GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2008

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Giordano International Limited (the "Company") is pleased to announce that the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2008 along with comparative figures for the corresponding period and selected explanatory notes are as follows:

Condensed Consolidated Profit and Loss Account

		Six months ended June 30	
		2008	2007
(In HK$ millions except earnings per share)	*Note*	**(Unaudited)**	(Unaudited)
Continuing operations			
Turnover	*2*	**2,342**	2,098
Cost of sales		**(1,132)**	(1,046)
Gross profit		**1,210**	1,052
Other income		**103**	56
Distribution, administrative and other operating expenses		**(1,069)**	(933)
Operating profit	*2,3*	**244**	175
Gain on disposal of a jointly controlled company	*8*	**17**	–
Finance expense	*4*	**(1)**	(1)
Share of profit of jointly controlled companies		**7**	7
Share of profit of an associate		**6**	5
Profit before taxation		**273**	186
Taxation	*5*	**(56)**	(46)
Profit for the period from continuing operations		**217**	140
Discontinuing operations			
(Loss)/Profit for the period from discontinuing operations	*9*	**(11)**	15
Profit for the period		**206**	155

(In HK$ millions except earnings per share)	*Note*	**Six months ended June 30** **2008** **(Unaudited)**	2007 (Unaudited)
Profit/(Loss) attributable to:			
Shareholders of the Company			
Continuing operations		**214**	135
Discontinuing operations		**(6)**	8
		208	143
Minority interests			
Continuing operations		**3**	5
Discontinuing operations		**(5)**	7
		(2)	12
		206	155
Dividends	*6(a)*	**97**	97
Earnings/(Loss) per share for profit/(loss) attributable to shareholders of the Company	*7*		
From continuing and discontinuing operations			
Basic *(HK cents)*		**13.9**	9.6
Diluted *(HK cents)*		**13.9**	9.6
From continuing operations			
Basic *(HK cents)*		**14.3**	9.1
Diluted *(HK cents)*		**14.3**	9.1
From discontinuing operations			
Basic *(HK cents)*		**(0.4)**	0.5
Diluted *(HK cents)*		**(0.4)**	0.5

Condensed Consolidated Balance Sheet

(In HK$ millions)	*Note*	**June 30 2008 (Unaudited)**	December 31 2007 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**254**	287
Investment property		**83**	84
Interest in jointly controlled companies		**308**	375
Interest in an associate		**50**	43
Available-for-sale financial asset	*8*	**9**	–
Leasehold land and rental prepayments		**334**	311
Rental deposits		**272**	262
Deferred tax assets		**39**	37
		1,349	1,399
Current assets			
Inventories		**309**	441
Leasehold land and rental prepayments		**23**	21
Trade and other receivables	*10*	**378**	504
Cash and bank balances		**599**	570
		1,309	1,536
Non-current assets classified as held for sale	*9*	**252**	–
		1,561	1,536
Total assets		**2,910**	2,935
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**75**	75
Reserves		**1,756**	1,628
Proposed dividends	*6*	**97**	224
Equity attributable to shareholders of the Company		**1,928**	1,927
Minority interests		**76**	99
Total equity		**2,004**	2,026
Non-current liabilities			
Deferred tax liabilities		**101**	109
Current liabilities			
Trade and other payables	*11*	**406**	646
Bank loans		**137**	96
Taxation		**50**	58
		593	800
Liabilities directly associated with non-current assets classified as held for sale	*9*	**212**	–
		805	800
Total liabilities		**906**	909
Total equity and liabilities		**2,910**	2,935

Notes:

1. Principal accounting policies

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed interim financial statements should be read in conjunction with the 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2007 except for the following new Interpretations which are effective on January 1, 2008 but are not relevant or do not have significant impact to the Group's consolidated financial statements:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. Turnover and segment information

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

	Six months ended June 30			
	2008		2007	
(In HK$ millions)	**Turnover**	**Operating profit**	Turnover	Operating profit
Continuing operations				
Retail and distribution	**2,341**	**240**	2,089	174
Garment trading and manufacturing	**60**	**4**	67	1
Less: Inter-segment sales	**(59)**	**–**	(58)	–
	2,342	**244**	2,098	175
Discontinuing operations				
Garment trading and manufacturing	**333**	**(10)**	390	17
Less: Inter-segment sales	**(115)**	**–**	(160)	–
	218	**(10)**	230	17
	2,560	**234**	2,328	192

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

	Continuing operations		**Discontinuing operations**		**Total**	
	Six months ended June 30					
(In HK$ millions)	**2008**	2007	**2008**	2007	**2008**	2007
Mainland China	**804**	609	**53**	39	**857**	648
Hong Kong	**407**	415	**39**	56	**446**	471
Taiwan	**334**	321	**17**	13	**351**	334
Singapore	**189**	200	**4**	11	**193**	211
Middle East	**112**	102	**–**	–	**112**	102
Australia	**110**	117	**2**	7	**112**	124
Others	**386**	334	**103**	104	**489**	438
	2,342	2,098	**218**	230	**2,560**	2,328

3. Operating profit

The operating profit is stated after charging/(crediting):

	Continuing operations		Discontinuing operations		Total	
	Six months ended June 30					
(In HK$ millions)	**2008**	2007	**2008**	2007	**2008**	2007
Amortization of leasehold land prepayments	**5**	5	**–**	–	**5**	5
Depreciation of property, plant and equipment	**60**	49	**7**	5	**67**	54
Depreciation of investment property	**1**	1	**–**	–	**1**	1
Net loss on disposal of property, plant and equipment	**–**	1	**1**	–	**1**	1
(Write back of provision)/ provision for obsolete stock and stock write-off	**(2)**	2	**5**	5	**3**	7
Reinvestment tax refund *(note)*	**(33)**	–	**–**	–	**(33)**	–

Note:

During the six months ended June 30, 2008, the Group reinvested approximately HK$250 million in a subsidiary in the PRC. In this connection, 40.0 percent of the enterprise income tax previously levied on the subsidiary in relation to such reinvestment totalling approximately HK$33 million has been refunded by the PRC government.

4. Finance expense

	Continuing operations		Discontinuing operations		Total	
	Six months ended June 30					
(In HK$ millions)	**2008**	2007	**2008**	2007	**2008**	2007
Interest on bank loans	**1**	1	**1**	–	**2**	1

5. Taxation

Hong Kong profits tax is calculated at the rate of 16.5 percent (2007: 17.5 percent) on the estimated assessable profits for the six months ended June 30, 2008. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

	Continuing operations		**Discontinuing operations**		**Total**	
	Six months ended June 30					
(In HK$ millions)	**2008**	2007	**2008**	2007	**2008**	2007
Income tax						
Current income tax						
– Hong Kong profits tax	**9**	11	**–**	2	**9**	13
– Overseas taxation	**41**	34	**–**	–	**41**	34
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**8**	6	**–**	–	**8**	6
Over provision in previous period – Overseas taxation	**(1)**	(3)	**–**	–	**(1)**	(3)
	57	48	**–**	2	**57**	50
Deferred tax						
Relating to the origination and reversal of temporary differences	**(1)**	(2)	**–**	–	**(1)**	(2)
Taxation charge	**56**	46	**–**	2	**56**	48

Share of jointly controlled companies' overseas taxation for the six months ended June 30, 2008 of HK$1 million (2007: Nil) and nil Hong Kong profits tax (2007: HK$1 million) were included in the share of profit of jointly controlled companies.

No income tax provision has been made in the accounts of an associate for the six months ended June 30, 2008 and 2007.

6. Dividends

(a) Interim dividends attributable to the period:

(In HK$ millions)	Six months ended June 30 **2008**	2007
Interim dividend declared after balance sheet date of 4.5 HK cents (2007: 4.5 HK cents) per share	**67**	67
Special interim dividend declared after balance sheet date of 2.0 HK cents (2007: 2.0 HK cents) per share	**30**	30
	97	97

At the board meeting held on September 1, 2008, the directors declared interim and special interim dividends of 4.5 HK cents and 2.0 HK cents per share respectively. These 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 period:

(In HK$ millions)	Six months ended June 30 **2008**	2007
2007 final dividend approved and paid of 5.0 HK cents (2006: 5.0 HK cents) per share	**75**	75
2007 special final dividend approved and paid of 10.0 HK cents (2006: 15.0 HK cents) per share	**149**	223
	224	298

7. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders of the Company for the period as follows:

	Six months ended June 30	
(In HK$ millions)	**2008**	2007
From continuing operations	**214**	135
From discontinuing operations	**(6)**	8
From continuing and discontinuing operations	**208**	143

The basic earnings per share is based on the weighted average of 1,491,569,507 shares (2007: 1,491,185,148 shares) in issue during the six months ended June 30, 2008.

The diluted earnings per share is based on 1,491,569,507 shares (2007: 1,491,185,148 shares) which is the weighted average number of shares in issue during the six months ended June 30, 2008 plus the weighted average of 468,079 shares (2007: 886,314 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

8. Gain on disposal of a jointly controlled company and available-for-sale financial asset

On May 27, 2008, the Group entered into a sale and purchase agreement to dispose of its 39.1 percent interest in Higrowth Ventures Limited (the immediate holding company of Speedy Garment Manufacturing (Hong Kong) Company Limited), a jointly controlled company owned by the Group as to 49.0 percent at a cash consideration of HK$42.2 million. Upon the completion of the transaction on June 2, 2008, the Group recorded a gain on disposal of HK$17.0 million.

The remaining 9.9 percent interest in Higrowth Ventures Limited was reclassified as available-for-sale financial asset and was measured at fair value as at June 30, 2008.

9. Discontinuing operations and non-current assets held for sale

On June 27, 2008, the Company entered into a sale and purchase agreement to dispose of its 21.0 percent interest in Placita Holdings Limited ("Placita") at a cash consideration of HK$22.9 million and the transaction was approved by the shareholders in the Special General Meeting on August 13, 2008.

The Directors estimated that upon Completion, the Group will record a gain on disposal of approximately HK$14.7 million with reference to the net asset value of Placita attributable to the Sale Shares of HK$8.4 million as at June 30, 2008 and the release upon Disposal of approximately HK$0.2 million in exchange reserve that originated from exchange differences arising from the translation of the net investment in foreign (mainly PRC based) companies in the Placita Group. The Directors expected that upon Completion, the net asset value of the Group attributable to the Shareholders will increase by approximately HK$14.5 million as a result of the Disposal.

Upon Completion, the 6,055,440 Ordinary Shares representing the remaining 30.0 percent of the total issued share capital of Placita held by the Company will be redesignated into 6,055,440 Preference Shares in Placita. Furthermore, the Purchaser shall on Completion grant to the Company the Put Option and the Company shall grant to the Purchaser the Call Option.

To comply with the HKAS 32 "Financial Instruments: Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement", the 30.0 percent Preference Shares together with the embedded Call and Put Options after the Redesignation will be recognized as a financial asset at fair value through profit or loss at the Completion date. The difference between the fair value of the Preference Shares and the Call and Put Options and the net asset value attributable to the remaining 30.0 percent Ordinary Shares in Placita will be accounted for as a non-cash gain on Redesignation. The fair value will be re-assessed by a professional valuation firm at year end and end of each subsequent year, with any changes to be charged to the profit and loss account.

Using the Put Option Price of HK$27.8 million as a conservative estimate of the fair value (subject to valuation by a professional valuation firm) of the Preference Shares and the Call and Put Options, the Directors estimated that upon Completion, the Group will record a non-cash gain on Redesignation of approximately HK$16.1 million with reference to the net asset value of Placita attributable to the remaining 30.0 percent Ordinary Shares in Placita of HK$12.1 million as at June 30, 2008 and the release upon Disposal of approximately HK$0.4 million in exchange reserve that originated from exchange differences arising from the translation of the net investment in foreign (mainly PRC based) companies in the Placita Group. On the basis of the foregoing, the Directors estimated that upon Completion, the net asset value of the Group attributable to the Shareholders will increase by approximately HK$15.7 million as a result of the Redesignation.

With reference to the financial statements of the Group as at June 30, 2008, the Directors estimated that upon Completion, the total assets of the Group will record a decrease of approximately HK$252.3 million from the Disposal, an increase of HK$22.9 million from the proceeds of the Disposal and an increase of HK$27.8 million from the estimated fair value of Preference Shares with the embedded Call and Put Options. The Directors further estimated that upon Completion, the Group will record a decrease of approximately HK$212.1 million in total liabilities and a reduction in minority interests of HK$19.7 million. On the basis of the foregoing, the net asset value of the Group attributable to the Shareholders will increase by HK$30.2 million upon Completion.

Note:

Reference is made to the circular of the Company dated July 21, 2008. Unless otherwise defined herein, capitalized terms used herein should have the same meanings as those defined in the circular.

The results and cash flows of the discontinuing operations included in the condensed consolidated profit and loss account and the condensed consolidated cash flow statement are set out below:

	Six months ended June 30	
(In HK$ millions)	**2008**	2007
Turnover	**333**	390
Cost of sales	**(287)**	(323)
Gross profit	**46**	67
Other income	**3**	2
Distribution, administrative and other operating expenses	**(59)**	(52)
Operating (loss)/profit	**(10)**	17
Finance expense	**(1)**	–
(Loss)/Profit before taxation	**(11)**	17
Taxation	**–**	(2)
(Loss)/Profit for the period from discontinuing operations	**(11)**	15
(Loss)/Profit attributable to:		
Shareholders of the Company	**(6)**	8
Minority interests	**(5)**	7
	(11)	15
Net cash inflow from operating activities	**25**	9
Net cash outflow from investing activities	**(1)**	(7)
Net cash outflow from financing activities	**(18)**	(5)
Net cash inflow/(outflow) from discontinuing operations	**6**	(3)

The major classes of assets and liabilities comprising the discontinuing operations classified as held for sale at June 30, 2008 are as follows:

(In HK$ millions)	**June 30 2008**
Non-current assets classified as held for sale	
Property, plant and equipment	**32**
Inventories	**91**
Trade and other receivables	**101**
Cash and bank balances	**28**
	252
Liabilities directly associated with non-current assets classified as held for sale	
Trade and other payables	**132**
Bank loans	**80**
	212

10. Trade and other receivables

(In HK$ millions)	**June 30 2008**	December 31 2007
Trade receivables	**267**	343
Less: Provision for impairment	**(14)**	(10)
Trade receivables – net	**253**	333
Other receivables, including deposits and prepayments	**226**	171
	479	504
Reclassified as held for sale	**(101)**	–
	378	504

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

As at the balance sheet date, the ageing analysis from the invoice date of trade receivables (net of allowance for doubtful debts) is as follows:

(In HK$ millions)	**June 30 2008**	December 31 2007
0 – 30 days	**174**	227
31 – 60 days	**44**	70
61 – 90 days	**20**	21
Over 90 days	**15**	15
	253	333

11. Trade and other payables

(In HK$ millions)	**June 30 2008**	December 31 2007
Trade payables	**263**	300
Other payables and accrued expenses	**275**	346
	538	646
Reclassified as held for sale	**(132)**	–
	406	646

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**June 30 2008**	December 31 2007
0 – 30 days	**209**	251
31 – 60 days	**34**	36
61 – 90 days	**16**	7
Over 90 days	**4**	6
	263	300

12. Total assets less current liabilities and net current assets

The Group's total assets less current liabilities amounted to HK$2,105 million and HK$2,135 million at June 30, 2008 and December 31, 2007 respectively. The Group's net current assets, defined as current assets less current liabilities, amounted to HK$756 million and HK$736 million at June 30, 2008 and December 31, 2007 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

Overview

The Group has three long term inter-related strategic objectives: 1) Advancement of our brand upgrading and multi-line programs; 2) Expansion in Mainland China; and 3) Disengagement from manufacturing to focus on retailing. The first half of 2008 saw us making solid progress in all three areas.

Our brand upgrading and multi-line programs have been most successful in Mainland China which continues to support and demand premium consumer merchandise. Nine out of the ten *Giordano Concepts* stores that we added during the period were in Mainland China so that 13 of our 24 *Giordano Concepts* stores at the end of June 2008 were located in there. We grew our core *Giordano* business as well, adding 30 outlets during the period. In the first half of 2008 the Group's Mainland China retail and distribution business yielded turnover increase of 34.1 percent to HK$803 million and comparable store sales increase of 11.8 percent. Average selling price increased by 23.1 percent in RMB terms and retail gross margin by 270 basis points from the previous year. We had a total of 859 outlets in Mainland China as at June 30, 2008.

We substantially achieved our strategic objective of disengaging from manufacturing by way of two disposals. On June 2, 2008 the Company reduced its interest in Speedy Garment Manufacturing (Hong Kong) Company Limited ("Speedy Garment"), the Company's garment manufacturing joint venture, from 49.0 percent to 9.9 percent. On June 27, 2008 the Company entered into a sale and purchase agreement to effectively divest its 51.0 percent interest in Placita Holdings Limited ("Placita"), the principal business unit in the Group's Garment Trading & Manufacturing Division (the "Manufacturing Division"). The transaction was completed on August 25, 2008. Under Hong Kong Financial Reporting Standards we are required to present Placita's results separately under the heading "Discontinuing Operations". As such, the discussion below pertains to the Group's continuing operations and excludes Placita's results unless otherwise stated.

Due to the Retail & Distribution Division's strong performance, the Group achieved an 11.6 percent increase in turnover to HK$2,342 million in first half of 2008. The Group's gross profit increased by 15.0 percent to HK$1,210 million and its gross margin widened by 160 basis points to 51.7 percent. The Group's operating profit grew by 39.4 percent to HK$244 million. Profit attributable to shareholders of the Company from continuing operations rose 58.5 percent to HK$214 million. Including Placita, total profit attributable to shareholders of the Company from continuing and discontinuing operations increased by 45.5 percent to HK$208 million and earnings per share was 13.9 HK cents.

The Board has declared an interim dividend of 4.5 HK cents per share and a special interim dividend of 2.0 HK cents per share, representing a dividend payout of 46.8 percent.

Turnover and Gross Profit

Propelled by our strong expansion efforts in Mainland China, the Retail & Distribution Division saw its first half turnover growing by 12.1 percent to HK$2,341 million (1H07: HK$2,089 million). Overall, the Group's continuing operations saw turnover growing by 11.6 percent to HK$2,342 million (1H07: HK$2,098 million) while gross profit increased by 15.0 percent to HK$1,210 million (1H07: HK$1,052 million) and gross margin widened by 160 basis points to 51.7 percent during the first half of 2008.

Continuing operations *(in HK$ millions)*	**1H08**	**1H07**	**YOY Change**
Retail & Distribution turnover	2,341	2,089	+12.1%
Garment Trading & Manufacturing turnover	60	67	-10.4%
Intra-group elimination	(59)	(58)	+1.7%
Group turnover	2,342	2,098	+11.6%
Group gross profit	1,210	1,052	+15.0%
Group gross margin	51.7%	50.1%	+160 bps
Retail & Distribution comparable store sales	+0.8%	+4.3%	N/A

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

Rental and shop staff costs continued to escalate, with the former rising by 13.9 percent and the latter by 14.3 percent, causing the Group's operating expenses to increase by 14.6 percent to HK$1,069 million (1H07: HK$933 million). Other income rose by HK$47 million to HK$103 million mainly due to the HK$33 million in tax refund that we received in relation to the approximately HK$250 million reinvestment that we made in our retail operations in Mainland China. As a result, the Group's first half operating profit from continuing operations posted a 39.4 percent increase to HK$244 million (1H07: HK$175 million). Excluding the Mainland China reinvestment tax refund, the Group's first half operating profit from continuing operations grew by 20.6 percent. The Group's EBITDA from continuing operations increased by 39.9 percent to HK$340 million (1H07: HK$243 million) and its EBITDA margin increased to 14.5 percent (1H07: 11.6 percent).

Continuing operations *(in HK$ millions)*	**1H08**	**1H07**	**YOY Change**
Retail & Distribution			
Operating profit	240	174	+37.9%
Operating margin	10.3%	8.3%	+200 bps
Garment Trading & Manufacturing			
Operating profit	4	1	+300.0%
Operating margin	6.7%	1.5%	+520 bps
Group			
Operating profit	244	175	+39.4%
Operating margin	10.4%	8.3%	+210 bps

Discontinuing Operations

The results of Placita, the Manufacturing Division's principal business unit, were negatively impacted by a slowdown in its export markets and the continued downward pressure on selling prices. As a result, its first half turnover declined by 14.6 percent to HK$333 million and its external sales decreased by 5.2 percent to HK$218 million. Placita's difficulties were compounded by the persistent escalation in operating costs, causing it to incur an operating loss of HK$10 million in the first half of 2008.

Including Placita, the Group's total first half turnover from continuing and discontinuing operations increased by 10.0 percent to HK$2,560 million (1H07: HK$2,328 million) while its gross margin was 49.1 percent (1H07: 48.1 percent). The Group's total first half operating profit from continuing and discontinuing operations increased by 21.9 percent to HK$234 million (1H07: HK$192 million). Inventory turnover on sales decreased by four days to 28 days (1H07: 32 days).

Profit Attributable to Shareholders

On June 2, 2008 the Company completed the partial disposal of its interest in Speedy Garment and recorded a one-time gain on disposal of HK$17 million. Our South Korea joint venture and Middle East associate also increased their after-tax profit contribution. As a result, profit attributable to shareholders from continuing operations rose by 58.5 percent to HK$214 million (1H07: HK$135 million). Excluding the Mainland China reinvestment tax refund and the gain on the Speedy Garment disposal, profit attributable to shareholders from continuing operations would have registered a still very healthy 21.5 percent increase year-on-year.

Including Placita, the Group's total first half profit attributable to shareholders from continuing and discontinuing operations was HK$208 million (1H07: HK$143 million), an increase of 45.5 percent.

First half 2008 income taxation expense rose to HK$56 million (1H07: HK$46 million). Excluding the Mainland China reinvestment tax refund which is a non-taxable item, the Group's effective tax rate remained more or less the same at 26.5 percent (1H07: 26.3 percent).

Cash Flow

The Group (including both continuing and discontinuing operations) had net cash inflow from operating activities of HK$201 million (1H07: HK$123 million), with the HK$78 million increase mainly attributable to the absence of a one-off HK$66 million tax payment in the first half of 2007. Net cash outflow from investing activities decreased by HK$16 million to HK$74 million (1H07: HK$90 million) due mainly to the proceeds from the Speedy Garment disposal of HK$42 million plus a HK$7 million decrease in capital expenditure to HK$54 million (1H07: HK$61 million) which is partially offset by a HK$30 million increase in bank deposits. Finally, net cash outflow for financing activities in the first half was HK$130 million, down by HK$175 million from the HK$305 million recorded in the first half of 2007 due mainly to a HK$50 million decrease in dividends paid and additional bank loans in the amount of HK$120 million for temporary funding.

GROUP FINANCIAL POSITION

On June 30, 2008, the Group (including both continuing and discontinuing operations) had total cash and bank balances of HK$627 million (December 31, 2007: HK$570 million) and inventories totalling HK$400 million (December 31, 2007: HK$441 million). Total liabilities stood at HK$906 million (December 31, 2007: HK$909 million). Shareholders' equity was HK$1,928 million (December 31, 2007: HK$1,927 million). The Group's current ratio was 1.9 times (December 31, 2007: 1.9 times) and its gearing was 11.2 percent (December 31, 2007: 5.0 percent) based on shareholders' equity. The Group had financing facilities totalling HK$407 million as at June 30, 2008 (December 31, 2007: HK$368 million), of which HK$193 million had been drawn down and were outstanding.

OPERATIONS REVIEW

Retail & Distribution Division – Review by Market

	Turnover *(in HK$ millions)*			**Comparable store sales**	
Retail & Distribution Division	**1H08**	**1H07**	**Change**	**1H08**	**1H07**
Mainland China	803	599	+34.1%	+11.8%	+20.6%
Hong Kong	431	431	–	+3.8%	+7.8%
Taiwan	335	320	+4.7%	+2.2%	-3.5%
Singapore	189	200	-5.5%	-13.8%	-4.6%
Malaysia, Indonesia & Thailand	228	202	+12.9%	-2.3%	+3.9%
Australia	110	117	-6.0%	-12.1%	-9.4%
Other Markets	245	220	+11.4%	N/A	N/A
Division Total	2,341	2,089	+12.1%	+0.8%	+4.3%

The Group's focus on growing its business in Mainland China yielded strong results. After an especially strong first quarter when sales surged by 40.8 percent, growth slowed in May from weaker consumer sentiment due to the Sichuan earthquake but rebounded strongly in June. Overall, turnover increased by 34.1 percent and comparable store sales by 11.8 percent year-on-year as we added 39 stores in Mainland China to expand our distribution network to 859 outlets in the first half of 2008. On the branding side, consumers reacted positively to our new and more upmarket collections, enabling us to increase Mainland China average selling price by 23.1 percent in RMB terms and retail gross margin by 270 basis points compared to the same period last year.

Driven by the strong performance of Mainland China, the Retail & Distribution Division saw its turnover growing by 12.1 percent to HK$2,341 million (1H07: HK$2,089 million) and its comparable store sales increasing by 0.8 percent in the first half. The division's gross profit rose by 15.0 percent and gross margin widened by 130 basis points. Together with a HK$33 million tax refund relating to an approximately HK$250 million reinvestment that the Group made in its retail operations in Mainland China, the division achieved a 37.9 percent increase (or a 19.0 percent increase without the tax refund) in operating profit to HK$240 million in the first half of 2008.

In spite of the continued consolidation of our store portfolio in Hong Kong which saw us reducing the number of stores by six (four *Bluestar Exchange* and two *Giordano*), the fundamentals of the business remained strong. Comparable store sales rose by 3.8 percent so that total sales held steady at HK$431 million during the first half (1H07: HK$431 million). Better merchandising enabled us to increase average selling price by 23.8 percent and retail gross margin by 340 basis points year-on-year. We had 86 outlets in Hong Kong as at June 30, 2008.

We continued to restructure our store portfolio in Taiwan in the first half, reducing our network by ten locations (most of them *Bluestar Exchange* outlets) to a total of 200 outlets. Nevertheless, turnover grew by 4.7 percent to HK$335 million and comparable store sales rose by 2.2 percent (1H07: 3.5 percent decrease) during the period. Management is cautiously optimistic about the prospects of a turnaround in our operations in Taiwan.

The Group's performance in Singapore lagged other markets due to the ongoing reorganization of our operations there, with turnover and comparable store sales decreasing by 5.5 percent and 13.8 percent respectively in the first half of 2008. We had 54 outlets in Singapore as at June 30, 2008.

Escalating fuel and food prices dampened consumer confidence and spending in Southeast Asia and Australia. Nevertheless, turnover in Malaysia, Indonesia and Thailand still increased by 12.9 percent in the first half of 2008. In Australia rising interest rates dealt consumer confidence a further blow and our sales experienced a 6.0 percent decrease during the period. Finally, Japan and other markets together posted first half turnover of HK$245 million, an improvement of 11.4 percent from the HK$220 million recorded in the same period last year.

The recovery in our South Korean operations that began in the fourth quarter of 2007 continued to gather strength. Turnover grew by 2.5 percent to HK$452 million and comparable store sales by 2.1 percent in the six months ended June 30, 2008. More importantly, gross margin widened by 50 basis points and, together with a greater focus on cost control, enabled our South Korean business to post an almost five-fold profit increase compared to last year. As a result, our South Korean jointly controlled company made an after-tax profit contribution of HK$4 million (1H07: HK$1 million). On June 30, 2008, the Group held 48.8 percent in its South Korean jointly controlled company. We added five outlets during the period to bring the total store count to 178 at the end of June, 2008.

Our business in the Middle East continued to benefit from the region's continuing economic and consumption boom. First half turnover increased by 22.3 percent to HK$247 million and comparable store sales increased by 17.0 percent. As a result, profit contribution from our Middle East associated company increased by 20.0 percent to HK$6 million (1H07: HK$5 million). We added six outlets during the year to bring the total store count to 153. The Group held a 20.0 percent shareholding in its Middle East associate at June 30, 2008.

Retail & Distribution Division – Review by Brand

	Turnover *(in HK$ millions)*			Comparable store sales	
Retail & Distribution Division	**1H08**	**1H07**	**Change**	**1H08**	**1H07**
Giordano & Giordano Junior	1,989	1,756	+ 13.3%	+0.1%	+4.8%
Giordano Ladies	128	113	+13.3%	+5.8%	+14.4%
Giordano Concepts	108	82	+31.7%	-0.1%	-0.2%
BSX/Bluestar Exchange	111	138	-19.6%	+4.2%	-6.9%
Others	5	–	N/A	N/A	N/A
Division Total	2,341	2,089	+12.1%	+0.8%	+4.3%

Our ongoing efforts to re-energize the core *Giordano* business by enriching its product offering and elevating its market positioning have gained market acceptance so that first half turnover increased by 13.3 percent to HK$1,989 million and gross margin widened by 140 basis points compared to last year. We added a total of 31 *Giordano* and *Giordano Junior* outlets during the period, bringing our global network to 1,754 by the end of June 2008.

Giordano Ladies continued to post strong growth during the period, with turnover rising by 13.3 percent to HK$128 million and comparable store sales were up by 5.8 percent. Brand elevation continued apace enabling gross margin to achieve an 80 basis point improvement. During the period we added two outlets to bring the network to 41 by the end of June 2008.

The Group concentrated on expanding the *Giordano Concepts* network in Mainland China in order to capitalize on the brand's positive reception by Chinese consumers. Nine of the ten stores we added during the period were in Mainland China. At the end of June 2008, 13 of our 24 *Giordano Concepts* stores are located in Mainland China. As a result of the continued expansion, first half 2008 turnover increased by 31.7 percent year-on-year to HK$108 million.

The Group continued to implement its program to re-brand *Bluestar Exchange* to *BSX*, consolidating the network to 109 stores at the end of June 2008, down from 142 outlets stores a year ago. As a result, turnover came in at HK$111 million, 19.6 percent lower than the same period in 2007. Nevertheless the re-branding program is gaining consumer acceptance, with first half 2008 comparable store sales increasing by 4.2 percent and gross margin widening by 160 basis points year-on-year.

Garment Trading & Manufacturing Division

In the first half of 2008 the Group accomplished its strategic objective of disengaging itself from the increasingly difficult manufacturing sector to focus on its core retail business through two transactions.

The first transaction involves Speedy Garment, the Group's manufacturing joint-venture in Dongguan, China. Pressured by the steady appreciation of the RMB which intensified the cost pressure from rising raw material and labour costs, Speedy Garment's after-tax profit contribution decreased by 50.0 percent to HK$3 million (1H07: HK$6 million). On June 2, 2008 the Company completed the partial disposal of its interest in Speedy Garment and recorded a one-time gain on disposal of HK$17 million. The Company retained a 9.9 percent shareholding in Speedy Garment after the disposal.

The second transaction involves Placita, the Manufacturing Division's principal business unit, accounting for 84.7 percent of the division's total sales (comprising both intra-group sales and external sales to third parties) and 99.5 percent of its external sales. The unit experienced the same difficulties as the rest of the garment manufacturing industry and saw its first half turnover declining by 14.6 percent to HK$333 million (1H07: HK$390 million) and its external sales decreasing by 5.2 percent to HK$218 million (1H07: HK$230 million). Meanwhile escalating cost pressures caused Placita to swing from an operating profit of HK$17 million in the first half of 2007 to an operating loss of HK$10 million in the first half of 2008.

In light of the increasingly difficult operating conditions and the Group's long term goal to disengage from manufacturing, on June 27, 2008 the Company entered into a sale and purchase agreement to divest its 51.0 percent interest in Placita in a multi-step transaction involving the sale of a 21.0 percent interest in Placita to its management for HK$22.9 million and the redesignation of the remaining 30.0 percent interest into non-voting preferred shares with a guaranteed dividend plus associated put and call options to dispose of the 30.0 percent interest to the purchaser. The transaction was approved by shareholders at a Special General Meeting held on August 13, 2008 and completed on August 25, 2008. Therefore, in the second half of 2008 the Company expects to record a gain of approximately HK$14.7 million on disposal of the 21.0 percent interest in Placita and a non-cash gain of approximately HK$16.1 million on the redesignation of the Company's remaining 30.0 percent interest in Placita.

What remains of the Group's Manufacturing Division after the Placita disposal are two small manufacturing subsidiaries which the Group plans to consolidate. Together they generated first half turnover of HK$60 million (1H07: HK$67 million), practically all of which consisted of sales to other Giordano Group companies, and operating income of HK$4 million (1H07: HK$1 million).

HUMAN RESOURCES

On June 30, 2008, the Group had about 10,800 employees, including about 2,800 employees at Placita. The Company offers competitive remuneration packages and generous, goal-oriented bonuses to different levels of staff. Senior managers are also offered generous incentive bonus schemes and share options as a means for the Group to reward and retain a high calibre management team.

OUTLOOK

With the completion of the Speedy Garment and Placita disposals, the Group has substantially exited from the garment manufacturing business, thus freeing us to focus our efforts and resources on growing our retailing business. Management is encouraged by the progress that the Retail and Distribution Division has achieved in the first half and plans to stay the course for the rest of the year, focusing especially on sustaining the growth in Mainland China while reinforcing and improving on the gains made by the other markets.

Our main strategic objective is to continue enhancing our growth momentum in Mainland China. We opened a total of 39 outlets in the first half of 2008, and will continue to implement our store opening plan, including new flagship stores in Hangzhou and Wuhan which we just opened in August, plus upcoming ones in Beijing, Guangzhou and Chengdu. We will also intensify our branding efforts in order to build on the progress we have made in upgrading our market positioning in Mainland China and Hong Kong and extend the gains to our other markets. While Management remains optimistic about the full year's prospect, in light of some of the uncertainties reported on the global economic front, we feel the need for prudence and will closely monitor each market's performance and adjust its operations as circumstances require.

The Group has long been committed to being a responsible corporate citizen, with the environment being an important area of interest. At the end of 2007, the Group began studying the feasibility of converting its shops to only use energy saving lighting, using Hong Kong as the testing ground. In the first eight months of 2008, we have converted a total of 14 stores in Hong Kong to use energy saving lighting. The initial results have been encouraging, with the stores achieving electricity savings of up to 50.0 percent from the more efficient lighting and reduced air conditioning usage with minimal impact on the level of illumination and general store ambience. In view of the undisputed environmental benefits and cost savings, the Group has committed to convert all its stores worldwide to energy saving lighting by July 2011. This latest initiative is one more piece of evidence that we care about both profit and social responsibility, and a demonstration of the Group's "doing well by doing good".

DIVIDENDS

In line with Company dividend policy, the Company has been paying an ordinary dividend amounting to about one-third of its earnings plus a special dividend that varies depending on the underlying earnings performance of the Group's business, the level of cash in hand, and the Group's future operating and investment needs, among other factors. Although the Company intends to return surplus cash to its shareholders through the payment of dividends, the dividend amount may vary from year to year.

After due consideration of the Group's cash position and anticipated cash receipts and requirements, the Board of the Company declared an interim dividend of 4.5 HK cents (2007: 4.5 HK cents) per share and a special interim dividend of 2.0 HK cents (2007: 2.0 HK cents) per share for the year ending December 31, 2008 payable on or about Thursday, September 18, 2008 to shareholders whose names appear on the register of members of the Company on Friday, September 12, 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, September 11, 2008 and Friday, September 12, 2008, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, September 10, 2008.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended June 30, 2008 in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, except that (i) the roles 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 (Code Provision A.4.2). Currently Dr. LAU Kwok Kuen, Peter ("Dr. Lau") holds the positions of Chairman and Chief Executive. In view of Dr. Lau's extensive experience in the industry and deep understanding of the Group's businesses, the Board believes that vesting the roles of both Chairman and Chief Executive in Dr. Lau provides the Group with strong and consistent leadership, allows for more effective planning and execution of long term business strategies and enhances efficiency in decision-making. 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.

REVIEW OF ACCOUNTS

The Audit Committee has discussed with Management internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended June 30, 2008. It has also reviewed the said financial statements in conjunction with the Company's external auditors.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, September 1, 2008

As at the date of this announcement, the Board of the Company comprises three independent non-executive directors, namely, Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi and Dr. LEE Peng Fei, Allen, one non-executive director, Professor LEUNG Kwok and two executive directors, namely, Dr. LAU Kwok Kuen, Peter and Mr. MAH Chuck On, Bernard.