GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

UNAUDITED 2014 FIRST QUARTER OPERATIONS UPDATE

Highlights

- Sales for the quarter ended March 31, 2014 were HK$1,380 million, a decrease of 9% over the same period last year. Excluding the impact of translating sales to Hong Kong dollars, sales reduced by 7%. This reflects a continued weakening of consumer demand in Greater China markets and the impact of weakening currencies and deteriorating economic conditions in South East Asia.

- Brand sales decreased by 7% compared to the same period last year. Comparable stores sales for the quarter also declined by 6%. Sales performance was also weakened by poor performance in the women's product range. This is being actively remedied going forward.

- Gross profit for the quarter was HK$785 million, a decrease of 13% over the same period last year. Gross margin for the quarter decreased by 2.9 percentage points to 56.9% from 59.8% in the same period last year as a result of price discounting and the impact of the devaluation of South East Asian currencies which has increased the costs of merchandise in those markets.

- Inventory at March 31, 2014, representing 66 days of costs, reduced by 16 days from the 82 days of inventory held at December 31, 2013 after Chinese New Year. Total inventory including inventory at vendors and franchisees in China decreased by 17% compared to last year end and 4% compared to same date last year.

- Net cash and bank balances increased by HK$191 million to HK$1,296 million during the quarter. Strong cash flow has been maintained following the reduction in inventory and receivables after Chinese New Year, and free cash flow at HK$192 million is broadly similar to free cash flow generated in the same period last year. Strong emphasis will continue to be placed by management on cash generation. Nevertheless, sufficient funds are available for investment in key strategic initiatives.

- During the quarter, the Group has started to take a more aggressive approach to its store portfolio quality, reducing store numbers by 75, with 54 of these reductions in Mainland China. In Mainland China, we are closing poorly performing businesses and preparing to grow prudently in selected locations which enhance the brand strategy. We will reshape the portfolio with a multi-brand channel strategy, focusing on brand strength and long term profitability.

- In South East Asian markets, we expect to see store numbers increasing in the rest of the year and sales growth recovery as we improve merchandising decisions and execute marketing programs.

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, 2014. 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. ("the Listing Rules") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Law of Hong Kong).

Overview of Group's Performance

(In HK$ millions)	**First Quarter 2014**	First Quarter 2013	Variance
Sales	**1,380**	1,514	(9%)
Gross profit	**785**	905	(13%)
Gross margin	**56.9%**	59.8%	(2.9pp)
Global brand sales[1]	**1,813**	1,942	(7%)
Comparable store sales[2]	**(6%)**	(2%)	
Net cash and bank balances[3]	**1,296**	1,303	(1%)
Free cashflow from operations	**192**	196	(2%)
Inventory balances[3]	**436**	427	2%
Inventory days on costs (days)[4]	**66**	63	3
Number of outlets[3]	**2,567**	2,624	(57)
Net change in outlets for the period	**(75)**	(24)	

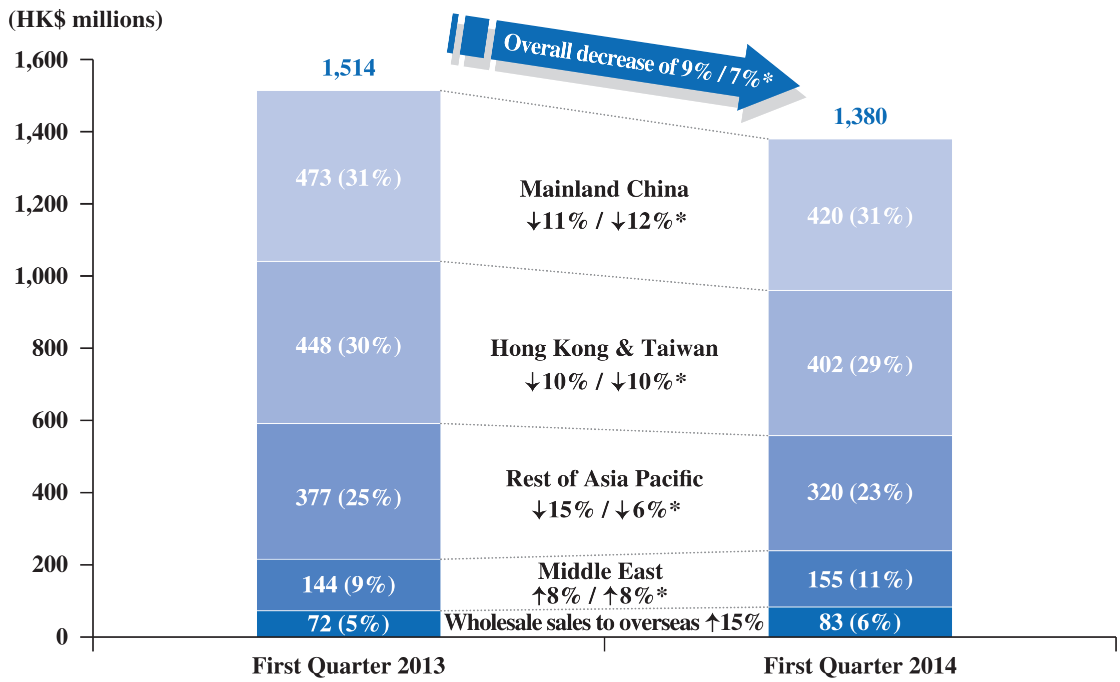
1 *Global Brand Sales are total retail sales, at constant exchange rates, in self-operated (include e-shop) and franchised stores and stores operated by subsidiaries and associates/jointly controlled entities.*

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

3 *At the end of the period.*

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

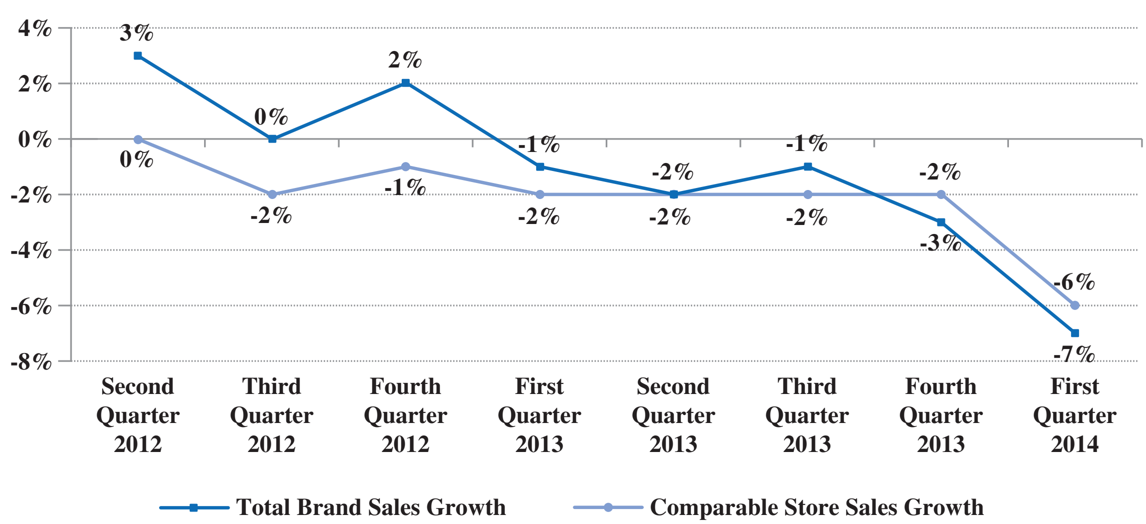
Sales growth and contribution



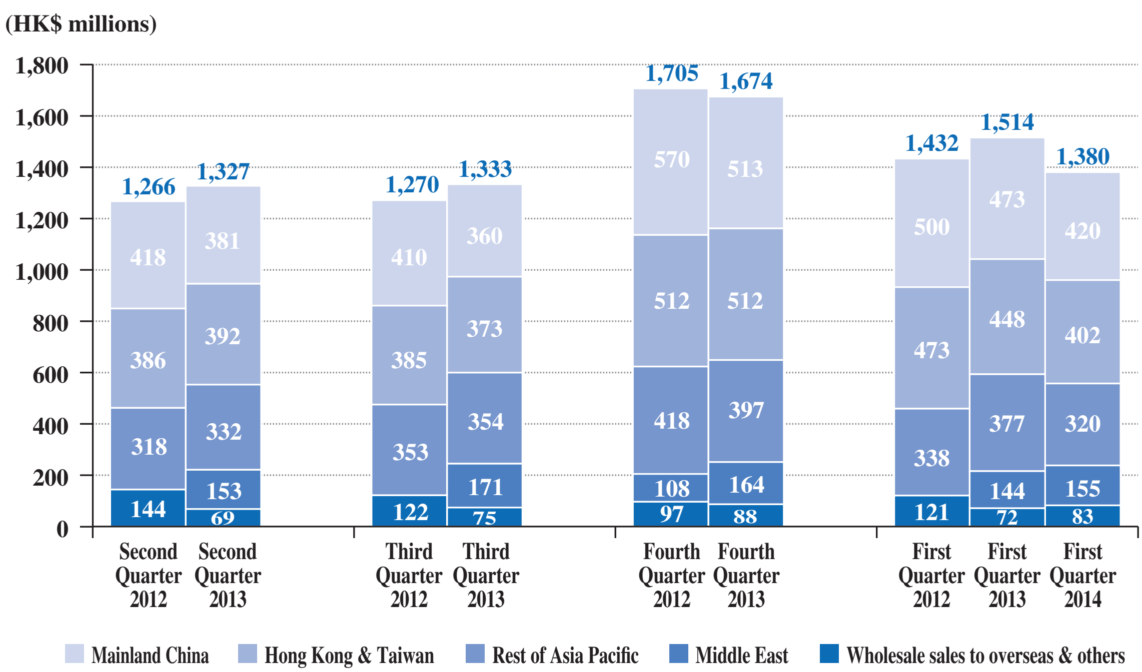
% to group sales in brackets

** sales growth without exchange impact*

Brand sales growth for the last eight quarters



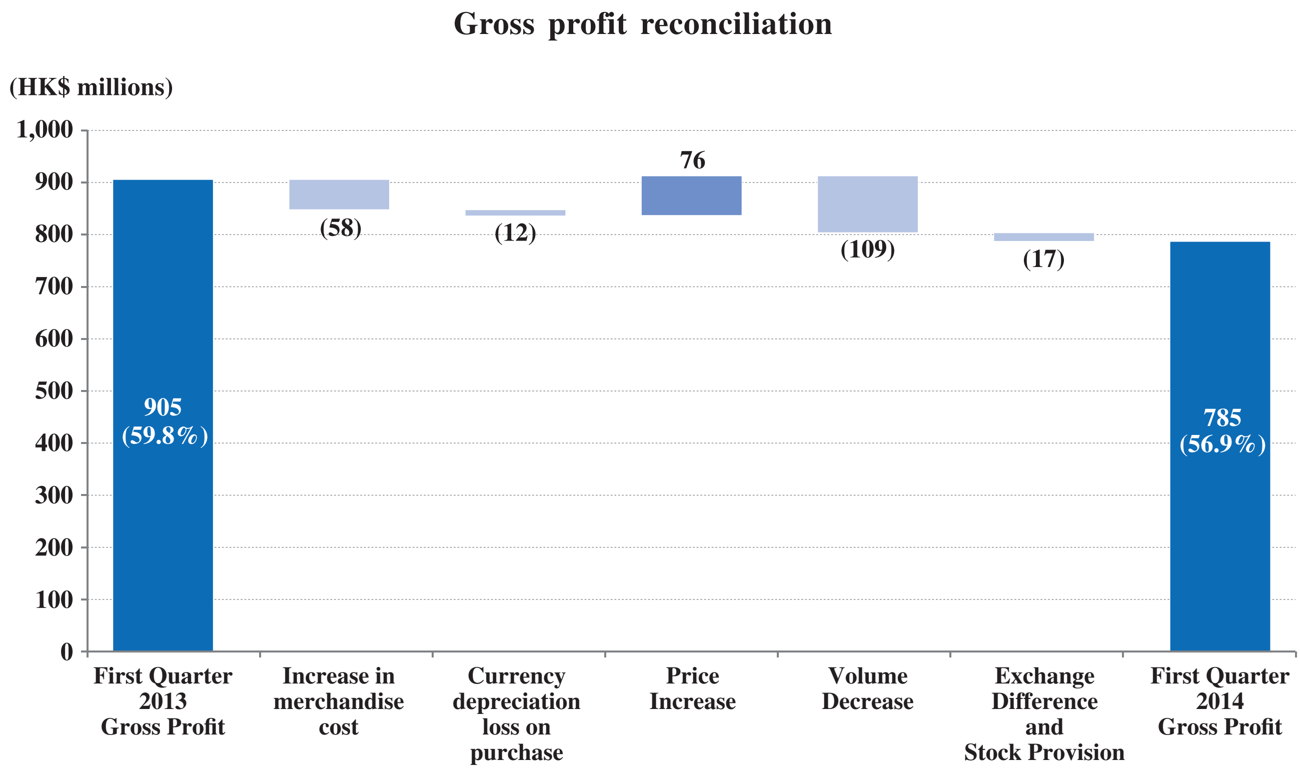
Sales for the last nine quarters



- The Group's sales decreased by 9% to HK$1,380 million in first quarter 2014 from HK$1,514 million in the same period last year.

- Excluding currency impacts, sales decreased by 7% during the quarter compared to the same period last year. Sales in Greater China, South East Asia and Australia declined mainly as a result of weak economic conditions across all these markets. Middle East continued its growth momentum from the last quarter and delivered 8% sales growth. Wholesale sales market showed 15% growth as a result of the stable growth in developing markets.

Gross Profit

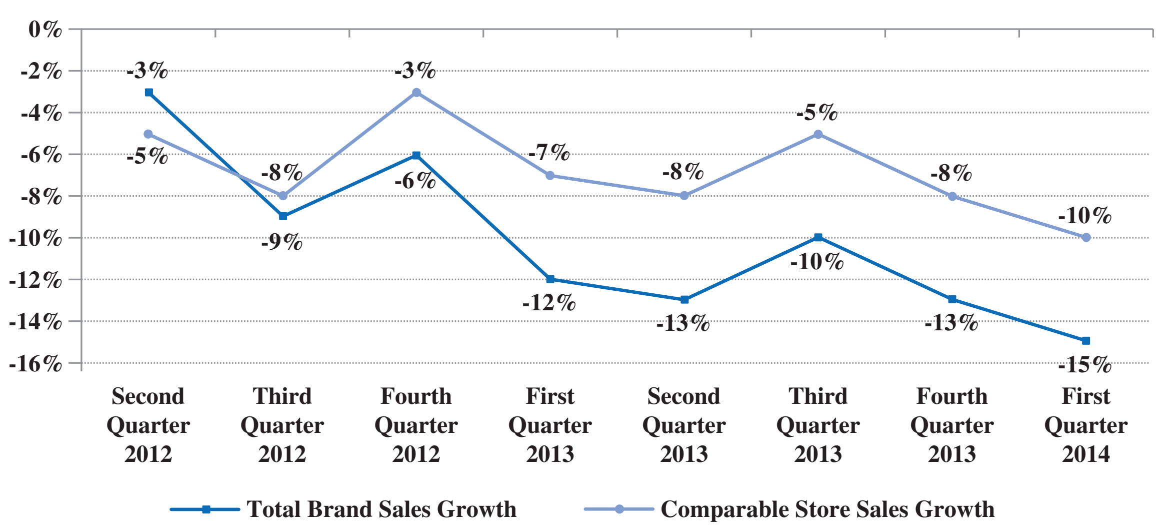


- The Group's gross margin decreased by 2.9 percentage points to 56.9% year on year and the Group's gross profit decreased by HK$120 million, or 13%, to HK$785 million from HK$905 million in first quarter 2013.
- Average costs increased by 12%, with 10% attributable to increases in underlying costs and product mix and the remaining 2% due to increased costs from the depreciation of local currencies (e.g. the Indonesian Rupiah by 17%, the Thai Baht by 9% and the Malaysian Ringgit by 5% compared to last year).
- Average prices increased by 6%, mainly as a result of the change in product mix with relatively higher price and quality products sold compared to last year. Increases in pricing recovered cost increases but were not sufficient to prevent margin dilution.
- Volume reduced by 12%. This mainly reflects adverse economic conditions in all major markets (excepting the Middle East).
- In the *Giordano Men's* line, our product sizing is being re-positioned to widen the appeal of the merchandise. Markets will benefit from fresh merchandise, with full ranges, as a result of strong inventory control. Some exceptions, like Singapore, where there is still excess inventory of old merchandise, should start to hit their inventory targets in the second half of the year.
- *Giordano Women* sales declined by 19%, a more significant decline than for *Giordano Men*. A new *Giordano Women* design team has started to reshape the product range in line with our traditional strengths. The product range development will now focus on core items with innovative in-trend fabrics and details. Old merchandise has now mostly been cleared, and we expect gross margins to strengthen going forward.

Mainland China

(In HK$ millions)	**First Quarter 2014**	First Quarter 2013	Variance
Total sales[1]	**420**	473	(11%)
Retail self-operated stores	**310**	347	(11%)
Wholesale sales to franchisees	**110**	126	(13%)
Total brand sales[2]	**515**	605	(15%)
Self-operated stores	**310**	357	(13%)
Franchised stores	**205**	248	(17%)
Comparable store sales[3]	**(10%)**	(7%)	
Gross profit	**215**	258	(17%)
Gross margin	**51.2%**	54.5%	(3.3pp)
Number of outlets[4]	**1,107**	1,207	(100)
Self-operated stores	**513**	516	(3)
Franchised stores	**594**	691	(97)
Net change in outlets for the period	**(54)**	(36)	
Self-operated stores	**(19)**	(18)	
Franchised stores	**(35)**	(18)	

Brand sales growth in Mainland China for the last eight quarters



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

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

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

4 *At the end of the period.*

- Mainland China sales decreased by 11% in first quarter 2014, or HK$53 million, to HK$420 million from HK$473 million in first quarter 2013. Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales decreased by 12% in first quarter 2014.

- The key underlying measure of sales growth is brand sales. This excludes both currency changes and the impact of inventory changes at franchisees. Brand sales reduced by 15% while comparative store sales decreased by 10% in the first quarter of 2014. Key factors in the decline of brand sales in China are as follows:

  - Consumer demand in Mainland China continues to be weak with the apparel sector now growing at mid-single digit levels. Excess capacity in the market continues to depress sales for all retailers.

  - The Company is now executing a major re-positioning of our brands in Mainland China, closing poor image loss making shops, both self-managed and franchised. We will expand our network in good quality department stores through multi-branding. We will also start to replace shops in price-sensitive sites with our new budget brand. The weakening economic situation resulted in closures exceeding store openings as we focus on the quality of our network and improving our channel management. During the first quarter we closed 54 stores more than we opened resulting in 100 less stores in Mainland China than a year ago.

- Initiatives to re-shape the brand are underway:

  - In April, a new budget brand "*Beau Monde*" was launched in southern China, intended to replace Giordano in hypermarkets and other price-sensitive locations. With nearly a third of our stores located in these "budget" areas, we expect to roll out 100 of these store formats before the end of the first quarter 2015.

  - The conversion of stores in budget locations to the *Beau Monde* brand will enable the Group to focus on delivering international standard stores in the rest of the network (focusing on the main "Giordano" brand). A number of store renovations are currently in progress to deliver a significant upgrade in brand image in Giordano stores and counters.

- To upgrade the quality of the network, we will focus on the higher grade department store channel for the main brand. The first priority will be to secure women's locations, of which we currently have 47 (up 31 from the same period last year). Our new *Giordano Women* brand team will be launching fresh designs into these counters and into all shops from May onwards. As the quality and relevance of our new merchandise improves, this will enable us to expand our women's range.

- Apart from the Giordano main brand, *Junior* and *BSX* brands have been rebranded and championed in Hong Kong. These efforts have had promising results. We will start to roll out a small number of shops in China, mainly as shop-in-shop but also in department stores to test this new brand position in China.

- About 8% of our sales in China are from e-channels and 80% of these are on platforms like T Mall, 360.com or Amazon.com. Our well-developed POS and inventory management systems enable us to develop online to offline capability (O2O) together with the online platforms. The priority is to develop 300 in-store "TigerAnywhere" terminals by the end of this year. This will support an "omni-channel" strategy going forward.

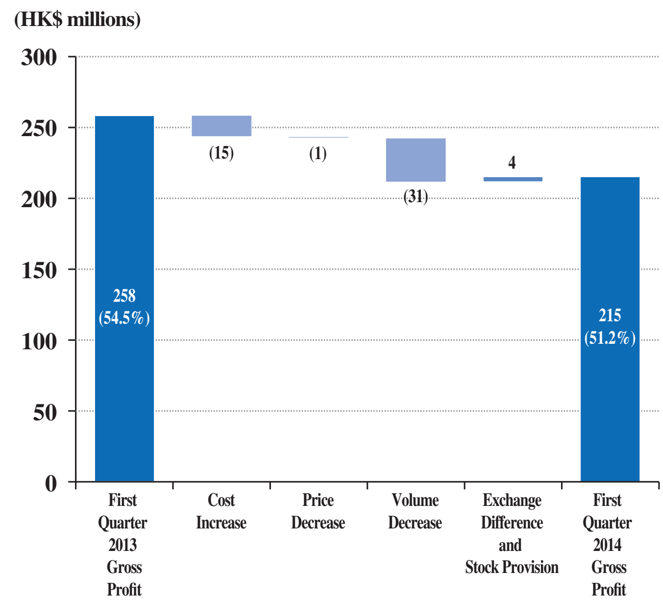
- Gross profit in Mainland China decreased by 17% and gross margin decreased by 3.3 percentage points.

- Average selling prices (excluding exchange impact) were flat while average costs increased 8%. This reflects higher cost product mix offset by heavy discounting to clear excess inventories.

- To improve franchisees' profit margins, sales price increases were minimized in this channel, enabling franchisees' gross margins to increase 2.5 percentage points.

- Volume decreased by 12% in the quarter compared to the same period last year, mainly in the jackets, pants and underwear categories.

Gross profit reconciliation – Mainland China

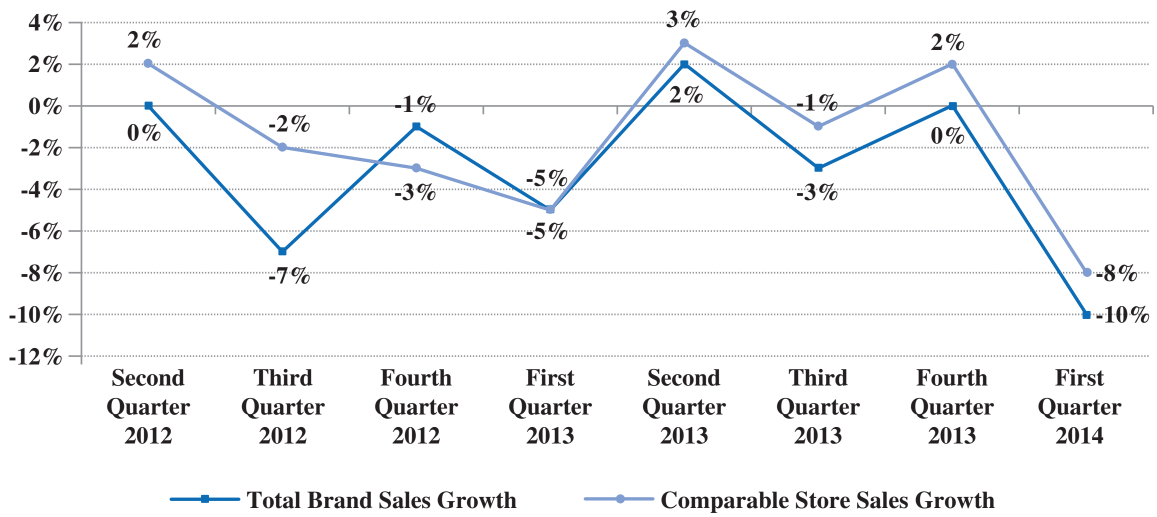


Hong Kong and Taiwan

(In HK$ millions)	**First Quarter 2014**	First Quarter 2013	Variance
Total sales[1]	**402**	448	(10%)
Comparable store sales[2]	**(8%)**	(5%)	
Gross profit	**253**	286	(12%)
Gross margin	**62.9%**	63.8%	(0.9pp)
Number of outlets[3]	**283**	293	(10)
Net change in outlets for the period	**(6)**	(5)	

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.*

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



- Sales decreased in Hong Kong and Taiwan markets by 10% year on year. Sales in Hong Kong were down 8% while sales were down by 11% in Taiwan.

- Competition in Hong Kong intensified as Chinese New Year apparel market growth declined compared to last year, resulting in disappointing first quarter sales. Weather was wetter and colder than usual and reduced the impact of new merchandise launched in March 2014.

- Fast Marketing campaigns will continue in this market. These campaigns will help to lift our average selling price and enhance our long term brand image.

- An exciting new store format "*Concepts*" will be launched in second quarter with one 600 square meter store in Macau. This will be a zoned multi-brand store which will be directly positioned alongside international brands. If successful, this will be a store format which we can use to penetrate shopping malls in Hong Kong.

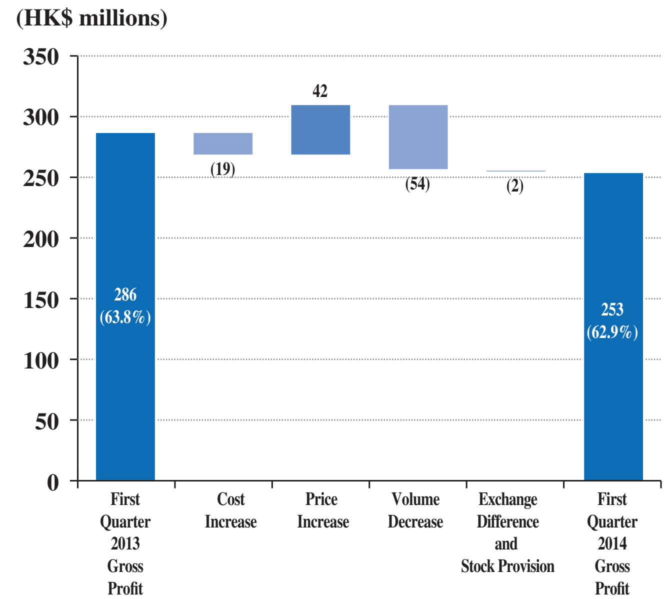
- Hong Kong will continue to champion brand development for *Junior* and *BSX* on behalf of the Group. Comparable store sales increased for these brands by 7% and 10% respectively during the period.

- Market conditions in Taiwan continue to be weak, depressing sales. We will continue to differentiate the brand by executing cross-over marketing campaigns and developing local products. Sales have started to recover after the launch of localized products in April.

- Gross profit in Hong Kong and Taiwan decreased by 12% and gross margin decreased by 0.9 percentage points.

- Average selling prices (excluding exchange impact) increased by 12% while costs increased by 15%. This reflects strong product mix. Volume, however, decreased by 19% due to weak market demand and unfavourable weather conditions in Hong Kong.

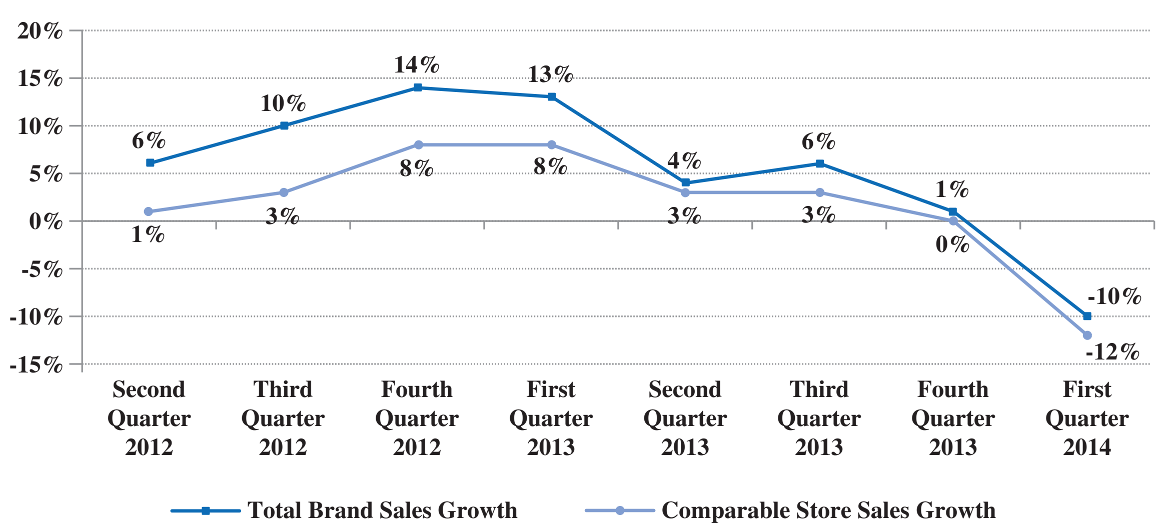
Gross profit reconciliation – Hong Kong & Taiwan



Rest of Asia Pacific

(In HK$ millions)	**First Quarter 2014**	First Quarter 2013	Variance
Total sales[1]	**320**	377	(15%)
Comparable store sales[2]	**(12%)**	8%	
Gross profit	**198**	247	(20%)
Gross margin	**61.9%**	65.5%	(3.6pp)
Number of outlets[3]	**541**	489	52
Net change in outlets for the period	**(7)**	7	

Brand sales growth in Rest of Asia Pacific 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 in other markets in Asia, notably in Singapore, Malaysia, Thailand, Indonesia and Australia, were down by 15% or HK$57 million to HK$320 million from HK$377 million last year. Excluding the effect of translating foreign currencies into Hong Kong dollars, sales declined by 6% from the same period in 2013.

- Sales results were depressed by severe currency decline in these markets (e.g. the Indonesian Rupiah by 17%, the Thai Baht by 9%, and the Malaysia Ringgit by 5%). This weakened the translation of results into Hong Kong dollars.

- Generally, we are seeing weak household spending and consumer demand in South East Asian markets, in line with commentary from banks and government sources. There are national variations in this but slowing growth and weak retail spending have significantly reduced our sales growth in these key markets. Our response will be to improve operational excellence in these markets, initiating brand differentiation through marketing and at the same time continuing to execute store expansion programs into second and third tier cities in these markets.

Singapore

- In Singapore, sales declined by 18% during the quarter. Over the past year, we focused on building the brand image in the face of the rapid entry of international brands but the arrival of some of these brands, coupled with aggressive price discounting that is being employed by some of these, has negatively impacted sales. Retail sales growth has been very sluggish across the sector in the first quarter of 2014.

- We have made major progress in developing our brand image and opened a large image store in Suntec City, a shopping mall that will be fully operational in 2015, as well as other store upgrades.

- The Company's performance has been further negatively impacted an ineffective product mix and weakness in the main brand's *Giordano Women* categories.

- A team from the Group is assisting the team in Singapore to re-shape its merchandise offering, clearing and re-allocating slow moving products, to get the business onto an effective footing. Initial results in the second quarter are improving but we do not envisage a significant improvement in profitability until the second half of the year.

Indonesia

- In Indonesia, sales grew by 13%. However, after translating local currency into Hong Kong dollars, sales declined by 7%. Over the past year, we have added 38 shops, out of which, 14 are Nike shops, which operate at a lower margin than our own brands. Growth has come from this store expansion with same store sales in the quarter down 9%.

- This market now faces strong inflationary cost pressure on labour, rental and energy costs as well as the entrance of international brands and therefore, it is now entering a new phase of development. We will launch major marketing initiatives in the second half of the year to improve brand differentiation. The current election season is leading to economic uncertainty and this is weakening confidence in the retail sector. Sales in April have partly recovered and household expenditure is expected to increase from August. Outlook for this market is relatively optimistic and we expect to return to positive same store sales growth.

Thailand

- In Thailand, shop traffic, number of tourists and consumer confidence were severely affected by the recent political protests and as a result, comparable store sales declined by 10% with overall brand sales down 2% in first quarter 2014. Despite this tough trading environment, we will step up store expansion in Thailand, to increase our penetration of this large market. Local customers perceive our brand as an imported international brand and this will be strengthened with high quality global marketing campaigns going forward. Again, in this market, we expect sales growth to recover in the second half of the year.

Malaysia

- In Malaysia, brand sales declined by 6%. Retail sales remained sluggish, as large cost increases in energy and food are depressing household spending. Four fast marketing events will be launched in the second half of 2014 to sharpen our brand differentiation. We also expect to accelerate our store network to further penetrate this market. We will add more stores in this market in the rest of 2014.

Australia

- Sales were very weak in Australia with brand sales down 26%. A combination of a weak economy and international brands entering the market has contributed to this decline. The business has been restructured into three districts around New South Wales, Victoria and Queensland, and is now being directly managed by the Group in Hong Kong. This strategy will be kept under review by the Group to contain losses and preserve cash.

- Gross profit decreased by 20% in other Asia Pacific markets with a decrease of gross margin of 3.6 percentage points.

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

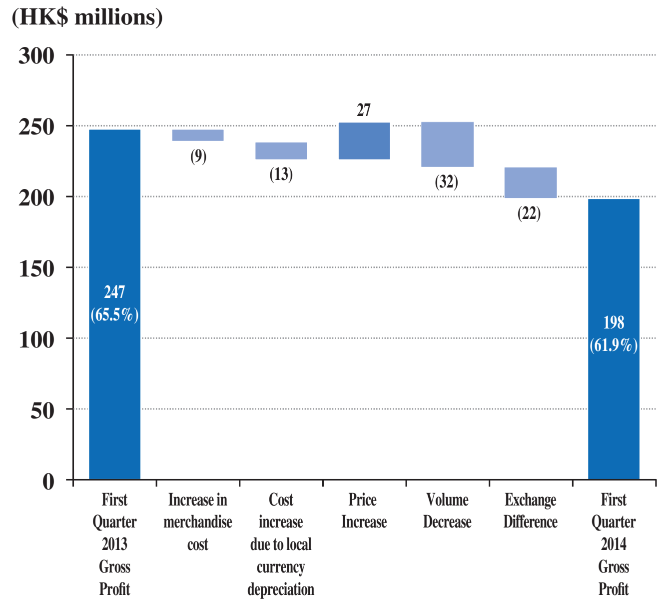
- Underlying costs increased by 8%, but with currency depreciation, costs increased by another 12% resulting in a total average cost increase of 20%.

- Although on a dollar basis cost increases were more than recovered by selling price increases, these increases were not sufficient to preserve overall margin which declined by 3.6 percentage points.

- Translation of gross profit into Hong Kong dollars resulted in a decline of gross profit by HK$22 million as a result of the devaluation of South East Asian currencies in the last year.

- Quantity sold reduced by 13%, primarily driven by poor performance in Singapore and Australia. Significant efforts to improve the merchandise mix in these markets are underway.

Gross profit reconciliation – Rest of Asia Pacific

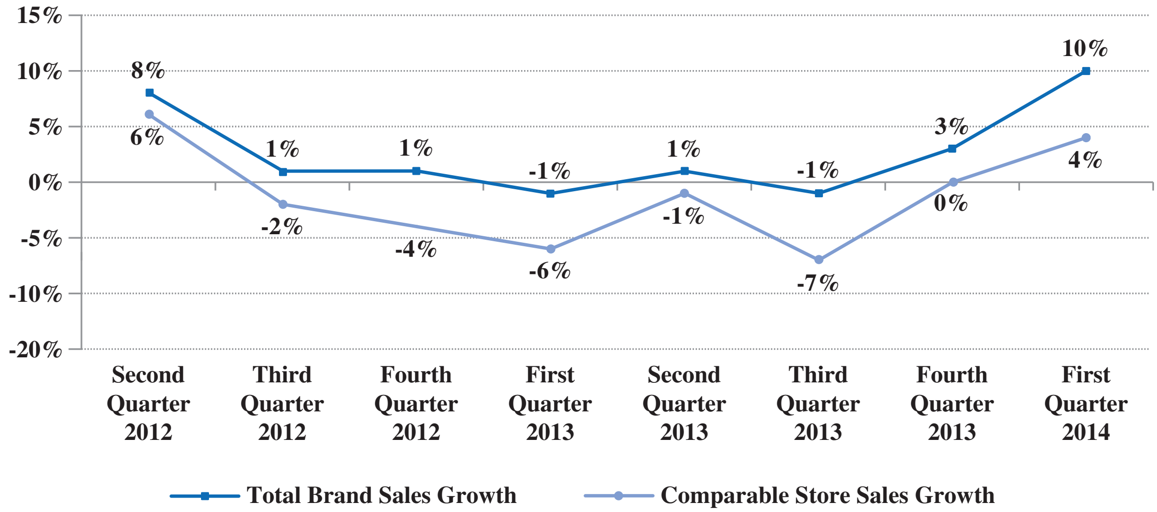


Middle East

(In HK$ millions)	**First Quarter 2014**	First Quarter 2013	Variance
Total sales[1]	**155**	144	8%
Comparable store sales[2]	**4%**	(6%)	
Gross profit	**94**	88	7%
Gross margin	**60.6%**	61.1%	(0.5pp)
Number of outlets[3]	**195**	187	8
Net change in outlets for the period	**–**	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 that have been opened/operated in the prior period.*
3 *At the end of the period.*

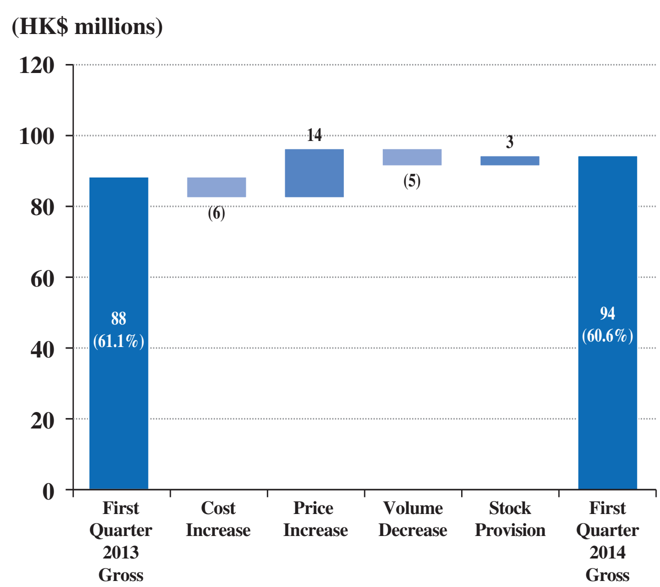
Brand sales growth in Middle East for the last eight quarters



- Growth continued from the last quarter with brand sales in the Middle East increasing by 10% compared to the same period last year. Key performance by market was as follows:
  - Brand sales in the United Arab Emirates increased by 11%. The Dubai Shopping Festival which was held from mid-December 2013 to mid-February 2014, had a significant impact, with total sales up by 24% on last year. Improved marketing, the use of sponsorship and effective publicity management, contributed significantly to our success here.
  - In Saudi Arabia, brand sales grew by 11%. This is mainly due to the early start of Umrah season, successful promotion campaigns and bundle offers. In this region, the customer loyalty program "WWS – World Without Strangers" was well perceived by our customers. Over 40% of sales were from the WWS members and the promotions to WWS members were effective and drove sales growth during the quarter.
  - Sales elsewhere in the region were down 6% reflecting political tensions in many franchise markets, particularly in Syria, Iran, Lebanon, Bahrain and Jordan

- Gross profit grew by 7% with a decrease of gross margin of 0.5 percentage points.
- Average costs increased as a result of changes in product mix and such costs increases have been recovered through increases in average selling price by 10%.
- Inventory has been reduced to a normal level at the quarter end. Temporary outlet sales and corporate orders have helped reduce the high inventory at last year end. As a result, HK$3 million stock provision has been written back during the quarter.

Gross profit reconciliation – Middle East

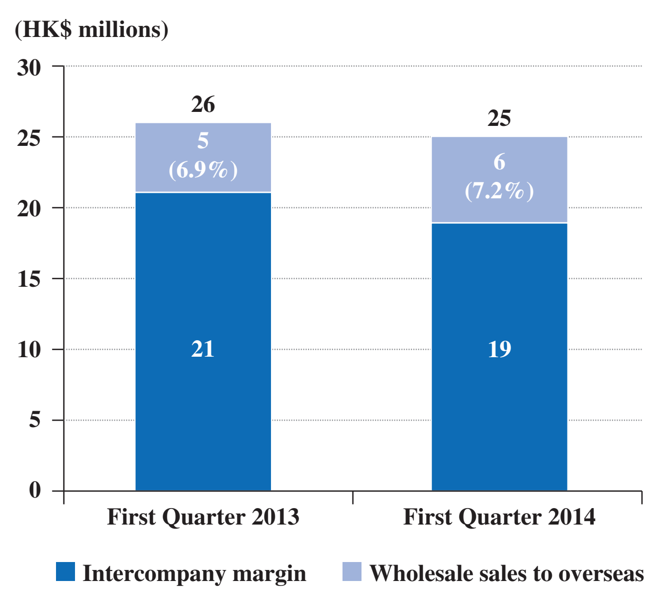


Wholesale sales to overseas franchisees

(In HK$ millions)	**First Quarter 2014**	First Quarter 2013	Variance
Total sales	**83**	72	15%
Gross profit	**6**	5	20%
Gross margin	**7.2%**	6.9%	0.3pp
Number of outlets[1]	**441**	448	(7)
Net change in outlets for the period	**(8)**	7	

- The increase in wholesale sales is mainly coming from developing markets including Philippines, Myanmar and Vietnam.
- The reduction in the number of shops is mainly from Korea (down by 24) after restructuring of its store portfolio. This was offset by the continuous growth in the developing markets. This reflects our strategic direction to grow fast and be the early movers in these markets.
- We expect steady growth from this segment through opening of new shops in existing markets and expansion into new emerging markets.
- In the first quarter wholesale sales increased by 15%, increasing gross profit.
- Inter-company sales to subsidiaries on the other hand declined, resulting in a fall in gross profit.
- The net effect of these two factors was a HK$1 million reduction in gross profit.

Gross profit – Wholesale & subsidiaries



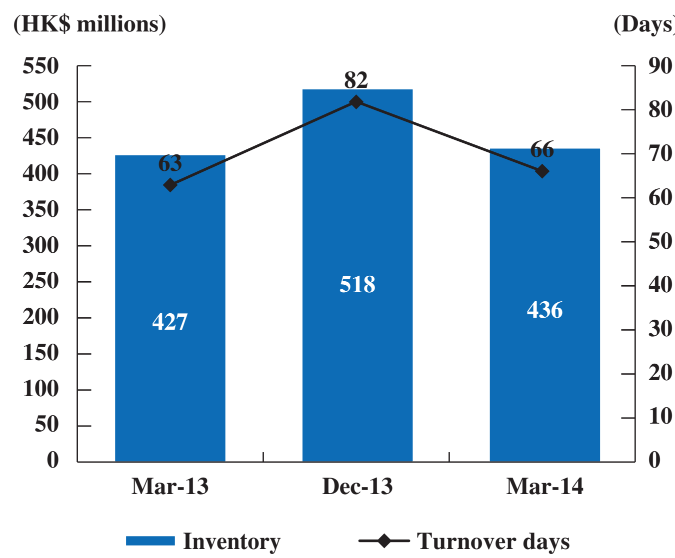
1 *At the end of the period.*

Inventory

- Group inventory reduced from HK$518 million at December 31, 2013 to HK$436 million. This is broadly a seasonal trend following Chinese New Year.

- Inventory at March 31, 2014, representing 66 days of costs, reduced by 16 days from the 82 days of inventory held at December 31, 2013.

Inventory



Total inventory including finished goods at suppliers

(HK$ millions)	**Mar-14**	Dec-13	Mar-13
Inventory balance held by the Group	**436**	518	427
Inventory balance held by franchisees in Mainland China	**75**	94	116
Finished goods at suppliers (not yet shipped)	**18**	27	8
Total system inventory	**529**	639	551

- Rationalization of inventory will continue in 2014. Purchase commitments are now based on prudent sales forecasts to avoid building excess inventory. A platform has been set up to share information on excess or slow-moving inventory to facilitate re-allocation of excess inventory.

Net Cash and Bank Balances

- Net cash and bank balances increased by HK$191 million to HK$1,296 million during the quarter. Strong cash flow has been maintained and together with the reduction in inventory and receivables after Chinese New Year, HK$192 million free cash flow generated.

Free Cash Flow from Operations

- Free Cash Flow from Operations at HK$192 million, slight decreased by HK$4 million compared to the same period last year. Lower profits were offset by higher levels of inventory reduction, partly due to timing differences in Chinese New Year in the two periods.

- Outlook for Free Cash Flow is expected to be more favourable than that for profit as we will continue to exercise strong control over inventory, working capital and discretionary expenses in the rest of the year.

Jointly Controlled Company – South Korea

(In HK$ millions)	**First Quarter 2014**	First Quarter 2013	Variance
Total sales[1]	**396**	369	7%
Comparable store sales[2]	**4%**	4%	
Gross profit	**214**	209	2%
Gross margin	**54.0%**	56.6%	(2.6pp)
Number of outlets[3]	**236**	260	(24)
Net change in outlets for the period	**(8)**	7	

- Excluding the effect of translating Korean Won into Hong Kong dollars, sales in Korea grew by 5%.

- Korea will continue to open large format "*Concepts*" stores and improve its existing stores' sales efficiency. We will expand the network of stores for the premium men's brand "*Concepts1One*"and offer an optimized assortment of products that cater to customer preference and needs. "*Giordano Essentials*" will challenge brands which copy *Giordano* in low-price markets to expand market share and serve as a channel to reduce excess stock.

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 Actions taken

- Controls over inventory management have been tightened, with the adoption of flexible purchasing budgets, daily inventory ratio reviews, and control over orders. With healthy inventories and a refocusing on merchandising, this is expected to result in a recovery of gross margins in the Group.

- Controls over expenditure have been tightened, with the implementation of headcount freezes and tight restrictions over pay awards.

- The Group will see more closures of unprofitable or brand-damaging shops in Mainland China and a faster expansion of shops in Malaysia, Thailand and Indo-China. Additionally, subject to feasibility testing and development activity, the *Beau Monde* budget brand will be rolled out in China, with southern China being the first test market for this new brand.

- Merchandise is being continuously developed now to have a more universal appeal, with more generous fitting and simplicity in design. A more focused approach for our women's line will result in more effective product ranges in our shops.

Outlook

- In the first quarter, as discussed above, sales and gross margins declined across all markets except Middle East. As a result of this, profitability is significantly lower compared to the same period in 2013.

- Initial signs in the second quarter are that due to heavy discounting and inventory clearance in the first quarter, a much healthier merchandise portfolio is now in the shops and that as a result, sales are strengthening. We expect the drop in profitability will be narrowed in the second quarter of the year.

- The performance in the first half was driven by a perfect storm of adverse business events, internal and external. Currency depreciation across Asia and rent increases in Hong Kong is not expected to impact profitability in the second half of 2014 as much as in the first half.

- With the introduction of a comprehensive channel strategy in China, and more significant investments in store portfolio quality for the brands, an upgrading of the brand position in China is now underway. Profitability in China can now be built, by aligning shop locations, store design and ambience, merchandise and brand image. This will take time to materialize. Nevertheless these initiatives are significant priorities for operating teams in China.

- In South East Asia, the expansion of our shop portfolio deeper into countries such as Malaysia and Thailand will be intensified. Recognizing that the retail outlook in these markets is changing, our teams will now differentiate the brand further through marketing campaigns. Our brand image in many of these markets is largely that of an international brand, and we therefore expect that these campaigns can be effective quickly. As these developing markets mature, we will expand our portfolio and early mover advantage into Indo-China, primarily Vietnam.

- Overall the outlook of 2014 is uncertain and reflects the volatility of external economic factors in different markets. We remain confident that we are executing a strategy across Group operations that is appropriate for each market, and that will result in long term healthy profitability across our operations. Cash generation remains a high priority for the management and Board of the Company.

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

	Total sales[1]			Comparable store sales[2]	
Summary by market *(In HK$ millions)*	**First Quarter 2014**	First Quarter 2013	Variance	**First Quarter 2014**	First Quarter 2013
Mainland China	**420**	473	(11%)	**(10%)**	(7%)
Hong Kong	**239**	261	(8%)	**(7%)**	3%
Taiwan	**163**	187	(13%)	**(10%)**	(14%)
Singapore	**85**	106	(20%)	**(17%)**	(1%)
Indonesia	**96**	103	(7%)	**(9%)**	21%
Malaysia	**58**	65	(11%)	**(8%)**	6%
Thailand	**51**	57	(11%)	**(10%)**	22%
Australia	**25**	39	(36%)	**(20%)**	(6%)
India	**5**	7	(29%)	**Flat**	19%
UAE	**62**	55	13%	**9%**	(10%)
Saudi Arabia	**79**	71	11%	**2%**	(4%)
Other Middle East regions	**14**	18	(22%)	**(6%)**	(2%)
Retail & Distribution total	**1,297**	1,442	(10%)	**(9%)**	(3%)
Wholesale sales to overseas franchisees	**83**	72	15%	**3%**	4%
Group total	**1,380**	1,514	(9%)	**(6%)**	(2%)

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

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

Number of outlets as at	**Mar 2014**	Dec 2013	Mar 2013
Mainland China	**1,107**	1,161	1,207
Hong Kong	**84**	88	84
Taiwan	**199**	201	209
Singapore	**48**	52	53
Indonesia	**181**	179	143
Malaysia	**88**	87	85
Thailand	**138**	133	118
Australia	**28**	32	34
India	**58**	65	56
UAE	**42**	44	43
Saudi Arabia	**99**	99	90
Other Middle East regions	**54**	52	54
South Korea	**236**	244	260
Other markets	**205**	205	188
Group total	**2,567**	**2,642**	**2,624**

Sales Review by Brand

Total sales[1] *(In HK$ millions)*	**First Quarter 2014**	First Quarter 2013	Variance
Giordano & Giordano Junior	**1,118**	1,271	(12%)
BSX	**53**	59	(10%)
Giordano Ladies	**102**	97	5%
Others	**24**	15	60%
Retail & Distribution total	**1,297**	1,442	(10%)

Number of outlets as at	**Mar 31 2014**	Dec 31 2013	Mar 31 2013
Giordano & Giordano Junior	**1,961**	2,026	2,006
BSX	**67**	71	95
Giordano Ladies	**69**	69	60
Others	**29**	27	15
Retail & Distribution total	**2,126**	**2,193**	**2,176**

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

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 8, 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.