

## Giordano Releases 1<sup>st</sup> Quarter 2011 Operations Update

### Highlights

- Giordano's turnover for the quarter ended 31 March 2011 increased by 26.0% to HK\$1,415 million (1Q10: HK\$1,123 million).
- Gross margin increased by 1.7 percentage points to 58.2% (1Q10: 56.5%).
- On the back of faster top line growth and a higher gross margin, gross profit for the quarter increased by 29.6% to HK\$823 million (1Q10: HK\$635 million).
- Sales in Mainland China increased by 30.0% to HK\$550 million (1Q10: HK\$423 million). Mainland China accounted for 38.9% of group sales for the quarter.
- Sales in Hong Kong, Taiwan and Singapore grew by 17.1%, 24.7% and 18.5% respectively during the quarter.
- Net cash and bank balances increased by HK\$261 million to HK\$1,239 million during the quarter (31 December 2010: HK\$978 million; 31 March 2010: HK\$955 million).
- Inventory as at 31 March 2011 represents 24 days of sales, an increase of one day compared to the same period in 2010.

### 19 May 2011, Hong Kong

Giordano International Limited ("Giordano" or the "Group") released its 2011 first quarter operations update today. The Group maintained its growth momentum, with all markets achieving double digit top line increases. Overall, we achieved a 26.0% increase in sales to HK\$1,415 million during the quarter (1Q10: HK\$1,123 million). This compares favourably with the 16.3% growth recorded in the second half of 2010.

Sales in Mainland China, the Group's biggest market, increased by 30.0% to HK\$550 million (1Q10: HK\$423 million). Mainland China accounted for 38.9% of group sales for the quarter. We added 23 stores in Mainland China during the period.

Hong Kong achieved top line growth of 17.1% to HK\$246 million (1Q10: HK\$210 million). Sales in Taiwan increased by 24.7% to HK\$192 million (1Q10: HK\$154 million) and in Singapore by 18.5% to HK\$109 million (1Q10: HK\$92 million) for the quarter.

Effective merchandising and marketing programs enabled the Group to achieve a 7.1% increase in average selling price. Along with continued effective controls on sourcing costs enabled first quarter 2011 gross margin to increase by 1.7 percentage points to 58.2% (1Q10: 56.5%). On the back of faster top line growth and a higher gross margin, gross profit for the quarter increased by 29.6% to HK\$823 million (1Q10: HK\$635 million).

The Group's financial position remains strong. Net cash and bank balances increased by HK\$261 million to HK\$1,239 million during the quarter (31 December 2010: HK\$978 million; 31 March 2010: HK\$955 million), reflecting strong underlying cash flow in the business. Inventory as at 31 March 2011 represents 24 days of sales, an increase of one day compared to the same period in 2010.

"We maintained our growth momentum in the first quarter of 2011. All our markets achieved double digit top line increases. In particular, our main markets of Mainland China, Hong Kong, Taiwan and Singapore achieved sales increases of 30.0%, 17.1%, 24.7% and 18.5% respectively, resulting in the Group achieving a 26.0% increase in sales for the quarter, a strong follow-up on the 16.3% growth recorded in the second half of 2010 and a good start for the year," remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

"We mentioned in our 2010 results announcement that Giordano's main challenge in 2011 is to maintain our margins in the face of rising inflationary cost pressure in our supply chain. We successfully increased our ASP by 7.1% in the first quarter with the help of effective merchandising and marketing programs. At the same time, close cooperation with our strategic supply chain partners allowed us to continue to control our sourcing costs. We were thus able to widen our gross margin to increase by 1.7 percentage points to 58.2% for the quarter. The remainder of 2011 will see us continue focusing on product design and development, supply chain management and marketing to sustain our gross margin and sales growth momentum," added Dr. Lau.

"Mainland China remains the strongest growth engine for the Group. Our sales increased by 30.0% to HK\$550 million for the quarter. With gross margin remaining strong Mainland China delivered a 30.9% increase in gross profit for the quarter. With only 23 stores added during the quarter, store growth would seem to be one area where we missed our target. Although we still face significant challenges expanding our franchise operations, particularly in 2<sup>nd</sup> and 3<sup>rd</sup> tier cities, we are investing a lot of management and financial resources to nurture strong franchisees who will grow with us over the long term. We expect store growth to pick up in the second half and remain cautiously optimistic that we will achieve our target of adding 300 stores in Mainland China in 2011," continued Dr. Lau.

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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 2,300 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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