

Giordano Announces 2010 Annual Results

Highlights

- The Group's turnover increased by 11.8% to HK\$4,731 million. 2010 gross margin was 57.7%, a record high.
- Supported by increased investment in marketing, sales growth accelerated to 16.3% in the second half of 2010.
- China Mainland remains the Group's strongest growth engine with 171 stores added in 2010. Sales increased by 15.6% in the second half and 9.1% for the full year.
- Group operating profit more than doubled to HK\$695 million. 2010 operating margin, at 14.7%, was a new record for Giordano.
- Profit attributable to shareholders increased by 86.5% to HK\$537 million, the highest since the Group's listing in 1991.
- Strong financial position with net cash and bank balances of HK\$978 million and inventory turnover on sales of 31 days as at 31 December, 2010 (since reduced to 22 days by end-February 2011).
- The Board of Directors recommended a final dividend of 7.0 HK cents per share; and a special final dividend of 11.5 HK cents per share. Total final dividend of 18.5 HK cents is 32.1% higher than 2009. Full year dividend totalled 27.0 HK cents, up 68.8% compared to 2009 and the highest on record.
- The Group maintained its growth momentum going into 2011. With all markets posting double digit increases in Jan and Feb, the Group achieved year-on-year sales and gross profit gains in the mid-to-high teens in the first two months of 2011.

24 March 2011, Hong Kong

Giordano International Limited ("Giordano" or the "Group") announced its 2010 final results today. To capitalize on the recovery in consumer confidence and spending in the region, the Group increased its investment in marketing by 54.3% in 2010. Sales rose by 11.8% to HK\$4,731 million (2009: HK\$4,233 million) in response.

At the same time, the Group strengthened cooperation with strategic supply chain partners to control product costs, resulting in a 25.6% increase in gross profit to HK\$2,731 million (2009: HK\$2,175 million).

Other than advertising and promotion spending, Management continued to tightly control expenses, holding operating expense growth to 9.9% in 2010. The combination of higher top line growth and effective controls on product and operating costs enabled the Group to achieve greater positive operating leverage. Full year operating profit more than doubled to HK\$695 million compared to the previous year (2009: HK\$320 million) as a result. The Group's 2010 gross and operating margin came in at 57.7% and 14.7% respectively, both setting new records.

Profit attributable to shareholders rose by 86.5% to HK\$537 million (2009: HK\$288 million), the highest since the Group's listing in 1991. Fully diluted EPS was 35.9 HK cents. The Board of Director recommended a final dividend of 7.0 HK cents per share and a special final dividend of 11.5 HK cents per share. Full year dividend totalled 27.0 HK cents, up 68.8% compared to 2009 and the highest on record.

In line with Group's improved operational performance, net cash inflow from operating activities increased by HK\$228 million to HK\$610 million. As a result, the Group's, year-end net cash and bank balances increased by HK\$228 million to HK\$978 million (2009: HK\$750 million).

"The global financial crisis of 2008 - 2009 challenged Giordano to swiftly implement measures to rationalize expenses, build cash reserves and ensure financial stability. It also afforded us the opportunity to focus on the fundamentals of being good merchants. Our record-setting performance in 2010 was the result of managerial discipline and operational nimbleness from years of practice," remarked Dr. Lau Kwok Kuen, Peter, Chairman and Chief Executive of Giordano.

"Our main challenge in 2011 is to maintain our margins in the face of rising inflationary cost pressure in our supply chain. We will forge ever closer collaboration with our strategic supply chain partners to limit the impact of rising raw material and other input costs. To sustain our growth momentum, the Group will continue to invest in product design and development to keep the supply pipeline filled with attractive and innovative merchandise that can command a premium in the market. We will support these new product initiatives with eye-catching, impactful marketing campaigns to increase awareness and to reinforce brand equity and pricing power," added Dr. Lau.

"China Mainland remains the strongest growth engine for the Group. With faster expansion of franchised stores and increased marketing support, sales growth noticeably pick up in the second half of 2010 to 15.6% in the second half and 9.1% for the full year. As a result, the Mainland contributed 37.6% and 41.3% respectively to the Group's turnover and operating profit in 2010. With increased investment in marketing, in 2011 our target is to achieve double digit sales and profit growth and to increase new store openings to 300 with the lion's share coming from franchising in second tier and smaller cities," continued Dr. Lau.

Dr. Lau concluded, “We have maintained our growth momentum going into 2011. With all markets posting double digit increases in Jan and Feb, Giordano achieved year-on-year sales and gross profit gains in the mid-to-high teens in the first two months of 2011.”

(Attachment: Audited consolidated results for the year ended 31 December 2010)

- END -

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.

For further information, please contact:

William Yue

Telephone: +852.2746.4727

E-mail: williamyue@giordanogroup.com

Rosa Li

Telephone: +852.2746.4774

E-mail: rosali@giordanogroup.com

Attachment:**Consolidated Income Statement**

<i>(In HK\$ millions except earnings per share)</i>	2010	2009
Turnover	4,731	4,233
Cost of sales	(2,000)	(2,058)
Gross profit	2,731	2,175
Other income	123	110
Distribution expense	(1,687)	(1,545)
Administrative expense	(200)	(169)
Other operating expense	(272)	(251)
Operating profit	695	320
Loss on disposal of a subsidiary	(13)	–
Finance expense	(2)	(1)
Share of profit of jointly controlled companies	56	38
Share of profit of an associate	12	6
Profit before taxation	748	363
Taxation	(181)	(64)
Profit for the year	567	299
Profit attributable to:		
Shareholders of the Company	537	288
Non-controlling interests	30	11
	567	299
Earnings per share for profit attributable to shareholders of the Company		
Basic (<i>HK cents</i>)	36.0	19.3
Diluted (<i>HK cents</i>)	35.9	19.3
Dividends	404	240