GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

UNAUDITED INTERIM RESULTS

- *Group Net Sales decreased by 6% during the first half of 2014 compared with the same period last year. Global brand sales (sales to end customers through self-managed and franchise stores) decreased by 4%, as did comparable same store sales. Consumer spending weakened across all our markets as retail demand in Mainland China slowed and South East Asian countries encountered macro-economic challenges and social disruption. Going forward we see retail demand in Mainland China starting to stabilize and market conditions in South East Asian countries returning to normality.*

- *Gross Profits declined by 11% compared with the same period last year with gross margin reduced by 3.5 percentage points from 62.1% to 58.6%. This was due to a combination of local currency weakness in South East Asia and the effect of strong price discounting across all markets in response to intense competitive pressures. With healthy inventory levels we expect gross margins to steadily increase in the second half of the year.*

- *Profit Attributable to Shareholders (PATS) decreased by 49% compared with the same period last year as a result of weak gross profits and operating expenses that reduced by only 2% year on year. Cost controls were offset by rental increases in Hong Kong and increases in operating costs for net 59 shops opened in South East Asia over the year.*

- *Overall, changes in foreign currency rates reduced PATS by HK$41 million, adversely impacting the input costs of businesses purchasing merchandise in foreign currencies. Excluding these effects, PATS would have declined by 37%.*

- *Despite these difficult trading conditions, the Free Cash Flow from Operations in the period increased by 7% compared to last year. This was driven by improved working capital with a 14% reduction of inventory compared to last year end, and a HK$37 million dividend from our South Korean joint venture.*

- *An interim dividend of 10.5 HK cents per share (16.0 HK cents in 2013) was declared by the Board, a 34% decrease from the interim dividend paid last year. This reflects the Group's operating profit and cash flow, anticipated cash requirements and a policy to return surplus cash to shareholders.*

The board of directors (the "Board") of Giordano International Limited (the "Company") is pleased to announce that the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended June 30, 2014 along with comparative figures for the corresponding period and selected explanatory notes are as follows:

Condensed Consolidated Income Statement

		Six months ended June 30	
		2014	2013
(In HK$ millions, except earnings per share)	*Note*	**(Unaudited)**	(Unaudited)
Sales	*2*	**2,672**	2,841
Cost of sales		**(1,107)**	(1,076)
Gross profit		**1,565**	1,765
Other income and other gains		**33**	53
Distribution, administrative and other operating expenses		**(1,365)**	(1,392)
Operating profit	*2,3*	**233**	426
Finance expense	*4*	**(2)**	(2)
Share of profit of jointly controlled companies		**27**	34
Share of profit of an associate		**1**	1
Profit before taxation		**259**	459
Taxation	*5*	**(59)**	(83)
Profit for the period		**200**	376
Profit attributable to:			
Shareholders of the Company		**174**	340
Non-controlling interests		**26**	36
		200	376
Earnings per share for profit attributable to shareholders of the Company	*6*		
Basic *(HK cents)*		**11.1**	21.9
Diluted *(HK cents)*		**11.0**	21.6
Dividends	*7 (a)*	**165**	249

Condensed Consolidated Statement of Comprehensive Income

(In HK$ millions)	**Six months ended June 30** **2014** **(Unaudited)**	2013 (Unaudited)
Profit for the period	**200**	376
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value change on available-for-sale financial asset	**(4)**	(11)
Fair value loss on cash flow hedge	**(5)**	–
Exchange adjustment on translation of overseas subsidiaries, associate, jointly controlled entities and branches	**4**	(31)
Total comprehensive income for the period	**195**	334
Total comprehensive income attributable to:		
Shareholders of the Company	**166**	289
Non-controlling interests	**29**	45
	195	334

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**June 30 2014 (Unaudited)**	December 31 2013 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**295**	284
Goodwill		**535**	535
Interest in jointly controlled companies		**547**	539
Interest in an associate		**6**	5
Available-for-sale financial asset		**10**	14
Financial assets at fair value through profit or loss		**28**	28
Leasehold land and rental prepayments		**242**	246
Rental deposits		**148**	153
Deferred tax assets		**48**	49
		1,859	1,853
Current assets			
Inventories		**445**	518
Leasehold land and rental prepayments		**45**	44
Trade and other receivables	*8*	**564**	614
Derivative financial instruments		**–**	3
Cash and bank balances		**940**	1,437
		1,994	2,616
Total assets		**3,853**	4,469
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**78**	78
Reserves		**2,656**	2,642
Proposed dividends	*7*	**165**	376
Equity attributable to shareholders of the Company		**2,899**	3,096
Non-controlling interests		**147**	153
Total equity		**3,046**	3,249
Non-current liabilities			
Other long-term liabilities		**102**	102
Deferred tax liabilities		**119**	118
		221	220
Current liabilities			
Trade and other payables	*9*	**485**	532
Bank loans		**–**	332
Derivative financial instruments		**2**	–
Taxation		**99**	136
		586	1,000
Total liabilities		**807**	1,220
Total equity and liabilities		**3,853**	4,469
Net current assets		**1,408**	1,616
Total assets less current liabilities		**3,267**	3,469

Notes:

1. Principal Accounting Policies

Basis of preparation

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

These unaudited condensed consolidated interim financial statements are presented in million of units of Hong Kong dollars, unless otherwise stated. These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 14, 2014.

These unaudited condensed interim financial statements should be read in conjunction with the 2013 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of computation used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2013.

Amendments to HKFRSs effective for the financial year ending December 31, 2014 are not expected to have a material financial impact on the Group's consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact to the Group.

2. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers who make strategic decisions.

There are two major business segments, namely Retail and Distribution and Wholesale sales to overseas franchisees. The chief operating decision-makers assess the business of the Retail and Distribution segment from both a geographic location and a brand perspective. From a geographic perspective, the Retail and Distribution segment comprised of retail and franchise sales in Mainland China and Middle East, retail sales in Hong Kong and Taiwan and Rest of Asia Pacific. From a brand perspective, the Retail and Distribution segment is sub-divided into *Giordano & Giordano Junior, Giordano Ladies, BSX* and Others.

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

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

	Six Months ended June 30			
	2014		2013	
(In HK$ millions)	**Sales**	**Operating profit**	Sales	Operating profit
Mainland China	**773**	**30**	854	75
Hong Kong and Taiwan	**786**	**54**	840	110
Rest of Asia Pacific	**629**	**69**	709	137
Middle East	**306**	**52**	297	58
Total Retail and Distribution	**2,494**	**205**	2,700	380
Wholesale sales to overseas franchisees & other segments	**178**	**25**	141	16
Segment sales/operating profit	**2,672**	**230**	2,841	396
Corporate function		**3**		30
Finance expense		**(2)**		(2)
Share of profit of jointly controlled companies		**27**		34
Share of profit of an associate		**1**		1
Profit before taxation		**259**		459

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

	Six Months ended June 30			
	2014		2013	
(In HK$ millions)	**Sales**	**Operating profit**	Sales	Operating profit
By brand:				
Giordano & Giordano Junior	**2,160**	**170**	2,380	336
Giordano Ladies	**190**	**21**	180	26
BSX	**93**	**7**	107	13
Others	**51**	**7**	33	5
Total Retail and Distribution	**2,494**	**205**	2,700	380

The entity is domiciled in Hong Kong. The revenue from external customers in Hong Kong is HK$648 million (2013: HK$641 million), Mainland China is HK$773 million (2013: HK$854 million) and the total of revenue from external customers from other countries is HK$1,251 million (2013: HK$1,346 million).

Inter-segment sales of HK$472 million (2013: HK$572 million) has been eliminated upon consolidation.

3. Operating profit

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

(In HK$ millions)	**Six months ended June 30** **2014**	2013
Amortization of leasehold land prepayments	**(4)**	(4)
Depreciation of property, plant and equipment	**(70)**	(61)
Net gain on disposal of property, plant and equipment	**5**	–
Reversal for obsolete inventory and inventory write-off	**5**	2
Net exchange (losses)/gains	**(15)**	13

4. Finance expense

(In HK$ millions)	**Six months ended June 30** **2014**	2013
Interest on bank loans	**2**	2

5. Taxation

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the six months ended June 30, 2014. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

(In HK$ millions)	**Six months ended June 30** **2014**	2013
Income tax		
Current income tax		
– Hong Kong profits tax	**10**	14
– Outside Hong Kong	**32**	63
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**18**	4
Over provision in prior periods		
– Hong Kong profits tax	**–**	(5)
	60	76
Deferred tax		
Relating to the origination and reversal of temporary differences	**(1)**	7
Taxation charge	**59**	83

This charge excludes the share of associate and jointly controlled companies' taxation for the six months ended June 30, 2014 of HK$7 million (2013: HK$9 million). The share of the income tax expenses of associate and jointly controlled companies is netted off with the share of profits of associate and jointly controlled companies in the condensed consolidated income statement.

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders of the Company for the period of HK$174 million (2013: HK$340 million).

The basic earnings per share is based on the weighted average of 1,568,477,877 shares (2013: 1,550,469,203 shares) in issue during the six months ended June 30, 2014.

The diluted earnings per share is based on 1,568,477,877 shares (2013: 1,550,469,203 shares) which is the weighted average number of shares in issue during the six months ended June 30, 2014 plus the weighted average of 4,812,210 shares (2013: 23,238,063 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. Dividends

(a) Interim dividends attributable to the period:

	Six months ended June 30	
(In HK$ millions)	**2014**	2013
Interim dividend declared after balance sheet date of 10.5 HK cents (2013: 16.0 HK cents) per share	**165**	249

At the board meeting held on August 14, 2014, the directors declared interim dividend of 10.5 HK cents per share. These proposed dividends have not been recognized as a liability at the balance sheet date.

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

	Six months ended June 30	
(In HK$ millions)	**2014**	2013
2013 final dividend approved and paid of 24.0 HK cents (2012: 25.0 HK cents) per share	**377**	390

8. Trade and other receivables

(In HK$ millions)	**June 30 2014**	December 31 2013
Trade receivables	**279**	333
Less: Provision for impairment	**(16)**	(17)
Trade receivables, net	**263**	316
Other receivables, including deposits and prepayments	**301**	298
	564	614

Other than cash and credit card sales, the Group normally allows a credit period of 30-60 days to its trade customers.

As at the balance sheet date, the ageing analysis from the invoice date of trade receivables (net of allowance for doubtful debts) is as follows:

(In HK$ millions)	**June 30 2014**	December 31 2013
0 – 30 days	**178**	233
31 – 60 days	**48**	49
61 – 90 days	**18**	19
Over 90 days	**19**	15
	263	316

9. Trade and other payables

(In HK$ millions)	**June 30 2014**	December 31 2013
Trade payables	**171**	160
Other payables and accrued expenses	**314**	372
	485	532

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**June 30 2014**	December 31 2013
0 – 30 days	**141**	136
31 – 60 days	**14**	11
61 – 90 days	**4**	3
Over 90 days	**12**	10
	171	160

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of 2014 Performance

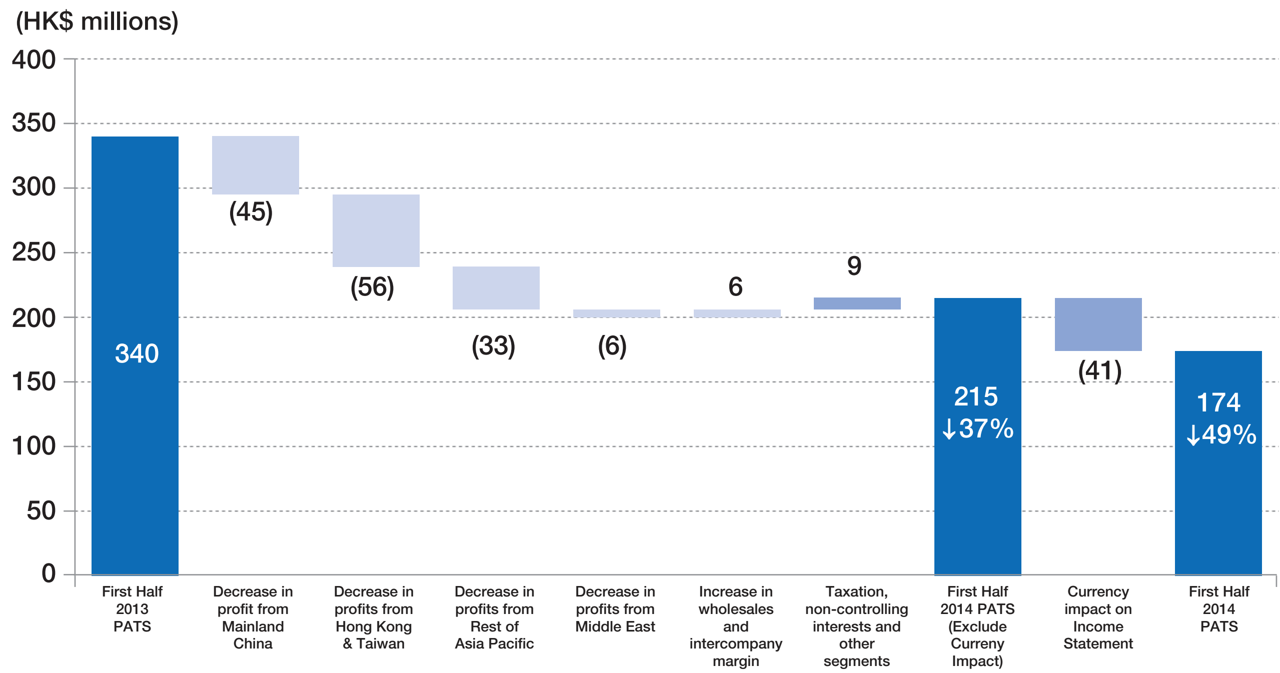
(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Sales	**2,672**	2,841	**(6%)**
Gross profit	**1,565**	1,765	**(11%)**
Gross margin	**58.6%**	62.1%	**(3.5pp)**
Operating expenses	**(1,365)**	(1,392)	**(2%)**
Operating profit	**233**	426	**(45%)**
Operating margin	**8.7%**	15.0%	**(6.3pp)**
EBITDA	**342**	535	**(36%)**
Profit Attributable to Shareholders	**174**	340	**(49%)**
Net profit margin	**6.5%**	12.0%	**(5.5pp)**
Free cash flow from operations	**254**	237	**7%**
Net cash and bank balances[1]	**940**	986	**(5%)**
Inventory balances[1]	**445**	518	**(14%)**
Inventory days on costs[2]	**73**	87	**(14)**

1 *At the end of the period.*

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

Profit Attributable to Shareholders ("PATS")

During the period, PATS decreased by 49% to HK$174 million from HK$340 million last year.



Currency Impact on Income Statement

Foreign currency exchange rate changes had the following impact on the Income Statement:

(In HK$ millions)	**Reported**	Translation difference	Transaction difference	Currency Depreciation loss on purchase	**Adjusted**
Sales	**2,672**	68	–	–	**2,740**
Gross profit	**1,565**	42	–	25	**1,632**
Other income	**33**	–	15	–	**48**
Operating Expense	**(1,365)**	(32)	–	–	**(1,397)**
PATS	**174**	1	15	25	**215**

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 not significant with the adverse impact from translation of South East Asian currencies, mainly the Indonesia Rupiah offset by the relative strength of the Korean Won.
- Depreciation of RMB resulted in translation losses for time deposits held in Hong Kong.
- Increased costs of purchasing merchandise in Hong Kong dollars, by Indonesia in particular, contributed a loss of HK$25 million during the period.
- Overall, the impact of foreign currency changes on the Group's results was an adverse impact of HK$41 million.

If excluding the currency impacts, 2014 first half PATS would be HK$215 million, 24% more than the actual and this would represent a reduction of PATS of 37% from same period last year compared to the actual PATS reduction of 49%.

Sales

(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Total Sales[1]	**2,672**	2,841	**(6%)**
Global brand sales[2]	**3,631**	3,782	**(4%)**
Comparable store sales[3]	**(4%)**	(2%)	
Gross profit	**1,565**	1,765	**(11%)**
Gross margin	**58.6%**	62.1%	**(3.5pp)**
Number of outlets[4]	**2,553**	2,622	**(69)**
Net change in outlets during the period	**(89)**	(26)	

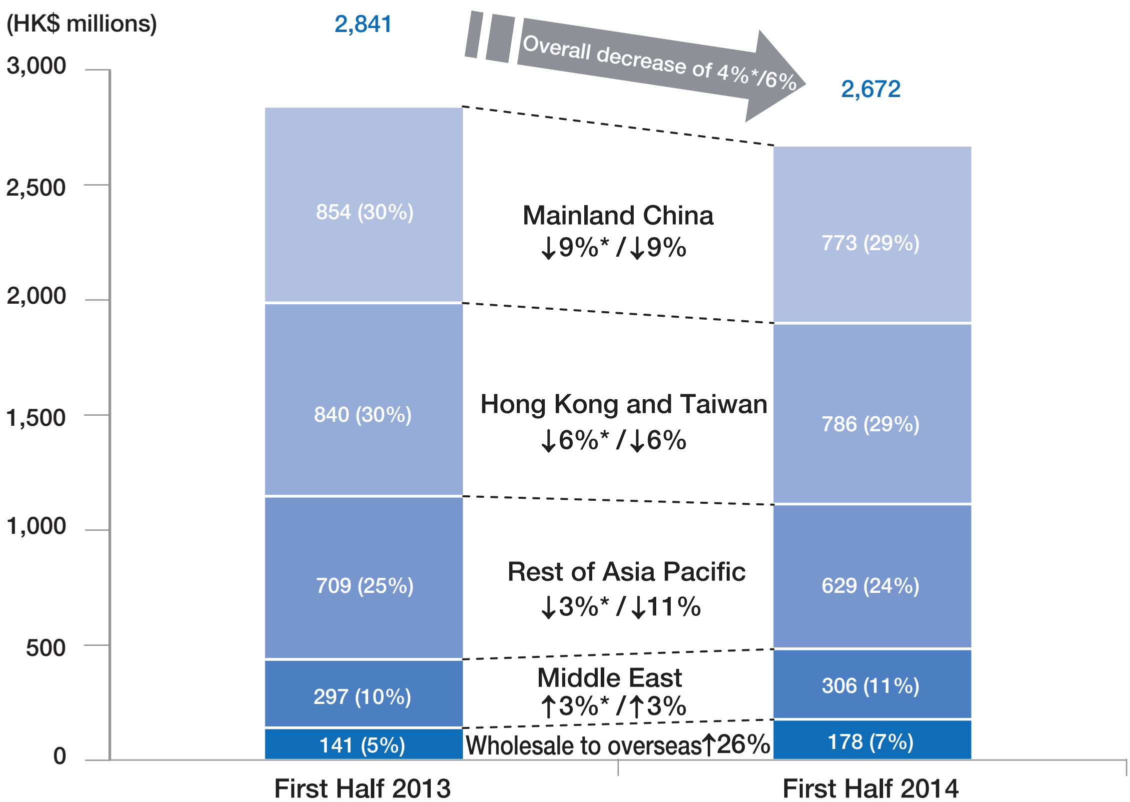
1 *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

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

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

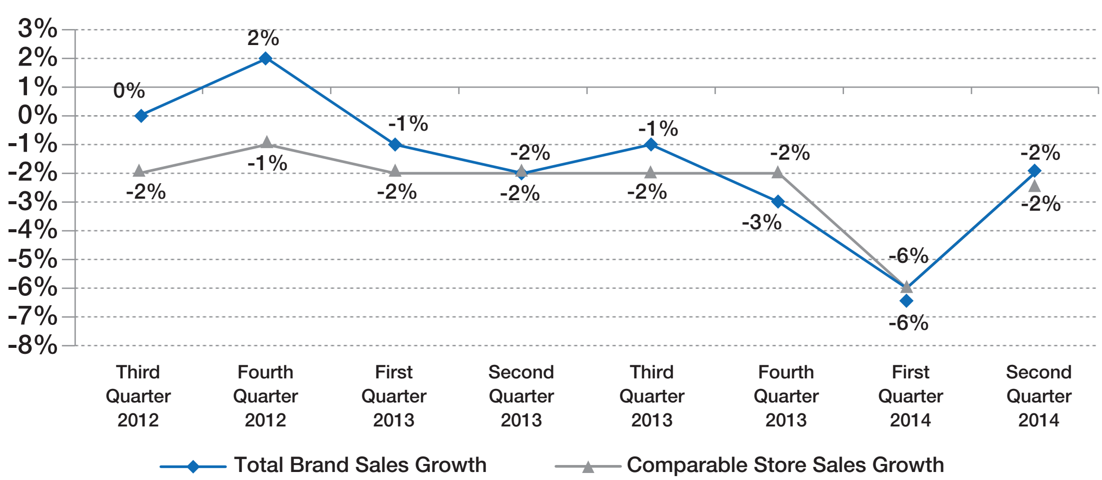
4 *At the end of the period.*

Sales growth and contribution

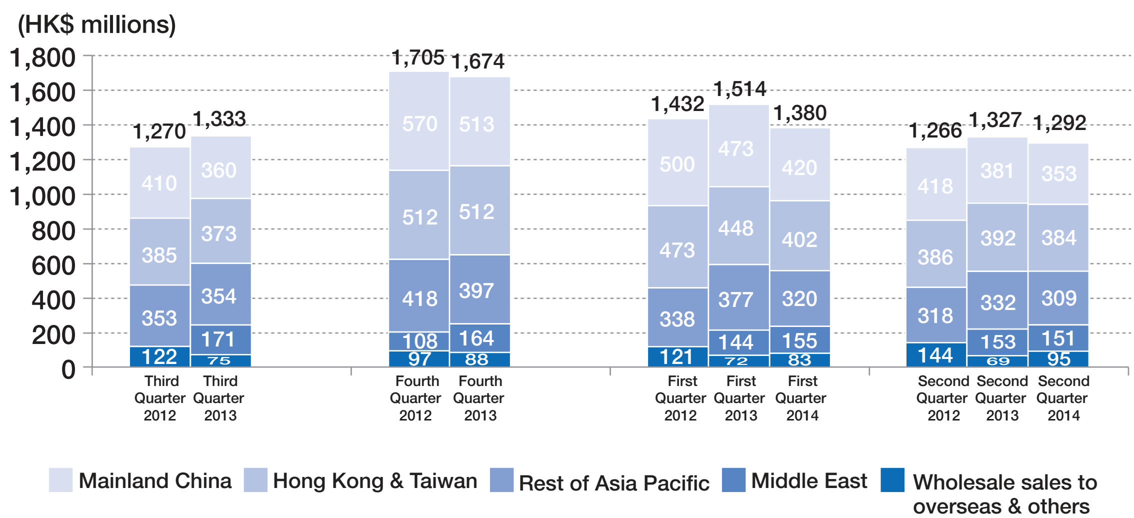


* Sales growth excludes exchange effects
% to group sales in brackets

Brand sales growth for the last eight quarters



Sales for the last ten quarters



- Group Sales decreased by 6% to HK$2,672 million in the first half of 2014 from HK$2,841 million in the same period last year. Excluding the effects of translating sales made in foreign currencies into Hong Kong dollars, sales decreased by 4%.

- Sales in Mainland China decreased by 9% during the first half compared with the same period last year. Overall market growth for apparel in Mainland China is slowing and is now at mid-single digit levels. Sales over the Chinese New Year period were weak; the second quarter showed a modest recovery with positive same store sales recorded for the first time in 11 quarters.

- Sales in Hong Kong decreased by 6% in the first half compared with the same period last year. The retail market in general saw a year on year decline in sales with reduced growth in the apparel sector. Sales in the second quarter were relatively stronger than in the first quarter.

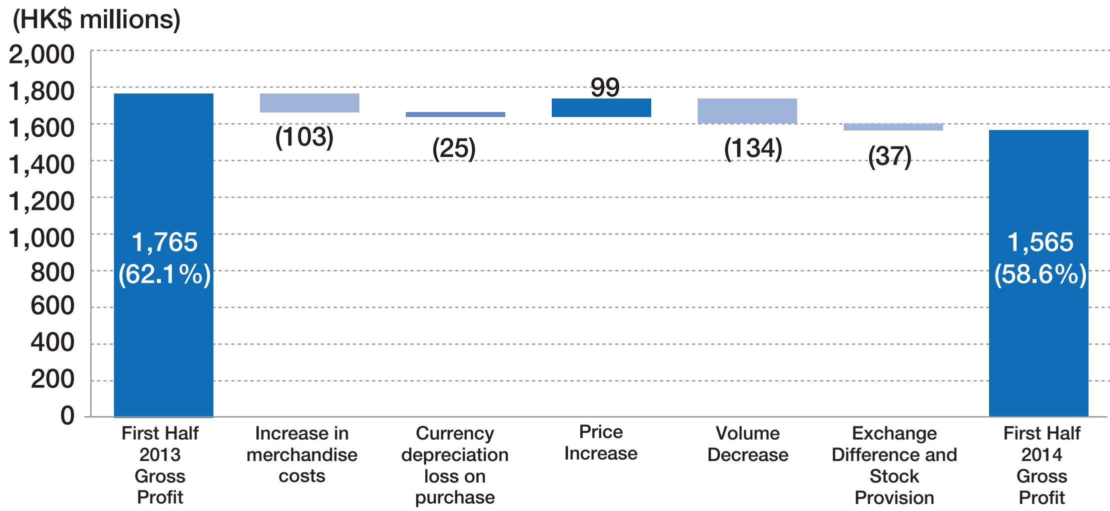
- Sales in Taiwan decreased by 7% during the first half compared with the same period last year. Comparable same store sales declined in the first quarter but grew by 3% in the second quarter following the introduction of new localized products.

- Sales in other Asia Pacific markets, mainly Singapore, Malaysia, Indonesia and Thailand, reduced by 11% compared with the same period last year, with comparable same store sales down 9%. Demand was negatively impacted by significant currency depreciation in Indonesia and Thailand and poor consumer sentiment across the region. Social disruption in Thailand also negatively impacted sales. Singapore was particularly weak. Sales reduced by 15% compared to the first half of last year. This reflects mistakes in merchandising and product selection which are being rectified following the recent appointment of a new General Manager. We continue to add stores in developing markets in this region.

- Sales in the Middle East increased modestly by 3%. Growth in both UAE and Saudi Arabia was around 5%. In Saudi Arabia, this was largely due to store growth as same store sales decreased by 3%. Demand in this region continues to be depressed by Middle East Respiratory Syndrome, political instability in the region and disruption by infrastructure projects in pilgrim destinations.

Gross Profit

Gross profit reconciliation



- The Group's gross profit decreased by HK$200 million, or 11%, to HK$1,565 million from HK$1,765 million in the first half 2013. Gross margin decreased by 3.5 percentage points to 58.6%.

- Average merchandise costs increased by 12%, with 10% attributable to increases in underlying costs and changes in product mix and the remaining 2% due to increased costs in South East Asian markets from the depreciation of local currencies (e.g. the Indonesian Rupiah has depreciated by 17%, the Thai Baht by 8% and the Malaysian Ringgit by 4% compared to last year).

- Average prices increased by only 4%, mainly as a result of the change in product mix with relatively higher price and quality products sold compared to last year. Due to significant discounting, increases in pricing did not cover cost increases and margin declined by 3.5 percentage points.

Merchandise Impact on Volume

- Volume reduced by 7%. Volume reduction in the second quarter reduced to 5%, as improved merchandising in stores combined with discounting to clear excess inventory.

- Under the Giordano brand, 73% of sales were from Men. Brand sales for Men declined by 6% in the first half. A widening of the product range for jackets and pants in the first quarter did not result in the expected sales growth; however sales in the second quarter improved following the launch of successful new programs.

- Singapore is recovering from poor merchandise selection in 2013 with an improvement in volume in the second quarter of this year (volume declined by 17% in Q1, and by 3% in Q2) as excess inventories were cleared through price discounting.

- Giordano Women contributed 27% of sales in Giordano shops and the sales declined by 14%, a more significant decline than for Giordano Men. The strategy to widen the appeal of the brand through increased numbers of styles and collections has been re-examined and will be modified going forward.

- Adjustments will be made to the product range in line with Giordano's traditional strengths, focusing on core items with appropriate details. Old merchandise has now mostly been cleared, and we expect gross margins to strengthen as we move into the Fall Winter campaigns.

Mainland China

(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Total sales[1]	**773**	854	**(9%)**
Retail self-operated stores	**574**	629	**(9%)**
Wholesale sales to franchisees	**199**	225	**(12%)**
Total brand sales[2]	**948**	1,064	**(11%)**
Self-operated stores	**574**	637	**(10%)**
Franchised stores	**374**	427	**(12%)**
Comparable store sales[3]	**(5%)**	(7%)	
Gross profit	**427**	500	**(15%)**
Gross profit margin	**55.2%**	58.5%	**(3.3pp)**
Number of outlets[4]	**1,066**	1,178	**(112)**
Self-operated stores	**503**	512	**(9)**
Franchised stores	**563**	666	**(103)**
Net change in outlets during the period	**(95)**	(65)	
Self-operated stores	**(29)**	(22)	
Franchised stores	**(66)**	(43)	

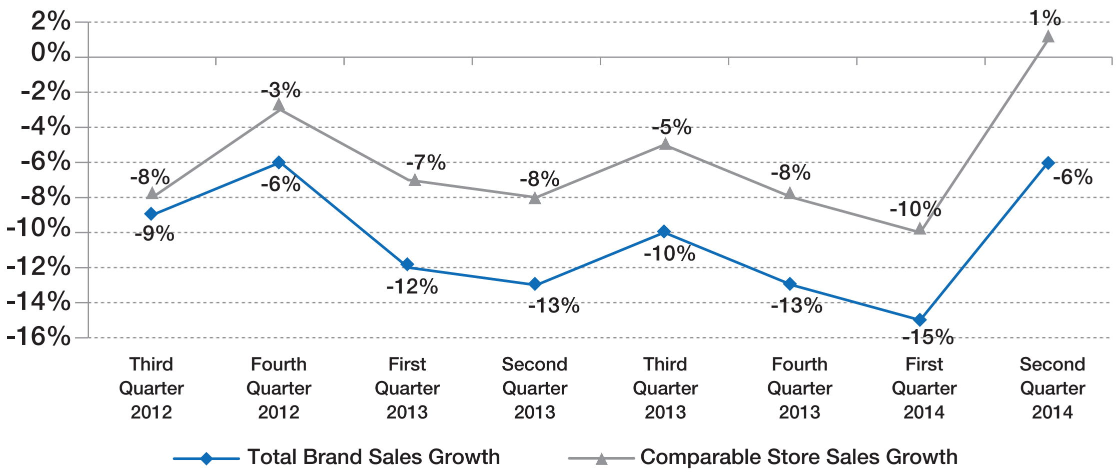
1 *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

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



- Sales in Mainland China in the first half of 2014 decreased by HK$81 million or 9% to HK$773 million from HK$854 million in the same period last year. Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales also decreased by 9% in the first half of 2014.

- 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 the first half of 2014 and comparable store sales decreased by 5%. Key factors in the decline of brand sales in China are as follows:

  - Sales in the first quarter were particularly weak with a 15% decline in brand sales. However sales have strengthened modestly in the second quarter with the decline in brand sales reducing to 6% and positive quarterly same store sales for the first time since Q3 2011.
  - The re-positioning of our operations is ongoing and we are closing poor image loss making shops, both self-managed and franchised. We closed (net of store openings) 29 of our own self-managed shops in the first half. This includes 28 shops that we believe were detrimental to the brand image and 5 which we converted to *Beau Monde* outlets.
  - We have started to implement multi-branding into good quality department stores. The expansion of our women-only counters has progressed with 47 now open in China. New merchandise was launched in May into these channels and the unisex shops which has improved sales modestly. This product range will be reviewed in depth and redeveloped in the second half of the year and this will enable store growth going forward.

- We have also started to replace shops in hypermarkets with our new budget brand, *Beau Monde*, opening the first 9 outlets in the second quarter. So far this brand is profitable and we are fine tuning the value proposition in preparation for a faster roll-out in hypermarket and other more "value" driven channels.
- Over the past twelve months, we have closed 112 more stores in Mainland China than we have opened and this is starting to improve the quality of sales from our existing portfolio. Nonetheless, the reduction in stores, particularly those of our franchisees, will continue to have an adverse, though temporary impact on sales volume and profitability.

- We have continued to improve our online operations, both through our own platforms and those of virtual shopping malls with sales in the first half increasing by 14% from HK$72 million in 2013 to HK$82 million in 2014. Our "O2O" initiative to integrate online and operations by installing terminals in physical stores has resulted in 124 stores in China now offering online purchases, combined with a social media interface for product research, directly in our stores.

Mainland China – Gross Profit

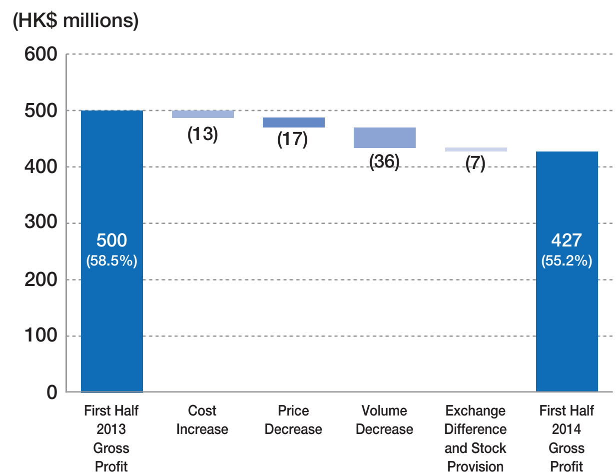
- Gross profit in Mainland China decreased by 15% and gross margin decreased by 3.3 percentage points to 55.2%.

- Volume declined by 7%; average prices decreased by 2% and average costs increased by 4%.

- Price discounting by competitors in the Mainland China market continues to be strong. This has resulted in lower volumes than expected. To avoid foreseeable inventory surplus, we have implemented aggressive price discounting programs. It is anticipated that retail margins will improve in the second half of the year as price disciplines and more prudent buying budgets are adopted. Intense competition for online business and more favourable pricing to franchisees (as we reduce direct subsidies) will moderate this improvement slightly.

- Volumes declined mainly in the pants, jackets, sweaters and G-warmer innerwear categories while in shorts and print tee categories, volumes increased as a result of successful new product introduction.

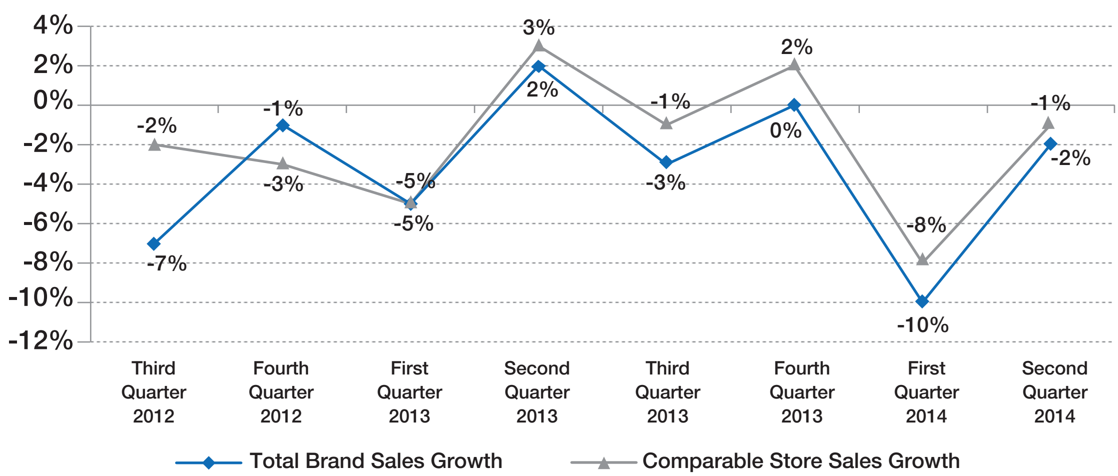
Gross profit reconciliation – Mainland China



Hong Kong and Taiwan

(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Total sales[1]	**786**	840	**(6%)**
Comparable store sales[2]	**(5%)**	(1%)	
Gross profit	**505**	551	**(8%)**
Gross profit margin	**64.2%**	65.6%	**(1.4pp)**
Number of outlets[3]	**282**	287	**(5)**
Net change in outlets during the period	**(7)**	(11)	

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



- Sales in Hong Kong and Taiwan in the first half of 2014 decreased by HK$54 million or 6% to HK$786 million from HK$840 million in the same period last year.

- Sales in Hong Kong declined by 6% in the first half of the year, down 8% in the first quarter and 4% in the second quarter. Competition in Hong Kong has intensified as Chinese New Year apparel sales market growth declined compared to last year. Weather was particularly adverse being wetter and colder than usual in the first quarter negatively impacting the effect of new spring merchandise launched in March 2014.

- A new store format "Concepts" was launched in June in Macau. This is 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.

- Sales in Taiwan declined by 7% in the first half of the year, down 10% in the first quarter but rebounding to a modest 3% growth in the second. Market conditions in Taiwan continue to be weak and this has depressed sales. New programs were introduced in the second quarter which helped boost sales. Sales trends are continuing to recover into the third quarter.

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

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

3 *At the end of the period.*

Hong Kong and Taiwan – Gross Profit

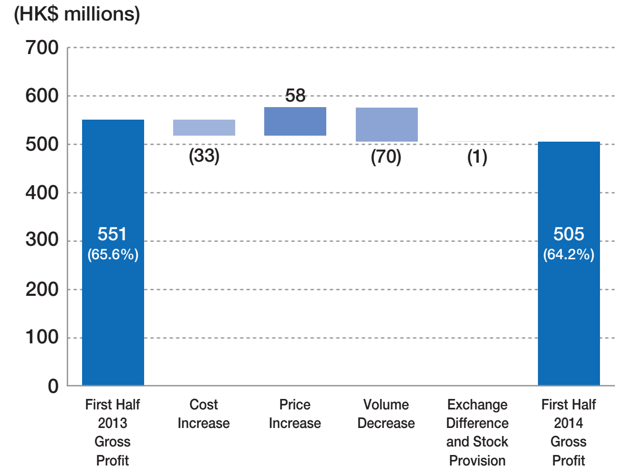
- Gross profit in Hong Kong and Taiwan decreased by 8.3% and gross margin decreased by 1.4 percentage points.

- Excluding the effect of translating Taiwan dollars into Hong Kong dollars, gross profit decreased by 7.9%.

- Hong Kong gross profit margin increased by 0.3 percentage points. This was driven by strong and high margin merchandise supported by successful marketing campaigns.

- Taiwan gross profit margin was down by 4.0 percentage points and volume was down 7%.

Gross profit reconciliation – Hong Kong and Taiwan



Rest of Asia Pacific

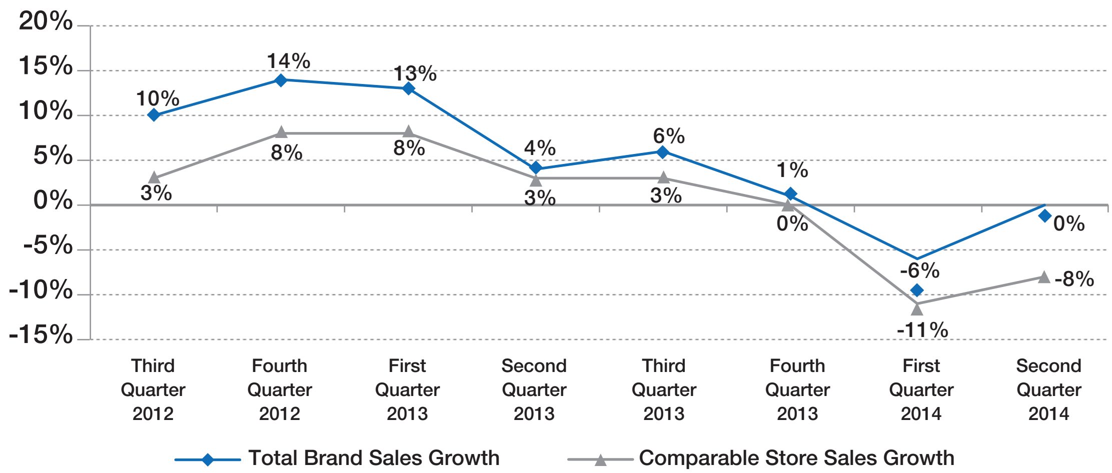
(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Total sales[1]	**629**	709	**(11%)**
Comparable store sales[2]	**(9%)**	5%	
Gross profit	**388**	470	**(17%)**
Gross profit margin	**61.8%**	66.3%	**(4.5pp)**
Number of outlets[3]	**555**	506	**49**
Net change in outlets during the period	**7**	24	

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 Rest of Asia Pacific for the last eight quarters



- Sales in markets in Rest of Asia Pacific, decreased by 11% or HK$80 million to HK$629 million from HK$709 million in the same period last year. Excluding the effect of translating foreign currencies into Hong Kong dollars, sales in these markets decreased by 3%. Comparable same store sales decreased by 9% in the same period.

- Sales results were generally depressed by severe currency decline in these markets (e.g. the Indonesian Rupiah by 17%, the Thai Baht by 8%, and the Malaysia Ringgit by 4%). This weakened the translation of results into Hong Kong dollars.

- We are seeing weak household spending and consumer demand in South East Asia markets. Apart from currency decline, which drives up the cost of imported apparel and results in cost inflation, results were negatively impacted by social disruption in Thailand. Against this challenging background, the Group will continue to differentiate our brand and expand further into developing markets as we believe these markets to have strong growth prospects. Soft or declining same store sales will however adversely impact these markets' profitability in the short term.

Singapore

- In Singapore, sales declined by 15% during the first half of 2014 compared to the same period last year. Retail sales growth has been very sluggish across the sector in the first quarter of 2014. The Company's performance has been further negatively impacted by high inventories, an ineffective product mix.

- Singapore is re-shaping its merchandise offering and a new General Manager was appointed in June. Price promotions to clear and re-allocate slow moving products are being implemented. Sales in the second quarter have improved slightly but the re-merchandising of this market will continue into the third quarter.

Indonesia

- In Indonesia, sales declined by 3% during the first half of 2014 compared with the same period last year. Excluding the effect of translating local currency into Hong Kong dollars, sales increased by 16%. Same store sales in the period decreased by 2%.

- Over the past year, we have added 42 shops, out of which, 16 are non-Giordano shops including Nike shops, which operate at a lower margin than our own brands. Growth has come from this store expansion.

- Due to the fall in the value of the Rupiah, this market now faces strong inflationary cost pressure on labour, rental and energy costs as well as apparel supplied into the country. With international brands increasingly entering this market, we will respond as follows:

  - Launch major marketing initiatives in the second half of the year to improve brand differentiation.
  - Continue to expand into third tier cities, maintaining our "first mover" advantage.
  - Continue to explore "multi-brand" partnerships with other third party brands to maintain strong position with shopping mall landlords. Out of 193 shops in this market, 32 belong to 3 non-Giordano brands where we act as a franchisee.

Thailand

- In Thailand, sales declined by 9% during the first half of 2014 compared with the same period last year. Excluding the effect of translating local currency into Hong Kong dollars, sales decreased by 1%. Same store sales in the period declined by 10%.

- Shop traffic, number of tourists and consumer confidence have been severely affected by political instability in the country. Despite this tough trading environment, we have added two more stores this year and have 15 more stores than at June 2013. We will continue to pursue store expansion in Thailand, to increase our penetration of this large market.

Malaysia

- In Malaysia, sales declined by 11% during the first half of 2014 compared with the same period last year. Excluding the effect of translating local currency into Hong Kong dollars, sales decreased by 7%. Same store sales in the period declined by 10%.

- Retail sales in Malaysia 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 further expand our store network in this market.

Australia

- In Australia sales declined by 29% during the first half of 2014 compared to the same period last year. Excluding the effect of translating local currency into Hong Kong dollars, sales decreased by 22%. Same store sales in the period declined by 17%.

- A combination of a weak economy and international brands entering the market has contributed to this decline. The management team has been restructured to provide a more flexible response to competition. Sales growth returned at the end of the second quarter and the outlook for the second half is cautiously optimistic. The closure of loss making stores and the shipment of slow moving low cost merchandise from other markets is now underpinning profit recovery in this market.

Rest of Asia Pacific – Gross Profit

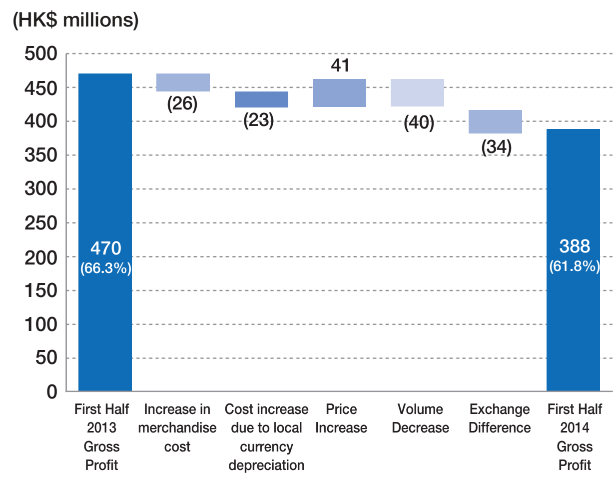
- Gross profit decreased by 17% in markets in Rest of Asia Pacific with a decrease in gross margin of 4.5 percentage points.

- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit decreased by 9%.

- Underlying costs increased by 12%, but with currency depreciation, costs increased by another 10% resulting in a total average cost increase of 22%. Excluding the impact of currency on translated results and underlying costs, gross profit declined by 5.3%.

- Volumes sold decreased by 9%, average selling prices increased by 6%.

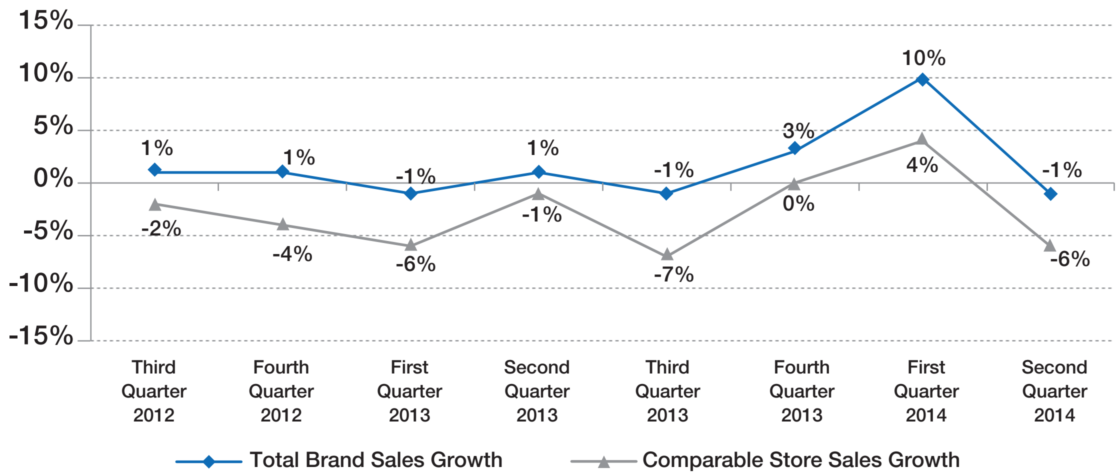
Gross profit reconciliation – Rest of Asia Pacific



Middle East

(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Total sales[1]	**306**	297	**3%**
Comparable store sales[2]	**(2%)**	(4%)	
Gross profit	**193**	187	**3%**
Gross profit margin	**63.1%**	63.0%	**0.1pp**
Number of outlets[3]	**201**	192	**9**
Net change in outlets during the period	**6**	8	

Brand sales growth in Middle East for the last eight quarters



- In the Middle East, sales increased by 3% during the first half of 2014 compared with the same period last year. Excluding the effect of translating local currency into Hong Kong dollars, sales also increased by 3%. Same store sales in the period declined by 2%.

- In the first quarter sales grew strongly as a result of same store sales in UAE and store expansion in Saudi Arabia. Growth slowed in the second quarter:

    - Brand sales in the United Arab Emirates increased by 5% in the first half of the year. Improved marketing, the use of sponsorship and effective publicity management, enabled us to grow sales through the Dubai Shopping Festival in the first quarter.
    - In Saudi Arabia brand sales grew by 6%. This reflects new store openings which took place in the second half of 2013. Same store sales were down 3% reflecting tough trading conditions during the period as the impact of Middle East Respiratory syndrome continues to reduce traffic.
    - Sales elsewhere in the region were down by 14% reflecting political tensions in many franchise markets, particularly in Syria, Iran, Lebanon, Bahrain and Jordan.

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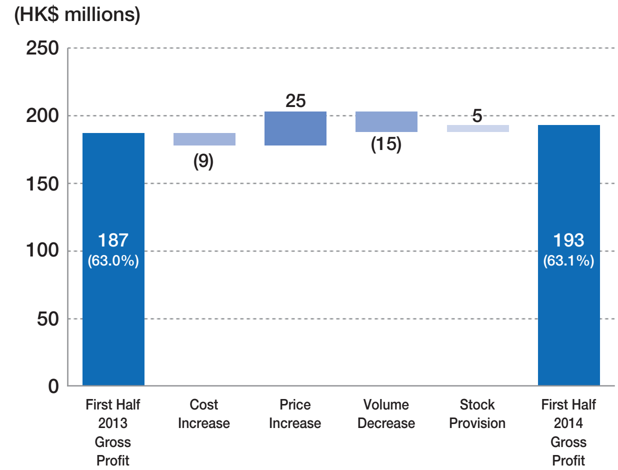
1 *Total Sales are total retail sales and total wholesale sales to franchisees, translated at average exchange rates.*

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

3 *At the end of the period.*

Middle East – Gross Profit

Gross profit reconciliation – Middle East



- Gross profit increased by 3% with an increase of gross margin of 0.1 percentage point.

- Average costs increased by 7% as a result of changes in product mix and such costs increases have been recovered through increases in average selling price by 9%.

- Inventory has been reduced, particularly in the United Arab Emirates. Temporary outlet sales and corporate orders have helped reduce the high inventory at last year end. As a result, HK$5 million stock provision has been written back during the quarter.

Wholesale Sales to Overseas Franchisees and Joint Ventures

(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Total sales	**178**	141	**26%**
Number of outlets	**449**	459	**(10)**
Net change in outlets during the period	**–**	18	

- Wholesale sales increased by 26% mainly as a result of increased sales to affiliates and franchisees in South Korea (up 19%), Philippines (up 21%), Myanmar (up 100%), and Vietnam (up 151%).

- The number of outlets in South Korea reduced by 31 as we exit unprofitable and low sales productivity stores.

- The Philippines franchisee continues to perform strongly and added 10 new shops over the past year.

- The Myanmar franchisee opened 13 stores in the last year and this is enabling us to maximize the opportunities in this growing economy.

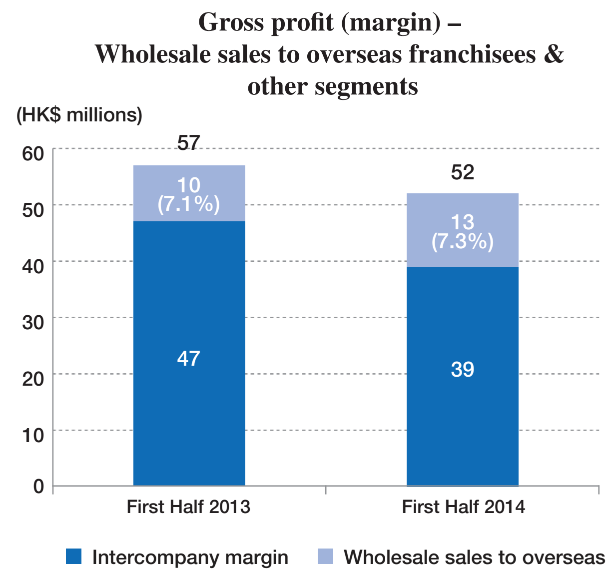
- Vietnam continues to grow strongly. This is a key development market for the Group and we are in the process of establishing a subsidiary here. A major brand upgrade is underway, moving from a reliance on street stores to international shopping centres and department stores. The Vietnam team opened the first store in Phnom Penh, Cambodia in June 2014.

Wholesale – Gross Profit

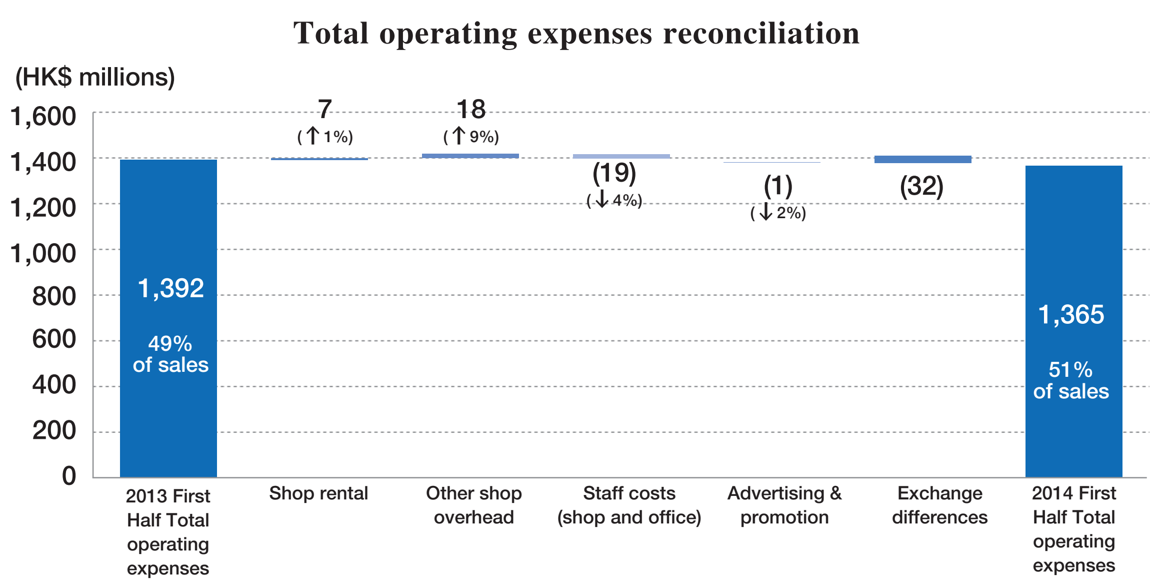
- Wholesale gross profit increased by 30% during the first half of 2014.

- 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$5 million reduction in gross profit.



Operating Expenses



- Overall, the Group's operating expenses decreased by 2% to HK$1,365 million from HK$1,392 million in last year. With Gross Profit down by 11%, this reduction was insufficient to prevent operating margin decline in the period (which reduced from 15% to 8.7%), and a reduction in operating profit by 45% compared to the same period last year.

- Rental costs as a proportion of sales increased from 21.0% to 22.1%.

  - With a high proportion of concessionary rents in China and Taiwan reflecting the importance of department stores to our channel strategy, rental in these markets declined, driven by reductions in sales.
  - Other markets however, have high fixed rental costs subject to annual increments and this contributes towards higher rents as a percentage of sales.
  - Rental increases in Hong Kong have been significant in the last twelve months, particularly on some key retail locations. Although the property market in Hong Kong is now easing, this is not considered likely to soften our rental costs until 2015 and 2016, as the impact of recent rent increases annualizing will continue to impact for the next year.
  - Rental has also been impacted by the growth of store numbers in South East Asia, where 59 outlets have been added. On the other hand, same store sales growth has been negative in these markets, again resulting in rental increases as a percentage of sales.
  - Overall average store space has increased by 6%. Rental per square foot has decreased by 4% overall for the Group.

- Shop overhead costs comprised shop depreciation, utilities, credit card charges, etc. The increase is mainly from additional depreciation of HK$9 million, or 14%, from shop renovations we are executing across Greater China as we re-position and upgrade the brand.

- Total staff costs decreased by 4%. Average headcount increased by 1%, mainly from the South East Asia markets to cope with store expansion. Average staff cost per headcount decreased by 5%. Staff productivity increased with headcount per store area decreasing by 5%.

- Advertising and promotion costs reduced by 2% or HK$1 million. The Group continues to press ahead with marketing programs and is stepping these up in South East Asia.

Operating Profit before Other Income and Other Gains

- Overall, sales decreased by 6% during the period and with a 3.5 percentage points reduction in gross margin over same period last year, gross profit decreased by 11%. Operating expenses decreased by 2%, resulting in an Operating Profit before Other Income of HK$200 million, a 46% decrease or HK$173 million from same period last year.

Other Income and Other Gains

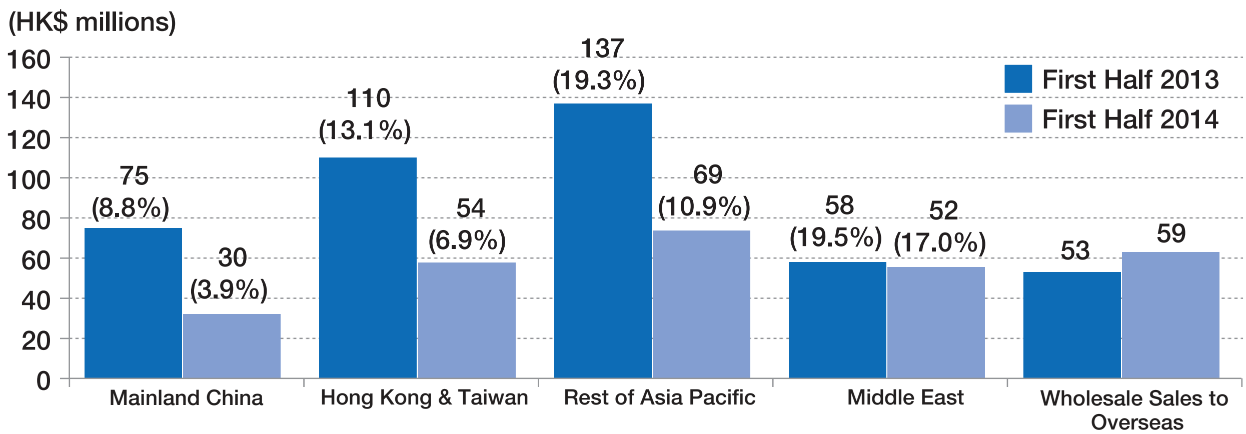
- Other income decreased by HK$20 million or 38% from HK$53 million to HK$33 million.

- This reduction was mainly due to exchange losses of HK$15 million recognized during the period due to the devaluation of foreign currencies while an exchange gain of HK$13 million was recognized last year.

Operating Profit

- As a result of the above, the Group's operating profit in the first half of 2014 decreased by HK$193 million, or 45%, to HK$233 million from HK$426 million in the same period last year.

Operating Profit by Market



The above exclude the corporate expense of HK$31 million (2013: HK$7 million).

Mainland China

- Operating profit in Mainland China decreased by HK$45 million or 60% to HK$30 million while operating margin decreased by 4.9 percentage points to 3.9%.

- Of the 4.9 percentage points decline in profit margin in China, a reduction of 3.3 percentage points in gross margin was due to the impact of price promotions required to prevent excess inventory in light of stronger than expected price discounting from competitors. Operating expenses decreased by HK$25 million, but increased by 2.2 percentage points as a percentage of sales.

- Shop rental expense decreased by HK$24 million or 12% as a result of the reduction of self-managed stores from 512 to 503 and a decrease in turnover rent in department stores due to the drop in sales. Average shop area decreased by 1% and rent per square foot decreased by 11%.

- A number of loss making shops have been closed. 89 lossmakers were closed or turned around, but as a result of margin and volume pressure, a further 124 new or existing shops became lossmakers over the past year. This will continue to be a focus of management attention in the second half and we expect to make more progress in this area as contract renewal dates come round. Among the top 10 loss making shops identified in June last year, three were closed and one was turned around. Total losses from these top 10 shops reduced by 19%.

- Shop staff costs decreased by HK$4 million or 4%. Average headcount reduced by 123 or 4% and average salary per headcount is flat. This is a result of our cost control program to improve productivity and rationalize headcount.

- Advertising expenses decreased by HK$1 million or 7%. Marketing campaigns are still being executed in China but there have been fewer publicity events in collaboration with department stores and shopping malls.

- Subsidies to franchisees have increased by HK$2 million or 31%, mainly for the initiatives to support our franchisees to renovate the existing stores. At the same time our gross margin to franchisees has decreased by 4.0 percentage points. We now manage this channel much more closely and have through merchandising support enabled the franchisee gross margin (reported through our point of sale system) increase by 2.2 percentage points. This reflects a strategy of supporting successful franchisees, ending subsidies for loss-making shops and developing the profitability of franchisee operations for long term growth.

- Continuous efforts have been spent on streamlining back office operations. Back office staff cost decreased by HK$2 million, headcount reduced by 7% while average salary per headcount increased by 1%.

- As a result of the above cost control measures, our operating expenses decreased but at a slower rate than the decrease in gross profit, resulting in operating margin dilution. Nonetheless this reflects prudent cost control in response to a significant deterioration in volume and gross profit.

Hong Kong and Taiwan

- Operating profit in Hong Kong and Taiwan decreased by HK$56 million to HK$54 million, a reduction of 51% compared with the same period last year. Operating margin decreased by 6.2 percentage points compared to the same period last year.

- Rental costs in Hong Kong increased by 18% over the same period last year. Retail space increased by 12% and rent per square foot by 6%. Comparable store rent per square foot increased by 14% year on year. This reflects that we are taking more space in residential (non-prime) areas of Hong Kong in response to high rents in premium shopping locations. Total staff costs decreased by 9%, with headcount increasing by 1% (less than the increase in store space of 12%) and average staff costs decreased by 10%.

- Taiwan's operating margin was down 3.9 percentage points compared to the same period last year mainly from the reduction in gross margin. Operating expenses to sales remained at 51% of sales.

Rest of Asia Pacific

- Operating profit in the Rest of Asia Pacific decreased by HK$68 million to HK$69 million, a reduction of 50% compared with the same period last year. Operating margin decreased by 8.4 percentage points to 10.9% compared to same period last year.

- The reduction in operating margin was mainly due to disappointing results in Singapore where volumes and gross margins are sharply down in the first half as a result of poor merchandising decisions and subsequent price promotions to clear high excess inventories. Singapore's inventory turnover days on costs have reduced by 30 days from March to a healthy level of 61 days at the end of June.

- In Singapore, sales decreased by 15% while operating costs reduced by 8% only. As a result, operating profit decreased by 88% with operating margin down 10.7 percentage points. The decline was largely due to the deterioration of gross margin (-6.9pp) and the increase of the ratio of operating expenses to sales by 4.4 percentage points. Rental costs increased as a result of the opening of a mega store in Suntec City that had not yet opened in the first half of last year. Comparable store rent per square foot was slightly up by 1%.

- Excluding the exchange impact from the currency depreciation of Indonesian Rupiah, sales in Indonesia increased by 16% while the operating margin was down 8.1 percentage points causing the operating profit to decline by 15%. The reduction in operating margin was due to the reduction in gross margin by 3.6 percentage points and the impact of costs from new store openings and inflationary increases in staff and other costs which eroded operating margin by a further 4.5 percentage points.

- Sales in Thailand were flat excluding the exchange impact from currency depreciation of Thai Baht. As discussed, the political instability in the country which caused large scale social disruption during the period had a significant, though temporary impact on overall results. Gross margin declined by 4.1 percentage points and operating costs to sales increased by 5.1 percentage points causing the operating margin to reduce by 9.2 percentage points. Shop area in Thailand grew by 18% which triggered an increase in operating costs. As a result, operating profit declined by 51%.

- In Malaysia, sales decreased by 11% while gross margin was down 4.3 percentage points and operating costs to sales was up 4.0 percentage points causing the operating margin to decline by 8.8 percentage points. As a result, operating profit declined by 41%. The increase in operating expenses was largely because of the growth in rental costs which was caused by an expansion in the shop area by 16%. Rent per square feet reduced by 3%.

Middle East

- Operating profit in Middle East decreased by HK$6 million to HK$52 million, a reduction of 12% from the same period last year. Operating margin declined by 2.5 percentage points to 17%. The operating margin reduction was due to increases in operating expenses mainly from Saudi Arabia. A sales increase of 5% and a gross margin up by 2.4 percentage points were offset by a 16% increase in operating costs. This was largely driven by shop expansion based on an expectation of growth in this market in 2015 onwards.

- In the UAE, operating margin was stable at 13% which is broadly comparable with last year.

- Profit in other wholesale regions of Middle East was negatively impacted by poor sales and the underlying political instability in many of these markets and in the region as a whole.

Wholesale sales to overseas franchisees in Asia

- Operating profit from wholesale sales to overseas franchisees in Asia increased by 11% to HK$59 million. This reflects stronger gross profit margins and growth in key emerging markets such as the Philippines, Myanmar and Vietnam.

Jointly Controlled Companies – South Korea

(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Total sales[1]	**859**	795	**8%**
Comparable store sales[2]	**1%**	(1%)	
Gross profit	**482**	470	**3%**
Gross profit margin	**56.1%**	59.1%	**(3.0pp)**
EBIT	**70**	90	**(22%)**
Net Profit	**55**	70	**(21%)**
Share of JCE profit (% of equity holding: 48.5%)	**27**	34	**(21%)**
Number of outlets[3]	**232**	263	**(31)**
Net change in outlets during the period	**(12)**	10	

- Excluding the effect of translating Korean Won into Hong Kong dollars, sales in Korea grew by 2% in the first half of 2014.

- Gross profit margin decreased 3.0 percentage points reflecting increased competitive pressure from international brands. We continue to upgrade our brand position in response, closing marginal stores and opening the larger "Concepts" multi-brand store format in premium department stores and shopping centres.

- Operating costs were slightly up 1% in local currency terms and there was a non-recurring disposal gain of a store in last year. Mainly due to the decline in gross margin, operating margin was down 3.2 percentage points in the period. Operating profit reduced by 22% as a result.

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.*

Income Tax

- Income taxation expense in the first half of 2014 was HK$59 million (2013: HK$83 million), resulting in an effective tax rate[1] of 22.8% (2013: 18.1%). The increase in our effective tax rate reflects a changed profit mix and a decline in low tax markets such as Hong Kong, Taiwan and Singapore.

Profit Attributable to Shareholders

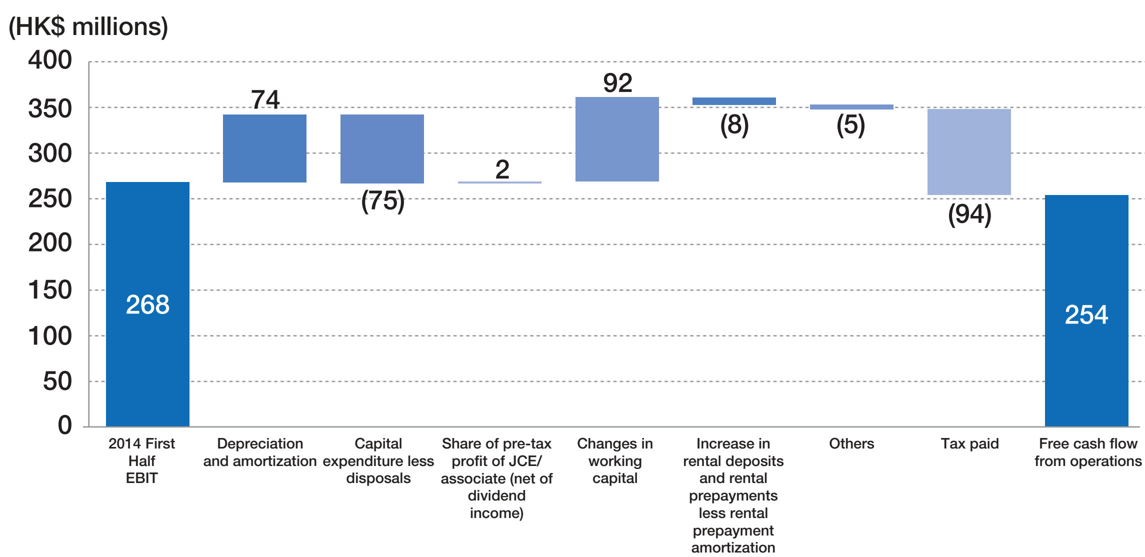
- Profit attributable to shareholders in the first half of 2014 decreased by 49% or HK$166 million to HK$174 million from HK$340 million in the same period last year.

- Net profit margin decreased by 5.5 percentage points from 12.0% to 6.5%.

- Basic and diluted earnings per share were 11.1 HK cents (2013: 21.9 HK cents) and 11.0 HK cents (2013: 21.6 HK cents) respectively.

Free Cash Flow from Operations

EBIT and free cash flow from operations for first half 2014



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

Simplified free cash flow analysis

(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**
Profit before income tax	**259**	459	**(44%)**
Add: Share of tax of JCE/associate	**7**	9	**(22%)**
Add: Interest expense	**2**	2	**Flat**
Add: Depreciation and amortization	**74**	65	**14%**
EBITDA	**342**	535	**(36%)**
Share of pre-tax profit of JCE/associate	**(35)**	(44)	**(20%)**
Gain on disposal of property and leasehold land	**(5)**	–	**100%**
Amortization of rental prepayments	**24**	18	**33%**
Changes in working capital	**92**	(66)	**(239%)**
Interest paid	**(2)**	(2)	**Flat**
Income tax paid	**(94)**	(93)	**1%**
Interest income, exchange and others	**(9)**	(29)	**(69%)**
Net cash inflow from operating activities	**313**	319	**(2%)**
Dividend income from JCE/associate	**37**	1	**3600%**
Capital expenditure less proceeds from disposals	**(75)**	(55)	**36%**
Increase in rental deposits and rental prepayments	**(32)**	(40)	**(20%)**
Interest received	**11**	12	**(8%)**
Free cash flow from operations	**254**	237	**7%**

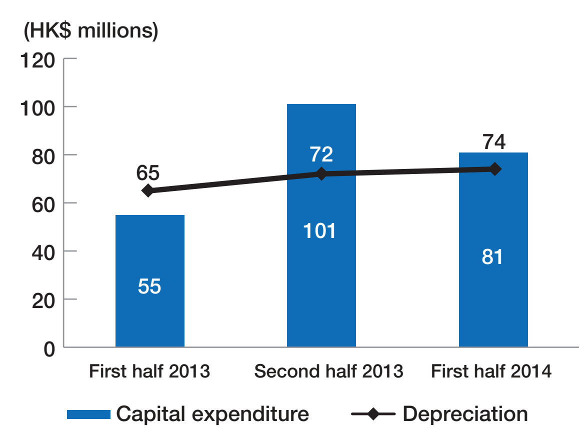
- Free cash flow increased by HK$17 million, or 7%, from the same period last year to HK$254 million. Free cash flow before taxes was 130% of EBIT which is a high rate of conversion of EBIT to cash in the opinion of management. This result is mainly due to strong working capital management in the first half and a HK$37 million dividend received from our South Korean joint venture.

Capital expenditure

- Capital expenditure increased by HK$26 million during the first half of 2014, over the same period last year, exceeding depreciation by 9%. This reflects strong investment in Mainland China and other operations as we re-position the brand. We expect to see capital expenditure continuing to grow as we improve shop ambience and the customer experience through shop upgrades. At 3% of sales this represents a prudent investment in our shop operations.

- Depreciation increased by HK$9 million from the same period last year, reflecting investments made in the second half of 2013.

Capital expenditure



Changes in Working Capital

Working Capital in the year decreased by HK$92 million as follows:

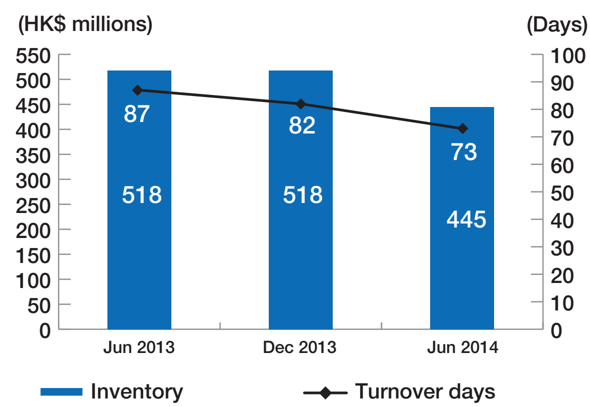
(In HK$ millions)	**Dec 2013**	Change in Working Capital	**Jun 2014**
Inventory	**518**	(73)	**445**
Trade receivables	**316**	(53)	**263**
Other receivables	**208**	(13)	**195**
Trade payables	**(160)**	(11)	**(171)**
Other payables	**(372)**	58	**(314)**
	510	(92)	**418**

Inventory

- Group inventory in June 2014 decreased by HK$73 million or 14% from HK$518 million at December 31, 2013 to HK$445 million at June 30, 2014. This was partly due to higher levels of inventory at December 31, 2013 for an early Chinese New Year, offset by tight controls over inventory during the period.

- Inventory turnover on costs[1] at June 30, 2014 was 73 days compared to 87 days at June 30, 2013.

Inventory



- During 2014, we have started to centrally control buying budgets, first across Mainland China operations and towards the end of the first half across all global operations. This control is driven by prudent sales forecasts in order to prevent over ordering going forward. Together with existing daily inventory performance indicators on inventory balances, this is starting to help us control inventory and keep merchandise in store fresh. The turndown in demand in the first quarter has put pressure on inventory and we have responded with price discounting to an extent that we have not done in several years. As the new buying controls continue to impact, we expect to do less price promotions and see gross margin start to recover.

- Year on year inventory reduction was most significant in Mainland China (down 18%); Taiwan (down 16%); Singapore (down 20%) and Middle East operations (down 41%).

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

Total inventory including finished goods at suppliers

(In HK$ millions)	**Jun 2014**	Dec 2013	**Jun 2013**
Inventory balance held by the Group	**445**	518	**518**
Inventory balance held by franchisees in Mainland China	**79**	94	**103**
Finished goods at suppliers (not yet shipped)	**16**	27	**30**
Total system inventory	**540**	639	**651**

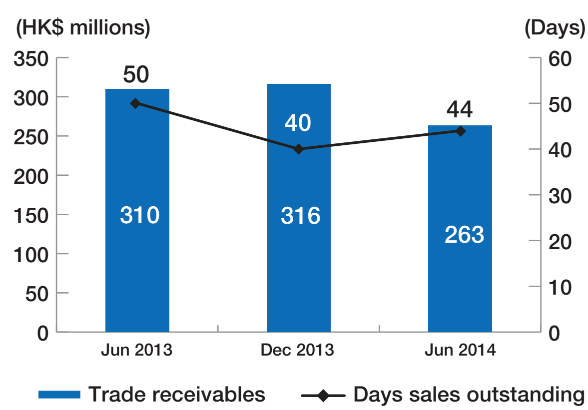
- The Group manages inventory levels on an integrated basis. We monitor our suppliers' inventory and that of our franchisees in Mainland China, which we do not own. This ensures that we do not build up inventory commitments to our suppliers "off balance sheet" and that inventory at our franchisees remains fresh and relevant. This inventory has reduced by 17% compared to the same period last year.

Trade receivables

- Trade receivables decreased by HK$53 million from 2013 year end to HK$263 million. Days sales outstanding increased to 44 days as of June 2014. The increase is mainly due to slower settlement from department stores in Mainland China and franchisees in Middle East.

- The Group is monitoring the recoverability of balances closely and no material bad debt risk has been identified. Receivables past due more than 90 days represent 7% of total receivables.

Trade receivables

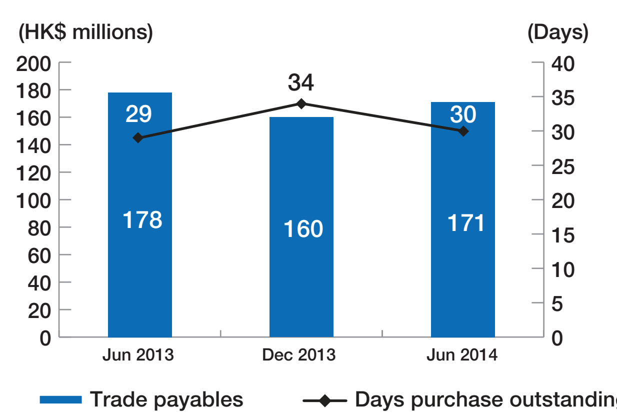


Trade payables

- Trade payables increased by HK$11 million from 2013 year end to HK$171 million.

- Daily purchases outstanding has increased by one day to 30 days, compared to the same date last year, broadly in line with our policy of supporting suppliers with prompt payment.

Trade payables



Other Payables

- Other Payables decreased from HK$372 million at December 31, 2013 by HK$58 million to HK$314 million at June 30, 2014. This was due to the payout of accrued staff bonuses for 2013, which was made in the first half of 2014, offset by accruals for staff bonus for the first half of 2014. Bonus accruals in the first half of 2014 are significantly lower than in the first half of 2013, reflecting the decreased profitability of the Group in the period.

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

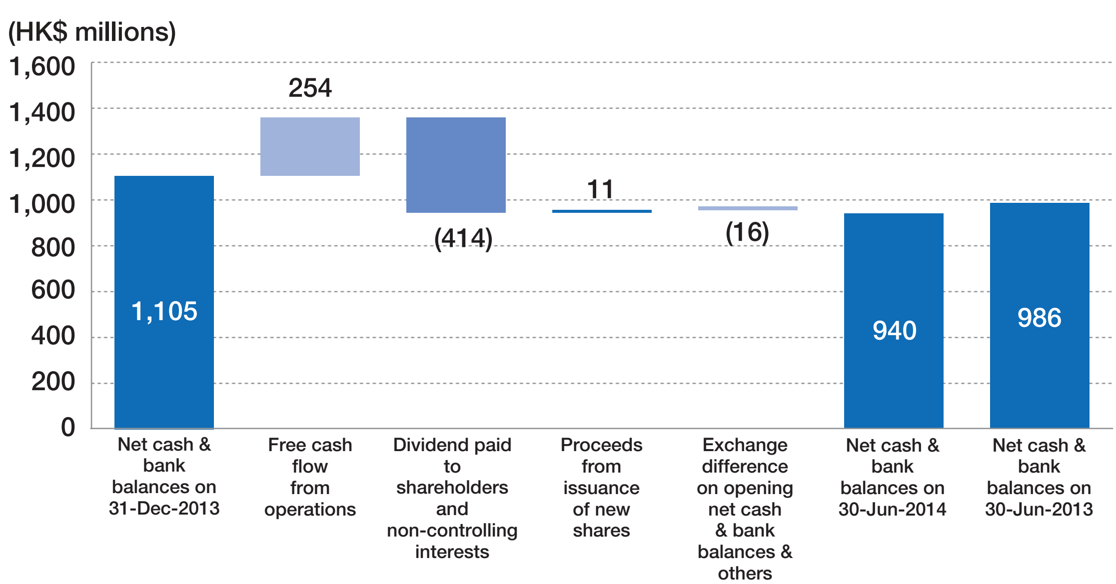
This represents the difference between the portion of profit due to the Group from Jointly Controlled and Associated Companies and the dividends paid to the Group during the period:

	South Korea			Middle East			Total		
(In HK$ millions)	**First Half 2014**	First Half 2013	**Variance**	**First Half 2014**	First Half 2013	**Variance**	**First Half 2014**	First Half 2013	**Variance**
Share of pre-tax profit	**34**	43	**(21%)**	**1**	1	**Flat**	**35**	44	**(20%)**
Dividend received[1]	**(37)**	–	**100%**	**–**	(1)	**(100%)**	**(37)**	(1)	**3600%**
	(3)	43	**(107%)**	**1**	–	**100%**	**(2)**	43	**(105%)**

- At June 30, 2014, the Korean joint venture held cash balances of HK$497 million. Giordano's (48.5%) share of HK$241 million is not consolidated in our balance sheet.

Net Cash position of the Group

Change in net cash and bank balances for first half 2014



- The Group decreased its net cash and bank balances by HK$165 million to HK$940 million as at June 30, 2014 during the period (December 31, 2013: HK$1,105 million). This compares to net cash as at June 30, 2013 of HK$986 million.

- HK$254 million free cash flow was generated from operations during the period, an increase of 7% over the free cash flow generated in the first half of 2013 (HK$237 million).

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

- Dividend paid during the first half of 2014 comprised the following:

	(HK$ million)
2013 Final dividend (Total dividend represented 95% of the Group's full year profit)	377
Dividend paid to non-controlling interests of the subsidiaries in Indonesia and Middle East	37
Dividend paid to shareholders and non-controlling interests	**414**

- HK$11 million was raised from the exercise of employee share options during the period.

Treasury, Foreign Currency Risk and Cash Management

- At the beginning of the year, the Group had outstanding borrowings as follows:

	(HK$ million)
Loan in Japanese Yen	33
Loan in US$ matched with RMB pledged deposits	299
Total Outstanding Borrowings	**332**

- These borrowings were all repaid in the first half of 2014:

    - During the first half, we unwound the US dollar loan vs RMB pledged deposits arrangement to eliminate RMB/HKD exchange risk.
    - The Japanese Yen loan was also settled, eliminating any JPY/HKD exchange risk.

- At the beginning of the year, the Group had cash balances and time deposits held in foreign currencies in Hong Kong as follows:

	(HK$ million)
RMB deposits pledged against US dollar loan	311
Other RMB cash and time deposits	146
Total Foreign Currency Held in HK at December 31, 2013	**457**

- As stated above, the unwinding of the US dollar loan vs RMB pledged deposits mechanism has eliminated the RMB/HKD exchange risk.

- As at June 30, 2014 the Group holds no non-HKD/USD cash or time deposits in Hong Kong and has converted previous balances to Hong Kong dollars. A small amount of RMB is kept for working capital purposes to settle payables in RMB.

- The Group makes substantial purchases of goods in Mainland China, for re-sale outside Mainland China. The Group sells these products to subsidiaries and affiliates in Hong Kong dollars. In order to mitigate the RMB/HKD exchange risk on these transactions, the Group enters into forward contracts to hedge these transactions with a fixed RMB/HKD exchange rate. These contracts are based on twelve months purchases going forward and aim to cover approximately 70% of the relevant transactions. In the event of significant RMB depreciation versus the HKD the mechanism is capped, limiting any significant opportunity losses from this mechanism.

- As at June 30, 2014 the Group holds the following foreign currency cash balances outside Hong Kong:

	(HK$ million)
RMB in Mainland China	393
AED in United Arab Emirates	80
TWD in Taiwan	47
IDR in Indonesia	39
SGD in Singapore	32
SAR in Saudi Arabia	25
MOP in Macau	15
MYR in Malaysia	8
AUD in Australia	7
THB in Thailand	6
Total Foreign Currency Held Outside HK	**652**

- The Group's policy is to hold cash in its subsidiaries sufficient to cover the foreseeable cash requirements of the business, remitting surplus funds to the Group where they will be converted to Hong Kong dollars.

Interim Dividend

- The Group has decided to pay an interim dividend of 10.5 HK cents per share (2013: 16.0 HK cents per share). This represents HK$165 million. This reflects:

  - Strong free cash flow and working capital, together with significant cash balances held by the Group.
  - The policy of the Group to return surplus cash, that is not required to develop or operate the business, to shareholders.
  - Management's confidence that strong free cash flow can be maintained in the short to medium term and that sufficient funds are retained in the business to invest in the long term future of the Company.

OUTLOOK AND STRATEGY

In the first half of the year, a number of factors have adversely impacted the Group. A poor Chinese New Year, difficult macro-economic conditions in South East Asia, increased intensity of competition from global brands, the impact of changing currency exchange rates and short term obstacles to growth in Saudi Arabia, have contributed to a significant decline in profitability. We expect some of these factors (i.e. currency) to slowly ease in the second half of the year. We are starting to see traction in some of our strategy execution in Mainland China and expect to see moderate improvements in merchandising, marketing and portfolio development start to soften this profitability downturn in the second half of the year. Management will continue to focus on the following key objectives for the second half of 2014:

1. Mainland China

- As we re-shape the store portfolio in Mainland China, closing unprofitable stores and upgrading other key stores through renovation, we expect to see our same store sales gradually improve. Volume is likely to decline as a result of store closures and a slower Mainland China economy although healthier same store sales figures, particularly with franchisees should see gradual recovery in overall brand sales as well.

- Key to our strategy in Mainland China is the development of a multi-brand approach. This will help differentiate our brand from other "casualwear" brands and will also enable us to "get the right merchandise in the right place at the right price".

  - The development of separate Men's and Women's counters in department stores is slow, as we still have limitation to our product range offerings in the functional women's line. During the second half, we will complete the development of a women's basic range. Once this is done then the roll out of new women's stores will continue. We had a total of 47 stores at period end. Meanwhile we are starting to establish Giordano Men counters, with a total of 13 stores at period end.

  - We have launched the *Beau Monde* brand in hypermarkets in southern China with 11 stores opened in the second quarter. So far this brand is profitable but less so than the main Giordano hypermarket stores that they replaced. Work is ongoing to fine tune the brand and we remain optimistic that we can reach the target of 100 shops by 2015.

  - A number of other brands are being re-shaped. *Giordano Junior* is now being gradually extended through shop in shop initiatives. *BSX* has been upgraded and a number of stores in poor locations have been closed. We will be testing this new brand image in southern China. *Giordano Gold*, offers a premium product range that will be launched in selected department stores later this year. We will also roll out an experimental women's brand, *Eula*, which will be a premium brand launched in the third quarter in Western China in department stores. These brand developments are unlikely to impact sales significantly until 2015.

- The development of our Approved Distributor channel has been ongoing and focuses on improving the profitability of our franchisees. The Group assists key distributors with merchandising support and we are also encouraging and subsidizing marketing activities and store renovation programs to uplift the brand. As we are reducing subsidies for loss making shops significantly, we will also be increasing rebates to those franchisees who achieve year on year growth. We have also been carefully managing product mix and pricing to improve the profitability of franchise operations and as a result gross margin for the franchisee has increased by 2.2 percentage points.

- We will continue to develop e-partnerships with virtual shopping malls in China. At present, we are rolling out "in store terminals" to drive online sales at our physical shops. We aim to have 300 of these terminals by the end of the year which will expand the range of products available in the store. So far sales from this channel are sluggish but we will extend training to store operatives to expand the number of transactions that will go through this channel.

2. Other Greater China Markets

- In Taiwan, we have been developing localized products and this has proved successful in the second quarter. We are continuing with this approach, together with local cross over programs and we expect this to lead to modest sales growth going forward.

- In Hong Kong, we continue to develop the brand and have opened a new 600 square metre "Concepts Store" in Macau. In the shop, different brands are presented in different zones, each with their own ambience, a "mini-department store" layout. The store situated next to other international brands. We believe this kind of store format will enhance our attractiveness to shopping centre landlords in Hong Kong and Macau. Despite this, sales in Hong Kong continue to be sluggish and we will look to prudently manage costs, inventory and merchandising to protect the profitability of the business in this market.

3. Other Asia Pacific

- In Singapore, we are currently re-merchandising the market. This involves significant discounting and promotions to clear excess inventory and broken sizes. We expect Singapore's gross margin performance to improve in the fourth quarter as these initiatives start to bear fruit.

- In South East Asia's developing markets such as Thailand, Malaysia, Indonesia and Indo China, we will continue to add stores as we expand our footprint into the regions second and third tier cities. Our success in these markets has been very much driven by a "first mover advantage" which we will continue to exploit. This can be seen with new, international standard stores in Ho Chi Minh City, Hanoi and Phnom Penh that we have opened this year. Conversely in first tier cities in these markets, we will increase operational excellence in merchandising and marketing to compete more effectively with incoming international brands.

4. Middle East

- In the Middle East, sales growth has been sluggish both in Saudi Arabia and UAE with declining sales in local wholesale markets due to political instability. We expect the UAE to remain to be a challenging market with steady growth but with intense competition. We will continue to improve our operational effectiveness in response.

- In Saudi Arabia, we continue to grow our portfolio, opening shops despite poor comparative same store sales, as we believe that this market will generate strong growth in the future. One off events have depressed sales growth, such as last year's campaign to repatriate undocumented workers, the Middle East Respiratory Syndrome epidemic which is ongoing, and significant reductions in pilgrims due to construction work at the Holy Sites which will continue to 2015. We believe that Saudi Arabia will be a key market for us in the future with significant increases in tourism, pilgrims and economic growth in general.

5. Inventory Control and Reduction

- The Group will continue to improve the supply chain strategy. Inventory management in the first half was strong with relatively low days of inventory in most markets. We will continue to push this though, to test the "lower limit" of inventory in different markets. Controls over purchases are being tightened to reduce inventory further. Low inventory enables merchandise which is fresh and seasonally relevant and helps to strengthen margins as less discounting is needed to clear "overbought" stock items.

HUMAN RESOURCES

On June 30, 2014, the Group had approximately 8,100 employees (December 31, 2013: 8,200). 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.

Fast Track Management Trainee Scheme

We have established a Fast Track Management Trainee scheme in Hong Kong, designed to develop managers who can take up responsibility across our global operations. This scheme will take high quality graduates from a wide variety of backgrounds and will aim to equip them quickly with a range of skills and experience that will enable them to contribute significantly to the future of the Group. This will enable the Group to realize opportunities to develop our business globally, both in existing markets and those areas where we will expand in the future.

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

Summary by market *(In HK$ millions)*	Total sales[1] First Half 2014	First Half 2013	Variance	Comparable store sales[2] First Half 2014	First Half 2013
Mainland China	**773**	854	**(9%)**	**(5%)**	(7%)
Hong Kong	**470**	500	**(6%)**	**(6%)**	2%
Taiwan	**316**	340	**(7%)**	**(4%)**	(6%)
Singapore	**162**	191	**(15%)**	**(13%)**	(5%)
Indonesia	**197**	203	**(3%)**	**(2%)**	19%
Malaysia	**104**	117	**(11%)**	**(10%)**	5%
Thailand	**102**	112	**(9%)**	**(10%)**	14%
Australia	**52**	73	**(29%)**	**(17%)**	(9%)
India	**12**	13	**(8%)**	**(3%)**	24%
UAE	**124**	118	**5%**	**1%**	(5%)
Saudi Arabia	**157**	150	**5%**	**(3%)**	(1%)
Other Middle East regions	**25**	29	**(14%)**	**(9%)**	(6%)
Retail & Distribution total	**2,494**	2,700	**(8%)**	**(6%)**	(2%)
Wholesale sales to overseas franchisees & others	**178**	141	**26%**	**Flat**	(1%)
Group total	**2,672**	2,841	**(6%)**	**(4%)**	(2%)

Number of outlets as at	**Jun 2014**	Dec 2013	Jun 2013
Mainland China	**1,066**	1,161	1,178
Hong Kong	**83**	88	83
Taiwan	**199**	201	204
Singapore	**48**	52	52
Indonesia	**193**	179	151
Malaysia	**90**	87	84
Thailand	**135**	133	120
Australia	**27**	32	33
India	**61**	65	66
UAE	**43**	44	43
Saudi Arabia	**98**	99	92
Other Middle East regions	**60**	52	57
South Korea	**232**	244	263
Other markets	**218**	205	196
Group total	**2,553**	2,642	2,622

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.*

Review by Brand

(In HK$ millions)	Sales			Operating profit			Operating margin		
	First Half 2014	First Half 2013	**Variance**	**First Half 2014**	First Half 2013	**Variance**	**First Half 2014**	First Half 2013	**Variance**
Giordano & Giordano Junior	**2,160**	2,380	**(9%)**	**170**	336	**(49%)**	**7.9%**	14.1%	**(6.2pp)**
BSX	**93**	107	**(13%)**	**7**	13	**(46%)**	**7.5%**	12.1%	**(4.6pp)**
Giordano Ladies	**190**	180	**6%**	**21**	26	**(19%)**	**11.1%**	14.4%	**(3.3pp)**
Others	**51**	33	**55%**	**7**	5	**40%**	**13.7%**	15.2%	**(1.5pp)**
Retail & Distribution total	**2,494**	2,700	**(8%)**	**205**	380	**(46%)**	**8.2%**	14.1%	**(5.9pp)**

Number of outlets	**Jun 2014**	Dec 2013	Jun 2013
Giordano & Giordano Junior	**1,936**	2,026	2,002
BSX	**64**	71	83
Giordano Ladies	**72**	69	62
Others	**32**	27	16
Retail & Distribution total	**2,104**	2,193	2,163

DIVIDENDS

It is the Company's intention to return surplus cash to its shareholders through the payment of dividends. In line with its dividend policy, the Company has been paying a substantial portion of its earnings as an ordinary dividend, the amount of which may vary depending on cash on hand, future investment requirements and working capital considerations.

After due consideration of the economic outlook, the Group's financial position, its future expansion plans and other factors, the Board of the Company declared an interim dividend of 10.5 HK cents (2013: 16.0 HK cents) per share for the year ending December 31, 2014. The dividend is payable on or about Friday, September 26, 2014 to shareholders whose names appear on the register of members of the Company on Wednesday, September 17, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, September 15, 2014 to Wednesday, September 17, 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, September 12, 2014.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended June 30, 2014, in compliance with the Code Provisions in the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that:

(i) Code Provision A.2.1 of the Code – the roles of Chairman and Chief Executive are vested in the same person and Code Provision A.4.2 of the Code – Chairman and 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; and

(ii) Code Provision A.6.7 of the Code – Independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Cheng Chi Kong, Adrian, Non-executive Director of the Company, was unable to attend the annual general meeting of the Company held on May 16, 2014 owing to other important engagement at the relevant time.

REVIEW OF ACCOUNTS

The Audit Committee has discussed with Management internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended June 30, 2014. It has also reviewed the said financial statements in conjunction with the Company's external auditor.

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

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

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, August 14, 2014

As at the date of this announcement, the Directors of the Company are:
Executive Directors: Dr. LAU Kwok Kuen, Peter, Mr. Ishwar Bhagwandas CHUGANI, Mr. Dominic Leo Richard IRWIN and Mr. CHAN Ka Wai;
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.