GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2013

UNAUDITED INTERIM RESULTS

- *Profit Attributable to Shareholders ("PATS") increased by 10% compared to last year excluding non-recurring disposal gains in 2012. Reported PATS of HK$340 million decreased by 3% during the period (2012: HK$352 million).*

- *An interim dividend of 16.0 HK cents per share (15.0 HK cents in 2012) was declared by the Board, a 7% increase over the interim dividend paid last year. At 73% of the interim basic earnings per share, this reflects the underlying increase in the Group's profitability.*

- *During 2012, we acquired a controlling interest in the Company's Middle East franchise operations. In the first half of 2013, this acquisition added HK$35 million to PATS.*

- *Net Sales, which now consolidates sales from Middle East entities, increased by 5%. Global brand sales (sales to end customers through own stores and franchise stores) decreased by 2%. This decline is mainly due to the Group's current approach to close underperforming stores and end subsidies to poorly performing franchise operations in order to protect profitability.*

- *Despite declining brand sales, strong pricing and cost discipline have protected profitability, particularly in Mainland China where profits were broadly in line with last year.*

- *Inventory at HK$518 million was HK$143 million higher than last year, HK$100 million of which is due to consolidation of Middle East inventory following the acquisition. Comparable inventory on hand increased by HK$43 million but this is offset by inventory held at suppliers which declined by HK$40 million. The inventory level overall is healthy and comprises a higher proportion of current season items than last year. The increase in inventory impacted free cash flow from operations which at HK$237 million (HK$353 million in 2012), a decrease of 33% from the first half of 2012.*

The board of directors (the "Board") of Giordano International Limited (the "Company") is pleased to announce that the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended June 30, 2013 along with comparative figures for the corresponding period and selected explanatory notes are as follows:

Condensed Consolidated Income Statement

		Six months ended June 30	
		2013	2012
(In HK$ millions, except earnings per share)	*Note*	**(Unaudited)**	(Unaudited)
Sales	*2*	**2,841**	2,698
Cost of sales		**(1,076)**	(1,132)
Gross profit		**1,765**	1,566
Other income and other gains		**53**	125
Distribution, administrative and other operating expenses		**(1,392)**	(1,241)
Operating profit	*2,3*	**426**	450
Finance expense	*4*	**(2)**	–
Share of profit of jointly controlled companies		**34**	29
Share of profit of an associate		**1**	17
Profit before taxation		**459**	496
Taxation	*5*	**(83)**	(120)
Profit for the period		**376**	376
Profit attributable to:			
Shareholders of the Company		**340**	352
Non-controlling interests		**36**	24
		376	376
Earnings per share for profit attributable to shareholders of the Company	*6*		
Basic *(HK cents)*		**21.9**	23.0
Diluted *(HK cents)*		**21.6**	22.7
Dividends	*7(a)*	**249**	231

Condensed Consolidated Statement of Comprehensive Income

(In HK$ millions)	*Note*	**Six months ended June 30** **2013** **(Unaudited)**	2012 (Unaudited)
Profit for the period		**376**	376
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value change on available-for-sale financial asset		**(11)**	6
Realization of reserve upon disposal of manufacturing business	*3*	**–**	(1)
Realization of reserve upon disposal of an available-for-sale financial asset		**–**	(14)
Exchange adjustment on translation of overseas subsidiaries, associate, jointly controlled entities and branches		**(31)**	(13)
Total comprehensive income for the period		**334**	354
Total comprehensive income attributable to:			
Shareholders of the Company		**289**	333
Non-controlling interests		**45**	21
		334	354

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**June 30 2013 (Unaudited)**	December 31 2012 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**258**	267
Goodwill		**536**	536
Interest in jointly controlled companies		**532**	532
Interest in an associate		**6**	5
Available-for-sale financial asset		**13**	24
Financial assets at fair value through profit or loss		**28**	28
Leasehold land and rental prepayments		**277**	263
Rental deposits		**174**	118
Deferred tax assets		**46**	48
		1,870	1,821
Current assets			
Inventories		**518**	476
Leasehold land and rental prepayments		**32**	37
Trade and other receivables	*8*	**589**	756
Cash and bank balances		**1,320**	1,512
		2,459	2,781
Total assets		**4,329**	4,602
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**78**	77
Reserves		**2,627**	2,522
Proposed dividends	*7*	**249**	386
Equity attributable to shareholders of the Company		**2,954**	2,985
Non-controlling interests		**165**	156
Total equity		**3,119**	3,141
Non-current liabilities			
Other long-term liabilities		**102**	102
Deferred tax liabilities		**121**	121
		223	223
Current liabilities			
Trade and other payables	*9*	**517**	748
Bank loans		**334**	339
Taxation		**136**	151
		987	1,238
Total liabilities		**1,210**	1,461
Total equity and liabilities		**4,329**	4,602
Net current assets		**1,472**	1,543
Total assets less current liabilities		**3,342**	3,364

Notes:

1. Principal Accounting Policies

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements are presented in million of units of Hong Kong dollars, unless otherwise stated. These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 13, 2013.

These unaudited condensed interim financial statements should be read in conjunction with the 2012 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2012 except for the following new standards, amendments and interpretations that are relevant to the Group's business and are effective on or after January 1, 2013:

HKAS 1 (Amendment)	Presentation of financial statements (effective for annual periods beginning on or after July 1, 2012)
HKAS 19 (Revised)	Employee benefits (effective for annual periods beginning on or after January 1, 2013)
HKAS 27 (Revised)	Separate financial statements (effective for annual periods beginning on or after January 1, 2013)
HKFRS 10	Consolidated financial statements (effective for annual periods beginning on or after January 1, 2013)
HKFRS 11	Joint arrangements (effective for annual periods beginning on or after January 1, 2013)
HKFRS 12	Disclosure of interests in other entities (effective for annual periods beginning on or after January 1, 2013)
HKFRS 13	Fair value measurement (effective for annual periods beginning on or after January 1, 2013)

Except for HKAS19 (Revised), the adoption of the above new/revised standards and amendment to existing standard does not have material impact to the Group's consolidated financial statements.

HKAS 19 (Revised) "Employee benefits" (effective from January 1, 2013) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

The revised standard eliminates the corridor approach and requires financial costs to be calculated on a net funding basis for a defined benefit plan. It also requires actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions to be recognized immediately in other comprehensive income and past service costs immediately in the income statement.

The revised standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate. This continues to reflect the yield on high-quality corporate bonds. This has no impact to the income statement and total comprehensive income as the discount rate applied to assets is equal to the expected return on assets.

The effects of changes to the accounting policy on the adoption of HKAS 19 (Revised) are set out below:

On the consolidated balance sheets:

	As at June 30 2013 *(HK$ millions)*	As at December 31 2012 *(HK$ millions)*	As at January 1 2012 *(HK$ millions)*
Decrease in retained earnings	**12**	12	12
Decrease in post employment benefits			
– Decrease in other receivables	**3**	3	3
– Increase in other payables	**9**	9	9
Decrease in net assets	**12**	12	12

There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

The effect of the change in accounting policy on the income statement, statement of comprehensive income, cash flow statement and earnings per share for the six months ended June 30, 2013 and 2012 was immaterial.

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 a geographic perspective, the Retail and Distribution segment comprised of 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* and Others.

Segment profit represents the profit earned by each segment before exceptional gains, 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 by geographical location is as follows:

	Six months ended June 30			
	2013		2012	
(In HK$ millions)	**Sales**	**Operating profit**	Sales	Operating profit
Mainland China	**854**	**75**	918	78
Hong Kong and Taiwan	**840**	**110**	859	127
Rest of Asia Pacific	**709**	**137**	656	129
Middle East	**297**	**58**	–	–
Total Retail and Distribution	**2,700**	**380**	2,433	334
Wholesales sales to overseas franchisees & other segments	**141**	**16**	265	34
Segment sales/operating profit	**2,841**	**396**	2,698	368
Corporate function		**30**		11
Net gain on disposal of manufacturing business and its complex		**–**		57
Net gain on disposal of an available-for-sale financial asset		**–**		14
Finance expense		**(2)**		–
Share of profit of jointly controlled companies		**34**		29
Share of profit of an associate		**1**		17
Profit before taxation		**459**		496

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

	Six months ended June 30			
	2013		2012	
(In HK$ millions)	**Sales**	**Operating profit**	Sales	Operating profit
By brand:				
Giordano & Giordano Junior	**2,380**	**336**	2,108	292
Giordano Ladies	**180**	**26**	180	24
BSX	**107**	**13**	121	14
Others	**33**	**5**	24	4
Total Retail and Distribution	**2,700**	**380**	2,433	334

The entity is domiciled in Hong Kong. The revenue from external customers in Hong Kong is HK$641 million (2012: HK$744 million), Mainland China is HK$854 million (2012: HK$929 million) and the total revenue from external customers from other countries is HK$1,346 million (2012: HK$1,025 million).

Inter-segment sales of HK$572 million (2012: HK$344 million) has been eliminated upon consolidation.

3. Operating profit

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

(In HK$ millions)	Six months ended June 30 **2013**	2012
Amortization of leasehold land prepayments	**(4)**	(5)
Depreciation of property, plant and equipment	**(61)**	(49)
Depreciation of investment property	**–**	(1)
Net loss on disposal of property, plant and equipment	**–**	(1)
Net gain on disposal of manufacturing business and its complex *(Note)*	**–**	57
Gain on disposal of an available-for-sale financial asset	**–**	14
Provision for obsolete inventory and inventory write-off	**2**	9
Net exchange gains	**13**	1

Note:

On May 31, 2012, the Group disposed its manufacturing business together with its manufacturing complex in Dongguan, the PRC and recorded a gain on disposal of HK$57 million.

4. Finance expense

(In HK$ millions)	Six months ended June 30 **2013**	2012
Interest on bank loans	**2**	–

5. Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the six months ended June 30, 2013. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

(In HK$ millions)	Six months ended June 30 **2013**	2012
Income tax		
Current income tax		
– Hong Kong profits tax	**14**	15
– Outside Hong Kong	**63**	76
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**4**	23
Over provision in prior periods		
– Hong Kong profits tax	**(5)**	–
	76	114
Deferred tax		
Relating to the origination and reversal of temporary differences	**7**	6
Taxation charge	**83**	120

This charge excludes the share of associate and jointly controlled companies' taxation for the six months ended June 30, 2013 of HK$9 million (2012: HK$9 million). The share of the income tax expenses of associate and jointly controlled companies is netted off with the share of profits of associate and jointly controlled companies in the condensed consolidated income statement.

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders of the Company for the period of HK$340 million (2012: HK$352 million).

The basic earnings per share is based on the weighted average of 1,550,469,203 shares (2012: 1,528,984,122 shares) in issue during the six months ended June 30, 2013.

The diluted earnings per share is based on 1,550,469,203 shares (2012: 1,528,984,122 shares) which is the weighted average number of shares in issue during the six months ended June 30, 2013 plus the weighted average of 23,238,063 shares (2012: 21,094,289 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. Dividends

(a) Interim dividends attributable to the period:

	Six months ended June 30	
(In HK$ millions)	**2013**	2012
Interim dividend declared after balance sheet date of 16.0 HK cents (2012: 15.0 HK cents) per share	**249**	231

At the board meeting held on August 13, 2013, the directors declared interim dividend of 16.0 HK cents per share. These proposed dividends have not been recognized as a liability at the balance sheet date.

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

	Six months ended June 30	
(In HK$ millions)	**2013**	2012
2012 final dividend approved and paid of 25.0 HK cents (2011: 23.0 HK cents) per share	**390**	354

8. Trade and other receivables

(In HK$ millions)	**June 30 2013**	(Restated) December 31 2012
Trade receivables	**328**	375
Less: Provision for impairment	**(18)**	(14)
Trade receivables, net	**310**	361
Other receivables, including deposits and prepayments	**279**	395
	589	756

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)	**June 30 2013**	December 31 2012
0 – 30 days	**183**	245
31 – 60 days	**76**	79
61 – 90 days	**26**	19
Over 90 days	**25**	18
	310	361

9. Trade and other payables

(In HK$ millions)	**June 30 2013**	(Restated) December 31 2012
Trade payables	**178**	193
Other payables and accrued expenses	**339**	555
	517	748

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**June 30 2013**	December 31 2012
0 – 30 days	**147**	134
31 – 60 days	**16**	29
61 – 90 days	**–**	10
Over 90 days	**15**	20
	178	193

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights of First Half 2013

- *Profit Attributable to Shareholders ("PATS") increased by 10% compared to last year excluding non-recurring disposal gains in 2012. Reported PATS of HK$340 million decreased by 3% during the period (2012: HK$352 million).*

- *An interim dividend of 16.0 HK cents per share (15.0 HK cents in 2012) was declared by the Board, a 7% increase over the interim dividend paid last year. At 73% of the interim basic earnings per share, this reflects the underlying increase in the Group's profitability.*

- *During 2012, we acquired a controlling interest in the Company's Middle East franchise operations. In the first half of 2013, this acquisition added HK$35 million to PATS.*

- *Net Sales, which now consolidates sales from Middle East entities, increased by 5%. Global brand sales (sales to end customers through own stores and franchise stores) decreased by 2%. This decline is mainly due to the Group's current approach to close underperforming stores and end subsidies to poorly performing franchise operations in order to protect profitability.*

- *Despite declining brand sales, strong pricing and cost discipline have protected profitability, particularly in Mainland China where profits were broadly in line with last year.*

- *Sales decreased by 7% in Mainland China as the Group focuses on repositioning the brand in these markets. Nevertheless, strong control of pricing and costs resulted in EBIT in Mainland China declining by only 4%, or HK$3 million; EBIT margin increased slightly from 8.5% to 8.8%. EBIT in Mainland China now represents 18% of the Group's EBIT.*

- *Sales continue to grow strongly in emerging markets in Thailand, Malaysia and Indonesia. Despite increasing costs with rising wages and rentals, EBIT in South East Asia increased by 6% or HK$8 million. These are key markets for us where the brand is well positioned and our operations are strong. EBIT in South East Asia now represents 32% of the Group's EBIT.*

- *EBIT in Hong Kong declined by 14% or HK$12 million mainly due to strong double digit rent increases in the market and other cost pressures. Hong Kong is expecting to roll out a number of strong marketing programs in the second half of the year to strengthen profitability.*

- *Inventory at HK$518 million was HK$143 million higher than last year, HK$100 million of which is due to consolidation of Middle East inventory following the acquisition. Comparable inventory on hand increased by HK$43 million but this is offset by inventory held at suppliers which declined by HK$40 million. The inventory level overall is healthy and comprises a higher proportion of current season items than last year. The increase in inventory impacted free cash flow from operations which at HK$237 million (HK$353 million in 2012), a decrease of 33% from the first half of 2012.*

Overview of First Half 2013 Performance

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Sales	**2,841**	2,698	**5%**
Gross profit	**1,765**	1,566	**13%**
Gross margin	**62.1%**	58.0%	**4.1pp**
Operating expenses	**(1,392)**	(1,241)	**12%**
Operating profit (as reported)	**426**	450	**(5%)**
Operating margin (as reported)	**15.0%**	16.7%	**(1.7pp)**
Operating profit (excluding exceptional disposal gains)	**426**	379	**12%**
Operating margin (excluding exceptional disposal gains)	**15.0%**	14.0%	**1.0pp**
EBITDA	**535**	560	**(4%)**
EBITDA (excluding exceptional disposal gains)	**535**	489	**9%**
Net profit	**340**	352	**(3%)**
Net profit margin	**12.0%**	13.0%	**(1.0pp)**
Net profit (excluding exceptional disposal gains)	**340**	309	**10%**
Net profit margin (excluding exceptional disposal gains)	**12.0%**	11.5%	**0.5pp**
Net profit (excluding new acquisition of Middle East and exceptional disposal gains)	**305**	309	**(1%)**
Net profit margin (excluding new acquisition of Middle East and exceptional disposal gains)	**10.7%**	11.5%	**(0.8pp)**
Free cash flow from operations	**237**	353	**(33%)**
Net cash and bank balances[1]	**986**	1,408	**(30%)**
Inventory balances[1] (as reported)	**518**	375	**38%**
Inventory balances (excluding Giordano Middle East)	**418**	375	**11%**
Inventory days on costs[2] (as reported)	**87**	60	**27**
Comparable inventory days on costs[3] (excluding Giordano Middle East)	**70**	60	**10**

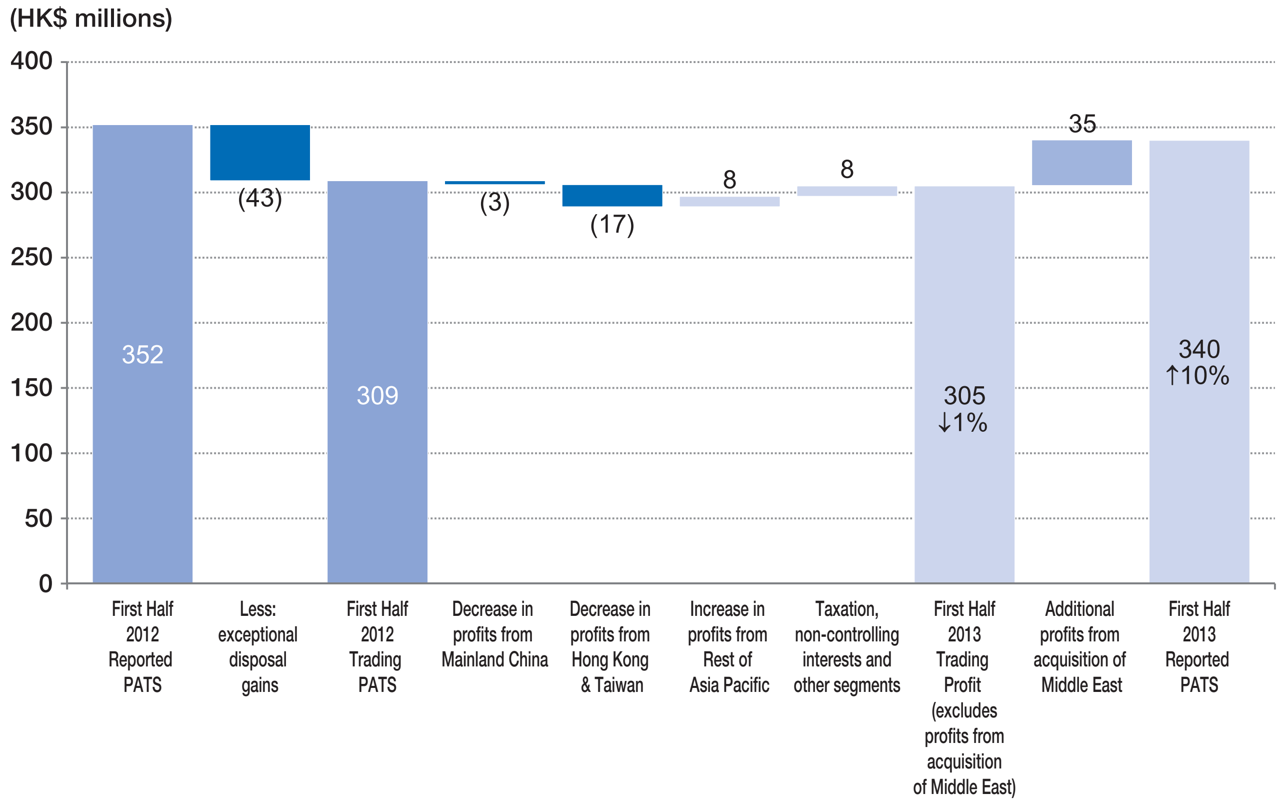
1 *At the end of the period.*

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

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

Profit Attributable to Shareholders ("PATS")

During the period, PATS decreased by 3% to HK$340 million from HK$352 million last year. Excluding exceptional disposal gains, PATS increased by 10%.



Sales

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Total Sales[1]	**2,841**	2,698	**5%**
Global brand sales[2]	**3,674**	3,756	**(2%)**
Comparable store sales[3]	**(2%)**	Flat	**(2pp)**
Number of outlets[4]	**2,622**	2,723	**(101)**
Net change in outlets during the period	**(26)**	52	

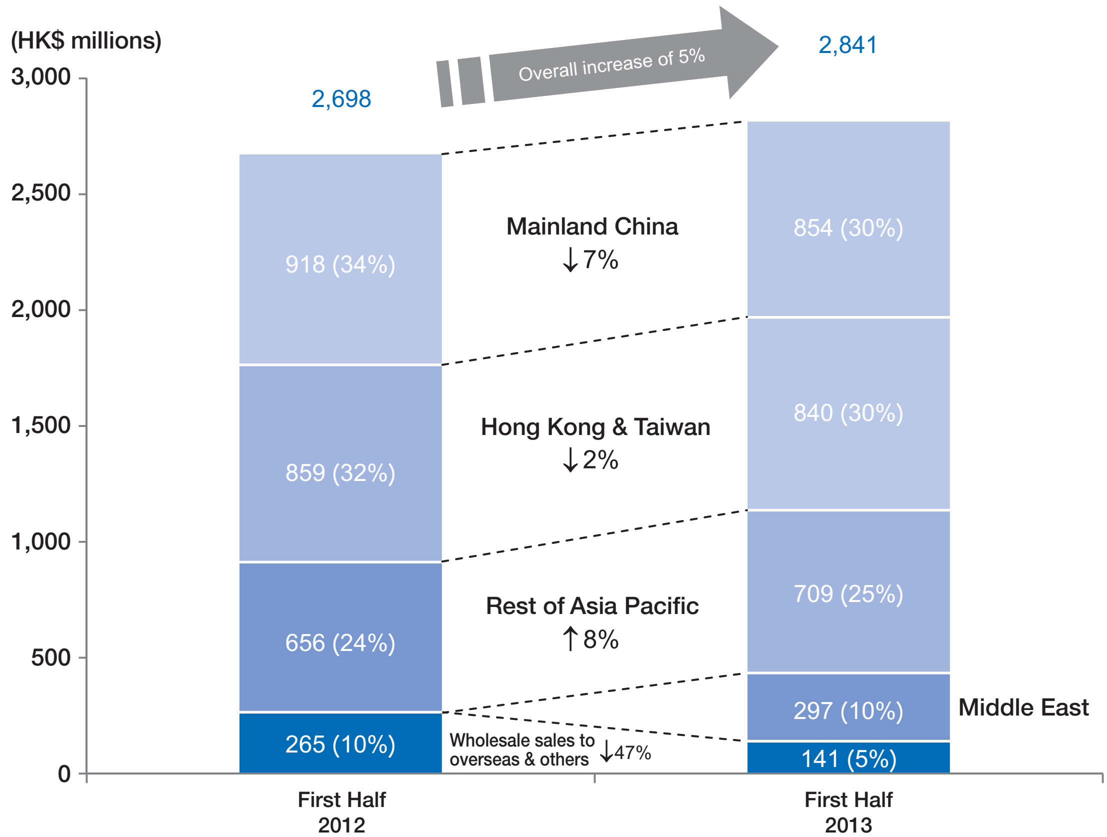
[1] *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

[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.*

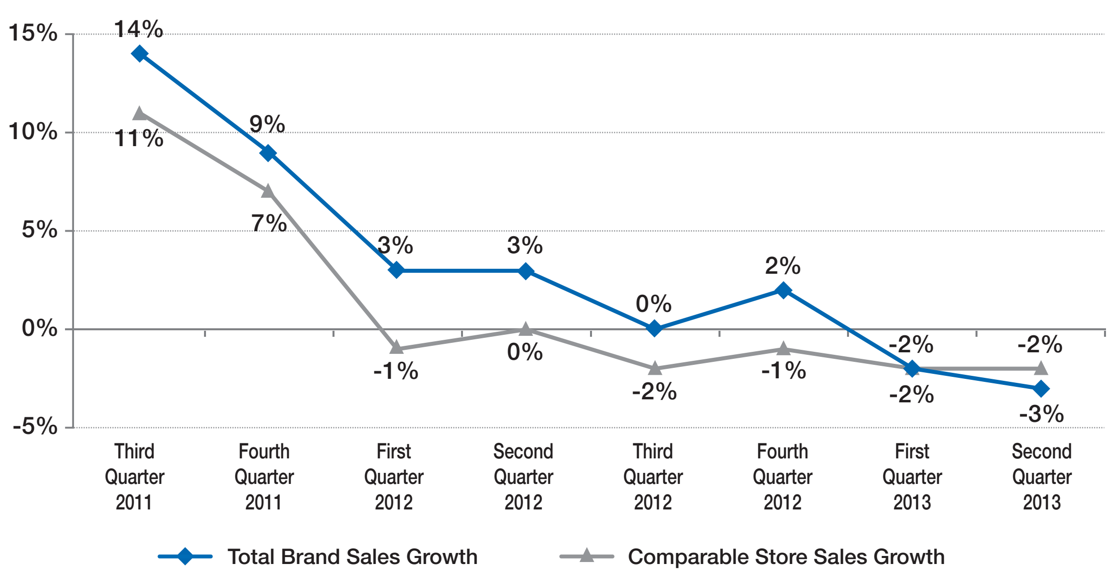
[3] *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores and e-shop that have been opened/operated by subsidiaries and associates/jointly controlled entities in the prior period.*

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

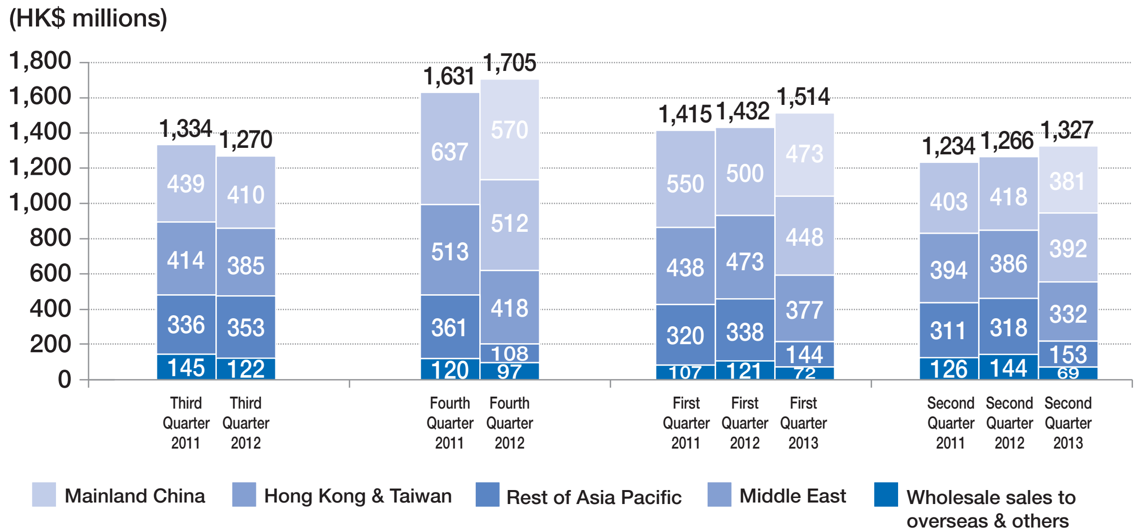
Sales growth and contribution



Brand sales growth for the last eight quarters



Sales for the last ten quarters



- The Group's sales increased by 5% to HK$2,841 million in the first half of 2013 from HK$2,698 million in the same period last year. Excluding the effects of translating sales made in foreign currencies into Hong Kong dollars, sales also increased by 5% compared to the same period last year.

- Additional sales of HK$183 million arose from the consolidation of Middle East operations following the acquisition of a controlling interest in 2012. Excluding this acquisition, the Group's sales decreased by 1%.

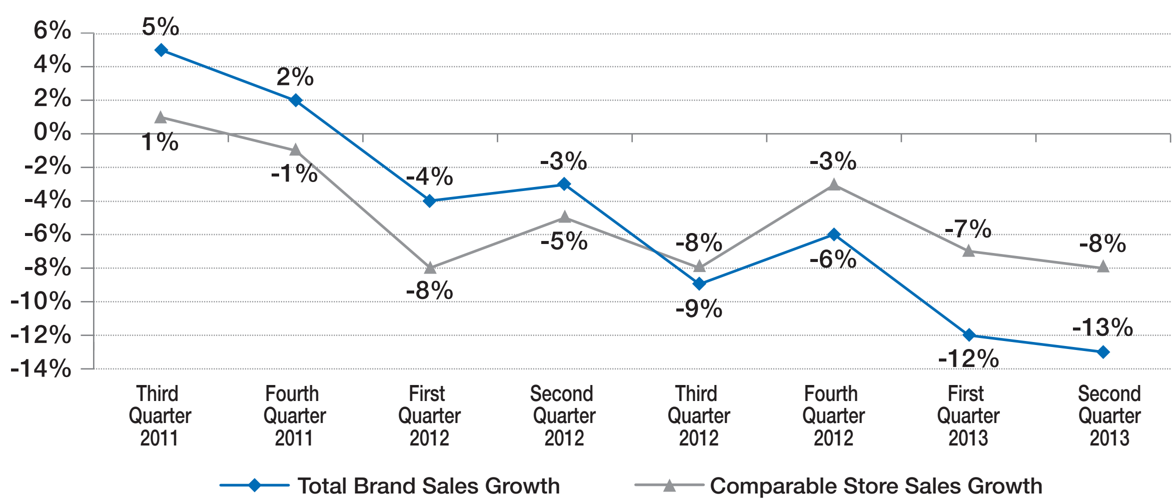
- Sales growth is mixed across the Group.

  - In Mainland China, sales continued to decline during the first quarter and the first two months of the second quarter before stabilizing in the month of June.
  - In Taiwan, a high base from the first quarter of 2012 resulted in a significant decline in the first quarter but sales have started to grow modestly in the second quarter driven by strong local marketing programs.
  - Intense competition and weak demand in Singapore resulted in a decline in sales in the second quarter after modest growth in the first quarter. Action is being taken to reverse this decline with the opening of a new flagship store in late July 2013.
  - In Hong Kong, modest sales growth in the first half is expected to strengthen in the second half following the introduction of strong new marketing programs.
  - Emerging markets in South East Asia, notably Malaysia, Indonesia and Thailand, continue to grow strongly at double digit levels.

Mainland China

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Total sales[1]	**854**	918	**(7%)**
Retail self-operated stores	**629**	691	**(9%)**
Wholesale sales to franchisees	**225**	227	**(1%)**
Total brand sales[2]	**1,066**	1,216	**(12%)**
Self-operated stores	**629**	709	**(11%)**
Franchised stores	**437**	507	**(14%)**
Comparable store sales[3]	**(7%)**	(6%)	**(1pp)**
Number of outlets[4]	**1,178**	1,358	**(180)**
Self-operated stores	**512**	549	**(37)**
Franchised stores	**666**	809	**(143)**
Net change in outlets during the period	**(65)**	(14)	
Self-operated stores	**(22)**	4	
Franchised stores	**(43)**	(18)	

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 period.*

4 *At the end of the period.*

- Sales in Mainland China decreased by 7% in the first half of 2013, by HK$64 million, to HK$854 million from HK$918 million in the first half of 2012. Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales decreased by 9% in the first half of 2013.

- The key underlying measure of sales growth is brand sales which represents the end sales of merchandise through Giordano stores, both self-operated 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 12% in the first half of 2013 and comparable store sales decreased by 7%. Key factors in the decline of brand sales in China are as follows:

  - Demand for apparel in Mainland China continues to be weak as competitors with high inventory levels have been discounting significantly. There are some signs in the market that discounts may be easing as inventory levels start to stabilize across the industry.
  - Over the past twelve months, we have closed 180 stores in Mainland China, 37 being directly operated stores and 143 operated by our franchise partners. This was the result of a significant re-positioning of our operations to focus on the quality of our front line stores and enhance our profitability, financial discipline and brand position in this key strategic market.
  - Fewer promotions were held in department stores, in particular in the Shenzhen area. This directly reduced sales. The cost of these promotions had been very significant and with less promotion activities, net profit has improved as a result.

- We have continued to improve our online operations, both through our own platforms and those of virtual shopping malls (Taobao, 360, amazon.cn etc.) with sales in the first half increasing by 16% from HK$62 million in 2012 to HK$72 million in 2013.

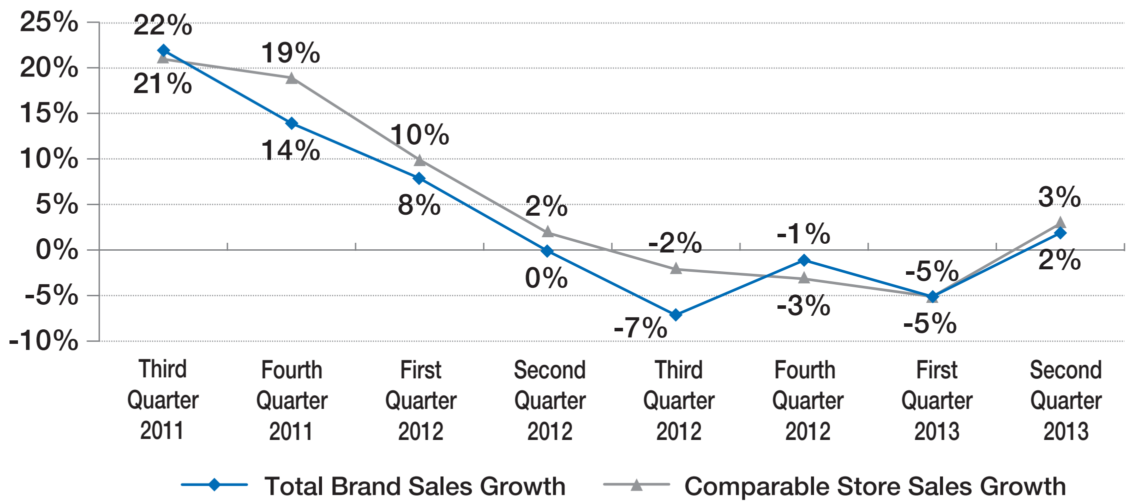
- Management is responding to the continuing decline in consumer demand with the following initiatives which are designed to enhance the long term profitability of our operations in Mainland China:

  - Extensive training of key personnel in "fast marketing" concepts and practices has been undertaken across all Mainland China markets.
  - Reward systems will be directly linked to the successful implementation of localized marketing campaigns in the second half of 2013.
  - Significant investments will be made in store refurbishment and the upgrade of store ambience across Mainland operations. We aim to renovate 150 to 200 shops in the second half of 2013.
  - New department store formats for women's apparel will be implemented, supplementing the existing unisex store formats.
  - Operations will increase the focus on turning around or closing loss making shops.
  - The Group will continue to develop our people, our leaders and our organizational culture towards the global standard that will be required in the Mainland China market going forward.

Hong Kong and Taiwan

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Total sales[1]	**840**	859	**(2%)**
Comparable store sales[2]	**(1%)**	6%	**(7pp)**
Number of outlets[3]	**287**	295	**(8)**
Net change in outlets during the period	**(11)**	14	

Brand sales growth in Hong Kong and Taiwan for the last eight quarters



- Sales in Hong Kong and Taiwan markets were down 2% over the same period last year. This is a combination of an increase in sales by 2% in Hong Kong offset by a decline in sales by 8% in Taiwan.

- Sales in Hong Kong in the first quarter of 2013 were up 4% while in the second quarter of 2013 were flat compared to same quarter last year. The slower growth in the second quarter of 2013 was due to rainy weather in April 2013 and a high base arising from an exceptionally strong "fast marketing" campaign in April 2012. Sales have started to grow in May and June and the launch of a strong crossover campaign in mid June is expected to continue this momentum into the second half. Hong Kong also continues to invest in upgrading store ambience and store quality. In the second half of 2013 we will see new shops established in Tuen Mun, Kowloon Bay and a large new store format in the Venetian Mall in Macau.

- Sales in Taiwan in the first quarter of 2013 were down 15% against a particularly strong Chinese New Year performance in 2012. In the second quarter of 2013 sales increased by 4% as a result of the new Spring/Summer product range and the launch of two localized "fast marketing" marketing campaigns. Sales performance is expected to strengthen into the second half of the year.

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

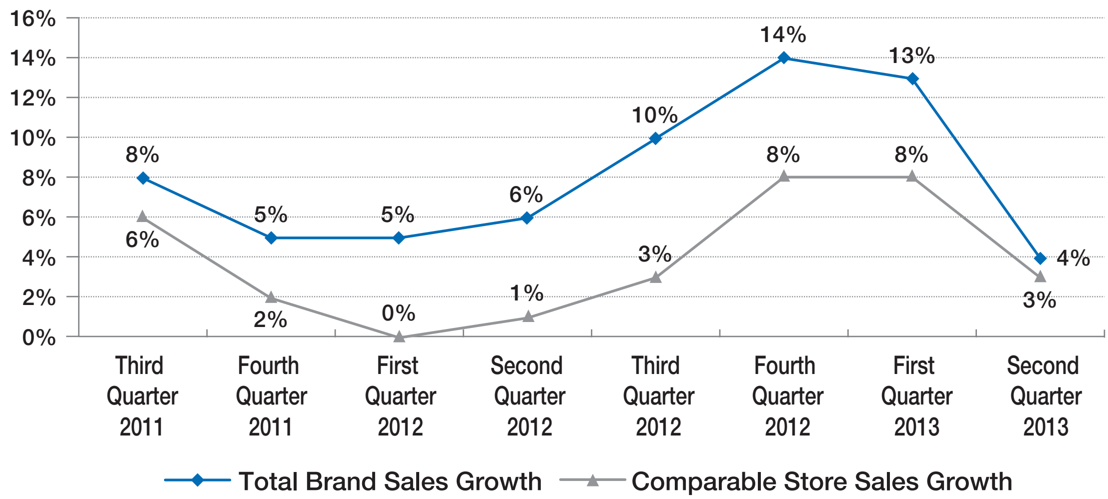
2 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior period.*

3 *At the end of the period.*

Rest of Asia Pacific

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Total sales[1]	**709**	656	**8%**
Comparable store sales[2]	**5%**	1%	**4pp**
Number of outlets[3]	**506**	454	**52**
Net change in outlets during the period	**24**	37	

Brand sales growth in Rest of Asia Pacific for the last eight quarters



- Sales in other markets in Asia, notably in Malaysia, Thailand and Indonesia, grew by 8% or HK$53 million to HK$709 million from HK$656 million in the same period 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 5% in the first half of 2013.

- Sales in Singapore in the first quarter of 2013 were up 2% but in the second quarter of 2013 declined by 9% compared to same quarter last year. This decline is due to a sharp decline in external demand in Singapore, with lower tourist spending exacerbated by air pollution issues. Additionally strong performance in a crossover promotion last year has not repeated in the second quarter of 2013.

- In response to soft demand in Singapore and the intense competitive environment in this market, we opened an 8,000 square feet large store in Suntec City in July 2013. This new Giordano flagship store is now a showcase for the brand to our landlord partners and customers. It features a wide range of styles, designs and the very best in store fitting, lighting and sound entertainment systems. This will be a key template for the Giordano shopping experience of the future.

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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.*

- Indonesia continues to deliver strong growth: brand sales grew in the first half of 2013 by 26% from the same period last year. We have added 23 new stores compared with last year and now have 151 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 apparel brand.

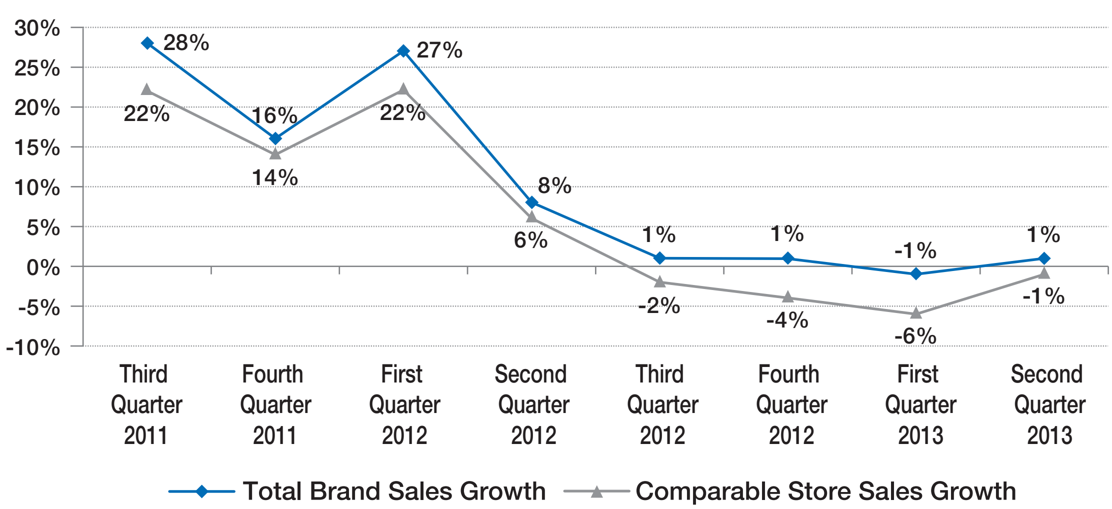
- Brand sales in Thailand and Malaysia grew by 21% and 10% from the same period last year. In Thailand, out of 120 stores in the country, 39 were in tourist areas which have benefited from a growing tourist industry in Thailand. Our growth is also built on strong operational excellence, new merchandise relevant to local markets and a steady quality driven store expansion program. Giordano is also well positioned in these markets as a strong international brand.

- In Australia brand sales declined by 10% reflecting weak retail demand in the economy as a whole. The team is now working on a shop ambiance upgrade program and will bring in fresh merchandise to restore sales.

Middle East

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Total sales[1]	**297**	–	**100%**
Total brand sales	**294**	294	**Flat**
Comparable store sales[2]	**(4%)**	10%	**(14pp)**
Number of outlets[3]	**192**	189	**3**
Net change in outlets during the period	**8**	(5)	

Brand sales growth in Middle East for the last eight quarters



1 *Total Sales are total retail sales 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 that have been opened/operated in the prior period.*

3 *At the end of the period.*

- Total brand sales in Middle East were flat in the first half of 2013. Sales in Saudi Arabia grew by 3% while the United Arab Emirates ("UAE") market was down by 4%.

- In Saudi Arabia, sales grew only by 3% in the first half of 2013 compared to 29% in the first half of 2012. Slower growth was due to low shopping sentiment following:

  - political instability in Syria and Egypt which has weakened spending amongst Arab expatriates.
  - a campaign by the government for almost 3 million expatriates to regularize their residence status or leave the country.

- Higher growth is expected in the second half of 2013 as we enter the Ramadan and pilgrimage season. We will step up planned promotion campaigns to compensate for the low pace of growth during the first half of the year.

- Sales in the UAE were down 4%. This decline was due to intense competition as new shopping malls are added in Dubai drawing traffic away from existing malls. We are differentiating ourselves by upgrading store image, improving service standards, and enhancing store-in and window displays with more campaign based presentations.

Wholesale Sales to Overseas Franchisees and Joint Ventures

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Total sales	**141**	254	**(44%)**
Number of outlets[1]	**459**	616	**(157)**
Net change in outlets during the period	**18**	15	

- Wholesale sales declined by 44% mainly due to the reclassification of sales to the Middle East as intercompany sales, following the acquisition of a controlling stake in these businesses. Excluding the Middle East, wholesale sales decreased by 4% or HK$6 million from HK$147 million in the first half of 2012 to HK$141 million in the first half of 2013.

- Sales to the Korean joint venture decreased by 11% or HK$11 million despite total sales in South Korea increasing by 4%; this reflects an increased incidence of local sourcing by Korea.

- Such a reduction in sales to South Korea has been partially offset by the increase in sales to the Philippines by 13% or HK$3 million and to Japan by 70% or HK$3 million.

- 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.

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

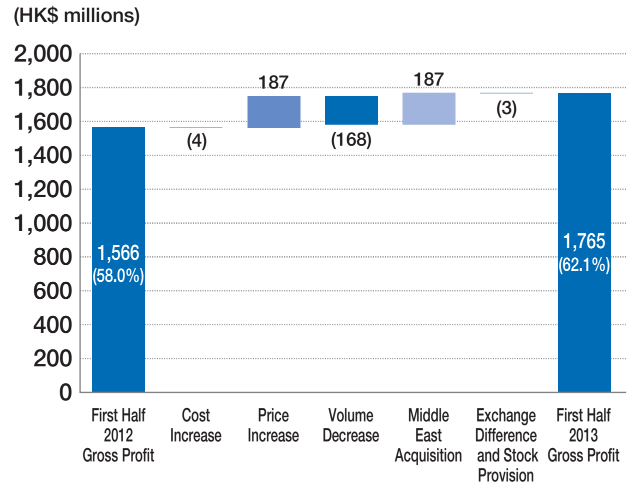
Gross Profit

- The Group increased gross margin by 4.1 percentage points to 62.1% and the Group's gross profit increased by HK$199 million, or 13%, to HK$1,765 million from HK$1,566 million in the first half of 2012.

- Excluding the effect of the Middle East acquisition, gross profit increased by 1% or HK$12 million and gross profit margin was still up 1.4 percentage points to 59.4%. This is driven by lower input costs and stronger product mix.

- Average costs are flat due to lower input costs in the Fall/Winter collection compared to last year. Intense competition amongst suppliers in general has led to lower input costs. This has been offset by a change in product mix as we develop higher quality merchandise and focus on selling higher cost products.

Gross profit reconciliation



- Average selling prices increased by 8% due to changes in product mix with relatively higher price and higher quality products sold compared to same period last year. During the first half of 2013, the Group continued to pursue a strategy of enhancing the brand and improving product differentiation. This has enabled pricing to be increased to more than recover cost increases. Exciting products from crossover marketing campaigns, national polo shirts, inno-khakis, light-weight denim garments and new women's ranges have all helped to protect and improve margins.

- Volume declined by 13%. Overall the reduction in volume is disappointing and reflects the tough market conditions that prevail, particularly in Mainland China, Taiwan and Singapore. Competitors have been discounting heavily across most markets which impacts our volume. 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.

- The acquisition of a controlling interest in the Group's Middle East franchisees contributed an additional HK$187 million gross profit during the period, broadly in line with expectations.

Mainland China

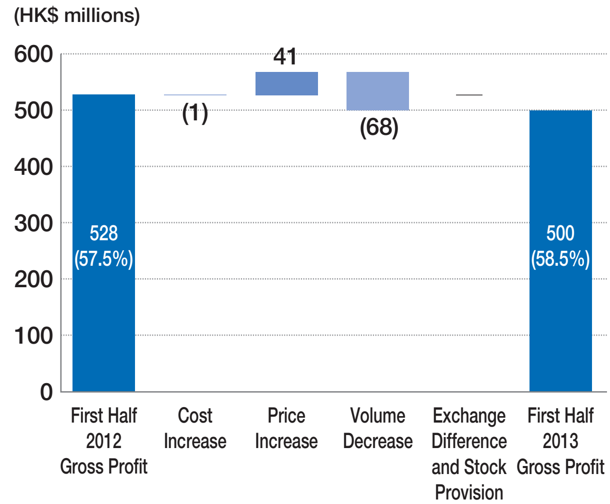
- Gross profit in Mainland China decreased by 5% but gross margin increased by 1 percentage point to 58.5%.

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

- Volume declined by 13%; average prices increased by 5% and average costs were flat.

- In Mainland China, excess inventory in the market place has resulted in high levels of price discounting by competitors thereby reducing our volumes.

Gross profit reconciliation – Mainland China



Hong Kong and Taiwan

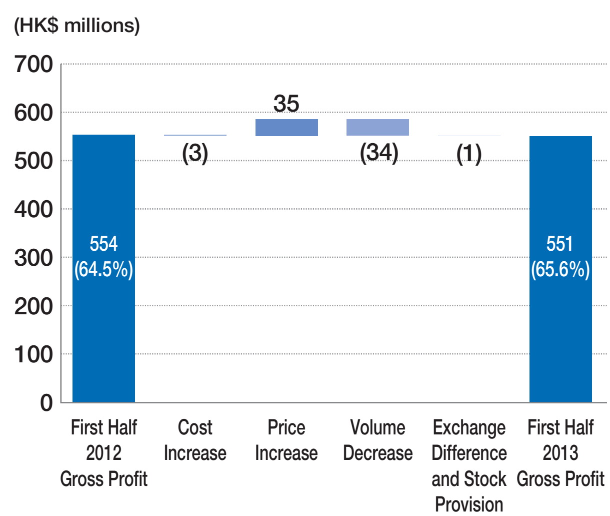
- Gross profit in Hong Kong and Taiwan decreased by 1% but gross margin increased by 1.1 percentage points.

- Excluding the effect of translating Taiwan dollars into Hong Kong dollars, gross profit was flat.

- Hong Kong gross profit margin increased by 0.4 percentage points. This was driven by strong and high margin merchandise from "fast marketing" programs and also due to lower input costs for core items.

- Taiwan gross profit margin was up by 1.7 percentage points and volume was down 8%. This was due to price promotions done in the first quarter of last year in response to strong competitor discounting.

Gross profit reconciliation – Hong Kong and Taiwan



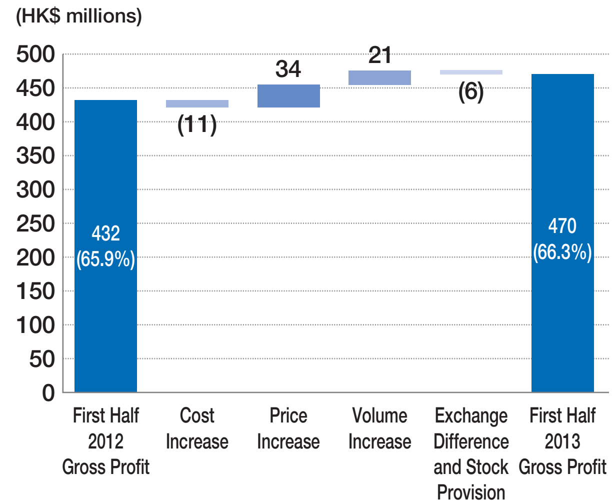
Rest of Asia Pacific

- Gross profit grew strongly by 9% in other Asia Pacific markets with an increase in gross margin of 0.4 percentage points.

- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit increased by 10%.

- Volumes sold increased by 5% (excluding Singapore, volume increased by 10%), average prices increased by 5% and average costs increased by 5%. These markets, particularly Indonesia, Malaysia and Thailand, are performing well in these fast growing economies due to strong branding, merchandise selection and visual merchandising.

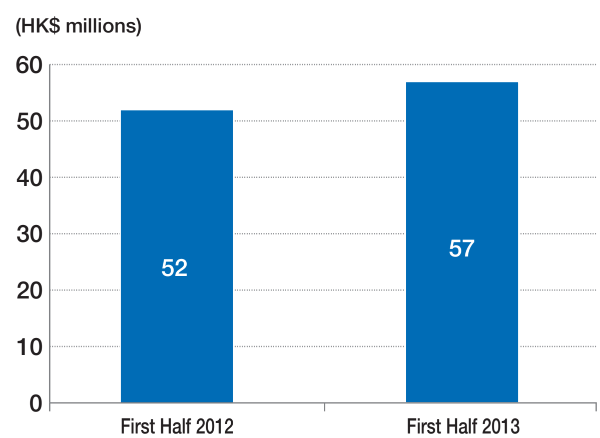
Gross profit reconciliation – Rest of Asia Pacific



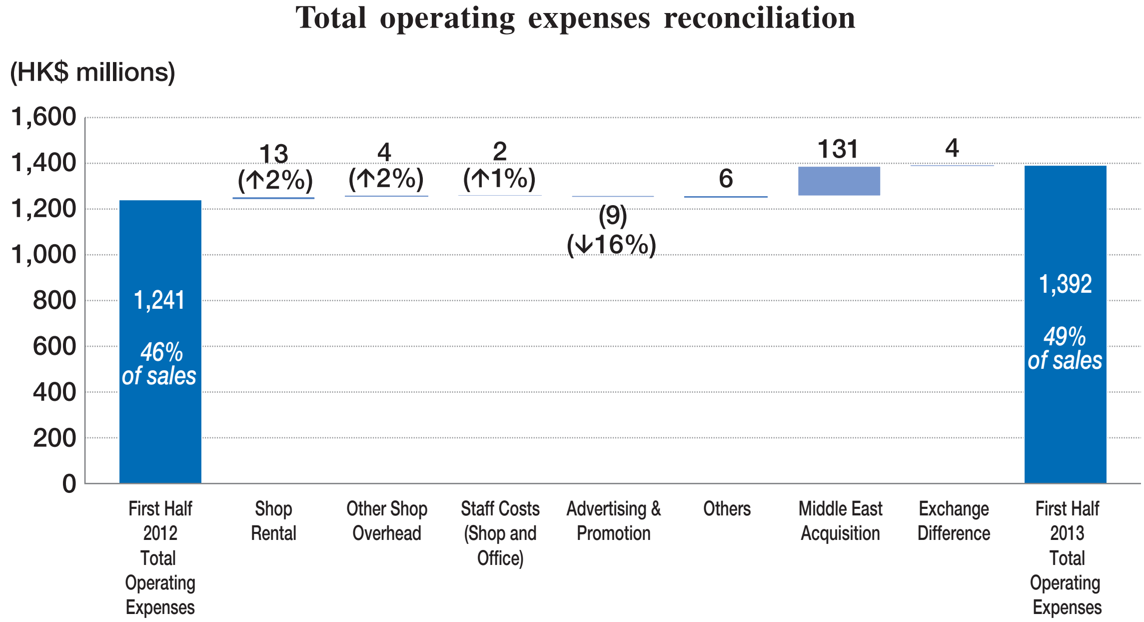
Wholesale sales to overseas franchisees & other segments

- Gross profit from wholesale sales to overseas franchisees increased by HK$7 million and was offset by the reduction in gross profit of HK$2 million from the divestment of the manufacturing segment last year.

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



Operating Expenses



- Overall, the Group's operating expenses increased by 12% to HK$1,392 million from HK$1,241 million in last year. Excluding operating expenses of HK$131 million which arose from consolidating the Middle East operations, the Group's operating expenses increased by just 2%, reflecting strong cost controls across the business.

- Rental costs as a proportion of sales increased from 19.8% to 21.0%. Total comparable rent costs, excluding Middle East, increased by 2%. This was a combined effect of lower sales growth which resulted in lower turnover rent, particularly in China and Taiwan and the increase in average store space by 1%. Overall rent per square foot was up 1%.

- Total staff costs increased by 1%. The 2% decrease in average headcount has been offset by the increase in average salary per headcount by 2%. The reduction in headcount in Mainland China by 8% has been offset by the increase in headcount in South East Asia due to a net increase of 52 shops in that region.

- Advertising and promotion costs reduced by 16% or HK$9 million. This reduction is mainly from Mainland China, where costs reduced by HK$7 million as localized more cost efficient marketing campaigns have replaced global advertising campaigns last year. In addition, less promotion activities took place in department stores in China.

Operating Profit before Other Income

- Overall, sales grew by 5% during the period and with a 4.1 percentage points improvement in gross margin over same period last year, gross profit increased by 13%. Operating expenses increased by 12%, resulting in an Operating Profit before Other Income of HK$373 million, an increase of 15% or HK$48 million from same period last year.

Other Income

- Other income decreased by HK$72 million or 58% from HK$125 million to HK$53 million.

- This reduction was mainly due to the non-recurring gains recognized last year relating to the disposal of the Dongguan manufacturing facility. This generated a pre-tax profit on disposal of HK$57 million last year, which did not repeat this year. Additionally a "deemed disposal" of a 9.9% interest in Higrowth Ventures Limited in exchange for a 6.46% interest in Speedy Global Holdings Limited, resulted in a HK$14 million gain last year which did not repeat this year.

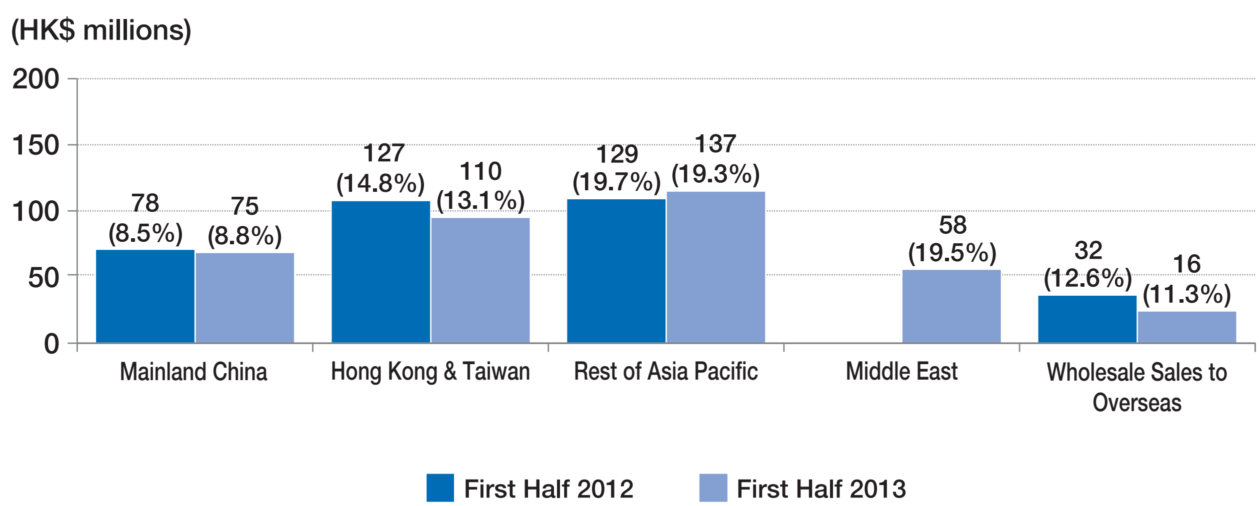
Operating Profit

- As a result of the above, the Group's operating profit in the first half of 2013 decreased by HK$24 million to HK$426 million from HK$450 million in the first half of 2012.

Operating Profit excluding the two non-recurring pre-tax disposal gains

- Excluding the two non-recurring pre-tax disposal gains, operating profit increased by HK$47 million to HK$426 million compared to HK$379 million in the first half of 2012. Operating margin excluding these gains increased by 1 percentage point from 14.0% to 15.0%.

Operating Profit by Market



The above exclude the corporate function and manufacturing income of HK$30 million (2012: HK$13 million).

Mainland China

- Operating profit in Mainland China decreased by HK$3 million or 4% to HK$75 million while operating margin increased slightly by 0.3 percentage points to 8.8%.

- Operating profit declined by 4%, which is less than the decline in sales of 7%. This is due to:

  - improvement in gross margin by 1 percentage point as a result of strong price discipline.
  - a reduction in operating expenses overall by 6%.

- Shop rental expense decreased by HK$11 million or 5% as a result of the reduction of self-operated stores from 549 to 512 and a decrease in turnover rent in department stores due to the drop in sales. Average shop area decreased by 4% and rent per square foot decreased by 1%.

- We continue our focus on the profitability of our store network and efforts have been made to close down loss making shops and increase the sales efficiency of our existing stores.

- Shop staff costs decreased by HK$6 million or 6%. Headcount reduced by 275 or 10% and average salary per headcount increased by 1%. This is a result of our cost control program to improve productivity and rationalize headcount.

- Advertising expenses decreased by HK$7 million or 23% as majority of the expenses were spent for global allocated marketing program last year while this year, the marketing campaigns launched were more localized and cost efficient. Another global crossover campaign has been launched in July this year.

- Subsidies to franchisees have also decreased by HK$5 million or 45%. This is the result of our strategic action to support only the key franchisees which helped on our brand building exercise in Mainland China. Less volume rebate and rental subsidies were given out to franchisees and therefore, the corresponding expenses decreased significantly.

- Continuous efforts have been spent on streamlining back office operations. Warehouse and delivery costs have reduced by HK$7 million over last year after reducing the warehouse space. This is also a result of better management of our inventory to avoid over-stocking and order the appropriate amount for our business. Back office staff cost decreased by HK$1 million, headcount reduced by 13% while average salary per headcount increased by 3%.

- As a result of the above cost control measures, our operating profit was not significantly impacted by the sales decline. In the coming year, we will maintain the same cost discipline but will be more focused on driving sales growth through improving the sales efficiency of our self-operated stores and building the right strategic direction with our key franchisees.

Hong Kong and Taiwan

- Operating profit in Hong Kong and Taiwan decreased by HK$17 million to HK$110 million. This was a reduction of 13% compared to the same period last year. Operating margin decreased by 1.7 percentage points compared to the same period last year.

- In Hong Kong, operating profit decreased by HK$12 million or 14% with a reduction in operating margin by 2.8 percentage points. Modest sales growth of 2% was insufficient to cover a 9% increase in operating costs.

- Rental costs in Hong Kong increased by 13% over the same period last year. Retail space increased by 9% and rent per square foot by 3%. This reflects that we are taking more space in residential (non-prime) areas of Hong Kong in response to high rents in premium shopping locations. Total staff costs also increased by 6%, with headcount increasing by 3% (less than the increase in store space) and average staff costs increased by 3%.

- Trading conditions in Hong Kong have been tough but we are confident that with our efforts in brand building through strong marketing campaigns, we will increase market share and continue to deliver strong results from this region.

- Operating profit in Taiwan decreased by HK$5 million or 11% in the first half. The effects of sales declining by 8% were offset by a reduction in operating expenses by 6% during the period. Profitability improved by HK$8 million in the second quarter, after a HK$13 million decline in the first quarter, following a return to modest sales growth. The management team will continue to focus on strengthening product merchandising relevant to local markets and building localized marketing campaigns to strengthen the brand.

Rest of Asia Pacific

- Operating profit in the Rest of Asia Pacific increased by HK$8 million to HK$137 million. Operating margin decreased by 0.4 percentage points to 19.3% compared to same period last year.

- The reduction in operating margin was mainly due to disappointing results in Singapore where operating margin decreased by 4.7 percentage points to 12.4%. Excluding Singapore, operating profit increased by HK$17 million or 18% and operating margin increased by 0.9 percentage points to 21.8%.

- In Singapore, sales decreased by 3% while operating costs increased by 5%. As a result, operating profit decreased by 27%. To strengthen the brand in Singapore and to secure growth, the Group has opened an 8,000 square feet large format store in Suntec City in July 2013.

- In Indonesia, sales increased by 22% with same store sales growth of 19%. Costs increased by 18%, reflecting new store expense and increases in the minimum wage, resulting in improvement in operating profit by HK$12 million. 23 new stores were opened in Indonesia compared to same period last year and now, we are well covered in different cities in Indonesia, including Jakarta, Surabaya, Bandung, Bali, Medan, Tangerang and Yogyakarta.

- In Thailand, sales increased by 26%, and gross margin improved by 1.8 percentage points with gross profit increasing by 30%. Operating costs increased by 25%, reflecting new stores and increases in the minimum wage, resulting increase in operating profit by HK$6 million and improvement in operating margin by 2.3 percentage points to 20%. A net increase of 14 stores in Thailand, resulted in a 13% increase in store area. Same store sales grew strongly by 14% in the first half of 2013.

- In Malaysia, sales were up 8% with same store sales growth of 5%. Gross margin improved by 1.8 percentage points and gross profit increased by 11%. Operating costs also increased by 12% resulting in an overall increase in operating profit by HK$3 million and improvement in operating margin by 1.1 percentage points.

Wholesale sales to overseas franchisees

- Operating profit from wholesale sales to overseas franchisees decreased by 50% to HK$16 million. The reduction is mainly due to the reclassification of gross profit on intercompany sales to the Middle East (2013: HK$18 million; 2012: HK$17 million) as intercompany profit, following the change of control in these operations in 2012.

Jointly Controlled Companies – South Korea

(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Total sales[1]	**795**	745	**7%**
Comparable store sales[2]	**(1%)**	(1%)	**Flat**
Gross profit	**470**	425	**11%**
Gross profit margin	**59.1%**	57.0%	**2.1pp**
EBIT	**90**	78	**15%**
Net Profit	**70**	59	**19%**
Share of JCE profit (% of equity holding: 48.5%)	**34**	29	**17%**
Number of outlets[3]	**263**	240	**23**
Net change in outlets during the period	**10**	8	**2**

- Excluding the effect of translating Korean Won into Hong Kong dollars, sales in Korea grew by 4% in the first half of 2013.
- Gross profit margin increased 2.1 percentage points as a result of lower input costs and improved product mix, as we develop the more premium store format of "*Giordano Concepts*" in Korea. As of June 2013, we have 16 "*Giordano Concepts*" stores.
- As a result of improved volume and margin, gross profit increased by 11% while operating costs only increased by 10%, increasing net profit by 19%. Excluding the effect of translating Korean won into Hong Kong dollars, net profit increased by 15%.

Income Tax

- Income taxation expense in the first half of 2013 was HK$83 million (2012: HK$120 million), resulting in an effective tax rate[4] of 19.5% (2012: 26.7%).
- Excluding tax on the disposal of manufacturing operations in China and other non-recurring gains, the effective tax rate for the Group was 19.5% (2012: 24.3%). This decrease in our effective tax rate was mainly due to the consolidation of "tax free" operations in the Middle East (primarily in the UAE).

Profit Attributable to Shareholders

- Profit attributable to shareholders decreased by 3% or HK$12 million to HK$340 million from HK$352 million in the same period last year. Net profit margin decreased by 1.0 percentage point from 13.0% to 12.0%. Basic and diluted earnings per share were 21.9 HK cents (2012: 23.0 HK cents) and 21.6 HK cents (2012: 22.7 HK cents) respectively.

Profit Attributable to Shareholders Excluding Exceptional Disposal Gains

- Excluding the two exceptional disposal gains, profit attributable to shareholders increased by HK$31 million to HK$340 million, an increase of 10% from HK$309 million over the same period last year. Net profit margin increased by 0.5 percentage points to 12.0%. Basic and diluted earnings per share increased to 21.9 HK cents (2012: 20.2 HK cents) and 21.6 HK cents (2012: 19.9 HK cents).

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

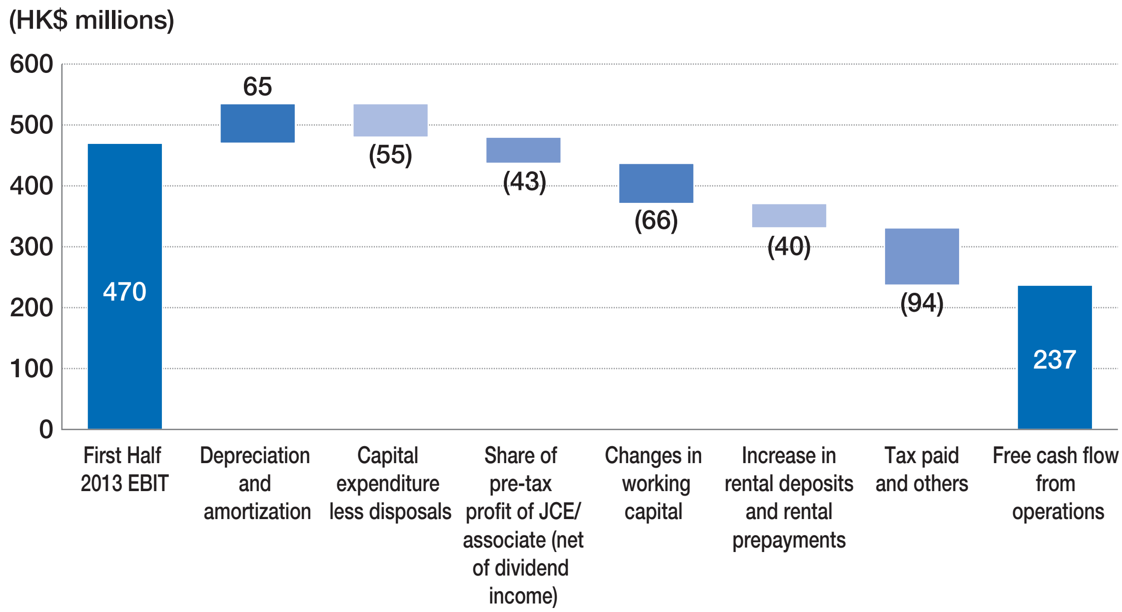
2 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior period.*

3 *At the end of the period.*

4 *Income tax expense divided by operating profit.*

Free Cash Flow from Operations

EBIT and free cash flow from operations for the first half of 2013



(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**
Profit before income tax	**459**	496	**(7%)**
Add: Share of tax of JCE/associate	**9**	9	**Flat**
Add: Interest expense	**2**	–	**N/A**
Add: Depreciation and amortization	**65**	55	**18%**
EBITDA	**535**	560	**(4%)**
Gains on disposal of manufacturing business and an available-for-sale asset	**–**	(71)	**N/A**
Share of pre-tax profit of JCE/associate	**(44)**	(55)	**(20%)**
Amortization of rental prepayments	**18**	20	**(10%)**
Changes in working capital	**(66)**	79	**(184%)**
Interest paid	**(2)**	–	**N/A**
Income tax paid	**(93)**	(108)	**(14%)**
Interest income, exchange and others	**(29)**	(16)	**82%**
Net cash inflow from operating activities	**319**	409	**(22%)**
Dividend income from JCE/associate	**1**	21	**(95%)**
Capital expenditure less proceeds from disposals	**(55)**	(57)	**(4%)**
Increase in rental deposits and rental prepayments	**(40)**	(30)	**33%**
Interest received	**12**	10	**20%**
Free cash flow from operations	**237**	353	**(33%)**

- Free cash flow declined by HK$116 million, or 33%, from the same period last year to HK$237 million. Free cash flow before taxes was 70% of EBIT which is a low rate of conversion of EBIT to cash in the opinion of management. This result is due to short term increases in inventory and early payment to suppliers.

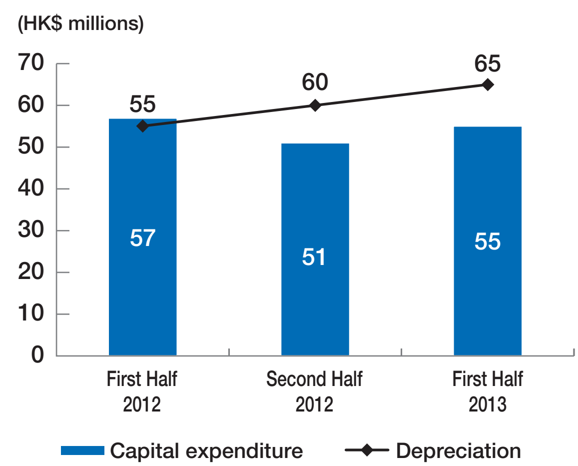
- In 2012 working capital decreased by HK$79 million as inventory in the first half was reduced from high levels at 2011 year end. By contrast, in 2013, working capital increased by HK$66 million as inventory increased from relatively low levels of inventory at 2012 year end. This higher inventory level is due to a policy of taking earlier delivery of merchandise from suppliers than in the prior year to ensure that sales are not lost through non availability of key products. Inventory optimization remains a key objective for the Group and the current inventory profile comprises a significantly higher proportion of current designs than in the prior year. The Group will continue to manage inventory to optimize cash flow and avoid obsolescent lines.

Capital expenditure

- Capital expenditure decreased by HK$2 million during the first half of 2013 over the same period last year. This represented shop leasehold improvements for new shops and existing shops. The number of self-operated stores decreased by 5 during the period. Our strategic direction to upgrade shop ambiance, especially in Mainland China, is expected to increase our capital expenditure in the second half of the year.

- Depreciation increased by HK$10 million from the same period last year. The increase is mainly from additional depreciation from Middle East operations of HK$10 million following the change of control in 2012.

Capital expenditure



Changes in Working Capital

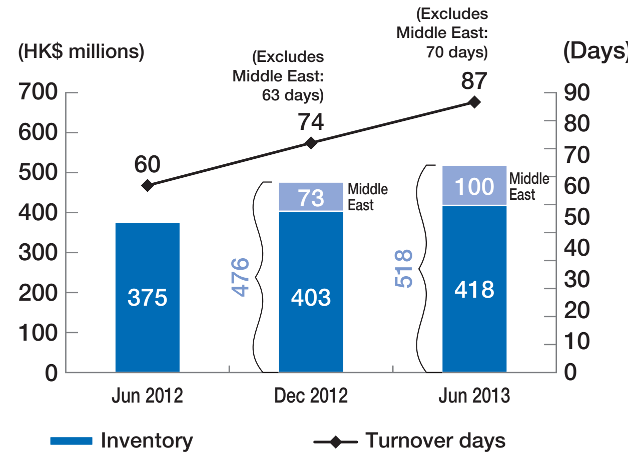
Working Capital in the year increased by HK$66 million as follows:

(In HK$ millions)	**Dec 2012**	Changes in Working Capital	Middle East Completion Dividend Paid	**Jun 2013**
Inventory	**476**	42	–	**518**
Trade receivables	**361**	(51)	–	**310**
Other receivables	**276**	4	(73)	**207**
Trade payables	**(193)**	15	–	**(178)**
Other payables	**(555)**	56	160	**(339)**
	365	66	87	**518**

Inventory

- Group inventory in June 2013 increased by HK$42 million or 9% from HK$476 million at December 31, 2012 to HK$518 million at June 30, 2013. Excluding the inventory in Middle East, inventory increased by HK$15 million or 4%.
- Inventory turnover on costs[1] was 87 days. Excluding the Middle East operation which has relatively high inventory days, inventory turnover was 70 days, compared to 60 days last year.
- Excluding the Middle East, comparable inventory was HK$15 million higher than at December 2012 and HK$43 million higher than prior year. In fact, once the inventory held at suppliers is taken into consideration (see table below), inventory was at the same level as last year (HK$3 million higher). This year, we have taken earlier delivery of inventory to ensure that as we go into the summer we have the right inventory in the right places to avoid stock-outs. An analysis of our inventory shows a higher proportion of current season products than last year which will help deliver sales in the second half of 2013.

Inventory



Total inventory including finished goods at suppliers

(In HK$ millions)	**Jun 2013**	Dec 2012	Jun 2012
Comparable inventory (excluding Middle East)	**418**	403	375
Finished goods at suppliers (not yet shipped)	**30**	33	70
Comparable inventory including finished goods at suppliers (excluding Middle East)	**448**	436	445
Inventory held by Middle East	**100**	73	85
Total Inventory including finished goods at suppliers	**548**	509	530

- The Group manages inventory levels on an integrated basis. We directly control inventory we own that is on our balance sheet. We also monitor our suppliers' inventory, which we do not own, to ensure that there are neither stock-outs nor any build up of excessive inventory.
- During the period, total inventory increased by 8%. The increase is mainly due to the impact of Ramadan and pilgrimages in the Middle East (up 37%), which are in early July and ten days earlier this year than last. Stock levels reflect the expectation of this higher activity in July.
- For the inventory balance held by our franchisees in Mainland China, through our internal inventory system, we are able to monitor their stock balance and turnover days. Stock replenishment can also be planned through an online inventory system to ensure the right mix of inventory is delivered to our franchised stores. The inventory balance held by franchisees in Mainland China as of June 30, 2013 was HK$134 million, which was at a similar level to the balance held at December 31, 2012.

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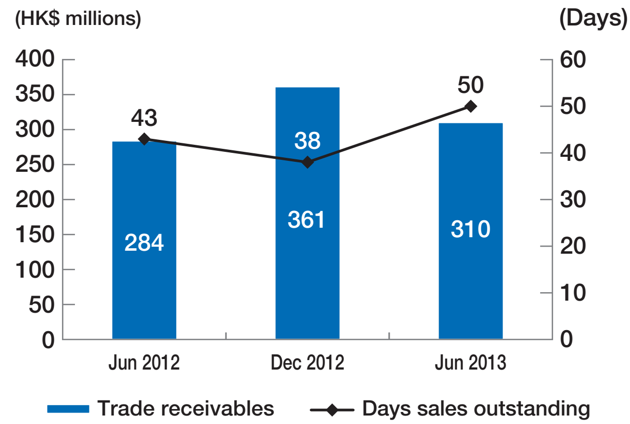
[1] *Inventory held at period end divided by cost of sales and multiplied by number of days in the period.*

Trade receivables

- Trade receivables decreased by HK$51 million from 2012 year end to HK$310 million. Days sales outstanding increased to 50 days as of June 2013. The increase is mainly due to slower settlement from department stores in Mainland China and for wholesale sales from Korea. The Group is monitoring the recoverability of balances closely and no material bad debt risk has been identified.

Trade receivables

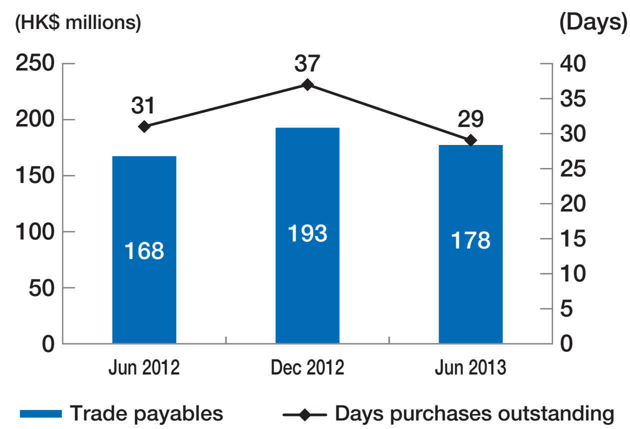


Trade payables

- Trade payables decreased by HK$15 million from 2012 year end to HK$178 million.

- Trade payables and trade payables days of purchasing outstanding decreased as we continue to offer agreeable trade terms that support the liquidity of our suppliers. This support results in excellent operational service and lower input costs from suppliers.

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 during the period:

	South Korea			Middle East			Total		
(In HK$ millions)	**First Half 2013**	First Half 2012	Variance	**First Half 2013**	First Half 2012	Variance	**First Half 2013**	First Half 2012	Variance
Share of pre-tax profit	**43**	38	13%	**1**	17	(94%)	**44**	55	(20%)
Dividend received[1]	**–**	–	–	**(1)**	(21)	(95%)	**(1)**	(21)	(95%)
	43	38	13%	**–**	(4)	N/A	**43**	34	26%

- At June 30, 2013, the Korean joint venture held cash balances of HK$586 million. Giordano's (48.5%) share of HK$284 million is not consolidated in our balance sheet.

- The Group is still in continuous discussion with our joint venture partners on the future investment/distribution of such cash funds. During 2012 and the six months ended June 30, 2013, no dividends were paid out by the Korean joint venture.

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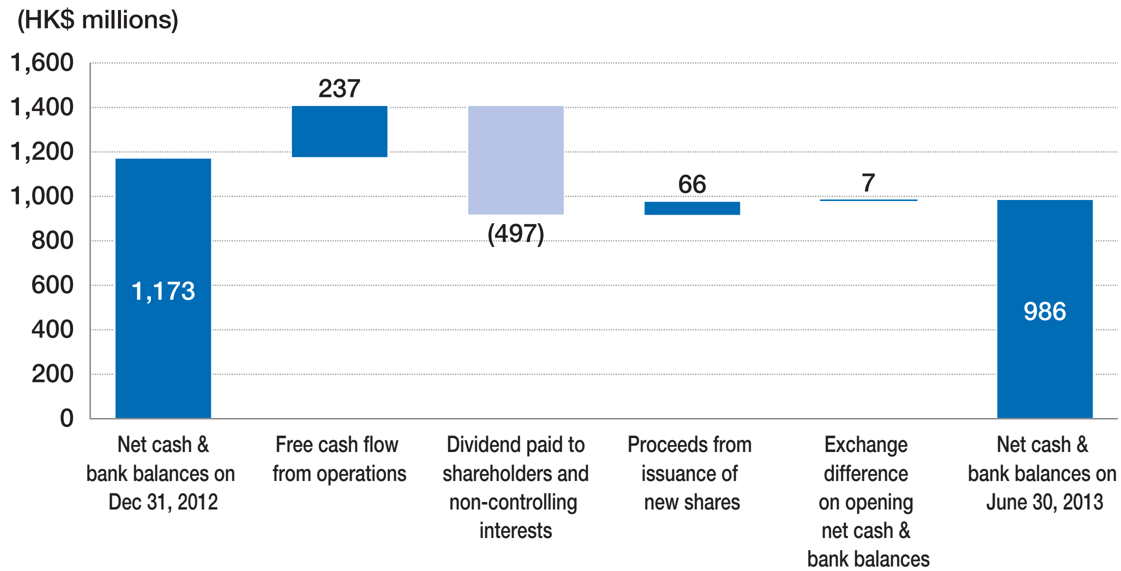
1 *From distribution of previous years' profits.*

Net cash position of the Group

Change in net cash and bank balances for the first half of 2013



- The Group decreased its net cash and bank balances by HK$187 million to HK$986 million as at June 30, 2013 during the period (December 31, 2012: HK$1,173 million).

- HK$237 million free cash flow was generated from operations during the period.

- Dividend paid during the first half of 2013 comprised the following:

	(HK$ millions)
2012 final dividend (Total dividend represented 74% of the Group's full year profit)	390
Dividend paid to non-controlling interests of the subsidiary in Indonesia	20
Completion dividend paid to non-controlling interests of subsidiaries in Middle East	87
Dividend paid to shareholders and non-controlling interests	**497**

- HK$66 million was raised from the exercise of employee share options during the period.

- Outstanding bank loans decreased by HK$5 million to HK$334 million (December 31, 2012: HK$339 million) due to a translation gain on a loan denominated in Japanese Yen.

OUTLOOK AND STRATEGY

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

1. Mainland China

- Competition in Mainland China will further intensify as international brands continue to increase their footprints. Giordano, as a regional brand, will continue to carve out market space due to our knowledge of local customer needs and our nimbleness in local marketing drives. To this end, recruitment of new personnel in key positions will broaden the Company's management capacity in various functions and locations. Several new recruits are now on board.

- During the first half of the year, we have clearly established higher standards for store refurbishment and upgrades inspired by our Group's best practice in other markets such as Hong Kong, Korea and South East Asia. By the end of this year, we will have rolled out a significant number of upgrades to our Mainland China store portfolio, in both self-operated and franchised stores.

- Department stores are an important channel in Mainland China retail scene. Giordano has developed a women's line for the female customers at premium department stores. The new brand differentiates from *Giordano Ladies* targeting Mainland China female patrons seeking fashion and quality. We will refine this line and look to open more and more of these stores in the second half of 2013.

- Given the volatility of Mainland China markets, the Company has been reviewing its channel strategy, specifically the extent to which we should pursue partnerships with franchisees and department stores and the nature of these partnerships. As a result of changes made to product merchandising, pricing, marketing support and store interior design, and a review of how these impact our franchisees and department stores, we expect to see growth in Mainland China store numbers return in 2014.

- We will continue to develop e-partnerships with virtual shopping malls in China. However, shopping by "clicks" in Mainland China is going through major changes. Retailers have up to now focused on growing volume through e-commerce but this is now changing as profitability becomes more a priority. This suits Giordano as, in contrast with many e-tailers, we have always operated our e-shop at a profit. Although our growth in the first half of the year was only satisfactory (just under 20% growth), healthy profit contribution from this channel has continued. In the longer term, we believe that in Mainland China, 15% of our total sales should come from "clicks". We aim to merge "clicks and bricks", through initiatives such as in-store terminals and "click and collect", which will directly benefit the profitability of our "bricks" (both our self-operated and franchised stores).

- The Group will continue to improve the supply chain strategy. As of the reporting date, Management is satisfied that current inventory is of the right mix appropriate for seasonality in Mainland China.

2. Other Markets

- In Taiwan we will continue to differentiate and develop our brand using localized "fast marketing" campaigns. This, together with a lower base caused by the sales downturn in 2012, should lead to modest growth and recovery in 2013 and will position the Company well for any recovery in consumer demand in this market.

- In Singapore efforts to strengthen the brand will focus on two areas:

  - Store interior design upgrades. A new flagship store has been opened in late July 2013 which will set a benchmark for the brand in this region and help secure favourable treatment from landlords as we seek premium store locations and economic rents.
  - Local marketing. Training of Singapore personnel in localized "fast marketing" will be executed in the second half of 2013.

- In the Middle East sales growth has been sluggish both in Saudi Arabia and the UAE. The Management teams in these areas will be upgrading stores and implementing local marketing programs. A new store upgrade in the Dubai Mall has set new standards for the region in this respect.

3. Renew and Refresh Merchandise

- Giordano's merchandise is simple, uses good quality fabric and is appropriate for use (i.e. functional) and this remains the brand's key strength. It is however very important that our "basic" or "essential" products avoid "sameness" and we are therefore retuning our seasonal lines to incorporate freshness and in trend design. By supplementing this development with appropriate marketing support, this approach has been contributing to an increase in the Group's gross margin. As we fully develop and implement this strategy we believe that this will enhance our sales growth across all markets.

- Our Fall/Winter collection will present a greater number of newly defined "basic" products with a fashion twist, whilst maintaining Giordano's high quality and functional innovation.

4. Portfolio Development

- Significant efforts are underway to identify new markets and to accelerate development in some emerging markets. Much of this work is being undertaken by our team in Dubai, following the change in control in Giordano Middle East last year. We expect to see some developments take hold in 2014.

HUMAN RESOURCES

On June 30, 2013, the Group had approximately 8,200 employees (December 31, 2012: 8,100). 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

	Total sales[1]			**Comparable store sales**[2]	
Summary by market *(In HK$ millions)*	**First Half 2013**	First Half 2012	**Variance**	**First Half 2013**	First Half 2012
Mainland China	**854**	918	**(7%)**	**(7%)**	(6%)
Hong Kong	**500**	490	**2%**	**2%**	14%
Taiwan	**340**	369	**(8%)**	**(6%)**	(3%)
Singapore	**191**	196	**(3%)**	**(5%)**	(8%)
Indonesia	**203**	167	**22%**	**19%**	16%
Malaysia	**117**	108	**8%**	**5%**	1%
Thailand	**112**	89	**26%**	**14%**	7%
Australia	**73**	84	**(13%)**	**(9%)**	(1%)
India	**13**	12	**8%**	**24%**	2%
UAE	**118**	–	**100%**	**(5%)**	10%
Saudi Arabia	**150**	–	**100%**	**(1%)**	12%
Other Middle East regions	**29**	–	**100%**	**(6%)**	2%
Retail & Distribution total	**2,700**	2,433	**11%**	**(2%)**	Flat
Wholesale sales to overseas franchisees & others	**141**	265	**(47%)**		
Group total	**2,841**	2,698	**5%**		

[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.*

Number of outlets as at	Jun 2013	Dec 2012	Jun 2012
Mainland China	**1,178**	1,243	1,358
Hong Kong	**83**	84	77
Taiwan	**204**	214	218
Singapore	**52**	54	56
Indonesia	**151**	143	128
Malaysia	**84**	84	83
Thailand	**120**	117	106
Australia	**33**	32	33
India	**66**	52	48
UAE	**43**	43	40
Saudi Arabia	**92**	88	86
Other Middle East regions	**57**	53	63
South Korea	**263**	253	240
Other markets	**196**	188	187
Group total	**2,622**	2,648	2,723

Review by Brand

	Sales			Operating profit			Operating margin		
(In HK$ millions)	**First Half 2013**	First Half 2012	**Variance**	**First Half 2013**	First Half 2012	**Variance**	**First Half 2013**	First Half 2012	**Variance**
Giordano & Giordano Junior	**2,380**	2,108	**13%**	**336**	292	**15%**	**14.1%**	13.9%	**0.2pp**
BSX	**107**	121	**(12%)**	**13**	14	**(7%)**	**12.1%**	11.6%	**0.5pp**
Giordano Ladies	**180**	180	**Flat**	**26**	24	**8%**	**14.4%**	13.3%	**1.1pp**
Others	**33**	24	**38%**	**5**	4	**25%**	**15.2%**	16.7%	**(1.5pp)**
Retail & Distribution	**2,700**	2,433	**11%**	**380**	334	**14%**	**14.1%**	13.7%	**0.4pp**

Number of outlets	Jun 2013	Dec 2012	Jun 2012
Giordano & Giordano Junior	**2,397**	2,415	2,467
BSX	**146**	159	189
Giordano Ladies	**63**	60	55
Others	**16**	14	12
Retail & Distribution total	**2,622**	2,648	2,723

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 of the Company declared an interim dividend of 16.0 HK cents (2012: 15.0 HK cents) per share for the year ending December 31, 2013. The dividend is payable on or about Friday, September 27, 2013 to shareholders whose names appear on the register of members of the Company on Wednesday, September 18, 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, September 16, 2013 to Wednesday, September 18, 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, September 13, 2013.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended June 30, 2013, in compliance with the Code Provisions in the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that:

(i) Code Provision A.2.1 of the Code – the roles of Chairman and Chief Executive are vested in the same person and Code Provision A.4.2 of the Code – Chairman and Chief Executive are not subject to retirement by rotation. Currently Dr. LAU Kwok Kuen, Peter ("Dr. Lau") holds the positions of Chairman and Chief Executive. In view of Dr. Lau's extensive experience in the industry and deep understanding of the Group's businesses, the Board believes that vesting the roles of both Chairman and Chief Executive in Dr. Lau provides the Group with strong and consistent leadership, allows for more effective planning and execution of long term business strategies and enhances efficiency in decision-making. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of Management.

(ii) Code Provision A.6.7 of the Code – Independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Cheng Chi Kong, Adrian, Non-executive Director of the Company, was unable to attend the annual general meeting of the Company held on June 14, 2013 owing to other important engagement at the relevant time.

REVIEW OF ACCOUNTS

The Audit Committee has discussed with Management internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended June 30, 2013. It has also reviewed the said financial statements in conjunction with the Company's external auditor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, August 13, 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, Professor LEUNG Kwok and Mr. Simon Devilliers RUDOLPH.