

## Giordano Releases Third Quarter 2011 Operations Update

**17 November 2011, Hong Kong**

Giordano International Limited (“Giordano” or the “Group”) released its 2011 third quarter operations update today. The highlights are as follows:

- Sales for the quarter ended September 30, 2011 were HK\$1,334 million, an increase of 18.6% over the same period last year. Year-to-date, sales have increased by 22.1% to HK\$3,983 million.
- Excluding the effect of translating sales in foreign currencies into Hong Kong dollars, sales for the quarter increased by 13.0% while year-to-date sales increased by 16.2% over the same period last year.
- Gross margin for the quarter increased by 0.8 percentage points to 57.5% over the same period last year while year-to-date gross margin increased by 1.5 percentage points to 59.0%.
- Gross profit for the quarter was HK\$767 million, an increase of 20.2% over the same period last year. Year-to-date gross profit increased by 25.2% to HK\$2,348 million.
- Improved gross profit was mainly driven by increased volume, more attractive product price mix, control on markdowns and effective advertising and promotion campaigns. These actions have helped to mitigate the effect of increases in raw material prices and production costs.
- Inventory at September 30, 2011, represents 34 days of sales, a decrease of 1 day over inventory levels at the same date last year.
- Net cash and bank balances decreased by HK\$22 million to HK\$1,110 million during the quarter, which represented a net effect of interim dividend paid of HK\$228 million offset by the cash generated from operations and rental deposits refunded.
- During the quarter, the Group added a net total of 54 outlets, 33 of which are in Mainland China, which brings the Group’s global network to 2,496 outlets as of September 30, 2011.

### **Chairman's Comments:**

“In the first half of 2011 sales grew by 24.0% compared with the same period last year. This had resulted from strong winter products. During first quarter 2011, we managed very successful Chinese New Year aided by longer than normal cold temperature period. This contributed strongly to growth in China in the first quarter. Sales grew across the business with year on year increases above 20% in Mainland China, Hong Kong and Taiwan and South East Asia. Sales in the third quarter of 2011 grew by 18.6%, albeit slower but in line with overall expectations.” remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

“We maintained our focus on enhancing brand equity through strong product innovation, effective local marketing campaigns and enhanced value from our supply chain. During the quarter, our gross margin increased by 0.8 percentage points to 57.5% compared to the same period last year. This also places the company in a defensibly competitive position should global economy take a sharp downturn as many have been worried recently or overall weather condition becomes adverse to winter sales.” added Dr. Lau.

“In the long run, the Group sees good growth potential in all Asian markets, particularly in Mainland China. Mainland China is made up of a number of regional markets with different characteristics. We have implemented a new management structure in China which reflects this regional focus and are beginning to see improvements in business performance. The integration of our large network of franchised stores with our intensified training and merchandising support, is continuing. As a result, there has been some significant integration of our franchisee network in the period. During the period we added 33 stores across the country. We now emphasize an expansion strategy producing new stores with stronger sales and profitability potentials. At the same time, recently opened stores are being tuned to generate higher contribution to total sales. Although recent economic and credit situation in China has created challenges to our franchisees this year, we expect to have increased our store network by about the same number as during 2010.” 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 2,400 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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