BENEFUN INTERNATIONAL HOLDINGS LIMITED
奮發國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1130)

RESULTS FOR THE YEAR ENDED 30 JUNE 2005

RESULTS

The Board of Directors (the "Directors") of Benefun International Holdings Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2005, together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

		For the year ended 30 June	
		2005	2004
	Notes	***$'000***	*$'000*
Turnover	*2*	**194,193**	189,474
Cost of sales		**(130,125)**	(121,072)
		64,068	68,402
Other revenue		**9,789**	7,078
Distribution costs		**(39,322)**	(39,936)
Administrative expenses		**(24,423)**	(27,417)
Profit from operations		**10,112**	8,127
Finance costs	*3*	**(546)**	(550)
Profit from ordinary activities before taxation	*3*	**9,566**	7,577
Taxation	*4*	**(3,663)**	(3,668)
Profit attributable to shareholders		**5,903**	3,909
Earnings per share	*6*		
Basic		**0.47 cent**	0.36 cent

CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollars)

	Note	**As at 30 June 2005** **\$'000**	As at 30 June 2004 \$'000
Non-current assets			
Property, plant and equipment		**61,285**	70,638
Construction in progress		**2,986**	1,758
Deferred tax assets		**124**	1,840
		64,395	74,236
Current assets			
Inventories		**27,237**	16,343
Trade and other receivables		**32,410**	39,622
Cash at banks and in hand		**41,357**	17,904
		101,004	73,869
Current liabilities			
Bank loans – secured		**8,907**	9,896
Trade and other payables		**51,136**	48,662
		60,043	58,558
Net current assets		**40,961**	15,311
Non-current liabilities			
Deferred tax liabilities		**1,603**	–
Net assets		**103,753**	89,547
Capital and reserves			
Share capital		**13,319**	11,319
Reserves	*7*	**90,434**	78,228
		103,753	89,547

Notes:

1 Recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (hereinafter collectively referred to as "new HKFRSs") that are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. HKFRS 3 did not have any impact on the Group's financial statements for the year ended 30 June 2005.

The Group is in the process of making an assessment of the potential impact of the other new HKFRSs but is not yet in a position to determine the impact of these new HKFRSs on the results of operations and financial position of the Group. These new HKFRSs may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

2 Segment results

Segment information is presented in respect of the Group's geographical and business segments. Geographical segment is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The following table presents revenue and results for the Group's geographical segments.

	Mainland China		**Japan**		**Consolidated**	
	2005	2004	**2005**	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:						
Sales to external customers	**186,169**	181,179	**8,024**	8,295	**194,193**	189,474
Other revenue	**9,587**	6,707	**–**	–	**9,587**	6,707
Total segment revenue	**195,756**	187,886	**8,024**	8,295	**203,780**	196,181
Interest and other unallocated income					**202**	371
Total revenue					**203,982**	196,552
Segment results	**11,494**	7,208	**(1,584)**	548	**9,910**	7,756
Interest and other unallocated income					**202**	371
Profit from operations					**10,112**	8,127
Finance costs					**(546)**	(550)
Profit from ordinary activities before taxation					**9,566**	7,577
Taxation					**(3,663)**	(3,668)
Profit attributable to shareholders					**5,903**	3,909

No analysis of the Group's revenue and operating results by business segment has been presented as over 90% of the Group's revenue and operating results were derived from manufacturing, retailing and trading of apparel.

3 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2005	2004
	$'000	*$'000*
Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**546**	550
Depreciation	**8,821**	8,787
(Reversal of provision for)/provision for obsolete inventories	**(7,908)**	4,140
(Reversal of provision for)/provision for bad and doubtful debts	**(530)**	623

4 Taxation

Taxation in the consolidated income statement represents:

	2005	2004
	$'000	*$'000*
Current tax outside Hong Kong		
Provision for the year	**344**	520
Over-provision in prior years	**–**	(127)
Deferred tax	**3,319**	3,275
	3,663	3,668

No provision for Hong Kong profits tax has been made in the financial statements (2004: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the year.

5 Dividends

The Directors do not recommend payment of any dividend for the year ended 30 June 2005 (2004: Nil).

6 Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of HK$5,903,000 (2004: HK$3,909,000) divided by the weighted average of 1,262,888,000 ordinary shares (2004: 1,080,696,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the years ended 30 June 2004 and 2005.

7 Reserves

	Share premium	Legal reserve	Foreign exchange revaluation reserve	Revaluation reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2004	122,226	3,090	1,643	23,997	(72,728)	78,228
Premium on placing of shares	6,400	–	–	–	–	6,400
Share issue expenses	(97)	–	–	–	–	(97)
Transfer between reserves	–	–	–	(1,878)	1,878	–
Profit for the year	–	–	–	–	5,903	5,903
At 30 June 2005	128,529	3,090	1,643	22,119	(64,947)	90,434

BUSINESS REVIEW

For the fiscal year ended 30 June 2005, the Group's turnover increased modestly by 2.5% and amounted to HK$194.2 million (2004: HK$189.5 million). Gross profit amounted to HK$64.1 million (2004: HK$68.4 million), decreased by 6.3% compared to the previous year. Nevertheless, net profit attributable to shareholders increased by 51% to HK$5.9 million (2004: HK$3.9 million).

The directors do not recommend payment of any dividend in respect of the year ended 30 June 2005 (2004: nil).

Over the years, the Group has accumulated extensive experience in operating apparel business in China. The economic and political environments in China are stable and indeed improving steadily. The GDP growth is promising. This has fostered a steady consumer market development favoring our retailing business. As at 30 June 2005, the Group operated 270 "Fun" brand stores in Mainland China, of which 124 were managed directly by the Group, and 146 were operated on franchise basis. Most of our retail stores experienced a year-on-year sales increase. Our nationwide franchising strategy by inviting local young entrepreneurs to form partnerships with us has been very attractive and successful. Merchandise was sold to these operators directly at a lower margin. This enabled our Group to reduce the operating expenses and risk substantially in return.

Fashion retailing market in China is very competitive. Various international brands intend to expand their market share in China. The Group has maintained its strategy of strong brand positioning and high customer loyalty in order to grow our business persistently. Strong brand image defined through stylish designs and quality for value, eye-catching shop displays, and efficient delivery logistics are requisite for our long-term expansion.

We have reinforced brand development by delivering differentiated products with high quality, style and value to our customers at the right time and place. In pace with the changing fashion trend, we managed 4 collections with 10 deliveries throughout the year. Each collection had its unique style and presentation. They were uniquely identified by collections including "denim", "casual" and "sports" series respectively. To present brand character, we upgraded our stores regularly. We aimed to provide a relaxed lifestyle store ambiance and enjoyable services to our customers. The launch of different styles of casual lines coupled with country wide advertising campaigns through billboards and event sponsorships have effectively strengthened our brand image.

Our export activity, primarily shipments to Japan, contributed to both our turnover and our profit margin continuously though not substantially. Order flows from Japan had been stable. The textile quota disputes between the PRC and the USA and the European countries respectively had no adverse effect on our exports.

Recently, in order to improve cost control, procurement and logistics, we shifted our major production facilities from Anxi to Xiamen. This has simplified the manufacturing processes and shortened delivery lead-time to shops and customers.

The property projects in Zhangzhou City of Fujian province were launched smoothly and successfully. The first commercial/residential building with a gross floor area of approximately 1,290 square metres was completed recently and most of the units were pre-sold. The Group has commenced development for another piece of land with a gross floor area of 15,800 square metres. Property projects are expected to generate another kind of revenue for the Group in the future years.

PROSPECT

The retail market and consumer spending power in Mainland China continue to grow at high speed. Our Group is well established to capitalize the opportunities in China's fashion market. With intense competition, the Group will avoid risky capital outlays by setting an optimum balance between self-operating and franchising businesses.

The Group adheres to the strategy of strong market positioning. Besides fitting our customers by the introduction of 8 fresh seasonal collections a year, the Group is committed to shortening further our design lead-time in order to respond to the market needs faster. These measures will secure more merchandise be sold at regular price. To enhance further brand awareness and identity, we are upgrading our shop image through improvements in both store ambiance and services. We will also launch more nationwide promotions. The advertising campaigns with Kenji Wu will be one of the major events in the coming year. With improved and unique brand positioning, we will be able to enjoy more regular price and higher store sales in the near future.

The Group will further foster our export business in the coming years. In the long term, the development of the global economy is positive. The ultimate settlement of export disputes between the PRC and the USA and the European countries respectively will enable our garment products to compete and be sold in more countries. This will help in diversifying our Group's business portfolio. We aim at making export business a significant activity in our next phase of growth.

In respect of property development projects in Zhangzhou City, the recent sale of the units for the first erected premises is very successful. The construction work for the second larger area of land will commence soon. The demand for street stores and comfortable housing in China's second tier cities is very strong. The Group possesses appropriate expertise and financial strength for these land projects. These property developments will generate significant income to the Group in addition to its core business of garment manufacturing and retailing.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy net cash position during the year. Net cash inflow from operating activities was HK$15.1 million for the reported year, compared with HK$1.7 million for the prior year. Cash balance at the year-end amounted to HK$41.3 million, versus HK$17.9 million at the prior year-end.

Inventory under apparel manufacturing segment was maintained at HK$18.4 million as at 30 June 2005 (2004: HK$16.3 million). Average stock turnover for the year maintained at 1.7 months (2004: 1.6 months).

Outstanding bank loans as at 30 June 2005 was HK$8.9 million (2004: HK$9.9 million). The bank loans were secured by the Group's properties with an aggregate carrying value at approximately HK$27.8 million at 30 June 2005.

Capital commitment contracted for but not provided in the financial statement at 30 June 2005 was approximately HK$21.7 million (2004: HK$23.9 million).

The Group's bank borrowings at 30 June 2005 were in Renminbi and the Group continues to derive its revenue mainly in the same currency. Therefore its exposure to exchange rate fluctuation is not significant.

The debt equity ratio as at 30 June 2005 was 0.09, compared with 0.11 on the same date last year.

The Group's current ratio as at 30 June 2005 was 1.68, as against 1.26 at the prior year-end. Quick ratio was 1.23, versus 0.98 at the prior year-end.

HUMAN RESOURCES

As at 30 June 2005, the Group employed a total of 2,317 full-time employees (2004: 2,112). The Group remunerates its employees on performance basis. The Group also offers medical benefits, retirement plans, share options, and discretionary performance bonuses, We manage to keep high quality personnel at all levels.

CORPORATE GOVERNANCE

During the year, the Company continued to comply with the Code of Best Practices as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("the Code"). The Company has adopted all the code provisions in the Code as its own code on corporate governance practices. Compliance with the Code will be effective in financial year ending 30 June 2006.

The Company's audit committee is composed of three independent non-executive directors. It reports directly to the board and reviews matters within the scope of audit, such as financial statements and internal controls. The written terms of reference which describes the authority and duties of the audit committee are regularly reviewed and updated by the board. The audit committee has reviewed the consolidated results of the Group for the year ended 30 June 2005.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the directors have compiled with the required standard set out in the Model Code and its code of conduct regarding the directors' securities transactions.

PURCHASE, SALES AND REDEMPTION OF THE COMPANY'S SHARES

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

OTHER INFORMATION

The annual report of the Group for the year ended 30 June 2005 containing all the information required by Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
TAN Sim Chew
Chairman

Hong Kong, 7 October 2005

As at the date hereof, the Board comprises seven directors of which Messrs TAN Sim Chew, CHEN Miao Zhu, Fu Zi Cong and LO King Fat Lawrence are executive directors and Messrs WONG Kwai Sang Kays, TSANG Chun Pong and LI Chun Ming Raymond are independent non-executive directors.

* *for identification purposes only*

Please also refer to the published version of this announcement in International Herald Tribune.