GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2013

- *Sales increased by 3%; declining sales in Mainland China, Singapore, Taiwan and Australia, offset by growth in other markets, particularly Thailand and Indonesia, and the acquisition of a controlling interest last year in Giordano Middle East. Global brand sales reduced by 2% in the year.*

- *Gross Profit Margin increased by 2.0pp from 58.7% to 60.7%. An increase of 2.3pp was due to the consolidation of a full year of sales from Giordano Middle East. Despite the adverse impact of the devaluation of South East Asian currencies (mainly the Indonesian Rupiah) underlying gross margin increased slightly in the year.*

- *Strong cost control with comparable operating expenses (excluding Middle East acquisition) down 1% in comparison with prior year.*

- *Profit Attributable to Shareholders (PATS) was HK$663 million, a decline of 20%. However, excluding exceptional disposal gains in 2012 (HK$143 million), Profit Attributable to Shareholders declined by 3%.*

- *Inventory increased by 9% due to high inventory in Middle East and Singapore. Overall "system inventory", including goods held at suppliers and at China franchisees, is flat, year-on-year. Inventory profile is fresh with low volumes of Spring/Summer styles leftover from 2013.*

- *Free Cash Flow from operations at HK$599 million (HK$675 million in 2012) reflects effective management of working capital, modest investments in store portfolio upgrades and increases in key deposits in certain developing markets such as Indonesia.*

- *Dividend payout remains 40.0 HK cents per share (40.0 HK cents in 2012). This reflects the Group's strong cash position and an appropriate return of shareholder's funds to shareholders.*

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, 2013, together with comparative figures for the previous year, as follows:

Consolidated Income Statement

(In HK$ millions, except earnings per share)	*Note*	**2013**	2012
Sales	*2*	**5,848**	5,673
Cost of sales		**(2,297)**	(2,342)
Gross profit		**3,551**	3,331
Other income and other gains, net		**113**	294
Distribution expense		**(2,370)**	(2,173)
Administrative expenses		**(466)**	(447)
Operating profit	*3*	**828**	1,005
Finance expense		**(4)**	(2)
Share of profit of jointly controlled companies		**77**	77
Share of profit of associates		**2**	29
Profit before taxation	*2*	**903**	1,109
Taxation	4	**(173)**	(221)
Profit for the year		**730**	888
Profit attributable to:			
Shareholders of the Company		**663**	826
Non-controlling interests		**67**	62
		730	888
Earnings per share for profit attributable to shareholders of the Company	*5*		
Basic *(HK cents)*		**42.6**	53.8
Diluted *(HK cents)*		**42.1**	53.2
Dividends	*6*	**626**	617

Consolidated Statement of Comprehensive Income

(In HK$ millions)	**2013**	2012
Profit for the year	**730**	888
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value change on available-for-sale financial assets	**(10)**	5
Fair value gain on cash flow hedge	**3**	–
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, associates, jointly controlled entities and branches	**(40)**	34
Total comprehensive income for the year	**683**	909
Total comprehensive income attributable to:		
Shareholders of the Company	**645**	855
Non-controlling interests	**38**	54
	683	909

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**As at 31 December 2013**	2012 (Restated)	As at 1 January 2012 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**284**	267	229
Investment property		**–**	–	74
Goodwill		**535**	536	5
Interest in jointly controlled companies		**539**	532	415
Interest in associates		**5**	5	54
Available-for-sale financial assets		**14**	24	19
Financial assets at fair value through profit or loss		**28**	28	28
Leasehold land and rental prepayments		**246**	263	265
Rental deposits		**153**	118	133
Deferred tax assets		**49**	48	42
		1,853	1,821	1,264
Current assets				
Inventories		**518**	476	605
Leasehold land and rental prepayments		**44**	37	45
Trade and other receivables	*7*	**614**	756	633
Derivative financial instruments		**3**	–	–
Cash and bank balances		**1,437**	1,512	1,272
		2,616	2,781	2,555
Total assets		**4,469**	4,602	3,819
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		**78**	77	76
Reserves		**2,642**	2,522	2,297
Proposed dividends		**376**	386	350
Equity attributable to shareholders of the Company		**3,096**	2,985	2,723
Non-controlling interests		**153**	156	86
Total equity		**3,249**	3,141	2,809
Non-current liabilities				
Other long-term liabilities		**102**	102	–
Deferred tax liabilities		**118**	121	101
		220	223	101
Current liabilities				
Trade and other payables	*8*	**532**	748	698
Bank loans		**332**	339	63
Taxation		**136**	151	148
		1,000	1,238	909
Total liabilities		**1,220**	1,461	1,010
Total equity and liabilities		**4,469**	4,602	3,819
Net current assets		**1,616**	1,543	1,646
Total assets less current liabilities		**3,469**	3,364	2,910

Notes:

1. Principal Accounting Policies

(a) 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, financial asset at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

(b) Impact of new and amended standards and interpretations

The Group has adopted the following amended standards which are effective for the Group's financial year beginning 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 HKAS 19 (Revised), the adoption of the above new/revised standards and amendment to existing standards have no 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 sheet:

(In HK$ millions)	**As at December 31 2013**	As at December 31 2012	As at January 1 2012
Decrease in retained earnings	**12**	12	12
Decrease in post employment benefits			
– Decrease in other receivables	**3**	3	3
– Increase in other payable	**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 twelve months ended December 31, 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 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* and Others.

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

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

(In HK$ millions)	**2013** **Sales**	**Operating profit**	2012 Sales	Operating profit
Mainland China	**1,727**	**112**	1,898	156
Hong Kong and Taiwan	**1,725**	**218**	1,756	269
Rest of Asia Pacific	**1,460**	**259**	1,427	301
Middle East	**632**	**124**	108	29
Total Retail and Distribution	**5,544**	**713**	5,189	755
Wholesales sales to overseas franchisees	**304**	**44**	484	60
Segment sales/operating profit	**5,848**	**757**	5,673	815
Corporate function		**71**		188
Manufacturing business		**–**		2
Finance expense		**(4)**		(2)
Share of profit of jointly controlled companies		**77**		77
Share of profit of associates		**2**		29
Profit before taxation		**903**		1,109

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

(In HK$ millions)	**2013** **Sales**	**Operating profit**	2012 Sales	Operating profit
By brand:				
Giordano & Giordano Junior	**4,877**	**629**	4,520	665
Giordano Ladies	**374**	**51**	370	63
BSX	**220**	**24**	245	18
Others	**73**	**9**	54	9
Total Retail and Distribution	**5,544**	**713**	5,189	755

The entity is domiciled in Hong Kong. The revenue from external customers in Hong Kong is HK$1,346 million (2012: HK$1,497 million), Mainland China is HK$1,727 million (2012: HK$1,909 million) and the total of revenue from external customers from other countries is HK$2,775 million (2012: HK$2,267 million).

Inter-segment sales of HK$1,120 million (2012: HK$665 million) has been eliminated upon consolidation.

Depreciation and amortization charged in Mainland China was HK$41 million (2012: HK$45 million), Hong Kong and Taiwan was HK$39 million (2012: HK$38 million), Rest of Asia Pacific was HK$33 million (2012: HK$27 million) and Middle East was HK$24 million (2012: HK$3 million).

Income tax expense charged in Mainland China was HK$24 million (2012: HK$34 million), Hong Kong and Taiwan was HK$35 million (2012: HK$47 million), Rest of Asia Pacific was HK$63 million (2012: HK$55 million) and Middle East was HK$11 million (2012: HK$3 million).

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

(In HK$ millions)	**Segment assets** **2013**	2012 (Restated)
Mainland China	**1,073**	1,079
Hong Kong and Taiwan	**1,283**	1,302
Rest of Asia Pacific	**587**	636
Middle East	**891**	948
Segment assets	**3,834**	3,965
Interest in jointly controlled companies	**539**	532
Interest in associates	**5**	5
Available-for-sale financial assets	**14**	24
Financial assets at fair value through profit or loss	**28**	28
Deferred tax assets	**49**	48
Total assets	**4,469**	4,602

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$234 million (2012: HK$225 million), located in Mainland China is HK$164 million (2012: HK$161 million) and the total of these non-current assets located in other countries is HK$1,364 million (2012: HK$1,335 million).

3. Operating profit

The operating profit is stated after charging:

(In HK$ millions)	**2013**	2012
Amortization of leasehold land prepayments	**9**	9
Auditors' remuneration	**6**	8
Depreciation of property, plant and equipment	**128**	105
Depreciation of investment property	**–**	1
Operating lease rentals in respect of land and buildings		
– Minimum lease payments – office and warehouse	**19**	17
– Minimum lease payments – shop	**905**	791
– Contingent rent	**299**	317
Provision/(Reversal) for obsolete stock and stock written off	**1**	(15)
Staff costs	**942**	830

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% (2012: 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)	**2013**	2012
Income tax		
Current income tax		
– Hong Kong profits tax	**28**	31
– Outside Hong Kong	**118**	135
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**36**	32
Deferred tax		
Relating to the origination and reversal of temporary differences	**(2)**	5
(Over)/under provision in prior years		
– Hong Kong profits tax	**(5)**	9
– Outside Hong Kong	**(2)**	9
Taxation charge	**173**	221

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$663 million (2012: HK$826 million).

The basic earnings per share is based on the weighted average of 1,556,788,852 shares (2012: 1,534,640,315 shares) in issue during the year.

The diluted earnings per share is based on 1,556,788,852 shares (2012: 1,534,640,315 shares) which is the weighted average number of shares in issue during the year plus the weighted average of 18,834,471 shares (2012: 19,943,039 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)	**2013**	2012
Interim dividend declared and paid of 16.0 HK cents (2012: 15.0 HK cents) per share	**250**	231
Final dividend proposed after the balance sheet date of 24.0 HK cents (2012: 25.0 HK cents) per share	**376**	386
	626	617

At the board meeting held on February 27, 2014, the directors proposed final dividend of 24.0 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)	**2013**	2012
2012 final dividend approved and paid of 25.0 HK cents (2011: 23.0 HK cents) per share	**390**	354

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)	**2013**	2012 (Restated)	2011 (Restated)
Trade receivables	**333**	375	368
Less: Provision for impairment	**(17)**	(14)	(10)
Trade receivables, net	**316**	361	358
Other receivables, including deposits and prepayments	**298**	395	275
	614	756	633

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)	**2013**	2012
0 – 30 days	**233**	245
31 – 60 days	**49**	79
61 – 90 days	**19**	19
Over 90 days	**15**	18
	316	361

8. Trade and other payables

(In HK$ millions)	**2013**	2012 (Restated)	2011 (Restated)
Trade payables	**160**	193	298
Other payables and accrued expenses	**372**	555	400
	532	748	698

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**2013**	2012
0 – 30 days	**136**	134
31 – 60 days	**11**	29
61 – 90 days	**3**	10
Over 90 days	**10**	20
	160	193

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of 2013 Performance

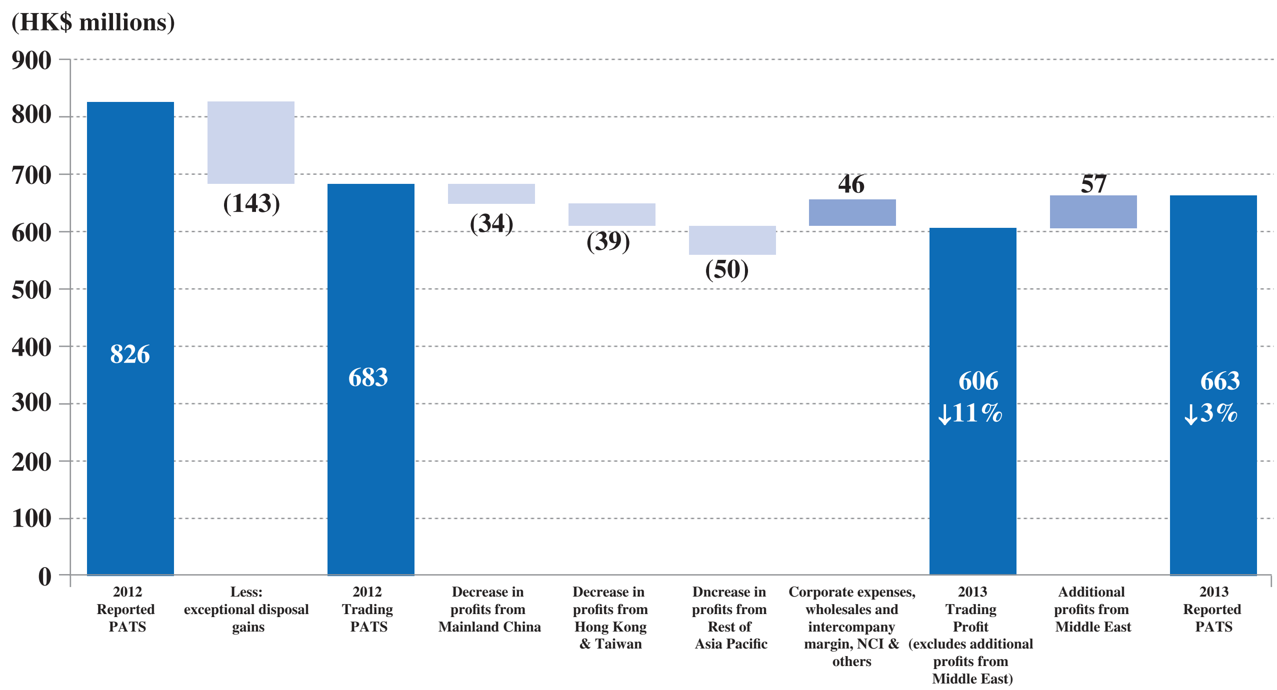
(In HK$ millions)	**2013**	2012	**Variance**
Sales	**5,848**	5,673	**3%**
Gross profit	**3,551**	3,331	**7%**
Gross margin	**60.7%**	58.7%	**2.0pp**
Operating expenses	**(2,836)**	(2,620)	**8%**
Operating profit (as reported)	**828**	1,005	**(18%)**
Operating margin (as reported)	**14.2%**	17.7%	**(3.5pp)**
Operating profit (excluding exceptional disposal gains)	**828**	834	**(1%)**
Operating margin (excluding exceptional disposal gains)	**14.2%**	14.7%	**(0.5pp)**
EBITDA	**1,066**	1,247	**(15%)**
EBITDA (excluding exceptional disposal gains)	**1,066**	1,133	**(6%)**
Net profit	**663**	826	**(20%)**
Net profit margin	**11.3%**	14.6%	**(3.3pp)**
Net profit (excluding exceptional disposal gains)	**663**	683	**(3%)**
Net profit margin (excluding exceptional disposal gains)	**11.3%**	12.0%	**(0.7pp)**
Free cash flow from operations	**599**	675	**(11%)**
Net cash and bank balances[1]	**1,105**	1,173	**(6%)**
Inventory balances[1]	**518**	476	**9%**
Inventory days on costs (days)[2]	**82**	74	**8**
Number of outlets[1]	**2,642**	2,648	**(6)**
Net change in outlets during the year	**(6)**	(23)	

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

[2] *Inventory held at year end divided by cost of sales and multiplied by 365 days.*

Profit Attributable to Shareholders ("PATS")

During the year, PATS decreased by 20% to HK$663 million from HK$826 million last year. Excluding exceptional disposal gains from last year, profit attributable to shareholders decreased by 3%.



Exceptional Disposal Gains in the Prior Year

In 2012, the Group completed three significant disposal transactions which contributed HK$143 million to PATS. Two of these were accounting gains on "deemed disposals": effectively revaluations of existing assets. The third transaction was a cash disposal of the Group's last manufacturing business which generated profit on disposal. These can be summarized as follows:

	(HK$ millions)
Profit Attributable to Shareholders in 2012	**826**
Less: Gain arising from acquisition of controlling interest in Giordano Middle East	(100)
Less: Gain arising from flotation of Higrowth as Speedy Global Holdings	(14)
PATS excluding profit on deemed disposals in 2012	**712**
Less: Profit on disposal of Manufacturing Business for Cash	(29)
PATS excluding exceptional disposal gains in 2012	**683**

Management considers that:

- "PATS excluding profit on deemed disposals" is an appropriate basis for the determination of dividend payout as the profit on these disposals generated no cash.
- "PATS excluding exceptional disposal gains" is a more appropriate basis for evaluating business performance.

Currency Impacts to Income Statement

The impact of foreign currency exchange rates changes had the following impact on the Income Statement:

(In HK$ millions)	Reported	Translation difference	Transaction difference	Currency Depreciation loss on purchase	Hedging gain	Adjusted
Sales	5,848	38	–	–	–	5,886
Gross profit	3,551	27	–	27	–	3,605
Other income	113	(1)	(22)	–	(2)	88
Operating Expense	(2,836)	(13)	–	–	–	(2,849)
PATS	663	2	(22)	27	(2)	668

The Group operates in foreign jurisdictions which do business in foreign currencies. The impact on PATS of translating the results of these entities into Hong Kong dollars was a small loss with the adverse impact from translation of South East Asian currencies, mainly the Indonesia Rupiah, being largely offset by translation gains from Chinese yuan denominated business in Mainland China. Gains from holding RMB and loans in Japanese Yen were partly offset by losses booked on open payables in Indonesia at the time of currency depreciation. Also, increased costs of purchasing merchandise in Hong Kong dollars, by Indonesia in particular, contributed a loss of HK$27 million in the year. Overall, the impact of foreign currency changes on the Group's results was an adverse impact of HK$5 million.

Sales

(In HK$ millions)	**2013**	2012	**Variance**
Total Sales[1]	**5,848**	5,673	**3%**
Global brand sales[2]	**7,912**	8,062	**(2%)**
Comparable store sales[3] decrease	**(2%)**	(1%)	
Number of outlets[4]	**2,642**	2,648	**(6)**
Net change in outlets during the year	**(6)**	(23)	

[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.*

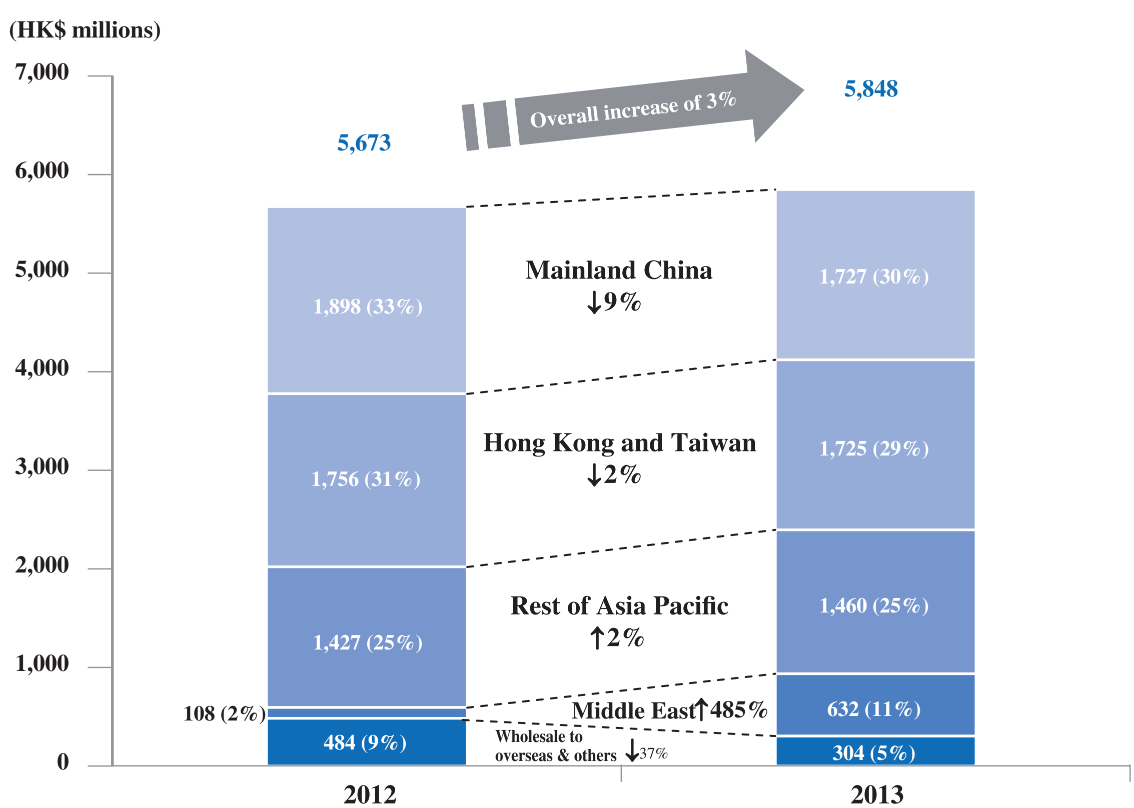
[4] *At the end of the year.*

- The Group's sales increased by 3% to HK$5,848 million in 2013 from HK$5,673 million in 2012. Excluding the effects of translating sales made in foreign currencies into Hong Kong dollars, sales also increased by 3% year on year.

- Sales in Mainland China decreased by 9% while sales in Hong Kong and Taiwan reduced by 2% compared to last year. Sales in other Asia Pacific markets, mainly Singapore, Malaysia, Indonesia and Thailand, grew by 2% compared to last year.

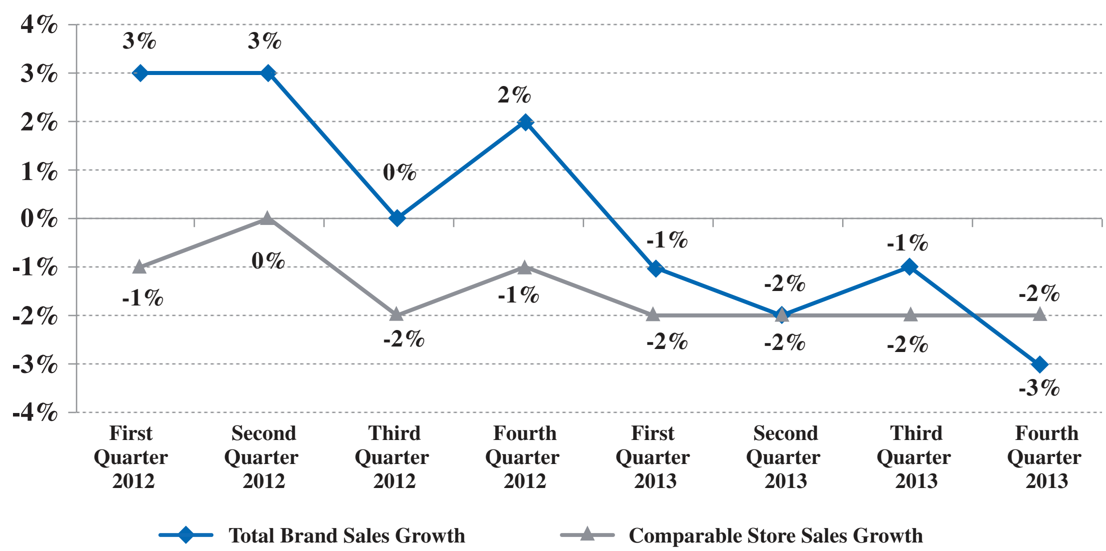
- Sales from the Middle East operations were consolidated into "Net Sales" for the whole of 2013 following the acquisition of a controlling interest at the end of October 2012, compared to consolidation of just two months sales in 2012. This was offset by the non-consolidation into "Net Sales" of wholesale sales from the Group to the Middle East in 2013, compared to consolidation of ten months of such wholesale sales in 2012. The net increase in Net Sales in 2013, as a result of the acquisition was HK$334 million. Excluding this transaction Net Sales for the Group reduced by 3% in 2013 compared to 2012.

Sales growth and contribution

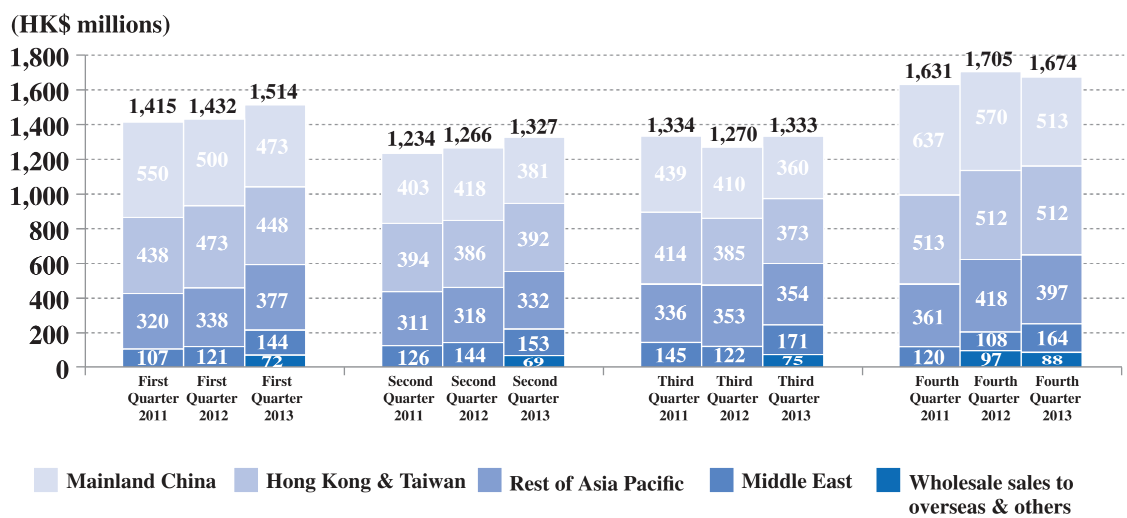


% to group sales in brackets

Brand sales growth for the last eight quarters



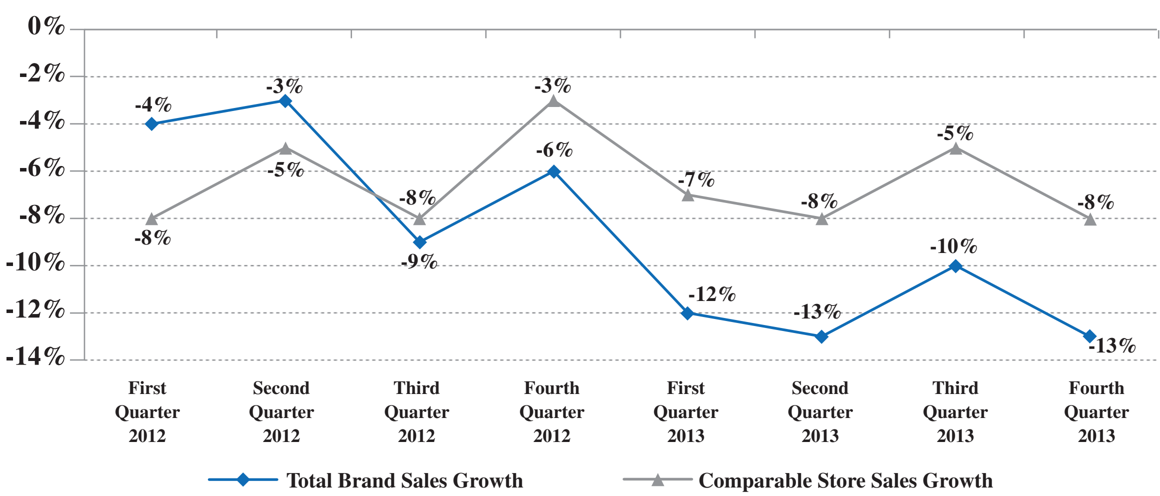
Sales for the last twelve quarters



Mainland China

(In HK$ millions)	**2013**	2012	**Variance**
Total sales[1]	**1,727**	1,898	**(9%)**
Retail self-operated stores	**1,275**	1,391	**(8%)**
Wholesale to franchisees	**452**	507	**(11%)**
Total brand sales[2]	**2,160**	2,439	**(11%)**
Self-operated stores	**1,275**	1,423	**(10%)**
Franchised stores	**885**	1,016	**(13%)**
Comparable store sales[3] decrease	**(6%)**	(6%)	
Number of outlets[4]	**1,161**	1,243	**(82)**
Self-operated stores	**532**	534	**(2)**
Franchised stores	**629**	709	**(80)**
Net change in outlets during the year	**(82)**	(129)	
Self-operated stores	**(2)**	(11)	
Franchised stores	**(80)**	(118)	

Brand sales growth in Mainland China for the last eight quarters



- Mainland China sales decreased by 9% in 2013, or HK$171 million, to HK$1,727 million from HK$1,898 million in 2012. Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales decreased by 11% in the year.

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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 *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.*

- 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 11% in 2013 and comparable store sales decreased by 6%.

- Sales decreased for the following reasons:

  - Market conditions in Mainland China continue to be very challenging. Falling GDP growth has resulted in single figure growth in consumer demand for apparel. Retail space has grown to match this growth and "international brands" continue to expand their presence in China. Other competitors continue to discount heavily and e-channels, which are taking market share from physical "bricks and mortar" stores, continue to sell apparel at very low prices.
  - Despite initiatives to differentiate our brand from "casual apparel" peers, execution of our brand repositioning has been slower than we would have liked. Efforts to develop the quality and responsiveness of our organization are ongoing and show promise. However, the effects of these actions are yet to be seen. A number of programs have been launched towards the end of 2013 to accelerate this re-positioning.
  - During the year we closed 82 stores, mostly at franchisees. We have increased the gross margin earned by our franchisees at the same time that we have reduced direct subsidies to loss making shops. This has had the effect of strengthening the better franchisees and eliminating poor performers which we believe will be healthy for 2014 onwards. Efforts to improve the concentration of our franchisees have been disappointing with our total number of franchisees in Mainland China reduced from 66 to 58. Franchisee development going forward is a key program for Group management.
  - We continue to manage our supply chain tightly and have reduced inventory at our franchisees from levels held at the end of 2012. As a result of this disciplined approach, our inventory in Mainland China is healthy and we are well positioned to launch new product ranges in 2014 unencumbered by significant amounts of inventory of older styles and obsolete lines.

- Although sales performance in Mainland China is mainly impacted by weak consumer sentiment, management has implemented the following initiatives designed to enhance the long-term strength of our operations in Mainland China:

  - 12 Fast Marketing projects were launched in each of our 5 regional centres during the second half of the year. These programs are constantly improving in regularity and quality of execution. Feedback from landlords is already showing that these campaigns help to positively differentiate our brand and this strategy will be developed further and strengthened as we go forward.
  - We have upgraded/opened 199 self-managed stores and 69 franchisee stores during the year. Investment per store has been over three times the level of investments last year reflecting an upgrade in the standard of these stores.

- In department stores we have started to move away from the "Unisex Casual Apparel" format to a more diversified brand-focused approach. The creation of separate men's and women's counters will position the brand in department stores with peer brands that attract more foot-fall. During the year we opened 35 "*Giordano Women*" counters, with total sales of HK$17 million. We have decelerated this expansion program as we focus on developing a more appropriate product range which will be launched in the second half of 2014. This will enable a more rapid expansion of store diversification within Mainland China department stores.

- The Group continues to develop its online business which in addition to our own website also operates on third party "e-mall" platforms with partners like Alibaba. Sales grew by HK$29 million from HK$145 million by 20% to HK$174 million in the year which was slightly disappointing. This represents 8% of brand sales in Mainland China and going forward we would like to increase this ratio to double digit levels in line with market mix.

- Pricing discipline has ensured that our e-business is profitable and cash generative. Furthermore, we have a good standing with the e-malls due to a strong inventory and logistics system which results in high levels of promise fulfillment. Going forward, we will leverage this strength by working with partners to increase our marketing reach, including increased use of "pay for clicks" advertising links. Additionally, we will invest in initiatives to enhance "online to offline" O2O applications that use technology to build customer intimacy with the Giordano brand, through personalized promotions through SMS or other media, and other innovative applications.

Five-year operations highlights	**2013**	2012	2011	2010	2009
Total sales[1] (in HK$ millions)	**1,727**	1,898	2,029	1,781	1,633
Sales per sq. ft.[2] (in HK$)	**1,900**	1,900	2,100	2,100	2,300
Comparable store sales[3] (decrease)/increase	**(6%)**	(6%)	6%	4%	(5%)
Retail floor area[4] (square feet)	**1,001,100**	1,077,600	1,173,900	1,037,500	903,600
Number of outlets[4]	**1,161**	1,243	1,372	1,188	1,017

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.*

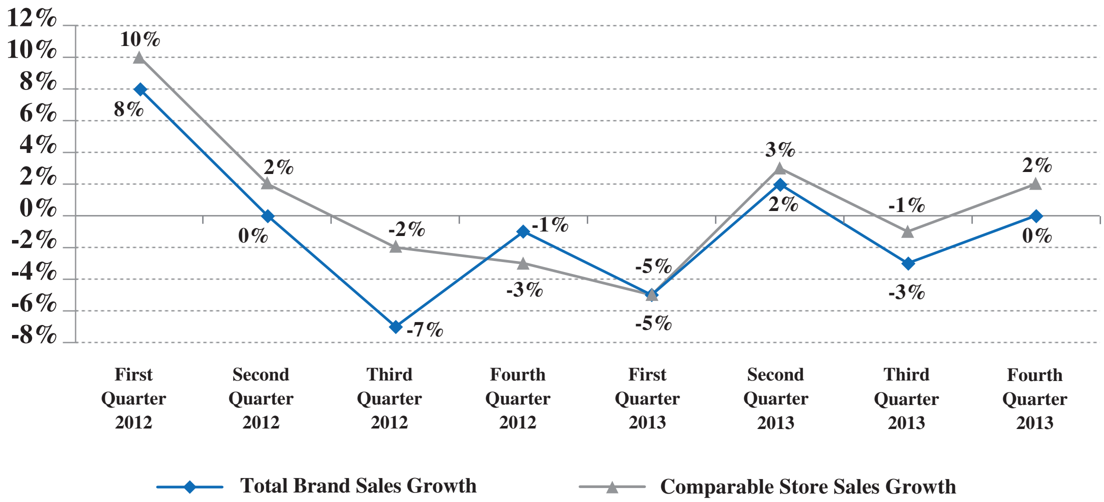
3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores and e-shop that have been opened/operated in the prior year.*

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

Hong Kong and Taiwan

(In HK$ millions)	**2013**	2012	**Variance**
Total sales[1]	**1,725**	1,756	**(2%)**
Comparable store sales[2] increase	**Flat**	2%	
Number of outlets[3]	**289**	298	**(9)**
Net change in outlets during the year	**(9)**	17	

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



- Sales in Hong Kong and Taiwan markets declined by 2% or HK$31 million from HK$1,756 million in 2012 to HK$1,725 million in 2013. Excluding the effect of translating Taiwanese dollars into Hong Kong dollars, sales declined by 1%. Comparative same store sales were flat year on year.

- Sales in Hong Kong increased by 2% in the year. We continue to strengthen our operations in this market through localized marketing campaigns and selective store openings. We added a net of 4 new stores in the year. New stores in Tuen Mun and Kowloon Bay, together with a major new store in the Venetian in Macau, are helping to position the Company with landlords as an "international" brand.

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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.*

- Sales in Hong Kong were partly depressed by a significant reduction in sales in the premium *Concepts One* brand. This brand was discontinued in Hong Kong following Chinese New Year 2014. As this was a loss-maker in 2013, this is expected to boost profitability in this market. *BSX* sales declined slightly by 3% as a result of brand repositioning. This brand is now developing into a premium youth brand with smart shops and cool merchandise that is trendy and fashionable and attractive to shopping centre landlords. The *Giordano Junior* brand has also been developed from a "cute and fun" position to a more "stylish and chic" offering to differentiate from other competitors and this brand enjoyed 9% growth as a result. The Group intends to develop these two strong brands further in 2014. *Giordano Ladies* increased sales by 5% and remains a stable and profitable niche brand, particularly strong in the Hong Kong market. The core Giordano brand, which represents 60% of total sales, grew by just 2% in the year.

- Taiwan sales reduced by 6% and same store sales reduced by 4%. The economic outlook and consumer sentiment continues to be weak in this market. During the year, net store closures were 13 (6%) as we exited unprofitable stores and slowed our expansion.

- We continue to develop local marketing campaigns and cross-over campaigns which help to differentiate the brand. In the fourth quarter, we partnered with an international outerwear brand, launching licensed products which boosted sales resulting in same store sales growth for the quarter of 1%, an upward trend which we will look to continue going forward with fresh and innovative campaigns.

Five-year operations highlights	**2013**	2012	2011	2010	2009
Total sales[1] (in HK$ millions)	**1,725**	1,756	1,759	1,447	1,330
Sales per sq. ft.[2] (in HK$)	**5,900**	5,900	6,300	5,300	4,600
Comparable store sales[3] increase/(decrease)	**Flat**	2%	18%	8%	(3%)
Retail floor area[4] (square feet)	**296,400**	305,000	297,000	274,800	272,800
Number of outlets[4]	**289**	298	281	256	249

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.*

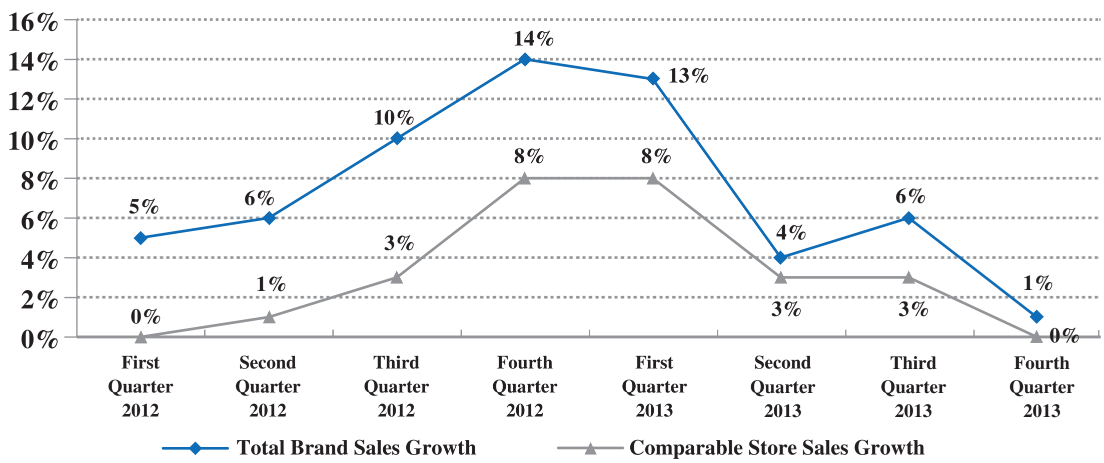
3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior year.*

4 *At the end of the year.*

Rest of Asia Pacific

(In HK$ millions)	**2013**	2012	**Variance**
Total sales[1]	**1,460**	1,427	**2%**
Comparable store sales[2] increase	**2%**	3%	
Number of outlets[3] Net change in outlets during the year	**548** **66**	482 65	**66**

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 2% or HK$33 million to HK$1,460 million from HK$1,427 million in 2012. Excluding the effect of translating foreign currencies into Hong Kong dollars, sales in these markets increased by 8%. Comparable same store sales grew by 2%.

Sales weakened in Singapore reducing by 5% from the same period last year. A number of factors have combined to weaken demand in this market. The recent influx of international brands, coupled with a weaker regional outlook following currency devaluation in Indonesia, Thailand and India, has led to strong price competition. The brand re-positioning that we started in 2012 has continued with 3 stores being significantly upgraded and 6 new stores added in 2013, including a large format 8,000 square foot store in Suntec City. This was opened in August 2013 in a major shopping mall that is currently under major re-development and is due to be completed in mid-2014. Staff development and training in Fast Marketing was carried out in the second half of 2013 and we plan to roll out a full program of marketing programs in Singapore in 2014.

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.*

Indonesia continues to deliver strong growth with same store sales of 14% and brand sales growth of 23%. We added 36 net new stores in the year (up 25%) and now have 179 stores in this fast growing market, which includes 27 stores from other international brands where we act as a franchisee in this market. This strengthens our position with the landlords of shopping centres. The Company is very well established in this market with stores across the nation, but the entry of a number of other international brands will increase competition here, particularly in Jakarta. We will continue to diversify our portfolio geographically and through brand partnerships in this fast growing market.

Sales growth in Malaysia was modest, with 2% same store sales growth and 6% brand sales growth. We added 3 stores in this market. Despite low growth, due to good gross margin discipline and strong cost controls, Malaysia delivered slightly higher profits than in 2012.

Sales growth in Thailand was strong, with 13% same store sales growth and 20% overall brand sales growth. We added 16 new stores (14% more) in the year and now have 133 stores in this market. Thailand remains a fast growing market for us with potential for more expansion.

In Australia, sales were very weak in the year with a same store sales reduction of 13% and brand sales down 19%. Retail sentiment in the year was weak and this was exacerbated by the arrival of some international brands into this market. In response, we have upgraded a small number of key stores and have increased support to this market from Head Office. This business is being kept under continuous review.

Five-year operations highlights	**2013**	2012	2011	2010	2009
Total sales[1] (in HK$ millions)	**1,460**	1,427	1,328	1,109	950
Sales per sq. ft.[2] (in HK$)	**3,300**	3,500	3,700	3,300	2,700
Comparable store sales[3] increase/(decrease)	**2%**	3%	8%	8%	(5%)
Retail floor area[4] (square feet)	**489,800**	428,900	380,200	337,200	342,000
Number of outlets[4]	**548**	482	417	356	351

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.*

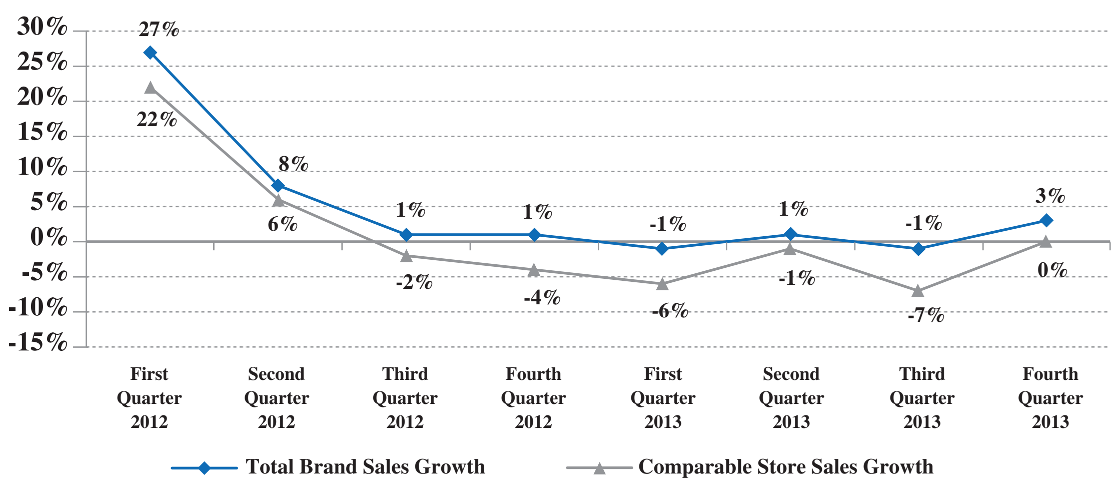
3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior year.*

4 *At the end of the year.*

Middle East

(In HK$ millions)	**2013**	2012	**Variance**
Total sales[1]	**632**	108	**485%**
Total brand sales[2]	**637**	636	**Flat**
Comparable store sales[3] (decrease)/increase	**(4%)**	4%	
Number of outlets[4]	**195**	184	**11**
Net change in outlets during the year	**11**	–	

Brand sales growth in Middle East for the last eight quarters



- As a result of the acquisition of a controlling interest in Giordano Middle East in October 2012, consolidated sales increased from HK$108 million in 2012 to HK$632 million in 2013. This is mainly due to the consolidation of twelve months sales in 2013 compared to two months sales in 2012.

- Comparative Same Store Sales for the Middle East decreased by 4% with flat Brand Sales. This disappointing sales result was impacted by a number of headwinds that impacted the region, not least the political instability in Syria and the devaluation of the Indian Rupiah which have impacted consumer demand in this region.

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1 *Total Sales are total retail sales and total wholesale sales to franchisees, translated at average exchange rates.*

2 *Total Brand Sales are total retail sales, at constant exchange rates, in UAE, Saudi Arabia, Oman, Qatar and Kuwait.*

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.*

- Comparative same store sales in Saudi Arabia reduced by 4% with brand sales showing a modest 2% improvement. A major government initiative to tackle illegal immigration, which has resulted in large scale deportations of foreign workers, has severely impacted footfall in retail malls. Additionally, a combination of an outbreak of Middle East Respiratory syndrome and increased restrictions on admission to Holy sites in the country (as infrastructure undergoes a major program of upgrades) has also reduced visitors significantly. We believe these headwinds will ease in 2014 and 2015 and that this remains a key strategic market for the Group with significant potential for growth.

- Sales in other markets have been disappointing with an 8% reduction in same store sales reflecting regional political instability across the Middle East and North Africa. Development of new markets has not yielded results in the year and this will be a key area of focus for 2014.

Wholesale Sales to Overseas Franchisees and Joint Ventures

(In HK$ millions)	**2013**	2012	**Variance**
Total sales	**304**	473	**(36%)**
Number of outlets[1]	**449**	441	**8**
Net change in outlets during the year	**8**	(160)[2]	

- Wholesale sales declined by 36% mainly due to the reclassification of sales to the Middle East as intercompany sales, following acquisition of a controlling stake in these businesses in 2012. Excluding the Middle East, wholesale sales increased by HK$14 million, or 5%, from HK$290 million in 2012 to HK$304 million in 2013.

- Sales to the Korean joint venture increased by 3% or HK$5 million reflecting flat same store sales in that market.

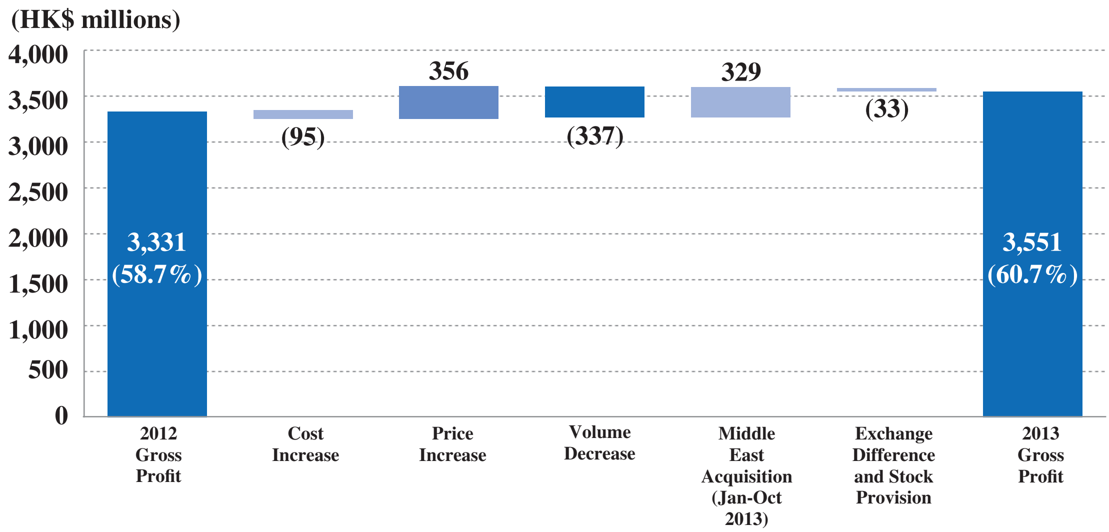
- Sales to the Philippines increased 12% or HK$7 million reflecting a strong market growth and a well-positioned brand in this market.

1 *At the end of the year.*

2 *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

Gross profit reconciliation



- The Group increased gross margin by 2.0 percentage points to 60.7% and the Group's gross profit increased by HK$220 million, or 6.6%, to HK$3,551 million from HK$3,331 million in 2012.

- The consolidation of the Middle East business for the full twelve months (compared to two months of 2012) increased gross margins in the year by 2.3 percentage points. This reflects higher gross profit margins in this business than the average for the Group as a whole.

- Additionally, the impact of foreign currency changes on cost of sales, through purchasing of merchandise in Hong Kong dollars, was to reduce gross margin by 0.5 percentage points in the year. This was particularly relevant in Indonesia following devaluation of the Indonesian Rupiah in the third quarter. The impact of these changes on gross profit in the fourth quarter was to reduce gross margin by 0.9 percentage points.

- Generally speaking, Giordano strongly resists discounting as a way of boosting volumes at the expense of margins. During the year, underlying gross profit margins increased slightly, despite highly competitive trading environments. However, in the fourth quarter of 2013, underlying margin declined by 2.0 percentage points over the corresponding quarter in 2012, as limited price discounting was introduced to reduce inventories. We expect to return to our strategy of modest continuous growth in Gross Profit margins in 2014.

- Average product costs increased by 4% over the year. Generally, on like for like products, our costs were flat, which reflects stability in raw material prices and improved efficiency at suppliers.

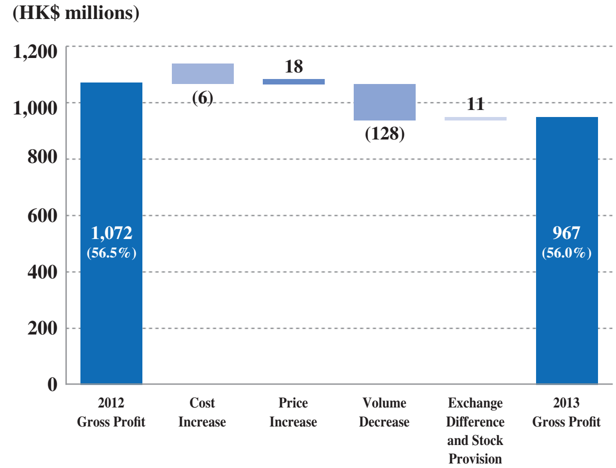
- During the year, the Group continued to grow the quality of sales, resulting in an increased average selling price of 7%. New products were launched with increased detail, design and featured more fabric and colour blocking, together with added features.

- The higher pricing of these products was supported by fast marketing campaigns and improved store ambience. Although we are continuously fine tuning this approach: simplifying design, cut and styles where appropriate, this has been done against a background of our competitors discounting heavily across most markets. Some of our product development, notably the increased detail on jackets, produced disappointing results, as products were not sufficiently differentiated from other down jacket styles where there is a glut of supply in the market. Prices for these (relatively high priced) items were extremely competitive and although we did some selective discounting, our relatively high prices in these categories impacted volumes sold. Bottoms were also down year on year reflecting execution issue of the changeover between the old styles of khakis and the new Innokhakis in China. Our warm underwear range (G Warmer) also performed under expectation. Consequently volumes have been negatively impacted with quantities sold down 12% in 2013 over 2012. The Group is actively pursuing product development and will look to innovate categories like jackets in 2014/15.

Mainland China

- Gross profit in Mainland China decreased by 10% with gross margin decreasing by 0.5 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 0.6 percentage points. Gross margin from sales to franchisees is flat. The gross margin of our franchisees themselves (which we measure through our point of sales system) increased by 2.5 percentage points.

Gross profit reconciliation – Mainland China



- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit decreased by 12%.

- During the year, merchandise was introduced with higher levels of detail and fashion than in the previous year. Down jackets were differentiated with more colour and fabric blocking. Nevertheless, with oversupply of down jackets to the market in general, and very low prices for these types of product, this differentiation was too weak and this category lost volume compared to prior year, impacting both volume and margin mix negatively in the year.

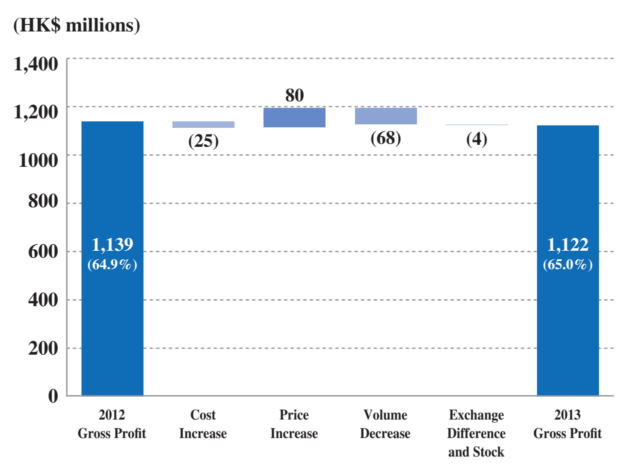
- Mainland China continues to be a market with strong price discounting. In the fourth quarter, with a delay of cold weather onset and with fierce price competition, we did reduce prices in order to (successfully) clear inventory to healthy levels. Nevertheless, volumes in this market fell by 12% in the year.

Hong Kong and Taiwan

- Gross profit in Hong Kong and Taiwan decreased by 1.5% and gross margin increased by 0.1 percentage point.

- Excluding the effect of translating Taiwan dollars into Hong Kong dollars, gross profit decreased by 1.2%. Hong Kong gross profit margin declined by 0.3 percentage points while Taiwan gross profit margin increased by 0.5 percentage points. In Hong Kong, strong discounting of jackets was offset by positive brand margin mix as *Ladies*, *BSX* and the new *Giordano Junior* brands performed well. In Taiwan, discounting was lower than in 2012, resulting in higher gross margin.

Gross profit reconciliation – Hong Kong and Taiwan



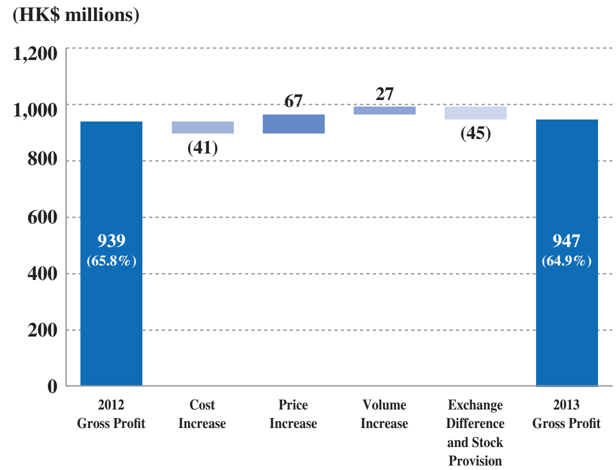
Rest of Asia Pacific

- Gross profit grew by 1% in other Asia Pacific markets with a decrease in gross margin of 0.9 percentage points.

- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit increased by 6%.

- Merchandise to these markets, which are largely one seasonal, incorporated new designs and details in order to improve differentiation. This enabled average selling price increases of 5% across the region. Underlying costs increased by 3%, but with the depreciation of South East Asian currencies against the Hong Kong dollar since third quarter, this rose to 8% for the year.

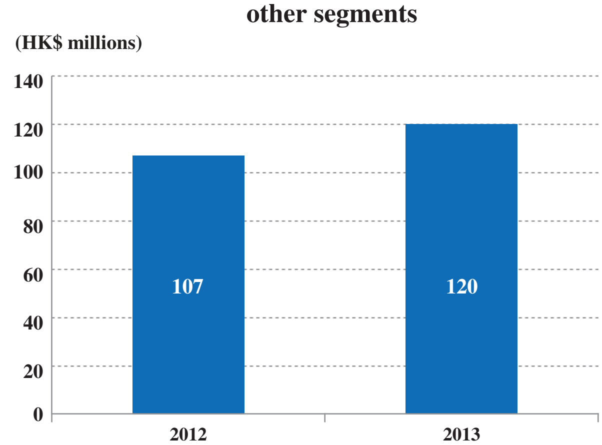
Gross profit reconciliation – Rest of Asia Pacific



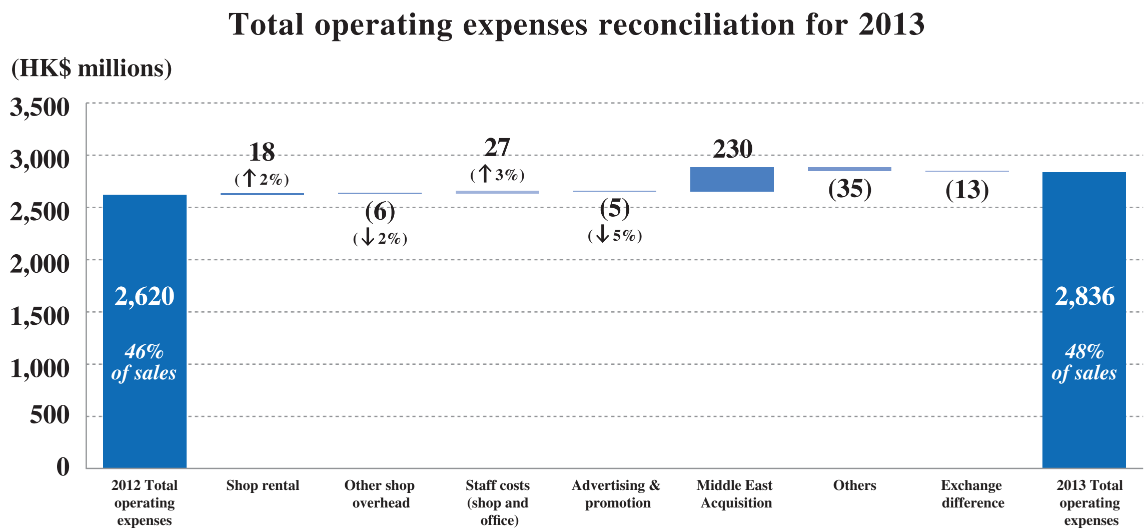
Wholesale sales to overseas franchisees & other segments

- Wholesale gross profit from overseas franchisees and subsidiaries increased by HK$15 million, mainly due to increases in sales volumes in subsidiaries and non-China franchisees. This was offset by the non-recurring manufacturing gross profit of HK$2 million in 2012 which was disposed last year and therefore did not recur in 2013.

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



Operating Expenses



- Overall, the Group's operating expenses increased by 8% to HK$2,836 million from HK$2,620 million in last year. Excluding the additional ten months' operating expenses of HK$230 million from consolidating Middle East operation, the Group's operating expenses down 1%.

- Total rent costs increased by 2%, mainly due to the increase in average shop area by 3%. Rent per square foot is flat, which largely reflects growth in low cost developing markets such as Indonesia and Thailand, together with variable rentals in department stores in Mainland China. Rental to sales (including Middle East) increased from 19.7% to 20.7%.

- Shop overhead costs comprised shop depreciation, warehouse, utilities and credit card charges. Variable costs decreased and other costs were reduced by cost reduction activities such as the rationalization of our warehouse operations in 2012 and 2013.

- Average staff headcount stayed flat while average salaries increased by 3%.

- Other Group costs reduced, being the continuing reduction in headquarters costs, partly due to lower staff incentives paid in 2013, and also the non-recurrence of significant legal costs related to the Middle East acquisition in 2012.

- Total operating expenses as a proportion of sales increased from 46% to 48%. With flat sales and businesses operating in an inflationary environment, this represents strong cost control and process efficiency improvement by management teams throughout the Group.

Operating Profit before Other Income

- Overall, sales grew by 3% in the year and with 2.0 percentage points incremental gross margin on last year, gross profit improved by 7%. Operating expenses increased by 8%, resulting in an Operating Profit before Other Income of HK$715 million, up 1% from last year.

Other Income

- Other income decreased by HK$181 million from HK$294 million to HK$113 million.

- This decrease is mainly due to non-recurring prior year transactions:

  - Recognition of exceptional accounting gains of HK$114 million from "deemed disposals" due to the step up of the Group's equity interests in the Middle East and the exchange of a 9.9% interest in Higrowth Ventures Limited for a 6.46% share in Speedy Global Holdings Limited following a re-organization by that company.
  - Pre-tax profit on a cash (ie not "deemed") disposal of a manufacturing facility of HK$57 million.

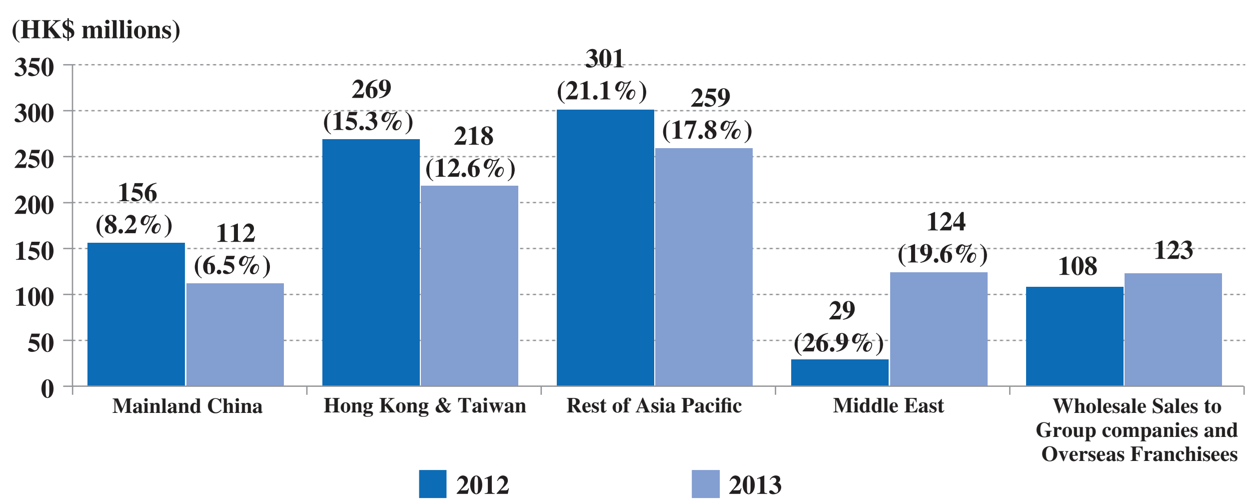
Operating Profit

- As a result of the above, the Group's 2013 operating profit decreased by HK$177 million to HK$828 million from HK$1,005 million in 2012.

Operating Profit excluding Profits on Disposals

- Excluding profits on disposals from last year, operating profit decreased by HK$6 million to HK$828 million compared to HK$834 million in 2012. Operating margin excluding these accounting adjustments decreased by 0.5 percentage points from 14.7% to 14.2%.

Operating Profit by Market



The above exclude the corporate function and manufacturing expense of HK$8 million (2012: Income of HK$142 million)

Mainland China

- Operating profit in Mainland China decreased by HK$44 million from HK$156 million to HK$112 million, down 28% compared to last year. Operating margin decreased from 8.2% to 6.5%.

- Profit declined due to a 9% decline in sales and a 10% decrease in gross profit. This was partly offset by a 7% decrease in operating expenses. Strong cost control was driven by variable rents (from a large department store based portfolio), and lower staff and overhead costs, as efficiency and cost control initiatives were intensified. This reflects Giordano's prudent strategy in recent times to exit unprofitable street and shopping mall stores, with fixed rents and to develop in variable rent locations. We still do look for the right opportunities to open street and shopping mall stores, but we are very careful to avoid locations which will weaken our brand and incur significant fixed costs.

- We continue to find ways to improve productivity and rationalize headcount. Headcount reduced across the business in 2013 (from 3,410 to 3,257 by 153 employees, a reduction of 5%) reflecting these efforts.

- During the year, the Group continued to pursue a store development program which emphasizes the quality of business over the quantity. Our network of self-managed stores reduced by a net of 2, from 534 to 532. 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. In 2013, 56 lossmakers were closed and 44 lossmakers were turned to profit contributors. This management scrutiny of poorly performing stores will continue into 2014.

Hong Kong and Taiwan

- Operating profit in Hong Kong and Taiwan decreased by HK$51 million from HK$269 million to HK$218 million, down 19% compared to last year. Operating margin decreased from 15.3% to 12.6%.

- Hong Kong operations generated an increase in gross profit of 1.3%, reflecting challenging trading conditions and work done to reposition and turn around the *Giordano Ladies*, *BSX* and *Giordano Junior* brands. This market, however, has seen double digit cost increases based on significant increases in rent in prime store locations, and an increasing footprint as we establish a stronger store network with 4 more stores at the end of 2013 than twelve months earlier. We will focus on sales efficiency in 2014 and portfolio development will be more modest but will include an innovative new multi-brand store format.

- In Taiwan, despite the difficult trading conditions, we exercised strong cost control and closed poorly performing stores, reducing our number of outlets from 214 to 201. Despite gross profit reducing by 6%, strong operational cost controls resulted in operating margin reducing by just 7%, protecting Taiwan's double digit operating margin. Emphasis going forward will be on improving the quality of the store portfolio and executing higher quality marketing and crossover programs in 2014 to boost sales volume.

Rest of Asia Pacific

- Operating profit in Rest of Asia Pacific decreased by HK$42 million from HK$301 million to HK$259 million, down 14% compared to last year. Operating margin decreased from 21.1% to 17.8%.

- The depreciation of South East Asian currencies against the Hong Kong dollar in the year, particularly the Indonesian Rupiah, resulted in Gross Profit Margins (hence Operating Margins) in the region declining by 1.7%.

- Overall gross profit was also reduced by negative sales and gross profit growth in Singapore, the biggest market in this region, and Australia, where sales fell by 25%. In Singapore, we are in the process of re-positioning the brand through a program of store refurbishments and store openings and in the second half of the year we opened a large mega-store in Suntec City Mall, which will be expected to contribute to profit and an enhanced brand image as we go into 2014. The Australian business is under review after registering the first loss for the year since 2010.

- The reduction in operating margin overall was due to an increase in operating expenses of 6% across the region compared to an increase in gross profit of 1%. This increase was driven primarily due to labour and shop overhead costs increasing significantly across the region, particularly in Indonesia and Thailand, reflecting increases in the number of stores and strong inflationary cost pressures in these markets.

- During the year, the number of shops in the Rest of Asia Pacific increased by 66 mainly in Indonesia, Thailand and India where we continue to expand our reach into regional shopping centres and department stores.

Wholesale sales to Group companies and overseas franchisees

- Operating profit from wholesale sales to group companies and overseas franchisees increased by 14% or HK$15 million from HK$108 million to HK$123 million. Such increase was a result of the increased sales to these markets, particularly the Philippines and South Korea.

Jointly Controlled Companies – South Korea

(In HK$ millions)	**2013**	2012	**Variance**
Total sales[1]	**1,756**	1,670	**5%**
Comparable store sales[2] decrease	**(1%)**	–	
Gross profit	**1,014**	955	**6%**
Gross profit margin	**57.8%**	57.2%	**0.6pp**
Net Profit	**158**	156	**1%**
Share of JCE profit (% of equity holding: 48.5%)	**77**	76	**1%**
Number of outlets[3]	**244**	253	**(9)**
Net change in outlets	**(9)**	21	

- Excluding the effect of translating Korean Won into Hong Kong dollars, sales in Korea grew by 3%, but profit was flat.

- Market conditions in the South Korean market were fairly tough in 2013, partly impacted by the entry of a number of international brands into the market. Against this background, we continued to develop our brand differentiation with the roll out of the larger format *Concepts* stores. Most growth came from these investments but high rents and increased depreciation depressed the profitability of these stores. We expect to improve profitability in 2014 through tight cost control and improved sales efficiency.

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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.*

Income Tax

- The Group's 2013 income taxation expense was HK$173 million (2012: HK$221 million), resulting in an effective tax rate[1] of 19.2% (2012: 19.9%).

- 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 19.2% (2012: 18.7%).

Profit Attributable to Shareholders

- 2013 profit attributable to shareholders decreased by 20% or HK$163 million to HK$663 million from HK$826 million last year. Net profit margin decreased by 3.3 percentage points from 14.6% to 11.3%. Basic and diluted earnings per share decreased to 42.6 HK cents (2012: 53.8 HK cents) and 42.1 HK cents (2012: 53.2 HK cents), respectively.

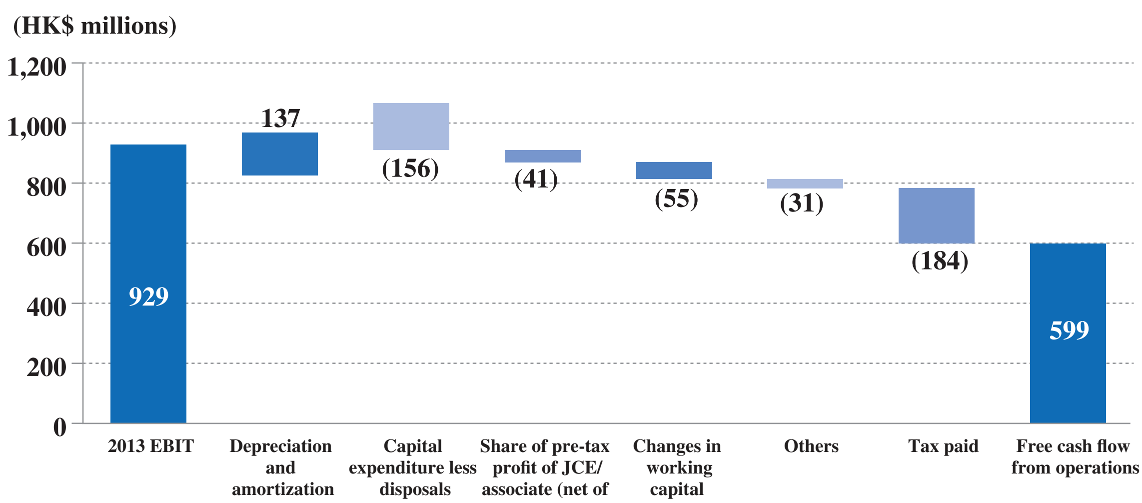
Profit Attributable to Shareholders Excluding Profits on Disposals

- Excluding the 2012 accounting gain of HK$114 million on deemed disposals which were effectively revaluations of existing assets, and the 2012 accounting gain of HK$29 million on the disposal of the Dongguan Manufacturing business, profit attributable to shareholders decreased by HK$20 million from HK$683 million to HK$663 million, a decline of 2.9%. Excluding gains on disposals from 2012, net profit margin decreased from 12.0% to 11.3%.

- Excluding the profits on deemed disposals (but including the profit on the cash disposal) in 2012, basic and diluted earnings per share decreased to 42.6 HK cents (2012: 46.4 HK cents) and 42.1 HK cents (2012: 45.8 HK cents).

Free Cash Flow from Operations

EBIT and free cash flow from operations for 2013



Free cash flow from operations was HK$599 million, a reduction of HK$76 million, or 11%, from HK$675 million in 2012.

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1 *Income tax expense divided by profit before taxation.*

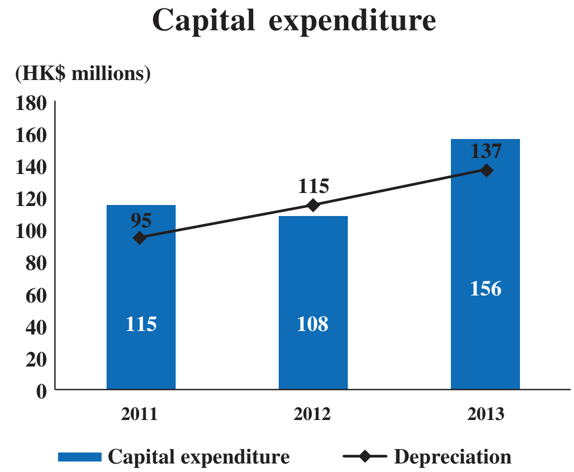
Simplified free cash flow analysis

(HK$ millions)	**2013**	2012	**Variance**
Profit before income tax	**903**	1,109	**(19%)**
Add: Share of tax of JCE/associate	**22**	21	**5%**
Add: Interest expense	**4**	2	**100%**
Add: Depreciation and amortization	**137**	115	**19%**
EBITDA	**1,066**	1,247	**(15%)**
Disposal gain on manufacturing business/property	**–**	(57)	**(100%)**
Accounting gains on deemed disposals	**–**	(114)	**(100%)**
Share of pre-tax profit of JCE/associate	**(101)**	(127)	**(20%)**
Amortization of rental prepayments	**57**	35	**63%**
Changes in working capital	**(55)**	64	**(186%)**
Interest paid	**(4)**	(2)	**100%**
Income tax paid	**(184)**	(216)	**(15%)**
Interest income, Exchange and others	**(43)**	(25)	**72%**
Net cash inflow from operating activities	**736**	805	**(9%)**
Dividend income from JCE/associate	**60**	21	**186%**
Capital expenditure less proceeds from disposals	**(156)**	(108)	**44%**
Increase in rental deposits and rental prepayments	**(65)**	(67)	**(3%)**
Interest received	**24**	24	**–**
Free cash flow from operations	**599**	675	**(11%)**

Capital expenditure

- Capital expenditure increased by HK$48 million in 2013 compared to 2012 as a result of the consolidation of Middle East operations for a full year, store upgrades in Mainland China and Singapore, and store expansion in Indonesia. The Group will continue to invest in its store portfolio as it repositions the brand in different markets and develops innovative store formats to improve competitive position.

- Depreciation increased by HK$22 million from last year. The increase is mainly from the addition of HK$21 million depreciation from the consolidation of Middle East operations for a full year.



Changes in Working Capital

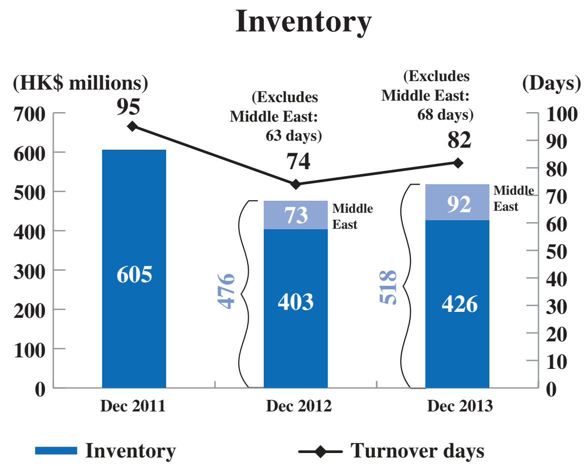
Working Capital in the year increased by HK$55 million as follows:

(HK$ millions)	**2012**	Change in Working Capital	Middle East Completion Dividend Paid	Others	**2013**
Inventory	**476**	42	–	–	**518**
Trade and other receivables	**640**	(43)	(73)	–	**524**
Trade and other payables	**(739)**	56	160	(9)	**(532)**
	377	55	87	(9)	**510**

Inventory

- Group inventory in 2013 increased by HK$42 million from HK$476 million to HK$518 million. Excluding the Middle East acquisition, inventory increased by HK$23 million from HK$403 million to HK$426 million.

- Inventory turnover on costs[1] was 82 days, which management regards as slightly high, mainly due to high levels of inventory in the Middle East. Excluding the Middle East operation, which has 141 days of inventory, inventory turnover was 68 days. Inventory in China is relatively healthy with a reduction in inventory held at our shops, franchisees and suppliers of HK$44 million. Inventory in other markets has increased and we will be working to reduce stock in these markets in the first quarter of 2014.



Total inventory including finished goods at suppliers

(HK$ millions)	**Dec-13**	Dec-12
Inventory balance held by the Group	**518**	476
Inventory balance held by franchisees in Mainland China	**94**	133
Finished goods at suppliers (not yet shipped)	**27**	33
Total system inventory	**639**	642

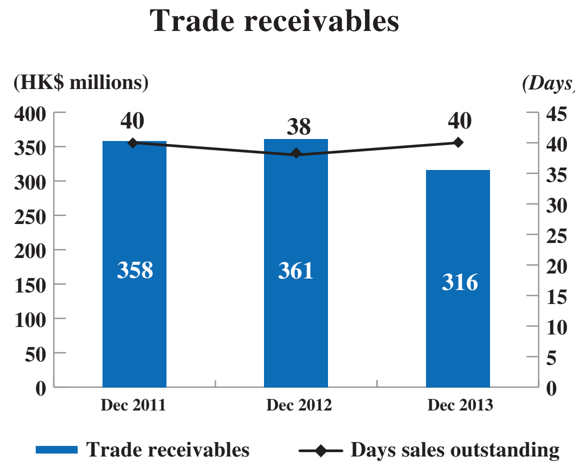
- System inventory, which measures inventory on the balance sheet and additional inventory held at suppliers and franchisees (where title is not held by Group companies) was broadly flat, year on year.

- Inventory profile is fresh with low volumes of Spring/Summer styles leftover from 2013.

	Dec-13	Dec-12
Core items	**16%**	30%
Current season	**61%**	**49%**
Past seasons	**23%**	21%
	100%	100%

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

Trade receivables

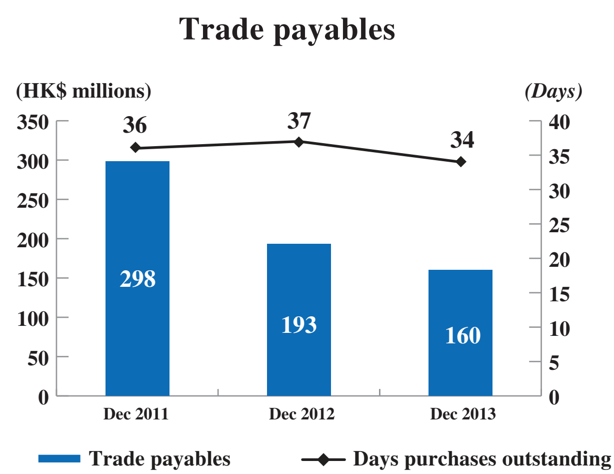


- Trade receivables decreased in 2013 by HK$45 million to HK$316 million.

- The Group extends limited credit terms to department stores, where the practice is for the store to collect cash from the customer and pay it on to the retailer, and to franchisees. These terms are not intended to finance the business of our franchisees but to assist them with factors such as time of merchandise shipments to market and seasonality of demand. In general, these terms do not exceed 30 days from the date of shipment of goods/sale of products.

- During the year receivables over 60 days late remained at 10% (2012: 10%) of gross receivables. Total overdues at 26% of gross receivables, reduced from last year (2012: 32%). The Group exercises careful monitoring of outstanding credit balances, particularly overdues, restricting and stopping shipments where appropriate. We will continue to manage the risk in this area carefully.

Trade payables



- Trade payables decreased by HK$33 million to HK$160 million. This is due to lower purchases in December 2013 than in the same month in 2012. Purchases were reduced in order to exert tight control over inventory, despite an earlier Chinese New Year season than in 2012.

Share of Profit of Jointly controlled and Associated Companies and Dividend income received

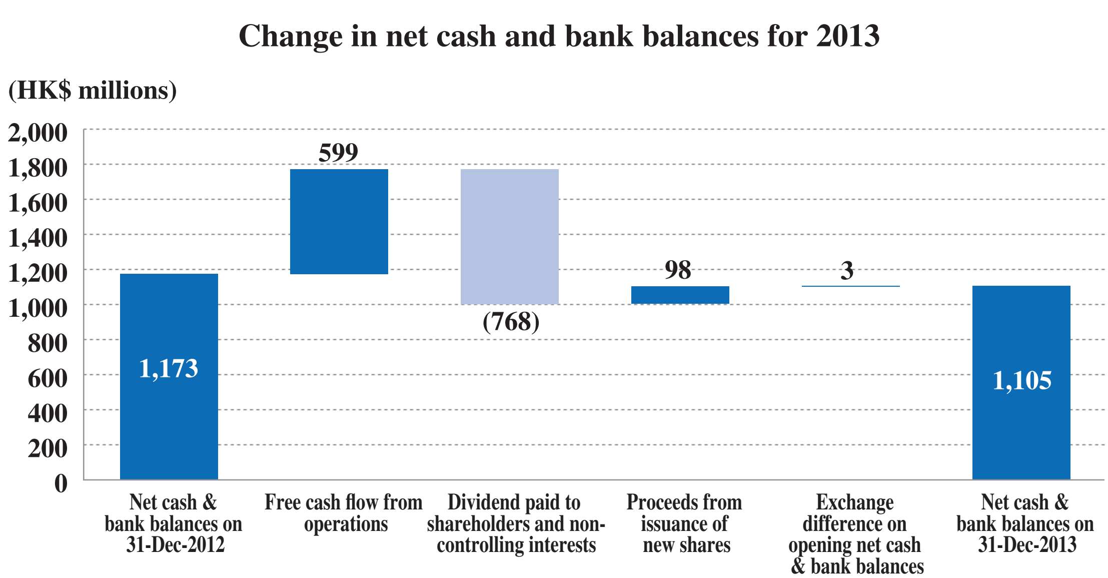
This represents the difference between the portion of profit due to the Group from Jointly Controlled and Associated Companies and the dividends paid to the Group in the year:

	South Korea			Middle East			Total		
(HK$ millions)	**2013**	2012	**Variance**	**2013**	2012	**Variance**	**2013**	2012	**Variance**
Share of pre-tax profit	**99**	98	**1%**	**2**	29	**(93%)**	**101**	127	**(20%)**
Dividend received[1]	**(60)**	–	**100%**	**–**	(21)	**(100%)**	**(60)**	(21)	**186%**
	39	98	**(60%)**	**2**	8	**(75%)**	**41**	106	**(61%)**

- At December 31, 2013, the Korean joint venture held cash balances of HK$563 million. Giordano's (48.5%) share of HK$273 million is not consolidated in our balance sheet.

- During 2013, HK$60 million was received in dividend from the Korean Joint Venture after having received no dividend in 2012. At present, there are no major plans to make substantial investments in the Korean operation and discussions with our joint venture partners are ongoing as to future dividend.

Net cash position of the Group



- The Group decreased its net cash and bank balances by HK$68 million to HK$1,105 million as at December 31, 2013 (December 31, 2012: HK$1,173 million).

- HK$599 million free cash flow was generated from operations.

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

- Dividends paid during the year comprised the following:

(HK$ millions)	**2013**
2012 Final dividend (which brought the full year dividend to 74% of the Group's full year profit)	390
2013 Interim dividend (74% of 2013 Group's interim profit)	250
Completion dividend paid to non-controlling interests of the subsidiaries in Middle East	87
Dividend paid to non-controlling interests of subsidiary in Indonesia	41
Dividend paid to shareholders and non-controlling interests	**768**

- HK$98 million was raised from the exercise of employee share options during the year.

- Outstanding bank loans decreased by HK$7 million to HK$332 million (December 31, 2012: HK$339 million) due to a translation gain on a loan denominated in Japanese Yen.

- Cash and bank balances were HK$1,437 million (December 31, 2012: HK$1,512 million) of which HK$205 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

(HK$ millions)		
Cash and bank balances	**921**	
Time deposits	**205**	
Cash available for use		**1,126**
RMB pledged deposits	**311**	
USD loans	**(299)**	
Fund mechanism for Middle East Acquisition		**12**
Other bank borrowings		**(33)**
Net cash and bank balances		**1,105**

- 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.

Dividends

- The Group has decided to pay a final dividend of 24.0 HK cents per share (2012: 25.0 HK cents) which will result in a full year dividend of 40.0 HK cents per share (2012: 40.0 HK cents). This represents HK$626 million which is 94% of the Profit Attributable to Shareholders in the year. This reflects:

(i) Strong free cash flow and healthy working capital, together with significant cash balances held by the Group;
(ii) The policy of the Group to return cash to shareholders that is not required to develop or operate the business; and
(iii) Management's confidence that strong free cash flow can be maintained in the short to medium term. Sufficient funds are also available to adequately invest in the long term future of the Company.

OUTLOOK AND STRATEGY

During 2014, we expect to face continuing challenging trading conditions. As more and more international brands enter our markets, we will respond by stepping up our own brand marketing. We will also leverage our intrinsic competitive advantages in our markets: knowledge of local tastes and customs (including product silhouettes); early mover advantages which enable us to penetrate markets deeply in emerging regions and cities; a well-established and effective supply chain which will enable us to control inventory well and respond to market changes quickly and experience in strategy execution and working with local employees within local work cultures. Management will continue to focus on the following key objectives for 2014:

1. Mainland China Development

- Retail sentiment in Mainland China continues to be weak and we expect this to continue in 2014. Excess inventories, over capacity of retail space and the growth of online competition, will continue to depress the ability of retailers to grow volume and margins.

- Success or failure for retailers will depend on the ability to innovate and differentiate in a number of areas: merchandise design, brand awareness development, shopping experience and strong channel management will be key to success in both online and bricks and mortar retail networks.

- Giordano will continue to leverage its traditional strengths: a strong and efficient supply chain, disciplined inventory management and strong controls over pricing to bring high quality, value for money functional apparel to our customers.

- During 2013, the Company consolidated the decentralization of its Mainland China operations into six profit centres. Regional teams are now focused on and accountable for delivery of results. In 2014, we will supplement this with brand management structures which will widen the Company's appeal, both with landlords and consumers. More clearly defined brands, with different value propositions, will enable us to direct the right retail solutions to the right places.

- In aggressive pursuit of growth the Company expanded very rapidly into channels which are no longer seen as appropriate for our core brand, such as supermarkets. We will launch a value brand with high quality functional merchandise, which will be priced to sell effectively in these channels. The core group values of simplicity, value and universality will be at the heart of this initiative.

- The above will enable us to be more effective in execution of our efforts to establish the core *Giordano Men* and *Giordano Women* brands as international brands. We will focus on growing our networks in department stores, moving away from a casual apparel offering to separate Men and Women counters with strong visual merchandising, more innovative merchandise and a more intimate store ambience.

- To supplement the core brands we will also launch a woman's fashion brand in the second half of 2014, based on European design values, but retaining the functional simplicity that is at the core of Giordano. This brand, to be priced at a premium to the core *Giordano Woman* brand (but still significantly below the price point of *Giordano Ladies*), will enable us to continue to expand across department store networks in China.

- The successful development of the BSX brand in Hong Kong will provide a platform for the steady development of this brand in Mainland China. Shops will be opened based on the Hong Kong template and be suitable for shopping centres and co-location with international brands. Given the excess capacity of Mainland China shopping centres, care will be taken to build this brand profitably in the right locations.

- The development of our franchisee network will also be a clear priority for 2014 and the Group, with regional General Managers, will actively develop relationships and support strategies with a number of A grade franchisees who have the ability to grow their store networks. We will continue to move away from profit subsidy towards a policy of supporting brand building and shop quality and will focus on delivering stronger profitability to those franchisees who demonstrate their ability to grow the brands.

- The establishment of localized fast marketing campaigns in China in 2013 will be developed further through a program of campaigns that will improve in quality and reach. We will build crossover campaigns with local celebrities and international partners to build a brand of international quality with local relevance. These marketing campaigns will be key to our development of our store portfolio and will strengthen our reputation and negotiating power with landlords.

- We will continue to develop our e-partnerships with virtual shopping malls in China. During 2014 we will extend product advertising and marketing on virtual shopping mall platforms to increase clicks towards our products.

- We will also work closely with the e-platform providers to extend technology into O2O (Online to Offline) applications which link virtual and mobile technology to physical store locations. In this way, shoppers can integrate the use of e-shopping on their mobile and home computer devices with the experience of shopping in physical stores. Technology will enable customization of promotions campaigns based on online and offline personal shopping history; thus enabling us to target specific shoppers to visit our physical stores. Conversely, in-store technology will enable our physical stores to offer a much wider product range through in shop terminals that facilitate online shopping.

2. Hong Kong and Taiwan

- The Hong Kong team will build on the brand developments it has executed in 2013. This will see further expansion of the *BSX* brand into higher quality shopping malls. The *Giordano Junior* brand, which has moved the image from cute and fun to stylish and chic will continue to build on its success in 2013. Both these brands will be assisted by strong marketing initiatives in the year.

- We will launch a new store format called *Concepts* in April 2014, based on a multi-brand large store format. This will be launched in Macau and will incorporate the different Giordano brands in a mini-department store format, each brand having its own ambience and physical identity within the store. This format will enable the Group to re-position our brand more easily with landlords as an international brand.

- A number of exciting fast marketing programs are being planned, each choosing an aspect of our brand values to highlight. These will focus on creativity and individualism in 2014.

- In Taiwan, we will launch a number of crossover campaigns with partner brands, designed to attract new, younger customers. At the same time, we will embark on a selective program of store upgrades which will help us enhance the brand image.

3. South East Asia

- In Singapore, we will build on the new store image that has been established in 2013, through the opening of the Suntec City flagship store and other key store refurbishments, with a rolling program of Fast Marketing campaigns which will strengthen the brand. We will continue to seek opportunities to establish modest store growth in this market.

- In other key markets such as Malaysia, Indonesia and Thailand we will continue to expand into regional locations to realize first mover advantage. Marketing programs will also be established in these markets to strengthen our brand. This will help us to compete more effectively with international brands that enter these markets.

- We will continue to develop small markets such as Vietnam where we have now established a subsidiary. By effectively partnering with international department stores and shopping centres, we will establish a strong brand position and early mover advantage. We will also be looking at opportunities in Cambodia and Myanmar. As these emerging markets develop we expect that they will be a source of significant revenue growth in the future.

4. **Middle East**

- 2013 was a year of consolidation for the Middle East businesses in two senses:
  - Following two to three years of significant growth in these markets.
  - Local management team learned to work with Giordano as a subsidiary instead of a franchisee.

- Outlook for 2014 is positive in a number of respects:
  - Sales growth in Saudi Arabia has been depressed in 2013 by external factors surrounding a clampdown by the authorities on illegal immigrants to issues which have restricted visitors to Holy Pilgrim sites. These factors are already easing and together with modest expansion in new stores in the second half of 2013, we expect to see sales growth returning in 2014.
  - We are also optimistic that the upswing in economic growth in the United Arab Emirates will lead to modest growth. This will help offset the impact of rising rents and other costs that we are seeing in this market.

- Development of new markets in 2014 was slow and efforts to secure business partners in emerging markets in the Middle East, Asia Minor, Central Asian republics, Africa, Eastern and Central Europe and Latin America will be intensified in 2014.

5. **Maintain Strong Cash Flow**

- Although inventory management was relatively effective in 2013, the Group will work to further rationalize inventory in 2014, particularly in markets, such as Singapore and the Middle East where inventories at 2013 year end were relatively high.

- Treasury initiatives, such as cash pooling and using local borrowing instead of cash to buffer subsidiary cash flow requirements, are concentrating more cash at the Group level and will enable the Group to lower its cash requirement for day to day operations.

- To maintain gross margin we will look to widen the supplier base in 2014, including finding improved supply capability in South East Asia. We expect moderate upward pressure on merchandise costs but we will mitigate this through enhanced competition, higher volume programs and elimination of excess, non-functional features on merchandise.

- Most markets are operating in difficult trading conditions right now. We will continue to invest prudently in store upgrades and marketing initiatives. The Company maintains strong cost control over headcount and operating costs across our global operations.

6. **Portfolio Development**

- During 2013 the Group acquired the franchised business in Vietnam. We will continue to review opportunities to develop the Group's operations through direct investment, partnerships with franchisees and joint ventures.

HUMAN RESOURCES

On December 31, 2013, the Group had approximately 8,200 employees (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

Summary by market		**Total sales**[1]		**Comparable store sales**[2]	
(In HK$ millions)	**2013**	2012	**Variance**	**2013**	2012
Mainland China	**1,727**	1,898	**(9%)**	**(6%)**	(6%)
Hong Kong	**1,042**	1,024	**2%**	**2%**	11%
Taiwan	**683**	732	**(7%)**	**(4%)**	(9%)
Singapore	**373**	398	**(6%)**	**(5%)**	(5%)
Indonesia	**435**	380	**14%**	**14%**	18%
Malaysia	**240**	234	**3%**	**2%**	3%
Thailand	**241**	199	**21%**	**13%**	9%
Australia	**142**	189	**(25%)**	**(13%)**	(2%)
India	**29**	27	**7%**	**(4%)**	(3%)
UAE	**246**	54	**356%**	**(2%)**	2%
Saudi Arabia	**335**	54	**520%**	**(4%)**	7%
Other Middle East regions	**51**	–	**N/A**	**(8%)**	(1%)
Retail & Distribution total	**5,544**	5,189	**7%**	**(2%)**	(1%)
Wholesale sales to overseas franchisees & others	**304**	484	**(37%)**		
Group total	**5,848**	5,673	**3%**		

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.*

Number of outlets as at	Dec 2013	Dec 2012
Mainland China	**1,161**	1,243
Hong Kong	**88**	84
Taiwan	**201**	214
Singapore	**52**	54
Indonesia	**179**	143
Malaysia	**87**	84
Thailand	**133**	117
Australia	**32**	32
India	**65**	52
UAE	**44**	43
Saudi Arabia	**99**	88
Other Middle East regions	**52**	53
South Korea	**244**	253
Other Markets	**205**	188
Group total	**2,642**	2,648

Review by Brand

	Sales			Operating profit			Operating margin		
(In HK$ millions)	**2013**	2012	**Variance**	**2013**	2012	**Variance**	**2013**	2012	**Variance**
Giordano & Giordano Junior	**4,877**	4,520	**8%**	**629**	665	**(5%)**	**12.9%**	14.7%	**(1.8pp)**
BSX	**220**	245	**(10%)**	**24**	18	**33%**	**10.9%**	7.3%	**3.6pp**
Giordano Ladies	**374**	370	**1%**	**51**	63	**(19%)**	**13.6%**	17.0%	**(3.4pp)**
Others	**73**	54	**35%**	**9**	9	**–**	**12.3%**	16.7%	**(4.4pp)**
Retail & Distribution	**5,544**	5,189	**7%**	**713**	755	**(6%)**	**12.9%**	14.6%	**(1.7pp)**

Number of outlets	2013	2012
Giordano & Giordano Junior	**2,026**	2,034
BSX	**71**	100
Giordano Ladies	**69**	59
Others	**27**	14
Retail & Distribution total	**2,193**	2,207

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 24.0 HK cents per share (2012: 25.0 HK cents per share) for the year ending December 31, 2013. Together with the interim dividend of 16.0 HK cents per share (2012: 15.0 HK cents per share) paid on September 27, 2013, total 2013 dividend would amount to 40.0 HK cents per share (2012: 40.0 HK cents per share). This reflects: (i) Strong free cash flow and healthy working capital, together with significant cash balances held by the Group; (ii) The policy of the Group to return cash to shareholders that is not required to develop or operate the business; and (iii) Management's confidence that strong free cash flow can be maintained in the short to medium term. Sufficient funds are also available to adequately invest in the long term future of the Company. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on or about Friday, June 27, 2014 to shareholders whose names appear on the register of members of the Company on Friday, May 23, 2014.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Friday, May 16, 2014. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which is expected to be published on or about Friday, March 28, 2014.

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 2014 Annual General Meeting to be held on Friday, May 16, 2014 ("2014 AGM"), the Register of Members of the Company will be closed from Monday, May 12, 2014 to Friday, May 16, 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2014 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, May 9, 2014.

(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, May 22, 2014 to Friday, May 23, 2014, 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, May 21, 2014.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code ("the CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended December 31, 2013, except that:

(i) Code Provision A.2.1 – the roles of the Chairman and Chief Executive are vested in the same person and Code Provision A.4.2 of the CG Code – the Chairman and the 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 – 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 FINANCIAL STATEMENTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The Group's audited consolidated financial statements for the year ended December 31, 2013 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, 2013 have been agreed by the Group's auditor, Pricewaterhousecoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC did not constitute an assurance engagement and consequently no assurance has been expressed by PwC 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 27, 2014

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.