GIORDANO INTERNATIONAL LTD:
READING IN BETWEEN THE LINES

Before applauding Senior Management of publicly listed Giordano International Ltd () (Code: 709, Main Board, The Stock Exchange of Hongkong Ltd) at the **A**nnual **G**eneral **M**eeting (AGM) of the company, scheduled for Wednesday, May 14, 2008, scanning the results of this manufacturer and retailer of casual apparel in respect of the 2007 Financial Year will indicate that things are not as healthy as one may, at first glance, surmise.

This is not to suggest that Giordano International Ltd is not a good company, because it, certainly, is a good company – but it did not do well in the 2007 Financial Year, ended December 31, 2007.

That is unquestionable.

On a Turnover of about $HK4.95 billion (2006: $HK4.37 billion), the company turned in a Net Profit Attributable to Shareholders of about $HK295 million (2006: $HK205 million).

This would suggest an increase, Year-On-Year, of about $HK90 million, equivalent to about 43.90 percent.

But, hold on there!

That is not a true and fair picture of what transpired in the 2007-Year.

A careful study of the accounts of the company for the 2007-Year shows that, actually, from operations, alone, Giordano International Ltd finished the 2007-Year with a tiny increase in its Bottom Line, compared with its achievements in the 2006-Year.

TARGET () notes that the taxation paid in the 2007-Year was about $HK113 million, compared with taxation, paid in the 2006-Year of about $HK173 million.

For the 2006-Year, the average, effective taxation rate was about 44.25 percent, compared with about 27.10 percent for the 2007-Year.

Page 11 of the 2007 Annual Report explains a goodly part of this matter:

> *'In the absence of a one-time provision for additional PRC Foreign Enterprise Income Tax, the Group's taxation expense reverted to a more normal level of HK$113 million (2006: HK$173 million) and the Group's effective tax rate decreased to 29.6 percent in 2007 (2006: 46.1 percent). Although profits in higher tax Mainland China are expected to increase, the effect on the Group's effective tax rate is expected to be mitigated by the implementation of the new Enterprise Income Tax Law of the People's Republic of China, under which the income tax levied on foreign enterprises will be reduced from 33.0 percent to 25.0 percent with effect from January 1, 2008.'*

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