

Giordano Announces 2011 Interim Results

August 30, 2011, Hong Kong

Giordano International Limited (“Giordano” or the “Group”) announced today its 2011 interim results. The highlights are as follows:

- The Group’s sales for the first half of 2011 increased by 24.0% to HK\$2,649 million from HK\$2,137 million in the same period last year.
- Excluding the effects of translating sales made in foreign currencies into Hong Kong dollars, sales increased by 17.8%.
- The Group increased gross margin by 1.8 percentage points to 59.7% year on year and the Group’s gross profit increased by HK\$344 million to HK\$1,581 million from HK\$1,237 million in the same period last year.
- Improved gross profit was mainly driven by increased sales volume, improved pricing and control on markdowns, increased advertising and promotion activity and a more attractive product mix.
- The Group’s first half operating profit increased by 67% or HK\$181 million, to HK\$452 million from HK\$271 million in the same period last year.
- Operating margin improved by 4.4 percentage points to 17.1 percent from 12.7 percent in the same period last year.
- As a result of sales and margin growth across the Group’s operations, first half 2011 profit attributable to shareholders increased by 71.3% or HK\$144 million to HK\$346 million from HK\$202 million in the same period last year.
- Basic and diluted earnings per share increased to 23.0 HK cents (1H10: 13.5 HK cents) and 22.8HK cents (1H10: 13.5 HK cents) respectively.
- As a result of increased operating profits, free cash flow increased by HK\$162 million, or 65.3%, over the same period last year.
- The Group had total net cash and bank balances of HK\$1,132 million as at June 30, 2011 (December 31, 2010: HK\$978 million).
- Group inventory in the first half of 2011 increased by HK\$7 million from HK\$404 million to HK\$411 million due to increased inventory costs and the provisioning for new shops.
- Inventory turnover on sales was 28 days (1H10: 25 days), remaining at the range within our expectation.
- The Board of Directors declared an interim dividend of 15.0 HK cents (2010: 4.5 HK cents) per share and a special interim dividend of nil (2010: 4.0 HK cents) per share for the year ending December 31, 2011, representing a payout ratio of 65% (2010: 63%).

Chairman's Comments

“Sales grew by 24% in the first half of 2011 due to strong Chinese New Year business and significant growth in all markets. Sales grew across the business with year on year increases above 20% in Mainland China, Hong Kong and Taiwan and South East Asia. This follows a strong performance during the second half of 2010 when sales grew by 16.3%,” remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

“We continue to focus on maintaining and enhancing our brand power through strong product innovation, effective local marketing campaigns and enhanced value from our supply chain. Despite the increase in raw material costs, we increased our average selling prices by 8% in the period and improved our gross margin, compared to the same period last year, by 1.8 percentage points to 59.7%. We will continue to focus on product design and development, supply chain management and local marketing to reinforce brand power, maintain our gross and operating margins and sustain sales growth momentum,” added Dr. Lau.

“The Group sees strong growth potential in all Asian markets, in particular in Mainland China. Mainland China is made up of a number of regional markets with different characteristics. We will continue to focus on developing our organization in these markets where we see significant strategic potential for sales growth. In addition to our own self-operated stores, the Group operates a large network of franchised stores which we will integrate more closely into our operations, particularly in the areas of product design, inventory management and merchandising, thereby strengthening the value we bring to our business partners. During the period, 74 stores were added across the country. Although we still face significant challenges expanding our franchise operations, particularly in second and third tier cities, we are investing significant management and financial resources to nurture key franchisees who will grow with us over the long term. We will continue to expand the number of stores in our network at the same time we will ensure that those stores which we have opened in recent periods generate strong sales and profitability. By the end of 2011 we expect to have increased our store network by more than the 171 stores we added in 2010.” continued Dr. Lau.

(Attachment: Unaudited consolidated results for the six months ended June 30, 2011)

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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 2,400 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 stock 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	
	2011	2010
	(Unaudited)	(Unaudited)
Sales	2,649	2,137
Cost of sales	(1,068)	(900)
Gross profit	1,581	1,237
Other income and other gains	72	41
Distribution, administrative and other operating expenses	(1,201)	(1,007)
Operating profit	452	271
Loss on disposal of a subsidiary	-	(10)
Finance expense	(1)	(1)
Share of profit of jointly controlled companies	30	22
Share of profit of an associate	9	2
Profit before taxation	490	284
Taxation	(119)	(70)
Profit for the period	371	214
Profit attributable to:		
Shareholders of the Company	346	202
Non-controlling interests	25	12
	371	214
Earnings per share for profit attributable to shareholders of the Company		
Basic (HK cents)	23.0	13.5
Diluted (HK cents)	22.8	13.5
Dividends	227	127