

# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 709)**

### **Unaudited 2008 Third Quarter Operations Update**

#### **Unaudited 2008 Third Quarter Operations Update – Highlights**

- The Group's Mainland China business followed up on its strong first half performance with a 25.3 percent increase in turnover and a 100 basis point increase in gross margin in the third quarter. As a result, the Group's turnover in Mainland China grew by 31.2 percent in the nine months ended September 2008 while gross margin widened by 410 basis points. We added 22 stores, including new flagship stores in Guangzhou, Hangzhou, Wuhan and Chengdu, in the third quarter to bring our network in Mainland China to 881 outlets at the end of September 2008.
- Markets outside Mainland China began to feel the effects of the global financial tsunami, with Hong Kong, Taiwan and Singapore all reporting sales decreases in the third quarter. Overall, the Group posted year-on-year turnover increases of 3.6 percent and 9.0 percent for the three months and nine months ended September 30, 2008 respectively.
- The Group's gross margin for the nine months ended September 30, 2008, was 51.3 percent, an increase of 120 basis points over the same period last year.
- Inventory turnover on sales for the nine months ended September 2008 improved to 30 days from the 31 days in 2007.
- On September 30, 2008, the Group had approximately HK\$425 million in net cash and bank balances, all placed on deposit with commercial banks.
- We added a net total 15 outlets during the third quarter, bringing our global network to 1,949 outlets at the end of September 2008.

In order to provide better disclosure to the financial markets and to the existing and potential shareholders of Giordano International Limited (the “Company”) so that they can better assess the financial performance of the Company and its subsidiaries (the “Group”), the Board of Directors of the Company announces the unaudited 2008 third quarter operations update of the Group for the period ended September 30, 2008. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

On August 25, 2008, the Group completed a transaction to substantially divest its 51.0 percent interest in Placita Holdings Limited (“Placita”), the Group’s principal garment manufacturing subsidiary. The discussion below pertains to the Group’s continuing operations and excludes Placita’s results unless otherwise stated.

### **Overview**

Mainland China continued to be the Group’s best performing market, achieving a 25.3 percent increase in turnover in the quarter ended September 30, 2008. However, with the global financial tsunami finally reaching Asian shores, our markets outside Mainland China were all affected, with Hong Kong, Taiwan and Singapore all recording third quarter sales declines. Overall, the Group’s turnover increased by 3.6 percent year-on-year during the third quarter. For the nine months ended September 30, 2008, the Group’s turnover increased by 9.0 percent while gross margin came in at 51.3 percent, a 120 basis point improvement over the same period last year.

The Group is taking the prospect of an acute and protracted economic downturn extremely seriously and countervailing actions have and will continue to be taken, including the suspension of all new store projects outside Mainland China. We continue also to critically review our store portfolio and have exited from six under-performing locations in Hong Kong and eleven in Taiwan in the first nine months of 2008. The upcoming quarter and the year following will see tightened expense budgets and other spending controls to protect the bottom line and maintain a strong balance sheet.

<b>YOY Turnover Increase/Decrease</b>	<b>3 months ended September 30, 2008</b>	<b>9 months ended September 30, 2008</b>	<b>6 months ended June 30, 2008</b>
Retail & Distribution	+ 3.9%	+ 9.4%	+ 12.1%
Group Total	+ 3.6%	+ 9.0%	+ 11.6%

Growth continued to lose momentum in October due to the deepening worries over the global financial crisis and record warm weather in some of our key markets. Overall the Group experienced a high single digit year-on-year decline in turnover in October 2008.

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

*Giordano Ladies* continued to achieve the best growth among our brands, with turnover increasing by 8.7 percent during the third quarter, followed by *Giordano* and *Giordano Junior* whose turnover increased by 6.0 percent. *Giordano Concepts* saw turnover decreasing by 1.2 percent year-on-year while *BSX/Bluestar Exchange* saw turnover dropping by 30.6 percent from the ongoing restructuring of our network (we closed a total of nine stores in Hong Kong and Mainland China during the third quarter).

<b>YOY Turnover Increase/Decrease</b>	<b>3 months ended September 30, 2008</b>	<b>9 months ended September 30, 2008</b>	<b>6 months ended June 30, 2008</b>
<i>Giordano &amp; Giordano Junior</i>	+ 6.0%	+ 10.9%	+ 13.3%
<i>Giordano Concepts</i>	- 1.2%	+ 19.3%	+ 31.7%
<i>Giordano Ladies</i>	+ 8.7%	+ 11.7%	+ 13.3%
<i>BSX/Bluestar Exchange</i>	- 30.6%	- 23.4%	- 19.6%
Retail & Distribution Total	+ 3.9%	+ 9.4%	+ 12.1%

<b>YOY Same Store Sales Increase/Decrease</b>	<b>3 months ended September 30, 2008</b>	<b>9 months ended September 30, 2008</b>	<b>6 months ended June 30, 2008</b>
<i>Giordano &amp; Giordano Junior</i>	- 2.9%	- 0.7%	+ 0.1%
<i>Giordano Concepts</i>	- 21.0%	- 7.2%	- 0.1%
<i>Giordano Ladies</i>	- 1.7%	+ 3.6%	+ 5.8%
<i>BSX/Bluestar Exchange</i>	- 13.9%	- 0.1%	+ 4.2%
Retail & Distribution Total	- 4.7%	- 0.7%	+ 0.8%

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

Growth in Mainland China continued with sales increasing by 25.3 percent year-on-year in the third quarter. Overall, turnover grew by 31.2 percent in the nine months ended September 2008. We added 22 stores this quarter to bring our network to 881 outlets. However, deepening worries about global economic conditions coupled with record warm weather caused sales growth even in this stronghold to slow to high single digit in October.

Markets outside Mainland China were all directly affected by the global financial tsunami, with Hong Kong, Taiwan and Singapore experiencing year-on-year sales decreases of 9.9 percent, 11.0 percent and 3.7 percent respectively during the third quarter. Overall, Retail & Distribution sales grew by 3.9 percent and 9.4 percent year-on-year for the three months and nine months ended September 2008 respectively.

<b>YOY Turnover Increase/Decrease</b>	<b>3 months ended September 30, 2008</b>	<b>9 months ended September 30, 2008</b>	<b>6 months ended June 30, 2008</b>
Mainland China	+ 25.3%	+ 31.2%	+ 34.1%
Hong Kong	- 9.9%	- 3.3%	-
Taiwan	- 11.0%	- 0.5%	+ 4.7%
Singapore	- 3.7%	- 5.1%	- 5.5%
Retail & Distribution Total	+ 3.9%	+ 9.4%	+ 12.1%

<b>YOY Same Store Sales Increase/Decrease</b>	<b>3 months ended September 30, 2008</b>	<b>9 months ended September 30, 2008</b>	<b>6 months ended June 30, 2008</b>
Mainland China	+ 2.3%	+ 9.9%	+ 11.8%
Hong Kong	- 8.0%	+ 0.3%	+ 3.8%
Taiwan	- 14.0%	- 2.5%	+ 2.2%
Singapore	- 3.5%	- 11.5%	- 13.8%
Retail & Distribution Total	- 4.7%	- 0.7%	+ 0.8%

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

The Group's gross margin for the nine months ended September 2008 was 51.3 percent, 120 basis points higher than the 50.1 percent for the same period last year. Inventory turnover on sales for the nine months ended September 2008 also improved to 30 days compared to the 31 days recorded for the same period last year. On September 30, 2008, the Group had approximately HK\$425 million in net cash and bank balances.

### ***Non-consolidated Markets***

South Korea was also affected by the global financial tsunami in the third quarter, with sales posting a 15.5 percent decrease year-on-year during the period, reversing the gains we made in the first half. As a result, turnover decreased by 3.5 percent in the nine months ended September 2008. Sales continued to trend down in October, and the decline was further exaggerated by the sharp depreciation of the Korean Won so that turnover dropped by double digit year-on-year.

Buoyed by a strong economy and the early arrival of the peak post-Ramadan selling season, the Middle East had an exceptional third quarter, achieving a 28.3 percent increase in turnover and 23.2 percent increase in same store sales. However, with the end of the post-Ramadan festivities and the deteriorating global economic outlook, sales in October saw a double digit reversal compared to the same period last year.

<b>YOY Turnover Increase/Decrease</b>	<b>3 months ended September 30, 2008</b>	<b>9 months ended September 30, 2008</b>	<b>6 months ended June 30, 2008</b>
South Korea	- 15.5%	- 3.5%	+ 2.5%
Middle East	+ 28.3%	+ 24.2%	+ 22.3%

<b>YOY Same Store Sales Increase/Decrease</b>	<b>3 months ended September 30, 2008</b>	<b>9 months ended September 30, 2008</b>	<b>6 months ended June 30, 2008</b>
South Korea	- 2.9%	+ 0.9%	+ 2.1%
Middle East	+ 23.2%	+ 19.0%	+ 17.0%

### ***Store Network***

The Group added 15 outlets to its network in the third quarter, most of them in Mainland China. Our global network stood at 1,949 outlets as at the end of the third quarter.

<b>Number of Outlets by Brand</b>	<b>As at September 30, 2008</b>	<b>As at June 30, 2008</b>	<b>As at December 31, 2007</b>
<i>Giordano &amp; Giordano Junior</i>	1,757	1,754	1,723
<i>Giordano Concepts</i>	29	24	14
<i>Giordano Ladies</i>	46	41	39
<i>BSX/Bluestar Exchange</i>	111	109	117
Others	6	6	2
<b>Total</b>	<b>1,949</b>	<b>1,934</b>	<b>1,895</b>

<b>Number of Outlets by Market</b>	<b>As at September 30, 2008</b>	<b>As at June 30, 2008</b>	<b>As at December 31, 2007</b>
Mainland China	881	859	820
Hong Kong	86	86	92
Taiwan	199	200	210
Singapore	53	54	53
South Korea	165	178	173
Middle East	160	153	147
Other Markets	405	404	400
<b>Total</b>	<b>1,949</b>	<b>1,934</b>	<b>1,895</b>

### ***Outlook***

The Group is taking the prospect of an acute and protracted economic downturn extremely seriously. Actions to help us to weather the coming challenges, including the suspension of all new store projects and hiring outside Mainland China, have already been taken. We have also exited from six under-performing locations in Hong Kong and eleven in Taiwan in the first nine months of 2008 and will continue to critically review our store portfolio.

Nevertheless, Management remains cautiously optimistic about the Group's prospects since the Chinese economy is expected to continue to achieve solid, albeit slower, growth. In particular, the second and third tier cities are expected to benefit from the stimulus package recently announced by the government. As such, we will continue to invest in our operations in Mainland China, focusing especially on expanding our distribution network outside the first tier cities along the coast.

Although our results outside Mainland China will almost certainly suffer in the short term, we believe we are better positioned from a branding standpoint than most of our competition. Once the initial shock of the financial crisis fades and “cooler heads prevail”, we expect to be able to capitalize on our brands’ reputation for attentive customer service, excellent quality and superior value since all customers, no matter which segment they belong to, appreciate value for their fashion dollar.

Last but not least, the Group’s prudence in managing its finances and operations in times both good and bad, its disciplined approach to leverage and its rigorous cost and inventory controls are expected to continue to serve us well. We did not succumb to temptations to leverage our balance sheet or take risky bets with our cash. As a result, on September 30, 2008 our net cash and bank balances stood at HK\$425 million, all placed on deposit with commercial banks. Our inventory position has also remained healthy, with inventory turnover on sales for the nine months ended September 2008 at 30 days compared to the 31 days recorded for the same period in 2007.

In spite of record warm temperatures and an increasingly cloudy economic outlook, we still achieved a high single digit year-on-year turnover increase in Mainland China in October. Meanwhile, Hong Kong and Taiwan both experienced double digit year-on-year sales declines in October as consumer confidence rapidly waned in the face of the intensifying global financial crisis. Overall, the Group recorded a high single digit year-on-year decrease in its turnover in October 2008.

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

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

Hong Kong, November 13, 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.