



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

(Incorporated in the Cayman Islands with limited liability)

RESULTS FOR THE YEAR ENDED 30 JUNE 2003

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 2003, together with comparative figures for the previous year as follows:

Consolidated income statement

		For the year ended 30 June	
		2003	2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<i>1</i>	163,559	137,914
Cost of sales		(89,003)	(101,070)
		<hr/>	<hr/>
		74,556	36,844
Other revenue		6,483	4,891
Distribution costs		(47,121)	(44,058)
Administrative expenses		(29,719)	(23,484)
		<hr/>	<hr/>
Profit/(loss) from operations		4,199	(25,807)
Finance costs		(901)	(1,953)
Impairment loss on goodwill		–	(10,798)
Share of loss of an associate		–	(26)
		<hr/>	<hr/>
Profit/(loss) from ordinary activities before taxation	<i>2</i>	3,298	(38,584)
Taxation	<i>3</i>	(415)	(272)
		<hr/>	<hr/>
Profit/(loss) attributable to shareholders		2,883	(38,856)
		<hr/>	<hr/>
Earnings/(loss) per share	<i>4</i>		
Basic		0.30 cents	(4.74 cents)
		<hr/>	<hr/>
Profit/(loss) attributable to shareholders is analysed as follows:			
By the Group		2,883	(38,830)
By an associate		–	(26)
		<hr/>	<hr/>
		2,883	(38,856)
		<hr/>	<hr/>

Notes

1. Turnover

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for goods returned and trade discounts as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Manufacturing, retailing and trading of apparel	<u>163,559</u>	<u>137,914</u>

The analysis of geographical locations of customers of the Group are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Mainland China	154,524	137,914
Japan	<u>9,035</u>	<u>–</u>
	<u>163,559</u>	<u>137,914</u>

2. Profit/(loss) from ordinary activities before taxation

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank advances and other borrowings repayable within five years	895	1,946
Depreciation	15,733	11,525
Loss on disposal of property, plant and equipment	–	1,067
Loss on disposal of interest in an associate	<u>–</u>	<u>889</u>

3. Taxation

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Taxation outside Hong Kong	292	272
Underprovision in previous year	<u>123</u>	<u>–</u>
	<u>415</u>	<u>272</u>

No provision for Hong Kong Profits Tax has been made in the financial statements (2002: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the year.

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

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit/(loss) attributable to shareholders of HK\$2,883,000 (2002: loss of HK\$38,856,000) divided by the weighted average of 961,929,000 ordinary shares (2002: 819,463,000 ordinary shares) in issue during the year. Diluted figures are not shown as there is no dilutive effect for the year ended 30 June 2003 (2002: Nil).

5. Dividend

The Directors do not recommend the payment of any dividend for the year ended 30 June 2003 (2002: Nil).

BUSINESS REVIEW

For the fiscal year ended 30 June 2003, the Group's turnover increased by 18.6% to HK\$163.6 million (2002: HK\$137.9 million), and net profit from ordinary activities attributable to shareholders was HK\$2.9 million (2002: loss of HK\$38.9 million). Gross profit amounted to HK\$74.6 million (2002: HK\$36.8 million), representing a 102.7% growth over the previous year, while gross profit margin expanded to 45.6% (2002: 26.7%).

In the past few years, the Group has consistently concentrated on its business in China. The stable economic and political environment in China has fostered a steady consumer and export market development. As at 30 June 2003, the Group operated 163 "Fun" brand stores in Mainland China, of which 76 were managed directly by the Group, and 87 were operated on franchise basis. Our business growth was driven by a strong demand of "Fun" products in both the first and second-tier cities. Although the outbreak of SARS in the second half of the fiscal year affected the general consumer sentiment, all of our retail stores still experienced a year-by-year basis sales increase. Although our export activity contributed only a relatively small portion of our revenue, our sales to overseas customers had increased by more than 100% compared with last year.

Major international fashion brands had been actively seeking different channels to establish their foothold in the China market. To encounter the highly competitive operating environment, the Group persevered in its strategy of expanding market share and improving profit margin through strong brand positioning and high customer loyalty. Successful launch of high-quality casual lines and nationwide advertising programs through top singer "A-do" music concerts and television shows increased the proportion of sales at full prices.

The expansion of the Group's production facilities had been completed during the year. The production capacity was expanded by 25% compared with last year. Approximately 62% of the Group's products were supplied by the Group's own production facilities. Productivity was increased through application of economy of scale, advanced technologies and shorter lead-time.

On 25 September 2003, a placement issue of 170 million new ordinary shares of HK\$0.01 each at a price of HK\$0.048 each was made through a placement agent to several independent investors. The net proceeds of approximately HK\$8 million was used as general working capital of the Group.

PROSPECT

The Group turned around its business in the fiscal year of 2002/2003 and we managed to lay a solid foundation for our future growth for many years ahead. We will increase our women's wear collections from two seasons to six seasons a year. The Group will manage to reduce our product design lead-time by another one month in order to allow faster response to the market need.

The momentum of strong market positioning will carry on. To meet the rising demands by China's upper-middle class of youths on shopping pleasure, we are upgrading our shop image with improvements in both store environment and services. To further capitalize our extensive brand awareness, we remain committed to selling high quality apparel with distinctive style at affordable prices only. Merchandise presentation through image-matching top singer "A-do" will continue for the forthcoming year.

We will continue to develop the extensive China market through steady increase of directly managed stores, and an aggressive nationwide franchising strategy by forming partnerships with local young entrepreneurs possessing strong business talents.

We expect that the development of the global economy will be positive. The Group will expand further its export business. The management will endeavor to improve the profitability of export business by securing prompt deliveries through effective supply chain management. With the accession of China to the World Trade Organization, we are confident that export business will become one of the significant activities in our next phase of growth.

The Group has initiated a small-scale property development project in Zhangzhou of Fujian Province during the year. This project is launched subsequent to the Group's insight on the high demand for street stores and comfortable housing in China's second-tier cities. This project will provide an additional revenue to the Group in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

As a result of successful advertising programs, more products were sold without discounts. The better application of economy of scale had reduced the overall cost of sales. Accordingly, the Group achieved a promising gross profit percentage of 45.6% (2002: 26.7%). Staff costs as a percentage to sales were reduced to 18% from 21% compared with last year because of improved productivity.

Inventory level was maintained at HK\$16.3 million as at 30 June 2003 (2002: HK\$11.9 million). Average stock turnover for the year was two months. Delivery lead-time had been closely monitored and shortened.

Net cash inflow from operating activities was HK\$17.3 million for the reported year, compared with HK\$22.8 million for the prior year. Cash balance at year-end amounted to HK\$9.5 million, compared with HK\$22.4 million at the prior year-end.

Outstanding bank loans were significantly reduced to HK\$2.4 million, as compared with HK\$19.1 million last year. The bank loans were secured by the Group's properties with an aggregate carrying value of approximately HK\$18 million at 30 June 2003.

The Group's capital commitment which had been contracted for but not provided in the financial statements at 30 June 2003 was approximately HK\$1.8 million (2002: Nil).

The Group's bank borrowings at 30 June 2003 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 2003 was 0.03, compared with 0.27 on the same date last year.

The Group's current ratio as at 30 June 2003 was 0.94, compared with 0.84 at the prior year-end. Quick ratio was 0.61, compared with 0.64 at the prior year-end.

HUMAN RESOURCES

As at 30 June 2003, the Group had a total of 1,880 employees (2002: 1,874). The Group offers competitive remuneration, bonus and share option packages based on the performance of the Group as well as that of each individual employee. Considerable emphasis is placed on keeping high quality personnel at all levels. Accordingly, appropriate training courses are provided to employees from time to time.

OTHER INFORMATION

The annual report of the Group for the year ended 30 June 2003 containing all the information required by the paragraph 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") will be published on the website of the Stock Exchange in due course.

By Order of the Board
Tan Sim Chew
Chairman

Hong Kong, 10 October 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Room 1001, 10th Floor, Hong Kong Scout Centre, 18 Austin Road, Hong Kong on Friday, 12 December, 2003 at 3:15 p.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 30 June, 2003.
2. To re-elect directors and to fix the remuneration of directors.
3. To re-appoint auditors and to authorise the directors to fix their remuneration.
4. As special business to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

“THAT

- (a) subject to paragraph (c) hereof, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which will or may require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval mentioned in paragraph (a) hereof shall authorise the directors of the Company during the Relevant Period (as defined below) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which will or may require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval mentioned in paragraph (a) hereof, otherwise than pursuant to shares of the Company issued as a result of a Rights Issue (as defined below) or any scrip dividend or similar arrangement providing for allotment of shares of the Company in lieu of the whole or part of the dividend on shares in accordance with the Company’s Articles of Association, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company open for a period fixed by the directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

By Order of the Board
LO King Fat, Lawrence
Secretary

Hong Kong, 10 October, 2003

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the proxy form together with any power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power or authority must be deposited at the head office and principal place of business of the Company at 23rd Floor, Sing Ho Finance Building, 166-168 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. The incumbent auditors of the Company, BDO International, will retire at the meeting and will practise under the name of BDO McCabe Lo & Company in the forthcoming year. Accordingly, a resolution will be proposed at the meeting to re-appoint BDO McCabe Lo & Company as auditors of the Company.

Please also refer to the published version of this announcement in The Standard.