sale financial assets represented a 9.9 percent interest in Higrowth Ventures Limited denominated in Hong Kong dollars.

<i>(In HK\$ millions)</i>	June 30	December 31
	2010	2009
Opening fair value	11	9
Fair value gains transfer to available-for-sale financial asset reserve	–	2
Closing fair value	11	11

The fair value of the available-for-sale financial assets are determined using inputs that are not based on observable market data (unobservable inputs), which is categorised as level 3 under the fair value hierarchy pursuant to HKFRS 7.

None of the financial assets is impaired.

9. Financial assets at fair value through profit or loss

On June 27, 2008, the Company entered into a sale and purchase agreement to dispose of its 21.0 percent interest in Placita Holdings Limited (“Placita”). As part of the agreement, the remaining 6,055,440 Ordinary Shares representing the Group’s remaining 30.0 percent of the total issued share capital of Placita held by the Company were redesignated into 6,055,440 preference shares of Placita (the “Preference Shares”). Furthermore, the Purchaser shall grant to the Company a put option on the Preference Shares.

<i>(In HK\$ millions)</i>	June 30 2010	December 31 2009
Opening fair value	28	25
Increase in fair value to income statement	–	3
Closing fair value	28	28

The fair value of the financial assets at fair value through profit or loss are determined using inputs that are not based on observable market data (unobservable inputs), which is categorised as level 3 under the fair value hierarchy pursuant to HKFRS 7.

10. Trade and other receivables

<i>(In HK\$ millions)</i>	June 30 2010	December 31 2009
Trade receivables	204	236
Less: Provision for impairment	(7)	(5)
Trade receivables – net	197	231
Other receivables, including deposits and prepayments	194	180
	391	411

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) is as follows:

<i>(In HK\$ millions)</i>	June 30 2010	December 31 2009
0 – 30 days	144	175
31 – 60 days	36	35
61 – 90 days	9	13
Over 90 days	8	8
	197	231

11. Trade and other payables

<i>(In HK\$ millions)</i>	June 30 2010	December 31 2009
Trade payables	136	181
Other payables and accrued expenses	262	253
	398	434
Long-term portion	(13)	(15)
Current portion	385	419

The ageing analysis of trade payables is as follows:

<i>(In HK\$ millions)</i>	June 30 2010	December 31 2009
0 – 30 days	122	138
31 – 60 days	13	41
61 – 90 days	1	2
Over 90 days	–	–
	136	181

12. Total assets less current liabilities and net current assets

The Group's total assets less current liabilities amounted to HK\$2,302 million and HK\$2,283 million as at June 30, 2010 and December 31, 2009 respectively. The Group's net current assets, defined as current assets less current liabilities, amounted to HK\$1,088 million and HK\$1,047 million as at June 30, 2010 and December 31, 2009 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	2,137	2,003	6.7%
Gross profit	1,237	965	28.2%
Gross margin	57.9%	48.2%	9.7 pp
EBITDA	341	137	148.9%
EBITDA margin	16.0%	6.8%	9.2 pp
Operating profit	271	66	310.6%
Operating margin	12.7%	3.3%	9.4 pp
Profit attributable to shareholders	202	48	320.8%
Net cash flow from operating activities	260	172	51.2%

Group Operations Highlights (in HK\$ millions)

Turnover and Gross Profit

The Group continued to build on the recovery that began in the second half of 2009. Overall, Group sales increased by 6.7 percent year-on-year to HK\$2,137 million in the six months ended June 30, 2010. Growth was especially notable in Singapore, Indonesia, Malaysia and Thailand, all of which achieved double digit top line increases over the same period last year. Sales also increased in Mainland China, Hong Kong and Taiwan. The Group also expanded its network of stores in Mainland China by 84 outlets in the first half of the year in preparation for increased growth going forward.

With our continued focus on closely managing inventory, controlling sourcing costs and limiting markdowns, the Group lifted its first half gross margin to 57.9 percent, 9.7 percentage points increase over the same period last year (1H09: 48.2 percent). This also reflects a strengthening of the value of the Group's core brands. Gross profit grew by 28.2 percent to HK\$1,237 million (1H09: HK\$965 million) as a result of these improvements.

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

The Group boosted advertising and promotion spending by 37.2 percent year-on-year during the first half to capitalize on the recovery in consumer confidence and spending in the region. Management continued to tightly control other expenses, and the Group's first half rental and shop staff costs grew by 2.3 percent and 9.1 percent respectively compared to the same period in 2009. Overall, the Group's operating expenses increased by 5.3 percent to HK\$1,007 million (1H09: HK\$956 million).

Other income decreased to HK\$41 million (1H09: HK\$57 million) mainly due to the non-recurrence of a HK\$13 million compensation for early lease termination that was received in the first half of 2009.

The strong increase in gross profits and effective control of operating expenses enabled the Group to boost its first half EBITDA by HK\$204 million to HK\$341 million (1H09: HK\$137 million). The Group's first half operating profit also increased by HK\$205 million to HK\$271 million, more than four times the HK\$66 million recorded in the first half of 2009. Operating margin improved by 9.4 percentage points to 12.7 percent (1H09: 3.3 percent).

Profit Attributable to Shareholders

After-tax profit contribution from the Group's South Korea joint venture increased by HK\$12 million to HK\$21 million (1H09: HK\$9 million) while our Middle East associate increased its first half profit contribution by HK\$1 million to HK\$2 million.

During the period the Group also completed its exit from Japan, incurring a HK\$10 million loss on disposal.

The Group's first half 2010 income taxation expense was HK\$70 million (1H09: HK\$25 million), resulting in an effective tax rate¹ of 24.6 percent which is 8.7 percentage points lower than the same period last year (1H09: 33.3 percent). The reduction is attributable to a rise in losses in some Group companies during the first half of 2009 that could not be offset against profits elsewhere, resulting in higher total income taxation expense relative to Group profits and therefore a higher effective tax rate.

Along with the increase in operating profit as discussed earlier, 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).

Cash Flow from Operations

Net cash inflow from operating activities increased by 51.2 percent or HK\$88 million to HK\$260 million (1H09: HK\$172 million) reflecting the improvement in the Group's operational performance.

Net cash outflow from investing activities increased by HK\$67 million to HK\$86 million (1H09: HK\$19 million) primarily because of a HK\$60 million increase in time deposits with terms longer than three months. With the bulk of the new stores added being franchised stores in Mainland China, the Group's first half capital expenditure increased only modestly to HK\$28 million (1H09: HK\$25 million). Capital expenditure represented 10.8 percent (1H09: 14.5 percent) of net cash inflow from operating activities during the period.

Net cash outflow from financing activities increased to HK\$95 million (1H09: HK\$47 million) due to an increase in final dividends paid by the Group during the period to HK\$210 million (1H09: HK\$45 million), enabled by improving profit performance in the second half of 2009 and strong cash flows. This was partly offset by short term funding of our Japanese subsidiary in June 2010 by a bank loan of HK\$114 million (see below).

¹ *Income taxation expense divided by profit before tax*

GROUP FINANCIAL POSITION

On June 30, 2010, the Group had total cash and bank balances of HK\$984 million (December 31, 2009: HK\$824 million) of which HK\$294 million were on fixed term deposits with maturity over three months from the date of deposit. Outstanding bank loans increased to HK\$192 million (December 31, 2009: HK\$74 million) to fund the recapitalization of our subsidiary in Japan ahead of its disposal in order to enable it to discharge its liabilities to other Group companies. This loan has been repaid in July 2010 following the completion of the disposal. Cash and bank balances net of outstanding bank loans was HK\$792 million as at June 30, 2010 (December 31, 2009: HK\$750 million). With a cash surplus and a strong balance sheet, the Group is solidly placed to fund future growth.

The Group's inventory level remains healthy, with first half 2010 closing inventories totalling HK\$296 million, about the same as the HK\$294 million recorded at the end of 2009. Inventory turnover on sales² was 25 days (1H09: 25 days), within the 30-day range considered prudent by Management. Trade and other receivables decreased by HK\$20 million to HK\$391 million, largely offset by trade and other payables which decreased by HK\$34 million to HK\$385 million (December 31, 2009: HK\$419 million).

The current ratio and the quick ratio both decreased slightly to 2.7 times (December 31, 2009: 3.0 times) and 2.3 times (December 31, 2009: 2.4 times) respectively mainly due to the increase in bank loans.

OPERATIONS REVIEW

Retail & Distribution Segment

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	1,960	1,833	6.9%
Same store sales increase/(decrease) ³	2.8%	(9.2%)	N/A
Gross profit	1,194	918	30.1%
Same store gross profit increase/(decrease) ³	22.2%	(14.3%)	N/A
Gross margin	60.9%	50.1%	10.8 pp
Operating profit	270	26	938.5%
Operating margin	13.8%	1.4%	12.4 pp

Retail & Distribution Segment Operations Highlights (in HK\$ millions)

² Inventory held at period end divided by turnover and multiplied by number of days in the period

³ For directly managed outlets which were open for the full two periods under comparison

Management's continued focus on controlling sourcing costs and limiting markdowns resulted in the Retail & Distribution segment's gross margin increasing to 60.9 percent in the first half of 2010, up by 10.8 and 6.1 percentage points against the first half of 2009 (1H09: 50.1 percent) and 2008 (1H08: 54.8 percent) respectively. This also represented a further improvement on the 56.7 percent recorded in the second half of 2009. As a result, Retail & Distribution gross profit increased by 30.1 percent year-on-year to HK\$1,194 million (1H09: HK\$918 million) compared with sales growth of 6.9 percent. Additionally, the continued restraint of operating expenses enabled the Retail & Distribution segment to increase its first half operating profit to HK\$270 million, ten times that of the first half of 2009. Consequently, the Retail & Distribution segment's operating margin expanded to 13.8 percent, up by 12.4 and 4.1 percentage points against the first half of 2009 (1H09: 1.4 percent) and 2008 (1H08: 9.7 percent) respectively. This further improves on the 12.1 percent operating margin recorded in the second half of 2009.

Sales continued to increase going into the second half of 2010, with the Retail & Distribution segment achieving double digit year-on-year increases in both turnover and gross profit in July 2010.

Retail & Distribution Review by Market

Mainland China

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover ⁴	790	776	1.8%
Same store sales increase/(decrease)	(4.9%)	(9.2%)	N/A
Same store gross profit increase/(decrease)	16.8%	(14.2%)	N/A
Operating profit	124	33	275.8%
Operating margin	15.7%	4.3%	11.4 pp
Number of outlets ⁵	1,101	912	189

Mainland China Operations Highlights (in HK\$ millions)

Gross margin in Mainland China in the six months ended June 30, 2010 increased by 11.6 percentage points year-on-year to 55.9 percent (1H09: 44.3 percent). First half gross profit and same store gross profit bounced back by 28.5 percent and 16.8 percent respectively. Mainland China's first half 2010 operating profit came in at HK\$124 million, a 275.8 percent rise against the first half of 2009. Operating margin was 15.7 percent, 11.4 percentage points higher than the first half of 2009. We added 84 outlets in Mainland China during the first half to bring our network there to 1,101 at the end of June 2010. We are firmly on track to achieve our target to add at least 150 outlets in 2010.

With the economy remaining robust, our Mainland China business saw both turnover and gross profit registering double digit growth in July 2010.

⁴ Including net sales to authorized dealer

⁵ Total directly managed outlets (and authorized dealer outlets in the case of Mainland China) as at period end

Hong Kong & Macau

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	392	366	7.1%
Same store sales increase/(decrease)	7.2%	(10.8%)	N/A
Same store gross profit increase/(decrease)	21.5%	(15.1%)	N/A
Operating profit	54	10	440.0%
Operating margin	13.8%	2.7%	11.1 pp
Number of outlets	74	80	(6)

Hong Kong & Macau Operations Highlights (in HK\$ millions)

Our Hong Kong operations continued to make steady progress in the first half, with increased marketing efforts driving sales up by 7.1 percent to HK\$392 million and same store sales up by 7.2 percent. Gross margin continued to improve, rising by 2.6 percentage points compared to the second half of 2009 and 9.9 percentage points compared to the first half of 2009. Same store gross profit increased by 21.5 percent as a result. Along with effective operating expense controls, Hong Kong achieved an over four-fold increase in its first half operating profit to HK\$54 million (1H09: HK\$10 million). The closure of one store during the period brought the number of outlets in Hong Kong and Macau to 74 as the end of June 2010.

In July 2010 Hong Kong also achieved double digit sales and gross profit growth against last year.

Taiwan

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	279	269	3.7%
Same store sales increase/(decrease)	4.6%	(9.5%)	N/A
Same store gross profit increase/(decrease)	20.6%	(11.1%)	N/A
Operating profit/(loss)	31	(4)	N/A
Operating margin	11.1%	(1.5%)	12.6 pp
Number of outlets	176	179	(3)

Taiwan Operations Highlights (in HK\$ millions)

Management's efforts to expand margins were also successful in Taiwan, with first half 2010 gross margin coming in 8.9 percentage points higher than the same period last year. Turnover grew by 3.7 percent and same store sales by 4.6 percent year-on-year. On the back of significantly improved gross margins and lower operating costs, Taiwan posted an operating profit of HK\$31 million in the first half (1H09: operating loss of HK\$4 million). With the strengthening economy, we are cautiously resuming expansion in Taiwan, adding two outlets during the first half to grow our network to 176 locations as at June 30, 2010.

July 2010 saw Taiwan posting double digit gains in turnover and gross profit compared to the same period in 2009.

Singapore

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	172	147	17.0%
Same store sales increase/(decrease)	4.7%	(4.9%)	N/A
Same store gross profit increase/(decrease)	32.5%	(12.9%)	N/A
Operating profit/(loss)	23	(3)	N/A
Operating margin	13.4%	(2.0%)	15.4 pp
Number of outlets	48	46	2

Singapore Operations Highlights (in HK\$ millions)

New product and marketing programs helped boost our business in Singapore. In the first half of 2010, turnover grew by 17.0 percent while same store sales growth turned positive, increasing by 4.7 percent year-on-year during the period after declining by 4.9 percent in 2009. Gross margin was 13.5 percentage points higher in the first half of 2010 than in the same period last year. As a result, same store gross profit increased by 32.5 percent and operating profit increased by HK\$26 million to HK\$23 million (1H09: operating loss of HK\$3 million). We added one store in the strategic Changi International Airport bringing the total number of stores to 48 at the end of June 2010.

Singapore maintained double digit year-on-year sales and gross profit growth in July 2010.

Australia

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	73	77	(5.2%)
Same store sales increase/(decrease)	(10.3%)	(6.0%)	N/A
Same store gross profit increase/(decrease)	5.1%	(11.4%)	N/A
Operating loss	(14)	(16)	N/A
Operating margin	(19.2%)	(20.8%)	1.6 pp
Number of outlets	40	52	(12)

Australia Operations Highlights (in HK\$ millions)

The business process re-engineering programs we have implemented in Australia have begun to show results. Lower product costs and reduced markdowns helped raise same store gross profit by 5.1 percent in the first half of 2010. First half turnover declined by 5.2 percent compared to the same period in 2009 largely due to our store rationalization program, as we closed another five underperforming stores during the period to consolidate the network to 40 stores at the end of June 2010. Operating losses narrowed to HK\$14 million (1H09: operating loss of HK\$16 million) as a result.

Other Markets

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	254	198	28.3%
Operating profit	52	6	766.7%
Operating margin	20.5%	3.0%	17.5 pp
Number of outlets	257	259	(2)

Other Markets Operations Highlights (in HK\$ millions)

The Group's other markets comprise Malaysia, Thailand, Indonesia and Japan. Together, these smaller markets posted an operating profit of HK\$52 million on sales of HK\$254 million in the six months ended June 30, 2010. The Group completed its exit from Japan in the first half of 2010, incurring a one-time loss of HK\$10 million.

Customers in Malaysia, Thailand and Indonesia responded well to the Group's renewed emphasis on "quality essentials" and "value". Excluding Japan, the three markets registered sales of HK\$251 million (1H09: HK\$191 million) and an operating profit of HK\$52 million (1H09: HK\$9 million) during the period as detailed below.

	Malaysia		Indonesia		Thailand	
	1H10	1H09	1H10	1H09	1H10	1H09
Turnover	78	61	111	76	62	54
Same store sales increase/(decrease)	20.3%	(17.1%)	16.9%	(4.0%)	13.2%	(9.0%)
Same store gross profit increase/(decrease)	48.5%	(26.0%)	29.7%	(8.5%)	33.9%	(24.2%)
Number of outlets	65	67	101	96	91	90

Malaysia, Indonesia and Thailand Operations Highlights (in HK\$ millions)

Retail & Distribution Review by Brand

Giordano & Giordano Junior

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	1,702	1,569	8.5%
Same store sales increase/(decrease)	2.2%	(8.4%)	N/A
Same store gross profit increase/(decrease)	22.4%	(14.0%)	N/A
Operating profit	242	49	393.9%
Operating margin	14.2%	3.1%	11.1 pp
Number of outlets	1,565	1,393	172

Giordano & Giordano Junior Operations Highlights (in HK\$ millions)

The Group's moves to emphasize "quality essentials" and "value" in its marketing and merchandising in 2009 has proved popular with customers and helped drive *Giordano* and *Giordano Junior's* strong gross margin recovery in the second half of the year. The first half of 2010 saw the Group reinforcing these themes with new product and marketing campaigns. Sales increased by 8.5 percent to HK\$1,702 million (1H09: HK\$1,569 million) and as a result same store sales increased by 2.2 percent year-on-year. Meanwhile, lower product costs and reduced discounting produced 11.1 percentage points gross margin gain which, thanks to continued vigilance in controlling expenses, translated into 11.1 percentage points increase in operating margin. First half 2010 operating profit increased by almost four times to HK\$242 million (1H09: HK\$49 million) as a result. During the half year we added a total of 80 outlets, practically all of them in Mainland China, bringing the number of *Giordano* and *Giordano Junior* outlets under the Retail and Distribution segment to 1,565 as at June 30, 2010.

Giordano Ladies

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	129	114	13.2%
Same store sales increase/(decrease)	12.8%	(10.0%)	N/A
Same store gross profit increase/(decrease)	23.2%	(12.5%)	N/A
Operating profit	21	1	N/A
Operating margin	16.3%	0.9%	15.4 pp
Number of outlets	41	40	1

Giordano Ladies Operations Highlights (in HK\$ millions)

The premium *Giordano Ladies* line benefited from the sustained recovery in consumer confidence in the first half of 2010. Total sales increased by 13.2 percent and same store sales by 12.8 percent year-on-year. Continued limits on markdowns boosted gross margin by 6.4 percentage points compared to the same period last year. Accordingly, first half 2010 operating profit jumped to HK\$21 million (1H09: HK\$1 million). During the period, we closed two stores to bring the brand's network to 41 as at June 30, 2010.

Concepts One/Giordano Concepts

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	36	64	(43.8%)
Same store sales increase/(decrease)	(3.5%)	(27.0%)	N/A
Same store gross profit increase/(decrease)	18.3%	(36.0%)	N/A
Operating loss	(6)	(19)	N/A
Operating margin	(16.7%)	(29.7%)	13.0 pp
Number of outlets	20	24	(4)

Concepts One/Giordano Concepts Operations Highlights (in HK\$ millions)

Sales began to stabilize in the second half of 2009 following the restructuring which re-branded the *Giordano Concepts* business as *Concepts One*. This trend has continued into the first half of 2010. Same store sales decline narrowed to 3.5 percent and same store gross profit increased by 18.3 percent compared to the first half of 2009. We closed two more non-performing outlets in the period to bring the store network down to 20 on June 30, 2010. As a result, operating losses were cut to HK\$6 million in the first half of 2010 from HK\$19 million in the same period a year ago.

BSX

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	81	76	6.6%
Same store sales increase/(decrease)	1.4%	(10.3%)	N/A
Same store gross profit increase/(decrease)	19.4%	(8.7%)	N/A
Operating profit/(loss)	11	(6)	N/A
Operating margin	13.6%	(7.9%)	21.5 pp
Number of outlets	62	64	(2)

BSX Operations Highlights (in HK\$ millions)

BSX continued to build a following among customers as a fun, youth-oriented urban brand. As a result, first half 2010 gross margin increased by 8.9 percentage points compared to the same period a year ago. This enabled *BSX* to register a first half operating profit of HK\$11 million compared to an operating loss of HK\$6 million in the same period last year. With its performance steadily improving, Management judged it the right time to begin expanding and added three outlets in the first half of 2010, the first increase in three years.

Export & Licensing Segment

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	195	184	6.0%
Operating profit	27	33	(18.2%)
Operating margin	13.8%	17.9%	(4.1 pp)

Export & Licensing Segment Operations Highlights (in HK\$ millions)

The Export & Licensing segment, consisting primarily of the Group's sales to its South Korean joint venture and Middle East associate and wholesale markets such as the Philippines, saw turnover growing by 6.0 percent to HK\$195 million in the first half of 2010, with the increase largely attributable to increased shipments to our Korean jointly controlled company. However, higher margin sales to other markets remained weak, causing operating income for the period to decrease by 18.2 percent to HK\$27 million.

Jointly Controlled and Associated Companies

South Korea

	First Half 2010	First Half 2009	Increase (Decrease)
Turnover	593	355	67.0%
Same store sales increase/(decrease)	26.4%	0.1%	N/A
Same store gross profit increase/(decrease)	28.5%	(3.0%)	N/A
Number of outlets	208	169	39

South Korea Operations Highlights (in HK\$ millions)

On the back of a renewed store expansion program and same store sales growth of 26.4 percent, our South Korean jointly controlled company increased sales by 67.0 percent year-on-year to HK\$593 million in the first half of 2010. Along with a 1.0 percentage point gain in gross margin compared to the first half of 2009, Korea increased its after-tax profit contribution to Group profit by 133.3 percent to HK\$21 million (1H09: HK\$9 million). Seventeen outlets were added in the period to bring the total store count to 208 at the end of June 2010. The Group held 48.5 percent in its South Korean jointly controlled company as at June 30, 2010. Korea continued to post double digit sales and gross profit growth in July compared to the same month last year.

Middle East

The business of our associated company in the Middle East remained sluggish, with first half turnover decreasing by 8.0 percent to HK\$207 million (1H09: HK\$225 million). The situation was mitigated by a 4.5 percentage point recovery in gross margin so that Middle East's after-tax profit contribution rose by HK\$1 million to HK\$2 million in the first half of 2010. The Group held a 20.0 percent stake in its Middle East associate on June 30, 2010.

OUTLOOK

Management has three key objectives for 2010. The first one is to build on the gross and operating margin gains that we achieved in the second half of 2009. During the first half, the Group managed to lift its gross margin by 9.7 percentage points to 57.9 percent and its operating margin by 9.4 percentage points to 12.7 percent, the highest in the last ten years. The second half will see continued vigilance in closely managing inventory, controlling sourcing costs and limiting markdowns to expand these gains.

The second objective is to enhance the value of the Group's brands. Consumers responded favourably to our renewed emphasis on "quality essentials" and "value" in 2009. Riding on this success, the Group increased advertising and promotion ("A&P") spending by 37.2 percent year-on-year during the first half, with the bulk being invested in various non-price promotional campaigns to increase the profile of the core *Giordano* and *Giordano Junior* brands. The remainder of the year will see continued A&P investment in these two brands, not least to support our growth plans in Mainland China. We will also direct more marketing resources to promote our other brands, especially *BSX*, to enhance awareness among young consumers in Greater China.

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. Franchised outlets comprised the bulk of the new stores added, in line with Management's strategy to expand in second tier and smaller cities through franchising. Management will further increase its A&P spending in the second half to support its expansion program, with a view to achieving if not exceeding the target to add at least 150 outlets in Mainland China in 2010.

In summary, the first half of 2010 has seen the Group making steady progress and Management believes that the strategic and operational drivers are in place for the Group to attain its three objectives in the second half of 2010. Early signs are encouraging, with July witnessing double digit sales and gross profit growth in the key markets of Mainland China, Hong Kong, Taiwan and Singapore as well as the Group as a whole.

HUMAN RESOURCES

On June 30, 2010, the Group had about 7,100 employees (June 30, 2009: approximately 7,600). The Group 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 for the Group to reward and retain a high calibre management team. The Group also invests heavily in staff training and development programs in areas such as sales and service, management, planning and leadership development to address our people's professional and personal development needs.

DIVIDENDS

It is the Company's intention to return surplus cash to its shareholders through the payment of dividends. In line with its dividend policy, the Company has been paying a substantial portion of its earnings as an ordinary dividend plus a special dividend, the amount of which may vary depending on cash in hand, future investment requirements and working capital considerations.

After due consideration of the economic outlook, the Group's financial position, its future expansion plans and other factors, the Board of the Company 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 for the year ending December 31, 2010. The dividends are payable on or about Friday, September 24, 2010 to shareholders whose names appear on the register of members of the Company on Wednesday, September 15, 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, September 13, 2010 to Wednesday, September 15, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and the special interim 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, September 10, 2010.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not, during the six months ended June 30, 2010 in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 ("Dr. Lau") 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 businesses, 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. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of Management.

REVIEW OF ACCOUNTS

The Audit Committee has discussed with Management internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended June 30, 2010. It has also reviewed the said financial statements in conjunction 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 period.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, August 25, 2010

As at the date of this announcement, the directors of the Company are:

Executive directors: Dr. LAU Kwok Kuen, Peter and Mr. MAH Chuck On, Bernard; and Independent non-executive directors: Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi, Dr. LEE Peng Fei, Allen and Professor LEUNG Kwok.