Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

GIORDANO

GIORDANO INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 709)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

- *Consolidated sales declined by 5%, and by 3% adjusted for currency translation; Global brand sales reduced by 4% in the year as did comparable same store sales. In the first half of the year, sales weakened sharply in Greater China, Singapore and South East Asia. In the second half of the year, same store sales in Mainland China and Taiwan returned to low digit growth, with some pick up apparent in South East Asia in the fourth quarter. Markets in the Middle East and Korea showed weak demand and declining sales in the second half of the year.*
- *According to our unaudited internal data, sales trends in the latter half of 2014 have continued into the first two months of 2015, with double-digit same store sales growth in Mainland China, Hong Kong, Taiwan, Singapore and Thailand, offset by double digit same store sales decline in Korea and the United Arab Emirates. Overall same store sales for the Group grew by mid-single digits, with Global brand Sales flat compared to the first two months of 2014.*
- *Gross Profit Margin declined by 2.7 percentage points from 60.7% to 58.0%. The decrease was due to price discounting in markets where price competition was fierce and increases in purchased cost due to depreciation of South East Asian currencies. Gross margin decline against prior year narrowed in the second half relative to the first half from 3.5 percentage points to 2.0 percentage points.*
- *Operating expenses decreased by 3% in the year reflecting strong operating expense control and the closure of unprofitable shops.*
- *Profit Attributable to Shareholders (PATS) was HK\$408 million, a decline of 38%. Second half profitability declined by 28% compared to a decline of 49% in the first half. This improvement reflects the impact of the closure of loss making stores and the second half improvement in gross margin.*
- *Inventory was flat year on year. Overall "system inventory", including goods held at suppliers and at China franchisees, reduced year on year by HK\$22 million. This result is disappointing as inventory reduction in the first half of the year was reversed in the second half. Disappointing e-sales, stocking of high value outerwear in response to cold weather, and reduction of shipments to Chinese franchisees all contributed to higher than anticipated inventory at year end.*
- *Free Cash Flow from operations at HK\$399 million (HK\$599 million in 2013) reduced by 33%. Given strong free cash flow in the first half, second half was expected to be stronger in comparison to last year, but due to higher inventory levels this cash flow was disappointing. Nevertheless inventory remained fresh and has helped contribute to a relatively strong Chinese New Year in 2015, particularly in Mainland China and Taiwan where inventory levels were relatively high.*
- *Dividend payout decreased to 25.0 HK cents per share (40.0 HK cents in 2013). This represents 96% of Profit Attributable to Shareholders and reflects a strong cash position and the Company's policy of returning excess cash to shareholders. Management is cautiously optimistic that performance may improve modestly in 2015, based on the results in the first two months of 2015.*

RESULTS

The board of directors (the "Board") of Giordano International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2014, together with comparative figures for the previous year, as follows:

Consolidated Income Statement

(In HK$ millions, except earnings per share)	*Note*	**2014**	2013
Sales	*2*	**5,545**	5,848
Cost of sales		**(2,331)**	(2,297)
Gross profit		**3,214**	3,551
Other income and other gains, net		**77**	113
Distribution expense		**(2,360)**	(2,370)
Administrative expense		**(389)**	(466)
Operating profit	*3*	**542**	828
Finance expense		**(1)**	(4)
Share of profit of jointly controlled companies		**54**	77
Share of profit of associates		**1**	2
Profit before taxation	*2*	**596**	903
Taxation	*4*	**(130)**	(173)
Profit for the year		**466**	730
Profit attributable to:			
Shareholders of the Company		**408**	663
Non-controlling interests		**58**	67
		466	730
Earnings per share for profit attributable to shareholders of the Company	*5*		
Basic *(HK cents)*		**26.0**	42.6
Diluted *(HK cents)*		**25.9**	42.1
Dividends	*6*	**393**	626

Consolidated Statement of Comprehensive Income

(In HK$ millions)	**2014**	2013
Profit for the year	**466**	730
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value change on available-for-sale financial asset	**1**	(10)
Impairment loss on available-for-sale financial asset	**4**	–
Share of other comprehensive income of jointly controlled company	**(2)**	–
Fair value (loss)/gain on cash flow hedge	**(3)**	3
Exchange adjustment on translation of overseas subsidiaries, associates, jointly controlled entities and branches	**(67)**	(40)
Total comprehensive income for the year	**399**	683
Total comprehensive income attributable to:		
Shareholders of the Company	**343**	645
Non-controlling interests	**56**	38
	399	683

Consolidated Balance Sheet

(In HK$ millions)	*Note*	**2014**	2013
ASSETS			
Non-current assets			
Property, plant and equipment		**281**	284
Goodwill		**535**	535
Interest in jointly controlled companies		**532**	539
Interest in associates		**4**	5
Available-for-sale financial assets		**15**	14
Financial assets at fair value through profit or loss		**28**	28
Leasehold land and rental prepayments		**228**	246
Rental deposits		**136**	153
Deferred tax assets		**45**	49
		1,804	1,853
Current assets			
Inventories		**514**	518
Leasehold land and rental prepayments		**45**	44
Trade and other receivables	*7*	**579**	614
Derivative financial instruments		**–**	3
Cash and bank balances		**915**	1,437
		2,053	2,616
Total assets		**3,857**	4,469
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**78**	78
Reserves		**2,604**	2,642
Proposed dividends		**228**	376
Equity attributable to shareholders of the Company		**2,910**	3,096
Non-controlling interests		**174**	153
Total equity		**3,084**	3,249
Non-current liabilities			
Put option liabilities		**–**	102
Deferred tax liabilities		**121**	118
		121	220
Current liabilities			
Trade and other payables	*8*	**460**	532
Put option liabilities		**102**	–
Bank loans		**–**	332
Taxation		**90**	136
		652	1,000
Total liabilities		**773**	1,220
Total equity and liabilities		**3,857**	4,469
Net current assets		**1,401**	1,616
Total assets less current liabilities		**3,205**	3,469

Notes:

1. Principal Accounting Policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, financial asset at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

(b) Impact of new and amended standards and interpretations

The Group has adopted the following amended standards which are effective for the Group's financial year beginning on or after January 1, 2014:

HKAS 27 (Amendment)	Separate financial statements (effective for annual periods beginning on or after January 1, 2014)
HKAS 32 (Amendment)	Financial instruments: Presentation on offsetting financial assets and financial liabilities (effective for annual periods beginning on or after January 1, 2014)
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures (effective for annual periods beginning on or after January 1, 2014)
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of derivatives (effective for annual periods beginning on or after January 1, 2014)
HKFRS 10	Consolidated financial statements (effective for annual periods beginning on or after January 1, 2014)
HKFRS 12	Disclosure of interests in other entities (effective for annual periods beginning on or after January 1, 2014)

The adoption of the above new/revised standards and amendment to existing standards have no material impact to the Group's consolidated financial statements.

2. Operating Segments

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

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

Segment profit represents the profit earned by each segment before finance cost, tax and share of profit of jointly controlled companies and 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 is as follows:

	2014		2013	
(In HK$ millions)	**Sales**	**Operating profit**	Sales	Operating profit
Mainland China	**1,580**	**59**	1,727	112
Hong Kong and Taiwan	**1,640**	**130**	1,725	218
Rest of Asia Pacific	**1,362**	**169**	1,460	259
Middle East	**617**	**107**	632	124
Total Retail and Distribution	**5,199**	**465**	5,544	713
Wholesale sales to overseas franchisees	**346**	**51**	304	44
Segment sales/operating profit	**5,545**	**516**	5,848	757
Corporate function		**26**		71
Finance expense		**(1)**		(4)
Share of profit of jointly controlled companies		**54**		77
Share of profit of associate		**1**		2
Profit before taxation		**596**		903

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

	2014		2013	
(In HK$ millions)	**Sales**	**Operating profit**	Sales	Operating profit
By brand:				
Giordano & Giordano Junior	**4,491**	**396**	4,877	629
Giordano Ladies	**391**	**40**	374	51
BSX	**207**	**14**	220	24
Others	**110**	**15**	73	9
Total Retail and Distribution	**5,199**	**465**	5,544	713

The entity is domiciled in Hong Kong. The revenue from external customers in Hong Kong is HK$1,325 million (2013: HK$1,346 million), Mainland China is HK$1,580 million (2013: HK$1,727 million) and the total of revenue from external customers from other countries is HK$2,640 million (2013: HK$2,775 million).

Inter-segment sales of HK$1,021 million (2013: HK$1,120 million) has been eliminated upon consolidation.

Depreciation and amortization charged in Mainland China was HK$48 million (2013: HK$41 million), Hong Kong and Taiwan was HK$37 million (2013: HK$39 million), Rest of Asia Pacific was HK$40 million (2013: HK$33 million) and Middle East was HK$23 million (2013: HK$24 million).

Income tax expense charged in Mainland China was HK$11 million (2013: HK$24 million), Hong Kong and Taiwan was HK$20 million (2013: HK$35 million), Rest of Asia Pacific was HK$42 million (2013: HK$63 million) and Middle East was HK$8 million (2013: HK$11 million).

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

(In HK$ millions)	**2014**	2013
Mainland China	**992**	1,073
Hong Kong and Taiwan	**763**	1,283
Rest of Asia Pacific	**623**	587
Middle East	**855**	891
Segment assets	**3,233**	3,834
Interest in jointly controlled companies	**532**	539
Interest in an associate	**4**	5
Available-for-sale financial assets	**15**	14
Financial assets at fair value through profit or loss	**28**	28
Deferred tax assets	**45**	49
Total assets	**3,857**	4,469

The total of non-current assets other than financial instruments and deferred tax assets located in Hong Kong is HK$220 million (2013: HK$234 million), located in Mainland China is HK$129 million (2013: HK$164 million) and the total of these non-current assets located in other countries is HK$1,368 million (2013: HK$1,364 million).

3. Operating profit

The operating profit is stated after charging:

(In HK$ millions)	**2014**	2013
Amortization of leasehold land prepayments	**8**	9
Auditor's remuneration	**6**	6
Depreciation of property, plant and equipment	**140**	128
Operating lease rentals in respect of land and buildings		
– Minimum lease payments – office and warehouse	**18**	19
– Minimum lease payments – shop	**919**	923
– Contingent rent	**269**	299
– Management fee	**56**	28
(Reversal)/Provision for obsolete stock and stock written off	**(9)**	1
Staff costs	**874**	942

4. Taxation

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 16.5% (2013: 16.5%) to the estimated assessable profits earned in or derived from Hong Kong during the year.

Taxation on the profits of other subsidiaries operating outside Hong Kong is calculated at the rates applicable in the respective jurisdictions.

The charge for taxation in the consolidated income statement represents:

(In HK$ millions)	**2014**	2013
Income tax		
Current income tax		
– Hong Kong profits tax	**21**	28
– Outside Hong Kong	**71**	118
– Withholding tax on distribution from subsidiaries and a jointly controlled company	**27**	36
Deferred tax		
Relating to the origination and reversal of temporary differences	**9**	(2)
Under/(Over) provision in prior years		
– Hong Kong profits tax	**1**	(5)
– Outside Hong Kong	**1**	(2)
Taxation charge	**130**	173

5. Earnings per share

The calculations of basic and diluted earnings per share are based on the consolidated profit attributable to shareholders for the year of HK$408 million (2013: HK$663 million).

The basic earnings per share is based on the weighted average of 1,569,176,929 shares (2013: 1,556,788,852 shares) in issue during the year.

The diluted earnings per share is based on 1,569,176,929 shares (2013: 1,556,788,852 shares) which is the weighted average number of shares in issue during the year plus the weighted average of 2,121,728 shares (2013: 18,834,471 shares) deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

6. Dividends

(a) Dividends attributable to the year:

(In HK$ millions)	**2014**	2013
Interim dividend declared and paid of 10.5 HK cents (2013: 16.0 HK cents) per share	**165**	250
Final dividend proposed after the balance sheet date of 14.5 HK cents (2013: 24.0 HK cents) per share	**228**	376
	393	626

At the board meeting held on March 3, 2015, the directors proposed a final dividend of 14.5 HK cents per share. The proposed dividend has not been recognized as a liability at the balance sheet date. The amount of proposed dividend was based on the shares in issue as at the proposed date.

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

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

The amount of dividends paid was based on the number of shares outstanding as at the dividend payment date.

7. Trade and other receivables

(In HK$ millions)	**2014**	2013
Trade receivables	**306**	333
Less: Provision for impairment	**(15)**	(17)
Trade receivables, net	**291**	316
Other receivables, including deposits and prepayments	**288**	298
	579	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)	**2014**	2013
0 – 30 days	**212**	233
31 – 60 days	**46**	49
61 – 90 days	**17**	19
Over 90 days	**16**	15
	291	316

8. Trade and other payables

(In HK$ millions)	**2014**	2013
Trade payables	**167**	160
Other payables and accrued expenses	**293**	372
	460	532

The ageing analysis of trade payables is as follows:

(In HK$ millions)	**2014**	2013
0 – 30 days	**144**	136
31 – 60 days	**8**	11
61 – 90 days	**4**	3
Over 90 days	**11**	10
	167	160

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of 2014 Performance

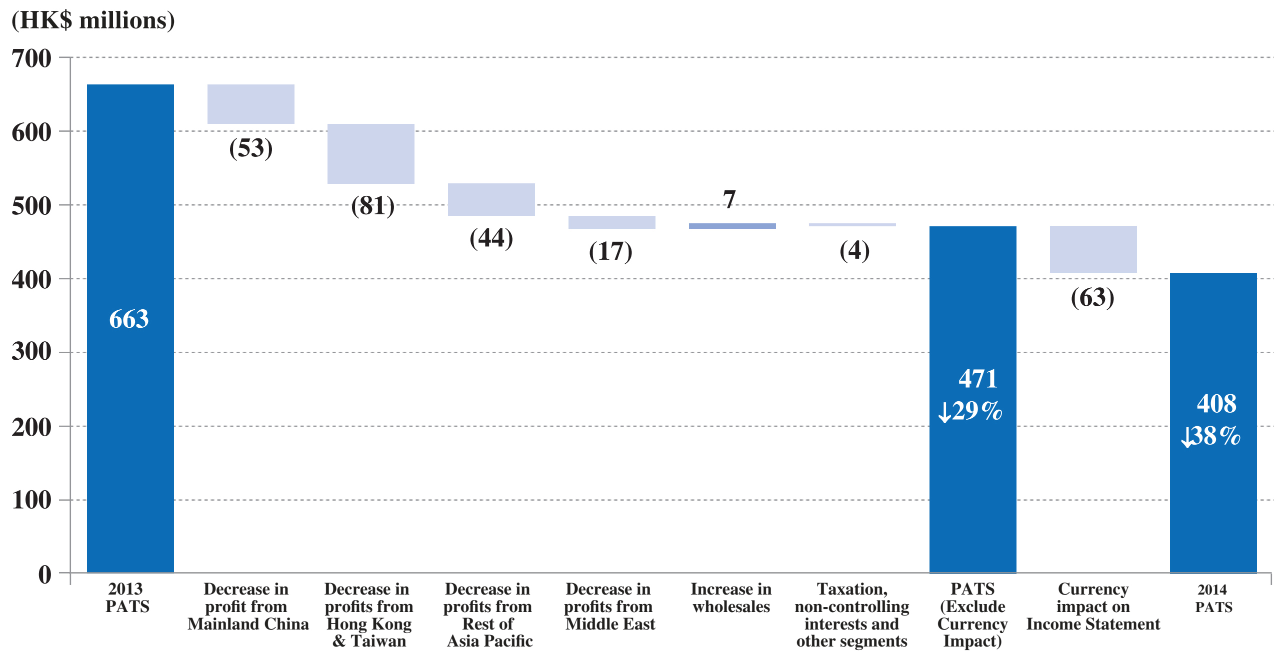
	Full Year			Second Half			First Half		
(In HK$ millions)	**2014**	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Sales	**5,545**	5,848	**(5%)**	**2,873**	3,007	**(4%)**	**2,672**	2,841	**(6%)**
Gross profit	**3,214**	3,551	**(9%)**	**1,649**	1,786	**(8%)**	**1,565**	1,765	**(11%)**
Gross margin	**58.0%**	60.7%	**(2.7pp)**	**57.4%**	59.4%	**(2.0pp)**	**58.6%**	62.1%	**(3.5pp)**
Operating expenses	**(2,749)**	(2,836)	**(3%)**	**(1,384)**	(1,444)	**(4%)**	**(1,365)**	(1,392)	**(2%)**
Operating profit	**542**	828	**(35%)**	**309**	402	**(23%)**	**233**	426	**(45%)**
Operating margin	**9.8%**	14.2%	**(4.4pp)**	**10.8%**	13.4%	**(2.6pp)**	**8.7%**	15.0%	**(6.3pp)**
EBITDA	**760**	1,066	**(29%)**	**418**	531	**(21%)**	**342**	535	**(36%)**
Net profit	**408**	663	**(38%)**	**234**	323	**(28%)**	**174**	340	**(49%)**
Net profit margin	**7.4%**	11.3%	**(3.9pp)**	**8.1%**	10.7%	**(2.6pp)**	**6.5%**	12.0%	**(5.5pp)**
Free cash flow from operations	**399**	599	**(33%)**	**145**	362	**(60%)**	**254**	237	**7%**
Net cash and bank balances[1]	**915**	1,105	**(17%)**	**915**	1,105	**(17%)**	**940**	986	**(5%)**
Inventory balances[1]	**514**	518	**(1%)**	**514**	518	**(1%)**	**445**	518	**(14%)**
Inventory days on costs (days)[2]	**80**	82	**(2)**	**80**	82	**(2)**	**73**	87	**(14)**
Number of outlets[1]	**2,452**	2,642	**(190)**	**2,452**	2,642	**(190)**	**2,553**	2,622	**(69)**
Net change in outlets during the year/period	**(190)**	(6)		**(101)**	20		**(89)**	(26)	

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

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

Profit Attributable to Shareholders ("PATS")

During the year, PATS decreased by 38% to HK$408 million from HK$663 million last year. Excluding currency impact, profit attributable to shareholders decreased by 29%.



Currency impacts to Income Statement

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

(In HK$ millions)	Reported	Translation difference	Transaction difference	Currency Depreciation loss on purchase	Adjusted
Sales	5,545	114	–	–	5,659
Gross profit	3,214	67	–	42	3,323
Other income	77	–	17	–	94
Operating Expense	(2,749)	(52)	–	–	(2,801)
PATS	408	4	17	42	471

The Group operates in foreign jurisdictions where business done in foreign currencies.

- The impact on PATS of translating the results of these entities into Hong Kong dollars was a small loss (HK$4 million) with the adverse impact from translation of South East Asian currencies, mainly the Indonesian Rupiah, Malaysian Ringgit and the Thai Baht, offset by the relative strength of the Korean Won.

- Depreciation of RMB resulted in losses for RMB time deposits held in Hong Kong. These RMB positions were unwound in the middle of the year eliminating currency risk in this area in the second half.

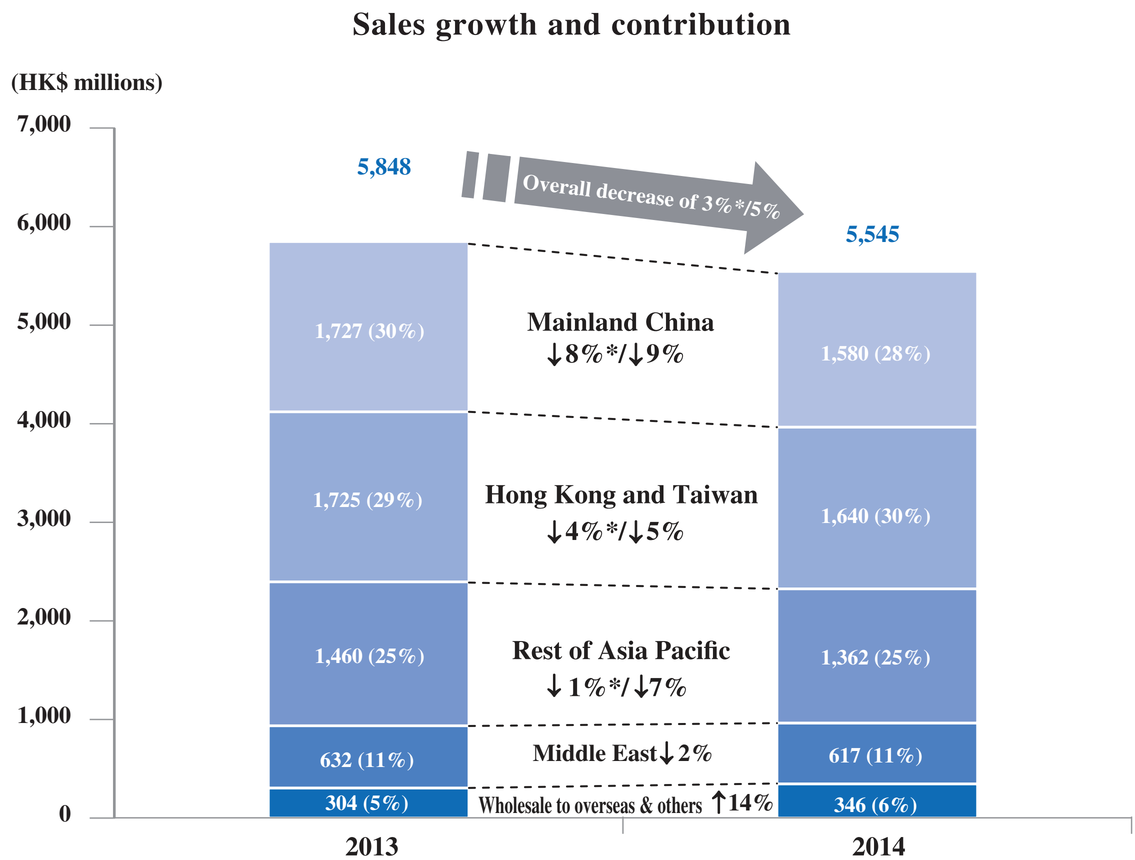
- Increased costs of purchasing merchandise in Hong Kong dollars, by Indonesia in particular, contributed a gross profit reduction of HK$42 million in the year.

- Overall, the impact of foreign currency changes on the Group's results was an adverse impact of HK$63 million.

- Currency changes impacted the first half (HK$41 million) more than the second half (HK$22 million), reflecting the impact of the falling valuation of the Indonesian Rupiah and other South East Asian currencies in year 2013 which moved sharply downwards against the US$ in the second half of that year.

Excluding these currency impacts, 2014 PATS would be HK$471 million, 15% more than the PATS reported representing a reduction of PATS of 29% from the same period last year compared to the actual PATS reduction of 38%.

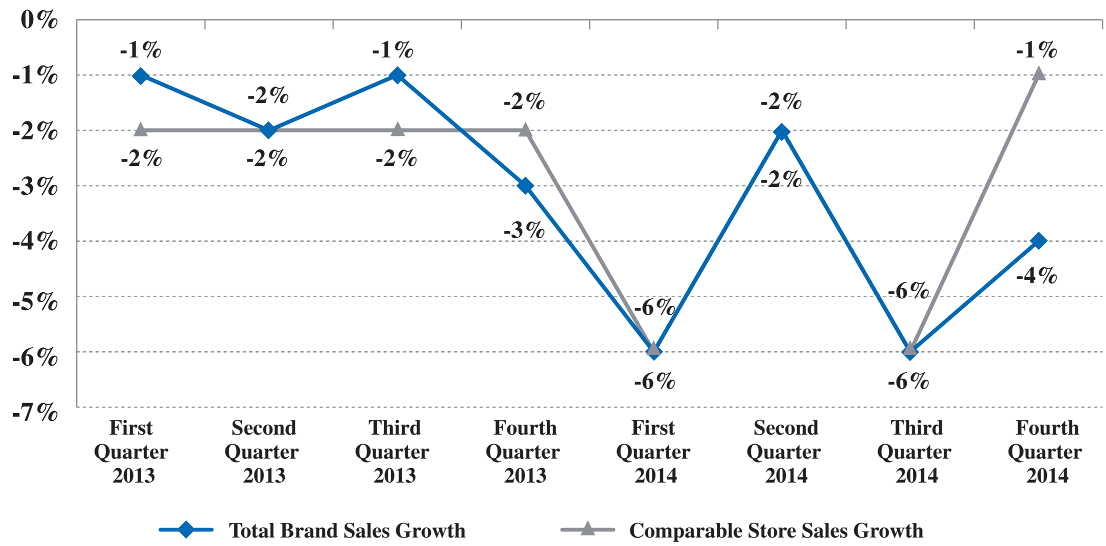
Sales



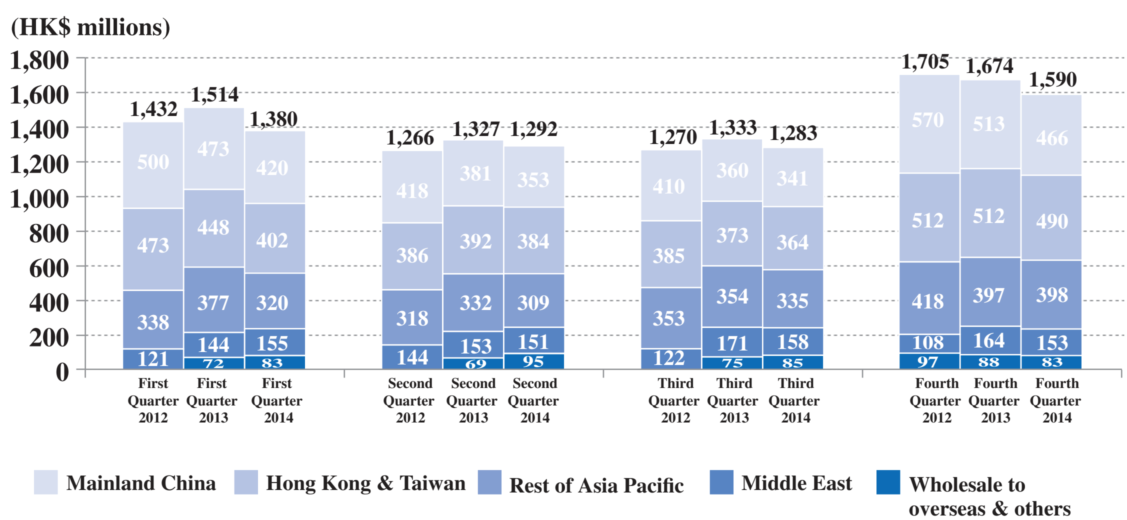
* *Sales growth excludes exchange effects*

% *of group sales in brackets*

Brand sales growth for the last eight quarters



Sales for the last twelve quarters



	Full Year			Second Half			First Half		
(In HK$ millions)	**2014**	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Total Sales[1]	**5,545**	5,848	**(5%)**	**2,873**	3,007	**(4%)**	**2,672**	2,841	**(6%)**
Global brand sales[2]	**7,479**	7,821	**(4%)**	**3,876**	4,071	**(5%)**	**3,603**	3,750	**(4%)**
Comparable store sales[3] decrease	**(4%)**	(2%)		**(4%)**	(3%)		**(4%)**	(2%)	
Gross profit	**3,214**	3,551	**(9%)**	**1,649**	1,786	**(8%)**	**1,565**	1,765	**(11%)**
Gross profit margin	**58.0%**	60.7%	**(2.7pp)**	**57.4%**	59.4%	**(2.0pp)**	**58.6%**	62.1%	**(3.5pp)**
Number of outlets[4]	**2,452**	2,642	**(190)**	**2,452**	2,642	**(190)**	**2,553**	2,622	**(69)**
Net change in outlets during the year/period	**(190)**	(6)		**(101)**	20		**(89)**	(26)	

- Group Sales decreased by 5% to HK$5,545 million in 2014 from HK$5,848 million in 2013. Excluding the effects of translating sales made in foreign currencies into Hong Kong dollars, sales decreased by 3%.

- Sales in the second half of the year were relatively stronger for Mainland China and Taiwan with same store sales growing in the second half. South East Asia had a weak third quarter, but recovered in the fourth quarter. Hong Kong remains challenging and Middle East sales growth weakened after a strong first quarter.

- Sales in Mainland China decreased by 9% during the year. Overall market growth for apparel in Mainland China is estimated at 11%. With the growth of online sales in China and the proliferation of increasingly high levels of new retail space from large infrastructure projects, the competitive environment is extremely price competitive. Sales over the Chinese New Year period in early 2014 were weak, but recovered in the last three quarters leading to a small growth in same store sales.

- Sales in Hong Kong decreased by 6% during the year. Comparative same store sales declined by 5%. This reflects difficult trading conditions in Hong Kong in the year as the nature of visitors from Mainland China changes. During the year, apparel market sales in Hong Kong grew at 4%, compared to 8% in 2013.

---

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

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

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

4 *At the end of the year/period.*

- Sales in Taiwan declined by 3%, but comparative store sales increased by 1%. Sales were relatively strong in the year, after a disappointing Chinese New Year in early 2014. Sales grew at mid-single digit levels in the last three quarters. This reflects the success of products which adapt to the local casual wear taste, supported by local marketing programs.

- Sales in other markets in Asia, notably in Singapore, Malaysia, Thailand and Indonesia, declined by 7% with a decline in comparable same store sales of 6%.

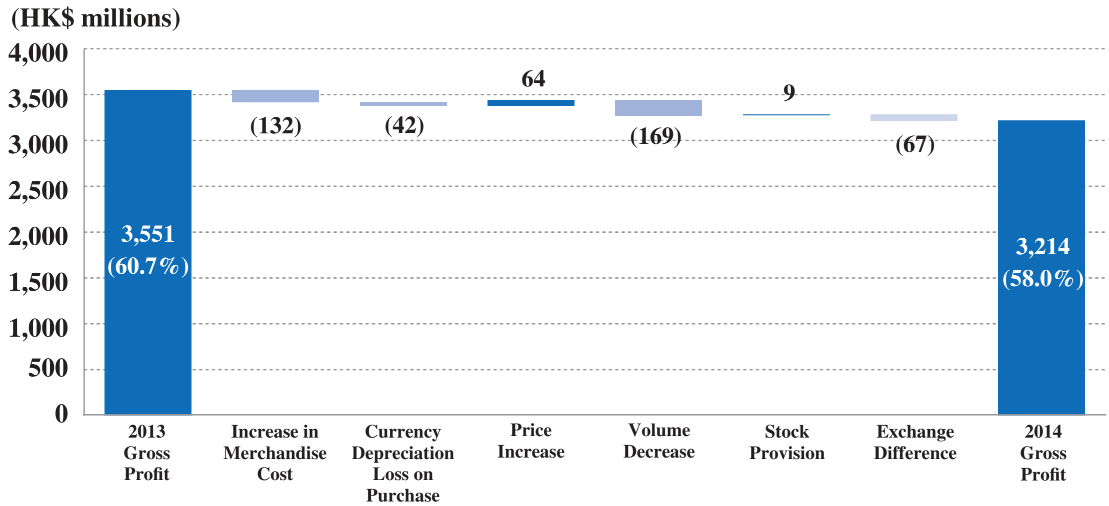
  - Sales in Singapore declined by 13% as a result of weak demand from tourist shops and inappropriate merchandising decisions. Merchandise mix is now better managed and sales are improving, with the fourth quarter showing positive same store sales.
  - Sales in Malaysia declined by 5% due to weak consumer sentiment as the government pursues tight fiscal policies (reducing state subsidies to basic commodities). We added stores in this market but weak same store sales are still a concern which will be met with improved merchandising.
  - Sales in Indonesia sales were flat year on year despite adding new stores. The devaluation of the Rupiah in 2013 has depressed demand growth and resulted in significant cost increases. A period of uncertainty around the presidential election also impacted consumer sentiment. Some recovery was seen in the fourth quarter. We added stores to increase our penetration of this market and are confident of the long term prospects of this market.
  - Sales in Thailand declined by 3% in the year. Sales were particularly depressed in the first half of the year (down 9%) due to socio-political instability in the country. The devaluation of the Thai Baht has also depressed sales demand and increased costs. Strong recovery was seen in the second half of the year. We added stores to increase our penetration of this market.
  - In Australia, sales declined by 20% in the year. We restructured our operations and closed a number of loss making stores in the year and same store sales in the second half returned to growth.

- Sales for Middle East markets decreased by 2% in the year and comparative same store sales by 6%. Merchandising is being improved to meet challenging market conditions.

  - Sales in the United Arab Emirates declined by 2% in the year. A significant growth in retail capacity and a change in the demographic of visitors to the country, have resulted in a highly competitive market which is depressing sales growth.
  - In Saudi Arabia, sales declined by 3% in the year. Sales to pilgrims and tourists are depressed by construction work in Mecca and Medina and travel restrictions placed on visitors.

Gross Profit

Gross profit reconciliation



- The Group's gross profit decreased by HK$337 million, or 9%, to HK$3,214 million from HK$3,551 million in 2013. Gross margin decreased by 2.7 percentage points to 58.0%. In the first half of the year gross margin declined by 3.5 percentage points compared to last year with the second half narrowing the decline to 2.0 percentage points compared to last year.

- The impact of foreign currency changes on cost of sales, through purchasing of merchandise in Hong Kong dollars, reduced gross margin by 0.7 percentage points in the year. (E.g. the Indonesian Rupiah has depreciated by 12%, the Thai Baht by 5% and the Malaysian Ringgit by 3% compared to last year).

- Average merchandise costs increased by 5.3%, excluding cost increases due to changes in exchange rates. This reflects the change in product mix to products with more design detail and improved quality. Going forward we will rationalize product details to reduce costs; additionally we will invest in improved quality where appropriate.

- Average prices increased by only 1%, despite higher cost product mix. In fiercely price competitive markets, we were unable to secure price increases to compensate for additional detail and function. In most markets, we discounted prices to compete and clear stock.

- Volume reduced by 4% in the year, mainly due to a very weak Chinese New Year in early 2014. Volume reduction in the second half was 2%, a reduction on the first half decline of 7%, with improved merchandising in stores combined with normal discounting to clear excess inventory.

Brand Development

- **Giordano Men:** Under the Giordano brand, 76% of sales were from Men. Brand sales for Men declined by 3%. This decline impacted our major categories and partly reflects a lower number of shops, particularly in all season markets. Generally increased detail on product (particularly polo shirts and tees) did not result in improved sales.

- **Giordano Women** contributed 24% of sales in Giordano shops and the sales declined by 11%, a more significant decline than for *Giordano Men*.

    - The strategy to increase the variety of styles and collections was not successful, and the de-emphasizing of core products has proved to be an error.
    - Action to correct this was taken during 2014 and the women's product range is now being re-shaped to focus on core design values such as simplicity and function.
    - Sales volumes have recovered in the second half, and in the fourth quarter were only slightly reduced year on year. This reflects heavy stock clearance and improved product, although the product development process is still being improved.
    - The development of GW standalone counters is underway. We have a total of 58 standalone counters in China and Thailand and a total of HK$4 million direct profit made. Due to weakness in the women's product range, the number of stores declined in the year by 11. This strategy will be pursued more aggressively in the future following reshaping of the product range.

- Due to the very weak first quarter, Management has focused heavily on product selection and allocation to appropriate shops. This has resulted in a slower development of multi-branding by the Group.

- **Giordano Ladies** increased sales by 5% in the year from HK$374 million to HK$391 million but operating profit declined from HK$51 million to HK$40 million. The brand performed well in Hong Kong, where it is well established with a loyal customer base. Weak performance in Mainland China, Singapore and Indonesia was caused by poor merchandising and execution. Excess inventories are being cleared and the new approach to run this brand globally will remedy this going forward.

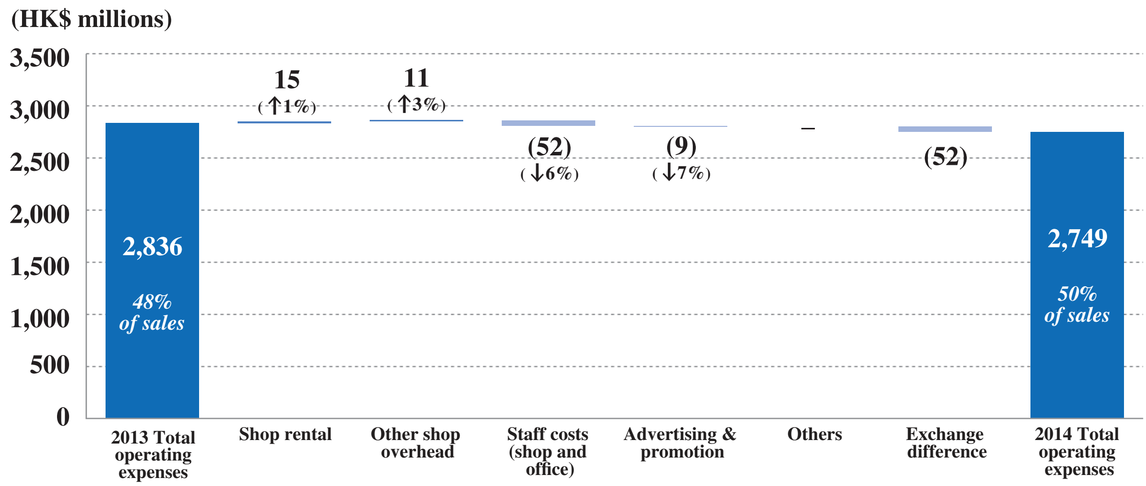
- **BSX** sales declined by 6% as loss-making stores were closed. Operating profit declined from HK$24 million to HK$14 million as a result. During the year, we started to expand women's apparel within this brand. This year, we are now returning to the previous weighted emphasis on the men's portfolio.

- **Beau Monde:** We have also started to replace shops in hypermarkets with our new budget brand, *Beau Monde*, opening 13 outlets in the year, in southern China, Shanghai and Taiwan. Continuous refinement of the original concept has led to promising results in Shanghai and Taiwan and we will continue to develop this brand as a priority in 2015.

- **Eula:** A premium women brand launched in Western China. 8 shops opened in department stores. The brand is still under experimental stage, but initial performance was acceptable with minor profitability.

Operating Expenses

Total operating expenses reconciliation for 2014



- Overall, the Group's operating expenses decreased by 3% to HK$2,749 million from HK$2,836 million in last year.

- Total rent costs increased by 1%, mainly due to the increase in average shop area by 4%. Rent per square foot declined by 2%, which largely reflects growth in low cost developing markets such as Indonesia and Thailand, together with variable rentals in department stores in Mainland China. In Hong Kong, where upward rental pressure is strong, rental on comparative stores increased by 18%. Rental to sales overall for the Group increased from 20.7% to 22.4%.

- Shop overhead costs comprise shop depreciation, warehouse, utilities and credit card charges. Costs increased by 3% mainly due to additional depreciation of HK$11 million, an increase of 8%, from shop renovations we are executing in Greater China as we re-position and upgrade the brand.

- Total staff costs decreased by HK$52 million or 6%. Average staff headcount stayed flat, Additional headcount in South East Asia markets following store expansion was offset by a reduction in Greater China upon closure of shops. Average salaries decreased by 4%, mainly due to the reduction of year-end bonuses by HK$45 million.

- Total operating expenses as a proportion of sales increased from 48% to 50%. Costs have been generally well controlled but have been impacted by rental pressures in some markets, in particular Hong Kong.

Operating Profit before Other Income

- Overall, sales decreased by 5% in the year and gross margin by 2.7 percentage points resulting in a reduction of gross profit by 9%. Operating expenses decreased by 3%, resulting in an Operating Profit before Other Income of HK$465 million, down 35% or HK$250 million from last year.

Other Income

- Other income decreased by HK$36 million from HK$113 million to HK$77 million. The decrease is mainly due to the following:

    - Exchange losses of HK$17 million were recognized during the year due to depreciation of foreign currencies against the Hong Kong dollar. This compares to an exchange gain HK$22 million last year. Going forward RMB balances in Hong Kong have been minimized and intercompany payables denominated in HK dollars are now settled more quickly to minimize exchange exposure.
    - Impairment losses of HK$6 million were recognized this year on an investment in one of our major suppliers, following a decline in its market value.
    - Interest income declined by HK$8 million following the unwinding of a US dollar loan that was matched with RMB deposits. This mechanism had generated profits in 2013 and 2014 but was unwound to avoid exposure to the risk of a depreciating Chinese yuan.

- The reduction in other income was partially offset by a gain on disposal of staff quarters in Mainland China of HK$14 million recognized this year compared to a HK$2 million loss on disposals of equipment last year.

Operating Profit

- As a result of the above, the Group's 2014 operating profit decreased by HK$286 million, or 35% to HK$542 million from HK$828 million in 2013.

Income Tax

- The Group's 2014 income taxation expense was HK$130 million (2013: HK$173 million), resulting in an effective tax rate[1] of 21.8% (2013: 19.2%). The increase in our effective tax rate reflects a change in profit mix and a decline in profit generation from low tax markets such as Hong Kong, Taiwan and Singapore.

Profit Attributable to Shareholders

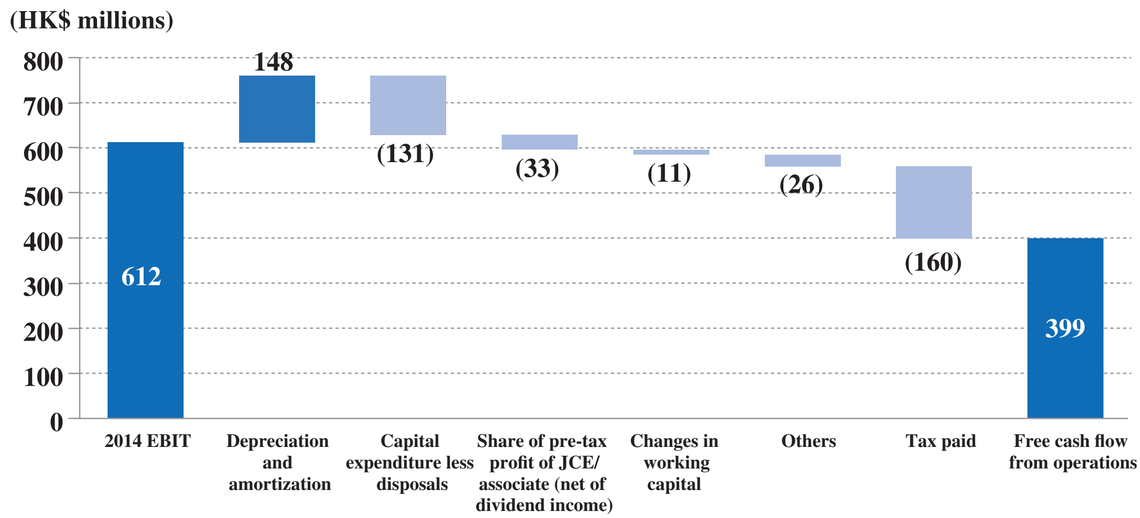
- 2014 profit attributable to shareholders decreased by 38% or HK$255 million to HK$408 million from HK$663 million last year. Net profit margin decreased by 3.9 percentage points from 11.3% to 7.4%.

- Basic and diluted earnings per share decreased to 26.0 HK cents (2013: 42.6 HK cents) and 25.9 HK cents (2013: 42.1 HK cents), respectively.

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

Free Cash Flow from Operations

EBIT and free cash flow from operations for 2014



- Free cash flow from operations was HK$399 million, a reduction of HK$200 million, or 33% from HK$599 million in 2014. The conversion rate of free cash flow before tax to EBIT was 91%, up 7% from 84% in 2014.

- Free cash flow in the first half increased 7% over the previous year, but in the second half declined by 60% of the previous year. Strong inventory control in the first half was not sustained in the fourth quarter due to over buying of high value items such as jackets and by weaker than expected performance of e-sales on "singles day". This excess inventory is fresh and it will be a priority to clear in the first half of 2015.

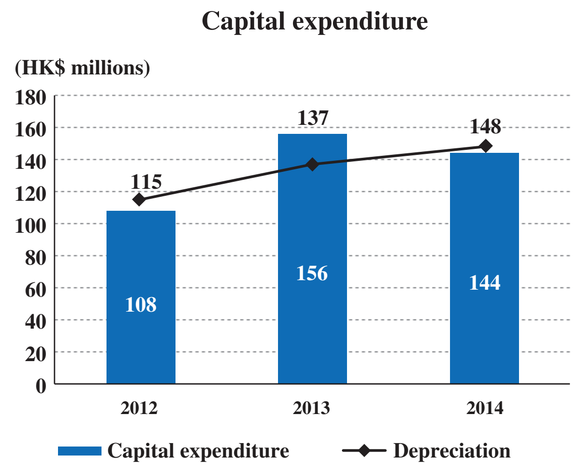
Simplified free cash flow analysis

(HK$ millions)	**2014**	2013	**Variance**
Profit before income tax	**596**	903	**(34%)**
Add: Share of tax of JCE/associate	**15**	22	**(32%)**
Add: Interest expense	**1**	4	**(75%)**
Add: Depreciation and amortization	**148**	137	**8%**
EBITDA	**760**	1,066	**(29%)**
Impairment loss on available-for-sale financial asset	**4**	–	**100%**
Impairment loss on associates	**2**	–	**100%**
Share of pre-tax profit of JCE/associate	**(70)**	(101)	**(31%)**
Net gain on disposal of building & leasehold land	**(14)**	–	**(100%)**
Amortization of rental prepayments	**49**	57	**(14%)**
Changes in working capital	**(11)**	(55)	**(80%)**
Interest paid	**(1)**	(4)	**(75%)**
Income tax paid	**(160)**	(184)	**(13%)**
Interest income, Exchange and others	**(41)**	(43)	**(5%)**
Net cash inflow from operating activities	**518**	736	**(30%)**
Dividend income from JCE/associate	**37**	60	**(38%)**
Capital expenditure less proceeds from disposals	**(131)**	(156)	**(16%)**
Increase in rental deposits and rental prepayments	**(41)**	(65)	**(37%)**
Interest received	**16**	24	**(33%)**
Free cash flow from operations	**399**	599	**(33%)**

Capital expenditure

- Capital expenditure decreased by HK$12 million in 2014 compared to 2013. The decrease in capital expenditure was mainly due to the slow down of South East Asia market store expansion compared to last year (South East Asia added 35 stores in 2014 vs 53 stores in 2013). Store upgrades, mainly in Mainland China and Taiwan, continue to reposition our brand in these markets in order to improve our competitive position.

- Depreciation increased by HK$11 million, reflecting increased investment in store upgrades last year.



Changes in Working Capital

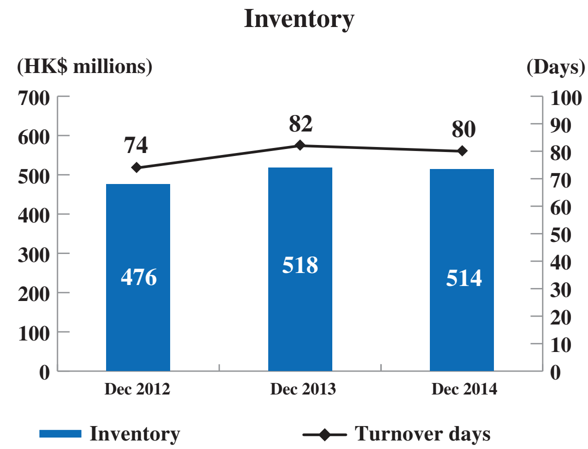
Working Capital in the year increased by HK$11 million as follows:

(HK$ millions)	**2013**	Change in Working Capital	Others	**2014**
Inventory	**518**	(4)	–	**514**
Trade Receivables	**316**	(25)	–	**291**
Other Receivables	**208**	(32)	4	**180**
Trade Payables	**(160)**	(7)	–	**(167)**
Other Payables	**(372)**	79	–	**(293)**
	510	11	4	**525**

Inventory

- Group inventory in 2014 decreased by HK$4 million from HK$518 million to HK$514 million.

- Inventory turnover days on costs was 80 days, 2 days less than last year. Disappointing e-sales, stocking of high value outerwear in response to cold weather, and an intended reduction of shipments to Chinese franchisees all contributed to higher than anticipated inventory at year end in Mainland China and Taiwan. Excluding these two high year-end inventory markets, the Group turnover days would be 68 days (2013: 80 days) and this reflects a strong improvement in inventory control elsewhere. Nevertheless, inventory remained fresh with 81% of stock being core and current season which we will aim to clear in the first quarter of 2015.

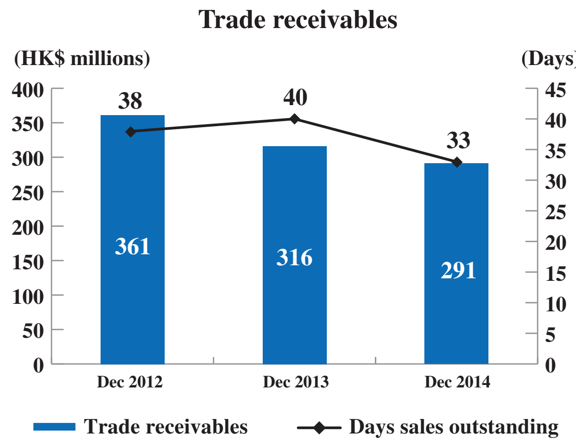


Total inventory including finished goods at suppliers

(HK$ millions)	**Dec 2014**	Dec 2013
Inventory balance held by the Group	**514**	518
Inventory balance held by franchisees in Mainland China	**80**	94
Finished goods at suppliers (not yet shipped)	**23**	27
Total system inventory	**617**	639

- 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 3% compared to the same period last year.

Trade receivables

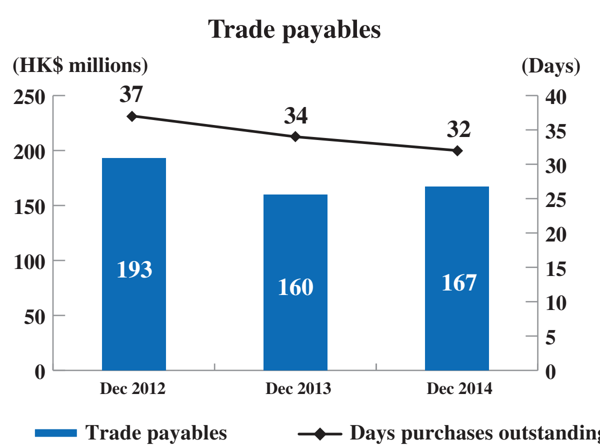


- Trade receivables decreased in 2014 by HK$25 million to HK$291 million and days sales outstanding improved by 7 days to 33 days.

- In many markets, department stores collect cash from the customer and pay it at a later date to the retailer. We also extend trade credit to selected franchisees to assist them finance the time merchandise shipments take to get to market and volatility caused by seasonality of demand. In general, these terms do not exceed 60 days from the date of shipment of goods/sale of products.

- As at December 31, 2014, receivables over 60 days late were at 11% (2013: 10%) of gross receivables. Total overdue accounts were 27% of gross receivables, compared to 26% in 2013. The Group exercises careful monitoring of outstanding credit balances, particularly overdue amounts, restricting and stopping shipments where appropriate.

Trade payables



- Trade payables increased by HK$7 million to HK$167 million. This was due to higher purchases, mainly in Mainland China in December 2014 than in the same month in 2013. Days of purchases outstanding were 32 days, which compares with our normal credit terms of 30 days.

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

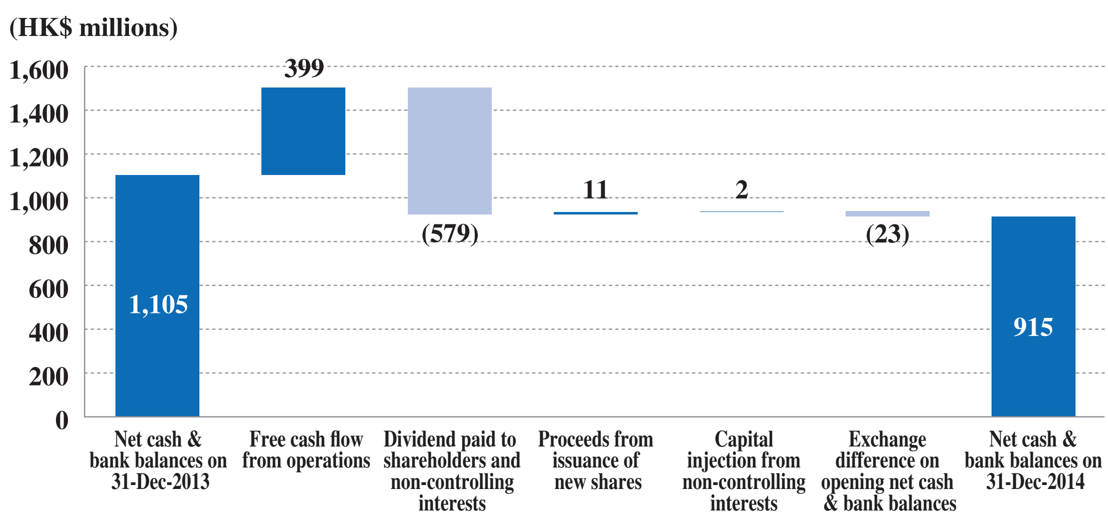
	South Korea			Middle East			Total		
(HK$ millions)	**2014**	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Share of pre-tax profit	**69**	99	**(30%)**	**1**	2	**(50%)**	**70**	101	**(31%)**
Dividend received[1]	**(37)**	(60)	**(38%)**	**–**	–	**N/A**	**(37)**	(60)	**(38%)**
	32	39	**(18%)**	**1**	2	**(50%)**	**33**	41	**(20%)**

- This represents the difference between the portion of profit due to the Group from Jointly Controlled and Associated Companies and the dividends paid to the Group in the year. The reduction is due to the decrease in profit from the Korean joint venture.

- At December 31, 2014, the Korean joint venture held cash balances of HK$547 million (2013: HK$563 million). Giordano's (48.5%) share of HK$265 million is not consolidated in our balance sheet.

Net cash position of the Group

Change in net cash and bank balances for 2014



- The Group decreased its net cash and bank balances by HK$190 million to HK$915 million as at December 31, 2014 (December 31, 2013: HK$1,105 million). This reflects a policy of returning excess cash to shareholders through dividend.

- HK$399 million free cash flow was generated from operations. When tax paid is taken into account, free cash flow before tax was 91% of earnings before tax, and improvement on the 84% conversion rate in 2013.

---

1 *From distribution of previous years' profits*

- Dividends paid during the year comprised the following:

(HK$ millions)	**2014**
2013 Final dividend (which brought the full year dividend to 95% of the Group's full year profit)	**377**
2014 Interim dividend (95% of 2014 Group's interim profit)	**165**
Dividend paid to non-controlling interests of subsidiary in Indonesia	**37**
Dividend paid to shareholders and non-controlling interests	**579**

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

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 during 2014:

  - During the year, the US dollar loan vs RMB pledged deposits arrangement was unwound 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 December 31, 2014 the Group held 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.

- As at December 31, 2014 the Group held the following foreign currency cash balances outside Hong Kong:

	(HK$ Million)
RMB in Mainland China	349
AED in United Arab Emirates	80
TWD in Taiwan	22
IDR in Indonesia	54
SGD in Singapore	21
SAR in Saudi Arabia	54
MOP in Macau	28
MYR in Malaysia	20
AUD in Australia	6
THB in Thailand	14
Total Foreign Currency Held Outside HK	**648**

- 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/US dollars.

Dividends

- The Board has decided to pay a final dividend of 14.5 HK cents per share (2013: 24.0 HK cents) which will result in a full year dividend of 25.0 HK cents per share (2013: 40.0 HK cents). This represents HK$393 million which is 96% of the Profit Attributable to Shareholders in the year.

- This reflects a strong cash position and cautious optimism by the Board that performance may improve modestly in 2015, based on the results in the first two months of 2015.

Operating Performance by Market

Mainland China

(In HK$ millions)	Full Year			Second Half			First Half		
	2014	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Total sales[1]	**1,580**	1,727	**(9%)**	**807**	873	**(8%)**	**773**	854	**(9%)**
Retail self-operated stores	**1,163**	1,275	**(9%)**	**589**	646	**(9%)**	**574**	629	**(9%)**
Wholesale to franchisees	**417**	452	**(8%)**	**218**	227	**(4%)**	**199**	225	**(12%)**
Total brand sales[2]	**1,887**	2,096	**(10%)**	**939**	1,032	**(9%)**	**948**	1,064	**(11%)**
Self-operated stores	**1,167**	1,289	**(9%)**	**593**	652	**(9%)**	**574**	637	**(10%)**
Franchised stores	**720**	807	**(11%)**	**346**	380	**(9%)**	**374**	427	**(12%)**
Comparable store sales[3] (decrease)/increase	**(2%)**	(6%)		**1%**	(6%)		**(5%)**	(7%)	
Gross profit	**847**	967	**(12%)**	**420**	467	**(10%)**	**427**	500	**(15%)**
Gross profit margin	**53.6%**	56.0%	**(2.4pp)**	**52.0%**	53.5%	**(1.5pp)**	**55.2%**	58.5%	**(3.3pp)**
Operating expenses	**(823)**	(879)	**(6%)**	**(412)**	(443)	**(7%)**	**(411)**	(436)	**(6%)**
Operating profit	**59**	112	**(48%)**	**29**	37	**(22%)**	**30**	75	**(60%)**
Operating margin	**3.7%**	6.5%	**(2.8pp)**	**3.6%**	4.2%	**(0.6pp)**	**3.9%**	8.8%	**(4.9pp)**
Number of outlets[4]	**961**	1,161	**(200)**	**961**	1,161	**(200)**	**1,066**	1,178	**(112)**
Self-operated stores	**472**	532	**(60)**	**472**	532	**(60)**	**503**	512	**(9)**
Franchised stores	**489**	629	**(140)**	**489**	629	**(140)**	**563**	666	**(103)**
Net change in outlets during the year/period	**(200)**	(82)		**(105)**	(17)		**(95)**	(65)	
Self-operated stores	**(60)**	(2)		**(31)**	20		**(29)**	(22)	
Franchised stores	**(140)**	(80)		**(74)**	(37)		**(66)**	(43)	

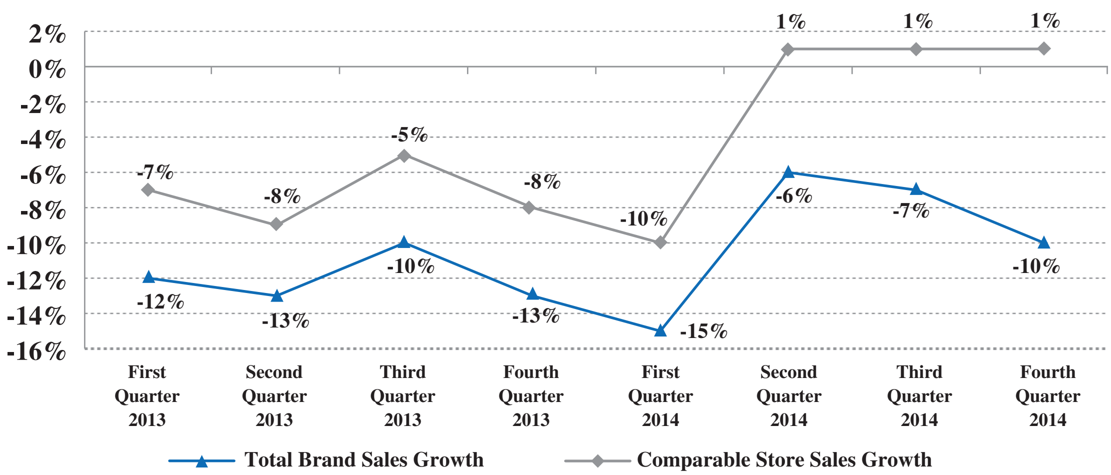
1 *Total Sales are total retail sales in self-operated stores and total wholesale sales to franchisees, translated at average exchange rates.*

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 year/period.*

4 *At the end of the year/period.*

Brand sales growth in Mainland China for the last eight quarters



- Mainland China sales decreased by 9% in 2014, or HK$147 million, to HK$1,580 million from HK$1,727 million in 2013. Excluding the effect of translating Chinese yuan into Hong Kong dollars, sales decreased by 8% in the year.

- The key underlying measure of sales growth is brand sales which represents the end sales of merchandise through Giordano stores, both self-managed and franchised. This measure excludes the effects of both currency exchange fluctuations and the impact of inventory changes undertaken by franchisees. Brand sales in Mainland China decreased by 10% in 2014 and comparable store sales decreased by 2%.

- 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 in the last three quarters with positive quarterly same store sales.
    - During the year, we upgraded the brand through shop renovations and eliminated unprofitable shops. As we reshaped the portfolio we closed 200 more stores in Mainland China than we opened.
    - 140 of these net closures were of franchised shops. This reflects weak market conditions and the elimination of profit subsidized stores as we develop our franchisee base. The remaining subsidies on loss making shops will be eliminated in 2015.
    - We closed 58 shops in the year that we believe were detrimental to the brand image and 6 which we converted to *Beau Monde* outlets. We have also closed unprofitable street shops.
    - Weakness in the *Giordano Women*'s brand in 2014 delayed development of women-only counters in department stores; these reduced from 49 to 36 during the year and are loss-making. After repositioning the GW brand these stores will become a renewed priority.
    - We have reduced inventory held at our franchisees by HK$14 million from the levels held at the end of 2013. Although this reduced our sales in the year, our inventory in Mainland China is healthy and we are well positioned to launch new product ranges in 2015 unencumbered by significant amounts of excess stock.

- We have upgraded/opened 208 self-managed stores and 131 franchised stores during the year. Investment per store has been over two times the level of investments last year reflecting an upgrade in the standard of these stores.

- We have improved our online operations, both through our own platforms and those of virtual shopping malls (Taobao, jd.com, amazon.cn etc.) with sales in the year increasing by 6% from HK$174 million in 2013 to HK$183 million in 2014. Given the growth of this channel in Mainland China, this performance is disappointing but reflects a significant number of international brands entering the market through Alibaba and other platforms. Sales on "singles day" in November were flat. Nonetheless our e-sales in Mainland China are 11% of our total sales, compared to 10% last year.

- We installed 318 terminals in stores as part of an "O2O" initiative to integrate online and operations and which offer online purchases and a social media interface. We will develop technology further in 2015 to enhance the customer experience through an enhanced digital capability.

Five-year operations highlights	**2014**	2013	2012	2011	2010
Total sales[1] (in HK$ millions)	**1,580**	1,727	1,898	2,029	1,781
Sales per sq. ft.[2] (in HK$)	**1,900**	1,900	1,900	2,100	2,100
Comparable store sales[3] (decrease)/increase	**(2%)**	(6%)	(6%)	6%	4%
Retail floor area[4] (square feet)	**835,500**	1,001,100	1,077,600	1,173,900	1,037,500
Number of outlets[4]	**961**	1,161	1,243	1,372	1,188

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

2 *Sales per sq. ft. figure calculated on a weighted average basis for brand sales, at average exchange rates, in self-operated and franchised stores.*

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

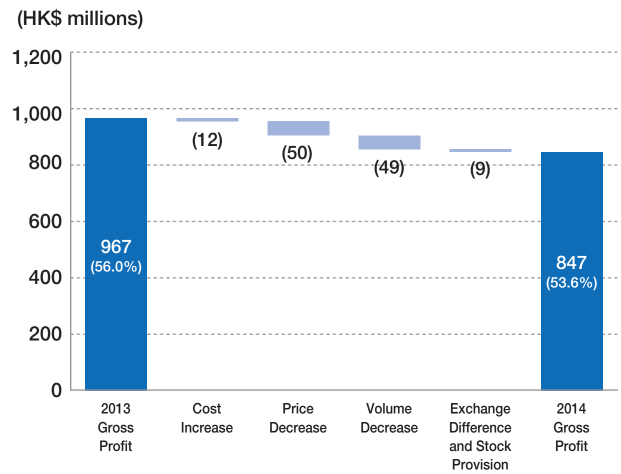
4 *Total retail floor area and number of outlets for self-operated and franchised stores at the end of the year.*

Gross Profit

- Gross profit in Mainland China decreased by 12% with gross margin decreasing by 2.4 percentage points. This was due to a decrease in average selling prices of 3% and an increase in merchandise costs of 2%.

- The gross margin of our franchisees themselves (which we measure through our point of sales system) increased by 1.2 percentage points. This is a deliberate strategy to improve the profitability of our franchisees as operating costs increase in Mainland China. Positive franchisee same store sales in the fourth quarter indicate that this approach is starting to be effective.

Gross profit reconciliation – Mainland China



- Excluding the effect of translating foreign currencies into Hong Kong dollars, gross profit decreased by 11.4%.

- During the year, merchandise mix increased cost, generally due to designs with more details, enhanced functionality and in the case of women's product, more fashion elements. These increases in costs were not successfully passed on in price increases due to fierce price competition in most markets and some product misses. Going forward we will aim to simplify products to reduce costs.

Operating Profit

- Operating profit in Mainland China decreased by HK$53 million from HK$112 million to HK$59 million, down 48% compared to last year. Operating margin decreased from 6.5% to 3.7%.

- Profit declined due to a 9% decline in sales and a 12% decrease in gross profit. This was partly offset by a 6% decrease in operating expenses due to lower rent per square foot, store closures and headcount reductions.

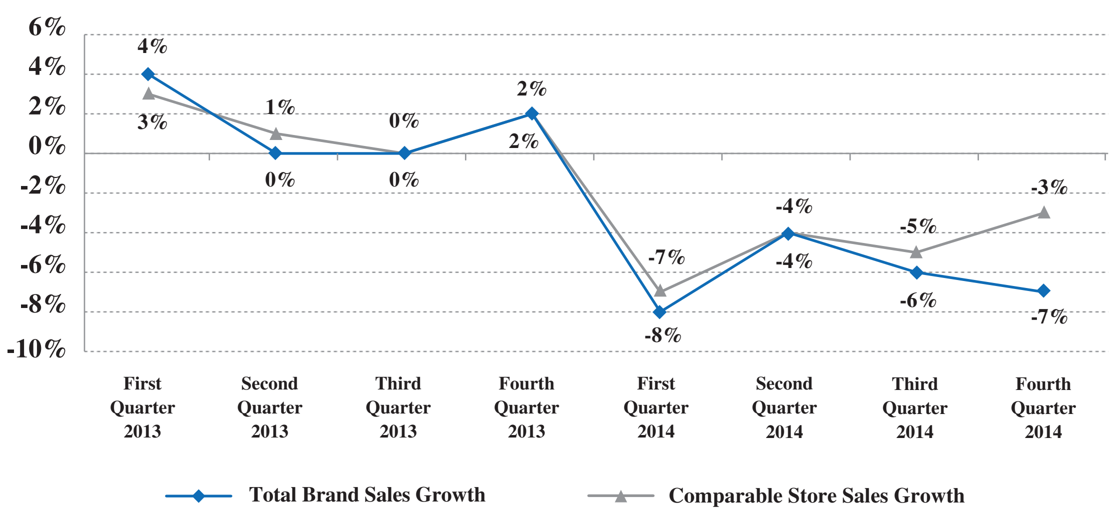
- 53% of our stores are in department stores and pay rent as a variable commission on sales. This contributed to rental reduction of 12%. Our network of self-managed stores reduced by a net of 60 stores, from 532 to 472 as we exited 117 lossmaking stores in the year, including major street stores in Chengdu, Shenzhen and Wuhan. These closures are expected to enhance profitability in 2015.

- Staff costs reduced by 3% due to a reduction in headcount by 6%, reflecting efficiency improvements and lower numbers of stores.

Hong Kong

(In HK$ millions)	Full Year 2014	Full Year 2013	Full Year Variance	Second Half 2014	Second Half 2013	Second Half Variance	First Half 2014	First Half 2013	First Half Variance
Total sales[1]	**978**	1,042	**(6%)**	**508**	542	**(6%)**	**470**	500	**(6%)**
Comparable store sales[2] (decrease)/increase	**(5%)**	2%		**(5%)**	1%		**(6%)**	2%	
Gross profit	**658**	704	**(7%)**	**338**	365	**(7%)**	**320**	339	**(6%)**
Gross profit margin	**67.3%**	67.5%	**(0.2pp)**	**66.5%**	67.3%	**(0.8pp)**	**68.1%**	67.8%	**0.3pp**
Operating expenses	**(583)**	(564)	**3%**	**(292)**	(292)	**Flat**	**(291)**	(272)	**7%**
Operating profit	**75**	145	**(48%)**	**45**	74	**(39%)**	**30**	71	**(58%)**
Operating margin	**7.7%**	13.9%	**(6.2pp)**	**8.9%**	13.7%	**(4.8pp)**	**6.3%**	14.1%	**(7.8pp)**
Number of outlets[3]	**79**	88	**(9)**	**79**	88	**(9)**	**83**	83	**Flat**
Net change in outlets during the year/period	**(9)**	4		**(4)**	5		**(5)**	(1)	

Brand sales growth in Hong Kong for the last eight quarters



- Sales in Hong Kong declined by 6% or HK$64 million from HK$1,042 million in 2013 to HK$978 million in 2014. Comparative same store sales declined by 5%.

- This reflects difficult trading conditions in Hong Kong in the year. The local retail market is slowing down as the nature of visitors from Mainland China changes and this is impacting some of our stores. During the year, apparel sales in the Hong Kong market grew at 4%, compared to 8% in 2013.

---

1 *Total Sales are total retail sales.*

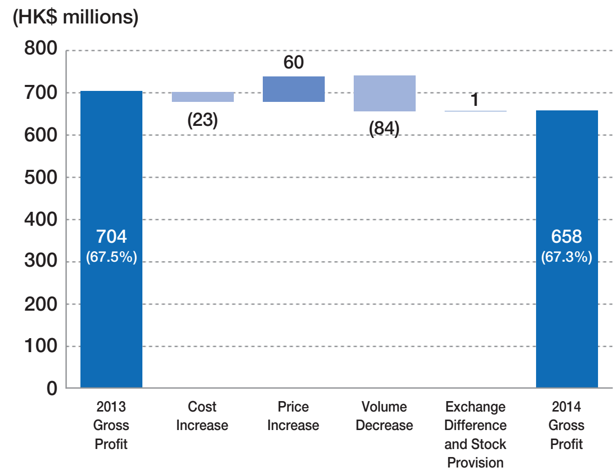
2 *Comparable Store Sales are total brand sales from existing stores that have been opened/operated in the prior year/period.*

3 *At the end of the year/period.*

- The Company closed 9 more stores in the year than it opened as prudent management of profitability and high rents resulted in closure of loss making stores. We are focusing on building business in residential areas as trading conditions in tourist areas toughen.

Gross Profit

Gross profit reconciliation – Hong Kong



- Gross profit in Hong Kong declined by HK$46 million from HK$704 million to HK$658 million. Gross margin declined by 0.2 percentage points, from 67.5% to 67.3%.

- Merchandise costs increased by 8% reflecting product mix with higher detail and functionality, particularly of pants, polo shirts, underwear and jackets (such as the *Lowe Alpine x Giordano* outerwear range).

- Selling prices increased by 6% recovering cost increases and maintaining margin. This reflects the strategy in Hong Kong of continuing to reposition the brand to secure greater bargaining power with landlords in relation to rent increases and location availability.

Operating Profit

- Operating profit in Hong Kong decreased by HK$70 million from HK$145 million to HK$75 million, down 48% compared to last year. Operating margin decreased from 13.9% to 7.7%.

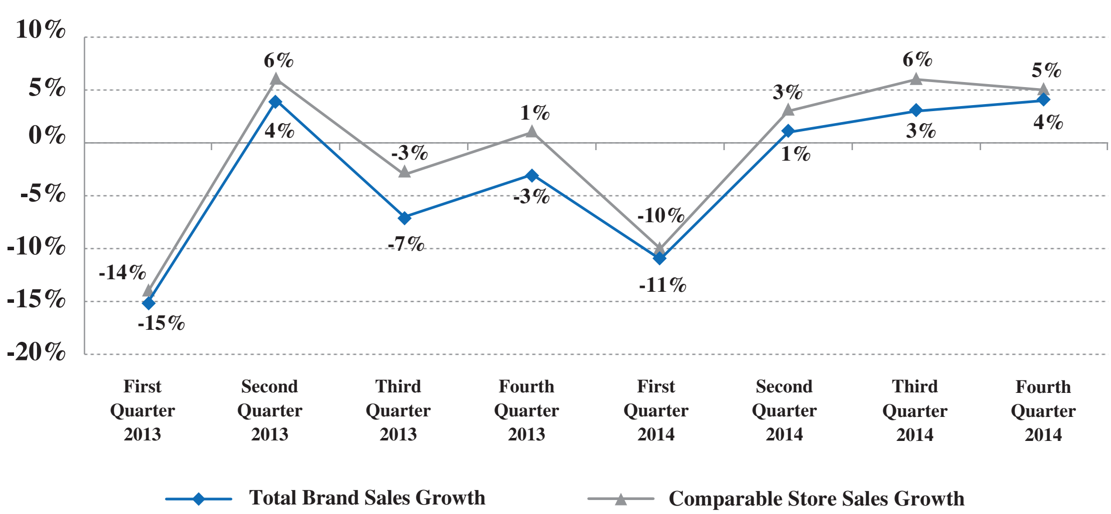
- Operating expenses increased by 3% compared to a decrease in gross profit of 6.5%. This is mainly due to an increase in rent of 14% despite the net closure of 9 shops. Rents of comparable stores increased by 18%, reflecting high upward rental pressure in prime locations. As a result we are developing the weighting of the shop mix towards residential areas where sales densities are lower. We believe this is a prudent strategy and are exiting unprofitable prime location shops where rent increases are excessive. We expect rent pressure to ease during 2015 and will look to re-establish more prime locations when this happens. Meanwhile we will further differentiate the brand through improved merchandising and marketing to strengthen our position with landlords in the future.

- Overall staff costs reduced by 11% resulting from strict cost control, a 9% reduction in headcount and lower sales incentives and year-end bonuses paid.

Taiwan

(In HK$ millions)	Full Year 2014	Full Year 2013	Full Year Variance	Second Half 2014	Second Half 2013	Second Half Variance	First Half 2014	First Half 2013	First Half Variance
Total sales[1]	**662**	683	**(3%)**	**346**	343	**1%**	**316**	340	**(7%)**
Comparable store sales[2] increase/(decrease)	**1%**	(4%)		**6%**	(1%)		**(4%)**	(6%)	
Gross profit	**388**	418	**(7%)**	**203**	206	**(1%)**	**185**	212	**(13%)**
Gross profit margin	**58.6%**	61.2%	**(2.6pp)**	**58.7%**	60.0%	**(1.3pp)**	**58.4%**	**62.4%**	**(4.0pp)**
Operating expenses	**(335)**	(347)	**(4%)**	**(173)**	(174)	**(1%)**	**(162)**	(173)	**(6%)**
Operating profit	**55**	73	**(25%)**	**31**	34	**(9%)**	**24**	39	**(39%)**
Operating margin	**8.2%**	10.7%	**(2.5pp)**	**9.0%**	9.9%	**(0.9pp)**	**7.6%**	11.6%	**(4.0pp)**
Number of outlets[3]	**199**	201	**(2)**	**199**	201	**(2)**	**199**	204	**(5)**
Net change in outlets during the year/period	**(2)**	(13)		**–**	(3)		**(2)**	(10)	

Brand sales growth in Taiwan for the last eight quarters



- Sales in Taiwan declined by 3% or HK$21 million from HK$683 million in 2013 to HK$662 million in 2014. Comparative store sales increased by 1%. Excluding the effect of translating Taiwan dollars into Hong Kong dollars, sales decreased by 1% in the year.

- Taiwan sales were relatively strong in the year, after a disappointing Chinese New Year, with sales growth at mid-single digit levels in the last three quarters. This reflects the success of locally developed products, local marketing programs and the positive impact of our new *Lowe Alpine x Giordano* outerwear range.

---

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

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

[3] *At the end of the year/period.*

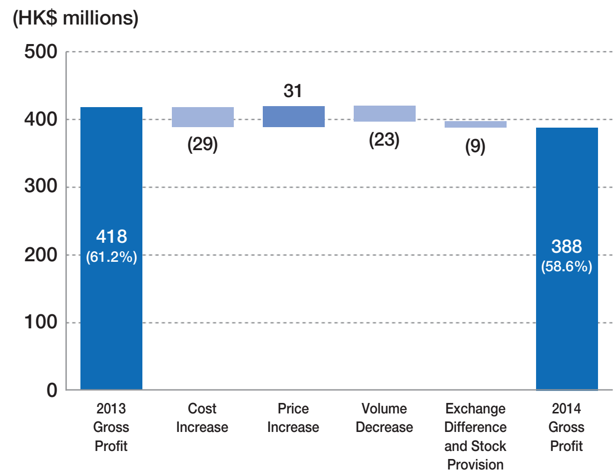
Gross Profit

- Gross profit in Taiwan declined by 7% or HK$30 million from HK$418 million to HK$388 million. Gross margin declined by 2.6 percentage points, from 61.2% to 58.6%.

- Merchandise costs increased by 11% reflecting higher sourcing costs on local products and product mix with higher detail and functionality.

- Selling prices increased by 5%, lower than the % increase in product costs, resulting in gross margin decline; this was however sufficient to recover the dollar increase in products costs.

Gross profit reconciliation – Taiwan



Operating Profit

- Operating profit in Taiwan decreased by HK$18 million from HK$73 million to HK$55 million, down 25% compared to last year. Operating margin decreased from 10.7% to 8.2%.

- Operating expenses in the region declined by 4% compared to a decrease in gross profit of 7%. Rentals were down 1% generally, in line with sales, and reflect the high level of concessionary rent in this market. Staff costs were well controlled, down 3%. Marketing expenses increased by 4% reflecting investment in the brand.

Five-year operations highlights

Hong Kong & Taiwan	**2014**	2013	2012	2011	2010
Total sales[1] (in HK$ millions)	**1,640**	1,725	1,756	1,759	1,447
Sales per sq. ft.[2] (in HK$)	**5,600**	5,900	5,900	6,300	5,300
Comparable store sales[3] (decrease)/increase	**(3%)**	Flat	2%	18%	8%
Retail floor area[4] (square feet)	**292,700**	296,400	305,000	297,000	274,800
Number of outlets[4]	**278**	289	298	281	256

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

2 *Sales per sq. ft. figure calculated on a weighted average basis for brand sales translated at average exchange rates.*

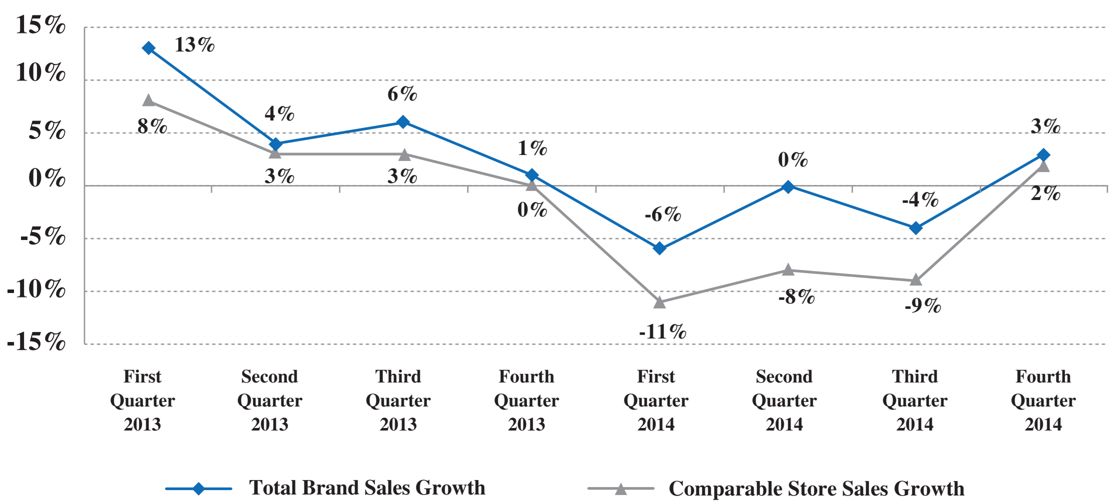
3 *Comparable Store Sales are total brand sales, at constant exchange rates, from existing stores that have been opened/operated in the prior year.*

4 *At the end of the year.*

Rest of Asia Pacific

	Full Year			Second Half			First Half		
(In HK$ millions)	**2014**	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Total sales[1]	**1,362**	1,460	**(7%)**	**733**	751	**(2%)**	**629**	709	**(11%)**
Comparable store sales[2] (decrease)/increase	**(6%)**	2%		**(4%)**	1%		**(9%)**	5%	
Gross profit	**821**	947	**(13%)**	**433**	477	**(9%)**	**388**	470	**(17%)**
Gross profit margin	**60.3%**	64.9%	**(4.6pp)**	**59.2%**	63.5%	**(4.3pp)**	**61.8%**	66.3%	**(4.5pp)**
Operating expenses	**(655)**	(682)	**(4%)**	**(332)**	(349)	**(5%)**	**(323)**	(333)	**(3%)**
Operating profit	**169**	259	**(35%)**	**100**	122	**(18%)**	**69**	137	**(50%)**
Operating margin	**12.4%**	17.8%	**(5.4pp)**	**13.6%**	16.2%	**(2.6pp)**	**10.9%**	19.4%	**(8.5pp)**
Number of outlets[3]	**568**	548	**20**	**568**	548	**20**	**555**	506	**49**
Net change in outlets during the year/period	**20**	66		**13**	42		**7**	24	

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 year/period.*

3 *At the end of the year/period.*

- Sales in other markets in Asia, notably in Singapore, Malaysia, Thailand and Indonesia, declined by 7% or HK$98 million to HK$1,362 million from HK$1,460 million in 2013. Excluding the effect of translating foreign currencies into Hong Kong dollars, sales in these markets declined by 1%. Comparable store sales declined by 6%.

- Sales in Singapore decreased by 13% in the year. Excluding the impact of translating the Singapore dollar into Hong Kong dollars, sales weakened sharply by 12%. The decline was particularly severe in the first half where sales declined by 15%. A combination of poor merchandise selection and a weak economy, with tourist sales weakening, contributed to this decline. Actions taken to improve merchandise selection and pricing and clear excess inventories were taken in the year which resulted in sales decline reducing to 3% in the fourth quarter and same store sales growing by 4%.

- Indonesia sales stayed flat in the year. Excluding the impact of translating the Indonesian Rupiah into Hong Kong dollars, sales increased by 14%. Same store sales declined by 3% and brand sales increased by 11%. We added 24 net new stores during the year (up 13%) and now have 203 stores in this fast growing market, which includes 38 stores from other international brands where we act as a franchisee in this market. The devaluation of the Rupiah in August 2013 and uncertainty around the Presidential election depressed sales demand sharply during the year. Sales recovered in the fourth quarter with double digit overall sales growth and positive same store sales.

- Sales in Malaysia decreased by 6% in the year. Excluding the impact of translating Malaysian Ringgit into Hong Kong dollars, sales decreased by 3%. Same store sales declined by 8% and brand sales by 4%. We added 5 stores in this market (up 6%) and now have 92 stores in this market. Trading conditions in Malaysia remain difficult as the government pursues a macroeconomic policy of tight fiscal discipline. We expect the introduction of a general sales tax in 2015 will continue to depress demand in this market.

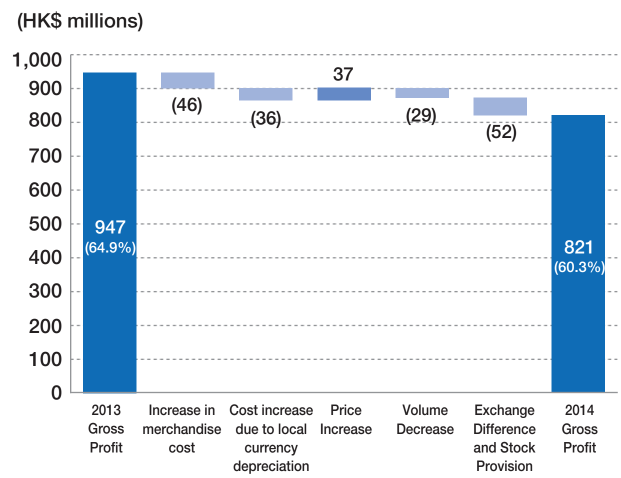
- Sales in Thailand decreased by 3% in the year. Excluding the impact of translating the Thai Baht into Hong Kong dollars, sales increased by 3%. Same store sales decreased by 7%, but brand sales increased by 3%. We added 9 new stores (up 7%) and now have 142 stores in this market. Sales were particularly depressed in the first half of the year with flat brand sales due to socio-political instability in the country and the devaluation of the Thai Baht has also depressed sales demand and increased costs. In the second half of the year brand sales increased by 5%.

- In Australia, sales decreased by 20% in the year. Excluding the impact of translating Australian dollars into Hong Kong dollars, sales decreased by 15%. Market conditions in this market are highly competitive and we closed a number of loss making stores in the year, reducing the number of stores in this market from 32 to 25. Management was restructured during the year and the business has improved its same store sales performance from a decline of 17% in the first half to an increase of 4% in the second half.

Five-year operations highlights	2014	2013	2012	2011	2010
Total sales[1] (in HK$ millions)	**1,362**	1,460	1,427	1,328	1,109
Sales per sq. ft.[2] (in HK$)	**2,800**	3,300	3,500	3,700	3,300
Comparable store sales[3] (decrease)/increase	**(6%)**	2%	3%	8%	8%
Retail floor area[4] (square feet)	**518,900**	489,800	428,900	380,200	337,200
Number of outlets[4]	**568**	548	482	417	356

Gross Profit

Gross profit reconciliation – Rest of Asia Pacific



- Gross profit decreased by 13% with gross margin down by 4.6 percentage points. Currency depreciation increased costs by 7% and impact the gross margin by 2.6 percentage points.

- Challenging macroeconomic conditions in South East Asian markets, notably Indonesia and Thailand where currencies were devalued, have caused price and cost inflation which has led to gross margin erosion.

- Average costs excluding currency increased by 10%. This was due to an increase in design details and higher quality in selected categories of merchandise.

- Average selling price increased by 3%. This was inadequate to recover cost increases and reflects higher levels of discounting, particularly in Singapore. These price clearances were caused by challenging market conditions with fierce price competition. Additionally, particularly in Singapore, stock clearance campaigns were implemented to correct poor merchandising decisions which had de-emphasized traditional products.

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

2 *Sales per sq. ft. figure calculated on a weighted average basis for brand sales translated at average exchange rates.*

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

4 *At the end of the year.*

Operating Profit

- Operating profit in Rest of Asia Pacific decreased by HK$90 million from HK$259 million to HK$169 million, down 35% compared to last year. Operating margin decreased from 17.8% to 12.4%.

- Operating expenses in the region declined by 4% compared to a decrease in gross profit of 13%. Closures in high cost countries and growth in lower cost emerging markets helped reduce both rent per square foot and staff costs overall. Staff cost declined by 6% despite opening more stores as average headcount increased 5% while staff cost per headcount decreased by 10% due to the reduction of year-end bonus and sales incentives.

- During the year, shop rental increased by 5%, and shop area by 14% reflecting growth in emerging markets. Store numbers in the Rest of Asia Pacific increased by 20 mainly in Indonesia, Thailand and Malaysia where we are expanding our reach into regional shopping centres and department stores.

Middle East

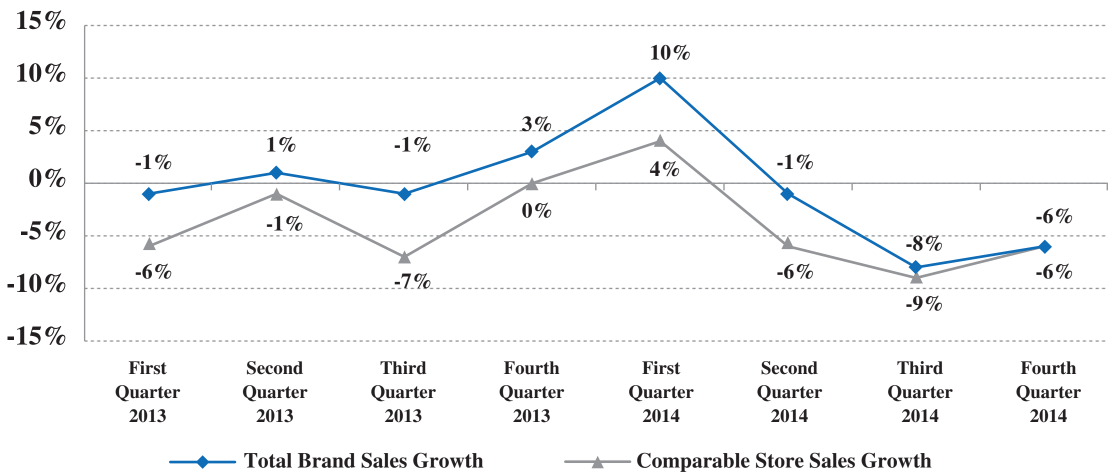
	Full Year			Second Half			First Half		
(In HK$ millions)	**2014**	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Total sales[1]	**617**	632	**(2%)**	**311**	335	**(7%)**	**306**	297	**3%**
Comparable store sales[2] decrease	**(6%)**	(4%)		**(8%)**	(4%)		**(2%)**	(4%)	
Gross profit	**387**	395	**(2%)**	**194**	208	**(7%)**	**193**	187	**3%**
Gross profit margin	**62.8%**	62.5%	**0.3pp**	**62.4%**	62.1%	**0.3pp**	**63.1%**	63.0%	**0.1pp**
Operating expenses	**(283)**	(276)	**2%**	**(140)**	(145)	**(3%)**	**(143)**	(131)	**9%**
Operating profit	**107**	124	**(14%)**	**56**	66	**(15%)**	**51**	58	**(12%)**
Operating margin	**17.3%**	19.6%	**(2.3pp)**	**18.0%**	19.7%	**(1.7pp)**	**16.7%**	19.5%	**(2.8pp)**
Number of outlets[3]	**203**	195	**8**	**203**	195	**8**	**201**	192	**9**
Net change in outlets during the year/period	**8**	11		**2**	3		**6**	8	

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

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

[3] *At the end of the year/period.*

Brand sales growth in Middle East for the last eight quarters



- Sales for Middle East markets decreased by 2% in the year, by HK$15 million from HK$632 million to HK$617 million. Excluding the impact of translating foreign currencies into Hong Kong dollars, sales also decreased by 2%. Comparative store sales for the Middle East decreased by 6% and brand sales by 2%.

- In the United Arab Emirates comparative same store sales have decreased by 3% and brand sales by 1%. Retail capacity is increasing in UAE and competition for business is fierce. Customer demographics are volatile with less Russian visitors and more Mainland Chinese. This is negatively impacting our sales in this region.

- In Saudi Arabia comparative same store sales decreased by 7% with brand sales decreasing by 2%. Sales to pilgrims and tourists are being set back by a number of regional factors:

    - Construction works in the Holy Cities of Mecca and Medina are ongoing and will probably not now be completed until mid-2016. This will eventually expand capacity for pilgrims to visit, but is currently constraining the number of visitors being permitted to travel to these cities. Pilgrims to the annual Hajj were flat in 2014 compared to 2013, but sharply down on previous years.
    - Due to political instability in the region travel restrictions are being placed on foreign pilgrims, which limits the time they can spend in the country and the destinations they can visit.
    - Falling oil prices have led to a slowing down of government projects and the economy.

- Sales in other markets have been disappointing with a 6% reduction in same store sales and a 5% reduction in brand sales reflecting geo-political instability in the region. Development of new markets is continuing with 11 new franchisee stores in the region.

Gross profit

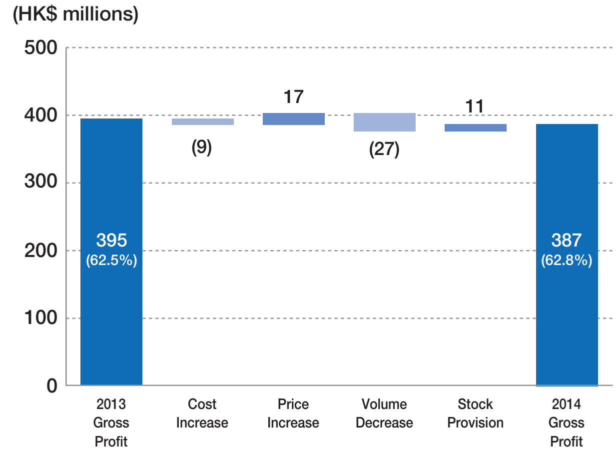
- Gross profit decreased by 2% with gross margin increasing by 0.3 percentage points.

- Due to changes in merchandising mix, costs increased by 3%, reflecting products with more design detail. This was recovered by increasing average selling prices by 3%.

- Volume declined by 5% in this market due to weak sales in UAE and Saudi, particularly of tees, outerwear and polos shirts, reflecting challenging market conditions and weak consumer sentiment in the wider region.

- This region reduced its inventory in the year by HK$29 million through stronger merchandising discipline and clearance of old inventory. As a result of old stock clearance through discounted sales, slow moving stock provision was reduced by HK$11 million.

Gross profit reconciliation – Middle East



Operating Profit

- Operating profit in Middle East decreased by HK$17 million from HK$124 million to HK$107 million, down 14% compared to last year. Operating margin decreased from 19.6% to 17.3%.

- Operating expenses in the region increased by 2% compared to a decrease in gross profit of 2%. Shop rental increased by 8% as we increased the number of self-managed shops. Staff costs declined by 3% despite opening more stores. Average headcount decreased by 2% and staff cost per head decreased by 1%.

Wholesale Sales to Overseas Franchisees and Joint Ventures

	Full Year			Second Half			First Half		
(In HK$ millions)	**2014**	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Total sales	**346**	304	**14%**	**168**	163	**3%**	**178**	141	**26%**
Number of outlets[1]	**442**	449	**(7)**	**442**	449	**(7)**	**449**	459	**(10)**
Net change in outlets during the year/period	**(7)**	8		**(7)**	(10)		**–**	18	

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

- Wholesale sales increased by HK$42 million, or 14%, from HK$304 million in 2013 to HK$346 million in 2014.

- Sales to the Korean joint venture increased by 4% or HK$8 million supplemented by strong growth in the Philippines (up 28%), Myanmar (up 49%) and Vietnam (up 77%).

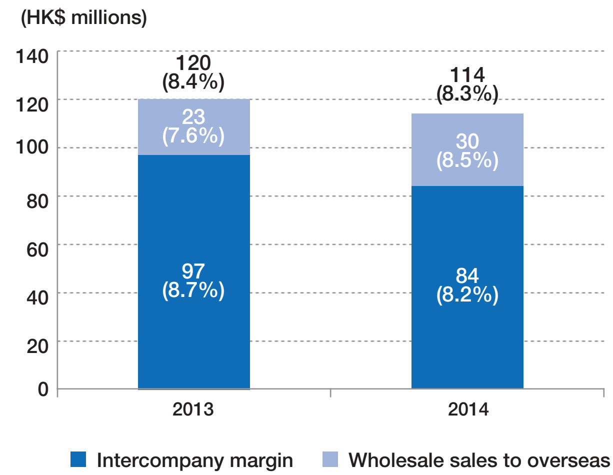
Gross Profit

- Wholesale gross profit increased by 30% in 2014.

- Inter-company sales to subsidiaries on the other hand declined as a result of their decline in sales, resulting in a fall in gross profit.

- The net effect of these two factors was a HK$6 million decrease in gross profit.

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



Jointly Controlled Companies – South Korea

	Full Year			Second Half			First Half		
	2014	2013	**Variance**	**2014**	2013	**Variance**	**2014**	2013	**Variance**
Total sales[1]	**1,743**	1,756	**(1%)**	**884**	961	**(8%)**	**859**	795	**8%**
Comparable store sales[2] (decrease)/increase	**(5%)**	(1%)		**(10%)**	(2%)		**1%**	(1%)	
Gross profit	**969**	1,014	**(4%)**	**487**	544	**(10%)**	**482**	470	**3%**
Gross profit margin	**55.6%**	57.8%	**(2.2pp)**	**55.1%**	56.6%	**(1.5pp)**	**56.1%**	59.1%	**(3.0pp)**
Net Profit	**110**	158	**(30%)**	**55**	88	**(38%)**	**55**	70	**(21%)**
Share of JCE profit (% of equity holding: 48.5%)	**53**	76	**(30%)**	**26**	42	**(38%)**	**27**	34	**(21%)**
Number of outlets[3]	**219**	244	**(25)**	**219**	244	**(25)**	**232**	263	**(31)**
Net change in outlets during the year/period	**(25)**	(9)		**(13)**	(19)		**(12)**	10	

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

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

3 *At the end of the year/period.*

- Sales in Korea declined by 1%. Excluding the effect of translating the Korean Won into Hong Kong dollars, sales in Korea declined by 4%. Gross profit declined by 4% and gross margin declined by 2.2 percentage points. Net profit declined by 30% and operating margin declined from 9.0% to 6.3%.

- Market conditions in the South Korean market have been challenging in 2014. The influx of overseas brands into the market together with increasing online sales competition, has depressed sales demand, particularly in department stores where we have most of our shops. Additionally, consumer confidence weakened sharply after the Sewol ferry tragedy and recovery since has been sluggish. Sales volumes have been under pressure and gross margin has been sacrificed to remain competitive.

OUTLOOK AND STRATEGY

Group Overview

- During 2015, we expect to see volatility in demand across the Group. We can see early signs of recovery in Mainland China with positive same store sales since the second quarter, albeit at a very low level. Taiwan is now showing modest sales growth as its marketing programs and local merchandising are starting to resonate with customers. South East Asian business was slightly stronger in the fourth quarter of the year as Singapore starts to get their merchandising mix right and Indonesia and Thailand sales strengthen modestly.

- Despite a strong start to 2015 in many markets, we do not underestimate the challenges ahead. Franchisees in Mainland China, who have closed a significant number of stores over the last few years, are performing better, but still lack confidence to open new stores. Loss making stores are still a drain on profitability and need to be turned round or closed. Our multi-brand strategy has been slow to develop. In Hong Kong retail demand is depressed and rental pressure is strong in prime areas. Singapore and Malaysia face weak consumer sentiment driven by macroeconomic factors. Regional geo-political and economic difficulties frustrate our ability to secure sales growth in the Middle East. Our Korean joint venture is facing very tough trading conditions. We also need to improve our online sales performance and develop a digital strategy to take us forward into the future.

- Against this background the ability of the Group to execute strategy is improving. We now have established a truly regional focus in Mainland China, although teams still need to be improved and we have different levels of performance in different profit centres. We have also successfully launched a fast track management training scheme with over twenty young graduates from Hong Kong and Mainland China which will enable us to expand our operations in the medium to long term.

- Core to our success will be our ability to get the right products, at the right price, in the right quantities, in the right place, at the right time. We call this the five “Rs” and we are intensifying our efforts to train and develop our people in techniques and disciplines that will enhance this approach. This will be supplemented by an increase in global programs which will enhance cost efficiency and price competitiveness.

- In order to further improve the quality of our merchandising efforts, we have introduced brand management processes to establish “matrix” style profit accountability and improve cooperation between brand and product development and the local market. We will continue to develop this approach to improve the responsiveness of our central product development teams to local market needs.

- During 2014, we developed improved discipline over inventory planning, exercising tight control over buying budgets and inventory levels. We will continue to enhance these processes and fine tune them to further reduce inventory and to drive more accurate product selection and allocation going forward.

- During 2014 our "*Giordano Women*" brand, part of the main "Giordano" functional brand, saw a sharp decline in profitability due to poor design decisions taken in the past. During 2015, we will "re-base" this brand's design approach as one of "modern basics", returning to simple, functional products made from good quality fabric. This new initiative is being executed by a dedicated team which focuses only on womenswear. We expect this will enhance the competitiveness of our women's product range rapidly.

Management will focus on the following key objectives for 2015:

1. Mainland China Development

- Growth in consumer demand in Mainland China is still weak. On the other hand, supply of retail capacity, both online and offline, has not abated. New players, particularly international brands, continue to enter the market. This will further exert downward pressure on volume and margin for apparel retailers.

- We are making progress with our self-managed stores in improving store ambience, eliminating loss-making stores and getting the merchandising right. Progress in developing our franchise network has been slowed by a pessimistic economic outlook for Mainland China. With closure of 338 stores in the last three years, we will focus on stabilizing our franchisee network and returning to modest growth. This is an explicit objective of our teams in Mainland China. We will use volume rebates and renovation and marketing subsidies to execute this strategy. At the same time we will increase our participation in franchisees' merchandising and buying.

- During 2014 we reduced the number of shops in locations that we regard as damaging the brand ("C" shops) from 358 to 162. This will continue in 2015 as we exit certain supermarkets and street located stores.

- During 2014 we have launched a new basic casual brand "*Beau Monde*" at friendlier prices in Guangdong and Shanghai and Taiwan, establishing 13 shops in supermarkets and other locations where our main brand is inappropriate. As with all newly launched brands, constant and fast modifications have been made to improve the look and feel of the store. In order to secure economies of scale, we will harmonize the supply chain between the two brands, focusing on synergy in common "basics" production and fabric use. During 2015, we will develop this approach further and establish a significant number of new stores in Mainland China.

2. Hong Kong and Taiwan

- The market in Hong Kong is becoming increasingly competitive as the nature of tourism from Mainland China changes. We have responded to high rents for prime sites by focusing our business development more on residential areas. This will continue until we see rent pressure reducing, which we foresee in 2015 and 2016. Growth into high rent prime locations will therefore be very cautious as we protect profitability.

- In terms of merchandising, Hong Kong will follow the Group direction and manage the mix more towards price competitive basic products than it did in 2014. The general strategy of differentiating our products and brand image from completion will persist but this will be balanced by strengthening our core brand values of simplicity, quality and value for money.

- In a culturally unique market such as Taiwan, we will develop the brand through marketing programs and local merchandising. Taiwan is also a mature market and we think we have our approach generally right. Nonetheless, we will refresh our store image; and ambience and look for innovative ways to enhance the customer experience.

3. South East Asia

- In 2014, our Singapore business faced a number of challenges, both from tough market conditions and poor decisions in merchandising. We have started to correct this and we will see performance improve. Having said that, Singapore remains a difficult market which is currently seeing changes in tourism numbers and demographic.

- In other key markets such as Malaysia, Indonesia and Thailand, we will continue to expand into regional locations to realize "first mover advantage". During 2014, management teams faced new problems that they have not encountered before – loss making stores and deteriorating same store sales. They responded well and in 2015 we expect to see these efforts pay off. Nonetheless, we see market conditions as challenging in these markets currently as macroeconomic factors soften consumer sentiment.

- The development of our Vietnam business in 2014 was positive with store numbers increasing from 15 to 21 and a new store opening in Cambodia. Myanmar is also an interesting emerging market and we will work with our franchisee there to identify potential and opportunities. During 2015, we will establish a legal entity in Vietnam and we expect to see further growth in this market and Indo China in general as these markets develop.

4. Middle East

- UAE has had a challenging year with sales declining for the second year in a row. Consumer sentiment is good but significant increases in retail space have made this market highly competitive. Nonetheless margins have held up and inventory has been reduced. Stronger execution of "5R" merchandising will be the key focus in this market.

- Saudi Arabia remains an exciting medium to long term prospect for the Group. The population is young and the opportunities to grow tourist business from international pilgrims will be strong. The current market is soft reflecting geo-political instability and the impact of infrastructure improvements that are taking place. We will focus on operational excellence, closing loss makers and establishing the stores that we have recently opened.

- Regional development has been slow due to geo-political instability in the region. We will look to develop new markets outside the Middle East and expect to see our first stores in Africa open in Zambia during the year. These efforts do not generate strong revenue, but form the first steps in a strategy that will deliver sustainable growth in emerging markets.

5. Maintain Strong Cash Flow

- Inventory management in the second half of 2014 was disappointing. We aim to further improve our inventory management processes in 2015 and reduce inventory year on year.

- Receivables have been well managed in 2014 with turnover days reducing. Special attention will be paid in 2015 to managing the risk from department stores in Mainland China.

6. Digital Strategy

- Globally the landscape of retailing is changing. Technology is transforming the way customers behave. Retailers need to similarly transform their way of doing business. The old way of having different channels that exist in silos with separate accountability, will become increasingly less relevant. During 2014, the Group introduced 318 in-store terminals to enable customers to buy online in our stores. This "omni-channeling" practice will continue in 2015.

- Until now our focus has been to develop online sales in Mainland China. In 2015 we will look to establish stronger e-shops in the rest of the Group. Additionally we will look at how new technology can capture information on customer preferences and buying habits and we will establish pilot projects to enhance customer service using such technology.

HUMAN RESOURCES

On December 31, 2014, the Group had approximately 8,100 employees (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]** **2014**	2013	**Variance**	**Comparable store sales[2]** **2014**	2013
Mainland China	**1,580**	1,727	**(9%)**	**(2%)**	(6%)
Hong Kong	**978**	1,042	**(6%)**	**(5%)**	2%
Taiwan	**662**	683	**(3%)**	**1%**	(4%)
Singapore	**325**	373	**(13%)**	**(8%)**	(5%)
Indonesia	**436**	435	**Flat**	**(3%)**	14%
Malaysia	**227**	240	**(5%)**	**(8%)**	2%
Thailand	**234**	241	**(3%)**	**(7%)**	13%
Australia	**113**	142	**(20%)**	**(4%)**	(13%)
India	**25**	29	**(14%)**	**1%**	(4%)
Cambodia	**2**	–	**N/A**	**N/A**	N/A
UAE	**241**	246	**(2%)**	**(3%)**	(2%)
Saudi Arabia	**325**	335	**(3%)**	**(7%)**	(4%)
Other Middle East regions	**51**	51	**Flat**	**(6%)**	(8%)
Retail & Distribution total	**5,199**	5,544	**(6%)**	**(4%)**	(2%)
Wholesale sales to overseas franchisees & others	**346**	304	**14%**		
Group total	**5,545**	5,848	**(5%)**		

Number of outlets as at	**Dec 2014**	Dec 2013
Mainland China	**961**	1,161
Hong Kong & Macau	**79**	88
Taiwan	**199**	201
Singapore	**49**	52
Indonesia	**203**	179
Malaysia	**92**	87
Thailand	**142**	133
Australia	**25**	32
India	**56**	65
Cambodia	**1**	–
UAE	**45**	44
Saudi Arabia	**95**	99
Other Middle East regions	**63**	52
South Korea	**219**	244
Other Markets	**223**	205
Group total	**2,452**	2,642

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

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

Review by Brand

(In HK$ millions)	Sales 2014	Sales 2013	Sales Variance	Operating profit 2014	Operating profit 2013	Operating profit Variance	Operating margin 2014	Operating margin 2013	Operating margin Variance
Giordano & Giordano Junior	**4,491**	4,877	**(8%)**	**396**	629	**(37%)**	**8.8%**	12.9%	**(4.1pp)**
BSX	**207**	220	**(6%)**	**14**	24	**(42%)**	**6.8%**	10.9%	**(4.1pp)**
Giordano Ladies	**391**	374	**5%**	**40**	51	**(22%)**	**10.2%**	13.6%	**(3.4pp)**
Others	**110**	73	**51%**	**15**	9	**67%**	**13.6%**	12.3%	**1.3pp**
Retail & Distribution	**5,199**	5,544	**(6%)**	**465**	713	**(35%)**	**8.9%**	12.9%	**(4.0pp)**

Number of outlets	**2014**	2013
Giordano & Giordano Junior	**1,833**	2,026
BSX	**55**	71
Giordano Ladies	**67**	69
Others	**55**	27
Retail & Distribution total	**2,010**	2,193

DIVIDENDS

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

After due consideration of the economic outlook, the Group's financial position, its future expansion plans and other factors, the Board has resolved to recommend to shareholders the payment of a final dividend of 14.5 HK cents per share (2013: 24.0 HK cents per share) for the year ending December 31, 2014. Together with the interim dividend of 10.5 HK cents per share (2013: 16.0 HK cents per share) paid on September 26, 2014, total 2014 dividend would amount to 25.0 HK cents per share (2013: 40.0 HK cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on or about Friday, June 26, 2015 to shareholders whose names appear on the register of members of the Company on Wednesday, June 3, 2015.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on Friday, May 22, 2015, and the Notice of Annual General Meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the 2015 Annual General Meeting to be held on Friday May 22, 2015 ("2015 AGM"), the Register of Members of the Company will be closed from Tuesday, May 19, 2015 to Friday, May 22, 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2015 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, May 18, 2015.

(b) For the purpose of determining shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Monday, June 1, 2015 to Wednesday, June 3, 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday,May 29, 2015.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code ("the CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended December 31, 2014, except that:

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

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

REVIEW OF FINANCIAL STATEMENTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The Group's audited consolidated financial statements for the year ended December 31, 2014 including the accounting principles and practices adopted have been reviewed by the Audit Committee in conjunction with the Company's external auditor.

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

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

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

By Order of the Board
LAU Kwok Kuen, Peter
Chairman

Hong Kong, March 3, 2015

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.