GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2009

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, 2009 along with comparative figures for the corresponding period and selected explanatory notes are as follows:

Condensed Consolidated Income Statement

		Six months ended June 30	
		2009	2008
(In HK$ millions except earnings per share)	*Note*	**(Unaudited)**	(Unaudited)
Continuing operations			
Turnover	*2*	**2,003**	2,342
Cost of sales		**(1,038)**	(1,132)
Gross profit		**965**	1,210
Other income		**57**	103
Distribution, administrative and other operating expenses		**(956)**	(1,069)
Operating profit	*2,3*	**66**	244
Gain on disposal of a jointly controlled company	*8*	**–**	17
Finance expense	*4*	**(1)**	(1)
Share of profit of jointly controlled companies		**9**	7
Share of profit of an associate		**1**	6
Profit before taxation		**75**	273
Taxation	*5*	**(25)**	(56)
Profit for the period from continuing operations		**50**	217
Discontinued operations			
Loss for the period from discontinued operations	*9*	**–**	(11)
Profit for the period		**50**	206

(In HK$ millions except earnings per share)	*Note*	**Six months ended June 30** **2009** **(Unaudited)**	2008 (Unaudited)
Profit/(Loss) attributable to:			
Shareholders of the Company			
Continuing operations		**48**	214
Discontinued operations		**–**	(6)
		48	208
Minority interests			
Continuing operations		**2**	3
Discontinued operations		**–**	(5)
		2	(2)
		50	206
Dividends	*6(a)*	**30**	97
Earnings/(Loss) per share for profit/(loss) attributable to shareholders of the Company	*7*		
From continuing and discontinued operations			
Basic *(HK cents)*		**3.2**	13.9
Diluted *(HK cents)*		**3.2**	13.9
From continuing operations			
Basic *(HK cents)*		**3.2**	14.3
Diluted *(HK cents)*		**3.2**	14.3
From discontinued operations			
Basic *(HK cents)*		**–**	(0.4)
Diluted *(HK cents)*		**–**	(0.4)

Condensed Consolidated Statement of Comprehensive Income

	Six months ended June 30	
	2009	2008
(In HK$ millions)	**(Unaudited)**	(Unaudited)
Profit for the period	**50**	206
Other comprehensive income:		
Fair value gains on available-for-sale financial asset	**–**	3
Exchange adjustment on translation of overseas subsidiaries and branches	**22**	25
Realization of exchange reserve upon disposal of a jointly controlled company	**–**	(5)
Movement in net deferred tax liabilities	**(3)**	(1)
Total comprehensive income for the period	**69**	228
Total comprehensive income attributable to:		
Shareholders of the Company	**64**	229
Minority interests	**5**	(1)
	69	228

Condensed Consolidated Balance Sheet

(In HK$ millions)	*Note*	**June 30 2009 (Unaudited)**	December 31 2008 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**199**	227
Investment property		**80**	81
Interest in jointly controlled companies		**271**	262
Interest in an associate		**45**	43
Available-for-sale financial asset	*8*	**9**	9
Financial asset at fair value through profit or loss	*9*	**25**	25
Leasehold land and rental prepayments		**312**	326
Rental deposits		**254**	264
Deferred tax assets		**21**	26
		1,216	1,263
Current assets			
Inventories		**279**	297
Leasehold land and rental prepayments		**45**	42
Trade and other receivables	*10*	**356**	423
Cash and bank balances		**660**	532
		1,340	1,294
Total assets		**2,556**	2,557
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**75**	75
Reserves		**1,770**	1,735
Proposed dividends	*6*	**30**	45
Equity attributable to shareholders of the Company		**1,875**	1,855
Minority interests		**54**	51
Total equity		**1,929**	1,906
Non-current liabilities			
Deferred tax liabilities		**81**	77
Other payables	*11*	**20**	22
		101	99
Current liabilities			
Trade and other payables	*11*	**429**	451
Bank loans		**75**	78
Taxation		**22**	23
		526	552
Total liabilities		**627**	651
Total equity and liabilities		**2,556**	2,557

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 2008 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, 2008 except for the following new standards, amendments and interpretations that are relevant to the Group's business and are effective on or after January 1, 2009:

HKAS 1 (Revised)	Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009). Entities can choose either to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements. The interim financial statements have been prepared under the revised disclosure requirements.
HKFRS 8	Operating segments (effective for annual periods beginning on or after January 1, 2009). It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker.
HK(IFRIC) – INT 13	Customer loyalty programmes (effective for annual periods beginning on or after July 1, 2008). The part of revenue from initial sales transactions equal to the fair value of customer loyalty awards granted is deferred until the awards are redeemed and the related service is provided. This change in accounting treatment does not have a material impact to the Group.

2. Operating Segments

An analysis of the Group's reportable segment sales and operating profit/(loss) by geographical location is as follows:

	Six Months ended June 30			
	2009		2008	
(In HK$ millions)	**Turnover**	**Operating profit/(loss)**	Turnover	Operating profit/(loss)
By principal markets:				
Mainland China	**776**	**33**	804	177
Hong Kong and Macau	**366**	**10**	431	27
Taiwan	**269**	**(4)**	334	(2)
Singapore	**147**	**(3)**	189	(4)
Australia	**77**	**(16)**	110	(19)
Other markets	**198**	**6**	240	26
Total Retail and Distribution	**1,833**	**26**	2,108	205
Export and licensing business	**184**	**33**	254	42
Manufacturing and other segments	**76**	**7**	60	(3)
Inter-segment sales	**(90)**	**–**	(80)	–
Continuing operations	**2,003**	**66**	2,342	244
Discontinued operations (manufacturing)	**–**	**–**	333	(10)
Inter-segment sales	**–**	**–**	(115)	–
	–	**–**	218	(10)
Total	**2,003**	**66**	2,560	234

Further analysis of Retail and Distribution by brand is as follows:

	Six Months ended June 30			
	2009		2008	
(In HK$ millions)	**Turnover**	**Operating profit/(loss)**	Turnover	Operating profit/(loss)
By brand:				
Giordano & Giordano Junior	**1,569**	**49**	1,756	203
Giordano Ladies	**114**	**1**	128	13
Giordano Concepts	**64**	**(19)**	108	(1)
BSX	**76**	**(6)**	111	(11)
Others	**10**	**1**	5	1
Total Retail and Distribution	**1,833**	**26**	2,108	205

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The chief operating decision-makers assess the business from both by geographic location and by brand perspective. By geographic perspective, business reportable operating segments identified are Mainland China, Hong Kong and Macau, Taiwan, Singapore, Australia and other markets. By different brand perspective, the chief operating decision-makers assess the performance of *Giordano* & *Giordano Junior*, *Giordano Ladies*, *Giordano Concepts*, *BSX* and Others. Sales to overseas customers on wholesale basis and licensing business are classified as Export and licensing business segment. Besides, manufacturing and all other corporate incomes and expenses of the Group are classified as the Manufacturing and other segments.

Segment profit represents the profit earned by each segment before finance cost, tax and share of profit of jointly controlled companies and associate. This is the measurement basis reported to the chief operating decision-makers for the purpose of resource allocation and assessment of segment performance.

A reconciliation of operating profit for reportable segments to profit before income tax and discontinued operations is provided as follows:

	Six months ended June 30	
	2009	2008
(In HK$ millions)	**(Unaudited)**	(Unaudited)
Operating profit for reportable segments	**66**	244
Gain on disposal of a jointly controlled company	**–**	17
Finance expense	**(1)**	(1)
Share of profit of jointly controlled companies	**9**	7
Share of profit of an associate	**1**	6
Profit before taxation and discontinued operations	**75**	273

3. Operating profit

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

	Continuing operations		Discontinued operations		Total	
	Six months ended June 30					
(In HK$ millions)	**2009**	2008	**2009**	2008	**2009**	2008
Amortization of leasehold land prepayments	**5**	5	**–**	–	**5**	5
Depreciation of property, plant and equipment	**52**	60	**–**	7	**52**	67
Depreciation of investment property	**1**	1	**–**	–	**1**	1
Net loss on disposal of property, plant and equipment	**2**	–	**–**	1	**2**	1
(Write back of provision)/ provision for obsolete stock and stock write-off	**–**	(2)	**–**	5	**–**	3
Reinvestment tax refund *(note)*	**–**	(33)	**–**	–	**–**	(33)

Note:
During the six months ended June 30, 2008, approximately HK$168 million of the Group's reinvestment in certain subsidiaries had been approved by the PRC government as qualified for a reinvestment tax refund and accordingly, 40.0 percent of the enterprise income tax previously levied on the subsidiaries in relation to such reinvestment totalling approximately HK$33 million has been refunded by the PRC government.

4. Finance expense

	Continuing operations		Discontinued operations		Total	
	Six months ended June 30					
(In HK$ millions)	**2009**	2008	**2009**	2008	**2009**	2008
Interest on bank loans	**1**	1	**–**	1	**1**	2

5. Taxation

Hong Kong profits tax is calculated at the rate of 16.5 percent (2008: 16.5 percent) on the estimated assessable profits for the six months ended June 30, 2009. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

	Six months ended June 30	
(In HK$ millions)	**2009**	2008
Continuing operations		
Income tax		
Current income tax		
– Hong Kong profits tax	**4**	9
– Outside Hong Kong	**12**	41
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**6**	8
Over provision in previous period		
– Outside Hong Kong	**(1)**	(1)
	21	57
Deferred tax		
Relating to the origination and reversal of temporary differences	**4**	(1)
Taxation charge	**25**	56

Share of jointly controlled companies' overseas taxation for the six months ended June 30, 2009 of HK$3 million (2008: HK$1 million) and no Hong Kong profits tax (2008: nil) were included in the share of profit of jointly controlled companies during the period.

No income tax provision has been made in the accounts of an associate for the six months ended June 30, 2009 and 2008.

6. Dividends

(a) Interim dividends attributable to the period:

(In HK$ millions)	Six months ended June 30 **2009**	2008
Interim dividend declared after balance sheet date of 2.0 HK cents (2008: 4.5 HK cents) per share	**30**	67
Special interim dividend declared after balance sheet date of 0.0 HK cents (2008: 2.0 HK cents) per share	**–**	30
	30	97

At the board meeting held on August 27, 2009, the directors declared an interim dividend of 2.0 HK cents per share. This dividend has 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 **2009**	2008
2008 final dividend approved and paid of 3.0 HK cents (2007: 5.0 HK cents) per share	**45**	75
2008 special final dividend approved and paid of 0.0 HK cents (2007: 10.0 HK cents) per share	**–**	149
	45	224

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)	**2009**	2008
From continuing operations	**48**	214
From discontinued operations	**–**	(6)
From continuing and discontinued operations	**48**	208

The basic earnings per share is based on the weighted average of 1,491,646,518 shares (2008: 1,491,569,507 shares) in issue during the six months ended June 30, 2009.

The diluted earnings per share is based on 1,491,646,518 shares (2008: 1,491,569,507 shares) which is the weighted average number of shares in issue during the six months ended June 30, 2009 plus the weighted average of nil shares (2008: 468,079 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 is measured at fair value.

9. Discontinued operations and financial asset at fair value through profit or loss

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"), which is principally engaged in garment manufacturing businesses, at a cash consideration of HK$22.9 million. As part of the agreement, the remaining 6,055,440 Ordinary Shares representing the Group's remaining 30.0 percent of the total issued share capital of Placita held by the Company were redesignated into 6,055,440 preference shares of Placita (the "Preference Shares"). Furthermore, the Purchaser shall grant to the Company a put option and the Company shall grant to the Purchaser a call option on the Preference Shares, under which the Purchaser may acquire the Preference Shares from the Company at HK$32.7 million within five years whilst the Company may sell the Preference Shares to the Purchaser at HK$27.8 million after two years. The transaction was approved by the shareholders in the Special General Meeting on August 13, 2008 and was completed on August 25, 2008.

The Preference Shares and the related options are measured at fair value through profit or loss.

The results and cash flows of the discontinued operations included in the condensed consolidated income statement and the condensed consolidated cash flow statement are set out below:

	Six months ended June 30	
(In HK$ millions)	**2009**	2008
Turnover	**–**	333
Cost of sales	**–**	(287)
Gross profit	**–**	46
Other income	**–**	3
Distribution, administrative and other operating expenses	**–**	(59)
Operating loss	**–**	(10)
Finance expense	**–**	(1)
Loss before taxation	**–**	(11)
Taxation	**–**	–
Loss for the period from discontinued operations	**–**	(11)
Loss attributable to:		
Shareholders of the Company	**–**	(6)
Minority interests	**–**	(5)
	–	(11)
Net cash inflow from operating activities	**–**	25
Net cash outflow from investing activities	**–**	(1)
Net cash outflow from financing activities	**–**	(18)
Net cash inflow from discontinued operations	**–**	6

10. Trade and other receivables

(In HK$ millions)	**June 30 2009**	December 31 2008
Trade receivables	**192**	253
Less: Provision for impairment	**(6)**	(5)
Trade receivables – net	**186**	248
Other receivables, including deposits and prepayments	**170**	175
	356	423

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 2009**	December 31 2008
0 – 30 days	**138**	196
31 – 60 days	**38**	37
61 – 90 days	**3**	10
Over 90 days	**7**	5
	186	248

11. Trade and other payables

(In HK$ millions)	**June 30 2009**	December 31 2008
Trade payables	**228**	231
Other payables and accrued expenses	**221**	242
	449	473
Long-term portion	**(20)**	(22)
Current portion	**429**	451

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**June 30 2009**	December 31 2008
0 – 30 days	**182**	184
31 – 60 days	**41**	35
61 – 90 days	**4**	11
Over 90 days	**1**	1
	228	231

12. Total assets less current liabilities and net current assets

The Group's total assets less current liabilities amounted to HK$2,030 million and HK$2,005 million at June 30, 2009 and December 31, 2008 respectively. The Group's net current assets, defined as current assets less current liabilities, amounted to HK$814 million and HK$742 million at June 30, 2009 and December 31, 2008 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

In the second half of 2008, the Group substantially divested 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.

Turnover and Gross Profit

The global economic downturn has affected consumer confidence in all our markets, including Mainland China which experienced a 3.5 percent year-on-year decrease in turnover in the first half. Overall, the Group's turnover declined by 14.5 percent year-on-year to HK$2,003 million. With all market players engaged in cutthroat discounting, gross margin came under severe pressure. The Group's first half gross margin declined to 48.2 percent (1H08: 51.7 percent), while its gross profit decreased by 20.2 percent to HK$965 million.

Continuing operations *(In HK$ millions)*	**1H09**	1H08	YOY Change
Group turnover	**2,003**	2,342	-14.5%
Group gross profit	**965**	1,210	-20.2%
Group gross margin	**48.2%**	51.7%	-350 bps

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

Management continued to tighten its control on expenses. Among other measures, the Group rationalized its networks in Hong Kong, Taiwan, Singapore and Australia. Overall, the Group's rental and shop staff costs decreased by 5.5 percent and 14.2 percent respectively, thus enabling the Group to reduce its operating expenses by 10.6 percent to HK$956 million (1H08: HK$1,069 million).

The Group's other income decreased by HK$46 million to HK$57 million due mainly to the absence of the HK$33 million tax refund that our retail operations in Mainland China received in the first half of 2008.

As a result of the reduction in the Group's gross profit and other income, the Group's first half operating profit from continuing operations posted a 73.0 percent decline to HK$66 million (1H08: HK$244 million) and the Group's EBITDA decreased by 59.7 percent to HK$137 million (1H08: HK$340 million) and its EBITDA margin narrowed to 6.8 percent (1H08: 14.5 percent).

Continuing operations *(In HK$ millions)*	**1H09**	1H08	YOY Change
Group Operating profit	**66**	244	-73.0%
Group Operating margin	**3.3%**	10.4%	-710 bps

Profit Attributable to Shareholders

After-tax profit contribution from the Group's South Korea joint venture surged to HK$9 million (1H08: HK$4 million). However, this increase was not enough to offset the reduction resulting from the absence of the HK$17 million gain on the disposal of Speedy Garment Manufacturing (Hong Kong) Company Limited ("Speedy Garment") last year and the sharply lowered after-tax profit contribution from our Middle East associate. Together with the decrease in operating profit as earlier discussed, profit attributable to shareholders from continuing operations declined by 77.6 percent to HK$48 million (1H08: HK$214 million). EPS on a fully diluted basis was 3.2 HK cents (1H08: 14.3 HK cents).

The Group's first half 2009 income taxation expense was HK$25 million (1H08: HK$56 million) and its effective tax rate was 38.5 percent (1H08: 26.5 percent). Deferred tax assets arising from taxable losses are not recognized, otherwise the Group's effective tax rate would have remained at a similar level as last year.

Cash Flow from Continuing and Discontinued Operations

Net cash inflow from operating activities was HK$172 million (1H08: HK$201 million), HK$4 million higher than the first half of 2008 if we exclude the HK$33 million PRC reinvestment tax refund received during the period.

Net cash outflow from investing activities decreased by HK$55 million to HK$19 million (1H08: HK$74 million) due mainly to a HK$29 million reduction in capital expenditure and the absence of HK$42 million in proceeds from the disposal of Speedy Garment in the first half of 2008.

Finally, net cash outflow from financing activities in the first half was HK$47 million (1H08: HK$130 million), with the difference attributable to a HK$179 million reduction in final dividends paid.

GROUP FINANCIAL POSITION

The Group's prudent financial management and rigorous cost and inventory controls enabled it to maintain a strong net cash position despite the global downturn. On June 30, 2009, the Group had total cash and bank balances of HK$660 million (December 31, 2008: HK$532 million) and net cash and bank balances of HK$585 million (December 31, 2008: HK$454 million).

The Group's inventory position has also remained healthy, with first half 2009 closing inventories totalling HK$279 million, down by HK$18 million from the HK$297 million recorded at the end of 2008. Inventory turnover on sales[1] was 25 days (1H08: 28 days including both continuing and discontinued operations).

On June 30, 2009, the Group had total liabilities of HK$627 million (December 31, 2008: HK$651 million). Shareholders' equity was HK$1,875 million (December 31, 2008: HK$1,855 million). The Group's current ratio improved to 2.5 times (December 31, 2008: 2.3 times) and its gearing was 4.0 percent (December 31, 2008: 4.2 percent) based on shareholders' equity.

First half 2009 capital expenditure fell by 53.7 percent to HK$25 million (1H08: HK$54 million) as the Group put its store expansion and renovation plans on hold. Capital expenditure represented 14.5 percent (1H08: 26.9 percent) of net cash inflow from operating activities during the period.

[1] Inventory held at period end divided by turnover times number of days for the period.

The Group had financing facilities totalling HK$364 million as at June 30, 2009 (December 31, 2008: HK$347 million), of which HK$75 million had been drawn down and were outstanding.

OPERATIONS REVIEW

Retail & Distribution

The global financial crisis adversely affected consumer confidence and business in all group markets. The Group's first half turnover in Mainland China decreased by 3.5 percent while other markets all suffered double digit turnover declines. Consequently, the Group's Retail & Distribution turnover decreased by 13.0 percent to HK$1,833 million (1H08: HK$2,108 million). With all market players engaged in cutthroat discounting, gross margin came under severe pressure and the Group's Retail & Distribution first half gross margin declined to 50.0 percent (1H08: 54.8 percent). As a result, the Retail & Distribution operating profit decreased by 87.3 percent to HK$26 million (1H08: HK$205 million) and its operating margin was 1.4 percent (1H08: 9.7 percent).

Retail & Distribution – Review by Market

Six months ended June 30, 2009	**Turnover** *(In HK$ millions)*	**Operating profit/(loss)** *(In HK$ millions)*	**Comparable store sales[1]**	**Number of outlets[2]**
Mainland China	**776**	**33**	**-9.2%**	**912**
Hong Kong and Macau	**366**	**10**	**-10.8%**	**80**
Taiwan	**269**	**(4)**	**-9.5%**	**179**
Singapore	**147**	**(3)**	**-4.9%**	**46**
Australia	**77**	**(16)**	**-6.0%**	**52**
Other self-operated markets[3]	**198**	**6**	**-10.8%**	**259**
Retail & Distribution Total	**1,833**	**26**	**-9.2%**	**1,528**

Six months ended June 30, 2008	Turnover *(In HK$ millions)*	Operating profit/(loss) *(In HK$ millions)*	Comparable store sales[1]	Number of outlets[2]
Mainland China	804	177	+11.8%	859
Hong Kong and Macau	431	27	+3.8%	86
Taiwan	334	(2)	+2.2%	200
Singapore	189	(4)	–13.8%	54
Australia	110	(19)	–12.1%	56
Other self-operated markets[3]	240	26	–2.7%	253
Retail & Distribution Total	2,108	205	+0.8%	1,508

[1] *In local currency for self-operated outlets which were open for the full six months in each of the two fiscal years under comparison*

[2] *As at June 30*

[3] *Includes Malaysia, Thailand, Indonesia and Japan*

With their heavy concentration of export oriented businesses, the coastal provinces in the southern and eastern regions of Mainland China were hit especially hard by the global economic downturn. With about half of our business coming from these regions, we had to resort to heavy discounting and our performance suffered accordingly. Overall, our self-operated retail outlets experienced a 9.2 percent decline in comparable store sales in the first half. Sales to our franchise and wholesale accounts were also impacted as they prudently put store expansion plans on hold and focused on bringing inventory levels back in line.

As a result, the Group's Mainland China turnover decreased by 3.5 percent to HK$776 million and its gross profit decreased by 14.0 percent. With higher operating expenses from the previous year's expansion, first half operating profit dropped by 81.4 percent to HK$33 million (1H08: HK$177 million inclusive of the non-recurring reinvestment tax refund of HK$33 million). We added three outlets in Mainland China in the first half of 2009.

As markets that are highly reliant on tourist traffic, both Hong Kong and Singapore's were badly affected by the global financial tsunami. In the first half of 2009, Hong Kong's turnover decreased by 15.1 percent to HK$366 million and its comparable store sales declined by 10.8 percent while Singapore's turnover declined by 22.2 percent to HK$147 million and its comparable store sales decreased by 4.9 percent. We continued to restructure our store portfolios in these two markets, downsizing our store count by two in Hong Kong and five in Singapore in the first half of 2009. However, these cost reduction moves were not enough to counter the top line declines and as a result the Group's operating profit narrowed to HK$10 million in Hong Kong (1H08: HK$27 million) and we made an operating loss of HK$3 million (1H08: HK$4 million) in Singapore in the first six months of 2009. Gross margins have begun to trend up towards the end of the period with the launch of new product and marketing programs.

Taiwan's turnover decreased by 19.5 percent to HK$269 million and comparable store sales decreased by 9.5 percent, causing its operating loss to increase to HK$4 million in the first half of 2009. With inventories significantly lower after the stock clearance we undertook earlier, Taiwan was able to launch new higher margin products which enabled its gross margin to begin trending up in the second quarter. We continued to restructure our store portfolio in Taiwan in the first half, reducing our network by 13 to a total of 179 outlets.

Australia's turnover declined by 30.0 percent to HK$77 million and it incurred an operating loss of HK$16 million in the six months ended June 30, 2009. The Group installed new management in the first half of 2008 to turn around our Australian operations. Various cost cutting measures were implemented, including the closure of five stores in 2008 and another four in the first half of 2009.

The Group's other self-operated markets, namely Malaysia, Thailand and Indonesia (Japan's business is very small and diminishing), saw turnover declining by 17.5 percent to HK$198 million and operating profit dropping by 76.9 percent to HK$6 million in the first half of 2009.

Retail & Distribution – Review by Brand

The core *Giordano* and *Giordano Junior* business recorded a 10.6 percent decline in its first half turnover to HK$1,569 million and comparable store sales decreased by 8.4 percent. Gross margins were lowered by the Group's efforts to reduce inventory but began to recover towards the end of the period with the successful launch of new, higher margin products. First half 2009 operating profit fell by 75.9 percent year-on-year to HK$49 million due to the reduction in profits in Mainland China.

Giordano Ladies saw its first half turnover declining by 10.9 percent to HK$114 million and comparable store sales decreasing by 10.0 percent. With its stores all located in high end shopping areas with rentals to match, the brand only managed to turn a small operating profit of HK$1 million in the six months ended June 30, 2009.

Giordano Concepts was also impacted by deteriorating consumer confidence but its difficulties were exacerbated by product missteps. As a result turnover dropped by 40.7 percent and comparable store sales declined by 27.0 percent, causing the brand to report an operating loss of HK$19 million in the first half of 2009. Management has taken decisive steps to turn around the brand, closing 7 non-performing outlets to bring its store network down to 24 as at June 30, 2009. New product design and merchandising talents have tightened the product focus to re-position *Giordano Concepts* as a high end menswear brand. A "sneak preview" of the revamped Fall/Winter 2009 menswear collection for a selected group of our Mainland Chinese franchise and wholesale accounts was recently held to positive reception.

The Group continued to make headway in turning around *BSX*. The brand's fun and youthful image has continued to gain consumer acceptance, enabling it to improve its gross margin by 240 basis points over the same period last year. This, together with the store network reorganization which we undertook in the last 12 months, enabled the brand to narrow its operating loss from HK$11 million to HK$6 million even as turnover dropped by 31.5 percent to HK$76 million in the first half of 2009. Comparable store sales decreased by 10.3 percent in the first half of 2009.

Six months ended June 30, 2009	**Turnover** *(In HK$ millions)*	**Operating profit/(loss)** *(In HK$ millions)*	**Comparable store sales**[1]	**Number of outlets**[2]
Giordano & Giordano Junior	**1,569**	**49**	**-8.4%**	**1,393**
Giordano Ladies	**114**	**1**	**-10.0%**	**40**
Giordano Concepts	**64**	**(19)**	**-27.0%**	**24**
BSX	**76**	**(6)**	**-10.3%**	**64**
Others	**10**	**1**	**+8.1%**	**7**
Retail & Distribution Total	**1,833**	**26**	**-9.2%**	**1,528**

Six months ended June 30, 2008	Turnover *(In HK$ millions)*	Operating profit/(loss) *(In HK$ millions)*	Comparable store sales[1]	Number of outlets[2]
Giordano & Giordano Junior	1,756	203	+0.1%	1,341
Giordano Ladies	128	13	+5.8%	41
Giordano Concepts	108	(1)	–0.1%	24
BSX	111	(11)	+4.2%	96
Others	5	1	NA	6
Retail & Distribution Total	2,108	205	+0.8%	1,508

1 *In local currency for self-operated outlets which were open for the full six months in each of the two fiscal years under comparison*

2 *As at June 30*

Export & Licensing

Export & Licensing turnover, consisting primarily of the Group's sales to its Korean and Middle East joint ventures and wholesale markets such as the Philippines, decreased by 27.6 percent to HK$184 million in the first half of 2009. Operating income for the period decreased by 21.4 percent to HK$33 million as a result.

Export & Licensing *(In HK$ millions)*	**1H09**	1H08	YOY Change
Turnover	**184**	254	-27.6%
Operating profit	**33**	42	-21.4%
Operating margin	**17.9%**	16.5%	+140 bps

Jointly Controlled and Associated Companies

Our South Korean joint venture continued to make headway in its turnaround even in the face of the global economic downturn. Although first half turnover decreased by 21.5 percent to HK$355 million (1H08: HK$452 million), a good part of the decline is attributable to the depreciation of the Korean Won. In local currency terms turnover actually increased by 4.3 percent and comparable store sales was more or less flat in the six months ended June 30, 2009. Gross margin widened by 50 basis points with improved merchandising at the core *Giordano* business and the successful rollout of its new *BSX* line. Together with tighter cost control, our South Korean jointly controlled company managed to more than double its first half after-tax profit contribution to HK$9 million (1H08: HK$4 million). On June 30, 2009, the Group held 48.5 percent in its South Korean jointly controlled company. We added two outlets during the period to bring the total store count to 169 at the end of June, 2009.

Our business in the Middle East slowed to in tandem with declining oil prices. First half turnover decreased by 8.9 percent to HK$225 million (1H08: HK$247 million) and comparable store sales decreased by 13.6 percent. With labour and rental costs in the region remaining high, pre-tax profit contribution from our Middle East associated company dropped by 83.3 percent to HK$1 million (1H08: HK$6 million). The Group held a 20.0 percent shareholding in its Middle East associate at June 30, 2009.

Manufacturing & Others

Turnover, comprising entirely of sales to other Giordano Group companies, rose by 26.7 percent to HK$76 million while operating income increased to HK$7 million mainly from lower corporate salary expenses.

Manufacturing & Others *(In HK$ millions)*	**1H09**	1H08	YOY Change
Turnover	**76**	60	+26.7%
Operating profit/(loss)	**7**	(3)	+333.3%
Operating margin	**9.2%**	(5.0%)	+1,420 bps

OUTLOOK

Although it is still early days, Asian economies seem to be responding to the stimulus packages that their respective governments applied. With the economic outlook improving in Mainland China, the Group is aggressively gearing up its second half 2009 store expansion and supporting it with revamped merchandising and marketing programs with a view at least to match the store growth we achieved in the second half of last year (2H08: 50 outlets added in Mainland China). We are also targeting to improve penetration of northern and western China where we are relatively under-represented at the moment. With confidence returning and de-stocking more or less completed, our franchise and wholesale accounts are also in a position to resume expansion. The Group will significantly increase its marketing activities starting this Fall/Winter season to support the planned expansion.

The Group's objective for the balance of the year is to continue keeping a tight rein on expenses while rebuilding its margins. For example, in the 12 months to June 2009, Hong Kong, Taiwan and Singapore together have seen their store networks reduced by 35 outlets to 305 locations. These and other cost control measures will help the Group position its markets to benefit from any eventual recovery.

In the last two months, gross margins in Hong Kong, Taiwan and Singapore have begun trending up with the introduction of new, higher margin products. To help ensure that its new product pipeline remains filled, the Group has decided to invest in a new design centre to enhance its design and development capabilities. Opened in August, the new centre is 5,500 sq.m. in size and will house 200 design, product development and sourcing professionals once it is fully staffed by the end of the year. Its location in Dongguan mid-way between Hong Kong and Guangzhou is intended to facilitate close collaboration with both the international marketing team in Hong Kong and the China marketing team in Guangzhou as well as key vendors located close by in the Pearl River Delta, thus enabling the Group to further shorten its product lead time and extend its edge over the competition.

HUMAN RESOURCES

On June 30, 2009, the Group had about 7,600 employees. 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.

DIVIDENDS

It is the Company's intention to return surplus cash to its shareholders through the regular payment of dividends and, in line with its dividend policy, the Company has been paying a substantial portion of its earnings as an ordinary dividend plus a special dividend the amount of which may vary depending on cash on hand, future investment requirements and other considerations.

After due consideration of the economic outlook, the Group's Mainland China expansion plans and other factors, the Board of the Company declared an interim dividend of 2.0 HK cents per share (2008: 4.5 HK cents per share and a special interim dividend of 2.0 HK cents per share) for the year ending December 31, 2009 payable on or about Monday, September 21, 2009 to shareholders whose names appear on the register of members of the Company on Tuesday, September 15, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, September 14, 2009 and Tuesday, September 15, 2009, during which period no transfer of shares will be registered. In order to qualify for the 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 Friday, September 11, 2009.

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, 2009 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, 2009. It has also reviewed the said financial statements in conjunction with the Company's external auditor.

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, August 27, 2009

As at the date of this announcement, the directors of the Company are:
Executive directors: Dr. LAU Kwok Kuen, Peter and Mr. MAH Chuck On, Bernard;
Non-executive director: Professor LEUNG Kwok; and
Independent non-executive directors: Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi and Dr. LEE Peng Fei, Allen.