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GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012, together with comparative figures for the previous year, as follows:

Consolidated Income Statement

(In HK$ millions, except earnings per share)	*Note*	**2012**	2011
Sales	*2*	**5,673**	5,614
Cost of sales		**(2,342)**	(2,331)
Gross profit		**3,331**	3,283
Other income and other gains, net		**294**	148
Distribution expense		**(2,173)**	(2,042)
Administrative expenses		**(447)**	(480)
Operating profit	*3*	**1,005**	909
Finance expense		**(2)**	(2)
Share of profit of jointly controlled companies		**77**	72
Share of profit of an associate		**29**	25
Profit before taxation	*2*	**1,109**	1,004
Taxation	*4*	**(221)**	(225)
Profit for the year		**888**	779
Profit attributable to:			
Shareholders of the Company		**826**	728
Non-controlling interests		**62**	51
		888	779
Earnings per share for profit attributable to shareholders of the Company	*5*		
Basic *(HK cents)*		**53.8**	48.2
Diluted *(HK cents)*		**53.2**	47.6
Dividends	*6*	**617**	578

Consolidated Statement of Comprehensive Income

(In HK$ millions)	**2012**	2011
Profit for the year	**888**	779
Other comprehensive income:		
Fair value gains on available-for-sale financial assets	**5**	6
Realization of reserves upon disposal of manufacturing business	**(1)**	–
Realization of reserves upon disposal of an available-for-sale financial asset	**(14)**	–
Realization of reserves upon disposal of previously held interests of associates in a step acquisition of subsidiaries	**(3)**	–
Exchange adjustment on translation of overseas subsidiaries, associate, jointly controlled entities and branches	**34**	(7)
Share of reserve of a jointly controlled entity	**–**	1
Total comprehensive income for the year	**909**	779
Total comprehensive income attributable to:		
Shareholders of the Company	**855**	730
Non-controlling interests	**54**	49
	909	779

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**2012**	2011
ASSETS			
Non-current assets			
Property, plant and equipment		**267**	229
Investment property		**–**	74
Goodwill		**536**	5
Interest in jointly controlled companies		**532**	415
Interest in an associate		**5**	54
Available-for-sale financial assets		**24**	19
Financial assets at fair value through profit or loss		**28**	28
Leasehold land and rental prepayments		**263**	265
Rental deposits		**118**	133
Deferred tax assets		**48**	42
		1,821	1,264
Current assets			
Inventories		**476**	605
Leasehold land and rental prepayments		**37**	45
Trade and other receivables	*7*	**759**	636
Cash and bank balances		**1,512**	1,272
		2,784	2,558
Total assets		**4,605**	3,822
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**77**	76
Reserves		**2,534**	2,309
Proposed dividends		**386**	350
Equity attributable to shareholders of the Company		**2,997**	2,735
Non-controlling interests		**156**	86
Total equity		**3,153**	2,821
Non-current liabilities			
Other long-term liabilities		**102**	–
Deferred tax liabilities		**121**	101
		223	101
Current liabilities			
Trade and other payables	*8*	**739**	689
Bank loans		**339**	63
Taxation		**151**	148
		1,229	900
Total liabilities		**1,452**	1,001
Total equity and liabilities		**4,605**	3,822
Net current assets		**1,555**	1,658
Total assets less current liabilities		**3,376**	2,922

Notes:

1. Principal Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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, which are carried at fair value.

The Group has adopted the following amended standards which are effective for the Group's financial year beginning on or after January 1, 2012:

Hong Kong Accounting Standard 12 (Amendment)	Deferred tax: recovery of underlying assets
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures – transfers of financial assets

The adoptions of the above amended standards 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, 2013 or later periods. The adoption of these new standards, amendments and interpretations is not expected to have significant impact on the Group's consolidated financial statements.

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 comprises retail and franchise sales in Mainland China and Middle East, 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, BSX, Concepts One* 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:

	2012		2011	
(In HK$ millions)	**Sales**	**Operating profit**	Sales	Operating profit
Mainland China	**1,898**	**156**	2,029	265
Hong Kong and Taiwan	**1,756**	**269**	1,759	345
Rest of Asia Pacific	**1,427**	**301**	1,328	299
Middle East	**108**	**29**	–	–
Total Retail and Distribution	**5,189**	**755**	5,116	909
Wholesale sales to overseas franchisees	**484**	**60**	498	60
Segment sales/operating profit	**5,673**	**815**	5,614	969
Corporate function		**188**		(65)
Manufacturing business		**2**		5
Finance expense		**(2)**		(2)
Share of profit of jointly controlled companies		**77**		72
Share of profit of an associate		**29**		25
Profit before taxation		**1,109**		1,004

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

	2012		2011	
(In HK$ millions)	**Sales**	**Operating profit/(loss)**	Sales	Operating profit/(loss)
By brand:				
Giordano & Giordano Junior	**4,481**	**671**	4,437	818
Giordano Ladies	**370**	**63**	348	67
BSX	**245**	**18**	242	26
Concepts One (renamed from *Giordano Concepts*)	**39**	**(6)**	49	(8)
Others	**54**	**9**	40	6
Total Retail and Distribution	**5,189**	**755**	5,116	909

The entity is domiciled in Hong Kong. The revenue from external customers in Hong Kong is HK$1,497 million (2011: HK$1,495 million), Mainland China is HK$1,909 million (2011: HK$2,029 million) and the total of revenue from external customers from other countries is HK$2,267 million (2011: HK$2,090 million).

Inter-segment sales of HK$665 million (2011: HK$575 million) has been eliminated upon consolidation.

Depreciation and amortization charged in Mainland China was HK$45 million (2011: HK$37 million), Hong Kong and Taiwan was HK$38 million (2011: HK$26 million), Rest of Asia Pacific was HK$27 million (2011: HK$28 million) and Middle East was HK$3 million (2011: Nil).

Income tax expense charged in Mainland China was HK$34 million (2011: HK$94 million), Hong Kong and Taiwan was HK$47 million (2011: HK$54 million), Rest of Asia Pacific was HK$55 million (2011: HK$65 million) and Middle East was HK$3 million (2011: Nil).

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

	Segment assets	
(In HK$ millions)	**2012**	2011
Mainland China	**1,079**	1,344
Hong Kong and Taiwan	**1,305**	1,199
Rest of Asia Pacific	**636**	533
Middle East	**948**	–
Segment assets	**3,968**	3,076
Manufacturing	**–**	188
Interest in jointly controlled companies	**532**	415
Interest in an associate	**5**	54
Available-for-sale financial assets	**24**	19
Financial assets at fair value through profit or loss	**28**	28
Deferred tax assets	**48**	42
Total assets	**4,605**	3,822

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$225 million (2011: HK$219 million), located in Mainland China is HK$161 million (2011: HK$301 million) and the total of these non-current assets located in other countries is HK$1,335 million (2011: HK$655 million).

3. Operating profit

The operating profit is stated after charging:

(In HK$ millions)	**2012**	2011
Amortization of leasehold land prepayments	**9**	9
Auditor's remuneration	**8**	6
Depreciation of property, plant and equipment	**105**	83
Depreciation of investment property	**1**	3
Operating lease rentals in respect of land and buildings		
– Minimum lease payments – office and warehouse	**17**	17
– Minimum lease payments – shop	**791**	726
– Contingent rent	**317**	290
(Reversal)/Provision for obsolete stock and stock written off	**(15)**	17
Staff costs	**830**	878

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% (2011: 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)	**2012**	2011
Income tax		
Current income tax		
– Hong Kong profits tax	**31**	35
– Outside Hong Kong	**135**	145
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**32**	22
Deferred tax		
Relating to the origination and reversal of temporary differences	**5**	(17)
Under provision in previous year		
– Hong Kong profits tax	**9**	–
– Outside Hong Kong	**9**	40
Taxation charge	**221**	225

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$826 million (2011: HK$728 million).

The basic earnings per share is based on the weighted average of 1,534,640,315 shares (2011: 1,509,380,622 shares) in issue during the year.

The diluted earnings per share is based on 1,534,640,315 shares (2011: 1,509,380,622 shares) which is the weighted average number of shares in issue during the 2012 year ended plus the weighted average of 19,943,039 shares (2011: 18,975,231 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)	**2012**	2011
Interim dividend declared and paid of 15.0 HK cents (2011: 15.0 HK cents) per share	**231**	228
Final dividend proposed after the balance sheet date of 25.0 HK cents (2011: 23.0 HK cents) per share	**386**	350
	617	578

At the board meeting held on February 28, 2013, the directors proposed final dividend of 25.0 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)	**2012**	2011
2011 final dividend approved and paid of 23.0 HK cents (2010: 7.0 HK cents) per share	**354**	106
2011 special final dividend approved and paid of nil (2010: 11.5 HK cents) per share	**–**	173
	354	279

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

7. Trade and other receivables

(In HK$ millions)	**2012**	2011
Trade receivables	**375**	368
Less: Provision for impairment	**(14)**	(10)
Trade receivables, net	**361**	358
Other receivables, including deposits and prepayments	**398**	278
	759	636

Other than cash and credit card sales, the Group normally allows a credit period of 30 – 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)	**2012**	2011
0 – 30 days	**245**	262
31 – 60 days	**79**	62
61 – 90 days	**19**	22
Over 90 days	**18**	12
	361	358

8. Trade and other payables

(In HK$ millions)	**2012**	2011
Trade payables	**193**	298
Other payables and accrued expenses	**546**	391
	739	689

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**2012**	2011
0 – 30 days	**134**	243
31 – 60 days	**29**	41
61 – 90 days	**10**	8
Over 90 days	**20**	6
	193	298

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF GROUP OPERATIONS

(In HK$ millions)	**2012**	2011	Variance
Sales	**5,673**	5,614	1%
Gross profit	**3,331**	3,283	1%
Gross margin	**58.7%**	58.5%	0.2pp
Operating expenses	**(2,620)**	(2,522)	4%
Operating profit as reported	**1,005**	909	11%
Operating margin as reported	**17.7%**	16.2%	1.5pp
Operating profit excluding accounting gains on deemed disposals	**891**	909	(2%)
Operating margin excluding accounting gains on deemed disposals	**15.7%**	16.2%	(0.5pp)
EBITDA	**1,247**	1,123	11%
EBITDA excluding accounting gains on deemed disposals	**1,133**	1,123	1%
Profit attributable to shareholders	**826**	728	13%
Net profit margin	**14.6%**	13.0%	1.6pp
Profit attributable to shareholders excluding accounting gains on deemed disposals	**712**	728	(2%)
Net profit margin excluding accounting gains on deemed disposals	**12.6%**	13.0%	(0.4pp)
Free cash flow from operations	**675**	689	(2%)
Net cash and bank balances[1]	**1,173**	1,209	(3%)
Inventory balances as reported[1]	**476**	605	(21%)
Inventory balances excluding inventory of Giordano Middle East	**403**	605	(33%)
Inventory days on costs (days)[2] as reported	**74**	95	(21 days)
Inventory days on costs (days)[3] excluding new acquisition of Giordano Middle East	**63**	95	(32 days)
Number of outlets[1]	**2,648**	2,671	(23)
Net change in outlets	**(23)**	318	

1 At the end of the year.

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

3 Inventory held at year end (exclude Middle East's inventory held at year end) divided by cost of sales (exclude Middle East's cost of sales since acquisition) and multiplied by number of days in the year.

Restructuring of Group's Operations

Disposal of Manufacturing Business

During 2008 the Group divested most of its manufacturing activities, disposing of its 51% interest in the ordinary shares of Placita Holdings Limited ("Placita"), retaining only preference shares in this company. Also during 2008 the Group reduced its interest in its manufacturing joint venture Higrowth Ventures Limited ("Higrowth") from 49% to 9.9%. Since 2008, Placita and Higrowth, through their subsidiaries, have been third party suppliers of apparel merchandise to the Group. After these disposals the Group retained a small manufacturing facility in Dongguan, China.

In May 2012, the Group completed its exit from the manufacturing operations, by disposing of its last manufacturing business in Dongguan, China for a cash consideration of HK$151 million, generating a net gain on disposal of HK$29 million.

Acquisition of Controlling Interest in Middle East Business

In 1992 Giordano entered into an agreement with the Emirates Trading Agency ("ETA") to establish an associate in the United Arab Emirates to conduct retail operations in the Middle East and adjacent markets. Giordano had a 20% interest in this operation which has since developed into a successful regional business with sales revenues in 2011 of HK$642 million. On September 27, 2012 the Group agreed with ETA to enter into a series of transactions to increase its share of the profitability of this regional business from 20% to approximately 82%.

In November 2012 the Group completed transactions in the UAE and Saudi Arabia. The UAE operations were subsequently restructured into two companies, one being wholly responsible for retail in the UAE and one being a wholly owned subsidiary of the Group based in the Dubai Free Trade Zone and responsible for regional operations and global business development. Additionally in November 2012, the Group established a 75% interest in Giordano Saudi Arabia. This substantially completed the transactions agreed in September 2012. The acquisition process will be fully completed in 2013 as the Group expects to increase its interests in smaller entities in Kuwait, Qatar and Oman.

With a new regional headquarters in Dubai now established, Giordano is now well placed to expand its operations further into developing markets outside its traditional East Asian markets.

The divestment of the Group's last manufacturing operation and the establishment of a new centre for business development in Dubai, demonstrates progress towards Giordano's long term strategy of achieving global scale in apparel retailing. Moreover, the transactions were also accretive to earnings. The impact of these two developments can be summarized as follows:

(In HK$ millions)	**Disposal of Manufacturing Business**	**Acquisition of Controlling Interest in Middle East Business**	**Total**
Consideration (received)/paid	(151)	508	**357**
(Forgone)/Added annualized earnings*	(8)	88	**80**
Ratio	18.9	5.8	**4.5**
Net assets (sold)/acquired#	(137)	106	**(31)**

* *For the Manufacturing Business, this represents FY2011 earnings after tax; for the acquired interest in Middle East, this represents FY2012 earnings before tax, adjusted by the tax that would have been payable by the Group as a foreign shareholder.*

\# *For the Manufacturing business, this represents the existing book value of the assets sold; for the acquired interest in the Middle East, this represents the fair value of the assets acquired.*

Note on "Accounting Gains on Deemed Disposals"

During the year the Group completed two transactions which gave rise to an accounting gain of HK$114 million, as follows:

The acquisition of a controlling interest in Giordano Middle East (as discussed above) involved a cash consideration, paid by the Group of HK$508 million. The Group is required to account for this transaction as if we had disposed of the existing interest (a "deemed disposal"), and re-acquired it along with the new assets acquired. This gives rise to a gain on the "deemed disposal", as that part of the business that was owned prior to the transaction is now valued on the same basis as the assets being acquired, and not the historical cost of those assets. The book value of the Group's prior interest in Giordano Middle East before the transaction was HK$55 million. On the basis of the consideration paid, these assets have now been re-valued at HK$155 million, giving rise to an accounting gain of HK$100 million. This gain generated no cash.

At the beginning of the year, the Group held a 9.9% interest in Higrowth, the holding company of Speedy Garment Manufacturing Limited, a major supplier of the Group. During the year this company combined with other operations to become Speedy Global Holdings Limited and as a result, the Group's interest in Higrowth was diluted to 6.46% of the new entity. We are required to treat this exchange as a "deemed disposal" and record a profit on such disposal, being the difference between the fair value of this holding and the historical cost recorded in our books. A deemed disposal gain of HK$14 million has therefore been recognized on this transaction.

These two transactions did not generate any cash flow and are essentially accounting revaluations of existing assets. For this reason and for the purposes of Management discussion, we have presented Operating Profit, EBITDA and Profit Attributable to Shareholders on two bases, including and excluding these accounting adjustments.

Overview of 2012 Performance

Highlights of 2012

- *Overall sales up 1%; declining sales in Mainland China and Taiwan, offset by growth in other markets, particularly in South East Asia*

- *Gross Profit Margin increased slightly by 0.2 percentage points to 58.7% despite significant cost increases and strong price driven competition*

- *Strong cost control with comparable operating expenses (excluding Middle East acquisition) increasing by only 2% with staff costs reduced by 7% over 2011 levels*

- *Operating profit before other income and other gains down approximately 7% as a result of these factors*

- *Inventory control strong with reduced purchasing resulting in comparable inventory down by 33% from HK$605 million to HK$403 million and comparable days of inventory from 95 to 63*

- *Free Cash Flow from operations strong at HK$675 million (HK$689 million in 2011)*

- *Dividend payout increased to 40.0 HK cents per share (38.0 HK cents in 2011). This is 87% of Profit Attributable to Shareholders before profit on deemed disposals*

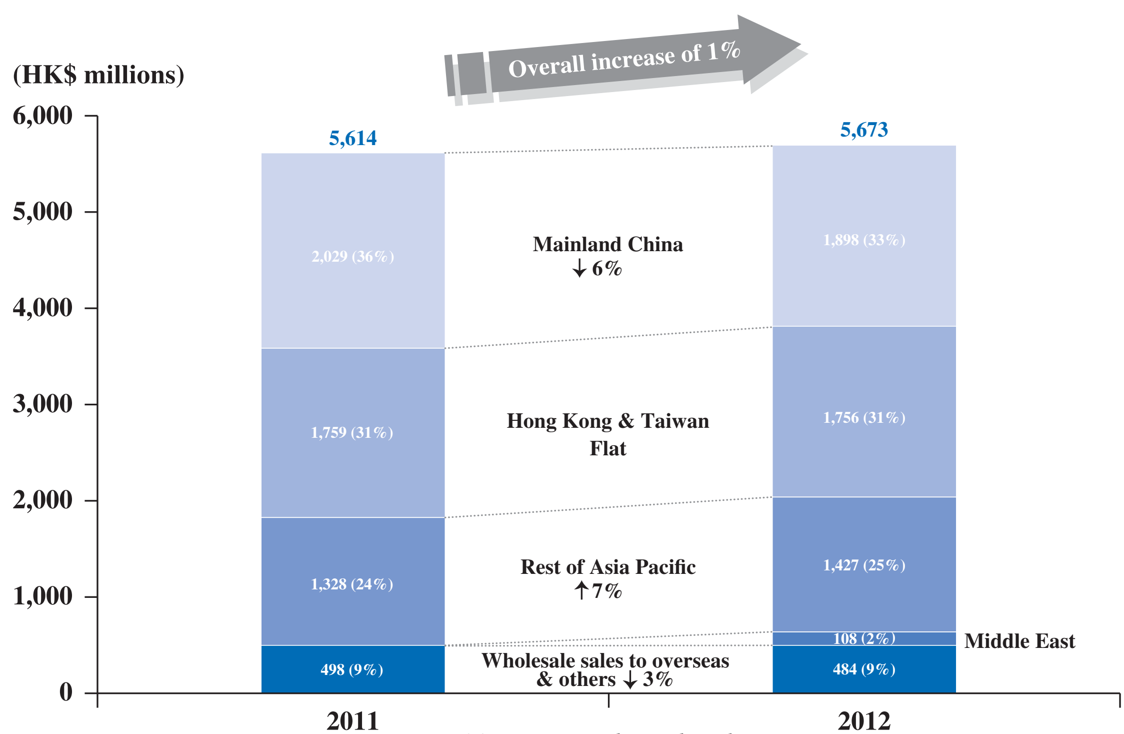
Sales

(In HK$ millions)	**2012**	2011	Variance
Total Sales[1]	**5,673**	5,614	1%
Global brand sales[2]	**7,755**	7,603	2%
Comparable store sales[3] (decrease)/increase	**(1%)**	10%	(11pp)
Number of outlets[4]	**2,648**	2,671	(23)
Net change in outlets	**(23)**	318	

- The Group's sales increased by 1% to HK$5,673 million in 2012 from HK$5,614 million in 2011. Excluding the effects of translating sales made in foreign currencies into Hong Kong dollars, sales also increased by 1% year on year.

- Sales in Mainland China decreased by 6% while sales were flat in Hong Kong and Taiwan compared to last year. Sales in other Asia Pacific markets, mainly Singapore, Malaysia, Indonesia and Thailand, grew by 7% compared to last year.

Sales growth and contribution



% to group sales in brackets

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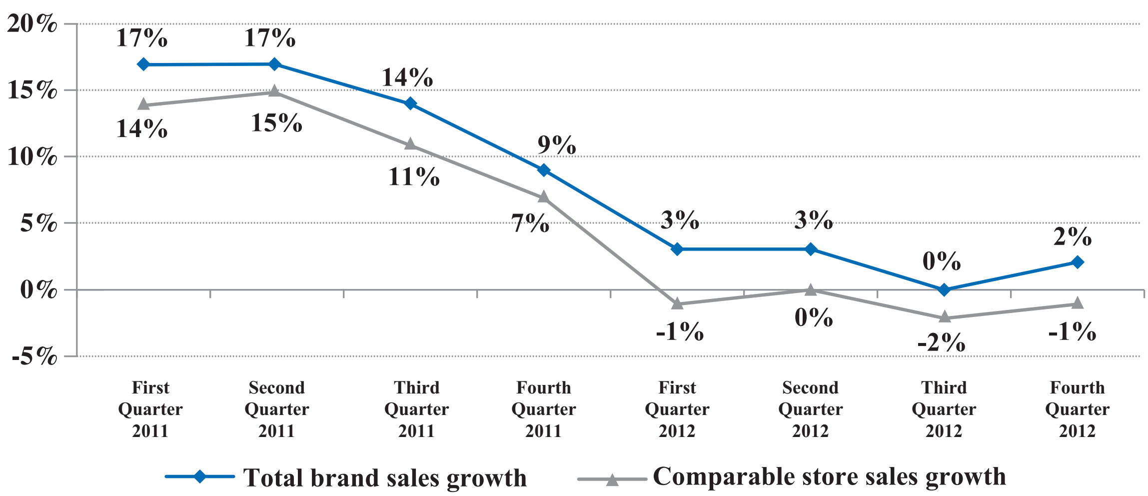
1 *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

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.*

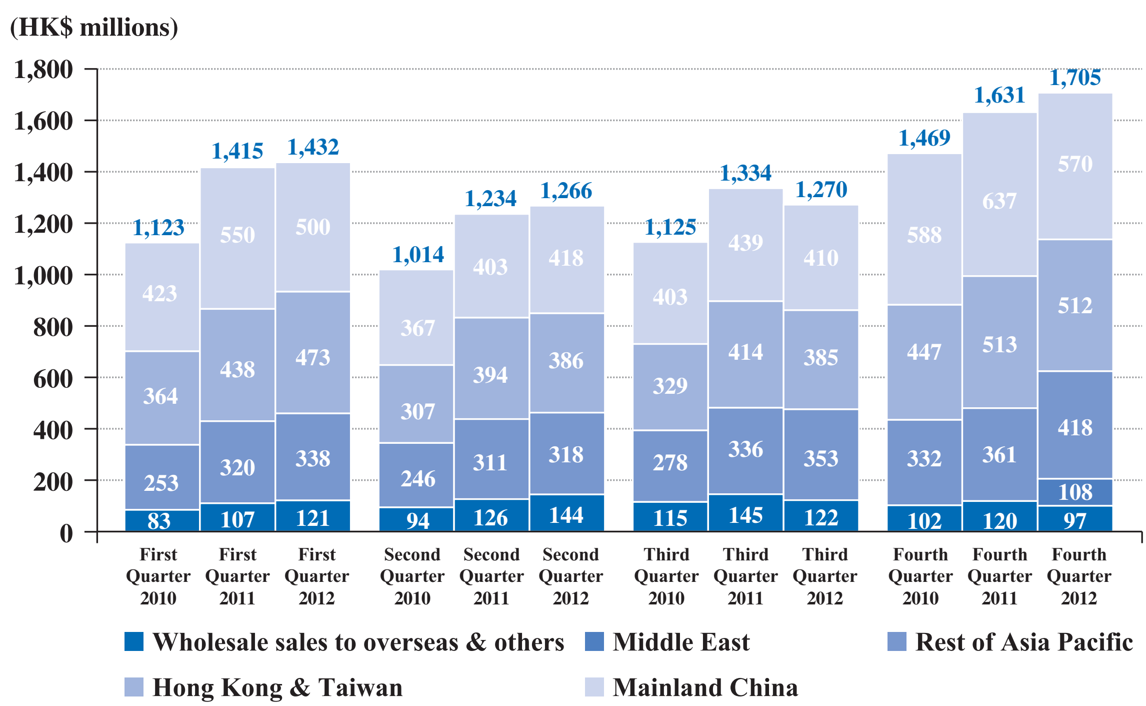
3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores and e-shop that have been opened/operated by subsidiaries and associates/jointly controlled entities in the prior year.*

4 *At the end of the year.*

Brand sales growth for the last eight quarters



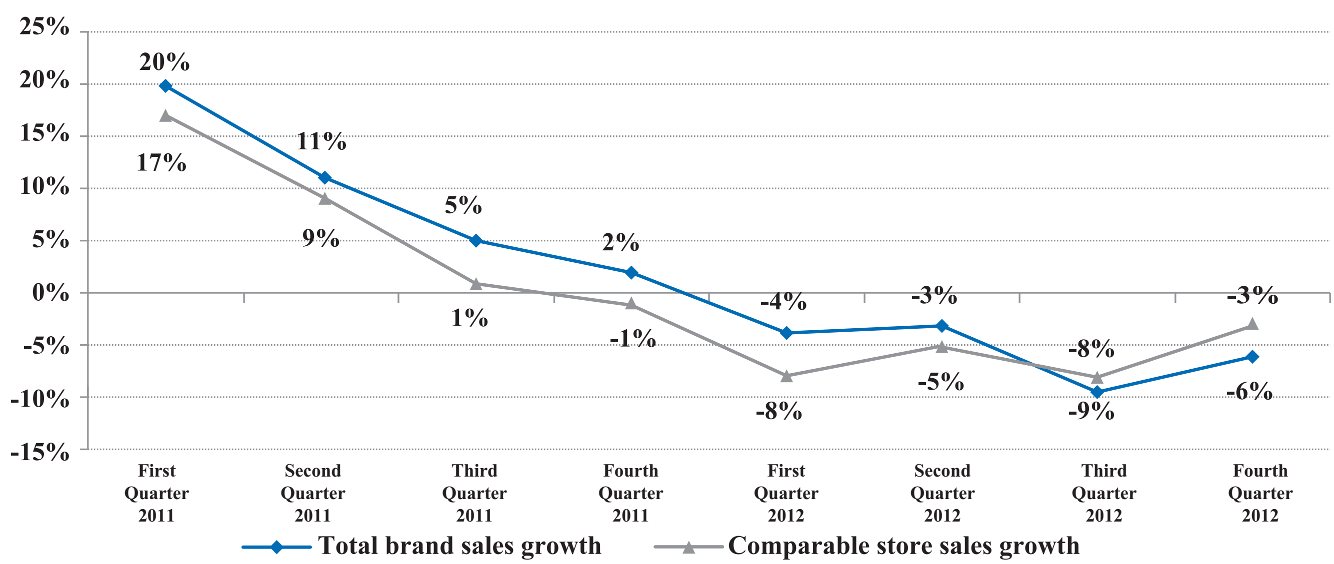
Sales for the last twelve quarters



Mainland China

(In HK$ millions)	**2012**	2011	Variance
Total sales[1]	**1,898**	2,029	(6%)
Retail self-operated stores	**1,391**	1,349	3%
Wholesale to franchisees	**507**	680	(25%)
Total brand sales[2]	**2,346**	2,476	(5%)
Self-operated stores	**1,391**	1,400	(1%)
Franchised stores	**955**	1,076	(11%)
Comparable store sales[3] (decrease)/increase	**(6%)**	6%	(12pp)
Number of outlets[4]	**1,243**	1,372	(129)
Self-operated stores	**534**	545	(11)
Franchised stores	**709**	827	(118)
Net change in outlets	**(129)**	184	
Self-operated stores	**(11)**	97	
Franchised stores	**(118)**	87	

Brand 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 year.*

4 *At the end of the year.*

- Mainland China sales decreased by 6% in 2012, or HK$131 million, to HK$1,898 million from HK$2,029 million in 2011. Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales decreased by 8% in the year.

- Sales decreased for two main reasons:

    - the impact of the timing of Chinese New Year on shipments to franchisees, and

    - as a result of intense competition following reduced consumer demand in Mainland China markets.

(In HK$ millions)	
Sales Mainland China 2011	**2,029**
Underlying sales volume reduction	(93)
Chinese New Year/Inventory Reduction at Franchisees	(78)
Exchange Gain	40
Sales Mainland China 2012	**1,898**

- The key underlying measure of sales growth is brand sales which represents the end sales of merchandise through Giordano stores, both self managed and franchised. This measure excludes the effects of both currency exchange fluctuations and the impact of inventory changes undertaken by franchisees. Brand sales in Mainland China decreased by 5% in 2012 and comparable store sales decreased by 6%.

- Accounting Sales reduced significantly in 2012 compared to 2011, due to an earlier Chinese New Year relative to 2011 and 2013. This impacted the timing of shipments to franchisees in the year with December 2011 shipments comparatively high and January 2012 shipments comparatively low. In addition to this, the Company imposed restrictions on inventory growth at franchisees, resulting in inventory at franchisees reducing by HK$78 million.

- Cotton commodity prices peaked in March 2011; as a result of commitments in the supply chain, the effect of this increase did not start to impact our merchandise costs until the third quarter of 2011. These cost increases were more than passed on to customers in the form of price increases. At the same time, excess inventory in the market in general, which had started to impact sportswear apparel in late 2011, worsened as a general decline in consumer demand deepened during 2012. This resulted in significant price competition in the Chinese market which intensified throughout 2012. In response to this, consistent with the Group's strategy of strengthening the brand, a number of limited price promotions were implemented without impacting the gross profit margin significantly.

- As a result of the intensification of price competition and a general worsening in demand, brand sales in self managed stores, which increased by 4% in the first half of the year, decreased by 5% in the second half of the year. Retail sentiment in Mainland China weakened during the year with less traffic in shopping malls and department stores. At the same time, new competing brands continued to start up in Mainland China. Sales in the third quarter were particularly weak, including the National Day Golden Week. In the fourth quarter sales were volatile and highly weather dependent but showing a small recovery relative to the third quarter. We exited the year cautious as to the outlook for 2013, and consequently inventory control was a major priority for management.

- The Group continues to develop its E-shop which in addition to our own website also sells on public platforms. Sales grew by HK$29 million from HK$116 million by 25% to HK$145 million in the year. Growth in the first half increased from 17% to 32% in the second half as a result of specific online promotion activities.

- Brand sales from our franchisees declined at a much more significant rate than for our own self managed stores (11% vs 1%) reducing by 12% in the first half and 11% in the second half of the year. Franchisees have implemented much less price promotion than self managed stores, which due to intense competition and competitor discounting, has led to declining sales. Sales were also depressed by the Group's reduction in inventory at franchisees which restricted the amount of new merchandise in our stores. Inventory at franchisees reduced by HK$78 million from HK$211 million at the beginning of the year to HK$133 million at December 31, 2012.

- Management has implemented several initiatives in Mainland China to counter these headwinds. The new General Manager structure and establishment of regional "command centres" has developed strongly over the year with General Managers in Beijing, Shanghai, Wuhan and Guangzhou establishing and developing new management teams, local processes and performance measures. Considerable efforts have been made to develop the brand position in China through "fast marketing" and localization. We are also stepping up efforts to strengthen partnerships with key franchisees to build stronger local distributors in the developing parts of China.

- During the year, the number of stores in Mainland China reduced by 129, of which 11 were self managed stores and 118 franchisees. This reflects a movement towards quality of sales over quantity as the Group and its franchisees exit loss making stores. Emphasis will be placed in the future on the development of department stores, particularly establishing a women's functional line to establish increased space within each department store. We expect this approach to improve the quality of our operations, upgrading brand image and reducing the number of loss making stores.

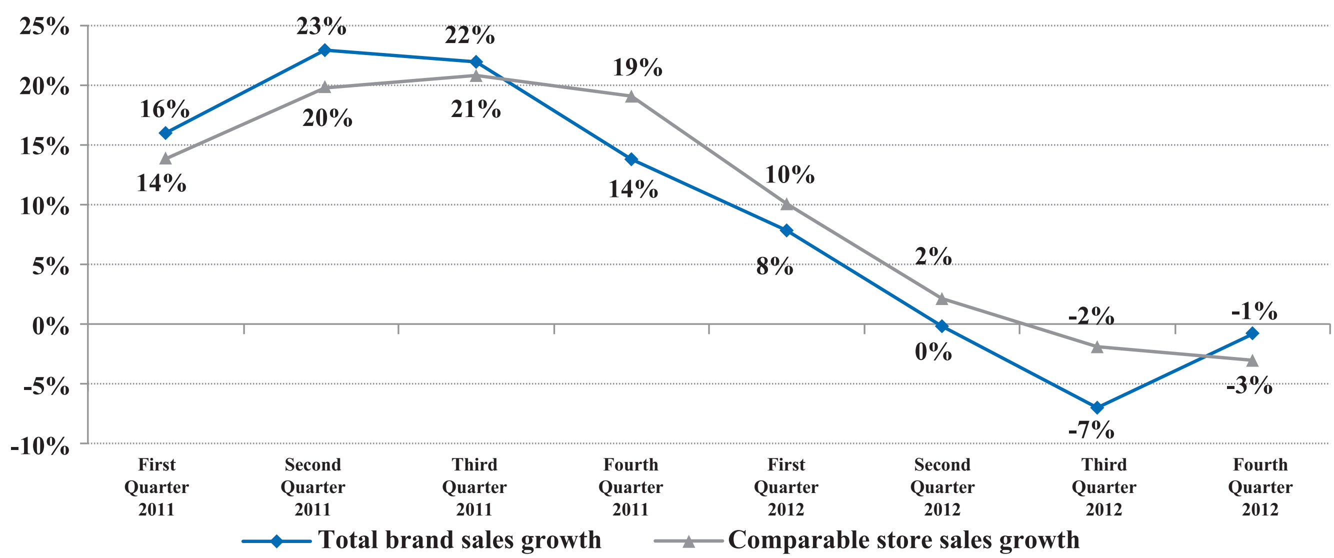
- Even though initial signs are that these new initiatives are being positively received by customers, landlords and franchisees, these efforts are taking longer than anticipated to become established and produce significant results. There are still ways to step up our performance in these areas; improvements are expected to accelerate during 2013.

Five-year operations highlights	**2012**	2011	2010	2009	2008
Total sales[1] (in HK$ millions)	**1,898**	2,029	1,781	1,633	1,689
Sales per sq. ft.[2] (in HK$)	**1,900**	2,100	2,100	2,300	3,100
Comparable store sales[3] (decrease)/increase	**(6%)**	6%	4%	(5%)	5%
Retail floor area[4] (square feet)	**1,077,600**	1,173,900	1,037,500	903,600	816,800
Number of outlets[4]	**1,243**	1,372	1,188	1,017	909

Hong Kong and Taiwan

(In HK$ millions)	**2012**	2011	Variance
Total sales[5]	**1,756**	1,759	–
Comparable store sales[6] increase	**2%**	18%	(16pp)
Number of outlets[7]	**298**	281	17
Net change in outlets	**17**	25	

Brand sales growth in Hong Kong and Taiwan 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 *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 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 year.*

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

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

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

7 *At the end of the year.*

- Sales in Hong Kong and Taiwan markets were flat over the year. This is a combination effect of the increase in sales by 3% in Hong Kong offset by the sales decline by 4% in Taiwan.

- Sales in Hong Kong increased by 4% in the first half, with a slight slowing of growth in the second half to 2%. In August 2011, we closed a major flagship store which represented 7% of sales in 2011. On this basis, 2012 has been a relatively strong year with 11 net new stores opened in the year and a steady improvement in store ambience and brand positioning. Marketing and cross-over programs during the year also drove this relatively strong performance.

- Taiwan had a strong first quarter with brand sales growth of 16%. From the second quarter onwards demand collapsed with a second half decline in sales of 10%. This is due to a significant economic downturn in Taiwan with government driven increases in utility prices and taxes. At the same time, key competitors have started to aggressively discount merchandise which has resulted in significantly reduced volume. We have responded in a limited way with price promotions which have eroded our gross margin by 3.5 percentage points.

Five-year operations highlights	**2012**	2011	2010	2009	2008
Total sales[1] (in HK$ millions)	**1,756**	1,759	1,447	1,330	1,484
Sales per sq. ft.[2] (in HK$)	**5,900**	6,300	5,300	4,600	4,700
Comparable store sales[3] increase/(decrease)	**2%**	18%	8%	(3%)	(2%)
Retail floor area[4] (square feet)	**305,000**	297,000	274,800	272,800	303,600
Number of outlets[4]	**298**	281	256	249	274

Rest of Asia Pacific

(In HK$ millions)	**2012**	2011	Variance
Total sales[1]	**1,427**	1,328	7%
Comparable store sales[3] increase	**3%**	8%	(5pp)
Number of outlets[4]	**482**	417	65
Net change in outlets	**65**	61	

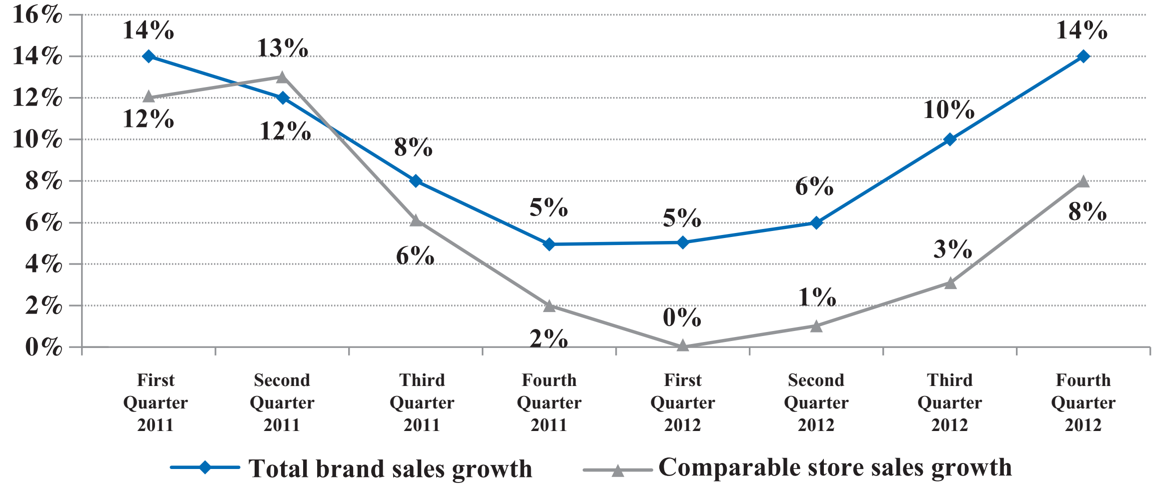
[1] *Total Sales are total retail sales translated at average exchange rates.*

[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 year.*

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

Brand 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 7% or HK$99 million to HK$1,427 million from HK$1,328 million in last year. These markets now represent 25% of Group sales and offer exciting opportunities for further growth.

- Excluding the effect of translating foreign currencies into Hong Kong dollars, sales grew by 10%. Comparable same store sales grew by 3% in 2012.

- Sales weakened in Singapore in the first half of 2012, with brand sales reducing by 5% from the same period last year. In response the Company introduced new product ranges into this region and started on a program of shop upgrades during the third quarter. Sales in the second half of the year gradually improved with second half brand sales flat and the fourth quarter growing at 3%. Management will continue to introduce fresh merchandise programs and upgrade store ambience in 2013.

- Indonesia continues to deliver strong growth: brand sales grew in the first half of 2012 by 22% from the same period last year and in the second half sales growth increased to 25%. We added 24 net new stores in the year and now have 143 stores in this fast growing market. Indonesia will continue to deliver strong sales growth as it is well positioned in the region as an international functional apparel brand.

- Brand sales in Thailand and Malaysia grew by 21% and 11% from last year. Sales growth was stronger in the second half of the year following a slowdown in growth in the second half of 2011. This growth is built on strong operational excellence, new merchandise relevant to local markets, increased marketing based on crossover product campaigns and a steady quality driven store expansion program.

- Australia brand sales declined slightly by 1% as we continue to consolidate our operation in this market. A late winter (in May) reduced sales performance in the first half but a strong second half and Christmas period resulted in positive growth in the second half.

Five-year operations highlights	**2012**	2011	2010	2009	2008
Total sales[1] (in HK$ millions)	**1,427**	1,328	1,109	950	1,082
Sales per sq. ft.[2] (in HK$)	**3,500**	3,700	3,300	2,700	3,000
Comparable store sales[3] increase/(decrease)	**3%**	8%	8%	(5%)	(5%)
Retail floor area[4] (square feet)	**428,900**	380,200	337,200	342,000	358,700
Number of outlets[4]	**482**	417	356	351	365

Wholesale Sales to Overseas Franchisees and Joint Ventures

(In HK$ millions)	**2012**	2011	Variance
Total sales	**473**	498	(5%)
Number of outlets[4]	**441[5]**	601	(160)
Net change in outlets	**(160)**	48	

- Wholesale sales declined by 5% mainly due to the reclassification of sales to the Middle East in November and December as intercompany sales, following acquisition of a controlling stake in these businesses. Excluding the Middle East, wholesale sales increased by 5% from HK$276 million in 2011 to HK$290 million in 2012.

- Sales to the Korean joint venture increased by 2% despite total sales increasing by 8%; this reflects a slightly increased incidence of local sourcing by Korea.

- Sales to the Philippines increased 19% reflecting a strong performance in that market in the year.

- Other markets, which are small, showed mixed results. These smaller markets, however, will become more relevant in 2013 and beyond as we look to exploit growth opportunities across the globe.

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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 year.*

4 *At the end of the year.*

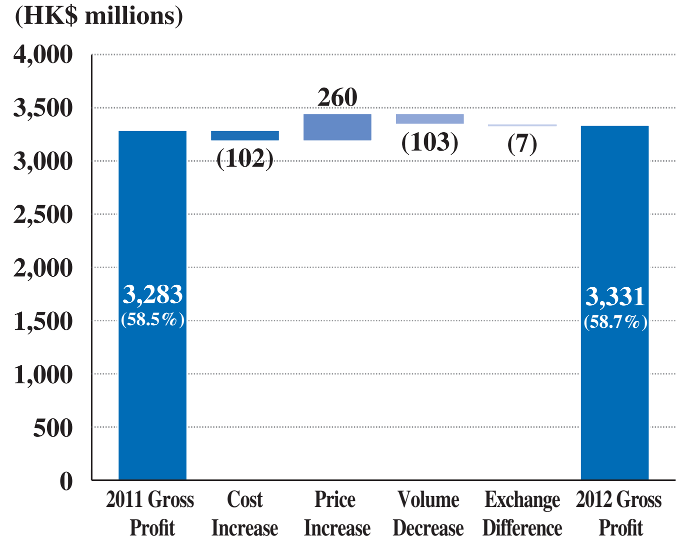
5 *Upon the acquisition of equity interests in Middle East, 184 shops have been transferred from wholesales to franchisees business market to Group market operated by subsidiary during the second half of 2012.*

Gross Profit

- The Group increased gross margin by 0.2 percentage points to 58.7% and the Group's gross profit increased by HK$48 million, or 1.5%, to HK$3,331 million from HK$3,283 million in 2011.

- The lag in the impact of cotton prices on the Company's product costs has resulted in significant supplier price increases during the year. This, with the impact of Renminbi appreciation against the Hong Kong dollar, as well as increasing wage costs in China, has resulted in cost increases over the year. The impact of these increases weakened over the year from double digit increases in the first quarter to flat/declining costs in the fourth quarter.

Gross profit reconciliation



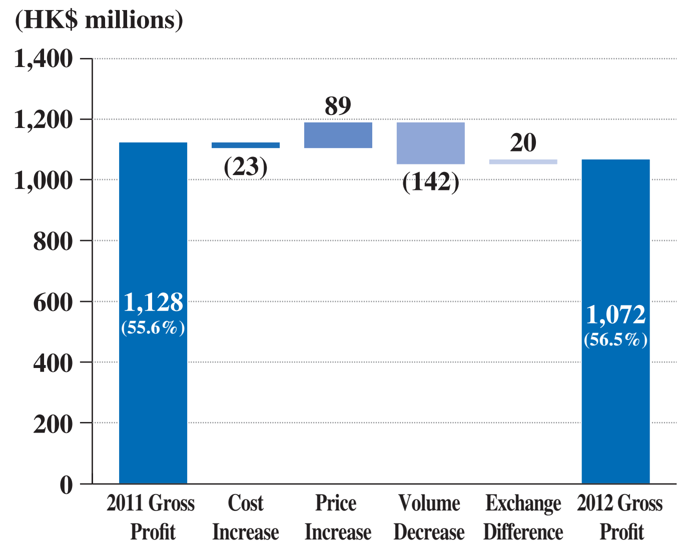
- In response to cost increases, the Group continued to pursue a strategy of improving brand and product differentiation. This has resulted in improved product mix which has enabled pricing to be increased to more than recover cost increases. Exciting products from cross-over marketing campaigns, refreshed "neon" lion polo designs and new linen ranges in South East Asia, have all helped to protect and improve margins. At the same time, the Group continues to extend its "fast marketing" campaigns which enhance brand image with some Mainland China markets starting to adopt this approach towards the end of the year. As the Group was executing this strategy, competitors have been discounting heavily across most markets. Whilst the Group has responded with some limited promotion activities, gross margin has been largely protected from erosion through strong pricing discipline and the Group's cultural aversion to chasing volume at the expense of gross margin.

- Overall the reductions in volume have been disappointing and reflect the tough market conditions that prevail, particularly in Mainland China and Taiwan. Nonetheless it is essential that the Group continues to develop and extend the policy of product and brand differentiation as we go into 2013.

Mainland China

- Gross profit in Mainland China decreased by 5% but gross margin increased by 0.9 percentage points. Gross profit in China is significantly impacted by the mix between self managed stores (higher gross margin) and franchisees (lower gross margin). Gross margin in self managed stores decreased by 0.6 percentage points. Gross margin from sales to franchisees increased by 1 percentage point. The gross margin of our franchisees themselves (which we measure through our point of sales system) increased by 1 percentage point.

Gross profit reconciliation – Mainland China



- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit decreased by 7%.

- In Mainland China excess inventory in the market place has resulted in high levels of price discounting by competitors. In our self managed stores, we have conducted specific targeted promotions but to a lesser degree than other apparel retailers. Our average sales price in self managed stores increased by only 2%, recovering cost increases but diluting gross margin. Volume declined by 3%.

- Our franchisees on the other hand implemented limited promotion activities and average selling prices increased by 9% but volumes declined by 19%. This relatively weak performance at our franchisees is the result of a number of factors:

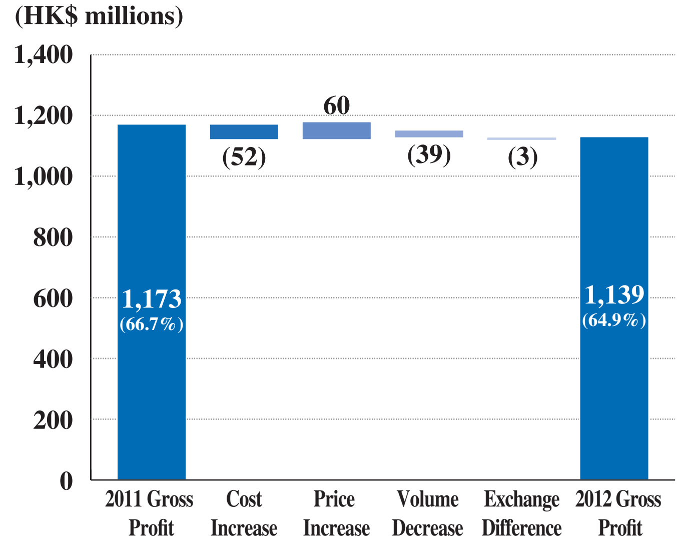
  - weak execution of targeted price promotions,
  - insufficient marketing and brand building,
  - a strong program of de-stocking driven by the Group which limited the amount of fresh merchandise in stores.

  Management teams will focus on improving our franchisees' operations in 2013.

Hong Kong and Taiwan

- Gross profit in Hong Kong and Taiwan decreased by 2.9% and gross margin by 1.8 percentage points.
- Excluding the effect of translating Taiwan dollars into Hong Kong dollars, gross profit decreased by 2.6%.
- Hong Kong gross profit margin declined by 0.7 percentage points with the impact of targeted price promotions offset by improved product mix.
- Taiwan gross profit margin declined by 3.5 percentage points as a result of limited price promotions in response to strong competitor discounting.

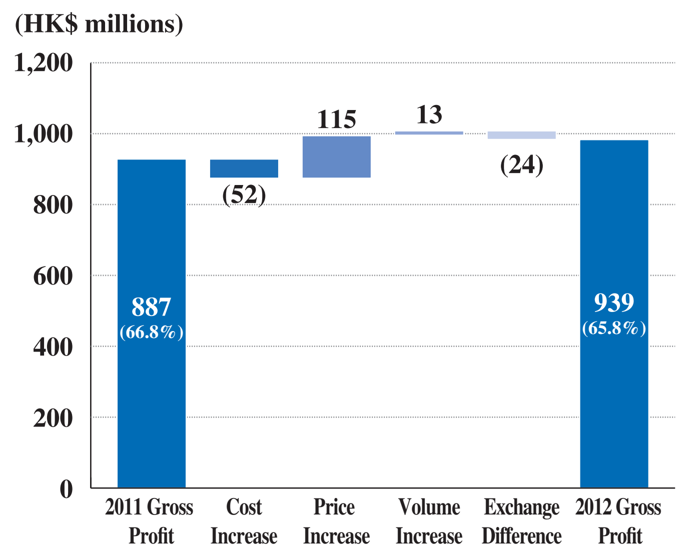
Gross profit reconciliation – Hong Kong and Taiwan



Rest of Asia Pacific

- Gross profit grew strongly by 5.9% in other Asia Pacific markets with a decrease in gross margin of 1 percentage point.
- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit increased by 8.6%.
- Gross margin decline was largely due to increases in merchandise costs with price increases generating only a 54.8% margin over costs increases.
- Gross profit increases were due largely to average selling price increases with volume only slightly increased from 2011.

Gross profit reconciliation – Rest of Asia Pacific



Wholesale sales to overseas franchisees & other segments

- Wholesale gross profit from overseas franchisees and joint ventures declined by HK$2 million.

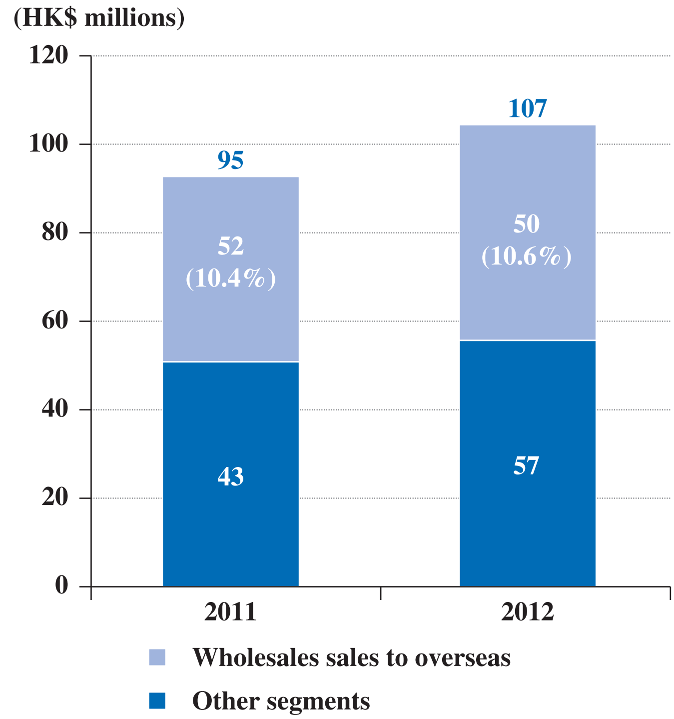
- HK$4 million of gross profit on sales to Middle East in November and December was re-classified as intercompany gross profit instead of sales to overseas franchisees and joint ventures and additional HK$2 million gross profit from 5% increase in sales to other wholesale markets apart from Middle East.

- Profit from other segments (mainly manufacturing, intercompany shipments and non-recurring inventory provisions in the prior year) increased by HK$21 million.

- The divestment of manufacturing in the first half of the year reduced gross profit from this segment by HK$15 million.

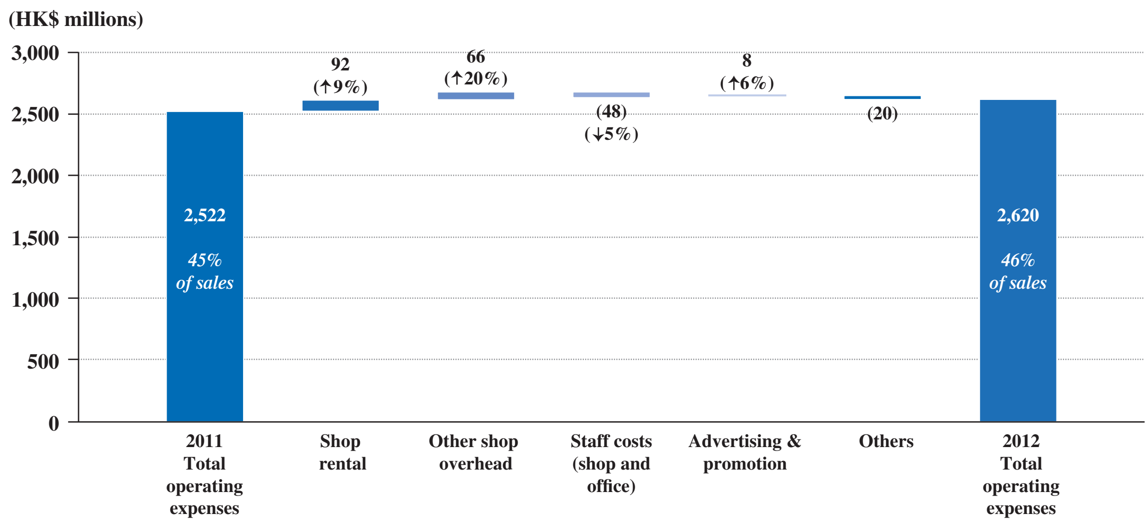
- An inventory provision of HK$21 million in 2011 was not repeated in 2012.

Gross profit (margin) – Wholesale sales to overseas franchisees & other segments



Operating Expenses

Total operating expenses reconciliation for 2012



- Overall, the Group's operating expenses increased by 4% to HK$2,620 million from HK$2,522 million in last year. Excluding the operating expenses of HK$47 million from consolidating Middle East operation, the Group's operating expenses only increased by 2%, reflecting underlying strong cost control.

- Rental costs as a proportion of sales increased from 18.1% to 19.5%. Total rent costs increased by 9%, mainly due to the increase in average shop area by 12% offset by decrease in rent per square foot of 3%.

- Increase in shop overhead costs was due to the increase in depreciation, delivery and warehouse charges and royalty expenses to Disney.

- Although labour rates continue to increase across all Group operations, management has acted to reduce headcount and improve efficiency resulting in a 7% reduction in staff costs (excluding additional staff costs from Middle East). The number of staff employed by Giordano globally, excluding the Middle East operation, has reduced from 7,700 to 7,400 during the year. In Mainland China, staff costs reduced by 7% and headcount by 500 or 13%.

- Total operating expenses as a proportion of sales increased from 45% to 46%. With flat sales and businesses operating in an inflationary environment, this represents strong cost control and process efficiency improvement.

Operating Profit before Other Income

- Overall, sales grew by 1% in the year and with a small incremental gross margin (0.2 percentage points) on last year, gross profit improved by 1%. Operating expenses increased by 4%, resulting in an Operating Profit before Other Income of HK$711 million, a decrease of HK$50 million from last year, or 7%.

Other Income

- Other income increased by HK$146 million or 99% from HK$148 million to HK$294 million.
- This increase is mainly due to the recognition of exceptional accounting gains from "deemed disposals" due to the step up of the Group's equity interests in the Middle East (HK$100 million gain) and the exchange of a 9.9% interest in Higrowth for a 6.46% share in Speedy Global Holdings Limited following a reorganization by that company (HK$14 million gain).
- Additionally the disposal of the Dongguan manufacturing facility for a net consideration of HK$151 million generated a pre-tax profit on disposal of HK$57 million.
- A VAT refund of HK$22 million was received in Taiwan in 2011 and did not recur in 2012.

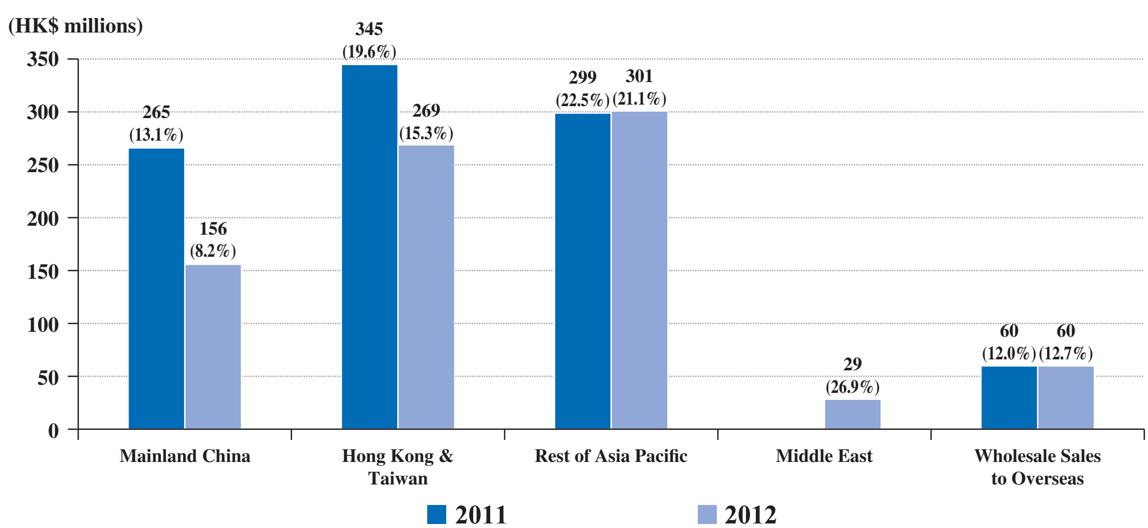
Operating Profit

- As a result of the above, the Group's 2012 operating profit increased by HK$96 million to HK$1,005 million from HK$909 million in 2011.

Operating Profit excluding Accounting Gains on Deemed Disposals

- Excluding accounting profits on "deemed disposals", operating profit decreased by HK$18 million to HK$891 million compared to HK$909 million in 2011. Operating margin excluding these accounting adjustments decreased by 0.5 percentage points from 16.2% to 15.7%.

Operating Profit by Market



The above exclude the corporate function and manufacturing income of HK$190 million (2011: Expense of HK$60 million).

Mainland China

- Operating profit in Mainland China decreased by HK$109 million to HK$156 million. This was a reduction of 41% compared to last year. Operating margin decreased by 4.9 percentage points compared to last year.

- Profit declined due to a 6% decline in sales and an increase in operating expenses by 7%. Efforts to mitigate the financial impact of this decline were extensive. As has been explained, gross profit margin increased slightly by 0.9 percentage points as a result of strong price discipline. Operating expenses in Mainland China increased by 7% as a result of increase in rent by 13% driven by store openings executed or committed to in 2011 (store closures in the second half of 2012 will help reduce rental expense increases in 2013).

- To mitigate these cost increases, a strong drive to improve productivity and rationalize headcount was implemented (starting back in 2011 and continuing throughout 2012). Headcount reduced across the business (reduced from 3,900 to 3,400 by 500 employees, a reduction of 13%) reflecting efficiency and improved productivity in shop and back office operations.

- During the year the Group changed its previous approach to store development in Mainland China, refocusing the store development program on quality of business over quantity. Our network of self managed stores reduced by 11, from 545 to 534. All new stores and lease renewals are subject to detailed review and scrutiny with a strong emphasis on the profitability of our store network. Efforts have been made to reduce the number of loss making stores and to establish profitable growth through expansion in department stores. This will continue in 2013.

Hong Kong and Taiwan

- Operating profit in Hong Kong and Taiwan decreased by HK$76 million to HK$269 million. This was a reduction of 22% compared to last year. Operating margin decreased by 4.3 percentage points compared to last year.

- This decline was primarily in Taiwan due to a combination of declining sales and prior year non-recurring profits. Taiwan operating profit declined by HK$80 million due to:

    - A non-recurring VAT refund income in 2011 of HK$22 million
    - An exchange gain on a loan repayment of HK$12 million in 2011
    - A reduction in sales by 4% as a result of macro-economic slowdown in Taiwan
    - A reduction in gross margin by 3.5 percentage points due to price promotions in response to intense competitor price cutting

- Hong Kong operations generated increased operating profit of HK$4 million on increased sales of HK$27 million, resulting in a slight decline in operating margin from 18.7% to 18.6%. Trading conditions in Hong Kong have been tough, but a combination of strong marketing and opening 11 new shops (after the closure of a major store in 2011), have contributed to an excellent performance by the team in Hong Kong.

- In Taiwan, despite the difficult trading conditions, we continued our steady growth opening 6 new shops in the year, increasing our number of outlets from 208 to 214. Strong cost control has been in place to mitigate the reduction of sales as affected by the weak economy and this will continue until retail demand in Taiwan recovers from its current depressed level.

Rest of Asia Pacific

- Operating profit in the Rest of Asia Pacific increased by HK$2 million to HK$301 million. Operating margin decreased by 1.4 percentage points compared to last year.

- The reduction in operating margin was due to the increase in operating expenses by 7% compared to an increase in gross profit by 6%. This increase was driven primarily by the following:

  - Labour costs in Indonesia and Thailand increased significantly (more than 20%)
  - Rental costs increased in Thailand and Malaysia in line with increases in outlets
  - South East Asian businesses are starting to invest more in advertising and marketing to promote brand image

- During the year, the number of shops in the Rest of Asia Pacific increased by 65 or 16% which drove the increase in operating costs.

Wholesale sales to overseas franchisees

- Operating profit from wholesale sales to overseas franchisees was flat. This is a combination effect of the reduction of Middle East gross profit of HK$4 million in November and December which has been re-classified as intercompany gross profit instead of sales to overseas franchisees offset by the increase in royalty income from increase in retail sales in Korea.

Middle East

(In HK$ millions)	**2012**	2011	Variance
Total sales[1]	**692**	642	8%
Comparable store sales[2] increase	**4%**	23%	(19pp)
Gross profit	**449**	411	9%
Gross profit margin	**64.9%**	64.0%	0.9pp
Net Profit	**168**	123	37%
Share of associate profit (% of equity holding: 20%)	**29**	25	16%
Consolidated profit after acquisition of increased interests[3]	**20**	–	N/A
Number of outlets[4]	**184**	184	–
Net change in outlets	**–**	22	

- Growth in our Middle East operation has been strong, with sales increasing by 8% or HK$50 million to HK$692 million.

- Saudi Arabia is the fastest growing market with 16% sales growth in the year.

- The UAE market was flat – this is a highly competitive market where we have a strong presence in all major shopping malls. Significant increases in capacity brought by expansion of the Dubai Mall, the World's Largest Mall, have benefited our operation in this mall but have caused a slowdown in traffic at other malls in the region.

- The UAE and Saudi operations became subsidiaries of the Group in November 2012. For the first ten months profit from these operations were classified as Profit from Associates (below Operating Profit). For the last two months of the year the entire profit of UAE and Saudi Arabia was classified as operating profit, and the minority share deducted as a "Non Controlling Interest" below Operating Profit.

[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 year.*

[3] *Consolidated profit represents the combined profit contributed from Giordano KSA and Giordano UAE after the acquisition in November 2012.*

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

Jointly Controlled Company – South Korea

(In HK$ millions)	**2012**	2011	Variance
Total sales[1]	**1,670**	1,563	7%
Comparable store sales[2] increase	**–**	9%	(9pp)
Gross profit	**955**	893	7%
Gross profit margin	**57.2%**	57.1%	0.1pp
Net Profit	**156**	148	5%
Share of JCE profit (% of equity holding: 48.5%)	**76**	71	7%
Number of outlets[3]	**253**	232	21
Net change in outlets	**21**	18	

- Excluding the effect of translating Korean Won into Hong Kong dollars, sales in Korea grew by 8%.

- Korea is a mature and highly competitive market. During the year we further developed our network, increasing our number of outlets by 21 to 253. Sales growth is driven by a number of factors: in this market much of the merchandise is locally designed and sourced. A new store layout "*Giordano Concepts*" which lifts the image of the brand is being rolled out and generates sales growth.

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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 year.*

[3] *At the end of the year.*

Review by Brand

	Sales		Operating profit/(loss)		Operating margin	
(In HK$ millions)	**2012**	Variance	**2012**	Variance	**2012**	Variance
Giordano & Giordano Junior	**4,481**	1%	**671**	(18%)	**15.0%**	(3.4pp)
BSX	**245**	1%	**18**	(31%)	**7.3%**	(3.4pp)
Giordano Ladies	**370**	6%	**63**	(6%)	**17.0%**	(2.3pp)
Concepts One	**39**	(20%)	**(6)**	(25%)	**(15.4%)**	(0.9pp)
Wholesale sales & other segments	**538**	–	**71**	–	**13.2%**	–
Corporate function	**–**	–	**17**[1]	–	**N/A**	–
Group Total	**5,673**	1%	**834**	(8%)	**14.7%**	(1.5pp)

- 86% (2011: 87%) of Group revenue is from sales of the functional brand. This remains the core focus of the Group and is at the heart of our growth strategy.

- *BSX* (outside Korea) is a youth fashion brand that expresses the values of courage and justice. Performance for the brand has been mixed in 2012, with strong performance in Hong Kong but difficulties encountered in volatile markets in Mainland China where the number of outlets reduced in the year by 27.

- *Giordano Ladies* is a strong niche brand for "office ladies", being a smart casual fashion brand that operates through high service boutique formats that attract a loyal and returning customer base. Sales grew steadily in 2012 by 6% from the previous year but operating profit was 6% down due to the decrease in gross margin by 1.9 percentage points and increase in rental, particularly in Hong Kong where rentals increased by 10%.

- *Concepts One* has been our premium menswear fashion brand and during the year merchandise design was re-configured using a new designer. Performance was weak in the year contributing net losses to the Group although this improved from losses of HK$8 million to HK$6 million in the year. 2013 will be a pivotal year for the future of this brand.

Number of outlets	**2012**	2011	Variance
Giordano & Giordano Junior	**2,015**	1,861	154
BSX	**100**	120	(20)
Giordano Ladies	**59**	53	6
Concepts One	**19**	26	(7)
Wholesale markets & Others	**455**	611	(156)
Group total	**2,648**	2,671	(23)

[1] *Excludes accounting gains on deemed disposals (HK$114 million) and gain on disposal of manufacturing business (HK$57 million).*

Income Tax

- The Group's 2012 income taxation expense was HK$221 million (2011: HK$225 million), resulting in an effective tax rate[1] of 19.9% (2011: 22.4%).
- Excluding the non-taxable accounting deemed gains on disposals and tax on the disposal for cash of the manufacturing operation in Dongguan, China, and adjusting for under-provision in prior years, the effective tax rate was 18.7% (2011: 18.4%).

Profit Attributable to Shareholders

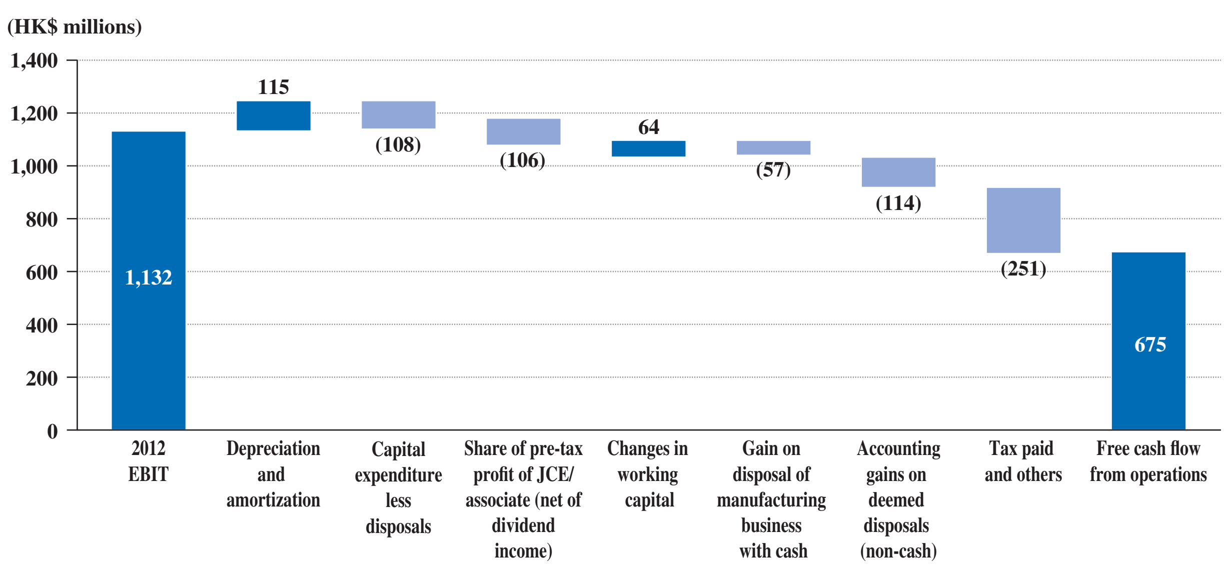
- 2012 profit attributable to shareholders increased by 13% or HK$98 million to HK$826 million from HK$728 million last year. Net profit margin increased by 1.6 percentage points from 13.0% to 14.6%. Basic and diluted earnings per share increased to 53.8 HK cents (2011: 48.2 HK cents) and 53.2 HK cents (2011: 47.6 HK cents), respectively.

Profit Attributable to Shareholders Excluding Accounting Gains on Deemed Disposals

- Excluding the accounting gains on deemed disposals which were effectively revaluations of existing assets, profit attributable to shareholders decreased by HK$16 million to HK$712 million, a decline of 2.2% from HK$728 million last year. Net profit margin decreased by 0.4 percentage points to 12.6%.
- Excluding the accounting gains on deemed disposals, basic and diluted earnings per share decreased to 46.4 HK cents (2011: 48.2 HK cents) and 45.8 HK cents (2011: 47.6 HK cents).

Free Cash Flow from Operations

EBIT and free cash flow from operations for 2012



Excluding accounting gains on deemed disposals, 70% of EBIT was converted in the year to free cash flow.

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[1] *Income tax expense divided by profit before taxation*

Simplified free cash flow analysis

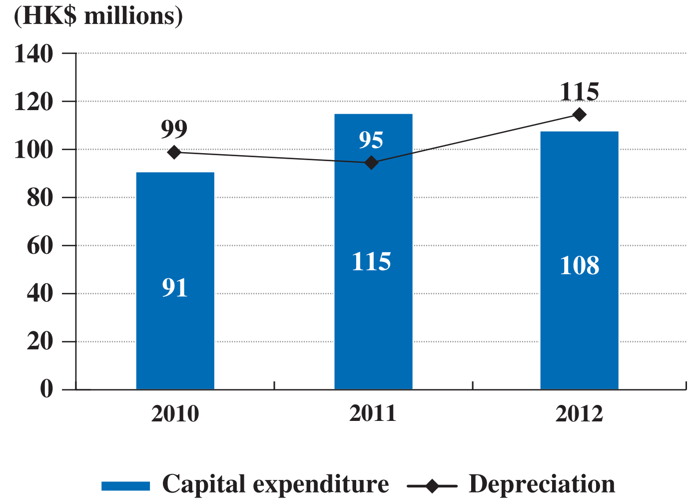
(In HK$ millions)	**2012**	2011	Variance
Profit before income tax	**1,109**	1,004	10%
Add: Share of tax of JCE/associate	**21**	22	(5%)
Add: Interest expense	**2**	2	–
Add: Depreciation and amortization	**115**	95	21%
EBITDA	**1,247**	1,123	11%
Disposal gain on manufacturing business/property	**(57)**	(9)	533%
Accounting gains on deemed disposals	**(114)**	–	(100%)
Share of pre-tax profit of JCE/associate	**(127)**	(119)	7%
Amortization of rental prepayments	**35**	39	(10%)
Changes in working capital	**64**	(175)	(137%)
Interest paid	**(2)**	(2)	–
Income tax paid	**(216)**	(153)	41%
Interest income, exchange and others	**(25)**	–	(100%)
Net cash inflow from operating activities	**805**	704	14%
Dividend income from JCE/associate	**21**	30	(30%)
Capital expenditure less proceeds from disposals	**(108)**	(102)	6%
(Increase)/reduction in rental deposits and rental prepayments	**(67)**	39	(272%)
Interest received	**24**	18	33%
Free cash flow from operations	**675**	689	(2%)

Capital expenditure

- Capital expenditure decreased in Mainland China and Singapore by HK$19 million due to reduced numbers of new stores; this was offset by store additions elsewhere, particularly in Hong Kong, Indonesia and Thailand for new shops, totalling HK$12 million more than last year.

- Depreciation increased by HK$20 million from last year. The increase is mainly from Hong Kong and Taiwan of HK$9 million from new shops, China of HK$10 million mainly for the shops opened in previous years and the additional depreciation from Middle East of HK$3 million.

Capital expenditure



Changes in Working Capital

Working Capital in the year increased by HK$64 million as follows:

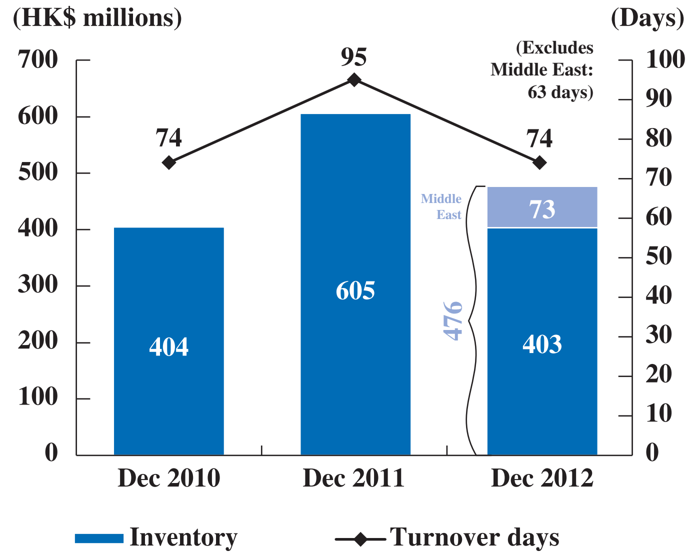
(In HK$ millions)	2011	Changes in Working Capital	Disposal of Manufacturing Business	Acquisition of Middle East	Completion Dividend – Middle East	Others	**2012**
Inventory	605	(183)	(26)	80	–	–	**476**
Trade and other receivables	558	(4)	(80)	94	72	–	**640**
Trade and other payables	(689)	123	83	(106)	(178)	28	**(739)**
	474	(64)	(23)	68	(106)	28	**377**

Inventory

- Group inventory in 2012 decreased by HK$129 million from HK$605 million to HK$476 million. Excluding the Middle East acquisition, inventory reduced by HK$202 million.

- Inventory turnover on costs[1] was 74 days, which management regards as appropriate. Excluding the Middle East operation which has relatively high inventory days, inventory turnover was 63 days. This is regarded as a prudent inventory level and reflects a cautionary approach to the general outlook particularly in Mainland China and Taiwan where market demand has been depressed.

Inventory



Total Giordano Inventory in the Supply Chain

(In HK$ millions)	**2012**	2011	Variance
Inventory balance held by the Group	**403**	605	(33%)
Inventory balance held by franchisees in Mainland China	**133**	211	(37%)
Inventory balance held by suppliers (not yet shipped)	**33**	46	(28%)
Total Giordano Inventory	**569**	862	(34%)

- The Group manages inventory levels on an integrated, comprehensive basis. We directly manage and control inventory we own and is on our balance sheet. We also monitor merchandise that is held as finished goods by our suppliers, which we do not own, and merchandise that we have sold to our franchisees in Mainland China which we also do not own. The entire chain is managed to ensure that there are neither stockouts nor build up of excessive inventory.

- During 2012 this merchandise reduced by 34% reflecting strong discipline over inventory. This puts us in a strong position to introduce fresh merchandise into the market place, particularly as demand starts to strengthen in Mainland China in 2013.

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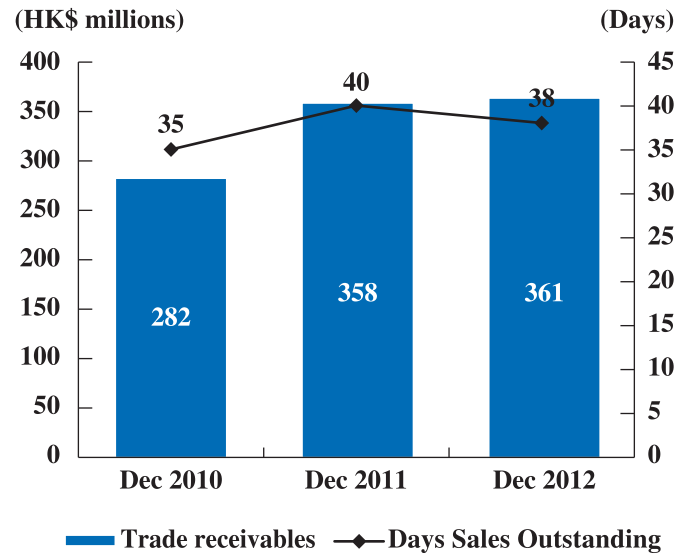
[1] *Inventory held at the year end divided by cost of sales and multiplied by number of days in the year.*

Trade receivables

- Trade receivables increased in 2012 by HK$3 million to HK$361 million.

- The Group is expanding its business in department stores, particularly in Mainland China. Credit sales will continue to grow and thereby necessitate effective management of bad debt risk.

Trade receivables



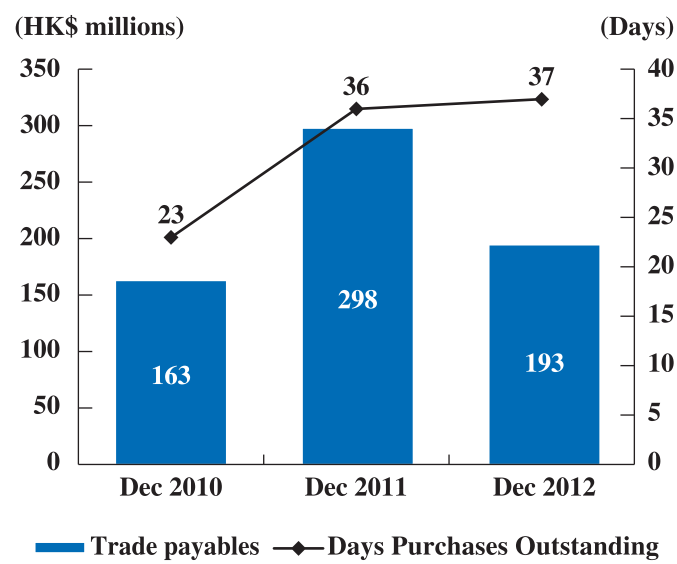
Trade payables

- Trade payables decreased by HK$105 million to HK$193 million.

- The sharp decrease mainly reflects the reversal of high payables at December 2011, following high shipments in that month for the early Chinese New Year in January 2012. These balances were settled early in the year.

- The Company continues to offer agreeable trade terms that support the liquidity of our suppliers and strengthen our partnership and cooperation.

Trade payables



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

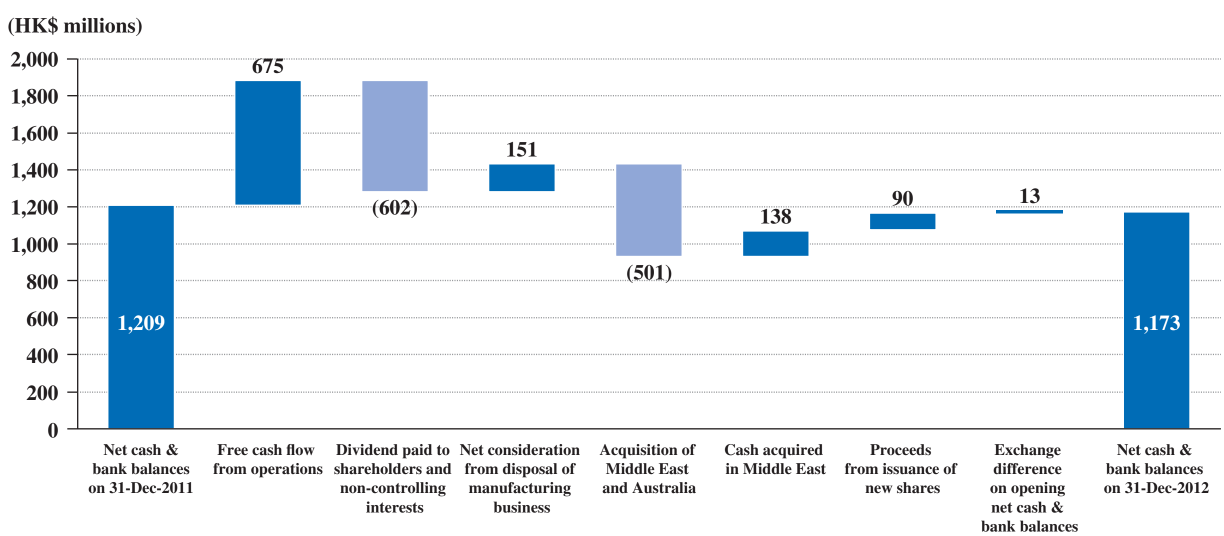
This represents the difference between the portion of profit due to the Group from Jointly Controlled and Associated Companies and the dividends paid to the Group in the year:

	South Korea			Middle East			Total		
(In HK$ millions)	**2012**	2011	Variance	**2012**	2011	Variance	**2012**	2011	Variance
Share of pre-tax profit	**98**	94	4%	**29**	25	16%	**127**	119	7%
Dividend received[1]	**–**	(17)	(100%)	**(21)**	(13)	62%	**(21)**	(30)	(30%)
	98	77	27%	**8**	12	(33%)	**106**	89	19%

- At December 31, 2012, the Korean joint venture held cash balances of HK$546 million. Giordano's (48.5%) share of HK$265 million is not consolidated in our balance sheet.
- The Group is currently engaged in discussion with our joint venture partners on the future investment/distribution of such cash funds. During 2012 no dividends were paid out by the Korean joint venture.

Net cash position of the Group

Change in net cash and bank balances for 2012



- The Group decreased its net cash and bank balances by HK$36 million to HK$1,173 million as at December 31, 2012 (December 31, 2011: HK$1,209 million).
- HK$675 million free cash flow were generated from operations.

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

- Dividend paid during the year comprised the following:

(In HK$ millions)	**2012**
2011 Final dividend (which brought the full year dividend to 79% of the Group's full year profit)	354
2012 Interim dividend (65% of 2011 Group's interim profit)	231
Dividend paid to non-controlling interests of subsidiary in Indonesia	17
Dividend paid to shareholders and non-controlling interests	**602**

- Disposal of the manufacturing business generated net cash of HK$151 million to the Group, being HK$166 million cash consideration received less HK$15 million cash disposed.

- Acquisition of Middle East and the increase of equity share in our Australia subsidiary used a total of HK$501 million:

Acquisition consideration	*HK$ millions*
Consideration for Giordano UAE and Saudi Arabia	508
Less: Consideration payable for Giordano UAE and Saudi Arabia	(9)
Additional 6.8% interests in Giordano Australia	2
Net cash used for acquisitions of Middle East and Australia	**501**

- Cash acquired in Middle East was HK$138 million but most of this was required to settle the "completion dividend" owing to the partners of cash on hand at the transaction date (October 31, 2012) which had been agreed to be distributed on the basis of the pre-transaction shareholding. Details are as follows:

Acquired Cash in Middle East	*HK$ millions*
Cash balance in Middle East	138
Completion dividend due to Middle East partners	(106)
Net cash acquired	**32**

- HK$90 million was raised from the exercise of employee share options during the year.

- Outstanding bank loans increased by HK$276 million to HK$339 million (December 31, 2011: HK$63 million). During the year, the Group drew down an additional US$ bank loan of HK$299 million to finance the acquisition of the Middle East operations. This loan is secured by pledged RMB bank deposits of HK$303 million.

- Cash and bank balances were HK$1,512 million (December 31, 2011: HK$1,272 million) of which HK$640 million were fixed term deposits with maturity over three months but less than 12 months from the date of deposit.

Analysis of net cash and bank balances

(In HK$ millions)		
Cash and bank balances	**872**	
Time deposits	**337**	
Cash available for use		**1,209**
RMB pledged deposits	**303**	
USD loans	**(299)**	
Fund mechanism for Middle East Acquisition		**4**
Other bank borrowings		**(40)**
Net cash and bank balances		**1,173**

- The Group is constantly looking at opportunities for growth, organic through partnerships with other businesses which demonstrate strong fit or through acquisitions. Our experience, prudence and record of profitability place us in an excellent position to engage in, as well as finance any such growth initiatives deemed appropriate.

OUTLOOK AND STRATEGY

Management will continue to focus on the following key objectives for 2013:

1. Mainland China expansion

- 2013 starts with the Group enjoying healthy inventory levels, low operating costs and declining product costs. Following a difficult third and fourth quarter, market demand is uncertain and management will exercise caution regarding merchandise purchase commitments in the early part of the year.
- The Group will continue developing its six command centres in China: Beijing, Shanghai, Guangzhou, Wuhan, Shenzhen and E-Shop. Considerable effort is ongoing to develop a skilled and talented young high potential management cadre across Mainland China operations by drawing upon the human resources of the Group and other businesses (Hong Kong and Taiwan) where appropriate.
- The development of our franchisee network was disappointing in 2012 and this will be a key area for improvement in 2013, focusing on supporting those partners who will help the Company grow sales rapidly and profitably.
- The Company will continue to develop its brand position through a number of initiatives:
  - Extension of “fast marketing” programs into more areas of Mainland China;
  - Investment in store ambience and upgrading of store image;
  - Development of a woman’s line for department stores; and
  - Increased local input into merchandise development and selection.
- During 2012, there was a clear focus on developing the quality of the store portfolio. This philosophy of quality over quantity will continue in 2013. At the same time, we will look to identify growth opportunities in more third and fourth tier cities and grow our partnerships with department stores.
- We will continue to develop our e-partnerships with virtual shopping malls in China and improve targeted product selection as well as on-line marketing. Performance in 2012 was satisfactory but we will look to accelerate growth going forward in 2013.
- We will continue investing in appropriate programs that build our brand and our people. At the same time, we will consolidate the benefits of cost reduction work done in 2012 and continue to seek opportunities to perform business processes faster and cheaper.

2. Renew and Refresh Merchandise

- During 2013, we expect to roll out key new programs with more "in trend" designs for our functional apparel. One example is the fabric blocking shirts that were introduced in the 2012/2013 Fall/Winter collection.
- During 2013, we will roll out an exciting and stylish new children's line which will sharply differentiate our merchandise as stylish functional apparel.
- Efforts will be made to extend the integration of the new localized teams in our China command centres and the Dongguan Design Centre. The focus and challenge will be on adapting product design and selection to local tastes while maintaining overall brand integrity.

3. Maintain gross and operating margins

- To maintain our attractive margins, we will continue to leverage our long term supplier relationships to secure merchandise price reductions in line with falling material commodity prices. Although in some developing markets we anticipate heavy price competition as new entrants to the market challenge our position, we expect our gross margins in 2013 to increase in line with our efforts to strengthen the brand position globally.
- We will continue to manage our operating expenses prudently and react quickly to control costs.
- During 2012, the Group demonstrated its determination to minimize inventory balances and maintain pricing discipline. This will continue to be a key focus for the Group.

4. Portfolio Development

- Following the disposal of the Group's last manufacturing operation and the acquisition of a controlling interest in the Middle East, the Group will continue its efforts to develop Giordano as a global retailer of stylish, value for money functional apparel.

HUMAN RESOURCES

On December 31, 2012, the Group had approximately 8,100 employees, of which, 723 employees were from the Middle East acquisition. The number of staff employed by Giordano globally, excluding the Middle East operation, has reduced from 7,700 to 7,400 during the year. In Mainland China, headcount reduced by 500 or 13%. 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.

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

Summary by market *(In HK$ millions)*	**Total sales[1]** 2012	2011	Variance	**Comparable store sales[2]** 2012	2011
Mainland China	**1,898**	2,029	(6%)	**(6%)**	6%
Hong Kong	**1,024**	997	3%	**11%**	23%
Taiwan	**732**	762	(4%)	**(9%)**	12%
Singapore	**398**	408	(2%)	**(5%)**	1%
Indonesia	**380**	323	18%	**18%**	16%
Malaysia	**234**	214	9%	**3%**	7%
Thailand	**199**	168	18%	**9%**	13%
Australia	**189**	192	(2%)	**(2%)**	7%
India	**27**	23	17%	**(3%)**	22%
Middle East	**108**	–	N/A	**4%**	23%
Retail & Distribution total	**5,189**	5,116	1%	**(1%)**	10%
Wholesale sales to overseas franchisees & others	**484**	498	(3%)		
Group total	**5,673**	5,614	1%		

Number of outlets as at	**Dec 2012**	Dec 2011
Mainland China	**1,243**	1,372
Hong Kong	**84**	73
Taiwan	**214**	208
Singapore	**54**	56
Indonesia	**143**	119
Malaysia	**84**	78
Thailand	**117**	99
Australia	**32**	35
India	**52**	30
Middle East	**184**	184
South Korea	**253**	232
Other Markets	**188**	185
Group total	**2,648**	2,671

[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 year.*

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, the amount of which may vary depending on cash on hand, future investment requirements and working capital considerations.

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 25.0 HK cents per share (2011: 23.0 HK cents per share) for the year ending December 31, 2012. Together with the interim dividend of 15.0 HK cents per share (2011: 15.0 HK cents per share) paid on September 28, 2012, total 2012 dividend would amount to 40.0 HK cents per share (2011: 38.0 HK cents per share), representing a payout of 74.3% of 2012 per share earnings (2011: 78.8%) or 86.7% of profit attributable to shareholders before non-cash profit on deemed disposals. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on or about Friday, June 28, 2013 to shareholders whose names appear on the register of members of the Company on Friday, June 21, 2013.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Friday, June 14, 2013. 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 Thursday, March 28, 2013.

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 who are entitled to attend and vote at the 2013 Annual General Meeting to be held on Friday, June 14, 2013 ("2013 AGM"), the Register of Members of the Company will be closed from Monday, June 10, 2013 to Friday, June 14, 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2013 AGM, 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 7, 2013.

(b) For the purpose of determining shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Thursday, June 20, 2013 to Friday, June 21, 2013, 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 Wednesday, June 19, 2013.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Former Code") during the period from January 1, 2012 to March 31, 2012 and the new Corporate Governance Code (the "New Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period from April 1, 2012 to December 31, 2012, 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 Chief Executive 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 2012 Annual Report.

REVIEW OF FINANCIAL STATEMENTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The Group's audited consolidated financial statements for the year ended December 31, 2012 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, 2012 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, February 28, 2013

As at the date of this announcement, the Directors of the Company are:
Executive Directors: Dr. LAU Kwok Kuen, Peter and Mr. Ishwar Bhagwandas CHUGANI;
Non-executive Directors: Mr. CHENG Chi Kong, Adrian and Mr. CHAN Sai Cheong; and
Independent Non-executive Directors: Dr. Barry John BUTTIFANT, Mr. KWONG Ki Chi and Dr. LEE Peng Fei, Allen and Professor LEUNG Kwok.