BENEFUN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liabilities)

RESULTS FOR THE YEAR ENDED 30 JUNE, 2002

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 and associates (collectively referred as the "Group") for the year ended 30 June, 2002, together with comparative figures for the previous year as follows:

		For the year ended 30 June,	
		2002	2001
	Note	***HK$'000***	*HK$'000*
Turnover	*1*	**137,914**	122,907
Cost of sales		**(101,070)**	(81,347)
		36,844	41,560
Other revenue		**4,891**	4,348
Distribution costs		**(44,058)**	(37,459)
Administrative expenses		**(23,484)**	(25,336)
Operating loss		**(25,807)**	(16,887)
Finance cost		**(1,953)**	(3,424)
Provision for diminution in value of properties held for sale		**—**	(6,005)
Impairment loss on goodwill	*2*	**(10,798)**	—
Share of loss of an associated company		**(26)**	(48)
Loss from ordinary activities before taxation	*3*	**(38,584)**	(26,364)
Taxation	*4*	**(272)**	214
Loss attributable to shareholders		**(38,856)**	(26,150)
Loss per share	*5*		
Basic		**$(0.047)**	$(0.038)
Loss attributable to shareholders is analysed as follows:			
By the Company and its subsidiaries		**(38,830)**	(26,102)
By associated company		**(26)**	(48)
		(38,856)	(26,150)

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:

	2002	2001
	HK$'000	*HK$'000*
Manufacturing, retailing and trading of apparel	**137,914**	121,368
Rental income from investment properties	**—**	1,539
	137,914	122,907

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

	2002	2001
	HK$'000	*HK$'000*
Hong Kong	**—**	1,539
Elsewhere in the People's Republic of China ("PRC")	**137,914**	121,368
	137,914	122,907

2. Impairment loss on goodwill

In accordance with Statement of Standard Accounting Practice 30 "Business combinations", the goodwill on acquisition of the associate of HK$10,798,000, which was eliminated against reserve during the year ended 30 June 2001, has been charged to the consolidated income statement during the year as it is determined to be impaired.

3. Loss from ordinary activities before taxation

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

	2002	2001
	HK$'000	*HK$'000*
Interest on bank advances and other borrowings repayable within five years	**1,946**	3,418
Depreciation	**11,525**	10,591
Loss on disposal of property, plant and equipment	**1,067**	17
Loss on disposal of interest in an associate	**889**	—
Rental income from investment properties less direct outgoings	**—**	(1,271)

4. Taxation

	2002	2001
	HK$'000	*HK$'000*
Taxation outside Hong Kong	**272**	252
Deferred taxation	**—**	(466)
	272	(214)

No provision has been made in the consolidated financial statements for the year ended 30 June, 2002 for Hong Kong profits tax 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.

5. Loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of $38,856,000 (2001: $26,150,000) divided by the weighted average of 819,463,000 ordinary shares (2001: 684,068,000 ordinary shares) in issue during the year. Fully diluted figures are not shown as there is no potential dilutive effect for the year ended 30 June, 2002.

6. Dividend

The Directors do not recommend the payment of a dividend for the year ended 30 June, 2002 (2001: Nil).

BUSINESS REVIEW

For the year under review, the Group's turnover was approximately HK$138 million, representing an increase of 12.2 percent as compared with HK$ 123 million last year. The loss attributable to shareholders, excluding an impairment loss on goodwill relating to the disposal of an associate, was HK$28.1 million, representing an increase of 7.3 percent as compared with HK$26.2 million last year.

In the year under review, the Group had consistently focused its business in China. The Group is currently operating 132 fashion retail shops throughout the country, within which 80 shops are self-operated, and 52 shops are operated on franchise basis.

Market entries of many international apparel brands in the last few years had made the competition in China very severe. Nevertheless, the Group had managed to expand moderately its market share, and insisted to enhance its brand awareness and customer acceptability. We sold quality and elegant casual wears at competitive prices. Gross margin percentage had inevitably been maintained at a comparatively low level and hence the operating loss continued. Nevertheless, the Group had successfully built up its brand reputation in China. "Fun" brand had been recognized as an elegant, delightful, and relaxed casual wear brand and was liked by a huge group of middle to upper middle sectors of youths in China.

The Group's production facilities had been mostly completed and were supplying significant percentage of high quality garment merchandise to the Group's retail outlets. The Group had been writing increasing number of export sales orders.

In January 2002, the Group had disposed its shares in an associated company, namely, L.A. Resources Limited, as a result of market changes and its decision to concentrate most effort to expand the "Fun" market in China. In accordance with SSAP 30, the goodwill on acquisition of the associate of HK$10.8 million, which was eliminated against reserves during the year ended 30 June, 2001, had been charged to the consolidated income statement during the reported year as it was determined to be impaired.

As approved by shareholders of the Company's extraordinary general meeting held on 20 December, 2001 and confirmed by the sanction of an order of the court dated 11 February 2002, the authorized capital of the Company was reduced from HK$100 million divided into 1,000 million ordinary shares of HK$0.10 each to HK$10 million divided into 1,000 million ordinary shares of HK$0.01 each. Such reduction was effected by cancelling paid up capital to the extent of HK$0.09 upon each of the 802 million ordinary shares in issue as at 26 October, 2001. The authorized capital was restored to its former amount to HK$100 million by the creation of 9,000 million ordinary shares of HK$0.01 each.

On 2 May 2002, a placement issue of 160 million new ordinary shares of $0.01 each at a price of HK$0.07 each was made through a placement agent to several independent investors. The net proceeds of approximately HK$11 million was used as general working capital and for repayment of the bank loan.

PROSPECT

The Group is dedicated to enhance its market penetration and turnaround its business in the next years. Besides expanding its own shops, the Group will further expand its market through aggressive franchising operation, especially in the booming second-tier cities.

The Group will launch a second line fashion brand known as "Fun-G" meaning "Fun-game" in the coming year. This will fit to the needs of the confined sector of innovative and trendy teenagers in China. They will emerge as a high spending consumer group in the next decade.

We are optimistic that the economic development and political stability in China will continue. The wealth of the people is growing gradually. Their demand for high-valued fashion products and comfortable living place is increasing tremendously. The Group is participating in certain property development projects, which will subordinate its fashion retailing and export businesses.

China's accession to the WTO will bring both threat and opportunities to the local business participants including our Group. We are dedicated to meet these challenges and to turnaround the performance through improvement of overall operational and management efficiency. We will improve our product lines, expand our distribution network, streamline our procurement mechanism, implement effective cost control methods and upgrade the staff efficiency of our work team.

WORKING CAPITAL AND LIQUIDITY

Inventory level was further reduced to HK$11.9 million as at 30 June, 2002, compared with HK$44.1 million last year. Outstanding bank loan was significantly reduced to HK$19.1 million, as compared with HK$36.0 million last year. Net cash inflow from operating activities was HK$22.8 million for the reported year, compared with a net cash inflow of HK$23.1 million for the prior year. Cash balance at the year-end amounted to HK$22.4 million, compared with a balance of HK$14.7 million at the prior year-end.

The debt equity ratio as at 30 June, 2002 was reduced further to 0.27, compared with 0.41 on the same date last year

The Group' current ratio as at the year-end was 0.84, compared with 1.01 for the prior year-end. The Group's quick ratio was improved to 0.64, compared with 0.50 at the prior year-end.

STAFF

As at 30 June, 2002, the Group had a total staff of 1,874 of which 1,868 were employed in the PRC for the Group's manufacturing and retailing businesses.

The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and option scheme and also provides in-house training programs and external training sponsorship.

OTHER INFORMATION

The annual report of the Group for the year ended 30 June, 2002 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, 11 October, 2002

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, Kowloon, Hong Kong on Friday, 20 December, 2002 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, 2002.

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, 11 October, 2002

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 Hong Kong office 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.

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