GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2006

RESULTS

The board of directors (the "Board") of Giordano International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2006, together with comparative figures for the previous year, as follows:

Consolidated Profit and Loss Account

(In HK$ millions, except earnings per share)	*Note*	**2006**	2005
Turnover	*2*	**4,372**	4,413
Cost of sales		**(2,194)**	(2,170)
Gross profit		**2,178**	2,243
Other revenue		**114**	100
Distribution expense		**(1,449)**	(1,349)
Administrative expense		**(171)**	(167)
Other operating expense		**(296)**	(309)
Operating profit	*2, 3*	**376**	518
Finance expense		**(1)**	(1)
Share of profit of jointly controlled companies		**8**	20
Share of profit of an associate		**8**	11
Profit before taxation		**391**	548
Taxation	*4*	**(173)**	(117)
Profit after taxation		**218**	431
Profit attributable to:			
Shareholders of the Company		**205**	406
Minority interests		**13**	25
		218	431
Dividends	*5*	**395**	395
Earnings per share	*6*		
Basic		**13.8¢**	27.5¢
Diluted		**13.7¢**	27.4¢

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**2006**	2005
ASSETS			
Non-current assets			
Property, plant and equipment		**261**	256
Investment property		**86**	88
Interest in jointly controlled companies		**358**	316
Interest in an associate		**32**	30
Leasehold land and rental prepayments		**307**	313
Rental deposits		**253**	251
Deferred tax assets		**34**	24
		1,331	1,278
Current assets			
Inventories		**422**	369
Leasehold land and rental prepayments		**14**	13
Trade and other receivables	*7*	**494**	407
Cash and bank balances		**723**	903
		1,653	1,692
Total assets		**2,984**	2,970
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**75**	74
Reserves		**1,614**	1,750
Proposed dividends	*5*	**298**	298
Equity attributable to shareholders of the Company		**1,987**	2,122
Minority interests		**103**	93
Total equity		**2,090**	2,215
Non-current liabilities			
Deferred tax liabilities		**103**	92
Current liabilities			
Trade and other payables	*8*	**599**	515
Bank loans		**58**	76
Taxation		**134**	72
		791	663
Total liabilities		**894**	755
Total equity and liabilities		**2,984**	2,970

1. **Principal accounting policies**

Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial statements are prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in 2005 except that the Group has changed certain of its accounting policies following its adoption of new and revised HKASs and HKFRSs which are effective for accounting periods beginning on or after January 1, 2006.

The Group has adopted the HKFRSs and HKASs that are applicable to its operations. The adoption of the following new and revised HKFRSs and HKASs has no material impact on the Group's financial statements:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS Interpretation 4	Determining whether an Arrangement Contains a Lease

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Group's business and are mandatory for the Group's accounting periods beginning on or after January 1, 2007 or later periods. The Group has not early adopted the following new standards and interpretations for the year ended December 31, 2006:

HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Interpretation 11	HKFRS 2-Group and Treasury Share Transactions

Apart from certain presentational changes, the adoption of the above new standards and interpretations will have no significant impact on the Group's financial statements.

2. **Turnover and segment information**

An analysis of the Group's turnover and operating profit by business segments is as follows:

	2006		2005	
(In HK$ millions)	**Turnover**	**Operating profit**	Turnover	Operating profit
Retail and Distribution	**4,019**	**334**	4,002	460
Garment Trading and Manufacturing	**956**	**42**	1,043	58
Less: Inter-segment sales	**(603)**	**–**	(632)	–
	4,372	**376**	4,413	518

The geographical segments of the Group's turnover are as follows:

(In HK$ millions)	**2006**	2005
Mainland China	**1,170**	1,014
Hong Kong	**925**	949
Taiwan	**696**	782
Singapore	**409**	410
Australia	**238**	248
Japan	**129**	184
Korea	**166**	166
Others	**639**	660
	4,372	4,413

3. **Operating profit**

The operating profit is stated after charging:

(In HK$ millions)	**2006**	2005
Amortization of leasehold land prepayments	**9**	8
Depreciation of property, plant and equipment	**108**	113
Depreciation of investment property	**2**	2
Fair value gain on forward foreign exchange contracts	**1**	–
Net loss on disposal of property, plant and equipment	**3**	2
Provision for obsolete stock and stock written off	**23**	10

4. **Taxation**

Hong Kong profits tax is calculated at the rate of 17.5 percent (2005: 17.5 percent) on the estimated assessable profits during the year. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

The charge for taxation in the consolidated profit and loss account represents:

(In HK$ millions)	**2006**	2005
Income tax		
Current income tax		
- Hong Kong profits tax	**26**	33
- Overseas taxation	**74**	83
Under/(over) provision in previous year		
- Overseas taxation	**73**	(2)
	173	114
Withholding tax	**5**	3
Deferred tax		
Relating to the origination and reversal of temporary differences	**(5)**	–
Taxation charge	**173**	117

During the year, the Guangzhou Municipal Office of the State Administration of Taxation (the "SAT Guangzhou Office") of the People's Republic of China conducted a review of the Group's transfer pricing policy in Mainland China for the past years since 1996, focusing primarily on royalties. As a consequence of this review, the SAT Guangzhou Office made a demand for payment of approximately RMB66 million additional Foreign Enterprise Income Tax. Accordingly, the Group has made an appropriate tax provision in the accounts.

5. **Dividends**

(a) Dividends attributable to the year:

(In HK$ millions)	**2006**	2005
Interim dividend declared and paid of 4.5 HK cents (2005: 4.5 HK cents) per share	**67**	67
Special interim dividend declared and paid of 2.0 HK cents (2005: 2.0 HK cents) per share	**30**	30
	97	97
Final dividend proposed after balance sheet date of 5.0 HK cents (2005: 5.0 HK cents) per share	**75**	75
Special final dividend proposed after balance sheet date of 15.0 HK cents (2005: 15.0 HK cents) per share	**223**	223
	298	298
	395	395

At the board meeting held on March 22, 2007, the directors proposed final and special final dividends of 5.0 HK cents and 15.0 HK cents per share respectively. These proposed dividends have not been recognized as a liability at the balance sheet date.

(b) Dividends attributable to the previous year, approved and paid during the year:

(In HK$ millions)	**2006**	2005
2005 final dividend approved and paid of 5.0 HK cents (2004: 4.5 HK cents) per share	**75**	67
2005 special final dividend approved and paid of 15.0 HK cents (2004: 13.0 HK cents) per share	**223**	193
	298	260

6. **Earnings per share**

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders for the year of HK$205 million (2005: HK$406 million).

The basic earnings per share is based on the weighted average of 1,490,228,540 shares (2005: 1,477,470,066 shares) in issue during the year.

The diluted earnings per share is based on 1,490,228,540 shares (2005: 1,477,470,066 shares) which is the weighted average number of shares in issue during the year plus the weighted average of 1,602,321 shares (2005: 5,349,946 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. **Trade and other receivables**

(In HK$ millions)	**2006**	2005
Trade receivables	**327**	273
Less: Provision for impairment	**(10)**	(10)
Trade receivables - net	**317**	263
Other receivables, deposits and prepayments	**177**	144
	494	407

Other than cash and credit card sales, the Group normally allows an average credit period of 60 days to its trade customers.

The ageing analysis of trade receivables is as follows:

(In HK$ millions)	**2006**	2005
0 - 30 days	**236**	202
31 - 60 days	**54**	36
61 - 90 days	**13**	14
Over 90 days	**14**	11
	317	263

The carrying amount of trade receivables are stated approximately at fair value. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally dispersed customers.

8. **Trade and other payables**

(In HK$ millions)	**2006**	2005
Trade payables	**292**	246
Other payables and accrued expenses	**307**	269
	599	515

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**2006**	2005
0 - 30 days	**218**	192
31 - 60 days	**39**	40
61 - 90 days	**20**	8
Over 90 days	**15**	6
	292	246

The carrying amount of trade payables are stated approximately at fair value.

9. **Net current assets**

The Group's net current assets, defined as current assets less current liabilities, amounted to HK$862 million and HK$1,029 million in 2006 and 2005 respectively.

10. **Total assets less current liabilities**

The Group's total assets less current liabilities amounted to HK$2,193 million and HK$2,307 million in 2006 and 2005 respectively.

MANAGEMENT’S DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

Turnover

The Group’s full year turnover was HK$4,372 million, essentially on par with that of 2005, despite a 6.1 percent year-on-year decrease recorded in the first half of 2006 brought about by unseasonably warm temperatures at the start of the year in most of our markets. The Group caught up during the second half with the implementation of several important growth initiatives within its Retail & Distribution Division, so that second half sales came in significantly higher than the first half, and registered a 4.0 percent year-on-year increase.

Turnover *(HK$ millions)*	**2006**	2005	YOY Change
Retail & Distribution	**4,019**	4,002	0.4%
Garment Trading & Manufacturing	**956**	1,043	(8.3%)
Intra-group sales	**(603)**	(632)	(4.6%)
External sales	**353**	411	(14.1%)
Group total	**4,372**	4,413	(0.9%)

Gross Profit

After a 6.8 percent year-on-year decrease in the Group’s gross profit in the first half of 2006, an upsurge in retail sales and efficiency improvements in the manufacturing side drove a recovery in the second half sufficient to limit the overall year-on-year decline in gross profit to 2.9 percent. Although gross margin took a temporary setback due to a tactical increase in discounting to tackle sluggish winter sales, we nevertheless managed to maintain the Group’s gross margin at a respectable 49.8 percent for the year.

Group	**2006**	2005	YOY Change
Gross profit *(HK$ millions)*	**2,178**	2,243	(2.9%)
Gross margin	**49.8%**	50.8%	(1.0)

Operating Expenses, Operating Profit and Earnings before Interest, Taxation, Depreciation and Amortization Expense (EBITDA)

Rental costs remained high and on the rise, causing the Group’s shop occupancy costs to rise by 7.7 percent in 2006. Wages, our other major expense, also experienced significant upward pressure and shop staff cost rose by 5.4 percent. This was partially offset by judicious and temporary cutbacks in discretionary spending such as advertising and promotion which was reduced by 12.5 percent. Nevertheless, operating expenses took a sharp turn upwards to increase by 10.3 percent during the latter half of 2006 so that full year operating expenses increased by 5.0 percent to HK$1,916 million (2005: HK$1,825 million). As such, operating profit came to HK$376 million, a decrease of 27.4 percent from the previous year. This works out to an operating margin of 8.6 percent in 2006, down from 11.7 percent in 2005.

Group	**2006**	2005	YOY Change
Operating profit *(HK$ millions)*	**376**	518	(27.4%)
Operating margin	**8.6%**	11.7%	(3.1)

The Group's EBITDA decreased by 24.4 percent to HK$513 million (2005: HK$679 million) and its 2006 EBITDA margin was 11.7 percent (2005: 15.4 percent).

Profit Attributable to Shareholders

Intensifying competition and weaker consumer confidence impacted the Group's South Korean and Middle East operations, reducing their after-tax profit contribution by 72.5 percent to HK$8 million. However, this was partly offset by contribution from the Group's manufacturing joint venture which completed its first full year of operation. Overall, after-tax profit contribution from the Group's jointly controlled and associated companies declined by 48.4 percent to HK$16 million (2005: HK$31 million). Aggressive re-merchandising efforts are underway in both South Korea and the Middle East to address the competition issue.

In the second half of 2006, the Guangzhou Municipal Office of the State Administration of Taxation of the People's Republic of China (the "SAT Guangzhou Office") conducted a review of the Group's transfer pricing policy in Mainland China, concentrating primarily on royalties. In its ruling, the SAT Guangzhou Office contended that the taxable income of the Group's retail and distribution arm in Mainland China for prior years should be adjusted upwards and, as a result of such adjustment, it made a reassessment of approximately HK$66 million in additional Foreign Enterprise Income Tax for which we have made the provision in 2006. Management plans to apply with the tax authority at the next higher level for a review of the ruling.

As a result of the above, profit attributable to shareholders decreased by 49.5 percent to HK$205 million (2005: HK$406 million). In the absence of the China tax ruling, profit attributable to shareholders would have decreased by 33.3 percent.

Cash Flow

Cash inflow from operating activities decreased to HK$306 million (2005: HK$489 million), mainly due to lower gross profit and an increase in inventories by HK$53 million which caused inventory turnover on sales to rise to 35 days at the end of the year, but have since been reduced to 33 days as at end-February 2007.

Cash outflow from investing activities, increased by HK$6 million to HK$95 million (2005: HK$89 million) due to a HK$17 million increase in rental deposits, leasehold land and rental prepayments but this was partially offset by a HK$9 million decrease in capital expenditure as we deferred store renovations and openings. Despite the HK$9 million reduction, capital expenditure still amounted to HK$111 million and accounted for 36.3 percent of cash inflow from operating activities in 2006, 11.8 percentage points higher than 2005.

At HK$397 million, cash outflow from financing activities was HK$142 million higher than the HK$255 million recorded in 2005, attributable primarily to a HK$109 million decrease in cash proceeds from exercise of share options by management staff.

GROUP FINANCIAL POSITION

At December 31, 2006, the Group had cash and bank deposits of HK$723 million (2005: HK$903 million).

During 2006 the Group's working capital decreased to HK$862 million (2005: HK$1,029 million). Its current ratio was 2.1 times, a decrease from the 2.6 times at the end of 2005.

At the end of the year, the Group's inventories totalled HK$422 million, up from the HK$369 million recorded in 2005 and inventory turnover on sales was 35 days (2005: 31 days). The first two months of 2007 have seen us bringing the figure down to 33 days.

At December 31, 2006, total liabilities were HK$894 million (2005: HK$755 million). The increase is mainly due to a HK$84 million increase in trade and other payables and a HK$62 million increase in tax. Shareholders' equity was HK$1,987 million (2005: HK$2,122 million). The Group's gearing was 2.9 percent (2005: 3.6 percent) based on shareholders' equity.

Capital expenditure during the year was HK$111 million (2005: HK$120 million), representing 36.3 percent (2005: 24.5 percent) of net cash inflow from operating activities. Management estimates 2007 capital expenditure to range higher between HK$120 million and HK$150 million as we pick up our pace on store refurbishments and increase net store growth to 120 outlets.

The Group had financing facilities totalling HK$403 million at the end of the year (2005: HK$389 million), of which HK$58 million in revolving loan facilities had been drawn and were outstanding. As at December 31, 2006, the Group had contingent liabilities of HK$11 million (2005: HK$9 million) incurred in the normal course of business.

DIVISIONAL OPERATIONS HIGHLIGHTS

Garment Trading & Manufacturing Division

In 2006 the Garment Trading & Manufacturing Division's total turnover including intra-group sales decreased 8.3 percent to HK$956 million. After a decrease of 23.6 percent in the first half, external sales started on the track of recovery in the second half, amounting to HK$353 million for the full year or 36.9 percent of the division's turnover in 2006.

Garment Trading & Manufacturing Division *(HK$ millions)*	**2006**	2005	YOY Change
Turnover	**956**	1,043	(8.3%)
Intra-group sales	**(603)**	(632)	(4.6%)
External sales	**353**	411	(14.1%)
Operating profit	**42**	58	(27.6%)
Operating margin	**4.4%**	5.6%	(1.2)

The division's efforts to move itself up the value chain from the OEM (Original Equipment Manufacturer) model of the past to an ODM (Original Design Manufacturer) model and its investment in new manufacturing capacity in the lower cost northern China region came to fruition in the second half of 2006. Both external sales and profits began to recover, narrowing the 37.5 percent decrease in operating profit in the first half. For the full year, operating profit at the Garment Trading & Manufacturing Division decreased by 27.6 percent to HK$42 million. The recovery continued apace with the division achieving double-digit external sales growth in the first two months of 2007.

Higrowth Ventures, the Group's joint-venture, saw its garment factory in Dongguan, China, complete its first full year of operation. It recorded total sales of HK$321 million in 2006 and made an after-tax profit contribution of HK$8 million (2005: HK$1 million) to the Group. The Group held a 49.0 percent shareholding in Higrowth as at December 31, 2006.

Retail & Distribution Division — Overview

A warmer-than-usual winter in Greater China together with a slowdown in consumer spending in Southeast Asia from higher interest rates and fuel prices caused the Retail & Distribution Division's first half of 2006 turnover to decrease by 4.3 percent on a year-on-year basis. However, sales recovered strongly in the second half as a result of new product introductions, with turnover growing by 4.9 percent year-on-year during the period. Full year turnover at the Retail & Distribution Division held steady at HK$4,019 million.

Margins were pressurized by a record warm winter and higher rental and staff costs. As a result, full year operating profit decreased by 27.4 percent while operating margin came in 3.2 percentage points lower than 2005. The Group added 73 outlets to bring its global network to 1,767 outlets at the end of 2006.

Retail & Distribution Division *(HK$ millions)*	**2006**	2005	YOY Change
Turnover	**4,019**	4,002	0.4%
Comparable store sales	**(3.0%)**	(0.5%)	NA
Operating profit	**334**	460	(27.4%)
Operating margin	**8.3%**	11.5%	(3.2)

Performance continued to improve going into 2007, with the division achieving double-digit turnover growth in the first two months of 2007 despite record high temperatures during the crucial Chinese New Year sales period in our main markets.

Retail & Distribution Division — Review by Brand

Giordano and *Giordano Junior* saw first half turnover decreasing by 4.4 percent but staged a strong recovery to grow by 5.3 percent in the second half so that full year turnover was HK$3,507 million, a 0.6 percent increase over 2005. Comparable store sales decrease also narrowed to 3.4 percent for the year. The year saw the launch of the new *Giordano Concepts* brand as well as the establishment of the first *Giordano* store in Chennai, India. Overall, the Group added 60 *Giordano* and *Giordano Junior* outlets in 2006, bringing the total store count to 1,587 worldwide.

Giordano & Giordano Junior	**2006**	2005	YOY Change
Turnover *(HK$ millions)*	**3,507**	3,487	0.6%
Comparable store sales	**(3.4%)**	(0.5%)	NA

Total sales at *Giordano Ladies* grew 12.4 percent in 2006 while comparable store sales were up 8.1 percent. All markets except Taiwan posted double-digit turnover growth during the year. The Group added one outlet each in Beijing, Shanghai, Hong Kong and Singapore to bring the *Giordano Ladies* network to 31 locations in the region.

Giordano Ladies	**2006**	2005	YOY Change
Turnover *(HK$ millions)*	**208**	185	12.4%
Comparable store sales	**8.1%**	3.3%	NA

Lacking a distinctive brand identity and differentiated product offering, *Bluestar Exchange* was squeezed in the overcrowded low cost segment and saw its turnover and comparable store sales decreasing by 7.9 percent and 6.8 percent respectively in 2006. Plans are underway to re-brand *Bluestar Exchange* to shed its budget image and to appeal to a younger demographic. The Group added nine *Bluestar Exchange* outlets to bring the total store count to 149 by the end of 2006.

Bluestar Exchange	**2006**	2005	YOY Change
Turnover *(HK$ millions)*	**304**	330	(7.9%)
Comparable store sales	**(6.8%)**	(3.1%)	NA

Retail & Distribution Division — Review by Market

After a weak first half, sales picked up strongly in the second half with Mainland China posting the best performance, increasing by 18.2 percent year-on-year. Overall sales grew by 4.9 percent in the second half and 0.4 percent for the year. All markets experienced gross margin contraction due to slower sales of higher margin winter items and a tactical increase in discounting. The first two months of 2007 saw Mainland China continue posting double-digit sales growth and the Group will continue to focus its resources and attention here to keep up the momentum.

Mainland China

Mainland China	**2006**	2005	2004	2003	2002
Sales *(HK$ millions)*[1]	**1,090**	987	952	815	856
Sales per sq. ft. *(HK$)*[2]	**2,400**	2,400	2,400	3,000	4,000
Comparable store sales increase/(decrease)[3]	**9%**	6%	7%	(13%)	–
Retail floor area (sq. ft.)[4]	**605,100**	585,600	557,800	484,300	434,800
Number of outlets[4]	**729**	706	671	581	532

1 Including net sales to authorized dealers

2 On weighted-average basis for directly managed outlets

3 For directly managed outlets which were open for the full 12 months in each of the two fiscal years under comparison

4 Total directly managed and authorized dealer outlets as at December 31

After an unseasonably warm Chinese New Year which caused sales growth to slow down to 1.7 percent in the first half, turnover growth in Mainland China accelerated sharply to 18.2 percent in the second half despite the late arrival of cold weather. Overall, turnover grew by 10.4 percent for the year while comparable stores sales increased by 8.5 percent. Sales per square foot held steady at HK$2,400. Significant upward rental pressure especially in the first-tier cities slowed the pace of new store roll-out and we added a total of 23 outlets in Mainland China in 2006 to bring our network to 729 locations at year-end.

Mainland China	2006	2005	YOY Change
Turnover *(HK$ millions)*	**1,090**	987	10.4%
Comparable store sales	**8.5%**	5.5%	NA

In 2006 the Group has strengthened its management bench in Mainland China and will continue to invest more resources to keep up the growth momentum in 2007. We will give priority to driving profitable growth in lower cost second-tier cities and inland provinces mainly through increased franchising.

Hong Kong

Hong Kong	2006	2005	2004	2003	2002
Sales *(HK$ millions)*	**873**	867	810	697	776
Sales per sq. ft. *(HK$)*[1]	**7,600**	7,400	7,100	6,200	6,800
Comparable store sales increase/(decrease)[2]	**5%**	4%	11%	(15%)	3%
Retail floor area (sq. ft.)[3]	**117,300**	119,500	113,700	112,100	116,400
Number of outlets[3]	**98**	101	92	75	73

1 On weighted-average basis

2 For outlets which were open for the full 12 months in each of the two fiscal years under comparison

3 As at December 31

The normally strong and reliable Hong Kong market experienced similarly unusual weather conditions as Mainland China, resulting in a slower than expected year. After experiencing a 1.9 percent gain in the first half, record high temperatures disrupted sales in the fourth quarter so that turnover for the second half and the year as a whole came in about flat compared to 2005. However, revitalized merchandising at *Giordano* and *Giordano Ladies* helped boost sales per square foot by 3 percent to HK$7,600 and comparable store sales by 5.4 percent. *Giordano Ladies* posted the best performance with sales increasing by 13 percent.

Hong Kong	2006	2005	YOY Change
Turnover *(HK$ millions)*	**873**	867	0.7%
Comparable store sales	**5.4%**	4.4%	NA

On the cost side, we experienced significant upward pressure in both rental and staff costs as competition for retail space and talent heated up. The year saw a net reduction of three outlets, bringing the total number of outlets in Hong Kong to 98 at the end of 2006.

Taiwan

Taiwan	2006	2005	2004	2003	2002
Sales *(HK$ millions)*	**658**	732	707	604	677
Sales per sq. ft. *(HK$)*[1]	**2,800**	3,000	2,900	2,600	2,900
Comparable store sales (decrease)/increase[2]	**(9%)**	(6%)	1%	(13%)	(15%)
Retail floor area (sq. ft.)[3]	**235,800**	243,900	245,800	241,500	232,900
Number of outlets[3]	**239**	237	236	195	182

1 On weighted-average basis

2 For outlets which were open for the full 12 months in each of the two fiscal years under comparison

3 As at December 31

Abnormally warm weather in January and February combined with a sharp contraction in consumer credit caused Taiwan's first half turnover to decrease by 17.6 percent. Market conditions continued to be challenging in the second half, with the political leadership crisis and a record warm winter negatively impacting consumer spending. We countered with new product launches and targeted promotions so that our second half sales decrease narrowed to 1.5 percent, a significant improvement over the first half of the year. Overall, retail sales decreased by 10.1 percent and comparable store sales decreased by 9.1 percent year-on-year. There was a net addition of two retail outlets to bring the total store count in Taiwan to 239.

Taiwan	2006	2005	YOY Change
Turnover *(HK$ millions)*	**658**	732	(10.1%)
Comparable store sales	**(9.1%)**	(5.8%)	NA

Singapore

Singapore	2006	2005	2004	2003	2002
Sales *(HK$ millions)*	**403**	403	391	348	372
Sales per sq. ft. *(HK$)*[1]	**7,700**	8,300	8,700	7,700	9,000
Comparable store sales (decrease)/increase[2]	**(12%)**	(1%)	13%	(14%)	(7%)
Retail floor area (sq. ft.)[3]	**55,100**	50,500	48,600	43,600	46,000
Number of outlets[3]	**53**	48	47	43	49

1 On weighted-average basis

2 For outlets which were open for the full 12 months in each of the two fiscal years under comparison

3 As at December 31

Stagnant middle class income growth coupled with increased competition from both international and Asian brands challenged our results in Singapore. After a 7.3 percent reduction in the first half, new merchandise launches and more aggressive promotions fuelled a comeback during the second half. Management changes we made in the beginning of the year had also begun to stabilize. As a result sales increased by 7.6 percent in the second half such that we managed to close 2006 on par with 2005 results.

Singapore	**2006**	2005	YOY Change
Turnover *(HK$ millions)*	**403**	403	–
Comparable store sales	**(11.9%)**	(1.2%)	NA

We added five outlets in Singapore in 2006 but expect the pace to slow in 2007 in view of the rising rental and staff cost pressures common with most other metropolitan markets.

Other Markets

During the year, the Group's other markets saw mixed performance with Thailand posting the best performance with sales up 9.9 percent, followed by Indonesia at 4.3 percent.

Sales *(HK$ millions)*	**Australia**	**Malaysia**	**Indonesia**	**Thailand**	**Japan**	**Others**
2006	**227**	**120**	**145**	**100**	**59**	**344**
2005	222	126	139	91	63	372
Year-on-year increase/(decrease)	2.3%	(4.8%)	4.3%	9.9%	(6.3%)	(7.5%)

Australia

Australian consumer confidence weakened due to rising interest rates and higher petrol prices and as a result our sales in Australia grew by slightly over 2 percent in 2006 to HK$227 million. We added seven outlets to bring our network to 59 outlets as at the end of 2006.

Malaysia, Indonesia and Thailand

Like Australia, all three markets were negatively impacted by interest rate increases and fuel price hikes which took their toll on consumer confidence. As a result, Malaysia ended the year with turnover down 4.8 percent while Indonesia saw turnover growth slowing to 4.3 percent. Thailand posted the best performance with sales growing by 9.9 percent, mainly from new store openings. We added five stores in Malaysia, seventeen in Indonesia and six in Thailand so that at the end of the year the total store counts in these three markets stood at 58, 84 and 63 respectively.

Japan

We continued to restructure our store portfolio to exit from under-performing locations and consequently 2006 saw a net reduction of one outlet, taking total store count down to 20 at the end of the year. Although sales decreased by 6.3 percent year-on-year as a result, our operations achieved a milestone by breaking even in what has been a challenging market for us.

Joint Ventures

South Korea

The North Korean nuclear crisis combined with record high winter temperatures adversely affected consumer confidence and spending, causing our sales in South Korea to decrease by 5.0 percent in local currency terms (sales grew by 1.9 percent after translation into Hong Kong dollars). Gross margin was pressurized due to an increase in discounting and as a result our South Korean jointly controlled company managed only to break even for the year. Total store count was reduced by 20 to 148 as we continued to reorganize our store network. At December 31, 2006, the Group held 49.4 percent in its South Korean jointly controlled company.

South Korea	**2006**	2005	YOY Change
Turnover *(HK$ millions)*	**1,014**	995	1.9%
Comparable store sales	**(6.5%)**	(4.0%)	NA

Middle East

The economic boom that the Middle East enjoyed in the last couple of years attracted many international brands to this market, significantly increasing competitive pressure. Meanwhile, consumer confidence was buffeted by the sharp downturn in the local stock markets and a continued escalation in regional political tensions in the second half. After a strong beginning, growth slowed sharply in the latter part of the year so that turnover grew by 8.1 percent while comparable store sales increased by 1.6 percent in 2006. However, this was overshadowed by a sharp escalation in rental and staff costs. Consequently, profit contribution from our Middle East associated company decreased by 27.3 percent to HK$8 million (2005: HK$11 million). We added a total of 22 outlets in the region to bring the store count to 129 at the end of the year. The Group held a 20.0 percent shareholding in its Middle East associated company at December 31, 2006.

Middle East	**2006**	2005	YOY Change
Turnover *(HK$ millions)*	**359**	332	8.1%
Comparable store sales	**1.6%**	2.4%	NA

HUMAN RESOURCES

On December 31, 2006, the Group had about 11,400 employees. The Group invests heavily in training and development of staff. In addition, generous incentive bonus schemes and share options are offered to senior managers as a means to reward and retain a high calibre management team. Competitive remuneration packages and goal-oriented bonuses are also paid to different levels of staff.

OUTLOOK

International brands have significantly stepped up their activity in Asia as they continue their search for growth and local brands have responded by embarking on more aggressive expansion programs. Consequently competition has intensified rapidly in all markets, pressurizing sales growth while driving up the cost for both retail space and talent. Instead of following the herd and engaging in a scramble for short term growth at the expense of long term profit, we will continue to follow through on our strategy of pursuing measured, profitable growth through meaningful differentiation of our brands. Our primary focus in 2007 will be on executing our product and branding plans. Network growth is targeted at 120 stores, with most of them in Mainland China. We will also be pushing to grow our presence in India, a strategically important market for us, and to test the waters in North America.

Acting on our conviction that meaningful differentiation is vital to establishing and deepening customer relationships in an increasingly overcrowded market, we will push ahead on multiple fronts with our brand differentiation strategy. We will continue investing in *Giordano Ladies*. The first two months saw *Giordano Ladies* achieving double-digit turnover growth and this strong performance causes us to expect the brand to deliver strong results in 2007. We will also continue our expansion by launching *Giordano Ladies* in emerging markets such as Malaysia.

We also intensified our push upmarket with the launch of the new *Giordano Concepts* brand in 2006, opening our first "total look" *Giordano Concepts* store in Hong Kong in October and re-branding our flagship locations in Hong Kong. We also consolidated the design, development, merchandising and operations of the *Giordano Concepts* brand with *Giordano Ladies*. Our goal is to position *Giordano Concepts* as a more upmarket, Western European-influenced "dressed-up casual" brand that would approach *Giordano Ladies* in sophistication, price point and margin and be clearly differentiated from the core *Giordano* brand. The focus of our re-branding launch had been our prime flagship locations in Hong Kong so that at year-end, we had a total of three *Giordano Concepts* stores there, and we plan to add about seven more in Hong Kong, Mainland China, Taiwan and Singapore in 2007. In order to leverage the positive word-of-mouth that the new brand has generated, we agreed to have *Giordano Concepts* be the main sponsor of the upcoming 31st Hong Kong International Film Festival to be held during the latter part of March through early part of April 2007.

Although the spotlight is on *Giordano Concepts*, we have also moved to re-energize the core *Giordano* brand by expanding and updating its range, while keeping true to its heritage of offering basic, functional and value-oriented casual wear for the all important middle market. The new products have been well received and helped drive *Giordano*'s strong recovery in the second half of 2006 which has extended into 2007. We plan to add 100 *Giordano* outlets worldwide in 2007, about half of which will be in Mainland China.

While atypical weather in the region certainly took its toll, Management believes that the lack of a distinctive brand identity and product line also contributed to the lacklustre performance of *Bluestar Exchange*. As such we will re-brand *Bluestar Exchange* to play down its low cost image and to re-position it as a youth-oriented urban brand. The re-branding will proceed in phases, starting in Hong Kong in spring 2007, and will underpin a planned expansion by 10 to 15 locations in Greater China and new markets such as Australia this year.

Mainland China will remain the key growth engine for the Group. Sales growth picked up in the second half of 2006 and the momentum continued into the first two months of 2007 despite record high temperatures during the crucial Chinese New Year sales period, with turnover posting a double-digit increase year-on-year. Management aims to maintain the growth momentum by continuing to focus on upgrading and updating its product offering and growing its retail and wholesale networks. We are targeting an additional 50 outlets in 2007 though escalating rental costs may temper our ambitions slightly. We will focus our main thrust on driving profitable growth in lower cost second tier cities and inland provinces, mainly through increased franchising. The Group will invest heavily in 2007 to increase and upgrade its human capital to support its growth momentum in Mainland China.

In light of the continued influx of foreign retailers, rental and staff costs in both Hong Kong and Singapore are expected to remain on the rise. As such, we will focus on growing comparable store sales and margins while the number of stores is expected to stay about the same in these two important metropolitan centres. The first two months saw turnover growing slightly in both markets.

Improved merchandising mitigated the impact of record high temperatures during the crucial Chinese New Year sales period such that Taiwan saw turnover holding steady in the first two months of 2007. However, the outlook is clouded by the increasingly volatile political situation in the run up to the 2008 elections. As such, we will concentrate on improving store productivity and adjusting our store portfolio to trade up into better locations this year rather than expand the number of stores.

With fuel prices easing, the outlook has brightened for Australia, Malaysia, Indonesia and Thailand, and these four markets all saw solid top line growth in the first two months of 2007. However, unusually warm weather slowed sales in Japan. Nevertheless, overall economic trends and business prospects for these markets remain positive.

Competition is expected to further intensify from more international brands entering the South Korean market in 2007. We have strengthened the new product pipeline to meet the competitive challenge and rekindle growth, but January and February sales were essentially flat due to the record warm weather. We will continue to with the reorganization of our store portfolio and are planning a modest 10-store increase to our network in South Korea in 2007.

Although growth in the Middle East region is expected to slow from the torrid pace it enjoyed in the last few years, we continue to expect good growth in 2007, and the first two months have seen turnover growing by double-digit year-on-year. As such, despite rental and staff cost pressures, we plan to add about 20 outlets in the region.

We launched *Giordano* in India in May 2006 with the first store in Chennai. There are now two outlets in the city and both stores have experienced strong customer traffic and sales growth, thus underscoring the excellent reception we are enjoying. However, construction delays will likely cause us to come in a few stores below our target of having at least ten stores in India by the end of 2007.

Finally, in February we opened our first *Giordano* store in North America in Vancouver, and we are looking to establish additional pilot stores elsewhere on the West Coast later this year. These franchised operations will allow the Group to test the waters of the North American market.

In order to execute on our ambitious branding initiatives and to reinforce our geographic expansion, the Group will invest heavily in upgrading and deepening its corporate and operations talent pool in 2007. Service excellence has long been a pillar of our success, and we will be stepping up our investment in this area in order to maintain our leading position and enhance it as a source of brand differentiation. We will also expand support for our franchisees and other business partners, particularly in Mainland China, to back up our growth plans.

The other area in which the Group will invest more resources, especially human resources, is product design and development. The aim is to boost our design quality and capacity to buttress our new branding and product initiatives, and to strengthen collaboration with our suppliers to shorten our time-to-market and enable us to respond swiftly and effectively to changing fashion and market trends.

The recovery that began in the second half of 2006 has continued to gain momentum, and we look to the above initiatives to enable us to sustain the double-digit turnover increase we have achieved in the first two months of 2007.

DIVIDENDS

The Board has resolved to recommend to shareholders the payment of a final dividend of 5.0 HK cents (2005: 5.0 HK cents) per share and a special final dividend of 15.0 HK cents (2005: 15.0 HK cents) per share which, together with the interim dividend of 4.5 HK cents (2005: 4.5 HK cents) per share and the special interim dividend of 2.0 HK cents (2005: 2.0 HK cents) per share paid on September 15, 2006, make a total dividend of 26.5 HK cents (2005: 26.5 HK cents) per share for the year ended December 31, 2006. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final and special final dividends will be payable on or about Tuesday, May 15, 2007 to shareholders whose names appear on the register of members of the Company on Wednesday, May 9, 2007.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Wednesday, May 9, 2007. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which is expected to be published on or about Friday, April 13, 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, May 7, 2007 to Wednesday, May 9, 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final and special final dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, May 4, 2007.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended December 31, 2006, except for the deviations (i) the role of the Chairman and Chief Executive are vested in the same person (code provision A.2.1); and (ii) the Chairman and the Managing Director are not subject to retirement by rotation under the Bye-Laws of the Company (code provision A.4.2). The Board believes that this structure provides the Group with strong and consistent leadership, allows for more effective planning and execution of long term business strategies and enhances efficiency decision-making in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of management. Further information will be provided in the "Corporate Governance Report" of the 2006 Annual Report.

REVIEW OF ACCOUNTS

The Group's audited consolidated financial statements for the year ended December 31, 2006 including the accounting principles and practices adopted have been reviewed by the Audit Committee in conjunction with the Company's external auditors. Also, this preliminary results announcement has been agreed with the Company's external auditors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, March 22, 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, Mr. LAU Kwok Kuen, Peter, Mr. FUNG Wing Cheong, Charles and Mr. MAH Chuck On, Bernard.

This announcement can also be accessed through Internet at the Company's website www.giordano.com.hk.