GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2009

RESULTS

The board of directors (the "Board") of Giordano International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2009, together with comparative figures for the previous year, as follows:

Consolidated Income Statement

(In HK$ millions except earnings per share)	*Note*	**2009**	2008
Continuing operations			
Turnover	*2*	**4,233**	4,710
Cost of sales		**(2,058)**	(2,348)
Gross profit		**2,175**	2,362
Other income		**110**	141
Distribution expense		**(1,545)**	(1,680)
Administrative expense		**(169)**	(168)
Other operating expense		**(251)**	(325)
Operating profit	*2,3*	**320**	330
Gain on disposal of a jointly controlled company		**–**	17
Finance expense		**(1)**	(2)
Share of profit of jointly controlled companies		**38**	25
Share of profit of an associate		**6**	11
Profit before taxation		**363**	381
Taxation	*4*	**(64)**	(82)
Profit for the year from continuing operations		**299**	299
Discontinued operations			
Loss for the year from discontinued operations		**–**	(6)
Gain on disposal of a subsidiary		**–**	24
		–	18
Profit for the year		**299**	317

(In HK$ millions except earnings per share)	*Note*	**2009**	2008
Profit attributable to:			
Shareholders of the Company			
Continuing operations		**288**	290
Discontinued operations		**–**	21
		288	311
Minority interests			
Continuing operations		**11**	9
Discontinued operations		**–**	(3)
		11	6
		299	317
Earnings per share for profit attributable to shareholders of the Company	*5*		
From continuing and discontinued operations			
Basic *(HK cents)*		**19.3**	20.8
Diluted *(HK cents)*		**19.3**	20.8
From continuing operations			
Basic *(HK cents)*		**19.3**	19.4
Diluted *(HK cents)*		**19.3**	19.4
From discontinued operations			
Basic *(HK cents)*		**–**	1.4
Diluted *(HK cents)*		**–**	1.4
Dividends	*6*	**240**	142

Consolidated Statement of Comprehensive Income

(In HK$ millions)	**2009**	2008
Profit for the year	**299**	317
Other comprehensive income:		
Fair value gains on available-for-sale financial asset	**2**	3
Exchange adjustment on translation of overseas subsidiaries and branches	**61**	(82)
Realization of exchange reserve upon disposal of a jointly controlled company	**–**	(5)
Movement in net deferred tax (liabilities)/assets	**(5)**	5
Total comprehensive income for the year	**357**	238
Total comprehensive income attributable to:		
Shareholders of the Company	**337**	241
Minority interests	**20**	(3)
	357	238

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**2009**	2008
ASSETS			
Non-current assets			
Property, plant and equipment		**188**	227
Investment property		**79**	81
Interest in jointly controlled companies		**317**	262
Interest in an associate		**41**	43
Available-for-sale financial asset		**11**	9
Financial asset at fair value through profit or loss		**28**	25
Leasehold land and rental prepayments		**300**	326
Rental deposits		**250**	264
Deferred tax assets		**22**	26
		1,236	1,263
Current assets			
Inventories		**294**	297
Leasehold land and rental prepayments		**45**	42
Trade and other receivables	*7*	**411**	423
Cash and bank balances		**824**	532
		1,574	1,294
Total assets		**2,810**	2,557
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**75**	75
Reserves		**1,833**	1,735
Proposed dividends		**210**	45
Equity attributable to shareholders of the Company		**2,118**	1,855
Minority interests		**68**	51
Total equity		**2,186**	1,906
Non-current liabilities			
Deferred tax liabilities		**82**	77
Other payables	*8*	**15**	22
		97	99
Current liabilities			
Trade and other payables	*8*	**419**	451
Bank loans		**74**	78
Taxation		**34**	23
		527	552
Total liabilities		**624**	651
Total equity and liabilities		**2,810**	2,557

Notes:

1. Principal Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset and financial asset at fair value through profit or loss.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in 2008 except for the adoption of the following new and revised HKFRSs which are effective for accounting periods beginning on or after January 1, 2009.

HKAS 1 (Revised)	Presentation of financial statements
HKFRS 7 (Revised)	Financial Instruments: Disclosures
HKFRS 8	Operating segments
HK(IFRIC) – INT 13	Customer loyalty programmes

The adoptions of the above new and revised standards and interpretation has no material impact to the financial statements except for certain presentation changes and additional disclosures.

The Group has not early adopted the following amended standards and interpretation in the financial statements for the year ended December 31, 2009.

HKFRS 3 (Revised)	Business combinations (effective for annual periods beginning on or after July 1, 2009)
HKAS 27 (Revised)	Consolidated and separate financial statements (effective for annual periods beginning on or after July 1, 2009)
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners (effective for annual periods beginning on or after July 1, 2009)
Annual Improvements 2009	(effective for annual periods beginning on or after January 1, 2010)

2. Operating Segments

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

The chief operating decision-makers assess the business by both geographic location and by brand perspective. From geographic perspective, the reportable operating segments identified are Mainland China, Hong Kong and Macau, Taiwan, Singapore, Australia and other markets. From 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 segment, whilst 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.

The chief operating decision-makers manage the assets from geographic location perspective only. Total assets exclude interest in jointly controlled companies, interest in an associate, available-for-sale financial asset, financial asset at fair value through profit or loss and deferred tax asset, all of which are managed centrally.

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

	2009		2008	
(In HK$ millions)	**Turnover**	**Operating profit/(loss)**	Turnover	Operating profit/(loss)
By principal markets:				
Mainland China	**1,633**	**152**	1,689	265
Hong Kong and Macau	**775**	**64**	850	39
Taiwan	**555**	**27**	634	(27)
Singapore	**310**	**18**	368	(14)
Australia	**180**	**(28)**	218	(29)
Other markets	**460**	**44**	496	44
Total Retail and Distribution	**3,913**	**277**	4,255	278
Export and licensing business	**350**	**50**	501	75
Manufacturing and other segments	**137**	**(7)**	119	(23)
Inter-segment sales	**(167)**	**–**	(165)	–
Continuing operations	**4,233**	**320**	4,710	330
Discontinued operations (manufacturing)	**–**	**–**	485	(5)
Inter-segment sales	**–**	**–**	(147)	–
	–	**–**	338	(5)
Total	**4,233**	**320**	5,048	325

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

	2009		2008	
(In HK$ millions)	**Turnover**	**Operating profit/(loss)**	Turnover	Operating profit/(loss)
By brand:				
Giordano & Giordano Junior	**3,379**	**271**	3,552	290
Giordano Ladies	**250**	**28**	265	26
Giordano Concepts	**106**	**(24)**	217	(23)
BSX	**158**	**–**	206	(18)
Others	**20**	**2**	15	3
Total Retail and Distribution	**3,913**	**277**	4,255	278

The entity is domiciled in Hong Kong. The result of its revenue from external customers in Hong Kong is HK$1,082 million (2008: HK$1,286 million), Mainland China is HK$1,633 million (2008: HK$1,689 million) and the total of revenue from external customers from other countries is HK$1,518 million (2008: HK$2,073 million).

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is HK$329 million (2008: HK$354 million), located in Mainland China is HK$311 million (2008: HK$331 million) and the total of these non-current assets located in other countries is HK$535 million (2008: HK$518 million).

An analysis of the Group's reportable segment assets by geographical location is as follows:

	Segment assets	
(In HK$ millions)	**2009**	2008
By principal markets:		
Mainland China	**922**	825
Hong Kong and Macau	**678**	643
Taiwan	**173**	180
Singapore	**84**	84
Australia	**35**	39
Other markets	**283**	207
Total Retail and Distribution	**2,175**	1,978
Export and licensing business	**44**	39
Manufacturing and other segments	**172**	175
Segment assets	**2,391**	2,192
Interest in jointly controlled companies	**317**	262
Interest in an associate	**41**	43
Available-for-sale financial asset	**11**	9
Financial asset at fair value through profit or loss	**28**	25
Deferred tax assets	**22**	26
Total assets	**2,810**	2,557

3. Operating profit

The operating profit is stated after charging:

	Continuing operations		Discontinued operations		Total	
(In HK$ millions)	**2009**	2008	**2009**	2008	**2009**	2008
Amortization of leasehold land prepayments	**9**	9	**–**	–	**9**	9
Depreciation of property, plant and equipment	**97**	117	**–**	10	**97**	127
Depreciation of investment property	**2**	3	**–**	–	**2**	3
Impairment of property, plant and equipment	**3**	8	**–**	–	**3**	8
Net loss on disposal of property, plant and equipment	**3**	2	**–**	–	**3**	2
Provision/(written back) for obsolete stock and stock written off	**3**	(3)	**–**	10	**3**	7

4. Taxation

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 16.5 percent (2008: 16.5 percent) to the estimated assessable profits earned in or derived from Hong Kong during the year.

Taxation on the profits of other subsidiaries operating outside Hong Kong is calculated at the rates applicable in the respective jurisdictions.

The charge for taxation in the consolidated income statement represents:

	Continuing operations		**Discontinued operations**		**Total**	
(In HK$ millions)	**2009**	2008	**2009**	2008	**2009**	2008
Income tax						
Current income tax						
– Hong Kong profits tax	**13**	15	**–**	–	**13**	15
– Outside Hong Kong	**43**	61	**–**	–	**43**	61
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**14**	7	**–**	–	**14**	7
Deferred tax						
Relating to the origination and reversal of temporary differences	**10**	4	**–**	–	**10**	4
Effect of changes in tax rate	**(12)**	–	**–**	–	**(12)**	–
Over provision in previous year						
– Hong Kong profits tax	**(1)**	(1)	**–**	–	**(1)**	(1)
– Outside Hong Kong	**(3)**	(4)	**–**	–	**(3)**	(4)
Taxation charge	**64**	82	**–**	–	**64**	82

5. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders for the year as set out below:

(In HK$ millions)	**2009**	2008
Continuing operations	**288**	290
Discontinued operations	**–**	21
	288	311

The basic earnings per share is based on the weighted average of 1,491,646,518 shares (2008: 1,491,608,376 shares) in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2009, the diluted earnings per share equals basic earnings per share as there was no dilutive potential share. The diluted earnings per share is based on the weighted average number of 1,491,646,518 shares (2008: 1,491,699,520 shares).

6. Dividends

(a) Dividends attributable to the year:

(In HK$ millions)	**2009**	2008
Interim dividend declared and paid of 2.0 HK cents (2008: 4.5 HK cents) per share	**30**	67
Special interim dividend declared and paid of 0.0 HK cent (2008: 2.0 HK cents) per share	**–**	30
	30	97
Final dividend proposed after the balance sheet date of 7.0 HK cents (2008: 3.0 HK cents) per share	**105**	45
Special final dividend proposed after the balance sheet date of 7.0 HK cents (2008: 0.0 HK cent) per share	**105**	–
	210	45
	240	142

At the board meeting held on March 25, 2010, the directors proposed final and special final dividends of 7.0 HK cents and 7.0 HK cents per share respectively. These proposed dividends have not been recognized as a liability at the balance sheet date.

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

(In HK$ millions)	**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 cent (2007: 10.0 HK cents) per share	**–**	149
	45	224

7. Trade and other receivables

(In HK$ millions)	**2009**	2008
Trade receivables	**236**	253
Less: Provision for impairment	**(5)**	(5)
Trade receivables – net	**231**	248
Other receivables, including deposits and prepayments	**180**	175
	411	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)	**2009**	2008
0 – 30 days	**175**	196
31 – 60 days	**35**	37
61 – 90 days	**13**	10
Over 90 days	**8**	5
	231	248

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

8. Trade and other payables

(In HK$ millions)	**2009**	2008
Trade payables	**181**	231
Other payables and accrued expenses	**253**	242
	434	473
Long-term portion	**(15)**	(22)
Current portion	**419**	451

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**2009**	2008
0 – 30 days	**138**	184
31 – 60 days	**41**	35
61 – 90 days	**2**	11
Over 90 days	**–**	1
	181	231

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

9. Net current assets

The Group's net current assets, defined as current assets less current liabilities, amounted to HK$1,047 million and HK$742 million in 2009 and 2008 respectively.

10. Total assets less current liabilities

The Group's total assets less current liabilities amounted to HK$2,283 million and HK$2,005 million in 2009 and 2008 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

In August 2008, the Group disposed of its 21.0 percent voting equity interest in Placita Holdings Limited ("Placita"), the Group's principal garment manufacturing subsidiary, and converted its remaining 30.0 percent voting equity interest into 30.0 percent non-voting preference shares with a guaranteed dividend. Consequently, Placita is no longer consolidated into the Group's results and its 2008 results are presented separately under the heading "Discontinued Operations" in the Group's consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards. The figures and discussion below pertain to the Group's retail and other businesses ("Continuing Operations") and excludes Placita's results unless otherwise stated.

Group Operations

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**4,233**	4,710	(10.1%)	**2,230**	2,368	(5.8%)	**2,003**	2,342	(14.5%)
Gross profit	**2,175**	2,362	(7.9%)	**1,210**	1,152	5.0%	**965**	1,210	(20.2%)
Gross margin	**51.4%**	50.1%	1.3% pts	**54.3%**	48.6%	5.7% pts	**48.2%**	51.7%	(3.5% pts)
EBITDA	**487**	529	(7.9%)	**350**	189	85.2%	**137**	340	(59.7%)
EBITDA margin	**11.5%**	11.2%	0.3% pt	**15.7%**	8.0%	7.7% pts	**6.8%**	14.5%	(7.7% pts)
Operating profit	**320**	330	(3.0%)	**254**	86	195.3%	**66**	244	(73.0%)
Operating margin	**7.6%**	7.0%	0.6% pt	**11.4%**	3.6%	7.8% pts	**3.3%**	10.4%	(7.1% pts)
Profit attributable to shareholders	**288**	290	(0.7%)	**240**	76	215.8%	**48**	214	(77.6%)
Return on sales	**6.8%**	6.2%	0.6% pt	**10.8%**	3.2%	7.6% pts	**2.4%**	9.1%	(6.7% pts)

Figure 1 Group Operations Highlights (in HK$ millions)

Turnover and Gross Profit

The year got off to a rocky start with the global "financial tsunami" pummelling consumer confidence. Market players responded with deep markdowns. The adverse operating environment caused the Group's turnover to decline by 14.5 percent and gross margin to fall by 3.5 percentage points to 48.2 percent in the first half of 2009. Our suppliers were also negatively impacted by recessions in their North American and European markets. The Group seized the opportunity to collaborate with strategic supply chain partners on innovative workflow changes to significantly lower product costs, priming the product pipeline with new high volume and high margin merchandise. At the same time the Group reduced discounting in favour of non-price marketing efforts. These two initiatives enabled the Group to lift its gross margin by a remarkable 5.7 percentage points year-on-year to 54.3 percent in the second half and by 1.3 percentage points to 51.4 percent for the full year whilst revenues were largely static at previous years' levels. Overall, although Group turnover decreased by 10.1 percent to HK$4,233 million (2008: HK$4,710 million), gross profit decreased by a less severe 7.9 percent to HK$2,175 million (2008: HK$2,362 million) in 2009.

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

When market conditions began to weaken in the second half of 2008, Management responded with a comprehensive program to rationalize expenses including store consolidations and hiring freezes in markets outside Mainland China. Rental costs were reduced by 5.5 percent to HK$853 million (2008: HK$903 million) and staff costs by 8.8 percent to HK$661 million (2008: HK$725 million) in 2009. Along with other efficiency enhancements, the Group managed to cut its operating expenses by 9.6 percent to HK$1,965 million (2008: HK$2,173 million).

Other income decreased to HK$110 million (2008: HK$141 million), reflecting a tougher business environment.

Better gross margins and tighter operating cost controls made possible for the Group to boost second half EBITDA by 85.2 percent to HK$350 million (2H08: HK$189 million), resulting in a 2009 EBITDA decrease of 7.9 percent to HK$487 million (2008: HK$529 million) against a 10.1 percent decrease in turnover.

By the same token, in the second half the Group's operating profit swelled to HK$254 million, almost triple the HK$86 million recorded in second half 2008 and nearly quadruple the HK$66 million in first half 2009. For the year as a whole operating profit came in at HK$320 million, only slightly lower than the previous year (2008: HK$330 million). With a smaller turnover, operating margin improved by 0.6 percentage points to 7.6 percent (2008: 7.0 percent).

Profit Attributable to Shareholders

The Group's 2009 profit attributable to shareholders from continuing operations came in at HK$288 million, just HK$2 million lower than the previous year (2008: HK$290 million from continuing operations and HK$311 million from continuing and discontinued operations together). Profit attributable to shareholders from continuing operations would have posted a 5.5 percent gain against 2008 if the one-off HK$17 million gain on the disposal of Speedy Garment Manufacturing (Hong Kong) Company Limited last year were excluded.

Basic and fully diluted earnings per share were the same at 19.3 HK cents, slightly lower than the previous year (2008: basic and fully diluted EPS were 19.4 HK cents from continuing operations and 20.8 HK cents from continuing and discontinued operations combined).

Our South Korean jointly controlled company increased its after-tax profit contribution to the Group's results to HK$38 million (2008: HK$22 million). The increase was partially offset by lower profit contribution from our Middle East associate.

The Group's 2009 income taxation expense decreased to HK$64 million (2008: HK$82 million) at an imputed effective tax rate of 20.0 percent (2008: 24.8 percent) reflecting lower profit contributions from higher tax regime markets.

Cash Flow from Continuing and Discontinued Operations

At HK$419 million, cash generated from operations in 2009 was HK$39 million below the year before (2008: HK$458 million). However, net cash inflow from operating activities increased by HK$35 million to HK$382 million (2008: HK$347 million) due to a HK$72 million reduction in Hong Kong and overseas taxes paid in 2009.

Cash outflow from investing activities increased by HK$164 million to HK$268 million (2008: HK$104 million) primarily because of a HK$232 million increase in time deposits with terms longer than three months which was partially offset by a 45.9 percent cut in capital expenditure to HK$59 million (2008: HK$109 million).

The Group lowered both its 2008 final and 2009 interim dividend in response to the global "financial tsunami". As such, dividends paid in 2009 totalled HK$75 million, HK$246 million lower than the HK$321 million paid in 2008, which largely explains the HK$200 million reduction in the Group's cash outflow from financing activities to HK$81 million in 2009 from HK$281 million the year before.

GROUP FINANCIAL POSITION

Short term

The Group was vigilant to mitigate potential financial risks from the unprecedented global "financial tsunami" and attained a defensive net cash position. On December 31, 2009, the Group had total cash and bank balances of HK$824 million (December 31, 2008: HK$532 million), all of which is deposited with major commercial banks. After offsetting against outstanding bank loans, year-end net cash and bank balances amounted to HK$750 million (December 31, 2008: HK$454 million). The Group will use the money principally for investment and expansion in Mainland China and normal working capital purposes. The Group intends to return any surplus by way of dividends to shareholders to be discussed in the section titled "Dividends" later.

Current ratio was increased to 3.0 times (December 31, 2008: 2.3 times) mainly due to increased net cash and bank balance and reduced short term payables.

The Group's inventory position remains healthy. At the end of the year, inventories totalled HK$294 million, practically unchanged from the HK$297 million recorded at the end of 2008. Inventory turnover on sales was 25 days (2008: 23 days), comfortably within the "safety" range intended by Management.

The Group had financing facilities totalling HK$581 million at the end of the year (December 31, 2008: HK$347 million), of which HK$57 million had been drawn down in the normal course of business and were outstanding as at year end (December 31, 2008: HK$78 million).

Long Term

On December 31, 2009, the Group had total liabilities of HK$624 million (2008: HK$651 million), of which HK$97 million consisting mainly of deferred tax liabilities were non-current (2008: HK$99 million). Shareholders' equity was HK$2,118 million (December 31, 2008: HK$1,855 million). On December 31, 2009, the Group's gearing (total bank loans outstanding divided by shareholders' equity) was 3.5 percent (December 31, 2008: 4.2 percent).

Capital expenditure was slashed by 45.9 percent to HK$59 million (2008: HK$109 million) as the Group put its ex-Mainland China store expansion and renovation plans on hold. Capital expenditure totalled 15.4 percent (2008: 31.4 percent) of net cash inflow from operating activities. Management estimates capital expenditure in 2010 to range higher between HK$150 million and HK$200 million as we resume our normal store expansion and refurbishment programs and intensify our Mainland China growth.

OPERATIONS REVIEW

Retail & Distribution Segment

Highlights

The Group re-positioned its marketing and merchandising programs to emphasize "quality essentials" and "value" appealing to consumers shaken by the global "financial tsunami". We withdrew from price promotions in the second half as regional economies stabilized. Retail & Distribution's second half same store sales rose by 1.8 percent and same store gross profit rose by 13.1 percent. More importantly, Retail & Distribution gross margin surged to 56.7 percent in the second half, up by 6.6 percentage points from 50.1 percent in the first half 2009. Coupled with tightened cost controls, the second half saw operating profit more than tripling year-on-year. Consequently, Retail & Distribution's full year operating profit recovered from the 87.3 percent decline suffered in the first half to come in at HK$277 million, slightly lower than 2008 despite turnover decreasing by 8.0 percent to HK$3,913 million.

	Full Year			**Second Half**			**First Half**		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**3,913**	4,255	(8.0%)	**2,080**	2,147	(3.1%)	**1,833**	2,108	(13.0%)
Percentage change in same store sales[1]	**(3.7)**	(1.5)	N/A	**1.8**	(4.4)	N/A	**(9.2)**	0.8	N/A
Gross profit	**2,097**	2,250	(6.8%)	**1,179**	1,094	7.8%	**918**	1,156	(20.6%)
Gross margin	**53.6%**	52.9%	0.7% pt	**56.7%**	51.0%	5.7% pts	**50.1%**	54.8%	(4.7% pts)
Percentage change in same store gross profit[1]	**(1.2)**	(4.7)	N/A	**13.1**	(12.0)	N/A	**(14.3)**	1.1	N/A
Operating profit	**277**	278	(0.4%)	**251**	73	243.8%	**26**	205	(87.3%)
Operating margin	**7.1%**	6.5%	0.6% pt	**12.1%**	3.4%	8.7% pts	**1.4%**	9.7%	(8.3% pts)

Figure 2 Retail & Distribution Segment Operations Highlights (in HK$ millions)

Business continued to improve going into 2010. Favourable weather conditions over Chinese New Year and restrained markdowns helped the Retail & Distribution segment achieve a double digit increase in gross profit against a single digit growth in turnover in the first two months of 2010.

Retail & Distribution Review by Market

Mainland China

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover[2]	**1,633**	1,689	(3.3%)	**857**	885	(3.2%)	**776**	804	(3.5%)
Percentage change in same store sales[1]	**(7.1)**	6.1	N/A	**(4.5)**	(1.9)	N/A	**(9.2)**	11.8	N/A
Percentage change in same store gross profit[1]	**(5.4)**	6.3	N/A	**5.3**	(7.4)	N/A	**(14.2)**	16.4	N/A
Operating profit	**152**	265	(42.6%)	**119**	88	35.2%	**33**	177	(81.4%)
Number of outlets[3]	**1,017**	909	108	**1,017**	909	108	**912**	859	53

Figure 3 Mainland China Operations Highlights (in HK$ millions)

Mainland China experienced the most challenging first half among our markets. The export-oriented southern and eastern coastal regions of Mainland China which account for about half of our Mainland China business were hit hard by the global economic downturn. We responded with deep discounting and with operating expenses higher from the previous year's expansion, our first half results tumbled as a result. Gross profit recovered in the latter half of the year. In particular, lower product cost and reduced discounting made possible a 5.0 percentage point gross margin rebound to 50.9 percent (2H08: 45.9 percent) which helped increase operating profit by 35.2 percent in the second half. Though insufficient to overcome the first half's setbacks, same store gross profit still managed to register a much smaller decrease of 5.4 percent for the full year. Mainland China's full year operating profit came in at HK$152 million, a decline against 2008 of 42.6 percent (34.5 percent if we excluded the one-off HK$33 million PRC reinvestment tax refund received last year). The RMB/HKD exchange rate was stable and had no material impact on the results.

With the economy remaining robust, our Mainland China business has been on a steady monthly uptrend, posting double digit year-on-year gross profit growth every month since October 2009. Total turnover in the first two months of 2010 recorded a single digit decline against both 2009 and 2008 because of less discounting. However, Mainland China posted double digit and single digit same store gross profit growth in these two months against the same period in 2009 and 2008 respectively.

	2009	2008	2007	2006	2005
Turnover *(in HK$ millions)*[2]	**1,633**	1,689	1,349	1,090	987
Sales per sq. ft. *(in HK$)*[4]	**2,800**	3,100	2,900	2,400	2,400
Percentage change in same store sales[1]	**(7.1)**	6.1	15.2	8.5	5.5
Percentage change in same store gross profit[1]	**(5.4)**	6.3	18.6	6.0	13.4
Retail floor area *(square feet)*[3]	**903,600**	816,800	690,700	605,100	585,600
Number of outlets[3]	**1,017**	909	820	729	706

Figure 4 Mainland China Five Year Operations Highlights

We added a total of 108 outlets in Mainland China during the year to bring our network there to 1,017 at the end of 2009. The Group will concentrate on maintaining its growth momentum in Mainland China, with a view to adding some 150 outlets in 2010. Priority will be given to driving profitable growth in second and third-tier cities and inland provinces through increased franchising activities.

Hong Kong & Macau

	Full Year			**Second Half**			**First Half**		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**775**	850	(8.8%)	**409**	419	(2.4%)	**366**	431	(15.1%)
Percentage change in same store sales[1]	**(1.2)**	(1.7)	N/A	**7.2**	(8.3)	N/A	**(10.8)**	3.8	N/A
Percentage change in same store gross profit[1]	**1.3**	(3.8)	N/A	**16.6**	(17.3)	N/A	**(15.1)**	8.2	N/A
Operating profit	**64**	39	64.1%	**54**	12	350.0%	**10**	27	(63.0%)
Number of outlets[3]	**75**	82	(7)	**75**	82	(7)	**80**	86	(6)

Figure 5 Hong Kong & Macau Operations Highlights (in HK$ millions)

After experiencing a 15.1 percent slump in same store gross profit in the first half, Hong Kong's business staged a sturdy recovery with same store sales and gross profit rising by 7.2 percent and 16.6 percent respectively in the second half. To avoid ridiculously high rentals, Management selectively surrendered seven non-strategic locations in Hong Kong. Effective marketing efforts and operating expense controls allowed Hong Kong to achieve an over four-fold year-on-year jump in its operating profit in the second half and a 64.1 percent increase to HK$64 million for the full year.

Like Mainland China, in the first two months of 2010 Hong Kong also achieved double digit same store gross profit growth against 2009 and single digit same store gross profit increase against 2008.

	2009	2008	2007	2006	2005
Turnover *(in HK$ millions)*	**775**	850	892	873	867
Sales per sq. ft. *(in HK$)*[4]	**8,400**	8,200	7,800	7,600	7,400
Percentage change in same store sales[1]	**(1.2)**	(1.7)	8.1	5.4	4.4
Percentage change in same store gross profit[1]	**1.3**	(3.8)	11.1	2.3	4.7
Retail floor area *(square feet)*[3]	**87,100**	98,700	110,900	117,300	119,500
Number of outlets[3]	**75**	82	92	98	101

Figure 6 Hong Kong & Macau Five Year Operations Highlights

Taiwan

	Full Year			**Second Half**			**First Half**		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**555**	634	(12.5%)	**286**	300	(4.7%)	**269**	334	(19.5%)
Percentage change in same store sales[1]	**(1.8)**	(3.2)	N/A	**7.6**	(9.4)	N/A	**(9.5)**	2.2	N/A
Percentage change in same store gross profit[1]	**7.4**	(12.5)	N/A	**32.6**	(21.2)	N/A	**(11.1)**	(5.2)	N/A
Operating profit (loss)	**27**	(27)	N/A	**31**	(25)	N/A	**(4)**	(2)	N/A
Number of outlets[3]	**174**	192	(18)	**174**	192	(18)	**179**	200	(21)

Figure 7 Taiwan Operations Highlights (in HK$ millions)

The restructuring of our Taiwanese operations finally showed positive results. After a total revamp of its merchandising practices, Taiwan's gross margin surged by 4.9 percentage points in 2009 compared to the previous year. Significantly improved gross margins along with reduced operating costs swung Taiwan into the black to post an operating profit of HK$27 million for the full year (2008: operating loss of HK$27 million). Taiwan's 2009 same store sales decreased slightly by 1.8 percent while turnover declined by 12.5 percent to HK$555 million due largely to store closures. In local currency terms, turnover decreased by only 8.0 percent. Exchange rate changes during the year had no material impact on Taiwan's results.

The gains from the revamped merchandising practices have extended to the first two months of 2010 to yield double digit gross profit growth when compared with same period in both 2009 and 2008.

	2009	2008	2007	2006	2005
Turnover *(in HK$ millions)*	**555**	634	649	658	732
Sales per sq. ft. *(in HK$)*[4]	**2,900**	3,000	2,800	2,800	3,000
Percentage change in same store sales[1]	**(1.8)**	(3.2)	(4.2)	(9.1)	(5.8)
Percentage change in same store gross profit[1]	**7.4**	(12.5)	(6.8)	(11.2)	(3.6)
Retail floor area *(square feet)*[3]	**185,700**	204,900	218,700	235,800	243,900
Number of outlets[3]	**174**	192	210	239	237

Figure 8 Taiwan Five Year Operations Highlights

Singapore

	Full Year			**Second Half**			**First Half**		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**310**	368	(15.8%)	**163**	179	(8.9%)	**147**	189	(22.2%)
Percentage change in same store sales[1]	**(4.7)**	(7.7)	N/A	**(4.5)**	1.4	N/A	**(4.9)**	(13.8)	N/A
Percentage change in same store gross profit[1]	**(2.2)**	(12.8)	N/A	**8.9**	(3.4)	N/A	**(12.9)**	(18.7)	N/A
Operating profit (loss)	**18**	(14)	N/A	**21**	(10)	N/A	**(3)**	(4)	N/A
Number of outlets[3]	**47**	51	(4)	**47**	51	(4)	**46**	54	(8)

Figure 9 Singapore Operations Highlights (in HK$ millions)

The business process re-engineering and store rationalization programs in Singapore were also successful. Although same store sales declined by 4.7 percent in 2009, Singapore was able to leverage on the new high margin products negotiated with the Group's strategic supply chain partners globally to record a 1.5 percentage point year-on-year gross margin expansion and achieve an operating profit of HK$18 million in 2009 (2008: operating loss of HK$14 million). Turnover in local currency terms experienced a smaller decline of 13.0 percent but otherwise results reported for Singapore were not materially affected by exchange rate fluctuations.

2009 saw international brands making further inroads as certain mass market brands exited the Singapore market. The Group will respond to the increasingly competitive landscape in Singapore by concentrating on building brand equity in 2010. Singapore recorded double digit year-on-year gross profit growth in January and February 2010 when compared with same period in both 2009 and 2008.

	2009	2008	2007	2006	2005
Turnover *(in HK$ millions)*	**310**	368	390	403	403
Sales per sq. ft. *(in HK$)*[4]	**6,100**	6,500	6,900	7,700	8,300
Percentage change in same store sales[1]	**(4.7)**	(7.7)	(10.9)	(11.9)	(1.2)
Percentage change in same store gross profit[1]	**(2.2)**	(12.8)	(11.6)	(16.9)	(1.9)
Retail floor area *(square feet)*[3]	**51,300**	54,300	57,300	55,100	50,500
Number of outlets[3]	**47**	51	53	53	48

Figure 10 Singapore Five Year Operations Highlights

Australia

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**180**	218	(17.4%)	**103**	108	(4.6%)	**77**	110	(30.0%)
Percentage change in same store sales[1]	**(3.6)**	0.2	N/A	**(1.2)**	13.7	N/A	**(6.0)**	(12.1)	N/A
Percentage change in same store gross profit[1]	**(4.9)**	(3.6)	N/A	**2.2**	1.7	N/A	**(11.4)**	(8.9)	N/A
Operating loss	**(28)**	(29)	N/A	**(12)**	(10)	N/A	**(16)**	(19)	N/A
Number of outlets[3]	**45**	56	(11)	**45**	56	(11)	**52**	56	(4)

Figure 11 Australia Operations Highlights (in HK$ millions)

The Group intensified the restructuring of its Australian operations in 2009. Australia's marketing and merchandising programs are now fully aligned with the Group's. A total of 11 stores were closed in 2009 to consolidate the network to 45 stores at the end of the year. For 2009 as a whole, Australia recorded a 17.4 percent decline in its turnover to HK$180 million and an operating loss of HK$28 million. In local currency terms, turnover decreased by 11.7 percent but otherwise Australia's reported results were not materially affected by exchange rate changes during the year.

The first two months of 2010 saw gross margin surging from 48.1 percent to 61.7 percent and office overheads reduced by 14.5 percent. A double digit same store gross profit growth was recorded for the first two months of 2010 when compared with same period 2009. A general reduction in tariffs that took effect on January 1, 2010 will help our Australian operations by reducing landed costs.

Other Markets

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**460**	496	(7.3%)	**262**	256	2.3%	**198**	240	(17.5%)
Operating profit	**44**	44	–	**38**	18	111.1%	**6**	26	(76.9%)
Number of outlets[3]	**259**	258	1	**259**	258	1	**259**	253	6

Figure 12 Other Markets Operations Highlights (in HK$ millions)

The Group's other markets comprise Malaysia, Thailand, Indonesia and Japan. Together, these smaller markets posted operating profit of HK$44 million on sales of HK$460 million in 2009. The Group has decided to completely exit from Japan 2010. Exit costs are expected to be immaterial to the Group's 2010 results. The figures below pertain to Malaysia, Indonesia and Thailand only.

	Malaysia			Indonesia			Thailand		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**142**	168	(15.5%)	**183**	175	4.6%	**122**	126	(3.2%)
Percentage change in same store sales[1]	**(8.4)**	(4.2)	N/A	**7.7**	(4.7)	N/A	**(3.4)**	(6.7)	N/A
Percentage change in same store gross profit[1]	**(7.1)**	(8.6)	N/A	**6.5**	(6.5)	N/A	**(10.9)**	(3.8)	N/A
Number of outlets[3]	**66**	67	(1)	**99**	97	2	**91**	87	4

Figure 13 Malaysia, Indonesia and Thailand Operations Highlights (in HK$ millions)

Retail & Distribution Review by Brand

Giordano & Giordano Junior

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**3,379**	3,552	(4.9%)	**1,810**	1,796	0.8%	**1,569**	1,756	(10.6%)
Percentage change in same store sales[1]	**(3.8)**	(0.9)	N/A	**1.2**	(2.3)	N/A	**(8.4)**	0.1	N/A
Percentage change in same store gross profit[1]	**(1.7)**	(4.0)	N/A	**12.4**	(9.5)	N/A	**(14.0)**	0.3	N/A
Operating profit	**271**	290	(6.6%)	**222**	87	155.2%	**49**	203	(75.9%)
Number of outlets[3]	**1,485**	1,392	93	**1,485**	1,392	93	**1,393**	1,341	52

Figure 14 Giordano & Giordano Junior Operations Highlights (in HK$ millions)

Moving defensively to reduce inventory in response to the sudden "financial tsunami", gross margin of the Group's main *Giordano* and *Giordano Junior* business decreased to below 50 percent in the second half of 2008 and the first half of 2009. The second half saw it bounce back by over five percentage points as we cut back on discounting, launched concerted marketing programs emphasizing *Giordano's* strengths in "quality essentials" and "value" and filled our product pipeline with new lower cost merchandise. Operating profit more than doubled in the second half, recovering much of the decline suffered in the previous half. For 2009, *Giordano* and *Giordano Junior* turnover decreased by 4.9 percent to HK$3,379 million. Operating profit receded by 6.6 percent to HK$271 million. During the year we added a total of 93 *Giordano* and *Giordano Junior* outlets, bringing our global network to 1,485 by the end of 2009.

Giordano Ladies

	Full Year			**Second Half**			**First Half**		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**250**	265	(5.7%)	**136**	137	(0.7%)	**114**	128	(10.9%)
Percentage change in same store sales[1]	**(2.5)**	(0.1)	N/A	**4.7**	(7.1)	N/A	**(10.0)**	5.8	N/A
Percentage change in same store gross profit[1]	**0.2**	(1.6)	N/A	**12.8**	(11.5)	N/A	**(12.5)**	6.8	N/A
Operating profit	**28**	26	7.7%	**27**	13	107.7%	**1**	13	(92.3%)
Number of outlets[3]	**43**	45	(2)	**43**	45	(2)	**40**	41	(1)

Figure 15 Giordano Ladies Operations Highlights (in HK$ millions)

Recovering consumer sentiment in the middle of 2009 benefited our premium *Giordano Ladies* line so that second half 2009 operating profit surged to HK$27 million which more than made up for the drop experienced at the beginning of the year. For the full year, *Giordano Ladies* posted a 7.7 percent increase in operating profit to HK$28 million on sales of HK$250 million. During the year we closed two outlets to bring the brand's network to 43 as at December 31, 2009.

Giordano Concepts

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**106**	217	(51.2%)	**42**	109	(61.5%)	**64**	108	(40.7%)
Percentage change in same store sales[1]	**(16.1)**	(11.4)	N/A	**(9.2)**	(21.4)	N/A	**(27.0)**	(0.1)	N/A
Percentage change in same store gross profit[1]	**(11.6)**	(19.0)	N/A	**14.2**	(34.8)	N/A	**(36.0)**	(0.7)	N/A
Operating (loss)	**(24)**	(23)	N/A	**(5)**	(22)	N/A	**(19)**	(1)	N/A
Number of outlets[3]	**22**	31	(9)	**22**	31	(9)	**24**	24	–

Figure 16 Giordano Concepts Operations Highlights (in HK$ millions)

Given the steep learning curve that any new brand faces coupled with reduced customer spending brought on by the economic downturn in the period, *Giordano Concepts* has labored through most of the last two years. Gross margin rebounded after aggressive clearance of problem stocks in the first half of 2009. It also closed nine non-performing outlets in 2009 to bring its store network down to 22 at the end of the year. As a result, operating losses were significantly reduced to HK$5 million in the second half of 2009 from HK$19 million in the first half and HK$22 million a year ago. For the year as a whole, *Giordano Concepts* posted an operating loss of HK$24 million on sales of HK$106 million.

For the longer term, Management has identified Mainland China's high end menswear sector as a strategic focus. New product design and merchandising talents have been brought in and the brand re-christened to *Concepts One* to target this market segment. The year 2010 will be critical for *Concepts One*.

BSX

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**158**	206	(23.3%)	**82**	95	(13.7%)	**76**	111	(31.5%)
Percentage change in same store sales[1]	**(1.4)**	(1.2)	N/A	**14.1**	(10.4)	N/A	**(10.3)**	4.2	N/A
Percentage change in same store gross profit[1]	**5.8**	(2.1)	N/A	**30.6**	(15.1)	N/A	**(8.7)**	6.4	N/A
Operating profit (loss)	**–**	(18)	N/A	**6**	(7)	N/A	**(6)**	(11)	N/A
Number of outlets[3]	**59**	74	(15)	**59**	74	(15)	**64**	96	(32)

Figure 17 BSX Operations Highlights (in HK$ millions)

The Group's three-year long effort to rebrand *BSX/Bluestar Exchange* has finally borne fruit. *BSX* successfully established itself as a fun, youth-oriented urban brand with a distinctive identity worthy of a price premium. This, together with ongoing efforts to control its sourcing costs, enabled *BSX* to expand its gross margin by 5.3 percentage points in 2009. Meanwhile, Management further rationalized the brand's cost structure, closing another 15 non-performing outlets in 2009. *BSX* reached a watershed in 2009 to break even on sales of HK$158 million.

Export & Licensing Segment

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**350**	501	(30.1%)	**166**	247	(32.8%)	**184**	254	(27.6%)
Operating profit	**50**	75	(33.3%)	**17**	33	(48.5%)	**33**	42	(21.4%)

Figure 18 Export & Licensing Segment Operations Highlights (in HK$ millions)

The Group's Export & Licensing business was severely impacted by the global "financial tsunami". The depreciation of the Korean Won necessitated a tactical increase in local sourcing for our Korean jointly controlled company as a natural hedge. Although the increased direct sourcing did not affect Export & Licensing's operating profit, its turnover was adversely impacted. Along with reduced demand from the Group's other export markets, Export & Licensing turnover fell by 30.1 percent to HK$350 million. Operating income decreased by 33.3 percent to HK$50 million in 2009. Management foresees an upturn in overseas demand in 2010 when these markets fully recover from the 2008/2009 "financial tsunami".

Manufacturing & Other Segment

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**137**	119	15.1%	**61**	59	3.4%	**76**	60	26.7%
Operating profit (loss)	**(7)**	(23)	N/A	**(14)**	(20)	N/A	**7**	(3)	N/A

Figure 19 Manufacturing & Other Segment Operations Highlights (in HK$ millions)

The Group's remaining manufacturing business after the divestment of Placita in 2008 is small and provides quick response stock replenishment for the Group's retail and distribution operations. Manufacturing turnover rose by 15.1 percent to HK$137 million in 2009 while operating loss decreased to HK$7 million mainly from lowered operating expenses.

Jointly controlled and Associated Companies

South Korea

	Full Year			Second Half			First Half		
	2009	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**	**2009**	2008	**Increase (Decrease)**
Turnover	**905**	835	8.4%	**550**	383	43.6%	**355**	452	(21.5%)
Percentage change in same store sales[1]	**16.0**	(4.1)	N/A	**35.8**	(11.6)	N/A	**0.1**	2.1	N/A
Percentage change in same store gross profit[1]	**16.8**	(3.7)	N/A	**41.6**	(12.4)	N/A	**(3.0)**	3.3	N/A
Number of outlets[3]	**191**	167	24	**191**	167	24	**169**	178	(9)

Figure 20 South Korea Operations Highlights (in HK$ millions)

Our South Korean jointly controlled company persevered with its turnaround drive which began in late 2007. With expanded distribution of the new *BSX* line that was launched in 2008 and a nimble shift of its sourcing base to mitigate the adverse impact from the depreciation of the Korean Won, Korea achieved a 43.6 percent increase in turnover and a 2.6 percentage point expansion in gross margin in the second half, more than making up for the ground lost in the first half. For 2009 as a whole, Korea grew its turnover by 8.4 percent (25.2 percent in local currency terms) to HK$905 million while same store sales and gross profit leapt by 16.0 percent and 16.8 percent respectively compared to 2008. As a result, Korea increased its after-tax profit contribution to Group profit by 72.7 percent (99.5 percent in Korean Won terms) to HK$38 million (2008: HK$22 million). Twenty-four outlets were added in 2009 to bring the total store count to 191 at the end of the year. The Group held 48.5 percent in its South Korean jointly controlled company as at December 31, 2009. Korea continued to post double digit year-on-year gross profit growth in the first two months of 2010 compared with both 2009 and 2008.

	2009	2008	2007	2006	2005
Turnover *(in HK$ millions)*	**905**	835	982	1,014	995
Sales per sq. ft. *(in HK$)*[4]	**5,500**	6,200	6,700	7,500	6,300
Percentage change in same store sales[1]	**16.0**	(4.1)	(8.6)	(6.5)	(4.0)
Percentage change in same store gross profit[1]	**16.8**	(3.7)	(4.2)	(7.6)	2.0
Retail floor area *(square feet)*[3]	**164,100**	133,700	145,600	135,600	157,000
Number of outlets[3]	**191**	167	173	148	168

Figure 21 South Korea Five Year Operations Highlights

Middle East

The business of our associated company in the Middle East was hurt by declining oil prices and the credit crisis in Dubai, one of its key markets. Turnover declined by 11.5 percent to HK$477 million and margins were squeezed by labour and rental costs that remained stubbornly high despite the economic downturn. As a result, after-tax profit contribution from our Middle East associated company to Group profit dropped by 45.5 percent to HK$6 million (2008: HK$11 million). The Group held a 20.0 percent shareholding in its Middle East associate on December 31, 2009. January and February 2010 gross profit were down by single digit compared to the same period in 2009.

Notes:

1 *For directly managed outlets which were open for the full 6 or 12 months in each of the two fiscal years under comparison*

2 *Including net sales to authorized dealer*

3 *Total directly managed outlets (and authorized dealer outlets in the case of Mainland China) as at period end*

4 *On a weighted-average basis for directly managed outlets*

OUTLOOK

To counter the onslaught of the global "financial tsunami", Management resolved in late 2008 to build up the Group's cash reserves, cut expenses, collaborate with strategic supply chain partners to lower product costs and rebuild gross profits and margins. As explained earlier, Management is achieving these objectives. Looking ahead, both Mainland China and Hong Kong present challenges in 2010. While per capita income in Mainland China continues to rise, providing opportunities for the Group to expand its network throughout the country, Hong Kong's outlook is somewhat mixed. The influx of Mainland Chinese tourists will undoubtedly help lift turnover but the escalation in already sky high retail rentals continues unabated. As such, Management will keep investing in additional human resources to intensify its Mainland China expansion but focus on driving gross profit and margin growth with high value-added merchandise in Hong Kong. In Taiwan, Singapore and Korea where the operating environment tends to be more stable, Management will focus on steady and methodical execution of their respective turnaround strategies. Management targets to also significantly reduce losses in Australia with a return to profitability targeted in 2011.

Management's overall goal for 2010 is to galvanize the recovery in the Group's business that began in the second half of 2009. It has three key objectives to successfully ensure this business improvement. Its first objective is to extend gross and operating margin gains by way of improved supply chain relationships and business process re-engineering, focusing on simplification. In particular, Management continues to forge new relationships and deepen existing collaborations to fully engage all our strategic supply chain partners.

International brands have continued to invest in Asia, being a region that still offers potential for growth, which intensifies competition in all our markets. Management's second objective for 2010 is to strengthen branding by concentrating on points of differences to ensure the long term competitiveness of the Group's brands. The following briefly discusses our various branding strategies.

The Group's moves to emphasize "quality essentials" and "value" in its marketing and merchandising in 2009 have been successful with consumers and helped drive *Giordano* and *Giordano Junior's* strong gross margin recovery in the second half of the year. 2010 will see the Group reinforcing these messages with new product and marketing campaigns. *BSX* has succeeded in carving out its own space within the young casual wear segment, as evidenced by the 5.3 percentage point gross margin expansion it achieved in 2009. We will build on this success by prudently upgrading and expanding *BSX's* store network in 2010. Management also aims to repeat *BSX's* success with the re-branding of *Giordano Concepts* to *Concepts One* targeting the high end menswear sector in Mainland China. The first half will witness further fine tuning of *Concepts One's* merchandising strategies before a wider roll-out with the Fall/Winter 2010 season.

Product design and development are critical for creating and sustaining points of differences in a competitive market such as ours. As such, the Group opened a new 5,500 sq.m. design centre in Dongguan in the second half of 2009 to facilitate closer design and production collaboration with our key supply chain partners.

Management's third and final objective is to drive faster growth in Mainland China, with a view to our network in that market by around 15 percent in 2010. The emphasis will be on growing our business with the support of increased marketing in second tier and smaller cities mainly through franchising. Rather than following the herd and engaging in a scramble for short term growth at the expense of long term profit, Management will follow through on its strategy of pursuing measured, profitable growth supported by solid management and financial resources so as to ensure that every store added will contribute to our profitability. On the back of significantly improved gross margins, in the first two months of 2010 Mainland China posted double digit gross profit growth on slightly lower sales compared to the same period in 2009.

Hong Kong, Taiwan and Singapore also recorded double digit year-on-year gross profit growth in January and February 2010. The priority here will be given to growing same store sales and profits, though with market conditions improving, the Group will also be on the lookout for opportunities to cautiously upgrade and expand its store network in 2010.

In summary, Management sees positive trends going into 2010 despite risks posed by incoming international players and rising property prices. Achieving the Group's three objectives will be critical to attaining expected profit improvements in 2010 and to creating long term value for our customers and sustained return for shareholders.

HUMAN RESOURCES

The recruitment, retention, development and motivation of outstanding employees have always been the foundation of our success. 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 to reward and retain a high caliber management team.

Although a competitive remuneration package is important, numerous studies and experience have shown that ethical business values, fairness and opportunities for further professional and personal development are equally important drivers for high achievers. As such, the Group invests heavily not only in comprehensive staff training and development programs in sales and service, but also in management, planning and leadership programs addressing our people's professional and personal development needs. The Company also has an Employee Self Learning Program to foster individual initiative and responsibility for development. Fulfilment of the program's requirements is an important consideration in evaluating an employee's total performance for compensation and career advancement.

On December 31, 2009, the Group had 7,300 employees (December 31, 2008: 8,300). Total staff cost (excluding directors' emoluments but including employees' share option charges) amounted to HK$644 million (2008: HK$768 million). The Group did not grant any share options to its employees in 2009 (2008: 41 million share options).

DIVIDENDS

It is the Company's intention to return surplus cash to its shareholders through payment of dividends. 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 working capital considerations. The Group had net cash and bank balances of HK$750 million at December 31, 2009, of which HK$366 million was in RMB and a substantial part of it earmarked for supporting our Mainland China expansion program. Ex-Mainland China markets are expected to generate positive operating cash inflow to sustain their respective working capital and capital expenditure requirements.

As such, the Board has resolved to recommend to shareholders the payment of a final dividend of 7.0 HK cents (2008: 3.0 HK cents) per share and a special final dividend of 7.0 HK cents (2008: nil) per share for the year ended December 31, 2009. Together with the interim dividend of 2.0 HK cents per share (2008: 4.5 HK cents per share plus a special interim dividend of 2.0 HK cents per share) paid on September 21, 2009, total 2009 dividend would amount to 16.0 HK cents (2008: 9.5 HK cents) per share, representing a payout of 82.9 percent of 2009 per share earnings. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final and special final dividends will be payable on or about Tuesday, June 15, 2010 to shareholders whose names appear on the register of members of the Company on Wednesday, June 9, 2010.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Wednesday, June 9, 2010. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which is expected to be published on or about Friday, April 23, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, June 7, 2010 to Wednesday, June 9, 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final and special final dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, 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, June 4, 2010.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended December 31, 2009, 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. Further information will be provided in the "Corporate Governance Report" of the 2009 Annual Report.

REVIEW OF ACCOUNTS

The Group's audited consolidated financial statements for the year ended December 31, 2009 including the accounting principles and practices adopted have been reviewed by the Audit Committee in conjunction with the Company's external auditor. Also, this preliminary results announcement has been agreed 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 year.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, March 25, 2010

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.