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GIORDANO
GIORDANO INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 709)

Unaudited 2012 First Quarter Operations Update

Unaudited 2012 First Quarter Operations Update – Highlights

- Sales for the quarter ended March 31, 2012 were HK\$1,432 million, an increase of 1.2% over the same period last year. Excluding the effect of translating sales into foreign currencies into Hong Kong dollars, sales for the quarter slightly decreased by 0.1% from the same period last year.
- Gross profit for the quarter was HK\$816 million, a decrease of 0.9% over the same period last year. Gross margin for the quarter decreased by 1.2 percentage points to 57.0% from 58.2% in the same period last year.
- Inventory at March 31, 2012, representing 29 days of sales, reduced by 10 days from the 39 days of inventory held at December 31, 2011.
- Net cash and bank balances increased by HK\$301 million to HK\$1,510 million during the quarter. This represents the additional cash flow generated from business in the period, reflecting inventory reduction and high seasonal business during the Chinese New Year.
- During the quarter, the Group added a net total of 34 outlets, increasing the network by 36 stores outside Mainland China, which brings the Group’s global network to 2,705 outlets as of March 31, 2012.

Shareholders and potential shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

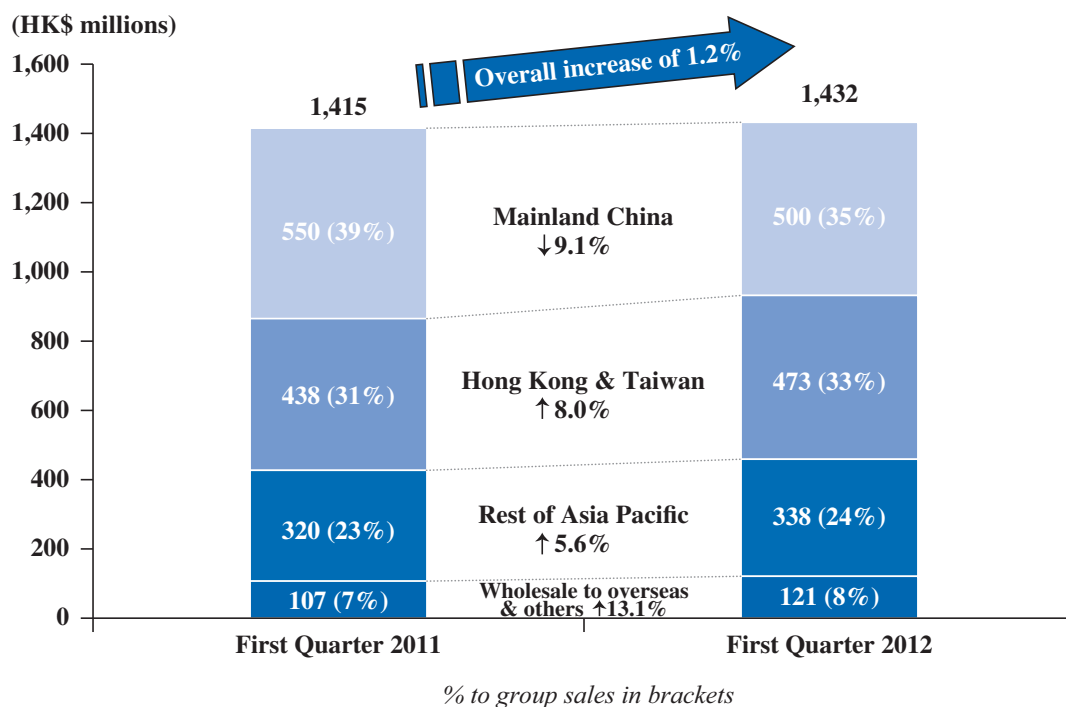
In order to provide better disclosure to the financial markets and to the existing and potential shareholders of Giordano International Limited (the “Company”) so that they can better assess the financial performance of the Company and its subsidiaries (the “Group”), the Board of Directors of the Company announces the following unaudited operations update of the Group for the three months ended March 31, 2012. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Overview of Group's Performance

<i>(In HK\$ millions)</i>	First Quarter 2012	First Quarter 2011	Variance
Sales	1,432	1,415	1.2%
Gross profit	816	823	(0.9%)
Gross margin	57.0%	58.2%	(1.2 pp)
Global brand sales ¹	1,948	1,889	3.1%
Comparable store sales ² (decrease)/increase	(1.0%)	15.0%	(16.0 pp)
Net cash and bank balances ³	1,510	1,239	21.9%
Inventory days of sales (days)	29	24	5
Number of outlets ³	2,705	2,374	331

Sales

Sales growth and contribution



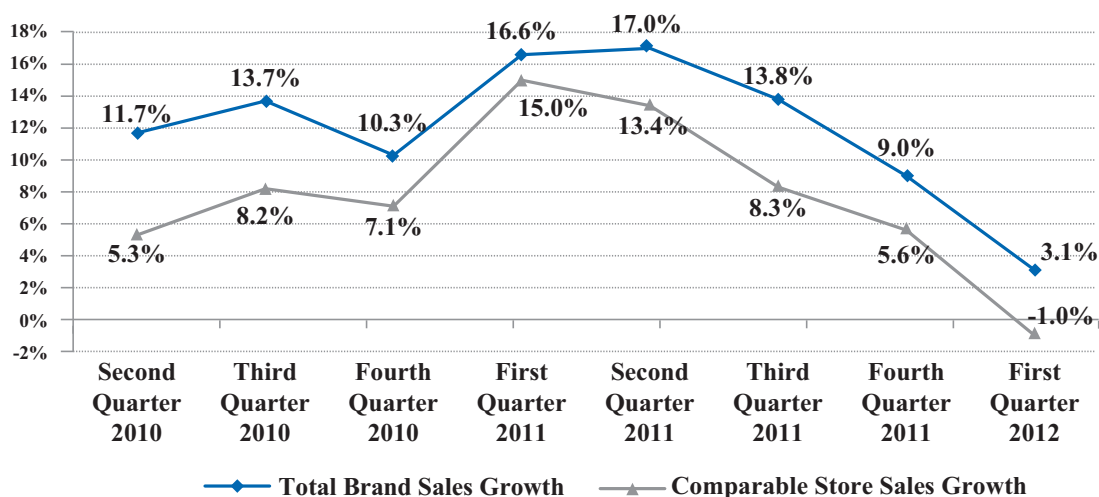
¹ Global Brand Sales are total retail sales, at constant exchange rates, in self-operated (include e-shop) and franchised stores and stores operated by subsidiaries and associates/jointly controlled entities.

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

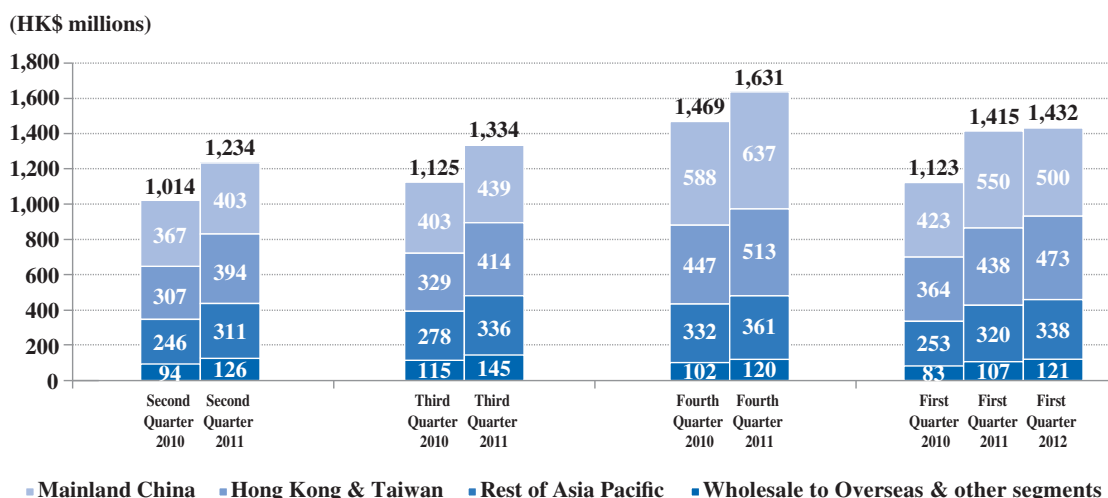
³ At the end of the period.

- The Group's sales increased by 1.2% to HK\$1,432 million in first quarter 2012 from HK\$1,415 million in the same period last year. Excluding the effects of translating sales in foreign currencies into Hong Kong dollars, sales reduced slightly by 0.1% compared to the same period last year.
- Sales in Mainland China decreased by 9.1% while in developed markets, including Hong Kong and Taiwan, sales grew by 8.0% compared to the same period last year.
- Sales in other Asia Pacific region, mainly Singapore, Malaysia, Indonesia and Thailand, grew by 5.6% compared to the same period last year.

Brand sales growth for the last eight quarters



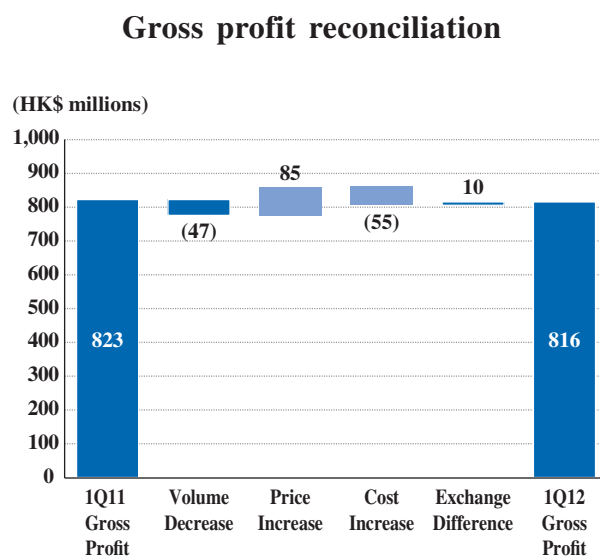
Sales for the last nine quarters



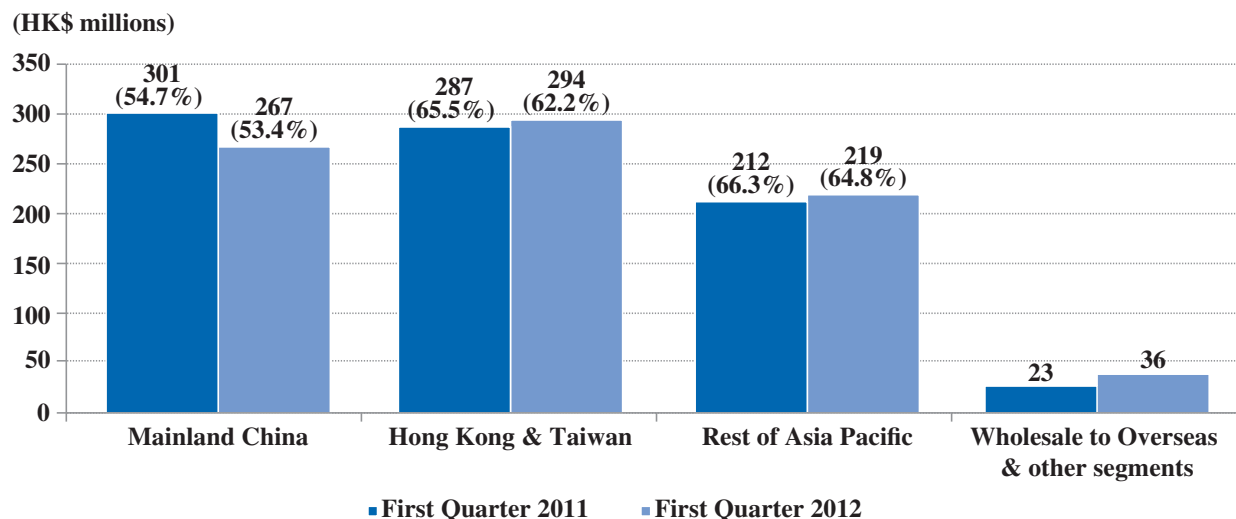
- The relatively low sales growth over the first quarter of 2012 is partly impacted by a high base, following very strong sales growth in the first quarter of 2011. This 2011 first quarter, in terms of weather, was almost a “perfect quarter” in our key markets, particularly Mainland China where cold weather broke at the beginning of 2011 following a relatively warm weather period from the end of 2010. Sales in the first quarter of 2012 were 27.5% higher than in the first quarter of 2010, two years earlier.
- During the fourth quarter of 2011 and first quarter of 2012, the Company’s suppliers increased the prices of merchandise for 2011 Fall-winter collection by 13.9%, resulting from increases in fabric prices earlier in 2011. The Company maintained strong price disciplines across its markets in order to protect its gross margin and brand positioning whereby cost increases were more than fully recovered. However, gross margin in the first quarter of 2012 was reduced by 1.2%, from 58.2% to 57.0% compared to the same period last year. Reductions in raw material prices during 2012 will reduce these cost pressures from the second quarter going forward.
- While the Company was increasing average selling prices, many key economies, notably Mainland China, were weakening. Competitive pressure in the Chinese market for example, where direct and indirect competitors were discounting prices, resulted in a significant decline in volume in the period. As competitors correct their inventory levels, the intensity of this discounting is likely to abate in the second half of 2012.

Gross Profit

- The Group’s gross margin decreased by 1.2 percentage points to 57.0% year on year and the Group’s gross profit decreased by HK\$7 million, or 0.9%, to HK\$816 million from HK\$823 million in first quarter 2011.
- Cost increases, reflecting the impact of raw material increases in the supply chain, were more than recovered by increases in average selling prices.
- Volume reduced by 6.9%, reflecting significant competitive price pressure in key markets such as Mainland China.



Gross profit (margin) by region



Mainland China

(In HK\$ millions)	First Quarter 2012	First Quarter 2011	Variance
Total sales ¹	500	550	(9.1%)
Retail self-operated stores	380	347	9.5%
Wholesale to franchisees	120	203	(40.9%)
Total brand sales ²	679	704	(3.6%)
Self-operated stores	383	367	4.4%
Franchised stores	296	337	(12.2%)
Comparable store sales ³ (decrease)/increase	(7.9%)	17.0%	(24.9 pp)
Gross profit	267	301	(11.3%)
Gross margin	53.4%	54.7%	(1.3 pp)
Number of outlets ⁴	1,370	1,211	159
Self-operated stores	542	458	84
Franchised stores	828	753	75

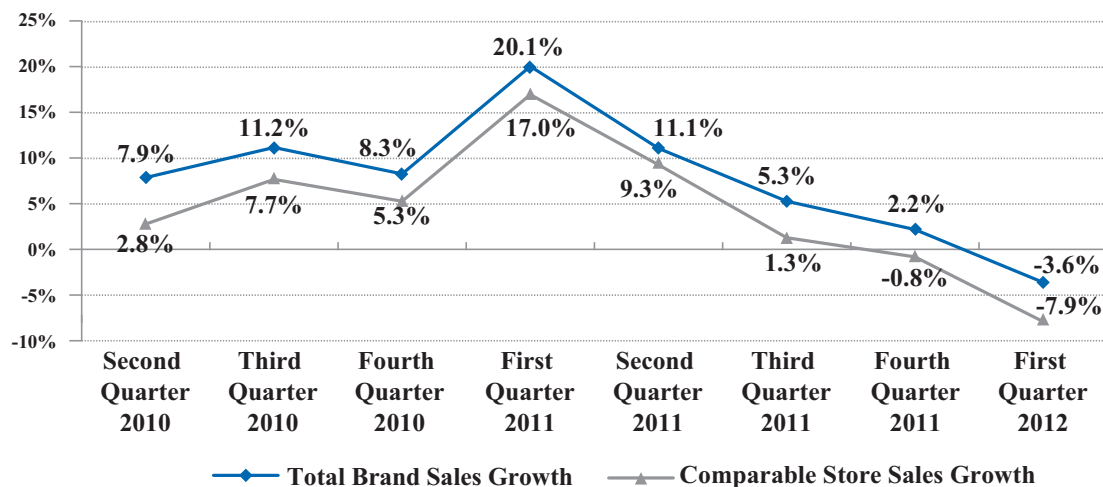
1 Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.

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

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

4 At the end of the period.

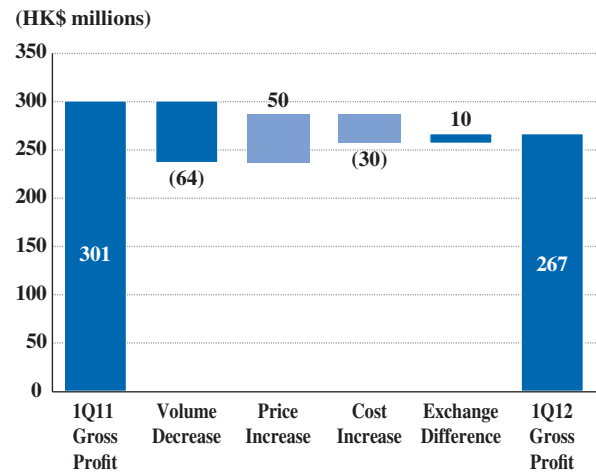
Brand sales growth in Mainland China for the last eight quarters



- Mainland China sales decreased by 9.1% in first quarter 2012, or HK\$50 million, to HK\$500 million from HK\$550 million in first quarter 2011.
- Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales decreased by 12.4% in first quarter 2012.
- The key underlying measure of sales growth is brand sales. This excludes both currency changes and the impact of inventory changes at franchisees (which increase during the first quarter of 2011 and reduced during the first quarter of 2012). Brand sales reduced by 3.6% in the first quarter of 2012, compared to an increase of 20.1% in brand sales in the same quarter last year.
- A number of factors influenced this result. Brand sales for the first quarter of 2011 increased by 20.1% and the high base effect is significant. Last year's "perfect quarter" cold weather did not repeat this year. During the quarter, brand sales in self operated stores increased by 4.4%. Brand sales in franchised stores decreased by 12.2%. Our new management team continues to improve its organization and marketing programs to support and improve the performance of franchisees as we go forward.
- E-tailing was particularly successful with our e-shop extending its operations on platforms such as Taobao, Amazon.cn and 360buy.com. Sales grew from HK\$22 million by 36.4% to HK\$30 million in the first quarter of 2012.

- Gross profit in Mainland China decreased by 11.3% and gross margin by 1.3 percentage points.
- Excluding the effect of translating foreign currencies into Hong Kong dollars gross profit decreased by 14.6%.
- Average selling prices (excluding exchange impact) increased by 11.6% while cost increased by 16.1%. Volume decreased by 21.4% in the quarter compared to the same period last year.

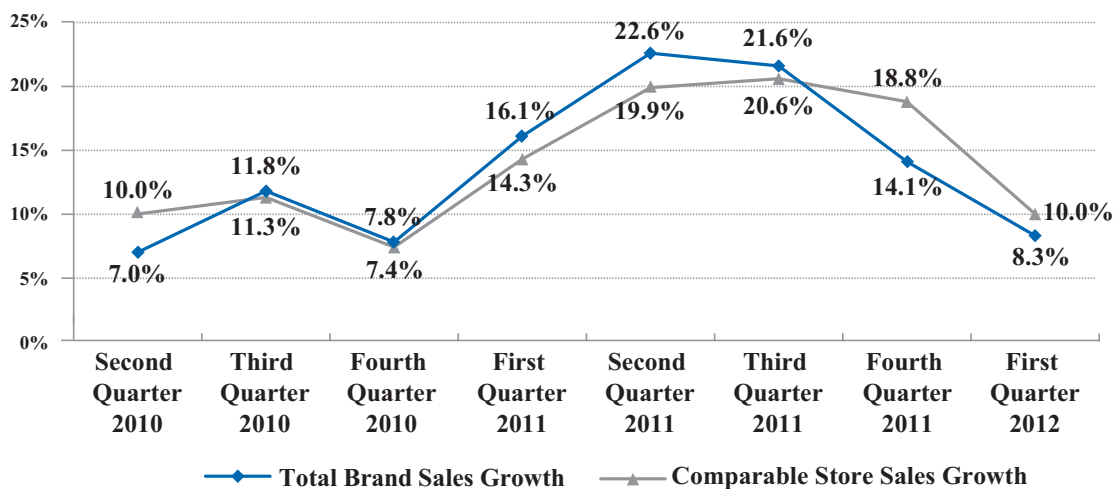
Gross profit reconciliation – Mainland China



Hong Kong and Taiwan

(In HK\$ millions)	First Quarter 2012	First Quarter 2011	Variance
Total sales ¹	473	438	8.0%
Comparable store sales ² increase	10.0%	14.3%	(4.3 pp)
Gross profit	294	287	2.4%
Gross margin	62.2%	65.5%	(3.3%)
Number of outlets ³	289	257	32

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



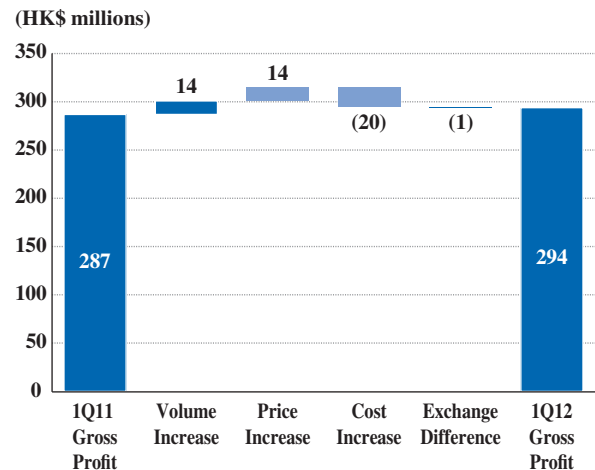
¹ Total Sales are total retail sales translated at average exchange rates.

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

³ At the end of the period.

- Sales increased in Hong Kong and Taiwan markets by 8.0% year on year.
- Excluding the effect of translating Taiwan dollars into Hong Kong dollars, sales in Hong Kong and Taiwan grew by 8.3%.
- Taiwan grew strongly during the quarter with comparative same store and brand sales increasing by 6.5% and 16.2% respectively over the same period last year. Strong brand marketing campaigns and a prudent expansion program drove this sales growth.
- Hong Kong brand sales grew at 2.4% over the same period last year despite the loss of a flagship store last year. Efforts to replace this lost space are continuing. Our strong marketing team in Hong Kong will continue to deliver innovative marketing programs (including cross over with local celebrities and organizations) and drive sales growth in this highly competitive market.
- Gross profit in Hong Kong and Taiwan increased by 2.4% and gross margin down by 3.3 percentage points.
- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit increased by 2.8%.
- Average selling price (excluding exchange impact) increased by 4.8%, driven by brand building and strong marketing campaigns while cost increased by 16.0%. Operational excellence also resulted in volume increases of 3.3%.

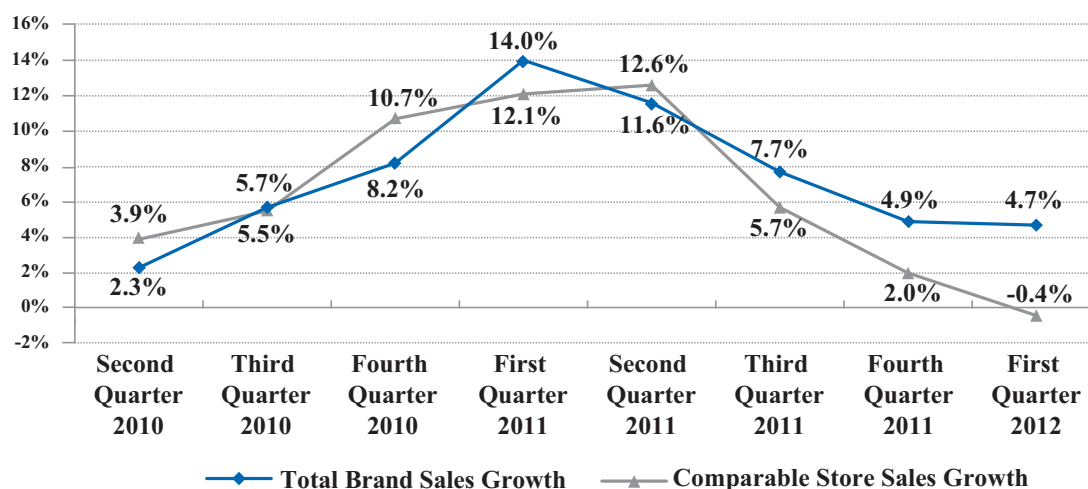
Gross profit reconciliation – Hong Kong & Taiwan



Rest of Asia Pacific

<i>(In HK\$ millions)</i>	First Quarter 2012	First Quarter 2011	Variance
Total sales ¹	338	320	5.6%
Comparable store sales ² (decrease)/increase	(0.4%)	12.1%	(12.5 pp)
Gross profit	219	212	3.3%
Gross margin	64.8%	66.3%	(1.5%)
Number of outlets ³	436	389	47

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



- Sales in other markets in Asia, notably in Singapore, Malaysia, Thailand, Indonesia and Australia, grew by 5.6% or HK\$18 million to HK\$338 million from HK\$320 million in last year. These markets now represent 24% of Group sales and offer exciting opportunities for further growth.
- Excluding the effect of translating foreign currencies into Hong Kong dollars, sales grew by 5.0%. Comparable same store sales reduced slightly by 0.4% from the same period in 2011.
- Sales weakened in Singapore, reducing by 5.5% from the same period last year, adjusted for currency. An increasing number of international brands are entering the Singaporean market and the Company is strengthening its branding and merchandising efforts in response to these developments.

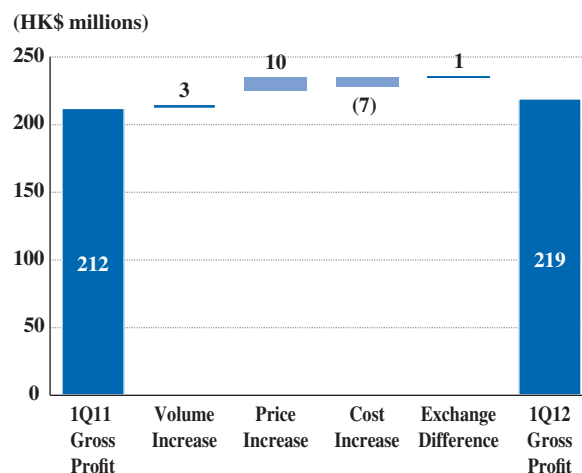
¹ Total Sales are total retail sales translated at average exchange rates.

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

³ At the end of the period.

- Indonesia continued to deliver strong growth; sales grew by 20.0% from the same period last year, adjusted for currency. We added four new stores in the quarter and now have 123 stores.
- Brand sales in Thailand and Malaysia grew by 6.8%. This is against a base of very strong growth in the first quarter of 2011. Australia sales increased slightly, by 1.6%.
- Gross profit grew by 3.3% in other Asia Pacific markets with a decrease of gross margin of 0.9 percentage points.
- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit increased by 3.2%.
- Strong product mix, merchandising and store management drove increases in volume of 1.7% and average price increases of 3.2%.
- Average costs increased by 6.0% as a result of rising input costs. These were more than offset by increases in average selling prices.

Gross profit reconciliation – Rest of Asia Pacific



Wholesale sales to overseas franchisees

<i>(In HK\$ millions)</i>	First Quarter 2012	First Quarter 2011	Variance
Total sales	118	107	10.3%
Gross profit	12	11	9.1%
Gross margin	10.2%	10.3%	(0.1 pp)
Number of outlets ¹	610	517	93

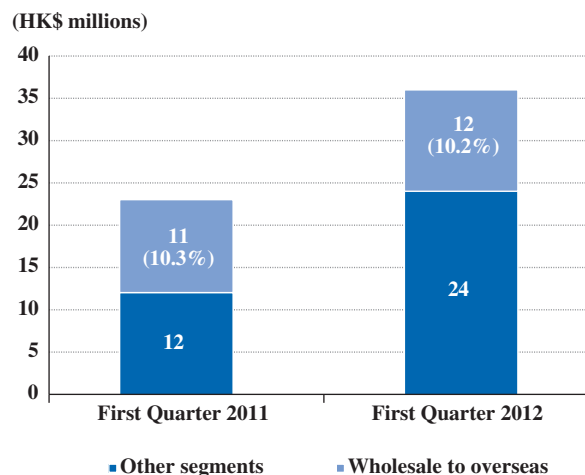
- The Group's wholesale sales to overseas franchisees primarily consist of sales to its Korean and Middle East joint ventures, accounting for 79% of these sales.
- Purchases from Hong Kong by Giordano Korea increased by 13.2% over last year as the operation sourced a greater share of its products from the Group.
- Sales to the Middle East increased by 8.0% over last year as strong growth in the region, particularly in Saudi Arabia, continued.

¹ At the end of the period.

Others

In addition to wholesale sales to overseas franchisees, other segments generated gross profits from our small manufacturing business and from changes in consolidated inventory provisions (including unrealized profits on inventory). Reductions of inventory levels in the quarter contributed to favourable gross profit compared to the same period last year.

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

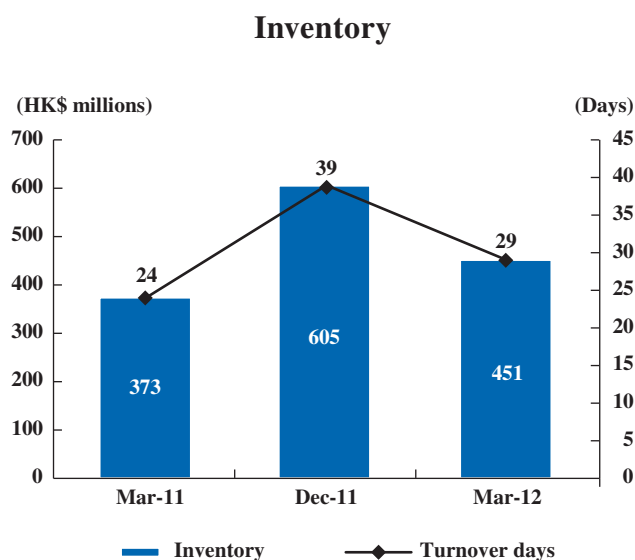


Net Cash and Bank Balances

- Net cash and bank balances increased by HK\$301 million to HK\$1,510 million during the quarter (December 31, 2011: HK\$1,209 million). No dividends were paid during the quarter. This cash flow represents a strong seasonal impact as inventories purchased before the end of December were substantially cleared after the Chinese New Year.

Inventory

- Group inventory reduced from HK\$605 million at December 31, 2011 but increased by HK\$78 million to HK\$451 million over the same period last year. Inventory turnover on sales¹ was 29 days, an increase of 5 days from the same date last year but a reduction of 10 days from the 39 days at December 31, 2011.
- The increase in inventory level reflects higher inventory costs and provisioning for new shops.



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

Jointly Controlled and Associated Companies

South Korea

<i>(In HK\$ millions)</i>	First Quarter 2012	First Quarter 2011	Variance
Total sales ¹	326	325	0.3%
Comparable store sales ² (decrease)/increase	(6.9%)	6.5%	(13.4 pp)
Number of outlets ³	241	209	32

- Excluding the effect of translating Korean Won into Hong Kong dollars, sales in Korea grew by 1.5%.
- Sales growth in Korea slowed in the first two months of 2012 due to strong price competition in the market for the core basics and local fast fashion brands.
- To enhance the brand in the local region, a new image store called “Giordano Concepts” was opened in March 2012 inside a department store with positive feedback from local customers. This is an integrated new Korean brand for men and women offering casual, formal and outdoor apparel. We plan to open more “Giordano Concepts” stores later in the year through new shops and by conversion of existing flagship stores.

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

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

³ At the end of the period.

Middle East

<i>(In HK\$ millions)</i>	First Quarter 2012	First Quarter 2011	Variance
Total sales ¹	157	125	25.6%
Comparable store sales ² increase	22.3%	24.6%	(2.3 pp)
Number of outlets ³	184	159	25

- Excluding the effect of converting foreign currencies into Hong Kong dollars, sales in the Middle East grew by 25.9%.
- Strong growth continues in Middle Eastern markets especially Saudi Arabia where sales grew by 47.7% compared to the same period last year. Strong consumer demand, the right product mix, an increase in pilgrim traffic, effective promotional campaigns and a long winter season were major contributing factors to success. Furthermore, continuous expansion of our network in second tier cities also increased customer awareness and our brand strength.
- The E-shop platform will be launched in the second quarter of 2012 in the region. We expect this to supplement our expansion in developing second tier cities and help drive further growth in the Middle East.

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

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

³ At the end of the period.

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

Summary by market (In HK\$ millions)	Total sales ¹			Comparable store sales ²	
	First Quarter 2012	First Quarter 2011	Variance	First Quarter 2012	First Quarter 2011
Mainland China	500	550	(9.1%)	(7.9%)	17.0%
Hong Kong	252	246	2.4%	13.1%	16.1%
Taiwan	221	192	15.1%	6.5%	12.0%
Singapore	103	109	(5.5%)	(10.6%)	2.4%
Indonesia	84	70	20.0%	14.6%	13.8%
Malaysia	59	54	9.3%	1.9%	8.7%
Thailand	43	41	4.9%	3.8%	18.7%
Australia	43	40	7.5%	(2.5%)	42.4%
India	6	6	-	13.3%	54.2%
Retail & Distribution total	1,311	1,308	0.2%	(1.0%)	15.0%
Wholesale sales to overseas franchisees & others	121	107	13.1%		
Group total	1,432	1,415	1.2%		

Number of outlets as at	31 Mar 2012	31 Dec 2011	31 Mar 2011
Mainland China	1,370	1,372	1,211
Hong Kong	77	73	75
Taiwan	212	208	182
Singapore	56	56	54
Indonesia	123	119	107
Malaysia	80	78	72
Thailand	104	99	92
Australia	34	35	35
India	39	30	29
Retail & Distribution total	2,095	2,070	1,857
South Korea	241	232	209
Middle East	184	184	159
Other Markets	185	185	149
Overseas franchisees total	610	601	517
Group total	2,705	2,671	2,374

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

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

Sales Review by Brand

Total sales¹ <i>(In HK\$ millions)</i>	First Quarter 2012	First Quarter 2011	Variance
<i>Giordano & Giordano Junior</i>	1,125	1,142	(1.5%)
<i>BSX</i>	65	60	8.3%
<i>Giordano Ladies</i>	97	81	19.8%
<i>Concepts One</i>	13	16	(18.8%)
Others	11	9	22.2%
Retail & Distribution Total	1,311	1,308	0.2%
Wholesale sales to overseas franchisees & others	121	107	13.1%
Group total	1,432	1,415	1.2%

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

Number of outlets as at	31 Mar 2012	31 Dec 2011	31 Mar 2011
<i>Giordano & Giordano Junior</i>	2,405	2,383	2,146
<i>BSX</i>	192	187	144
<i>Giordano Ladies</i>	56	54	47
<i>Concepts One</i>	42	37	28
Others	10	10	9
Group total	2,705	2,671	2,374

The information contained in this announcement represents a preliminary assessment based on the management accounts of the Group and such information has not been audited or reviewed by the Company's auditor.

Shareholders and potential shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, May 25, 2012

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