GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, together with comparative figures for the previous year, as follows:

Consolidated Income Statement

(In HK$ millions, except earnings per share)	*Note*	**2011**	2010
Sales	*2*	**5,614**	4,731
Cost of sales		**(2,331)**	(2,000)
Gross profit		**3,283**	2,731
Other income and other gains, net		**148**	123
Distribution expense		**(2,042)**	(1,687)
Administrative expense		**(480)**	(472)
Operating profit	*3*	**909**	695
Loss on disposal of a subsidiary		**–**	(13)
Finance expense		**(2)**	(2)
Share of profit of jointly controlled companies		**72**	56
Share of profit of an associate		**25**	12
Profit before taxation	*2*	**1,004**	748
Taxation	*4*	**(225)**	(181)
Profit for the year		**779**	567
Profit attributable to:			
Shareholders of the Company		**728**	537
Non-controlling interests		**51**	30
		779	567
Earnings per share for profit attributable to shareholders of the Company	*5*		
Basic *(HK cents)*		**48.2**	36.0
Diluted *(HK cents)*		**47.6**	35.9
Dividends	*6*	**578**	404

Consolidated Statement of Comprehensive Income

(In HK$ millions)	**2011**	2010
Profit for the year	**779**	567
Other comprehensive income:		
Fair value gains on available-for-sale financial assets	**6**	2
Exchange adjustment on translation of overseas subsidiaries, associate, jointly controlled entities and branches	**(7)**	59
Share of reserve of a jointly controlled entity	**1**	–
Deferred tax relating to the exchange movement	**–**	(3)
Realization of exchange reserve upon disposal of a subsidiary	**–**	15
Total comprehensive income for the year	**779**	640
Total comprehensive income attributable to:		
Shareholders of the Company	**730**	606
Non-controlling interests	**49**	34
	779	640

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**2011**	2010
ASSETS			
Non-current assets			
Property, plant and equipment		**229**	202
Investment property		**74**	77
Goodwill		**5**	5
Interest in jointly controlled companies		**415**	373
Interest in an associate		**54**	43
Available-for-sale financial assets		**19**	13
Financial assets at fair value through profit or loss		**28**	28
Leasehold land and rental prepayments		**265**	282
Rental deposits		**133**	164
Deferred tax assets		**42**	29
		1,264	1,216
Current assets			
Inventories		**605**	404
Leasehold land and rental prepayments		**45**	41
Trade and other receivables	*7*	**636**	597
Cash and bank balances		**1,272**	1,062
		2,558	2,104
Total assets		**3,822**	3,320
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**76**	75
Reserves		**2,309**	2,056
Proposed dividends		**350**	277
Equity attributable to shareholders of the Company		**2,735**	2,408
Non-controlling interests		**86**	85
Total equity		**2,821**	2,493
Non-current liabilities			
Deferred tax liabilities		**101**	108
		101	108
Current liabilities			
Trade and other payables	*8*	**689**	548
Bank loans		**63**	84
Taxation		**148**	87
		900	719
Total liabilities		**1,001**	827
Total equity and liabilities		**3,822**	3,320
Net current assets		**1,658**	1,385
Total assets less current liabilities		**2,922**	2,601

Notes:

1. Principal Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated 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 Group has adopted the following revised standards, amendments and interpretations issued by HKICPA, which are effective for the Group's financial year beginning on or after January 1, 2011:

HKAS 24 (Revised)	Related party disclosure
HKAS 32 (Amendment)	Classification of right issues
Amendment to HK(IFRIC) Int – 14	Prepayments of a minimum funding requirements
HK(IFRIC) Int – 19	Extinguishing financial liabilities with equity instruments
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first time adopters
Third Annual Improvements Project (2010)	Third Annual Improvements project (2010) published in May 2010

The adoptions of the above revised standards, amendments and interpretations have no material impact to the consolidated financial statements.

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2012 or later periods. The adoption of these new standards, amendments and interpretations will have no significant impact on the Group's consolidated financial statements. The Group will adopt the revised HKFRSs and HKASs when they become effective.

2. Operating Segments

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

There are two major business segments, namely Retail and Distribution and Wholesale sales to overseas franchisees. The chief operating decision-makers assess the business of the Retail and Distribution segment from both a geographic location and a brand perspective. From geographic perspective, the Retail and Distribution segment comprised of retail and franchise sales in Mainland China, retail sales in Hong Kong and Taiwan and Rest of Asia Pacific. From a brand perspective, the Retail and Distribution segment is sub-divided into *Giordano & Giordano Junior, Giordano Ladies, Concepts One* (renamed from *Giordano Concepts*), *BSX* and Others.

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.

An analysis of the Group's reportable segment sales and operating profit is as follows:

(In HK$ millions)	**2011** Sales	**2011** Operating profit	2010 Sales	2010 Operating profit
Mainland China	**2,029**	**265**	1,781	287
Hong Kong and Taiwan	**1,759**	**345**	1,447	217
Rest of Asia Pacific	**1,328**	**299**	1,109	179
Total Retail and Distribution	**5,116**	**909**	4,337	683
Wholesales to overseas franchisees	**498**	**60**	394	51
Segment sales/operating profit	**5,614**	**969**	4,731	734
Corporate function		**(65)**		(44)
Manufacturing business		**5**		5
Loss on disposal of a subsidiary		**–**		(13)
Finance expense		**(2)**		(2)
Share of profit of jointly controlled companies		**72**		56
Share of profit of an associate		**25**		12
Profit before taxation		**1,004**		748

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

	2011		2010	
(In HK$ millions)	**Sales**	**Operating profit/(loss)**	Sales	Operating profit/(loss)
By brand:				
Giordano & Giordano Junior	**4,437**	**818**	3,773	601
Giordano Ladies	**348**	**67**	288	56
BSX	**242**	**26**	182	30
Concepts One (renamed from *Giordano Concepts*)	**49**	**(8)**	68	(7)
Others	**40**	**6**	26	3
Total Retail and Distribution	**5,116**	**909**	4,337	683

The entity is domiciled in Hong Kong. The revenue from external customers in Hong Kong is HK$1,495 million (2010: HK$1,230 million), Mainland China is HK$2,029 million (2010: HK$1,781 million) and the total of revenue from external customers from other countries is HK$2,090 million (2010: HK$1,720 million).

Inter-segment sales of HK$575 million (2010: HK$473 million) has been eliminated upon consolidation.

An analysis of the Group's assets by physical location is as follows:

	Segment assets	
(In HK$ millions)	**2011**	2010
Mainland China	**1,344**	1,175
Hong Kong & Taiwan	**1,199**	953
Rest of Asia Pacific	**528**	526
Segment assets	**3,071**	2,654
Manufacturing and others	**188**	175
Goodwill	**5**	5
Interest in jointly controlled companies	**415**	373
Interest in an associate	**54**	43
Available-for-sale financial assets	**19**	13
Financial assets at fair value through profit or loss	**28**	28
Deferred tax assets	**42**	29
Total assets	**3,822**	3,320

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$219 million (2010: HK$216 million), located in Mainland China is HK$301 million (2010: HK$301 million) and the total of these non-current assets located in other countries is HK$655 million (2010: HK$629 million).

3. Operating Profit

The operating profit is stated after charging:

(In HK$ millions)	**2011**	2010
Amortization of leasehold land prepayments	**9**	9
Auditors' remuneration	**6**	5
Depreciation of property, plant and equipment	**83**	88
Depreciation of investment property	**3**	2
Operating lease rentals in respect of land and buildings		
– Minimum lease payments – office and warehouse	**17**	13
– Minimum lease payments – shop	**696**	649
– Contingent rent	**290**	228
Provision for obsolete stock and stock written off	**17**	21
Staff costs	**878**	757

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% (2010: 16.5%) 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:

(In HK$ millions)	**2011**	2010
Income tax		
Current income tax		
– Hong Kong profits tax	**35**	23
– Outside Hong Kong	**145**	122
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**22**	16
Deferred tax		
Relating to the origination and reversal of temporary differences	**(17)**	16
Under provision in previous year		
– Hong Kong profits tax	**–**	2
– Outside Hong Kong	**40**	2
Taxation charge	**225**	181

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 of HK$728 million (2010: HK$537 million).

The basic earnings per share is based on the weighted average of 1,509,380,622 shares (2010: 1,492,600,776 shares) in issue during the year.

The diluted earnings per share is based on 1,509,380,622 shares (2010: 1,492,600,776 shares) which is the weighted average number of shares in issue during the 2011 year ended plus the weighted average of 18,975,231 shares (2010: 3,482,127 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

6. Dividends

(a) Dividends attributable to the year:

(In HK$ millions)	**2011**	2010
Interim dividend declared and paid of 15.0 HK cents (2010: 4.5 HK cents) per share	**228**	67
Special interim dividend declared of nil (2010: 4.0 HK cents) per share	**–**	60
	228	127
Final dividend proposed after the balance sheet date of 23.0 HK cents (2010: 7.0 HK cents) per share	**350**	105
Special final dividend proposed of nil (2010: 11.5 HK cents) per share	**–**	172
	350	277
	578	404

At the board meeting held on March 21, 2012, the directors proposed final dividend of 23.0 HK cents per share. The proposed dividend has not been recognized as a liability at the balance sheet date. The amount of proposed dividend was based on the shares in issue as at the proposed date.

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

(In HK$ millions)	**2011**	2010
2010 final dividend approved and paid of 7.0 HK cents (2009: 7.0 HK cents) per share	**106**	105
2010 special final dividend approved and paid of 11.5 HK cents (2009: 7.0 HK cents) per share	**173**	105
	279	210

The amount of dividend paid was based on the number of shares outstanding as at the dividend payment date.

7. Trade and Other Receivables

(In HK$ millions)	**2011**	2010
Trade receivables	**368**	291
Less: Provision for impairment	**(10)**	(9)
Trade receivables – net	**358**	282
Other receivables, including deposits and prepayments	**278**	315
	636	597

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)	**2011**	2010
0 – 30 days	**262**	185
31 – 60 days	**62**	60
61 – 90 days	**22**	29
Over 90 days	**12**	8
	358	282

8. Trade and Other Payables

(In HK$ millions)	**2011**	2010
Trade payables	**298**	163
Other payables and accrued expenses	**391**	385
	689	548

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**2011**	2010
0 – 30 days	**243**	153
31 – 60 days	**41**	9
61 – 90 days	**8**	1
Over 90 days	**6**	–
	298	163

RESULTS OF GROUP OPERATIONS

	Full Year			Second Half			First Half		
(In HK$ millions)	**2011**	2010	Variance	**2011**	2010	Variance	**2011**	2010	Variance
Sales	**5,614**	4,731	18.7%	**2,965**	2,594	14.3%	**2,649**	2,137	24.0%
Gross profit	**3,283**	2,731	20.2%	**1,702**	1,494	13.9%	**1,581**	1,237	27.8%
Gross margin	**58.5%**	57.7%	0.8 pp	**57.4%**	57.6%	(0.2 pp)	**59.7%**	57.9%	1.8 pp
EBITDA	**1,123**	866	29.7%	**573**	525	9.1%	**550**	341	61.3%
Operating profit	**909**	695	30.8%	**457**	424	7.8%	**452**	271	66.8%
Operating margin	**16.2%**	14.7%	1.5 pp	**15.4%**	16.3%	(0.9 pp)	**17.1%**	12.7%	4.4 pp
Profit attributable to shareholders	**728**	537	35.6%	**382**	335	14.0%	**346**	202	71.3%
Net profit margin	**13.0%**	11.4%	1.6 pp	**12.9%**	12.9%	-	**13.1%**	9.5%	3.6 pp
Net cash inflow from operating activities	**704**	610	15.4%	**288**	350	(17.7%)	**416**	260	60.0%
Net cash and bank balances[1]	**1,209**	978	23.6%				**1,132**	792	42.9%
Inventory days of sales (days)[2]	**39**	31	8				**28**	25	3
Number of outlets[1]	**2,671**	2,353	318	**2,671**	2,353	318	**2,442**	2,206	236
Net change in outlets	**318**	239	79	**229**	147	82	**89**	92	(3)

1 *At the end of the period.*

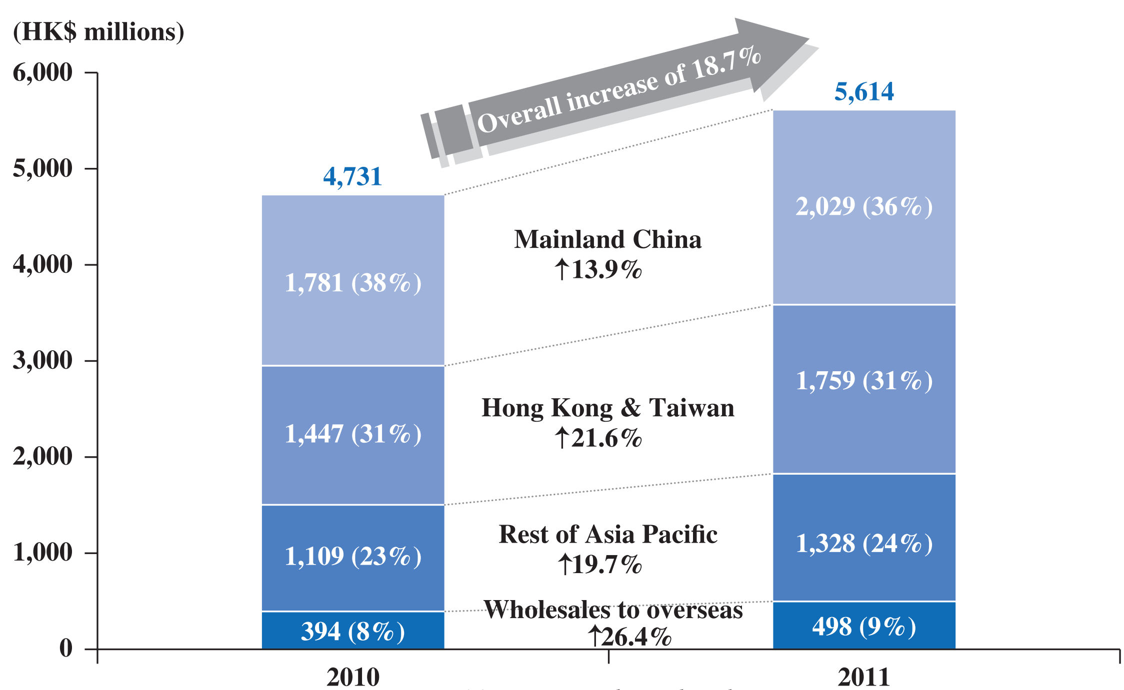
2 *Inventory held at period end divided by sales and multiplied by number of days in the period.*

Sales

(In HK$ millions)	Full Year 2011	2010	Variance	Second Half 2011	2010	Variance	First Half 2011	2010	Variance
Total Sales[1]	**5,614**	4,731	18.7%	**2,965**	2,594	14.3%	**2,649**	2,137	24.0%
Global brand sales[2]	**7,632**	6,707	13.8%	**4,009**	3,609	11.1%	**3,623**	3,098	16.9%
Comparable store sales[3] increase	**10.0%**	6.3%	3.7 pp	**6.8%**	7.5%	(0.7 pp)	**14.3%**	4.8%	9.5 pp
Number of outlets[4]	**2,671**	2,353	318	**2,671**	2,353	318	**2,442**	2,206	236
Net change in outlets	**318**	239	79	**229**	147	82	**89**	92	(3)

The Group's sales increased by 18.7% to HK$5,614 million in 2011 from HK$4,731 million in 2010. Excluding the effects of translating sales made in foreign currencies into Hong Kong dollars, sales increased by 13.9% year on year.

Sales growth and contribution



% to group sales in brackets

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[1] *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

[2] *Global Brand Sales are total retail sales, at constant exchange rates, in self-operated stores (include e-shop), franchised stores and stores operated by subsidiaries and associates/jointly controlled entities.*

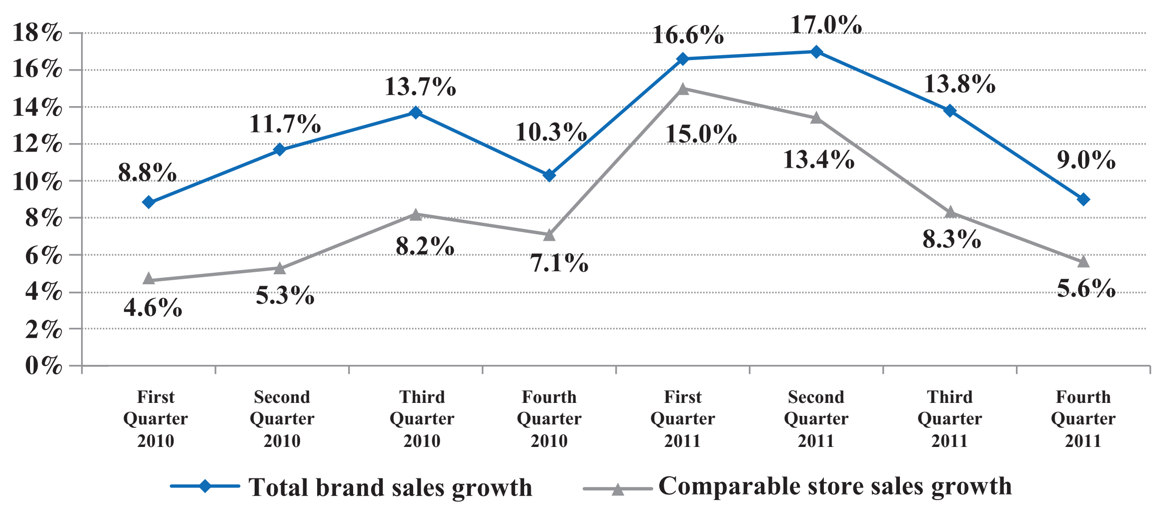
[3] *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores and e-shop that have been opened/operated in the prior period.*

[4] *At the end of the period.*

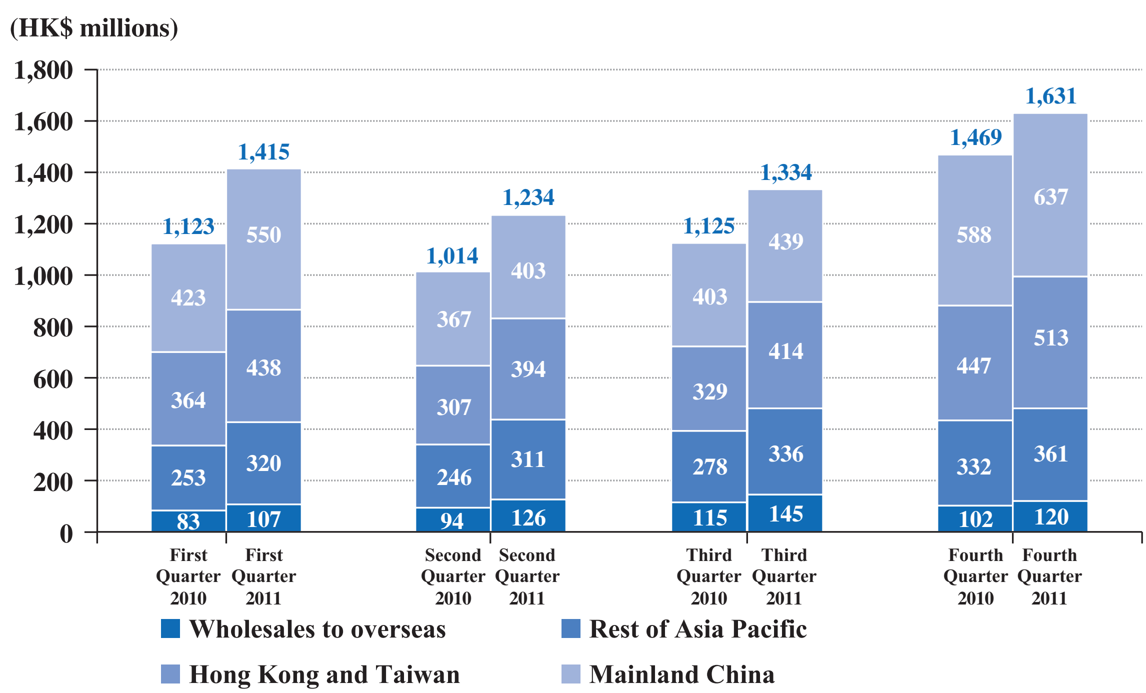
- Sales in Mainland China and developed markets, including Hong Kong and Taiwan, grew by 13.9% and 21.6% respectively compared to last year.

- Sales in other Asia Pacific region, mainly Singapore, Malaysia, Indonesia and Thailand, grew by 19.7% compared to last year.

Total brand sales growth and comparable store sales growth for the last eight quarters



Total sales for the last eight quarters



- The Group continues to deliver growth, quarter by quarter building on the recovery from the 2008/9 downturn across all four main areas of the business.

- Sales grew by 26.0% in the first quarter of 2011 reflecting a strong Chinese New Year and increased sales of winter apparel driven by cold weather conditions in China.

- In the second quarter of 2011, sales continued to grow strongly by 21.7%, impacted by slower growth in China in May 2011 following the World Expo in May 2010 and with fewer promotions done in department stores following strict application of anti-deception rules by local authorities.

- Growth in the second half of the year slowed further to 14.3% as a number of external factors impacted our markets across Asia. A slowdown in customer demand in Mainland China combined with floods and poor weather conditions in South East Asia reduced the rate of sales growth in the Group.

- Raw material prices increases were passed on to the group by our vendors, peaking at the end of the year. Sales price increases were implemented to fully recover these cost increases and this in turn weakened our sales volume growth, especially in the third and fourth quarter. We anticipate these cost pressures will ease in 2012 in line with falling cotton commodity prices world-wide.

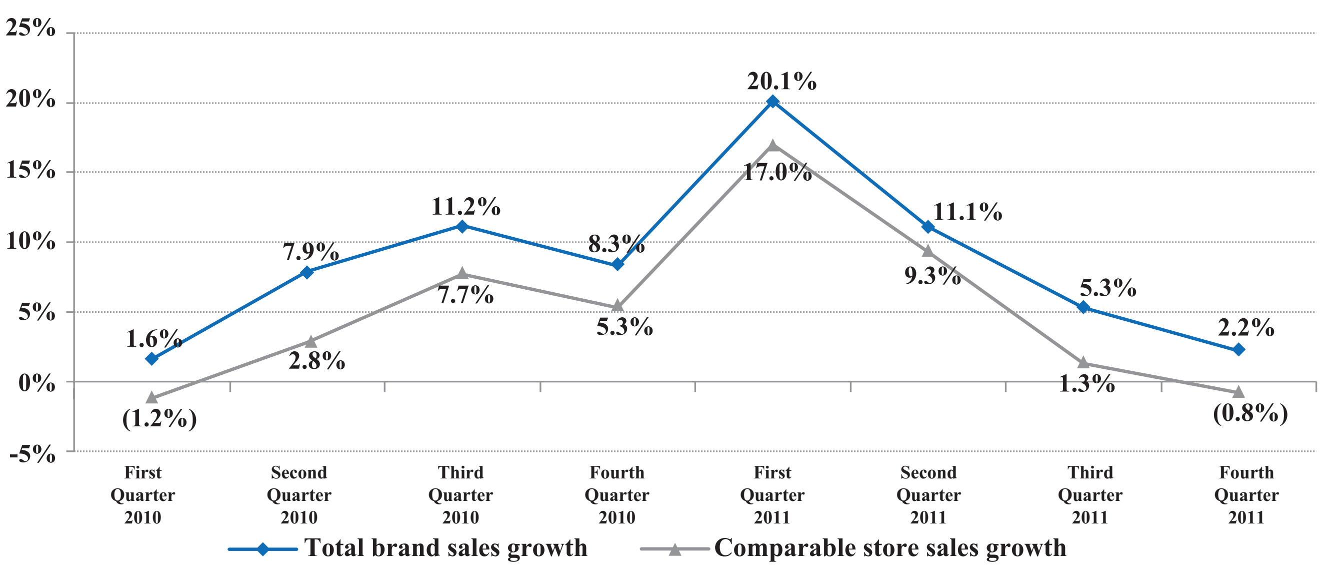
- Hong Kong and Taiwan continued to perform strongly in the second half of 2011, with Indonesia also contributing strong growth in the period.

- The Group continues to invest in expansion programs, adding 184 stores in Mainland China in the year and a further 134 across the rest of the Group, taking the total number of Giordano stores world-wide to 2,671.

Mainland China

(In HK$ millions)	Full Year 2011	Full Year 2010	Full Year Variance	Second Half 2011	Second Half 2010	Second Half Variance	First Half 2011	First Half 2010	First Half Variance
Total sales[1]	**2,029**	1,781	13.9%	**1,076**	991	8.6%	**953**	790	20.6%
Retail self-operated stores	**1,317**	1,142	15.3%	**691**	621	11.3%	**626**	521	20.2%
Wholesale to franchisees	**712**	639	11.4%	**385**	370	4.1%	**327**	269	21.6%
Total brand sales[2]	**2,428**	2,219	9.4%	**1,217**	1,177	3.4%	**1,211**	1,042	16.2%
Comparable store sales[3] increase	**6.3%**	3.8%	2.5 pp	**(0.4%)**	6.2%	(6.6 pp)	**13.3%**	0.9%	12.4 pp
Number of outlets[4]	**1,372**	1,188	184	**1,372**	1,188	184	**1,262**	1,101	161
– Self-operated stores	**545**	448	97	**545**	448	97	**495**	443	52
– Franchised stores	**827**	740	87	**827**	740	87	**767**	658	109
Net change in outlets	**184**	171	13	**110**	87	23	**74**	84	(10)
– Self-operated stores	**97**	28	69	**50**	5	45	**47**	23	24
– Franchised stores	**87**	143	(56)	**60**	82	(22)	**27**	61	(34)

Total brand sales growth and comparable store sales growth in Mainland China for the last eight quarters



1 *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

2 *Total Brand Sales are total retail sales, at constant exchange rates, in self-operated stores (include e-shop) and franchised stores.*

3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores and e-shop that have been opened/operated in the prior period.*

4 *At the end of the period.*

- Mainland China sales grew by 13.9% in 2011, or HK$248 million, to HK$2,029 million from HK$1,781 million in 2010.

- Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales grew by 8.7% in the year.

- E-tailing was particularly successful with our e-shop extending its operations on platforms such as Taobao, Amazon.cn and 360buy.com. Sales grew from HK$48 million by 141.7% to HK$116 million in the year.

- Sales in all regions grew strongly in the first quarter of 2011; cold weather arrived at the beginning of January after a relatively mild fourth quarter in 2010, boosting sales. Chinese New Year was also strong as we increased our penetration into third tier cities where this is a more seasonal buying event.

- In the second quarter of 2011, the sales growth was weaker, with a slower May following the World Expo 2010 in the prior year and with fewer promotions done in department stores following strict implementation of anti-deception rules by local authorities.

- Growth has continued to soften across China in the second half as we see a number of external factors impacting our results:

  - Actions taken by the government to cool the housing market together with the slowdown in exports caused by global economic slowdown, have reduced domestic demand in the third and fourth quarters;
  - Increases in cotton raw material prices have increased cost of sales and the increase in average selling price to recover this has impacted sales volumes;
  - Sales volumes have also been impacted by heavy discounting in some of our competitors in related markets, at the same time that we are applying selling price increases.

- During the second half of the year, Mainland China was re-organized into four main regions with regional hubs established in Beijing, Shanghai, Guangzhou and Wuhan covering North, East, South and West region respectively. This decentralization is expected to significantly improve long-term operational effectiveness in 2012 and beyond.
  - Sales in Northern China, in particular Beijing and Tianjin, weakened from the second quarter of 2011, as competition intensified and the economy started to cool. Organizational changes have now been made to boost performance, particularly in self managed stores. We are also taking actions to increase local support to our franchise partnerships in this region.
  - Sales in Eastern China were impacted by lower levels of tourists in 2011 following World Expo 2010. In this region we have made changes to localize merchandising and boost our marketing activities, especially in support of our franchisees.
  - In Southern China, sales growth weakened in the second half of 2011, partly due to unseasonably wet weather conditions. In Shenzhen, sales grew throughout the year on the back of significant local marketing activity in department stores. This region is focusing on improved product merchandising, particularly in womenswear, and operational excellence in visual merchandising, to promote growth going forward.
  - Sales in Western China, in developing areas of the country such as Chengdu and Wuhan, have grown steadily as a result of increasing consumer demand in these second-tier cities. We are expanding our business in this area, through increased support and training to our franchisees and by improved merchandising, particularly in womenswear.
- We will continue to grow our Mainland China business by providing more support to our franchisees, increasing our advertising and promotion activities and upgrading our e-tailing capability through our E-shop business.

Five-year operations highlights	**2011**	2010	2009	2008	2007
Total sales[1] (in HK$ millions)	**2,029**	1,781	1,633	1,689	1,349
Sales per sq. ft.[2] (in HK$)	**2,100**	2,100	2,300	3,100	2,900
Comparable store sales[3] increase/(decrease)	**6.3%**	3.8%	(5.0%)	5.2%	15.2%
Retail floor area[4] (square feet)	**1,173,900**	1,037,500	903,600	816,800	690,700
Number of outlets[4]	**1,372**	1,188	1,017	909	820

1 *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

2 *Sales per sq. ft. figure calculated on a weighted average basis for brand sales, at average exchange rates, in self-operated and franchised stores. Sales per sq. ft. statistics for 2008 and before have not been restated to include franchised stores in Mainland China.*

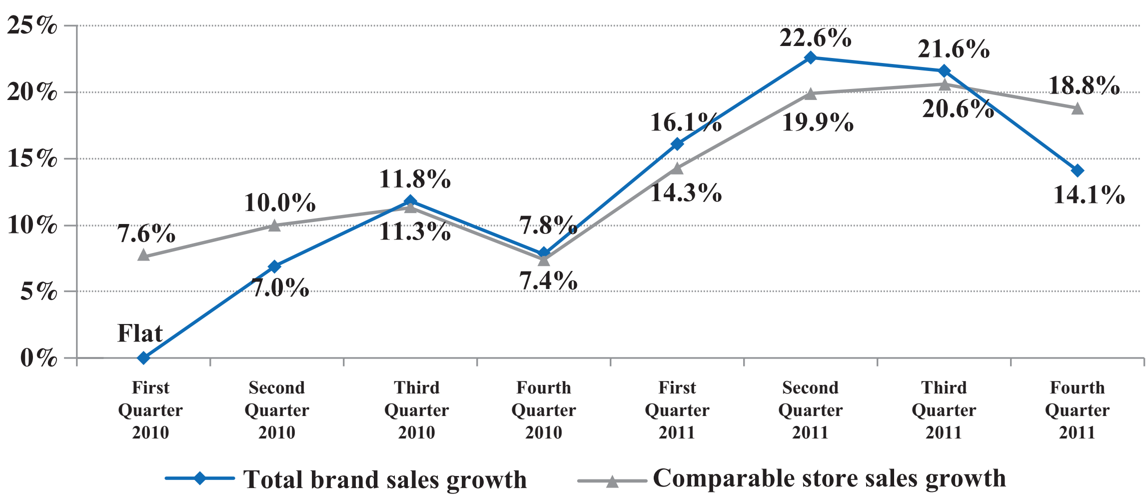
3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores and e-shop that have been opened/operated in the prior period. Franchised stores in Mainland China have not been included in Comparable Store Sales analysis for 2007.*

4 *Total retail floor area and number of outlets for self-operated and franchised stores at the end of the period.*

Hong Kong and Taiwan

(In HK$ millions)	Full Year 2011	2010	Variance	Second Half 2011	2010	Variance	First Half 2011	2010	Variance
Total sales[1]	**1,759**	1,447	21.6%	**927**	776	19.5%	**832**	671	24.0%
Comparable store sales[2] increase	**18.0%**	8.3%	9.7 pp	**20.0%**	8.9%	11.1 pp	**16.8%**	7.9%	8.9 pp
Number of outlets[3]	**281**	256	25	**281**	256	25	**261**	250	11
Net change in outlets	**25**	7	18	**20**	6	14	**5**	1	4

Total brand sales growth and comparable store sales growth in Hong Kong and Taiwan for the last eight quarters



- Sales increased in Hong Kong and Taiwan markets by 21.6% over the year due to increased tourism, successful and innovative marketing campaigns and strong operational excellence in customer service and merchandising.

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1 *Total Sales are total retail sales translated at average exchange rates.*

2 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior period.*

3 *At the end of the period.*

- Excluding the effect of translating Taiwan dollars into Hong Kong dollars, sales in Hong Kong and Taiwan grew by 18.2%; the majority of this was due to increases in average selling prices as we sold higher priced merchandise on the back of strong brand and shop promotion and marketing. Volume increased by 4.3% in these markets.

- We continue to invest in growth in the Taiwan market and have opened 27 shops in the year targeting growth through strong advertising and branding, and operational excellence.

- Sales in the fourth quarter of 2011 was impacted by the closure of a major store in Hong Kong due to a high rental increase. Reduced sales from this closure have been partially offset by improvements in the sales efficiency of our remaining stores with sales per square foot rising by 26.6%.

- Comparable store sales growth in Hong Kong during the fourth quarter of 2011 was 25.0%. We expect to replace this lost space over the next two years with new shops and outlets in Hong Kong.

Five-year operations highlights	**2011**	2010	2009	2008	2007
Total sales[1] (in HK$ millions)	**1,759**	1,447	1,330	1,484	1,541
Sales per sq. ft.[2] (in HK$)	**6,300**	5,300	4,600	4,700	4,400
Comparable store sales[3] increase/(decrease)	**18.0%**	8.3%	(3.0%)	(2.3%)	2.9%
Retail floor area[4] (square feet)	**297,000**	274,800	272,800	303,600	329,600
Number of outlets[4]	**281**	256	249	274	302

[1] *Total Sales are total retail sales translated at average exchange rates.*

[2] *Sales per sq. ft. figure calculated on a weighted average basis for brand sales translated at average exchange rates.*

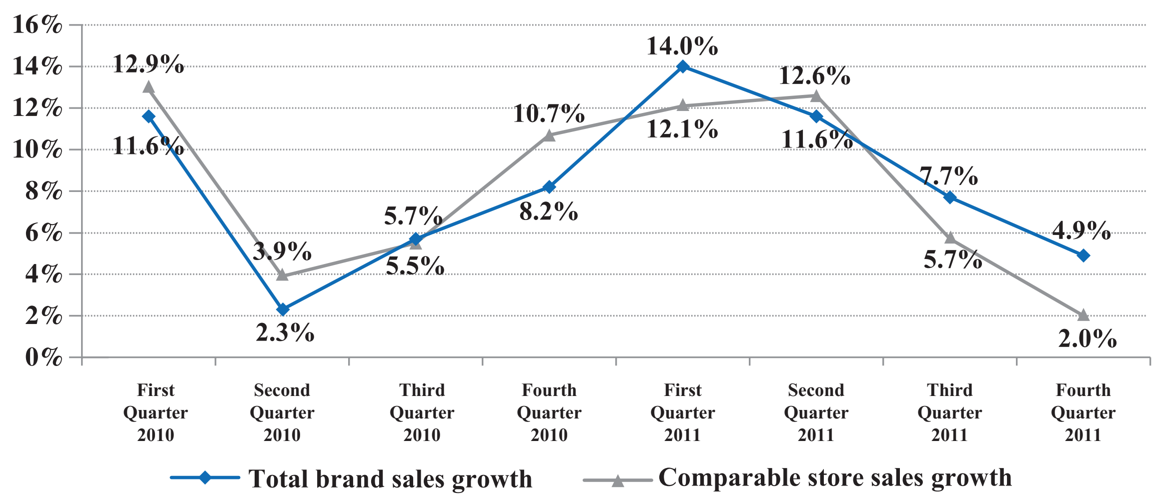
[3] *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior period.*

[4] *At the end of the period.*

Rest of Asia Pacific

(In HK$ millions)	Full Year 2011	Full Year 2010	Full Year Variance	Second Half 2011	Second Half 2010	Second Half Variance	First Half 2011	First Half 2010	First Half Variance
Total sales[1]	**1,328**	1,109	19.7%	**697**	610	14.3%	**631**	499	26.5%
Comparable store sales[2] increase	**7.7%**	8.2%	(0.5 pp)	**3.9%**	8.0%	(4.1 pp)	**12.9%**	8.2%	4.7 pp
Number of outlets[3]	**417**	356	61	**417**	356	61	**391**	345	46
Net change in outlets	**61**	5	56	**26**	11	15	**35**	(6)	41

Total brand sales growth and comparable store sales growth in Rest of Asia Pacific for the last eight quarters



- Sales in other markets in Asia, notably in Singapore, Malaysia, Thailand and Indonesia, grew by 19.7% or HK$219 million to HK$1,328 million from HK$1,109 million in last year. These markets now represent 24% of Group sales and offer exciting opportunities for further growth.

- Excluding the effect of translating foreign currencies into Hong Kong dollars, sales grew by 12.0%. Comparable same store sales grew by 7.7% in 2011.

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1 *Total Sales are total retail sales translated at average exchange rates.*
2 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior period.*
3 *At the end of the period.*

- Sales growth in South East Asia is particularly strong reflecting our wide presence in this region and the successful execution of our growth strategy. We have well established operations in these countries in shopping malls and department stores in major developed metropolitan cities like Kuala Lumpur, Bangkok and Jakarta and we are increasingly expanding into other tourist and suburb areas such as Langkawi Island, the northern part of Thailand, Surabaya and Bali.

- Heavy monsoon rains in the second half of the year slowed down our sales growth in some markets, particularly Thailand, where flooding closed shops. In Malaysia and Singapore, very heavy rains reduced foot traffic in shopping streets and malls.

- Sales in Indonesia, now 6% of Group sales and a key market and grew at 29.2% in the year. We added 14 new stores in the year. Now with 119 stores, we are well placed to benefit from strong economic growth in the country.

Five-year operations highlights	**2011**	2010	2009	2008	2007
Total sales[1] (in HK$ millions)	**1,328**	1,109	950	1,082	1,104
Sales per sq. ft.[2] (in HK$)	**3,700**	3,300	2,700	3,000	3,200
Comparable store sales[3] increase/(decrease)	**7.7%**	8.2%	(4.6%)	(5.1%)	(6.0%)
Retail floor area[4] (square feet)	**380,200**	337,200	342,000	358,700	354,300
Number of outlets[4]	**417**	356	351	365	360

1 *Total Sales are total retail sales translated at average exchange rates.*

2 *Sales per sq. ft. figure calculated on a weighted average basis for brand sales translated at average exchange rates.*

3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior period.*

4 *At the end of the period.*

Wholesale sales to overseas franchisees

	Full Year			Second Half			First Half		
(In HK$ millions)	**2011**	2010	Variance	**2011**	2010	Variance	**2011**	2010	Variance
Total sales	**498**	394	26.4%	**265**	217	22.1%	**233**	177	31.6%
Number of outlets[1]	**601**	553	48	**601**	553	48	**528**	510	18
Net change in outlets[2]	**48**	56	(8)	**73**	43	30	**(25)**	13	(38)

- The Group's wholesale sales to overseas franchisees primarily consist of sales to its Korean and Middle East joint ventures, which accounted for 79% of wholesales to franchisees sales.

- Despite total sales in the Korean joint venture increasing by only 15.4%, purchases from Hong Kong by Korea increased by 41.7% over last year. This was a result of Korea buying a higher proportion of its merchandise from the Group than from local suppliers, particularly bestsellers such as pants and woven shirts.

- Sales to Middle East increased by 26.6% over last year as a result of strong product merchandising in the United Arab Emirates and Saudi Arabia, helped by strong economic growth in Saudi following a significant fiscal stimulus by the King.

- Other wholesale markets such as Myanmar and Vietnam also showed a double digit sales growth over last year.

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1 *At the end of the period.*

2 *Upon the acquisition of equity interests in India, 28 shops have been transferred from wholesales to franchisees business market to Group market operated by subsidiary during the first half of 2011.*

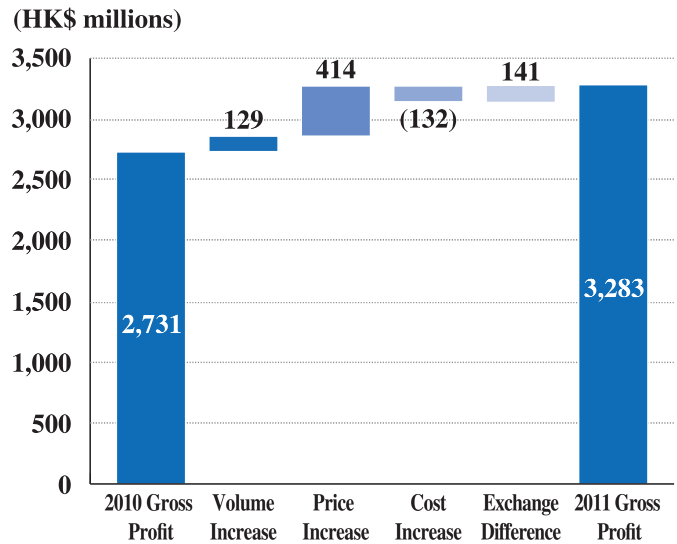
Gross Profit

- The Group increased gross margin by 0.8 percentage points to 58.5% year on year and the Group's gross profit increased by HK$552 million, or 20.2%, to HK$3,283 million from HK$2,731 million in 2010.

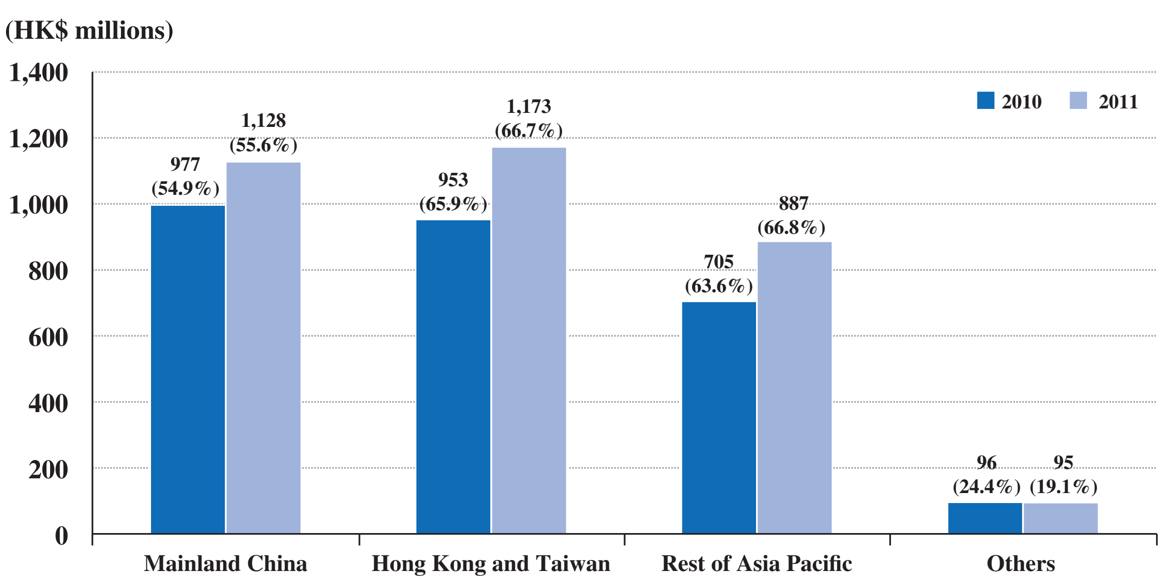
- Improved gross profit was mainly driven by increased volume, more favourable product price mix, control of markdowns and effective advertising and promotion campaigns.

- These actions have helped to mitigate the effect of increases in raw material prices and supplier production costs which impacted in the second half of the year.

Gross profit reconciliation



Gross Profit by Region



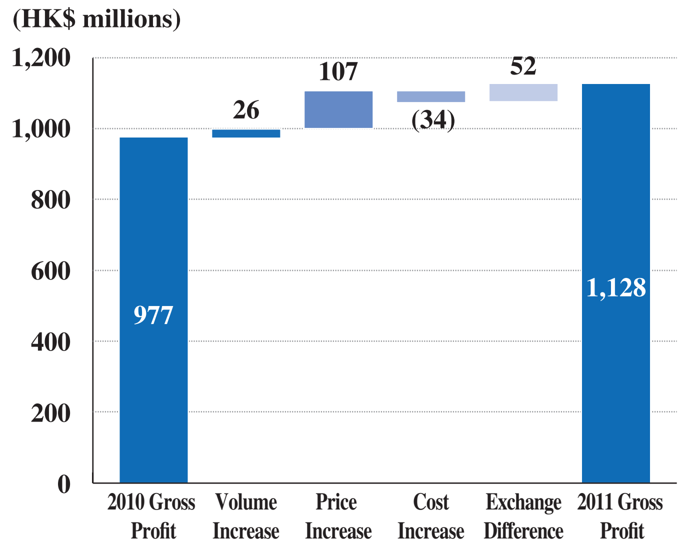
Mainland China

- Gross profit in Mainland China increased by 15.5% and gross margin by 0.7 percentage points.

- Excluding the effect of translating foreign currencies into Hong Kong dollars gross profit increased by 10.1%.

- Average selling prices (excluding exchange impact) increased by 5.9% as cost increases were passed on. Volume increased by 2.7% in the year.

Gross profit reconciliation Mainland China



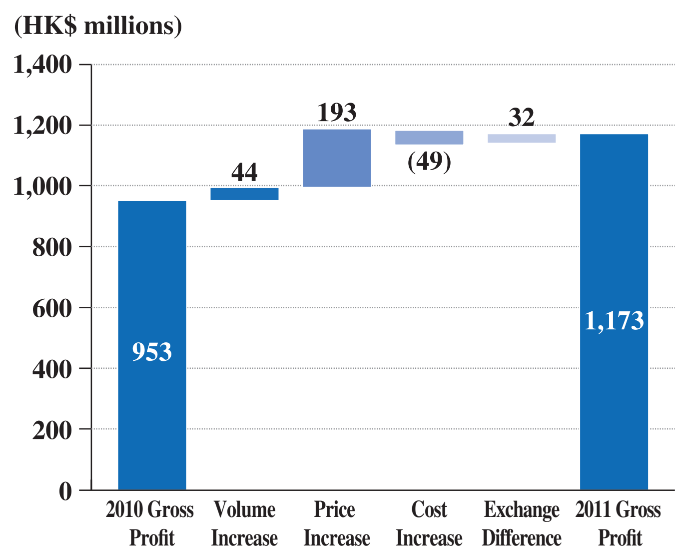
Hong Kong and Taiwan

- Gross profit in Hong Kong and Taiwan increased by 23.1% and gross margin by 0.8 percentage points.

- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit increased by 19.7%.

- Average selling price (excluding exchange impact) increased by 13.3%, driven by brand building and strong marketing campaigns, more than offsetting cost increases. Operational excellence also resulted in volume increases of 4.3%.

Gross profit reconciliation Hong Kong and Taiwan



Rest of Asia Pacific

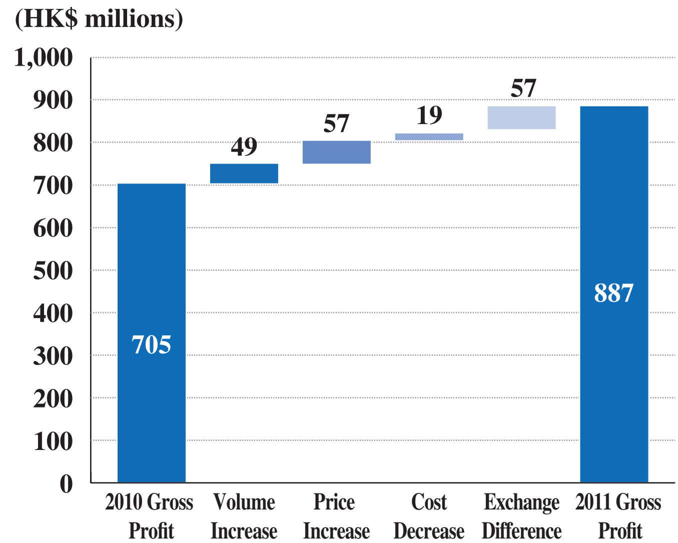
- Gross profit grew strongly by 25.8% in other Asia Pacific markets with an increase of gross margin of 3.2 percentage points.

- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit increased by 17.7%.

- Strong product mix, merchandising and store management drove increases in volume of 6.6% and average price increases of 5.1%.

- Despite rising input costs, average costs decreased as a result of reductions in import duties in Malaysia and Thailand and the appreciation of local currencies.

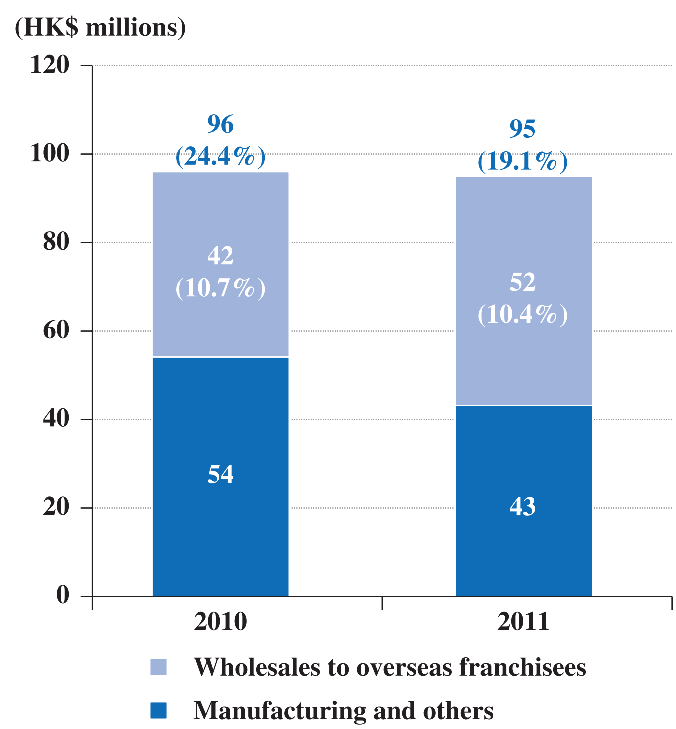
Gross profit reconciliation
Rest of Asia Pacific



Others

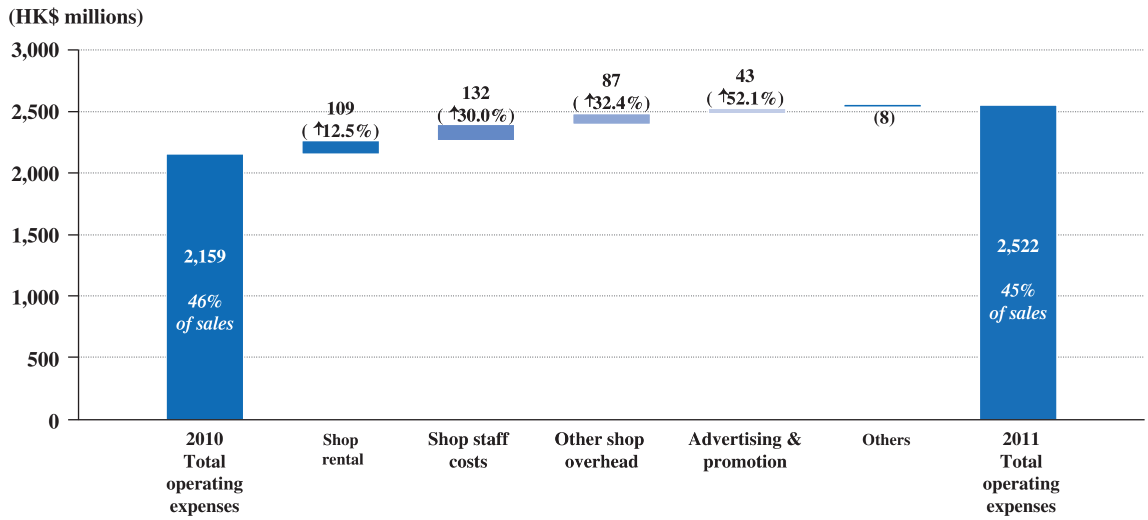
Other gross profit mainly comprised of gross profit from wholesale sales to overseas franchisees. With the continuous expansion of our global presence, gross profit from wholesale sales to overseas franchisees increased by 23.8% from HK$42 million to HK$52 million.

Gross profit (margin)
Others



Operating Profit

Total operating expenses reconciliation for 2011



- Overall, the Group's operating expenses increased by 16.8% to HK$2,522 million from HK$2,159 million in last year, reflecting growth in operations and inflationary cost increases.

- Rental costs as a proportion of sales decreased from 18.5% to 17.6% as a result of better leveraging of rental costs through increased sales productivity.

- Labour cost inflation is prevalent across the Group's operations. Staff costs rose by 39.2% in our Mainland China operations, reflecting not only inflation but also growth in the number of self managed stores. Additionally, we improved benefit packages to our staff to improve our competitive position as an attractive employer in the country. We expect these investments in our people to yield sales growth going forward into 2012.

- We increased investment in advertising and marketing by 52.1% in the year to support our growth program as well and enhance our brand particularly in a complex and diverse market like Mainland China. This has increased advertising and marketing expense from 1.8% of sales last year to 2.2% of sales in 2011.

- Total operating expenses as a proportion of sales slightly decreased from 46% to 45%. This represents an effective leveraging of operating fixed costs.

- As a result of the above, the Group's 2011 operating profit increased by HK$214 million to HK$909 million from HK$695 million in last year. Operating margin improved by 1.5 percentage points to 16.2% from 14.7% in 2010.

Mainland China

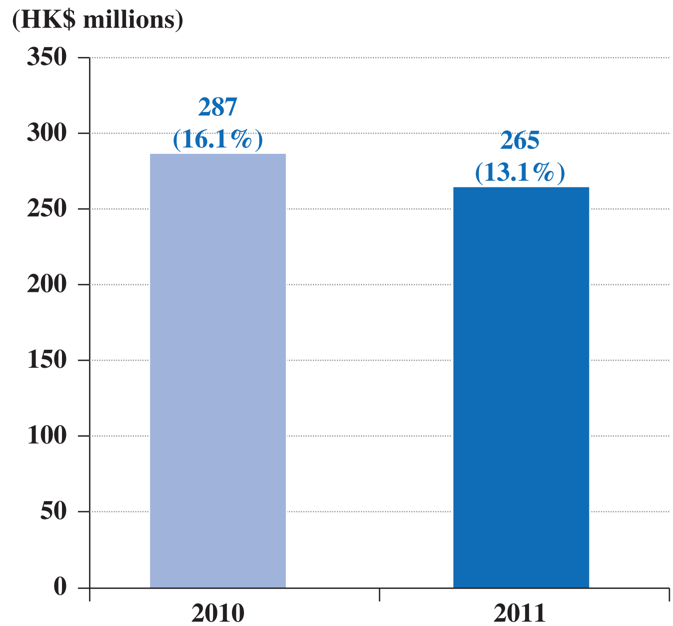
- Operating profit in Mainland China decreased by 7.7% to HK$265 million with operating margin decreasing by 3.0 percentage points compared to last year.

- Operating margin was squeezed due to a slowdown in sales growth in the second half of the year as rent and wages costs increased significantly.

- The ratio of rent expenses to sales increased by 0.9 percentage points to 16.8% while the ratio of shop staff costs to sales increased by 1.7 percentage point to 9.6% due to the following:

  – 97 additional self managed shops in the year taking our self managed store network to 545 shops.
  – A "one off" adjustment in staff benefit packages to improve the motivation and retention of our staff in Mainland China.
  – High general wage cost in Mainland China in many regions and cities with double digit increases in statutory minimum wage levels.

Operating profit (margin)
Mainland China



Hong Kong and Taiwan

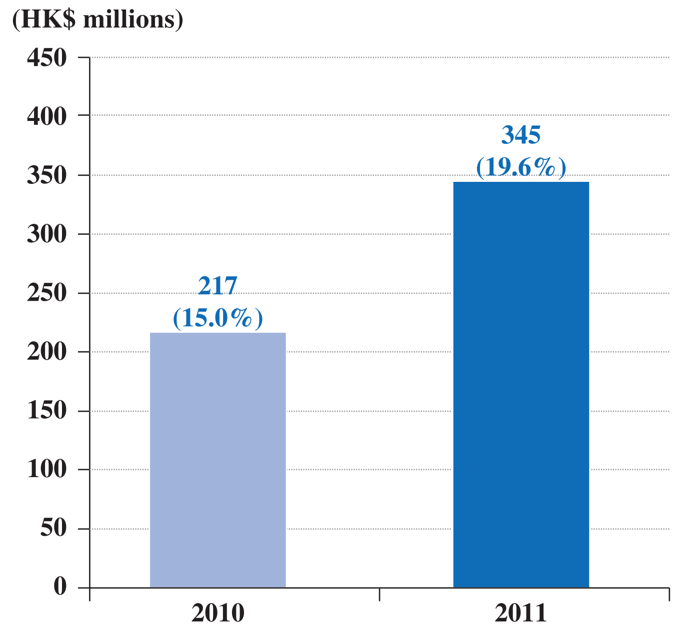
- Operating profit in Hong Kong and Taiwan increased by 59.0% to HK$345 million with operating margin increasing by 4.6 percentage points compared to last year. Excluding a one-off value added tax refund in Taiwan, operating margin increased by 3.4 percentage points.

- Despite increasing rents and growing labour costs, strong sales growth and control over fixed costs have resulted in higher operating profits and margins. The ratio of rent to sales has decreased by 3.0 percentage points to 22.1% and the ratio of shop staff costs to sales has increased by 0.6 percentage points to 13.0%.

- We are investing in growth in Taiwan and added 27 new shops in the year, 15 within the peak season fourth quarter. In Hong Kong, we reduced the number of shops but nonetheless achieved significant sales growth. We expect to add stores and retail space as we go forward into 2012 and beyond.

- We increased our investment in advertising and marketing from 1.5% of sales to 2.2% of sales, launching several successful marketing campaigns during the year to build our brand and promote sales growth.

Operating profit (margin)
Hong Kong and Taiwan

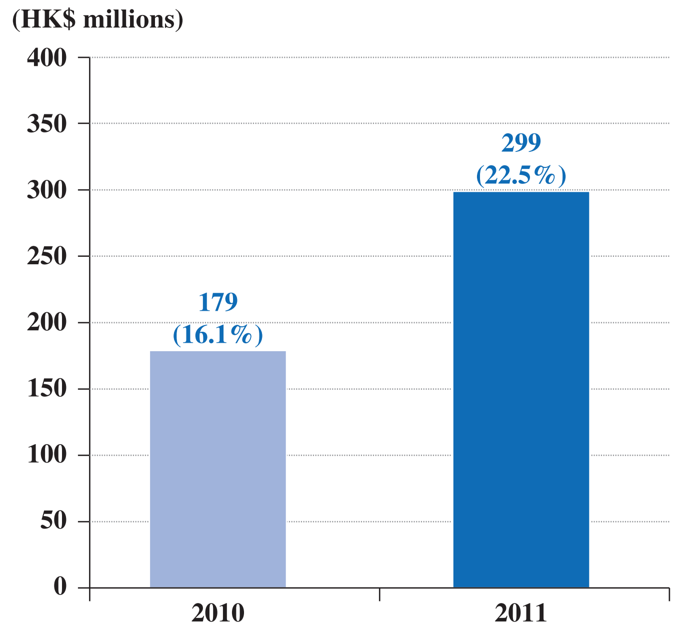


Rest of Asia Pacific

- Operating profit in the rest of Asia Pacific has increased by 67.0% to HK$299 million with operating margin increasing by 6.4 percentage points compared to last year.

- Half of the operating margin increase was driven by higher gross profit. Additionally, sales growth outpaced the rise in rental and labour costs, thereby improving the ratio of shop staff costs to sales by 0.9 percentage points to 9.7% and the ratio of rent to sales by 1.1 percentage points to 20.5%.

Operating profit (margin)
Rest of Asia Pacific

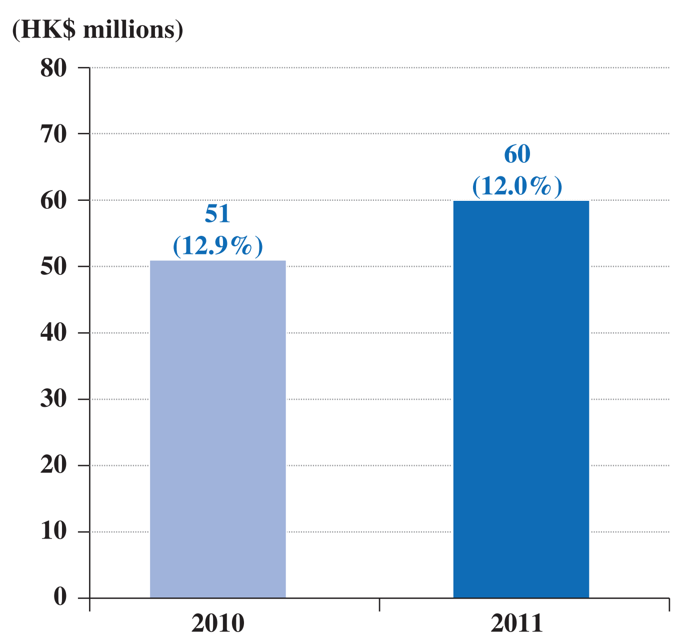


Wholesale sales to overseas franchisees

- Operating profit from wholesale sales to overseas franchisees increased by 17.6% to HK$60 million with operating margin decreasing slightly by 0.9 percentage points to 12.0%.

- With continuous geographical expansion, particularly in developing countries, operating profit from our wholesale business is expected to continue growing in the coming years.

Operating profit (margin)
Wholesale sales to
overseas franchisees



Jointly Controlled and Associated Companies

South Korea

	Full Year			Second Half			First Half		
(In HK$ millions)	**2011**	2010	Variance	**2011**	2010	Variance	**2011**	2010	Variance
Total sales	**1,563**	1,286	21.5%	**839**	693	21.1%	**724**	593	22.1%
Comparable store sales[1] increase	**9.4%**	17.7%	(8.3pp)	**11.0%**	10.2%	0.8pp	**9.1%**	30.9%	(21.8pp)
Number of outlets[2]	**232**	214	18	**232**	214	18	**215**	208	7
Net change in outlets	**18**	23	(5)	**17**	6	11	**1**	17	(16)

- Excluding the effect of translating Korean Won into Hong Kong dollars, sales in Korea grew by 15.4%.
- Effective brand positioning and strong marketing campaigns have resulted in a doubling of sales over the past three years.
- Sales growth in 2011 was driven mainly by high performance of woven shirts, slim fit pants and sweaters.

Middle East

	Full Year			Second Half			First Half		
(In HK$ millions)	**2011**	2010	Variance	**2011**	2010	Variance	**2011**	2010	Variance
Total sales	**642**	506	26.9%	**364**	299	21.7%	**278**	207	34.3%
Comparable store sales[1] increase	**23.0%**	5.2%	17.8pp	**17.6%**	20.8%	(3.2pp)	**34.8%**	(8.5%)	43.3pp
Number of outlets[2]	**184**	162	22	**184**	162	22	**164**	153	11
Net change in outlets	**22**	6	16	**20**	9	11	**2**	(3)	5

- Sales growth in the Middle East was strong in the year, particularly in Saudi Arabia where growth was 38.3% compared to the same period last year. This was driven by strong economic recovery in the region supported by a fiscal stimulus initiated by the King of Saudi Arabia. Sales in the Middle East's other regions also showed growth in response to rising disposable income and increase in tourist activity.
- Strong advertising campaigns promoting polos, bottoms and shirts also boosted sales during the year.

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[1] *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior period.*

[2] *At the end of the period.*

Review by Brand

(In HK$ millions)	Sales 2011	2010	Variance	Operating profit 2011	2010	Variance	Operating margin 2011	2010	Variance
Giordano & Giordano Junior	**4,437**	3,773	17.6%	**818**	601	36.1%	**18.4%**	15.9%	2.5 pp
BSX	**242**	182	33.0%	**26**	30	(13.3%)	**10.7%**	16.5%	(5.8 pp)
Giordano Ladies	**348**	288	20.8%	**67**	56	19.6%	**19.3%**	19.4%	(0.1 pp)
Concepts One	**49**	68	(27.9%)	**(8)**	(7)	14.3%	**(16.3%)**	(10.3%)	(6.0 pp)
Others	**40**	26	53.8%	**6**	3	100.0%	**15.0%**	11.5%	3.5 pp
Retail & Distribution	**5,116**	4,337	18.0%	**909**	683	33.1%	**17.8%**	15.7%	2.1 pp

Number of outlets	**2011**	2010	Variance
Giordano & Giordano Junior	**1,861**	1,644	217
BSX	**120**	78	42
Giordano Ladies	**53**	45	8
Concepts One	**26**	24	2
Others	**10**	9	1
Retail & Distribution total	**2,070**	1,800	270

Giordano & Giordano Junior

- The core *Giordano* brand accounted for 87% of retail sales and continues to be our drive for expansion.

BSX

- This innovative youth-oriented brand continues to excel. We added 42 stores during the year, mostly in Mainland China where sales increased by 89.3% over the previous year.

- Additional marketing resources will be invested going forward to promote the *BSX* brand to enhance awareness by young consumers, particularly in Greater China.

Giordano Ladies

- *Giordano Ladies* remains as a highly profitable brand with strong sales growth potential.
- This brand continues to grow successfully in major developed metropolitan cities throughout Asia, including Hong Kong, Shanghai, Beijing, Taipei and Singapore.

Concepts One

- *Concepts One* is a premium brand mainly aimed at men. It accounts for about 1% of our total retail sales and still is being nurtured while the emerging market for these products itself undergoes changes and further development. We have 22 shops in Mainland China, an increase of 2 from last year.

Profit Attributable to Shareholders

- The Group's 2011 income taxation expense was HK$225 million (2010: HK$181 million), resulting in an effective tax rate[1] of 24.8% (2010: 26.6%). The lower effective tax rate was a result of a higher relative rate of earnings growth from countries with lower income tax rates (e.g. Hong Kong, Taiwan and Singapore).
- As a result of sales and margin growth across the Group's operations, 2011 profit attributable to shareholders increased by 35.6% or HK$191 million to HK$728 million from HK$537 million last year. Net profit margin increased by 1.6 percentage points from 11.4% to 13.0%.
- Basic and diluted earnings per share increased to 48.2 HK cents (2010: 36.0 HK cents) and 47.6 HK cents (2010: 35.9 HK cents) respectively.

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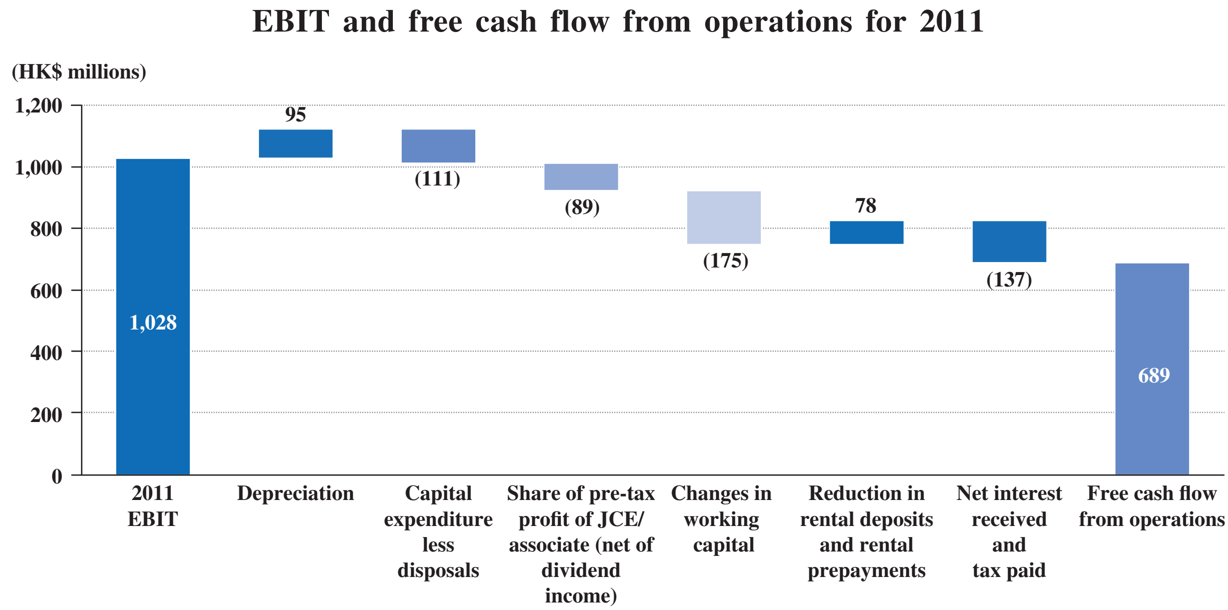
[1] *Income tax expense divided by profit before taxation (before share of profit of jointly controlled entities and an associate)*

Free Cash Flow from Operations



80.4% of EBIT was converted in the year to free cash flow before tax and interest.

Simplified free cash flow analysis

(HK$ millions)	**2011**	2010	Variance
Profit before income tax	**1,004**	748	34.2%
Add: Share of tax of JCE/associate	**22**	17	29.4%
Add: Interest expense	**2**	2	–
Add: Depreciation and amortization	**95**	99	(4.0%)
EBITDA	**1,123**	866	29.7%
(Gain)/loss on disposal of land and building/a subsidiary	**(9)**	13	(169.2%)
Share of pre-tax profit of JCE/associate	**(119)**	(85)	40.0%
Amortization of rental prepayments	**39**	41	(4.9%)
Changes in working capital	**(175)**	(120)	45.8%
Interest paid	**(2)**	(2)	–
Income tax paid	**(153)**	(103)	48.5%
Net cash inflow from operating activities	**704**	610	15.4%
Dividend income from JCE/associate	**30**	22	36.4%
Capital expenditure less proceeds from disposals	**(102)**	(88)	15.9%
Reduction/(increase) in rental deposits and rental prepayments	**39**	(34)	214.7%
Interest received	**18**	11	63.6%
Free cash flow from operations	**689**	521	32.2%

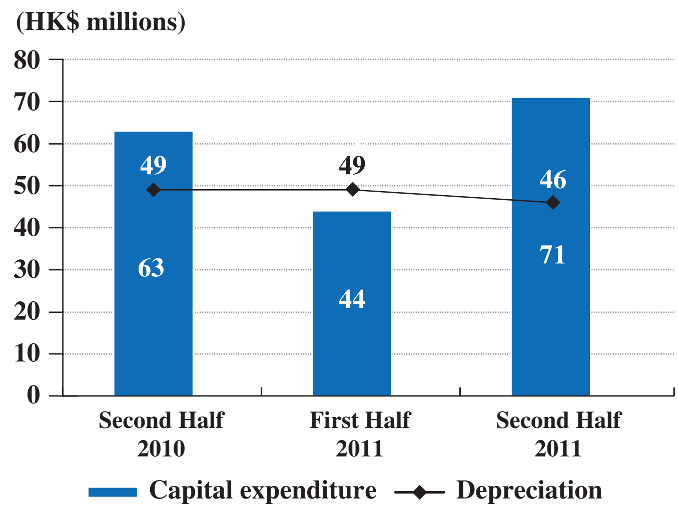
As a result of increased profits, free cash flow increased by HK$168 million, or 32.2%, from 2010.

Capital expenditure

- The Group continued to accelerate its store expansion plan, in particular in China, increasing capital expenditure in comparison to the same period last year.

- Total number of self-operated stores in the Group increased from 1,052 in December 2010 to 1,232 in December 2011.

Capital expenditure



Changes in Working Capital

Working Capital in the year increased by HK$175 million as follows:

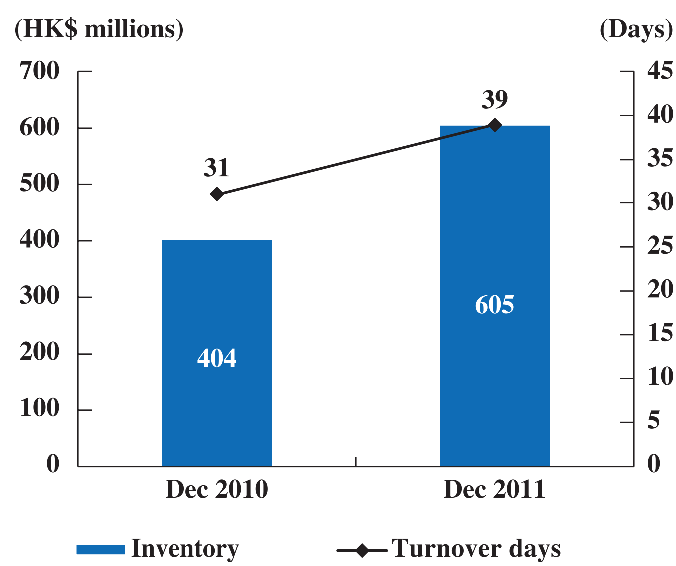
(HK$ millions)	**2011**	2010	Variance
Inventory	**605**	404	201
Trade receivables	**358**	282	76
Trade payables	**(298)**	(163)	(135)
Other working capital changes	**(191)**	(224)	33
	474	299	175

Inventory

- Group inventory in 2011 increased by HK$201 million from HK$404 million to HK$605 million due to increased inventory costs and the provisioning for new shops, particularly in Mainland China.

- Inventory turnover on sales[1] was 39 days, which management regards as high. This was due partly to slowing demand in the fourth quarter, with unusually warm weather depressing demand for winterwear sales. Additionally we ensured adequate stocks have been maintained for the peak Chinese New Year season in January 2012 which is earlier this year than last year, and has resulted in higher year-end inventory levels. Management expects to reduce this high inventory level in the first quarter of 2012 without significant markdowns.

Inventory

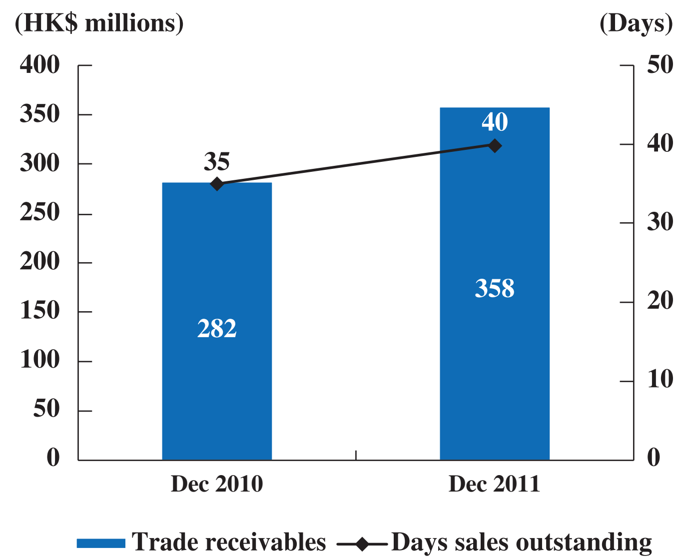


[1] *Inventory held at period end divided by sales and multiplied by number of days in the period.*

Trade receivables

- Trade receivables increased by HK$76 million to HK$358 million.
- This increase was generally in line with the expansion of franchise business and monies due from sales counters in department stores.
- Average credit term of 60 days are generally granted to franchisees. The level of past due receivable is lower than last year and presents no significant risk of non recoverability.

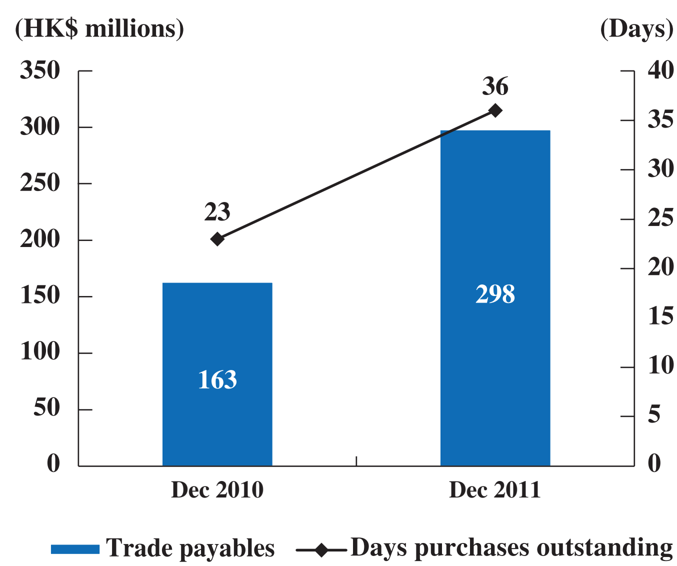
Trade receivables



Trade payables

- Trade payables increased by HK$135 million to HK$298 million.
- The relatively high trade payables balance at the year-end reflects high levels inventory in preparation for Chinese New Year. It continues to be our policy to strongly support our suppliers by paying our invoices strictly to terms.

Trade payables



Share of Profit of Jointly Controlled and Associated Companies and Dividend Income Received

This represents the difference between the portion of profit due to the Group from Jointly Controlled and Associated Companies and the dividends paid to the Group in the year:

	South Korea			Middle East			Total		
(HK$ millions)	**2011**	2010	Variance	**2011**	2010	Variance	**2011**	2010	Variance
Share of pre-tax profit	**94**	73	28.8%	**25**	12	108.3%	**119**	85	40.0%
Dividend received[1]	**(17)**	(11)	54.5%	**(13)**	(11)	18.2%	**(30)**	(22)	36.4%
	77	62	24.2%	**12**	1	1,100%	**89**	63	41.3%

[1] *From distribution of previous years' profits*

Rental Deposits

Deposits for new and renewed contracts were offset by receipts from discontinued contracts as follows. Refunds were particularly significant this year due to the closure of a major store in Hong Kong:

(HK$ millions)	**2011**
Rental deposits opening balance	**281**
Increase in rental deposits	**47**
Rental deposits refunded	**(117)**
Rental deposits closing balance	**211**

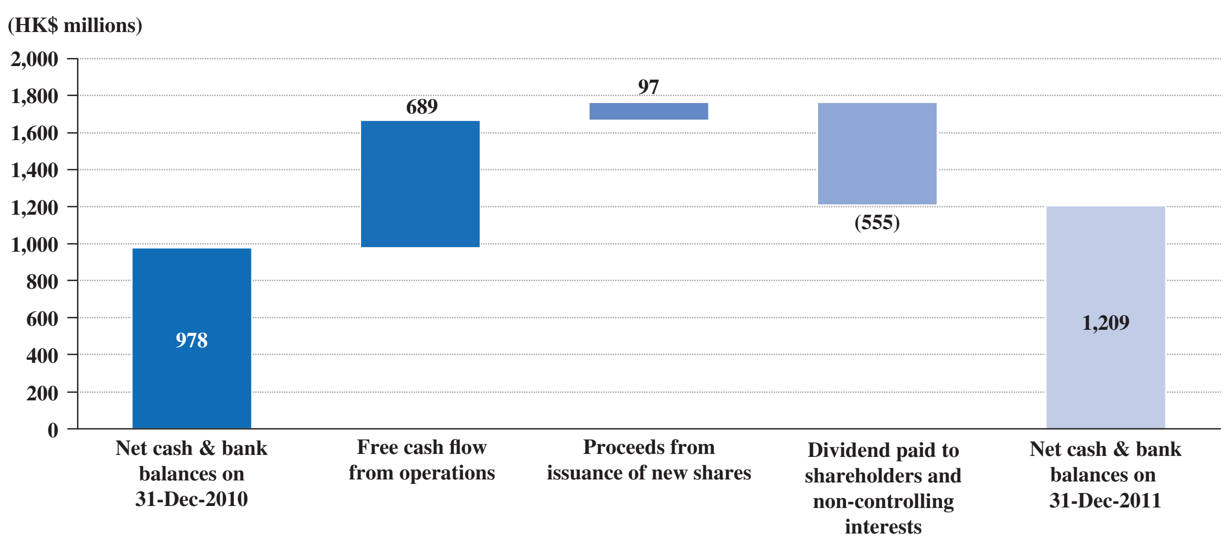
Net Interest Received and Taxation

With the increase in operating profits and cash generated from operations, income tax paid increased by 48.5% from HK$103 million to HK$153 million.

Net interest received increased by 77.8% from HK$9 million to HK$16 million.

Net Cash Position of the Group

Change in net cash and bank balances for 2011



- The Group increased its net cash and bank balances by HK$231 million to HK$1,209 million as at December 31, 2011 (December 31, 2010: HK$978 million).

- Dividend paid during the year comprised the following:

(HK$ millions)	**2011**
2010 Final dividend (75% of 2010 Group's profit less 2010 interim dividend already paid)	**279**
2011 Interim dividend (65% of 2011 Group's interim profit)	**228**
Dividend paid to non-controlling interests of subsidiary in Indonesia	**48**
Dividend paid to shareholders and non-controlling interests	**555**

- Outstanding bank loans decreased to HK$63 million (December 31, 2010: HK$84 million) after the repayment of HK$25 million of a short-term bank loan during the year.

- HK$97 million was raised from the exercise of employee share options during the year.

- Cash and bank balances were HK$1,272 million (December 31, 2010: HK$1,062 million) of which HK$210 million were fixed term deposits with maturity over three months but less than 12 months from the date of deposit.

- The Group is continuously looking at opportunities to grow, organically, partnering with other organizations which fit strategically with our business or through acquisitions. Our experience, prudence and record of profitability place us in an excellent position to engage in, as well as fund such growth initiatives.

Summary of total sales, comparable store sales growth and store development by market

Summary by market *(In HK$ millions)*	Total sales[1] 2011	2010	Increase	Comparable store sales[2] 2011	2010
Mainland China	**2,029**	1,781	13.9%	**6.3%**	3.8%
Hong Kong	**997**	841	18.5%	**23.1%**	9.4%
Taiwan	**762**	606	25.7%	**12.4%**	6.9%
Singapore	**408**	360	13.3%	**1.1%**	2.2%
Indonesia	**323**	250	29.2%	**16.0%**	17.8%
Malaysia	**214**	179	19.6%	**6.7%**	16.7%
Thailand	**168**	142	18.3%	**12.8%**	12.2%
Australia	**192**	175	9.7%	**7.2%**	(1.2%)
Other markets	**23**	3	666.7%	**22.4%**	N/A
Retail & Distribution total	**5,116**	4,337	18.0%	**10.0%**	6.3%
Wholesales to overseas franchisees	**498**	394	26.4%		
Group total	**5,614**	4,731	18.7%		

Number of outlets as at	Dec 31 2011	Dec 31 2010	Increase/ (decrease)
Mainland China	**1,372**	1,188	184
Hong Kong	**73**	75	(2)
Taiwan	**208**	181	27
Singapore	**56**	52	4
Indonesia	**119**	105	14
Malaysia	**78**	70	8
Thailand	**99**	93	6
Australia	**35**	36	(1)
Other markets	**30**	–	30
Retail & Distribution total	**2,070**	1,800	270
South Korea	**232**	214	18
Middle East	**184**	162	22
Other markets	**185**	177	8
Overseas franchisees total	**601**	553	48
Group total	**2,671**	2,353	318

1 *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

2 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores and e-shop that have been opened/operated in the prior period.*

OUTLOOK

Management will continue to focus on the following three key objectives for 2012:

1. Mainland China expansion

- Our new General Managers in four new command centres are already improving operational effectiveness in self managed stores, with sales growth clear in early 2012.
- We are renewing focus on franchisee partners, to develop their operational excellence in visual merchandising, in-store marketing and inventory management.
- Greater empowerment of local managers is transforming our marketing operations in China, strengthening our brand position in the process. We are implementing visible and effective campaigns with local celebrities and business partners.
- We will continue to develop our e-partnerships with virtual shopping malls in China and through more targeted product selection and on-line marketing, continue to grow our e-business. So far in 2012 the outlook for this part of the business is encouraging.
- We are taking actions to control costs tightly in response to an external environment which is highly competitive and an economy which is showing signs of cooling.

2. Increase marketing investment to enhance brand power

- We will expand our investment in advertising and marketing programs that boost our brand position, through local celebrity endorsements, crossover campaigns with business partners, exciting in-store activities, shop fixture upgrades and more visible street advertising (billboards, shop facades etc.).
- Our product development, through our Hong Kong and Dongguan design centres, will focus on innovative products with a fresh image, tailored to local tastes. This will continuously improve the quality of our sales and enhance our brand position.

3. Maintain gross and operating margins

- We will continue to leverage our long term supplier relationships to secure merchandise price reductions in line with falling material commodity prices. We expect our gross margins in 2012 to be maintained at least the same levels as 2011.
- We will continue to manage our operating expenses prudently and react quickly to control costs where this is appropriate.
- We will continue to focus on cash flow and optimize our inventory holding to avoid mark-downs and preserve cash balances. We have made progress in reducing the year-end inventories in the early part of 2012.

HUMAN RESOURCES

On December 31, 2011, the Group had approximately 8,500 employees (December 31, 2010: approximately 7,400). The Group offers competitive remuneration packages and generous, goal-oriented bonuses targeted to different levels of staff. Senior managers are also offered generous performance-based bonus schemes and share options as a means for the Group to reward and retain a high calibre leadership team. We also invest heavily in training in sales and customer service, management, planning and leadership development to retain a skilled and motivated workforce.

DIVIDENDS

It is the Company's intention to return surplus cash to its shareholders through the 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. A special dividend has been paid out in nine of the past ten years. To reflect the Group's policy of returning cash earned to shareholders through dividends, it has been decided to substantially increase the amount paid as an ordinary dividend and to cease the payment of a special dividend for 2011.

After due consideration of the economic outlook, the Group's financial position, its future expansion plans and other factors, the Board has resolved to recommend to shareholders the payment of a final dividend of 23.0 HK cents per share (2010: 7.0 HK cents per share and a special final dividend of 11.5 HK cents per share) for the year ending December 31, 2011. Together with the interim dividend of 15.0 HK cents per share (2010: 4.5 HK cents per share and a special interim dividend of 4.0 HK cents per share) paid on September 30, 2011, total 2011 dividend would amount to 38.0 HK cents per share (2010: 27.0 HK cents per share), representing a payout of 78.8% of 2011 per share earnings (2010: 75.0%). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on or about Tuesday, June 26, 2012 to shareholders whose names appear on the register of members of the Company on Wednesday, May 30, 2012.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Tuesday, May 22, 2012. 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 Tuesday, April 17, 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders' entitlement to attend and vote at the 2012 Annual General Meeting to be held on Tuesday, May 22, 2012, the Register of Members of the Company will be closed from Friday, May 18, 2012 to Tuesday, May 22, 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the 2012 Annual General Meeting of the Company, 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 Thursday, May 17, 2012.

(b) For the purpose of determining shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Monday, May 28, 2012 to Wednesday, May 30, 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final 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, May 25, 2012.

ESTABLISHMENT OF NOMINATION COMMITTEE

The Board is pleased to announce the establishment of a nomination committee (the "Nomination Committee") on March 21, 2012. Dr. LAU Kwok Kuen, Peter, Chairman and Chief Executive, Mr. Barry John BUTTIFANT, Dr. LEE Pang Fei, Allen and Professor LEUNG Kwok, Independent Non-executive Directors, were appointed as members of the Nomination Committee and Mr. Barry John BUTTIFANT was appointed as the Chairman of the Nomination Committee with effect from March 21, 2012.

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, 2011, 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 2011 Annual Report.

REVIEW OF FINANCIAL STATEMENTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The Group's audited consolidated financial statements for the year ended December 31, 2011 including the accounting principles and practices adopted have been reviewed by the Audit Committee in conjunction with the Company's external auditor.

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2011 have been agreed by the Group's auditor, PwC Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC Hong Kong did not constitute an assurance engagement and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

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 21, 2012

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; and
Independent Non-executive Directors: Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi,
Dr. LEE Peng Fei, Allen and Professor LEUNG Kwok.