

# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 709)**

### Unaudited 2007 Third Quarter Operations Update

#### Unaudited 2007 Third Quarter Operations Update – Highlights

- **Supported by robust sales growth in Mainland China, the Group’s Retail & Distribution turnover and gross profit for the three months ended September 30, 2007 increased by 9.9 percent and 10.7 percent year on year respectively. Retail & Distribution gross margin widened to 50.3 percent (3Q06: 49.9 percent).**
- The Group’s Manufacturing Division did not match the strong performance of the Retail & Distribution Division. As such, the Group registered a smaller increase of 8.8 percent in total turnover and 6.9 percent in total gross profit in the third quarter.
- For the nine months ended September 30, 2007, the Group’s turnover and gross profit increased by 13.0 percent and 8.7 percent year on year respectively.
- The Group’s gross margin for the nine months ended September 30, 2007, was 47.6 percent (2006: 49.5 percent), a reflection of more difficult business conditions in the garment manufacturing sector.
- Inventory turnover days on sales for the nine months ended September 30, 2007 were 36 days (2006: 37 days).
- Net cash and bank balances were approximately HK\$401 million on September 30, 2007 (June 30, 2007: HK\$409 million).

In order to provide better disclosure to the financial markets and to the existing and potential shareholders of Giordano International Limited (the “Company”) so that they can better assess the financial performance of the Company and its subsidiaries (the “Group”), the Board of Directors of the Company announces the unaudited 2007 third quarter operations update of the Group for the period ended September 30, 2007. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

#### ***Sales Performance by Business Segment***

Third quarter Retail & Distribution sales increased 9.9 percent; gross margin widened by 0.4 percentage point to 50.3 percent (2006: 49.9 percent) and gross profit improved by 10.7 percent over the same period last year. Sales growth was smaller than the 11.8 percent increase in the first half when excess winter merchandise was being cleared.

Garment Trading & Manufacturing sales to external customers increased by 1.8 percent during the third quarter but rising costs coupled with the appreciation of the RMB pressurized gross margin. Overall, Group turnover for the three months ended September 30, 2007 grew 8.8 percent and gross profit increased 6.9 percent over the same period last year.

For the nine months ended September 30, 2007, Retail and Distribution turnover improved by 11.1 percent and Garment Trading & Manufacturing sales to external customers improved by 31.5 percent so that the Group's turnover increased by 13.0 percent over the same period last year. Gross profit grew 8.7 percent and gross margin came in at 47.6 percent (2006: 49.5 percent).

<b>YOY Turnover Increase/Decrease</b>	<b>3 months ended September 30, 2007</b>	<b>9 months ended September 30, 2007</b>	<b>6 months ended June 30, 2007</b>
Retail & Distribution	+ 9.9%	+ 11.1%	+ 11.8%
Garment Trading & Manufacturing <sup>1</sup>	+ 1.8%	+ 31.5%	+ 57.2%
Group Total	+ 8.8%	+ 13.0%	+ 15.2%
Group Gross Profit	+ 6.9%	+ 8.7%	+ 9.6%

<sup>1</sup> Sales to external parties, net of intra-group sales

Sales momentum continued into October. Overall, our Retail & Distribution Division achieved mid-teens sales growth while our Garment Trading & Manufacturing Division increased external sales by over 20 percent, thus enabling the Group to post high-teens turnover growth in October 2007.

#### ***Retail & Distribution Division – Performance by Brand***

*Giordano Ladies* achieved strong growth in the third quarter, with sales up 15.9 percent and comparable store sales up 5.9 percent year on year. For the nine months ended September 30, 2007, *Giordano Ladies* sales grew by 20.0 percent year on year. Sales continued to record mid-teens growth in October.

We continued to expand our *Giordano Concepts* network, adding three new stores in the region during the quarter. At least two additional *Concepts* store openings are planned for the fourth quarter.

*Giordano* and *Giordano Junior* sales grew 5.0 percent in the three months and 7.1 percent in the nine months ended September 30, 2007. We added 33 stores with the majority in Mainland China. Sales grew by mid-teens in October.

We continued with re-branding *Bluestar Exchange* to *BSX* and rationalizing our store network, closing 17 stores during the third quarter to reduce total store count to 125, of which 14 have been re-branded to *BSX*. Overall, sales dipped by 7.8 percent, but a better product mix improved gross margins during the third quarter.

For the nine months ended September 30, 2007 Retail & Distribution sales grew 11.1 percent year on year while gross profit increased 9.9 percent. Sales and gross profit both grew by mid-teens year on year in October.

<b>YOY Turnover Increase/Decrease</b>	<b>3 months ended September 30, 2007</b>	<b>9 months ended September 30, 2007</b>	<b>6 months ended June 30, 2007</b>
<i>Giordano &amp; Giordano Junior</i>	+ 5.0%	+ 7.1%	+ 8.1%
<i>Giordano Concepts</i>	N/A	N/A	N/A
<i>Giordano Ladies</i>	+ 15.9%	+ 20.0%	+ 22.8%
<i>BSX/Bluestar Exchange</i>	- 7.8%	- 8.9%	- 9.8%
Retail & Distribution	+ 9.9%	+ 11.1%	+ 11.8%
Retail & Distribution Gross Profit	+ 10.7%	+ 9.9%	+ 9.5%

<b>YOY Comp Store Sales Increase/Decrease</b>	<b>3 months ended September 30, 2007</b>	<b>9 months ended September 30, 2007</b>	<b>6 months ended June 30, 2007</b>
<i>Giordano &amp; Giordano Junior</i>	- 0.8%	+ 3.1%	+ 4.8%
<i>Giordano Concepts</i>	N/A	N/A	N/A
<i>Giordano Ladies</i>	+ 5.9%	+ 11.5%	+ 14.4%
<i>BSX/Bluestar Exchange</i>	- 6.8%	- 6.9%	- 6.9%
Retail & Distribution	- 0.3%	+ 2.9%	+ 4.3%
Retail & Distribution comp store gross profit	+ 3.8%	+ 2.9%	+ 2.6%

#### ***Retail & Distribution Division – Performance by Market***

During the third quarter, Mainland China sales increased by 22.8 percent and gross profit by 25.6 percent year on year. We added 16 stores to bring our network to 786 outlets in Mainland China at the end of September. Boosted by winter stock clearances in the first half, turnover grew 25.4 percent (18.8 percent in RMB terms) in the nine months ended September 30, 2007. Both sales and gross profit grew by over 20 percent in October.

Hong Kong's third quarter turnover was about the same as last year but gross profit was up by 7.0 percent. To manage rising rental costs, we consolidated our network from 98 at the beginning of the year to 93 stores at the end of September. Both sales and gross profit saw single digit growth in October.

Taiwan's third quarter turnover was the same as last year while Singapore continued to struggle in the midst of a hypercompetitive and overcrowded retail market, with third quarter sales down 12.6 percent year on year.

<b>YOY Turnover Increase/Decrease</b>	<b>3 months ended September 30, 2007</b>	<b>9 months ended September 30, 2007</b>	<b>6 months ended June 30, 2007</b>
Mainland China	+ 22.8%	+ 25.4%	+ 26.9%
Hong Kong	+ 0.1%	+ 1.8%	+ 2.6%
Taiwan	+ 0.2%	- 0.3%	- 0.6%
Singapore	- 12.6%	- 0.8%	+ 5.3%
Retail & Distribution	+ 9.9%	+ 11.1%	+ 11.8%

<b>YOY Comp Store Sales Increase/Decrease</b>	<b>3 months ended September 30, 2007</b>	<b>9 months ended September 30, 2007</b>	<b>6 months ended June 30, 2007</b>
Mainland China	+ 7.2%	+ 16.8%	+ 20.6%
Hong Kong	+ 3.8%	+ 6.5%	+ 7.8%
Taiwan	- 4.6%	- 3.8%	- 3.5%
Singapore	- 19.5%	- 9.5%	- 4.6%
Retail & Distribution	- 0.3%	+ 2.9%	+ 4.3%

### ***Margins, Inventory and Cash***

Due in part to faster growth in lower margin markets such as Mainland China and a reduction in Garment Trading & Manufacturing gross profits, the Group's gross margin for the nine months ended September 30, 2007 was 47.6 percent, 1.9 percentage points lower than the 49.5 percent for the same period last year. However, inventory turnover days on sales improved by one day to 36 days. On September 30, 2007, the Group had approximately HK\$401 million in net cash and bank balances.

### ***Performance of Non-consolidated Markets***

Our efforts to revamp South Korea's merchandising have begun to yield results, with gross margin for the nine months ended September 30, 2007 1.5 percentage points above that of last year. However, sales remained sluggish, decreasing by 3.0 percent in the third quarter year on year, though October showed signs of improvement with sales growing by single digit.

We opened our third store in India in Ahmadabad in September, and plans are in the works to launch *Giordano* in Mumbai and Delhi before the end of the year.

### **Store Network**

The Group added 22 outlets to its network in the third quarter, most of them in Mainland China. Our global network stood at 1,851 outlets as at the end of the third quarter.

<b>Number of Outlets by Brand</b>	<b>As at September 30, 2007</b>	<b>As at June 30, 2007</b>	<b>As at December 31, 2006</b>
<i>Giordano &amp; Giordano Junior</i>	1,677	1,644	1,586
<i>Giordano Concepts</i>	12	9	3
<i>Giordano Ladies</i>	37	34	31
<i>BSX/Bluestar Exchange</i>	125	142	149
<b>Total</b>	<b>1,851</b>	<b>1,829</b>	<b>1,769</b>

<b>Number of Outlets by Market</b>	<b>As at September 30, 2007</b>	<b>As at June 30, 2007</b>	<b>As at December 31, 2006</b>
Mainland China	786	770	729
Hong Kong	93	96	98
Taiwan	223	234	239
Singapore	53	54	53
South Korea	165	156	148
Middle East	142	139	129
Other Markets	389	380	373
<b>Total</b>	<b>1,851</b>	<b>1,829</b>	<b>1,769</b>

Shareholders and potential shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board  
**LAU Kwok Kuen, Peter**  
*Chairman*

Hong Kong, November 26, 2007

*As at the date of this announcement, the Board of the Company comprises four independent non-executive directors, namely, Mr. AU Man Chu, Milton, Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi and Dr. LEE Peng Fei, Allen; and three executive directors, namely, Dr. LAU Kwok Kuen, Peter, Mr. FUNG Wing Cheong, Charles and Mr. MAH Chuck On, Bernard.*